



Uzbekinvest International Insurance Company Limited

Annual Report and Financial Statements

For the year ended 31 December 2020

Uzbekinvest International Insurance Company Limited
Annual Report and Financial Statements For the Year Ended 31 December 2020

Contents	Pages
Company Information	3
Strategic Report	4
Directors' Report	9
Independent Auditors' Report	11
Statement of Comprehensive Income	16
Balance Sheet	18
Statement of Changes in Equity	19
Notes to the Financial Statements	20 - 28

Uzbekinvest International Insurance Company Limited
Annual Report and Financial Statements For the Year Ended 31 December 2020

Company Information

For the year ended 31 December 2020

DIRECTORS: S U Umurzakov
S A Vafaev
H Mamadjonov
S O Abdurashidov
R B Khalikov

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 CUSTODIAN: Credit Suisse
Paradeplatz 8,
8070 Zurich,
Switzerland

Uzbekinvest International Insurance Company Limited
Annual Report and Financial Statements For the Year Ended 31 December 2020

Strategic Report
For the year ended 31 December 2020

The Directors present their Strategic Report of Uzbekinvest International Insurance Company Limited (the "Company" or "UIIC") for the year ended 31 December 2020

Review of the Business

The results of the Company for the year, as shown on page 16 and page 17, show a profit on ordinary activities before tax of US\$523,490 (2019: US\$1,548,170). At 31 December 2020, the total shareholders' funds of the Company, as shown on page 18, total US\$52,925,255 (2019: US\$52,501,228). The level of gross premiums written, as shown on page 15, was \$390,591 (2019: US\$99,333).

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 policies written provide cover 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 2020. 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

While the pandemic hit the Uzbekistan economy hard in the first half of 2020, as a result of the anti-crisis measures, supported by robust external and fiscal buffers, access to external financing and diversified economy, Uzbekistan rebounded sharply in the second half of the year and the country was able to achieve positive overall growth in 2020, at a rate of 1.6 percent. The Country was one of the few sovereigns to avoid a recession and maintained positive dynamics in 2020 due to timely support measures from the Government. With the rollout of vaccines globally, a recovery of global trade and investment flows, and building on the domestic recovery, the Uzbekistan economy is projected to grow by about 5 percent in 2021.

The global rating agencies have confirmed Uzbekistan's long-term default ratings for 2020 accordingly. Fitch has reported the rating at 'BB-' with a stable outlook throughout 2020. S&P Global Ratings has affirmed the Republic of Uzbekistan's long-term and short-term sovereign credit ratings for foreign and national currency liabilities at the BB-/B level, but it revised Uzbekistan's ratings outlook to negative from stable. The change of outlook is caused by an expected rapid rise in the country's external and fiscal debt over 2021, partly due to additional government spending in response to the coronavirus pandemic. Moody's credit rating for Uzbekistan was last set at B1 with stable outlook.

Uzbekistan has continued the process of integration into the Global trade and economy during 2020. The country was granted a beneficiary of the European Union's Generalized System of Preferences Plus (GSP+), opening prospects and new opportunities for investors and trade partners. In addition, World Trade Organization (WTO) membership negotiations for Uzbekistan have been very active. Starting from November 2020, the European Union with the collaboration of the Ministry of Investments and Foreign Trade of the Republic of Uzbekistan (MIFT) launched a project, aimed to facilitate the process of Uzbekistan's accession to the WTO. The project aims to support Uzbekistan's development plans to modernise its economy.

The Government of Uzbekistan has a strong will to continue the path of economy modernisation in 2021, including transformation and privatisation of large state-owned enterprises (SOEs), attraction of foreign direct investment in strategic sectors of the economy, such as oil and gas refinery, agriculture and mining, as well as implementation of "green technologies" in the energy sector; such as solar and wind energy. The Country's foreign trade is developing through initiatives such as improved accessibility to credit facilities, and involvement in global commerce expertise and services

The Company's business performance for 2021 will be driven by the above trends. The Company strongly believes that the improved economy will result in more investment opportunities and thus increase the demand for political risk cover.

