Sri Lanka Climate Fund (Pvt) Limited

ANNUAL REPORT

2020

Contents

01. Board of Directors

Chairman's Review

With much pleasure do I issue this message for the Annual Report of 2020 prepared in relation to the S ri Lanka Climate Fund (Pvt.) Limited, which is affiliated to the Ministry of Environment. Many activities have been implemented in year 2020 by this institution to protect and conserve the environment for the sustainable development of Sri Lanka. Among them, Verification of Green House Gas Emissions, increasing the number of projects on Renewable Energy which can be carried out under Sri Lanka Carbon Crediting Scheme, also, implementation of Workshops for Environmental Training take a prominent place.

Dr. Anil Jasinghe – Chairman

(Secretary to the Ministry of Environment

Sri Lanka Climate Fund (Private) Limited, together with government and non-governmental organizations and the Ministry of Environment is performing a unique role to create a sustainable development in Sri Lanka.

Dr. B. M. S. Batagoda

- Director (Field Expert)

Mr. Siripala Amarasinghe

- Director (Chairman, Central Environmental Authority)

Mrs. V. Iresha Dilhani - Director

(Director, Management Audit Division, Ministry of Finance)

Staff

Sri Lanka Climate Fund (Private) Limited consists of Chairman, Chief Executive Officer, Technical and Non-Technical Officers. The technical team has successfully met the competency requirements (ISO 14066) given by the Sri Lanka Accreditation Board (SLAB).

02. Introduction

Sri Lanka Climate Fund (Private) Limited is a company registered under Company No. PV 63781 on April 9th 2008, in accordance with the Companies Act No. 07 of 2007. Later this was published by the Extraordinary Gazette on September 25th, 2020 under the purview of the Ministry of Environment. In the beginning, it was known as Sri Lanka Carbon Fund (Private) Limited and with the aim of expanding the scope and contribution to environmental projects, the company name was changed to Sri Lanka Climate Fund (Pvt.) Limited from 29th January 2016.

Many sustainable environmental projects for the public and private sectors are implemented locally and internationally by the Sri Lanka Climate Fund. The main objective of the company is to contribute to building a low carbon economy through the verification of carbon emissions. Furthermore, guidance is also provided to optimize the performance of carbon emissions in the public and private sectors.

2.1. Vision

"A carbon neutral and climate resilient blue green economy"

2.2. Mission

"To support the nation of Sri Lanka to achieve low carbon and climate resilient blue green development"

2.3. Institutional Objectives

I. Implementation of measures including the Clean Development Mechanism (CDM) which is included in the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol.

II. Providing consultancy services to private, government and non-governmental organizations for the development of projects related to Clean Development Mechanisms, providing facilities to private and public institutions for validation and verification of projects related to Clean Development Mechanisms and providing financial resources for projects that reduce greenhouse gas emissions.

III. Certified Emission Reduction (CER) under the Clean Development Mechanism and Verified Emission Reduction under a Voluntary Mechanism and Carbon Trading.

IV. Development and implementation of environmental product marketing programs including Environmental Assessment.

V. Taking measures to implement institutional projects and for standardization and verification of production-level greenhouse gas emissions.

VI. Providing laboratory services to improve environmental quality.

VII. Development and implementation of environmental product marketing programs including Eco-tourism.

VIII. Bio-prospecting program development and implementation.

IX. Implementation of Sanitary Waste Disposal development programs

X. Development and maintenance of commercially viable medical and hazardous waste incinerations

XI. Provide any support services required by project developers.

XII. Providing financial support under fair conditions to developers of environmental products and services.

XIII. Charge a user fee for environmental services and environmental pollution and provide environmental services to selected industrial and business groups through financial benefits received thus.

XIV. Supporting private companies and agencies to develop Green Reporting standards

XV. Investing funds in Sustainable Development Activities.

XVI. To carry out any kind of environmental activities related to the environment.

XVII. Implementation of any activities related to the transformation of Sri Lanka into a Green Economy

2.4. Contribution of Sri Lanka Climate Fund

The objective of the Sri Lanka Climate Fund (Private) Limited is to provide facilities to build up a low carbon business economy. Through its efforts guidance is provided to improve the capacity for effective, low-carbon solutions, exploring innovative strategies, and guiding for the optimization of carbon emissions within the existing facilities. Accordingly, by reducing the Environmental Footprint of industries, it provides facilities to improve sustainable business practices of those institutions and to improve the environmental quality of businesses.

