Annex IV

Green Climate Fund
Report on Audits of
Financial Statements

For the years ended December 31, 2017 and 2016

Prepared Under International Financial Reporting Standards

GREEN
CLIMATE
FUND

CONTENTS

Grant Thornton
An instinct for growth

Telephone: 82-2-2056-3700
Fax: 82-2-3453-3700
www.grantthornton.kr

Grant Thornton Daejoo 2913 ,
Nambusunhwan-ro. Gangnam-gu,
06280 Seoul, Korea

Independent Auditors' Report

To the Board of the Green Climate Fund

We have audited the accompanying financial statements of the Green Climate Fund (the "Fund"), which comprise the statements of financial position as of December 31, 2017, the statements of comprehensive income, changes in funds and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Managements Responsibility for the Financial Statements

The Board and Secretariat are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters

The financial statements of the Fund for the year ended December 31, 2016 presented herein for comparative purposes were audited by Daemyung Grant Thornton, whose report dated June 6, 2017, expressed an unqualified opinion on those statements.

Grant Thornton Daejo

May 14, 2018

Seoul, Korea

This report is effective as of May 14, 2018, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2017 and 2016

(In '000 USD)	Note	2017	2016
Assets			
Cash and cash equivalents	5, 6	3,380,395	1,824,159
Contributions receivable	6,7	674,834	470,102
Prepayments	-	555	279
Other receivables	-	19	-
Total current assets		**4,055,803**	**2,294,540**
Contributions receivable	6,7	1,375,652	1,099,891
Investment in equity	6,8	8,146	5,494
Loans Receivable	6,8	85,300	-
Property and equipment, net	9	1,467	1,123
Total non-current assets		**1,470,565**	**1,106,508**
Total assets		**5,526,368**	**3,401,048**
Funds and Liabilities			
Accounts payable	6	1,056	1,986
Payable to employees	6	-	2,496
Other payables	-	-	141
Accrued expenses	-	5,225	2,736
Total current liabilities		**6,281**	**7,359**
Long-term borrowings	6	293,382	-
Deferred Grant Revenue	6	48,248	-
Total non-current liabilities		**341,630**	**-**
Total liabilities		**347,911**	**7,359**
Temporarily restricted funds	10	2,631,600	1,843,633
Unrestricted funds	10	2,546,857	1,550,056
Total Funds		**5,178,457**	**3,393,689**
Total liabilities and funds		**5,526,368**	**3,401,048**

See accompanying notes to the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2017 and 2016

(In '000 USD)	Note	2017	2016
Income			
Income from contributors	11	1,864,311	1,565,948
Investment & other income	12	36,240	13,776
Total income		1,900,551	1,579,724
Expenditure			
Operating expenses for secretariat office	14	41,629	25,379
Programme	15	74,154	5,602
Total expenditure		115,783	30,981
Increase in fund for the year		1,784,768	1,548,743
Other Comprehensive Income (loss)		-	-
Total comprehensive income for the year		1,784,768	1,548,743

See accompanying notes to the financial statements

STATEMENTS OF CHANGES IN FUNDS

For the years ended December 31, 2017 and 2016

(In '000 USD)

	Temporarily restricted funds	Unrestricted funds	Total
As at 1 January 2016	**1,210,653**	**634,293**	**1,844,946**
Fund released from restriction	(274,216)	274,216	-
Comprehensive income	907,196	641,547	1,548,743
As at 31 December 2016	**1,843,633**	**1,550,056**	**3,393,689**
As at 1 January 2017	**1,843,633**	**1,550,056**	**3,393,689**
Fund released from restriction	(366,462)	366,462	-
Comprehensive income	1,154,429	630,339	1,784,768
As at 31 December 2017	**2,631,600**	**2,546,857**	**5,178,457**

See accompanying notes to the financial statements.

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2017 and 2016

(In '000 USD)	2017	2016
Cash flows from operating activities		
Cash receipts from contributors	1,373,924	1,199,201
Bank and trust fund income	35,539	13,157
Other income	700	619
Cash paid to suppliers & personnel	(42,223)	(24,317)
Program Payments	(74,154)	(3,230)
Realised foreign currency gain	9,851	7,400
Net cash provided by (used in) operating activities	**1,303,637**	**1,192,830**
Cash flows from investing activities		
Acquisition of property and equipment	(1,079)	(859)
Acquisition of investment equity	(2,652)	(5,494)
Loans to Accredited Entities	(85,300)	-
Net cash provided by (used in) investing activities	**(89,031)**	**(6,353)**
Cash flows from financing activities		
Loan from contributors	341,630	-
Net cash from financing activities	**341,630**	**-**
Net increase in cash and cash equivalents	**1,556,236**	**1,186,477**
Cash and cash equivalents at beginning of the year	**1,824,159**	**637,682**
Cash and cash equivalents at end of year	**3,380,395**	**1,824,159**

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

1. Reporting entity

The Green Climate Fund (Fund) has been established by 196 Parties to the United Nations Framework Convention on Climate Change (UNFCCC). The Fund was established by a decision of the Conference of the Parties (COP) to the UNFCCC on 11 Dec 2011. Its headquarter is based in Songdo, the Republic of Korea and the principal place of business is G-Tower 175, Art Center-daero Yeonsu-gu, Incheon 22004. The fund will contribute to the achievement of the ultimate objective of the Convention. In the context of sustainable development, the Fund will promote the paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change. The Fund will be guided by the principles and provisions of the Convention.

