



**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**

	<b>Page</b>
Company Information	3
Strategic report	4
Directors' report	6
Independent auditors' report	8
Profit and Loss Account	12
Balance sheet	14
Statement of changes in equity	15
Notes to the financial statements	16 - 25

**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 agrofood).

Our confidence is boosted by the recent 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 ( <i>Balance on Technical Account – General Business</i> )	(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

0504  
.../.../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**

<b>Materiality</b>	<ul style="list-style-type: none"><li>• Overall materiality: \$515,606, based on 1% of total assets.</li></ul>
<b>Audit scope</b>	<ul style="list-style-type: none"><li>• 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</li><li>• 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.</li></ul>
<b>Key audit matters</b>	<ul style="list-style-type: none"><li>• Risk of material misstatement arising from asset misappropriation.</li></ul>

#### **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.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Risk of material misstatement arising from asset misappropriation</i></p> <p>Due to the significance of the company's investment portfolio relative to its operations, we have focused our fraud considerations around this area.</p>	<p>We updated our understanding of the key internal controls over the treasury process and investment portfolio.</p> <p>We inquired with the custodian and investment manager of their systems and controls.</p> <p>We inspected investment reports from both the custodian and investment manager, and noted no discrepancies between the two.</p> <p>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.</p>

### *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:

<i>Overall materiality</i>	\$514,550
<i>How we determined it</i>	1% of total assets
<i>Rationale for benchmark applied</i>	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](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 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 (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
<b>Earned premiums, net of reinsurance</b>		<b>\$</b>	<b>\$</b>
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
<b>Earned premiums, net of reinsurance</b>		<b>98,258</b>	<b>483,431</b>
Claims incurred, net of reinsurance	5	-	-
Net operating expenses	6	(348,107)	(413,082)
<b>Total technical charges</b>		<b>(348,107)</b>	<b>(413,082)</b>
<b>Balance on the technical account for general business</b>		<b>(249,849)</b>	<b>70,348</b>

**Profit and loss account  
for the year ended 31 December 2017**

<b>Non-technical account</b>	<b>Notes</b>	<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
<b>Balance on the general business technical account</b>		<b>(249,849)</b>	<b>70,348</b>
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)
<b>Total investment income</b>	<b>10</b>	<b>591,681</b>	<b>658,752</b>
Other income	7	1,365	6,600
<b>Profit on ordinary activities before tax</b>		<b>343,196</b>	<b>735,700</b>
<b>Tax on profit / (loss) on ordinary activities</b>	<b>11</b>	<b>(84,313)</b>	<b>(155,600)</b>
<b>Profit for the financial year</b>	<b>16</b>	<b>258,883</b>	<b>580,100</b>

The above operating results are all derived from continuing operations.

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

**Balance sheet  
as at 31 December 2017**

	Note	2017 \$	2016 \$
<b>ASSETS</b>			
<b>Investments</b>			
Debt securities and other fixed income securities	13	51,108,589	50,510,089
<b>Debtors: amounts falling due within one year</b>			
Arising out of direct insurance operations		-	271,844
Other debtors	14	-	5,668
		-	277,512
<b>Debtors: amounts falling due after one year</b>			
Deferred tax asset	11	-	-
<b>Other assets</b>			
Cash and cash equivalents		91,797	343,274
Other		31,496	24,127
		123,293	367,401
<b>Prepayments and accrued income</b>			
Accrued interest		221,977	166,538
Deferred acquisition costs		838	1,502
Other prepayments and accrued income		363	1,508
		223,178	169,548
<b>Total assets</b>		<b>51,455,060</b>	<b>51,324,550</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	919,901	661,018
<b>Shareholders' funds</b>		<b>50,919,901</b>	<b>50,661,018</b>
<b>Technical provisions</b>			
Provision for unearned premiums		1,176	6,007
<b>Creditors – amounts due within one year</b>			
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
<b>Accruals and deferred income</b>		<b>50,556</b>	<b>103,916</b>
<b>Total liabilities</b>		<b>51,455,060</b>	<b>51,324,550</b>

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 05/05/2018



**Statement of changes in equity  
as at 31 December 2017**

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

## Notes to the financial statements for the year ended 31 December 2017

### General Information

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

### Basis of preparation

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

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

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

The financial statements are presented in United States dollars as the assets, liabilities and 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, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

The results are determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

#### a) Premiums written

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

#### b) Unearned premiums

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

#### c) Acquisition costs

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

#### d) Cash and cash equivalents

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

### Financial investments

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

The Company classifies debt securities and other fixed income securities as at 'fair value through profit or loss' (as under IAS 39), as they are managed and their performance evaluated on a fair value basis. Management determines the classification of the investments upon their initial recognition.



