



Office of the Auditor General

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Victoria, Republic of Seychelles

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Please address all correspondence to the Auditor General

Our ref: SEYCCAT/AI

Date: 05 August 2018

Mr Martin Callow
Chief Executive Officer
SEYCCAT

Dear Mr Callow

Seychelles Conservation and Climate Adaptation Fund (SEYCCAT)

I am in receipt of the signed financial statements for the year ended 2017 together with the auditor's report thereon. In order to avoid a duplication of audit efforts, the BDO Associates, which was appointed by the Board of the Trust in previous years, also worked in close collaboration with the Office of the Auditor General during the audit. Based on the oversight the OAG has exercised, I am satisfied with the auditor's report as issued and copied to me.

Thanking you for your attention and co-operation.

Sincerely,

Gamini Herath
Auditor General

SEYCHELLES CONSERVATION AND CLIMATE ADAPTATION TRUST

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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 Pamela Charlette Mr. Glenny Savy Ms. Sybille Cardon Mr. Marco Francis Dr. Frauke Fleischer-Dogley
SECRETARY	:	Dr Nirmal Jivan. Shah Mahé Seychelles
REGISTERED OFFICE	:	Room 109 Oceangate House Flamboyant Avenue 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 report together with the audited financial statements of the Trust for the year ended December 31, 2017.

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 and to design and secure other innovative financial instruments to support conservation and climate adaptation in Seychelles.

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 last report 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 - Resigned effective October 13, 2017

Islands Development Company- Mr. Glenny Savy

Seychelles Tourism and Hospitality Association- Ms. Sybille Cardon

Seychelles Chamber of Commerce and Industry- Mr. Marco Francis

Seychelles Islands Foundation-Dr. Frauke Fleischer-Dogley

Ministry responsible for Fisheries and Agriculture - Pamela Charlette - Appointed effective October 13, 2017

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



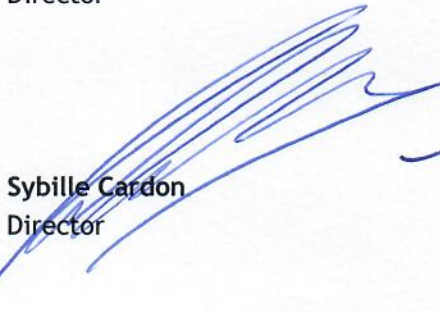
Nirmal Jivan. Shah
Director



Pamela Charlette
Director



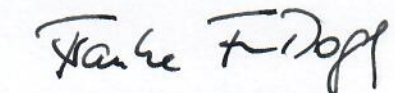
Glenny Savy
Director



Sybille Cardon
Director



Marco Francis
Director



Frauke Fleischer-Dogley
Director

Date: 30 JUN 2018
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, 2017, the Statement of Profit or Loss and Other comprehensive Income and the Statement of Cash Flows for the year 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, 2017 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.



SEYCHELLES CONSERVATION AND CLIMATE ADAPTATION TRUST

3(b)

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: 30 JUN 2018
Victoria, Seychelles

BDO Associates
BDO ASSOCIATES
Chartered Accountants

STATEMENT OF FINANCIAL POSITION - AS AT DECEMBER 31, 2017

	Notes	2017 US\$	2016 US\$
ASSETS			
Non-Current asset			
Loans receivable	5	17,631,615	19,265,464
Investments	6	22,216	-
		<u>17,653,831</u>	<u>19,265,464</u>
Current Assets			
Loans receivable	5	1,639,871	1,585,915
Cash and bank balances	7	604,366	313,682
Other receivables		2,184	-
Interest receivable		200,681	215,464
		<u>2,447,102</u>	<u>2,115,061</u>
Total Assets		<u><u>20,100,933</u></u>	<u><u>21,380,525</u></u>
MEMBERS' FUND AND LIABILITIES			
Members' fund			
Accumulated fund	8	688,963	263,445
Non-current liabilities			
Borrowing	9	11,802,609	13,186,396
Deferred grants	10	5,829,006	6,079,068
		<u>17,631,615</u>	<u>19,265,464</u>
Current liabilities			
Borrowing	9	1,383,787	1,343,190
Deferred grants	10	250,062	242,725
Other payables	11	146,506	265,701
		<u>1,780,355</u>	<u>1,851,616</u>
Total liabilities		<u>19,411,970</u>	<u>21,117,080</u>
Total Member' Fund and Liabilities		<u><u>20,100,933</u></u>	<u><u>21,380,525</u></u>


These financial statements have been approved for issue by the Board of Directors on 30 JUN 2018