The Fund will play a key role in channeling new and predictable financial resources to developing countries. GCF will catalyze climate finance – both public and private, and at the national, regional and international levels. The Fund is intended to operate at a larger scale than other comparable funds to promote the paradigm shift towards low-emission and climate-resilient development pathways.

GCF was designated as an operating entity of the UNFCCC's financial mechanism, which it is ultimately accountable to. The COP provides guidance to the Board, including on matters related to policies, programme priorities and eligibility criteria. The Board takes appropriate actions in response to this guidance and reports to the COP annually.

The Fund is governed and supervised by a Board that has full responsibility for funding decisions and that receives the guidance of the COP. The Board oversees the operation of all relevant components of the Fund, approving specific operational policies and guidelines, and approving funding for projects and programmes. The Board is composed of 24 members, and 24 alternate members with equal representation from developing and developed country Parties. In accordance with the Fund's Governing Instrument, the World Bank (IBRD) provides trustee services to the Fund, on an interim basis.

The financial statements for the year ended 31st December 2017 were authorized for issue by the fund's board on

NOTES TO THE FINANCIAL STATEMENTS

2. Basis of Preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been applied by the Fund consistently to all periods presented.

STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs). Where the IFRS are silent or do not give guidance on how to treat transactions specific to the non-profit sector, accounting policies have been based on the general IFRS principles and other relevant accounting standards, as detailed in the IASB Framework for the Preparation and Presentation of Financial Statements.

BASIS OF MEASUREMENT

The financial statements have been prepared on the historical cost basis.

FUNCTIONAL AND PRESENTATION CURRENCY

The accompanying financial statements are presented in United States Dollars ("USD"), the Fund's functional currency. All financial information has been rounded off to the nearest thousands, unless otherwise indicated.

USE OF ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, incomes and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

NOTES TO THE FINANCIAL STATEMENTS

3. Application of new and revised IFRS

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED DURING 2017

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the financial statements for the year ended 31 December 2016.

During 2017 no new standards and amendments became applicable for the first time hence there is no impact on the financial statements of the Fund due to application of new standards.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the year ended 31 December 2017, and have not been applied in preparing the financial statements. The Fund plans to adopt these pronouncements when they become effective. Only those new or amended standards that may have an impact on the Fund reporting are listed below, with their potential effect on the financial statement:

Standard	Effective Application Date	Expected Impact
IFRS 9 - Financial Instruments, issued in July 2014	1 January 2018	The Fund expects a limited impact on the classification and measurement of its financial assets and liabilities. However, new impairment requirements might result in changes in current accounting and systems
IFRS 15 – Revenue from Contracts with Customers, issued in May 2014	1 January 2018	Based on its current sources of income, the Fund expects a limited impact on its financial statements

4. Summary of significant accounting policies

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

RECEIVABLES

All receivable balances are valued at their net realizable value, that is, the gross amount of receivable minus, if applicable, allowances provided for doubtful debts. Any receivable or portion of receivable judged to be uncollectable is written off. Write offs of receivables are done via allowances for doubtful accounts after all efforts to collect have been exhausted.

NOTES TO THE FINANCIAL STATEMENTS

PROPERTY AND EQUIPMENT

Property and equipment are initially measured at cost. Subsequent to initial recognition as an asset, property and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses.

The cost of property and equipment comprises its purchase price and all other incidental costs in bringing the asset to its working condition for its intended use.

Subsequent costs are recognized in the carrying amount of property and equipment at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably. The costs of the day-to-day operation are recognized as expenses.

Property and equipment are depreciated on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. The estimated useful lives for the current period are as follows:

Plant and equipment	Useful life
Computer equipment and IT infrastructure	3 years
Leasehold Improvements	10 Years
Office Equipment and Furniture	3 Years
Motor Vehicles	5 Years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate.

Depreciation is made in the year the asset is placed in operation and continued until the asset is fully depreciated or its use is discontinued.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATIONS

Foreign currency-denominated transactions are translated to US Dollars for reporting purposes at rates which approximate the exchange rates prevailing at the dates of the transactions.
Exchange differences arising from the: (a) settlement of foreign currency-denominated monetary items at rates which are different from which they were originally booked, and (b) translation of balances of foreign currency-denominated monetary items as at reporting date, are credited or charged to operations during the year.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING FOR CONTRIBUTIONS

Revenue recognition

Contributions, including unconditional promise for the use of the contributions, are recognized as revenue at the earlier of when there is reasonable assurance that the contributions will be received or such contributions are received.

Contributions, including conditional promise to support specified projects or activities mutually agreed upon by the Fund and the contributor, are fully recognized as revenue at the earlier of when there is reasonable assurance that the contributions will be received or such contributions are received unless there is doubt that the Fund will not be able to use the contributions for intended purposes, in which case the revenue is recognized only to the extent of the expenditures incurred during the year.

Contributions receivable

The Fund recognizes contributions receivable where there is reasonable assurance that the contributions will be received but the cash has not been received. Contributions receivable are stated at their cost net of a provision for uncollectible contributions.