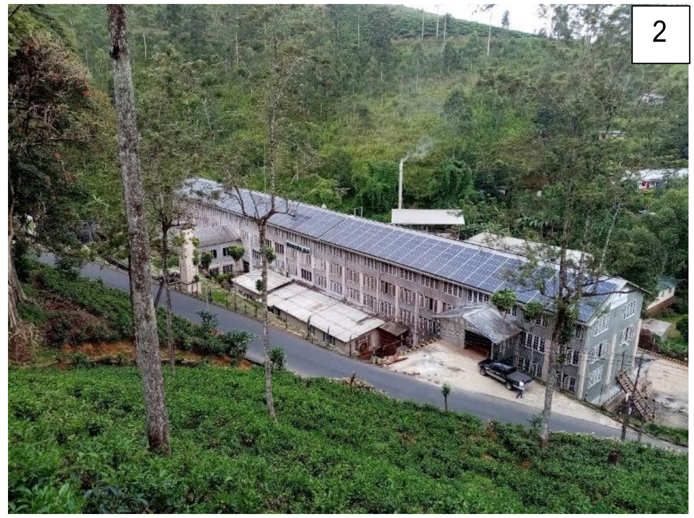
Sri Lanka Climate Fund (Private) has made it easier for local businesses to access the international market by providing quality verification services. Sri Lanka's contribution to Global Climate Action has also provided an opportunity to demonstrate its transparency and responsibility.

The Sri Lanka Carbon Credit Scheme facilitates carbon trading, enables businesses to invest in carbon removal projects and creates a platform to offset those emissions. This not only promotes environmental responsibility but also contributes to a sustainable future.

The Sri Lanka Climate Fund also serves as a guide for national climate resilience. The range of services provided by the company is vast, from mitigation to adaptation to climate change across industries and communities as a whole. It is the main responsibility of the company to support those organizations, businesses and projects in fulfilling the expectations of the customers for environmental excellence. It also plays a unique role in supporting the programs carried out by the Government of Sri Lanka and the private sector against climate challenges.

The first, second and third frames below show some of the audited cases of institutions that produced electricity from hydro-electric and solar cells operated by the company under the Sri Lanka Carbon Crediting Scheme and the fourth frame shows a lecture on climate change.


1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03. Corporate Journey

Services

- Greenhouse Gas Verification (ISO 14064 , ISO 14067)
- Sri Lanka Carbon Crediting Scheme
- Clean Development Mechanism
- Net Zero Energy Certification
- Climate Positive Certification
- Consultancy Services
- Projects and Financial Management Projects

2008
Establishment of Sri Lanka Carbon Fund under the Ministry of Environment

2010
Commencement of Clean Development Mechanism projects

2013
Commencement of projects under Sri Lanka Carbon Crediting Scheme

2013
Introducing Voluntary Greenhouse Gas Reporting standards and requirements for climate industries and businesses

2016
Changing corporate name as Sri Lanka Climate Fund

2016
Restructuring of the working mechanism of Sri Lanka Carbon Standard

2016
Obtaining Accreditation Certificate of ISO 14065 from Sri Lanka Accreditation Board

2018
Act as the focal point for national greenhouse gas calculations and documentation for the Third National Communication on Climate Change

2020
Introducing Net Zero Energy Certification and Carbon Positive System

04.Services

Verification and validation of projects to build a sustainable environment as well as implementation of consultancy services are also carried out. Accordingly, as the main services provided by the company,

1. Greenhouse Gas Verification (ISO 14064 , ISO 14067)
2. Sri Lanka Carbon Crediting Scheme (SLCCS)
3. Clean Development Mechanism (CDM)
4. Net Zero Energy Certification
5. Climate Positive Certification
6. Consultancy Services
7. Projects and Financial Management Projects, can be introduced

4.1 Greenhouse Gas Verification

Sri Lanka Climate Fund awards ISO 14064–1:2018 and ISO 14067 :2018 certificates of compliance locally as well as internationally to government and private sector organizations. The certificates are awarded after verifying the greenhouse gas emissions calculated by those institutions. Sri Lanka Accreditation Board has authorized the company for the aforementioned verification process. Greenhouse gas emissions are calculated annually and a third-party verification gives value to that corporate information. Thus, for the year 2020, the greenhouse gas verification sector had been given a target of 24 projects, but the global epidemic situation that occurred in that year became a hindrance to reach those targets. However, the necessary measures were taken to carry out the verification affairs through the online system and its progress has been achieved in the year 2021.

4.1.1Annual Progress in Greenhouse Gas Verification Sector -2020

Accession No	**Name of the client**	**Progress**
Verification of Greenhouse Gas Emissions - Institutional Level		
01	Citizens' Development Financial Institution	Completed
02	People's Insurance PLC	Completed
03	Talawakelle Tea Estates PLC.	Completed
04	Bogawantalawa Tea Estates PLC	Completed
05	Commercial Bank	Completed 40%
Verification of Greenhouse Gas Emissions - Production Level		
06	Amazon Trading (Pvt.) Ltd.	Completed 80%

4.2 Sri Lanka Carbon Crediting Scheme (SLCCS)

Sri Lanka Carbon Credit Scheme is the National Greenhouse Gas Project Validation and Verification Program administered by the Sri Lanka Climate Fund under the direct supervision of the Ministry of Environment's Climate Change Division. The scheme registers eligible carbon management projects operating in Sri Lanka and issues quality-verified Sri Lankan Certified Emission Reductions (SCER) to interested parties.

