



Uzbekinvest International Insurance Company Limited

Annual Report and Financial Statements

for the year ended 31 December 2013

Registered number: 2997845

Uzbekinvest International Insurance Company Limited

Annual Report and Financial Statements for the year ended 31 December 2013

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Uzbekinvest International Insurance Company Limited

Company Information

For the year ended 31 December 2013

Directors

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

Company Secretary

C Newby

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

Review of the business

The results of the Company for the year, as shown on page 8 and page 9, show a loss on ordinary activities before tax of US\$210,985 (2012: US\$ 548,635 profit). UIIC is a conservative investor, so the loss is related mainly to technical drop of investment portfolio valuation due to US Fed manoeuvres with external borrowings on bond markets. At 31 December 2013, the shareholders' funds of the Company, as shown on page 10, total US\$49,845,354 (2012: US\$ 50,412,032). The level of gross premiums written, as shown on page 8, has increased to \$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 2013. 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 2013, 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 stabilized and foreign private investors return to the country.

Business Strategy

Despite the signs of change in the world business environment and economic stabilization we believe that 2013 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 maximize 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:

	2013 US\$	2012 US\$
Gross premiums written	36,068	25,380
Underwriting result	(418,908)	(433,218)
Ratio of investment return to the value of invested assets	2.15%	2.63%
Return on capital employed (profit for the financial year before tax in relation to the average equity shareholders' funds)	-0.42%	1.09%

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 revised internally by the company on a quarterly and by the Board on an annual 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 2012-2013 which includes a more 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

Date: 25 March 2014

Uzbekinvest International Insurance Company Limited

Directors' report for the year ended 31 December 2013

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 2013.

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

A final dividend of US\$400,000 was paid in 2013 based on the 2012 results of the Company (2012: US\$400,000).

Directors and directors' interests

The names of the current directors are listed on page 1. Four directors (Bakhrom Bakhodirovich Ashrafkhanov, Ravshan Ayubovich Gulyamov, Fakhritdin Anvarovich Saidakhmedov and Shuhrat Abdusharifovich Vafaev) held office throughout the year and up to the date of signing the financial statements. Mr. Raymond Antes was appointed as director of the Company with effect from 28 May 2013, while Mr. John Salinger resigned with effect from 14 May 2013.

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 2013 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

Date: 25 March 2014

Independent Auditors' report to the Members of Uzbekinvest International Insurance Company Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit/loss and of cash flows 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Uzbekinvest International Insurance Company, comprise:

- the statement of financial position as at 31 December 2013;
- the income statement for the year then ended;
- the statement of cash flows for the year then ended;
- the accounting policies; 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 their preparation 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.

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Strategic Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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.

In addition, we read all the financial and non-financial information in the Strategic 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and Strategic 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 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 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.

Matthew Nichols (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 March 2014

Uzbekinvest International Insurance Company Limited

Profit and loss account for the year ended 31 December 2013

Technical account - general business

	Note	2013 US\$	2012 US\$
Earned premiums, net of reinsurance			
Gross premiums written		36,068	25,380
Net premiums written		36,068	25,380
Change in the gross provision for unearned premiums		5,994	12,131
Change in the net provision for unearned premiums		5,994	12,131
Earned premiums, net of reinsurance		42,062	37,511
Claims incurred, net of reinsurance	4	-	-
Net operating expenses	5	(460,970)	(470,729)
Total technical charges		(460,970)	(470,729)
Balance on the technical account for general business		(418,908)	(433,218)

Uzbekinvest International Insurance Company Limited

Profit and loss account for the year ended 31 December 2013

Non-technical account

	Notes	2013 US\$	2012 US\$
Balance on the general business technical account		(418,908)	(433,218)
Investment income	9	1,078,571	1,195,293
Net unrealised gains on investments	9	-	33,764
Net unrealised losses on investments	9	(501,382)	-
Investment expenses and charges	9	(351,025)	(256,062)
		(192,744)	539,777
Other income / (charges)	6	(18,241)	8,858
Profit on ordinary activities before tax		(210,985)	548,635
Tax on profit on ordinary activities	10	44,307	(148,600)
Profit for the financial year	16	(166,678)	400,035

The above operating results are all derived from continuing operations.

The Company has no recognised gains and losses other than the profit for the 2013 and 2012 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 years stated above and their historical cost equivalent.

