

2010

Annual Report

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Annual Report

Millennium seguros

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 FROM THE CHAIRMAN

In 2010 the global economy saw a trend towards recovery, in some cases recovery with unemployment, implying that monetary stimulus policies were needed, especially in the more advanced Western economies. In the emerging countries, however, in particular China, India and Brazil, there was evidence of resilience and substantial economic growth that to some extent confirmed the existence of a new dichotomy on the global economic chessboard. Last year the main topic in the global economy was the fiscal crisis that affected sovereign debt, the restructuring of the financial system, cuts in public expenditure, higher taxes and, in some cases, higher unemployment and falling of private consumption.

In Mozambique, in 2010 we continued to see substantial growth in the economy, with estimates indicating a growth rate above the average for African countries, showing that national and foreign investors are confident about the Mozambican economy. This is due partly to fiscal stimulus measures and also to the recovery of commodity prices, both of which impact on domestic and external demand for our exports.

The country's insurance market is going through a period of strong competition, with more insurance companies and brokers operating in the country. This permits better quality and improved service levels for the Customer and requires each actor to improve its business model, offering more appropriate services and products for the market segments.

Nevertheless, we are somewhat concerned that the rules of the game are starting to be undermined by tariffs that, in some cases, do not correspond to the levels of risk that are being underwritten. This affects the reputation and good name of the activity, fails to send signals of prudent business management, fundamental aspects of such an activity, and is definitely not in the medium/long-term interest of the Customer.

Due to the positive evolution of the market and continued work on internal organization and the clear definition of business strategies and objectives, in 2010, Seguradora Internacional de Moçambique increased its processed revenue by 30.3% and thus also its net income, that grew by a nominal 24.7% to 252 million meticals.

At the end of the year under review, the Seguradora's solvency levels continued to provide a comfortable coverage rate of some 352.9%. This demonstrates the prudent and responsible management that is to be expected in a business with unpredictable events, that involve risk and take complex forms as our economy evolves, as well as the sophistication of citizens' living standards and consumption.

We are aware of the market challenges we face in this constantly changing world, where the insurance market is called on to provide an ever bolder response to Customers' demands and the complexity of the market. In this context, our focus on the fundamental factor in the production process, the person, proceeds through quality technical training that involves both courses and seminars abroad, and also internal or distance learning courses through agreements with Insurance Institutes in neighbouring countries.

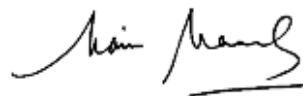
With the same objective, we are taking important steps to implement a new IT system. Work proceeded well in 2010, with the parameterization and migration of Property and Engineering products, and work has started on parameterization of Motor products, the last stage for the integrated computerization of the Company.

There are also new challenges in financial reporting and the presentation of the Seguradora's accounts, following publication of Ministerial Diploma 222/2010 of 17th of december, that requires an IFRS-based chart of accounts in 2011. We began complex preparations for this change in 2010.

In conclusion, I would like to thank our Shareholders for their valuable collaboration and close monitoring of the activities of Seguradora Internacional de Moçambique and thus their contribution to the Company's success. I would like to thank Government Entities for their habitual cooperation and trust.

I would also like to express our profound recognition of our Customers' preference and confidence in us and reaffirm that we shall do all we can to merit this. Seguradora Internacional de Moçambique intends to consolidate its position in the market, with quality, certainty and confidence, because our ambition is to continue as the best Mozambican Insurance Company.

Finally, the results, our shares and the position of our brand would not have been possible without the daily work of our serious and dedicated Employees. It is with great satisfaction that I address a word of appreciation, respect and encouragement for all those who make their daily work a way of achieving the Seguradora's objectives.



Mário Fernandes da Graça Machungo
Chairman of the Board of Directors



SUMMARY OF INDICATORS

		Million MZN	
Activity indicators	'10	'09	VAR. % '10/'09
Income statement			
Direct insurance premiums	1,218	935	30.3%
Non-Life	842	721	16.8%
Life	376	214	75.7%
Technical margin	551	453	21.5%
Net income	252	202	24.7%
Balance sheet			
Shareholders' equity	1,006	801	25.6%
Total assets	3,780	3,204	18.0%
Investments	3,454	2,945	17.3%
Ratios			
Efficiency			
1 – Non-Life claims ratio, net of reinsurance	36.8%	39.9%	-3.1 p.p.
2 – Non-Life expenditure ratio, net of reinsurance	31.5%	32.3%	-0.8 p.p.
3 – Non-Life combined ratio, net of reinsurance	68.3%	72.2%	-3.9 p.p.
4 – Life net operating costs/Life investments	0.5%	0.4%	+0.1 p.p.
Returns			
1 – Technical income/Revenue from premiums	45.2%	48.5%	-3.3 p.p.
Non-Life	56.0%	53.7%	+2.3 p.p.
Life	21.0%	30.9%	-9.9 p.p.
2 – Returns on average Shareholders' equity – ROE	25.1%	25.2%	-0.1 p.p.
Solvency			
1 – Solvency ratio	352.9%	448.9%	-96.0 p.p.
2 – Shareholders' equity/Total assets	26.6%	25.0%	+1.6 p.p.
3 – Coverage of technical provisions	138.0%	138.2%	-0.2 p.p.
Other Indicators			
Market share	n.a.	33.7%	-
Number of Employees	138	131	5.3%



SHAREHOLDER STRUCTURE

MZN			
Shareholders	Number of shares	%	Paid up capital
BIM – Banco Internacional de Moçambique, S.A.	1,326,232	89.9140%	132,623,200
PT Participações, SGPS, S.A.	86,068	5.8351%	8,606,800
FDC – Fundação para o Desenvolvimento da Comunidade	30,716	2.0824%	3,071,600
TDM – Telecomunicações de Moçambique, S.A.	30,716	2.0824%	3,071,600
Other	1,268	0.0860%	126,800
Total	1,475,000	100.0000%	147,500,000

CORPORATE BOARDS

GENERAL SHAREHOLDERS' MEETING

CHAIRMAN: Mamudo Ibraimo
VICE-CHAIRMAN: Narciso Matos

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

AUDIT COMMITTEE

CHAIRMAN: António de Almeida
MEMBER: Subhaschandra Manishanker Bhatt
MEMBER: Daniel Filipe Gabriel Tembe
SUBSTITUTE MEMBER: Maria Iolanda Wane





REPORT BY THE BOARD OF DIRECTORS

The year 2010 having come to an end, the Board of Directors of Seguradora Internacional de Moçambique, S.A. presents to Shareholders its Annual Report for the year ending on the 31st of december 2010, that has been audited by PricewaterhouseCoopers, Lda.

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MACROECONOMIC AND FINANCIAL OVERVIEW

WORLD ECONOMY

The dynamics of the global economy in 2010 were full of skepticism about recovery, with frequent suggestions that there would be a double-dip recovery for a number of reasons: (a) fear of a fall in aggregate demand in the countries most affected by the global financial crisis, based on falling consumption due to high unemployment; (b) the announcement of the withdrawal or, at least, reduction in fiscal stimulus packages throughout 2010 and (c) the possibility of more moderate growth in the emerging economies led by China. At the beginning of the year, all this produced forecasts of possible decline. Despite this uncertain environment, the global economy saw a stronger recovery with average growth of 4.8%, driven by monetary stimulus packages and, on the other hand, by the emerging powers led by China (10.5%). As regards economic policy, the global economy was characterized by the continuation of plans to inject liquidity, with interest rates close to zero, including the introduction of instruments associated with regulation of the financial sector in order to increase market confidence.

In 2010, the effects of the crisis confirmed the dichotomy between the slower West, with uncertainty and fiscal austerity plans, especially on the periphery of Europe, and the East, where economic growth was questionable given the negative effects of their correlation with the economy of the United States of America (USA) and other developed countries. The situation in Western countries is associated with two fundamental factors, namely the fragility of the banking and finance sector and the public accounts deficits. In the emerging countries, however, there appeared risks caused by excessive capital flows and domestic inflation, a situation that produced challenges for economic policy, including reforms intended to expand the absorptive capacity of domestic markets. In this context, there was discussion of the need for global coordination and the valorization of the CNY ⁽¹⁾ in order to relieve the USA deficit.

It is estimated that in 2011 the world economy will grow 4.2%, confirming the trend towards recovery. Nevertheless, countering the upturn, there are signs of fiscal shocks, reflected by the rise in sovereign debt yields in the European periphery, and in the USA the gradualist approach to resolving problems in the financial sector, unemployment and uncertainty about repairs to family balance sheets. The outcome is negative perceptions of the robustness of economic growth next year. The IMF predicts that global growth in 2011 will be driven by the emerging economies, that could see an average growth of 6.4%, led by China (9.6%), India (8.4%) and Brazil (4.1%), while it is expected that growth in the USA will be 2.3%.

MOZAMBIQUE

OUTPUT AND PRICES

It is estimated that the economy grew by 7.2% in 2010, above the average for African countries (5.0%, according to the IMF). According to the INE ⁽²⁾, from the first to the third quarter, growth was 9.5%, 8.8% and 7.4%, respectively, slowing down in the penultimate quarter. The recent growth was due to policies to mitigate the effects of the crisis up to the first quarter of 2010. These included increased public expenditure, injecting foreign currency into the system to ensure exchange management, the PAPA ⁽³⁾ plan and easing interest rates.

The slowdown in the second semester was due to the need to reverse signs that the economy was "overheating", with rising inflation, a public deficit and a deficit on external accounts, producing second order effects on the overall price level through foreign exchange and rising aggregate demand. The various measures included in particular curbing public expenditure and raising the bank reference rate (PCF) ⁽⁴⁾.

(1) CNY: Chinese currency, yuan.

(2) INE: Instituto Nacional de Estatística.

(3) PAPA: Food Production Action Plan.

(4) PCF = Permanent Credit Facility, that rose from 11.5% at the end of 2009 to 15.5% in 2010, in three successive cycles to soak up liquidity in the system.

