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GLOBAL ENVIRONMENT FACILITY SPECIAL CLIMATE CHANGE FUND GRANT No. TF010940 IMPLEMENTED BY "EUROPA REINSURANCE FACILITY LIMITED"

REPORT OF INDEPENDENT AUDITORS

AND

SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2012

GLOBAL ENVIRONMENT FACILITY SPECIAL CLIMATE CHANGE FUND GRANT
No. TF010940
IMPLEMENTED BY "EUROPA REINSURANCE FACILITY LIMITED"
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STATEMENT OF MANAGEMENT RESPONSIBILITIES

Management has prepared and is responsible for the special purpose financial statements and related notes of the Global Environment Facility Special Climate Change Fund (the "Project") financed by the International Bank for Reconstruction and Development grant No TF010940. They have been prepared in accordance with the basis of accounting described in Note 2 of the accompanying special purpose financial statements.

The Project maintains internal accounting control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorisation and properly recorded, and that accounting records may be relied upon for the preparation of financial statements and other financial information. The system contains self-monitoring mechanisms that allow management to be reasonably confident that controls, as well as the Project's administrative procedures and internal reporting requirements operate effectively. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error or the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statements preparation.

Heinz Christian Vollenweider
Delegate of the Board of Directors and CEO

Jürg Hans Appenzeller
Chairman of the Board of Directors

27 June 2013

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REPORT OF INDEPENDENT AUDITORS
TO THE MANAGEMENT OF "EUROPA REINSURANCE FACILITY LIMITED"

1. We have audited the accompanying special purpose financial statements of the Global Environment Facility Special Climate Change fund (the "Project") which comprise the special purpose balance sheet as of 31 December 2012, statement of sources and uses of funds, statement of project activities and statement of designated account for the year then ended and a summary of significant accounting policies and other explanatory notes. We have also audited the Project's compliance with the conditions of the relevant Grant Agreement and the World Bank guidelines.

Management's responsibility for the financial statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting described in Note 2 of the accompanying special purpose financial statements. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing ("ISA") applicable to the audit of financial statements and to compliance auditing, with special reference to ISA 800 "The Independent Auditor's Report on Special Purpose Audit Engagements" and to the relevant Grant Agreement and the World Bank guidelines. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement and about whether the Project has complied with the conditions of the relevant agreements, guidelines, laws and regulations.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion:
   a) the accompanying special purpose financial statements referred to above, present fairly, in all material respects, the financial position of the Project as of 31 December 2012 and related sources and uses of funds and project activities and movement in the designated account for the year ended 31 December 2012 in accordance with the basis of accounting described in Note 2 to the accompanying special purpose financial statements; and

   b) the Project was, in all material respects, in compliance with the conditions of the relevant Grant Agreement and the World Bank guidelines during the year ended 31 December 2012.

Moore Stephens Berlaimont

27 June 2013

GLOBAL ENVIRONMENT FACILITY SPECIAL CLIMATE CHANGE FUND
GRANT No. TF010940
EUROPA REINSURANCE FACILITY LIMITED
BALANCE SHEET
AS OF 31 DECEMBER 2012
(Expressed in US dollars)

	Note	2012
ASSETS AND CUMULATIVE EXPENDITURE		
Cash in bank	3	409,061
Cumulative Project expenditure		382,087
		791,148
SOURCES OF FUNDS		
Project financing		791,148
		791,148

Heinz Christian Vollenweider
Delegate of the Board of Directors and CEO

Jürg Hans Appenzeller
Chairman of the Board of Directors

Date: 27/06/2013

The notes set out on pages 10-12 form an integral part of these financial statements

GLOBAL ENVIRONMENT FACILITY SPECIAL CLIMATE CHANGE FUND
GRANT No. TF010940
EUROPA REINSURANCE FACILITY LIMITED
STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2012
(Expressed in US dollars)

	Notes	2012	Cumulative
OPENING BALANCES			
International Bank for Reconstruction and Development		-	
		-	
ADD: FUNDS RECEIVED BY SOURCES			
International Bank for Reconstruction and Development		791,148	791,148
		791,148	**791,148**
LESS: EXPENDITURE			
International Bank for Reconstruction and Development			
Consulting services		368,347	368,347
Incremental Operating costs		13,740	13,740
TOTAL EXPENDITURE:		**382,087**	**382,087**
CLOSING BALANCES			
International Bank for Reconstruction and Development	3	409,061	
		409,061	

Heinz Christian Vollenweider
Delegate of the Board of Directors and CEO

Jürg Hans Appenzeller
Chairman of the Board of Directors

Date: 27/06/2013

The notes set out on pages 10-12 form an integral part of these financial statements

GLOBAL ENVIRONMENT FACILITY SPECIAL CLIMATE CHANGE FUND
GRANT No. TF010940
EUROPA REINSURANCE FACILITY LIMITED
STATEMENT OF PROJECT ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2012
(Expressed in US dollars)

	2012	Cumulative
1. Technical Preparation Work		
(a) Regulatory Assistance	-	-
(b) Weather risk models	38,412	38,412
(c) Weather stations	-	-
(d) Risk maps	83,368	83,368
(e) Whether insurance products	217,917	217,917
(f) Public awareness	28,680	28,680
	368,377	**368,377**
2. Project Management	13,710	13,710
	382,087	**382,087**

Heinz Christian Vollenweider
Delegate of the Board of Directors

Jürg Hans Appenzeller
Chairman of the Board of Directors

Date: 27/06/2013

The notes set out on pages 10-12 form an integral part of these financial statements