Uzbekinvest International Insurance Company Limited

Balance sheet as at 31 December 2013

	Note	2013 US\$	2012 US\$
ASSETS			
Investments			
Debt securities and other fixed income securities	12	47,622,138	49,851,985
Debtors: amounts falling due within one year			
Arising out of direct insurance operations		60,369	25,380
Other debtors	13	7,608	26,462
		67,977	51,842
Debtors: amounts falling due after one year			
Deferred tax asset	10	44,307	-
Other assets			
Cash at bank and in hand		2,345,672	417,051
Prepayments and accrued income			
Accrued interest		302,422	351,921
Deferred acquisition costs		1,145	-
Other prepayments and accrued income		-	11,439
		303,567	363,360
Total assets		50,383,661	50,684,238
LIABILITIES			
Capital and reserves			
Called up share capital	14	50,000,000	50,000,000
Profit and loss account	15	(154,646)	412,032
Shareholders' funds	16	49,845,354	50,412,032
Technical provisions			
Provision for unearned premiums		4,582	10,577
Creditors – amounts due within one year			
Arising out of direct insurance operations	17	9,687	6,347
Other creditors including taxation and social security	17	375,978	130,542
		385,665	136,889
Accruals and deferred income		148,060	124,740
Total liabilities		50,383,661	50,684,238

The financial statements on pages 8 to 23 were approved by the Board of Directors on 25 March 2014 and signed on its behalf by:

R Antes

Director

Registered number: 2997845

Uzbekinvest International Insurance Company Limited

Notes to the financial statements for the year ended 31 December 2013

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. 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.

Uzbekinvest International Insurance Company Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

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.

Uzbekinvest International Insurance Company Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

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	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Direct Insurance				
Political risk	-	-	-	-
Reinsurance acceptance				
Political risk	36,068	25,380	42,062	14,795
	36,068	25,380	42,062	14,795

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\$60,276 (2012: US\$60,671). A 10 basis points rise in interest yields would result in reduced profit before tax of US\$60,276 (2012: US\$ 60,671). The table below provides a maturity analysis of the Company's financial assets:

Uzbekinvest International Insurance Company Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

3 Financial risk and capital management (continued)

Debt securities and other fixed income securities

	2013	2012
	US\$	US\$
Less than 1 year	14,203,149	13,256,100
Between 1 and 2 years	11,963,250	14,743,063
Between 2 and 5 years	13,432,976	21,602,447
More than 5 years	8,022,763	250,375
Total	<u>47,622,138</u>	<u>49,851,985</u>

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 2013, 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:

	2013	2012
	US\$	US\$
Assets		
Debt securities and other fixed income securities	47,622,138	49,851,985
Loans and receivables	415,851	415,202
Cash at bank	2,345,672	417,051
Total assets bearing credit risk	<u>50,383,661</u>	<u>50,684,238</u>
AAA	11,485,393	12,815,037
AA	28,418,122	29,800,156
A	7,718,622	7,236,792
Below BBB or not rated	2,761,524	832,253
Total assets bearing credit risk	<u>50,383,661</u>	<u>50,684,238</u>

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

Uzbekinvest International Insurance Company Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

3 Financial risk and capital management (continued)

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 (2012: 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.

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

	2013	2012
	Less than 6 months	Less than 6 months
	US\$	US\$
Financial Liabilities		
Accruals and deferred income	148,060	124,740
Arising out of non-insurance operations	210,369	32,960
UK corporation tax payable	96,890	97,582
VAT	5,661	0
	<u>460,980</u>	<u>255,282</u>
Financial Assets		
Deferred tax	44,307	0
Other prepayments and accrued income	0	11,439
Accrued interest	300,575	351,921
Other debtors	0	26,462
Arising out of insurance operations	6,462	25,380
Cash at bank and in hand	47,672	417,051
	<u>399,016</u>	<u>832,253</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 2013 (continued)

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.

Assets

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	38,998,932	47,622,138

The following table presents the Company's assets and liabilities measured at fair value at 31 December 2012.

Assets

Financial assets at fair value through profit or loss:

	Level 1	Level 2	Total balance
	\$	\$	\$
- debt securities and other fixed income securities	13,952,064	35,899,921	49,851,985
	13,952,064	35,899,921	49,851,985

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 2013 and 31 December 2012 there 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. These holdings were written down to zero as of 2012. December 31. as they are in default status. The valuation of these bonds in the 2013 financial statements is zero, but based on the secondary market valuation (Bloomberg) the present value of expected future proceeds to be received during the liquidation process by UIIC is USD 104,690 that represents a future positive P&L impact when collected.

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.

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Notes to the financial statements for the year ended 31 December 2013 (continued)

3 Financial risk and capital management (continued)

Capital Management (continued)

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 2013 was US\$5,211,349, (2012: US\$4,883,630). At 31 December 2013, the total capital available to meet this requirement was approximately US\$49,845,334 (2012: US\$50,464,644), 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

	2013 US\$	2012 US\$
Acquisition costs	8,563	6,345
Change in deferred acquisition costs	(1,145)	5,677
	<u>7,418</u>	<u>12,022</u>
Administrative expenses	453,552	458,707
Total net operating expenses	<u>460,970</u>	<u>470,729</u>

Administrative expenses include auditors' remuneration of US\$ 69,126 (2012: US\$ 53,749) in respect of the audit of the Company.

