2012 ANNUAL REPORT

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ANNUAL REPORT SEGURADORA INTERNACIONAL DE MOÇAMBIQUE 2012

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 moderate growth in 2012, sustained by the robust development of the emerging countries, and as a result of the structural changes of the global economy in the correlation of forces in favour of the emerging countries. Indeed, the global growth estimated at 3.3% in 2012 took place in a situation where the United States of America (USA) and various European countries recorded high levels of unemployment and sovereign debt crisis, with negative impact on the aggregate demand components which are determinant for growth, namely private consumption, corporate investment and public expenditure. In contrast, and most in particular offsetting the factors dampening the Western economies, was China's performance, whose growth rate reached around 7.8%, based on a model of exports, absorption capacity of its domestic market and, partly, due to the effects of the monetary and fiscal stimulation policies.

It is estimated that Sub-Saharan Africa recorded GDP growth close to 5.0%, where it is important to highlight the oil exporting countries, whose growth rates were above the average, namely Angola (6.8%), Nigeria (6.9%) and Ghana (8.5%). In general, the very strong buoyancy of the demand for natural resources and basic metals led to the sustained growth of most countries, both those which have a diversified export base and those dependent on a few products, which is the case, for example, of Zambia (copper) and Botswana (diamonds), which should have grown by 7.0 and 5.6%, respectively. These dynamics reflect the trend towards the redirection of the continent's exports to Asia and, principally, to China. It is estimated that China-Africa bilateral trade reached the value of 200 billion USD by the end of 2012 (166 billion USD in 2011). In these relations, China has begun to play an important role for the African economies, in terms of external balances, as well as in the flow of capital for the purpose of the financing of infrastructure investment projects. Mozambique, included in the countries with new discoveries of natural gas, has recorded strong growth of Direct Foreign Investment (DFI) in natural resources and supporting infrastructures, and it is expected that it will begin to play an important role in the coal and gas export market during the next five years.

During these last few years, the insurance market in Mozambique has grown and developed in a progressively faster manner, therefore requiring effective supervision by the authorities and reinforcement of the legal and regulatory instruments in force, which not only favours the taking out of insurance for the large-scale investment projects in Mozambique, from national insurers, but also requires these insurers assume greater responsibility in the assessment and pricing of risks and careful management of companies, in order to ensure that the companies of the branch preserve their future sustainability, using the experience of other more developed geographic areas as a reference, on matters of risk management and pricing.

In order to pursue the objectives referred to above and in view of the growing number of players in the market, both in terms of insurance companies and the mediation structure, it is fundamental for the insurers to strengthen, conferring greater visibility to the Mozambican Association of Insurers, imprinting stronger dynamics on its operation, so as to ensure higher transparency in the exercise of the noble activity, which is of crucial importance to the national economy and, the safeguarding of the interests of the Customers and third parties, an essential factor in promoting the credibility of insurers in general.

The increased number of participants in insurance activity in Mozambique reveals the great interest that this market has progressively triggered, arising from the country's economic stability and primarily the levels of economic growth, where the start-up of coal exports is already beginning to show an important contribution.

The appeal of this market also arises from the investment flow in large-scale development projects, particularly in the mining sectors, specifically coal, as noted above, and gas, still at a prospecting stage, which further enhances the responsibility and role of national insurers in this development process.

In Mozambique, the level of penetration of insurance in the national economy continues to grow and already represents 1.44% of GDP. We are convinced that, in view of the major development projects in the country and emergence of the large and medium-sized companies attracted by these projects, this will ensure rapid growth of the economy in the short and medium-term and, consequently, improved living standards for citizens, creating a stronger insurance culture and, therefore, the awareness of the need to safeguard their assets and those of their family. The combination of all these factors will certainly influence strong growth of the premiums issued and, through this mechanism, a higher level of penetration of insurance in the country.

The financial year of 2012 represented a notable milestone in the path of Seguradora Internacional de Moçambique, as one of the Insurer's brands, IMPAR, commemorated its 20th anniversary. As part of the commemoration, a logo was created to highlight this occasion.

In this atmosphere of celebration, the activity of Seguradora Internacional de Moçambique was also marked, in 2012, by enormous challenges arising both from the reduction of asset yields as a result of the lower interest rates offered by the national banking sector and the growing competitiveness of the market, where there is a progressively stronger trend towards the reduction of pricing to unsustainable levels and which, in many cases, are not coherent with a balanced management of the activity.

The permanent focus on the optimisation of business processes, supported by an information technology system under ongoing evolution, where the main drive is to provide an innovative and efficient service to the Customer, implies that Seguradora Internacional de Moçambique continues to ensure the loyalty of its Customers who value the price-quality relationship and personalised attendance.

It was under these economic and market circumstances that Seguradora Internacional de Moçambique, during the year under review, continued to show excellent results, confirmed by its management indicators, which recorded a notable performance, with high solvency and liquidity levels and where processed revenue grew by 3.7% and net income achieved an identical value to that of the previous year, corresponding to a value of 396 million Meticais.

In view of the expected growth of the national economy and increasing competitiveness of the insurance market, the Insurer's focus on the permanent upgrading of its information systems, innovation of its products and the ongoing training of its staff will continue to be decisive to its maintenance of market leadership. Therefore, plans have been made for the introduction of a new computer application during 2013, which will be interconnected to the information system recently installed in the Company, and will enable the communication and sharing of information in real time with its partners, thus facilitating the management and monitoring of all the data of its insurance portfolio.

To conclude, I would like to express my gratitude to all the Employees of the Insurer who, through their effort and dedication, contributed to the achievement of the Company's objectives and results.

I would also like to thank the involvement of our business partners in the affirmation of this project and in the belief that the existing ties of cooperation will consolidate and strengthen in the future.

To our Customers, a profound recognition for their continued choice of Seguradora Internacional de Moçambique as their preferred partner on matters of insurance, reaffirming the purpose of Seguradora Internacional de Moçambique to continue improving its service levels and maintain its leadership in the Mozambican insurance market.

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

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

Mário Fernandes da Graça Machungo
Chairman of the Board of Directors

KEY INDICATORS

KEY INDICATORS

Million MZN

Business indicators	'12	'11	VAR. % '12/'11
Income statement			
Direct insurance premiums	**1,395**	1,346	3.7%
Non-Life	**1,067**	964	10.7%
Life	**328**	382	-14.1%
Technical margin	**736**	694	6.0%
Net income	**392**	396	-0.9%
Balance sheet			
Equity	**1,405**	1,241	13.2%
Total assets	**5,169**	4,849	6.6%
Investments	**4,776**	4,366	9.4%
Ratios			
Efficiency			
1 – Ratio of Non-Life claims, net of reinsurance	**30.1%**	32.9%	-2.8 p.p.
2 – Ratio of Non-Life costs, net of reinsurance	**23.9%**	23.6%	0.3 p.p.
3 – Combined ratio of Non-Life, net of reinsurance	**54.0%**	56.5%	-2.5 p.p.
4 – Life net operating costs/Life investments	**0.4%**	0.4%	0.0 p.p.
Profitability			
1 – Technical earnings/Premium revenue	**52.7%**	51.6%	+1.2 p.p.
Non-Life	**60.3%**	60.4%	-0.1 p.p.
Life	**28.0%**	29.3%	-1.3 p.p.
2 – Return on average equity (ROE)	**27.9%**	31.9%	-4.0 p.p.
Solvency			
1 – Solvency ratio	**392.1%**	329.9%	+62.1 p.p.
2 – Equity/Total assets	**27.3%**	25.6%	+1.7 p.p.
3 – Coverage of the technical provisions	**131.4%**	125.4%	+6.1 p.p.
Other indicators			
Market share	**n.a.**	28%	-
Number of Employees	**146**	147	-0.7%

SHAREHOLDER STRUCTURE

Meticais

Shareholders	Number of shares	%	Paid-up share capital
BIM – Banco Internacional de Moçambique, S.A.	1,326,232	89.91%	132,623,200
PT Participações, SGPS, S.A.	86,068	5.84%	8,606,800
FDC – Fundação para o Desenvolvimento da Comunidade	30,716	2.08%	3,071,600
TDM – Telecomunicações de Moçambique, S.A.	30,716	2.08%	3,071,600
Remaining Shareholders	1,268	0.09%	126,800
Total	1,475,000	100.0000%	147,500,000

GOVERNING BODIES

BOARD OF THE GENERAL MEETING

Chairman	Narciso Matos
Deputy Chairman	Teotónio Jaime dos Anjos Comiche
Secretary	Horácio de Barros Chimene

BOARD OF DIRECTORS

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

BOARD OF AUDITORS

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 2012, the Board of Directors of Seguradora Internacional de Moçambique, S.A. has the pleasure to present the Shareholders with the Annual Rweport for the year ended on 31 December 2012, which was audited by PricewaterhouseCoopers, Lda.

ECONOMIC AND FINANCIAL ENVIRONMENT

WORLD ECONOMY

Worldwide recovery continues weak, due to the unemployment and fiscal deficit in the USA and in Europe, with it being estimated that the growth rate will stand at 3.3% in 2012 and 3.6% in 2013 [1]. The global economic scenario was and will continue to be dependent on the implementation of policies which prevent further deterioration in the Euro Zone, policy errors in the USA, the growth of the BRIC (Brazil, Russia, India and China) and the continuation of accommodative policies of the central banks of the more developed economies. While the global economy has been marked by resilience to the global recession, certain trends continued during 2012:

- The West without sustained growth based on the foundations of aggregate demand as a result of the excessive indebtedness of families and companies, as well as the sovereign debt crisis in Europe. In fact the process of deleveraging of families and companies still underway, as well as the fiscal austerity measures, constitute the principal underlying theme of the sluggish growth of the more developed economies;

- Support measures and commitments of the central banks, especially the European Central Bank (ECB) in the Euro Zone. In this situation of crisis, the balance of the central banks has increased and the fiscal deficit has deteriorated;

- The structural change in the correlation of strengths in favour of the emerging countries, constituting the principal driver of global growth;

- The consolidation of other trade channels and investment flows between Asia, Africa, the Middle East and Latin America, in a South-South version of relations;

- Alterations of structural nature in the most populated emerging economies, such as China, Indonesia and India, in terms of the higher absorption capacity of domestic markets compared to the deterioration of their Western and European export markets.

The factors referred to above contributed to maintain global growth in a situation where various risks affected the positive feelings of the markets, namely:

- The uncertainty surrounding the elections in Greece and the exacerbation of the contagion effects of the austerity measures in the rest of the Euro Zone and in countries dependent on external investment flows and assistance;

- The effects of the accommodative monetary policies on capital flows which seek attractive yields in emerging markets, implying the risk of a price bubble and inflation in these markets. This risk is reinforced by the inflationary effects of monetary and fiscal policies which boost economic growth;

- The geopolitical risks of the situation of Iran and Syria in the Middle East, implying a possible shock in the energy sector, as well as the effects of the economic sanctions on Iran, with a negative impact on correlated markets;

- The result of the November elections in the USA and the need for negotiations between the two parties on the path of fiscal policy. This situation imposes limitations on matters of policies to stimulate aggregate demand as a method to combat the recession.

(1) FMI, *World Economic Outlook*, Oct. 2012.

Economic growth in 2013 should be more robust than in 2012, which is estimated to stand at 3.6%, driven by the good performance of the emerging economies, where it is expected that China will record a rate of 8.2%, influenced by the consolidation of the domestic economy. In contrast, a probable containment of fiscal expenditure [(2)] in the USA should dampen any gains in the trend of growth of aggregate demand, arising from the recovery of consumption, credit and the real estate market. The Euro Zone, more united in the monetary field and with new supervisory structures, should show very weak recovery due to the effects of the fiscal austerity programmes in the periphery of Europe.

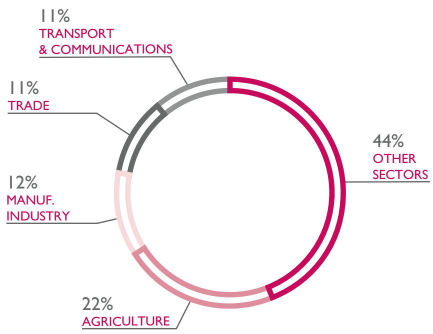
The outlook for 2013 is of global growth of around 3.6%, driven by the emerging countries and moderate recovery of the USA, in a context where sustainability depends on various challenges: (i) fiscal policy in the USA after the election of the Democrats and the process of negotiation and regulation involved; (ii) continued support of the ECB and Germany to the countries of the periphery of Europe, combined with new banking supervisory instruments for the Euro Zone; (iii) containment of the inflation and price bubble of assets in the emerging markets, which might result in restrictive monetary policies with recessive effects; (iv) structural reforms in the emerging markets ensuring higher absorption capacity of domestic markets; (v) political stability in the Middle East, with impact on the price of energy products and (vi) the possible decline of growth in China, leading to the slowdown of exports of the emerging countries.

MOZAMBIQUE

ECONOMIC GROWTH

According to data published by INE for the second quarter of 2012, GDP grew by 8.0% (year-on-year), representing an acceleration of 1.7 percentage points (6.0% in the first quarter). In cumulative terms, the growth of the economy over the second semester was 7.2% (year-on-year), corresponding to an acceleration of around 0.4% in relation to the previous quarter. The secondary sector was the one which recorded strongest growth (10.2%), during the period under review, driven by manufacturing industry, which grew by 11.6%, followed by the tertiary sector, with a growth rate of 7.7%, during this same period, driven by transport and communications, which increased by 14.8%. The primary sector also recorded a positive performance (7.4%), particularly in the mining industry, which grew by 54%. The agricultural sector is the sector which continues to show most weight in the Mozambican economy, having accounted for 31% of GDP, in the second quarter, followed by trade and services which accounted for 12% and manufacturing industry for 10%.

GDP – MOZAMBIQUE, SECTORIAL CONTRIBUTION



Source: INE.

INFLATION

Prices levels in the economy, during 2012, showed a downward trend due to the efforts to reduce inflation pursued by the monetary authorities and the evolution of the real sector.

In general terms, the lowering of inflation was partially due to the effects arising from: (i) restrictive monetary policies applied between 2010 and 1011; (ii) containment of the inflation transmission mechanism of the basket of imported goods, based on a policy of appreciation of the Metical in relation to the main currencies of foreign transactions (USD and Rands) and (iii) good harvests and food production in 2012. In fact, close to 50% of the Consumer Price Index is explained by the basket of consumer goods, where 25% are imported goods. According to INE data relative to the month of November, year-on-year inflation was 2.3% (15.5% in 2010 and 8.6% in 2011). From January to October, the monthly variation of prices stood below 0.05%, having increased in November to 1.06%, accompanied by a minor devaluation of the Metical in relation to the USD. During the last months of the year, it is expected that the pressure of imports should have exerted stronger influence towards increasing prices.

(2) Effects of the US Fiscal Cliff, which will imply increased taxes and cutting of government expenditure with recessive effects.

In line with the downward trend of inflation, the monetary authorities successively cut the reference rate (Permanent Assignment Facility), to an accumulated total of 550 b.p. between December 2011 (15.0%) and December 2012 (9.50%), in a clear action of support to credit expansion and economic growth.

MACROECONOMIC INDICATORS

	'07	'08	'09	'10	'11	**'12 E**
Real GDP (annual variation rate)	7.50%	6.80%	6.30%	7.10%	7.30%	**7.50%**
Inflation (average variation rate)	8.2%	10.3%	3.4%	12.7%	8.4%	**2.9%**
Monetary mass (annual variation rate)	25.0%	26.0%	32.6%	22.8%	9.4%	**25.5%** [a]
Current trans. balance (% GDP)	-9.2%	-12.2%	-10.5%	-17.4%	-25.8%	**26.9%** [b]
Budget balance (% GDP)	-5.3%	-2.3%	-5.4%	-6.0%	-4.6%	**-6.4%**
MZN/USD exchange rate (year end)	23.82	25.50	29.2	32.8	28.0	**29.8**
% var. MZN/USD exchange rate	-8.3%	7.1%	14.5%	12.3%	-14.6%	**6.4%**
MZN/ZAR exchange rate (year end)	3.50	2.72	3.96	5.03	3.40	**3.50**
% var. MZN/ZAR exchange rate	-8.4%	-22.3%	45.6%	27.0%	-32.4%	**2.9%**

Notes:
(a) – Banco de Moçambique and IMF (CR 13/01).
(b) – *Ibidem.*
E – estimates, except exchange rate (Mbim) and inflation (INE).

EXTERNAL BALANCE

During the first semester of 2012, the current account recorded a deficit of 1.35 billion USD, corresponding to a deterioration of 54% in relation to the same period of 2011. The current account deficit was influenced, to a large extent, by the imports of equipment of the capital intensive investments in the extraction of mineral resources, the import of fuel, wheat, vehicles and medicinal products, as well as the remuneration of factors of production to entities abroad. Furthermore, and in relation to the period under review, there are two factors in particular which contributed significantly to the reduction of the balance of current transactions: firstly, the decline of emigrant remittances, primarily those from the miners in South Africa, as a result of the strikes which occurred there last year; and secondly, the less expressive support of the donors in terms of unilateral transfers. It should be noted that the situation of the current balance reflects the country's growth based on capital intensive projects, indicating the trade-off between internal and external balance. Indeed, and as demonstrated in the following table, the exclusion of the transactions related to the major projects implies a rather modest current account deficit of around 989 million USD, which corresponds to an aggravation of 28% in relation to the same period of 2011.

The flow of investment has increased, especially in the mining sectors, in particular coal, and with the discovery of gas reserves in the Rovuma basin, where the increased direct foreign investment has been instrumental in financing the current deficit and higher foreign exchange reserves. The available data [3] indicates that, during the first semester of 2012, financial flows with the rest of the world recorded a net entry of 969 million USD, corresponding to an increase of 139 million USD in relation to the same period of 2011. During the previous under review, direct foreign investment reached 833 million USD, where 73% was explained by the large-scale projects in the mining and gas sectors. Regarding the sectorial distribution of foreign investment [4], excluding the mega-projects, the most important areas are the manufacturing industry (36 million USD) and transport (17 million USD).

In terms of net international reserves, the balance recorded in December 2012 was 2.5 billion USD [5], equivalent to coverage of 5.6 months of imports of non-factorial goods and services.

(3) Banco de Moçambique, *Conjuntura Económica e Perspectivas de Inflação*, October 2012. Recent data point to 1.4 billion USD of net entries in the first nine months of 2012 (End of the Year Speech of the Governor of Banco de Moçambique).
(4) In relation to the first semester of 2012.
(5) Data up to 14 December 2012.

CURRENT TRANSACTIONS BALANCE

Million USD

Current	With major projects			Without major projects		
	1st S.'11	**1st S.'12**	Var. %	1st S.'11	**1st S.'12**	Var. %
Exports of goods	1,791	**1,854**	4%	802	**718**	-10%
Imports of goods	-2,607	**-2,541**	-3%	-1,879	**-1,568**	-17%
Exported services	324	**295**	-9%	324	**295**	-9%
Paid services	-688	**-1,120**	63%	-480	**-674**	41%
Remuneration of factors received	96	**66**	-31%	96	**66**	-31%
Remuneration of factors paid	-221	**-151**	-32%	-79	**-116**	47%
Transfers from abroad	496	**369**	-26%	496	**369**	-26%
Transfers to abroad	-68	**-120**	76%	-51	**-79**	55%
Balance of current transactions	-878	**-1,348**	54%	-771	**-989**	28%

Source: Banco de Moçambique.

NB: 1st S.'12 corresponds to the first semester of 2012 and 1st S.'11 to the first semester of 2011.

PUBLIC ACCOUNTS

The State Budget for 2012 estimates total funds of the value of 163 billion Meticais, of which approximately 40% correspond to funds derived from abroad. Funds derived from abroad are distributed between 34.7 billion Meticais of donations and 29.6 billion Meticais of loans. Up to June 2012, the degree of realisation of State revenue stood at 46%, in contrast to external funds with a realisation level of 23%, greatly below the expected value. In general, during the first six months of 2012, these funds corresponded to the equivalent of 36% of the annual budget. On the expenditure side, operating costs, with a weight of 67% of the annual budget, showed a realisation level of 46% by June. However, and greatly below the targets, the realisation level of investment expenditure was merely 26%, primarily due to the foreign component, which did not stand above a realisation level of 19%.

In general terms, it is estimated that the deficit should reach 16.1% of GDP in 2012, in a situation where foreign dependence declines to 39.5%, with coverage of expenditure by domestic funds of approximately 60.5%.

OVERVIEW OF THE INSURANCE SECTOR IN MOZAMBIQUE

According to the information disclosed by the Insurance Supervision Institute of Mozambique relative to 2011, published on 21 December 2012, the insurance market in Mozambique continues to grow and is characterised by increased competitiveness and an ongoing drive to provide better service to the Customer.

In view of the high and consistent economic growth rates of the country and the establishment of major development projects, there has been an increase in the number of insurers operating in the country. In fact, during 2011, with the start-up of business of Companhia de Seguros Índico, the market operated with nine companies, while during 2012, following the authorisation granted to a further three companies, namely Nico Moçambique Vida, Tranquilidade Moçambique Companhia de Seguros Vida and Tranquilidade Moçambique Companhia de Seguros, the market was thus composed of 12 insurers.

Of the insurers authorised to operate in the country, Seguradora Internacional de Moçambique, Emose, Global Alliance and Moçambique Companhia de Seguros cumulatively operate in the Life and Non-Life branches, with Hollard – Vida, Nico Moçambique Vida and Tranquilidade Vida only working in the Life branch.

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

The number of brokers in the market also shows high growth, confirming the growing competitiveness and buoyancy of the national economy and, in particular, the insurance market.

The cumulative analysis of Life and Non-Life confirms that Seguradora Internacional de Moçambique maintained leadership in the sector, with a total share of 28.1%, followed by Emose and Global Alliance, with 24.9% and 22.1%, respectively. Seguradora Internacional de Moçambique was also leader in the Life segment, with a market share of 52%.

During 2011, the insurer sector achieved a value of direct insurance premiums of 4,793 million Meticais, corresponding to a growth rate of 21.5% in relation to the previous year. The Real branches showed a growth rate of 22.7% and the Life branches growth of 15.4%.

As indicated above, Seguradora Internacional de Moçambique reached a value of direct insurance premiums of 1,346 million Meticais, approximately 28.1% of the total premiums of the sector, corresponding to a positive variation of 10.4% in relation to the value recorded in 2010.

DIRECT INSURANCE PREMIUMS – MOZAMBIQUE Million MZN

Business branch	'11	'10	VAR. % '11/'10
Life	734	636	15.4%
Non-Life	4,059	3,309	22.7%
Total	**4,793**	**3,945**	**21.5%**

Source: Supervision Institute of Mozambique (ISSM), December 2011.

The Non-Life business branch represented 84.7% of the total value of direct insurance premiums and the Life business branch the remaining 15.3%.

Particular note should be made of the fact that, in the composition of the Non-Life business branch portfolio, the Motor branch continues to account for a high proportion in relation to the rest, representing 42.9% of the total premiums issued, having shown a positive variation of 25% during the period under review relative to the previous year.

Indicators	'11	'10
% insurance premiums in GDP	1.44%	1.26%
Premiums *per capita* (MZN)	202.2	171.1

Source: Insurance Supervision Institute of Mozambique (ISSM), December 2011.

