

Uzbekinvest International Insurance Company Limited

Annual Report and Financial Statements

for the year ended 31 December 2011

Registered number: 2997845

Uzbekinvest International Insurance Company Limited

Annual report and Financial Statements for the year ended 31 December 2011

Contents

	Pages
Company Information	1
Directors' report	2
Independent auditors' report	6
Profit and loss account	8
Balance sheet	10
Notes to the financial statements	11

Uzbekinvest International Insurance Company Limited

Company Information

For the year ended 31 December 2011

Directors

B B Ashrafkhanov (Chairman)
R A Gulyamov
F A Saidakhmedov
S A Vafaev
J J Salinger (non-executive director)

Company Secretary

H Golding

Registered office

The Chartis Building
58 Fenchurch Street
London
EC3M 4AB

Registered auditors

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

Principal bankers

Citibank N A
Citigroup Centre
Canada Square
London
E14 5LB

Investment advisers

Clariden Leu Asset Management (UK) Limited
27 Knightsbridge
London
SW1X 7LY

HSBC Global Asset Management (UK) Limited
78 St. James's Street
London
SW1A 1EJ

Uzbekinvest International Insurance Company Limited

Directors' report for the year ended 31 December 2011

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 2011.

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.

Business review

Results and performance

The results of the Company for the year, as shown on page 9, show a profit on ordinary activities before tax of US\$259,012 (2010: US\$ 647,894). At 31 December 2011, the shareholders' funds of the Company, as shown on page 10, total US\$ 50,411,997 (2010: US\$ 50,640,368). The level of gross premiums written, as shown on page 8 has increased as a result of new premiums written during the year.

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 infrastructure 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, mainly concentrating in commodities, energy, mining, construction and transport sectors. 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.

Consistent with prior years no claims have been notified in 2011. 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.

Dividends

A final dividend of US\$400,000 was paid in 2011 based on the 2010 results of the Company (2010: Nil).

Business Strategy

Despite the changes in the business environment we believe that 2012 promises to be another challenging year for investors. The Company intends to continue offering the same insurance policies designed to protect the business and assets of companies investing or doing business in the Republic of Uzbekistan.

The Company will continue to minimise its expenses and maximise its efforts to get more business and increase its underwriting profit. Regarding investment portfolio management and investment income, our attitude toward the high-yield segment will become more positive once a clearer picture of the debt crisis and future economic growth emerges.

Business Environment

2011 was an extremely difficult year for investors. Global economic recovery and the sovereign debt problems in Europe are having a negative impact on the financial sector.

The Republic of Uzbekistan still remains attractive to foreign investors, all investment projects in Uzbekistan have strong government backing and support, but over the last 3 years the structure of investments has changed, especially the proportion of investments from private investors to international financial institutions (ADB, World Bank, etc.) or foreign state companies when demand for coverage from political risk is decreasing. The country remains politically stable and has improved relations with developed and developing countries keeping strategic partnerships in the region in which their companies operate.

Due to the State Investment Program of Uzbekistan for 2012, there is a good potential for the Company to be positively impacted. However the real and significant growth of premiums we can expect is when global economy will be fully stabilized and foreign private investors will return to the country.

Uzbekinvest International Insurance Company Limited

Directors' report (continued) for the year ended 31 December 2011 (continued)

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 and the risk committee. Compliance with regulations, legal and ethical standards is a high priority for the Company. 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.

Key performance indicators

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

	2011 US\$	2010 US\$
Gross premiums written	42,855	5,470
Underwriting result	(667,344)	(551,421)
Ratio of investment return to the value of invested assets	3.22%	2.41%
Return on capital employed (profit for the financial year before tax in relation to the average equity shareholders' funds)	0.51%	1.15%

Future outlook

The Company has developed an action plan which was implemented in 2011 in order to re-start premium growth. The action plan included; greater involvement by directors in the Company's activities, business trips to Uzbekistan, a more sophisticated marketing strategy and an increased focus on potential projects in Uzbekistan according to the country's investment and industrial development programmes.

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. The Company will continue to identify the banks providing backing to companies participating in these projects and actively develop these business relationships.

The Company will continue to actively follow up on quotes made and review reasons for rejections to improve the conversion ratio of enquiries into booked business transactions.

To attract more clients, the Company will continue to publish its advertisements in the media, and will renew and redesign its website.

Uzbekinvest International Insurance Company Limited

Directors' report (continued) for the year ended 31 December 2011 (continued)

Directors

Directors and directors' interests

The names of the current directors are listed on page 1. All directors held office throughout the year and there were no appointments or resignations.