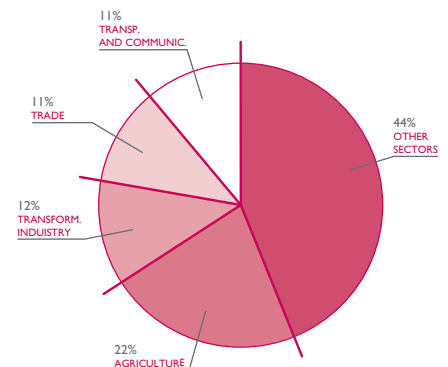
In 2010, following signs that the global economy was recovering and the delayed effects of the above-mentioned policies, there was substantial recovery in the export sectors, including DFI ⁽⁵⁾ in the primary mining sector; growth in public administration and growth in the financial sector and construction. Data ⁽⁶⁾ show that, following expansion to rural areas and the appearance of new institutions, financial services grew by 15.8%, public administration by 13.8%, construction 11.9%, agriculture 8.8% and the extractive industry 7.4%. As regards the sector structure of GDP, agriculture ⁽⁷⁾ continues to have the most weight (22%), followed by the transforming industry (12%), transport and communications (11%), trade and repair services (11%), property rentals and service delivery (6%) and other unspecified sectors (38%).

Last november inflation was 15.6% in homologous terms, with an 11.14% change over 12 months. The rise in inflation was due to high commodity prices arising from recent developments in the global economy, with its recovery and growth reversing the falling prices of energy products. The data show that, in january 2010, the crude oil price was 75 American dollars a barrel, rising to almost 90 American dollars last december. In Mozambique this situation was aggravated by other factors that intensified inflation, namely: (a) the removal of fuel subsidies, (b) the combination of the devaluation of the metical in the first semester, according to the IMF, influenced by "overvaluation" – and the current account deficit, and by (c) the expectations of economic agents about the flow of unilateral transfers during the first quarter. In the domestic arena, the delayed effects of monetary and fiscal policies increased aggregate demand at a rate higher than supply, including pressure for salary increases, increased financing costs and the higher price of food products, wheat in particular; due to anomalies in the supply capacity of the main exporting countries.

A second set of factors is associated with developments abroad, in particular fiscal problems in the Euro zone that strengthened the american dollar; and the monetary policy of the South African authorities who continue to focus on fighting inflation, on the grounds that a stronger south africa rand is an instrument for reducing the price of imports ⁽⁸⁾.

SECTOR CONTRIBUTIONS TO GDP

(3rd quarter 2010)



Source: INE.

MACROECONOMIC INDICATORS

	'04	'05	'06	'07	'08	'09	'10 E
Real GDP (a.v.r.)	7.5%	6.2%	8%	7.50%	6.80%	6.30%	7.20%
Inflation (average a.v.r.)	12.6%	6.4%	13%	8.2%	10.3%	3.4%	12.7%
Money supply (a.v.r.)	6.1%	22.0%	20.9%	25.0%	26%	34.6%	25.4% ^(a)
Current account balance (as % of GDP)	-9.5%	-12.0%	-8.9%	-9.2%	-12.2%	-10.5%	-13.4%
Budget balance (as % of GDP)	-4.9%	-5.8%	-2.0%	-5.3%	-2.3%	-5.4%	-6.0%
Exchange rate MZN/USD, end of period	18.89	23.06	25.97	23.82	25.50	29.2	32.79
% change in exchange rate MZN/USD	-20.8%	22.0%	12.6%	-8.3%	7.1%	14.5%	12.3%
Exchange rate MZN/ZAR, end of period	3.38	3.62	3.82	3.50	2.72	3.96	5.03
% change in exchange rate MZN/ZAR	-4.0%	7.1%	11%	-8.4%	-22.3%	45.6%	27.0%

Notes:

E – Estimate, except for exchange rate (Millennium bim) and inflation (INE).

(a) Government/IMF.

(5) DFI: Direct Foreign Investment.

(6) INE, Contas Preliminares, 2010.

(7) Ibidem. In the second semester of 2010, agriculture contributed 31%.

(8) Mozambique imports from South Africa are about 30%.

PUBLIC ACCOUNTS

The overall balance before grants was an estimated -5.5% of GDP in the first semester of 2010, with a balance after grants of -0.9% during the same period, due to increased current and investment expenditure by 42% and 12%, respectively, despite a rise in fiscal revenue of some 42.2%, in homologous terms. Tax revenue accounts for 89% of total revenue and is the result of reforms within the Tax Authority. Specific key factors were: improved verification of accounting processes in companies; taxation on dividends; collecting tax paid by non-residents; taxation of financial income and export campaigns that meant less tax evasion by the formal sector.

The overall deficit could rise to 6% of GDP, due to expenditure on the fight against poverty, the construction of new infrastructure and the pressure of subsidies for some basic goods. Financing and the budget in 2010 involved in particular:

- External loans amounting to 18,241 million meticaís, a nominal rise of 21% compared to 2009;
- More grants and other unilateral transfers by development partners, amounting to an estimated 33,776 million meticaís (+33%);
- Domestic financing of some 8,529 million meticaís, probably had a crowding out effects on private investment, implying negative effects when creating expectations about the cost of capital for private investment.

EXTERNAL BALANCE

The balance on external accounts was influenced by the reversal of the negative export trend that characterized 2009, due to the global economic crisis. During the first semester 2010, the recovery in global demand led to a rise in exports, in homologous terms, by some 10.9%, reaching 1.0 thousand million American dollars. On the invisibles account, in particular remuneration for services provided and factors of production destined for overseas, recorded rose by 15.5% and 5.9%, respectively.

MONETARY SITUATION

Until the end of the first semester 2010, economic growth was accompanied by a rise credit to the economy of some 56%, in a context of a deteriorating current balance and public accounts. Given this situation, stemming from fiscal and monetary policy measures to mitigate the effects of the global economic and financial crisis, the monetary authorities took the following measures to soak up liquidity: (a) a rise in the reference rate in three successive cycles from 11.50% in 2009 to 15.50% in 2010 and (b) increase of the mandatory reserve rate from 8.0% to 8.75% in two consecutive phases.

Despite these measures, by september 2010, credit in the system was some 2.5 thousand million American dollars, over 10% higher than the same period in 2009. By sector, the largest share was trade with 22% of the total, followed by credit to individuals (17%), transport and communications (13%) and industry (11%). The evolution of monetary aggregates in june 2010 was 33.6% for M3, with a target of 22.1% by the end of the year, and 28.1% for M2, with a target of 33.7% by december 2010.

OVERVIEW OF THE INSURANCE SECTOR IN MOZAMBIQUE

In 2010, insurance activity in Mozambique was also productive in terms of new legislation and regulations, with the approval of Law 5/2010 of 7th of July, that will lead to the approval of the Insurance Legal System in 2011, an important legal instrument that, in addition to other important aspects, introduces the regulatory framework for the insurance contract, that at the moment is not covered by Mozambique's legislation. In addition, diploma 222/2010 of 17th of December was published, approving and introducing, as of 2011, a new IFRS-based (International Financial Reporting Standards) Chart of Accounts for entities authorized to exercise insurance activity and companies managing pension funds.

The dynamics of the insurance market, in 2010, were also influenced by the appearance of new actors in the marketing and mediation of insurance products, with one more insurance company opening and five insurance brokers. The market now comprises seven insurance companies, one reinsurance company and 36 insurance brokers.

Of the seven insurance companies operating in the country in 2009, only Seguradora Internacional de Moçambique and Emose provide both Life and Non-Life business, Hollard-Vida only provides Life business and the remaining four provide Non-Life business.

According to information published by the Inspecção Geral de Seguros and data on 2009 published by the country's insurance companies, currently the only data available, Seguradora Internacional de Moçambique continues to lead the insurance sector in Mozambique.

In 2009, Seguradora Internacional de Moçambique was the market leader, with 33.7% of the market, followed by Emose with 26.6% and Global Alliance in third place with 20.3%. Seguradora Internacional de Moçambique was also the leader in the Non-Life business with a 29.4% share and in Life business with 66.4%.

In 2009, insurance activities in Mozambique involved 2,773.8 million meticals in direct insurance premiums, a rise of 26.3% over the previous year. Nevertheless, insurance penetration in the country's economy is still low, equivalent to 1% of GDP.

The processed revenue of Non-Life business rose by 33.3% and Life business fell by 9.5%.

DIRECT INSURANCE PREMIUMS – MOZAMBIQUE

		Million MZN	
Business	'09	'08	VAR. % '09/'08
Life	323	357	-9.5%
Non-Life	2,451	1,839	33.3%
Total	2,774	2,196	26.3%

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

In 2009, Non-Life business accounted for 88.4% of the volume of direct insurance premiums and Life business accounted for the remaining 11.6%.

The largest product in the Non-Life portfolio continues to be Motor, accounting for 37.4% of all gross premiums issued, compared to 37.3% the previous year. This is due to the rising number of motor vehicles and stronger, albeit gradual, awareness of the obligation to have Third Party insurance. It is followed by Fire, Sundry, Personal Accident and Workmen's Compensation with 15.5%, 9.8%, 9.1% and 8.4%, respectively.

Indicators	'09	'08
% Insurance premiums in GDP	1.03%	0.92%
Premiums <i>per capita</i> (MZN)	121.2	108.5

Insurance penetration in GDP was slightly higher than in 2008, rising from 0.92% to 1.03% in 2009. The premium *per capita* also rose from 109 to 121 meticaís for a population of 22.9 million inhabitants.

The Non-Life business net claim rate was 57.9%, considerably higher than the previous year. The highest claim rates were in Workmen's Compensation with 71.9%, followed by Personal Accident and Health with 59.3% and Motor products with 58.1%.

Seguradora Internacional de Moçambique had the lowest claim rate (41%) in the country's insurance market.

The net income of the insurance sector in 2009 rose by 3.1%, with an overall total of 325.5 million meticaís. Seguradora Internacional de Moçambique accounted for 62.1% of this income, followed by Emose with 25.4% and Global Alliance with 11.0%.

Returns on equity in the insurance sector, as a whole, were 12.1%. Seguradora Internacional de Moçambique had returns on equity of 25.2%, the largest in the market, while the rates of the others were substantially lower: 16.5% for Global Alliance, 14.2% for Hollard and 6.2% for Emose.

At the end of 2009, the Mozambican insurance market reported investments totaling 5,946.3 million meticaís, 17.0% higher than in 2008. Investments accounted for 75.9% of the total assets held by insurance companies.

The weight of Buildings in total investments rose from 39.1% in 2008 to around 44.5% in 2009.

The most important liabilities in the insurance companies' balance sheet continue to be their technical reserves. On the 31st of december 2009, the insurance companies had technical reserves net of reinsurance of 3,265.9 million meticaís, with 5,946.3 million meticaís of investments in assets representing technical reserves. This corresponds to a coverage of 182.1%. All insurance companies have assets that cover their technical reserves.