The premium *per capita* grew from the previous 171 Meticais to 202 Meticais, for an estimated population of 23.7 million inhabitants, and the insurance penetration rate increased significantly relative to 2010, from 1.26% to 1.44% in 2011, in spite of the considerable growth of GDP.

Net reinsurance claims in the Non-Life business branch stood at 42.5% compared with 41.7% for 2010. The highest claim rates were recorded in the Fire and Natural Phenomena branch, with 66%, and in the Motor branch, with 45.6%.

As a result of policies of prudent management and great strictness in subscription, Seguradora Internacional de Moçambique presented one of the lowest claim rates of the national insurance market of 33.1% compared with 44.4% , 45.2% and 46.2% of the main insurers in the market.

The net income of the insurance sector in 2011 presented growth of 26.3%, recording a total value of 666.7 million Meticais, with most of the insurers operating in the market continuing to show positive results. Seguradora Internacional de Moçambique contributed with 59.4% of the total net income of the sector, followed by Emose and Global Alliance, with 23.1% and 12.7%, respectively.

The return on equity of the insurance sector stood at 18.3% in overall terms. Seguradora Internacional de Moçambique achieved an average return on equity of 31.9%, followed by 22.8% and 13.9% recorded by its most direct competitors in the market.

By the end of 2011, the Mozambican insurance market reported total investments of 8,457 million Meticais, corresponding to a growth rate of 18.3% relative to the previous year. Investments represented 70.4% of the total assets held by the insurers.

The relative weight of Buildings in total investments increased, having shifted from 36.6% in 2010 to close to 41.4% in 2011. It should be noted that to a large extent the overall variation which occurred in Buildings, of a total value of 887.4 million Meticais, arises from the revaluation of buildings.

As at 31 December 2011, the insurers had constituted 5,297 million Meticais of technical provisions net of reinsurance. The degree of coverage relative to the investments in portfolio stood at 159.7%, a slight reduction compared with the 175.6% of the previous year.

KEY EVENTS OF 2012

Seguradora Internacional de Moçambique recorded a positive evolution of processed revenue during 2012, having achieved a total value of 1,395 million Meticais, corresponding to growth of 3.7% relative to 2011, in a context of growing competition where the squeezing of margins has been one of the critical problems of the sector, added to the difficulties arising from the international economic and financial crisis which has, to a certain extent, also affected the national economy.

This increase of revenue was due to the contribution of the Real branches with year-on-year growth of 10.7%, arising from the entry of new business into the Motor, Fire, Occupational Accident and Personal Accident branches. In this case, the Motor branch contributed the most, representing 38.2% of the total portfolio with a positive variation of 6.3%, very close to the evolution of the previous year, thus demonstrating the credibility and continued preference of Customers for this Insurer.

The Fire branch, accounting for 29% of the total portfolio, presented a positive variation of 115.7% relative to the previous year, corresponding to 165.9 million Meticais, explained by the subscription of special and highly complex insurance in the area of energy resource prospecting.

Note should also be made of the positive evolution of the Occupational Accident branch which grew by 14.1% during 2012, reflected in an increase of 11.3 million Meticais, as a result of the entry of new business as well as the increased salary amount of the existing policies.

The strategy defined and implemented in 2012 aimed at strengthening the commercial action at the Insurer's branches and with its brokers, which are important business partners. Continuing, on the other hand, to favour the use of the Group's synergies through a cross-selling strategy aimed at stimulating the sale of insurance at Millennium bim branches.

In terms of the banking channel, the Insurer has established differentiated subscription conditions for the Prestige network and provides a page on the corporate portal with information on the insurance marketed, thus endowing the commercial networks with effective sales support tools and processes. A new tool for the processing of insurance proposals has also been provided, enabling the monitoring of its circuit up to the issue of the policy. On the other hand, the Issuer periodically discloses studies on the network's performance, with specific sales analysis.

Projects have been developed in terms of information technology, transversal across all networks, strengthening and fine-tuning the operating applications, as well as the sales support tools.

Under the commemorations of the 20th anniversary of the brand IMPAR, Seguradora Internacional de Moçambique carried out various activities during 2012, both at an internal and institutional level, in particular advertising campaigns through the main bodies of information of the country and other activities directed at the Employees of the Insurer.

The combination of all the factors of this strategy led to the achievement, by Seguradora Internacional de Moçambique, of a net income of 392 million Meticais, in line with the same period of 2011, in spite of the reduction of investment yields due to the significant decrease of interest rates.

ORGANISATIONAL STRUCTURE

COMMERCIAL NETWORKS

- Millennium insurance
  - Retail Network
  - Corporate Network
  - Prestige Network
- IMPAR
  - Branches
  - Consultants
  - Agents
  - Brokers

Centralised Services

- Subscription
- Issue of Policies
- Claims Management
- Commercial Area
- Planning and Control
- Financial Area
- Investments
- Actuarial Services
- Reinsurance

Shared Services (*)

- IT
- Personnel Management
- Marketing
- Compliance
- Internal Audit
- Administration and Asset Management
- Legal Services

(*) With Millennium bim.

FINANCIAL REVIEW

During 2012, the overall value of direct insurance premiums stood at 1,395 million Meticais, which compares favourably with the 1,346 million Meticais of the previous year, representing growth of 3.7%. The Non-Life branch contributed with 1,067 million Meticais and Life with 328 million Meticais to this evolution.

DIRECT INSURANCE PREMIUMS Million MZN

Business	'12	'11	VAR. % '12/'11
Life	**327,653**	381,543	-14.1%
Non-Life	**1,067,370**	964,199	10.7%
Total	**1,395,023**	1,345,742	3.7%

LIFE BUSINESS

DIRECT INSURANCE PREMIUMS

The Life business recorded a negative growth rate of 14.1% during 2012. This variation is explained by the impact of the reduction of revenue from the Life Risk branch due to the slowdown of insurance related to bank loans, as well as the reductions which occurred in Life Capitalisation and Life Annuity insurance.

Million MZN

Branch	'12	'11	VAR. % '12/'11
Life Risk	**138,949**	154,164	-9.9%
Life Capitalisation	**49,156**	80,593	-39.0%
Life Annuities	**139,548**	146,786	-4.9%
Total	**327,653**	381,543	-14.1%

TECHNICAL ANALYSIS

The technical margin of the Life branch, before imputation of administrative costs, stood at 92 million Meticais in 2012, a negative variation of 17.9% relative to 2011, due to the impact of the reduction of revenue.

TECHNICAL MARGIN Million MZN

Branch	'12	'11	VAR. % '12/'11
Life Risk	**76,113**	90,686	-16.1%
Life Capitalisation	**3,724**	8,074	-53.9%
Life Annuities	**11,981**	13,060	-8.3%
Total	**91,818**	111,820	-17.9%

The Life Risk branch accounted for 42.4% of the total value of premiums of the Life branch and represented 82.9% of its technical margin.

The technical yield of the Life Risk branch was 54.8% compared with 58.8% in 2011, a negative variation of 4 p.p., explained by the significant reduction of yields of the assets allocated to the technical reserves and increased technical costs due to the intrinsic risk of the aging of the portfolio.

NON-LIFE BUSINESS

DIRECT INSURANCE PREMIUMS

In the Non-Life branch, the value of direct insurance premiums grew by 10.7% in 2012 relative to 2011, having reached 1,067 million Meticais. The Motor, Fire, Occupational Accident and Personal Accident branches contributed to this increase.

The Motor branch was the most important, representing 38.2% of the total processed revenue of the real branches, having shown growth of 6.3%, confirming the loyalty of our Customers and, consequently, the stability of our portfolio.

The highest growth rate was recorded in the Fire branch which presented a positive variation of 115.7%, explained by the issue of special insurance relative to major development projects.

The Occupational Accident branch presented a growth rate of 14.1% compared with the same period of 2011, due to the taking out of new insurance and the increased amount of wages of the policies in the portfolio.

NON-LIFE DIRECT INSURANCE PREMIUMS Million MZN

Branches	'12	'11	VAR. % '12/'11
Occupational Accidents	**90,891**	79,628	14.1%
Personal Accidents and Sickness	**141,219**	185,709	-24.0%
Fire and Natural Phenomena	**309,352**	143,437	115.7%
Motor	**407,416**	383,411	6.3%
Marine	**2,471**	11,831	-79.1%
Aviation	**2,186**	2,057	6.3%
Transport	**20,133**	22,142	-9.1%
General Civil Liability	**14,945**	21,515	-30.5%
Miscellaneous	**78,757**	114,469	-31.2%
Total	**1,067,370**	964,199	10.7%

TECHNICAL ANALYSIS

The costs related to Non-Life direct insurance claims reached 283 million Meticais, however, amortised by the indemnities recovered from reinsurance, even so present a positive net variation of merely 0.41%, in 2012, relative to 2011, corresponding to an increase of approximately 907 thousand Meticais.

The Non-Life claim rate, before the imputation of administrative costs, stood at 26.5%, an increase 3.3 percentage points relative to 2011, which is explained by the impact of the provision for claims in the Miscellaneous branch.

In 2012, the technical margin, before the imputation of administrative costs, reached 644 million Meticais, growth of 10.6% relative to 2011. The growth of revenue and reduction of technical costs contributed to this positive evolution.

The Non-Life combined ratio, after imputation of administrative costs, stood at 57.3%, an improvement of 3.4 percentage points relative to 2011. This evolution arises from the reduction of the ratio of claims net of reinsurance by 1.9 p.p. and the decline of the general costs ratio by 1.5 p.p.

NON-LIFE CLAIM RATES

Branches	'12	'11	VAR. % '12/'11
Occupational Accidents	**14.4%**	17.5%	-3.1 p.p.
Personal Accidents and Sickness	**31.8%**	13.0%	18.8 p.p.
Fire and Natural Phenomena	**7.9%**	38.2%	-30.3 p.p.
Motor	**34.2%**	42.8%	-8.7 p.p.
Marine	**-459.5%**	-22.0%	-437.4 p.p.
Aviation	**1.1%**	-2.6%	3.8 p.p.
Transport	**3.3%**	0.6%	2.7 p.p.
General Civil Liability	**17.6%**	-4.8%	22.4 p.p.
Miscellaneous	**87.7%**	-26.7%	114.4 p.p.
Total	**26.5%**	23.1%	3.3 p.p.

ADMINISTRATIVE COSTS

Administrative costs grew by 10%, standing at 205 million Meticais, which corresponds to 14.7% of the gross premiums issued.

Thousand MZN

Administrative costs	'12	'11	VAR. % '12/'11
Staff costs	**133,161**	115,769	15.0%
External supplies and services	**70,162**	66,458	5.6%
Other administrative costs	**1,913**	4,395	-56.5%
Total	**205,236**	186,622	10.0%

The 10% increase in administrative costs, corresponding to 18.6 million Meticais, is explained by the alterations which occurred under the headings of staff costs and external supplies and services arising from the continuous growth of the Insurer.

NET INCOME

Net Income reached 392 million Meticais in December 2012, in line with the net income for the same period of 2011, in spite of the impact of the reduction of investment yields due to the significant decrease of interest rates, representing in relation to the same period of 2011 and Budget for 2012, respectively, a negative variation of 0.9% and a positive variation of 1%. This performance was influenced by the positive evolution of the business, particularly the growth of revenue and a relative reduction of the rate of claims, especially in the branches of most importance and highest growth of revenue.

TEAM BUILDING COMMEMORATING THE 20TH ANNIVERSARY OF THE COMPANY

REINSURANCE

According to the available statistics on climate events and their impact on the insurance industry, during 2012, the United States of America accounted for the highest portion of worldwide losses above normal, due to a series of severe disasters related to the climate.

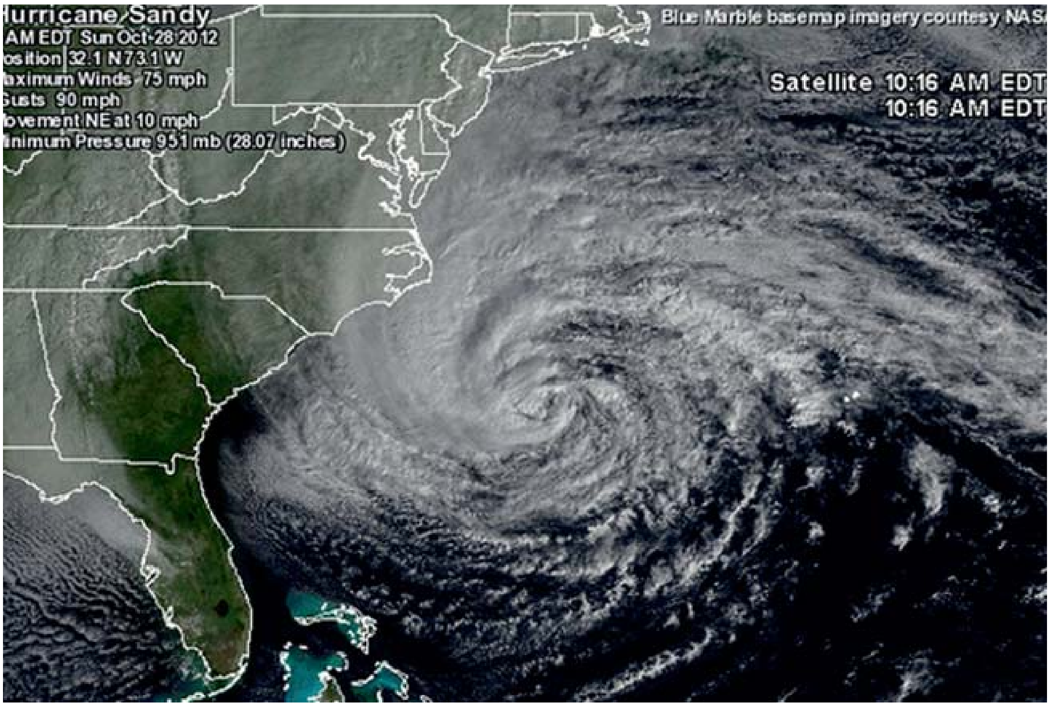
During 2012, natural disasters caused worldwide losses valued at 160 billion USD, of which 65 billion were insured losses. Approximately 67% of the losses in general and 90% of the insured losses were attributed to the USA.

The highest insured loss was caused by Hurricane Sandy with an estimated value of 25 billion USD.

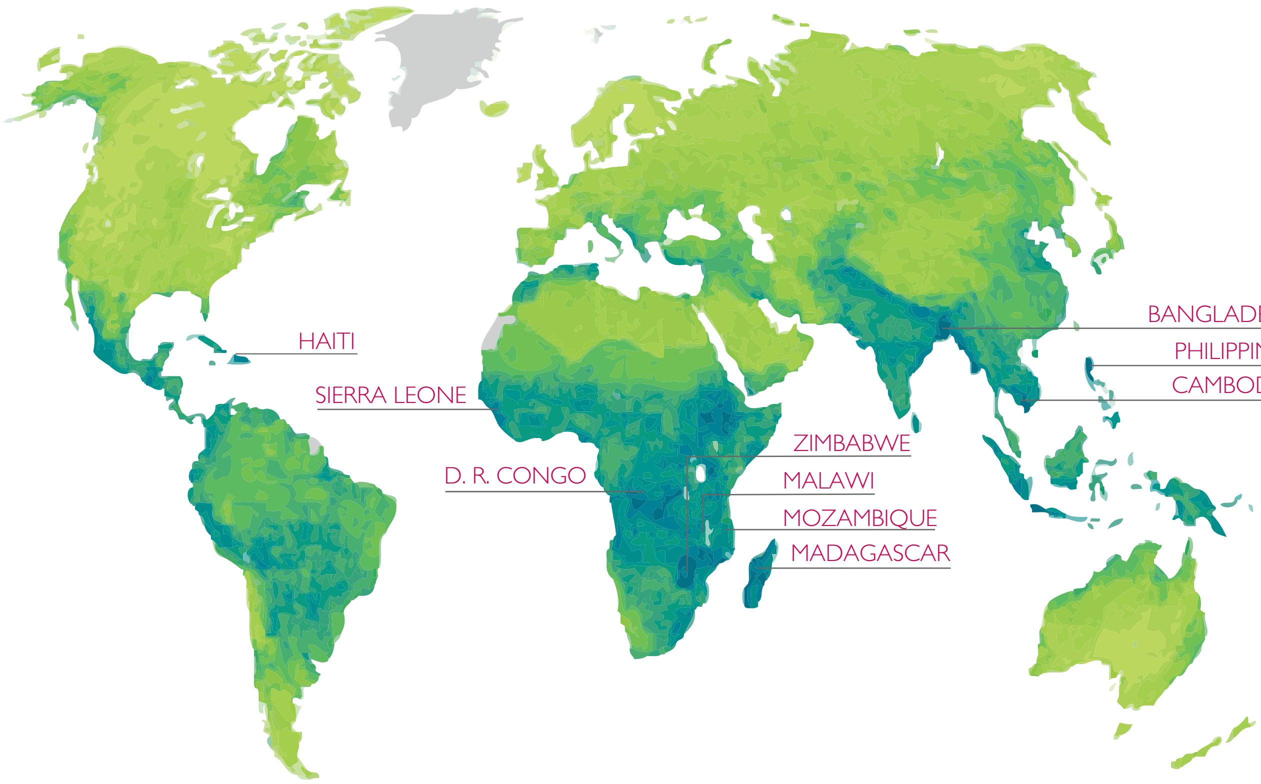
According to Munich Re, one of the most prestigious reinsurance companies at a worldwide level, the losses related to natural disasters in the USA have demonstrated that greater effort is required in terms of prevention of disaster-related losses. These actions would certainly enable better protection of cities such as New York and surroundings against the effects of storms. These measures make economic sense since the insurers would certainly be willing to reflect the reduction of exposure in their prices.

In general, the losses were significantly lower in 2012 than in the previous year, when record figures were published, due to the earthquakes in Japan and New Zealand and the floods in Thailand. It should be recalled that, in 2011, global losses reached 400 billion USD and insured stood at 119 billion USD – also a record number.

Close to 9,500 people lost their lives in natural disasters during 2012, compared to the ten-year average of 106,000 people. The relatively lower number of deaths was due to the fact that in 2012 there were few severe natural disasters in emerging and developing countries, where these events normally tend to have much more devastating consequences in terms of human lives.



Mozambique is exposed to various disasters caused by natural phenomena, due to its geographic location and climate change. The study on the impact of climate change in Mozambique reveals disturbing truths since Mozambique is the third country most affected by natural disasters in Africa and one of the most vulnerable to climate change. Mozambicans could be increasingly more susceptible to being affected by natural disasters, if climate change continues at this pace, which would cause, in the near future, serious problems arising from floods, cyclones and droughts with increasingly higher frequency.



LEGEND		RANK	COUNTRY	RATING	RANK	COUNTRY	RATING
Extreme risk	■	1	Haiti	Extreme	6	Cambodia	Extreme
High risk	■	2	Bangladesh	Extreme	7	Mozambique	Extreme
Medium risk	■	3	Zimbabwe	Extreme	8	D. R. Congo	Extreme
Low risk	■	4	Sierra Leone	Extreme	9	Malawi	Extreme
No data	■	5	Madagascar	Extreme	10	Philippines	Extreme

Source: Maplecroft.

During 2012, we continued with our usual prudence in subscription, so as not to expose Seguradora Internacional de Moçambique to risks of major exposure, always seeking to establish prices in conformity with risk levels.

Concerning reinsurance, we increased our withholding capacity in various insurance categories and negotiated reinsurance agreements (processed) which enable us to automatically accept higher capital.

In order to obtain better reinsurance conditions from our traditional partners, we started to involve, free of extra costs, an international reinsurance broker with long-standing experience and knowledge of the insurance and reinsurance business and also added Best Re as a new reinsurance partner.

Company	Rating
Munich Re (leader)	AA
Munich Reinsurance Company of Africa Ltd. (leader)	A+
Munich Mauritius Reinsurance Co. Ltd. (leader)	A-
African Re	A-
Swiss Re	A-
Best Re	A-

INVESTMENT MANAGEMENT

As at 31 December 2012, the investment portfolio of Seguradora Internacional de Moçambique reached 4,776 million Meticais, having grown by 9.4% in relation to the previous year.

The growth of investments is explained by the positive evolution of collections which grew by 5% year-on-year, as well as the careful management of financial flows.

During 2012, the investment options were different from those observed in 2011. There was an increase of investments of long-term public debt through the reduction of Treasury Bills, which fell by approximately 1.2 billion Meticais. We also highlight the positive variation in terms of deposits of approximately 408 million Meticais, arising from new investments as well as the positive variation of real estate properties of 48 million Meticais on account of capital gains derived from the revaluation carried out.

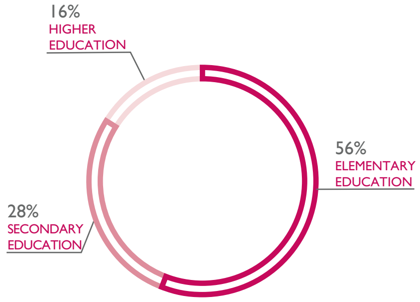
The average rate of return, without including the gains due to property revaluation, stood at 9.7%, in 2012, compared to 13.9% for the previous year. This reduction was due to the significant fall of interest rates which took place as of the first quarter of 2012.

Thousand MZN

Investment portfolio	'12	%	'11	%
Available for sale				
Short-term public debt	**553,203**	**22.1%**	1,593,994	62.5%
Long-term public debt	**1,423,630**	**56.9%**	187,716	7.4%
Bonds	**299,624**	**12.0%**	550,968	21.6%
Shares	**227,233**	**9.0%**	217,979	8.5%
Subtotal	**2,503,690**	**100.0%**	2,550,657	100.0%
Other				
Land and Buildings	**1,425,856**		1,377,142	
Term deposits	**846,333**		437,869	
Subtotal	**2,272,189**		1,815,011	
Total	**4,775,879**		4,365,668	

THE EMPLOYEES

EMPLOYEES BY ACADEMIC QUALIFICATIONS



The management of Human Resources of Seguradora Internacional de Moçambique follows a policy which encourages Competence, Responsibility, Merit, Valorisation and Recognition.

