2021

Annual Report

Sri Lanka Climate Fund (Pvt.) Limited

Ministry of Environment,
Sobadam Piyasa,
No .41/C/1,
Robert Gunawardhana Mawatha,
Battaramulla,
Sri Lanka

Content

01. Board of Directors

Review by the Chairman

I am sincerely joyful about being able to present to you the Annual Report of the Sri Lanka Climate Fund (Pvt.) Limited for the year ended at 31st December 2021**.** This report provides an approximate analysis of activities of the Sri Lanka Climate Fund (Pvt.) Limited and an update on the status of implementation of the strategic instructions.

Sri Lanka Climate Fund (Pvt.) Limited implements a number of projects and consultancy services geared at sustainable environment. It awards ISO **14064 – 1:2018** and ISO **14067:2018** compatibility certificates to public and private institutions. Such awarding will be made subsequent to Greenhouse Gas Emissions calculated by the said institutions are verified by our institution. Our institution conducts the Sri Lanka Carbon Crediting Scheme which is a national greenhouse emission program administered under the direct supervision of the Climate Changes Section of the Ministry of Environment We are modestly proud about the commitment borne by the Sri Lanka Climate Fund (Pvt.) Limited regarding their efforts to protect the environmental preservation in the country and provide an optimum service to the clients. The company constantly strives to maintain their valuable service chain in an optimum level as well as to function efficiently to maintain it in conformity with international standards.

We are optimistically confident that we will, in future, be able to convert this company into a long lasting one while contributing to sustainable economic development. I firmly believe that our precious human capital will contribute to Sri Lanka Climate Fund (Pvt.) Limited to convert it into a profit-earning public company having combatted the challenges encountered in future.

Mr. Siripala Amarasinghe
- Director (Chairman, Central Environmental Authority)

Dr. B. M. S. Batagoda
- Director (Field Expert)

Mrs. V. Iresha Dilhani - Director
(Director, Management Audit Department)

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 government-owned company registered under Company No. PV 63781 on April 9th 2008 in accordance with the Companies' Act No. 07 of 2007 and it has been subjected to the purview of the Ministry of Environment by the Extraordinary Gazette published on September 25th of year 2020. The company implements, both locally and internationally, a number of sustainable environmental projects for the public and private sectors. Although it was known as Sri Lanka Carbon Fund (Private) Limited in the beginning, later on, considering the various environmental projects accomplished by this institution and with the aim of expanding its said role, the company name was changed to Sri Lanka Climate Fund (Pvt.) Limited from 29th January 2016.

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. Under the Clean Development Mechanism, reduction of greenhouse gas emissions (Certified Emission Reduction - CER) and under a Voluntary Mechanism, reduction of greenhouse gas emissions (Verified Emission Reduction) 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 implement any kind of environmental activities related to the environment

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

2.4. Contribution by the 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. Our institution delivers the services to improve the measures that can be taken to effectively lower carbon emissions and explore innovative strategies to lower carbon emissions. We also provide guidance 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 those businesses.

Sri Lanka Climate Fund (Private) Limited awards ISO 14064–1:2018 and ISO 14067 :2018 certificates of compliance to government and private sector organizations. Greenhouse gas emissions calculated by the respective institutions will be verified by this company prior to awarding these certificates. Sri Lanka Accreditation Board has permitted the company to carry out the aforementioned verification process and it is accepted both locally and internationally. As a result of Sri Lanka Climate Fund (Pvt.) Limited's providing of quality verification services to local business institutions, those business institutions' venturing into international market has become easy. Likewise, this contribution has given the opportunity to display the transparency and responsibility relating to global climate activities.

Sri Lanka Climate Fund (Pvt.) Limited conducts Sri Lanka Carbon Crediting Scheme as a National Greenhouse Gas Program which is administered under the direct supervision of the Climate Change Section of the Ministry of Environment. By this scheme, qualified carbon management projects that have been implemented in Sri Lanka are registered and quality-verified Sri Lankan Certified Emission Reductions (SCER) will be issued to the interested parties. 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 can also be seen as contributing to a sustainable future, in addition to promoting the environmental responsibility.

