GREEN
CLIMATE
FUND

Meeting of the Board
5-6 July 2017
Songdo, Incheon, Republic of Korea
Provisional agenda item 23

GCF/B.17/07

21 June 2017

Audited financial statements of the Green Climate Fund for the year ended 31 December 2016

Summary

The audited financial statements of the Green Climate Fund for the year ended 31 December 2016 are submitted for Board approval.

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I. Introduction and background to the financial statements 2016

1. The Board, by decision B.08/18, approved the terms of reference of the External Auditor.

2. Under decision BM-2015/02, and in accordance with the approved terms of reference, the Board approved the appointment of Daemyung Grant Thornton as the External Auditors of the GCF for a three-year period beginning with the 2014 financial statements.

3. The external audit of the GCF 2016 financial statements was undertaken by Daemyung Grant Thornton during April and May 2017. The financial statements were prepared by the Secretariat in accordance with the International Financial Reporting Standards and audited in accordance with the International Standards on Auditing.

4. The financial statements were presented to the Budget Committee (BC) on 30 May 2017 and to the Ethics and Audit Committee (EAC) on 1 June 2017. The draft Independent Auditor's report is contained in the GCF report on audits of financial statements for the year ended 31 December 2016 (see annex II below), which states:

> "In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at December 31, 2016 and 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards."

II. Recommendation by the Ethics and Audit Committee

5. With the review and endorsement of the EAC and the BC, the EAC recommends that the Board approve the financial statements of the GCF for the year ended 31 December 2016.

Annex I: Draft decision of the Board

The Board, having considered document GCF/B.17/07 titled "Audited financial statements of the Green Climate Fund for the year ended 31 December 2016":

Approves the audited financial statements of the Green Climate Fund for the year ended 31 December 2016 as contained in annex II.

Annex II

Green Climate Fund Report on Audits of Financial Statements

for the years ended December 31, 2016 and 2015

Prepared under International Financial Reporting Standards

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INDEPENDENT AUDITOR'S REPORT

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To the Board of the Green Climate Fund

Report for the financial statements

We have audited the accompanying financial statements of the Green Climate Fund ("the Fund"), which comprise the statement of financial position as at December 31, 2016 and 2015, and the statement of comprehensive income, changes in funds and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Board's and Secretariat's responsibility for the financial statements

The Board and Secretariat are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards (IFRS). This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board and the Secretariat are further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of 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, 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 give a true and fair view of the financial position of the Fund as at December 31, 2016 and 2015, and its financial performance and cash flows for the years then ended in accordance with the International Financial Reporting Standards.

July xx, 2017

Seoul, Korea

This report is effective as of July xx, 2017, 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.

STATEMENT OF FINANCIAL POSITION

As of December 31, 2016 and 2015

(In '000 USD)	Note	2016	2015
Assets			
Cash and cash equivalents	5, 6	1,824,159	637,682
Contributions receivable	6,7	470,102	470,538
Prepayments	-	279	-
Total current assets		**2,294,540**	**1,108,220**
Contributions receivable	6,7	1,099,891	740,115
Investment in equity	6,8	5,494	-
Property and equipment, net	9	1,123	785
Total non-current assets		**1,106,508**	**740,900**
Total assets		**3,401,048**	**1,849,120**
Liabilities			
Accounts payable	6	1,986	1,651
Payable to employees	5,6	2,496	1,436
Other payables	-	141	-
Accrued expenses	-	2,736	1,087
Total current liabilities		**7,359**	**4,174**
Total liabilities		**7,359**	**4,174**
Funds			
Temporarily restricted funds	10	1,925,435	1,210,653
Unrestricted funds	10	1,468,254	634,293
Total Funds		**3,393,689**	**1,844,946**
Total liabilities and funds		**3,401,048**	**1,849,120**

See accompanying notes to the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31, 2016 and 2015

(In '000 USD)	Note	2016	2015
Income			
Income from contributors	11	1,565,948	1,754,840
Investment & other income	12	13,776	2,470
Total income		1,579,724	1,757,310
Expenditure			
Operating expenses for secretariat office	14	25,379	18,731
Programme	15	5,602	1,412
Total expenditure		30,981	20,143
Increase in fund for the year		1,548,743	1,737,167
Other Comprehensive Income (loss)		-	-
Total comprehensive income for the year		1,548,743	1,737,167

See accompanying notes to the financial statements

STATEMENT OF CHANGES IN FUNDS

For the years ended December 31, 2016 and 2015

(In '000 USD)