## **Notes to the financial statements (continued) for the year ended 31 December 2017**

The fair values of listed securities are based on the current market bid prices at the balance sheet date or the last trading day before that date.

Any gains or losses arising from changes in the fair value of the investments are presented in the profit and loss account within net unrealised gains or net unrealised losses on investments in the period in which they arise.

Interest on debt securities is recorded on an accruals basis with amounts owed at year end being shown within accrued interest on the balance sheet.

### **Investment Return**

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses.

Realised gains and losses on investments carried at fair value through profit and loss are calculated as the difference between net sales proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and either their purchase price or their fair value at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

### **Foreign currencies**

Monetary assets and liabilities in currencies other than US Dollars are translated at the mid-market rates of exchange ruling on the balance sheet date. Transactions during the year are translated using the rates of exchange prevailing at the date of the transaction. The exchange gains and losses are included in the non-technical account. Non-monetary assets and liabilities are reported using the exchange rates that prevailed at the date of the transaction.

### **Tax**

The charge for tax is based on the results for the year adjusted for disallowable items. Deferred tax is provided in full on all timing differences. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax is calculated at the substantially enacted tax rate and where such an asset is recognised the credit is reflected in the profit and loss account for the year. Deferred tax balances are not discounted.

### **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 Group 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.

Balances that are due from AIG Uzbekinvest Limited are not considered for impairment calculation.

### **Insurance debtor and creditor balances**

Insurance debtor and creditor balances reflect the gross premium amounts and the commission payables 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.

## Notes to the financial statements (continued) for the year ended 31 December 2017

### Significant insurance risk

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

### 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.

	Gross Premiums Written		Gross Premium Earned	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Reinsurance acceptance</b>				
Political risk	90,132	273,629	98,258	483,431
	<b>90,132</b>	<b>273,629</b>	<b>98,258</b>	<b>483,431</b>

## 4 FINANCIAL RISK AND CAPITAL MANAGEMENT

### Financial risk management

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

### Market risk

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

#### **Interest rate risk**

Interest rate risk arises primarily from investments in fixed interest securities. Any difference between the duration of the assets and the estimated duration of the liabilities is minimised by means of holding fixed interest securities of different durations. A 10 basis points fall in interest yields would result in an additional profit before tax of US\$114,557 (2016: US\$97,937). The table below provides a maturity analysis of the Company's financial assets:

Debt securities and other fixed income securities:

	2017	2016
	\$	\$
Less than 1 year	7,673,026	16,242,414
Between 1 and 2 years	27,795,029	22,366,322
Between 2 and 5 years	15,779,694	12,031,643
<b>Total</b>	<b>51,247,749</b>	<b>50,640,379</b>

**Notes to the financial statements (continued) for the year ended 31 December 2017**

**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 2017, the Company held investments only in US dollars.

**Sensitivity analysis:**

Total Equity at 31 December 2017					
Euro		Pound Sterling		Japan Yen	United States Dollar
(406)		(206,182)		-	6,853,005

Total Equity at 31 December 2016					
Euro		Pound Sterling		Japan Yen	United States Dollar
88,857		(444,493)		1,031,250	6,800,896

10%		10%		10%	
Increase	Decrease	Increase	Decrease	Increase	Decrease
In US\$/EUR Rate		In US\$/GBP Rate		In US\$/JPY Rate	
(49)	49	(27,887)	27,887	-	-

10%		10%		10%	
Increase	Decrease	Increase	Decrease	Increase	Decrease
In US\$/EUR Rate		In US\$/GBP Rate		In US\$/JPY Rate	
9,156	(9,156)	(54,857)	54,857	883	(883)