As of December 31st, 2020, there were five renewable energy projects registered under the Sri Lanka Carbon Crediting Scheme. Although a number of project proposals were submitted to the private sector during that year, due to the prevailing COVID epidemic situation in the country, the said projects could not be registered under the Sri Lanka Carbon Crediting Scheme.

4.3 Clean Development Mechanism (CDM)

Sri Lanka Climate Fund encourages and facilitates investors to use the Clean Development Mechanism to reduce Sri Lanka's greenhouse gas emissions through the use of renewable energy.

Provides Facilities for the validation and verification process for project registration and issuance of Certified Emission Reductions (CER) under the Clean Development Mechanism (CDM) of the United Nations Framework Convention on Climate Change (UNFCCC). Also, the Sri Lanka Climate Fund prepares the Project Design Document (PDD) and the Monitoring Report (MR).

4.3.1Clean Development Mechanism – Annual Progress 2020

Accession No.	Name of the Project	Progress
Clean Development Mechanism		
01	Registration of Small Scale Hydropower Plants in Sri Lanka under the Clean Development Mechanism	
1.1	Renewal of carbon crediting period	Completed
1.2	Monitoring for the release of certified emissions (total of 74147 tCO_2e).	

1.3	Submission of monitoring reports to the United Nations Framework Convention on Climate Change (UNFCCC), Bagawanthalawa Small Scale Hydroelectric Power Plant Maskeliya Oya Small Scale Hydroelectric Power Plant Dabala Oya Small Scale Hydroelectric Power Plant Moragama Oya Small Scale Hydroelectric Power Plant Gomale Oya Small Scale Hydroelectric Power Plant	

4.4 Net Zero Energy Certification

The Net Zero Energy concept is energy use where energy conservation efficiency and 100% on-site renewable generation are achieved through the use of energy. The Energy Assurance System is a concept developed by the Sri Lanka Climate Fund with the aim of reducing carbon emissions, encouraging and promoting energy efficiency technology at the corporate level.

Organizations with renewable energy production projects that exceed non-renewable energy use are eligible for **Net Zero Energy** certification. As a benefit of this certification,

- Through the use of renewable energy, being able to reduce greenhouse gas emissions caused by energy use
- Organizations, investors and consumers have the opportunity to engage in environmentally friendly businesses
- Organizations producing renewable energy in excess of energy consumption will have the opportunity to sell their surplus and generate additional income.
- By improving the use of renewable energy, it is possible to reduce the cost of production and the organizations have the opportunity to stay in the competitive market for a long time.
- Reduce dependence on fossil fuel-based energy, an energy market with rapidly changing prices and supply.
- Creating a competitive environment for development in the country and increasing the expansion of long-term renewable energy industries.

4.5 Climate Positive Certification

Climate Positive Certification leads to sustaining strong economic growth and achieving long-term well- being through significant emissions reductions. By certifying the annual Greenhouse Gas Emissions of products, services and organizations, it has been possible to offset their greenhouse gas emissions.Furthermore, in order to obtain Climate Positive Certification, the company has provided an opportunity toverify their annual greenhouse gas emissions by focusing annually on the emissions of their operational activities and to sell the excess amount.

- Key compliances required for this certification
  - Desired Quantitative Greenhouse Emissions Certificate (verified by a recognized third party)
  - Development of Carbon Management Projects by the intended party and their projects aimed atrecognized national and international emission reductions.
  - Certified projects should be implemented on a voluntary basis
  - The intended party must offset their greenhouse gas emissions with excess carbon credits

- Areas covered by Climate Positive Certification
  - Development of renewable energy
  - New afforestation and reforestation
  - Energy efficiency and conservation
  - Minimize waste, reuse and recycle

4.6 Consultancy Services

Sri Lanka Climate Fund provides guidance and leadership to clients to make decisions to build a low carboneconomy. It also provides consultancy services to register for the National Green Reporting System.

Accession No.	Name of the Project	Progress
01	Feasibility study for registration of fuel-wood plantations maintained by plantation companies under Sri Lanka's Carbon Crediting Scheme	Completed 40%

