European Bank
for Reconstruction and Development

EBRD SME Special Fund

Annual Financial Report
31 December 2016

The EBRD SME Special Fund

Contents

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Statement of comprehensive income

For the year ended 31 December 2016

	Note	Year to 31 December 2016 € 000	Year to 31 December 2015 € 000
Interest income		**6**	5
Interest income refunded		**(6)**	(5)
Disbursements for technical cooperation		**(1,783)**	(1,296)
Client cost sharing for technical cooperation		**96**	65
Foreign exchange movement		**6**	322
Provision on placements with credit institutions		**(76)**	-
Other operating expenses	3	**(8)**	(109)
Net loss and comprehensive expense for the year		**(1,765)**	(1,018)
Attributable to:			
Contributors		**(1,765)**	(1,018)

Balance sheet

At 31 December 2016

	Note	31 December 2016 € 000	31 December 2016 € 000	31 December 2015 € 000	31 December 2015 € 000
Assets					
Placements with credit institutions	4	**4,383**		6,076	
Less: Provision on placements with credit institutions		**(76)**		-	
			4,307		6,076
Other assets	5		**60**		-
Total assets			**4,367**		6,076
Liabilities					
Other financial liabilities	6		**335**		279
Contributors' resources					
Contributions		**38,234**		38,234	
Reserves and accumulated loss		**(34,202)**		(32,437)	
Total contributors' resources			**4,032**		5,797
Total liabilities			**4,367**		6,076

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Statement of changes in contributors' resources

For the year ended 31 December 2016

	Contributions	Accumulated loss	Total
	€ 000	€ 000	€ 000
At 31 December 2014	37,919	(31,419)	6,500
Contributions receivable	315	-	315
Total comprehensive expense for the year	-	(1,018)	(1,018)
At 31 December 2015	38,234	(32,437)	5,797
Total comprehensive expense for the year	-	(1,765)	(1,765)
At 31 December 2016	**38,234**	**(34,202)**	**4,032**

Statement of cash flows

For the year ended 31 December 2016

		Year to 31 December 2016		Year to 31 December 2015
	€ 000	**€ 000**	€ 000	€ 000
Cash flows used in operating activities				
Net loss for the year	**(1,765)**		(1,018)	
Adjustment for:				
Provision on placements with credit institutions	**76**		-	
Interest income	**(6)**		(5)	
Interest income refunded	**6**		5	
Foreign exchange movement	**(6)**		(322)	
	(1,695)		(1,340)	
Interest income received	**6**		5	
(Increase)/decrease in operating assets:				
Bank charges refundable	**(2)**		-	
Client cost sharing for technical cooperation receivable	**(58)**		-	
Increase in operating liabilities				
Accrued expenses	**50**		98	
Net cash used in operating activities		**(1,699)**		(1,237)
Cash flows from financing activities				
Contributions received	**-**		4,841	
Net cash from financing activities		**-**		4,841
Net decrease/(increase) in cash and cash equivalents		**(1,699)**		3,604
Cash and cash equivalents at the beginning of the year*		**6,076**		2,148
Effect of foreign exchange rate changes		**6**		324
Cash and cash equivalents at 31 December		**4,383**		6,076

*The opening balance includes Business Advisory Services advances of EUR 90,000 at 2015 and EUR 126,000 in 2014.

The EBRD SME Special Fund

Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention and on a going concern basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the policies of the EBRD SME Special Fund ("the Fund"). The areas involving a higher degree of judgement or complexity, or areas where judgements and estimates are significant to the financial statements, are disclosed in "Critical accounting estimates and judgements" within the section for Accounting Policies.

New and amended IFRS mandatorily effective for the current reporting period
There are a number of amendments to standards effective for the current reporting period which have no or negligible impact on the Fund's financial statements, namely:

- IFRS 11: Joint Arrangements
- IAS 1: Presentation of Financial Statements
- IAS 16: Property, Plant and Equipment
- IAS 38: Intangible Assets

IFRS not yet mandatorily effective but adopted early
IFRS 9: Financial Instruments is the IASB's replacement project for IAS 39. The Standard has developed in phases and was completed in July 2014 with a mandatory application date for annual reporting periods beginning on or after January 1, 2018. The Fund adopted the first phase 'recognition and measurement of financial assets' (November 2009) in its 2010 financial statements. See the accounting policy for financial assets for more details.