	Temporarily restricted funds	Unrestricted funds	Total
As at 1 January 2015	**681**	**107,098**	**107,779**
Fund released from restriction	(681)	681	-
Comprehensive income	1,210,653	526,514	1,737,167
As at 31 December 2015	**1,210,653**	**634,293**	**1,844,946**
As at 1 January 2016	**1,210,653**	**634,293**	**1,844,946**
Fund released from restriction	(274,216)	274,216	-
Comprehensive income	988,998	559,745	1,548,743
As at 31 December 2016	**1,925,435**	**1,468,254**	**3,393,689**

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS

For the years ended December 31, 2016 and 2015

(In '000 USD)	2016	2015
Cash flows from operating activities		
Cash receipts from contributors	1,199,201	541,870
Bank and trust fund income	13,157	578
Other income	619	1,424
Cash paid to suppliers & personnel	(24,317)	(15,944)
Cash paid for grants	(3,230)	(328)
Realised foreign currency gain	7,400	2,789
Net cash provided by (used in) operating activities	**1,192,830**	**530,389**
Cash flows from investing activities		
Acquisition of property and equipment	(859)	(809)
Acquisition of investment equity	(5,494)	-
Net cash provided by (used in) investing activities	**(6,353)**	**(809)**
Cash flows from financing activities		
Net increase in cash and cash equivalents	**1,186,477**	**529,580**
Cash and cash equivalents at beginning of the year	**637,682**	**108,102**
Cash and cash equivalents at end of year	**1,824,159**	**637,682**

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

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. It 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.

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 2016

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 2015.

During 2016 several new standards and amendments became applicable for the first time. However, these do not impact the financial statements of the Fund.

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 2016, 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:

Changes in IFRS to be applied in 2017 - IFRS 15 “Revenue from Contracts with Customers” (May 2014): Based on its current sources of income, the Fund expects a limited impact on its financial statements.

Changes in IFRS to be applied in the 2018 - IFRS 9 “Financial Instruments” (July 2014): The Fund expects a limited impact on the classification and measurement of its financial assets and liabilities. The application of the new impairment requirements might result in possible changes of current accounting and systems.

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.

RECEIVABLE

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 measured initially 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	3–5 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.

ACCOUNTING FOR CONTRIBUTIONS

Revenue recognition

NOTES TO THE FINANCIAL STATEMENTS

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.

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 control or joint

NOTES TO THE FINANCIAL STATEMENTS

control of those policies. If the Fund holds, directly or indirectly (eg 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 by evidencing in one or more of the following ways:

(a) The Fund is not represented on the board of directors or equivalent governing body of the investee;
(b) The Fund does not participate in policy-making processes, including participation in decisions about dividends or other distributions;
(c) The Fund does not have material transactions with its investee;
(d) The Fund does not have interchange of managerial personnel; or
(e) The Fund does not have provision of essential technical information.

<u>Investment in joint ventures</u>

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.

<u>Investment not subject to associtės or joint ventures</u>

Any investment in equity that is not subject to associates or joint ventures is accounted for as available-for-sale financial assets 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.

<u>Contingent Liability</u>

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 principal recipient. 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 principal recipient. At this point the Fund has a constructive obligation to the principal recipient 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 principal recipients based on the audits and investigations conducted. Grants recoverable are recognized at fair value upon notification to the Principal Recipient 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 fair value through profit or loss, (b) loans and receivables, (c) available-for-sale financial assets, and (d) held-to-maturity financial assets. 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 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. Derivatives not subject to hedge accounting and derivatives separated from financial instruments, such as embedded derivatives, are also categorized as held for trading. Assets in this category are classified as current assets.
(b) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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) Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless an investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

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

NOTES TO THE FINANCIAL STATEMENTS

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, available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. However, investments in equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such equity instruments, shall be measured at cost. Loans and receivables and held-to-maturity investments are subsequently carried at amortized cost using the effective interest method.

Changes in fair value of financial assets at fair value through profit or loss are recognized in profit or loss and changes in fair value of available-for-sale financial assets are recognized in other comprehensive income. When the available-forsale financial assets are sold or impaired, the fair value adjustments recorded in equity are reclassified into profit or loss.

Interest on available-for-sale financial assets and held-to-maturity financial assets calculated using the effective interest method is recognized in the statement of income as part of financial income. Dividends on available-for-sale financial assets are recognized in the statement of income as part of other non-operating 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 'trade payables', '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.

