Global Environment Facility Trust
Annual financial statements
for the year ended 30 June 2018

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The DBSA was accredited as a National Project Agency (NPA) for the Global Environment Facility (GEF) in 2014. Following the accreditation, DBSA signed a Memorandum of Understanding with the GEF Secretariat. The MOU commits the DBSA as an agency to follow all GEF Policies and establish the conditions in which the DBSA can seek resources from the GEF Council for the preparation and implementation of projects. The Global Environment Facility is a partnership for international cooperation where 183 countries work together with international institutions, civil society organisations and the private sector, to address global environmental issues.
Registered office	Headway Hill 1258 Lever Road Midrand South Africa 1685
Business address	Headway Hill 1258 Lever Road Midrand South Africa 1685
Postal address	PO Box 1234 Halfway House Midrand South Africa 1685
Bankers	Standard Bank of S.A
Auditor	LUNIKA Registered Auditor

Contents

Managements' responsibilities and approval

The Facility is managed by the Development Bank of Southern Africa (DBSA) in terms of the Financial Procedures Agreement (FPA) between DBSA and Global Environment Facility (GEF).

The Facility management is required to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly presents the state of affairs of the facility as at the end of the financial year end and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

Management acknowledge that they are ultimately responsible for the system of internal financial control established by the Facility and places considerable importance on maintaining a strong control environment. To enable the facility management to meet these responsibilties, the facility management sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the facility and all employees are required to maintain the highest ethical standards in ensuring the Facility's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the facility is on identifying, assessing, managing and monitoring all known forms of risk across the Facility. While operating risk cannot be fully eliminated, the Facility endeavours to minimise it by ensuring that appropriate infrastructure, controls, system and ethical behaviours are applied and managed within predetermined procedures and constraints.

The facility management are of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The external auditor is responsible for independently auditing and reporting on the facility's annual financial statements. The annual financial statements have been examined by the facility's external auditor and their report is presented on pages 5 to 6.

The Annual Financial Statements set out on pages 7 to 17, which have been prepared on the going concern basis, were approved by the facility manager on 11 June 2021 and were signed on its behalf by:

Catherine Koffman
GE: Project Preparation

DBSA's Report

The Management has a pleasure in submitting its report on the Annual Financial Statements of Global Environment Facility Trust for the year ended 30 June 2018.

1. Review of financial results and activities

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards.

Full details of the financial position, results of operations and cash flows of the Facility are set out in these Annual Financial Statements.

2. Events after the reporting period

The Facility Management is not aware of any other matter or circumstances arising since the reporting date.

3. Going concern

The Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

4. Management of the Facility

The Memorandum of Agreement(MOA) is between Development Bank of Southern Africa (DBSA) and Global Environment Facility (GEF). During the year under review, the business of the Facility was managed by the Development Bank of Southern Africa (DBSA) as the GEF Accredited Entity (AE).

5. Auditors

LUNIKA was appointed as the auditor of the Facility for the financial year ended 30 June 2018.

LUNIKA

Independent Auditor's Report to the Development Bank of Southern Africa on the Global Environment Facility Trust

Opinion

I have audited the annual financial statements of Global Environment Facility Trust set out on pages 7 to 16, which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In my opinion, the annual financial statements present fairly, in all material respects, the financial position of Global Environment Facility Trust as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the annual financial statements section of my report. I am independent of the company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of annual financial statements in South Africa. I have fulfilled my other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

The director is responsible for the other information. The other information comprises the DBSA's Report as required by the Companies Act 71 of 2008 of South Africa, which we obtained prior to the date of this report. Other information does not include the annual financial statements and my auditor's report thereon.

My opinion on the annual financial statements does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit of the annual financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the director for the Annual Financial Statements

The director is responsible for the preparation and fair presentation of the annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008, and for such internal control as the director determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the director is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the Annual Financial Statements

My objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with International Standards on Auditing, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Lunika Chartered Accountants and Auditors
Partner Samkelo Mxunyelwa
Chartered Accountant (SA)
Registered Auditor

15 June 2021

1st Floor Muirfield Building,
Fourways Golf Park
Johannesburg

LUNIKA

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017
Assets			
Current Assets			
Cash and cash equivalents	3	75,453,193	6,192,917
Equity and Liabilities			
Equity			
Liabilities			
Current Liabilities			
Deferred income	4	75,453,193	6,192,917

Statement of comprehensive income for the year ended 30 June 2018

Figures in Rand	Note(s)	2018	2017
Revenue			
Unwinding of funds received	4	2,363,716	1,471,960
Disbursement expenses			
Grants disbursed	5	(2,360,383)	(1,206,676)
Consulting fees		-	(261,630)
Bank charges		(3,333)	(3,654)
Deficit/surplus for the year		-	-
			-

Statement of Cash Flows as at 30 June 2018

Figures in Rand	Note(s)	2018	2017
Cash flows from operating activities			
Cash generated from operations	7	69,260,276	5,172,938
Total cash movement for the year		**69,260,276**	**5,172,938**
Cash at the beginning of the year		6,192,917	1,019,979
Total cash at end of the year	3	**75,453,193**	**6,192,917**

Accounting policies

1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of preparation

The preparation of Annual Financial Statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments consist of cash and cash equivalents.

The annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the Facility's functional currency.

The Facility presents its statement of financial position in order of liquidity as it provides information that is more reliable and relevant to the users of the financial statements.

Financial assets and financial liabilities are generally reported at their net carrying amount in the statement of financial position. They are only offset when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- The normal course of business
- The event of default or
- The event of insolvency or Bankruptcy of the Facility and/or its counterparties Income and expenses are presented on a net basis only when permitted under IFRS.

Accounting policies

Financial instruments

Initial recognition

A financial asset or financial liability is initially measured at fair value plus/minus transaction costs that are directly attributable to its acquisition or issue. The Facility classifies financial assets and financial liabilities into the following categories:

Classification and measurement of financial assets and liabilities

Financial assets at amortised cost

These financial assets are subsequently measured at amortised cost using the effective interest rate method.

IFRS 9 classification is generally based on the business model in which a financial asset is managed and the contractual cash flows characteristics of a financial instrument.

Business model

The Facility's business model for the classification of financial assets is detailed in the table below

Portfolio – Group of assets	Business model	Characteristics of cash flows	Classification and measurement under IFRS 9
Cash and cash equivalents	To hold and collect contractual cash flows	Cashflows that are solely payments of principal and interest	Amortised cost
Trade and other receivables	To hold and collect contractual cash flows	Cashflows that are solely payments of principal and interest	Amortised cost

Cash and cash equivalents

Cash and cash equivalents include current accounts and call accounts.

Cash and cash equivalents are measured at amortised cost in the statement of financial position

Trade and other receivables

Trade receivables are measured at amortised as they meet the objective of collecting cash flows over their life.

Trade receivables are carried at amortised cost less a loss allowance. They generally do not contain a significant financing component. The provision for expected credit losses is determined by applying a simplified approach equaling the lifetime expected credit losses.

Financial liabilities

Debt that is issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Facility or a contract that will or may be settled in the Facility's own equity instruments and is a non-derivative contract for which the Facility is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Facility's own equity instruments.

Classification and measurement

The Facility accounts for its financial liabilities as:

- Held at amortised cost.

Financial instruments (continued)

The Facility initially recognises financial liabilities on the date at which they are originated. The origination date for regular way purchases are recognised on the trade date at which the Facility commits to the purchase. All financial liabilities are initially recognised on the trade date on which the Facility becomes a party to the contractual provisions of the instrument. A financial liability is measured initially at fair value less transaction costs that are directly attributable to its issue.

Financial liabilities held at amortised cost

Financial liabilities at amortised cost includes trade and other payables. These financial liabilities are initially recognised at fair value and subsequently at amortised cost.

The amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation, using the effective interest method, of any difference between the initial amount recognised and the maturity amount.

The classification of financial liabilities is detailed below:

Portfolio – Group of liabilities	Objective of portfolio	Classification and measurement under IFRS 9
Trade and other payables	Creditors and normal accruals for day to day operational expenses	Amortised cost

Trade and other payables

Trade and other payables include creditors and accrual for day to day operating expenses.

Trade and other payables are initially measured at fair value. Subsequently, they are measured at amortised cost using the effective interest rate method.

Significant accounting judgements, estimates and assumptions

The preparation of the Annual Financial Statements in accordance with IFRS requires the use of certain critical accounting estimates and assumptions. The key estimates for the Facility are applied to the provisions.

Provisions and Accruals

A provision is a liability of uncertain amount or timing and management applies judgement in determining the provision amounts. Provisions are reviewed on annual basis at the end of each reporting cycle and adjusted to reflect current best estimates based on available objective information.

Modification of financial assets

Derecognition

The Facility derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Facility is recognised as a separate asset or liability.

The Facility derecognises a financial assets when its contractual obligations are discharged, cancelled or expire. The Facility enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position.

In transactions in which the Facility neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Facility continues to recognise the asset to the extent of its continued involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Accounting policies

Financial instruments (continued)

Write offs

The financial assets are written off when the Facility believes that there is no reasonable expectation of recovery.

Funds received

The funds received are recognised as deferred income when they are receivable and are then recognised as income on a systematic basis over the periods necessary to match the grants with the related costs which they are intended to compensate.

Funds received from Donors are deferred when the commitment is not expected to occur in the current financial period and recognised on a systematic basis as when the commitments occur.

Interest income

Interest income from the call account and current account are recognised as part of deferred income and will be refunded to GEF as requested, this is as per the FPA between DBSA and the GEF Trustee.

Related parties

The Global Environment Facility and Development Bank of Southern Africa as a Facility Manager are considered the only related parties. All transactions between related parties are at arm's length. The details of the related parties balances and transactions are set out in Note **08** of the Annual Financial Statements.

Functional and presentation currency

The annual financial statements are presented in South African Rand, which is the functional currency of the Facility.

