



**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

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**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**  
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**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.

	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
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.

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**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).

	<b>As at 31 December 2020 (unaudited) US \$</b>	<b>As at 31 December 2019 (unaudited) US \$</b>
<b>Basic Own Funds</b>		
Ordinary share capital	50,000,000	50,000,000
Reconciliation reserve	3,492,214	2,893,420
<b>Total basic own funds</b>	53,492,214	52,893,420
<b>Available and eligible own funds</b>		
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
<b>SCR</b>	2,199,343	955,284
<b>Ratio of eligible own funds to SCR</b>	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"> <li>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;</li> <li>2. We assessed management's analysis of future liquidity and solvency;</li> <li>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</li> <li>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.</li> </ol>

#### 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

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## 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](http://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**

<b>Technical Account - General Business</b>	<b>Note</b>	<b>2020 US\$</b>	<b>2019 US\$</b>
<b>Earned premiums, net of reinsurance</b>			
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)
<b>Earned premiums, net of reinsurance</b>		<b>283,354</b>	<b>42,644</b>
Net operating expenses	6	(1,167,774)	(349,831)
<b>Total technical charges</b>		<b>(1,167,774)</b>	<b>(349,831)</b>
<b>Balance on the technical account for general business</b>		<b>(884,420)</b>	<b>(307,187)</b>

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)**

<b>Non-Technical Account</b>	<b>Note</b>	<b>2020 US\$</b>	<b>2019 US\$</b>
<b>Balance on the general business technical account</b>		<b>(884,420)</b>	<b>(307,187)</b>
<b>Investment Return</b>			
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
<b>Total investment income</b>	<b>10</b>	<b>1,397,320</b>	<b>1,844,106</b>
Other income	7	10,591	11,251
<b>Profit on ordinary activities before tax</b>		<b>523,491</b>	<b>1,548,170</b>
<b>Tax on profit on ordinary activities</b>	<b>11</b>	<b>(99,463)</b>	<b>(294,152)</b>
<b>Profit for the financial year</b>	<b>16</b>	<b>424,027</b>	<b>1,254,018</b>
<b>Total comprehensive income for the year</b>		<b>424,027</b>	<b>1,254,018</b>

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

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 23<sup>rd</sup>/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**

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

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

Notes to the Financial Statements for the year ended 31 December 2020

**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 at market (fair) value
- Everything else on the historical cost basis

The Financial Statements are presented in United States Dollars as the assets, liabilities and the Company's transactions are converted in that currency for the purpose of preparing the Financial Statements. 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.

**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, significant insurance risk is defined as 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.
- 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.

**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.

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

Notes to the Financial Statements for the year ended 31 December 2020

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

### **Financial Investments (continued)**

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 United States 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.

### **Other Debtors and Creditors**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short term or that it has designated as at fair value through profit or loss. When a financial liability is recognised initially it is measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial liability. Loans and receivables are subsequently measured at amortised cost using the effective interest method.

### **Insurance Debtor and Creditor Balances**

Insurance debtor and creditor balances reflect the gross premium amounts receivable from, and the commissions payable to, AIG Uzbekinvest Limited.

Insurance debtors and creditors are initially measured at fair value, and then subsequently at amortized cost, being reviewed for impairment annually. Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognized in the income statement in other operating expenses. The basis of valuation is viewed by the Directors as having prudent regard to the likely realizable value.

### **Dividends**

Interim or final dividends payable are recognised when they are appropriately approved and no longer at the discretion of the Company.

### **Share Capital**

Ordinary shares are classified as equity. Incremental cost directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## **2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management considers the accounting estimates and assumptions discussed below to be its critical accounting estimates and, accordingly, provide an explanation of each below.

### **Significant Insurance Risk**

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general rule, the Company defines its significant insurance risk as 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. Significant insurance risk is normally significant assumptions and needed in determining actuarial reserves. Given the Company's niche political risk focus and the fact that there have not been any significant political loss risk loss events in Uzbekistan in the year, the degree of estimation uncertainty is very limited.

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

Notes to the Financial Statements for the year ended 31 December 2020

## 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### Taxation

The Company's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the Company's total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority.

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. Where the temporary differences relate to losses, the availability of the losses to offset against forecast taxable profits is also considered. Recognition therefore involves judgement regarding the future financial performance of the tax group in which the deferred tax asset has been recognised.

