

Global Alliance Seguros, S.A.

Financial Statements 2017



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1. DIRECTORS' REPORT

The directors are pleased to present their report for the year ended 31 December 2017.

1.1. CONSTITUTION AND NATURE OF BUSINESS ACTIVITIES

Global Alliance Seguros, S.A. (hereinafter 'GA' or company), incorporated and domiciled in Mozambique transacts life assurance, non-life assurance and pension fund management.

The company has its registered office and principal place of business at Av. Marginal, Parcela 141, Maputo.

COMPANY REGISTRATION NUMBER

12801/102-C/29

1.2. MATERIAL CHANGES IN THE COMPANY

There were no material changes in the Company for the financial year ended 31 December 2017.

1.3. BUDGET REVIEW AND HIGH-LEVEL OVERALL PERFORMANCE OF THE BUSINESS

Table1: Year on Year Growth:

	Actuals 2017	Actuals 2016	YoY growth
NET WRITTEN PREMIUM (NPI)	883,899,471	1,171,597,539	-25%
CLAIMS	(631,128,911)	(974,820,800)	-35%
ACQUISITION COSTS	(631,128,911)	(116,166,855)	-17%
OTHER INCOME	(27,955,125)	72,609,091	-139%
OPERATING EXPENSES	(583,292,157)	(374,915,252)	56%
PROFIT/LOSS BEFORE TAX	(210,720,757)	(15,295,791)	1278%

Table 2: Actuals vs. Budget

	Actuals 2017	Budget 2017	Variance
NET WRITTEN PREMIUM (NPI)	883,899,471	1,551,669,757	-43%
CLAIMS	(631,128,911)	(780,822,936)	-19%
ACQUISITION COSTS	(95,925,346)	(169,330,184)	-43%
OTHER INCOME	(27,955,125)	115,867,106	-124%
OPERATING EXPENSES	(583,292,157)	(615,655,200)	-16%
PROFIT/LOSS BEFORE TAX	(210,720,757)	122,708,800	-262%

We experienced lower business activities in 2017 financial year which impacted negatively on the business growth refer to Table 1. The major contributors were adverse macroeconomic factors, such as the loss of business resulting from the low rates practiced by competitors. This resulted in the company not meeting the agreed targets or budgeted numbers as per Table 2.

1.3.1 NET INSURANCE PREMIUM INCOME

The apparent year on year decrease in net insurance premium income is mainly driven by:

- Lower new business placements from the brokers;
- Lower conversion rate of renewals in short term business;
- Lost business to competitors due to lower rates offered;
- Cancellation of policies due to high loss ratios and non-payment of premiums, which resulted in improved loss ratios as well as
- Poor performance of loans (Credit Life Bancassurance book) due to unfavourable market conditions in Mozambique.

1.3.2 NET INSURANCE CLAIMS AND BENEFITS PAID

The improvement is a result of the business initiatives to improve the loss ratios including cancellations of high loss ratios policies, low claims experience (frequency and severity), appreciation of the metical against the USD resulting in lower costs, review of initial estimates against quotations and agreement of losses.

1.3.3 OTHER INCOME

Foreign exchange (FX) loss in investments and technical assets/liabilities due to metical appreciating against the USD. YTD FX losses of USD 672k of which USD 318k relates to the revaluation of building. The closing exchange rate in December 2016 was 71 versus 58.68 December in 2017.

1.3.4 OPERATING EXPENSES

The year on year increase in the Operating expenditure is mainly driven by an adjustment of ZAR 16.4m relating to 2014-2016 Group charges that were processed in 2017. Saving against budget is due to management continued focus on cost control.

Further information on the activities, performance and financial position of the company is presented in the annual financial statements and notes thereto.

1.4 HOLDING COMPANY AND ULTIMATE HOLDING COMPANY

Holding Company	Absa Financial Services Africa Holdings Pty Ltd - 98%
Ultimate Holding Company	Barclays Africa Group Limited
Shareholders	Absa Financial Services Africa Holdings Pty Ltd - 98% Absa Insurance Company Ltd - 1% Absa Life Ltd - 1%

1.5 EVENTS AFTER THE BALANCE SHEET DATE

There have been no facts or circumstances of a material nature that have occurred between the year end and the date of these financial statements that could have a significant effect on the reported results and financial position.

1.6 GOING CONCERN

The financial statements presented on pages 9 to 60 were prepared based on the principle of going concern and directors have every reason to believe that the insurance company will continue to operate in the foreseeable future.

1.7 DIVIDENDS

Management recommends that no dividends be declared.

1.8 BOARD MEMBERSHIP

L. Dias Diogo	Chair
R. Barros	Non-Executive
B. Ngwenya	Executive

GLOBAL ALLIANCE SEGUROS, S.A.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in MZN)



1.9 AUDITORS

KPMG – Auditores e Consultores, SARL

1.10 ADDRESS

Avenida da Marginal, Parcela 141
Maputo
Mozambique

A handwritten signature in black ink, appearing to read 'L. Dias Diogo'.

L. Dias Diogo
Chair of the Board of Directors

A handwritten signature in black ink, appearing to read 'Busani Ngwenya'.

Busani Ngwenya
Managing Director

Maputo
28 March 2018

2. STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The Directors are responsible for the preparation and fair presentation of the financial statements of Global Alliance Seguros, SA comprising the balance sheet at 31 December 2017, and the Income, statement of changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with the regulation issued by the Instituto de Supervisão de Seguros de Moçambique.

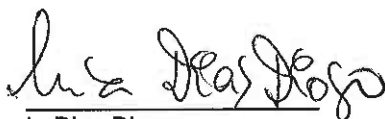
The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as compliance with relevant laws and regulations of the Republic of Mozambique.

The Directors have made an assessment of the ability of the Company to continue as a going concern and have no reason to believe that the business will not be a going concern in the foreseeable future.

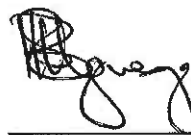
The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the regulation issued by the Instituto de Supervisão de Seguros de Moçambique.

Approval of the financial statements

The financial statements of Global Alliance Seguros, SA, as identified in the first paragraph, were approved by the board of Directors on 28 March 2018 and are signed on its behalf by:



L. Dias Diogo
Chair of the Board of Directors



Busani Ngwenya
Managing Director

Maputo
28 March 2018



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Maputo-Moçambique
CP 4200

FISCAL COUNCIL REPORT

According to the legal and statutory requirement, the Fiscal Council examined the annual report presented by the Global Alliance Seguros SA for the financial year 2017 and presents to the Shareholders an opinion on the Balance Sheet, the Income Statement and the Report of the Board of Directors for the year ended 31 December of the referred year.

In carrying out its activities, the Fiscal Council monitored the company's business, appreciated the annual accounts, accompanied by the result of the work of the external auditor and maintained regular contact with the administration, having access to all information that was requested to the company management.

Based on our analysis of the report and accounts, the information provided and the report of external auditor (KPMG Mozambique), the opinion of the Fiscal Council is that the Balance Sheet and the Income Statement of Global Alliance Seguros SA meet the legal and statutory requirements and comply with the accounting policies normally adopted and that its financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), adequately reflect the financial situation of the company as at 31 December 2016 and the results of its activity during the period.

Taking into consideration the above stated, the Fiscal Council recommends that the General Meeting approve the Board of Directors' Report, the Financial Statements of Global Alliance Seguros SA, for the year ended 31 December 2017, and the proposal of the Board of Directors to transfer the losses for the year ended amounting 255 446 529 Meticals through the Retained Earnings account.

Abdul SATAR Hamid

BDO

BDO (MOZAMBIQUE), LDA

Registered Auditor Firm, nº 02/SAC/OCAM/2012, represented by:

Engagement Partner: Abdul Satar A. Hamid

Registered Auditor: 01/CA/OCAM/2012

Maputo, 28 March 2018



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Independent Auditors' Report

To the Shareholders of Global Alliance Seguros, SA

Opinion

We have audited the financial statements of Global Alliance Seguros SA (the "Company") set out on pages 10 to 61, which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Global Alliance Seguros SA as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with regulations issued by the Instituto de Supervisão de Seguros de Moçambique.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements applicable to performing audits of financial statements in Mozambique, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' responsibility statement. The other information does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with regulations issued by the Instituto de Supervisão de Seguros de Moçambique, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.


As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG, Registered Audit Firm, 04/SCA/OCAM/2014

Represented by:


Abel Jone Guaiaguaia, 04/CA/OCAM/2012
Partner
28 March 2018

5. FINANCIAL STATEMENTS

5.1 Statement of comprehensive income

Notes	Profit and Loss Account	FY 2017 – MZN				Previous 2016 MZN
		Technical Life	Technical Non-life	Non- Technical	Total	
6	Premiums Earned Net of Reinsurance	132 361 541	729 619 100	0	861 980 642	1 171 597 539
	Gross written premiums	277 095 267	1 262 715 585	0	1 539 810 852	2 459 780 919
	Premiums ceded to reinsurers	-194 568 674	-548 848 579	0	-743 417 253	-1 342 404 074
	Provision for unearned premiums (change)	37 702 179	83 095 102	0	120 797 282	381 113 023
	Provision for unearned premiums, reinsurers' part (change)	12 132 768	-67 343 008	0	-55 210 239	-326 892 330
7	Costs of Claims, Net of Reinsurance	-19 804 601	-619 552 056	0	-639 356 657	-974 820 800
	Amounts paid	-19 812 787	-570 221 209	0	-590 034 006	-535 956 037
	Gross amount	-20 410 290	-1 142 862 805	0	-1 163 273 095	-1 013 351 274
	Reinsurers' part	587 493	572 641 596	0	573 239 089	477 395 238
	Provision for claims (change)	7 996	-49 330 847	0	-49 322 851	-438 864 763
	Gross amount	77 407	-15 256 343	0	-15 178 936	-670 700 819
	Reinsurers' part	-69 411	-34 074 504	0	-34 143 916	231 836 055
8	Mathematical Provision - life, net of reinsurance	11 421 233	0	0	11 421 233	-14 165 085
	Gross amount	11 557 837	0	0	11 557 837	-14 235 205
	Reinsurers' part	-136 603	0	0	-136 603	70 140
9	Net Operating Expenses	-58 074 443	-321 009 341	0	-379 083 785	-425 391 499
	Acquisition costs	-54 859 873	-208 720 337	0	-263 580 210	-297 187 813
	Deferred acquisition costs (change)	-8 597 459	-1 504 425	0	-10 101 884	988 282
	Administrative costs	-19 274 360	-166 726 008	0	-186 000 368	-193 894 294
	Reinsurance commissions and profit sharing	24 657 248	55 941 429	0	80 598 677	64 722 326
10	Income	11 779 813	101 897 092	0	113 676 905	72 609 091
	Interest on financial assets not carried at fair value through profit or loss	2 660 433	23 013 132	0	25 673 565	62 237 516
	Other	9 119 380	78 883 960	0	88 003 340	10 371 576
11	Underwriting expenses	-56 578	-489 411	0	-545 989	-569 161
12	Foreign exchange differences	0	0	-62 408 844	-62 408 844	102 992 292
13	Net losses/gains from non-financial assets	-1 955 123	-16 912 097	0	-18 867 220	20 505 794
15	Other technical income/costs, net of reinsurance	988 412	8 549 908	0	9 538 317	12 867 888
14	Other provisions (Change)	1 104 146	9 551 022	0	10 655 167	15 465 917
15	Other expenses/income	0	0	-117 730 326	-117 730 326	3 612 214
	Net Income before Tax	77 764 200	-108 345 786	-180 139 170	-210 720 767	-16 295 791
25	Corporation Tax for the period – Current Tax	0	0	0	0	-95 916 199
25	Corporation Tax for the period – Deferred Tax	16 505 559	-22 996 543	-38 234 788	-44 725 772	89 062 788
28	Net Income for the Period	94 269 759	-131 342 329	-218 373 958	-255 446 529	-22 149 203

5.2 Statement of financial position as at 31 December 2017

Notes	Assets	FY2017 - MZN			FY2016 MZN
		Gross Value	Impairment, depreciation/ Amortization or adjustments	Net Value	
17	Cash & cash equivalents	467 628 392	0	467 628 392	345 878 433
18	Available-for-sale assets	380 882 917	0	380 882 917	203 469 769
19	Loans & Receivables	547 610 071	0	547 610 071	788 973 935
	Other deposits	547 610 071	0	547 610 071	788 973 935
20	Property	314 596 180	23 616 898	290 979 281	313 923 714
	Owner-occupied property	124 752 300	23 616 898	101 135 401	191 078 464
	Investment property	189 843 880	0	189 843 880	122 845 250
21	Other tangible assets	24 652 280	15 396 007	9 256 274	10 726 809
22	Other intangible assets	6 845 480	3 006 203	3 837 276	4 298 977
23	Technical Provisions for Reinsurance ceded	406 053 184	0	406 053 184	840 585 709
	Provision for unearned premiums	131 080 334	0	131 080 334	220 747 637
	Mathematical provision for Life- Insurance	1 349 640	0	1 349 640	781 000
	Provision for claims	273 613 210	0	273 613 210	619 037 171
24	Other Debtors for Insurance & Other Operations	207 721 424	11 201 741	196 519 682	325 532 892
	Receivables for direct insurance operations	134 206 666	11 201 741	123 004 925	187 020 668
	Account receivable for other operations	73 514 757	0	73 514 757	138 512 023
25	Tax Assets	224 251 284	0	224 251 284	199 880 617
	Current tax assets	164 372 836	0	164 372 836	21 758 360
	Deferred tax assets	59 878 448	0	59 878 448	178 122 257
26	Accruals and deferrals	42 623 176	0	42 623 176	10 297 917
	Total Assets	2 622 864 388	63 222 849	2 569 641 538	3 043 648 772