Sri Lanka Climate Fund encourages and facilitates investors to use Clean Development Mechanism to minimize greenhouse gas emission in Sri Lanka through the use of renewable energy. Also, Sri Lanka Climate Fund (Pvt.) Ltd prepares Project Design Document (PDD), Monitoring Report (MR), and, under the Clean Development Mechanism (CMD) of United Nations Framework Convention on Climate Change (UNFCCC); it carries out registration of projects and facilitation of the validation and verification process for issuance of Certified Emission Reductions (CER).

Also, under the energy audit, an energy audit will be conducted by experts and technical equipment in the field and explain how it is related to the environment and the measures to be taken in that regard by those institutions will be suggested and encouraged for the same. Providing guidance and leadership for making decisions to build a low-carbon economy and providing consulting services for the National Green Reporting System (GR) are performed by Sri Lanka Climate Fund (Private) Limited. Sri Lanka Climate Fund (Private) Company undertakes various environmental and climate-change-related projects and fund management. As modern bio-energy technology projects implemented by the Global Environment Facility,

- Green Lanka
- National adaptation plan
- Expected Nationally Determined Contributions, can be introduced.

Sri Lanka Climate Fund (Private) Limited is also acting as a guide for National Climate Resilience. Similarly, the services provided by this company to the entire community, from mitigation to adaptation to the diversity of climate action, are immense. As one of the main tasks of the institution, Sri Lanka Climate Fund (Private) Limited supports those organizations, businesses and projects which strive to fulfill the expectations of customers for environmental excellence. It also plays a unique role in supporting the programs carried out by the Sri Lankan government and the private sector against climate challenges.

Several occasions where the company distributed Greenhouse Verification Certificates to reputed and branded companies in the market for the year 2021 to minimize greenhouse gas emissions has been illustrated below.

Awarding the GHG Verification Statement to Cargills Pvt. Limited

Awarding the GHG Verification Statement to Horana Plantations

Awarding the GHG Verification Statement to Textrip (Pvt.) Ltd.

Awarding the GHG Verification Statement to Amazon Trading (Pvt.) Ltd.

Awarding the GHG Verification Statement to Bagawanthalawa Tea Plantations (Pvt.) Ltd.

Corporate Journey

2008

Establishment of Sri Lanka Carbon Fund under the Ministry of Environment

2010

Changing corporate name as Sri Lanka Climate Fund

2013

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

2016

Restructuring of the working mechanism of Sri Lanka Carbon Standard

2016

Commencement of Clean Development Mechanism projects

2016

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

Obtaining Accreditation Certificate of ISO 14065 from Sri Lanka Accreditation Board

2018

Commencement of projects under Sri Lanka Carbon Crediting Scheme

2020

Introducing Net Zero Energy Certification and Carbon Positive System

04. **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

Services

Verification and validation of projects to build a sustainable environment as well as providing consultancy services are the main services delivered by the company. Accordingly, as the main services provided by the company,

- Greenhouse Gas Verification (ISO 14064-1,ISO 14067)
- Sri Lanka Carbon Crediting Scheme (SLCCS)
- Clean Development Mechanism (CDM)
- Net Zero Energy Certification
- Climate Positive Certification
- Consultancy Services
- 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 2021, the Greenhouse Gas Verification Section had been given a target of 20 projects, but due to officers' resignations hindered the achievement of those targets. However, action was taken to carry out the verification affairs through the recruitment of new officers and its progress has been achieved in year 2022.

4.1.1 Annual Progress in Greenhouse Gas Verification Sector 2021

Accession No.	Project	Progress
Verification of Greenhouse Gas Emission Statements - Institutional Level		
01	Citizens' Development Financial Institution (CDB)	Completed
02	EB Crissy and Corporation	Completed
03	Amazon Trading (Pvt.) Ltd.	Completed
04	MAS Holdings MAS Capital(Pvt.) Limited	Completed
05	MAS Holdings Trischel Fabrics(Pvt.) Limited	Completed
06	MAS Holdings Stretchline (Pvt.) Limited	Completed
07	Kothmale Milk Productions (Pvt.) Limited	Completed
08	Horana Plantations PLC	Completed
09	Commercial Bank	Completed
10	Ashroff Hospital- Akkaraipattu	Completed
11	Lanka Tobacco Company	Estimation – Initial estimation
Ongoing Projects		
01	EMJAY International (Pvt.) Limited	Completed 50%
02	Talawakele Tea Estate	Completed 30%
03	Cargills Foods (Pvt.) Limited	Completed 20%
04	Knorr Lanka (Pvt.) Limited	Completed 80%
05	Elpitiya Plantations PLC	Completed 80%
06	UNIDIL Packaging PLC	Remained at contract level
07	Cargills Quality Foods(Pvt.) Limited	Remained at contract level