IFRS not yet mandatorily effective and not adopted early
The following standards are not yet effective and have not been adopted early.

Pronouncement	Nature of change	Potential Impact
Amendments to: IFRS 2: Share-based Payment	Accounting for a modification of a share-based payment transaction that changes its classification from cash-settled to equity-settled. Effective for annual reporting periods beginning on or after 1 January 2018.	The Fund considers that this standard is not applicable to its operations.
Amendments to: IFRS 4: Insurance Contracts	Provides guidance for insurers in applying IFRS 9: Financial Instruments with IFRS 4: Insurance Contracts. Effective for annual reporting periods beginning on or after 1 January 2018.	The Fund considers that this standard is not applicable to its operations.
IFRS 9 Financial Instruments	Classification and measurement of financial liabilities (October 2010). Hedge accounting (November 2013). Impairment methodology and introduction of 'fair value through other comprehensive income' measurement category for financial assets represented by simple debt instruments (July 2014). IFRS 9 to be adopted in its entirety for annual reporting periods beginning on or after January 1, 2018.	The Fund is yet to assess the potential impact of adopting this standard.

Amendments to: IFRS 10: Consolidation Financial Statements and IAS 28: Investments in Associates and Joint Ventures	Provides guidance for accounting for the loss of control of a subsidiary as a result of a transaction involving an associate or a joint venture that is accounted for using the equity method. Effective for annual reporting periods beginning on or after a date to be determined by the IASB.	The Fund considers that this amendment has no applicability to its existing operations.
IFRS 15: Revenue from Contracts with Customers	Establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Effective for annual reporting periods beginning on or after 1 January 2018.	The Fund is yet to assess the potential impact of adopting this standard.
IFRS 16: Leases	Sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). Effective for annual reporting periods beginning on or after 1 January 2019.	The Fund considers that this amendment has no applicability to its existing operations.
Amendments to: IAS 7: Statement of Cash Flows	An entity shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Effective for annual reporting periods beginning on or after 1 January 2017.	This is a disclosure requirement only which the Fund will comply with in 2017.
Amendments to: IAS 12: Income Taxes	Clarifies the requirements on recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value Effective for annual reporting periods beginning on or after 1 January 2017.	The Fund is exempt from all forms of direct taxes and so this Standard is not applicable.

B. Significant accounting policies

Financial assets – Classification and measurement

The Fund early adopted the first instalment of IFRS 9: Financial Instruments, concerning the classification and measurement of financial assets, with effect from 1 January 2010. Pursuant to that adoption, the Fund classifies its financial assets in the following categories: those measured at amortised cost and those measured at fair value. This classification depends on both the contractual characteristics of the assets and the business model adopted for their management.

Financial assets at amortised cost
An investment is classified as 'amortised cost' only if both of the following criteria are met: the objective of the Fund's business model is to hold the asset to collect the contractual cash flow; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

Investments meeting these criteria are measured initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. They are subsequently measured at amortised cost using the effective interest method less any impairment. The Fund's financial assets at amortised cost are recognised at settlement date.

Financial assets at fair value
If either of the two criteria above is not met, the debt instrument is classified as 'fair value through profit or loss'. The Fund does not currently have any such assets in this category.

Financial liabilities

The Fund has not adopted early that part of IFRS 9 which relates to financial liabilities and therefore still applies IAS 39: Financial Instruments.

All financial liabilities are measured at amortised cost.

Impairment of financial assets

Financial assets at amortised cost
The Fund has not adopted early that part of IFRS 9 which relates to impairment and therefore still applies IAS 39: Financial Instruments.

Where there is objective evidence that an identified financial asset is impaired, specific provisions for impairment are recognised in the income statement. Impairment is quantified as the difference between the carrying amount of the asset and the net present value of expected future cash flows discounted at the asset's original effective interest rate where applicable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. The carrying amount of the asset is reduced directly only upon write-off. Resulting adjustments include the unwinding of the discount in the income statement over the life of the asset, and any adjustments required in respect of a reassessment of the initial impairment.

The criteria that the Fund uses to determine that there is objective evidence of an impairment loss include:
- delinquency in contractual payments of interest;
- cash flow difficulties experienced by the borrower;
- initiation of bankruptcy proceedings;
- deterioration in the borrower's competitive position; and
- deterioration in the value of collateral.

