

# **Uzbekinvest International Insurance Company Limited**

**Annual Report and Financial Statements**

**for the year ended 31 December 2010**

# **Uzbekinvest International Insurance Company Limited**

## **Annual report and Financial Statements for the year ended 31 December 2010**

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# **Uzbekinvest International Insurance Company Limited**

## **Directors and advisers**

### **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  
Hay's Galleria  
1 Hay's Lane  
London  
SE1 2RD

### **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 2010**

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 2010.

### **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\$ 647,894 (2009: US\$ 3,290,961). At 31 December 2010, the shareholders' funds of the Company, as shown on page 10, total US\$ 50,640,368 (2009: US\$ 61,987,147). The level of gross premiums written, as shown on page 8 is lower than expected due to a general decline in economic activity.

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.

These covers are generally oriented towards projects in the oil and gas sectors.

Consistent with prior years no claims have been notified in 2010. 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**

No dividend was declared or paid in relation to the current year (2009: \$2,652,600). A final dividend of \$1,800,000 relating to 2009 was declared in April 2010 and subsequently paid in May 2010.

#### **Business Strategy**

On 22 June 2010, in accordance with a previous proposal to reduce the Company's share capital, the Company's sole shareholder, Uzbekinvest National Export-Import Insurance Company reduced its investment by \$10m from \$60m to \$50m.

The above capital reduction was the final stage of the Company's restructuring process that was started in 2009. As at 31 December 2010 the Company does not have any other plans for capital reduction in the future.

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.

# Uzbekinvest International Insurance Company Limited

## Directors' report for the year ended 31 December 2010 (continued)

### Business Environment

The Republic of Uzbekistan remains attractive to foreign investors as all investment projects in Uzbekistan have strong government backing and support. The country remains politically stable. It is experiencing improved relations with developing countries and is becoming a major strategic partner in the region in which it operates.

The number of investment projects in the country is increasing, and there is a good potential for the Company to be involved.

The Company's main competitors are commercial banks providing financing and guarantee services to companies investing or doing business in the Republic of Uzbekistan, as well as self-insurance.

### 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:

	<b>2010</b> <b>US\$</b>	<b>2009</b> <b>US\$</b>
Gross premiums written	5,470	127,493
Underwriting result	(551,421)	(315,296)
Ratio of investment return to the value of invested assets	2.41%	5.94%
Return on capital employed (profit for the financial year before tax in relation to the average equity shareholders' funds)	1.15%	3.82%

# **Uzbekinvest International Insurance Company Limited**

## **Directors' report for the year ended 31 December 2010 (continued)**

### **Future outlook**

The Company has developed an action plan to be implemented in 2011 in order to re-start premium growth. The action plan includes; 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.

### **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 2010 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.

# Uzbekinvest International Insurance Company Limited

## Directors' report for the year ended 31 December 2010 (continued)

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.

### 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 2010 was 13 days (2009: 86 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  
29 March 2011

## **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 2010 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 page 4, 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.

#### **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 2010 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



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

**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.

*G. Phillips*

**Gavin Phillips (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London**

**30 March 2011**

## Uzbekinvest International Insurance Company Limited

### Profit and loss account for the year ended 31 December 2010

#### Technical account - general business

	Note	2010 US\$	2009 US\$
<b>Earned premiums, net of reinsurance</b>			
Gross premiums written		5,470	127,493
Net premiums written		5,470	127,493
Change in the gross provision for unearned premiums		112,192	110,912
Change in the net provision for unearned premiums		112,192	110,912
<b>Earned premiums, net of reinsurance</b>		117,662	238,405
<b>Claims incurred, net of reinsurance</b>	4	-	-
<b>Net operating expenses</b>	5	(669,083)	(553,701)
<b>Total technical charges</b>		(669,083)	(553,701)
<b>Balance on the technical account for general business</b>		(551,421)	(315,296)

## Uzbekinvest International Insurance Company Limited

### Profit and loss account for the year ended 31 December 2010

#### Non-technical account

	Notes	2010 US\$	2009 US\$
<b>Balance on the general business technical account</b>		(551,421)	(315,296)
Investment income	9	1,643,059	3,326,220
Net unrealised (losses) / gains on investments		(288,569)	475,554
Investment expenses and charges	9	(147,805)	(202,116)
		655,264	3,284,362
Other income		-	13,823
Other charges	6	( 7,370)	(7,224)
<b>Profit on ordinary activities before tax</b>		647,894	3,290,961
<b>Tax on profit on ordinary activities</b>	10	(194,673)	(921,190)
<b>Profit for the financial year</b>	16	453,221	2,369,771

The above operating results are all derived from continuing operations.