08	Cargills Quality Confectionaries (Pvt.) Limited	Remained at contract level
09	Boardpack (Pvt.) Limited	Remained at contract level
10	Scanwell Logistics (Pvt.) Limited	Remained at contract level
11	Seylike (Pvt.) Limited	Completed 20%
12	Textrip (Pvt.) Limited	Remained at contract level
13	Hatton National Bank	Remained at contract level
14	Bank of Ceylon	Remained at contract level
15	Ceylinco Life Insurance Limited	Remained at contract level
16	Central Environmental Authority	Remained at contract level
17	Nestle Lanka PLC	Remained at contract level

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 (Pvt.) Limited under the direct supervision of the Ministry of Environment's Climate Change Division. This scheme registers eligible carbon management projects operating in Sri Lanka and issues Quality-verified Sri Lankan Certified Emission Reductions (SCER) to interested parties.

As at 31st December 2021, two renewable energy projects have been registered under Sri Lanka Carbon Crediting Scheme.

4.2.1. Annual Progress of Sri Lanka Carbon Crediting Scheme

	Project	Progress
01	NWSDB Solar Power Project	Completed
02	Bogawanthalawa Solar Bundle Project	Completed

4.3 Clean Development Mechanism (CDM)

Sri Lanka Climate Fund (Pvt.) Limited 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).

4.3.1 Annual Progress in Clean Development Mechanism Projects – 2021

01	Registration of Small Scale Hydropower Plants in Sri Lanka under the Clean Development Mechanism	Completed
	(a) Renewal of carbon crediting period	
	(b) Certified Emission Reduction (CER) total amount (74, 147 t CO_2e) Issuance	
	(i) Bulathawaththa Small Scale Hydroelectric Power Plant	Supervision reports have been forwarded to the United Nations Framework Convention on Climate Change **(**UNFCCC)
	(ii) Maskeliya Oya Small Scale Hydroelectric Power Plant	
	(iii) Dabala Oya Small Scale Hydroelectric Power Plant	
	(iv) Moragama Oya Small Scale Hydroelectric Power Plant	
	(v) 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 to verify 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 at recognized 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

Through consultancy services, Sri Lanka Climate Fund (Pvt.) Limited provides guidance and leadership required by clients to make decisions to build a low carbon economy. It also provides consultancy services to register for the National Green Reporting System.