6 Other (Income) / Charges

	2013 US\$	2012 US\$
Net foreign exchange gains/(losses)	(17,516)	9,644
Bank charges and fees	(725)	(786)
Interest charged on tax liability	-	-
	<u>(18,241)</u>	<u>8,858</u>

7 Staff costs

The average number of employees during the year was:

	2013 Number	2012 Number
Management	1	1
Other	1	1
Total	<u>2</u>	<u>2</u>

Total remuneration paid to employees during the year was:

	2013 US\$	2012 US\$
Wages, salaries and social security	95,489	98,336

Uzbekinvest International Insurance Company Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

8 Directors' emoluments

	2013 US\$	2012 US\$
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

	2013 US\$	2012 US\$
Investment income		
Interest on other financial investments	1,078,571	1,195,293
	<u>1,078,571</u>	<u>1,195,293</u>
Investment expenses and charges		
Investment management expenses including interest expense	(109,558)	(45,333)
Losses on the realisation of investments	(241,467)	(210,729)
	<u>(351,025)</u>	<u>(256,062)</u>
Unrealised gains/(losses) on investments	(501,382)	33,764
Total investment income	<u>226,164</u>	<u>972,995</u>

Uzbekinvest International Insurance Company Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

10 Tax on profit on ordinary activities

A) Analysis of charge for the year	2013	2012
	US\$	US\$
Current tax:		
UK corporation tax on profit of the year	0	134,416
Adjustment in respect of prior years	0	13,481
Total current tax:	<u>0</u>	<u>147,897</u>
Deferred tax:		
Origination and reversal of temporary differences	(49,054)	703
Effect of changes in tax rate	4,747	-
Total deferred tax	<u>(44,307)</u>	<u>703</u>
Tax charge on profit on ordinary activities	<u>(44,307)</u>	<u>148,600</u>
B) Factors affecting tax charge for year	2013	2012
	US\$	US\$
Profit on ordinary activities before tax	<u>(210,985)</u>	<u>548,635</u>
Profit/loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24.50%)	(49,054)	134,416
Effects of:		
Permanent differences	-	-
Tax losses available to carry forward	49,054	-
Adjustment in respect of prior years	-	13,481
Current tax charge for the period	<u>-</u>	<u>147,897</u>

* The standard rate of Corporation Tax in the UK changed from 24% to 23% with effect from 1 April 2013. The rate will change to 21% on 1 April 2014 and to 20% on 1 April 2015. Accordingly the company's profits for this accounting period are taxed at an effective rate of 23.25%, and deferred tax is recognised at a rate of 21%.

C) Movement in deferred tax asset	2013	2012
	US\$	US\$
At 1 January	-	703
Profit and loss account charge for the year	44,307	(703)
At 31 December	<u>44,307</u>	<u>-</u>

11 Dividends

A dividend of US\$400,000 was paid on 13 September 2013 at a share value of \$800 each based on the 2012 results of the Company (2012: 400,000).

Uzbekinvest International Insurance Company Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

12 Financial investments

	2013		2012	
	Market value	Cost	Market value	Cost
	US\$	US\$	US\$	US\$
Debt securities and other fixed interest securities	47,622,138	47,949,501	49,851,985	50,143,646
	<u>47,622,138</u>	<u>47,949,501</u>	<u>49,851,985</u>	<u>50,143,646</u>

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

13 Other debtors

	2013 US\$	2012 US\$
Other debtors	<u>7,608</u>	<u>26,462</u>

Other debtors consist of a trading balance due from AIG Uzbekinvest Limited relating to premiums due to the Company.

14 Called-up share capital

	2013		2012	
	Number	US\$	Number	US\$
Authorised, issued and fully paid ordinary shares of US\$ 100,000 each	<u>500</u>	<u>50,000,000</u>	<u>500</u>	<u>50,000,000</u>

15 Profit and loss account

	2013 US\$	2012 US\$
At 1 January	412,032	411,997
Profit for the financial year		400,035
Dividend paid during the year	(166,678)	
At 31 December	<u>(400,000)</u>	<u>(400,000)</u>
	<u>(154,646)</u>	<u>412,032</u>

Uzbekinvest International Insurance Company Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

16 Reconciliation of movements in shareholders' funds

	2013	2012
	US\$	US\$
At 1 January	50,412,032	50,411,997
Profit for the financial year	(166,678)	400,035
Dividend paid during the year	(400,000)	(400,000)
At 31 December	<u>49,845,354</u>	<u>50,412,032</u>

17 Creditors

	2013	2012
	US\$	US\$
Arising out of insurance operations	9,687	6,347
Arising out of non-insurance operations	273,427	32,960
UK corporation tax payable	96,890	97,582
Value added tax	5,661	0
	<u>385,665</u>	<u>136,889</u>

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

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:

	2013	2012
	US\$	US\$
Service fees	119,575	120,029
Management fees recharged	265,083	328,144
	<u>384,658</u>	<u>448,173</u>

A balance of US\$ 67,977 (2012: US\$ 51,843) was receivable from and a balance of US\$ 283,114 (2012: US\$ 39,307) was payable to AIG Uzbekinvest Limited as at 31 December 2013.

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

Uzbekinvest International Insurance Company Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

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 2013. The consolidated financial statements of Uzbekinvest National Export-Import Insurance Company available from 2 A.Kodiriy Street, 100017 Tashkent, Uzbekistan.

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20 Capital commitments

There are no capital commitments at the balance sheet date.