Uzbekinvest International Insurance Company Limited

Annual Report and Financial Statements

for the year ended 31 December 2017

Contents of the Annual Report and Financial Statements
for the year ended 31 December 2017

Company Information
for the year ended 31 December 2017

Directors

S U Umurzakov
R A Gulyamov
F A Saidakhmedov
S A Vafaev
H Mamadjonov

Company Secretary

K Hillery

Registered office

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

Independent auditors

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

Principal bankers

Citibank N A
Citigroup Centre
Canada Square
London
E14 5LB

Investment advisers
Falcon Private Wealth Ltd.
27 Knightsbridge
London
SW1X 7LY

Strategic report
for the year ended 31 December 2017

The directors present their strategic report on the company for the year ended 31 December 2017.

Review of the business

The results of the Company for the year, as shown on page 9 and page 10, show a profit on ordinary activities before tax of US$343,196 gain (2016: US$735,700 gain). At 31 December 2017, the total shareholders' funds of the Company, as shown on page 11, total US$50,919,901 (2016: US$50,661,018). The level of gross premiums written, as shown on page 8, has decreased to US$90,132 (2016: US$273,629).

The Company offers a range of insurance policies designed to protect the business and assets of companies investing in or doing business in the Republic of Uzbekistan. The coverage provides for investment and trade transactions against certain political risks and events in Uzbekistan. The investment covers include confiscation, expropriation and nationalisation. The trade covers include contract repudiation and wrongful calling of guarantees.

The above covers are sought by various industries and sectors, mainly concentrating in commodities, energy, mining, construction and transport.

Consistent with prior years no claims have been notified in 2017. 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

In spite of some recovery and stable growth, the global economy still faces challenges and tensions, both political and economic that might put downward pressure on global trade and investment activity. The global economy is likely to maintain its positive momentum in the short term, barring a correction in financial markets. But there are also several risk factors that could hamper growth over the longer run, including political instability and "inward-looking policies" that could result in barriers to trade, as well as in redirection of investments flows on a global scale.

In such a challenging environment the Government of Uzbekistan has been carrying out wide-scale reforms aimed to boost resilience and improve investment attractiveness of the national economy.

It is expected that the Uzbek Government will be continuing its policy of attracting more FDI (Foreign Direct Investment) and stimulating business activity, particularly in export-oriented industries (e.g., energy, machines, automotive equipment, textile and agrifood).

Our confidence is boosted by the resent measures taken by the new Head of State – notably the liberalisation of exchange rates, easing business registration procedures, customs reforms and tax incentives for investors, expansion of free trade economic zones, and further development of WTO accession.

Further enhancing international and regional integration by promoting trade and foreign direct investment, as well as providing strong government support for the major sectors of economy, continuing improvement of business environment, fiscal stimulus and creation of favourable investment conditions, in conjunction with political stability - these all factors will be supporting our confidence that Uzbekistan is to remain as one of the attractive countries in Central Asia to foreign investors.

Business Strategy

The Company's business strategy and its strategic partnerships were established with a long term view and aimed to be an essential part of the national system of trade and investments attraction and protection. While having the state as a sole equity holder and being one of the guaranty institutions to support foreign investors, the Company's strategy is unchanged and focused on capital preservation, both in the business writing, and in the investment activity.

The Company's operational business model is based on the outsourcing of all services. While keeping ongoing control of the processes by the Board and management, the Company transfers the operational risks to the outsourcing partner. Such model allows the Company to minimize the operating costs and to stay resistant to low business volumes in the medium run.

The Company will continue to write one line of business, political risk, while serving the same customers – the foreign companies investing or doing business in the Republic of Uzbekistan.

The Company will continue to maximize its efforts to get more business and increase its underwriting profit by conducting active direct marketing and close cooperation with the participants of the investment projects, both domestic and foreign, as well as with the banks which are involved in a trade financing projects. The Company's target potential sectors cover agriculture, textile, transport, cotton trade, oil and gas industries, auto and machinery

In terms of investment strategy, the Company will continue to keep its investment portfolio within strict investment guidelines, and aim to generate a minimum of 2% return on an annual reporting basis.

