Uzbekinvest International Insurance Company Limited

Annual Report and Financial Statements

for the year ended 31 December 2014

Registered number: 2997845

Contents of the Annual Report and Financial Statements
for the year ended 31 December 2014

Company Information
For the year ended 31 December 2014

Directors

B B Ashrafkhanov (Chairman)
R A Gulyamov
F A Saidakhmedov
S A Vafaev
R Antes

Company Secretary

K Hillery

Registered office

The AIG Building
58 Fenchurch Street
London
United Kingdom
EC3M 4AB

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
United Kingdom
SE1 2RT

Principal bankers

Citibank N A
Citigroup Centre
Canada Square
London
E14 5LB

Investment advisers
Falcon Private Wealth Ltd.
27 Knightsbridge
London
SW1X 7LY

Strategic report
for the year ended 31 December 2014

Review of the business

The results of the Company for the year, as shown on page 8 and page 9, show a profit on ordinary activities before tax of US$234,087 (2013: US$210,985 loss). At 31 December 2014, the shareholders' funds of the Company, as shown on page 10, total US$50,030,651 (2013: US$49,845,354). The level of gross premiums written, as shown on page 8, has increased to US$333,682. (2013: US$ 36,068).

The Company offers a range of insurance policies designed to protect the business and assets of companies investing in or doing business in the Republic of Uzbekistan. The coverage provides for investment and trade transactions against certain political risks and events in Uzbekistan. The investment covers include confiscation, expropriation and nationalisation. The trade covers include contract repudiation and wrongful calling of guarantees.

The above covers are sought by various industries and sectors, mainly concentrating in commodities, energy, mining, construction and transport. There has been a drop in demand for medium and long term policies mainly for investment risks, usually not backed by sovereign or bank guarantees. This is in line with a general drop in world economic activity, slow recovery and changes in structure of investments into Uzbekistan particularly.

Consistent with prior years no claims have been notified in 2014. The directors are of the view that no additional potential claims were incurred but not reported during the year. As a result no reserve for outstanding claims or IBNR has been established.

Business Environment

The Republic of Uzbekistan remains attractive to foreign investors. All investment projects in Uzbekistan have strong government backing and support, but the structure of investors is still unchanged and the proportion of investments from international financial institutions and foreign state companies to investments from the private sector is still high. The Government of Uzbekistan takes certain measures to improve its attractiveness (e.g. an opening of new free trade economic and industrial zones in four regions, tax privileges, etc.). The country remains politically stable and relations with developed and developing countries are improving.

Due to the State Investment Program of Uzbekistan for 2015, the target list of projects and potentials, there is a prospect for the Company to be positively impacted. We anticipate that real and significant growth of premiums can be expected when the global economy is fully stabilised and foreign private investors return to the country.

Business Strategy

Despite the signs of change in the world business environment and economic stabilisation we believe that 2015 promises to be another challenging year for investors. As foreign investments into the Uzbek economy are growing and we expect generally more activity, the Company intends to continue offering insurance policies designed to protect the business and assets of foreign companies investing or doing business in the Republic of Uzbekistan.

The Company will continue to maximise its efforts to get more business and increase its underwriting profit. The Company will continue to keep its investment portfolio within strict investment guidelines. Our attitude toward the high-yield segment will become more positive once a clearer picture of the debt crisis and future economic growth emerges.

Key performance indicators

The Board monitors the progress of the Company in light of the following key performance indicators:

	2014 $	**2013** $
Gross premiums written	333,682	36,068
Underwriting result	(418,504)	(418,908)
Ratio of investment return to the value of invested assets	1.93%	2.15%
Return on capital employed (profit for the financial year before tax in relation to the average equity shareholders' funds)	0.47%	-0.42%

Approach to risk

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by management. Compliance with regulations, legal and ethical standards is a high priority for the Company. UIIC's Risk Register is reviewed internally by the company on a quarterly and by the Board on an annually basis. The Company conforms to a proper internal control framework which exists to manage financial risks and ensures that controls operate effectively.