Promissory notes receivable are measured initially at fair value by discounting the future cash flows with the appropriate discount rates, which reflects the duration and the credit risk of the issuer and presented at amortized cost using the effective rate method at each reporting date. The Fund assesses at the end of each reporting period whether there is any objective evidence that the promissory notes are impaired. If any such evidence exists, the Fund determines the amount of any impairment loss.

Deferred contribution revenue

The Fund recognizes deferred contribution revenue where there is doubt that the Fund will be able to use the contributions for intended purposes and any unused portion of the contribution received will need to be refunded to the contributor. The revenue recognition for such contributions is deferred to future periods in order to match the underlying related expenses. The revenue is realized in the statement of comprehensive income on a systematic basis in the period during which the underlying related expenses are incurred.

ACCOUNTING FOR INVESTMENTS IN EQUITY

Investment in associates

Investments in associates are initially recognized at acquisition cost using the equity method. Unrealized gains on transactions between the Fund and its associates are eliminated to the extent of the Fund’s interest in the associates. If there is any objective evidence that the investment in the associate is impaired, the Fund recognizes the difference between the recoverable amount of the associate and its book value as impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

Associates are all entities over which the Fund has significant influence (that is the power to participate in the financial and operating policy decisions of the investee) but is not in control or joint control of those policies. If the Fund holds, directly or indirectly (e.g. through subsidiaries), 20 per cent or more of the voting power of the investee, it is presumed that the Fund has significant influence, unless it can be clearly demonstrated that this is not the case e.g. by evidence that all or almost all the following conditions are absent or do not apply:

(a) Representation on the board of directors or equivalent governing body of the investee;
(b) Participation in the investee's policy-making processes, including participation in decisions about dividends and other distributions;
(c) Material transactions between the Fund and the investee;
(d) Interchange of managerial personnel between the Fund and the investee;
(e)) Provision of essential technical information between the Fund and the investee.

Investment in joint ventures

A joint arrangement of which two or more parties have joint control is classified as either a joint operation or a joint venture. A joint operator has rights to the assets, and obligations for the liabilities, relating to the joint operation and recognizes the assets, liabilities, revenues and expenses relating to its interest in a joint operation. A joint venturer has rights to the net assets relating to the joint venture and accounts for that investment using the equity method.

Investment not subject to associates or joint ventures

Any investment in equity that is not subject to associates or joint ventures is accounted for at fair value through other comprehensive income in accordance with *"IFRS 9 Financial Instruments".*

ACCOUNTING FOR GRANTS

The accounting for grants uses the principles of IAS 37: Provisions, liabilities and contingent liabilities, together with the "general framework" document to determine when the grants should be recognized as contingent liabilities, grant payables and subsequently recorded in the statement of comprehensive income.

Contingent Liability

The first point of recognition for grants is at the point of Board approval, where the maximum liability of the grant becomes clear and is agreed with the Accredited Entity. The accounting treatment at this point is to recognize the grant as a contingent liability due to the uncertainty over the amount of the grant and the substantive ability of the Fund to decommit funds if conditions are not met or funding is not available. Accordingly the point of Board approval is not considered to be a constructive obligation as defined under IAS 37.

Following the Board approval, the grants are governed by a written grant agreement that includes substantive conditions based on performance. There is no constructive obligation for the full value of the grant at the signing date of the grant agreement. Accordingly, an obligation only arises once all criteria have been addressed or otherwise resolved.

NOTES TO THE FINANCIAL STATEMENTS

Recognition of Grants payable and expenditure

The recognition of grants payable is determined to be the point at which the conditions are met and the disbursement request is made by the accredited entity. At this point the Fund has a constructive obligation to the accredited entity and the valid amount requested for disbursement is therefore recognized as a grant payable and recorded as expenditure within the statement of comprehensive income.

Recoverable from Grants

During the implementation period, a part of the funds disbursed for grants may be determined as recoverable from the accredited entity based on the audits and investigations conducted. Grants recoverable are recognized at fair value upon notification to the accredited entity and are subject to the same policy of valuation, risk assessment and asset impairment as contributions recoverable from contributor.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized when the Fund becomes a party to the contractual provisions of the underlying instruments.

Financial assets

Financial assets are classified into the following specified categories: (a) financial assets at amortized cost , (b) financial assets at fair value through other comprehensive income (FVOCI), and (c) financial assets at fair value through profit and loss (FVPL). The classification depends on the terms of the instruments and purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets are measured at amortized cost if the asset is held to collect its contractual cashflows and the assets contractual cashflows represent solely the payments of principal and interest.

(b) Financial assets at fair value through other comprehensive income are financial assets which may be held for collecting contractual cashflows and selling the financial assets and the contractual cashflows represent solely the payment of principal and interest. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

(c) Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

Regular purchases and sales of financial assets are recognized on the trade date. At initial recognition, financial assets are measured at fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of income.

After the initial recognition, financial assets at fair value through profit or loss are subsequently carried at fair value. For investments in equity instruments that do not have a quoted price at an active market, the cost is considered the best assessment of the fair value.

NOTES TO THE FINANCIAL STATEMENTS

Changes in fair value of financial assets at fair value through profit or loss are recognized in profit or loss while changes in fair value of financial assets through other comprehensive incomes are recognized in other comprehensive income. When financial assets recognized as financial assets through other comprehensive income are sold or impaired, the fair value adjustments recorded in equity are reclassified into profit or loss.