5.2. Statement of financial position as at 31 December 2017 (Continued)

Notes	Liabilities & Equity	FY 2017 MZN	FY 2016 MZN
	Liabilities		
23	Technical provisions	1 184 035 122	1 660 446 768
	Provision for unearned premiums	252 695 206	379 090 697
	Mathematical Provisions for life- insurance	137 364 686	166 631 793
	Provision for Claims	793 975 249	1 114 724 278
	For Life Insurance	28 950 743	13 605 865
	Other business lines	765 024 506	1 101 118 413
27	Other Creditors for insurance & other operations	378 876 255	295 729 137
	Payables for direct insurance operations	13 426 677	20 046 503
	Payables for other reinsurance operations	134 987 250	261 070 292
	Payables for other operations	230 462 128	14 612 343
25	Tax Liabilities	221 121 554	189 710 993
	Current tax liabilities	148 076 449	43 147 851
	Deferred tax liabilities	73 045 105	146 563 142
26	Accruals & Deferrals	253 897 382	110 504 120
	Total Liabilities	2 037 930 313	2 256 391 018
	Equity		
28	Share capital	242 090 000	242 090 000
28	Other reserves	133 903 059	133 903 059
28	Retained earnings	411 164 695	433 313 898
28	Net income for the period	-255 446 529	-22 149 203
	Total Equity	531 711 226	787 167 754
	Total Equity & Liabilities	2 569 641 538	3 043 548 772

5.3. Statement of Changes in Equity

Notes	Statement of Changes in Equity	Share Capital	Other reserves		Retained earnings	Net Income for the period	Total
			Legal Reserve	Share premium			
	Balance sheet as at 31 December 2015	242 090 000	111 060 472	1 970 879	350 430 932	103 754 675	809 306 957
	Increase of Reserves (1)		20 750 935		83 003 740	-103 754 675	0
	Net Income for the Period (2)		0	0	0	-22 149 203	-22 149 203
	Other variations in equity (3)		120 773	0	-120 773	0	0
	Total of variations in equity (1) + (2) + (3)	0	20 871 708	0	82 882 967	-125 903 878	-22 149 203
	Balance sheet as at 31 December 2016	242 090 000	131 932 181	1 970 879	433 313 898	-22 149 203	787 157 754
	Decrease of Reserves (1)		0		-22 149 203	22 149 203	0
	Net Income for the Period (2)		0	0	0	-255 446 529	-255 446 529
	Other variations in equity (3)		0	0	0	0	0
	Total of variations in equity (1) + (2) + (3)	0	0	0	-22 149 203	-233 297 326	-255 446 529
	Balance sheet at 31 December 2017	242 090 000	131 932 181	1 970 879	411 164 695	-255 446 529	531 711 226

5.4. Statement of Cash Flows

Statement of Cash Flows	2017 MZN	2016 MZN
Cash Flow from Operating Activities		
Net income for the period	-255 446 529	-22 149 203
Adjustments related to:		
Depreciation and amortization	9 213 833	10 339 436
Change in provision for claims	49 322 851	438 864 763
Change in other technical provision	-66 906 392	-41 023 910
Change in provision for premium receipts	-10 655 167	-15 465 917
Increase of debtors	139 668 377	274 603 557
Increase of creditors	114 557 679	-236 631 891
Change in other assets	377 816 598	-535 235 180
Change in other liabilities	-315 434 843	501 098 235
Gains unrealised on properties investment	18 867 220	-20 505 794
Foreign exchange difference	-114 714 818	243 257 139
Interest, rent and similar income	-113 676 905	-72 609 091
Total	-167 388 096	524 542 144
Cash Flow from Investing Activities		
Acquisition of investments (including Term Deposits)	63 950 716	-296 538 348
Acquisition of Tangible and Intangible Assets	-3 204 384	-6 536 454
Interest and other	113 676 905	72 609 091
Total	174 423 237	-230 465 711
Total net increase/decrease in cash and cash equivalents	7 035 141	294 076 434
Currency translation differences	114 714 818	-243 257 139
Cash and cash equivalents at the beginning of the period	345 878 433	295 059 139
Cash and cash equivalents at the end of the period	467 628 392	345 878 433

6. NOTES TO THE FINANCIAL STATEMENTS

Note 1 - General Information

Global Alliance Seguros, S.A. (hereinafter 'GA' or company), incorporated and domiciled in Mozambique transacts life assurance, non-life assurance and fund management.

The company has its registered office and principal place of business at Av. Marginal, Parcela 141, Maputo.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Note 2 - Basis of preparation

The financial statements now presented refer to the year ended December 31, 2017 and have been prepared in accordance with the Insurance Companies Accounting Plan issued by Ministry of Finance and approved by Ministerial Decree 222/2010, and also in accordance with the rules governing the accounting of operations of insurance companies, as established by the Institute of Insurance Supervision of Mozambique (ISSM).

The new Accounting Plan introduced the International Financial Reporting Standards (IFRS), with the exception of the measurement of liabilities resulting from insurance contracts, defined in IFRS 4 – Insurance Contracts.

The IFRS include accounting standards issued by the International Accounting Standard Board (IASB) and the interpretation issued by the International Financial Reporting Interpretation Committee (IFRIC) and by their predecessor.

The company complied with IFRS as issued by the IASB applicable at 31 December 2017.

Items included in the financial statements are measured in the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are stated in Meticals (MZN).

These financial statements were approved at the Board of Directors held on the 13th of March 2018.

▪ NEW ACCOUNTING PRONOUNCEMENTS

Adoption of new and revised standards

The following amendments to standards become effective for the annual reporting period beginning on 1 January 2017.

During the current year, the Company has adopted all the new and revised standards and interpretations issued by the IASB and the IFRIC that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2017. The adoption of these new and revised standards and interpretations has not resulted in material changes to the Company's accounting policies.

The Company adopted the following standards, interpretations and amendment standards during the year:

- | | |
|--------|--|
| IAS 7 | Amendments to IAS 7 Statements of Cash Flows: Disclosure initiative to the amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash movements. |
| IAS 12 | Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses. These amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and it is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. |

At the date of authorisation of these financial statements, the followings standards and interpretations were in issue but not yet effective:

- | | | |
|--------|--|----------------|
| IFRS 4 | Insurance contracts - Applying IFRS 9 Instruments 1 January (Amendments) is permitted to an entity that 2018 issues insurance contracts that opportunistically uses two options when IFRS 9 is applied before the enactment of the standard of insurance contracts. These are (a) overlapping assumptions - which enable (a) the issuer to reclassify certain costs / income from designated financial instruments, from results to other comprehensive income, and (b) the deferral approach - temporary exemption from IFRS 9 for issuers whose predominant activity is the issuance of insurance contracts. | 1 January 2018 |
|--------|--|----------------|

- | | | |
|--------|--|----------------|
| IFRS 9 | A new accounting standard that represents a package of reforms to financial instrument accounting was issued in July 2014. IFRS 9 replaces the previous standard on financial instruments, IAS 39. | 1 January 2018 |
|--------|--|----------------|

IFRS lead to significant changes in the accounting for financial instruments. The key changes relate to:

Financial assets: Financial assets will be measured at either fair value through profit or loss or amortised cost, except for debt instruments meeting specific criteria, which are required to be measured at fair value through other comprehensive income, or equity investments not held for trading, which may be measured at fair value through other comprehensive income;

Financial Liabilities - The accounting of financial liabilities is largely unchanged, except for non-derivative financial liabilities designated at fair value through profit or loss. Gains and losses on such financial liabilities arising from own credit risk will be presented in other comprehensive income, rather than in profit or loss;

Impairment – Credit losses expected at the reporting date (rather than only losses incurred in the year) on loans and advances, debt securities, loan commitments and financial guarantee contracts not held at fair value through profit or loss will in impairment allowances.

IFRS 15	Revenue from Contracts with Customers - A new accounting standard that provides a single, principle based, five-step model to be applied to all contracts with customers. New disclosures about revenue are introduced.	1 January 2018
IAS 40	Investment Properties – Amendments regarding when an entity should transfer property into, or out of, investment property.	1 January 2018
IFRIC 2	Foreign Currency Transactions and Advance Consideration – Amendments clarifying the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.	1 January 2018
IFRS 16	Leases – A new accounting standard that eliminates the classification of leases as either operating leases or finance leases for lessees and, instead, introduces a single accounting model, which recognises all leases on the statement of financial position.	1 January 2019
IFRS 17	Insurance Contracts - IFRS 17 was issued in May 2017 and will replace IFRS 4 Insurance Contracts. IFRS 4 is an interim standard which permits the continued application of accounting policies, for insurance contracts and contracts with discretionary participation features, which were being used at transition to IFRS except where a change satisfies criteria set out in IFRS 4. IFRS 17 introduces new required measurement and presentation accounting policies for such contracts which reflect the view that these contracts combine features of a financial instrument and a service contract.	1 January 2021

IFRS 17's measurement model, which applies to groups of contracts, combines a risk-adjusted present value of future cash flows and an amount representing unearned profit. On transition retrospective application is required unless impracticable, in which case either a modified retrospective approach or a fair value approach is required. IFRS 17 introduces a new approach to presentation in the income statement and statement of comprehensive income.

The company is in the process of assessing the potential impact that the adoption of these standards and interpretations may have on its future financial performance or disclosures in the annual financial statements.

▪ **Main accounting policies**

a) Cash and cash equivalents

Cash and cash equivalent consist of cash at bank and in hand, deposits held at call with banks and other short-term high liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant change in value. Such investments are those with less than three months maturity.

b) Financial assets

(i) Classification

The Company classifies its financial assets at the start of each transaction, taking into account the underlying intention, in accordance with the following categories:

▪ *Held-for-trading financial assets*

These are assets acquired with the main objective of being traded in the short-term.

▪ *Financial assets at fair value through profit and loss*

These are financial assets designated at the time of their initial recognition at fair value, with variations recognized in profit or loss.

▪ *Available-for-sale financial assets*

This category includes (i) non-derivative financial assets the intention of which is to be held for an undetermined period, (ii) financial assets that are designated as available-for-sale at the time of their initial recognition, (iii) financial assets that do not fall within the other categories.

▪ *Financial assets held to maturity*

Financial assets held to maturity, which includes non-derivative financial assets with fixed or determinable payments and fixed maturity for which the Company has the intent and ability to hold to maturity and were not assigned to any other category of financial assets. Any reclassification or sale of financial assets recognized in this category that is not undertaken close to maturity requires the Company to reclassify this entire portfolio as available-for-sale financial assets.

▪ *Loans and receivables*

Loans and receivables, which include amounts receivable, related with direct insurance operations, reinsurance ceded and transactions related with insurance contracts and other transactions.

(ii) Recognition, initial measurement and derecognition

Acquisitions and disposals of (i) financial assets at fair value through profit or loss; (ii) investments held to maturity; and (iii) available-for-sale financial assets are recognized on trade date, that is, on the date the Company undertakes to acquire or dispose of the asset.

Financial assets are initially recognized at their fair value plus trading costs, except where classified as financial assets at fair value through profit or loss, in which case the costs are recognized in profit or loss.

These are derecognized when:

- (i) the Company's contractual rights to receive their cash flows expire; or
- (ii) the Company has transferred substantially the whole of the risks and benefits associated with holding them.

(iii) Subsequent measurement

Following initial recognition, financial assets at fair value through profit or loss are carried at their fair value, and variations are recognised in profit or loss.

Held-for-sale financial assets are likewise carried at fair value, and variances are recognised in other comprehensive income. Currency fluctuations associated with these investments are recognised in profit or loss.

The fair value of quoted financial assets is their current bid price. In the absence of quotation, the Company estimates the fair value using (i) valuation methodologies such as the use of prices of recent similar transaction at arm's length, discounted cash-flow techniques and customised options valuation models designed to reflect the specifics and circumstances of the instrument, and (ii) valuation assumptions based on market information.

Loans and receivables are subsequently carried at amortised cost on the basis of the effective interest-rate method. Financial assets in respect of which fair value cannot be measured reliably are carried at acquisition cost.

(iv) Transfers amongst financial assets

In October 2008 the IASB issued a revision of IAS 39 - Classification of financial instruments Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7: Financial instruments Disclosures). This alteration came to allow an enterprise to transfer financial assets at fair value through profit or loss to the available-for-sale financial assets portfolio, to Loans and receivables or to financial assets held to maturity, provided such financial assets meet the characteristics of each category. Additionally, transfers of financial assets recognised in the available-for-sale financial assets category to the categories of Loans and advances to customers - Securitised credit and financial assets held to maturity are permitted in certain specific circumstances.

(v) Impairment

The Company regularly assesses whether there is objective evidence that a financial asset or group of financial assets shows signs of impairment. For those financial assets showing signs of impairment, the respective recoverable value is determined and impairment losses are recorded with a contra-entry in profit or loss.

A financial asset or group of financial assets is impaired where there is objective evidence of impairment as a result of one or more events occurring after its initial recognition, such as: (i) for securities representing equity capital, ongoing depreciation or significant reduction of their price, and (ii) for debt securities, where this event (or events) impact(s) on the estimated future cash flows of the financial asset or group of assets, which can be estimated reasonably.

(vi) Adjustments of premium receipts pending collection and doubtful debts

The amounts of these adjustments are calculated on the basis of the value of premiums pending collection and of doubtful debt.

c) Embedded derivatives

Derivatives embedded in other financial instruments are treated separately where their economic characteristics and their risks are not related with the principal instrument and the principal instrument is not carried at fair value through profit and loss. These embedded derivatives are recorded at fair value and variations are recognised in profit and loss.

d) Recognition of interest

Results in respect of interest on available-for-sale financial assets and financial assets at fair value through profit or loss are recorded under specific headings of gains and losses.

Calculation of the amortised cost is performed using the effective interest rate method; its impact recorded under returns on investments. The effective interest rate is the rate that discounts future payments or receipts estimated over the expected life of the financial instrument. In calculating the effective interest rate future cash flows are estimated considering all the contract terms of the financial instrument (e.g., put options), though possible future credit losses are not considered. The calculation includes commissions constituting an integral part of the effective interest rate, transaction costs and all premiums and discounts related with the transaction.

e) Investment property and building for own use

- *Investment property*

Investment property is held for long-term rental yields. Completed investment property is stated at its fair value. Changes in fair values are recorded in the income statement as investment income. Investment properties under construction are included within property and equipment, and are stated at cost less any impairment in their values until construction is completed of fair value becomes reliably measurable. The Company uses criteria in IAS 40

- *Owner-occupied properties*

Owner-occupied properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on the straight-line method to write down the cost of assets to their residual values over their estimated useful lives as follows:

	Useful life
Property at Av. Marginal	36 years

Subsequent costs incurred with the tangible assets are recognized only if it is probable that they will generate future economic benefit for the Company. All maintenance and repair costs are recognised as a cost in accordance with the accrual accounting principle.

f) Tangible assets

The Company's tangible assets are carried at cost less accumulated depreciation and impairment losses.