Through this process the Company identifies the risks to which it is exposed, and assesses their impact on economic capital. This process is risk based and uses Individual Capital Assessment principles to manage the Company's capital requirements and ensure it has the financial strength and capital adequacy to support the growth of the business and to meet the requirements of policyholders, regulators and rating agencies.

Principal risks and uncertainties

In particular, the Company is vulnerable to various political or economic events within the Republic of Uzbekistan, which if triggered could result in insurance claims.

In addition, the Company is exposed to financial risks through its financial assets, financial liabilities and policyholder liabilities. The information on the use of financial instruments by the Company and its management of financial risk is disclosed in Note 3 to the financial statements. In particular the Company's exposures to interest rate risk, currency risk, credit risk and liquidity risk are separately disclosed in that note.

Future development

The Company will continue to follow its action plan developed for 2014-2015 which includes a more diversified and sophisticated marketing strategy and an increased focus on potential projects in Uzbekistan according to the country's investment and industrial development programs. The Company will identify the banks providing backing to companies participating in these projects and actively develop business relationships.

The Company intends to keep track of information and proposed methods of project funding for forthcoming investment and trade projects in the Republic of Uzbekistan.

On behalf of the Board

Ray Antes
Director

27 March 2015

Directors' report
for the year ended 31 December 2014

The directors have pleasure in presenting their annual report and the audited financial statements of Uzbekinvest International Insurance Company Limited (the Company) for the year ended 31 December 2014.

Principal activity

The principal activity of the Company is the transaction of political risk insurance for foreign investors in infrastructure, natural resource development and industrial production in the Republic of Uzbekistan.

Dividends

No dividends were paid during 2014 (a dividend of US$400,000 was paid in 2013).

Directors and directors' interests

The names of the current directors are listed on page 1. All of the directors (Bakhrom Bakhodirovich Ashrafkhanov, Ravshan Ayubovich Gulyamov, Fakhritdin Anvarovich Saidakhmedov and Shuhrat Abdusharifovich Vafaev, Raymond Antes) held office throughout the year and up to the date of signing the financial statements.

No director had a beneficial interest in the shares of the Company at any time during the year.

Company Secretary

Kate Hillery was appointed as Company Secretary effective of 1 August 2014, while Chris Newby resigned at the same time.

Qualifying third party indemnity provisions

During the year the Company had in place qualifying third party indemnity provisions for the directors of the Company.

Statement of disclosure of information to auditors

Each of the persons who is a director at the date of this report confirms that:

- so far as each of them is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December 2014 of which the auditors are unaware; and

- the directors have taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these UK financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;

- Make judgments and accounting estimates that are reasonable and prudent;

- State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors

The Company has, by elective resolution, dispensed with the appointment of auditors annually and, subject to the terms of their appointment, PricewaterhouseCoopers LLP are deemed to continue in office until the said resolution is revoked.

On behalf of the Board

Ray Antes
Director

27 March 2015

Independent Auditors' report
to the Members of Uzbekinvest International Insurance Company Limited
for the year ended 31 December 2014

Report on the financial statements

Our opinion

In our opinion, Uzbekinvest International Insurance Company Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Uzbekinvest International Insurance Company Limited's financial statements comprise:

- The Balance Sheet as at 31 December 2014;
- The Profit and Loss Account for the year then ended;
- The Reconciliation of movements in shareholders' funds for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Matt S Nichols (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

27 March 2015

Profit and loss account
for the year ended 31 December 2014

Technical account - general business	Note	2014	2013
		$	$
Earned premiums, net of reinsurance			
Gross premiums written		333,682	36,068
Net premiums written		333,682	36,068
Change in the gross provision for unearned premiums		(181,453)	5,994
Change in the net provision for unearned premiums		(181,453)	5,994
Earned premiums, net of reinsurance		152,229	42,062
Claims incurred, net of reinsurance	4	-	-
Net operating expenses	5	(570,733)	(460,970)
Total technical charges		(570,733)	(460,970)
Balance on the technical account for general business		(418,504)	(418,908)