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, 2017




Didier Dogley
Director



Peter Larose
Director



Robert Weary
Director



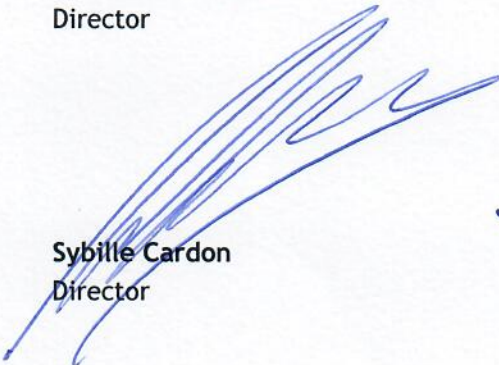
Nirmal Jivan. Shah
Director



Pamela Charlette
Director



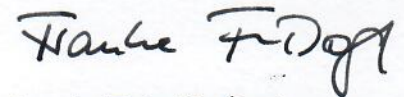
Glenný Sávy
Director



Sybille Cardon
Director



Marco Francis
Director



Frauke Fleischer-Dogley
Director

STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME - FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Notes</u>	<u>2017</u> US\$	<u>2016</u> US\$
Interest income	2.2(d) & 12	600,047	542,274
Interest expense	2.2(d)	(413,108)	(379,680)
Net interest income		<u>186,939</u>	<u>162,594</u>
Other income - Grant released	2.2(b) & 10(b)	242,725	118,679
Grants and donations	2.2(d) & 13	175,840	-
Operating expenses	14	(188,755)	(5,895)
Surplus before effect of foreign exchange		<u>416,749</u>	<u>275,378</u>
Foreign exchange gain/(loss)		8,769	(11,933)
Surplus and total comprehensive income for the year/period	15	<u><u>425,518</u></u>	<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 - FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Notes</u>	<u>Year 2017 US\$</u>	<u>Period 2016 US\$</u>
OPERATING ACTIVITIES			
Surplus for the year/period		425,518	263,445
<i>Adjustments for</i>			
- Shortfall in refund of loan		(6,022)	-
- Foreign exchange (gain)/loss		(8,769)	11,933
- Grant income released	10 (b)	(242,725)	(118,679)
- Interest income		(600,047)	(542,274)
- Interest expense		413,108	379,680
		<u>(18,937)</u>	<u>(5,895)</u>
<i>Changes in working capital:</i>			
- Increase in other receivables		(2,184)	-
- (Decrease)/increase in other payables and accruals		(119,195)	115,562
- Increase in restricted bank balance	7	(128,920)	(75,350)
Net cash (outflow)/inflow from operating activities		<u>(269,236)</u>	<u>34,317</u>
INVESTING ACTIVITY			
Investments in bonds and net cash outflow from investing activity	6	<u>(22,216)</u>	<u>-</u>
FINANCING ACTIVITIES			
Loan granted	5	-	(21,626,803)
Refund of loan granted	5 (a)	1,585,915	775,424
Interest received		614,830	326,810
Proceeds from borrowings	9	-	15,186,330
Repayment of borrowings	9 (b)	(1,343,190)	(656,744)
Receipt of grants	10	-	6,440,472
Interest paid		(413,108)	(229,541)
Net cash inflow from financing activities		<u>444,447</u>	<u>215,948</u>
Net change in cash and cash equivalents		<u>152,995</u>	<u>250,265</u>
Movement in cash and cash equivalents			
At the beginning of the year / period		238,332	-
Change during the period		152,995	250,265
Effect of foreign exchange		8,769	(11,933)
At December, 31	7	<u>400,096</u>	<u>238,332</u>

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

NOTES TO THE FINANCIAL STATEMENTS - FOR THE YEAR ENDED DECEMBER 31, 2017

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 Room 109, Oceangate house, Flamboyant Avenue, Victoria, Mahe 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

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12). The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. The amendment has no impact on the Trust's financial statements.

Disclosure Initiative (Amendments to IAS 7). The amendments require the entity to explain changes in its liabilities arising from financing activities. This includes changes arising from cash flows (eg drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences.

NOTES TO THE FINANCIAL STATEMENTS - FOR THE YEAR ENDED DECEMBER 31, 2017

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*****Annual Improvement to IFRSs 2014 - 2016 cycles***

IFRS 12 Disclosure of Interests in Other Entities. The amendments clarify that entities are not exempt from all of the disclosure requirements in IFRS 12 when entities have been classified as held for sale or as discontinued operations. *The amendment has no impact on the Trust's financial statements.*

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, 2018 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;

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);

IFRS 17 Insurance Contracts

IFRIC 23 Uncertainty over Income Tax Treatments

Prepayment Features with negative compensation (Amendments to IFRS 9)

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)

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.