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

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 2011 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 elected to prepare 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 those 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 accounting standards have been followed, subject to any major 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.

Uzbekinvest International Insurance Company Limited

Directors' report (continued) for the year ended 31 December 2011 (continued)

Statement of directors' responsibilities (continued)

Policy and practice on payment of creditors

The Company's current policy concerning the payment of creditors is to:

- Agree the terms of payment with those suppliers when negotiating the terms of each transaction;
- Ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- Pay in accordance with in the Company's contractual and other legal obligations.

The payment policy applies to all such payments to creditors for revenue and capital supplies of goods and services without exception.

The Company's average creditor payment period at 31 December 2011 was 94 days (2010: 13 days).

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.

By the order of the Board

J J Salinger

Director

Date.....3/27/12.....

Uzbekinvest International Insurance Company Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UZBEKINVEST INTERNATIONAL INSURANCE COMPANY LIMITED

We have audited the financial statements of Uzbekinvest International Insurance Company Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes to the accounts. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 4 and 5, 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). 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.

Scope of the audit of the financial statements

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. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011 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.

Opinion on other matter prescribed by the Companies Act 2006

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

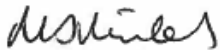
Uzbekinvest International Insurance Company Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UZBEKINVEST INTERNATIONAL INSURANCE COMPANY LIMITED (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Matthew Nichols (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London United Kingdom

Date: 28 March 2012

Uzbekinvest International Insurance Company Limited

Profit and loss account for the year ended 31 December 2011

Technical account - general business

	Note	2011 US\$	2010 US\$
Earned premiums, net of reinsurance			
Gross premiums written		42,855	5,470
Net premiums written		42,855	5,470
Change in the gross provision for unearned premiums		60,157	112,192
Change in the net provision for unearned premiums		60,157	112,192
Earned premiums, net of reinsurance		103,012	117,662
Claims incurred, net of reinsurance	4	-	-
Net operating expenses	5	(770,356)	(669,083)
Total technical charges		(770,356)	(669,083)
Balance on the technical account for general business		(667,344)	(551,421)

Uzbekinvest International Insurance Company Limited

Profit and loss account for the year ended 31 December 2011

Non-technical account

	Notes	2011 US\$	2010 US\$
Balance on the general business technical account		(667,344)	(551,421)
Investment income	9	1,559,899	1,643,059
Investment expenses and charges		(278,950)	(147,805)
Unrealised losses on investments	9	(351,898)	(288,569)
		261,707	655,264
Other charges	6	(2,695)	(7,370)
Profit on ordinary activities before tax		259,012	647,894
Tax on profit on ordinary activities	10	(87,383)	(194,673)
Profit for the financial year	16	171,629	453,221

The above operating results are all derived from continuing operations.

The Company has no recognised gains and losses other than the profit for the 2011 and 2010 financial years and therefore, no separate Statement of Total Recognised Gains and Losses has been presented.

There are no material differences between the profit on ordinary activities before tax or the profit for the financial year stated above and their historical cost equivalent.

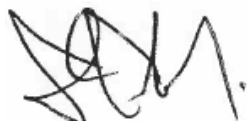
Uzbekinvest International Insurance Company Limited

Balance sheet as at 31 December 2011

	Note	2011 US\$	2010 US\$
ASSETS			
Tangible fixed assets			
Furniture, fixtures and fittings	14	-	-
		-	-
Investments			
Debt securities and other fixed income securities	12	49,913,525	49,625,158
		49,913,525	49,625,158
Debtors: amounts falling due within one year			
Arising out of direct insurance operations		42,855	-
Other debtors	13	9,590	13,605
		52,445	13,605
Debtors: amounts falling due after one year			
Deferred tax asset	10	703	11,816
		703	11,816
Other assets			
Cash at bank and in hand		374,943	968,246
		374,943	968,246
Prepayments and accrued income			
Accrued interest		413,104	388,358
Deferred acquisition costs		5,677	20,716
Other prepayments and accrued income		12,765	2,398
		431,546	411,472
Total assets		50,773,162	51,030,297
LIABILITIES			
Capital and reserves			
Called up share capital	15	50,000,000	50,000,000
Profit and loss account	16	411,997	640,368
Shareholders' funds	17	50,411,997	50,640,368
Technical provisions			
Provision for unearned premiums		22,708	82,865
		22,708	82,865
Creditors – amounts due within one year			
Arising out of direct insurance operations	18	20,741	10,025
Other creditors including taxation and social security	18	178,737	226,489
		199,479	236,514
Accruals and deferred income			
		138,979	70,550
Total liabilities		50,773,162	51,030,297

The financial statements on pages 8 to 23 were approved by the Board of Directors on 31/23/12 and signed on its behalf by:

J J Salinger
Director



Registered number: 2997845

Uzbekinvest International Insurance Company Limited

Notes to the financial statements for the year ended 31 December 2011

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 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:

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.
- (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.