Profit and loss account
for the year ended 31 December 2014

Non-technical account	Notes	2014	2013
		$	$
Balance on the general business technical account		(418,504)	(418,908)
Investment income	9	846,046	1,078,571
Unrealised gains on investments	9	362,302	-
Investment expenses and charges	9	(575,878)	(351,025)
Unrealised losses on investments	9	-	(501,382)
		213,966	(192,744)
Other income / (charges)	6	20,121	(18,241)
Profit / (loss) on ordinary activities before tax		234,087	(210,985)
Tax on profit / (loss) on ordinary activities	10	(48,790)	44,307
Profit / (loss) for the financial year	16	185,297	(166,678)

The above operating results are all derived from continuing operations.

The Company has no recognised gains and losses other than the profit for the 2014 and 2013 financial years and therefore, no separate Statement of Total Recognised Gains and Losses has been presented.

Financial assets are held at fair value through profit and loss. The unrealised gains and losses are material, which are disclosed in Note 9.

Balance sheet
as at 31 December 2014

	Note	2014	2013
		$	$
ASSETS			
Investments			
Debt securities and other fixed income securities	12	49,920,784	47,622,138
Debtors: amounts falling due within one year			
Arising out of direct insurance operations		388,921	60,369
Other debtors	13	28,895	7,608
		417,814	67,977
Debtors: amounts falling due after one year			
Deferred tax asset	10	392	44,307
Other assets			
Cash at bank and in hand		381,325	2,345,672
Prepayments and accrued income			
Accrued interest		192,757	302,422
Deferred acquisition costs		46,490	1,145
Other prepayments and accrued income		1,067	-
		240,314	303,567
Total assets		50,960,629	50,383,661
LIABILITIES			
Capital and reserves			
Called up share capital	14	50,000,000	50,000,000
Profit and loss account	15	30,651	(154,646)
Shareholders' funds	16	50,030,651	49,845,354
Technical provisions			
Provision for unearned premiums		185,959	4,582
Creditors – amounts due within one year			
Arising out of direct insurance operations	17	93,107	9,687
Other creditors including taxation and social security	17	508,681	375,978
		601,788	385,665
Accruals and deferred income		142,231	148,060
Total liabilities		50,960,629	50,383,661

The financial statements on pages 8 to 21 were approved by the Board of Directors on 27 March 2015 and signed on its behalf by:

R Antes
Director
27 March 2015

Basis of preparation

The financial statements have been prepared on a going concern basis and in accordance with the requirements of Schedule 3 and Schedule 6 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ('SI 2008/410') relating to insurance groups under the Companies Act 2006, and with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers (the 'ABI SORP') dated December 2005 (as amended in December 2006).

The financial statements have been prepared in accordance with the applicable UK accounting standards. The financial statements have been prepared on the historical cost basis.

The financial statements are presented in United States dollars as the assets, liabilities and majority of the Company's transactions are denominated in that currency.

Cash flow statement

The Company is included in the consolidated financial statements of Uzbekinvest National Export Import Insurance Company, which are publicly available, and comprise a consolidated statement of cash flows. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under paragraph 5(a) of FRS 1, 'Cash Flow Statements'.

1 ACCOUNTING POLICIES

A summary of the significant accounting policies is set out below. These were consistently applied during the year.

Basis of accounting

The financial results of the Company are determined on an annual basis, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

(a) Premiums written relate to business incepted during the year, together with any difference between premiums booked for prior years and those previously accrued. Premiums are stated net of insurance premium taxes. There are some multi year contracts that are accounted for at inception of the policy and released evenly over the life of the policy in line with the emergence of risk.

(b) Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired risk of policies in force at the balance sheet date, calculated on a time apportionment basis.