Provisions for impairment of classes of similar assets that are not individually identified as impaired are calculated on a portfolio basis (the general provision). The methodology used for assessing such impairment is based on a risk-rated approach for non-sovereign assets. The Fund's methodology calculates impairment on an incurred loss basis. Impairment is deducted from the asset categories on the balance sheet.

Impairment, less any amounts reversed during the year, is charged to the income statement. When a financial asset is deemed uncollectible the asset is written off against the related impairment provision. Such assets are written off only after all necessary procedures have been completed and the amount of the loss has been determined. Recoveries are credited to the income statement if previously written off.

Contributors' resources

The Fund recognises contributions received from contributors as a liability on the basis that, should a contributor choose to withdraw from the Fund, the Fund is obligated to return such contributions to the extent these are not needed to meet existing commitments and obligations of the Fund.

Statement of cash flows

The statement of cash flows is prepared using the indirect method. Cash and cash equivalents comprise balances with less than three months maturity from the date of the transaction, which are available for use at short notice and that are subject to insignificant risk of changes in value.

Foreign currencies

The Fund's reporting currency for the presentation of its financial statements is the euro (€).

Foreign currency transactions are initially translated into euro using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies, are included in the income statement.

Contributions

Contributions received in USD are translated into euro at the exchange rates ruling at the time of transaction.

Outstanding contributions are recognised as receivables in the balance sheet on the date of signature of a contribution arrangement by the European Bank for Reconstruction and Development ("the Bank") and a contributor.

Disbursements for technical cooperation

Disbursements for technical cooperation, which represent payments for consultancy services provided to the Fund over a period of time, are recorded as expenditure over the period during which the services are received.

Interest

Interest is recorded on an accruals basis. All interest income is recognised within 'interest income' in the income statement.

Client cost sharing for technical cooperation

Client cost sharing for technical cooperation represents reimbursements in relation to consultancy services provided. A letter of engagement indicates expected amounts and timing of payments, however these are not considered due until an invoice is issued from the Fund to the client. Amounts are recorded as income when invoiced.

Taxation

In accordance with Article 53 of the Agreement Establishing the Bank ("the AEB"), within the scope of its official activities, the Bank, its assets, property and income are exempt from all direct taxes and all taxes and duties levied upon goods and services acquired or imported, except for those parts of taxes or duties that represent charges for public utility services. As described in note 1, this exemption is extended to the Fund.

C. Critical accounting estimates and judgements

Preparing financial statements in conformity with IFRS requires the Fund to make estimates and judgements that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts included in the income statement during the reporting period.

The Fund's critical accounting estimates and judgements are as follows:

Provisions for the impairment of Business Advisory Programme Advances
The Fund's method for determining the level of impairment of financial assets is described within the accounting policies section of the report and further explained under credit risk within the risk management section of the report. As described in the risk management section the Fund participates in investments jointly with the Bank and credit risk is jointly managed. Accordingly, the risk management disclosures are based on the Bank's risk processes and procedures.

A provision for the impairment of funds held at a local BAS office bank account at 31 December 2016 was €76,000 (2015: nil). This is due to the local bank's financial position and the bank's inability to make repayments to account holders, accordingly all assets held there have been fully impaired.

The EBRD SME Special Fund

Risk management

The Fund was established to assist the development of small (including micro) and medium-size enterprises ("SMEs") in Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, Georgia, Kazakhstan, Kyrgyz Republic, Former Yugoslav Republic of Macedonia, Moldova, Montenegro, Romania, Serbia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan (collectively, the "Eligible Countries").

To achieve this, the resources of the Fund may be used to:

- participate alongside the Bank in providing loans to SMEs;
- finance technical assistance which includes procuring consultancy services to assist SMEs; and
- provide guarantees on a first loss basis on the Bank's SME loans.

As the primary purpose of the Fund is to assist the development of SMEs rather than to generate a return on its assets, financial risks, with the exception of credit risk, are not actively managed by the Fund.

Risk governance

The Fund follows the Bank's risk governance procedures as below:

The Bank's overall framework for identifying and managing risks is underpinned by the Banking Vice-Presidency being the first line of defence related to debt and equity operations and an independent second line of defence control functions, including the Risk Management department, Office of the Chief Compliance Officer, Environmental and Social Department, Finance Department, Evaluations Department and other relevant units. An Internal Audit Department acts as third line of defence and independently assesses the effectiveness of the processes within the first and second lines of defence. The Vice President, Risk and Compliance, Chief Risk Officer (CRO) is responsible for ensuring the independent risk management of the Banking exposures, including adequate processes and governance structure for independent identification, measurement, monitoring and mitigation of risks incurred by the Bank. The challenge of the control functions, review of their status and assessment of their ability to perform duties independently falls within the remit of the Audit Committee of the Board.