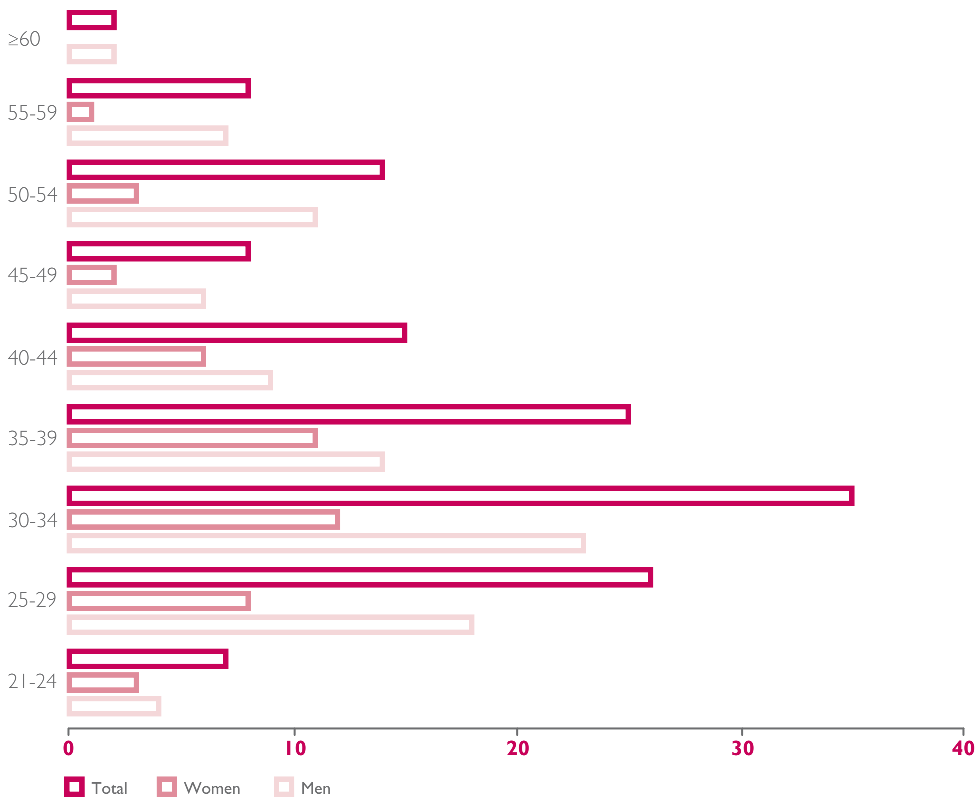
2012 was chosen as the People's year and, in this perspective, various actions were carried out across the entire Group with the primary objective of boosting the motivating of the Employee, in particular, the reorganisation of the general attribution of duties adjusting it to the Group's catalogue of duties, definition of objectives and implementation of subsequent stages under the first adoption of the Individual Performance Assessment System, based on an IT tool used transversally across the Group and, finally, the provision of courses for the upgrading and standardisation of procedures for the correct implementation of all the stages.

The restructuring of various areas of the Insurer was promoted, in order to endow their operation with enhanced dynamics and decentralisation, and a Technical Department having been created during this process.

All Employees are provided with suitable training for the effective performance of their duties, promoting an awareness and perspective that the actual Employees are also responsible for their own training, namely through endorsing an attitude of continuous learning.

Seguradora Internacional de Moçambique completed the financial year of 2012 with 146 Employees, with an average age of 37 years old, 67.6% of whom are men and 32.4% are women. All the Employees are full-time workers, hence there are no situations of permanent Employees working part-time.

EMPLOYEES BY AGE AND GENDER



OUTLOOK FOR 2013

The strategy defined for 2013 is based on the personalised follow-up of Customers according to the volume of their portfolio, in order to provide a service of differentiated quality and offering more competitive rates. On the other hand, we promoted Customer Loyalty Campaigns in terms of Products, with attribution of discounts and sales promotion as well as the development of products for inclusion in the Bank's protocols.

We will also promote events and commercial actions aimed at stronger and improved dynamics and interaction within and outside the Group, so as to boost sales in the different distribution networks.

We will continue to promote the strengthening of relations with brokers, providing them with new computer platforms to access the information of their portfolios in real time and whose implementation is expected to be concluded by the end of the first semester of 2013.

At an internal level we will dedicate special attention to the automation of the technical, accounting and management information treatment processes, based on the acquisition of new modules integrated in the information technology system recently installed at the Insurer.

We will introduce innovative tools to support collection, conferring greater convenience to Customers and business partners in collection management operations.

We will give special focus to the monitoring of administrative costs and control of budget implementation, with a strategy of moderate growth, estimated at 10%.

We will continue to focus on improving the quality of management information and service levels in order to ensure swift response to internal and external requests and thus achieve distinction in the Company's management and service offered to the Customer.

An important and complementary pillar which merits our continued concentration will be the component of training of technical and management staff, in courses through attendance and remote learning.

We will also give particular emphasis to internal regulations and the restructuring of various areas of the Insurer, decentralising duties and attributing greater responsibilities to the senior staff in order to stimulate the operation of the different Departments of the Insurer.

Through the pursuit of these actions we expect to achieve a significant growth of revenue both at the Insurer's branch network and through the Millennium bim branch network.

PROPOSED APPROPRIATION OF NET INCOME

The net income after tax of Seguradora Internacional de Moçambique, for the financial year ended on 31 December 2012, stood at 392,349,650.29 Meticais.

Under the terms of number 1) of article 36 of Decree-Law 1/2010 which regulates insurance activity, the Board of Directors of Seguradora Internacional proposes that the net income for 2012 should be applied as follows:

		Meticais
Legal reserves	12.1%	47,500,000.00
Dividends	60.0%	235,409,790.17
Free reserves	27.9%	109,439,860.12

Pursuant to the proposed distribution of net income presented above, the Legal Reserve of Seguradora Internacional de Moçambique is now equivalent to the value of the Company's Share Capital, thus complying with the terms of number 1 of article 36, subparagraph b) of Decree-Law 1/2010 of 31 December.

ACKNOWLEDGEMENTS

In concluding this report, the Board of Directors would like to express its gratitude to all the entities which, through their involvement and encouragement, have supported Seguradora Internacional de Moçambique in the development of its activity:

- To the government bodies, in particular the Ministry of Finance and the Insurance Supervision Institute of Mozambique, for their constant availability and attention given to the different issues presented;

- To our Customers, for their preference and confidence entrusted in us, to whom we promise our maximum effort to continue meeting their needs and expectations;

- To the Shareholders, our special acknowledgement for their confidence and reiterated support in the achievement of our objectives;

- To the Board of the General Meeting and Board of Auditors, for the interested manner in which they supervised the Company's life and for the constructive dialogue they have always maintained with the Board of Directors;

- To our Employees who, with professionalism, competence and enthusiasm, have decisively contributed to the enhancement of our levels and quality of service and to the results that have been achieved.

Maputo, 21 February 2013

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

SEGURADORA INTERNACIONAL DE MOÇAMBIQUE, S.A.

PROFIT AND LOSS ACCOUNT

for the year ended on 31 December 2012

MZN

Notes	Profit and loss account	Year: Life technical account	Year: Non-Life technical account	Year: Non-technical account	Year: Total	Previous year
3 i); 6	**Acquired premiums, net of reinsurance**	**304,319,732**	**757,393,418**	**-**	**1,061,713,151**	**1,054,712,803**
	Gross premiums issued	327,652,700	1,067,370,412	-	1,395,023,112	1,345,742,326
	Assigned reinsurance premiums	(23,332,967)	(325,379,719)	-	(348,712,686)	(248,798,315)
	Provision for non-acquired premiums (variation)	-	24,426,046	-	24,426,046	(64,671,654)
	Provision for non-acquired premiums, by reinsurers (variation)	-	(9,023,321)	-	(9,023,321)	22,440,447
	Fees of insurance contracts and operations considered for accounting effects as investment contracts or service contracts	-	-	-	-	-
7	**Costs of claims, net of reinsurance**	**(267,795,218)**	**(227,960,629)**	**-**	**(495,755,847)**	**(455,056,775)**
	Amounts paid	(262,121,331)	(191,027,038)	-	(453,148,369)	(424,966,407)
	Gross amount	(267,772,168)	(228,129,455)	-	(495,901,623)	(473,543,647)
	By reinsurers	5,650,837	37,102,418	-	42,753,254	48,577,240
	Provision for claims (variation)	(5,673,886)	(36,933,591)	-	(42,607,478)	(30,090,368)
	Gross amount	(5,424,193)	(58,875,640)	-	(64,299,833)	1,815,957
	By reinsurers	(249,694)	21,942,048	-	21,692,355	(31,906,326)
8	**Other technical provisions, net of reinsurance**	**(0)**	**(638,342)**	**-**	**(638,342)**	**(294,079)**
9	**Life branch mathematical provision, net of reinsurance**	**9,207,102**	**-**	**-**	**9,207,102**	**(120,703,762)**
	Gross amount	9,315,582	-	-	9,315,582	(120,983,371)
	By reinsurers	(108,480)	-	-	(108,480)	279,609
10	**Profit sharing, net of reinsurance**	**(200,623,754)**	**(39,936,018)**	**-**	**(240,559,772)**	**(761,863,425)**
3 i); 11	**Net operating costs**	**(56,308,071)**	**(181,103,426)**	**-**	**(237,411,498)**	**(228,377,191)**
	Acquisition costs	(27,756,814)	(80,846,297)	-	(108,603,111)	(104,285,661)
	Deferred acquisition costs (variation)	-	4,783,581	-	4,783,581	4,881,088
	Administrative costs	(41,303,149)	(138,584,310)	-	(179,887,459)	(162,467,291)
	Fees and profit sharing of reinsurance	12,751,892	33,543,599	-	46,295,491	33,494,673
3 e); 12	**Income**	**203,436,289**	**166,851,957**	**22,495,874**	**392,784,120**	**457,836,215**
	From financial assets not stated at fair value through profit or loss	110,123,929	165,850,380	22,495,874	298,470,183	363,887,215
	From financial liabilities not stated at fair value through profit or loss	-	-	-	-	-
	Other	93,312,360	1,001,577	-	94,313,937	93,949,000
13	**Financial costs**	**-**	**(2,511,888)**	**-**	**(2,511,888)**	**(3,321,101)**
	Of interest of assets not stated at fair value through profit or loss	-	-	-	-	-
	Of financial liabilities not stated at fair value through profit or loss	-	-	-	-	-
	Other	-	(2,511,888)	-	(2,511,888)	(3,321,101)

continues

SEGURADORA INTERNACIONAL DE MOÇAMBIQUE, S.A.

PROFIT AND LOSS ACCOUNT

for the year ended on 31 December 2012

continuation

MZN

Notes	Profit and loss account	Year				Previous year
		Life technical account	Non-Life technical account	Non-technical account	Total	
	Net gains of financial liabilities not stated at fair value through profit or loss	-	-	-	-	-
	Of assets available for sale	-	-	-	-	-
	Of loans and accounts receivable	-	-	-	-	-
	Of investments held to maturity	-	-	-	-	-
	Of financial liabilities stated at amortised cost	-	-	-	-	-
	Of other	-	-	-	-	-
	Net gains of financial assets and liabilities stated at fair value through profit or loss	-	-	-	-	-
	Net gains of financial assets and liabilities held for trading	-	-	-	-	3,538,658
	Net gains of financial assets and liabilities initially recognised at fair value through gains and losses	-	-	-	-	-
14	Currency conversion differences	275,287	4,435,493	(3,727,036)	983,744	(9,659,114)
15	Net gains of non-financial assets that are not classified as non-current assets held for sale and discontinued operating units	48,714,600	-	-	48,714,600	607,283,080
	Impairment losses (net of reversal)	-	-	-	-	-
	Of assets available for sale	-	-	-	-	-
	Of loans and accounts receivable stated at amortised cost	-	-	-	-	-
	Of investments held to maturity	-	-	-	-	-
	Of other	-	-	-	-	-
	Other technical income/costs, net of reinsurance	-	20,193	-	20,193	22,805
16	Other provisions (variation)	(42,882)	(2,139,013)	-	(2,181,895)	(2,817,738)
17	Other income/costs	(0)	(0)	(510,435)	(510,435)	2,734,637
	Negative goodwill recognised immediately through gains and losses	-	-	-	-	-
	Gains and losses of associates and joint ventures stated through the equity method	-	-	-	-	-
	Gains and losses of non-current assets (or groups for disposal) classified as held for sale	-	-	-	-	-
	Pre-tax profit	41,183,085	474,411,743	18,258,403	533,853,231	544,035,014
3 m); 28	Income tax for the year – Current taxes	(17,477,155)	(119,660,708)	(4,365,718)	(141,503,581)	(142,386,474)
3 m); 28	Income tax for the year – Deferred taxes	-	-	-	-	(5,594,880)
32	Net income for the year	23,705,930	354,751,036	13,892,685	392,349,650	396,053,660

SEGURADORA INTERNACIONAL DE MOÇAMBIQUE, S.A.

INTEGRAL INCOME STATEMENT

for the year ended on 31 December 2012

MZN

Notes	Comprehensive income statement	Year				Previous year			
		Life Technical	Non-Life Technical	Non--Technical	Total	Life Technical	Non-Life Technical	Non--Technical	Total
34	Net income for the year	23,705,930	354,751,036	13,892,685	392,349,650	38,325,022	330,677,916	27,050,722	396,053,660
	Other comprehensive income for the year	(84,604)	2,547,471	-	2,462,868	(94,312)	169,607	-	75,295
22, 34	Financial assets available for sale	(124,417)	3,746,281	-	3,621,864	(138,694)	249,422	-	110,728
22, 34	Taxes	39,813	(1,198,810)	-	(1,158,997)	44,382	(79,815)	-	(35,433)
	Total comprehensive income net of taxes	**23,621,326**	**357,298,507**	**13,892,685**	**394,812,518**	**38,230,710**	**330,847,523**	**27,050,722**	**396,128,955**

SEGURADORA INTERNACIONAL DE MOÇAMBIQUE, S.A.
BALANCE SHEET

for the year ended on 31 December 2012

MZN

Notes	Assets	Gross assets	Impairment, depreciation/ amortisation & adjustments	Net assets	Previous year Net assets
3 a); 19	Cash and cash equivalents and demand deposits	207,152,471		207,152,471	87,342,492
3 b); 20	Investments in affiliates, associates and joint ventures	211,350,850		211,350,850	211,350,850
	Financial assets held for trading	-		-	-
	Financial assets classified upon initial recognition at fair value through gains and losses	-		-	-
3 c); 21	Assets available for sale	2,292,381,072		2,292,381,072	2,339,306,356
3 c); 22	Loans and accounts receivable	679,549,784		679,549,784	385,659,660
	Deposits at assignor companies	-		-	-
	Other deposits	679,549,774		679,549,774	385,659,645
	Loans granted	-		-	-
	Accounts receivable	-		-	-
	Other	10		10	15
	Investments held to maturity	-		-	-
3 f); 23	Buildings	1,425,856,325		1,425,856,325	1,377,141,725
	Buildings for own use	-		-	-
	Income-generating buildings	1,425,856,325		1,425,856,325	1,377,141,725
3 g); 24	Other tangible assets	62,455,916	36,698,469	25,757,447	30,606,224
24	Inventories	1,419,513		1,419,513	1,598,369
	Goodwill	-		-	-
3 h); 25	Other intangible assets	44,831,999	28,396,041	16,435,958	18,662,124
3 i); 26	Assigned reinsurance technical provisions	123,961,722		123,961,722	110,523,092
	Provision for non-acquired premiums	49,149,206		49,149,206	47,639,268
	Life branch mathematical provision	145,732		145,732	151,266
	Provision for claims	74,666,785		74,666,785	62,732,558
	Provision for profit sharing	-		-	-
	Other technical provisions	-		-	-
	Assets due to post-employment benefits and other long-term benefits	-		-	-
27	Other receivables due to insurance operations and other operations	116,447,480	22,755,156	93,692,325	89,049,374
	Accounts receivable due to direct insurance operations	96,874,486	22,755,156	74,119,330	76,257,569
	Accounts receivable due to other reinsurance operations	1,006,442		1,006,442	10,687,645
	Accounts receivable due to other operations	18,566,552		18,566,552	2,104,160
3 m); 28	Tax assets	26,449,229		26,449,229	2,603,639
	Current tax assets	23,942,393		23,942,393	96,803
	Deferred tax assets	2,506,836		2,506,836	2,506,836
29	Accruals and deferrals	64,874,683		64,874,683	195,190,218
	Other asset items	-		-	-
	Non-current assets held for sale and discontinued operating units	-		-	-
	Total assets	**5,256,731,044**	**87,849,665**	**5,168,881,379**	**4,849,034,120**

SEGURADORA INTERNACIONAL DE MOÇAMBIQUE, S.A.

BALANCE SHEET

for the year ended on 31 December 2012

MZN

Notes	Liabilities and Equity	Year	Previous year
	Liabilities		
3 i); 26	Technical provisions	3,622,891,850	3,424,334,767
	Provision for non-acquired premiums	446,721,860	465,001,029
	Life branch mathematical provision	1,990,630,944	1,942,592,101
	Provision for claims	390,256,239	323,910,030
	Of the Life branch	28,433,177	23,055,559
	Of the occupational accident and professional sickness branch	54,845,815	51,337,894
	Of other branches	306,977,247	249,516,577
	Provision for profit sharing	790,951,640	689,138,781
	Provision for claim rate deviations	4,331,167	3,692,825
	Provisions for risks underway	-	-
	Other technical provisions	-	-
	Financial liabilities of the component of deposit of insurance contracts and of insurance contracts and operations considered for accounting purposes as investment contracts	-	-
	Other financial liabilities	-	-
	Subordinated liabilities	-	-
	Deposits received from reinsurers	-	-
	Other	-	-
3 l); 30	Liabilities due to post-employment benefits and other long-term benefits	7,491,201	7,115,258
31	Other payables due to insurance operations in other operations	65,083,036	76,228,644
	Accounts payable due to direct insurance operations	26,448,167	34,686,994
	Accounts payable due to other reinsurance operations	12,476,440	17,869,803
	Accounts payable due to other operations	26,158,429	23,671,847
3 m); 28	Tax liabilities	28,454,482	60,019,445
	Current tax liabilities	9,054,101	41,778,061
	Deferred tax liabilities	19,400,381	18,241,385
29	Accruals and deferrals	39,672,345	40,361,336
3 n)	Other provisions	406,442	406,442
	Other liabilities	-	-
	Liabilities of a group for disposal classified as held for sale	-	-
	Total liabilities	3,763,999,356	3,608,465,892
	Equity		
3 o); 32	Share capital	147,500,000	147,500,000
	(Own shares)	-	-
	Other equity instruments	-	-
	Revaluation reserves	5,676,135	2,054,271
32	Through readjustments in the fair value of financial assets	5,676,135	2,054,271
	Through revaluation of buildings for own use	-	-
	Through revaluation of intangible assets	-	-
	Through revaluation of other tangible assets	-	-
	Of currency conversion differences	-	-
32	Deferred tax reserve	(1,816,363)	(657,367)
32	Other reserves	849,283,481	695,617,665
32	Retained earnings	11,889,120	-
32	Net income for the year	392,349,650	396,053,660
	Total equity	1,404,882,023	1,240,568,229
	Total liabilities and equity	5,168,881,379	4,849,034,120

SEGURADORA INTERNACIONAL DE MOÇAMBIQUE, S.A.
STATEMENT OF CHANGES IN EQUITY

for the year ended on 31 December 2012

MZN

Notes	Statement of changes in equity	Share capital	Own shares	Other equity instruments: Additional paid-in capital	Other equity instruments: Other	Revaluation reserves: Through readjustment in the fair value of financial assets	Deferred tax reserve
	Balance as at 31 December 2010	**147,500,000**	**-**	**-**	**-**	**1,943,542**	**-621,933**
	Correction of errors (IAS 8)						
	Change to accounting policies (IAS 8)						
39	Change of the plan of accounts						
	Altered opening balance	147,500,000	-	-	-	1,943,542	-621,933
34	Increased reserves through appropriation of profit (1)						
	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/losses						
	Transfers between equity headings not included under other lines (6)						
	Total changes in equity (1) + (4) + (5) + (6)	-	-	-	-	110,729	(35,434)
	Balance as at 31 December 2011	**147,500,000**	**-**	**-**	**-**	**2,054,271**	**(657,367)**
	Correction of errors (IAS 8)						
	Changes to accounting policies (IAS 8)						
	Altered opening balance	147,500,000	-	-	-	2,054,271	(657,367)
34	Increased reserves through appropriation of profit (1)						
	Net income for the period (2)						
	Other comprehensive income for the period (3)	-	-	-	-	3,621,864	(1,158,997)
22, 34	Net gains from adjustments in the fair value of financial assets available for sale					3,621,864	(1,158,997)
	Other gains/losses recognised directly in equity						
	Total comprehensive income for the period (4) = (2) + (3)	-	-	-	-	3,621,864	(1,158,997)
	Operations with Shareholders (5)	-	-	-	-	-	-
	Distribution of reserves						
34	Distribution of profit/losses						
	Transfers between equity headings not included under other lines (6)						
	Total changes in equity (1) + (4) + (5) + (6)	-	-	-	-	3,621,864	(1,158,997)
	Balance as at 31 December 2012	**147,500,000**	**-**	**-**	**-**	**5,676,135**	**(1,816,364)**

continues

SEGURADORA INTERNACIONAL DE MOÇAMBIQUE, S.A.

STATEMENT OF CHANGES IN EQUITY

for the year ended on 31 December 2012

continuation

MZN

Notes	Statement of changes in equity	Other reserves				Retained earnings	Net income for the year	Future allocation fund	Total
		Legal reserve	Statutory reserve	Issue premiums	Other				
	Balance as at 31 December 2010	94,357,469	-	8,258,661	491,114,346	-20,305,230	248,296,535		970,543,390
	Correction of errors (IAS 8)								-
	Change to accounting policies (IAS 8)								-
39	Change of the plan of accounts								-
	Altered opening balance	94,357,469	-	8,258,661	491,114,346	-20,305,230	248,296,535	-	970,543,390
34	Increased reserves through appropriation of profit (1)	5,642,531			96,244,659	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/losses						(126,104,115)		(126,104,115)
	Transfers between equity headings not included under other lines (6)								-
	Total changes in equity (1) + (4) + (5) + (6)	5,642,531	-	-	96,244,659	20,305,230	147,757,125		270,024,840
	Balance as at 31 December 2011	100,000,000	-	8,258,661	587,359,005	-	396,053,660	-	1,240,568,231
	Correction of errors (IAS 8)								-
	Changes to accounting policies (IAS 8)								-
	Altered opening balance	100,000,000	-	8,258,661	587,359,005	-	396,053,660	-	1,240,568,230
34	Increased reserves through appropriation of profit (1)				153,665,816	11,889,120	(165,554,938)		-
	Net income for the period (2)						392,349,650		392,349,650
	Other comprehensive income for the period (3)	-	-	-	-	-	-		2,462,868
22, 34	Net gains from adjustments in the fair value of financial assets available for sale								2,462,868
	Other gains/losses recognised directly in equity								-
	Total comprehensive income for the period (4) = (2) + (3)	-	-	-	-	-	392,349,650		394,812,518
	Operations with Shareholders (5)	-	-	-	-	-	(230,498,724)		(230,498,724)
	Distribution of reserves						-		-
34	Distribution of profit/losses						(230,498,724)		(230,498,724)
	Transfers between equity headings not included under other lines (6)								
	Total changes in equity (1) + (4) + (5) + (6)	-	-	-	153,665,816	11,889,120	(3,704,012)		164,313,792
	Balance as at 31 December 2012	**100,000,000**	**-**	**8,258,661**	**741,024,821**	**11,889,120**	**392,349,648**		**1,404,882,022**

SEGURADORA INTERNACIONAL DE MOÇAMBIQUE, S.A.