Strategic report (continued)
for the year ended 31 December 2017

Key performance indicators

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

	2017 $	2016 $
Gross Premiums written	90,132	273,629
Underwriting result (*Balance on Technical Account – General Business*)	(249,849)	70,348
Ratio of investment return to the value of invested assets	1.50%	1.34%
Return on capital employed (profit for the financial year before tax in relation to the average equity total shareholders' funds)	0.67%	1.44%

Principal risks and uncertainties

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

Through this process the Company identifies the risks to which it is exposed, and assesses their impact on economic capital. This process (in line with Solvency II requirements) is risk based to manage the Company's capital requirements and ensure it has the financial strength and capital adequacy to support the growth of the business and to meet the requirements of policyholders, regulators and rating agencies.

In particular, the Company is vulnerable to various political or economic events within the Republic of Uzbekistan, which if triggered could result in insurance claims.

In addition, the Company is exposed to financial risks through its financial assets, financial liabilities and policyholder liabilities. The information on the use of financial instruments by the Company and its management of financial risk is disclosed in Note 4 to the financial statements. In particular the Company's exposures to interest rate risk, currency risk, credit risk and liquidity risk are separately disclosed in that note.

Future developments

The Company's future presence and activity on the market would heavily depend on both global investment flows into the region and demand on insurance of political risk on Uzbekistan.

From one hand, the country is constantly developing new ways to open for world investments and trade, while reducing the barriers and creating comfortable business environment. From another hand, investors and financing banks are feeling more comfortable to take these risks on their own, or they are looking for the non-insurance alternatives of risk mitigation, having in mind the fact of a political stability and more predictability in Uzbekistan.

As the Company is better positioned for the Uzbek market through close co-ordination with immediate government trade departments and ministries, therefore the bulk of Company's efforts and business appetite will be focusing towards the investment projects and trade deals, which are prioritised by the Government and included into the State investment programmes.

On behalf of the Board

Hasan Mamadjonov
Director
05/04/2018

Directors' Report
for the year ended 31 December 2017

The directors present their report and the audited financial statements of Uzbekinvest International Insurance Company Limited (the Company) for the year ended 31 December 2017.

Future Developments

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

Principal activity

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

Dividends

No dividends were paid during 2017 (nil in 2016).

Directors and directors' interests

The directors of the company who were in office during the Company financial year were:
R Antes (Chairman)
R A Gulyamov
F A Saidakhmedov
S A Vafaev
H Mamadjonov

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

R Antes	Resigned 02 March 2017
S U Umurzakov (Chairman)	Appointed 14 February 2018

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

Qualifying third party indemnity provisions

During the year the Company had in place qualifying third party indemnity provisions for the directors of the Company.

Financial Instruments

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

Disclosure of information to auditors

Each of the persons who is a director at the date of this report confirms that:

- so far as each of them is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December 2017 of which the auditors are unaware; and

- the directors have taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' Report (continued)
for the year ended 31 December 2017

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 have indicated their willingness to be reappointed for another term and appropriate measures have been put in place for them to be reappointed as auditors of the Company.

On behalf of the Board

Hasan Mamadjonov
Director
05/04/2018

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 2017 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 2017; the profit and loss account, 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 those charged with governance.

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 to the company.

Other than those disclosed in note 6 to the financial statements, we have provided no non-audit services to the company in the period from 1 January 2017 to 31 December 2017.

Our audit approach

Overview

Materiality	• Overall materiality: $515,606, based on 1% of total assets.
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 opinions 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.
Key audit matters	• Risk of material misstatement arising from asset misappropriation.

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. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that 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. We focused on laws and regulations that could give rise to a material misstatement in the company's financial statements, including, but not limited to, Companies Act 2006. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation and the review of correspondence with the regulators. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We found the risk of material misstatement arising from asset misappropriation to be a key audit matter, and this is discussed further below. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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.

Key audit matter	***How our audit addressed the key audit matter***
Risk of material misstatement arising from asset misappropriation Due to the significance of the company's investment portfolio relative to its operations, we have focused our fraud considerations around this area.	We updated our understanding of the key internal controls over the treasury process and investment portfolio. We inquired with the custodian and investment manager of their systems and controls. We inspected investment reports from both the custodian and investment manager, and noted no discrepancies between the two. We conducted inquiries with the custodian, the investment manager and company management, and made use of research tools to identify and investigate any unusual transactions or activities.

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.