Depreciation of tangible assets is calculated using the straight-line method at the following rates which reflect the expected useful lives of the assets.

	Annual rates
Furniture	10%
IT hardware	25%
Transport equipment	25%

g) Intangible assets

Intangible assets are carried at cost less accumulated depreciation and impairment losses.

Depreciation of intangible assets is calculated using straight-line method at the following rates which reflect the expected useful lives of the assets:

	Internally generated assets	Finite useful life	Annual rate
Softwares and licenses	No	Yes	25%

Where there is an indication that an asset might be impaired, IAS 36 requires that its recoverable value be estimated, and an impairment loss recognised in the event that the net value of an asset exceeds its recoverable value. Impairment losses are recognised in the statement of income.

h) Product classification

Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

Contracts can be reclassified as insurance contracts after inception if insurance risk becomes significant. Any contracts not considered to be insurance contracts under IFRS are classified as investment contracts.

Some insurance and investment contracts contain a discretionary participation feature, which is a contractual right to receive additional benefits. These are referred to as participating contracts.

The insurance contracts are measured according to the following principles:

(i) Premiums

Gross direct insurance, accepted reinsurance and ceded reinsurance premiums written are recorded respectively as income and costs during the year to which they refer, regardless of the moment of their receipt or payment.

Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience, and are included in premiums written.

(ii) Provision for unearned premiums

The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods is deferred as a provision for unearned premiums. The change in this provision is taken to the income statement as recognition of revenue over the period of risk.

(iii) Deferred acquisition costs

Costs relating to the acquisition of new business for insurance and participating investment contracts are deferred in line with existing local accounting practices, to the extent that they are expected to be recovered out of future margins in revenue on these contracts.

Deferred acquisition costs are amortised systematically over a period no longer than that in which they are expected to be recoverable out of these future margins. Deferrable acquisition costs for non-participating investment and investment fund management contracts are amortised over the period in which the service is provided.

General insurance deferred acquisition costs are amortised over the period in which the related revenue is earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset.

(iv) Provision for claims

The provision for claims corresponds to the cost of claims incurred pending settlement, the estimated liability for claims incurred but not yet reported (IBNR) and the direct and indirect costs associated with their settlement. The provision for reported and unreported claims is estimated by the Company on the basis of past experience, available information and application of actuarial methods.

(v) Mathematical provision

The aim of the mathematical provisions is to record the present value of the Company's future liabilities in respect of insurance contracts issued. They are calculated on the basis of recognised actuarial methods under applicable legislation.

(vi) Provision for profit sharing

The provision for profit sharing corresponds to the amounts attributed to the insured of the beneficiaries of the contracts, in the form of profit sharing not yet distributed.

i) Financial liabilities

An instrument is classified as a financial liability where there is a contractual obligation for its settlement to be made by paying cash or another financial asset, regardless of its legal form.

j) Employee benefits

- *Annual leave*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

- *Pension obligations and other long-term benefits*

The Company does not operate pension schemes for employees and other long-term benefits.

- *Performance bonus*

The Company grants bonus benefits to its employees in service and they are recorded as cost for the period to which they refer.

k) Income taxes

The current tax expense is based on the taxable profits for the year, after any adjustments in respect of the tax legislation in force. Tax expense is allocated over profits before taxation and amounts charged or credited to components of other comprehensive income and equity, as appropriate. The current income tax rate is 32%.

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, on all material temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

l) Provisions and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more probable than not that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recorded as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Provisions are not recognized for future operating losses. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

m) Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if:

- (i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and
- (ii) the instrument is a non-derivative that contains no contractual obligation to deliver a variable number of shares or is a derivative that will be settled only by the Company exchanging a fixed amount of cash or other assets for a fixed number of the Company's own equity instruments.

n) Leases

Leases, where a significant portion of the risks and rewards of ownership is retained by the lessor, are classified as operating leases. Where the company is the lessee, payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the term of the relevant leases.

Where the Company is the lessor, lease income from operating leases is recognised in the income statement on a straight-line basis over the lease term. When assets are subject to finance leases, the present value of the lease payments, together with any unguaranteed residual value, is recognised as a receivable. The Company has not entered into any material finance lease arrangements either as lessor or lessee.

o) Non-current assets held for sale

Assets held for disposal as part of operations which are held for sale are shown separately in the statement of financial position. Operations held for sale are recorded at the lower of their carrying amount and their fair value less the estimated selling costs.

p) Report by operating segments

The Company determines and presents operating segments based on the management information produced in-house.

A business operating segment is an identifiable component of the Company that is intended to provide an individual product or service or a group of related products or services, within a specific economic environment, and is subject to risks and benefits that can be differentiated from others operating in different economic environments.

q) Transactions in foreign currency

The Company has Metical (MZN) as its functional currency. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate ruling at the settlement date or balance sheet date whichever occurs first. Exchange differences on the settlement or translation of monetary assets or liabilities are included in the profit or loss of the period in which they arise.

Note 3 - Changes in accounting policies, estimates and errors

There were no changes in accounting policies compared to previous years.

Note 4 – Significant judgements, accounting estimates and assumptions

The preparation of financial statements requires from management to disclose the key judgments, estimates and assumptions made in the process of applying accounting policies that have the most significant effect on the amounts recognized in the financial statements.

The main accounting estimates and judgements used by the Company in the application of accounting principles are detailed as follows.

The Board of Directors considers the choices made are appropriate and that the financial statements adequately present the Company's financial position and the results of its operations in all materially relevant aspects.

The alternatives analysed hereunder are presented only to help readers to understand the financial statements and are not intended to suggest that other alternatives or estimates are more appropriate.

a) Fair value of property investment

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; regardless of whether that price is directly observable or estimated using another valuation technique. The fair value of investment property is based on its highest and best use from a market participant's perspective.

b) Technical provisions

Technical provisions including provisions for claims correspond to future liabilities stemming from the contracts. The assumptions used were based on past experience of market values.

These assumptions may be reviewed in the event that future experience confirms their inadequacy.

Technical provisions stemming from insurance contracts include (i) provision for unearned premiums, (ii) mathematical provision, and (iii) provisions for claims reported and not reported, including the respective settlement costs.

In determining technical provisions arising from insurance contracts, the Company periodically evaluates its liabilities using actuarial methods and taking into account the respective reinsurance cover. The provisions are periodically reviewed by qualified actuaries.

The provisions for claims do not represent an exact calculation of the amount of the liabilities, rather an estimate resulting from application of actuarial valuation techniques. These estimated provisions correspond to the Company's expectation of the ultimate cost of settling claims based on an evaluation of the facts and circumstances known at the time, on a review of the historic settlement patterns, on an estimate of trends in terms of claims frequency and costs, and other factors.

Variables in the determination of the estimate of the provisions may be affected by internal and/or external events, especially alterations to claims management processes, inflation and legal alterations. Many of these events are not directly quantifiable, particularly on a prospective basis. Additionally, there may be a significant time difference between the moment of occurrence of the insured event (claim) and the moment when this event is reported to the Company. The provisions are regularly reviewed through an ongoing process when additional information is received and the liabilities come to be settled.

c) Income taxes

Determination of income tax requires certain interpretations and estimates. Other interpretations and estimates could result in a different amount of corporate tax, current and deferred, recognized during the period.

In keeping with tax legislation in force, the Tax Authorities are entitled to review the calculation of the taxable income made by the Company, during a period of five years. There may therefore be corrections to the taxable income as a result of differences in the interpretation of tax legislation. Nevertheless, the Company's Board of Directors is convinced that there will be no significant corrections to the corporate tax recorded in the financial statements.

d) Provisions

Provisions that are not technical are raised to cover possible losses. This is determined by management and is supported by information provided by legal staff and is subject to regular testing.

Note 5 – Business line reporting and allocation of investments and other assets

The company considers as primary segment the business segment. Within this segment there is a split between life insurance and non-life, and within each of these there is further detailed information by product classes (life and non-life insurance). In life insurance data submitted will be split by product classes Credit Life, Life Risk Group Life and Individual Risk. In Non-Life, the information is detailed by product classes of Accidents, Fire and Elements of Nature, Automotive, Marine, and Air Transport, Liability and Other.

Regarding the geographical segment, all contracts are awarded in Mozambique.

Business line reporting

Business lines – Technical results on 31 December 2017 and 2016:

2017 amounts in MZN	Life insurance	Non-life insurance	Total
Earned premium, direct insurance	277 095 267	1 345 810 687	1 622 905 954
gross claims, direct insurance	-20 332 882	-1 158 119 148	-1 178 452 030
Other technical costs	9 807 707	0	9 807 707
Technical margin direct insurance	266 570 091	187 691 539	454 261 630
Result – reinsurance ceded	-169 519 948	-21 683 066	-191 203 014
Net technical margin	97 050 143	166 008 473	263 058 617
Operational expenses	-82 731 691	-376 950 770	-459 682 462
Net operational result	14 318 452	-210 942 297	-196 623 845
Investment income	9 768 112	84 495 584	94 263 696
Others	2 092 558	18 100 927	20 193 485
Technical result	26 179 121	-108 345 786	-82 166 665

2016 Amounts in MZN	Life insurance	Non-life insurance	Total
Earned premium, direct insurance	702 173 440	2 145 588 762	2 847 762 202
Gross claims, direct insurance	-41 542 831	-1 642 509 261	-1 684 052 093
Other technical costs	-13 714 182	0	-13 714 182
Technical margin direct insurance	646 916 427	503 079 500	1 149 995 927
Result – reinsurance ceded	-512 059 078	-383 584 639	-895 643 717
Net technical margin	134 857 349	119 494 861	254 352 210
Operational expenses	-79 705 373	-410 408 453	-490 113 825
Net operational result	55 151 977	-290 913 591	-235 761 615
Investment income	14 358 590	78 187 134	92 545 724
Others	4 396 027	23 937 778	28 333 805
Technical result	73 906 593	-188 788 679	-114 882 086

Life Insurance – Technical results on 31 December 2017 and 2016:

2017 Amounts in MZN	Life insurance								
	Credit Life	Group life	Individual life	Medical	Embedded Funeral	Hospital Plan	Personal Accident	Standalone	Total
Earned premium, direct insurance	165 749 207	14 702 973	969 605	70 751 196	12 311 984	3 808 295	0	8 802 008	277 095 267
Gross claims, direct insurance	-13 895 100	-2 629 612	-78 762	85 743	-1 980 763	-463 960	0	-1 370 428	-20 332 882
Other technical costs	9 702 998	99 722	4 986	0	0	0	0	0	9 807 707
Technical margin direct insurance	161 557 105	12 173 083	895 829	70 836 939	10 331 221	3 344 335	0	7 431 579	266 570 091
Result – reinsurance ceded	-107 310 501	-3 872 704	-17 522	-58 319 220	0	0	0	0	-169 519 948
Net technical margin	54 246 604	8 300 379	878 306	12 517 719	10 331 221	3 344 335	0	7 431 579	97 050 143
Operational expenses	-58 904 688	-5 457 156	-526 942	-3 396 767	-7 633 444	-2 056 131	0	-4 756 562	-82 731 691
Net operational result	-4 658 084	2 843 223	351 364	9 120 952	2 697 776	1 288 204	0	2 675 017	14 318 452
Investment income	5 609 344	1 218 873	112 692	-122 679	1 457 286	450 762	0	1 041 834	9 768 112
Others	1 201 653	261 111	24 141	-26 281	312 185	96 564	0	223 185	2 092 558
Technical result	2 152 913	4 323 207	488 197	8 971 992	4 467 247	1 835 530	0	3 940 036	26 179 121

2016 Amounts in MZN	Life insurance								
	Credit Life	Group life	Individual life	Medical	Embedded Funeral	Hospital Plan	Personal Accident	Standalone	Total
Earned premium, direct insurance	146 296 770	20 824 910	11 204	519 089 504	12 409 362	1 298 055	0	2 243 634	702 173 440
Gross claims, direct insurance	-21 526 782	-11 180 703	-1 125	-5 720 728	-2 094 393	-232 700	0	-786 400	-41 542 831
Other technical costs	-13 604 493	-103 595	-6 094	0	0	0	0	0	-13 714 182
Technical margin direct insurance	111 165 495	9 540 612	3 985	513 368 776	10 314 969	1 065 356	0	1 457 234	646 916 427
Result – reinsurance ceded	-49 396 195	600 099	0	-463 262 981	0	0	0	0	-512 059 078
Net technical margin	61 769 299	10 140 711	3 985	50 105 795	10 314 969	1 065 356	0	1 457 234	134 857 349
Operational expenses	-49 245 940	-5 567 012	-5 476	-16 458 224	-6 806 689	-592 755	0	-1 029 277	-79 705 373
Net operational result	12 523 360	4 573 698	-1 491	33 647 571	3 508 280	472 601	0	427 957	55 151 977
Investment income	6 987 887	1 207 402	928	4 841 241	1 027 794	107 510	0	185 827	14 358 590
Others	2 139 412	369 658	284	1 482 195	314 670	32 915	0	56 893	4 396 027
Technical result	21 650 658	6 150 759	-279	39 971 007	4 850 744	613 026	0	670 677	73 906 593

Non-Life insurance – Technical results on 31 December 2017 and 2016:

2017 Amounts in MZN	Non-life insurance						
	Workman compensation	Fire	Motor	Marine, aviation, transport	Civil responsibility	Others	Total
Earned premium, direct insurance	140 192 989	324 525 156	360 899 429	50 331 124	65 983 499	403 878 490	1 345 810 687
Gross claims, direct insurance	-95 225 140	-696 660 968	-228 112 710	-15 038 876	-51 484 281	-71 597 173	-1 158 119 148
Technical margin direct insurance	44 967 849	-372 135 812	132 786 719	35 292 248	14 499 218	332 281 317	187 691 539
Result – reinsurance ceded	-1 469 021	251 315 147	9 824	-24 870 419	-1 464 310	-245 204 287	-21 683 066
Net technical margin	43 498 827	-120 820 665	132 796 543	10 421 830	13 034 909	87 077 030	166 008 473
Operational expenses	-69 505 934	-34 591 797	-160 206 097	-5 524 375	-28 679 681	-78 442 886	-376 950 770
Net operational result	-26 007 107	-155 412 462	-27 409 554	4 897 455	-15 644 773	8 634 144	-210 942 297
Investment income	15 894 979	5 471 639	41 698 741	1 061 818	7 724 824	12 643 583	84 495 584
Others	3 405 076	1 172 153	8 932 844	227 466	1 654 838	2 708 551	18 100 927
Technical result	-6 707 053	-148 768 670	23 222 031	6 186 740	-6 265 112	23 986 278	-108 345 786