MAIN EVENTS IN 2010

In a context of clear international economic recovery and the Mozambican economy showing signs of strong growth, despite macroeconomic constraints in 2010, the processed revenue of Seguradora Internacional de Moçambique rose to 1,218 million meticaís, 30.3% higher than the previous year. This contributed to a 24.7% rise in net income to 252 million meticaís.

In a complex business environment such as ours, with new market challenges, in a context where it is still small in size, the appearance of new Stakeholders in the Mozambican insurance panorama has led to a growing tendency for some insurance companies to try to obtain a market share by reducing their rates, without taking into account the levels of risk that are being underwritten. In the medium/long-term this could endanger their sustainability and, thus, the image of this noble and important activity.

In 2010, the fundamental strategy of Seguradora Internacional de Moçambique continued to be optimizing its costs, the rational profitability of the business, more demanding in terms of the quality of service provided, transparency and rigor in the information provided to the Customer to the government and supervision authorities, control of internal processes and active management of capital and solvency.

In addition, its emphasis on constantly sharing information and encouraging all its Employees to participate in drawing up the Company's strategy were factors that motivated and involved them in pursuing the common objective of better service for the Customer.

Employees training continued to be one of our priorities in 2010, in order to respond, on the one hand, to the new challenges of the insurance market and, on the other hand, to requirements arising from implementation of the new IT system, as well as the introduction of the new IFRS-Based Chart of Accounts, that must be implemented in 2011.

In the IT field we continue to give priority to implementing the new integrated system for technical and financial insurance management. We have successfully concluded the parameterization and migration of all Property and Engineering products and have begun the parameterization of Motor products.

We have also placed great emphasis on redefining and adjusting work processes and the way the various areas operate, preparing and reformulating norms and redefining internal control systems, and also adapting them to the changes introduced by the new IT system, that is in the final implementation phase.

We continue to monitor the technical and financial development of the various products in our insurance portfolio, with regular analyses of technical accounts, assessing the suitability of our tariffs for the reality of the business and the market. Consequently, in 2010, we adjusted various tariff tables, in order to simplify them for easier and effective application and adjusting them in the light of actuarial assumptions.

We launched a new product called Protecção Total that has substantial social coverage, protecting domestic workers, with Worker Compensation and Funeral coverage, as well as Personal Accident coverage for the policy holder and his family.

The Seguradora's branch network is its banner; with revenue that has been growing sustainably and must be strengthened. Consequently, a fundamental objective during the year was to identify installations and prepare them in order to open two new branches in 2011, in strategic cities with great development potential, to say Tete and Matola.

Following publication of Ministerial Diploma 222/2010 of 17th of december; requiring the implementation of an IFRS-based Chart of Accounts in 2011, we started to train our technicians in areas linked to International Financial Reporting Standards and concluded the conversion of the 2010 accounts to the IFRS base, as a transition year for comparative purposes. We have also undertaken the necessary parameterization of the system's accounting module, introducing links between plans.

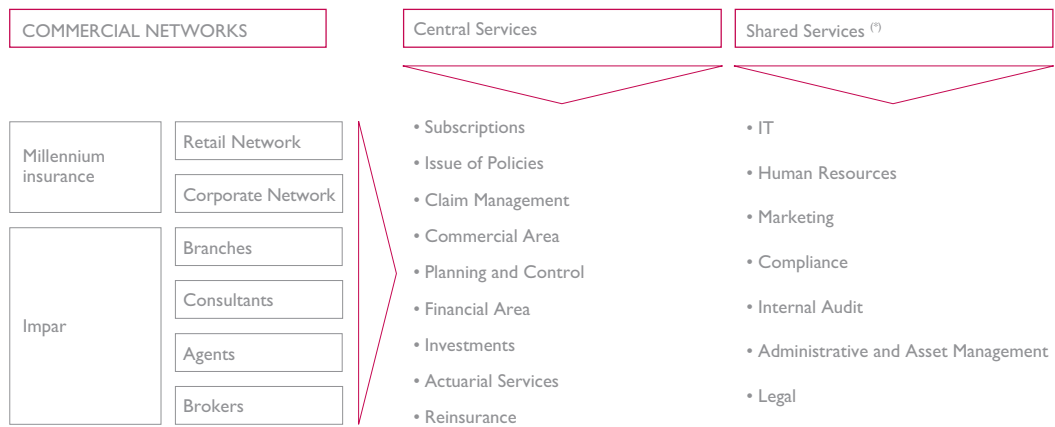
Reinsurance is a key business area in insurance activity and, for this reason, every year we evaluate the sustainability of the agreements signed with our partners and renegotiate them, combining the required prudence with the required support from our reinsurance companies, trying to obtain the best coverage in the light of our experience and the Company's structure and financial solidity. Our partners in this field are of international repute and are highly rated by agencies with international credibility.

According to the latest data published by Mozambique's insurance supervision entity, Seguradora Internacional de Moçambique continues to be the leader in the Mozambican market, with a market share of 33.7% as of december 2009. It also continues to be the leader in the Non-Life business, with a 29.4% market share and in Life business with 66.4%.



ORGANIZATIONAL STRUCTURE

ORGANIZATIONAL STRUCTURE



(*) With Millennium bim.



FINANCIAL ANALYSIS

In 2010, the volume of gross premiums issued reached 1,218 million meticaís. This compares favorably with 935 million meticaís the previous year; representing a rise of 30.3%. Non-Life Insurance contributed 842 million meticaís and Life Insurance 376 million meticaís.

DIRECT INSURANCE PREMIUMS

		Thousand MZN	
Business	'10	'09	VAR. % '10/'09
Life	376,468	214,245	75.7%
Non-Life	841,637	720,563	16.8%
Total	1,218,105	934,808	30.3%

LIFE BUSINESS

DIRECT INSURANCE PREMIUMS

Life business rose by 75.7% due to a rise in the number of policies issued during 2010, especially Income policies, due to the growing number of retired Millennium bim Employees. Life Risk insurance contributed most to the technical margin in Life business, growing by 22.4%, due to increased bank assurance business in Millennium bim branches.

		Thousand MZN	
Products	'10	'09	VAR. % '10/'09
Life Risk	151,734	123,945	22.4%
Life Capitalization	82,889	33,307	148.9%
Life Income	141,845	56,992	148.9%
Total	376,468	214,244	75.7%

TECHNICAL ANALYSIS

In 2010, the Life business technical margin, net of administrative costs, was 79 million meticaís, 19.5% higher than the 66 million meticaís achieved in the same period in 2009, accounting for 21% of gross premiums.

TECHNICAL MARGIN

		Thousand MZN	
Product	'10	'09	VAR. % '10/'09
Life Risk	63,580	53,945	17.9%
Life Capitalization	2,297	-18	13,162.9%
Life Income	13,300	12,330	7.9%
Total	79,177	66,258	19.5%

Life Risk contributed 40.3% of the total volume of Life products premiums and represents 80.3% of its technical margin.

The technical profitability on Life Risk products was lower than in 2009, falling from 43.5% to 41.9% in 2010. This was due to a rise in the claim rate from 10.7% to 13.7%.

NON-LIFE BUSINESS

DIRECT INSURANCE PREMIUMS

In 2010, the volume of direct Non-Life insurance premiums rose by 16.8% compared to 2009, reaching 842 million meticaís.

This growth was due to the following products: Sundry rose by 33%, Fire and Other Damage by 20%, Personal Accident and Health by 18% and Motor by 14%.

The reasons for this growth were respectively: new insurance contracts for major engineering works and aviation, intensified PPP-health products sales related to the banking product Crédito Nova Vida and the reformulation of tariffs for Motor products.

More dynamic sales of insurance in the Seguradora's branches, where their portfolio rose by 16.4% compared to the previous year, also contributed to the rise in processed revenue.

NON-LIFE DIRECT INSURANCE PREMIUMS

		Thousand MZN	
Products	'10	'09	VAR. % '10/'09
Workman's Compensation	64,693	57,442	12.6%
Personal Accident and Health	210,375	178,968	17.5%
Fire and Natural Disasters	78,790	65,506	20.3%
Motor	363,067	319,572	13.6%
Marine	14,761	12,769	15.6%
Air	3,152	2,821	11.8%
Transports	18,700	16,371	14.2%
General Third Party Liability	18,054	14,301	26.2%
Sundry	70,045	52,814	32.6%
Total	841,637	720,564	16.8%

TECHNICAL ANALYSIS

The Non-Life claim rate before administrative costs was 28.3%, a fall of 13.4 percentage points compared to 2009 due to a fall in claims under Property and Engineering products, that last year were influenced by an accident during construction of the bridge over the Zambezi River and also the Pungué tug.

The technical margin before administrative costs rose to 472 million meticaís, 21.9% higher than in 2009. This was due primarily to a 134 million meticaís rise in net retained premiums, while net reinsurance compensation rose from 22 to 34 million meticaís.

The Non-Life combined ratio including administrative costs was 68.3%, 3.9 percentage points higher than in 2009. This positive development was due to a 3.1 percentage points reduction in the net reinsurance claim rate and a 0.8 percentage points reduction in general expenditure.



NON-LIFE CLAIM RATES

Products	'10	'09	VAR. % '10/'09
Workman's Compensation	23.6%	21.9%	1.7 p.p.
Personal Accident and Health	13.4%	12.3%	1.1 p.p.
Fire and Natural Disasters	0.8%	3.4%	-2.6 p.p.
Motor	45.4%	49.0%	-3.6 p.p.
Marine	18.5%	182.7%	-164.1 p.p.
Air	1.1%	1.3%	-0.2 p.p.
Transports	-3.6%	32.4%	-36.0 p.p.
General Third Party Liability	7.3%	2.8%	4.5 p.p.
Sundry	36.3%	147.4%	-111.1 p.p.
Total	28.3%	41.7%	-13.4 p.p.

ADMINISTRATIVE COSTS

Administrative costs rose by 21.9%, to 176 million meticaís, 14.5% of the gross premiums issued.

Administrative costs	'10	'09	VAR. % '10/'09
Personnel expenses	104,690	84,444	24.0%
Supplies and external services	68,965	57,230	20.5%
Other administrative costs	2,562	2,915	-12.1%
Total	176,217	144,589	21.9%

Administrative costs rose by 31.6 million meticaís, due to a rise in the volume of salaries, specialist work related to implementation of the IT system and also advice and training related to implementation of the new IFRS-based Chart of Accounts.