(c) Provision for unexpired risks is made for any deficiencies arising when unearned premiums, net of associated deferred acquisition costs, are insufficient to meet expected claims and expenses taking into account future investment returns on the investments supporting the provision for unearned premiums and the provision for unexpired risks. The expected claims are calculated having regard to events that occurred prior to the balance sheet date. Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made only if an aggregate deficit arises.

(d) Acquisition costs, primarily commission charges from intermediaries, are deferred over the period in which the related premiums are earned.

1 ACCOUNTING POLICIES (CONTINUED)

Financial investments

The Company classifies debt securities and other fixed income securities as at 'fair value through profit or loss', as they are managed and their performance evaluated on a fair value basis. Management determines the classification of the investments upon their initial recognition.

The fair values of listed securities are based on the current market bid prices at the balance sheet date or the last trading day before that date.

Any gains or losses arising from changes in the fair value of the investments are presented in the profit and loss account within net unrealised gains or net unrealised losses on investments in the period in which they arise.

Interest on debt securities is recorded on an accruals basis with amounts owed at year end being shown within accrued interest on the balance sheet.

Investment Return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses.

Realised gains and losses on investments carried at fair value through profit and loss are calculated as the difference between net sales proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and either their purchase price or their fair value at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Foreign currencies

Monetary assets and liabilities in currencies other than US Dollars are translated at the mid-market rates of exchange ruling on the balance sheet date. Transactions during the year are translated using the rates of exchange prevailing at the date of the transaction. The exchange gains and losses are included in the non-technical account. Non-monetary assets and liabilities are reported using the exchange rates that prevailed at the date of the transaction.

Tax

The charge for tax is based on the results for the year adjusted for disallowable items. Deferred tax is provided in full on all timing differences. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax is calculated at the substantially enacted tax rate and where such an asset is recognised the credit is reflected in the profit and loss account for the year. Deferred tax balances are not discounted.

Insurance debtors and creditors

FRS 5, 'Reporting the substance of transactions', requires that offset of assets and liabilities should be recognised in financial statements where, and only where, the offset is legally enforceable and would survive the insolvency of the other party. Accordingly, insurance debtors and creditors, as presented, comprise respectively the totals of all the counterparties' individual outstanding debit and credit transactions before any offset. No account has been taken of any offsets which may be applicable in calculating the amounts due between the Company and each of the counterparty insurers or intermediaries as appropriate.

Dividends

Interim or final dividends payable are recognised when they are appropriately approved and no longer at the discretion of the Company.

2 SEGMENTAL INFORMATION

All premiums, profits and net assets relate to the political risk business transacted in the United Kingdom. The location of the risk of the business is in the Republic of Uzbekistan.

	Gross Premiums Written		Gross Premium Earned	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
Reinsurance acceptance				
Political risk	333,682	36,068	152,229	42,062
	333,682	36,068	152,229	42,062

3 FINANCIAL RISK AND CAPITAL MANAGEMENT

Financial risk management

The principal risks and uncertainties of the Company is financial risk through its financial assets, financial liabilities and policyholder liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations as they fall due. The major components of financial risk are market risk, credit risk and liquidity risk. The Company primarily faces interest rate risk due to the nature of its investments.

The Company's overall risk management programme focuses on the risks of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company is prudent in its approach to investment and this is reflected in the agreements it has with its investment manager. The Company advocates capital preservation and therefore requires investment in high quality, fixed interest bonds. There are regular investment meetings and the Company reviews the monthly investment reports provided by the investment manager as a means of actively managing its exposure to identified investment positions.

The Company has not changed the processes used to manage its risks from previous financial years. The notes below explain how financial risks are managed.