Our audit procedures focused on balances and disclosures which represented a risk of material misstatement to the users of the financial statements. No component auditors were involved with our work.

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:

Overall materiality	$514,550
How we determined it	1% of total assets
Rationale for benchmark applied	In light of the company's significant asset holdings, we believe that total assets is a key metric monitored by both internal and external users of the financial statements; this is also considered a generally accepted auditing benchmark.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above $25,780 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Due to the nature of certain balances and classes of transactions presented on the financial statements, we determined it was more appropriate to apply a lower materiality threshold when testing these balances and transactions.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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.

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2017 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 set out on page 7, 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.

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 received 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

Following the recommendation of those charged with governance, we were appointed by the directors during 1997 to audit the financial statements for the year ended 31 December 1997 and subsequent financial periods. The period of total uninterrupted engagement is 21 years, covering the years ended 31 December 1997 to 31 December 2017.

Mark Bolton

Mark Bolton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
4 May 2018

Profit and loss account
for the year ended 31 December 2017

Technical account - general business

	Note	2017	2016
Earned premiums, net of reinsurance		$	$
Gross premiums written		90,132	273,629
Net premiums written		90,132	273,629
Change in the gross provision for unearned premiums		8,126	209,802
Change in the net provision for unearned premiums		8,126	209,802
Earned premiums, net of reinsurance		**98,258**	**483,431**
Claims incurred, net of reinsurance	5	-	-
Net operating expenses	6	(348,107)	(413,082)
Total technical charges		**(348,107)**	**(413,082)**
Balance on the technical account for general business		**(249,849)**	**70,348**

Profit and loss account
for the year ended 31 December 2017

Non-technical account	**Notes**	**2017**	**2016**
		$	**$**
Balance on the general business technical account		**(249,849)**	**70,348**
Investment income	10	888,355	700,372
Unrealised gains/(losses) on investments	10	(175,365)	116,277
Investment expenses and charges	10	(121,309)	(157,897)
Total investment income	10	**591,681**	**658,752**
Other income	7	1,365	6,600
Profit on ordinary activities before tax		**343,196**	**735,700**
Tax on profit / (loss) on ordinary activities	**11**	(84,313)	(155,600)
Profit for the financial year	16	**258,883**	**580,100**

The above operating results are all derived from continuing operations.

The Company has no recognized gains and losses other than the profit for the 2017 and 2016 financial years.

Balance sheet
as at 31 December 2017

	Note	2017	2016
		$	**$**
ASSETS			
Investments			
Debt securities and other fixed income securities	13	51,108,589	50,510,089
Debtors: amounts falling due within one year			
Arising out of direct insurance operations		-	271,844
Other debtors	14	-	5,668
		-	277,512
Debtors: amounts falling due after one year			
Deferred tax asset	11	-	-
Other assets			
Cash and cash equivalents		91,797	343,274
Other		31,496	24,127
		123,293	367,401
Prepayments and accrued income			
Accrued interest		221,977	166,538
Deferred acquisition costs		838	1,502
Other prepayments and accrued income		363	1,508
		223,178	169,548
Total assets		**51,455,060**	**51,324,550**
EQUITY AND LIABILITIES			
Capital and reserves			
Called up share capital	15	50,000,000	50,000,000
Profit and loss account	16	919,901	661,018
Shareholders' funds		50,919,901	50,661,018
Technical provisions			
Provision for unearned premiums		1,176	6,007
Creditors – amounts due within one year			
Arising out of direct insurance operations	17	-	67,976
Other creditors including taxation and social security	17	483,427	485,633
		483,427	553,609
Accruals and deferred income		50,556	103,916
Total liabilities		**51,455,060**	**51,324,550**

The financial statements on pages 9 - 11 were approved by the Board of Directors on 03 May 2018 and signed on its behalf by:

Hasan Mamadjonov

Director 05.04.2018

Statement of changes in equity
as at 31 December 2017

	Note	Called-up share capital	Profit and loss account	Total Shareholders' funds
		$	$	$
Balance at 1 January 2016		**50,000,000**	**80,918**	**50,080,918**
Profit for the financial year		0	580,100	580,100
Balance as at 31 December 2016		**50,000,000**	**661,018**	**50,661,018**
Profit for the financial year		0	258,883	258,883
Balance as at 31 December 2017	15, 16	**50,000,000**	**919,901**	**50,919,901**