NET INCOME

The favorable development of the technical margin, supported by a prudent investment management policy, excellent technical business performance and rigorous control of operating costs, produced a 24.7% rise in pre-tax income, 372 million meticaís in 2010, and an income net of tax of 252 million meticaís.



WATER TREATMENT PLAN



Work rehabilitation and expansion of Umbelúzi Water Treatment Plant, ensuring water supply to Maputo city.

UNIVERSAL CHURCH OF THE KINGDOM OF GOD



Building the new cathedral of the Universal Church of the Kingdom of God, including a hall of worship, offices, apartments, parking, among others.

SAMORA MACHEL BRIDGE



Work of rehabilitation of Samora Machel Bridge, over the Zambeze river, in Tete province.

FUEL PIPELINE



Pipeline installation to ensure fuel uploading from ships to the Total tanks in Maputo.



REINSURANCE

One of the anticipated consequences of global warming, due to a higher concentration of greenhouse gases, is changes in the frequency and intensity of extreme climatic events in many parts of the world. Their impact has profound implications for society and in particular for the insurance industry.

The year 2010 was marked by a large number of natural disasters worldwide, much higher than the average for the last 30 years, ranging from storms and floods to earthquakes and volcanoes.

Research published by international reinsurance companies identified 950 catastrophic events in 2010, resulting in 295 thousand deaths and causing some 130 billion American dollars in economic losses.

The most affected regions were Asia and the Americas, with 365 events on the American continent and 310 in Asia.

The five largest natural disasters were earthquakes in Haiti and Chile and also in the Central Region of China. The figures also include the heat wave in Russia and floods in Pakistan. These five disasters combined were responsible for 96% of all deaths due to natural disasters in 2010 and around 30% of total losses.

The same sources indicate that 2010 was also the most deadly year since 1983, when drought in Ethiopia caused 300,000 deaths, far higher than the average over the last 30 years of 66,000 deaths a year.

The figures show that insurance losses, due to the catastrophic events in 2010, totaled 37 billion American dollars and account for 28.5% of reported economic losses. This in itself reveals the exposure of people and goods without any kind of insurance protection.

THE HEAVIEST LOSSES WORLDWIDE IN 2010

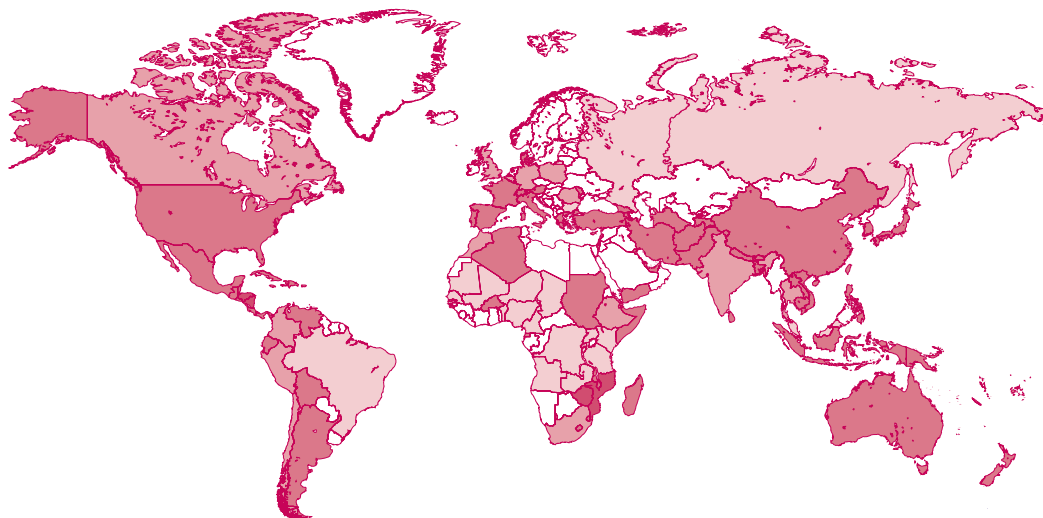
Date	Country/ Region	Event	Fatalities	Economic losses (million USD)	Insured losses (million USD)
12 jan. 2010	Haiti	Earthquake	222,570	n/a	n/a
26-28 feb. 2010	Spain and France	Storms	-	6,100	3,100
27 feb. 2010	Chile	Earthquake	520	30,000	8,000
30 jul. 2010	Pakistan	Floods	1,760	9,500	n/a
17 sep. 2010	Mexico	Cyclone	-	3,900	150
...
2010			>300,000	130,000	37,000

In 2010, there was heavy flooding in Mozambique caused by torrential rain in the country's Northern provinces, in particular the Zambezi Valley region, where at least 130,000 people were at risk of catching cholera. This caused the health authorities to declare a state of emergency and launch the compulsive removal of affected communities to safer areas.

According to the Ministry of Health, from the beginning of floods on 24 January 2010, of a total of 2,061 notified cases, 41 people died from cholera in five provinces in the Centre and North of the country.

Of the five provinces hit by the disease, Zambezia was affected most, with 19 deaths out of 199 cases, followed by Niassa, with 13 deaths out of 534 cases, Cabo Delgado 7 deaths out of 643 cases, followed by Sofala and Nampula with just one obit each, out of a total of 195 and 130 cases, respectively.

MAP SHOWING LEVELS OF EXPOSURE TO FLOODS



- Extreme risk
- High risk
- Medium risk
- Low risk
- No data

RANK	COUNTRY	RATING	RANK	COUNTRY	RATING
1	Haiti	Extreme	6	El Salvador	Extreme
2	Mozambique	Extreme	7	Nicaragua	Extreme
3	Honduras	Extreme	8	Sri Lanka	High
4	Vanuatu	Extreme	9	Fiji	High
5	Zimbabwe	Extreme	10	Tajikistan	High

There were no changes in reinsurance policy in 2010. We continue to maintain prudence in the business and try to place reinsurance with partners of international repute, for both Agreements and in facultative negotiations for large and complex risks.

REINSURANCE COMPANIES IN THE REINSURANCE PROGRAMME

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

Our reinsurance companies continue to assist us by training our staff, either sending them overseas for training or through reinsurance technicians who come to Mozambique. This has improved the technical quality of our Employees.

INVESTMENT MANAGEMENT

On the 31st of december 2010, the investment portfolio of Seguradora Internacional de Moçambique amounted to 3,454 million meticaís, 17.3% higher than the previous year:

The average yield rate was 12% compared to 10% the previous year. The higher rate was due essentially to improvements in the interest rate in the second half of 2010.

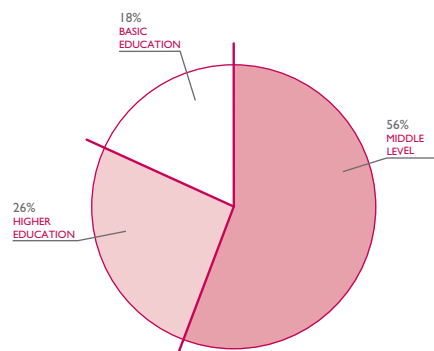
The rise in investments is due to improved collections, that were 27% higher than the previous year, the reapplication of income and the judicious management of financial flows.

Investment portfolio			Thousand MZN	
	'10	%	'09	%
Available for sale				
Short-term public debt	1,304,068	55.5%	1,434,398	70.7%
Long-term public debt	422,184	18.0%	153,917	7.6%
Bonds	389,051	16.6%	419,170	20.7%
Shares	235,122	10.0%	20,757	1.0%
	2,350,425	100.0%	2,028,242	100.0%
Other				
Land and buildings	769,486	-	769,486	-
Term deposits	334,366	-	146,783	-
	1,103,852	-	916,269	-
Total	3,454,277	-	2,994,511	-



EMPLOYEES

EMPLOYEES BY LEVEL OF EDUCATION



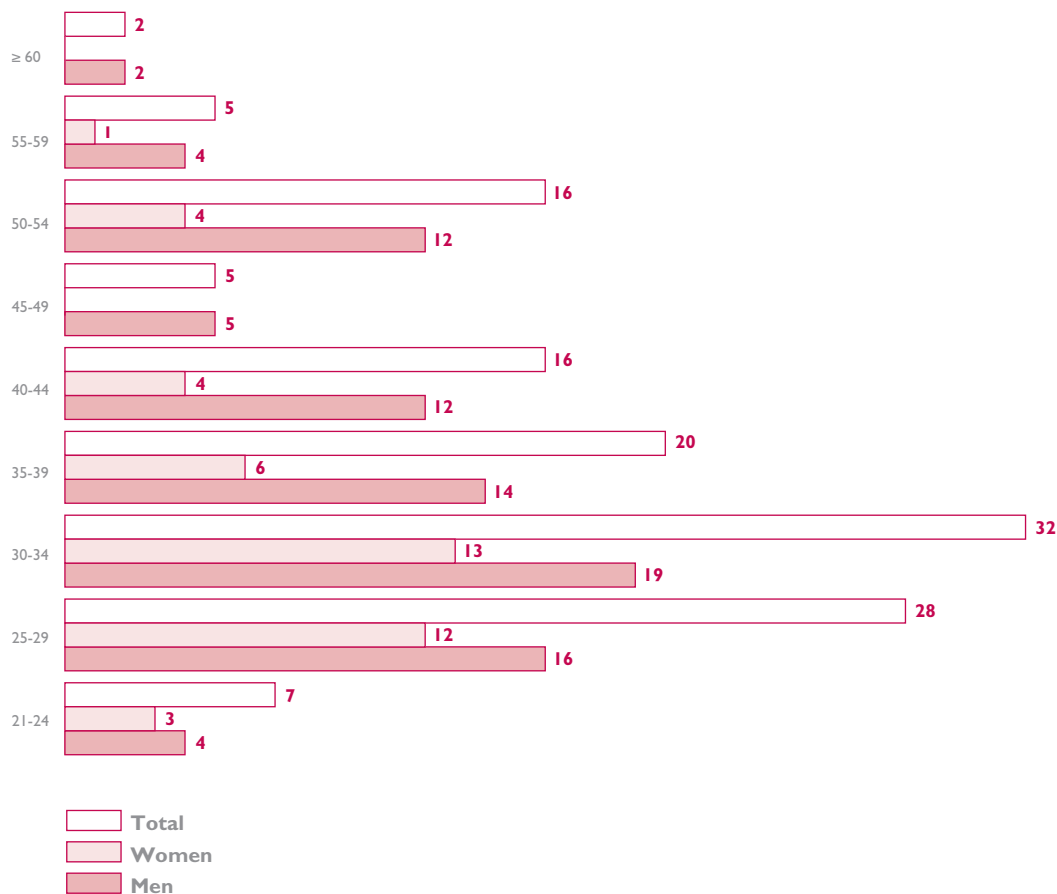
Human resources management in Seguradora Internacional de Moçambique reflects its policy of emphasizing competence, accountability, merit, worth and recognition.