2016 Amounts in MZN	Non-life insurance						Total
	Workman compensation	Fire	Motor	Marine, aviation, transport	Civil responsibility	Others	
Earned premium, direct insurance	159 174 755	878 274 786	435 793 078	80 784 355	73 632 617	517 929 171	2 145 588 762
Gross claims, direct insurance	-314 742 208	-776 249 694	-358 952 853	-35 339 078	-56 072 372	-101 153 055	-1 642 509 261
Technical margin direct insurance	-155 567 453	102 025 092	76 840 225	45 445 276	17 560 245	416 776 115	503 079 500
Result – reinsurance ceded	0	-131 549 187	29 401 348	-25 505 469	-1 674 158	-254 257 172	-383 584 639
Net technical margin	-155 567 453	-29 524 095	106 241 573	19 939 807	15 886 086	162 518 944	119 494 861
Operational expenses	-65 147 703	-65 956 382	-160 865 238	-14 241 545	-24 615 185	-79 582 399	-410 408 453
Net operational result	-220 715 156	-95 480 478	-54 623 665	5 698 262	-8 729 098	82 936 545	-290 913 591
Investment income	12 171 251	7 496 593	34 452 361	2 374 088	5 631 339	16 081 502	78 187 134
Others	3 726 351	2 295 157	10 547 937	726 851	1 724 091	4 917 391	23 937 778
Technical result	-204 817 554	-85 688 728	-9 623 367	8 799 201	-1 373 668	103 915 438	-188 788 679

Business lines – Financial position at 31 December 2017 and 2016:

2017 amounts in MZN	Life insurance	Non-life insurance	Total 2017
Cash and cash equivalents	54 251 446	413 376 946	467 628 392
Financial assets available for sale	44 187 756	336 695 161	380 882 917
Loans and receivables	63 530 442	484 079 629	547 610 071
Investments to hold until maturity	0	0	0
Buildings	33 757 674	257 221 607	290 979 281
Other tangible and intangible assets	1 519 035	11 574 515	13 093 550
Technical provision for reinsurance ceded	47 107 859	358 945 324	406 053 184
Other debtors and tax assets	48 815 328	371 955 638	420 770 967
Accruals and deferrals	4 944 886	37 678 291	42 623 176
Total Assets	298 114 427	2 271 527 112	2 569 641 538
Technical Provisions	137 364 666	1 046 670 456	1 184 035 122
Other creditors and tax liabilities	69 608 154	530 389 655	599 997 809
Accruals and deferrals	29 455 654	224 441 728	253 897 382
Total Liabilities	236 428 474	1 801 501 839	2 037 930 313

2016 amounts in MZN	Life insurance	Non-life insurance	Total 2016
Cash and cash equivalents	34 710 142	311 168 291	345 878 433
Financial assets available for sale	20 418 922	183 050 847	203 469 769
Loans and receivables	79 176 366	709 797 569	788 973 935
Investments to hold until maturity	0	0	0
Buildings	31 503 371	282 420 343	313 923 714
Other tangible and intangible assets	1 507 892	13 517 895	15 025 787
Technical provision for reinsurance ceded	84 353 786	756 211 923	840 565 709
Other debtors and tax assets	52 727 131	472 686 378	525 413 509
Accruals and deferrals	1 033 433	9 264 484	10 297 917
Total Assets	305 431 043	2 738 117 729	3 043 548 772
Technical Provisions	166 631 793	1 493 814 975	1 660 446 768
Other creditors and tax liabilities	48 715 659	436 724 471	485 440 130
Accruals and deferrals	11 089 485	99 414 635	110 504 120
Total Liabilities	226 436 937	2 029 954 081	2 256 391 018

Allocations of investments and other assets on 31 December 2017 and 2016:

Nature of Investments and other assets 2017	Insurance with no participation in the results	Non-life insurance	Assets not held to cover technical liabilities	Total MZN	2017
Cash and cash equivalents	0	467 628 392	0	467 628 392	
Financial assets available for sale	0	380 882 917	0	380 882 917	
Loans and receivables	0	457 973 870	89 636 200	547 610 071	
Investments to hold until maturity	0	0	0	0	
Buildings	0	101 771 971	189 207 310	290 979 281	
Other tangible and intangible assets	0	0	13 093 550	13 093 550	
Technical provision for reinsurance ceded	0	0	406 053 184	406 053 184	
Other debtors and tax assets	0	0	420 770 967	420 770 967	
Accruals and deferrals	0	0	42 623 176	42 623 176	
Total	0	1 408 257 151	1 161 384 388	2 569 641 538	

Nature of Investments and other assets 2016	Insurance with no participation in the results	Non-life insurance	Assets not held to cover technical liabilities	Total MZN	2016
Cash and cash equivalents	6 133 939	339 744 495	0	345 878 433	
Financial assets available for sale	0	203 469 769	0	203 469 769	
Loans and receivables	0	788 973 935	0	788 973 935	
Investments to hold until maturity	0	0	0	0	
Buildings	0	148 020 911	165 902 803	313 923 714	
Other tangible and intangible assets	0	0	15 025 787	15 025 787	
Technical provision for reinsurance ceded	0	0	840 565 709	840 565 709	
Other debtors and tax assets	0	0	525 413 509	525 413 509	
Accruals and deferrals	0	0	10 297 917	10 297 917	
Total	6 133 939	1 480 209 109	1 557 205 725	3 043 548 773	

Note 6 – Premiums earned net of reinsurance

This note gives details of premiums earned net of reinsurance:

	2017 MZN	2016 MZN
Gross Premium written	1 539 810 852	2 459 780 919
Ceded Reinsurance premiums	-743 417 253	-1 342 404 074
Premiums earned net of Re-Insurance	796 393 599	1 117 376 845
Variation of unearned premiums	120 797 282	381 113 023
Variation of unearned premiums of ceded reinsurance	-55 210 239	-326 892 330
Net Variation of unearned premiums	65 587 043	54 220 694
Earned premiums, net reinsurance	861 980 642	1 171 597 539

GLOBAL ALLIANCE SEGUROS, S.A.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in MZN)



Amounts in MZN	2017			2016		
	Direct insurance and reinsurance accepted	Reinsurance ceded	Net	Direct insurance and reinsurance accepted	Reinsurance ceded	Net
Gross premiums written:	1 539 810 852	-743 417 253	796 393 599	2 459 780 919	-1 342 404 074	1 117 376 845
Life	277 095 267	-194 588 674	82 526 593	702 173 440	-528 810 967	173 362 473
Credit Life	165 749 207	-118 358 259	47 390 948	146 296 770	-61 926 552	84 370 218
Group life	14 702 973	-4 405 235	10 297 739	20 824 910	-6 246 999	14 577 911
Individual life	969 605	-17 522	952 082	11 204	0	11 204
Medical	70 751 196	-71 787 659	-1 036 463	519 089 504	-460 637 416	58 452 088
Embedded Funeral	12 311 984	0	12 311 984	12 409 362	0	12 409 362
Hospital plan	3 808 295	0	3 808 295	1 298 055	0	1 298 055
Personal Accident	0	0	0	0	0	0
Standalone (Bancassurance)	8 802 008	0	8 802 008	2 243 634	0	2 243 634
Non-life	1 262 715 585	-548 848 579	713 867 006	1 757 607 479	-813 593 107	944 014 372
Workman compensation	137 648 287	-3 358 419	134 289 868	146 953 023	0	146 953 023
Personal Accident	21 334 520	-10 643 831	10 690 689	25 491 629	-7 178 800	18 313 029
Fire	295 849 822	-249 622 285	46 227 537	640 207 291	-549 695 068	90 512 223
Motor	352 283 305	11 504	352 294 809	417 069 008	-1 098 731	415 970 277
Marine	31 835 470	-28 680 954	3 154 516	34 173 313	-20 399 861	13 773 452
Aviation	8 064 901	-7 382 820	682 081	22 088 001	-19 865 937	2 222 064
Transport	6 177 681	-1 043 429	5 134 252	12 718 333	-49 628	12 668 705
Civil responsibility	67 082 569	-1 818 843	65 263 727	69 782 015	-1 790 457	67 991 558
Miscellaneous	342 439 030	-246 309 503	96 129 527	369 124 886	-213 514 825	175 610 040
Changes in provision for unearned premiums:	120 797 282	-55 210 239	65 587 043	381 113 023	-326 892 330	54 220 694
Life	37 702 179	12 132 769	49 834 949	-6 868 260	371 073	-6 497 187
Credit Life	37 221 324	213 074	37 434 398	-8 100 690	160 179	-7 940 511
Group life	207 540	-35 275	172 264	300 083	-186 143	113 939
Individual life	508	0	508	5 146	-1 697	3 451
Medical	-851	11 954 971	11 954 120	961 293	398 780	1 360 073
Embedded Funeral	276 502	0	276 502	-36 115	-46	-36 161
Hospital plan	-2 843	0	-2 843	2 021	0	2 021
Personal Accident	0	0	0	0	0	0
Standalone (Bancassurance)	0	0	0	0	0	0
Non-life	83 095 102	-67 343 008	15 752 094	387 981 283	-327 263 402	60 717 881
Workman compensation	2 544 702	639 422	3 184 124	12 221 732	0	12 221 732
Personal Accident	5 041 285	-1 528 525	3 512 760	1 354 205	-731 003	623 202
Fire	28 675 334	-23 960 706	4 714 628	238 067 495	-228 610 082	9 457 413
Motor	8 616 124	0	8 616 124	18 724 071	-36 196	18 687 875
Marine	2 331 258	-1 962 697	368 561	10 722 803	-9 587 647	1 135 155
Aviation	1 383 667	-1 233 788	149 879	202 283	-202 283	-
Transport	538 148	200 049	738 197	879 622	-170 212	709 410
Civil responsibility	-1 099 070	312 885	-786 186	3 650 602	-362 090	3 488 512
Miscellaneous	35 063 654	-39 809 648	-4 745 993	101 958 471	-87 563 888	14 394 582
Earned premiums:	1 660 608 133	-798 627 492	861 980 642	2 840 893 942	-1 689 296 404	1 171 597 539
Life	314 797 446	-182 435 905	132 361 541	695 305 180	-528 439 895	166 865 286
Credit Life	202 970 531	-118 145 185	84 825 346	138 196 080	-61 766 373	76 429 707
Group life	14 910 513	-4 440 510	10 470 003	21 124 993	-6 433 143	14 691 850
Individual life	970 113	-17 522	952 590	16 352	-1 697	14 656
Medical	70 750 345	-59 832 688	10 917 657	520 050 797	-460 238 636	59 812 161
Embedded Funeral	12 588 486	0	12 588 486	12 373 247	-46	12 373 201
Hospital plan	3 805 452	0	3 805 452	1 300 077	0	1 300 077
Personal Accident	0	0	0	0	0	0
Standalone (Bancassurance)	8 802 008	0	8 802 008	2 243 634	0	2 243 634
Non-life	1 345 810 687	-616 191 587	729 619 100	2 145 588 762	-1 140 856 509	1 004 732 253
Workman compensation	140 192 989	-2 718 997	137 473 992	159 174 755	0	159 174 755
Personal Accident	26 375 806	-12 172 356	14 203 449	26 845 835	-7 909 603	18 936 232
Fire	324 525 155	-273 582 991	50 942 165	878 274 786	-778 305 150	99 969 636
Motor	360 899 429	11 504	360 910 933	435 793 078	-1 134 927	434 658 151
Marine	34 168 727	-30 643 650	3 523 077	44 896 115	-29 987 508	14 908 607
Aviation	9 448 568	-8 618 608	831 960	22 290 284	-20 068 221	2 222 064
Transport	6 715 629	-843 380	5 872 449	13 597 955	-219 840	13 378 115
Civil responsibility	65 983 499	-1 505 958	64 477 541	73 832 617	-2 152 547	71 480 070
Miscellaneous	377 502 684	-286 119 151	91 383 534	491 083 336	-301 078 713	190 004 623

Note 7 – Costs of claims, net of reinsurance

The cost of claims, net of reinsurance is as follows:

	2017 MZN	2016 MZN
Claims Paid		
Gross amounts	-1 083 523 021	-904 240 786
Reinsurers' portion	573 239 089	477 395 238
Provision for claims (change)		
Gross amounts	-15 178 936	-670 700 819
Reinsurers' portion	-34 143 916	231 836 055
Total before inputted costs	-559 606 783	-865 710 312
Costs with Claims inputted	-79 750 074	-109 110 488
Total	-639 356 857	-974 820 800

Further details in the cost of claims below:

Amounts in MZN 2017	2017					Total
	Claims paid		Changes in provisions for claims		Inputted claims cost (2)	
	Gross claims (1)	Reinsurance portion	Gross change	Reinsurance portion		
Life	-13 583 168	597 493	77 407	-69 411	-6 827 121	-19 804 801
Credit Life	-10 031 790	0	57 169	0	-3 920 479	-13 895 100
Group life	-1 787 907	597 493	10 189	-69 411	-851 894	-2 101 531
Individual life	0	0	0	0	-78 762	-78 762
Medical	0	0	0	0	85 743	85 743
Embedded Funeral	-967 753	0	5 515	0	-1 018 525	-1 980 763
Hospital plan	-149 767	0	853	0	-315 046	-463 960
Personal Accident	0	0	0	0	0	0
Standalone (Bancassurance)	-645 952	0	3 681	0	-728 158	-1 370 428
Non-life	-1 069 939 853	572 641 596	-15 256 343	-34 074 504	-65 707 660	-612 336 763
Workman compensation	-82 933 282	372 844	-1 182 551	-22 186	-9 461 485	-93 226 661
Personal Accident	778 759	-521 590	11 104	31 037	-753 220	-453 910
Fire	-669 424 012	535 232 281	-9 545 361	-31 848 498	-17 124 353	-192 709 943
Motor	-196 171 434	0	-2 797 221	0	-24 821 174	-223 789 830
Marine	-8 585 176	10 115 080	-122 417	-601 888	-222 254	583 346
Aviation	-2 567 449	2 660 961	-36 609	-158 338	-48 057	-149 492
Transport	-2 943 133	16 227	-41 966	-966	-361 737	-3 331 575
Civil responsibility	-45 437 358	-174 720	-647 894	10 397	-4 598 201	-50 847 777
Miscellaneous	-62 656 766	24 940 513	-893 427	-1 484 062	-8 317 178	-48 410 921
Total	-1 083 523 021	573 239 089	-15 178 936	-34 143 916	-79 750 074	-639 356 857