CASH FLOW STATEMENT

for the year ended on 31 December 2012

MZN

Cash flow statement	2012	2011
Cash flow of operating activities		
Net income for the year	392,349,650	396,053,660
Amortisation	14,745,935	12,761,816
Variation of the provision for claims		
of direct insurance and accepted	66,346,209	(11,172,943)
reinsurance of assigned reinsurance	(11,934,226)	53,188,168
Variation of other technical provisions		
of direct insurance and accepted	132,210,874	780,275,001
reinsurance of assigned reinsurance	(1,504,404)	(13,494,367)
Variation of the provision for receipts for collection	2,181,895	2,817,738
Variation of the provision for other risks and costs	-	-
(Increase)/reduction of receivables		
due to direct insurance and accepted reinsurance operations	(43,656)	(23,090,669)
due to reinsurance operations	9,681,203	(7,100,111)
due to other operations	(16,462,392)	7,367,810
Increase/(reduction) of payables		
Payables due to direct insurance & accepted reinsurance operations	(8,238,827)	12,336,197
Payables due to assigned reinsurance operations	(5,393,362)	8,004,851
State and other public entities	(55,410,553)	43,044,979
Miscellaneous payables	2,486,582	(17,499,184)
Variation in other asset accounts	133,886,202	(159,134,783)
Variation in other liability accounts	(313,048)	1,449,981
Interest and similar income	(544,510,300)	(234,832,311)
Effect of currency conversion differences	123,255	(3,665,455)
Unrealised capital gains of investment properties	(48,714,600)	(607,283,080)
Total	**61,486,434**	**240,027,299**
Cash flow of investment activities		
Acquisitions of investments (including constitution of term deposits)	(2,694,973,230)	(1,385,842,260)
Repayments/disposals of investments (including repayment of term deposits)	2,448,008,385	1,090,826,392
Acquisitions of tangible and intangible assets	(8,599,931)	(20,569,464)
Interest and similar income	544,510,300	234,832,311
Total	**288,945,524**	**(80,753,020)**
Cash flow of financing activities		
Dividends distributed	(230,498,724)	(126,104,115)
Total	**(230,498,724)**	**(126,104,115)**
Net change in cash and cash equivalents	119,933,234	33,170,164
Effect of currency conversion differences	(123,255)	3,665,455
Cash and cash equivalents at the beginning of the period	87,342,492	50,506,874
Cash and cash equivalents at the end of the period	207,152,471	87,342,492

SEGURADORA INTERNACIONAL DE MOÇAMBIQUE, S.A.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended on 31 December 2012

NOTE 1 – GENERAL INFORMATION

Seguradora Internacional de Moçambique, S.A. is an insurance company which was incorporated in Mozambique on 3 September 1992, having started its activity in that same year. The corporate object of Seguradora Internacional de Moçambique, S.A. is the exercise of Life and Non-Life insurance activity.

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 Insurer) is registered in Mozambique, with its head office being at Av. 25 de Setembro n.° 1800, 9.°A.

ACTIVITY DURING 2011/2012

In view of the high and consistent economic growth rates of the country and the establishment of major development projects, there has been an increase in the number of insurers operating in the country. In fact, during 2011, with the start-up of business of Companhia de Seguros Índico, the market operated with nine companies, while during 2012, following the authorisation granted to a further three companies, namely Nico Moçambique Vida, Tranquilidade Moçambique Companhia de Seguros Vida and Tranquilidade Moçambique Companhia de Seguros, the market was thus composed of 12 insurers, namely:

- 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;
- Companhia de Seguros Índico;
- Nico Moçambique Vida;
- Tranquilidade Moçambique Companhia de Seguros Vida;
- Tranquilidade Moçambique Companhia de Seguros;

Of the insurers authorised to operate in the country, Seguradora Internacional de Moçambique, Emose, Global Alliance and Moçambique Companhia de Seguros cumulatively operate in the Life and Non-Life branches, with Hollard – Vida, Nico Moçambique Vida and Tranquilidade Vida only working in the Life branch.

A Reinsurer also operates in the market in the Non-Life branch, named MozRE – Moçambique.

The number of Brokers in the market also shows high growth, confirming the growing competitiveness and buoyancy of the national economy and, in particular, the insurance market.

During 2011, the insurer sector achieved a value of direct insurance premiums of 4,793 million Meticais, corresponding to a growth rate of 21.5% in relation to the previous year. The Real branches showed a growth rate of 22.7% and the Life branch growth of 15.4%.

The premium *per capita* grew from the previous 171 Meticais to 202 Meticais, for an estimated population of 23.7 million inhabitants and the insurance penetration rate increased significantly relative to 2010, from 1.26% to 1.44% in 2011, in spite of the considerable growth of GDP.

The cumulative analysis of Life and Non-Life confirms that Seguradora Internacional de Moçambique maintained leadership in the sector with a total share of 28.1%, followed by Emose and Global Alliance with 24.9% and 22.1%, respectively. Seguradora Internacional de Moçambique was also leader in the Life segment with a market share of 52%.

Net Reinsurance claims in the Non-Life branches stood at 42.5% compared with 41.7% for 2010. The highest claim rates were recorded in the Fire and Natural Phenomena branch with 66% and in the Motor branch with 45.6%.

The net income of the insurance sector in 2011 presented growth of 26.3%, recording a total value of 666.7 million Meticais, with most of the insurers operating in the market continuing to show positive results. Seguradora Internacional de Moçambique contributed with 59.4% of the total net income of the sector, followed by Emose and Global Alliance with 23.1% and 12.7%, respectively.

The return on equity of the insurance sector stood at 18.3% in overall terms. Seguradora Internacional de Moçambique achieved an average return on equity of 31.9%, followed by 22.8% and 13.9% recorded by its most direct competitors in the market.

At the end of the financial year of 2011, the Mozambican insurance market reported total investments of 8,457 million Meticais, corresponding to a growth rate of 18.3% relative to the previous year. Investments represented 70.4% of the total assets held by the insurers.

The relative weight of Buildings in total investments increased, having shifted from 36.6% in 2010 to close to 41.4% in 2011. It should be noted that to a large extent the overall variation which occurred in buildings, of a total value of 887.4 million Meticais, refers to variation due to the revaluation of buildings.

As at 31 December 2011, the insurers had constituted 5,297 million Meticais of technical provisions net of reinsurance. The degree of coverage relative to the investments in portfolio stood at 159.7%, a slight reduction in relation to the former 175.6% of the previous year.

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 Insurer 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 Committee (IFRIC) which are of compulsory application since 1 January 2011.

The financial statements are expressed in Meticais, 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 that the Insurer 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 might 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.

STANDARDS, CHANGES AND INTERPRETATIONS WHICH ARE ENFORCED AS AT 1 JANUARY 2012

The following new standards are of compulsory application as of 1 January 2012.

- 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 Entity.

NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS WHICH, IN SPITE OF ALREADY BEING PUBLISHED, ARE ONLY OF COMPULSORY APPLICATION FOR ANNUAL PERIODS STARTING AS OF 1 JULY 2012 OR ON A LATER DATE:

Standards

- IAS 12 (amendment), "Income tax" (applicable in 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, which is revoked. This amendment has no impact on the Financial Statements of the Entity.

- IAS 1 (amendment), "Presentation of the financial statements" (applicable in financial years starting on or after 1 July 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. The Entity will apply this standard in the year when it is enforced.

- 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 severance pay, 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 net value of the non-funded liability. Employment severance pay only qualifies as such when there is no obligation of the employee to provide future service. The Entity will apply this standard in the year when it is enforced.

- Annual improvement of the standards in 2009-2011, applicable mainly for financial years starting on or after 1 January 2013. The annual improvement process of 2009-2011 affects the following standards: IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34. These improvements will be adopted by the Entity, when applicable, except for the improvements to IFRS 1 since the Entity already applies a plan of accounts based on the IFRS.

- IFRS 1 (amendment), "First-time adoption of the IFRS" (applicable in financial years starting, at the latest, on or after 1 January 2013). 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 the "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 Entity.

- IFRS 1 (amendment) "First-time adoption of the IFRS – Government loans" (applicable in financial years starting on or after 1 January 2013). This amendment seeks to clarify how entities which are adopting the IFRS for the first time should record a loan from the government with an interest rate below the market rate. It also introduces an exemption to retrospective application, similar to that attributed to entities which already reported based on the IFRS, in 2009. This amendment has no impact on the Financial Statements of the Entity since it already applies the IFRS.

- IFRS 10 (new), "Consolidated financial statements" (applicable in financial years starting, at the latest, 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 basic principle that the consolidated company presents the parent company and subsidiaries as a single entity remains unchanged. This amendment has no impact on the Financial Statements of the Entity.

- IFRS 11 (new), "Joint arrangements" (applicable in financial years starting, at the latest, on or after 1 January 2013). IFRS 11 focuses on the rights and obligations associated to joint arrangements instead of the legal form. Joint arrangements may be Joint operations (rights over assets and liabilities) or joint ventures (rights over the net assets through application of the equity method). Proportional consolidation is no longer permitted in the measurement of Jointly controlled entities. This amendment has no impact on the Financial Statements of the Entity.

- 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 special purpose entities, in order to assess the nature, risk and financial impacts associated to the interest of the entity. The Entity will apply this standard in the year when it is enforced.

- Amendment to IFRS 10, IFRS 11 and IFRS 12 – "Transition regime" (applicable in financial years starting on or after 1 January 2013). This amendment clarifies that, when the application of IFRS 10 gives rise to an accounting treatment of a financial investment that is different from that followed previously, pursuant to IAS 27/SIC 12, the comparative data should be restated but only for the previous comparative period, and the calculated differences, as at the beginning of the comparative period, are recognised in equity. Specific disclosures are required by IFRS 12. This amendment has no impact on the Financial Statements of the Entity.

- Amendment to IFRS 10, IFRS 12 and IFRS 27 – "Investment entities" (applicable in financial years starting on or after 1 January 2014). This amendment includes the definition of an Investment entity and introduces the regime of exception to the obligation to consolidate, for Investment entities which qualify as such, since all the investments will be measured at fair value. Specific disclosures are required by IFRS 12. This amendment has no impact on the Financial Statements of the Entity.

- 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 definition of fair value and constituting the only basis of the requirements of measurement and disclosure of fair value applicable transversally across all the IFRS. The Entity will apply this standard in the year when it is enforced.

- IAS 27 (revised 2011) "Separate financial statements" (applicable in financial years starting, at the latest, on or after 1 January 2014). 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. The Entity will apply this standard in the year when it is enforced.

- IAS 28 (revised 2011) "Investments in associates and joint ventures" (applicable in financial years starting, at the latest, on or after 1 January 2014). IAS 28 was revised after the issue of IFRS 11, with its scope now including the accounting treatment of investments in associates and joint ventures, and establishing the requirements for the application of the equity method. The Entity will apply this standard in the year when it is enforced.

- IFRS 7 (amendment), "Disclosures – Offsetting financial assets and liabilities" (applicable in financial years starting on or after 1 January 2013). This amendment is part of the IASB "offsetting of assets and liabilities" project and introduces new disclosure requirements on non-recorded rights to offset assets and liabilities, offset assets and liabilities and the effect of this offsetting on exposure to credit risk. The Entity will apply this standard in the year when it is enforced.

- IAS 32 (amendment), "Offsetting financial assets and liabilities" (applicable in financial years starting on or after 1 January 2014). This amendment is part of the IASB "offsetting of assets and liabilities" project which clarifies the term "currently has a legally enforceable right to set-off" and clarifies that some gross settlement systems (offsetting chambers) may be equivalent to net settlement. The Entity will apply this standard in the year when it is enforced.

- IFRS 9 (new), "Financial instruments – classification and measurement" (applicable in financial years starting on or after 1 January 2015). This refers to the first phase of IFRS 9, which establishes the existence of 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 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. The Entity will apply IFRS 9 in the year when it is enforced.

Interpretations

- IFRS 20 (new), "Stripping costs in the production phase of a surface mine" (applicable in financial years starting on or after 1 January 2013). This interpretation refers to the recording of costs related to removal of waste at the initial stage of a surface mine, as an asset, considering that the removal of waste generates two potential benefits: the immediate extraction of mineral resources and the opening of access to additional amounts of mineral resources to extract in the future. This amendment has no impact on the Financial Statements of the Entity.

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 AFFILIATES, ASSOCIATES AND JOINT VENTURES

Companies over which the Insurer exercises control are classified as subsidiaries. Control is normally assumed when the Insurer has the power to exercise the majority of the voting rights. Control may also exists when the Insurer 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 the Insurer exercises significant influence are classified as associates. Significant influence is assumed when the Insurer has the power to participate in decisions relative to the company's financial and operating policies, but does not control these policies.

All companies over which the Insurer has capacity to control, jointly with other venturers (shareholders), the operating and financial policy of the venture are classified as joint ventures (jointly controlled entities).

Holdings in associates held by the Insurer are recorded at acquisition cost, and since they are not listed, are subject to impairment tests.

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

C) FINANCIAL ASSETS

(i) Classification

The Insurer 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 Insurer intends to hold 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 hold them until maturity, presenting fixed and determinable maturity and cash flow. In the case of early sale, the category is considered contaminated and all assets of the category must be reclassified to the category of 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 Insurer's contractual rights to receive its cash flow expire, (ii) the Insurer has substantially transferred all the risks and benefits associated to their holding, or (iii) even if the Insurer keeps part of, but not substantially all the risks and benefits associated to their holding, the Insurer 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 Insurer estimates the fair value using (i) valuation methodologies, such as, the use of prices of recent, similar transactions and models 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 Insurer 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 Insurer 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); or
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:

1) 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 are based on the values of premiums due for collection for over 30 days, to which a margin is applied, calculated for each product, in the case of Life and for each branch in the case of Non-Life. 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 Insurer'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 derived from this revaluation being 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 AND BUILDINGS FOR OWN USE

• Investment properties

The Insurer 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 properties 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 which may have been done (even if carried out by lessees).

The fair value of the investment properties 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. The market comparison criteria is used to determine the fair value, 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 23.

• **Buildings for own use**

The Company classified properties whose main purpose is their continued use as properties for own use, applying the measurement criteria of IAS 16.

They are initially recognised at acquisition cost, including any directly related transaction costs, and subsequent valuation is based on the alternative cost model, minus depreciation and subject to impairment tests, established in IAS 16.

Depreciation is calculated based on the twelfths method, taking into account the number of years of useful life of the property.

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.

As at 31 December 2012, the Insurer did not have any buildings for own use.

G) 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
Administrative equipment	10% to 16.7%
Machines, appliances and tools	12.5% to 16.7%
Computer 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, the Insurer 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 Insurer 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 Insurer. 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 amortisation and impairment tests. Their amortisation is 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 Insurer 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 Insurer 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 Insurer which transfers only financial risk, without discretionary profit sharing, is classified as a financial instrument.

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

(i) Premiums

Gross premiums issued are recorded as income for the financial year to which they refer, regardless 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 non-acquired premiums

The provision for non-acquired 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 to the gross premiums issued minus the respective acquisition costs.

(iv) Mathematical provision of the Life branch

The objective of the mathematical provisions for the Life branch is to record the present value of the Insurer's future liabilities 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 Insurer 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 Occupational Accidents 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, unrealised gains and losses on the assets covering liabilities arising from insurance and investment contracts with discretionary profit sharing is attributed to policyholders, in proportion to their estimated share, based on the expectation that they will receive these unrealised gains and losses when they are 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) Provision for claim rate deviations

The provision for claim rate deviations should be constituted for credit insurance, fidelity insurance, the harvest branch and for seismic phenomena risk, and should be calculated in conformity with the criteria established by the Insurance Supervision Institute of Moçambique (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 non-acquired 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) Reinsurance technical provision

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 (post-employment benefits)

SIM attributes its Employees a supplementary retirement pension for which it maintains insurance, managed in-house by the actual Insurer, 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 be entitled to this benefit as of 1 November 2002, after the review of the Insurer's Collective Contract.

Regarding these defined retirement benefits, the Insurer 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 30 – Benefits granted to employees.

- Seniority bonus (other long-term benefits)

The seniority bonus is attributed to the Insurer's Employees according to the years of service provided to the Insurer, 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 Insurer's 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, capable of absorbing these 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 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 yet been defined.

N) PROVISIONS

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

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 Insurer classifies lease operations as financial leases or operating leases according to their substance and not to their legal form, pursuant to 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 Mozambican 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

No change has occurred in the accounting policies during the period under review.

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 Insurer are disclosed below, in order to allow for a better understanding of how their application affects the reported results reported by the Insurer. A more detailed description of the main accounting policies used by the Insurer 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 the Insurer, which would lead to different results. However, the Insurer believes that the applied judgements and estimates are appropriate and that, therefore, the financial statements present the true and appropriate financial position of the Insurer 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.

The market comparison criterion is used to determine the fair value, 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 23.

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 Life products 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 Insurer 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 (i) mathematical provision, (ii) provision for profit sharing, and (iii) provision for claims.

For the determination of the technical provisions arising from insurance contracts with profit sharing, the Insurer 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 branches, the costs related to claims that have occurred and been notified to the Insurer, 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 alterations in the average cost of opening claims proceedings.

The Insurer 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 26.

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 30.

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 the Insurer 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 28.

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

The Insurer considers the business segment as its main segment. The business segment is further divided into the Life branch and the Non-Life branches, and for each branch the information is detailed by type of product (in the case of the Life branch) and by sub-branch (in the case of the Non-Life branches). In the Life branch, the presented data is divided between the Annuity, Capitalisation and Life Risk segments. In the Non-Life branches, the information is detailed by the sub-branch of Occupational Accidents, Personal Accidents and Sickness, Fire and Natural Phenomena, Motor, Miscellaneous and Other Branches (includes the Marine, Aviation, Transport and Civil Liability sub-branches).

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

• Segmental reporting

Reporting by business segments – technical earnings, as at 31 December 2012:

MZN

	Life branch	Non-Life branches	Total
Acquired premiums, direct insurance	327,652,700	1,091,796,458	1,419,449,158
Cost of claims, direct insurance	(273,196,361)	(287,005,095)	(560,201,456)
Other technical costs	(191,308,172)	(40,574,360)	(231,882,532)
Technical margin, direct insurance	(136,851,833)	764,217,003	627,365,169
Assigned reinsurance earnings	(5,288,413)	(241,814,975)	(247,103,388)
Net technical margin	(142,140,246)	522,402,027	380,261,781
Operating costs	(69,059,963)	(214,647,027)	(283,706,990)
Operating earnings	(211,200,209)	307,755,000	96,554,791
Investment earnings	203,436,289	164,340,068	367,776,358
Other	48,947,005	2,316,672	51,263,677
Technical earnings	**41,183,085**	**474,411,741**	**515,594,826**

Reporting by Life branch business segments – technical earnings, as at 31 December 2012:

MZN

	Life branch			
	Annuities	Capitalisation	Life Risk	Total
Acquired premiums, direct insurance	139,547,625	49,155,610	138,949,465	327,652,700
Cost of claims, direct insurance	(159,893,562)	(87,582,074)	(25,720,725)	(273,196,361)
Other technical costs	(113,333,560)	(41,937,127)	(36,037,485)	(191,308,172)
Technical margin, direct insurance	(133,679,497)	(80,363,591)	77,191,255	(136,851,833)
Assigned reinsurance earnings	-	-	(5,288,413)	(5,288,413)
Net technical margin	(133,679,497)	(80,363,591)	71,902,842	(142,140,246)
Operating costs	(36,165,333)	(7,454,184)	(25,440,446)	(69,059,963)
Operating earnings	(169,844,830)	(87,817,775)	46,462,396	(211,200,209)
Investment earnings	122,431,204	57,246,375	23,758,711	203,436,289
Other	22,676,428	26,248,963	21,613	48,947,005
Technical earnings	**(24,737,198)**	**(4,322,437)**	**70,242,720**	**41,183,085**

Reporting by Non-Life branch business segments – technical earnings, as at 31 December 2012:

MZN

	Non-Life branches						
	Occupational Accidents	Personal Accidents and Sickness	Fire and Natural Phenomena	Motor	Miscellaneous	Other branches	Total
Acquired premiums, direct insurance	88,557,084	171,212,039	310,382,819	401,025,651	78,257,495	42,361,370	1,091,796,458
Cost of claims, direct insurance	(14,031,505)	(45,752,318)	(24,488,884)	(143,310,667)	(68,394,877)	8,973,157	(287,005,095)
Other technical costs	(1,156,520)	(38,779,498)	(638,342)	-	-	-	(40,574,360)
Technical margin, direct insurance	73,369,059	86,680,222	285,255,593	257,714,984	9,862,618	51,334,526	764,217,003
Assigned reinsurance earnings	1,527,437	(2,000,832)	(222,916,019)	(2,634,423)	18,323,748	(34,114,888)	(241,814,975)
Net technical margin	74,896,497	84,679,390	62,339,575	255,080,561	28,186,366	17,219,639	522,402,027
Operating costs	(17,607,705)	(30,951,558)	(58,635,490)	(85,136,042)	(14,411,074)	(7,905,158)	(214,647,027)
Operating earnings	57,288,792	53,727,833	3,704,085	169,944,519	13,775,292	9,314,480	307,755,000
Investment earnings	12,773,052	50,841,359	9,289,040	66,961,220	21,003,525	3,471,872	164,340,068
Other	(2,028,670)	1,246,671	(753,686)	4,225,621	(590,421)	217,157	2,316,672
Technical earnings	**68,033,174**	**105,815,863**	**12,239,439**	**241,131,360**	**34,188,396**	**13,003,510**	**474,411,743**

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

MZN

	Life branch	Non-Life branches	Total
Acquired 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 branch business segments – technical earnings, as at 31 December 2011:

MZN

	Life branches			
	Annuities	Capitalisation	Life Risk	Total
Acquired 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 branch business segments – technical earnings, as at 31 December 2011:

MZN

	Non-Life branches						
	Occupational Accidents	Personal Accidents and Sickness	Fire and Natural Phenomena	Motor	Miscellaneous	Other branches	Total
Acquired 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 earnings	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 earnings	**62,822,581**	**123,704,071**	**26,613,803**	**193,288,953**	**20,115,199**	**21,360,332**	**447,904,938**

Reporting by business segments – Balance Sheet, as at 31 December 2012:

MZN

Balance Sheet	Life insurance	Non-Life branch insurance	Total
Cash & cash equivalents & demand deposits	158,236,112	48,916,359	207,152,471
Investments in affiliates, associates & joint ventures	161,443,099	49,907,751	211,350,850
Assets available for sale	1,751,065,131	541,315,941	2,292,381,072
Loans & accounts receivable	519,082,951	160,466,833	679,549,784
Buildings	1,089,158,920	336,697,405	1,425,856,325
Other tangible & intangible assets & inventories	33,314,295	10,298,623	43,612,918
Assigned reinsurance technical provisions	1,493,352	122,468,370	123,961,722
Other receivables & tax assets	91,771,690	28,369,863	120,141,553
Accruals & deferrals	49,555,372	15,319,312	64,874,683
Total assets	**3,855,120,923**	**1,313,760,456**	**5,168,881,379**
Technical provisions	2,767,393,114	855,498,736	3,622,891,850
Other financial liabilities	-	-	-
Post-employment & other long-term benefit liabilities	5,722,251	1,768,950	7,491,201
Other payables & tax liabilities	71,449,852	22,087,667	93,537,519
Accruals & deferrals	30,304,237	9,368,108	39,672,345
Other provisions	310,466	95,976	406,442
Total liabilities	**2,875,179,920**	**888,819,436**	**3,763,999,357**