Personnel management is the responsibility of the direct hierarchy. All managers are directly responsible for training, work allocation, mentoring and performance assessment, and for taking decisions that support the career advancement and remuneration of their staff.

All Employees receive appropriate training in order to perform their tasks effectively. Seguradora also promotes awareness and an attitude among Employees whereby themselves must take charge of their own training through a mindset of constant learning.

At the end of 2010, Seguradora Internacional de Moçambique had 138 Employees, with an average age of 37: 67.2% men and 32.8% women. All Employees work full-time; there are no part-time staff.

DISTRIBUTION OF EMPLOYEES BY AGE AND GENDER



PROSPECTS FOR 2011

In 2011, our strategic priority will continue to be sustainable growth, based on specific measures to strengthen profitability, attention to market competitiveness, boosting distribution channels with a strong focus on our branches and network of consultants, and product innovation.

In 2011, we shall continue to make staff training one of our top priorities. To this end, we shall provide in-house training to enable some 25 Seguradora Employees to study Principles and Practices of Non-Life Insurance and sit the exam in October 2011. The course is given in English by the Zimbabwe Insurance Institute and is equivalent to a London Insurance Institute course of the same level.

We shall continue to reformulate the general conditions of insurance policies, in order to adjust tariff policies and coverage to international practice. We shall also have to accommodate the content of the Law on the Legal System for Insurance, expected to be published in 2011.

As regards information systems, our aim is to conclude the entire parameterization process and the migration of the only outstanding products in our insurance portfolio, i.e. Motor insurance products in 2011. Special attention will be paid to establishing the system as a whole, with particular emphasis on aspects of technical commercial management and accounting, in order to acquire better quality management information.

Following the changes introduced by the new computerized system, attention will continue to focus on drafting and amending internal procedural and normative, addressing changes in procedures, methods of work and internal control.

Seguradora Internacional de Moçambique will introduce its new IFRS-based Chart of Accounts, approved by Ministerial Diploma 222/2010 of the 17th December; and as of January 2011 will present the respective mandatory reporting tables.



PROPOSAL ON THE APPLICATION OF INCOME

In the financial year ended 31st december 2010, the income of Seguradora Internacional de Moçambique, net of taxes, was 252,208,231.76 meticaís.

In accordance with line a) of article 39 of Law 3/2003, regulating insurance activity, the Board of Directors of Seguradora Internacional de Moçambique proposes that the net income in 2010 be applied as follows:

		MZN
Free reserves	40.4%	101,887,187.96
Dividends	50.0%	126,104,115.00
Retained income	9.6%	24,216,928.80

The Legal Reserve of Seguradora Internacional de Moçambique has reached the minimum amount required of insurance companies by insurance legislation under number 1 of article 17 line c) of Law 3/2003 of 21st january.

As required by law, in 2011, Seguradora Internacional de Moçambique will apply the new IFRS-based Chart of Accounts. In order to make adjustments to the accounts for the 2010 transition year; reflected in retained income in the 2011 accounts, it is proposed that 24,216,928.80 meticaís, corresponding to the negative amounts identified in the conversion process, be transferred from Shareholders' equity to this item.

ACKNOWLEDGEMENTS

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

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

Maputo, the 21st of february 2011

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 António Matavel, Director





FINANCIAL STATEMENTS

for the year ended 31st of december 2010

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SEGURADORA INTERNACIONAL DE MOÇAMBIQUE, S.A.

BALANCE SHEET

for the year ended 31st of december 2010

	Notes	'10	'09
Assets			
Intangible fixed assets	2	2,326,334	1,266,981
Investments			
Buildings	3	769,485,905	769,485,905
Group and associated companies	3	531,642,527	336,282,755
Other financial investments	3	514,715,201	257,561,653
Term bank deposits	3	1,638,433,843	1,581,180,486
		3,454,277,476	2,944,510,799
Technical provisions for assigned reinsurance	4	150,216,893	136,075,914
Debtors			
Direct insurance and reinsurance undertaken transactions	5	63,437,431	39,276,687
Assigned reinsurance transactions	5	3,587,534	2,158,363
Other transactions	5	1,962,728	1,628,297
		68,987,693	43,063,347
Other assets			
Tangible fixed assets and stocks	6	42,942,566	31,253,977
Cash and bank deposits	7	24,814,674	36,407,660
		67,757,240	67,661,637
Accruals and deferrals			
Interest receivable	8	35,057,326	9,961,274
Other accruals and deferrals	8	998,106	1,167,111
		36,055,432	11,128,385
		3,779,621,068	3,203,707,063



SEGURADORA INTERNACIONAL DE MOÇAMBIQUE, S.A. BALANCE SHEET

for the year ended 31st of december 2010

			MZN
	Notes	'10	'09
Liabilities and equity			
Equity			
Capital	9	147,500,000	147,500,000
Issue premiums		8,258,661	8,258,661
Retained earnings and other reserves	10	598,312,968	443,365,829
Income for the year		252,208,232	202,288,825
Total equity		1,006,279,861	801,413,315
Fund for future appropriations	11	6,191,166	3,601,857
Technical reserves for direct insurance and undertaken reinsurance	12	2,653,459,019	2,267,021,704
Provisions for other risks and charges	13	350,000	1,350,000
Creditors			
Direct insurance and undertaken reinsurance transactions	14	22,350,797	20,270,955
Assigned reinsurance transactions	14	9,864,951	9,825,397
State and other public entities	14	4,363,387	41,064,849
Sundry creditors	14	41,171,031	40,712,806
		77,750,166	111,874,007
Accruals and deferrals	15	35,590,856	18,446,180
		3,779,621,068	3,203,707,063



SEGURADORA INTERNACIONAL DE MOÇAMBIQUE, S.A.

INCOME STATEMENT BY NATURE

for the year ended 31st of december 2010

		MZN	
	Notes	'10	'09
Direct insurance and undertaken reinsurance premiums	16	1,218,105,104	934,807,597
Assigned reinsurance premiums		(152,052,899)	(141,262,808)
		1,066,052,205	793,544,789
Direct insurance and undertaken reinsurance claims	16	(398,012,230)	(385,316,500)
Assigned reinsurance claims	17	10,780,956	105,894,297
Direct insurance and undertaken reinsurance commissions	16	(74,904,738)	(59,853,932)
Assigned reinsurance commissions		31,901,004	28,658,271
Technical provisions for direct insurance and undertaken reinsurance	18	(308,640,390)	(243,211,789)
Technical provisions for assigned reinsurance		8,754,771	8,739,514
Profit sharing		(111,638,875)	(120,894,335)
Provisions for uncollected premiums	5	(4,062,227)	5,281,134
		(845,821,729)	(660,703,340)
Financial income from investments allocated to technical provisions	19	330,545,716	320,329,211
Technical margin before administrative costs		550,776,192	453,170,660
Financial income from free investments		1,110,000	1,301,486
Operating income/(costs):			
Administrative	20	(176,217,044)	(144,589,289)
Amortization during the year	2 and 6	(9,837,842)	(9,536,170)
Provisions	21	1,000,000	293,171
Other income/(costs)	22	5,437,735	(2,168,411)
		(179,617,151)	(156,000,699)
Income for the year before taxes		372,269,041	298,471,447
Tax on profits	23	(120,060,809)	(96,182,622)
Income for the year		252,208,232	202,288,825

SEGURADORA INTERNACIONAL DE MOÇAMBIQUE, S.A.

CASH FLOW STATEMENT

for the year ended 31st of december 2010

	MZN	
	'10	'09
Cash flow of operational activities		
Income for the year	252,208,232	202,288,825
Amortization	9,837,842	9,276,170
Variation in provision for claims		
direct insurance and undertaken reinsurance	48,902,167	127,047,932
assigned reinsurance	(5,377,935)	(87,481,925)
Variation in other technical provisions		
direct insurance and undertaken reinsurance	337,535,147	307,895,108
assigned reinsurance	(8,763,045)	(8,739,514)
Variation in provisions for uncollected premiums	4,062,227	(5,281,134)
Variation in provisions for other risks and charges	(1,000,000)	-
(Increase)/decrease in debtors		
direct insurance and undertaken reinsurance transactions	(20,770,178)	10,211,666
reinsurance transactions	(1,429,171)	5,412,684
other transactions	(7,787,231)	6,614,186
Increase/(decrease) in creditors		
Creditors in direct insurance and undertaken reinsurance transactions	2,079,842	(8,868,625)
Creditors in assigned reinsurance transactions	39,554	(3,637,842)
State and other public entities	(36,701,455)	(42,775,765)
Sundry creditors	(5,599,473)	7,601,967
Variation in other income accounts	(24,927,047)	32,985,519
Variation in other liability accounts	18,027,563	1,645,618
Interest and similar income	(306,559,664)	(293,321,489)
Effect of foreign exchange differences	5,508,473	(4,189,592)
	259,285,850	256,683,789
Cash flow of investment activities		
Acquisition of investments	(634,276,905)	(708,619,097)
Reimbursements/sale of investments	130,330,056	261,551,854
Acquisition of fixed assets	(17,410,973)	(8,906,860)
Interest and similar income	306,559,664	293,321,489
	(214,798,158)	(162,652,614)
Cash flow from financing activities		
Dividends distributed	(50,572,206)	(107,265,601)
	(50,572,206)	(107,265,601)
Net variation in cash and cash equivalent	(6,084,514)	(13,234,426)
Effect of foreign exchange differences	(5,508,473)	4,189,592
Cash and cash equivalent at the beginning of the period	36,407,660	45,452,494
Cash and cash equivalent at the end of the period	24,814,674	36,407,660

SEGURADORA INTERNACIONAL DE MOÇAMBIQUE, S.A.