The Company has no recognised gains and losses other than the profit for the 2010 and 2009 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 2010

	Note	2010 US\$	2009 US\$
<b>ASSETS</b>			
<b>Tangible fixed assets</b>			
Furniture, fixtures and fittings	14	-	557
		-	-
<b>Investments</b>			
Debt securities and other fixed income securities	12	49,625,158	59,555,187
		49,625,158	59,555,187
<b>Debtors: amounts falling due within one year</b>			
Arising out of direct insurance operations		-	125,187
Other debtors	13	13,605	5,906
		13,605	131,093
<b>Debtors: amounts falling due after one year</b>			
Deferred tax asset	10	11,816	1,126
		11,816	1,126
<b>Other assets</b>			
Cash at bank and in hand		968,246	2,284,820
		968,246	2,284,820
<b>Prepayments and accrued income</b>			
Accrued interest		388,358	654,106
Deferred acquisition costs		20,716	48,764
Other prepayments and accrued income		2,398	65,238
		411,472	768,108
<b>Total assets</b>		51,030,297	62,740,891
<b>LIABILITIES</b>			
<b>Capital and reserves</b>			
Called up share capital	15	50,000,000	60,000,000
Profit and loss account	16	640,368	1,987,147
<b>Shareholders' funds</b>	17	50,640,368	61,987,147
<b>Technical provisions</b>			
Provision for unearned premiums		82,865	195,057
		82,865	195,057
<b>Creditors – amounts due within one year</b>			
Arising out of direct insurance operations	18	10,025	31,297
Other creditors including taxation and social security	18	226,489	460,787
		236,514	492,084
<b>Accruals and deferred income</b>			
		70,550	66,603
<b>Total liabilities</b>		51,030,297	62,740,891

The financial statements on pages 8 to 24 were approved by the board of directors on March 2011 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 2010

### 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 to 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 2010 (continued)

### 1 Accounting policies (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.

#### Tangible fixed assets

Tangible fixed assets are capitalised at purchase price, together with the incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of the tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of those assets. The principal annual rates used for this purpose are:

Furniture, fixtures and fittings	25%
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#### 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. The management determines the classification of the investments on 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.

#### 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.

At year end, the market value of the commitments to purchase and sell currencies other than US Dollars is determined with reference to the year-end spot rates, and the net gains or losses included as a component of 'unrealised gains or losses on investments', and also as an asset or liability on the balance sheet. Changes in the fair values are recognised in the profit and loss account.

#### 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.

# **Uzbekinvest International Insurance Company Limited**

## **Notes to the financial statements for the year ended 31 December 2010 (continued)**

### **1 Accounting policies (continued)**

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.

#### **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.

# Uzbekinvest International Insurance Company Limited

## Notes to the financial statements for the year ended 31 December 2010 (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.

### 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.

#### 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 movement of 10 basis points in interest yields would result in an additional profit or loss before tax of US\$ 92,348 (2009: US\$ 76,171). The table below provides a maturity analysis of the Company's financial assets:

#### Debt securities and other fixed income securities (including derivative financial assets)

	<b>2010</b>	<b>2009</b>
	<b>US\$</b>	<b>US\$</b>
Less than 1 year	13,774,704	19,043,968
Between 1 and 2 years	11,849,204	18,776,230
Between 2 and 5 years	24,001,250	20,736,389
> 5 years	-	998,600
<b>Total</b>	<u>49,625,158</u>	<u>59,555,187</u>



## Uzbekinvest International Insurance Company Limited

### Notes to the financial statements for the year ended 31 December 2010 (continued)

#### **Currency risk**

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

During 2010 the position of trading cash accounts, debtors and creditors of each currency was such that a fluctuation of 5% in the exchange rate of foreign currencies against US Dollars would result in additional profit or loss before tax of US\$ 67 (2009: \$153). 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 2010, the Company held investments only in US dollars. In previous years the Company held investments in other currencies, exposing it to the risk of fluctuations in exchange rates between those currencies and US dollars. The Company mitigated the risk by entering into forward foreign exchange contracts.