Uzbekinvest International Insurance Company Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

1 Accounting policies (continued)

Basis of accounting (continued)

- (e) The provision for the cost of claims incurred but not reported is reviewed prior to the binding of the policies by the directors of the Company for each type of business transacted by the Company on the basis of the best information available at the time, including potential outstanding loss advices and experience of development of similar claims.

The methods used, and the estimates made, are reviewed regularly.

Other 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 'unrealised gains or 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.

Derivative financial instruments

The Company may enter into foreign currency purchase commitments to hedge its investments in securities denominated in currencies other than US dollars. All contracts are designated as at 'fair value through profit or loss' as they are managed and their performance evaluated on a fair value basis. There were no foreign currency purchase commitments undertaken by the Company during the years ended 31 December 2011 and 2010.

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 rates at which it is expected that the tax liability or benefit will arise, 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

Uzbekinvest International Insurance Company Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

1 Accounting policies (continued)

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

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	
	2011	2010	2011	2010
Direct Insurance				
Political risk	23,587	5,470	14,282	5,470
Reinsurance acceptance				
Political risk	19,268	-	5,866	-
	42,855	5,470	20,148	5,470

3 Financial risk and capital management

Financial risk management

The Company is exposed to 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.

These risks arise from open positions in interest rate, currency and derivative products, all of which are exposed to general and specific market movements. 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 managers. 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 managers 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.

Uzbekinvest International Insurance Company Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

3 Financial risk and capital management (continued)

Financial risk management (continued)

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\$65,807 (2010: US\$ 92,348). A 10 basis points rise in interest yields would result in reduced profit before tax of US\$64,807 (2010: US\$ 92,348). The table below provides a maturity analysis of the Company's financial assets:

Debt securities and other fixed income securities

	2011	2010
	US\$	US\$
Less than 1 year	14,604,421	13,774,704
Between 1 and 2 years	14,804,972	11,849,204
Between 2 and 5 years	20,504,132	24,001,250
Total	<u>49,913,525</u>	<u>49,625,158</u>

Currency risk

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

During 2011 the position of trading cash accounts, debtors and creditors of each currency was such that a fluctuation of 5 basis points in the exchange rate of foreign currencies against US Dollars would result in additional profit or loss before tax of US\$138 (2010: US\$67). The group seeks to mitigate this risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

The base currency of the Company's portfolio is US dollars. As at 31 December 2011, 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.

Uzbekinvest International Insurance Company Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

3 Financial risk and capital management (continued)

Market risk (continued)

Credit risk

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

	2011	2010
Assets	US\$	US\$
Debt securities and other fixed income securities	49,913,525	49,625,158
Loans and receivables	478,314	404,361
Cash at bank	374,943	968,246
Total assets bearing credit risk	<u>50,766,782</u>	<u>50,997,765</u>
AAA	8,349,725	23,296,533
AA	34,591,751	19,315,731
A	5,582,440	5,570,724
Below BBB or not rated	2,242,866	2,814,777
Total assets bearing credit risk	<u>50,766,782</u>	<u>50,997,765</u>

No credit limits were exceeded during the period. 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 3 years (2010: 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.

Uzbekinvest International Insurance Company Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

3 Financial risk and capital management (continued)

Market risk (continued)

Liquidity risk (continued)

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

	2011	2010
	Less than 6 months	Less than 6 months
	US\$	US\$
Financial Liabilities		
Accruals and deferred income	138,979	70,550
Arising out of non-insurance operations	163,087	47,558
UK corporation tax payable	15,650	178,931
	<u>317,716</u>	<u>297,039</u>
Financial Assets		
Other prepayments and accrued income	12,765	2,398
Accrued interest	413,104	388,358
Other debtors	9,590	13,605
Arising out of insurance operations	42,855	-
Cash at bank and in hand	374,943	968,246
	<u>853,257</u>	<u>1,372,607</u>

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).

Uzbekinvest International Insurance Company Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

3 Financial risk and capital management (continued)

Market risk (continued)

Liquidity risk (continued)

The following table presents the Company's assets and liabilities measured at fair value at 31 December 2011.