Market risk

The main components of market risk to which the Company is exposed are:

Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. Any difference between the duration of the assets and the estimated duration of the liabilities is minimised by means of holding fixed interest securities of different durations. A 10 basis points fall in interest yields would result in an additional profit before tax of US$127,672 (2013: US$60,276). A 10 basis points rise in interest yields would result in reduced profit before tax of US$127,672 (2013: US$ 60,276). The table below provides a maturity analysis of the Company's financial assets:

Debt securities and other fixed income securities:

	2014	**2013**
	$	**$**
Less than 1 year	9,552,843	14,203,149
Between 1 and 2 years	7,310,901	11,963,250
Between 2 and 5 years	32,990,795	13,432,976
More than 5 years	-	8,022,763
Total	49,854,539	47,622,138

3 FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

Market risk (continued)

Currency risk

The Company's main currency risks include its insurance debtors, trading cash accounts and debtors and creditors relating to net operating expenses.

The base currency of the Company's portfolio is US dollars. As at 31 December 2014, the Company held investments only in US dollars.

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The key area where the Company is exposed to credit risk is its exposure to corporate bonds.

In this regard, the Company places limits on its exposure to a single counterparty via its credit limit approval process. A reduction in the creditworthiness of the Company's investment portfolio is its most significant credit risk.

Credit risk

The assets and liabilities bearing credit risk are summarised below, together with an analysis by credit rating:

	2014	2013
	$	$
Debt securities and other fixed income securities	49,920,784	47,622,138
Loans and receivables	658,520	415,851
Cash at bank	381,325	2,345,672
Total assets bearing credit risk	50,960,629	50,383,661

	2014	2013
AAA	17,036,232	11,485,393
AA	24,488,354	28,418,122
A	8,329,953	7,718,622
Below BBB or not rated	1,106,090	2,761,524
Total assets bearing credit risk	50,960,629	50,383,661

No financial assets are past due or impaired at the reporting date and management expects no significant losses from non-performance by these counterparties.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The Company ensures cash will be available by ensuring the profile of investment maturities is managed so as to make sufficient funds available to meet anticipated demand. Assets held by the Company are debt securities or other fixed interest securities of varying maturities with an average duration of 2 years (2013: 2 years). No financial assets are overdue. The Company's insurance policies have a 180 day waiting period before a claim is eligible for payment due to the nature of the risk. This period allows sufficient time to accumulate the necessary funds to make a substantial claim payment.

3 FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

Liquidity risk (continued)

The maturity profile of the financial liabilities and assets below are all due within 6 months, as summarised below:

	2014	2013
	Less than 6 months	Less than 6 months
Financial Liabilities	$	$
Accruals and deferred income	142,231	148,060
Arising out of non-insurance operations	503,139	210,369
UK corporation tax payable	48,790	96,890
VAT	5,542	5,661
	699,702	460,980
Financial Assets		
Deferred tax	392	44,307
Other prepayments and accrued income	-	-
Accrued interest	192,757	300,575
Other debtors	-	-
Arising out of insurance operations	208,092	6,462
Cash at bank and in hand	141,325	47,672
	542,566	399,016

Fair value estimation

FRS 29 requires, for financial instruments held at fair value in the balance sheet, disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Company's assets and liabilities measured at fair value at 31 December 2014.

Financial assets at fair value through profit or loss:

	Level 1	Level 2	Total balance
	$	$	$
- debt securities and other fixed income securities	19,254,374	30,666,410	49,920,784
	19,254,374	30,666,410	49,920,784

3 FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

Fair value estimation (continued)

The following table presents the Company's assets and liabilities measured at fair value at 31 December 2013.

Financial assets at fair value through profit or loss:

	Level 1	Level 2	Total balance
	$	$	$
- debt securities and other fixed income securities	10,921,206	36,700,932	47,622,138
	10,921,206	36,700,932	47,622,138

The fair value of financial instruments traded in active markets is based on quoted bid prices at the balance sheet date as described in the accounting policy, Note 1. The Company closely monitors the valuation of the assets in markets to ensure they fall into Level 1 or Level 2 of the hierarchy. At 31 December 2014 and 31 December 2013there were no instruments in Level 3.

The investment portfolio includes USD 500,000 nominal value of medium term notes issued by Lehman Brothers Holdings Inc. The valuation of these bonds in the 2014 financial statements is US$ 66,250 based on the secondary market valuation (Bloomberg) representing the estimated future payments.