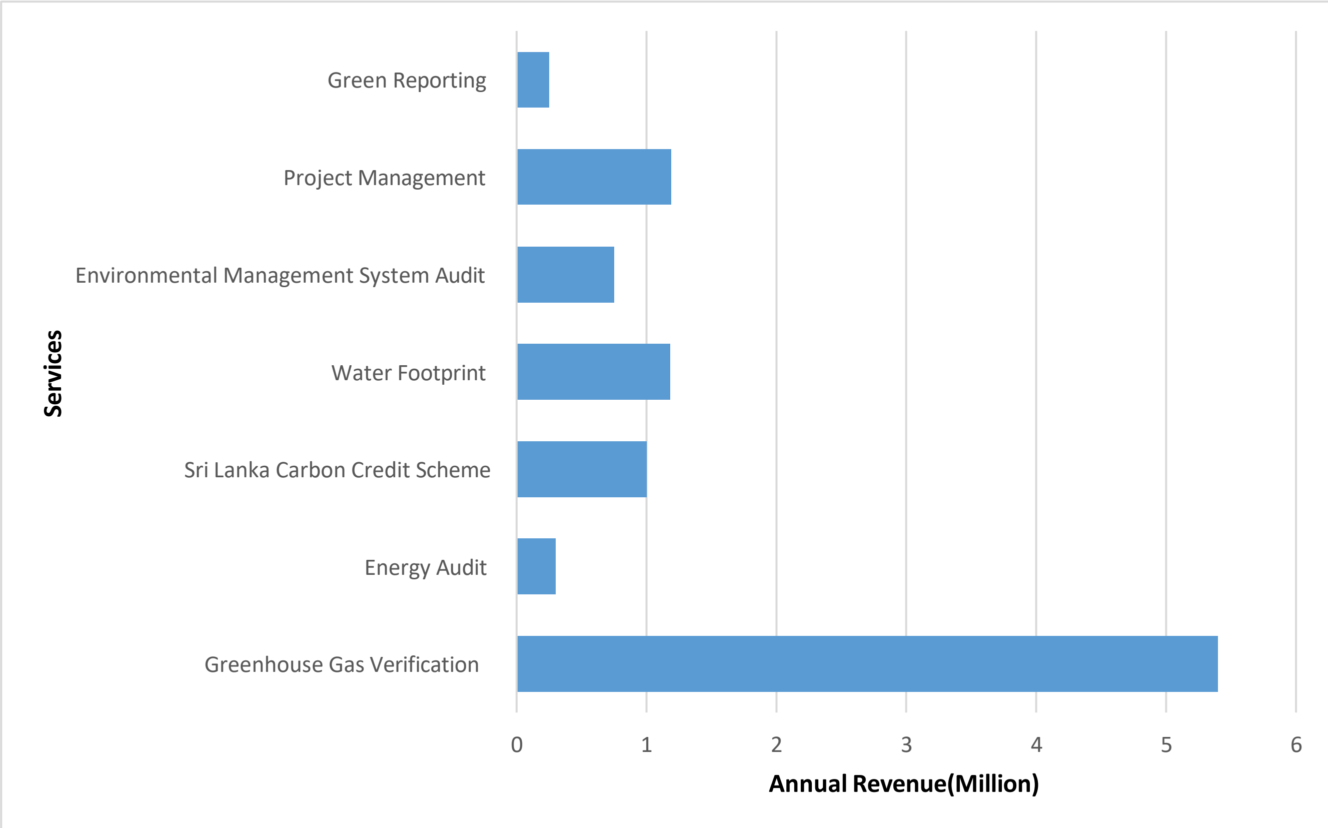
4.7 Projects and Financial Management Projects

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

- Modern bio-energy 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 (Private) Company
- Renewable energies
- Providing advice related to adaptation or mitigation (Adaptation and Mitigation)
- Environmental engineering
- Improvement of MRV systems
- Community development
- Social studies

05. Expected Financial Targets - 2021



06. Financial Progress

Statement of Financial Position as at 31st December 2021

SRI LANKA CLIMATE FUND (PVT) LTD

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2021

	Notes	2021 Rs.	2020 Rs.
Assest			
Non Curent Assest			
Property Plant Equipment	14	97,656.25	-
Fixed Deposite			
Fixed Deposite	9	10,000,000.00	10,000,000.00
Current Assest			
Curtains		-	-
Trade & Other Receivable	8	3,736,125.90	2,845,250.00
Cash & Cash Equilent	10	53,949.27	71,017.00
		3,790,075.17	2,916,267.00
Total Assest		13,887,731.42	12,916,267.00
EQUITY & LIABILITIES			
EQUITY			
Stated Capital	11	25,000,010.00	25,000,010.00
Retained Profit/(Loss)		(14,149,443.19)	(13,643,332.00)
Total Equity		10,850,566.81	11,356,678.00
NON CURRENT LIABILITY			
CURRENT LIABILITIES			
Other Payable	12	3,037,164.61	1,559,590.00
TOTAL EQUITY & LIABILITIES		13,887,731.42	12,916,268.00

The above statement of financial position is to be read in conjuction with the accounting policies and notes to the financial statements appear on pages to which form an intergral 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.

09/10/2023

Manager - HR and Finance	Chief Executive Officer	Chairman

The board of directors is responsible for the preparation an prsentation of these financial statements as for the companies Act No.07 of 2007.