STATEMENT ON CHANGES IN EQUITY

for the year ended 31st of december 2010

MZN

	Capital	Premiums issued	Retained earnings and other reserves	Income for the year	Total equity
Balance on 31st of december 2008	147,500,000	8,258,661	360,158,315	178,776,002	694,692,978
Legal reserve	-	-	17,877,600	(17,877,600)	-
Revaluation reserve	-	-	11,697,113	-	11,697,113
Free reserves	-	-	53,632,801	(53,632,801)	-
Dividends distributed	-	-	-	(107,265,601)	(107,265,601)
Income for the year	-	-	-	202,288,825	202,288,825
Balance on 31st of december 2009	147,500,000	8,258,661	443,365,829	202,288,825	801,413,315
Legal reserve	-	-	5,642,531	(5,642,531)	-
Revaluation reserve	-	-	3,230,520	-	3,230,520
Free reserve	-	-	146,074,088	(146,074,088)	-
Dividends distributed	-	-	-	(50,572,206)	(50,572,206)
Income for the year	-	-	-	252,208,232	252,208,232
Balance on 31st of december 2010	147,500,000	8,258,661	598,312,968	252,208,232	1,006,279,861



SEGURADORA INTERNACIONAL DE MOÇAMBIQUE, S.A.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st of december 2010

I. ACCOUNTING POLICIES

A) BASIS OF PRESENTATION

Seguradora Internacional de Moçambique, S.A. is an Insurance Company that was established in Mozambique on the 3rd of september 1992 and it began operations the same year. The purpose of Seguradora Internacional de Moçambique, S.A. is to engage in Life and Non-Life insurance activities. The financial statements presented here reflect the results of its operations for the year ended 31st of december 2010.

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

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

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

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

In december 2004, Ministerial Diploma 113/2004 approved a new Chart of Accounts for insurance activity in Mozambique. Under this diploma, the Chart of Accounts has to be implemented on the 1st of january 2005. Although the regulator has not published either the rules for the transition to the new Chart of Accounts or the fiscal rules to be followed, the Company has adopted the said Chart of Accounts in its entirety in accordance with the rules existing on that date.

B) APPROPRIATION OF COSTS AND REVENUE

Costs and revenue are recorded in the financial year in which they occur, irrespective of the date on which they are paid or received, using the accrual accounting principle.

C) PROVISION FOR UNEARNED PREMIUMS

The provision for unearned premiums is based on the valuation of premiums that are issued prior to year end, but remain in force after that date. It is calculated using the *pro rata temporis* method for each existing contract. This method is applied to the gross premiums issued net of the respective acquisition costs.

D) PROVISION FOR CLAIMS

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

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

E) MATHEMATICAL PROVISION FOR LIFE INSURANCE

The objective of mathematical provisions for life Insurance is to record the current value of the Company's future liabilities under the policies issued and they are calculated using recognized actuarial methods.

F) PROVISION FOR PROFIT SHARING

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

G) PROVISION FOR UNCOLLECTED PREMIUMS

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

H) PROVISION FOR CLAIM RATE CHANGES

Provision for claim rate changes must be established for credit insurance, surety and flood and storm risks in the Natural Phenomenon product and its calculation must comply with criteria established by the IGS – Inspeção Geral de Seguros.

I) PROVISION FOR CURRENT RISKS

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

J) INVESTMENTS

Real estate

Real estate is recorded at its acquisition or construction value, adjusted to the current or market value. The law does not determine the frequency of revaluation. The Company revalued its real estate in 2008 financial year. There were earlier revaluations in 2002 and 2003.

Financial investments

The securities portfolio is valued at its market value on the date of the balance sheet, in accordance with valuation criteria established by the IGS – Inspeção Geral de Seguros. Unquoted bonds are valued at their acquisition cost, when issued at their nominal value or issued at their proportion of the book value of the entity to which the shares refer in case of bonds. The frequency of interest on bonds is based on their nominal value and the interest rate applicable the year.

Gains and losses on investments

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

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

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

The gains and losses resulting from the sale or maturity of the above-mentioned securities are recognized as income in the year in which they occur, in the respective underwriting or non-underwriting account, depending on the investment allocation, in Gains from the sale of investments or in Losses from the sale of investments.

K) FOREIGN CURRENCY TRANSACTIONS

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

L) TANGIBLE ASSETS

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

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

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

M) INTANGIBLE ASSETS

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

N) FINANCIAL LEASING

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

Revenue comprises interest and the financial amortization of capital. Financial charges are allocated to periods during the lease term, in order to produce a constant periodic interest rate on the outstanding liability for each period.

O) RETIREMENT AND SURVIVOR PENSIONS

The Company provides its Employees with a supplementary retirement pension that is based on a Company managed insurance policy to cover its responsibilities.

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

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

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

P) TAXES

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

Q) CONTINUITY PRINCIPLE

The Board of Directors believes that the Seguradora has the necessary conditions to continue operating and thereby assumes continuity in the following year. The Company has thus observed the continuity principle in the preparation of its financial statements.

2. INTANGIBLE FIXED ASSETS

The balance on this account is analyzed as follows:

	MZN	
	'10	'09
Set-up and installation expenditure	423,736	423,736
Expenditure on rented buildings	7,075,833	4,537,019
Other intangible assets	376,033	376,033
	7,875,602	5,336,788
Accrued amortization	(5,549,268)	(3,312,307)
	2,326,334	2,024,481

Amortizations in 2010 are analyzed as follows:

	MZN			
	'10			
	Opening balance	Depreciation for the year	Written off/ Revaluation	Closing balance
Set-up and installation expenditure	423,736	-	-	423,736
Expenditure on rented buildings	3,838,076	911,423	-	4,749,499
Other intangible fixed assets	376,033	-	-	376,033
	4,637,845	911,423	-	5,549,268

3. INVESTMENTS

The balance on this account is analyzed as follows:

	MZN	
	'10	'09
Buildings	769,485,905	769,485,905
Group and associated companies		
Shares in Group and associated companies	222,892,527	11,282,755
Bonds in Group companies	308,750,000	325,000,000
	531,642,527	336,282,755
Other financial investments		
Shares and other variable income securities	12,229,729	9,474,629
Bonds and other fixed income securities	502,485,472	248,087,024
	514,715,201	257,561,653
Applications in credit institutions		
Deposits in credit institutions	334,366,388	146,782,975
Purchase transactions with resale agreement	1,304,067,455	1,434,397,511
	1,638,433,843	1,581,180,486
	3,454,277,476	2,944,510,799

REAL ESTATE

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

SHARES IN GROUP AND ASSOCIATED COMPANIES

On the 31st of december 2010, the Seguradora had the following shares in Group and associated companies:

		MZN	
	% share	'09	'08
BEIRANAVE – Estaleiros Navais da Beira, S.A.	22.84%	12,192,527	11,282,755
Constellation, S.A.	20%	210,700,000	-
		222,892,527	11,282,755

Based on the 2009 Annual Report of BEIRANAVE – Estaleiros Navais da Beira, S.A., holdings in this company were updated using the proportion of equity method. The following potential values were ascertained and recorded in the Revaluation reserve item in equity:

Constellation, S.A. was acquired in the first semester of 2010 and is currently recorded at the purchase price. It is estimated that this is not substantially different from the proportion of its equity held on the 31st of december 2010, as at that time it had not yet started work on its planned construction activities.

	Share in equity 2008	Share in equity 2009	Potential Value
BEIRANAVE shares	11,282,755	12,192,527	909,772

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

	MZN			
	'10			
	Opening balance	Acquisitions/ Rise in value	Redemption/ Reimbursement/ Fall in value	Closing balance
Other financial investments				
Shares and other variable income securities	9,474,629	2,755,100	-	12,229,729
Bonds and other fixed income securities	248,087,024	254,398,448	-	502,485,472
	257,561,653	257,153,548	-	514,715,201
Applications on credit institutions				
Deposits in credit institutions	146,782,975	187,583,413	-	334,366,388
Purchase with resale agreement	1,434,397,511	-	130,330,056	1,304,067,455
	1,581,180,486	187,583,413	130,330,056	1,638,433,843

On the 31st of december 2010, investments were allocated as follows:

MZN				
	'10			
	Life Insurance	Non-Life Insurance	Free	Closing balance
Buildings	769,135,905	-	350,000	769,485,905
Investments in Group and associated companies	-	344,575,082	187,067,446	531,642,527
Other financial investments	156,642,215	358,072,986	-	514,715,201
Applications on credit institutions	982,528,286	655,905,556	-	1,638,433,843
	1,908,306,406	1,358,553,624	187,417,446	3,454,277,476

MZN				
	'09			
	Life Insurance	Non-Life Insurance	Free	Closing balance
Buildings	633,598,905	135,537,000	350,000	769,485,905
Investments in Group and associated companies	146,732,676	189,550,079	-	336,282,755
Other financial investments	135,386,241	122,175,411	-	257,561,652
Applications on credit institutions	767,546,283	813,634,204	-	1,581,180,487
	1,683,264,105	1,260,896,694	350,000	2,944,510,799

4. TECHNICAL PROVISIONS FOR ASSIGNED REINSURANCE

The balance on this account is analyzed as follows:

MZN		
	'10	'09
Life		
Provision for claims	3,154,900	1,147,415
Mathematical reserve	143,510	143,510
	3,298,410	1,290,925
Non-Life		
Provision for unearned premiums	34,152,656	25,389,612
Provision for claims	112,765,827	109,395,377
	146,918,483	134,784,989
	150,216,893	136,075,914



5. DEBTORS

The balance on this account is analyzed as follows:

	MZN	
	'10	'09
Direct insurance and undertaken reinsurance transactions		
Insurance policy holders	67,359,141	49,373,001
Insurance policy holders – Group companies	7,452,793	-
Insurance brokers	6,223,193	3,596,981
Co-insurers	157,827	-
	81,192,954	52,969,982
Provision for uncollected premiums	(17,755,523)	(13,693,295)
	63,437,431	39,276,687
Assigned reinsurance transactions		
Other reinsurance companies	3,587,534	2,158,363
	3,587,534	2,158,363
Other operations		
Other debtors	2,019,170	1,684,739
	2,019,170	1,684,739
Provision for other debtors	(56,442)	(56,442)
	1,962,728	1,628,297
	68,987,693	43,063,347

Uncollected premiums are recorded under the item Insurance policy holders. Of this amount, 23,419,692 meticaís (2009: 27,116,662 meticaís) are insurance contracts with premiums more than 30 days overdue. The risk of non-collection of this amount is covered by the provision for uncollected premiums.

