

SEYCHELLES CONSERVATION AND CLIMATE ADAPTATION TRUST

TABLE OF CONTENTS - PERIOD FROM NOVEMBER 16, 2015 TO DECEMBER 31, 2016

CONTENTS	PAGES
Trust Information	1
Directors' Report	2 - 2(a)
Independent Auditors' Report	3 - 3(a)
Statement of Financial Position	4
Statements of Profit or Loss and Other Comprehensive Income	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 -18

TRUST INFORMATION

BOARD OF DIRECTORS	:	Minister Didier Dogley - Chairman Dr. Peter Larose - Vice Chairman & <i>Ex-Officio</i> Director Mr. Robert Weary- Treasurer & <i>Ex-Officio</i> Director Dr Nirmal Jivan. Shah - Secretary Minister Michael Benstrong Mr. Glenny Savy Ms. Sybille Cardon Mr. Marco Francis Dr. Frauke Fleischer-Dogley
SECRETARY	:	Dr Nirmal Jivan. Shah Mahé Seychelles
REGISTERED OFFICE	:	1 st Floor, Le Chantier Mall, Francis Rachel Street, P.O. Box 310, Mahé, Seychelles
PRINCIPAL PLACE OF BUSINESS	:	Mahé Seychelles
AUDITORS	:	BDO Associates Chartered Accountants Seychelles

DIRECTORS' REPORT

The Board of Directors are pleased to submit their first report together with the audited financial statements of the Trust for the period November 16, 2015 to December 31, 2016.

THE TRUST

The Seychelles Conservation and Climate Adaptation Trust was established by an enactment of the Conservation And Climate Adaptation Trust Of Seychelles Act, 2015, (SEYCCAT), which came into force effective November 16, 2015. The special purpose is to refinance the financial obligation of the Government of Seychelles to Paris Club creditors.

PRINCIPAL ACTIVITIES

- (a) Develop and administer the Endowment Fund, the Revolving Fund and the Additional Endowment Fund, and any other sources of funding;
- (b) Administer the assets of the Trust, intended to provide a sustainable flow of funds which supplements existing and future funds from any sources to enable the Trust to support the long-term management and expansion of the Seychelles system of protected areas and other activities which contribute substantially to the conservation, protection and maintenance of biodiversity and the adaptation to the climate change as identified through consultations with stakeholders; and
- (c) Perform exclusively for charitable, educational and scientific purposes for the benefit of the public in accordance with this SEYCCAT Act.

COMPOSITION OF THE BOARD

The Directors of the Trust since the date of establishment and the date of this report are:

Ministry responsible for Environment- Minister Didier Dogley - Chairman
Ministry responsible for Finance- Dr Peter Larose - Vice Chairman & *Ex-Officio* Director
The Nature Conservancy- Mr. Robert Weary- Treasurer & *Ex-Officio* Director
Nature Seychelles- Dr. Nirmal Jivan. Shah- Secretary
Ministry responsible for Natural Resources- Minister Michael Benstrong
Islands Development Company- Mr. Glenn Savy
Seychelles Tourism and Hospitality Association- Ms. Sybille Cardon
Seychelles Chamber of Commerce and Industry- Mr. Marco Francis
Seychelles Island Foundation-Dr. Frauke Fleischer-Dogley

DIRECTORS' REPORT (CONT'D)

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Directors are responsible for the overall management of the affairs of the Trust including the operations of the Trust and making investment decisions.

The Board of the trust is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with Conservation And Climate Adaptation Trust Of Seychelles Act, 2015 (SEYCCAT ACT). This responsibility includes: designing, implementing and maintaining internal control 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. The Directors have the general responsibility of safeguarding the assets, both owned by the Trust and those that are held in trust and used by the Trust.

The Directors consider they have met their aforesaid responsibilities.

AUDITORS

The retiring auditors, Messrs. BDO Associates, being eligible offer themselves for re-appointment.

BOARD APPROVAL

Didier Dogley
Director

Peter Larose
Director

Robert Weary
Director

Nirmal Jivan. Shah
Director

Michael Benstrong
Director

Glenny Savy
Director

Sybille Cardon
Director

Marco Francis
Director

Frauke Fleischer-Dogley
Director

Date:
Victoria, Seychelles

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

This report is made solely to the members of Seychelles Conservation and Climate Adaptation Trust (hereafter referred to as the "Trust"), as a body, in terms of our engagement to conduct the audit on their behalf. Our audit work has been undertaken so that we might state to the Trust's members those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust or the Trust's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Seychelles Conservation and Climate Adaptation Trust set out on pages 4 to 18 which comprise the Statement of Financial Position as at December 31, 2016, the Statement of Profit or Loss and Other comprehensive Income and the Statement of Cash Flows for the period then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 4 to 18 give a true and fair view of the financial position of the Trust as at December 31, 2016 and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards and comply with the Conservation And Climate Adaptation Trust Of Seychelles Act, 2015.