Interest on assets held at fair value through profit and loss and those held at fair value through other comprehensive income is calculated using the effective interest method is recognized in the statement of income as part of financial income. Dividends on equity instruments are recognized in the statement of income as part of other comprehensive income when the Fund's right to receive payments is established.

Financial liabilities

Financial liabilities at fair value through profit or loss are financial instruments held for trading. Financial liabilities are classified in this category if incurred principally for the purpose of repurchasing them in the near term. Derivatives that are not designated as hedges or bifurcated from financial instruments containing embedded derivatives are also categorized as held-for-trading.

The Fund classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and presented as 'accounts payable', 'borrowings', and 'other financial liabilities' in the statement of financial position.

FINANCE INCOME AND FINANCE COSTS

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

NOTES TO THE FINANCIAL STATEMENTS

TAXATION

Under the agreement between the Republic of Korea and the Green Climate Fund (GCF) concerning the Headquarters of the Green Climate Fund, signed on 10 June 2013, the GCF is exempt from all direct taxes, except those which are, in fact no more than charges for public utility services; and exempt from all indirect taxes, including any value-added and or/similar taxes and excise duties levied on important purchase of goods and services for official purposes.

FINANCIAL RISK MANAGEMENT

The Fund will be exposed to various kinds of financial risk (credit risk, market risk, operational risk etc.). The Fund has its Financial Risk Management and Investment framework. The Board adopted a risk appetite methodology and risk registers to manage its exposure to various risk categories. The Fund will continue establishing risk policies and guidelines to further improve risk management tools in financial and non-financial risk management. Funds held in trust by the interim Trustee are invested in accordance with the World Bank’s policies and procedures for the investment of trust funds administered by the World Bank.

EVENTS AFTER THE REPORTING DATE

Post year-end events that provide additional information about the Funds financial position at the reporting date (adjusting events) are reflected in the financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

NOTES TO THE FINANCIAL STATEMENTS

5. Cash and Cash Equivalents

(a) Cash and cash equivalents as of December 31, 2017 and 2016 are summarized as follows:

(In '000 USD)	2017	2016
Balance held in the GCF Trust Fund (at the World Bank)	3,375,013	1,816,690
Balances held in Commercial Banks	5,381	7,467
Cash on Hand	1	2
Total	3,380,395	1,824,159

The International Bank for Reconstruction and Development is serving as the interim trustee ("Trustee") of the Fund. The Trustee administers contributions received in the Trust Fund in accordance with the Amended and Restated Agreement on the Terms and Conditions for the Administration of the Green Climate Fund Trust Fund (including all Annexes and Attachments attached thereto, which constitute an integral part thereof), dated April 22, 2015 between the Fund and the Trustee (the "GCF Trust Fund Agreement").

(b) Cash and cash equivalents denominated in foreign currencies as of December 31, 2017 and 2016 are as follows:

	2017			2016		
Foreign currency	Foreign currency amount (in '000)	Ending exchange rate	Translation into '000 USD	Foreign currency amount (in '000)	Ending exchange rate	Translation into '000 USD
KRW	694,355	0.0009	644	679,956	0.0009	582

NOTES TO THE FINANCIAL STATEMENTS

6. Financial Instruments by Categories

(a) Categories of financial assets as of December 31, 2017 and 2016 are summarized as follows:

(In '000 USD)	2017			2016		
	Loans and receivables	Available-for-sale financial assets	Total	Loans and receivables	Available-for-sale financial assets	Total
Cash and cash equivalents	3,380,395	-	3,380,395	1,824,159	-	1,824,159
Contributions receivable	2,050,486	-	2,050,486	1,569,993	-	1,569,993
Investments in equity	-	8,146	8,146	-	5,494	5,494
Loans Receivable	85,300	-	85,300	-	-	-
Total	**5,516,181**	**8,146**	**5,524,327**	**3,394,152**	**5,494**	**3,399,646**

(b) Categories of financial liabilities as of December 31, 2017 and 2016 are summarized as follows:

i) Non-current financial liabilities

Long-term borrowings:

The classification of long-term borrowings as at December 31, 2017 and 2016 is as follows:

(In '000 USD)	2017		2016	
	Current	Non-Current	Current	Non-Current
Long-term borrowings	-	293,382	-	-
Total	**-**	**293,382**	**-**	**-**

Details of long-term borrowings as of December 31, 2017 are as follows

	Lender	Interest rate (%)	Maturity	Value at December 31, 2017 *(In '000 USD)*
Long-term borrowings	France	0.00	June 15, 2042*	341,630
Less present value discount				(48,248)
Total				**293,382**

* The long-term loan shall be paid in 40 equal semi-annual installments on June 15, and December 15 of each year commencing December 15, 2022.

Deferred grant revenue:

Deferred grant revenue of USD 48,248,000 refers to the interest implicit in the long-term borrowings and will be realized across the maturity period

NOTES TO THE FINANCIAL STATEMENTS

ii) Current financial liabilities

	2017	2016
(In '000 USD)	Financial liabilities measured at amortized cost	Financial liabilities measured at amortized cost
Accounts payable	1,056	1,986
Payable to employees	-	2,496
Other payables	-	141
Total	**1,056**	**4,623**

Amounts Payable to employees US$ 2,496,000 in 2016 related to amounts held for the employment retirement plan prior to selection of an external service provider. In 2017, an external service provider was selected and the amounts were transferred to the service provider.