NOTES TO THE FINANCIAL STATEMENTS - FOR THE YEAR ENDED DECEMBER 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**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.

(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) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Trust has the positive intention and ability to hold to maturity.

Held-to-maturity investments are carried at amortised cost using the effective yield method less any provision for impairment. The amount of impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instruments original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be relatively objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed through the statement of profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

The Trust derecognises a financial asset where the contractual rights to cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

(iii) 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.

NOTES TO THE FINANCIAL STATEMENTS - FOR THE YEAR ENDED DECEMBER 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.2 Summary of significant accounting policies (Cont'd)****(a) Financial instruments (Cont'd)****(iv) 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.

(v) Trade and other payables

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

(vi) 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS - FOR THE YEAR ENDED DECEMBER 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.2 Summary of significant accounting policies (Cont'd)****(c) Foreign currencies (Cont'd)****(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.

(i) Interest income and expenses

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 investments with the fixed interest rates, the interest income is recognised on receipt basis.

(ii) Grants and donations are recognised on a receipt basis.

(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.

NOTES TO THE FINANCIAL STATEMENTS - FOR THE YEAR ENDED DECEMBER 31, 2017

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 Trust'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, 2017, cash balance denominated in Seychelles Rupees amounted to USD 264,490.

If the US Dollar had weakened/strengthened by 10% against foreign currencies, the impact on the Trust's results would have been US\$ 24k (2016: 1.2k).

(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, 2017				
Other payables	146,506	-	-	146,506
Borrowings	1,343,190	5,791,193	6,052,013	13,186,396
	<u>1,489,696</u>	<u>5,791,193</u>	<u>6,052,013</u>	<u>13,332,902</u>

NOTES TO THE FINANCIAL STATEMENTS - FOR THE YEAR ENDED DECEMBER 31, 2017

3. FINANCIAL RISK MANAGEMENT (CONT'D)**3.1 Financial Risk Factors (Cont'd)****(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.

Had the interest rate varied by plus or minus 10 basis points with all other variables held constant the impact would have been \pm USD 60k (2016: US\$54k).

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.

(b) *Held-to-maturity investments*

The Trust follows the guidance of International Accounting Standards (IAS) 39 - "Recognition and Measurement" on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Trust evaluates its intention and ability to hold such investments to maturity.

If the Trust fails to keep these investments to maturity other than for specific circumstances explained in IAS 39, it will be required to reclassify the whole class as available-for-sale. The investments would therefore be measured at fair value and not at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS - FOR THE YEAR ENDED DECEMBER 31, 2017

5. LOANS RECEIVABLE

	Full Loan Facilities agreed <u>US\$</u>	Repayable by	Actual Disbursements <u>US\$</u>
Facility A1	20,875,976	Feb 2026	15,186,330
Facility A2	6,467,046	Feb 2036	6,440,473
	<u>27,343,022</u>		<u>21,626,803</u>
			<u>2017</u>
			<u>US\$</u>
			<u>2016</u>
			<u>US\$</u>

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

At January 1	20,851,379	21,626,803
Refund of loans granted	(1,585,915)	(775,424)
Shortfall on instalment	6,022	-
At December 31	<u>19,271,486</u>	<u>20,851,379</u>

Analysed as:

	<u>2017</u>	<u>2016</u>
	<u>US\$</u>	<u>US\$</u>
Non-current (note 5(a))	17,631,615	19,265,464
Current	1,639,871	1,585,915
	<u>19,271,486</u>	<u>20,851,379</u>

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

	<u>2017</u>	<u>2016</u>
	<u>US\$</u>	<u>US\$</u>
After one year and before two years	1,683,232	1,633,849
After two years and before five years	5,361,149	5,203,862
Above five years	10,587,234	12,427,753
	<u>17,631,615</u>	<u>19,265,464</u>

- (c) The loans receivable from the Republic of Seychelles are denominated in US Dollar and bear interest at 3% per annum (2016 : 3%). These are secured by permitted security interest of public debt.
- (d) Currency, liquidity and interest rates risks are disclosed under notes 3(b), 3(c) and 3(d) respectively.
- (e) The carrying amount of the loans receivable approximate its amortised cost.

NOTES TO THE FINANCIAL STATEMENTS - FOR THE YEAR ENDED DECEMBER 31, 2017

6. INVESTMENTS

	<u>Maturity</u>	<u>2017</u> US\$	<u>2016</u> US\$
(a) <u>Held to maturity</u>			
Investment in 7 year Treasury bonds (note (a))	7-Aug-24	22,216	-
- Interest accrued		436	-
- Transferred to restricted funds (note 7 (b))		(436)	-
		<u>22,216</u>	<u>-</u>

(b) Investment represents SR.300,000 in treasury bonds issued by the Government of Seychelles, bears fixed interest at 7% per annum and payable half yearly.