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 Trust in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Seychelles, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS (CONT'D)

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the Conservation And Climate Adaptation Trust Of Seychelles Act, 2015, and for such internal control as the Directors determine is necessary to enable the preparation of the 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 Trust'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 Trust or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust'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 judgement and maintain professional skepticism 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Directors.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS (CONT'D)

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

- Conclude on the appropriateness of Directors 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 Trust'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 Trust 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 Regulatory Requirements

Conservation and Climate Adaptation Trust Of Seychelles Act, 2015.

We have no relationship with, or interests, in the Trust other than in our capacity as auditors and dealings in the ordinary course of business.

We have obtained all information and explanations we have required.

In our opinion, proper accounting records have been kept by the Trust as far as it appears from our examination of those records.

Dated:
Victoria, Seychelles

BDO ASSOCIATES
Chartered Accountants

STATEMENT OF FINANCIAL POSITION - AS AT DECEMBER 31, 2016

	<u>Notes</u>	<u>2016</u> US\$
ASSETS		
Non-Current asset		
Loans receivable	5	<u>19,265,464</u>
Current Assets		
Loans receivable	5	1,585,915
Cash and bank balances	6	313,682
Interest receivable		215,464
		<u>2,115,061</u>
Total Assets		<u><u>21,380,525</u></u>
MEMBERS' FUND AND LIABILITIES		
Members' fund		
Accumulated fund	7	<u>263,445</u>
Non-current liabilities		
Borrowing	8	13,186,396
Deferred grants	9	6,079,068
		<u>19,265,464</u>
Current liabilities		
Borrowing	8	1,343,190
Deferred grants	9	242,725
Other payables	10	265,701
		<u>1,851,616</u>
Total liabilities		<u>21,117,080</u>
Total Member' Fund and Liabilities		<u><u>21,380,525</u></u>

These financial statements have been approved for issue by the Board of Directors on

The notes on pages 7 to 18 form an integral part of these financial statements
Auditors' report on page 3 and 3(b).

STATEMENT OF FINANCIAL POSITION - AS AT DECEMBER 31, 2016

Didier Dogley
Director

Peter Larose
Director

Robert Weary
Director

Nirmal Jivan. Shah
Director

Michael Benstrong
Director

Glenny Savy
Director

Sybille Cardon
Director

Marco Francis
Director

Frauke Fleischer-Dogley
Director

The notes on pages 7 to 18 form an integral part of these financial statements
Auditors' report on page 3 and 3(b).

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - PERIOD FROM NOVEMBER 16, 2015 TO DECEMBER 31, 2016

	<u>Notes</u>	<u>Period 2016 US\$</u>
Interest income	2.2(d)	542,274
Interest expense	2.2(d)	<u>(379,680)</u>
Net interest income		<u>162,594</u>
Other income - Grant released	2.2(b)/9(b)	118,679
Operating expenses		(5,895)
Profit before effect of foreign exchange		<u>275,378</u>
Foreign exchange loss		(11,933)
Profit for the period and total comprehensive income	11	<u><u>263,445</u></u>

The notes on pages 7 to 18 form an integral part of these financial statements
Auditors' report on page 3 and 3(b).

STATEMENT OF CASH FLOWS - PERIOD FROM NOVEMBER 16, 2015 TO DECEMBER 31, 2016

	Notes	Period 2016 US\$
OPERATING ACTIVITIES		
Profit for the period		263,445
<i>Adjustments for</i>		
- Foreign exchange loss		11,933
- Grant income released	9	(118,679)
- Interest income		(542,274)
- Interest expense		379,680
		<u>(5,895)</u>
<i>Changes in working capital:</i>		
- Increase in other payables and accruals		115,562
- Restricted bank balance	6	(75,350)
Net cash inflow from operating activities		<u><u>34,317</u></u>
FINANCING ACTIVITIES		
Loan granted	5	(21,626,803)
Refund of loans granted	5	775,424
Interest received		326,810
Proceeds from borrowings	8	15,186,330
Repayment of borrowings	8	(656,744)
Grant received	9	6,440,472
Interest paid		(229,541)
Net cash inflow from financing activities		<u><u>215,948</u></u>
Net change in cash and cash equivalents		250,265
Movement in cash and cash equivalents		
At November 16, 2015		-
Change during the period		250,265
Effect of foreign exchange		(11,933)
At December 31, 2016	6	<u><u><u>238,332</u></u></u>

The notes on pages 7 to 18 form an integral part of these financial statements
Auditors' report on page 3 and 3(b).

