



**Uzbekinvest International Insurance Company Limited**

**Annual Report and Financial Statements**

**for the year ended 31 December 2016**

**Registered number: 2997845**

Uzbekinvest International Insurance Company Limited, Registered number: 2997845

**Company Information  
for the year ended 31 December 2016**

**Directors**

R A Gulyamov  
F A Saidakhmedov  
S A Vafaev  
H Mamadjonov

**Company Secretary**

K Hillery

**Registered office**

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

**Independent auditors**

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

**Principal bankers**

Citibank N A  
Citigroup Centre  
Canada Square  
London  
E14 5LB

**Investment advisers**

Falcon Private Wealth Ltd.  
27 Knightsbridge  
London  
SW1X 7LY

## **Strategic report for the year ended 31 December 2016**

The directors present their strategic report on the company for the year ended 31 December 2016.

### **Review of the business**

The results of the Company for the year, as shown on page 8 and page 9, show a profit on ordinary activities before tax of US\$735,700 gain (2015: US\$63,427 gain). At 31 December 2016, the total shareholders' funds of the Company, as shown on page 10, total US\$50,661,018 (2015: US\$50,080,918). The level of gross premiums written, as shown on page 8, has increased to US\$273,629 (2015: US\$219,757).

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.

Consistent with prior years no claims have been notified in 2016. 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 global economy still face daunting challenges, both political and economic, that has put further downward pressure on global trade and investment activity. Stagnant trade and heightened policy uncertainty in advanced economies, as well as weak investment prospects across many emerging markets is now expected to remain for medium-term prospects.

In such challenging conditions the Government of Uzbekistan is carrying out wide-scale reforms aimed to boost resilience and improve growth prospects of the national economy. Further enhancing international and regional integration by promoting trade and foreign direct investment, as well as providing strong government support for the major sectors of economy, continuing improvement of business environment, fiscal stimulus and creation of favourable investment conditions, in conjunction with political stability, means the Republic of Uzbekistan to remains as one of the attractive countries in Central Asia to foreign investors.

Although the real and significant Company's business activity should be expected when the global economy is fully stabilised and foreign investors return to the country, however we anticipate that implementation of current structural reforms and new market incentives of the Government (e.g., internal currency market liberalization, tax benefits, business registration and licencing easing), while reducing bureaucratic and legal barriers, will contribute substantially to growth of trade and investment attractiveness of Uzbekistan and, therefore, to the growth of business and premiums of the Company.

### **Business Strategy**

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.

As the Company is better positioned for the Uzbek market through close co-ordination with immediate government trade departments and ministries, therefore the bulk of Company's business strategy is going to be focused onto close cooperation with the participants, both domestic and foreign, of the Annual Investment Program of Uzbekistan for 2017, as well as the industrial development programs.

The target list and potentials of the Company is based on the currently developing projects and cover agriculture sector, textile, transport, cotton trade, oil & gas industries, auto and machinery.

**Strategic report (continued)  
for the year ended 31 December 2016**

**Key performance indicators**

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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Gross premiums written	273,629	219,757
Underwriting result	70,348	(197,437)
Ratio of investment return to the value of invested assets	1.34%	1.39%
Return on capital employed (profit for the financial year before tax in relation to the average equity total shareholders' funds)	1.45%	0.13%

**Principal risks and uncertainties**

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

Through this process the Company identifies the risks to which it is exposed, and assesses their impact on economic capital. This process (in line with Solvency II requirements) is risk based 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.

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 4 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 developments**

The Company will continue to follow its diversified marketing strategy which includes broker marketing and direct marketing, as well as a more focus on potential projects in Uzbekistan according to the country's investment and industrial development programs. The Company will continue to identify the banks providing backing to companies participating in trade projects and actively develop business relationships with them.