	Level 1	Level 2	Total balance
	\$	\$	\$
Assets			
Financial assets at fair value through profit or loss:			
- debt securities and other fixed income securities	17,843,719	32,069,806	49,913,525
	<u>17,843,719</u>	<u>32,069,806</u>	<u>49,913,525</u>

The following table presents the Company's assets and liabilities measured at fair value at 31 December 2010.

	Level 1	Level 2	Total balance
	\$	\$	\$
Assets			
Financial assets at fair value through profit or loss:			
- debt securities and other fixed income securities	13,865,744	35,759,414	49,625,158
	<u>13,865,744</u>	<u>35,759,414</u>	<u>49,625,158</u>

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 2011 and 31 December 2010 there were no instruments in Level 3.

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.

Uzbekinvest International Insurance Company Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

3 Financial risk and capital management (continued)

Capital Management (continued)

The Company is regulated by the Financial Services Authority ('FSA') 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 FSA'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 2011 was US\$4,738,175 (2010: US\$4,738,144). At 31 December 2011, the total capital available to meet this requirement was approximately US\$50,411,997 (2010: US\$50,640,368), 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

	2011 US\$	2010 US\$
Acquisition costs	10,714	1,367
Change in deferred acquisition costs	<u>15,039</u>	<u>28,048</u>
	25,753	29,415
Administrative expenses	<u>744,603</u>	<u>639,668</u>
Total net operating expenses	<u><u>770,356</u></u>	<u><u>669,083</u></u>

Administrative expenses include auditors' remuneration of US\$ 53,749 (2010: US\$ 28,055) in respect of the audit of the Company.

6 Other charges

	2011 US\$	2010 US\$
Net foreign exchange gains	(626)	(5,063)
Bank charges and fees	832	1,620
Interest charged on tax liability	<u>2,489</u>	<u>10,813</u>
	<u><u>2,695</u></u>	<u><u>7,370</u></u>

7 Staff costs

The average number of employees during the year was:

	2011 Number	2010 Number
Management	1	1
Other	1	1
Total	<u><u>2</u></u>	<u><u>2</u></u>

Total remuneration paid to employees during the year was:

	2011 US\$	2010 US\$
Wages, salaries and social security	158,703	124,798

Uzbekinvest International Insurance Company Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

8 Directors' emoluments

	2011 US\$	2010 US\$
Aggregate emoluments	-	-
The aggregate emoluments of the highest paid director	-	-

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

At year end, no directors (2010: nil) were members of the defined benefits pension scheme operated by Chartis UK Services Limited.

At year end, no directors (2010: nil) were members of the defined contributions pension scheme operated by Chartis UK Services Limited.

No directors exercised share options or received shares in respect of qualifying services under any long term incentive scheme.

No compensation was paid to directors during the year for loss of office.

9 Investment return

	2011 US\$	2010 US\$
Investment income		
Interest on other financial investments	1,559,899	1,643,059
	<u>1,559,899</u>	<u>1,643,059</u>
Investment expenses and charges		
Investment management expenses including interest expense	(105,033)	(111,675)
Losses on the realisation of investments	(173,917)	(36,130)
	<u>(278,950)</u>	<u>(147,805)</u>
Unrealised losses on investments	(351,898)	(288,569)
Total investment income	<u>929,051</u>	<u>1,206,685</u>

The Company lends the securities held by one of its custodians ("Clariden Leu") to Clariden Leu as part of a stock lending transaction. Under the terms of this transaction, the Company receives a fee and Clariden Leu guarantee the return of the security or a cash sum equal to the security value at that date. Fees received are accounted for as investment income. Management monitors the credit risk of Clariden Leu on an ongoing basis.

Uzbekinvest International Insurance Company Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

10 Tax on profit on ordinary activities

A) Analysis of charge for the year	2011	2010
	US\$	US\$
Current tax:		
UK corporation tax on profit of the year	70,667	202,260
Adjustment in respect of prior years	5,603	3,103
Total current tax:	<u>76,270</u>	<u>205,363</u>
Deferred tax:		
Origination and reversal of temporary differences	286	(10,730)
Effect of changes in tax rate	10,827	40
Total deferred tax	<u>11,113</u>	<u>(10,690)</u>
Tax charge on profit on ordinary activities	<u>87,383</u>	<u>194,673</u>
B) Factors affecting tax charge for year	2011	2010
	US\$	US\$
Profit on ordinary activities before tax	<u>259,012</u>	<u>647,894</u>
Profit/loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.50% (2010: 28%)	68,638	181,410
Effects of:		
Permanent differences	2,223	9,722
Depreciation in excess/lower than capital allowances	(194)	(100)
Other items resulting in temporary differences		11,228
Current tax charge for the period	<u>70,667</u>	<u>202,260</u>

* The standard rate of Corporation Tax in the UK changed from 28% to 26% with effect from 1 April 2011. Accordingly the company's profits for this accounting period are taxed at an effective rate of 26.5% and will be taxed at 26% in the future.