1. GENERAL

The Seychelles Conservation And Climate Adaptation Trust is a Trust established by government under the Conservation And Climate Adaptation Trust Of Seychelles Act, 2015. This is domiciled in the Republic of Seychelles with its registered office located at 1st Floor, Le Chantier Mall, Francis Rachel Street, P.O. Box 310, Victoria, Mahe, Seychelles.

The principal activities of the Trust are detailed on page 2.

These financial statements will be submitted for consideration and approval at the forthcoming Board Meeting of the Trust.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted 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.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the Conservation And Climate Adaptation Trust Of Seychelles Act, 2015.

The financial statements are prepared under the historical cost convention, except that:

- (i) relevant financial assets are stated at their fair value; and
- (ii) long term receivables, borrowings and other financial liabilities are at their amortised cost.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Trust's management to exercise judgment in applying the Trust's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 4.

(i) Amendments to published Standards and Interpretations effective in the reporting period

IFRS 14 Regulatory Deferral Accounts provides relief for first-adopters of IFRS in relation to accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). IFRS 14 permits these entities to apply their previous accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts. *The standard is not expected to have any impact on the Trust's financial statements.*

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (Cont'd)

(i) Amendments to published Standards and Interpretations effective in the reporting period (Cont'd)

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). The amendments clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. Existing interests in the joint operation are not remeasured on acquisition of an additional interest, provided joint control is maintained. The amendments also apply when a joint operation is formed and an existing business is contributed. *The amendment has no impact on the Trust's financial statements.*

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38). The amendments clarify that a revenue-based method of depreciation or amortisation is generally not appropriate. Amendments clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment. IAS 38 now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome under specific conditions. *The amendment has no impact on the Trust's financial statements.*

Equity method in separate financial statements (Amendments to IAS 27). The amendments allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates. IAS 27 currently allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or at fair value in their separate financial statements. The amendments introduce the equity method as a third option. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to the equity method must do so retrospectively. *The amendment has no impact on the Trust's financial statements.*

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41). IAS 41 now distinguishes between bearer plants and other biological asset. Bearer plants must be accounted for as property plant and equipment and measured either at cost or revalued amounts, less accumulated depreciation and impairment losses. *The amendment has no impact on the Trust's financial statements.*

Annual Improvement to IFRSs 2012 - 2014 cycles

- IFRS 5 is amended to clarify that when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such. *The amendment has no impact on the Trust's financial statements.*
- IFRS 7 amendment provides specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition. *The amendment has no impact on the Trust's financial statements.*

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (Cont'd)

(i) Amendments to published Standards and Interpretations effective in the reporting period (Cont'd)

Annual Improvement to IFRSs 2012 - 2014 cycles

- IFRS 7 is amended to clarify that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34. *The amendment has no impact on the Trust's financial statements.*
- IAS 19 amendment clarifies that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise. *The amendment has no impact on the Trust's financial statements.*
- IAS 34 amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information. *The amendment has no impact on the Trust's financial statements.*

Disclosure Initiative (Amendments to IAS 1). The amendments to IAS 1 provide clarifications on a number of issues. An entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance. Line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals. Confirmation that the notes do not need to be presented in a particular order. The share of Other Comprehensive Income arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

Investment entities: Applying the consolidation exception (Amendments to IFRS 10, IFRS 12 and IAS 28). The amendments clarify that the exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities. An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities. Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement. *The amendment has no impact on the Trust's financial statements*

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (Cont'd)

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2017 or later periods, but which the Trust has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

IFRS 9 Financial Instruments;

IFRS 15 Revenue from Contract with Customers;

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28);

IFRS 16 Leases;

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12);

Amendments to IAS 7 Statement of Cash Flows;

Clarifications to IFRS 15 Revenue from Contracts with Customers;

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2);

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4);

Annual Improvements to IFRSs 2014-2016 Cycle;

IFRIC 22 Foreign Currency Transactions and Advance Consideration;

Transfers of Investment Property (Amendments to IAS 40);

Where relevant, the Trust is still evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its Financial Statements.

2.2 Summary of significant accounting policies

(a) Financial instruments

Financial assets and liabilities are recognised on the Trust's Statement of financial position when the Trust has become a party to the contractual provisions of the instrument. The Trust's accounting policies in respect of the main financial instruments are set out below.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of significant accounting policies

(a) Financial instruments (Cont'd)

(i) *Long term receivables*

Long term receivables with fixed maturity terms are measured at amortised cost using the effective interest rate method, less provision for impairment. The carrying amount of the asset is reduced by the difference between the asset's carrying amount and the present value of estimated cash flows discounted using the effective interest rate. The amount of loss is recognised in the Statement of Profit or Loss.