Matters related to Bank-wide risk and associated policies and procedures are considered by the Risk Committee. The Risk Committee is accountable to the President. It oversees all aspects of the Banking portfolio across all sectors and countries, and provides advice on Risk Management policies, measures and controls. It also approves proposals for new products submitted by Banking. The membership comprises senior managers across the Bank including representatives from Risk Management, Finance, Banking and the Office of the General Counsel.

The Risk Committee is chaired by the VP Risk and Compliance, CRO.

In exercising its responsibilities, Risk Management is guided by its mission to:

- Provide assurance to stakeholders that risk decision-making in the Bank is balanced and within agreed appetite, and that control processes are rigorously designed and applied; and
- Support the Bank's business strategy including the maximisation of transition impact through provision of efficient and effective delivery of risk management advice, challenge and decision making.

A. Credit risk

Credit risk is the potential loss to a portfolio that could result from the default of a counterparty or the deterioration of its creditworthiness.

The Fund's exposure to credit risk is currently limited to the financial institutions with which it may place its cash resources, as well as client cost sharing amounts receivable and contributions receivable from the Contributor. For banks with which the Fund places its cash, internal credit ratings are determined by Risk Management and are the same as those used for Banking exposures. These ratings are based on internal analysis of approved counterparties' creditworthiness through the synthesis of externally provided credit research and market data, including approved external agency ratings. All individual counterparty credit lines for banks are measured, monitored and reviewed by Risk Management annually.

At year end the Fund's cash was placed with a financial institution which ranked in the second highest internal credit rating risk category assigned by the Bank's Risk Management department. This rating approximated to a Standard & Poor's equivalent rating in the range of AA+ to AA-.

Business Advisory Services Programme advances are held with institutions in local countries of operations and may be risk rated below AA-; however balances are monitored to ensure credit exposure is minimal. A provision for impairment on these accounts is detailed in the critical accounting estimates and judgements section.

The carrying amount of placements presented on the balance sheet represents the Fund's maximum exposure to credit risk at 31 December 2016 and 31 December 2015.

B. Market risk

Market risk is the potential loss that could result from adverse market movements. The drivers of market risk for the Fund are interest rate and foreign exchange risk.

Market risk management and measurement

As discussed at the beginning of the risk management section, the Fund does not actively monitor or hedge against market risk.

Interest rate risk
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument indicates to what extent it is exposed to interest rate risk.

The Fund's placements are repriced to market interest rates within one month, therefore the exposure to interest rate risk is considered to be minimal.

Foreign exchange risk
Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund's net exposure to foreign exchange risk is outlined in the table below.

	Euro 2016 € 000	**United States dollars 2016 € 000**	**Total € 000**
Total assets	2,933	1,434	4,367
Total liabilities	(303)	(4,064)	(4,367)
Net currency position at 31 December 2016	**2,630**	**(2,630)**	**-**

	Euro 2015 € 000	United States dollars 2015 € 000	Total € 000
Total assets	3,204	2,872	6,076
Total liabilities	(252)	(5,824)	(6,076)
Net currency position at 31 December 2015	2,952	(2,952)	-

Based on the average five year absolute rolling average movement in the US dollar to euro exchange rate, the potential impact on the Fund's net profit from a 5 per cent strengthening or weakening (2015: 5 per cent) is €131,000 (2015: €150,000).

C. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Fund's Rules and Regulations require that technical assistance, loan investments and guarantees are financed from the resources of the Fund, which comprise contributions received and investment income. Accordingly, the Fund cannot commit more than the available resources and cannot borrow funds to finance operations. The Fund recognises contributions received as a liability, which may be returned to a contributor upon termination of a contribution agreement. Amounts returned are based on the Fund's net assets and take into account any existing commitments. As a result, the Fund's exposure to liquidity risk is considered to be minimal.

The EBRD SME Special Fund

Notes to the financial statements

1. Creation of the Special Fund

The creation of the Fund was approved by the Board of Directors ("the Board") of the Bank on 28 June 2000 and is administered, *inter alia*, in accordance with the AEB and under the terms of the Rules and Regulations of the Fund. The Fund became operational on 24 July 2000 following the signing of the first contribution agreement.