4.7 Projects and Financial Management Projects

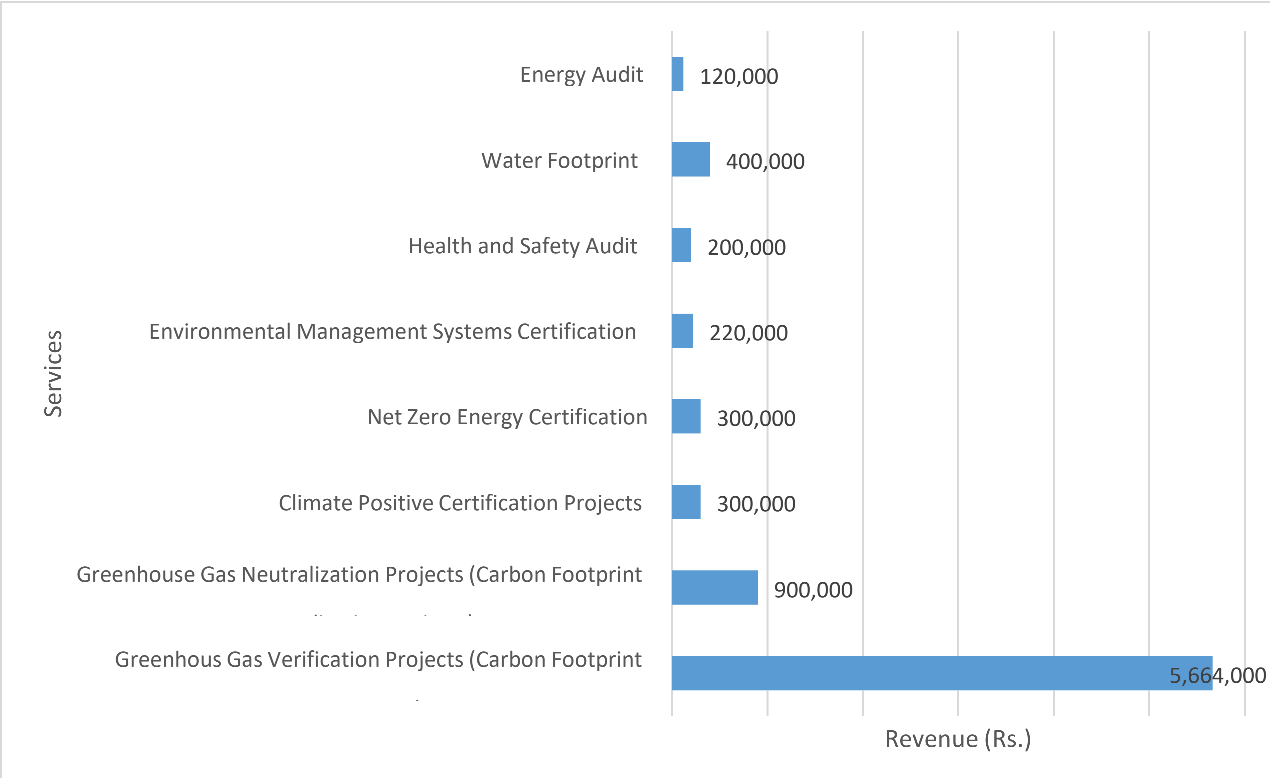
Sri Lanka Climate Fund manages various environmental and climate change related projects and funds. Some of those projects are,

- Modern bioenergy technology projects implemented from the funds of Global Environment Facility
- Green Lanka Project
- National Adaptation Plan
- Expected Nationally Determined Contribution

➢ **Areas of Specialization of Sri Lanka Climate Fund**

- Renewable energies
- Providing advice related to adaptation or mitigation
- Environmental engineering
- Improvement of MRV systems
- Community development
- Studies on society

05. Expected Financial Targets - 2020



06. Financial Progress

Statement of Financial Position as at 31st December 2020

Sri Lanka Climate Fund (Private) Limited
STATEMENT OF FINANCIAL POSITION
As at 31st December 2020

	Notes	2020 Rs. Cts.	2019 Rs. Cts.
Assets			
Non Current Assets			
Property Plant & Equipment	08	-	9,679
Current Assets			
Trade & Other Receivable	09	2,845,250.40	1,872,353
Cash & Cash Equivalents	10	10,071,017.45	12,860,892
		12,916,267.85	14,733,245
Total Assets		12,916,267.85	14,742,924
Equity & Liabilities			
Equity			
Stated Capital	11	25,000,010.00	25,000,010
Retained Profit / (Loss)		(13,643,331.76)	(12,872,076)
Total Equity		11,356,678.24	12,127,934
Non Current Liability		-	-
Current Liabilities			
Fund Management Liability	12	0.00	1,193,000
Other Payables	13	1,559,589.61	1,421,990
		1,559,589.61	2,614,990
Total Equity & Liabilities		12,916,267.85	14,742,924

The above Statement of Financial Position is to be read in conjunction with the accounting policies and notes to the financial statements appear on pages 6 to 10 which form an integral part of these financial statements.

I certify that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

Head of Finance

Chief Executive Officer
G.A.M.C. Ariyarathilaka
Chief Executive Officer
Sri Lanka Climate Fund

Chairman
Dr. Anil Jasinghe
Secretary
Ministry of Environment

The board of directors is responsible for the preparation and presentation of these Financial Statements.

Approved and signed for and on behalf of the board.

Director
S. Amarasinghe
Chairman
Central Environmental Authority
No. 104, Denzil Kobbekaduwa Mawatha,
Battaramulla

Director
N. T. Amarathunga
Assistant Director
Ministry of Finance
Colombo 01.