Forward foreign exchange contracts are permitted under the investment guidelines to economically hedge against currency exposure, such that the extent of the exposure is nil. During 2009 the position of each currency was such that a fluctuation of 5% in the exchange rate of foreign currencies against US Dollars would result in additional profit or loss before tax of US\$ 7.

#### **Credit risk**

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.

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

	<b>2010</b>	<b>2009</b>
	<b>US\$</b>	<b>US\$</b>
<b>Assets</b>		
Debt securities and other fixed income securities	49,625,158	59,042,837
Derivative financial assets	-	512,350
Debtors arising out of direct insurance operations	-	125,187
Loans and receivables	404,361	725,250
Cash at bank	968,246	2,284,820
<b>Total assets bearing credit risk</b>	<u>50,997,765</u>	<u>62,690,444</u>
<b>Liabilities</b>		
Derivative financial instruments	-	(130)
<b>Total liabilities bearing credit risk</b>	<u>-</u>	<u>(130)</u>
AAA	23,296,533	33,194,981
AA	19,315,731	16,659,970
A	5,570,724	7,172,612
Below BBB or not rated	2,814,777	5,662,881
<b>Total assets bearing credit risk</b>	<u>50,997,765</u>	<u>62,690,444</u>

The comparative figures for 2009 have been reclassified to include loans and receivables.

## Uzbekinvest International Insurance Company Limited

### Notes to the financial statements for the year ended 31 December 2010 (continued)

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.

The Company maintains strict control limits on open derivative positions, by both amount and item. The amount subject to credit risk at any one time is limited to the current fair value of derivative financial assets.

#### 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 (2009: 3 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.

In addition, since the Company does not utilise reinsurance there is no timing difference between payment and recovery from a third party.

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

	<b>2010</b>	<b>2009</b>
	<b>Less than 6 months US\$</b>	<b>Less than 6 months US\$</b>
<b>Financial Liabilities</b>		
Accruals and deferred income	70,550	66,603
Arising out of non-insurance operations	47,558	116,505
Derivative financial instruments	-	130
UK corporation tax payable	178,931	344,152
	<u>297,039</u>	<u>527,390</u>
<b>Financial Assets</b>		
Other prepayments and accrued income	2,398	65,238
Accrued interest	388,358	654,106
Other debtors	13,605	5,906
Arising out of insurance operations	-	125,187
Derivative financial instruments	-	512,350
Cash at bank and in hand	968,246	2,284,820
	<u>1,372,607</u>	<u>3,647,607</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 2010 (continued)

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

	Level 1	Level 2	Total balance
	\$	\$	\$
<b>Assets</b>			
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 following table presents the Company's assets and liabilities measured at fair value at 31 December 2009.

	Level 1	Level 2	Total balance
	\$	\$	\$
<b>Assets</b>			
Financial assets at fair value through profit or loss:			
- derivatives	-	512,350	512,350
- debt securities and other fixed income securities	13,556,324	45,486,513	59,042,837
	<u>13,556,324</u>	<u>45,998,863</u>	<u>59,555,187</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 2010 and 31 December 2009 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.

## Uzbekinvest International Insurance Company Limited

### Notes to the financial statements for the year ended 31 December 2010 (continued)

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

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 2010 was \$4,738,144 (2009: \$5,050,469). At 31 December 2010, the total capital available to meet this requirement was approximately \$50,640,368 (2009: \$61,987,147), 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

	2010 US\$	2009 US\$
Acquisition costs	1,367	31,873
Change in deferred acquisition costs	28,048	27,728
	<u>29,415</u>	<u>59,601</u>
Administrative expenses	639,668	494,100
Total net operating expenses	<u>669,083</u>	<u>553,701</u>

Administrative expenses include auditors' remuneration of US\$ 28,055 (2009: US\$ 39,274) in respect of the audit of the Company.