Note: (1) + (2) = Gross amount in the statement of comprehensive income

Amounts in MZN 2016	2016					
	Claims paid		Changes in provisions for claims		Restated Inputted claims cost (2)	Total
	Gross claims (1)	Reinsurance portion	Gross change	Reinsurance portion		
Life	-24 203 108	6 715 961	-411 089	217 468	-16 928 634	-34 609 402
Credit Life	-13 066 204	0	-221 929	103 397	-8 238 649	-21 423 384
Group life	-9 594 230	6 715 961	-162 958	114 070	-1 423 515	-4 350 672
Individual life	-31	0	-1	0	-1 094	-1 125
Medical	-12 737	0	-216	0	-5 707 775	-5 720 728
Embedded Funeral	-867 893	0	-14 741	0	-1 211 759	-2 094 393
Hospital plan	-104 177	0	-1 769	0	-126 754	-232 700
Personal Accident	0	0	0	0	0	0
Standalone (Bancassurance)	-557 837	0	-9 475	0	-219 088	-786 400
Non-life	-880 037 679	470 679 277	-670 289 729	231 618 588	-92 181 853	-940 211 397
Workman compensation	-170 516 660	0	-129 875 764	0	-14 349 784	-314 742 208
Personal Accident	-1 065 540	694 190	-811 580	341 607	-1 788 245	-2 629 569
Fire	-435 618 207	413 837 297	-331 793 078	203 646 974	-8 838 408	-158 765 423
Motor	-180 701 052	20 348 237	-137 632 810	10 013 251	-40 618 991	-328 591 365
Marine	-10 364 133	9 589 523	-7 893 949	4 718 950	-1 344 961	-5 294 570
Aviation	-2 238 863	2 238 863	-1 705 253	1 101 732	-216 982	-820 503
Transport	-5 868 245	2 117 343	-4 469 609	1 041 932	-1 237 084	-8 415 662
Civil responsibility	-28 060 507	129 302	-21 372 573	63 629	-6 639 293	-55 879 441
Miscellaneous	-45 604 471	21 724 521	-34 735 113	10 690 513	-17 148 107	-65 072 656
Total	-904 240 786	477 395 238	-670 700 819	231 836 055	-109 110 488	-974 820 800

Note 8 – Mathematical provision – Life, net of reinsurance

The mathematical reserves for life insurance are as follows:

	2017 MZN		2016 MZN	
	Gross amounts	Reinsurers' portion	Gross amounts	Reinsurers' portion
Life Insurance	11 557 837	-136 603	-14 235 205	70 140
Credit Life	9 702 998	-136 603	-13 604 493	70 140
Group Life – Risk	99 722	0	-103 595	0
Individual Life – Risk	4 986	0	-6 094	0
Medical	0	0	0	0
Embedded Funeral	64 820	0	-73 126	0
Standalone	1 685 310	0	-447 897	0

Note 9 – Net Operating Expenses

At year end 2017 and 2016, net operating Expenses comprise:

	2017 MZN	2016 MZN
Acquisition Costs	-263 580 210	-297 187 813
Deferred Acquisition Costs (Change)	-10 101 884	968 282
Administrative Costs	-186 000 368	-193 894 294
Reinsurance commissions and profit sharing	80 598 677	64 722 326
Total	-379.083.785	-425 391 499

Further details on the net operating expenses are as follows:

Net Operating Expenses	2017 MZN				
	Acquisition Costs		Deferred Acquisition Costs (Change)	Administrative Costs	Reinsurance commissions and profit sharing
	Costs Imputed (see Note 16)	Commissions		Costs Imputed (See Note 16)	
Life Insurance	-11 560 844	-43 299 029	-8 597 459	-19 274 360	24 657 248
Credit Life	-6 638 822	-32 583 797	-8 633 757	-11 068 313	11 184 361
Group Life – Risk	-1 442 572	-1 598 797	-10 716	-2 405 071	4 449
Individual Life – Risk	-133 374	-171 156	-51	-222 382	0
Medical	145 194	-3 784 030	0	242 069	13 468 439
Embedded Funeral Benefits	-1 724 740	-3 079 637	46 438	-2 875 505	0
Hospital Plan	-533 490	-633 828	627	-889 440	0
Personal accident	0	0	0	0	0
Standalone	-1 233 041	-1 467 784	0	-2 055 738	0
Non- Life Insurance	-100 002 977	-108 717 359	-1 504 425	-166 726 008	55 941 429
Work Accident	-18 812 169	-19 781 281	451 360	-31 363 844	899 318
Personnel Accident	-1 497 619	-1 602 665	-139 352	-2 496 846	2 057 888
Fire and other Losses	-6 475 844	-16 298 740	-1 020 618	-10 796 595	21 514 354
Motor	-49 351 671	-28 751 424	176 620	-82 279 622	-1 680
Marine	-441 904	-1 061 282	28 289	-736 748	2 166 126
Aviation	-95 550	-90 031	-54 174	-159 302	755 885
Transportation	-719 238	-946 608	-48 703	-1 199 122	280 131
Civil responsibility	-9 142 553	-4 558 383	263 795	-15 242 560	205 972
Various	-13 466 428	-35 626 965	-1 161 641	-22 451 370	28 063 435
Sub-total	-111 563 821	-152 016 388	-10 101 884	-186 000 368	80.598.677
Total	-263 580 210		-10 101 884	-186 000 368	80 598 677

Net Operating Expenses	2016 MZN				
	Acquisition Costs		Deferred Acquisition Costs (Change)	Administrative Costs	Reinsurance commissions and profit sharing
	Costs Imputed (see Note 16)	Commissions		Costs Imputed (See Note 16)	
Life Insurance	-18 043 884	-33 660 039	2 081 503	-30 082 952	9 748 321
Credit Life	-8 781 407	-27 911 881	2 087 802	-14 640 454	12 356 819
Group Life – Risk	-1 517 296	-1 507 647	-12 418	-2 529 651	17 067
Individual Life – Risk	-1 166	-1 409	-957	-1 944	0
Medical	-6 083 801	-231 447	0	-10 142 976	-2 625 565
Embedded Funeral Benefits	-1 291 589	-3 369 230	7 481	-2 153 351	0
Hospital Plan	-135 104	-232 000	-404	-225 247	0
Personal accident	0	0	0	0	0
Standalone	-233 522	-406 425	0	-389 330	0
Non- Life Insurance	-98 254 748	-147 229 142	-1 113 221	-163 811 342	54 974 006
Work Accident	-15 295 140	-22 225 388	-2 126 957	-25 500 218	0
Personnel Accident	-1 906 054	-1 452 980	84 130	-3 177 793	827 335
Fire and other Losses	-9 420 678	-43 079 590	2 250 140	-15 706 253	29 271 692
Motor	-43 294 950	-42 675 746	-2 712 751	-72 181 792	174 786
Marine	-1 433 566	-3 503 037	138 154	-2 390 056	2 431 050
Aviation	-231 276	-1 146 047	146 628	-385 587	1 519 105
Transportation	-1 318 582	-1 726 038	-193 783	-2 198 354	11 601
Civil responsibility	-7 076 686	-5 256 156	-484 018	-11 798 325	285 457
Various	-18 277 815	-26 164 160	1 785 236	-30 472 964	20 452 979
Sub-total	-116 298 632	-180 889 181	968 282	-193 894 294	64 722 326
Total	-297 187 813		968 282	-193 894 294	64 722 326

Note 10 – Income

At year end 2017 and 2016, the income per category of each financial assets are analysed as follows:

Amount in MZN	2017	2016
	Allocated / Total	Allocated / Total
Income	113 676 905	72 609 091
Interest on financial assets not carried at fair value through profit or loss	25 673 565	62 237 516
Bonds and other fixed income		
On other issuers	12 231 674	13 629 390
On available-for-sale assets	293 599	3 325
Interest on Fixed term deposits	13 148 292	48 604 800
Other Income	88 003 340	10 371 576
Rental income from buildings	5 934 672	4 760 423
Interest on current deposits	82 068 668	5 591 153

Note 11 – Underwriting costs

At year end 2017 and 2016, the underwriting costs are presented below:

Imputed Costs (see note 16)	2017 MZN	2016 MZN
Life Insurance	-56 578	-88 306
Credit Life	-32 490	-42 976
Group Life – Risk	-7 060	-7 426
Individual Life – Risk	-653	-6
Medical	711	-29 774
Embedded Funeral	-8 441	-6 321
Hospital plan	-2 611	-661
Personal Accident (Personal Accident)	0	0
Standalone (Bancassurance)	-6 034	-1 143
Non- Life Insurance	-489 411	-480 855
Work Accident	-92 066	-74 854
Personnel Accident and sickness	-7 329	-9 328
Fire and other Losses	-31 693	-46 104
Automotive	-241 525	-211 884
Marine	-2 163	-7 016
Aviation	-468	-1 132
Transportation	-3 520	-6 453
Civil responsibility	-44 743	-34 633
Various	-65 904	-89 451
Total	-545 989	-569 161

Note 12 – Foreign exchange differences

Foreign exchange differences for the year 2017 and 2016 arise on the following items:

Description	2017 MZN	2016 MZN
Receipts/payments of brokers and reinsurers	60 345 366	-242 582 142
Tax payable	0	0
Technical provisions	-332 338	-46 436 096
Current and term deposits	-114 714 818	243 257 139
Other	-7 707 055	148 753 391
Total	-62 408 844	102 992 292

Exchange differences are justified by the strong appreciation of the MZN against the USD that occurred during the year 2017.

The exchange rates were:

Currency	31 12 2017	Average 2017	31 12 2016	Average 2016
MZN/USD	58.68	63.34	71.00	64.48

Note 13 – Net losses/gains from non-financial assets

The value of MZN 18 867 220 registered on December 31, 2017, relates to the change in fair value of the properties assigned to technical provisions – Marginal Property (Headquarters) and Property A9 Golden Sands, in the amount of MZN 17 481 506 and MZN 1 385 715, respectively. See also note 20.

The value of MZN 20 505 794 registered on December 31, 2016, relates to the change in fair value of the properties assigned to technical provisions – Marginal Property (Headquarters) and Property A9 Golden Sands, in the amount of MZN 17 920 019 and MZN 2 585 775, respectively. See also note 20

	2017 MZN	2016 MZN
Life Insurance	-1 955 123	3 181 501
Credit Life	-1 122 731	1 548 339
Group Life – Risk	-243 962	267 530
Individual Life – Risk	-22 556	206
Medical	24 555	1 072 697
Embedded Funeral	-291 681	227 733
Hospital plan	-90 222	23 822
Personal Accident	0	0
Standalone (Bancassurance)	-208 527	41 175
Non- Life Insurance	-16 912 097	17 324 293
Work Accident	-3 181 438	2 696 842
Personnel Accident and sickness	-253 271	336 076
Fire and other Losses	-1 095 168	1 661 056
Automotive	-8 346 154	7 633 773
Marine	-74 733	252 767
Aviation	-16 159	40 779
Transportation	-121 635	232 493
Motor third party liability	-1 546 151	1 247 762
Others	-2 277 388	3 222 747
Total	-18 867 220	20 505 794

Note 14 – Other Provisions (Change)

The Other provisions (variation) include the variation of receipts adjustment for charging and variation adjustment for amounts receivable from reinsurers. See also note 24.

	Other Provisions (change)	
	2017 MZN	2016 MZN
Life Insurance	1 104 146	2 399 557
Credit Life	634 056	1 167 791
Group Life – Risk	137 776	201 777
Individual Life – Risk	12 738	155
Medical	-13 867	809 051
Embedded Funeral	164 725	171 761
Hospital plan	50 952	17 967
Personal Accident (*Personal Accident)	0	0
Standalone (Bancassurance)	117 764	31 055
Non- Life Insurance	9 551 022	13 066 360
Work Accident	1 796 701	2 034 017
Personnel Accident and sickness	143 034	253 476
Fire and other Losses	618 491	1 252 804
Automotive	4 713 448	5 757 558
Marine	42 205	190 642
Aviation	9 126	30 756
Transportation	68 693	175 351
Civil responsibility	873 181	941 090
Others	1 286 143	2 430 666
Total	10 655 167	15 465 917

Note 15 – Other income/ expenses

Analysis of other technical income/costs, net reinsurance, at year end 2017 and 2016:

	2017 MZN	2016 MZN
Management of pension funds	26 503 817	12 867 888
Transfer of Risk (Treaties)	0	0
Pension funds – ACA – (Actuary) – ABSA	-16 965 500	0
Other technical income/costs net of reinsurance	9 538 317	12 867 888
Bank Commission/charges	-8 261 823	-5 079 719
Integration costs – ABSA (Group Recharges)	-161 603 545	
Transfer pricing – ABSA	-17 345 375	
Other (individually immaterial)	69 480 417	8 691 933
Other income	-117 730 326	3 612 214

Note 16 – Expenses by Nature

The analysis of expenses by function: acquisition of insurance contracts (acquisition costs and administrative costs), claims costs and investment costs, are presented as follows:

Amounts in MZN	2017			2016
	Technical account	Non- Technical account	Total	Technical account / Total
Claims Costs (see Note 7)	-79 750 074	0	-79 750 074	-109 110 488
Acquisition Costs (see Note 9)	-111 563 821	0	-111 563 821	-116 298 632
Administrative Costs (see Note 9)	-186 000 368	0	-186 000 368	-193 894 294
Costs of Investment Management (see Note 11)	-545 989	0	-545 989	-569 161
Total	-377 860 252	0	-377 860 252	-419 872 575

The breakdown of costs by nature to be charged is presented as follows:

Costs by nature imputed	2017 MZN	2016 MZN
Staff Costs	175 563 584	159 751 068
Officers Remuneration	24 720 063	3 966 487
Staff Remunerations	127 895 830	124 294 586
Charges on Remuneration	4 599 260	3 343 415
Post-employment Benefits	0	0
Compulsory Insurance	1 140 115	2 080 363
Social welfare Costs	7 915 831	6 619 568
Other Staff Costs	9 292 485	19 446 651
Supplies and Services	124 033 521	197 709 451
Specialized services		
Kindle Technologies – KIT	23 914 572	42 587 846
Audit, consulting, litigation and other	51 130 992	91 223 628
Advertising and Marketing	2 402 954	13 927 812
Communication	8 988 985	8 674 841
Technical Documentation	10 547 120	7 968 269
Rents	3 064 885	3 066 732
Maintenance and Repair	4 775 914	3 903 518
Stationery	1 189 325	1 457 567
Travel and accommodation	6 111 709	9 836 829
Entertainment expenses	589 891	1 071 419
Electricity, fuel and water	1 932 477	991 137
Others	9 384 697	12 999 856
Taxes and fees	55 181 954	11 640 933
Depreciation for the period	9 213 833	10 339 436
Own use of buildings (see Note 20)	4 077 212	5 096 997
Intangible Asset (see Note 22)	1 437 806	1 279 867
Tangible Asset (see Note 21)	3 698 815	3 962 572
Treaties reinsurance expenses	13 867 360	40 431 687
Total	377 860 252	419 872 575

During 2017, Global Alliance had, on average, 95 workers at its service, distributed by professional categories listed in the following table

Average number of employees by professional category	2017	2016
Executive officers	6	7
Superior professionals	13	10
Middle professionals	15	12
Qualified professionals	48	60
Others	13	16
Total	95	105

Note 17 – Cash and cash equivalents

The description of the components of cash and cash equivalents and current deposits, reconciling the amounts included in the statement of cash flows with the corresponding amounts reported in the statement of financial performance at December 31, 2017 and 2016 is analysed as follows:

	2017 MZN	2016 MZN
Cash	84 844	17 650
Current deposits	467 543 548	345 860 783
Total	467 628 392	345 878 433

Note 18 – Available-for-sale assets

The asset amount of MZN 380 882 917 classified as available for sale assets at December 31, 2017 comprises:

Description	Bank	Currency	Start date	End date	Interest rate	Total MZN
Corporate Bonds - ABC	Banc ABC	MZN	25-04-2016	25-04-2018	15 00% annual	50 000 000
Corporate Bonds - Bayport	Bayport Financial Services Moçambique (MCB), S A	MZN	23-06-2016	23-06-2021	22 00% annual	23 000 000
Treasury Bonds - BIG	Banco Big Moçambique, SA	MZN	21-08-2017	21-04-2019	27 00% annual	30 150 000
Treasury Bonds - BIG	Banco Big Moçambique, SA	MZN	27-02-2017	21-04-2019	32 375% annual	25 000 000
Treasury Bonds - BIG	Banco Big Moçambique, SA	MZN	31-03-2017	21-04-2019	32 375% annual	21 855 400
Treasury Bonds - BIG	Banco Big Moçambique, SA	MZN	29-12-2016	28-12-2021	32 375% annual	3 144 600
Treasury Bonds - BIG	Banco Big Moçambique, SA	MZN	27-12-2016	26-12-2021	29 25% annual	20 100 000
Treasury Bonds - BIG	Banco Big Moçambique, SA	MZN	22-12-2016	21-12-2021	29 25% annual	26 800 000
Treasury Bonds - BIG	Banco Big Moçambique, SA	MZN	01-05-2017	21-12-2021	29 25% annual	19 386 317
Treasury Bonds - BIG	Banco Big Moçambique, SA	MZN	22-05-2017	21-12-2021	29 25% annual	74 999 800
Treasury Bonds - BIG	Banco Big Moçambique, SA	MZN	14-08-2017	13-10-2020	27 00% annual	2 433 800
Treasury Bonds - BIG	Banco Big Moçambique, SA	MZN	14-08-2017	21-04-2019	27 00% annual	16 013 000
Treasury Bonds - BIG	Banco Big Moçambique, SA	MZN	25-10-2017	25-10-2020	27 5% annual	21 000 000
Treasury Bills - Banco Mais	Banco Mais - Banco Moçambicano de Apoio aos Investimentos, SA	MZN	30-08-2017	28-02-2018	24 5% monthly	27 000 000
Treasury Bills - Banco Mais	Banco Mais - Banco Moçambicano de Apoio aos Investimentos, SA	MZN	27-09-2017	26-09-2018	25 25% monthly	20 000 000
Total						380 882 917

Note 19 – Loans and Receivables

The loans and receivables at year end 2017 and 2016 comprise:

Description	2017 MZN	2016 MZN
Term Deposit in MZN – Principal & interest	470 898 261	216 474 778
Term Deposit in USD – Principle & interest	76 711 809	572 499 157
Total	547 610 071	788 973 935

At year end 2017, term deposits present the following detail:

Bank	Currency	Start Date	End Date	Interest Rate	Capital MZN	Interest MZN	Total MZN
Banco Mais	USD	28-11-2017	23-11-2018	4.20%	44 010 000	156 560	44 166 560
BancABC	USD	20-10-2017	20-10-2018	4.25%	58 680 000	211 811	58 891 811
SOCIETE	USD	28-12-2017	28-06-2018	1.93%	44 010 000	71 953	44 081 953
SOCIETE	USD	31-10-2017	31-10-2018	4.25%	264 060 000	953 148	265 013 148
BARCLAYS	USD	29-12-2017	29-12-2018	1.30%	58 680 000	64 789	58 744 789
Capital Bank	MZN	29-07-2016	29-07-2018	22.5%	45 000 000	859 932	45 859 932
Banco Big	MZN	30-08-2017	30-08-2018	23.5%	30 000 000	598 767	30 598 767
Standard Bank	MZN	05-09-2016	05-09-2018	12.75%	150 000	1 624	151 624
Standard Bank	MZN	28-08-2017	28-08-2018	17.5%	100 000	1 486	101 486
Total					544 690 000	2 920 071	547 610 071

At year end 2016, term deposits present the following detail:

Bank	Currency	Start Date	End Date	Interest Rate	Amount MZN
MCB	USD	12/12/2016	12/07/2017	3 00%	53 332 630
Barclays	USD	27/01/2016	26/12/2017	2 50%	72 638 113
BCI	USD	27/09/2016	27/03/2017	3 80%	215 093 305
ABC	USD	29/09/2016	29/03/2017	1 80%	106 985 345
FNB	USD	30/12/2016	30/12/2017	2 85%	71 005 509
FNB	USD	25/10/2016	23/04/2017	2 00%	53 444 254
STD Bank	MZN	05/09/2016	05/09/2017	12 75%	156 130
Capital Bank	MZN	28/07/2016	28/07/2017	18 00%	48 461 918
Barclays	MZN	12/07/2016	19/07/2017	6 00%	30 848 219
ABC	MZN	27/09/2016	23/07/2017	16 50%	12 671 784
FNB	MZN	24/08/2016	20/02/2017	16 75%	31 775 959
FNB	MZN	27/09/2016	26/03/2017	18 00%	59 356 356
FNB	MZN	05/10/2016	03/04/2017	18 00%	13 036 301
Banco Mais	MZN	17/08/2016	13/02/2017	16 50%	20 168 110
Total					788 973 935

Note 20- Property

• Investment Property

The properties held by Global Alliance were valued in 2017 by a competent property valuator, Zambujo & Asociados Lda. The valuations of both properties were prepared based on the market model in order to determine the fair value.

The fair value of investment properties, as determined by the valuator which is based on comparable data market, and in accordance with IFRS 13, falls within the fair value hierarchy Level 2 - Fair value determined using valuation techniques supported by observable prices in tradable current markets for the same financial instrument.

Movements in the value of the properties are as follows:

Amounts in MZN	Fair Value 31.12.2016	Additions Acquisition / Improvement		Disposals	Transfers	Revaluation (see note 13)	Fair value 31.12.2017
		Acquisition	Improvement				
Property marginal	106 029 395	0	0	0	85 865 850	-17 481 506	174 413 740
Property A9 Golden Sands	16 815 855	0	0	0	0	-1 385 715	15 430 140
Total	122 845 250	0	0	0	85 865 850	-18 867 220	189 843 880

Amounts in MZN	Fair Value 31.12.2015	Additions Acquisition / Improvement		Disposals	Transfers	Revaluation (see note 13)	Fair value 31 12 2016
		Acquisition	Improvement				
Property marginal	176 218 752	0	0	0	-88 109 376	17 920 019	106 029 395
Property A9 Golden Sands	14 230 080	0	0	0	0	2 585 775	16 815 855
Total	190 448 832	0	0	0	-88 109 376	20 505 794	122 845 250

In 2017 there was a transfer of the 1st floor of investment property to owner-occupied property.

Investment income from buildings – rental income is as follows:

Amount in MZN	2017			2016		
	Life insurance	Non- Life Insurance	Total	Life insurance	Non- Life Insurance	Total
Rent (see note 10)	614 983	5 319 689	5 934 672	741 689	4 038 734	4 780 423

▪ **Owner-occupied property**

Movements in buildings occupied by the company during the 2017 and 2016 financial years are summarised in table below:

Amount in MZN Own use of Building	balance at 31.12.2016			Transfers	Depreciation		balance at 31.12.2017		
	Cost of the building	Accumulated Depreciation	Carrying Value		Transfer disposals	Depr For the year	Cost	Accumulated Depreciation	Carrying Value
Property marginal	212 861 676	21 783 211	191 078 464	-88 109 376	2 243 526	4 077 212	124 752 300	23 616 898	101 135 401
Total	212 861 676	21 783 211	191 078 464	-88 109 376	2 243 526	4 077 212	124 752 300	23 616 898	101 135 401

Amount in MZN Own use of Building	balance at 31.12.2015			Transfers	Depreciation	balance at 31.12.2016		
	Cost of the building	Accumulated Depreciation	Carrying Value			Cost of the building	Accumulated Depreciation	Carrying Value
Property marginal	124 752 300	16 686 214	108 066 084	88 109 376	5 096 997	212 861 676	21 783 211	191 078 464
Total	124 752 300	16 686 214	108 066 084	88 109 376	5 096 997	212 861 676	21 783 211	191 078 464

In 2017 there was a transfer of the 1st floor of extra space to investment property.

Direct operating expenses relating to buildings for own use is as follows:

Amount in MZN	2017			2016		
	Life Insurance	Non-Life Insurance	Total	Life Insurance	Non-Life Insurance	Total
Repairs , Maintenance and other expenses	458 024	3 961 974	4 419 998	553 715	3 015 154	3 568 868

Note 21 – Other tangible Assets

Tangible assets of the Insurance Company are stated at cost less accumulated depreciation and impairment losses.

The movements during the 2017 and 2016 financial years were:

Amounts in MZN	Balance as at 31.12.2016			Addition	Decreases	Depreciation		Balance as at 31.12.2017		
	Cost	Accumulated depreciation	Carrying value	Acquisition	Transfer and disposals	Transfer and disposals	Depr for the year	Cost	Acc depreciation	Carrying value
Furniture	20 394 835	11 033 007	9 361 828	1 603 279	0		3 099 606	21 998 115	14 132 614	7 865 501
Transport equipment	2 353 057	988 075	1 364 981	625 000	323 891	323 891	599 208	2 654 166	1 263 393	1 390 773
Total	22 747 892	12 021 083	10 726 809	2 228 279	323 891	323 891	3 698 815	24 652 280	15 396 007	9 256 274

Amounts in MZN	Balance as at 31.12.2015			Addition	Decreases	Depreciation		Balance as at 31.12.2016		
	Cost	Accumulated depreciation	Carrying value	Acquisition	Transfer and disposals	Transfer and disposals	Depr for the year	Cost	Acc depreciation	Carrying value
Furniture	19 691 649	9 516 290	10 175 359	2 657 769	1 954 582	1 954 582	3 471 300	20 394 835	11 033 007	9 361 828
Transport equipment	2 353 057	498 802	1 856 255	0	0	0	491 273	2 353 057	988 075	1 364 981
Total	22 044 705	10 013 092	12 031 612	2 657 769	1 954 582	1 954 582	3 962 573	22 747 892	12 021 083	10 726 809

Note 22 – Other intangible assets

Intangible assets of the Global Alliance are stated at cost less accumulated amortisation and impairment losses.

An analysis of the movements occurred during the 2017 and 2016 is given below:

Amount in MZN	Balance at 31.12.2016			Addition	Amortisation	Balance at 31.12.2017		
	Cost	Accum Amort	Carrying value	Acquisition	Amortis for the year	Cost	Acc Amortis	Carrying value
IT Application	5 869 375	1 570 397	4 298 977	976 105	1 437 806	6 845 479	3 008 203	3 837 276
Total	5 869 375	1 570 397	4 298 977	976 105	1 437 806	6 845 479	3 008 203	3 837 276

Amount in MZN	Balance at 31.12.2015			Addition	Decrease	Amortization		Balance at 31.12.2016		
	Cost	Accum Amort	Carrying value	Acquisition	Transf disposals	Amortisation for assets no longer in use	Amortis for the year	Cost	Acc Amortis	Carrying value
IT Application	4 048 945	2 348 785	1 700 160	6 406 422	4 585 993	2 058 255	1 279 867	5 869 375	1 570 397	4 298 977
Total	4 048 945	2 348 785	1 700 160	6 406 422	4 585 993	2 058 255	1 279 867	5 869 375	1 570 397	4 298 977

Note 23 – Technical Provisions

The summary of technical provisions in 2017 and 2016 is presented below:

Technical provisions	2017 MZN			2016 MZN		
	Direct insurance and reinsurance accepted	Reinsurance ceded	Net	Direct insurance and reinsurance accepted	Reinsurance ceded	Net
Provision for unearned premium	252 695 206	131 090 334	121 604 872	379 090 697	220 747 537	158 343 159
Mathematical provision for life-insurance	137 364 666	1 349 640	136 015 026	166 631 793	781 000	165 850 793
Provision for Claims	793 975 249	273 613 210	520 362 039	1 114 724 278	619 037 171	495 687 107
For Life Insurance	28 950 743	9 976 767	18 973 977	13 605 865	7 555 713	6 050 153
Other business lines	765 024 506	263 636 443	501 388 063	1 101 118 413	611 481 459	489 636 954
Total	1 184 035 122	406 053 184	777 981 938	1 660 446 768	840 565 709	819 881 059

Provisions for unearned premiums are as follows:

Provision for unearned premium	2017 MZN			2016 MZN		
	Direct insurance and reinsurance accepted	Reinsurance ceded	Net	Direct insurance and reinsurance accepted	Reinsurance ceded	Net
Non- Life Insurance	252 695 206	131 090 334	121 604 872	379 090 697	220 747 537	158 343 159
Work Accident	7 738 532	-1 244 702	8 983 234	11 941 671	0	11 941 671
Personnel Accident	15 330 730	2 975 437	12 355 293	1 323 174	493 080	830 094
Fire	87 202 726	46 642 064	40 560 662	232 612 181	154 203 349	78 408 832
Motor	26 201 944	0	26 201 944	18 295 009	24 415	18 270 594
Marine	7 089 439	3 820 598	3 268 841	10 477 090	6 467 113	4 009 976
Aviation	4 207 782	2 401 700	1 806 081	197 648	136 445	61 203
Transportation	1 636 527	-389 417	2 025 945	859 466	114 813	744 653
Civil responsibility	-3 342 313	-609 063	-2 733 250	3 762 365	244 239	3 518 126
Miscellaneous	106 629 839	77 493 717	29 136 122	99 622 094	59 064 083	40 558 011
Total	252 695 206	131 090 334	121 604 872	379 090 697	220 747 537	158 343 159

The table below shows the Mathematical Provisions:

Mathematical provision	2017 MZN			2016 MZN		
	Direct Insurance and reinsurance accepted	Reinsurance ceded	Net	Direct insurance and reinsurance accepted	Reinsurance ceded	Net
Life Insurance	137 364 666	1 349 640	136 015 026	166 631 793	781 000	165 850 793
Credit Life	137 364 666	1 349 640	136 015 026	166 631 793	781 000	165 850 793
Life Group Risk	0	0	0	0	0	0
Life Individual Risk	0	0	0	0	0	0
Medical	0	0	0	0	0	0
Embedded funeral	0	0	0	0	0	0
Hospital plan	0	0	0	0	0	0
Personal accident	0	0	0	0	0	0
Standalone	0	0	0	0	0	0
Total	137 364 666	1 349 640	136 015 026	166 631 793	781 000	165 850 793

The table below summarises information about provisions for claims:

Provision for claims	2017 MZN			2016 MZN		
	Direct Insurance and reinsurance accepted	Reinsurance ceded	Net	Direct insurance and reinsurance accepted	Reinsurance ceded	Net
Life Insurance	28 950 743	9 976 767	18 973 977	13 605 865	7 555 713	6 050 153
Credit Life	21 381 445	0	21 381 445	7 345 214	3 592 444	3 752 770
Life Group Risk	3 810 690	9 976 767	-6 166 077	5 393 432	3 963 269	1 430 163
Life Individual Risk	0	0	0	17	0	17
Medical	0	0	0	7 160	0	7 160
Embedded Funeral	2 062 639	0	2 062 639	487 889	0	487 889
Hospital plan	319 208	0	319 208	58 563	0	58 563
Personal Accident	0	0	0	0	0	0
Standalone	1 376 761	0	1 376 761	313 590	0	313 590
Non- Life Insurance	765 024 506	263 636 443	501 388 063	1 101 118 413	611 481 459	489 636 954
Work Accident	59 298 654	171 652	59 127 002	213 353 404	0	213 353 404
Personnel Accident	-556 826	-240 133	-316 693	1 333 223	901 854	431 368
Fire	478 649 125	246 413 701	232 235 424	545 053 059	537 635 385	7 417 674
Motor	140 265 786	0	140 265 786	226 096 291	26 435 346	199 660 945
Marine	6 138 541	4 656 846	1 481 695	12 967 784	12 458 198	509 586
Aviation	1 835 768	1 117 763	718 005	2 801 304	2 801 304	0
Transportation	2 104 388	114 778	1 989 610	7 342 450	2 858 047	4 484 403
Civil responsibility	32 488 455	-80 439	32 568 893	35 109 793	167 983	34 941 810
Miscellaneous	44 800 613	11 482 275	33 318 339	57 061 105	28 223 341	28 837 764
Total	793 975 249	273 613 210	520 362 039	1 114 724 278	619 037 171	495 687 107

Note 24 - Other Debtors for Insurance & Other Operations

In 2017 and 2016 years, this account has the following composition:

	2017 MZN	2016 MZN
Accounts receivable from direct insurance operations		
Insurance holders	44 827 290	66 543 706
Insurance brokers	89 379 376	142 334 072
	134 206 666	208 877 778
Adjustment: provision for bad debts	-11 201 741	-21 856 909
	123 004 925	187 020 869
Accounts receivable from other operations		
Other debtors	73 514 757	138 512 023
Total	196 519 682	325 532 892

This table gives details of the adjustment of pending premium receipts:

Amount in MZN	Balance at 31 12 2015	Adjustments	Balance at 31 12 2016	Adjustments	Balance at 31 12 2017
Adjustment of pending premium receipts	37 322 825	-15 465 916	21 856 909	-10 655 168	11 201 741
Adjustment for amounts receivable from reinsurers	0	0	0	0	0
Total	37 322 825	-15 465 916	21 856 909	-10 655 168	11 201 741

Note 25 – Current and Deferred Tax

This note analyses tax assets and liabilities in 2017 and 2016:

	2017 MZN	2016 MZN
Stamp tax	70 449 604	21 758 360
Estimated tax	93 923 232	
	164 372 836	21 758 360
Adjustment for amounts receivable from reinsurers	3 074 024	3 074 024
Unfavourable foreign exchange	56 804 424	175 048 233
Deferred Tax Asset	59 878 448	178 122 257
Tax Asset	224 251 284	199 880 617
Income Tax payable		
Income Tax Estimate	0	95 916 199
Income Tax Advances	0	-58 528 960
Other tax		
Stamp Tax	929 907	38 426
Supervision Fee	49 083 347	870 908
Individual Income Tax	47 759 074	3 366 324
VAT	49 042 779	510 931
Other tax	1 261 342	974 021
Current Tax liability	148 076 449	43 147 851
Investment Properties	50 596 602	50 596 603
Variation on fair value derivatives	405 420	405 420
Favourable Foreign Exchange	8 808 891	82 326 928
Own use of Buildings	13 234 192	13 234 192
Deferred Tax Liability	73 045 105	146 583 143
Tax Liability	221 121 554	189 710 993

The income tax in the statement of comprehensive income is as follows:

	2017 MZN	2016 MZN
Current Tax	0	95 916 199
Deferred Tax	44 725 772	-89 062 788
Total tax recognized in results	44 725 772	6 853 411

The estimated tax rate of the company for the year is about -21.23%. The reconciliation of the tax rate is presented below:

	2017 MZN		2016 MZN	
	Value	Tax	Value	Tax
Profit before tax	-210 720 757		-15 295 791	
Tax payable at nominal rate	0	0 00%	0	0%
Cost/ income for current tax	0		95 916 199	
Cost/ income for deferred tax	44 725 772		-89 062 788	
Effective tax charge recognized in earnings	44 725 772		6 853 411	
Effective Rate		-21.23%		-44 81%
Reconciled Differences				
Impact of non-deductible expenses	44 725 772	-21.23%	6 853 411	-44 81%

Declarations of Self-Liquidity of the Insurance Company are subject to inspection and possible adjustment by the tax authorities during the period of five years. However, it is the conviction of the Board of the Insurance Company, that there will be no significant corrections to taxes on profits recorded in the financial statements.

Note 26 – Accruals and Deferrals

The accruals and deferrals in 2017 and 2016 comprised:

	2017 MZN	2016 MZN
Accruals and Deferred Assets		
Deferral of amounts transferred	-2 621 531	-181 953
Interest Receivable	37 067 919	6 475 057
Other accruals and deferrals	8 176 789	4 004 812
	42 623 176	10 297 917
Accruals and Deferred Liabilities		
Remuneration and bonus	6 000 000	8 827 366
Audit fees	6 501 073	6 662 834
Indemnisation provision	7 146 287	0
Provision – ABSA Group Recharges	162 513 368	52 542 999
Transfer pricing – ABSA – Actuaries	3 212 925	15 042 112
Transfer pricing – ABSA – Life	33 500 085	0
Treaties – AON	13 867 360	0
Others	21 156 283	27 428 809
	253 897 382	110 504 120

Note 27 – Other creditors for insurance operations and other operations

Set out below is the detail of other creditors in 2017 and 2016:

	2017 MZN	2016 MZN
Payables for direct insurance operations		
Insurance brokers	13 426 877	20 046 503
	13 426 877	20 046 503
Payables for reinsurance operation		
Other reinsurer	134 987 250	261 070 292
	134 987 250	261 070 292
Payables for other operations		
Other creditors	230 462 128	14 612 343
	230 462 128	14 612 343
Total	378 876 255	295 729 137

Note 28 – Share Capital, reserves, other reserve, retained earnings and net income for the period

The authorized and issued share capital of Global Alliance on December 31, 2017, amounting to 242 090 000 MZN, represented by 242 090 000 shares with a nominal value of 1 MZN, is fully subscribed and paid.

	2017	2016
Number of shares at 1 January	242 090 000	242 090 000
Capital increase	-	-
Number of shares on 31 December	242 090 000	242 090 000

In 2017, Global Alliance remained with the same shareholder structure.

	Number of shares	Percentage of shareholding	Share capital	
			2017 MZN	2016 MZN
Absa Financial Services Africa Holding	237 248 200	98 00%	237 248 200	237 248 200
Absa Short Term Insurance	2 420 900	1 00%	2 420 900	2 420 900
Absa Life	2 420 900	1 00%	2 420 900	2 420 900
Total	242 090 000	100 00%	242 090 000	242 090 000

The application of the net profit for the financial year 2017 was carried out as follows:

Application of Net Profit	2017 MZN
Income for the year	- 22 149 203
Application:	
Fund legal reserve	
Retained eaming	-22 149 203
Dividends per share	0

No dividend was declared or paid during 2017.

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

Other Reserves

It includes free reserves, which result from positive results, not necessary to provide the legal reserve or to cover losses brought forward and not distributed to shareholders. Legal reserve can only be used to cover accumulated losses or to increase the capital. Under Mozambican law, the legal reserve is based on the following minimum percentages of the profits of each year:

- (i) 20% until the cumulative amount of the reserve represents half of the minimum capital laid down under Article 15 of the Legal Insurance Scheme ;
- (ii) 10% from the moment has been reached the amount referred to in the previous paragraph, until this reserve represents an amount equal to the capital

Detail of other reserves:

	2017 MZN	2016 MZN
Legal Reserve	131 932 180	131 932 180
Share Premium	1 970 879	1 970 879
Others	0	0
Total	133 903 059	133 903 059

Note 29 – Transactions with related parties

On December 31, 2017 and 2016 the value of Directors' remuneration is as follows:

	2017 MZN	2016 MZN
Income statement information		
Director's Remuneration	0	3 996 487
Balance sheet Information		
Assets		
Loans to directors	0	0
Liabilities		
Bonus paid	0	0
Leave	0	0

The analysis of transactions with related parties in 2017 and 2016 is as follows:

Receivables and payables	2017 MZN		2016 MZN	
	¹ BBM	ABSA	¹ BBM	ABSA
Cash and cash equivalents and current deposits	31 431 382	-8 187 256	63 037 209	-345 248
Accounts receivable from direct insurance	15 114 451	0	4 641 080	0
Total Assets	46 545 833	-8 187 256	67 678 289	-345 248
Provision for unearned premium	23 599 950	0	14 791 078	0
Accounts payable from direct insurance	2 690 408	0	852 861	0
Group Recharges – ABSA	0	162 513 368	0	52 542 999
Transfer pricing – ABSA - actuaries	0	3 212 925	0	15 042 112
Transfer pricing – ABSA - Life	0	33 500 085		
Total Liabilities	26 290 358	199 226 378	15 643 939	67 585 111

Transactions	2017 MZN		2016 MZN	
	¹ BBM	ABSA	¹ BBM	ABSA
Premiums from direct insurance	70 870 720	0	44 417 653	0
Admin fees for managing pension fund	13 421 609	0	8 093 945	0
Total Income	84 292 329	0	52 511 598	0
Operating costs from direct insurance	-14 472 929	0	-11 391 124	0
Total Expenses	-14 472 929	0	-11 391 124	0

¹BBM – Barclays Bank Mozambique

Note 30 – Management of Activity risk

The risks to which GA is exposed to are assumed as one of the pillars of the company in supporting a strategy of profitable and sustainable growth. Thus, a major goal of GA is to ensure that its risk management framework allows it to ensure the appropriate balance between risk and return, in order to establish and preserve the trust of customers, shareholders, regulators and other stakeholders.

As part of its governance and risk management process, GA adopted an organizational structure for risk management in line with Absa Financial Services and Barclays Africa Group Limited. The various functions related to the management of risks are reviewed monthly and quarterly respectively by the Management Business Review (MBR) and Control Risk Committee (CRC).

GA transactions related to insurance business are subject to supervision by the Regulator (ISSM), which determines, amongst other things, the nature and concentration of investments allocated to technical provisions.

The main risks are the following:

Insurance risk	Investment risk	Operational risk
Specific Risk of Non-life Insurance	Credit Risk	Event Risk
Specific Risk of Life- Insurance	Market Risk	Business Risk
	Liquidity Risk	Capital Risk
	Foreign Exchange Risk	
	Interest rate risk	

1) Specific risk of insurance

The main GA activity constitutes an acceptance of third party risk insurance, where the management of acceptance of this risk is important to the main indicators of activity, such as profit, business growth or market share. The risk associated with the insurance contracts concluded by the insurance company lies in the uncertainty relating to claims.

For portfolios of insurance contracts in which GA can apply the probability of accidents, the main risk the insurance company faces is the possibility of the current value of payment claims exceeding the amount of liabilities calculated by GA and expressed in their financial statements. This can occur by changes in the frequency and/or severity of amounts payable when compared with the estimated values. Thus, GA annually revises its estimates for the expected liabilities arising from insurance contracts.

Experience in the field shows that the larger the portfolio of insurance contracts with same characteristics, the lower the likelihood of significant changes affecting the liabilities estimated by the company.

The company developed its risk acceptance policy based on diversification of risks insured. The main areas of activity for the insurance are the Automotive, work accidents, fire and nature. The acceptance of these risks depends on the analysis by qualified personnel. In the case of acceptance of complex risks to which the company does not have adequate resources to carry out its assessment, the company uses external experts.