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Statement of Comprehensive Income for the year ending at 31st December 2020

Sri Lanka Climate Fund (Pvt.) Ltd.				
Statement of Comprehensive Income				
31st December 2020				
		2020	**2019**	
	Notes	**Rs.**	**Rs.**	
Revenue	**1**	**4,172,827.00**	14,703,949.00	
Project Related Direct Expenditure	**2**	**(310,222.22)**	(2,666,897.00)	
Gross profit		**3,862,604.78**	12,037,052.00	
Other revenue	**3**	**864,863.64**	973,750.00	
		4,727,468.42	13,010,802.00	
Less:				
Personnel cost	**4**	**4,779,063.16**	4,758,045.00	
Administrative cost	**5**	**550,420.97**	1,273,354.00	
Sales and distribution cost	**6**	**4,160.49**	31,582.00	
Financial and other cost	**7**	**165,080.00**	231,854.00	
		5,498,724.62	6,294,835.00	
Profit (loss) before taxation		**(771,256.20)**	6,715,967.00	
Taxation		**-**	-	
Profit (loss) after tax		**(771,256.20)**	6,715,967.00	
Other comprehensive income		**-**	-	
Total comprehensive income		**(771,256.20)**	6,715,967.00	

Statement of Cash Flow for the year ending at 31st December 2020

Sri Lanka Climate Fund (Pvt.) Ltd.		
Statement of Cash Flow		
31st December 2020		
	2020	**2019**
	Rs.	Rs.
Cash Flow From Operating activities		
Net profit/(loss) before taxation	(771,256.20)	6,715,967.00
Adjustments		
Depreciations	9,679.04	22,623.00
Prior year Adjustments	-	269,840.00
	(761,577.16)	7,008,430.00
Changes in working capital		
Increases/ (decreases) in & other receivables	(972,897.40)	(1,092,902.00)
(Increase) / Decrease in Fund Management Liabilities	(1,193,000.00)	(5,502,987.00)
(Increase) / Decrease in Other payables	137,599.67	466,250.00
	(2,028,297.73)	(6,129,639.00)
Net cash flow – from operating activities	(2,789,874.89)	878,792.00
Cash Flow From Investing Activities		
Purchase of fixed assets	-	(6,638.00)
Net Cash Flow From Investing activities		(6,638.00)
Increase/ (Decrease) in Cash and cash equivalents	(2,789,874.89)	872,154.00
Cash and cash equivalents at the Beginning of the year	12,860,892.34	11,988,738.00
Cash & Cash Equivalent at the End of the Year	10,071,017.11	12,860,892.00

Detailed Notes to Financial Statements as at 31st December 2020

	Sri Lanka Climate Fund (Pvt.) Ltd		
	Detailed Notes to Financial Statements - 31st December 2020		
		2020	**2019**
Notes		**Rs.**	**Rs.**
1	**Revenue**		
	Revenue from Greenhouse Gas Verification	2,283,157.00	4,554,682.00
	Revenue from Consultancy Services	533,000.00	3,000,000.00
	Revenue from Carbon Neutral Projects	200,000.00	100,000.00
	Revenue from Net Zero Certificate Projects	-	30,000.00
	Revenue from Trainings and Workshops	-	-
	Revenue from Project Management	941,000.00	5,969,266.78
	Revenue from the Sri Lanka Carbon Crediting Scheme	215,670.00	1,050,000.00
		4,172,827.00	14,703,948.78
2	**Project Related Direct Expenditure**		
	Expenditure for Greenhouse Gas Verification	92,222.00	484,966.56
	Expenditure for Consultancy Services	68,000.00	1,583,722.50
	Expenditure for Clean Development Mechanism		
	Expenditure for Training and Workshops		
	Expenditure for Project Management		
	Other expenditure of SLCF		4,645.00
	Expenditure for Sri Lanka Accreditation Board	150,000.00	564,657.52
	Expenditures borne for Projects of Sri Lanka Carbon Crediting Scheme		28,905.00
		310,222.00	2,666,896.58
3	**Other revenue**	864,864.00	973,749.99
	Interest income	864,864.00	973,749.99
4	**Personnel cost**		
	Staff Salary	4,060,400.00	4,114,173.99
	Employees' Provident Fund	434,400.00	37,800.00
	Salary Allowances	134,349.00	119,766.30
	Gratuity Expenses	-	-
	Employees' Trust Fund	108,600.00	-
	Telephone and internet expenditure	-	-
	Employee welfare	21,714.00	56,373.48
	Employee training expenses	-	35,654.94