(c) Detail of net gains (or losses) on each category of financial instruments by category for the years ended December 31, 2017 and 2016 are summarized as follows:

	2017			2016		
(In '000 USD)	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost
Bank and trust fund income	35,539	-	-	13,157	-	-
Foreign exchange gain (loss)	133,377	-	-	(103,404)	-	-
Present value amortization on promissory note	2,512	-	-	(737)	-	-
Total	**171,428**	**-**	**-**	**(90,984)**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

7. Contributions Receivable

In accordance with signed arrangements/ agreements a number of contributors have deposited promissory notes. IBRD, as the interim trustee of the fund is holding these promissory notes on behalf of the fund. These are non-interest-bearing and payable at par value. Promissory notes encashable within one year from the end of reporting period are classified as current assets- receivables. Promissory notes encashable after more than one year from the end of reporting period are classified as non-current assets- receivables.

The promissory notes receivables are measured initially at fair value by discounting the future cash flows with the appropriate discount rates, which reflects the duration and the credit risk of the issuer and presented at amortized cost using the effective rate method at each reporting date. The Fund assesses at the end of each reporting period whether there is any objective evidence that the promissory notes will not be recieved. If any such evidence exists, the fund determines the amount of any bad debts to be written off. Promissory notes are denominated in Euro, Japanese Yen, Swedish Krona and Pound Sterling and were revalued to United States Dollars (USD) at the end of reporting period at the prevailing exchange rates.

As at December 31, 2017, encashment schedule and details of present value on promissory notes are as follows:

Encashment	Amount (In '000 USD)
In 2018	674,834
In 2019	588,594
In 2020	513,252
In 2021	192,261
In 2022	46,334
In 2023	43,895
Nominal value of promissory notes	**2,059,170**
Unamortized present value discount	(8,684)
Present value of promissory notes	**2,050,486**

NOTES TO THE FINANCIAL STATEMENTS

Contributions receivable denominated in foreign currencies as of December 31, 2017 and 2016 are as follows:

	2017			2016		
Foreign currency	Foreign currency amount (in '000)	Ending exchange rate	Translation into '000 USD	Foreign currency amount (in '000)	Ending exchange rate	Translation into '000 USD
EUR	379,710	0.8340	455,158	286,120	0.9470	302,128
JPY	63,151,749	112.52	561,274	48,673,011	116.9400	416,222
GBP	520,017	0.7400	699,966	397,124	0.8128	488,582
SEK	2,740,000	8.2014	334,089	3,288,769	9.0585	363,061
			2,050,487			**1,569,993**

8. Investments in equity and Loans receivable

a) Investments in equity

Investments in equity relate to the acquisition of equity in "KawiSafi" Ventures Limited in accordance with GCF Board approval under decision B.11/11. The investment in equity in KawiSafi is accounted for in accordance with "*IFRS 9 Financial Instruments"* as the Fund does not have significant influence over the invested entity's financial or operating decisions. The acquisition cost is considered the reasonable estimate for the fair value of the investment. The carrying amount as at December 31, 2017 and 2016 are as below:

(In '000 USD)	2017	2016
Investments in Equity (KawiSafi Ventures)	8,146	5,494
Total	**8,146**	**5,494**

Details of the equity investment in KawiSafi Ventures as of December 31, 2017 and 2016 are as follows:

	2017	2016
Invested entity's authorized share capital – 42,150 shares *(In '000 USD)*	42,150	42,150
Portion of share capital subscribed to by the fund – 20,000 shares *(In '000 USD)*	20,000	20,000
Percentage of ownership	47.45	47.45
Funds portion of called and paid-up share capital *(In '000 USD)*	8,146	5,494
Carrying amount of Investment *(In '000 USD)*	8,146	5,494

NOTES TO THE FINANCIAL STATEMENTS

b) Loans receivable

Loans receivable relate to loans that have been disbursed to accredited entities for implementation of activities as per the different funding proposals presented to and approved by the GCF board. The loans are valued at amortized cost as required by *"IFRS 9 Financial Instruments"* since they are held solely for collection of principal and interest. However, there was no allowance provided for doubtful debts in 2017 since the loans were still held in the accounts of the accredited entities as at December 31, 2017. Impairment test will be done in subsequent periods once the loans are disbursed for implementation of the various activities. Details of the loans per accredited entity are as below:

December 31, 2017			
(In '000 USD)	Initial Amount	Writedown for impairment	Amortized Cost
European Bank for Reconstruction and Development (EBRD)	65,800	-	65,800
XacBank	19,500	-	19,500
Total	**85,300**	**-**	**85,300**

The interest rates and maturity dates for the loans are as below:

	Loan Amount in '000 USD	Maurity Date	Interest Rate
European Bank for Reconstruction and Development (EBRD)*	65,800	September 2040	1.8%-2%
XacBank	19,500	June 2022	LIBOR+0.5%
Total	**85,300**		

* The interest rate is 1.8% for amounts loaned out for wind projects and 2% for amounts loaned out for solar projects.