(ii) *Cash and cash equivalents*

Cash comprises cash in hand, at bank and demand deposits.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, against which the bank overdrafts, if any are deducted.

(iii) *Borrowings*

Borrowings are recognised initially at fair value being their issue proceeds net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement Of Comprehensive Income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Trust has an unconditional right to defer settlement of the liability for at least twelve months after the date of the reporting period.

(iv) *Trade and other payables*

Trade and other payables are stated at fair value and subsequently measured at amortised cost using the effective interest method.

(v) *Offsetting*

Financial assets and liabilities are offset and the net amount is reported in the Statement of Financial position when the Trust has a legal enforceable right to set off the recognised amounts and the Trust intends either to settle on a net basis, or to realise the asset and liability simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of significant accounting policies (Cont'd)

(b) Grant

Deferred Grants related to amount received from The Nature Conservancy to part finance loan repayment by the Government of Seychelles. The grant is recognised only when there is reasonable assurance that the Trust will comply with any conditions attached to the grant and the grant is receivable.

The grant is recognised as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis

(c) Foreign currencies

(i) *Functional and presentation currency*

Items included in the financial statements are measured using USD, the currency of the primary economic environment in which the Trust operates ("functional currency"). The financial statements are presented in USD which is the Trust's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated in the functional currency using the exchange rates approximating those ruling on the transaction dates (average rates used by the Trust). Foreign exchange gains and losses resulting from the settlement of such transactions and from translation of monetary assets and liabilities denominated in a currency other than the presentation currency, are recognised in Statement of Profit or Loss. Such monetary assets and liabilities are translated into presentation currency using the exchange rates ruling on the date of Statement of Financial Position.

Non-monetary assets which are denominated in a currency other than the presentation currency are translated at exchange rates prevailing at the date these assets were recognised in the Financial Statements.

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of consideration received.

Interest income and expense are recognised in the Statement of Profit or Loss for all interest bearing instruments on an accrual basis using the effective yield method based on actual purchase price except in the respect of loans on fixed interest rates where the interest income is recognised on receipt basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of significant accounting policies (Cont'd)

(e) Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(f) Business tax

According to Conservation And Climate Adaptation Trust Of Seychelles Act, 2015, paragraph 28(1) the Trust shall, notwithstanding any other written law, be exempt from the payment of the business tax.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors

The Trust's activity exposes it to a variety of financial risks, including: credit risk, currency risk, liquidity risk and interest rate risk.

The Trust's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect of the company's financial performance.

A description of the significant risk factors is given below together with the risk management policies applicable.

(a) Credit risk

Credit risk refers to the risk that a borrower may not repay a loan and that the lender may lose the principal of the loan or the interest associated with it.

The main credit risk arise from its loans receivables from the Government of Seychelles but this risk is considered low since these are from a financially sound institute where risk of default is remote.

(b) Currency risk

The Trust is exposed to foreign exchange risk since some of cash balances are denominated in Seychelles Ruppe. Foreign exchange risk is not hedged.

As at December 31, 2016, cash balance denominated in Seychelles Ruppess amounted to USD 135,538.

If the US Dollar had weakened/strengthened by 10% against foreign currencies, the impact on the Company's results would have been US\$ 1.2k.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors (Cont'd)

(c) *Liquidity Risk*

The Trust practises prudent liquidity risk management by maintaining adequate line of credits to meet its funding needs.

The table below analyses the Trust's financial exposure at the date of the statement of financial position:

	Less than 1 year USD	Between 2 and 5 years USD	Above 5 years USD	Total USD
At December 31, 2016				
Other payables	265,701	-	-	265,701
Borrowings	1,343,190	5,791,193	7,395,203	14,529,586
	<u>1,608,891</u>	<u>5,791,193</u>	<u>7,395,203</u>	<u>14,795,287</u>

(d) Interest rate risk.

The Trust finances its operations through operating cash flows which are principally denominated in US Dollar. The Trust's income and operating cash flows are not exposed to interest rate risk as the loans and receivables and borrowings bears fixed interest rates.

The impact on the Company's results had interest rates varied by plus or minus 10 basis points with all other variables held constant would have been \pm USD 8k.