Capital management

The Company maintains an efficient capital structure of shareholders' funds, consistent with the Company's risk profile and the regulatory and market requirements of its business.

The Company's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- to maintain financial strength to support new business growth;
- to satisfy the requirements of its policyholders and regulators;
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- to allocate capital efficiently to support growth; and
- to manage exposures to movement in exchange rates.

The Company manages as capital all items that are eligible to be treated as capital for regulatory purposes.

The Company is regulated by the Prudential Regulation Authority ('PRA') and is subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities. The Company manages capital in accordance with these rules and has embedded in its framework the necessary tests to ensure continuous and full compliance with such regulations.

The Company is subject to the PRA's capital adequacy requirement (which is based on the EU Directive requirements). The Company aims to maintain capital at a level in excess of the minimum capital requirement, which at 31 December 2014 was US$4,524,073, (2013: US$5,211,349). At 31 December 2014, the total capital available to meet this requirement was approximately US$ 48,605,272 (2013: US$49,845,334), which exceeds the target. The Company complied with all externally imposed capital requirements throughout the year.

4 CHANGE IN THE PROVISION FOR CLAIMS

During 2007, the provision for claims was reduced to nil due to lack of any policyholders' notifications. The Company continues to review the need for any further provision on a policy by policy basis.

5 NET OPERATING EXPENSES

	2014	2013
	$	$
Acquisition costs	83,420	8,563
Change in deferred acquisition costs	(45,363)	(1,145)
	38,057	7,418
Administrative expenses	532,676	453,552
Total net operating expenses	570,733	460,970

Administrative expenses include auditors' remuneration of US$ 54,563 (2013: US$ 69,126) in respect of the audit of the Company.

6 OTHER (INCOME) / CHARGES

	2014	2013
	$	$
Net foreign exchange gains/(losses)	20,970	(17,516)
Bank charges and fees	(849)	(725)
Interest charged on tax liability	-	-
	20,121	(18,241)

7 STAFF COSTS

The average number of employees during the year was:

	2014	2013
	Number	Number
Management	1	1
Other	-	1
Total	1	2

Total remuneration paid to employees during the year was:

	2014	2013
	$	$
Wages, salaries and social security	103,427	95,489

8 DIRECTORS' EMOLUMENTS

	2014	2013
	$	$
Aggregate emoluments	-	-
The aggregate emoluments of the highest paid director	-	-

There were no emoluments paid to directors of the Company during the year.

No directors exercised share options or received shares in respect of qualifying services under any long term incentive scheme. No compensation was paid to the directors during the year for loss of office.

9 INVESTMENT RETURN

	2014 $	2013 $
Investment income		
Interest on other financial investments	846,046	1,078,571
	846,046	1,078,571
Investment expenses and charges		
Investment management expenses including interest expense	(111,918)	(109,558)
Losses on the realisation of investments	(463,960)	(241,467)
	(575,878)	(351,025)
Unrealised gains/(losses) on investments	362,302	(501,382)
Total investment income	632,470	226,164

10 TAX ON PROFIT ON ORDINARY ACTIVITIES

A) Analysis of charge for the year

	2014 $	2013 $
Current tax:		
UK corporation tax on profit of the year	4,875	-
Adjustment in respect of prior years	-	-
Total current tax:	4,875	-
Deferred tax:		
Origination and reversal of temporary differences	45,454	(49,054)
Effect of changes in tax rate	(1,055)	4,747
Adjustment in respect of prior years	(484)	
Total deferred tax	43,915	(44,307)
Tax charge on profit on ordinary activities	48,790	(44,307)

B) Factors affecting tax charge for year

	2014 $	2013 $
Profit on ordinary activities before tax	234,087	(210,985)
Profit/loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	50,329	(49,054)
Effects of:		
Permanent differences		-
Utilisation of losses brought forward	(45,454)	
Tax losses available to carry forward		49,054
Adjustment in respect of prior years		-
Current tax charge for the period	4,875	-

* The Finance Act 2013 (passed 17 July 2013) reduced the standard rate of corporation tax to 21% from 1 April 2014 and 20% from 1 April 2015. Accordingly the company's profits for this accounting period are taxed at an effective rate of 21.5%, and deferred tax is recognised at a rate of 20%.