Reporting by Life branch business segments – Balance Sheet, as at 31 December 2012:

MZN

Balance Sheet	Life branch			
	Annuities	Capitalisation	Life Risk	Total
Cash & cash equivalents & demand deposits	17,093,880	10,875,504	2,867,743	30,837,128
Investments in affiliates, associates & joint ventures	89,492,414	56,937,051	15,013,633	161,443,099
Assets available for sale	970,664,261	617,558,050	162,842,821	1,751,065,131
Loans & accounts receivable	358,362,975	227,998,443	60,120,518	646,481,936
Buildings	603,751,179	384,119,840	101,287,901	1,089,158,920
Other tangible & intangible assets & inventories	10,906,491	6,938,950	1,829,720	19,675,161
Assigned reinsurance technical provisions	-	-	1,493,352	1,493,352
Other receivables & tax assets	40,733,667	25,915,659	6,833,656	73,482,981
Accruals & deferrals	27,469,925	17,476,973	4,608,473	49,555,372
Total assets	2,118,474,793	1,347,820,472	356,897,816	3,823,193,080
Technical provisions	1,534,043,219	975,992,191	257,357,703	2,767,393,114
Other financial liabilities	-	-	-	-
Post-employment & other long-term benefit liabilities	3,172,004	2,018,099	532,149	5,722,251
Other payables & tax liabilities	29,468,705	18,748,641	4,943,797	53,161,143
Accruals & deferrals	16,798,484	10,687,567	2,818,186	30,304,237
Other provisions	172,100	109,494	28,872	310,466
Total liabilities	1,583,654,512	1,007,555,992	265,680,708	2,856,891,212

Reporting by Non-Life branch business segments – Balance Sheet, as at 31 December 2012:

MZN

Balance Sheet	Non-Life branch						
	Occupational Accidents	Personal Accidents and Sickness	Fire and Natural Phenomena	Motor	Miscellaneous	Other branches	Total
Cash & cash equivalents & demand deposits	738,472	2,952,310	539,655	3,880,225	1,220,421	201,760	9,532,843
Investments in affiliates, associates & joint ventures	3,866,158	15,456,370	2,825,284	20,314,330	6,389,326	1,056,283	49,907,751
Assets available for sale	41,933,628	167,644,892	30,643,958	220,335,924	69,300,743	11,456,797	541,315,941
Loans & accounts receivable	15,481,625	61,893,411	11,313,551	81,346,600	25,585,387	4,229,775	199,850,349
Buildings	26,082,631	104,274,779	19,060,479	137,048,493	43,104,920	7,126,104	336,697,405
Other tangible & intangible assets & inventories	471,171	1,883,677	344,319	2,475,719	778,671	128,730	6,082,286
Assigned reinsurance technical provisions	8,792,800	1,705,635	18,584,475	9,257,985	71,714,987	12,412,489	122,468,370
Other receivables & tax assets	1,759,734	7,035,173	1,285,966	9,246,338	2,908,187	480,781	22,716,179
Accruals & deferrals	1,186,727	4,744,372	867,228	6,235,535	1,961,220	324,229	15,319,312
Total assets	100,312,945	367,590,618	85,464,914	490,141,148	222,963,862	37,416,948	1,303,890,435
Technical provisions	66,272,140	264,946,923	48,429,882	348,220,124	109,523,281	18,106,385	855,498,736
Other financial liabilities	-	-	-	-	-	-	-
Post-employment & other long-term benefit liabilities	137,034	547,842	100,140	720,029	226,466	37,439	1,768,950
Other payables & tax liabilities	1,273,076	5,089,585	930,330	6,689,248	2,103,923	347,821	16,433,983
Accruals & deferrals	725,711	2,901,292	530,330	3,813,172	1,199,331	198,273	9,368,108
Other provisions	7,435	29,724	5,433	39,066	12,287	2,031	95,976
Total liabilities	68,415,395	273,515,365	49,996,115	359,481,639	113,065,288	18,691,950	883,165,752

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

MZN

Balance Sheet	Life insurance	Non-Life branch insurance	Total
Cash & cash equivalents & demand deposits	66,978,391	20,364,100	87,342,492
Investments in affiliates, associates & 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 & 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 & intangible assets & 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 & tax assets	70,283,904	21,369,108	91,653,012
Accruals & 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	-	-	-
Post-employment & other long-term benefit liabilities	5,456,319	1,658,938	7,115,258
Other payables & tax liabilities	104,481,537	31,766,551	136,248,089
Accruals & 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 branch business segments – Balance Sheet, as at 31 December 2011:

MZN

Balance Sheet	Life branch			
	Annuities	Capitalisation	Life Risk	Total
Cash & cash equivalents & demand deposits	37,987,486	22,861,096	6,129,809	66,978,391
Investments in affiliates, associates & 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 & 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 & intangible assets & 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 & tax assets	39,862,242	23,989,335	6,432,327	70,283,904
Accruals & 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	-	-	-	-
Post-employment & other long-term benefit liabilities	3,094,608	1,862,353	499,358	5,456,319
Other payables & tax liabilities	59,257,783	35,661,687	9,562,067	104,481,537
Accruals & 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 branch business segments – Balance Sheet, as at 31 December 2011:

MZN

Balance Sheet	Non-Life branch						
	Occupational Accidents	Personal Accidents and Sickness	Fire and Natural Phenomena	Motor	Miscellaneous	Other branches	Total
Cash & cash equivalents & 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 affiliates, associates & 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 & 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 & intangible assets & 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 & tax assets	1,624,901	7,786,249	1,218,416	8,162,701	1,478,980	1,097,861	21,369,108
Accruals & 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	-	-	-	-	-	-	-
Post-employment & other long-term benefit liabilities	126,145	604,466	94,589	633,691	114,817	85,230	1,658,938
Other payables & tax liabilities	2,415,519	11,574,760	1,811,253	12,134,380	2,198,598	1,632,041	31,766,551
Accruals & 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**

• Allocation of the investments and other assets

Allocation of the investments and other assets, as at 31 December 2012:

MZN

Nature of the investments and other assets	Life insurance without profit sharing	Life insurance with profit sharing	Non-Life branch insurance	Not allocated	Total
Cash & cash equivalents & demand deposits	230,627	5,182,473	-	201,739,371	207,152,471
Investments in affiliates, associates & joint ventures	-	-	-	211,350,850	211,350,850
Assets available for sale	41,022,162	921,818,968	733,030,366	596,509,576	2,292,381,072
Loans & accounts receivable	14,443,339	324,559,783	-	340,546,652	679,549,774
Buildings	60,718,283	1,364,415,302	-	722,740	1,425,856,325
Other tangible & intangible assets & inventories	-	-	-	43,612,918	43,612,918
Assigned reinsurance technical provisions	-	-	-	123,961,722	123,961,722
Other receivables & tax assets	-	-	-	120,141,553	120,141,553
Accruals & deferrals	1,427,654	32,081,169	-	31,365,859	64,874,683
Total	**117,842,065**	**2,648,057,696**	**733,030,366**	**1,669,951,242**	**5,168,881,369**

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

MZN

Nature of the investments and other assets	Life insurance without profit sharing	Life insurance with profit sharing	Non-Life branch insurance	Not allocated	Total
Cash & cash equivalents & demand deposits	144,119	3,826,448	-	83,371,925	87,342,492
Investments in affiliates, associates & 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 & 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 & intangible assets & inventories	-	-	-	50,866,716	50,866,716
Assigned reinsurance technical provisions	-	-	-	110,523,092	110,523,092
Other receivables & tax assets	-	-	-	91,653,012	91,653,012
Accruals & 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	4,849,034,120

NOTE 6 – ACQUIRED PREMIUMS, NET OF REINSURANCE

The acquired premiums net of reinsurance, for 2011 and 2012, are analysed as follows:

MZN

	'12	'11
Gross premiums issued of direct insurance and accepted reinsurance	**1,395,023,112**	1,345,742,326
Assigned reinsurance premiums	**(348,712,686)**	(248,798,315)
Net reinsurance premiums	**1,046,310,426**	1,096,944,010
Variation of non-acquired premiums of direct insurance and accepted reinsurance	**24,426,046**	(64,671,654)
Variation of non-acquired premiums of assigned reinsurance	**(9,023,321)**	22,440,447
Net variation of non-acquired premiums	**15,402,724**	(42,231,207)
Acquired premiums, net of reinsurance	**1,061,713,150**	1,054,712,803

The breakdown of the headings is analysed as follows:

MZN

	'12			'11		
	Direct insurance and accepted reinsurance	Assigned reinsurance	Net	Direct insurance and accepted reinsurance	Assigned reinsurance	Net
Gross premiums issued	1,395,023,112	(348,712,686)	1,046,310,426	1,345,742,326	(248,798,315)	1,096,944,010
Life branch	327,652,700	(23,332,967)	304,319,732	381,543,308	(23,263,227)	358,280,080
Annuities	139,547,625	-	139,547,625	146,786,169	-	146,786,169
Capitalisation	49,155,610	-	49,155,610	80,593,194	-	80,593,194
Life Risk	138,949,465	(23,332,967)	115,616,498	154,163,945	(23,263,227)	130,900,718
Non-Life branch	1,067,370,412	(325,379,719)	741,990,693	964,199,018	(225,535,088)	738,663,930
Occupational Accidents	90,890,785	(776,825)	90,113,960	79,627,550	(1,788,046)	77,839,505
Personal Accidents and Sickness	125,174,882	(3,904,492)	121,270,390	185,708,601	(5,298,432)	180,410,169
Fire and Other Damages	309,352,407	(260,466,504)	48,885,903	143,437,470	(103,776,463)	39,661,008
Motor	423,460,301	(3,765,169)	419,695,132	383,411,141	(9,148,723)	374,262,417
Marine	2,471,354	(2,599,059)	(127,705)	11,831,128	(8,337,033)	3,494,095
Aviation	2,185,935	(1,158,304)	1,027,631	2,057,105	(1,162,050)	895,055
Transport	20,133,255	(15,901,607)	4,231,648	22,141,746	(14,080,954)	8,060,793
Civil Liability	14,944,963	(9,220,140)	5,724,823	21,515,342	(15,551,200)	5,964,142
Miscellaneous	78,756,529	(27,587,619)	51,168,911	114,468,934	(66,392,187)	48,076,747
Variation of the provision for non-acquired premiums	24,426,046	(9,023,322)	15,402,724	(64,671,653)	22,440,447	(42,231,207)
Life branch	-	-	-	-	-	-
Non-Life branch	24,426,046	(9,023,322)	15,402,724	(64,671,653)	22,440,447	(42,231,207)
Occupational Accidents	(2,333,701)	-	(2,333,701)	(990,344)	-	(990,344)
Personal Accidents and Sickness	46,037,157	(189,334)	45,847,822	(24,774,950)	(12,295)	(24,787,244)
Fire and Other Damages	1,030,412	(4,215,510)	(3,185,098)	(2,347,486)	(964,858)	(3,312,344)
Motor	(22,434,650)	(14,344)	(22,448,995)	(3,260,104)	-	(3,260,104)
Marine	1,105,123	(494,359)	610,764	(208,435)	(1,058,222)	(1,266,657)
Aviation	(19,407)	(39,284)	(58,691)	386,968	(79,678)	307,290
Transport	(103,722)	49,293	(54,429)	(352,495)	(982,921)	(1,335,415)
Civil Liability	1,643,868	(1,503,629)	140,239	(3,837,346)	2,246,054	(1,591,291)
Miscellaneous	(499,034)	(2,616,153)	(3,115,188)	(29,287,464)	23,292,365	(5,995,098)
Acquired premiums	1,419,449,158	(357,736,008)	1,061,713,150	1,281,070,672	(226,357,869)	1,054,712,804
Life branch	327,652,700	(23,332,967)	304,319,732	381,543,308	(23,263,227)	358,280,080
Non-Life branch	1,091,796,458	(334,403,041)	757,393,417	899,527,365	(203,094,641)	696,432,723
Occupational Accidents	88,557,084	(776,825)	87,780,259	78,637,207	(1,788,046)	76,849,161
Personal Accidents and Sickness	171,212,039	(4,093,826)	167,118,213	160,933,651	(5,310,727)	155,622,924
Fire and Other Damages	310,382,819	(264,682,014)	45,700,805	141,089,984	(104,741,320)	36,348,664
Motor	401,025,651	(3,779,513)	397,246,138	380,151,037	(9,148,723)	371,002,313
Marine	3,576,477	(3,093,418)	483,059	11,622,694	(9,395,255)	2,227,439
Aviation	2,166,528	(1,197,588)	968,940	2,444,074	(1,241,729)	1,202,345
Transport	20,029,533	(15,852,314)	4,177,219	21,789,252	(15,063,874)	6,725,377
Civil Liability	16,588,832	(10,723,770)	5,865,062	17,677,996	(13,305,145)	4,372,851
Miscellaneous	78,257,495	(30,203,772)	48,053,723	85,181,471	(43,099,822)	42,081,649

NOTE 7 – COST OF CLAIMS, NET OF REINSURANCE

For the financial years of 2012 and 2011, this heading is broken down as follows:

MZN

	'12	'11
Claims paid		
Gross values	**(488,177,091)**	(467,214,015)
Portion of the reinsurers	**42,753,254**	48,577,240
Variation of the provision for claims		
Gross values	**(64,299,833)**	1,815,957
Portion of the reinsurers	**21,692,355**	(31,906,326)
Total before imputed costs	**(488,031,315)**	(448,727,143)
Costs of claims (imputed) – see Note 19	**(7,724,532)**	(6,329,632)
Cost of claims, net of reinsurance	**(495,755,847)**	(455,056,775)

For the financial year of 2012, the costs of claims and variations of the technical provisions of the Life and Non-Life branches were broken down as follows:

MZN

	'12					
	Claims paid		Variation of the provision for claims		Costs of claims (imputed – see Note 18)	Total
	Gross values	Portion of the reinsurers	Gross values	Portion of the reinsurers		
Life branch	(266,882,676)	5,650,837	(5,424,193)	(249,694)	(889,492)	(267,795,218)
Annuities	(157,355,458)	-	(1,856,578)	-	(681,525)	(159,893,562)
Capitalisation	(87,370,556)	-	(117,887)	-	(93,631)	(87,582,074)
Life Risk	(22,156,662)	5,650,837	(3,449,728)	(249,694)	(114,336)	(20,319,582)
Non-Life branch	(221,294,415)	37,102,418	(58,875,640)	21,942,048	(6,835,040)	(227,960,629)
Occupational Accidents	(9,178,112)	-	(3,917,086)	2,304,263	(936,307)	(11,727,243)
Personal Accidents and Sickness	(42,037,661)	-	(2,731,535)	-	(983,122)	(45,752,318)
Fire and Other Damages	(24,464,991)	22,880,611	678,337	729,387	(702,230)	(878,886)
Motor	(114,575,862)	-	(24,521,424)	1,145,091	(4,213,381)	(142,165,577)
Marine	(10,618,222)	10,377,256	22,667,182	(22,229,903)	-	196,313
Aviation	-	-	-	(5,761)	-	(5,761)
Transport	(358,203)	251,968	(250,622)	317,025	-	(39,832)
Civil Liability	(2,157,550)	2,009,135	(309,428)	158,313	-	(299,530)
Miscellaneous	(17,903,813)	1,583,447	(50,491,064)	39,523,635	-	(27,287,795)
Total	(488,177,091)	42,753,254	(64,299,833)	21,692,355	(7,724,532)	(495,755,847)

For the financial year of 2011, the costs of claims and variations of the technical provisions of the Life and Non-Life branches, were broken down as follows:

	'11					
	Claims paid		Variation of the provision for claims		Costs of claims (imputed – see Note 18)	Total
	Gross values	Portion of the reinsurers	Gross values	Portion of the reinsurers		
Life branch	(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 branch	(239,852,723)	43,282,410	5,306,507	(31,978,892)	(5,600,765)	(228,843,464)
Occupational Accidents	(5,466,407)	-	(8,484,830)	2,689,819	(767,228)	(12,028,646)
Personal Accidents and Sickness	(26,437,067)	-	1,903,333	-	(805,590)	(25,339,323)
Fire and Other Damages	(37,423,693)	34,913,957	(17,319,607)	14,184,741	(575,421)	(6,220,024)
Motor	(142,431,105)	-	(21,788,043)	5,134,730	(3,452,527)	(162,536,945)
Marine	-	-	(1,586,997)	1,449,360	-	(137,637)
Aviation	-	-	-	-	-	-
Transport	(1,895,553)	735,908	1,725,582	(429,844)	-	136,093
Civil Liability	(403,292)	-	1,330,945	43,678	-	971,331
Miscellaneous	(25,795,605)	7,632,545	49,526,124	(55,051,376)	-	(23,688,312)
Total	**(467,214,015)**	**48,577,240**	**1,815,957**	**(31,906,326)**	**(6,329,632)**	**(455,056,775)**

NOTE 8 – OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE

The heading Other technical provisions, net of reinsurance, exclusively considers the variation of the provision for claim rate deviations. Also see Note 26 with respect to the amount recognised under the account of gains and losses by branch.

NOTE 9 – LIFE BRANCH MATHEMATICAL PROVISIONS, NET OF REINSURANCE

The heading Life branch mathematical provision, net of reinsurance, includes the variation of the Insurer's liabilities related to insurance contracts and investment contracts with profit sharing in the Life branch. Also see Note 26 with respect to the amount recognised under the account of gains and losses by product.

NOTE 10 – PROFIT SHARING, NET OF REINSURANCE

The heading Profit sharing, net of reinsurance, refers to the increased liabilities of the Insurer relative to the estimated amounts attributable to insurance policyholders in insurance contracts and investment contracts with profit sharing of the Life branch. Also see Note 26 with respect to the amount recognised under the account of gains and losses by product/branch.

NOTE 11 – NET OPERATING COSTS

For the financial years of 2012 and 2011, the net operating costs are broken down as follows:

MZN

	'12	'11
Acquisition cost	**(108,603,111)**	(104,285,661)
Deferred acquisition costs (variation)	**4,783,581**	4,881,088
Administrative costs	**(179,887,459)**	(162,467,291)
Fees and sharing of reinsurance profit	**46,295,491**	33,494,673
Net operating costs	**(237,411,498)**	(228,377,191)

For the financial year of 2012, the acquisition costs, deferred acquisition costs (variation), administrative costs, fees and sharing of reinsurance profit were broken down as follows:

MZN

Net operating costs	'12					
	Acquisition cost		Deferred acquisition costs (variation)	Administrative costs		Fees and sharing of reinsurance profit
	Imputed costs (see Note 18)	Mediation fees		Imputed costs (see Note 18)	Mediation fees	
Life branch	(8,383,620)	(19,373,194)	-	(41,303,149)	-	12,751,892
Annuities	(6,102,156)	-	-	(30,063,177)	-	-
Capitalisation	(1,257,740)	-	-	(6,196,444)	-	-
Life Risk	(1,023,724)	(19,373,194)	-	(5,043,528)	-	12,751,892
Non-Life branch	(27,310,711)	(53,535,586)	4,783,580	(134,550,270)	(4,034,040)	33,543,599
Occupational Accidents	(2,325,614)	(3,856,483)	464,176	(11,457,484)	(432,299)	-
Personal Accidents and Sickness	(3,613,360)	(6,119,819)	(3,365,610)	(17,801,755)	(51,013)	2,092,994
Fire and Other Damages	(7,915,372)	(12,672,050)	1,448,319	(38,996,256)	(500,130)	18,155,998
Motor	(10,424,519)	(25,734,153)	4,905,944	(51,357,940)	(2,525,375)	-
Marine	(63,234)	(412,514)	(56,614)	(311,533)	(58,931)	1,209,724
Aviation	(55,931)	(175,592)	26,512	(275,554)	(45,539)	237,505
Transport	(515,148)	(868,278)	78,483	(2,537,952)	(130,213)	3,893,270
Civil Liability	(382,395)	(409,790)	235,713	(1,883,928)	(62,720)	533,671
Miscellaneous	(2,015,136)	(3,286,908)	1,046,657	(9,927,868)	(227,820)	7,420,438
Total	(35,694,331)	(72,908,780)	4,783,580	(175,853,419)	(4,034,040)	46,295,491
Total in the summary table	(108,603,111)		4,783,581	(179,887,459)		46,295,491

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

MZN

Net operating costs	'11					
	Acquisition cost		Deferred acquisition costs (variation)	Administrative costs		Fees and sharing of reinsurance profit
	Imputed costs (see Note 18)	Mediation fees		Imputed costs (see Note 18)	Mediation fees	
Life branch	(9,069,131)	(20,432,423)	-	(44,723,649)	(16,964)	10,309,543
Annuities	(6,159,536)	-	-	(30,375,231)	-	-
Capitalisation	(1,915,668)	-	-	(9,446,953)	-	-
Life Risk	(993,927)	(20,432,423)	-	(4,901,466)	(16,964)	10,309,543
Non-Life branch	(22,918,622)	(51,865,485)	4,881,088	(113,021,243)	(4,705,434)	23,185,130
Occupational Accidents	(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 Damages	(3,409,451)	(6,342,279)	243,921	(16,813,418)	(388,783)	10,857,147
Motor	(9,113,528)	(23,543,476)	2,780,962	(44,942,592)	(3,107,149)	-
Marine	(281,221)	(1,176,604)	(23,358)	(1,386,818)	(194,943)	292,655
Aviation	(48,897)	(214,276)	(271,838)	(241,129)	(42,855)	133,636
Transport	(526,300)	(957,256)	35,625	(2,595,406)	(180,549)	3,371,201
Civil Liability	(511,411)	(934,181)	72,187	(2,521,980)	(119,339)	456,256
Miscellaneous	(2,720,880)	(2,679,730)	68,216	(13,417,791)	(149,631)	6,365,840
Total	(31,987,753)	(72,297,908)	4,881,088	(157,744,892)	(4,722,399)	33,494,673
Total in the summary table	(104,285,661)		4,881,088	(162,467,291)		33,494,673

NOTE 12 – INCOME

For the financial years of 2012 and 2011, the income by category of financial assets is analysed as follows:

MZN

	'12			'11		
	Allocated	**Not allocated**	**Total**	Allocated	Not allocated	Total
Income	**370,288,246**	**22,495,874**	**392,784,120**	421,853,349	35,982,866	457,836,215
Interest income from financial assets not stated at fair value through profit or loss	**275,974,309**	**22,495,874**	**298,470,183**	327,904,349	35,982,866	363,887,215
of assets available for sale	**222,128,855**	**22,024,810**	**244,153,666**	283,139,229	35,575,952	318,715,181
Bonds and other fixed yield securities						
Issued by public entities	**105,749,322**	**-**	**105,749,322**	35,689,282	-	35,689,282
Issued by other entities	**25,348,175**	**22,024,810**	**47,372,985**	40,594,048	35,575,952	76,170,000
Other investments (*)	**91,031,359**	**-**	**91,031,359**	206,855,899	-	206,855,899
of loans granted and accounts receivable – Term deposits	**53,845,453**	**471,063**	**54,316,517**	44,765,120	406,914	45,172,035
Other	**94,313,937**	**-**	**94,313,937**	93,949,000	-	93,949,000
of buildings for own use (rents)	**92,933,467**	**-**	**92,933,467**	92,650,682	-	92,650,682
of financial assets available for sale – Shares	**1,380,470**	**-**	**1,380,470**	1,298,317	-	1,298,317

(*) Treasury bills with BIM repurchase agreement.