The Fund's principal office is located in London at One Exchange Square, EC2A 2JN.

The Fund was established in accordance with Article 18 of the AEB. The Fund is not part of the ordinary capital resources of the Bank, but any privileges and immunities available to the Bank are extended to the Fund.

2. President's responsibilities

The President is responsible for preparing the financial statements in accordance with IFRS issued by the IASB.

3. Other operating expenses

	2016	2015
	€ 000	€ 000
Management fees	**-**	99
Audit fees	**7**	8
Bank charges	**1**	2
At 31 December	**8**	109

4. Placements with credit institutions

	2016	2015
	€ 000	€ 000
Cash and cash equivalents	**4,306**	2,022
Business Advisory Services office advances	**77**	126
At 31 December	**4,383**	**2,148**

5. Other financial assets

	2016	2015
	€ 000	€ 000
Bank charges refundable	**2**	-
Client cost sharing for technical cooperation receivable	**58**	-
At 31 December	**60**	-

6. Other financial liabilities

	2016	2015
	€ 000	€ 000
Interest income reimburseable to contributor	**33**	27
Disbursements for technical cooperation payable	**295**	244
Audit fees payable	**7**	8
At 31 December	**335**	279

7. Undrawn Commitments

	2016	2015
	€ 000	€ 000
Total commitments approved	**30,019**	28,118
Total disbursements for technical cooperation	**(29,550)**	(27,767)
Undrawn commitments at 31 December	**469**	351

This represents amounts for which the Fund has contracted but for which the transaction or service was not undertaken at 31 December 2016.

8. Analysis of current and non-current assets and liabilities

All assets and liabilities in the balance sheet are classified as current for both 2016 and 2015.

9. Fair value of financial assets and financial liabilities

The carrying amounts of financial assets and liabilities presented on the balance sheet approximate to their fair value.

10. Events after the reporting period

There have been no material events since the reporting date that would require disclosure or adjustment to these financial statements.

11. Related parties

The Fund's related parties are the Bank and the contributors, including the United States Government.

The Bank is entitled to charge the Fund a management fee of an amount equal to 2.0 per cent of contributions received. There were no management fees paid by the Fund to the Bank in 2016 (2015: €99,000) and no amount is payable by the Fund to the Bank at 31 December 2016 (2015: nil).

External auditor's remuneration of €6,700 (2015: €7,700) is payable by the Bank from the management fee. In 2014 the Bank approved an extension of the term of appointment from four years to five with a maximum consecutive terms. Deloitte LLP (UK) completed its first four-year term in 2014 and has been re-appointed for the five year period 2015-2019.

The fall in the fee for the audit services paid to the Fund's external auditor from 2015 to 2016 is attributable to movements in the value of pound sterling. The pound sterling equivalent of these fees was £5,800 (2015: £5,700).

Contributions received from the contributors are shown on the balance sheet. Interest income reimbursable to the contributors is disclosed in note 5.

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNORS OF THE EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT ("THE BANK")

Report on the financial statements

Opinion

We have audited the financial statements of EBRD SME Special Fund ("the Fund") for the year ended 31 December 2016 which comprise the the statement of comprehensive income, the balance sheet, the statement of changes in contributors' resources, the statement of cash flows, the accounting policies, the risk management statement and the related notes 1 to 11.

In our opinion the Financial Statements present fairly, in all material respects, the financial position of the EBRD SME Special Fund as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

President's responsibility for the financial statements

The President is responsible for the preparation and fair presentation of the Financial Statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and for such internal control as the President determines 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 President is responsible for assessing the Fund'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 management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The President is responsible for overseeing the Fund's financial reporting process.

Auditor's 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 auditor's 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 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the President.

- Conclude on the appropriateness of the President's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

We also report to you if, in our opinion, the financial statements are not in agreement with the accounting records, if the proper accounting records have not been kept, or if we have not received all the information and explanations we require for our audit. We have nothing to report in connection with these matters.

Other matters

This report, including the opinion, has been prepared for, and only for, the Bank in accordance with Article 24 of the Agreement Establishing the Bank dated 29 May 1990, and for the use of the contributor and for no other purpose. We do not, in giving this opinion, 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.

Deloitte LLP

Deloitte LLP
Chartered Accountants
London, United Kingdom
5 April 2017