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

NOTES TO THE FINANCIAL STATEMENTS

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, 2016 and 2015 are summarized as follows:

(In '000 USD)	2016	2015
Balance held in the GCF Trust Fund (at the World Bank)	1,816,690	633,221
Balances held in Commercial Banks	7,467	4,460
Cash on Hand	2	1
Total	1,824,159	637,682

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").

Pending the selection of the service provider, employees' and employer's contributions towards the post-employment benefit plan is held under a separate bank account. These restricted cash of USD 2,496 thousands and USD 1,436 thousands in 2016 and 2015 respectively is included under Balances held in Commercial Banks. The corresponding liability is shown under Payable to employees in the Statement of Financial Position.

(b) Cash and cash equivalents denominated in foreign currencies as of December 31, 2016 and 2015 are as follows:

	2016			2015		
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	679,956	0.0009	582	130,365	0.0009	113
EUR	-	-	-	1,200	1.10	1,367
			582			1,480

NOTES TO THE FINANCIAL STATEMENTS

6. Financial Instruments by Categories

(a) Categories of financial assets as of December 31, 2016 and 2015 are summarized as follows:

(In '000 USD)	2016			2015	
	Loans and receivables	Available-for-sale financial assets	Total	Loans and receivables	Total
Cash and cash equivalents	1,824,159	-	1,824,159	637,682	637,682
Contributions receivable	1,569,993	-	1,569,993	1,210,653	1,210,653
Investments in security	-	5,494	5,494	-	-
Total	**3,394,152**	**5,494**	**3,399,646**	**1,848,335**	**1,210,653**

(b) Categories of financial liabilities as of December 31, 2016 and 2015 are summarized as follows:

(In '000 USD)	2016	2015
	Financial liabilities measured at amortized cost	Financial liabilities measured at amortized cost
Accounts payable	1,986	1,651
Payable to employees	2,496	1,436
Other payables	141	-
Total	**4,623**	**3,087**

As stated in note 5 to the financial statements, Cash and cash equivalents and Payable to employees include the fund withheld for post-employment benefit plan of $ 2,496 and $ 1,436 thousands in 2016 and 2015 respectively.

(c) Detail of net gains (or losses) on each category of financial instruments by category for the years ended December 31, 2016 and 2015 are summarized as follows:

(In '000 USD)	2016			2015	
	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Loans and receivables	Financial liabilities measured at amortized cost
Bank and trust fund income	13,157	-	-	1,046	-
Foreign exchange gain (loss)	(103,404)	-	-	(2,786)	-
Present value amortization on promissory note	(737)	-	-	468	-
Total	**(90,984)**	**-**	**-**	**(1,272)**	**-**

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 are impaired. If any such evidence exists, the Fund determines the amount of any impairment loss. Promissory notes are denominated in Euro, Japanese Yen, Swedish Krona and Pound Sterling and were revalued to USD at the end of reporting period at the prevailing exchange rates.

As at December 31, 2016, encashment schedule and details of present value on promissory notes are as follows:

Encashment	Amount (In '000 USD)
In 2017	470,102
In 2018	514,267
In 2019	350,625
In 2020	116,043
In 2021	44,158
In 2022	41,950
In 2023	39,742
Nominal value of promissory notes	1,576,887
Unamortized present value discount	(6,894)
Present value of promissory notes	1,569,993

NOTES TO THE FINANCIAL STATEMENTS

Contributions receivable denominated in foreign currencies as of December 31, 2016 and 2015 are as follows:

	2016			2015		
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	286,120	0.9470	302,128	169,380	0.9181	184,480
JPY	48,673,011	116.9400	416,222	28,187,200	120.3848	234,142
GBP	397,124	0.8128	488,582	239,339	0.6748	354,676
SEK	3,288,769	9.0585	363,061	3,686,848	8.4299	437,354
Total			**1,569,993**			**1,210,652**

8. Investments in equity

During the period ended December 31, 2016, The Fund acquired an equity investment of USD 5,494 thousands in KawiSafi Ventures Limited ("KawiSafi") made in accordance with GCF Board approved project under Board decision B.11/11. Details of equity investment as of December 31, 2016 are as follows:

(a) Name of invested entity: KawiSafi Ventures Limited
(b) Acquistion cost: USD 5,494 thousands
(c) Carrying amount at the end of reporting period: USD 5,494 thousands
(d) Number of shares owned: 5,493.91
(e) % of ownership: 47.45%