**On behalf of the Board**

**Hasan Mamadjonov**  
Director

18 May 2017

## **Directors' report for the year ended 31 December 2016**

The directors present their report and the audited financial statements of Uzbekinvest International Insurance Company Limited (the Company) for the year ended 31 December 2016.

### **Future Developments**

Likely future developments in the business of the company are discussed in the strategic report.

### **Principal activity**

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

### **Dividends**

No dividends were paid during 2016 (nil in 2015).

### **Directors and directors' interests**

The directors of the company who were in office during the Company financial year were:

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

The details of directors who were appointed or resigned at the date of the report included:

B B Ashrafkhanov	Resigned 31 March 2016
R Antes	Resigned 02 March 2017

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.

### **Financial Instruments**

Information on the use of financial instruments by the company and its management of financial risk is disclosed in Note 4 to the financial statements. In particular, the Company's exposure to price risk, credit risk and liquidity risk are separately disclosed in that note. The company's exposure to cash flow risk is addressed under the heading of 'Credit Risk', 'Liquidity Risk' and 'Market Risk'.

### **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 2016 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.

**Directors' report (continued)  
for the year ended 31 December 2016**

**Statement of directors' responsibilities**

The directors are responsible for preparing the Strategic Report, 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, comprising Financial Reporting Standard 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* (FRS 102), 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 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;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**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**



**Hasan Mamadjonov  
Director**

18 May 2017

## **Independent auditors' report to the members of Uzbekinvest International Insurance Company Limited**

### **Report on the financial statements**

#### **Our opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **What we have audited**

The financial statements, included within the Annual Report & Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2016;
- the profit and loss account for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (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.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

#### **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 Statement of Director's Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

### **What an audit of financial statements involves**

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

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

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

*Richard Nicholas*

**Richard Nicholas (Senior Statutory Auditor)**  
**for and on behalf of PricewaterhouseCoopers LLP**  
**Chartered Accountants and Statutory Auditors**  
**London**  
**19 May 2017**



**Profit and loss account  
for the year ended 31 December 2016**

**Technical account - general business**

	Note	2016	2015
<b>Earned premiums, net of reinsurance</b>		<b>\$</b>	<b>\$</b>
Gross premiums written		273,629	219,757
Net premiums written		273,629	219,757
Change in the gross provision for unearned premiums		209,802	(29,338)
Change in the net provision for unearned premiums		209,802	(29,338)
<b>Earned premiums, net of reinsurance</b>		<b>483,431</b>	<b>190,419</b>
Claims incurred, net of reinsurance	5	-	-
Net operating expenses	6	(413,082)	(387,856)
<b>Total technical charges</b>		<b>(413,082)</b>	<b>(387,856)</b>
<b>Balance on the technical account for general business</b>		<b>70,349</b>	<b>(197,437)</b>

**Profit and loss account  
for the year ended 31 December 2016**

Non-technical account	Notes	2016 \$	2015 \$
<b>Balance on the general business technical account</b>		<b>70,348</b>	<b>(197,437)</b>
Investment income	10	765,848	645,346
Unrealised gains/(losses) on investments	10	64,443	(212,588)
Investment expenses and charges	10	(171,539)	(186,054)
<b>Total investment income</b>	<b>10</b>	<b>658,752</b>	<b>246,704</b>
Other income	7	6,600	14,160
<b>Profit on ordinary activities before tax</b>		<b>735,700</b>	<b>63,427</b>
Tax on profit on ordinary activities	11	(155,600)	(13,160)
<b>Profit for the financial year</b>	<b>16</b>	<b>580,100</b>	<b>50,267</b>

The above operating results are all derived from continuing operations.

The Company has no recognized gains and losses other than the profit for the 2016 and 2015 financial years.