(c) The held to maturity investment is shown at amortised cost.

7. CASH AND BANK BALANCES

	<u>2017</u> US\$	<u>2016</u> US\$
Balance as per bank (note 7(a))	<u>604,366</u>	<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>2017</u> US\$	<u>2016</u> US\$
Cash and bank balances	604,366	313,682
Less: cash committed for endowment fund (note 7 (b))	(204,270)	(75,350)
	<u>400,096</u>	<u>238,332</u>

(b) Cash committed for the endowment fund movements:

At January, 1	75,350	-
Additions during the year	150,700	75,350
Investments during the year (note (6) (a))	(22,216)	-
Interest accrued capitalised (note (6) (a))	436	-
At December, 31	<u>204,270</u>	<u>75,350</u>

The compulsory transfer to endowment fund represents 35% of the grants released and interest received thereon.

NOTES TO THE FINANCIAL STATEMENTS - FOR THE YEAR ENDED DECEMBER 31, 2017

8. MEMBER'S FUNDS

	<u>2017</u>	<u>2016</u>
	US\$	US\$
At the beginning of the period	263,445	-
Surplus for the period	425,518	263,445
At December 31	<u>688,963</u>	<u>263,445</u>

9. BORROWINGS

	<u>2017</u>	<u>2016</u>
	US\$	US\$
Borrowings from the Nature Conservancy (note (8a))	<u>13,186,396</u>	<u>14,529,586</u>
<i>Analysed as:</i>		
	<u>2017</u>	<u>2016</u>
	US\$	US\$
Non-current (note 8(c))	11,802,609	13,186,396
Current	1,383,787	1,343,190
	<u>13,186,396</u>	<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:

	<u>2017</u>	<u>2016</u>
	US\$	US\$
At January 1	14,529,586	15,186,330
Refund of loans granted	(1,343,190)	(656,744)
At December 31	<u>13,186,396</u>	<u>14,529,586</u>

(c) The maturity profile of non-current borrowings is shown in note 3.1(c)

(d) The carrying amount of borrowings approximate its amortised cost.

10. 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 (note 5) 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.

NOTES TO THE FINANCIAL STATEMENTS - FOR THE YEAR ENDED DECEMBER 31, 2017

10. DEFERRED GRANTS (CONT'D)

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

	2017	2016
	US\$	US\$
At January 1	6,321,793	6,440,472
Release to income statement	(242,725)	(118,679)
At December 31	6,079,068	6,321,793

Analysed as:

	2017	2016
	US\$	US\$
Non-current	5,829,006	6,079,068
Current	250,062	242,725
	6,079,068	6,321,793

11. OTHER PAYABLES

	2017	2016
	US\$	US\$
Received in advance from Government of Seychelles	-	109,685
Interest accrued	137,358	150,139
Accruals	9,148	5,877
	146,506	265,701

12. INTEREST INCOME

	2017	2016
	US\$	US\$
Interest income from Government of Seychelles		
- For facilities	411,106	445,006
- For deferred grant	187,847	96,607
Interest from investments	436	-
Interest from banks	658	661
	600,047	542,274

13. DONATIONS & GRANTS

	2017	2016
	US\$	US\$
Grants from The Nature Conservancy	115,840	-
Grant from GOS-UNDP-GEF Protected Area Finance project	60,000	-
	175,840	-

NOTES TO THE FINANCIAL STATEMENTS - FOR THE YEAR ENDED DECEMBER 31, 2017

14. OPERATING EXPENSES

	<u>2017</u>	<u>2016</u>
	US\$	US\$
Personnel costs	119,201	-
Utilities and maintenance costs	12,801	18
Furniture and capital equipment costs	7,686	-
Other operating expenses	49,067	5,877
	<u>188,755</u>	<u>5,895</u>

15. SURPLUS FOR THE YEAR/(PERIOD)

This is arrived at after charging:

	<u>2017</u>	<u>2016</u>
	USD	USD
Auditors' Fees	5,472	5,184
Directors' Emoluments	-	-
	<u>-</u>	<u>-</u>

16. TAX

The Trust is exempt from Business Tax.

17. CAPITAL COMMITMENTS

There were no capital commitments as at December 31, 2017. (2016 : Nil).

18. CONTINGENT LIABILITIES

There were no contingent liabilities as at December 31, 2017. (2016 : Nil).