3.2 Fair value estimation

The estimated fair values of the financial assets and liabilities as at the reporting date approximate their carrying amounts as shown in the Statement of Financial Position.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of certain critical estimates and judgements that affect the application of Trust's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The areas involving a higher degree of judgement of complexity or areas where assumptions and estimates are significant to the financial statements and that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities subsequent to the reporting date are discussed below:

(a) *Functional currency*

The Board of Directors have determined the US Dollar to be the functional currency of the Trust.

5. LOANS RECEIVABLE

	Full Loan Facility 2016 US\$	Repayable by	Disbursement 2016 US\$	Principal Outstanding 2016 US\$
Facility A1	20,875,976	Feb 2026	15,186,330	14,529,585
Facility A2	6,467,046	Feb 2036	6,440,473	6,321,794
	<u>27,343,022</u>		<u>21,626,803</u>	<u>20,851,379</u>

Analysed as:

	2016 US\$
Non-current (note 5(a))	19,265,464
Current	1,585,915
	<u>20,851,379</u>

(a) The maturity of the non-current portion is as follows:

	2016 US\$
After one year and before two years	1,633,849
After two years and before five years	5,203,862
Above five years	12,427,753
	<u>19,265,464</u>

(b) The movement in loan receivable during the period under review was as follows:

	US\$
At November 16, 2015	-
Loan granted	21,626,803
Refund of loans granted	(775,424)
At December 31, 2016	<u>20,851,379</u>

(c) The loans receivable from the Republic of Seychelles are denominated in US Dollar and bears interest at 3% per annum. These are secured by permitted security interest of public debt.

(d) Currency, liquidity and interest rates risk are disclosed under note 3(b), 3(c) and 3(d) respectively.

(e) The carrying amount of loans receivable approximate its amortised cost.

NOTES TO THE FINANCIAL STATEMENTS - PERIOD FROM NOVEMBER 16, 2015 TO DECEMBER 31, 2016

6. CASH AND BANK BALANCES

	<u>2016</u> US\$
Balance as per bank (note 6(a))	<u>313,682</u>

(a) For the purpose of the statement of cash flows, cash and cash equivalents comprise of the following as at the end of the reporting period:

	<u>2016</u> US\$
Cash and bank balances	313,682
Less: cash committed for endowment fund	(75,350)
	<u>238,332</u>

7. MEMBER'S FUNDS

	<u>2016</u> US\$
Profit for the period and member's funds carried forward	<u>263,445</u>

8. BORROWINGS

	<u>2016</u> US\$
Borrowings from the Nature Conservancy (note (8a))	<u>14,529,586</u>

Analysed as:

	<u>2016</u> US\$
Non-current (note 8(c))	13,186,396
Current	1,343,190
	<u>14,529,586</u>

(a) The borrowings payables to The Nature Conservancy is denominated in US\$, bearing interest at 3% and secured by security assignment of receivable from the Government of Seychelles. (Note 5).

(b) The movement in borrowings is as follows:

	US\$
At November 16, 2015	-
Proceeds during the year	15,186,330
Repayment during the year	(656,744)
At December 31, 2016	<u>14,529,586</u>

8. BORROWINGS (CONT'D)

- (c) The maturity profile of non-current borrowings is shown on note 3.1(c)
- (d) The carrying amount of borrowings approximate its amortised cost.

9. DEFERRED GRANTS

- (a) The Nature Conservancy (the "Conservancy") availed a grant of US\$ 5 million pursuant to which the Trust provided Government of Seychelles (GOS) with the funding necessary for the GOS to engage in a partial buyback of its debt from some of its bilateral creditors.

Also Conservancy negotiated debt of US\$ 21,626,803 owed by Government of Seychelles to its bilateral creditors for US\$ 20,186,330 (note 5) resulting in a discount of US\$ 1,440,472 which has been granted to the Trust to assist its marine and conservation activities.

- (b) The movement in deferred grant is as follows:

	US\$
At November 16, 2015	-
Proceeds during the year	6,440,472
Grants released	(118,679)
At December 31, 2016	<u>6,321,793</u>
<i>Analysed as:</i>	
	<u>2016</u>
	US\$
Non-current	6,079,068
Current	242,725
	<u>6,321,793</u>

10. OTHER PAYABLES

	2016
	US\$
Received in advance from Government of Seychelles	109,685
Interest accrued	150,139
Professional fees	5,877
	<u>265,701</u>

11. PROFIT FOR THE PERIOD

This is arrived at after charging:

	<u>2016</u> USD
Auditors' Fees	5,184
Directors' Emoluments	<u>-</u>

12. TAX

The Trust is exempt from Business Tax.

13. CAPITAL COMMITMENTS

There were no capital commitments as at December 31, 2016.

14. CONTINGENT LIABILITIES

There were no contingent liabilities as at December 31, 2016.