For translation into the functional currency assets and liabilities are translated at the exchange rate at the end of the period, and income and expenses are translated at the average exchange rate.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

2. New Standards and Interpretations

The following standards were also issued and have been assessed by the Facility. The standards have no impact on the Facility's financial statements:

- IFRS 1: First-time Adoption of International Financial Reporting Standards
- IFRS 4: Insurance contracts
- IFRS 13: Business combinations
- IFRS 17: Insurance contracts
- IFRS 41: Agriculture

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Current account	27,784	3,152,905
Call account	75,425,409	3,040,012
	75,453,193	**6,192,917**

4. Deferred income

Opening balance	6,192,917	1,019,979
Add: Funds received	69,581,574	6,490,659
Less: Grant disbursement	(2,360,383)	(1,468,306)
Less: Bank charges	(3,332)	(3,654)
Add: Deferred Income - Interest - Unlocking biodiversity	2,042,418	154,239
Closing balance	**75,453,194**	**6,192,917**

Deferred income relates to funds received from Global Environment Facility and City of Joburg which will be utilised for grants disbursements in the future period.

Funds received for the projects from the Global Environment Facility and City of Joburg are governed by the MOAs received yearly, in arrears or in advance. The funds received are recognised as deferred income when they are received and are then recognised as income on a systematic basis over the periods necessary to match the grants with the related costs which they are intended to compensate.

Funds received are deposited directly into the Global Environment Facility bank account and are allocated to deferred income in the statement of financial position.

The interest earned on the bank balances and loans is not utilised for operational costs, but it is deferred as investment income and refunded to the Global Environment Facility

5. Grants

SANBI	(2,360,383)	(1,206,676)

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

6. Taxation

The Global Environment Facility is exempt from income tax in terms of section 10(1)(yA) of the Income Tax Act (No. 58 of 1962).

7. Cash generated from operations

	2018	2017
Surplus or deficit for the year	-	-
Changes in working capital:		
Deferred income	69,260,276	5,172,938

8. Related parties

Relationships
The following are identified as related parties of the Fund:

Principal - Global Environment Facility Trust
Implementing Agent - Development Bank of Southern Africa

Related party balances

	2018	2017
Deferred Income (Refer to note 4)		
Global Environment Facility Trust	75,453,194	6,192,917

Related party transactions

	2018	2017
Funds Received/Receivable		
Global Environment Facility Trust	69,581,574	6,490,659

9. Risk management

Various financial assets and liabilities for example trade payables, other payables and provisions arise directly from the Facility's operations. Changing market conditions expose the Facility to various financial risks and have highlighted the importance of financial risk management as an element of control for the Facility. Principal financial risks faced in the normal course of the Facility's business are interest rate risk, credit risk and liquidity. These risks are managed within the DBSA policy subject to the limitations of the local markets in which the Facility operates and the South African Reserve Bank.

The Facility's policies, risk limits and control procedures are continuously monitored by management, the objective being to minimise exposure to Interest rate risk, credit risk and liquidity risk.

9. Risk management (continued)

Credit risk

Credit risk is the risk of financial loss of the Facility if a counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The Facility only deposits cash with major banks with high quality credit standing and limits exposure to any one counter- party. Financial assets exposed to credit risk at year end were as follow:

9. Risk management (continued)

		2018			2017		
		Gross carrying amount	**Credit loss allowance**	**Amortised cost / fair value**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost / fair value**
Cash and cash equivalents	3	75,453,193	-	75,453,193	6,192,917	-	6,192,917

Liquidity risk

The Facility's risk to liquidity is a result of the funds available to cover future commitments. The Facility manages liquidity risk through an ongoing review of future commitments.

Liquidity risk is the risk that the Facility is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn, the consequences of which may be the failure to meet obligations to repay depositors and to fulfill commitments to lend. Liquidity risk more generally, is the risk that the Facility will be unable to continue operating as a going concern due to lack of funding.

The Facility is exposed to liquidity risk as a result of uncertain investment income receivable related cash flows. In terms of its long term liquidity risk, a reasonable balance is maintained between the period over which assets generate funds and the period over which respective assets are funded.

The Facility has enough cash flows to be able to service its debts as and when they fall due, which is normally within a 30 day period.

Interest rate risk

Interest rate risk is the risk that the Facility's financial position may be adversely affected by changes in interest rate levels.

The Facility is exposed to interest rate risk as changes in interest rate will affect the investment income related cash flows and the debt service costs on loan advanced.

As most liabilities have a very short duration, they are largely unaffected by movements in interest rates. The Facility manages and mitigates its exposure to interest rates through active portfolio management.

Failure will harm the image of both the Facility and the DBSA. As a countermeasure, the risk management function of DBSA also oversees the Facility's operations, to ensure that the Facility adheres to best practice and the principles of good governance in all respects.

During the year under review, the risk exposures of the Facility and mitigation controls have been identified and assessed, and there is no evidence of any significant breakdown in the systems of internal control and management of the Facility risk exposures.

10. Events after the reporting period

The Facility Management is not aware of any other matter or circumstances occurred after the reporting date.