GLOBAL ENVIRONMENT FACILITY SPECIAL CLIMATE CHANGE FUND
GRANT No. TF010940
EUROPA REINSURANCE FACILITY LIMITED
STATEMENT OF DESIGNATED ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012
(Expressed in US dollars)

For the year ended 31 December 2012

	Notes	Designated Account IBRD TF 09647
Opening balance		-
ADD:		
Project funds received		791,148
		791,148
LESS:		
Eligible Project expenditure		382,087
		382,087
Closing balance	3	**409,061**

Heinz Christian Vollenweider
Delegate of the Board of Directors and CEO

Jürg Hans Appenzeller
Chairman of the Board of Directors

Date: 27/06/2013

The notes set out on pages 10-12 form an integral part of these financial statements

1. BACKGROUND

The objective of the Project is to enable the Recipient to develop new weather risk insurance products, automate insurance underwriting, pricing and claims settlement processes for such products, and increase public awareness of weather risk in the Participating Countries.

The Project consists of the following parts:

Component 1 – Provision of technical and regulatory assistance required to develop, in conjunction with the SEEC CRIF Project, new insurance and reinsurance products that will increase Participating Countries' resilience to climate change, including the equipment and technical services required in connection with carrying out the preparatory work needed for the development of weather risk insurance markets in Albania, FYR of Macedonia and Serbia. Such preparatory technical activities include but are not limited to acquisition of weather risk stations, public information campaigns, regulatory assistance, and development of catastrophe risk models and weather risk indexes.

Component 2 – Provision of technical assistance required for Project management by the Recipient.

The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in the Grant Agreement, a grant in an amount equal to five million five hundred thousand United States Dollars ($ 5,500,000) ("Grant") to assist in financing the Project.

According to the Grant Agreement the International Bank for Reconstruction and Development would finance 100 % of Eligible expenditures consisting of consultant's services, goods and incremental operating costs.

The initial project's closing date under the agreement was 31 December 2015.

2. ACCOUNTING POLICIES

a) Basis of Accounting

These special purpose financial statements are prepared in accordance with the International Public Sector Accounting Standard ("IPSAS") *Financial Reporting under the Cash Basis of Accounting* issued by the International Public Sector Accounting Standards Board ("IPSASB"), an independent standard-setting body within the International Federation of Accountants ("IFAC") and incorporate the following principal accounting policies, which have been consistently followed in all material respects and comply with the "Guidelines: Annual Financial Reporting and Auditing for World Bank - Financed Activities" issued by the World Bank's Financial Management Sector Board. These Special Purpose Financial Statements have been prepared under the historical cost convention. Project financing is recognised as a source of project funds when the cash is received. Project expenditure is recognised as a use of project funds when payment is made.

b) Period of accounts

These special purposes financial statements cover the periods from 1 January 2012 to 31 December 2012. In addition, cumulative project funding and expenditure is presented because it is considered to be of more relevance to users of the financial statements.

c) Transactions and balances in foreign currencies

In accordance with the requirements of the World Bank, these special purpose financial statements are presented in United States dollars ("US dollar", "USD" or "US$"), which is the functional currency of the Project.

3. CASH IN BANK

	2012
Designated Account (IBRD TF010940 USD)	409,061
	409,061

4. METHOD OF WITHDRAWAL

a) IBRD Designated Account

The Designated Account maintained with the UBS Switzerland is a designated disbursement account of the Project to effect the payment of eligible expenditure, within defined limits, which do not require individual authorisation from IBRD.

b) Statement of expenditure ("SOE")

Under the SOE method, the Project forwards to the World Bank an application for reimbursement of payments already made using an Application for Withdrawal with SOE forms as the only documentation.

5. STATEMENT OF EXPENDITURE (SOE) WITHOUT SUPPORT DOCUMENTATION

Statement of Expenditure ("SOE") has been submitted in the year ended 31 December 2012 under IBRD Grant No. TF 010940.

For the year ended 31 December 2012

Date of application	Application #	Required amount	Required for			Paid
			Advance	Consultant services	Incremental operating cost	
20.09.2012	02 – GEF	24,689	-	16,950	7,739	24,689
14.11.2012	03 – GEF	23,120	-	21,969	1,151	23,120
Total for 2012		**47,809**	**-**	**38,919**	**8,890**	**47,809**

6. ACTUAL VS. BUDGET

Statement of Sources and Uses of Funds for the year ended 31 December 2012

	Actual	Planned	Variance
OPENING BALANCES			
International Bank for Reconstruction and Development	-		
	-		
FUNDS RECEIVED BY SOURCES			
International Bank for Reconstruction and Development	791,148	-	
	791,148	-	
FOREIGN EXCHANGE DIFFERENCE			
Gain/ (loss)	-	-	
	-	-	
EXPENDITURE			
Consulting services	368,347	752,212	(383,865)
Incremental Operating costs	13,740	49,174	(35,434)
	382,087	**801,386**	**(419,299)**
CLOSING BALANCES			
International Bank for Reconstruction and Development	409,061		
	409,061		

Statement of Project Activities for the year ended 31 December 2012

	Actual	Planned	Variance
1. Technical Preparation Work			
(a) Regulatory Assistance	-	-	-
(b) Weather risk models	38,412	130,143	(91,731)
(c) Weather stations	-	100,000	(100,000)
(d) Risk maps	83,368	222,732	(139,364)
(e) Whether insurance products	217,917	260,726	(42,809)
(f) Public awareness	28,680	34,792	(6,112)
	368,377	**748,393**	**(380,016)**
2. Project Management	13,710	52,993	(39,283)
	382,087	**801,386**	**(419,299)**