#### 6 Other charges

	2010 US\$	2009 US\$
Net foreign exchange (gains)/losses	(5,063)	5,511
Bank charges and fees	1,620	1,713
Interest charged	10,813	-
	<u>7,370</u>	<u>7,224</u>

# Uzbekinvest International Insurance Company Limited

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 7 Staff costs

The average number of employees during the year was:

	<b>2010</b>	<b>2009</b>
	<b>Number</b>	<b>Number</b>
Management	1	1
Other	1	1
<b>Total</b>	<u>2</u>	<u>2</u>

Total remuneration paid to employees during the year was:

	<b>2010</b>	<b>Restated</b>
	<b>US\$</b>	<b>2009</b>
		<b>US\$</b>
Wages, salaries and social security	124,798	92,981

The 2009 figure has been restated to include national insurance contributions paid during the year.

### 8 Directors' emoluments

	<b>2010</b>	<b>2009</b>
	<b>US\$</b>	<b>US\$</b>
Aggregate emoluments	-	7,930
The aggregate emoluments of the highest paid director	-	7,930

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

At year end, no directors (2009: one) were members of the defined benefits pension scheme operated by Chartis UK Services Limited.

At year end, no directors (2009: one) 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.

# Uzbekinvest International Insurance Company Limited

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 9 Investment return

	2010 US\$	2009 US\$
<b>Investment income</b>		
Interest and dividends on other financial investments	1,643,059	2,806,969
Net realised gains on investments	-	519,251
	<u>1,643,059</u>	<u>3,326,220</u>
<b>Investment expenses and charges</b>		
Investment management expenses including interest expense	(111,675)	(202,116)
Losses on the realisation of investments	(36,130)	-
	<u>(147,805)</u>	<u>(202,116)</u>
<b>Net unrealised gains/(losses) on investments</b>	(288,569)	475,554
<b>Total investment income</b>	<u>1,206,685</u>	<u>3,599,658</u>

### 10 Tax on profit on ordinary activities

<b>A) Analysis of charge for the year</b>	<b>2010 US\$</b>	<b>2009 US\$</b>
Current tax:		
UK corporation tax on profit of the year	202,260	922,011
Adjustment in respect of prior years	3,103	-
Total current tax:	<u>205,363</u>	<u>922,011</u>
Deferred tax:		
Origination and reversal of temporary differences	(10,730)	(466)
Effect of changes in tax rate	40	
Prior year adjustments	-	(355)
Total deferred tax	<u>(10,690)</u>	<u>(821)</u>
Tax charge on profit on ordinary activities	<u>194,673</u>	<u>921,190</u>
<b>B) Factors affecting tax charge for year</b>	<b>2010 US\$</b>	<b>2009 US\$</b>
Profit on ordinary activities before tax	<u>647,894</u>	<u>3,290,961</u>
Profit/loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009: 28%)	181,410	921,469
Effects of:		
Permanent differences	9,722	76
Depreciation in excess/lower than capital allowances	(100)	466
Other items resulting in temporary differences	11,228	
Current tax charge for the period	<u>202,260</u>	<u>922,011</u>

\* The standard rate of corporation tax in the UK for 2010 was 28% (2009: 28%).

## Uzbekinvest International Insurance Company Limited

### Notes to the financial statements for the year ended 31 December 2010 (continued)

<b>C) Movement in deferred tax asset</b>	<b>2010 US\$</b>	<b>2009 US\$</b>
At 1 January	1,126	661
Profit and loss account charge for the year	10,690	465
At 31 December	<u>11,816</u>	<u>1,126</u>

## 11 Dividends

No dividend was declared or paid in relation to the current year (2009: \$2,652,600). An amount of \$1,800,000 was paid during the year as a final dividend relating to 2009.

## 12 Other financial investments

	<b>2010</b>		<b>2009</b>	
	<b>Market value US\$</b>	<b>Cost US\$</b>	<b>Market value US\$</b>	<b>Cost US\$</b>
Debt securities and other fixed interest securities	49,625,158	50,627,332	59,555,187	60,365,081
	<u>49,625,158</u>	<u>50,627,332</u>	<u>59,555,187</u>	<u>60,365,081</u>

All financial investments are listed investments.

There were no forward foreign exchange contracts at the end of the year. As such there were no net gains or losses included in debt securities and other fixed income securities arising from foreign currency purchase commitments (2009: net gains of US\$ 99).