Business Strategy

In general, we assume that 2021 will remain a year of uncertainty and concerns due to continued waves of the coronavirus pandemic, which is still causing economic instability and disruption in the world business environment.

The business strategy of the Company was based on long-term perspectives and aimed to be an integral part of the national system for attracting foreign direct investment (FDI) and promotion of foreign trade. As the Uzbekistan Government is the ultimate owner of the Company's equity (while Uzbekinvest National Export-Import Insurance Company is UIIC's immediate shareholder), so the role of the Company as a guaranty institution to protect foreign investors remains a priority. Thus, the strategic goals of the Company remain unchanged and the Company intends to continue offering insurance policies designed to protect the business and assets of foreign companies investing with or doing business in the Republic of Uzbekistan.

To support the above strategy and to operate the business in a cost-effective way, as well as to gain access to qualified professionals, the Company will continue to utilise outsourcing arrangements.

As the FDI flows and foreign trade with Uzbekistan rapidly return to the pre-pandemic level we expect to see a growth of demand for insurance protection of these investments and trade deals. Therefore, the Company will continue to maximise its efforts to obtain more business and increase its underwriting profit. The Company, in close cooperation with the outsourcing service provider, will continue to provide more flexible underwriting and customer-oriented services, offer rates in line with the market whilst being loyal to business partners and complying with regulatory environment. The Company will continue to coordinate with insurance brokers and business partners to adapt to the current market trends and business environment, whilst expanding cooperation with the banks that provide trade financing and investment project support in Uzbekistan

Uzbekinvest International Insurance Company Limited
Annual Report and Financial Statements For the Year Ended 31 December 2020

Strategic Report
For the year ended 31 December 2020 (continued)

Key Performance Indicators

The Board monitors the progress of the Company in light of the following key performance indicators (KPIs). The Company does not have any key non-financial metrics to be monitored.

	2020	2019
	US\$	US\$
Gross Premiums Written (GPW)	390,591	99,333
Underwriting Loss (Balance on Technical Account - General Business)	(884,421)	(307,187)
Ratio of investment return to the value of invested assets	2.62%	3.51%
Return on capital employed (profit for the financial year before tax in relation to the average equity shareholders' funds)	0.99%	3.10%

Although the level of Gross Premium Written has increased due to growth in the company's underwriting activity in servicing mainly trade financing projects, the level of underwriting result was negative and influenced by both growth of acquisition costs and increase of administrative expenditures, which was mainly caused by a catch up of service fees described in Note 6 of the Financial Statements.

The decrease of the investment return ratio reflects the general drop off in yields in the US Treasuries market in 2020, as well as corporate bonds associated with the economic situation in the US zone and developed countries. The future growth of that indicator is under significant threat as the US treasuries, as well as the corporate bond markets will be deteriorated due to continued pandemic crisis.

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 monitoring of ethical standards is a high priority for the Company.

The Company's principal risks are reviewed by management on a monthly basis and, if required, by the Board on an annual basis. Through this process the Company identifies the risks to which it is exposed, and assesses their impact on economic capital. This process, which is in line with Solvency II requirements, provides guidance in the management of the Company's capital requirements to ensure it has the financial strength and capital adequacy to support the growth of the business as well as meet the requirements of policyholders, regulators and rating agencies.

The Company conforms to a proper internal control framework which exists to manage financial risks and ensures that controls operate effectively.

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 4 of the Financial Statements. In particular, the Company's exposure to interest rate risk, currency risk, credit risk and liquidity risk are separately also disclosed in Note 4.

COVID19

In March 2020 the World Health Organisation declared the novel coronavirus disease (COVID-19) a pandemic. Over the course of the last year governments have imposed special measures to contain the spread of the disease. COVID-19 is adversely affecting, and is expected to continue to adversely affect our business, financial condition and results of operations, and its ultimate impact will depend on future developments that are uncertain and cannot be predicted, including the scope and duration of the crisis and actions taken by governmental and regulatory authorities in response thereto..