NOTE 13 – FINANCIAL COSTS

The financial costs for 2012 and 2011 are analysed as follows:

MZN

	'12	'11
Non-Life branch		
Smoothing of premiums paid through the effective interest rate method – fixed yield securities	**(1,802,352)**	-
Costs imputed to the investment function (see Note 18)	**(709,536)**	(3,321,101)
Total	**(2,511,888)**	**(3,321,101)**

NOTE 14 – CURRENCY CONVERSION DIFFERENCES

The values for 2012 presented in the heading of Currency conversion differences, under Gains and Losses, refer to currency conversion differences arising from:

Dr/(Cr)

Currency conversion variation '12	Non-Life	Life	Non-Technical	Total
Provisions for direct insurance claims	(2,471,966)	-	-	(2,471,966)
Provisions for assigned reinsurance claims	1,614,281	-	-	1,614,281
Provision for non-acquired direct insurance premiums	(11,194,695)	-	-	(11,194,695)
Provision for non-acquired assigned reinsurance premiums	10,533,259	-	-	10,533,259
Provisions for direct insurance claims	-	(79,314)	-	(79,314)
Provisions for assigned reinsurance claims	-	266,965	-	266,965
Direct insurance mathematical provisions	-	(17,722,633)	-	(17,722,633)
Assigned reinsurance mathematical provisions	-	102,947	-	102,947
Investments	5,954,614	17,707,322	-	23,661,936
Employee benefit liability actuarial gain	-	-	-	-
Receipts for collection	-	-	12,148,614	12,148,614
Claim refunds	-	-	(889)	(889)
Rebates payable	-	-	(492,040)	(492,040)
Collections in advance	-	-	(741)	(741)
Current accounts – reinsurers	-	-	(9,421,007)	(9,421,007)
Current accounts – mediators	-	-	(1,347,909)	(1,347,909)
Receivables and payables	-	-	(2,318,135)	(2,318,135)
Accruals and deferrals	-	-	(527,735)	(527,735)
Demand deposits	-	-	(123,255)	(123,255)
Taxes	-	-	(1,618,404)	(1,618,404)
Current accounts – co-insurance	-	-	(25,614)	(25,614)
Inventories	-	-	80	80
Total	4,435,493	275,287	(3,727,036)	983,744

Details of variations by branch:

MZN

Non-Life branch technical provisions	'12			
	Provision for claims		Provision for non-acquired premiums	
	Direct insurance	Assigned reinsurance	Direct insurance	Assigned reinsurance
Non-Life branch				
Occupational Accidents	-	293,019	-	-
Personal Accidents and Sickness	(160,771)	135,190	(33,402)	9,103
Fire and Other Damages	(546,897)	1,016,878	(4,982,913)	5,266,648
Motor	(179,478)	(189,268)	(1,286,226)	14,346
Marine	(694,053)	768,089	(39,728)	156,750
Aviation	(24,995)	23,745	(114,405)	54,946
Transport	(55,313)	(82,571)	(341,080)	738,479
Civil Liability	(163,426)	124,067	(715,023)	488,063
Miscellaneous	(647,034)	(474,869)	(3,681,920)	3,804,925
Total	**(2,471,966)**	**1,614,281**	**(11,194,695)**	**10,533,259**

Details of variations by branch:

MZN

Life branch technical provisions	'12			
	Provision for claims		Mathematical provision	
	Direct insurance	Assigned reinsurance	Direct insurance	Assigned reinsurance
Life bzranch				
Annuities	-	-	-	-
Capitalisation	(11,814)	-	(17,382,184)	-
Life Risk	(67,500)	266,965	(340,449)	102,947
Total	**(79,314)**	**266,965**	**(17,722,633)**	**102,947**

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 '11	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 non-acquired direct insurance premiums	(11,919,960)	-	-	(11,919,960)
Provision for non-acquired 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
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
Adjustment	-	-	-	-
Total	**1,379,215**	**6,202,738**	**2,077,161**	**9,659,114**

Details of variations by branch:

MZN

Non-Life branch technical provisions	'11			
	Provision for claims		Provision for non-acquired premiums	
	Direct insurance	Assigned reinsurance	Direct insurance	Assigned reinsurance
Non-Life branch				
Occupational Accidents	-	107,718	-	-
Personal Accidents and Sickness	(348,908)	291,989	(91,994)	22,808
Fire and Other Damages	(5,813)	(885,652)	(2,714,248)	2,737,212
Motor	11,084	(956,449)	(535,261)	-
Marine	(4,193,116)	4,064,607	(406,601)	404,026
Aviation	(53,984)	51,285	(175,972)	83,492
Transport	(47,801)	(51,189)	(513,498)	1,203,758
Civil Liability	(99,413)	35,794	(945,252)	495,532
Miscellaneous	(6,840,137)	6,753,121	(6,537,134)	4,007,007
Total	**(11,578,089)**	**9,411,223**	**(11,919,960)**	**8,953,835**

Details of variations by branch:

MZN

Life branch technical provisions	'11			
	Provision for claims		Mathematical provision	
	Direct insurance	Assigned reinsurance	Direct insurance	Assigned reinsurance
Life branch				
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 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:

Exchange rate of the currency	31.12.2012	31.12.2011
USD	**29.75**	27.31
ZAR	**3.50**	3.37
EUR	**39.23**	35.27

NOTE 15 – NET GAINS OF NON-FINANCIAL ASSETS WHICH ARE NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATING UNITS

The value of 48,715 thousand Meticais, recorded as at 31 December 2012, refers to the variation of the fair value of properties allocated to products with 100% profit sharing. Also see Notes 23 and 26.

The value of 607,283 thousand Meticais, recorded as at 31 December 2011, refers to the variation of the fair value of properties (i) allocated to products with 100% profit sharing, approximately 589,799 thousand Meticais, and (ii) allocated without profit sharing, approximately 17,484 thousand Meticais. Also see Notes 24 and 27.

NOTE 16 – OTHER PROVISIONS (VARIATION)

The heading Other provisions (variation) refers to the variation of the adjustment of receipts for collection. Also see Note 27.

NOTE 17 – OTHER TECHNICAL AND NON-TECHNICAL INCOME/COSTS, NET OF REINSURANCE

Of the net amount of 510 thousand Meticais recorded under the heading as at 31 December 2012, approximately 882 thousand Meticais refer to losses relative to the write-off of tangible assets

NOTE 18 – 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:

MZN

	'12			'11		
	Technical account	Non-technical account	Total	Technical account	Non-technical account	Total
Costs of claims (see Note 7)	**7,724,532**	**-**	**7,724,532**	6,329,632	-	6,329,632
Acquisition costs (see Note 11)	**35,694,331**	**-**	**35,694,331**	31,987,753	-	31,987,753
Administrative costs (see Note 11)	**175,853,419**	**-**	**175,853,419**	157,744,892	-	157,744,892
Investment management costs (see Note 13)	**709,536**	**-**	**709,536**	3,321,101	-	3,321,101
Total	**219,981,818**	**-**	**219,981,818**	199,383,378	-	199,383,378

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

MZN

Imputable costs by nature	'12	'11
Staff costs	**133,160,845**	115,768,673
Remuneration of the governing bodies	**10,786,143**	9,103,512
Staff remuneration	**110,636,906**	96,509,415
Charges on remunerations	**4,072,686**	3,260,116
Post-employment benefits	**3,961,145**	3,603,340
Compulsory insurance	**899,493**	637,004
Social action costs	**14,951**	61,102
Other staff costs	**2,789,520**	2,594,184
External supplies and services	**70,162,395**	66,458,390
Specialised work	**18,288,135**	19,327,617
Advertising and promotion	**10,807,044**	6,058,551
Hire and rental charges	**9,036,375**	6,725,736
Insurance	**8,599,399**	8,430,722
Maintenance and repair	**4,404,509**	4,289,782
Costs related to independent work	**3,770,267**	3,995,840
Fuel	**3,581,969**	3,749,779
Communications	**2,708,192**	3,170,005
Security and surveillance	**1,877,424**	1,854,880
Travel and hotel	**1,457,747**	2,959,602
Other (of individual value below 1,210 thousand)	**5,631,333**	5,895,877
Taxes and rates	**1,203,108**	1,073,399
Amortisation/depreciation for the year	**14,745,935**	12,761,816
Intangible assets (see Note 25)	**4,741,335**	4,631,474
Tangible assets (see Note 24)	**10,004,600**	8,130,341
Other provisions	**-**	-
Interest paid	**-**	-
Fees	**709,536**	3,321,101
Total imputable costs by nature	**219,981,818**	199,383,378

During 2012, SIM had an average of 146 employees (2011: 147 employees), distributed over the professional categories shown in the table below.

Average number of workers by professional category	'12	'11
Executive directors	**10**	10
Senior management	**16**	16
Middle management	**15**	15
Highly qualified professionals	**1**	1
Qualified professionals	**85**	86
Semi-qualified professionals	**14**	14
Other	**5**	5
Total	**146**	147

NOTE 19 – CASH AND CASH EQUIVALENTS AND DEMAND DEPOSITS

The description of the components of cash and cash equivalents 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:

MZN

	'12	'11
Cash	**-**	493
Demand deposits	**40,369,971**	35,132,558
Term deposits with maturity of less than 90 days (considered equivalent to cash)	**166,782,500**	52,209,441
Total	**207,152,471**	87,342,492

NOTE 20 – INVESTMENTS IN AFFILIATES, ASSOCIATES AND JOINT VENTURES

The individual financial statements of the Insurer 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:

MZN

'12

Company address	Head office	Percentage equity held	Value of the holding	Parent company	Equity	Assets	Liabilities	Net income	Total income
Constellation	Maputo	20.00%	210,700,000	SOGEX, S.A.	1,177,488,945	1,516,616,027	339,127,073	-2,523,108	-
Beira Nave	Beira	22.84%	650,850	Pescamar, Lda, Sociedade de Pesca de Mariscos	74,648,103	217,540,835	142,892,732	25,749,382	145,805,579
Total			211,350,850						

MZN

'11

Company address	Head office	Percentage equity held	Value of the holding	Parent company	Equity	Assets	Liabilities	Net income	Total income
Constellation	Maputo	20.00%	210,700,000	SOGEX, S.A	1,053,500,000	1,292,416,547	238,916,547	-	-
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
Total			211,350,850						

NOTE 21 – ASSETS AVAILABLE FOR SALE

For the financial years of 2012 and 2011, this heading is broken down as follows:

MZN

'12	Nominal/ Acquisition value	Fair value reserve		Attributable profit sharing (see Note 26)		Book value	Method of measurement
		Positive	Negative	Positive	Negative		
Bonds and other fixed yield securities							
Issued by public entities	1,423,630,522	-	-	-	-	1,423,630,522	Nominal amount – equivalent to fair value – Level 1
Issued by other entities	299,665,373	-	-	-	-	299,665,373	
Shares	2,937,353	5,676,135	-	7,268,739	-	15,882,227	
Cervejas de Moçambique	1,945,131	5,676,135	-	7,268,739	-	14,890,005	Fair value – Mozambique Stock Exchange price – Level 1
BCI	992,222	-	-	-	-	992,222	Acquisition cost
Other investments (*)	553,202,950	-	-	-	-	553,202,950	Nominal amount – equivalent to fair value – Level 1
Balance as at 31.12.2012	**2,279,436,198**	**5,676,135**	**-**	**7,268,739**	**-**	**2,292,381,072**	

(*) Treasury bills with BIM repurchase agreement.

MZN

'11	Nominal/ Acquisition value	Fair value reserve		Attributable profit sharing (see Note 26)		Book value	Method of measurement
		Positive	Negative	Positive	Negative		
Bonds and other fixed yield securities							
Issued by public entities	187,716,341	-	-	-	-	187,716,341	Nominal amount – equivalent to fair value – Level 1
Issued by other entities	550,283,739	435,782	-	208,866	-	550,928,387	
Shares	2,937,353	1,618,489	-	2,072,561	-	6,628,403	
Cervejas de Moçambique	1,945,131	1,618,489	-	2,072,561	-	5,636,181	Fair value – Mozambique Stock Exchange price – Level 1
BCI	992,222	-	-	-	-	992,222	Acquisition cost
Other investments (*)	1,594,033,224	-	-	-	-	1,594,033,224	Nominal amount – equivalent to fair value – Level 1
Balance as at 31.12.2011	**2,334,970,658**	**2,054,271**	**-**	**2,281,427**	**-**	**2,339,306,356**	

(*) Treasury bills with BIM repurchase agreement.

Pursuant to IFRS 7, financial assets classified upon initial recognition as available for sale may be stated at fair value according to one of the following levels:

- Level 1 – Fair value determined directly with reference to an active official market;
- Level 2 – Fair value determined using valuation techniques based on observable prices in tradable current markets for the same financial instrument;
- Level 3 – Fair value determined using valuation techniques not based on observable prices in tradable current markets for the same financial instrument

NOTE 22 – LOANS AND ACCOUNTS RECEIVABLE

For the financial years of 2012 and 2011, this heading is broken down as follows:

MZN

	'12	'11
Term deposits in MZN – Capital	**421,498,918**	195,629,540
Term deposits in USD – Capital	**209,857,448**	181,129,871
Term deposits in EUR – Capital	**44,693,408**	8,900,234
Term deposits in ZAR – Capital	**3,500,000**	-
Total	**679,549,774**	385,659,645

The term deposits in MZN allocated to Life, all of which are at BIM, offer interest rates varying between 2.00% and 4.00% (Dec. 11: 11.75% and 15.99%) and have maturities between 98 and 365 days (Dec. 11: 365 days).

The term deposits in MZN allocated to Non-Life, at BIM, BCI and STANDARD BANK (in 2011 all the deposits were at BIM), offer interest rates varying between 2.00% and 10.00% (Dec. 11: 15.97% and 15.99%) and have maturities between 115 and 365 days (Dec. 11: 365 days).

Regarding the term deposits in USD, EUR and ZAR, which are also all at BIM, offer interest rates varying between 0.64% and 2% (Dec. 11: 1.79% and 2.36%) for USD, between 0.29% and 2.09% (Dec. 11: 1.22% and 2.1%) for EUR and 5.00% for ZAR. Concerning maturities, the term deposits in USD, EUR and ZAR have maturities between 364 and 365 days (Dec. 11: 365 days).

NOTE 23 – INCOME-GENERATING BUILDINGS (INVESTMENT PROPERTIES)

SIM only has income-generating buildings, which are stated in its accounts at their fair value as at the date of the last valuation.

During 2012, in order to determine the fair value of the income-generating properties, the Insurer used two suitable entities specialised in the valuation of property, CPU Intervalor and Arkimoz, Lda.

The work carried out by the valuators referred to above determined that, for the financial year of 2012 and relative to 2011, as a whole, no significant fluctuation had occurred in the behaviour of the real estate market, particularly with respect to average construction prices and average property transaction values in the main provincial cities of Mozambique, except in exceptional or one-off cases of various properties with specific characteristics.

The movements which occurred in income-generating buildings during 2012 are as follows:

MZN

	Value as at 31.12.2011	Additions		Disposals and write-offs	Revaluation against profit or loss (see Note 15 and 26)	Value as at 31.12.2012
		Acquisitions	Improve-ments			
Income-generating buildings	1,377,141,725	-	-	-	48,714,600 (*)	1,425,856,325

(*) Refers to properties allocated to products with 100% profit sharing.

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

MZN

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

(*) 589,799,080 Meticais refers to properties allocated to products with 100% profit sharing and the remaining value refers to properties without profit sharing.

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

MZN

	'12			'11		
	Life insurance	**Non-Life insurance**	**Closing balance**	Life insurance	Non-Life insurance	Closing balance
Property rents (see Note 12)	**92,933,467**	**-**	**92,933,467**	92,650,682	-	92,650,682

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

MZN

	'12			'11		
	Life insurance	**Non-Life insurance**	**Closing balance**	Life insurance	Non-Life insurance	Closing balance
Repair, maintenance and other expenses	**1,169,948**	**-**	**1,169,948**	1,225,543	-	1,225,543

NOTE 24 – TANGIBLE ASSETS

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

Their respective evolution during 2012 and 2011 was as follows:

MZN

	Balance as at 31.12.2011			Increases	Reductions	Depreciation		Balance as at 31.12.2012		
	Gross value	Depreciation	Net value	Acquisitions	Transfers & write-offs	Adjustments	Top-up	Gross value	Depreciation	Net value
Administrative equipment	5,433,571	2,172,573	3,260,999	436,158	104,432	(49,510)	509,414	5,765,297	2,632,476	3,132,821
Machines, appliances and tools	3,349,441	2,808,155	541,286	110,861	128,541	(65,169)	160,486	3,331,761	2,903,471	428,290
Computer equipment	13,503,492	4,968,553	8,534,939	74,342	698,462	(378,193)	2,023,502	12,879,373	6,613,862	6,265,511
Interior facilities	3,131,854	837,413	2,294,440	-	-	-	1,043,847	3,131,854	1,881,260	1,250,593
Transport material	27,598,794	15,318,976	12,279,818	4,764,805	1,826,150	(1,389,088)	5,499,932	30,537,448	19,429,820	11,107,629
Other tangible assets	6,290,865	2,596,125	3,694,740	698,596	179,280	(126,040)	767,494	6,810,181	3,237,579	3,572,602
Total Other tangible assets	**59,308,018**	**28,701,794**	**30,606,224**	**6,084,762**	**2,936,865**	**(2,007,999)**	**10,004,674**	**62,455,915**	**36,698,469**	**25,757,447**
Inventory	**1,598,369**	**-**	**1,598,369**	**-**	**178,855**	**-**	**-**	**1,419,513**	**-**	**1,419,513**

MZN

	Balance as at 31.12.2010			Increases	Reductions	Depreciation		Balance as at 31.12.2011		
	Gross value	Depreciation	Net value	Acquisitions	Transfers & write-offs	Adjustments	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
Computer 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**

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

NOTE 25 – INTANGIBLE ASSETS

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

Their respective evolution during 2012 and 2011 was as follows:

MZN

	Balance as at 31.12.2011			Increases	Reductions		Amortisation		Balance as at 31.12.2012		
	Gross value	Amortisation	Net value	Acquisitions	Transfers & write-offs	Disposals	Adjust-ments	Top-up	Gross value	Amortisation	Net value
Computer applications	42,316,830	23,654,706	18,662,124	2,515,169	-	-	-	4,741,335	44,831,999	28,396,041	16,435,958
Total	**42,316,830**	**23,654,706**	**18,662,124**	**2,515,169**	**-**	**-**	**-**	**4,741,335**	**44,831,999**	**28,396,041**	**16,435,958**

MZN

	Balance as at 31.12.2010			Increases	Reductions		Amortisation		Balance as at 31.12.2011		
	Gross value	Amortisation	Net value	Acquisitions	Transfers & write-offs	Disposals	Adjust-ments	Top-up	Gross value	Amortisation	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**

NOTE 26 – TECHNICAL PROVISIONS, NET OF ASSIGNED REINSURANCE

For the financial years of 2012 and 2011, this heading is broken down as follows:

MZN

Technical provisions, net of assigned reinsurance	'12			'11		
	Direct insurance and accepted reinsurance	**Assigned reinsurance**	**Net**	Direct insurance and accepted reinsurance	Assigned reinsurance	Net
Provision for non-acquired premiums	**446,721,860**	**49,149,206**	**397,572,655**	465,001,029	47,639,268	417,361,762
Life branch mathematical provision	**1,990,630,944**	**145,732**	**1,990,485,212**	1,942,592,101	151,266	1,942,440,836
Provision for claims	**390,256,239**	**74,666,785**	**315,589,455**	323,910,030	62,732,558	261,177,472
Of the Life branch	**28,433,177**	**1,347,620**	**27,085,557**	23,055,559	1,330,348	21,725,211
Of Non-Life branches	**361,823,062**	**73,319,165**	**288,503,897**	300,854,471	61,402,210	239,452,261
Provision for profit sharing	**790,951,640**	**-**	**790,951,640**	689,138,781	-	689,138,781
Provision for claim rate deviations	**4,331,167**	**-**	**4,331,167**	3,692,825	-	3,692,825
Provision for risks underway	**-**	**-**	**-**	-	-	-
Total	**3,622,891,850**	**123,961,722**	**3,498,930,128**	**3,424,334,767**	**110,523,092**	**3,574,989,147**

The provisions for non-acquired premiums are analysed as follows:

MZN

Provision for non-acquired premiums	'12			'11		
	Direct insurance and accepted reinsurance	**Assigned reinsurance**	**Net**	Direct insurance and accepted reinsurance	Assigned reinsurance	Net
Non-Life branch						
Occupational Accidents	**10,152,993**	**-**	**10,152,993**	8,283,468	-	8,283,468
Personal Accidents and Sickness	**212,475,584**	**56,979**	**212,418,605**	255,116,084	237,209	254,878,875
Fire and Other Damages	**23,114,842**	**12,602,009**	**10,512,833**	20,698,233	11,550,871	9,147,362
Motor	**149,220,012**	**-**	**149,220,012**	130,529,047	-	130,529,047
Marine	**284,193**	**253,579**	**30,615**	1,298,772	591,187	707,585
Aviation	**1,506,072**	**749,940**	**756,133**	1,403,540	734,278	669,261
Transport	**3,656,512**	**2,974,951**	**681,561**	3,290,485	2,187,180	1,103,305
Civil Liability	**5,533,502**	**3,396,117**	**2,137,385**	6,730,871	4,411,683	2,319,188
Miscellaneous	**40,778,150**	**29,115,631**	**11,662,519**	37,650,528	27,926,859	9,723,669
Total	**446,721,860**	**49,149,206**	**397,572,655**	465,001,029	47,639,268	417,361,762

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

MZN

Mathematical provision	'12			'11		
	Direct insurance and accepted reinsurance	**Assigned reinsurance**	**Net**	Direct insurance and accepted reinsurance	Assigned reinsurance	Net
Life branch						
Annuities	**1,021,647,886**	**-**	**1,021,647,886**	1,027,884,799	-	1,027,884,799
Capitalisation	**766,062,986**	**-**	**766,062,986**	718,343,926	-	718,343,926
Life Risk	**202,920,072**	**145,732**	**202,774,339**	196,363,377	151,266	196,212,111
Total	**1,990,630,944**	**145,732**	**1,990,485,212**	1,942,592,101	151,266	1,942,440,836

MZN

	Movement of the mathematical provision during 2012					
	Provision at the beginning of the year	Application of the provision for profit sharing	Adjustments	Variation of the year – see P&L Account	Exchange rate variation	Provision at the end of the year
Life branch						
Annuities	1,027,884,799	-	(5,760,737)	(476,175)	-	1,021,647,886
Capitalisation	718,343,926	45,392,529	-	(15,055,653)	17,382,184	766,062,986
Life Risk	196,363,377	-	-	6,216,246	340,449	202,920,072
Total	1,942,592,101	45,392,529	(5,760,737)	(9,315,582)	17,722,633	1,990,630,944

MZN

	Movement of the mathematical provision during 2011					
	Provision at the beginning of the year	Application of the provision for profit sharing	Adjustments	Variation of the year – see P&L Account	Exchange rate variation	Provision at the end of the year
Life branch						
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 provision for claims are analysed as follows:

MZN

Provision for claims	'12			'11		
	Direct insurance and accepted reinsurance	**Assigned reinsurance**	**Net**	Direct insurance and accepted reinsurance	Assigned reinsurance	Net
Life branch						
Annuities	**3,687,084**	**-**	**3,687,084**	1,903,322	-	1,903,322
Capitalisation	**129,701**	**-**	**129,701**	-	-	-
Life Risk	**24,616,393**	**1,347,620**	**23,268,773**	21,152,237	1,330,348	19,821,889
Non-Life branch						
Occupational Accidents	**54,962,627**	**8,792,800**	**46,169,827**	51,238,521	7,125,943	44,112,578
Personal Accidents and Sickness	**11,005,212**	**1,648,656**	**9,356,557**	8,137,680	1,513,466	6,624,215
Fire and Other Damages	**20,983,873**	**5,982,467**	**15,001,407**	21,131,315	16,140,694	4,990,620
Motor	**199,000,113**	**9,257,984**	**189,742,128**	174,445,354	9,333,538	165,111,817
Marine	**1,486,838**	**1,055,383**	**431,456**	23,459,959	22,733,401	726,558
Aviation	**304,751**	**283,752**	**20,999**	279,756	265,768	13,988
Transport	**4,233,151**	**3,336,153**	**896,998**	3,927,217	3,101,699	825,518
Civil Liability	**1,101,364**	**362,615**	**738,750**	627,636	80,235	547,401
Miscellaneous	**68,745,131**	**42,599,356**	**26,145,775**	17,607,033	1,107,466	16,499,566
Total	**390,256,239**	**74,666,785**	**315,589,455**	323,910,030	62,732,558	261,177,472

The provision for profit sharing is analysed as follows:

MZN

Provision for profit sharing	'12			'11		
	Direct insurance and accepted reinsurance	**Assigned reinsurance**	**Net**	Direct insurance and accepted reinsurance	Assigned reinsurance	Net
Life branch						
Provision attributable						
Annuities	**466,822,680 (*)**	**-**	**466,822,680**	444,275,080 (**)	-	444,275,080
Capitalisation	**178,973,725 (*)**	**-**	**178,973,725**	147,819,439 (**)	-	147,819,439
Provision attributed						
Annuities	**41,885,569**	**-**	**41,885,569**	15,267,684	-	15,267,684
Capitalisation	**30,825,780**	**-**	**30,825,780**	30,124,845	-	30,124,845
Life Risk	**29,821,239**	**-**	**29,821,239**	22,808,628	-	22,808,628
Non-Life branches						
Provision attributed						
Occupational Accidents	**1,156,520**	**-**	**1,156,520**	1,187,455	-	1,187,455
Personal Accidents and Sickness	**41,466,127**	**-**	**41,466,127**	27,655,650	-	27,655,650
Total	**790,951,640**	**-**	**790,951,640**	689,138,781	-	689,138,781

(*) Of the total provision for profit sharing attributable of the Life branch in 2012, 638,513,680 Meticais (2012: 48,714,600 Meticais and 2011: 589,799,080 Meticais) refer to the fair value variation of properties allocated to products with 100% profit sharing (investment properties). Also see Note 23.