The proper insurance risk management also assumes that the fees charged by the insurance company to be set in the most scientific way possible. However, the occurrence of natural disasters or other catastrophic events that occur occasionally over time could result in significant variations in the results, depending on the reinsurance programs agreed by the company.

Among the factors contributing to increased insurance risk include insufficient diversification of risk by various industries, the value of contracted capital insured and its geographical concentration. All the risks accepted by the company are located in Mozambique. Within Mozambique the risks are concentrated in major cities of the country. This could result in occurrence of an adverse event, to register losses in various policies insured by the company. These risks are mitigated by the transfer of risk to reinsurers.

Claims cost per product classes is as follows:

Amounts In MZN Annex 3 2017	Amounts paid- costs (1)	Amounts paid- imputed costs (2)	Changes in Provision for claims (3)	Cost of claims (4)=(1)+(2)+(3)
Workman compensation	82 933 282	11 109 307	1 182 551	95 225 140
Personal accident	-778 759	884 401	-11 104	94 538
Fire	669 424 012	17 691 594	9 545 361	696 660 968
Motor	196 171 434	29 144 054	2 797 221	228 112 710
Marine	8 585 176	260 962	122 417	8 968 554
Aviation	2 567 449	56 426	36 609	2 660 485
Transport	2 943 133	424 738	41 966	3 409 837
Civil Responsibility	45 437 358	5 399 028	647 894	51 484 281
Miscellaneous	62 656 766	7 952 442	893 427	71 502 635
Total Non-life	1 069 939 853	72 922 952	15 256 343	1 158 119 148

Amounts In MZN Annex 3 2016	Amounts paid- costs (1)	Amounts paid- imputed costs (2)	Changes in Provision for claims (3)	Cost of claims (4)=(1)+(2)+(3)
Workman compensation	170 516 660	14 349 784	129 875 764	314 742 208
Personal accident	1 065 540	1 788 245	811 580	3 665 365
Fire	435 618 207	8 838 408	331 793 078	776 249 694
Motor	180 701 052	40 618 991	137 632 810	358 952 853
Marine	10 364 133	1 344 961	7 893 949	19 603 043
Aviation	2 238 863	216 982	1 705 253	4 161 098
Transport	5 868 245	1 237 084	4 469 609	11 574 937
Civil Responsibility	28 060 507	6 639 293	21 372 573	56 072 372
Miscellaneous	45 604 471	17 148 107	34 735 113	97 487 690
Total Non-life	880 037 679	92 181 853	670 289 729	1 642 509 261

Additional information per product classes is as follows:

Amounts in MZN Annex 4 2017	Gross premium written	Gross premium acquired	Gross claims	Operational costs brokers fees etc	Reinsurance portion
Workman compensation	137 648 287	140 192 989	95 225 140	69 505 934	-1 469 021
Personal accident	21 334 520	26 375 806	94 538	5 736 482	-10 605 021
Fire	295 849 822	324 525 156	696 660 968	34 591 797	251 315 147
Motor	352 283 305	360 899 429	228 112 710	160 206 097	9 824
Marine	31 835 470	34 166 727	8 968 554	2 211 645	-18 964 332
Aviation	8 064 901	9 448 568	2 660 485	399 058	-5 358 099
Transport	6 177 681	6 715 829	3 409 837	2 913 671	-547 987
Civil Responsibility	67 082 569	65 983 499	51 484 281	28 679 681	-1 464 310
Miscellaneous	342 439 030	377 502 684	71 502 635	72 706 404	-234 599 265
Total Non-life	1 262 715 585	1 345 810 687	1 158 119 148	376 950 770	-21 683 066

Amounts in MZN Annex 4 2016	Gross premium written	Gross premium acquired	Gross claims	Operational costs brokers fees etc	Reinsurance portion
Workman compensation	146 953 023	159 174 755	314 742 208	65 147 703	0
Personal accident	25 491 629	26 845 835	3 665 365	6 452 696	-6 046 471
Fire	640 207 291	878 274 786	776 249 694	65 956 382	-131 549 187
Motor	417 069 008	435 793 078	358 952 853	160 865 238	29 401 348
Marine	34 173 313	44 896 115	19 603 043	7 188 505	-13 247 985
Aviation	22 088 001	22 290 284	4 161 098	1 616 282	-15 208 520
Transport	12 718 333	13 597 955	11 574 937	5 436 757	2 951 036
Civil Responsibility	69 782 015	73 632 617	56 072 372	24 615 185	-1 674 158
Miscellaneous	389 124 866	491 083 336	97 487 690	73 129 703	-248 210 701
Total Non-life	1 757 607 479	2 145 588 762	1 642 509 261	410 408 453	-383 584 639

2) Investment Risk

The risk of investment is made up of four risks: credit, market, liquidity and foreign exchange.

a) Credit risk

Credit risk is the risk that GA will incur a loss because counterparties fail to meet their obligations. The main areas in which the company is exposed to credit risk are:

- (i) re-insurers' share in liabilities for insurance contracts, (ii) share of re-insurers in claims costs,
- (iii) amounts receivable from policyholders for insurance contracts, (iv) receivables from insurance brokers,
- (v) counterparty risk in respect of debt instruments and balances at banks.

GA mitigates credit risk through diversifying its risk to more than one entity/counterparty. Each year the company shall review the risks to which it is exposed to make sure that it remains within the acceptable levels.

Despite the use of reinsurance companies as a strategy for insurance company to manage the risks to which it is exposed, GA will always be primarily responsible for covering the liabilities assumed with third parties. If a reinsurer for any reason fails to make payment of a claim, the insurance company continues to compensate the insured for the loss occurred. On renewal of reinsurance agreement, the counterparty risk is analysed.

The credit risk associated with the debt instruments held by the company is reduced since the company's investment policies stipulate that investments should be directed to the largest companies in Mozambique. The exposure to unrated parties is limited.

The credit risk associated with loans and accounts receivable is reduced as term deposits are contracted with entities with good credit quality. The exposure is as follows:

- Exposure to single rated counterparty (30%)
- Exposure to single unrated counterparty (15%)
- Total exposure to unrated counterparty (40%)
- Exposure to government bonds (60%)
- Exposure to corporate bonds (30%)
- Exposure to investment property (25%)

None of the assets were pledged as collateral at the year end

Amounts in MZN	2017		2016	
	Amount	%	Amount	%
Assets available for sale				
Bonds and other fixed income				
From public issuers	307 882 917	19%	179 302 325	12%
From private issuers	73 000 000	5%	24 167 443	2%
		-		-
Loans and Receivables				
Term Deposits	547 610 071	35%	788 973 935	54%
Cash and cash equivalents and current deposits	467 628 392	29%	345 878 433	24%
Investment property	189 843 880	12%	122 845 250	8%
Total	1 585 965 260	100%	1 461 167 387	100%

b) Market risk

GA is exposed to financial risks arising from its financial assets and assets of reinsurance operations. In particular, the main financial risk that the insurance company faces is that its financial assets are not sufficient to cover the liabilities assumed by the insurance company upon acceptance of insurance risk from borrowers. The main components of financial risks are interest rate and credit risks.

The company's exposure is not material due to the nature of financial instruments held at the year end.

c) Liquidity Risk

The company is exposed to liquidity risk through the daily requests of its assets, mainly to cover claims insured by GA. Liquidity risk is the financial incapacity of GA to meet its commitments. To control this risk, management will use different sources managing the assets based on their liquidity and periodically monitors the future cash flows and liquidity.

In insurance business it is not possible to foresee/estimate with certainty the amount necessary to cover the liabilities. Thus the insurance company assesses the value and maturity of its liabilities through statistical methods and previous experience.

The table below gives an indication of the Company's liquidity needs in respect of cash-flows required to meet its obligations:

	Less than 1 month	1-3 months	3-12 months	Total
LIQUIDITY RISK				
2017				
Amounts owing to related parties liability	-	201 916 787		201 916 787
Trade and other payables	-	376 185 846	-	376 185 846
	-	578 102 633	-	578 102 633
2016				
Amounts owing to related parties liability	-	68 437 972	-	68 437 972
Trade payables	-	294 876 276	-	294 876 276
	-	363 314 248	-	363 314 248

Appropriate assets back the Company's liabilities and it has adequate liquid resources.

Reconciliation of amounts owing to related parties and trade payables:

	2017	2016
Amounts owing to related parties		
Total related parties liabilities – Note 29	225 516 736	83 229 050
Provision for unearned premium – Note 29	(23 599 950)	(14 791 078)
Amounts in liquidity risk analysis	201 916 787	68 437 972
Trade payables		
Total trade and other payables – Note 27	378 876 255	295 729 137
Accounts payable from direct insurance – Note 29	(2 690 408)	(852 861)
Amounts in liquidity risk analysis	376 185 846	294 876 276

	Less than 1 Month	1-3 months	3-12 months	Exceeding 1 year	Total
2017					
Amounts owed by related parties receivable	0	15 114 451	0	0	15 114 451
Trade and other receivable	0	181 405 232	0	0	181 405 232
Loans and receivables	0	0	547 610 071		547 610 071
Available for sale assets	0	0	47 000 000	333 882 917	380 882 917
Cash and cash equivalents	467 628 392	0		0	467 628 392
	467 628 392	196 519 682	594 610 071	333 882 917	1 592 641 062
2016					
Amounts owed by related parties	0	4 641 080	0	0	4 641 080
Trade and other receivable	0	320 891 812	0	0	320 891 812
Cash and cash equivalents	345 878 433	0	0	0	345 878 433
	345 878 433	325 532 892	0	0	671 411 325

d) Foreign Exchange Risk

The risk of exchange rate is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in exchange rates. GA conducts its business using both USD and MZN. The main transactions of GA occur in MZN and are still exposed to the risk of exchange rate variations for the USD or the South African Rand.

GA exposure to the risk of exchange rate is mainly related to investments denominated in USD.

On December 31, 2017 and 2016 the projected cash flows (undiscounted) of financial instruments, according to the contractual maturity, made up as follows:

Amounts in MZN 31.12.2017	Maturity					No maturity	Total
	<1 month	1-3 months	3-12 months	1-5 year	> 5 years		
Bonds and other fixed income	27 000 000		70 000 000	283 882 917			380 882 917
Term Deposits			547 610 071				547 610 071
Cash and cash equivalents and current deposits						467 628 392	467 628 392
Investment property						189 843 880	189 843 880
Total	27 000 000	0	617 610 071	283 882 917	0	657 472 272	1 585 965 260

Amounts in MZN 31.12.2016	Maturity					No maturity	Total
	<1 month	1-3 months	3-12 months	1-5 year	> 5 years		
Bonds and other fixed income			28 613 971	154 855 798	20 000 000		203 469 769
Term Deposits			788 973 935				788 973 935
Cash and cash equivalents and current deposits						345 878 433	345 878 433
Investment property						122 845 250	122 845 250
Total	0	0	817 587 906	154 855 798	20 000 000	468 723 683	1 461 167 387

e) Interest rate risk

The Company is exposed to interest rate on its investment portfolio. Interest rate risk is the risk that the value and future cash flows of a financial instrument will fluctuate because of changes in interest rates.

Interest-rate risk is the only financial risk that has a materially different impact across the assets. As most liabilities have a very short duration, and are largely unaffected by movements in interest rates.

The Company manages and mitigates its exposure to interest rates through active portfolio management.

3) Operational Risk

All institutions, including financial institutions, are subject to operational risk which is the inherent consequence of the business uncertainty, and the decision-making process. For the purposes of reporting and monitoring, operational risk can be divided into two categories, event risk and business risk.

Event risk includes the risk of loss resulting from the lack or failure of internal processes, people and systems or due to external events. This event risk definition includes legal and compliance risk, but excludes strategic and reputational risk.

Business risk is the risk of "being in business" and includes the risk of loss due to changes in the structural and or competitive environment. It has an external nature however can still be mitigated by good management practices.

Under the operational risk the insurance company has defined among others, policies / procedures for business continuity, IT security, procurement, money laundering, internal control and combating fraud.

4) Fair Value of Financial Instruments not held at Fair Value

All financial assets and liabilities have carrying amounts that approximate their fair values. The disclosed fair value of these financial assets and financial liabilities measured at amortised cost approximate their carrying value because of the short-term nature of the instruments.

5) Fair Value Hierarchy of Assets and Liabilities held at Fair Value

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Total
2017			
Recurring fair value measurements			
Financial Assets			
Assets available for sale	380 882 917	-	380 882 917
Property			
Investment property	-	189 843 880	189 843 880
	380 882 917	189 843 880	570 726 797
2016			
Financial Assets			
Assets available for sale	203 469 769	-	203 469 769
Property			
Investment property	-	122 845 250	122 845 250
	203 469 769	122 845 250	326 315 019

Note 31 – Solvency Margin Coverage

The company is subject to the solvency requirements set by Diploma n° 30/2011, issued by the Council of Ministers.

The solvency margin coverage in 2017 and 2016 is as follows:

Amounts in MZN	2017	2016	2017/2016
Share Capital	242 090 000	242 090 000	0%
Reserves	133 903 059	133 903 059	0%
Retained Earnings	411 164 695	433 313 898	-5.1%
Foreign Exchange Reserve	0	0	-
Loss/Profit for the year	-255 446 529	-22 149 203	1 053.3%
Items to deduct	-3 837 276	-4 298 977	-10.7%
Solvency Available Margin	527 873 949	782 858 777	-32.6%
Required Solvency Margin Non-life Insurance	131 455 691	165 317 834	-20.5%
Required Solvency Margin Life Insurance	48 418 000	62 479 846	-22.5%
Excess/(Insufficiency) of Solvency Margin	348 000 258	555 061 097	-37.3%
Coverage	293.5%	343.7%	-14.6%

Note 32 – Off - Balance Sheet

The value of pension funds managed by the insurance company is detailed as follows:

Amounts MZN		
Pension Funds	Balance as at 31-12-2017	Balance as at 31-12-2016
Mozal employees' pension fund	701 251 891	519 035 275
Global Alliance open fund	245 509 626	161 854 143
Barclays Bank Mozambique Pension Fund	3 249 159 024	3 000 580 539
Total	4 195 920 541	3 681 469 957

The company does not give guaranteed returns on managed pension funds.

Nota 33 – Events after the balance sheet date not described in previous points

Taking into consideration the IAS 10, up to the date of authorization for issue of these financial statements no subsequent events involving additional adjustments or disclosures were identified.