	Fuel Expenses	-	
		4,759,463.00	4,758,045.00
5	**Administrative Cost**		
	Secretarial fees	58,971.00	110,075.75
	Audit fees	-	37,500.00
	Compensation	-	200,000.00
	Vehicle repair and maintenance expenses	223,545.00	387,653.89
	Maintenance expenses	-	5,250.00
	Telephone charges	147,904.00	173,369.54
	Computer maintenance expenses	19,960.00	27,500.00
	Printing and stationery expenses	850.00	96,380.00
	Insurance charges - motor vehicle	56,880.00	55,527.83
	Depreciations	9,679.00	22,623.33
	Legal fees	-	
	Insurance charges - motor cycle	-	
	Web Hosting & Maintenances	20,150.00	10,950.00
	Postage and stamp expense	-	5,000.00
	Travelling expenses	2,083.00	5,714.97
	Expenditure for committees	30,000.00	105,809.00
		570,022.00	1,243,354.31
6	**Sales and distribution Cost**		
	Expenses for advertising	4,160.00	30,532.00
	Expenses for sales promotions	-	1,050.00
		4,160.00	31,582.00
7	**Financial and other Cost**		
	Employees' Trust Fund Surcharges	1,890.00	779.92
	Bank charges	3,615.00	3,525.00
	Other expenditure	159,575.00	257,549.34
		165,080.00	261,854.26

				2020	2019
				Rs. Cts.	**Rs.**
9	**<u>Trade and other receivables</u>**				
	Account Receivable			**2,662,479**	1,791,082
	Cash Advance			**182,771**	81,271
				2,845,250	1,872,353
10	**<u>Cash & Cash Equivalents</u>**				
	BOC			**71,017.45**	2,846,750
	Petty Cash				14,143
	Fixed Deposite -BoC			**10,000,000.00**	10,000,000
				10,071,017.45	12,860,893
11	**<u>Stated Capital</u>**				
	As at 31st March	**2020**		**2019**	
		No, of Share	**Value Rs.**	No, of Share	Value Rs.
	Ordinary Shares Issued	**2,500,001**	**25,000,010.00**	2,500,001	25,000,010
		2,500,001	**25,000,010.00**	2,500,001	25,000,010
12	**<u>Fund Management Liability</u>**				
	United nations Development programme			-	(20,000)
	United nations Development programme II			-	(15,000)
	UNDP Bio Mass			-	358,000
	United nations Development programme III			-	870,000
				-	1,193,000
13	**<u>Other Payables</u>**				
	Payee Payable			**326,000**	326,000
	Salary Payable			**-**	306,520
	EPF Payable			**945,303**	526,503
	Audit Fee Payable			**150,000**	187,500
	ETF Payable			**138,287**	75,467
				1,559,590	1,421,990

Sri Lanka Climate Fund (Pvt) Ltd

Notes

8 **Property, Plant and Equipment**

Assets	Air conditioners	Gluing Machine/Binding Machine	Computers and printers	Furniture and Accessories	Motor Vehicle	Office Equipment	Motor Bicycle	Curtains	Total Assets
	Rs. Cts.	**Rs. Cts.**	**Rs. Cts.**	**Rs. Cts.**	**Rs. Cts.**	**Rs. Cts.**	**Rs. Cts.**	**Rs. Cts.**	**Rs. Cts.**
Cost									
Balance as at 01.01.2020.	209,000.00	7,000.00	1,223,800.00	525,635.38	3,100,000.00	55,000.00	199,640.00	46,410.00	**5,366,485.00**
Additions			-						**-**
Balance as at 31.01.2020	209,000.00	7,000.00	1,348,800.00	525,635.00	3,100,000.00	55,000.00	199,640.00	46,410.00	**5,366,485.00**
Accumulated Depreciations									
Balance as at 01.01.2020	209,000.00	7,000.00	1,223,800.00	525,635.38	3,100,000.00	45,320.96	199,640.00	46,410.00	**5,356,806.34**
Charge for the year			-			9,679.04			**9,679.04**
Balance as at 31.01.2020	209,000.00	7,000.00	1,251,144.00	525,635.00	3,100,000.00	55,000.00	199,640.00	46,410.00	**5,366,485.38**
Carrying Value as at 31.12.2020	-	-	-	-	-	9,679.04	-	-	**9,679.04**

FWL/B/ME/SLCF/02/20/29 18th November 2022

The Chairman,

Sri Lanka Climate Fund Private Limited.

The Auditor General's Report as per Section 12 of the National Audit Act No. 19 of 2018 relating to Financial Statements and other Legal and Regulatory Requirements for the Year Ending at 31st December 2020 of the Sri Lanka Climate Fund Private Limited

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1. Financial Statements

1.1 Qualified Opinion

Financial Statements for the year ending at 31st December 2020 of the Sri Lanka Climate Fund Private Limited comprising the Statement of Financial Position as at 31st December 2020, Comprehensive Income Statement for the year ending by the same date, Statement of Change in Liabilities and Cash Flow Statement for the year ending by that date inclusive of notes, summarized and important accounting principles, were audited under my command in accordance with the provisions of the National Audit Act No. 19 of 2018, which should be read in conjunction with Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. My report will be tabled in Parliament in due course in accordance with Article 154 (6) of the Constitution.