(**) Of the total provision for profit sharing attributable of the Life branch in 2011, 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 23.

MZN

	Movement of the provision for profit sharing during 2012						
	Provision at the beginning of the year	Distribution	Application in the mathematical provision	Pension premium clearing	Adjustments	Cost of profit sharing – see P&L Account	Provision at the end of the year
Life branch							
Provision attributable	592,094,519	-	-	-	4,987,285	48,714,600	645,796,405
Provision attributed	68,201,157	(22,808,628)	(45,392,529)	(49,335,885)	(40,681)	151,909,154	102,532,588
Subtotal	660,295,676	(22,808,628)	(45,392,529)	(49,335,885)	4,946,604	200,623,754	748,328,993
Non-Life branch							
Provision attributable	-	-	-	-	-	-	-
Provision attributed	28,843,105	(28,843,105)	-	-	2,686,629	39,936,018	42,622,647
Subtotal	28,843,105	(28,843,105)	-	-	2,686,629	39,936,018	42,622,647
Total	689,138,781	(51,651,733)	(45,392,529)	(49,335,885)	7,633,233	240,559,772	790,951,640

MZN

	Movement of the provision for profit sharing during 2011					
	Provision at the beginning of the year	Distribution	Application in the mathematical provision	Pension premium clearing	Cost of profit sharing – see P&L Account	Provision at the end of the year
Life branch						
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 branch						
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 claim rate deviations is analysed as follows:

MZN

Provision for claim rate deviations	'12			'11		
	Direct insurance and accepted reinsurance	**Assigned reinsurance**	**Net**	Direct insurance and accepted reinsurance	Assigned reinsurance	Net
Non-Life branch						
Fire and Other Damages	**4,331,167**	**-**	**4,331,167**	3,692,825	-	3,692,825
Total	**4,331,167**	**-**	**4,331,167**	3,692,825	-	3,692,825

	Movement of the provision for claim rate deviations during 2012 and 2011				
	Provision as at 31.12.2010	Variation for 2011 – see P&L Account	Provision as at 31.12.2011	Variation for 2012 – see P&L Account	Provision as at 31.12.2012
Non-Life branch					
Fire and Other Damages	3,398,746	294,079	3,692,825	638,342	4,331,167
Total	3,398,746	294,079	3,692,825	638,342	4,331,167

NOTE 27 – OTHER RECEIVABLES DUE TO INSURANCE AND OTHER OPERATIONS

For the financial years of 2012 and 2011, this heading is broken down as follows:

MZN

	'12	'11
Accounts receivable due to direct insurance operations		
Insurance policyholders	**93,553,760**	84,884,314
Co-insurers	**3,059,380**	5,458,358
Insurance mediators	**261,346**	6,488,158
	96,874,486	**96,830,830**
Adjustment of premium receipts for collection	**(22,755,156)**	(20,573,261)
	74,119,330	**76,257,569**
Accounts receivable due to reinsurance operations		
Other reinsurers	**1,006,442**	10,687,645
Accounts receivable due to other operations		
Other receivables	**18,566,552**	2,104,160
Total	**93,692,324**	**89,049,374**

The balance of the accounts receivable due to other operations includes, as at 31 December 2012, the value of 16,000,000 Meticais relative to a Shareholder loan granted to Constellation (SIM associate entity – see Note 20) on 15 September 2012. This Shareholder loan earns remunerative interest at a fixed rate indexed to the FPC interest rate (Permanent Assignment Facility) in force on the contract signing date, minus a spread of three percent.

The principal of this loan should be repaid within the maximum period of seven years, counted as of the date of disbursement of the funds, in equal and successive six-monthly instalments, of principal and interest, starting on the last business day of the month of September 2015.

The breakdown of the adjustment account shows the following evolution:

MZN

	Balance as at 31.12.2010	Allocations	Uses	Balance as at 31.12.2011	Allocations	Uses	Balance as at 31.12.2012
Adjustment of premium receipts for collection	17,755,523	2,817,738	-	20,573,261	2,181,895	-	22,755,156

NOTE 28 – CURRENT TAXES AND DEFERRED TAXES

The deferred tax assets and liabilities recognised in the balance sheet as at 31 December 2012 and 2011 may be analysed as follows:

MZN

	'12	'11
Income tax receivable		
Estimated income tax	**(127,648,233)**	-
Payments on account	**74,627,109**	-
Withholdings	**76,963,517**	-
Other taxes		96,803
Current tax assets	**23,942,393**	96,803
Seniority bonus	**2,506,836**	2,506,836
Deferred tax assets	**2,506,836**	2,506,836
Tax assets	**26,449,229**	**2,603,638**
Income tax payable		
Estimated income tax	**-**	130,018,281
Payments on account	**-**	(59,370,828)
Withholdings	**-**	(36,734,439)
Other taxes		
Stamp duty	**5,323,240**	5,167,728
Supervision rate	**1,639,360**	1,232,401
Other	**2,091,500**	1,464,918
Current tax liabilities	**9,054,101**	41,778,060
Unrealised investment gains (equity)	**1,816,362**	657,366
Fair value variation of properties allocated to portfolios without profit sharing (investment properties)	**5,594,880**	5,594,880
Unrealised/realised gains recognised under retained earnings at the transition date (investment properties and term deposits)	**11,989,139**	11,989,139
Deferred tax liabilities	**19,400,382**	18,241,385
Tax liabilities	**28,454,482**	**60,019,445**

The movement of deferred tax reported in the balance sheet for 2012 and 2011 is recognised as follows:

MZN

	'12		'11	
	Recognised through profit or loss	**Recognised in the fair value reserve**	Recognised through profit or loss	Recognised in the fair value reserve
Unrealised investment gains (equity)	**-**	**1,158,997**	-	35,434
Fair value variation of properties allocated to portfolios without profit sharing (investment properties)	**-**	**-**	5,594,880	-
Deferred tax assets/(liabilities)	**-**	**1,158,997**	**5,594,880**	**35,434**

The income tax reported through profit or loss for 2012 and 2011 is analysed as follows:

MZN

	'12	'11
Current tax	**141,503,581**	142,386,474
Deferred tax	**-**	5,594,880
Total tax recognised through profit or loss	**141,503,581**	147,981,354

The effective tax rate expected by the Insurer for the year is approximately 26.51%, 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:

MZN

	'12		'11	
	Tax	**Rate**	Tax	Rate
IRPC on pre-tax profit	**170,833,034**	**32%**	174,091,204	32%
Tax adjustments – value of tax:				
Impact of non-deductible costs	**1,152,313**		1,100,175	
Deduction of income from securities listed for trading on the stock exchange taxed at source	**(44,337,114)**		(39,578,218)	
Deduction of the fair value variation of properties allocated to portfolios without profit sharing (investment properties)	**0**		(5,594,880)	
IRPC on income from securities listed for trading on the stock exchange (taxed at source – already paid)	**13,855,348**	**10%**	12,368,193	10%
Deferred tax liability relative to the fair value variation of properties allocated to portfolios without profit sharing (investment properties)	**0**		5,594,880	
Income tax for the year	**141,503,581**	**26.51%**	147,981,354	27.20%

The self-settlement tax returns of the Insurer are subject to inspection and possible adjustment by the Tax Authorities for a period of five years. However, the Board of Directors of the Insurer is confident that there will not be any significant corrections to the income tax recorded in the financial statements.

NOTE 29 – ACCRUALS AND DEFERRALS

For the financial years of 2012 and 2011, this heading is broken down as follows:

MZN

	'12	'11
Accruals and deferrals receivable		
Interest receivable	**63,792,199**	193,658,795
Other accruals and deferrals	**1,082,485**	1,531,423
	64,874,683	195,190,218
Accruals and deferrals payable		
Remunerations and charges payable	**27,243,772**	24,184,780
Other accruals and deferrals	**12,428,573**	16,176,556
	39,672,345	40,361,336

The year-on-year reduction of the heading Interest receivable, of the value of 129,867 thousand Meticais, was essentially due to a varied repayment period inherent to the treasury bills held (purchase operations with resale agreement).

NOTE 30 – BENEFITS GRANTED TO EMPLOYEES

For the financial years of 2012 and 2011, this heading is broken down as follows:

MZN

	'12	'11
Assets due to post-employment benefits and other long-term benefits	**-**	-
Liabilities due to post-employment benefits and other long-term benefits		
Post-employment benefits	**-**	-
Seniority bonus	**7,491,201**	7,115,258
	7,491,201	7,115,258

- **Post-employment benefits**

SIM attributes its Employees a supplementary retirement pension for which it maintains capitalisation insurance, managed in-house by the actual Insurer, 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 2012.

As at 31 December 2012 and 2011, the number of participants covered by the benefit plan was as follows:

Number of participants	'12	'11
Assets	**140**	139
Retired and pensioners	**-**	-

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

	'12	'11
Discount rate	**7.00%**	12.45%
Wage growth rate	**5.85%**	11.25%
Expected yield rate of the fund	**7.00%**	12.45%
Mortality table:		
Men	**PF60/64**	PF60/64
Women	**PF60/64**	PF60/64
Actuarial method	**Projected Unit Credit**	Projected Unit Credit

The following assets and liabilities are recognised in the balance sheet for 2012 and 2011:

MZN

	'12	'11
	Pension plans	Pension plans
Liabilities related to beneficiaries (*)	**(37,627,552)**	(30,661,283)
Fair value of the assets (**)	**38,675,767**	30,661,283
Net value	**1,048,215**	-

(*) Liabilities recognised in SIM's Balance Sheet under the heading Life branch mathematical provisions.
(**) Assets recognised in SIM's Balance Sheet under the heading Assets available for sale and Cash and cash equivalents and demand deposits.

The increase of the liabilities as at 31 December 2012 and 2011 is analysed as follows:

MZN

	'12	'11
Liabilities as at 1 January	**30,661,283**	30,801,603
Current service cost	**3,961,145**	3,603,340
Interest costs	**3,906,660**	3,613,150
Payments made (lump-sum)	**(239,922)**	(2,169,466)
Actuarial (gains)/losses of the liabilities	**(661,614)**	(5,187,344)
Liabilities as at 31 December	**37,627,552**	**30,661,283**

The values recognised as costs/income for the financial years ended on 31 December 2012 and 2011 are as follows:

MZN

	'12	'11
Current service cost (see Note 19)	**3,961,145**	3,603,340
Interest costs	**3,906,660**	3,613,150
Expected yield of the fund	**(3,906,660)**	(3,613,150)

The variation of the assets which finance the liabilities as at 31 December 2012 and 2011 is analysed as follows:

MZN

	'12	'11
Balance as at 1 January	**30,661,283**	29,367,391
Contributions of the Company	**3,961,145**	3,603,340
Payments made	**(239,922)**	(2,169,466)
Expected yield of the fund	**3,906,660**	3,613,150
Actuarial gains/(losses) of the assets	**386,601**	(3,753,132)
Balance as at 31 December	**38,675,767**	**30,661,283**

The actuarial gains and losses recorded for 2012 and 2011 are analysed as follows:

MZN

	'12	'11
Actuarial (gains)/losses of the liabilities	**(661,614)**	(5,187,344)
Actuarial (gains)/losses of the assets	**(386,601)**	3,753,132

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

MZN

	'12	'11	'10	'09	'08
Liabilities related to benefits	**(37,627,552)**	(30,661,283)	(30,801,603)	(24,450,702)	(15,463,009)
Fair value of the assets	**38,675,767**	30,661,283	29,367,391	21,067,527	16,918,573
Net value	**1,048,215**	-	(1,434,212)	(3,383,175)	1,455,564

The assets are broken down as follows:

MZN

	'12	'11
Fixed yield securities – Treasury Bills	**38,000,000**	29,000,000
Demand deposits	**675,767**	1,661,283
Total	**38,675,767**	30,661,283

- Other long-term benefits – seniority bonus

The seniority bonus is attributed to the Insurer's Employees according to the years of service provided to the Insurer, 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.

MZN

	'12	'11
Seniority bonus	**7,491,201**	7,115,258

NOTE 31 – OTHER PAYABLES DUE TO INSURANCE AND OTHER OPERATIONS

For the financial years of 2012 and 2011, this heading is broken down as follows:

MZN

	'12	'11
Accounts payable due to direct insurance operations		
Insurance policyholders	**6,337,364**	7,104,287
Co-insurers	**18,377,534**	17,038,816
Insurance mediators	**1,733,269**	10,543,891
	26,448,167	34,686,994
Accounts payable due to reinsurance operations		
Other reinsurers	**12,476,440**	17,869,803
	12,476,440	17,869,803
Accounts payable due to other operations		
Other payables	**26,053,013**	23,624,031
Other payables - Group companies (BIM)	**105,416**	47,816
	26,158,429	23,671,847
Total	**65,083,036**	76,228,644

NOTE 32 – SHARE CAPITAL, RESERVES, OTHER RESERVES, RETAINED EARNINGS AND NET INCOME FOR THE YEAR

The share capital of SIM, as at 31 December 2012, 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.

	'12	'11
Nr. shares as at 1 January	**1,475,000**	1,475,000
Nr. shares as at 31 December	**1,475,000**	1,475,000

In 2012, the shareholder structure of Seguradora Internacional de Moçambique, S.A. was maintained.

	Number of shares	Percentage holding
BIM – Banco Internacional de Moçambique, S.A.	1,326,232	89,91%
PT Participações, S.G.P.S., S.A.	86,068	5,84%
FDC – Fundação para o Desenvolvimento da Comunidade	30,716	2,08%
TDM – Telecomunicações de Moçambique	30,716	2,08%
Remaining Shareholders	1,268	0,09%
Total	1,475,000	100,00%

The appropriation of the net income for 2011 was carried out as follows:

MZN

Appropriation of the Net Income for the Year	'11
Net income of the previous year	396,053,660
Appropriation:	
Legal reserve fund	-
Free reserves	153,665,816
Retained earnings	11,889,120
Dividends	230,498,724

Based on the distributed dividends, referred to above, and considering that SIM's share capital 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 156.27 Meticais.

The table below presents the details of the dividends paid, in 2012, to each Shareholder:

MZN

Shareholder	% share capital	Dividends
BIM – Banco Internacional de Moçambique, S.A.	89.91%	207,250,701
PT Ventures, S.G.P.S., S.A.	5.84%	13,449,874
FDC – Fundação para o Desenvolvimento da Comunidade	2.08%	4,799,999
TDM – Telecomunicações de Moçambique, E.P.	2.08%	4,799,999
Remaining Shareholders	0.09%	198,150
Total	100.00%	230,498,724

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

Revaluation reserves

Revaluation reserves through adjustments in the fair value of financial assets include the potential capital gains and losses of the portfolio of investments available for sale, net of impairment through profit or loss for the year and/or in previous years. Also see Note 21.

Deferred tax reserves

Deferred taxes, calculated on the temporary differences between the book values of the assets and liabilities and their tax base, are recognised through profit or loss, except when related to items that are not recognised directly under equity, in which case they is also stated against equity, under this heading. 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, and 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 capital established under the terms of article 15 of the Legal System for Insurance;

(ii) 10% as of the time when the value referred to in the subparagraph above has been achieved, until this reserve represents a value equal to the share capital.

Details of the heading Other reserves:

MZN

	'12	'11
Legal reserve	**100,000,000**	100,000,000
Free reserve	**741,024,820**	587,359,004
Issue premium	**8,258,661**	8,258,661
Total	**849,283,481**	695,617,665

Net income for the year

Earnings per share stood at 266 Meticais for 2011, compared with 269 Meticais for 2011, having decreased by 0.9%, due to the reduction of net income for the year.

NOTE 33 – TRANSACTIONS BETWEEN RELATED PARTIES

The parent company of the Group to which the Insurer 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 is controlled by BCP – Banco Comercial Português, S.A., which holds 66.69% of its share capital.

As at 31 December 2012 and 2011, the value of the remunerations of the Board of Directors is analysed as follows:

MZN

	'12	'11
Remunerations	**10,786,143**	9,103,512
Total	**10,786,143**	9,103,512

The transactions with related parties during 2012 are analysed as follows:

MZN

Balance sheet	Millennium bim	Ocidental Seguros	Beira Nave	Constellation	Post-employ-ment benefits – BIM/SIM	Total
Cash and cash equivalents and demand deposits	197,870,058	-	-	-	4,247,334	202,117,392
Investments in affiliates, associates and joint ventures	-	-	65,085	210,700,000	-	210,765,085
Financial assets available for sale	190,750,000	-	-	-	740,132,655	930,882,655
Other deposits	304,729,877	-	-	-	317,777,886	622,507,763
Income-generating buildings					1,372,900,585	1,372,900,585
Other receivables	-	-	-	16,000,000		16,000,000
Interest receivable	2,539,021	-	-	-	27,259,518	29,798,539
Total assets	**695,888,956**	**-**	**65,085**	**226,700,000**	**2,462,317,978**	**3,384,972,019**
Life branch mathematical provision	-	-	-	-	(1,726,716,469)	(1,726,716,469)
Provision for claims	(20,907,185)	-	-	-	(3,687,084)	(24,594,269)
Provision for profit sharing	(69,583,697)	-	-	-	(718,507,753)	(788,091,451)
Accounts payable due to direct insurance operations	(3,549,467)	-	-	-	-	(3,549,467)
Accounts payable due to other operations	(105,416)	(133,557)	-	-	-	(238,972)
Total liabilities	**(94,145,765)**	**(133,557)**	**-**	**-**	**(2,448,911,307)**	**(2,543,190,628)**
Dividends distributed	**207,250,701**	**-**	**-**	**-**	**-**	**207,250,701**

MZN

Profit and loss account	Millennium bim	Ocidental Seguros	Beira Nave	Constellation	Post-employ-ment benefits – BIM/SIM	Total
Acquired premiums, net of reinsurance	(99,771,000)	-	-	-	(185,878,826)	(285,649,826)
Cost of claims, net of reinsurance	24,702,446	-	-	-	244,216,094	268,918,540
Life branch mathematical provisions, net of reinsurance	-	-	-	-	(890,165)	(890,165)
Profit sharing, net of reinsurance	69,583,697	-	-	-	170,802,515	240,386,212
Net operating costs	31,869,781	2,281,202	-	-	-	34,150,983
Investment income	(80,824,919)	-	-	(186,724)	(179,677,578)	(260,689,221)
Net gains of non-financial assets which are not classified as non-current assets held for sale and discontinued operating units	-	-	-	-	(48,714,600)	(48,714,600)
Other income	-	-	(72,146)	-	-	(72,146)
Total income/costs	**(54,439,995)**	**2,281,202**	**(72,146)**	**(186,724)**	**(142,560)**	**(52,560,223)**

The transactions with related parties during 2011 are analysed as follows:

MZN

Balance Sheet	Millennium bim	Ocidental Seguros	Beira Nave	Constellation	Post-employment benefits – BIM/SIM	Total
Cash and cash equivalents and demand deposits	83,343,846	-	-	-	3,970,416	87,314,262
Investments in affiliates, 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
Accounts receivable due to direct insurance operations	-	-	-	-	-	-
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 branch mathematical provision					(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)	-	-	-	(195,489)
Total liabilities	**(33,312,911)**	**(147,673)**	**-**	**-**	**(2,336,459,929)**	**(2,369,920,513)**
Dividends distributed	**113,385,254**					**113,385,254**

MZN

Profit and loss account	Millennium bim	Ocidental Seguros	Beira Nave	Constellation	Post-employment benefits – BIM/SIM	Total
Acquired premiums, net of reinsurance	(77,282,509)	-	-	-	(219,334,679)	(296,617,188)
Cost of claims, net of reinsurance	18,280,244	-	-	-	206,058,346	224,338,590
Life branch 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	-	-	-	-	43,076,526
Investment income	(209,819,986)	-	-	-	(165,368,752)	(375,188,738)
Net gains of non-financial assets which are not classified as non-current assets held for sale and discontinued operating units					(589,799,080)	(589,799,080)
Other income	-	-	-	-	-	-
Total income/costs	**(202,937,097)**	**-**	**-**	**-**	**(19,408,821)**	**(222,345,918)**

NOTE 34 – BUSINESS RISK MANAGEMENT

Sound risk management is one of the key pillars underlying a strategy of profitable and sustainable growth, and therefore an important competence at Seguradora Internacional de Moçambique, S.A. As part of its governance, the Insurer has adopted a risk management organisational structure, based on the structure enforced at the Millennium bim Group. Its primary objective is the development and implementation of a risk management structure that enables ensuring and achieving an appropriate balance between risk and return, so as to secure and preserve the trust and confidence of the Customers, Shareholders, regulators and other stakeholders. The risk management structure is inherent at all levels within the Insurer.