**Notes to the financial statements (continued) for the year ended 31 December 2017**

**Liquidity risk**

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The Company ensures cash will be available by ensuring the profile of investment maturities is managed so as to make sufficient funds available to meet anticipated demand. Assets held by the Company are debt securities or other fixed interest securities of varying maturities with an average duration of 2 years (2016: 2 years). No financial assets are overdue. The Company's insurance policies have a 180 day waiting period before a claim is eligible for payment due to the nature of the risk. This period allows sufficient time to accumulate the necessary funds to make a substantial claim payment.

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

	2017	2016
	\$	\$
<b>Financial Liabilities</b>		
Accruals and deferred income	50,556	103,916
Arising out of non-insurance operations	483,429	485,634
UK corporation tax payable	(84,313)	155,600
	<b>449,672</b>	<b>745,150</b>
<b>Financial Assets</b>		
Accrued interest	221,977	166,538
Other debtors (Note 14)	-	-
Other assets – VAT (Input VAT)	31,496	24,127
Arising out of insurance operations	-	203,868
Cash at bank and in hand	91,797	343,274
	<b>345,271</b>	<b>737,807</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 at 31 December 2017.

**Financial assets at fair value through profit or loss:**

	Level 1	Level 2	Total balance
	\$	\$	\$
- debt securities and other fixed income securities	17,097,894	34,010,695	51,108,589
	<b>17,097,894</b>	<b>34,010,695</b>	<b>51,108,589</b>

The following table presents the Company's assets and liabilities measured at fair value at 31 December 2016.

**Financial assets at fair value through profit or loss:**

	Level 1	Level 2	Total balance
	\$	\$	\$
- debt securities and other fixed income securities	23,658,489	26,851,600	50,510,089
	<b>23,658,489</b>	<b>26,851,600</b>	<b>50,510,089</b>

**Notes to the financial statements (continued) for the year ended 31 December 2017**

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 2017 and 31 December 2016 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 2017 financial statements is US\$ 32,190 (2016: US\$36,250) based on the secondary market valuation (Bloomberg) representing the estimated future payments.

**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.

The below table provides an analysis of the Own Funds of the Company under Solvency II.

	31 December 2017 US\$	31 December 2016 US\$
<b>Basic own funds</b>		
Ordinary share capital	50,000,000	50,000,000
Reconciliation reserve	799,050	581,385
<b>Total basic own funds</b>	50,799,050	50,581,385
<b>Available and eligible own funds</b>		
Total available own funds to meet the SCR	50,799,050	50,581,385
Total eligible own funds to meet the SCR	50,799,050	50,581,385
<b>SCR</b>	2,101,236	4,634,123
<b>Ratio of eligible own funds to SCR</b>	2,419%	1,091%

**5 CHANGES IN THE PROVISION FOR CLAIMS**

During 2017, the provision for claims was reduced to nil due to lack of any policyholders' notifications. The Company continues to review the need for any further provision on a policy by policy basis.

**6 NET OPERATING EXPENSES**

	2017 \$	2016 \$
Acquisition costs	19,896	68,407
Change in deferred acquisition costs	2,031	52,450
	21,297	120,857
Administrative expenses	326,180	292,225
<b>Total net operating expenses</b>	<b>348,107</b>	<b>413,082</b>

Administrative expenses include audit professional fees of US\$45,000 (2016: US\$58,790) in respect of the audit of the Company. That fee includes the audit related assurance services for Solvency II for US\$15,600.