Except for the effect of the matters described in the part 'Basis for Qualified Opinion' section of my report, I am of the opinion that the Company's financial position as at 31st December 2020 and its financial performance and cash flows for the year ended by the same date reflect a true and fair situation in accordance with the Sri Lankan Accounting Standards for Small and Medium Scale Enterprises.

1.2 Basis for Qualified Opinion

(a) Even though audit fees for year 2020 was not stated within the Statement of Comprehensive Income, a value of Rs. 150,000/- stated as Audit Fees Payable has been shown in financial statements as a Non-current Liability.

(b) Even though the balance due as on 31st December 2020 was Rs. 2,662,479/-, according to the time analysis of Balances Receivable, the balance was Rs.2,593,632/-. As a result, although a difference of Rs. 68,847/- was observed, the reasons for the difference were not submitted to the audit.

(c) Although Property, Plant and Equipment worth Rs. 5,311,485/- included in non-current assets had been depreciated fully, measures were not taken to recalculate the said assets and the arrangements had not been made to take the necessary adjustments into accounts.

(d) According to paragraph 3.1(b), (c) and (d) of Accounting Standards No. 17 for Small and Medium Scale Enterprises, the depreciation policy relating to vehicles was not disclosed.

(e) Rs. 4,172,827/- was stated as the income of the company, however, when the detailed document submitted to the audit in relation to each revenue item thereof was examined, although a difference of Rs.1, 965, 047/- was observed between the values of the relevant items and the value shown in the financial statements, the reasons for the relevant difference were not submitted for auditing.

(f) According to Accounting Standards No. 28.3(a) for Small and Medium Scale Enterprises, the company has not made an allocation for employee gratuity.

(g) Although the fixed deposit of Rs.10,000,000/- should be shown as a Non-current Asset as per section 4.4 of the Small and Medium Scale Business Accounting Standards, the current, it was stated under Cash and Cash Equivalents in Current Assets.

(h) In the Statement of Financial Position prepared as at 31st December 2019, the balance of Other Payables, shown under Current Liabilities had been recorded as Rs.394,276/- when it was brought forward on January 01st, 2020.

(i) Financial statements of 2020 together with notes related to them were not properly submitted to audit. Values stated in Page number 09 and the values stated in a note among the notes submitted to audit without note numbers, did not tally with other notes and Rs. 4,194,749/- was stated as Salaries and Allowances and again a sum of Rs. 4,779,063/- was recorded as Personal Cost. Accordingly, the financial statement notes were observed to be incorrect.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAS). My responsibilities under these standards are further described in this report under the section 'Auditor's Responsibilities Regarding the Audit of Financial Statements'. I believe that the evidence for auditing obtained by me to provide a basis for my qualified opinion is sufficient and appropriate.

1.3 Other Information contained in the Company's Annual Statement of 2020

Other Information means the information included in the Company's 2020 Annual Report, which is expected to be provided to me after the date of this audit report, but which is not included in the financial statements and my audit report thereon. The management should take the responsibility for this 'Other Information'.

Other Information will not be covered by my opinion on financial statements and I will not certify or express whatsoever opinion in that regard.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when available and, in doing so, to consider whether the other information is quantifiably inconsistent with the financial statements or with my knowledge obtained during the audit or otherwise.

If, while reading the Company's 2020 Annual Report, I conclude that there are material misstatements, the same should be communicated to the controlling parties for correction. If there are any further uncorrected misrepresentations, they will be included in the report tabled by me in Parliament in due course in terms of Article 154(6) of the Constitution.

1.4 Responsibility of the Management and Controlling Parties Regarding Financial Statements

It is management's responsibility to prepare these financial statements in accordance with the Accounting Principles for Small and Medium Scale Enterprises and present them fairly and to determine the internal controls necessary to enable the preparation of financial statements free from material misstatements that may arise due to frauds or errors.

In preparing financial statements, it is the management's responsibility to determine the company's ability to continue as a going concern, and unless the management intends to liquidate the company or cease operations when there is no other option, it is also the management's responsibility to set accounts on a going concern basis and disclose matters related to the company's continued existence.

The responsibility relating to inspection of company’s financial reporting process will be borne by the controlling parties.

According to sub-section 16(1) of the National Audit Act No. 19 of 2018, the company must maintain proper books and records of its income, expenses, assets and liabilities in order to prepare annual and periodic financial statements.

1.5 Auditor's responsibility in relation to the Audit of Financial Statements

My objective is to provide reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue the audit report that includes my opinion. Reasonable assurance is a high level of assurance, but it will not be assurance that material misstatements will always be detected when performing an audit in accordance with Sri Lanka Auditing Standards. Fraud and error, causing effect individually or collectively, can lead to material misstatements, the quantity of which depends on the effect caused to the economic decisions made by users on the basis of these financial statements.