6. TANGIBLE FIXED ASSETS AND STOCK

The balance on this account is analyzed as follows:

	MZN	
	'10	'09
Administrative equipment	4,726,882	6,988,051
Machinery, devices and tools	3,222,863	4,459,168
IT equipment	49,312,340	43,571,258
Interior fittings	-	16,050
Transport material	25,816,203	22,299,891
Current fixed assets	-	2,506,478
Other tangible fixed assets	2,824,932	5,477,750
	85,903,220	85,318,646
Accrued amortization	(44,741,660)	(55,150,205)
	41,161,560	30,168,441
Artistic heritage	19,155	20,000
Salvage	1,761,851	1,065,536
	42,942,566	31,253,977

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

MZN

	'10			
	Opening balance	Acquisition	Write-off/Sales/Transfers	Closing balance
Administrative equipment	6,988,051	1,124,539	3,385,707	4,726,883
Machinery, devices and tools	4,459,168	127,673	1,363,979	3,222,862
IT equipment	43,571,258	14,656,276	8,915,194	49,312,340
Interior fittings	16,050	-	16,050	-
Transport material	22,299,891	6,692,123	3,175,812	25,816,202
Current fixed assets	2,506,478	-	2,506,478	-
Other tangible fixed assets	5,477,750	171,746	2,824,563	2,824,933
	85,318,646	22,772,357	22,187,783	85,903,220
Artistic heritage	20,000	-	845	19,155
Salvage	1,065,536	696,315	-	1,761,851
	86,404,182	23,468,672	22,188,628	87,684,226

IT equipment purchases recorded during the year, amounting to 14,656,276 meticals, are essentially due to the implementation of GIS Life and Non-Life technical systems.

Amortization movements are demonstrated as follows:

MZN

	'10			
	Opening balance	Amortization	Write-off/Sales/Transfers	Closing balance
Administrative equipment	4,457,424	533,698	3,289,342	1,701,780
Machinery, devices and tools	3,835,298	143,321	1,320,784	2,657,835
IT equipment	27,150,210	4,221,723	8,816,675	22,555,258
Interior fittings	16,050	-	16,050	-
Transport material	15,007,057	3,710,886	3,101,679	15,616,264
Other tangible fixed assets	4,684,166	316,792	2,790,435	2,210,523
	55,150,205	8,926,420	19,334,965	44,741,660

7. BANK DEPOSITS AND CASH

The balance on this account is analyzed as follows:

MZN

	'10	'09
Cash	-	-
Demand deposits	24,814,674	36,407,660
	24,814,674	36,407,660

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

8. ACCRUALS AND DEFERRALS

The balance on this account is analyzed as follows:

	MZN	
	'10	'09
Interest receivable	35,057,326	9,961,274
Other accruals and deferrals	998,106	1,167,111
	36,055,432	11,128,385

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

The 25,096,052 meticias rise in the item Interest receivable compared to the previous year is due essentially to a change in the reimbursement period for Treasury Bills held (purchase operations with a resale agreement).

9. CAPITAL

The capital of Seguradora Internacional de Moçambique, S.A. is 147,500,000 meticias, comprising 1,475,000 shares, each with a nominal value of 100,00 meticais, and is fully subscribed and paid up.

The Company's shareholder structure on the 31st of december 2010 is as follows:

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

The shareholder structure of Seguradora Internacional de Moçambique, S.A. remained unchanged in 2010.

10. RETAINED EARNINGS AND OTHER RESERVES

	MZN	
	'10	'09
Legal reserve	100,000,000	94,357,469
Free reserve	441,104,992	295,030,903
Regulatory revaluation reserve	57,207,976	53,977,457
	598,312,968	443,365,829

The Regulatory revaluation reserve, of 57,207,457 meticaís, refers to unearned gains on investments and can be used in the following order of priority:

- To offset unearned losses up to the reserve's credit balance, as described in accounting policy 1. j);
- To cover accrued losses up to the end of the financial year when it was established;
- To record unearned gains on investments in the non-technical account item Recovery of unearned gains and losses on investments or to incorporate them into share capital.

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

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

11. FUND FOR FUTURE APPROPRIATIONS

	MZN	
	'10	'09
Life with profit sharing	6,191,166	3,601,857

The fund for future appropriations comprises unearned gains after the reevaluation of the investment portfolio on the date of the balance sheet. It represents technical provisions for Life business with profit sharing and can be used to compensate for unearned losses up to the limit of the credit balance, as stated in accounting policy 1. j).

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

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

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

12. TECHNICAL RESERVES FOR DIRECT INSURANCE AND UNDERTAKEN INSURANCE

The balance on this account is analyzed as follows:

	MZN	
	'10	'09
Mathematical provision	1,852,570,137	1,581,341,940
Provision for unearned premiums	416,840,300	325,548,639
Provision for claims	335,082,973	286,180,805
Provision for profit sharing	45,566,863	71,042,897
Provision for claim rate changes	3,398,746	2,907,423
Provisions for ongoing risks	-	-
	2,653,459,019	2,267,021,704

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

	MZN	
	'10	'09
Life Risk	160,469,639	114,183,198
Life Income	979,333,567	900,548,317
Life Capitalization	712,766,931	566,610,425
	1,852,570,137	1,581,341,940

Income liabilities are determined using the PF 60/64 mortality table and a discount rate of 4%. The minimum guaranteed income for capitalization products is 4%.

As stated in the accounting policy, the provision for unearned premiums is recorded minus the deferred acquisition cost of 8,371,115 meticaís (2009: 9,013,972 meticaís).

The provision for claims corresponds to estimated claims as of the 31st of december 2010 and still not settled and includes an estimated provision of 19,901,031 meticaís (2009: 17,805,152 meticaís) for claims incurred prior to the 31st of december 2010 and not yet reported (IBNR). In addition, the provision for claims includes 22,834,693 meticaís (2009: 19,438,477 meticaís) for the mathematical provision for Workman's Compensation.

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

	'10
Mortality table:	
Men	RF
Women/widow	Portuguese 1930/31
Orphans	Swiss 1901/1910
Discount rate	3.25%
Management fees	2%

13. PROVISION FOR OTHER RISKS AND CHARGES

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

14. CREDITORS

The balance on this account is analyzed as follows:

	MZN	
	'10	'09
Direct insurance and undertaken reinsurance transactions		
Insurance policy holders	7,494,576	8,307,567
Insurance brokers	14,361,537	11,963,388
Co-insurance companies	494,684	-
	22,350,797	20,270,955
Assigned reinsurance transactions		
Group companies	2,178,501	3,155,999
Other reinsurance companies	7,686,450	6,669,398
	9,864,951	9,825,397
State and other public entities	4,363,387	41,064,849

The 36,701,462 meticaís fall in the item State and other public entities, compared to the previous year, is due to a change in tax legislation on amortizations from fixed income securities income, applied as of 1st January 2010.

		MZN
	'10	'09
Sundry creditors		
Creditors – Group companies	4,678,911	9,164,190
Other creditors	36,492,120	31,548,616
	41,171,031	40,712,806
	77,750,166	111,874,007

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

		MZN
	'10	'09
Ocidental – Companhia Portuguesa de Seguros, S.A.	4,678,911	9,164,190
	4,678,911	9,164,190

15. ACCRUALS AND DEFERRALS

The balance of this account is analyzed as follows:

		MZN
	'10	'09
Holiday pay and allowances	14,276,779	9,937,952
Other accrual costs	21,314,077	8,508,228
	35,590,856	18,446,180

The 12,805,859 meticaís rise in the item Other accrual costs, compared to the previous financial year, is due mainly to payments for the maintenance of GIS Life and Non-Life technical systems.

16. PREMIUMS, COMPENSATION AND COMMISSIONS FOR DIRECT INSURANCE AND ASSIGNED REINSURANCE

			MZN
		'10	
	Gross premiums issued	Gross cost of claims	Direct insurance and assigned reinsurance commissions
Life	376,467,812	160,216,856	21,064,315
Non-Life			
Workman's compensation	64,692,690	15,281,584	3,374,854
Personal accident and illness	210,374,769	28,276,668	13,922,537
Fire and natural disasters	78,790,246	620,333	4,150,637
Motor	363,066,859	164,745,317	26,643,923
Marine	14,761,319	2,736,164	1,935,953
Air	3,152,442	34,726	394,805
Transports	18,699,624	(675,987)	813,944
General third party liability	18,054,527	1,321,982	632,131
Sundry	70,044,816	25,454,587	1,971,638
Total Non-Life	841,637,292	237,795,374	53,840,422
Total	1,218,105,104	398,012,230	74,904,737

MZN

	'09		
	Gross premiums issued	Gross cost of claims	Direct insurance and assigned reinsurance commissions
Life	214,243,839	84,840,728	16,171,925
Non-Life			
Workman's compensation	57,441,811	12,599,539	2,965,375
Personal accident and illness	178,968,496	22,063,829	13,241,264
Fire and natural disasters	65,506,357	2,244,260	4,388,280
Motor	319,572,180	156,646,581	17,413,939
Marine	12,768,771	23,323,257	1,875,171
Air	2,820,583	37,799	352,569
Transports	16,370,542	5,311,629	1,009,803
General third party liability	14,301,424	406,601	475,152
Sundry	52,813,594	77,842,277	1,960,454
Total Non-Life	720,563,758	300,475,772	43,682,007
Total	934,807,597	385,316,500	59,853,932

17. ASSIGNED REINSURANCE COMPENSATION

Assigned reinsurance compensation is analyzed as follows:

MZN

	'10		
	Life business	Non-Life business	Closing balance
Change in provision for claims	2,071,436	7,134,547	9,205,983
Amount paid	1,574,973	-	1,574,973
	3,646,409	7,134,547	10,780,956

MZN

	'09		
	Life business	Non-Life business	Closing balance
Change in provision for claims	300,751	87,151,174	87,481,925
Amount paid	1,527,396	16,884,975	18,412,372
	1,858,147	104,036,149	105,894,297

The substantial fall in 2010 was due mainly to a 2009 claim of 56,589,626 meticaís, which is still being settled and is also recorded in the provision for direct insurance claims.