**Balance sheet  
as at 31 December 2016**

	Note	2016 \$	2015 \$
<b>ASSETS</b>			
<b>Investments</b>			
Debt securities and other fixed income securities	13	50,510,089	49,419,817
<b>Debtors: amounts falling due within one year</b>			
Arising out of direct insurance operations		271,844	605,652
Other debtors	14	5,668	197,300
		<u>277,512</u>	<u>802,952</u>
<b>Debtors: amounts falling due after one year</b>			
Deferred tax asset	11	0	392
<b>Other assets</b>			
Cash and cash equivalents		343,274	849,036
Other - VAT		24,127	0
		<u>367,401</u>	<u>849,036</u>
<b>Prepayments and accrued income</b>			
Accrued interest		166,538	129,399
Deferred acquisition costs		1,502	53,824
Other prepayments and accrued income		1,508	1,109
		<u>169,548</u>	<u>184,332</u>
<b>Total assets</b>		<b>51,324,550</b>	<b>51,256,529</b>
<b>LIABILITIES</b>			
<b>Capital and reserves</b>			
Called up share capital	15	50,000,000	50,000,000
Profit and loss account	16	661,018	80,918
<b>Shareholders' funds</b>		<u>50,661,018</u>	<u>50,080,918</u>
<b>Technical provisions</b>			
Provision for unearned premiums		6,007	215,297
<b>Creditors – amounts due within one year</b>			
Arising out of direct insurance operations	17	67,976	148,046
Other creditors including taxation and social security	17	485,633	702,796
		<u>553,609</u>	<u>850,842</u>
<b>Accruals and deferred income</b>		103,916	109,472
<b>Total liabilities</b>		<b>51,324,550</b>	<b>51,256,529</b>

The financial statements on pages 8 to 23 were approved by the Board of Directors on May 2017 and signed on its behalf by:

Hasan Mamadjonov  
Director, 18 May 2017



**Statement of changes in equity  
as at 31 December 2016**

	Note	Called-up share capital \$	Profit and loss account \$	Total Shareholders ' funds \$
<b>Balance at 1 January 2015</b>		<b>50,000,000</b>	<b>30,651</b>	<b>50,030,651</b>
Profit for the financial year		0	50,267	0
<b>Balance as at 31 December 2015</b>		<b>50,000,000</b>	<b>80,918</b>	<b>50,080,918</b>
Profit for the financial year		0	580,100	0
<b>Balance as at 31 December 2016</b>	15, 16	<b>50,000,000</b>	<b>661,018</b>	<b>50,661,018</b>

### **General Information**

Uzbekinvest International Insurance Company Limited (the Company) transacts political risk insurance for foreign investors in infrastructure, natural resource development and industrial production in the Republic of Uzbekistan. The Company is a private company limited by shares and is incorporated in England. The address of its registered office is The AIG Building, 58 Fenchurch Street, London EC3M 4AB.

### **Basis of preparation**

The financial statements have been prepared on the going concern basis and in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103, "Insurance Contracts" (FRS 103) and the Companies Act 2006.

The financial statements have been prepared based on the following basis:

- Investments in the balance sheet on market (fair) value
- Everything else on the historical cost basis

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

### **Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions in accordance with paragraph 1.12 of FRS 102:

- a) from preparing a statement of cash flows
- b) from disclosing the Company key management personnel compensation

## **1 ACCOUNTING POLICIES**

A summary of the significant accounting policies is set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Details of the transition to FRS 102 and FRS 103 are disclosed in Note 21.

### **Insurance contracts**

The Company issues contracts that transfer insurance risk.

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

The results 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

Premiums written relate to business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the company, less an allowance for cancellations.

## **1 ACCOUNTING POLICIES (CONTINUED)**

### **b) Unearned premiums**

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

### **c) Acquisition costs**

Acquisition costs which represent commission and other related expenses are deferred over the period in which the related premiums are earned.

### **d) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand.

## **Financial investments**

The Company has chosen to apply the provisions as IAS 39 (as adopted in the EU) and the disclosure requirements of FRS 102 in respect of financial investments.

The Company classifies debt securities and other fixed income securities as at 'fair value through profit or loss' (as under IAS 39), 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.