Impact of COVID-19 and actions of UIIC

System of Governance

The Company's System of Governance is based on the combination of ongoing control of the processes by the Board and management with support of the outsourcing partner. Such joint control and cooperation allow for the close monitoring of the various impacts of COVID-19 on the Company's business, and allows the Company to take preventive actions where appropriate.

The infrastructure and framework for this system remain robust and responsive in the COVID-19 environment. Executive meetings with the Board members dedicated to the COVID-19 event are held regularly. The meetings are held on a minimum of a monthly basis and as the pandemic crisis developed the frequency has been adjusted according to the Company's needs. These meetings focus on reviewing new developments (internal and external), as well as forward planning and readiness. Follow-ups from this meeting are actioned to the extent possible.

Uzbekinvest International Insurance Company Limited
Annual Report and Financial Statements For the Year Ended 31 December 2020

Strategic Report
For the year ended 31 December 2020 (continued)

COVID19 (continued)

System of Governance (continued)

Our outsourcing partner has set up a Corporate Pandemic Planning Committee (CPPC) and this group manages the day to day operational pandemic response. In order to coordinate planning and response to COVID-19 at the local, Regional and Country level, the Incident Management Teams (IMT) have been activated and engaged with the CPPC. The UIIC's system of governance has been supported by the above structures in due order.

Risk Profile Impact

The Company continues to monitor its risk profile in the changing external environment. A key risk area includes fluctuations in the value of the investment portfolio and the capital adequacy of the Company.

Investment Risk

The most critical impact since beginning the pandemic crisis on the Company's investment portfolio has been that the US Federal Reserve has lowered interest rates significantly from 2.5% down to 0.25%. While in 2020 the Company has managed to achieve a good investment performance of 2.6% because of the high-yield treasuries in the investment portfolio from previous years, the cash flows in 2021 will not be at the level of 2020 due to the above changes in conditions. Additionally, a large portion of the US treasuries and bonds in the portfolio have been already matured or going to be so during 2021. Therefore, given the Company's conservative investment guidelines, it is unlikely that the Company will be able to achieve the same investment yields as what was observed in years prior.

In order to minimize investment risk, the Company will continue a capital preservation approach, based on fixed income investments with minimal asset fluctuation and low level of risk. The Company's investment portfolio will be managed within strict investment guidelines updated in accordance with current market conditions and trends.

In order to reduce the risk of insufficient funds to cover general operating expenses and the liquidity risk due to sluggish business activity during the pandemic crisis, the Company intends to continue to pay more attention to the investment return on assets. This will involve close cooperation with the Company's investment managing company and custodian – Credit Suisse AG, as well as constant monitoring of the appropriateness of investment guidelines and performance on a monthly basis.

Business Continuity and Operations

In early March 2020, the UIIC's staff transitioned to a work from home (WFH) position in the UK. Remote access to UIIC and the outsourcing partner's network is provided by either a secure Virtual Private Network ("VPN") or a virtual desktop environment. This technology was already in place for all employees and enabled UIIC's staff to complete their daily activities without many issues.

Systems used for remote access have been kept up-to-date by the outsourcing partner with appropriate security vulnerability patches and anti-virus protection software that is updated regularly. The standards required by the outsourcing partner around remote access, network security, identity and access management, cryptography and key measurements are deployed to support remote access security.

Additional controls have been put in place to ensure the risks created by new ways of working, including redirection of mail, printing at home, taking files out of the office, shipping of equipment, credit card handling, are sufficiently mitigated across the Company's operations.

The Company, in conjunction with the outsourcing partner, has implemented a robust business continuity management program (BCM Program) to ensure vital operations, processes, and systems are in place following a business interruption by maintaining controls required to support the timely delivery of key services. The BCM Program outlines the roles and responsibilities of:

- employees (e.g. know their roles, complete any training and testing);
- managers (e.g. ensure staff are adequately educated and trained) and
- business units and their support functions (e.g. establish business continuity controls and monitor the effectiveness of those controls).