The investment 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 decision. Under "*IFRS 9 Financial Instruments",* the investement equity in KawiSafi is classified as available-for-sale financial assets and measured at historical cost as the investment equity does not have a quoted price in an active market and its fair value cannot be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS

9. Property and Equipment

(a) Details of property and equipment as of December 31, 2016 and 2015 are as follows:

(i) 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**
(ii) December 31, 2015			
(In '000 USD)	Acquisition cost	Accumulated depreciation	Carrying amount
Computer/IT equipment	1,372	(587)	785
Total	**1,372**	**(587)**	**785**

(b) Changes in property and equipment for the year ended December 31, 2016 and 2015 are summarized as follows:

(In '000 USD)

	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**
	January 1, 2015	Acquisition	Disposals	Depreciation	December 31, 2015
Computer/IT equipment	433	809	-	(457)	785
Total	**433**	**809**	**-**	**(457)**	**785**

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 temporary restricted funds by type of restriction for the year ended December 31, 2016 are as follows:

(In '000 USD)

	January 1, 2016	Released	Received with restriction	December 31, 2016
Time restriction	917,684	(274,216)	722,252	1,365,720
Contributor-imposed restriction	292,969	-	266,746	559,715
Total	**1,210,653**	**(274,216)**	**988,998**	**1,925,435**

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

Contributor-imposed restriction represents the funds where the use of the funds is limited by contributor-imposed purpose. This type of fund will be reclassified into unrestricted funds when the contributor-imposed purpose is met or the fund is released from such restriction.

NOTES TO THE FINANCIAL STATEMENTS

11. Income from Contributors

As stated in Note 5, contributions are received through GCF Trust Fund account at World Bank administed by the trustee. The carrying value of GCF Trust Fund has changed from the contributions, investment returns on GCF Trust Fund balances, foreign currency transaction or translation and present value amortization on promissory note. Those changes comprise the comprehensive incomes of the Fund.

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

(In '000 USD)	Nominal value	Unamortized present value discount on promissory note	Total
Contribution revenues	1,674,174	(4,087)	1,670,088
Foreign exchange gain/(loss)	(103,859)	456	(103,403)
Present value amortization on promissory note	-	(737)	(737)
Total	**1,570,315**	**(4,367)**	**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 currency other than USD. On the reporting date 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 trust fund account for the year ended December 31, 2016 are presented as follow:

(a) By contributor:

(In '000 USD)	January 1, 2016	Increase (Decrease)	December 31, 2016
Australia	54,518	44,860	99,378
Austria	6,565	12,997	19,562
Belgium	48,882	33,678	82,560
Bulgaria	109	-	109
Canada	-	128,230	128,230
Canada	-	-	-
Chile	300	-	300
Columbia	-	287	287
Cyprus	-	-	-
Czech Republic	2,789	2,068	4,857
Denmark	32,242	7,039	39,281
Estonia	898	225	1,123
Finland	38,256	-	38,256
France	115,720	68,336	184,057
Germany	228,899	194,823	423,721
Hungary	-	3,511	3,511
Iceland	150	350	500
Indonesia	244	-	244
Ireland	-	2,076	2,076
Italy	55,871	-	55,871

NOTES TO THE FINANCIAL STATEMENTS

Japan	321,367	336,987	658,354
Korea	3,158	-	3,158
Korea	21,500	11,000	32,500
Latvia	417	-	417
Liechtenstein	-	50	50
Lithuania	-	113	113
Luxembourg	5,390	5,548	10,937
Luxemburg	-	5,549	5,549
Malta	55	110	165
Mexico	10,000	-	10,000
Monaco	280	270	550
Netherlands	8,459	13,030	21,490
New Zealand	2,198	-	2,198
Norway	49,996	48,400	98,396
Panama	500	-	500
Poland	103	-	103
Portugal	2,168	-	2,168
Romania	-	50	50
Spain	-	2,207	2,207
Sweden	478,196	(25,059)	453,138
Switzerland	30,562	35,000	65,562
United Kingdom	360,557	138,580	499,137
United States	-	500,000	500,000
Total	**1,880,349**	**1,570,315**	**3,450,664**

(b) By instrument type:

(In '000 USD)	January 1, 2016	Increase (Decrease)	December 31, 2016
Cash	667,156	1,206,621	1,873,777
Promissory note	1,213,193	363,694	1,576,887
Total	**1,880,349**	**1,570,315**	**3,450,664**

(c) By contribution type:

(In '000 USD)	January 1, 2016	Increase (Decrease)	December 31, 2016
Capial	284,525	370,651	655,176
Grant	1,595,824	1,199,664	2,795,488
Total	**1,880,349**	**1,570,315**	**3,450,664**

NOTES TO THE FINANCIAL STATEMENTS

12. Investment & Other Income

Investment and Other income comprise these following.