NOTES TO THE FINANCIAL STATEMENTS

9. Property and Equipment

(a) Details of property and equipment as of December 31, 2017 and 2016 are as follows:

(i) December 31, 2017			
(In '000 USD)	Acquisition cost	Accumulated depreciation	Carrying amount
Computer/IT equipment	2,836	(1,785)	1,051
Leasehold Improvements	237	(15)	222
Office Furniture & Equipment	202	(38)	164
Motor Vehicles	35	(5)	30
Total	**3,310**	**(1,843)**	**1,467**
(ii) December 31, 2016			
(In '000 USD)	Acquisition cost	Accumulated depreciation	Carrying amount
Computer/IT equipment	2,191	(1,108)	1,083
Fixed Assets in Transit	40	-	40
Total	**2,231**	**(1,108)**	**1,123**

(b) Changes in property and equipment for the year ended December 31, 2017 and 2016 are summarized as follows:

(In '000 USD)

	January 1, 2017	Acquisition	Disposals	Depreciation	December 31, 2017
Computer/IT equipment	1,083	645	-	(677)	1,051
Leasehold Improvements	-	237	-	(15)	222
Office Furniture & Equipment	-	202	-	(38)	164
Motor Vehicles	-	35	-	(5)	30
Fixed Assets in Transit	40	(40)	-	-	-
Total	**1,123**	**1,079**	**-**	**(735)**	**1,467**
	January 1, 2016	Acquisition	Disposals	Depreciation	December 31, 2016
Computer/IT equipment	785	819	-	(521)	1,083
Fixed Assets in Transit	-	40	-	-	40
Total	**785**	**859**	**-**	**(521)**	**1,123**

NOTES TO THE FINANCIAL STATEMENTS

10. Funds

All contributions received where the use is limited by statutory restrictions, contributor-imposed purpose or time restrictions have been classified as temporarily restricted funds. All other funds are recognized as unrestricted funds.

Changes in nominal value of temporary restricted funds by type of restriction for the year ended December 31, 2017 are as follows:

(In '000 USD)

	January 1, 2017	Released	Received with restriction	Unrealized Exchange gain/loss	December 31, 2017
Time restriction	1,188,457	(366,462)	560,931	83,782	1,466,708
Time & contributor-imposed restriction	388,430	-	164,226	39,806	592,462
Contributor imposed restriction	266,746	-	305,684	-	572,430
Total	**1,843,633**	**(366,462)**	**1,030,841**	**123,588**	**2,631,600**

Time restriction represents the funds to be collected in future years (i.e. promissory notes) that were recorded at the present value of future collections as at the end of the reporting period. This type of fund will be reclassified into unrestricted funds in the year of receipt.

Contributor-imposed restriction represents the funds whose use is limited by contributor. Contributor-imposed restrictions relate to capital contributions which can only be disbursed to accredited entities as loans but not as grants.

Time and contributor-imposed restrictions represent the funds whose use is restricted and will also be collected in future periods.

NOTES TO THE FINANCIAL STATEMENTS

11. . Income from Contributors

As stated in Note 5, contributions are received through GCF's Trust Fund account at World Bank administered by the trustee. The carrying value of the GCF Trust Fund has changed from the contributions, investment returns on GCF Trust Fund balances, foreign currency transactions or translations and present value amortization on promissory notes. Those changes comprise the comprehensive income of the Fund.

Details of income from GCF Trust Fund for the period ended December 31, 2017 and December 31, 2016 are as follows:

(i) December 31, 2017			
(In '000 USD)	Nominal value	Unamortized present value discount on promissory note	Total
Contribution revenues	1,732,651	(4,229)	1,728,422
Foreign exchange gain(loss)	133,449	(72)	133,377
Present Value amortization on promissory note	-	2,512	2,512
Total	**1,866,100**	**(1,789)**	**1,864,311**
(ii) December 31, 2016			
(In '000 USD)	Nominal value	Unamortized present value discount on promissory note	Total
Contribution revenues	1,674,174	(4,087)	1,670,087
Foreign exchange gain(loss)	(103,859)	456	(103,403)
Present Value amortization on promissory note	-	(737)	(737)
Total	**1,570,315**	**(4,368)**	**1,565,948**

The foreign exchange gain (loss) is primarily due to exchange gain/loss at the time of encashment of promissory notes and on year end revaluation of promissory notes received in a currency other than USD. On the reporting date promissory notes held by the interim trustees were revalued at the year-end exchange rate.

The details of changes in total contribution that the Fund has received through the trust fund account for the year ended December 31, 2017 are presented as follows:

(a) By contributor:

(In '000 USD)	January 1, 2017	Increase (Decrease)	December 31, 2017
Australia	99,378	27,179	126,557
Austria	19,562	6,526	26,088
Belgium	82,560	-	82,560
Bulgaria	109	-	109
Canada	128,230	-	128,230
Canada	-	-	-
Chile	300	-	300
Columbia	287	-	287
Cyprus	-	-	-
Czech Republic	4,857	-	4,857
Denmark	39,281	22,984	62,265
Estonia	1,123	-	1,123