## 3 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.

	<b>Gross Premiums Written</b>		<b>Gross Premium Earned</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Political risk	390,591	99,333	283,353	42,644
	<b>390,591</b>	<b>99,333</b>	<b>283,353</b>	<b>42,644</b>

## 4 FINANCIAL RISK AND CAPITAL MANAGEMENT

### Financial Risk Management

The principal risks and uncertainties of the Company are financial and insurance risk through its financial assets and financial liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations as they fall due. The major components of financial risk are market risk, credit risk and liquidity risk. The Company primarily faces interest rate risk due to the nature of its investments.

The Company's overall risk management programme focuses on the risks of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company is prudent in its approach to investment and this is reflected in the agreements it has with its investment manager. The Company advocates capital preservation and therefore requires investment in high quality, fixed interest bonds. There are regular investment meetings and the Company reviews the monthly investment reports provided by the investment manager as a means of actively managing its exposure to identified investment positions.

The Company has not changed the processes used to manage its risks from previous financial years. The notes below explain how financial risks are managed.

#### a) Market Risk

The main components of market risk to which the Company is exposed are:

##### (i) 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.

At 30 November 2020, the sensitivity of the carrying value of the Company's fixed maturity portfolio to a movement of 10 basis points in interest rates may result in an additional profit before tax of US\$ \$60k (2019: US\$64k).

##### (ii) Currency Risk

The Company's main currency risks include its insurance debtors, trading cash accounts and debtors and creditors relating to net operating expenses. The base currency of the Company's portfolio is US dollars. As at 31 December 2020, the Company held investments only in US dollars.

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

Notes to the Financial Statements for the year ended 31 December 2020

**4. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)**

**(ii) Currency Risk (continued)**

**Sensitivity Analysis**

Total Equity at 31 December 2020			
	Euro	Pound sterling	United States dollar
	161,914.54	202,548.62	8,699,545
10% increase in USD dollar/EUR rate	10% decrease in USD dollar/EUR rate	10% increase in USD dollar/GBP rate	10% decrease in USD dollar/GBP rate
19,775	(19,775)	27,678	(27,678)

Total Equity at 31 December 2019			
	Euro	Pound sterling	United States dollar
	45,333.00	260,992.00	8,067,430
10% increase in USD dollar/EUR rate	10% decrease in USD dollar/EUR rate	10% increase in USD dollar/GBP rate	10% decrease in USD dollar/GBP rate
5,090	(5,090)	34,621	(34,621)

The sensitivity analysis provides an analysis of the equity by currency and the impact of a fluctuation in the currency by an increase or decrease of 10%.

**(iii) 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 summarised below, together with an analysis by credit rating:

	2020 US\$	2019 US\$
<b>Assets</b>		
Debt securities and other fixed income securities	53,391,287	52,623,848
Loans and receivables	661,266	388,087
Other assets (VAT)	101,785	16,728
Cash at bank	23,123	41,038
<b>Total assets bearing credit risk</b>	<b>54,177,462</b>	<b>53,069,701</b>

	2020 US\$	2019 US\$
AAA	34,773,959	33,623,239
AA	808,878	4,057,282
A	15,282,839	15,192,615
Below BBB or not rated	3,311,786	196,565
<b>Total assets bearing credit risk</b>	<b>54,177,462</b>	<b>53,069,701</b>

The other main counterparty of the Company is AIG Uzbekinvest Limited with which it has a close working relationship and therefore has the comfort that none of its financial assets need to be impaired at the reporting date and management expects no significant losses from the non-performance of this counterparty.

**(iv) 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. The main assets held by the Company are debt securities or other fixed interest securities of varying maturities as outlined in the table below. 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.

Debt securities and other fixed income securities:

	2020 US\$	2019 US\$
Less than 1 year	29,148,236	26,565,659
Between 1 and 2 years	20,892,496	15,974,621
Between 2 and 5 years	3,350,555	10,083,568
<b>Total</b>	<b>53,391,287</b>	<b>52,623,848</b>

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

Notes to the Financial Statements for the year ended 31 December 2020

**4. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)**

**(iv) Liquidity Risk (continued)**

The maturity profile for the majority of the remaining financial liabilities and assets are all due within 12 months, as summarised below:

<b>Financial Liabilities</b>	<b>2020 US\$</b>	<b>2019 US\$</b>
Accruals and deferred income	647,622	116,975
Arising out of non-insurance operations	137,695	31,792
UK corporation tax payable and other non insurance payable	291,616	362,867
	<b>1,076,933</b>	<b>511,634</b>

<b>Financial Assets</b>	<b>2020 US\$</b>	<b>2019 US\$</b>
Accrued interest	167,158	235,174
Non Insurance Receivable	13,668	13,268
VAT	101,786	16,728
Arising out of insurance operations	436,128	124,813
Cash at bank and in hand	23,123	41,038
	<b>741,863</b>	<b>431,021</b>