In accordance with Sri Lanka Auditing Standards, I exercised professional judgment and professional skepticism in the audit as part of the audit. I further;

- planned and performed, in providing a basis for the audit opinion expressed, appropriate audit procedures on occasion to identify and assess the risks of material misstatement in the financial statements resulting from fraud or error. The effect of fraud tends to be weighty than the effect of material misstatements resulting from misrepresentations owing to the fact that fraud results from collusion, falsification of documents, and intentional omissions, intentional misrepresentation or circumvention of internal controls.

- obtained an understanding of internal controls, in order to design appropriate audit procedures as appropriate, although not with a view to expressing an opinion on the effectiveness of internal controls.

- evaluated the appropriateness of accounting policies used, reasonableness of accounting estimates and related disclosures made by the management.

- determined the relevance of using the going concern basis of the institution for the task of accounting based on the audit evidence obtained to discern whether there is material uncertainty about the going concern of the company due to events or circumstances. If I conclude that there is sufficient uncertainty, my audit report should focus on the related disclosures in the financial statements, and if those disclosures are inadequate, I should modify my opinion. However, the continuance may terminate upon future events or circumstances.

- assessed the overall presentation of the financial statements that includes disclosures and the fact that whether transactions and events underlying the structure and content of the financial statements have been included appropriately and fairly.

Significant audit findings, key internal control weaknesses and other matters identified during my audit will be informed by me to the controlling parties.

2. Report on other Legal and Regulatory Requirements

2.1 Special provisions regarding the following requirements have been included in the National Audit Act No. 19 of 2018 and the Companies Act No. 7 of 2007.

2.1.1 In accordance with the requirements of Section 163(2) of the Companies Act No. 7 of 2007 and Section 12(a) of the National Audit Act No. 19 of 2018, I obtained all information and explanations required for the audit subject to the observations set out in paragraph 1.2 of this report, and, according to my investigation, proper financial records had been maintained by the Company;

2.1.2 The Company's financial statements comply with the requirements of Section 151 of the Companies Act No. 07 of 2007.

2.1.3 The company's financial statements are consistent with the previous year as required by section 6(1)(d)(iii) of the National Audit Act No. 19 of 2018.

2.1.4 According to the requirement stated in Clause 6(i)(d)(iv) of National Audit Act No. 19 of 2018, except the observations stated in my report under 1.2 - 'Basis for Qualified Opinion', the recommendations made by me in the previous year are contained in the Financial Statements submitted.

2. 2 Due to the procedures followed, evidences obtained and limiting to quantitative matters, no matter came to my notice worthy enough to make the following statements.

2.2.1 According to the requirement mentioned in Section 12(d) of the National Audit Act No. 19 of 2018, any member of the company's governing body has a relationship, directly or otherwise, out of the ordinary course of business in relation to any contract involving the company.

2.2.2. As per the requirement mentioned in Section 12(f) of the National Audit Act No. 19 of 2018, except for the following observations, that action has been taken contrary to any written law or other general or special directives issued by the company's governing body.

Reference to Rules / Directive	observations
(a) Circular No. 01/2021 dated 16th November 2021 of the Department of Public Enterprises	
(i) Section 3.1(i) of Guidelines	Measures have not been taken even as at 08th September 2022 to get the company's recruitment procedure or staff approved.
(ii) Section 4.2 of Guidelines	By utilizing the Management Auditing Circular No. DMA/01-2019 dated 12th January 2019, the Audit and Management Committee and its composition were established, however, the committee members, observers and committee convener were not stated clearly as per the appointing letter of the Audit and Management Committee.

2.2.3 While functioning, actions have been taken not complying with the company's powers, duties and functions as per the requirement mentioned in Section 12 (g) of the National Audit Act No. 19 of 2018.

2.2.4 According to the requirement mentioned in Section 12(h) of the National Audit Act No. 19 of 2018, the company's resources have not been procured and used frugally, efficiently and effectively within relevant time periods in accordance with the relevant laws and regulations.

2.3 <u>Other Matters</u>

(a) According to Paragraph 3(1)(b) of the Cabinet Memorandum No. 14/2007 dated 24th May 2007, Procedures relevant to establishment of the Fund were not drafted and submitted to the Cabinet Board of Ministers.

(b) A share certificate valued of Rs. 25 Million was issued in the name of the Secretary to the Treasury on 31st December 2011 in the name of Sri Lanka Carbon Fund Pvt. Limited as an Ordinary Share Issue Capital. Even though the name of the company was changed on 16th of January 2015 as Sri Lanka Climate Fund Private Limited, it was observed that the share certificate is continuing under the name of Sri Lanka Carbon Fund Pvt. Limited.

(c) Measures were not taken to credit to the revenue the value of Rs. 362,036/- relevant to cheques of the account in Bank of Ceylon, which were issued but not cleared and continuing from year 2019.

W.P.C. Wickramarathne
Auditor General

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