C) Movement in deferred tax asset

	2014	2013
	$	$
At 1 January	44,307	-
Profit and loss account charge for the year	(43,915)	44,307
At 31 December	392	44,307

11 DIVIDENDS

No dividends were paid during 2014 (2013: US$ 400,000) based on the loss of 2013 (US$ 166,678).

12 FINANCIAL INVESTMENTS

	2014		2013	
	Market value $	Cost $	Market value $	Cost $
Debt securities and other fixed interest securities	49,920,784	49,883,345	47,622,138	47,949,501
	49,920,784	49,883,345	47,622,138	47,949,501

All financial investments are listed investments and are valued at prices provided by the Custodian.

13 OTHER DEBTORS

	2014	2013
	$	$
Other debtors	28,895	7,608

Other debtors consist of a trading balance due from AIG Uzbekinvest Limited relating to premiums due to the Company and a Personal Tax Refund receivable

14 CALLED-UP SHARE CAPITAL

	2014		2013	
	Number	$	Number	$
Authorised, issued and fully paid ordinary shares of US$ 100,000 each	500	50,000,000	500	50,000,000

15 PROFIT AND LOSS ACCOUNT

	2014	2013
	$	$
At 1 January	(154,646)	412,032
Profit for the financial year	185,297	(166,678)
Dividend paid during the year	-	(400,000)
At 31 December	30,651	(154,646)

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2014	2013
	$	$
At 1 January	49,845,354	50,412,032
Profit for the financial year	185,297	(166,678)
Dividend paid during the year	-	(400,000)
At 31 December	50,030,651	49,845,354

17 CREDITORS

	2014	2013
	$	$
Arising out of insurance operations	93,107	9,687
Arising out of non-insurance operations	498,264	273,427
UK corporation tax payable	4,875	96,890
Value added tax	5,542	5,661
	601,788	385,665

All creditors are due within one year.

18 RELATED PARTY TRANSACTIONS

As consolidated financial statements of the ultimate parent are publicly available, the Company has taken advantage of the exemption from the requirement to disclose transactions with related parties that are wholly owned within the UNEIIC Group.

The Company has entered into a managing general agency agreement with AIG Uzbekinvest Limited, a Company incorporated in Great Britain. It has appointed AIG Uzbekinvest Limited as an exclusive agent worldwide, with the authority to do all things necessary for or incidental to the transaction of all types of authorised insurance and reinsurance business.

The agency agreement allows for an annual service fee and management recharges of all administrative expenses paid by AIG Uzbekinvest Limited on behalf of the Company. During the year the charges were as follows:

	2014	2013
	$	$
Service fees	243,496	119,575
Management fees recharged	322,149	265,083
	565,645	384,658

A balance of US$ 396,080 (2013: US$ 67,977) was receivable from and a balance of US$ 584,307 (2013: US$ 283,114) was payable to AIG Uzbekinvest Limited as at 31 December 2014.

There have been no material transactions with directors or other officers during the year, requiring disclosure under FRS 8, 'Related Party Disclosures'.

19 ULTIMATE PARENT COMPANY

The immediate parent undertaking is Uzbekinvest National Export-Import Insurance Company.

The ultimate parent undertaking and controlling party is Uzbekinvest National Export-Import Insurance Company, a company incorporated in the Republic of Uzbekistan.

Uzbekinvest National Export-Import Insurance Company is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2014. The consolidated financial statements of Uzbekinvest National Export-Import Insurance Company available from 2 A.Kodiriy Street, 100017 Tashkent, Uzbekistan.

20 CAPITAL COMMITMENTS

There are no capital commitments at the balance sheet date.