Within the BCM program is the requirement to conduct a Business Impact Analysis (BIA) for all functions/processes deemed critically important. The BIA is the process of analysing business functions to identify, quantify and qualify the impacts of a business interruption to normal business operations over specified periods of time. It forms the basis for understanding and developing the recovery time objectives ("RTO") and recovery requirements for each business function/process. In addition to many other considerations, the BIA includes the operational impact of a business interruption on both UIIC's customers and its vendors.

Uzbekinvest International Insurance Company Limited
Annual Report and Financial Statements For the Year Ended 31 December 2020

Strategic Report
For the year ended 31 December 2020 (continued)

A Return to Workplace Task Force was formed by the outsourcing partner with representation across functional and business teams to develop a strategy for returning to the workplace in a safe, efficient manner and to monitor the current situation of WFH and facility access restrictions.

Clear criteria have been established by the outsourcing partner before any office is allowed to consider having employees return to the office, and final decisions are made centrally. Returning to the office will be a controlled process based first on workforce safety and with a full understanding of the internal and external operational environments. Four "tollgates" must be taken into consideration as part of the decision-making process:

1. current local government / health authority recommendations,
2. factors that could impact employee health and safety,
3. clear business rationale / benefits related to select roles or teams more fully reoccupying office space,
4. assessment of preparedness of office space as well as employees to work safely on-site.

At this time, UIIC does not plan to return staff to the office before September of 2021 which will be dependent upon the current situation.

Impact on the Business

Although during 2020 the market has experienced volatility which may continue into 2021, the underwriting guidelines of UIIC have remained unchanged. The Company will continue operating in line with its main strategy, aimed to create additional capacity for trade and investment transactions in Uzbekistan through coordination with the outsourcing partner. The Company's quoting policy has been amended slightly but not changed substantially, and the insurance rates remain mostly in line with market levels.

For 2020 the Company received 30 formal enquiries, while in 2019 this figure was 28, including enquires for trade financing risks and for the risks associated with investment projects. The market demonstrated an increased appetite for medium-term and long-term covers, while enquiries arose for financial, trade and infrastructure projects, backed by the Government and state-owned bank's guarantees. As a result, the Company issued 4 new policies and extended one existing policy during 2020. We hope that 2021 will also be productive; we have issued one new policy in Q1, while also receiving 15 enquiries.

Solvency II

Note: The Company qualifies as a smaller insurer and has therefore taken advantage of the exemption to audit Solvency II results as granted by the PRA regulations.

The Solvency Capital Requirement (SCR) reflects a level of eligible own funds that enables the Company to absorb significant losses and that gives reasonable assurance to policyholders and beneficiaries that payments will be made as they fall due. The minimum capital requirements should ensure a minimum level below which the amount of resources should not fall. It is necessary that it is calculated in accordance with the standard formula, which is subject to a defined floor and cap based on the risk-based Solvency Capital Requirement.

The Company has maintained a strong capital position and thus safeguarded its solvency position. As at 31 December 2020 the unaudited ratio of eligible own funds for Solvency Capital Requirement (SCR) was 2,432% (2019: 5,536.93%). The below table provides an analysis of the unaudited Own Funds of the Company under Solvency II as reported in the Solvency and Financial Condition Report (SFCR).

	As at 31 December 2020 (unaudited) US \$	As at 31 December 2019 (unaudited) US \$
Basic Own Funds		
Ordinary share capital	50,000,000	50,000,000
Reconciliation reserve	3,492,214	2,893,420
Total basic own funds	53,492,214	52,893,420
Available and eligible own funds		
Total available own funds to meet the SCR	53,492,214	52,893,420
Total eligible own funds to meet the SCR	53,492,214	52,893,420
SCR	2,199,343	955,284
Ratio of eligible own funds to SCR	2,432.19%	5,536.93%

The Company is closely monitoring its solvency position and implementing immediate actions to reduce the risk of capital inadequacy if this should be required by the changes in business environment and legislation, or by volatility of investment markets due to ongoing pandemic crisis, or by other reasons that may impact financial stability of the Company.