**b) Fair value estimation**

The tables below analyse financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The following table presents the Company's assets and liabilities measured at fair value:

<b>31 December 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total balance</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
- debt securities and other fixed income securities	36,279,071	17,112,216	53,391,287
	<b>36,279,071</b>	<b>17,112,216</b>	<b>53,391,287</b>
<b>31 December 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total balance</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
- debt securities and other fixed income securities	34,636,880	17,986,968	52,623,848
	<b>34,636,880</b>	<b>17,986,968</b>	<b>52,623,848</b>

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 2020 and 31 December 2019 there were no instruments in Level 3.

The investment portfolio includes US\$ 500,000 nominal value of medium-term notes issued by Lehman Brothers Holdings Inc. The valuation of these bonds in the 2020 Financial Statements is US\$2,375 (2019: US\$7,200) based on the secondary market valuation (Bloomberg) representing the estimated future payments.

**c) Capital Management**

The Company maintains an efficient capital structure of total shareholders' funds, consistent with the Company's risk profile and the regulatory and market requirements of its business.

The Company's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- to maintain financial strength to support new business growth;
- to satisfy the requirements of its policyholders and regulators;
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- to allocate capital efficiently to support growth; and
- to manage exposures to movement in exchange rates.

The Company manages as capital all items that are eligible to be treated as capital for regulatory purposes. The Company calculates its Solvency Capital Requirement ("SCR") using the Standard Formula and is compliant with Solvency II reporting.

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.

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**5 CHANGES IN THE PROVISION FOR CLAIMS**

During 2020, the provision for claims remained at 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.

**6 NET OPERATING EXPENSES**

	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
Acquisition costs	97,648	24,833
Change in deferred acquisition costs	<u>(26,308)</u>	<u>(14,172)</u>
	71,340	10,661
Administrative expenses	1,096,434	339,170
Total net operating expenses	<u><b>1,167,774</b></u>	<u><b>349,831</b></u>

Administrative expenses include audit fees of US\$71k (billed in GBP for £55k) in respect of the audit of the Company. There has been an increase in administrative expenses in 2020 due a delay in the charging of prior years expenses by the service provider.

**7 OTHER INCOME**

	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
Net foreign exchange gains	12,064	12,324
Bank charges and fees	<u>(1,473)</u>	<u>(1,073)</u>
	<u><b>10,591</b></u>	<u><b>11,251</b></u>

**8 STAFF COSTS**

The average number of employees during the year was:

	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
Management	1	1
Other	<u>1</u>	<u>1</u>
Total	<u><b>2</b></u>	<u><b>2</b></u>

Total remuneration paid to employees during the year was:

	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
Wages, salaries and social security	148,470	108,482
	<u><b>148,470</b></u>	<u><b>108,482</b></u>

**9 DIRECTORS' EMOLUMENTS**

	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
Aggregate emoluments (including contractual benefits)	253,323	172,637
The aggregate emoluments of the highest paid director	223,245	172,637

There were two directors who were paid an emolument during the year (in the prior year there was one Director paid).

No Directors exercised share options or received shares in respect of qualifying services under any long-term incentive scheme. No compensation was paid to the Directors during the year for loss of office.

There have been no post-employment benefits under defined benefit pension scheme during the year.

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**10 TOTAL INVESTMENT INCOME**

	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
<b>a) Investment Income</b>		
Interest on other financial investments	1,123,589	1,270,341
	<b>1,123,589</b>	<b>1,270,341</b>
<b>b) Unrealised gains on investments</b>		
Unrealised gains on investments	405,553	422,996
	<b>405,553</b>	<b>422,996</b>
<b>c) Investment expenses and charges</b>		
Investment management expenses including interest expense	(115,839)	(110,157)
	<b>(115,839)</b>	<b>(110,157)</b>
<b>d) Realised (Losses)/gains</b>		
(Losses)/gains on the realisation of investments	(15,983)	260,926
	<b>(15,983)</b>	<b>260,926</b>
<b>Total Investment Income</b>	<b>1,397,320</b>	<b>1,844,106</b>

**11 TAX ON PROFIT ON ORDINARY ACTIVITIES**

<b>A) Analysis of charge for the year</b>	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
<b>Current tax:</b>		
UK corporation tax on profit of the year	99,463	294,152
<b>Total current tax:</b>	<b>99,463</b>	<b>294,152</b>
<b>Tax charge on profit on ordinary activities</b>	<b>99,463</b>	<b>294,152</b>
<b>B) Factors affecting tax charge for year</b>		
	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
Profit on ordinary activities before tax	523,490	1,548,170
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of (2019: 19%)	99,463	294,152
<b>Total tax charge for the year</b>	<b>99,463</b>	<b>294,152</b>