**Notes to the financial statements (continued) for the year ended 31 December 2017**

**11 TAX ON PROFIT ON ORDINARY ACTIVITIES**

<b>A) Analysis of charge for the year</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Current tax:		
UK corporation tax on profit of the year	70,596	133,740
Adjustment in respect of prior years	13,717	21,468
Total current tax:	<u>84,313</u>	<u>155,208</u>
Deferred tax:		
Origination and reversal of temporary differences	-	370
Effect of changes in tax rate	-	22
Adjustment in respect of prior years'	-	-
Total deferred tax	<u>-</u>	<u>392</u>
Tax charge on profit on ordinary activities	<u>84,313</u>	<u>155,600</u>
<b>B) Factors affecting tax charge for year</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Profit on ordinary activities before tax	<u>343,196</u>	<u>735,700</u>
Profit on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	66,053	147,140
Effects of:		
Permanent differences	884	-
Foreign exchange movement	17,376	2,104
Adjustment in respect of prior years'	-	6,356
Total tax charge for the year	<u>84,313</u>	<u>155,600</u>

\* The reductions in the UK corporation tax rate to 19% from 1 April 2017 and 17% from 1 April 2020 were enacted on 15 September 2016. Accordingly, the effects of these changes are reflected in the financial statements for the year ended 31<sup>st</sup> of December 2017. The changes have not had a material impact on the Company's deferred tax balances as at 31<sup>st</sup> December 2017.

The company's profits for this accounting year are taxed at an effective rate of 19.25% and deferred tax is recognized at a rate of 17% (2016: 20% and 17% respectively).

<b>C) Movement in deferred tax asset</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
At 1 January	-	392
Profit and loss account charge for the year	-	(392)
At 31 December	<u>-</u>	<u>-</u>

**12 DIVIDENDS**

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

Notes to the financial statements (continued) for the year ended 31 December 2017

13 FINANCIAL INVESTMENTS

	2017		2016	
	Market value	Cost	Market value	Cost
	\$	\$	\$	\$
Debt securities and other fixed interest securities	51,108,589	51,338,732	50,510,089	50,542,813
	<u>51,108,589</u>	<u>51,338,732</u>	<u>50,510,089</u>	<u>50,542,813</u>

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

14 OTHER DEBTORS

	2017	2016
	\$	\$
Other debtors (Non Ins Balance Receivables)	<u>-</u>	<u>5,668</u>

15 CALLED-UP SHARE CAPITAL

	2017		2016	
	Number	\$	Number	\$
Authorised, issued and fully paid ordinary shares of US\$ 100,000 each	<u>500</u>	<u>50,000,000</u>	<u>500</u>	<u>50,000,000</u>

16 PROFIT AND LOSS ACCOUNT

	2017	2016
	\$	\$
At 1 January	661,018	80,918
Profit for the financial year	258,883	580,100
At 31 December	<u>919,901</u>	<u>661,018</u>

17 CREDITORS

	2017	2016
	\$	\$
Arising out of insurance operations	-	67,976
Arising out of non-insurance operations	394,587	347,875
UK corporation tax payable	88,840	137,759
	<u>483,427</u>	<u>553,610</u>

All creditors are due within one year. A balance of US\$394,587 (2016: US\$ 347,875 and US\$ 67,976) was payable to AIG Uzbekinvest Limited as at 31 December 2017.

**Notes to the financial statements (continued) for the year ended 31 December 2017**

**18 RELATED PARTY TRANSACTIONS**

As consolidated financial statements of the ultimate parent are publicly available, the Company has taken advantage of the exemption from the requirement to disclose transactions with related parties that are wholly owned within the Uzbekinvest National Export-Import Insurance Company (UNEIIC) Group.

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:

	2017	2016
	\$	\$
Service fees	223,581	143,771
Management fees recharged	102,599	147,759
	<u>326,180</u>	<u>291,530</u>

No balance (2016: US\$ 271,844) was receivable from, and a balance of US\$ 394,587 (2016: US\$ 345,267 and US\$ 67,976) was payable to AIG Uzbekinvest Limited as at 31 December 2017.

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\$19,896 (2016: US\$ 68,407).

**19 ULTIMATE PARENT COMPANY**

The ultimate and immediate parent undertaking and controlling party is Uzbekinvest National Export-Import Insurance Company, a company incorporated in the Republic of Uzbekistan.

Uzbekinvest National Export-Import Insurance Company is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2017. The consolidated financial statements of Uzbekinvest National Export - Import Insurance Company are available from 2 A.Kodiriy Street, 100017 Tashkent, Uzbekistan.

**20 CAPITAL COMMITMENTS**

There are no capital commitments at the balance sheet date.