Uzbekinvest International Insurance Company Limited
Annual Report and Financial Statements For the Year Ended 31 December 2020

Strategic Report
For the year ended 31 December 2020 (continued)

Future developments

The COVID-19 crisis, and the governmental responses hereto, are causing ongoing and severe economic and societal disruption accompanied by significant market volatility. The Company's management is continually assessing its impact and, due to the evolving and uncertain nature of the COVID-19 crisis, cannot estimate its ultimate impact on the Company's business, financial condition and results of operations.

In 2021 the Company projects to increase its book of business and planning achieve a stable GPW growth over the next forecast horizon of 2-3 years. In determining these targets, the Company has taken into consideration the following:

- With the rollout of the vaccination globally and the easing by many governments of the restrictions imposed during the national lockdowns, the Company expects a rebound on its business activity due to a recovery of foreign trade and investment flows into Uzbekistan, in particular.
- The volume of state borrowings from the international capital markets also will grow in order to provide sufficient funds to support the Uzbek Government's current reforms and anti-crisis measures;
- Close coordination and affiliation with the Ministry of Investment and Foreign Trade of Uzbekistan (MIFT) and the Ministry of Finance (MOF), as well as with the biggest Uzbek commercial bank – National Bank of Uzbekistan (NBU), allows the Company to be better positioned for the Uzbek market. The Company has immediate access to new investment projects and a reliable source of funds to maintain a high capital adequacy and financial stability during the current market volatility.
- Continuing cooperation with the outsourcing partner, which is based on highly efficient underwriting and risks selection processes, as well as moderate business appetite, will allow to increase business opportunities.
- Uzbekistan has great potential to attract additional investment through equity and debt capital markets. With the gradual revitalisation of the Uzbek economy fueled by sound macroeconomic policies, in combination with the developing capital market and improving legal protection of property rights, there will be growing demand across international investors. Riding on this momentum, the Company can benefit by promoting its services among such investors.

On behalf of the Board

DocuSigned by:



Hasan Mamadjonov
Director

24/09/2021

Uzbekinvest International Insurance Company Limited
Annual Report and Financial Statements For the Year Ended 31 December 2020

Directors' Report
For the year ended 31 December 2020

The Directors present their report and the audited Financial Statements of Uzbekinvest International Insurance Company Limited (the Company) for the year ended 31 December 2020.

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 declared nor paid during 2020 (nil in 2019).

Directors and Directors' interests

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

S U Umurzakov (Chairman)
B B Ashrafkhanov
F A Saidakhmedov
S A Vafaev
H Mamadjonov
S O Abdurashidov
R B Khalikov

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

B B Ashrafkhanov	Resigned 5 June 2020
S O Abdurashidov	Appointed 5 June 2020
R B Khalikov	Appointed 5 June 2020
F A Saidakhmedov	Resigned 5 June 2020

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

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 2020 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.

Uzbekinvest International Insurance Company Limited
Annual Report and Financial Statements For the Year Ended 31 December 2020

Directors' Report
For the year ended 31 December 2020 (continued)

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

PricewaterhouseCoopers LLP has been the Company's auditors for over 20 years and in accordance with EU legislation on the mandatory firm rotation ("MFR") of external auditors, the Company has to consider the appointment of a new statutory auditor for the year ending 31 December 2021.

The Board is in the process of considering the capability and fees of alternative audit firms and will make a recommendation following completion of this.

PricewaterhouseCoopers LLP will continue in office until the relevant resolution of the Board is approved for the appointment of a new audit firm.

On behalf of the Board

DocuSigned by:

Hasan Mamadjonov

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Hasan Mamadjonov
Director

24/09/2021

Uzbekinvest International Insurance Company Limited
Annual Report and Financial Statements For the Year Ended 31 December 2020

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

Report on the audit of the financial statements

Opinion

In our opinion, Uzbekinvest International Insurance Company Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2020; the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company in the period under audit.

Our audit approach

Overview

Audit scope

- The scope of our audit is driven by statutory and regulatory requirements in the UK. Our audit objective is to obtain sufficient relevant and reliable audit evidence to enable us to issue an opinion on the statutory financial statements.
- As part of our audit, we focused on balances and disclosures which represented a risk of material misstatement to the users of the financial statements for the year ended 31 December 2020.