At 31 December 2009, the purchase price of the forward foreign exchange contracts was US\$10,022,361. In 2009, there was a gross liability of US\$ 130 and a gross asset of US\$ 512,350 pertaining to those forward foreign exchange contracts. The gross liability is included in 'Other creditors including taxation and social security', while the gross asset is presented within 'Other financial investments'.

## 13 Other debtors

	<b>2010 US\$</b>	<b>2009 US\$</b>
Other debtors	<u>13,605</u>	<u>5,906</u>

No financial assets are past due or impaired.

## Uzbekinvest International Insurance Company Limited

### Notes to the financial statements for the year ended 31 December 2010 (continued)

#### 14 Tangible fixed assets

	2010 US\$	2009 US\$
<b>Cost</b>		
At 1 January	11,246	11,246
Additions	-	-
At 31 December	<u>11,246</u>	<u>11,246</u>
<b>Accumulated Depreciation</b>		
At 1 January	10,689	7,881
Depreciation during the year	557	2,808
Additions charged during the year	-	-
At 31 December	<u>11,246</u>	<u>10,689</u>
<b>Carrying value At 1 January</b>	<u>557</u>	<u>3,365</u>
<b>Carrying value At 31 December</b>	<u>-</u>	<u>557</u>

#### 15 Called-up share capital

	2010		2009	
	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>600</u>	<u>60,000,000</u>

During the year, 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

	2010 US\$	2009 US\$
At 1 January	1,987,147	2,269,976
Profit for the financial year	453,221	2,369,771
Dividend paid during the year	<u>(1,800,000)</u>	<u>(2,652,600)</u>
At 31 December	<u>640,368</u>	<u>1,987,147</u>



## Uzbekinvest International Insurance Company Limited

### Notes to the financial statements for the year ended 31 December 2010 (continued)

#### 17 Reconciliation of movements in shareholders' funds

	<b>2010</b> <b>US\$</b>	<b>2009</b> <b>US\$</b>
At 1 January	61,987,147	102,269,976
Profit for the financial year	453,221	2,369,771
Reduction in Capital	(10,000,000)	(40,000,000)
Dividend paid during the year	(1,800,000)	(2,652,600)
At 31 December	<u>50,640,368</u>	<u>61,987,147</u>

#### 18 Creditors

	<b>2010</b> <b>US\$</b>	<b>2009</b> <b>US\$</b>
Arising out of insurance operations	10,025	31,297
Arising out of non-insurance operations	47,558	116,505
Derivative financial instruments	-	130
UK corporation tax payable	178,931	344,152
	<u>236,514</u>	<u>492,084</u>

All creditors are due within one year.

#### 19 Portfolio investments

	<b>2010</b> <b>US\$</b>	<b>2009</b> <b>US\$</b>
Sale of debt and other fixed income securities	48,568,136	114,999,869
Purchase of debt and other fixed interest securities (including derivative financial instruments)	(39,409,173)	(72,819,384)
	<u>9,158,963</u>	<u>42,180,485</u>

#### 20 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.

## Uzbekinvest International Insurance Company Limited

### Notes to the financial statements for the year ended 31 December 2010 (continued)

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:

	<b>2010</b>	<b>2009</b>
	<b>US\$</b>	<b>US\$</b>
Service fees	93,090	87,031
Management fees recharged	<u>338,162</u>	<u>100,515</u>
	<u>431,252</u>	<u>187,546</u>

A balance of US\$ 53,704 (2009: US\$ 131,093) was receivable from and a balance of US\$ 57,583 (2009: US\$ 38,751) was payable to Chartis Uzbekinvest Limited as at 31 December 2010.

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

#### **21 Ultimate parent company**

At 31 December 2010, all of the ordinary shares in the Company were held by Uzbekinvest National Export-Import Insurance Company, a company incorporated in the Republic of Uzbekistan and wholly owned by the Government of the Republic of Uzbekistan.

#### **22 Post balance sheet event**

Uzbekinvest National Export-Import Insurance Company has the intention, during 2011, to attract a new strategic partner or shareholder into the Company by selling 20% of its shares.

#### **23 Capital commitments**

There are no capital commitments at the balance sheet date.