C) Movement in deferred tax asset	2011	2010
	US\$	US\$
At 1 January	11,816	1,126
Profit and loss account charge for the year	(11,113)	10,690
At 31 December	<u>703</u>	<u>11,816</u>

11 Dividends

A dividend of US\$400,000 was paid on 25 August 2011 at a share value of \$800 each based on the 2010 results of the Company (2010: 1,800,000).

Uzbekinvest International Insurance Company Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

12 Other financial investments

	2011		2010	
	Market value	Cost	Market value	Cost
	US\$	US\$	US\$	US\$
Debt securities and other fixed interest securities	49,913,525	50,521,558	49,625,158	50,627,332
	<u>49,913,525</u>	<u>50,521,558</u>	<u>49,625,158</u>	<u>50,627,332</u>

All financial investments are listed investments. The directors believe that the carrying value of the investments is supported by their underlying net assets.

13 Other debtors

	2011 US\$	2010 US\$
Other debtors	<u>9,590</u>	<u>13,605</u>

Other debtors include amounts owed by Chartis Uzbekinvest Limited for non-insurance related balances.

14 Tangible fixed assets

	2011 US\$	2010 US\$
Cost		
At 1 January	-	11,246
At 31 December	<u>-</u>	<u>11,246</u>
Accumulated Depreciation		
At 1 January	-	10,689
Depreciation during the year	-	557
At 31 December	<u>-</u>	<u>11,246</u>
Carrying value At 1 January	-	557
Carrying value At 31 December	<u>-</u>	<u>-</u>

Uzbekinvest International Insurance Company Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

15 Called-up share capital

	2011		2010	
	Number	US\$	Number	US\$
Authorised, issued and fully paid ordinary shares of US\$ 100,000 each	500	50,000,000	500	50,000,000

During 2010, the Company's shareholder, Uzbekinvest National Export-Import Insurance Company reduced its investment by \$10m. This reduced the Company's share capital from \$60m to \$50m.

16 Profit and loss account

	2011 US\$	2010 US\$
At 1 January	640,368	1,987,147
Profit for the financial year	171,629	453,221
Dividend paid during the year	(400,000)	(1,800,000)
At 31 December	411,997	640,368

17 Reconciliation of movements in shareholders' funds

	2011 US\$	2010 US\$
At 1 January	50,640,368	61,987,147
Profit for the financial year	171,629	453,221
Reduction in Capital	-	(10,000,000)
Dividend paid during the year	(400,000)	(1,800,000)
At 31 December	50,411,997	50,640,368

18 Creditors

	2011 US\$	2010 US\$
Arising out of insurance operations	20,741	10,025
Arising out of non-insurance operations	163,087	47,558
UK corporation tax receivable	15,651	178,931
	199,479	236,514

All creditors are due within one year.

Uzbekinvest International Insurance Company Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

19 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. No other related-party transactions were noted during the year.

The Company has entered into a managing general agency agreement with Chartis Uzbekinvest Limited, a Company incorporated in Great Britain. It has appointed Chartis 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 Chartis Uzbekinvest Limited on behalf of the Company. During the year the charges were as follows:

	2011	2010
	US\$	US\$
Service fees	144,082	93,090
Management fees recharged	<u>468,512</u>	<u>338,162</u>
	<u>612,594</u>	<u>431,252</u>

A balance of US\$ 32,141 (2010: US\$ 53,704) was receivable from and a balance of US\$ 175,415 (2010: US\$ 57,583) was payable to Chartis Uzbekinvest Limited as at 31 December 2011.

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

20 Ultimate parent company

The ultimate parent company is Uzbekinvest National Export-Import Insurance Company (the "Ultimate Parent"), a company incorporated in the Republic of Uzbekistan and wholly owned by the Government of the Republic of Uzbekistan. Copies of the financial statements of the Ultimate Parent can be obtained from the Ultimate Parent's registered address at 2 A.Kodiriy Street, 100017 Tashkent, Uzbekistan.

21 Capital commitments

There are no capital commitments at the balance sheet date.