Key audit matters

- Covid-19 audit considerations

Materiality

- Overall materiality: US\$529,000.00 (2019: US\$525,012.00) based on 1% of net assets.
- Performance materiality: US\$393,750.00.

Uzbekinvest International Insurance Company Limited
Annual Report and Financial Statements For the Year Ended 31 December 2020

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

Report on the audit of the financial statements (continued)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p><i>Covid-19 audit considerations</i></p> <p>The outbreak of Covid-19 and its variants has resulted in significant disruption to society, financial markets and individual companies around the world. In preparing the company's financial statements, management has considered the impact on the company's recognition and measurement of its assets and liabilities, as well as disclosures within the annual report. From a forward looking perspective, management has also considered the impact of Covid-19 on the company's going concern status, with consideration given to future underwriting and investment performance, as well as liquidity, solvency and operational considerations.</p>	<p>Our work over this key audit matter included understanding and evaluating management's assessment and obtaining further evidence to corroborate their analysis. Key elements of our testing included the following:</p> <ol style="list-style-type: none"> 1. We assessed management's analysis of future underwriting and demand in Uzbekistan by inspecting insurance policies issued subsequent to year-end. We also read public Uzbek news releases issued after year end to corroborate management's assessment of Uzbek economic conditions; 2. We assessed management's analysis of future liquidity and solvency; 3. We made inquiries of management and their key outsourcing partner to understand the impact that Covid-19 has had on remote working and operations of the company; and 4. We inspected minutes of board meetings which took place after year-end. From the evidence obtained we concluded that both management's use of the going concern assumption for the company and the disclosures within the annual report are appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates. The company operates from the UK and as such, we performed all testing from the UK and brought balances and transactions representing a risk of material misstatement into scope. This included testing over the company's "Debt securities and other fixed income securities" balance, which represents the company's largest financial statement line item on the balance sheet.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Company Registered Number: 02997845

Page 12

Uzbekinvest International Insurance Company Limited
Annual Report and Financial Statements For the Year Ended 31 December 2020

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

Report on the audit of the financial statements (continued)

<i>Overall company materiality</i>	US\$529,000.00 (2019: US\$525,012.00).
<i>How we determined it</i>	1% of net assets
<i>Rationale for benchmark applied</i>	Consistent with the 2019 year-end audit, we believe net assets is the primary measure used by the board and the users of the 2020 financial statements in assessing the performance of the company, and is a generally accepted auditing benchmark.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 74% of overall materiality, amounting to US\$393,750.00 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the directors that we would report to them misstatements identified during our audit above US\$26,250 (2019: USD\$26,251) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Testing management's key assumptions within management's future forecasts;
- Assessing the company's current liquidity and capital solvency position, in addition to management's considerations over liquidity and solvency;
- Evaluating the impact of Covid-19 on the going concern assessment; and
- Confirming the existence of cash and financial investment balances to assess the availability of liquid assets.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Uzbekinvest International Insurance Company Limited
Annual Report and Financial Statements For the Year Ended 31 December 2020

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

Report on the audit of the financial statements (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Prudential Regulation Authority's regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to "Debt securities and other fixed income securities" financial statement line item. Audit procedures performed by the engagement team included:

Uzbekinvest International Insurance Company Limited
Annual Report and Financial Statements For the Year Ended 31 December 2020

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

Report on the audit of the financial statements (continued)

- Reading key correspondence between the company and the Prudential Regulation Authority;
- Reading relevant board meeting minutes;
- Independently testing the valuation of "Debt securities and other fixed income securities", and confirming existence of these investments with the investment custodian; and
- Identifying and testing journal entries with unusual characteristics, such as journals with unusual account combinations, unusual words, and journals that appear to be inappropriately duplicated.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the members on 13 September 1997 to audit the financial statements for the year ended 31 December 1997 and subsequent financial periods. The period of total uninterrupted engagement is 24 years, covering the years ended 31 December 1997 to 31 December 2020.