(In '000 USD)	2016	2015
Investment income	13,157	1,046
Other income	619	1,336
Total	**13,776**	**2,470**

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.

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 513 thousands and USD 377 during the year 2016 and 2015 respectively.

The expenses related to post-employment benefit under defined contribution plans for the year ended December 31, 2016 and December 31, 2015 are as follows:

(In '000 USD)	2016	2015
Expense related to post-employment benefit under defined contribution plan	1,025	753

NOTES TO THE FINANCIAL STATEMENTS

14. Administrative Expenses

Details of administrative expenses for the secretariat office for the year ended December 31, 2016 and December 31, 2015 are as follows:

(In '000 USD)	2016	2015
Salaries and Benefits	10,637	7,769
Consultants Fees	5,641	4,359
Contractual Services	1,980	1,874
Supplies and Services	3,779	2,507
Travel	2,821	1,765
Depreciation	521	457
Total	**25,379**	**18,731**

15. Programme

Programme expenditures for the year ended December 31, 2016 and December 31, 2015 are related to the 'Readiness & Preparatory Support Programme' and the Project Preparation Facility.

(In '000 USD)	2016	2015
Readiness & Preparatory Support Programme'	5,102	1,412
Project Preparation Facility	500	0
Total	**5,602**	**1,412**

NOTES TO THE FINANCIAL STATEMENTS

a) Readiness & Preparatory Support Programme

Details of 'Readiness & Preparatory Support Programme' expenditures for the year ended December 31, 2016 and December 31, 2015 are as follows:

(In '000 USD)	2016	2015
Consultants Fees	849	569
Regional workshops & NDA visits	1,015	640
Grants	2,730	161
Professional Services	441	-
Travel	67	42
Total	**5,102**	**1,412**

b) Project PreparationFacility

Details of Project PreparationFacility expenditures for the year ended December 31, 2016 and December 31, 2015 are as follows:

(In '000 USD)	2016	2015
Grants	500	0
Total	**500**	**0**

16. Contingent Liabilities

a) Readiness & Preparatory Support Programme

Contingent liabilities for Readiness & Preparatory Support Program grants as of December 31, 2016 and 2015 are analyzed below based on the funds available. The Board approved total funding availability of USD 80 million at 31 December 2016. A cumulative total of USD 6,912 thousand was expensed as at 31 December 2016 leaving a balance of USD 73,088 thousand 31 December 2016. The corresponding figure at 31 Decemebr 2015 was USD 28,190 thousand.

NOTES TO THE FINANCIAL STATEMENTS

(In '000 USD)	2016	2015
Funds available but not disbursed or signed	61,275	26,551
Signed but not disbursed	11,813	1,639
Total	**73,088**	**28,190**

b) Project Preparation Facility

Contingent liabilities for the Project Preparation Facility grants as of December 31, 2016 and 2015 are analyzed below based on the Board approval less already disbursed.

(In '000 USD)	2016	2015
Funds available but not disbursed or signed	40,000	0
Total	**40,000**	**0**

In addition the Board approved a project preparation grant of USD 1,500 thousand for a project submitted by the Ministry of Natural Resources in Rwanda. Of this amount USD 500 thousand has been disbursed leaving a contingent liability of USd 1,000 thousand.

c) Project Funding Decisions

The Board at its 11th meeting in Livingstone in November 2015 approved amounts of US$ 167.83 million in projects & programme funding.

The Board at its 13th meeting in Songdo in July 2016 approved amounts of US$ 257.11 million in projects & programme funding.

The Board at its 14th meeting in Songdo in November 2016 approved amounts of US$ 746.45 million in projects & programme funding.

The Board at its 15th meeting in Samoa in December 2016 approved amounts of US$ 315.24 million in projects & programme funding.

The Board at its 16th meeting in Songdo in April 2017 approved amounts of US$ 755.1 million in projects & programme funding.

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

NOTES TO THE FINANCIAL STATEMENTS

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 2016 and 2015. The Fund does not remunerate its Board members.

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 2,229 thousand and USD2,248 thousand for the years ended December 31, 2016 and 2015, respectively.