NOTES TO THE FINANCIAL STATEMENTS

(In '000 USD)	January 1, 2017	Increase (Decrease)	December 31, 2017
Finland	38,256	-	38,256
France	184,057	526,656	710,713
Germany	423,721	253,871	677,592
Hungary	3,511	-	3,511
Iceland	500	200	700
Indonesia	244	-	244
Ireland	2,076	2,377	4,453
Italy	55,871	112,244	168,115
Japan	658,354	358,262	1,016,616
Korea	3,158	-	3,158
Korea	32,500	11,500	44,000
Latvia	417	-	417
Liechtenstein	50	-	50
Lithuania	113	-	113
Luxembourg	10,937	5,674	16,611
Luxemburg	5,549	5,685	11,234
Malta	165	109	274
Mexico	10,000	-	10,000
Monaco	550	529	1,079
Mongolia	0	50	50
Netherlands	21,490	17,421	38,911
New Zealand	2,198	-	2,198
Norway	98,396	57,711	156,107
Panama	500	500	1,000
Poland	103	-	103
Portugal	2,168	-	2,168
Romania	50	-	50
Spain	2,207	16,789	18,996
Sweden	453,138	32,061	485,199
Switzerland	65,562	35,000	100,562
United Kingdom	499,136	214,413	713,549
United States	500,000	500,000	1,000,000
Total	**3,450,664**	**2,207,740**	**5,658,404**

(b) By contribution type:

(In '000 USD)	January 1, 2017	Increase (Decrease)	December 31, 2017
Cash	1,873,777	1,725,457	3,599,234
Promissory note	1,576,887	482,283	2,059,170
Total	**3,450,664**	**2,207,740**	**5,658,404**

(c) By instrument type:

(In '000 USD)	January 1, 2017	Increase (Decrease)	December 31, 2017
Capital	655,176	509,717	1,164,893
Grant	2,795,488	1,356,393	4,151,881
Loan	-	341,630	341,630
Total	**3,450,664**	**2,207,740**	**5,658,404**

NOTES TO THE FINANCIAL STATEMENTS

12. Investment & Other Income

Investment and Other income comprise these following.

(In '000 USD)	2017	2016
Investment income	35,539	13,157
Loan Interest	34	-
Other income	667	619
Total	**36,240**	**13,776**

Investment income represents the investment return on GCF Trust Fund balances that were invested in accordance with the investment strategy established for all trust funds administered by the World Bank.

Loan Interest represents interest received on a loan advanced to XacBank, an accredited entity.

Other income represents the fee received from accreditation process.

13. . Employee Benefits

(a) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an employer and employees pays fixed contributions and the employer will have no legal obligation to pay further amount. The Fund operates a defined contribution plan for employees. Employee benefits relating to employee service rendered will be based on the contributions and the investment earnings on the plan assets which will be managed separately from the Fund's assets. The Fund's contributions to the defined contribution plan are recognized as an expense in the year in which they are incurred. Employees' contribution to the retirement fund was USD 1,079 thousands and USD 513 during the year 2017 and 2016 respectively.

The expenses related to post-employment benefit under defined contribution plans for the year ended December 31, 2017 and December 31, 2016 are as follows:

(In '000 USD)	2017	2016
Expense related to post-employment benefit under defined contribution plan	2,158	1,025

NOTES TO THE FINANCIAL STATEMENTS

14. . Administrative Expenses

Details of administrative expenses for the secretariat office for the year ended December 31, 2017 and December 31, 2016 are as follows:

(In '000 USD)	2017	2016
Salaries and Benefits	22,496	10,637
Consultants Fees	5,091	5,641
Contractual Services	5,585	1,980
Supplies and Services	4,636	3,779
Travel	3,087	2,821
Depreciation	734	521
Total	**41,629**	**25,379**

15. . Programme

Programme expenditures for the years ended December 31, 2017 and December 31, 2016 are related to 'Funding Proposal Grants', 'Accredited Entity Fees', the 'Readiness & Preparatory Support Programme' and the Project Preparation Facility.

(In '000 USD)	2017	2016
Funding Proposal Grants	53,939	-
Accredited Entity Fees	7,661	-
Readiness & Preparatory Support Programme	10,136	5,102
National Adaptation Plans	1,270	-
Project Preparation Facility	1,148	500
Total	**74,154**	**5,602**

NOTES TO THE FINANCIAL STATEMENTS

a) Funding Proposal Grants

Details of Funding Proposal Grants channeled through the various accredited entities are as follows:

(In '000 USD)	2017	2016
Agency for Agricultural Development of Morocco (ADA)	10,162	-
Environmental Investment Fund (EIF)	3,512	-
Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE)	1,022	-
United Nations Development Programme (UNDP)	32,773	-
United Nations Environmental Programme (UNEP)	5,969	-
XacBank	500	-
Total	**53,939**	**-**

b) Accredited Entity Fees

Details of Accredited Entity Fees for the disbursements to the different Accredited Entities are as follows:

(In '000 USD)	2017	2016
Agency for Agricultural Development of Morocco (ADA)	915	-
Environmental Investment Fund (EIF)	351	-
Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE)	100	-
United Nations Development Programme (UNDP)	2,765	-
United Nations Environmental Programme (UNEP)	537	-
XacBank	88	-
European Bank for Reconstruction and Development (EBRD)	2,905	
Total	**7,661**	**-**

NOTES TO THE FINANCIAL STATEMENTS

c) Readiness & Preparatory Support Programme

Details of ‘Readiness & Preparatory Support Programme’ expenditures for the years ended December 31, 2017 and December 31, 2016 are as follows:

(In '000 USD)	2017	2016
Consultants Fees	735	849
Regional workshops & NDA visits	1,062	1,015
Grants	8,163	2,730
Professional Services	81	441
Travel	95	67
Total	**10,136**	**5,102**

The following countries received readiness grants for the years ended December 31, 2017 and December 31, 2016:

(In '000 USD)	2017	2016
Albania	148	-
Antigua and Barbuda	365	120
Bahamas	250	-
Bangladesh	69	150
Belize	123	-
Bolivia	-	60
Cameroon	250	-
Central African Republic	-	150
Chad	120	-
Chile	200	-
Cook Islands	274	135
Cote d'Ivoire	240	-
Democratic Republic of Congo	-	270
Djibouti	120	-
Dominica	232	-
Dominican Republic	75	-
Egypt	122	-
Ethiopia	-	120
Federal States of Micronesia	130	120
Gabon	-	120
Gambia	75	-
Georgia	82	-

NOTES TO THE FINANCIAL STATEMENTS

(In '000 USD)	2017	2016
Ghana	300	-
Guatemala	316	-
Guinea	-	300
Guyana	-	120
Haiti	215	-
Honduras	135	-
India	-	150
Jamaica	120	-
Jordan	150	-
Lao PDR	150	-
Liberia	-	150
Maldives	199	-
Mali	110	100
Mauritania	120	-
Mongolia	548	-
Montenegro	145	-
Morocco	330	-
Namibia	244	-
Oman	150	-
Pakistan	125	135
Republic of Moldova	83	-
Rwanda	130	-
Saint Vincent and the Grenadines	120	-
Senegal	260	-
Swaziland	-	150
Thailand	104	-
Timor-Leste	-	150
Togo	-	100
Tonga	330	-
Tunisia	250	-
Uruguay	185	-
Vanuatu	470	70
Zambia	-	60
	8,163	**2,730**

NOTES TO THE FINANCIAL STATEMENTS

d) National Adaptation Plans (NAP)

Details of National Adaptation Plans grants by country for the years ended December 31, 2017 and December 31, 2016 are as follows:

(In '000 USD)	2017	2016
Liberia	805	-
Nepal	465	-
Total	**1,270**	**-**

e) Project Preparatory Facility (PPF)

Details of Project Preparatory Facility grants by country or region for the years ended December 31, 2017 and December 31, 2016 are as follows:

(In '000 USD)	2017	2016
Rwanda	719	-
South Pacific SIDS* (Fiji, Papua New Guinea, Solomon Islands, Timor-Leste & Vanuatu)	429	-
Total	**1,148**	**-**

* The amounts were granted to the World Meteorological Organization (WMO) to support PPF activities in the five countries hence are not specifically identifiable per country

NOTES TO THE FINANCIAL STATEMENTS

16. . Contingent Liabilities

a) Readiness & Preparatory Support Programme

Contingent liabilities for Readiness & Preparatory Support Program grants as of December 31, 2017 and 2016 are analyzed below based on the funds available. The total of approved readiness grants was USD 83,298 thousand as at 31 December 2017. A cumulative total of USD 14,016 thousand was expensed as at 31 December 2017 leaving a balance of USD 69,282 thousand 31 December 2017. The corresponding figure at 31 December 2016 was USD 11,813 thousand. A total of USD 29,811 thousand for National Adaptation Plans and USD 3,533 thousand for Project Planning Facility were approved but not disbursed at 31 December 2017; (nil 31 December 2016). Thus the total contingent liability was USD 102,626 thousand at 31 December 2017; (USD 11,813 thousand at 31 December 2016).

(In '000 USD)	2017	2016
Signed but not disbursed	69,282	11,813
Total	**69,282**	**11,813**

b) National Adaptation Plans

(In '000 USD)	2017	2016
Signed/approved but not disbursed	29,811	-
Total	**29,811**	**-**

c) Project Preparation Facility

Contingent liabilities for the Project Preparation Facility grants as of December 31, 2017 and 2016 are analyzed below based on the Board approval less already disbursed.

(In '000 USD)	2017	2016
Funds approved but not disbursed	3,533	-
Total	**3,533**	**-**

NOTES TO THE FINANCIAL STATEMENTS

d) Project Funding Decisions

The total value of projects approved by the GCF Board is as below:

Board Meeting	*Amount (In '000 USD)*
11th Board Meeting held in November 2015 in Livingstone	167,825
13th Board Meeting held in July 2016 in Songdo	256,614
14th Board Meeting held in November 2016 in Songdo	746,830
15th Board Meeting held in December 2016 in Samoa	298,175
16th Board Meeting held in April 2017 in Songdo	779,836
18th Board Meeting held in October 2017 in Cairo	392,859
19th Board Meeting held in March 2017 in Songdo	1,094,668
Total	**3,736,807**

17. . Lease

Under the agreement between the Ministry of Strategy and Finance of the Republic of Korea, The Incheon Metropolitan City of the Republic of Korea and The Green Climate Fund signed on 8th October 2013, Incheon City provides to the Fund the use of premises free of payment of rental for the entire duration of the Fund's operation in Songdo.

18. . Related Parties

Related parties include the members of the Board, Board committees, senior management and close family members of the Board, Board committees and senior management. There was no loan to or from related parties outstanding as at 31 December 2017 and 2016. The Fund does not remunerate its Board members. All transactions with the Board are made at terms equivalent to an arm's length transaction within the operational framework of the Secretariat.

Remuneration of key management consists of basic salary, health insurance benefit, other benefits and contribution to post-employment pension plan. The remuneration of key management, comprising the Executive Director and members of senior management team, amounted to USD 4,171 thousand and USD 2,229 thousand for the years ended December 31, 2017 and 2016, respectively.