The main risks are the following:

Specific insurance risk	Investment risk	Operating risk
Specific risk of the Non-Life branches	Credit risk	Event risk
Specific risk of the Life branch	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 Insurer is to aggregate these individual risks into portfolios where the costs of claims and their potential variations may be analysed and modelled. The Insurer 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 business, with the exception of those which are covered under investment risk or operating risk.

Non-Life insurance 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 occupational accident 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 is as the difference between the fair value of the assets and liabilities.

MZN

Sensitivity analysis	Impact on pre-tax profit 31.12.2012	Impact on pre-tax profit 31.12.2011
Operating costs – 10%	23,741,150	22,837,719
Cost of claims + 5%	(24,787,792)	(22,752,839)

Insurance risk management

The Insurer 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. These 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 Insurer 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, include the following:

- The estimated costs of 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 Insurer's management that there are sufficient assets or provisions to meet the recorded liabilities.

Reinsurance

When appropriate, the Insurer 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:

Dollars

Branch	Type of reinsurance	Net withholding	Coverage limit
Fire	Surplus	400,000	20,000,000
Engineering	Surplus	400,000	16,000,000
Fire (Natural Disasters)	Excess of Loss (XoL)	200,000	5,000,000
Engineering (Natural Disasters)	Excess of Loss (XoL)	200,000	5,000,000
Theft	Surplus	25,000	250,000
Cash in the Safe	Surplus	25,000	250,000
Cash in Transit	Surplus	25,000	375,000
Transport	Share	300,000	1,200,000
Marine Hull	Share	80,000	320,000
Civil Liability	Excess of Loss (XoL)	100,000	900,000
Motor – Civil Liability	Excess of Loss (XoL)	100,000	1,400,000
Motor – Own Damage	Excess of Loss (XoL)	100,000	300,000
Personal Accidents	Excess of Loss (XoL)	100,000	400,000
Occupational Accidents	Excess of Loss (XoL)	100,000	400,000

The risk of claims in the Non-Life branch refers to the uncertainty of effective losses arising from the Non-Life branches. The necessary time to know and pay the claims is an important factor to take into account in the constitution of provisions. Short-term claims, such as those arising from motor/material damage insurance and multirisk insurance, are generally 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 be lengthier. Furthermore, the analysis of long-term losses is more difficult, and implies more detailed work, where the estimates of future payments are more subject to uncertainty.

In general, the Insurer 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 branch (administrative costs, amortisation, depreciation, fees and remuneration of the network, etc.) by the acquired premiums. The claim ratio results from the division of the costs of claims by the acquired premiums.

The combined ratio as at 31 December 2012 and 2011 is as follows:

	Claim ratio		Expense ratio		Combined ratio	
	'12	'11	**'12**	'11	**'12**	'11
Non-Life branches	**30%**	33%	**24%**	24%	**54%**	56%
Occupational Accidents	**13%**	16%	**20%**	19%	**33%**	35%
Personal Accidents and Sickness	**27%**	17%	**17%**	24%	**45%**	41%
Fire and Other Damages	**2%**	16%	**89%**	41%	**90%**	57%
Motor	**36%**	44%	**21%**	21%	**57%**	65%
Miscellaneous	**57%**	51%	**15%**	27%	**71%**	78%
Other	**1%**	-6%	**18%**	47%	**19%**	42%

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 the pricing, the subscription policy and a regular review of the mortality tables used to define premiums and constitute provisions. When the conclusion is reached that longevity is above that 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 that 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 in the event of 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 withholding.

The main actuarial assumptions used in the calculation of the value of the mathematical reserves for Occupational Accidents are as follows:

Mortality table	Redeemable pensions	Non-redeemable pensions
Men	RF	RF
Women/widow	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, Occupational Accidents 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. Invalidity risk is also mitigated 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):

MZN

'12	Provision for claims as at 31/12/2011 (1)	Costs of claims (*) values paid during the year (2)	Provision for claims (*) as at 31/12/2012 (3)	Readjustments (3)+(2)-(1)
Occupational Accidents	(51,238,521)	9,181,639	(43,231,468)	1,174,585
Personal Accidents and Sickness	(8,137,680)	2,636,983	(7,072,111)	1,571,414
Fire and Other Damages	(21,131,315)	20,995,127	(3,271,738)	3,135,550
Motor	(174,445,354)	42,954,894	(130,217,516)	(1,272,945)
Marine	(23,459,959)	10,618,222	(1,631,990)	(11,209,746)
Aviation	(279,756)	-	(304,751)	24,995
Transport	(3,927,217)	197,977	(3,738,953)	9,712
Civil Liability	(627,636)	40,157	(547,611)	(39,868)
Miscellaneous	(17,607,033)	1,936,287	(14,761,694)	(909,052)
Total Non-Life branches	**(300,854,471)**	**88,561,285**	**(204,777,831)**	**(7,515,355)**

MZN

'11	Provision for claims as at 31/12/2011 (1)	Costs of claims (*) values paid during the year (2)	Provision for claims (*) as at 31/12/2011 (3)	Readjustments (3)+(2)-(1)
Occupational Accidents	(42,753,721)	4,847,922	(37,435,670)	(470,129)
Personal Accidents and Sickness	(10,324,379)	2,177,748	(5,658,077)	(2,488,554)
Fire and Other Damages	(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
Marine	(26,066,077)	-	(21,849,741)	(4,216,336)
Aviation	(333,741)	-	(279,756)	(53,984)
Transport	(5,733,126)	1,728,193	(3,341,300)	(663,632)
Civil Liability	(2,074,972)	403,292	(535,636)	(1,136,044)
Miscellaneous	(74,141,224)	13,652,854	(2,568,601)	(57,919,769)
Total Non-Life branches	**(315,017,601)**	**105,225,138**	**(179,534,329)**	**(30,258,135)**

The additional information by business line is as follows:

MZN

'12	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)
Occupational Accidents	(9,178,112)	936,307	(3,917,086)	(12,158,892)
Personal Accidents and Sickness	(42,037,661)	983,122	(2,731,535)	(44,230,171)
Fire and Other Damages	(24,464,991)	702,230	678,337	(24,178,219)
Motor	(114,575,862)	4,213,381	(24,521,424)	(135,120,304)
Marine	(10,618,222)	-	22,667,182	10,660,855
Aviation	-	-	-	(49,989)
Transport	(358,203)	-	(250,622)	(719,451)
Civil Liability	(2,157,550)	-	(309,428)	(2,793,830)
Miscellaneous	(17,903,813)	-	(50,491,064)	(69,688,946)
Total Non-Life branches	**(221,294,415)**	**6,835,040**	**(58,875,640)**	**(278,278,946)**

MZN

'11	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)
Occupational Accidents	(5,466,407)	(767,228)	(8,484,830)	(14,718,466)
Personal Accidents and Sickness	(26,437,067)	(805,590)	1,903,333	(25,339,323)
Fire and Other Damages	(37,423,693)	(575,421)	(17,319,607)	(55,318,721)
Motor	(142,431,105)	(3,452,527)	(21,788,043)	(167,671,675)
Marine	-	-	(1,586,997)	(1,586,997)
Aviation	-	-	-	-
Transport	(1,895,553)	-	1,725,582	(169,971)
Civil Liability	(403,292)	-	1,330,945	927,653
Miscellaneous	(25,795,605)	-	49,526,124	23,730,519
Total Non-Life branches	**(239,852,723)**	**(5,600,765)**	**5,306,507**	**(240,146,982)**

The additional information by business line is as follows:

MZN

'12	Gross premiums issued	Gross acquired premiums	Gross cost of claims	Gross operating costs	Reinsurance balance
Occupational Accidents	90,890,785	88,557,084	(13,095,198)	(17,607,705)	(1,820,456)
Personal Accidents and Sickness	141,219,090	171,608,890	(44,769,196)	(31,348,409)	1,856,537
Fire and Other Damages	309,352,407	310,382,819	(23,786,654)	(58,635,490)	216,632,493
Motor	407,416,093	400,628,800	(139,097,286)	(84,739,191)	2,809,345
Marine	2,471,354	3,576,477	12,048,960	(902,826)	12,811,502
Aviation	2,185,935	2,166,528	-	(526,104)	887,154
Transport	20,133,255	20,029,533	(608,825)	(3,973,107)	10,734,144
Civil Liability	14,944,963	16,588,832	(2,466,978)	(2,503,121)	7,410,521
Miscellaneous	78,756,529	78,257,495	(68,394,877)	(14,411,074)	(21,653,805)
Total Non-Life branches	1,067,370,412	1,091,796,458	(280,170,055)	(214,647,027)	229,667,434

MZN

'11	Gross premiums issued	Gross acquired premiums	Gross cost of claims	Gross operating costs	Reinsurance balance
Occupational Accidents	79,627,550	78,637,207	(14,718,466)	(14,911,165)	(794,056)
Personal Accidents and Sickness	185,708,601	160,942,032	(25,339,323)	(37,062,371)	3,917,128
Fire and Other Damages	143,437,470	141,165,341	(55,318,721)	(26,710,010)	46,637,036
Motor	383,411,141	380,175,748	(167,671,675)	(77,925,784)	3,057,544
Marine	11,831,128	11,662,467	(1,586,997)	(1,481,183)	12,121,873
Aviation	2,057,105	2,474,378	-	(535,010)	1,242,870
Transport	22,141,746	21,791,742	(169,971)	(1,447,931)	12,539,178
Civil Liability	21,515,342	17,755,691	927,653	(1,373,405)	13,336,537
Miscellaneous	114,468,934	85,212,881	23,730,519	(18,899,817)	94,912,941
Total Non-Life branches	964,199,018	899,817,488	(240,146,982)	(180,346,678)	186,971,051

Solvency requirements

The solvency margin is calculated in accordance with Decree number 30/2011 of 11 August, and is 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 35 indicates the solvency levels of Seguradora Internacional de Moçambique for the financial years ended on 31 December 2012 and 2011.

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 Insurer, 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 Insurer is also exposed to credit risk through the reinsurance treaties, although relative to these, the Insurer 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.

MZN

	'12		'11	
	Value	**%**	**Value**	**%**
Investments in affiliates and associates	**211,350,850**	**4%**	211,350,850	5%
Financial assets available for sale	**2,292,381,072**	**47%**	2,339,306,356	51%
Bonds and other fixed yield securities	**2,276,498,845**	**47%**	2,332,677,954	51%
Of public debt	**1,976,833,471**	**41%**	1,781,705,925	39%
Issued by other entities	**299,665,373**	**6%**	550,972,029	12%
Variable yield securities – Shares	**15,882,227**	**0%**	6,628,402	0%
Loans and accounts receivable	**679,549,774**	**14%**	385,659,660	8%
Term deposits	**679,549,774**		385,659,660	
Cash and cash equivalents and demand deposits				
Demand deposits and term deposits with maturity less than 90 days	**207,152,471**	**4%**	87,342,492	2%
Income-generating buildings	**1,425,856,325**	**29%**	1,377,141,725	30%
Interest receivable	**63,792,199**	**1%**	193,658,795	4%
Total	**4,880,082,691**	**100%**	**4,594,459,878**	**100%**

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

MZN

	'12		'11	
	Value	**%**	**Value**	**%**
Bonds and other fixed yield securities	**2,276,498,845**	**47%**	2,332,677,954	51%
Variable yield securities – Shares	**227,233,077**	**5%**	217,979,252	5%
Term deposits and demand deposits	**886,702,245**	**18%**	473,002,152	10%
Real estate properties	**1,425,856,325**	**29%**	1,377,141,725	30%
Interest receivable	**63,792,199**	**1%**	193,658,795	4%
Total	**4,880,082,691**	**100%**	**4,594,459,878**	**100%**

One of the objectives of the Insurer'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 Insurer may be broken down by type of sector:

MZN

	'12		'11	
	Value	**%**	**Value**	**%**
Public debt	**1,976,833,471**	**87%**	1,781,705,925	76%
Financial institutions	**276,250,000**	**12%**	520,552,559	22%
Communications	**23,415,373**	**1%**	30,419,471	1%
Total	**2,276,498,845**	**100%**	**2,332,677,954**	**100%**

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

MZN

	'12		'11	
	Value	%	Value	%
Real estate	**210,700,000**	**93%**	210,700,000	97%
Consumables	**14,890,005**	**7%**	5,636,180	3%
Financial	**992,222**	**0%**	992,222	0%
Naval	**650,850**	**0%**	650,850	0%
Total	**227,233,077**	**100%**	217,979,252	100%

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

MZN

Notes		'12		'11	
		Value	%	Value	%
i)	Public Debt	**1,976,833,471**	**87%**	1,781,705,925	76%
ii)	National Corporate Bonds	**299,665,373**	**13%**	522,919,471	22%
ii)	Foreign Corporate Bonds	**-**	**0%**	28,052,559	1%
	Total	**2,276,498,845**	**100%**	2,332,677,954	100%

MZN

Notes		'12		'11	
		Value	%	Value	%
	Deposits at credit institutions				
iii)	Term deposits	**679,549,774**	**77%**	385,659,660	82%
iii)	Demand deposits and term deposits with maturity less than 90 days	**207,152,471**	**23%**	87,342,492	18%
	Total	**886,702,245**	**100%**	473,002,152	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 was attributed a "B+" rating by the rating agency Standard & Poor's in February 2013.

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 in the capacity of issuer of the bonds: without rating.
- Mcel in the capacity of issuer of the bonds: internal rating at BIM of "5", on a scale of "3 to 12", therefore, equivalent to "good" because the State has a holding in it, and the State has an internal rating of "5".

iii) Of the total deposits in credit institutions, approximately 93% are kept under custody at BIM. The remaining amount is kept under custody at Standard Bank and BCI, with 6.7% and 0.3%, respectively. These entities do not have a rating.

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 Insurer'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 2012 and 2011, the forecast cash flows (not discounted) of the financial instruments, according to their respective contractual maturity, present the following details:

MZN

'12	Maturity					Without maturity	Total
	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years		
Bonds and other fixed yield securities (includes accrued interest)	-	-	765,397,033	1,572,128,642	-	-	2,337,525,674
Variable yield securities – Shares	-	-	-	-	-	227,233,077	227,233,077
Term and demand deposits (includes accrued interest)	34,005,589	132,954,908	682,137,146	-	-	40,369,971	889,467,615
Income-generating buildings	-	-	-	-	-	1,425,856,325	1,425,856,325
Total	**34,005,589**	**132,954,908**	**1,447,534,179**	**1,572,128,642**	**-**	**1,693,459,373**	**4,880,082,691**

MZN

'11	Maturity					Without maturity	Total
	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years		
Bonds and other fixed yield 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 yield securities – Shares	-	-	-	-	-	217,979,252	217,979,252
Term and demand deposits (includes accrued interest)	12,300,728	129,850,490	321,043,301	-	-	35,133,067	498,327,586
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**	**1,630,254,044**	**4,594,459,878**

d) Exchange rate risk

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

The Insurer's balance sheet shows the following exchange rate exposure:

MZN

	'12	'11
Assets in foreign currency	**431,718,201**	389,277,004
Liabilities in foreign currency	**(379,920,601)**	(330,887,854)
Net balance in foreign currency	**51,797,600**	**58,389,150**

3) OPERATING RISK

All institutions, including financial institutions, are subject to operating risk as a consequence 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 Insurer has defined, amongst others, policies/procedures on matters of business continuity, IT security, procurement, money laundering, internal control and combat of fraud.

NOTE 35 – COVERAGE OF THE CORRECTED SOLVENCY MARGIN

The Insurer 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.

MZN

	'12	'11	'12/'11
Share capital	**147,500,000**	147,500,000	0.0%
Reserves	**854,959,615**	697,671,935	22.5%
Retained earnings	**11,889,120**		-
Net income for the year net of dividends	**156,939,860**	198,026,830	-20.7%
Deductible items	**(16,435,958)**	(18,662,124)	-11.9%
Disposable solvency margin	**1,154,852,638**	1,024,536,641	12.7%
Required Non-Life solvency margin	**160,133,708**	183,515,104	-12.7%
Required Life solvency margin	**134,427,896**	127,021,282	5.8%
Solvency margin surplus/(deficit)	**860,291,034**	**714,000,256**	**20.5%**
Coverage	**392.1%**	**329.9%**	**62.1%**

NOTE 36 – 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%). The amount referred to above will be recognised in SIM's accounts as soon as authorisation for such is received from the Mozambican Tax Authority.

NOTE 37 – EVENTS AFTER THE REPORTING DATE NOT DESCRIBED IN PREVIOUS POINTS

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

REPORT AND OPINION OF THE INDEPENDENT AUDITORS

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 2012, the profit and loss account, the statements of comprehensive income, changes in equity and cash flow for the financial year ended on that date, and a summary of the main accounting policies and other explanatory information.

Responsibilities 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 required to enable the preparation of financial statements free of material distortion due to fraud or error.

Responsibility of the Auditor

It is our responsibility to issue an opinion on these financial statements, based on our audit. Our audit was conducted in conformity with the International Audit Standards. These standards require that we comply with the ethical requirements and that we plan and conduct 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 implementation of procedures aimed at obtaining audit evidence on the amounts and disclosures presented in the financial statements. The selected procedures depend on the auditor's judgement, including the assessment of the risks of material distortion of the financial statements, due to either fraud or error. In making these risk assessments, the auditor considers the relevant internal control for the appropriate preparation and presentation of the financial statements by the Company in order 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 assessment of the adequacy of the accounting policies used and reasonableness of the accounting estimates made by the Board of Directors, as well as assessment as to whether the overall presentation of the financial statements is appropriate.

We believe that the audit evidence we 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 form, in all their materially relevant aspects, the financial position of Seguradora Internacional de Moçambique, S.A. as at 31 December 2012, and the financial performance and cash flow for the financial year ended on that date, in conformity with the accounting principles and practices generally accepted in Mozambique for the insurance sector.

PricewaterhouseCoopers

Maputo, 21 February 2013

REPORT AND OPINION OF THE BOARD OF AUDITORS

REPORT AND OPINION OF THE BOARD OF AUDITORS

Pursuant to the legal and statutory provisions, the Board of Auditors submits to the Shareholders the report on the supervisory action exercised at Seguradora Internacional de Moçambique, S.A., as well as its 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 2012.

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 Insurer, essentially through the appraisal of the Monthly Financial Statements and respective Management Information, through participation in the meetings of the Board of Directors 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 Insurer, seeking to assess the development of the activity.

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

- The growth of the "Technical Margin before the imputation of administrative costs", of approximately 6%, which increased from 694 million Meticais in 2011 to approximately 735.6 million Meticais in 2012, 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 1,395.0 million Meticais compared with a total of 1,345.7 million Meticais in 2011, corresponding to growth of 3.7% created by the volume of policies under management;
  - The assigned reinsurance premiums paid grew from 248.8 million Meticais in 2011 to 348.7 million Meticais in 2012, representing growth of 40.2%;
  - The costs related to direct insurance and accepted reinsurance claims, net of income related to assigned reinsurance claims, which increased from 451.7 million Meticais in 2011 (equivalent to 46.7% of total revenue from premiums net of assigned reinsurance for the year) to 488.7 million Meticais in 2012 (having absorbed 46.7% of the total revenue from premiums net of assigned reinsurance in 2012);
  - The technical provisions for direct insurance and accepted reinsurance and the technical provisions for assigned reinsurance showed, in the profit and loss account for 2012, a net cost of 3.1 million Meticais, compared with a net cost recorded under these headings, in 2011, of 107.8 million Meticais – (↓102.8%);
  - The heading "Participation in Profit" of some policies (in particular those relative to "Life Annuity", "Life – Capitalisation", "Life Risk", "Sickness", "Personal Accidents" and "Work Accidents") which showed, overall, a substantial increase of costs for the Insurer by the end of the year, having shifted from 761.9 million Meticais in 2011 to 240.6 million Meticais in 2012 – (↓68.4%);
  - 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 0.45 million Meticais in 2011 to 11.7 million Meticais in 2012 – (↑2,256%);
  - The provisions for premiums under collection reached the costs of approximately 2.2 million Meticais in 2012, compared with the release of provisions for receipts for collection which occurred during 2011, which led to a total income of 0.6 million Meticais in this account of the Income Statement – (↓22.6%);
  - The heading of "Remunerations of the network and management fees" showed a slight growth of costs, having shifted from 43.1 million Meticais in 2011 to 35.0 million Meticais in 2012 – (↓18.7%);

- The financial earnings of the investments allocated to the technical reserves for direct insurance and reinsurance shifted from 964.7 million Meticais in 2011 to 440.9 million Meticais in 2012, representing a negative variation of 54.3%, as a result of the negative impact of market interest rates.

- It should also be highlighted that staff costs grew from 115.8 million Meticais in 2011 to 133.2 million Meticais in 2012, corresponding to an increase of approximately 15.0%, which represented a growth of its share in the administrative costs of the Insurer from 62.0% in 2011 to 64.8% in 2012.

- The combined effect of the improvement in the Technical Margin and modest growth of operating costs led to a positive net income of 392.3 million Meticais in 2012, corresponding to a decline of 0.9%, compared with the positive net income of 396.1 million Meticais in 2011.

The Board of Auditors also appraised the Management Report and Accounts for 2012, 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 2012, correctly reflects its financial situation;

- That the **Income Statement** reflects the result of the activity of Seguradora Internacional de Moçambique, S.A. for the year, corresponding to a profit of 392,349.7 thousand Meticais;

- That the **Cash Flow Statement** shows that the cash flows of the operating, investment and financing activities increased from 87,342.5 thousand Meticais at the beginning of the year to 207,152.4 thousand Meticais at the end of the year;

- That the **Statement of Changes in Equity** demonstrates that total Equity reached the value of 1,404,882.0 thousand Meticais by the end of the year; and

- That the **Comprehensive Income Statement** presents a comprehensive income of 392,349.7 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 agree with the adopted valuation criteria, reflecting, in our opinion, the true financial situation of the Company as at 31 December 2012, as well as the result of the activity and cash flows during the financial year of 2012;

- 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 2012;

  - 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 2012.

Maputo, 21 February 2013

The Board of Auditors

António de Almeida – Chairman

Daniel Filipe Gabriel Tembe – Member

Eulália Mário Madime – Member

Maria Iolanda Wane – Alternate Member

Annual Report 2012
SIM – Seguradora Internacional de Moçambique, S.A.

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Avenida 25 de Setembro, n.º 1800
Maputo/Moçambique

Share Capital:
MZN 147,500,000

Public deed registed
in the Maputo Comercial Registy,
with the unique registry number 10735

August 2013

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