Mark Bolton (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

24-09-2021

Uzbekinvest International Insurance Company Limited
Annual Report and Financial Statements For the Year Ended 31 December 2020

Statement of Comprehensive Income
For the year ended 31 December 2020

Technical Account - General Business	Note	2020 US\$	2019 US\$
Earned premiums, net of reinsurance			
Gross premiums written	3	390,591	99,333
Net premiums written		390,591	99,333
Change in the gross provision for unearned premiums		(107,237)	(56,689)
Change in the net provision for unearned premiums		(107,237)	(56,689)
Earned premiums, net of reinsurance		283,354	42,644
Net operating expenses	6	(1,167,774)	(349,831)
Total technical charges		(1,167,774)	(349,831)
Balance on the technical account for general business		(884,420)	(307,187)

The notes on pages 20 to 28 form an integral part of these Financial Statements.

Uzbekinvest International Insurance Company Limited
Annual Report and Financial Statements For the Year Ended 31 December 2020

Statement of Comprehensive Income
For the year ended 31 December 2020 (continued)

Non-Technical Account	Note	2020 US\$	2019 US\$
Balance on the general business technical account		(884,420)	(307,187)
Investment Return			
Investment income		1,123,589	1,270,341
Unrealised gains on investments		405,553	422,996
Investment expenses and charges		(115,839)	(110,157)
Realised (losses)/gains		(15,983)	260,926
Total investment income	10	1,397,320	1,844,106
Other income	7	10,591	11,251
Profit on ordinary activities before tax		523,491	1,548,170
Tax on profit on ordinary activities	11	(99,463)	(294,152)
Profit for the financial year	16	424,027	1,254,018
Total comprehensive income for the year		424,027	1,254,018

All of the Company's activities arise from continuing operations.

The notes on pages 20 to 28 form an integral part of these Financial Statements.

Uzbekinvest International Insurance Company Limited
Annual Report and Financial Statements For the Year Ended 31 December 2020

Balance Sheet
As at 31 December 2020

	Note	2020 US\$	2019 US\$
ASSETS			
Investments			
Debt securities and other fixed income securities	13	53,391,287	52,623,848
Debtors: amounts falling due within one year			
Arising out of direct insurance operations		436,128	124,813
Other debtors	14	115,454	29,996
		551,582	154,809
Other assets			
Cash at bank and in hand		23,123	41,038
		23,123	41,038
Prepayments and accrued income			
Accrued interest		167,158	235,174
Deferred acquisition costs		43,852	14,718
Other prepayments and accrued income		459	114
		211,469	250,006
Total Assets		54,177,462	53,069,701
EQUITY AND LIABILITIES			
Capital and reserves			
Called up share capital	15	50,000,000	50,000,000
Profit and loss account	16	2,925,255	2,501,228
Shareholders' funds		52,925,255	52,501,228
Technical provisions			
Provision for unearned premiums		175,274	56,839
Creditors – amounts due within one year			
Arising out of direct insurance operations	17	137,695	31,792
Other creditors including taxation and social security	17	291,616	362,867
		429,311	394,659
Accruals and deferred income		647,622	116,975
Total Liabilities		54,177,462	53,069,701

The notes on pages 20 to 28 form an integral part of these Financial Statements. The Financial Statements on these pages were approved by the Board of Directors on 23rd/September/2021 and signed on its behalf by:

Hasan Mamadjonov

DocuSigned by:

Hasan Mamadjonov

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Director

24/09/2021

Uzbekinvest International Insurance Company Limited
Annual Report and Financial Statements For the Year Ended 31 December 2020

Statement of Changes in Equity
For the year ended 31 December 2020

	Note	Called-up Share Capital US\$	Profit and Loss Account US\$	Total Shareholders' Funds US\$
Balance at 1 January 2019		50,000,000	1,247,210	51,247,210
Total comprehensive income for the financial year		0	1,254,018	1,254,018
Balance as at 31 December 2019		50,000,000	2,501,228	52,501,228
Total comprehensive income for the financial year		0	424,027	424,027
Balance as at 31 December 2020	15, 16	50,000,000	2,925,255	52,925,255

The notes on pages 20 to 28 form an integral part of these Financial Statements.