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Notes to the Financial Statements for the year ended 31 December 2020

**11 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)**

<b>C) Movement in deferred tax asset</b>	<b>2020 US\$</b>	<b>2019 US\$</b>
At 1 January	0	0
Profit and loss account charge for the year	0	0
At 31 December	<u>0</u>	<u>0</u>

**12 DIVIDENDS**

No dividends were paid during 2020 (2019: nil).

**13 FINANCIAL INVESTMENTS**

	<b>2020</b>		<b>2019</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	53,391,287	46,643,021	52,623,848	52,386,177
	<u>53,391,287</u>	<u>46,643,021</u>	<u>52,623,848</u>	<u>52,386,177</u>

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

**14 OTHER DEBTORS**

	<b>2020 US\$</b>	<b>2019 US\$</b>
Non Insurance Receivables	13,669	13,268
Value Added Tax	101,785	16,728
	<u>115,454</u>	<u>29,996</u>

VAT has increased in line with the additional service fees recognised in 2020 which had been charged by the service provider.

**15 CALLED UP SHARE CAPITAL**

	<b>2020</b>		<b>2019</b>	
	<b>Number</b>	<b>US\$</b>	<b>Number</b>	<b>US\$</b>
Authorised, issued and fully paid ordinary shares of US\$ 100,000 each	500	50,000,000	500	50,000,000
	<u>500</u>	<u>50,000,000</u>	<u>500</u>	<u>50,000,000</u>

These are ordinary shares which do not carry any restrictions.

**16 PROFIT AND LOSS ACCOUNT**

	<b>2020 US\$</b>	<b>2019 US\$</b>
At 1 January	2,501,228	1,247,210
Profit for the financial year	424,027	1,254,018
At 31 December	<u>2,925,255</u>	<u>2,501,228</u>

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Notes to the Financial Statements for the year ended 31 December 2020

**17 CREDITORS - AMOUNTS DUE WITHIN ONE YEAR**

	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
Arising out of insurance operations	137,695	31,792
Arising out of non-insurance operations	217,906	502
UK corporation tax payable	73,710	362,365
	<b>429,311</b>	<b>394,659</b>

All creditors are due within one year. A balance of US\$137,695 (2019: US\$ 31,792) was payable to AIG Uzbekinvest Limited as at 31 December 2020.

**18 RELATED PARTY TRANSACTIONS**

The Company has entered into a managing general agency agreement with AIG Uzbekinvest Limited, a Company incorporated in Great Britain. It has appointed AIG Uzbekinvest Limited as an exclusive agent worldwide, with the authority to do all things necessary for or incidental to the transaction of all types of authorised insurance and reinsurance business.

The agency agreement allows for an annual service fee and management recharges of all administrative expenses paid by AIG Uzbekinvest Limited on behalf of the Company. During the year the charges were as follows:

	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
Service Fees	693,626	179,355
Management fees recharged	373,155	159,815
	<b>1,066,781</b>	<b>339,170</b>

The Service Fee relates to monthly fixed costs recharged by AIG Uzbekinvest Limited. The Management fee mainly consists of the portfolio service fees and also fees for professional services.

A balance of US\$436,128 (2019: \$124,813) was receivable from, and a balance of US\$137,695 (2019: US\$31,792) was payable to AIG Uzbekinvest Limited as at 31 December 2020. There has been an increase in Service Fees in 2020 due a delay in the charging of prior years fees by the service provider.

There have been no material transactions with Directors or other officers during the year other than disclosed at Note 9 Directors emoluments, requiring disclosure.

Agency commissions from AIG Uzbekinvest Limited charged during the year were US\$97,648 (2019 US\$ 4,449).

**19 ULTIMATE PARENT COMPANY**

Uzbekinvest National Export-Import Insurance Company, a company incorporated in the Republic of Uzbekistan, is the parent undertaking of the largest and smallest group of undertakings to consolidate these Financial Statements at 31 December 2020. The consolidated Financial Statements of Uzbekinvest National Export - Import Insurance Company are available from the UIIC Building, C District, Chilanzar Street, 100113 Tashkent, Uzbekistan.

**20 CAPITAL COMMITMENTS**

There are no capital commitments at the Balance Sheet date.

**21 EVENTS AFTER THE REPORTING YEAR**

There are no events to report.