18. TECHNICAL RESERVES FOR DIRECT INSURANCE AND ASSIGNED REINSURANCE

The changes in technical reserves for direct insurance and assigned reinsurance are as follows:

	MZN	
	'10	'09
Change in mathematical provision	217,027,183	133,082,670
Change in provision for unearned premiums	91,121,884	109,456,839
Change in provision for claim rate deviations	491,323	672,280
	308,640,390	243,211,789

19. FINANCIAL EARNINGS FROM INVESTMENTS ALLOCATED TO TECHNICAL RESERVES

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

	MZN		
	'10		
	Life business	Non-Life business	Closing balance
Interest on fixed income securities (Bonds and Treasury Bills)	94,845,516	99,471,039	194,316,555
Real estate income	85,505,786	7,340,246	92,846,032
Gains from investments (foreign exchange gains from term deposits)	17,318,606	8,756,122	26,074,728
Interest from term deposits	8,176,206	8,041,489	16,217,695
Dividends	324,576	766,130	1,090,706
Potential gains not compensated by the Fund for Future Appropriations (FDF)	-	-	-
	206,170,690	124,375,026	330,545,716

	MZN		
	'09		
	Life business	Non-Life business	Closing balance
Interest on fixed income securities (Bonds and Treasury Bills)	82,688,473	93,673,063	176,361,536
Real estate income	78,294,165	14,677,262	92,971,427
Gains from investments (foreign exchange gains from term deposits)	28,372,572	-	28,372,572
Interest from term deposits	15,318,047	6,357,344	21,675,391
Dividends	360,640	651,010	1,011,650
Potential gains not compensated by the Fund for Future Appropriations (FDF)	(63,365)	-	(63,365)
	204,970,532	115,358,679	320,329,211

20. ADMINISTRATION COSTS

Administration costs are analyzed as follows:

	MZN	
	'10	'09
Expenditure on personnel	104,690,425	84,444,267
External supplies and services	68,964,735	57,229,571
Other administration costs	2,561,884	2,915,451
	176,217,044	144,589,289

Personnel expenses are analyzed as follows:

	MZN	
	'10	'09
Remuneration		
Corporate bodies	6,042,463	4,959,002
Employees	85,813,163	67,385,329
	91,855,626	72,344,331
Remuneration charges	2,945,731	2,346,160
Premiums and pension contributions	4,962,403	5,978,469
Other costs	4,926,665	3,775,307
	104,690,425	84,444,267

The item External supplies and services is analyzed as follows:

	MZN	
	'10	'09
Maintenance and repairs	5,771,719	4,865,462
Rents and leases	6,690,371	5,837,768
Insurance	6,738,808	6,943,643
Independent labor costs	4,174,989	4,592,937
Publicity	8,124,396	8,304,199
Specialist work	21,684,514	11,721,431
Other external supplies and services	15,779,938	14,964,131
	68,964,735	57,229,571

21. PROVISIONS

The balance on this account is analyzed as follows:

	MZN	
	'10	'09
Other provisions	1,000,000	293,171
	1,000,000	293,171

22. OTHER INCOME/(COSTS)

The balance on this account is analyzed as follows:

	MZN	
	'10	'09
Exchange rate fluctuation	2,424,947	(1,957,670)
Other income/(costs)	3,012,788	(210,741)
	5,437,735	(2,168,411)

23. RECONCILIATION OF THE EFFECTIVE TAX COST

	MZN	
	'10	'09
Tax at the current rate – 32%	119,126,093	95,510,863
Impact of non-deductible expenses	168,131	68,417
Impact of non-deductible costs	766,585	603,342
Tax cost	120,060,809	96,182,622

24. LIABILITY FOR RETIREMENT BENEFITS

Under the accounting policy described in note 1. o), the Company's liability for payment of retirement pensions as of the 31st of december 2010, based on the actuarial value calculated for the projected benefits, is analyzed as follows:

	MZN	
	'10	'09
Liability for projected benefits	30,801,603	24,450,702
Coverage:		
Life Insurance	29,367,391	21,067,527
Excess coverage	(1,434,212)	(3,383,175)

Actuarial assessments of liabilities arising from the Company's complementary retirement benefits are made every year. The reference date of the last assessment was the 31st of december 2010 and it shows a shortfall of 1,434,212 meticaís. This is recognized as a cost in 2010, corresponding to balance sheet item 4744 – pension contributions.

In 2010, the Company had an average 131 Employees; the previous year it had 124.

The assumptions behind the calculation of the present value of the Company's accrued liabilities for retirement pension complements are as follows:

	'10	'09
	Projected credit unit	Projected credit unit
Normal retirement age:		
Men	60	60
Women	55	55
Salary increase rate	12.75%	11.90%
Fund income/discount rate	14.00%	12.40%
Mortality table	PF 60/64	PF 60/64

25. COVERAGE OF THE REQUIRED SOLVENCY MARGIN

On the 31st of december 2010, Seguradora Internacional de Moçambique had the required solvency margin coverage rate of 352.9% (2009: 448.9%).



REPORT AND OPINION OF INDEPENDENT AUDITORS

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

Audit Report

We have conducted an audit of the attached financial statements of Seguradora Internacional de Moçambique, S.A. comprising the Balance Sheet as of 31st december 2010, the Income Statement by account, the Statement on changes in equity and the Cash flows statement for the year ended on that date and the corresponding annex containing a summary of the main accounting policies and other explanatory information.

Board of Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

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

Maputo, 15th february 2011



REPORT AND OPINION OF THE AUDIT BOARD

In accordance with the legal and statutory dispositions, the Audit Board presents to the Shareholders its report on its supervision of Seguradora Internacional de Moçambique, S.A., together with its opinion on the Balance Sheet, Income Statement, Cash Flows Statement and Statement on Changes in Equity, the respective Notes and the Board of Directors' report on the year ended 31st of december 2010.

In carrying out its task, the Audit Board met regularly throughout the year as required by law and monitored the activity of the Insurance Company, studying the Monthly Financial Statements and the respective Management Information, by attending meetings of the Board of Directors, through contacts with members of the Board and Management, and through information obtained from the Insurance Company's management information system, seeking to assess the evolution of its activity.

The Audit Board paid particular attention to the Technical Accounts. It considers the following to be of particular interest:

- Growth of some 21.5% in the "Technical margin before administrative costs", that rose from 453.2 million meticaïs in 2009 to some 550.8 million meticaïs in 2010, the combined effect of the following indicators in particular:
 - The rise in the total volume of direct insurance and undertaken reinsurance premiums, that totalled 1,218.1 million meticaïs compared to 934.8 million meticaïs in 2009, i.e. growth of 30.3% in the volume of policies being managed.
 - Paid assigned reinsurance pre-premiums rose from 141.3 million meticaïs in 2009 to 152.1 million meticaïs in 2010, i.e. a rise of only 7.6%;
 - The cost of direct insurance and undertaken reinsurance claims, net of income from assigned reinsurance claims, rose from 279.4 million meticaïs in 2009 (35.2% of total revenue from net assigned reinsurance premiums for the year) to 387.2 million meticaïs in 2010 (absorbing 36.3% of total revenue from net assigned reinsurance premiums in 2010).
 - In the 2010 income account, technical reserves for direct insurance and undertaken reinsurance and technical reserves for assigned reinsurance show a net cost of 299.9 million meticaïs, compared to a net cost in these items, in 2009, of 234.5 million meticaïs.
 - The item "Participation in Income" of some policies (in particular those for "Life Income", "Life – Capitalization", "Life Group Risk", "Health", "Personal Accident" and "Workman's Compensation"), at the end of the year, showed together a slight reduction in the Insurance Company's costs from 120.9 million meticaïs in 2009 to 111.6 million meticaïs in 2010.
 - The cost account "Commissions" for direct insurance and undertaken reinsurance, net of income from assigned reinsurance "Commissions" shows a fall in net costs from 0.9 million meticaïs in 2009 to 0.4 million meticaïs in 2010.
 - In 2010 reserves for collected premiums were some 4.1 million meticaïs in 2010, compared to the release of reserves for revenue uncollected revenue in 2009, leading to a total income of 5.3 million meticaïs in this account in the Income Statement.
 - The item "Network remuneration and management fees" saw a rise in costs from 30.3 million meticaïs in 2009 to 42.6 million meticaïs in 2010.

- Financial income from investments assigned to technical reserves for direct insurance and reinsurance rose from 320.3 million meticaïs in 2009 to 330.5 million meticaïs in 2010, i.e. a rise of 3.2% due to growth in the investment portfolio assigned to these reserves.
- It should also be noted that staff costs grew from 84.4 million meticaïs in 2009 to 104.7 million meticaïs in 2010, i.e. a rise of some 24.0%, representing a rise in its share in the Insurance Company's administrative cost from 58.4% in 2009 to 59.4% in 2010.
- The combined effect of improvements in the Technical Margin and efforts to contain the rise in operating costs produced a positive net income of 252.2 million meticaïs in 2010, i.e. a rise of 24.7%, compared to a positive result of 202.3 million meticaïs in 2009.

The Audit Board also studied the Management and Account Report for 2010 and the Financial Statements audited by the External Auditor and its Opinion, which show that:

- The **Balance Sheet** of Seguradora Internacional de Moçambique, S.A., on the 31st of december 2010, is a correct reflection of its financial situation;
- The **Income Statement** reflects the result of activity by Seguradora Internacional de Moçambique, S.A. during the year, i.e. profits of 252,208.2 thousand meticaïs;
- The **Cash Flows Statement** shows that cash flows of its operating, investment and financing activities rose from 36,407.7 thousand meticaïs at the beginning of the year to 4,814.7 thousand meticaïs at the end of the year; and
- The **Statement on Changes in Equity** reflects the total Equity achieved at the end of the year amounting to 1,006,279.9 thousand meticaïs.

Given its findings and the information obtained, the Audit Board:

- Is of the opinion that the Balance Sheet, Income Statement, Cash Flows Statement and Statement on Changes in Equity meet legal requirements and agree with the value criteria adopted. In our opinion, they are a true reflection of the financial situation of the Company on the 31st of december 2010 and the result of activities and cash flows during 2010;
- It is of the opinion that the Annual General Meeting:
 - Should approve the Annual Management Report of the Board of Directors and the Financial Statements of Seguradora Internacional de Moçambique, S.A., for the year ending on the 31st of december 2010;
 - Congratulates the Board of Directors and Employees of Seguradora Internacional de Moçambique, S.A. on its performance in 2010.

Maputo, the 21st of february 2011

The Audit Board

António de Almeida – Chairman

Subhaschandra M. Bhatt – Member

Daniel Filipe Gabriel Tembe – Member

Maria Iolanda Wane – Substitute Member

Annual Report 2010
Seguradora Internacional de Moçambique, S.A.

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July 2011