Approved and signed for and on behalf of the board.

Director	Director

Statement of Change of Equity as of December 31st, 2021

	Note	Retaining Profit/ (Loss) Rupees	Capital Expressed Rupees	Total Rupees
Initial Balance as at 01st January **2021**		(12,872,075.56)	25,000,010.00	11,356,678.24
Profit/(Loss) of the year		(771,256.20)		(771,256.20)
Balance as at 31st December **2021** (Final Balance)		(13,643,331.76)	25,000,010.00	10,585,422.04
Balance as at 01st January **202**2		(13,643,331.76)	25,000,010.00	10,585,422.04
Annual Profit/(Loss)	13	196,388.57		
Adjustments of previous year		(702,500.00)		
Balance as at 31st December **2021**		(14,149,443.19)	25,000,010.00	10,585,422.04

Statement of Cash Flow for the year ending at 31st December 2021

Sri Lanka Climate Fund (Pvt.) Limited		
Statement of Cash Flow		
31st December 2020		
	2021	2020
	Rupees	Rupees
Statement of Cash Flow - Operational Activities		
Net profit/(Loss) before tax	196,388.57	(771,256.20)
Adjustments		
Depreciations	27,343.75	9,679.04
Adjustments with the previous year	(702,500.00)	0
	(478,767.68)	(761,577.16)
Changes in Working Capital		
Increases/ (decreases) and other receivables	(890,875.90)	(972,897.40)
(Increases) / (Decreases) Fund Management	0	(1,193,000.00)
(Increases) / (Decreases) Other payables	1,477,574.61	137,599.67
	107,931.03	(2,028,297.73)
Net cash flow – from operational activities	107,931.03	(2,789,874.89)
Statement of Cash Flow - Investment Activities		
Purchasing of fixed assets	(125,000.00)	0
Net Cash Flow - Investment activities	(125,000.00)	0
Increases/ (Decreases) Cash and cash equivalents	(17,068.97)	(2,789,874.89)
Cash and cash equivalents at the commencement of the year	71,017.45	12,860,892.34
Cash and cash equivalents at the end of the year	53,949.27	10,071,017.45

Statement of Comprehensive Income for the year ending at 31st December 2021

Sri Lanka Climate Fund (Pvt.) Limited				
Statement of Comprehensive Income				
31st December 2021				
		2021		2020
	Notes	Rupees		Rupees
Revenue	1	7,124,960.79		4,172,827.00
Direct expenses relating to projects	2	(743,406.21)		(310,222.22)
Gross profit		6,381,554.58		3,862,604.78
Other revenue	3	587,191.78		864,864.64
		6,968,746.36		4,727,469.42
Deductions**:**				
Personnel cost	4	5,718,801.87		4,779,063.16
Administrative cost	5	1,041,740.13		550,421.97
Sales and distribution cost	6	8,500.79		4,160.49
Financial and other expenses	7	3,315.00		165,080.00
		6,772,357.79		5,498,725.62
Profit/lossbefore tax		196,388.57		(771,256.20)
Taxes				-
Profit /loss after tax		196,388.57		(771,256.20)
Other comprehensive revenue				-
Total comprehensive revenue		196,388.57		(771,256.20)

Detailed Notes to Financial Statements as at 31st December 2021

Sri Lanka Climate Fund (Pvt.) Limited				
31st December 2021				
Detailed Notes to Financial Statements				
		2021		2020
1	Revenue	Rupees		Rupees
	Revenue from Greenhouse Gas Verification	6,537,307.75		2,283,157.00
	Climate Positive Certification	31,000.00		-
	Revenue from projects certifications on Net Zero Certification	36,000.00		-
	Revenue from Consultancy Services	72,636.04		533,000.00
	Revenue from Training and Workshops	186,000.00		-
	Revenue from the Project on Sri Lanka Carbon Crediting Scheme	262,017.00		215,670.00
	Revenue from Carbon Neutral Projects	-		200,000.00
	Revenue from Project Management	-		941,000.00
		7,124,960.79		4,172,827.00
2	Direct Expenses for Projects			
	Project Expenses - Expense borne for Sri Lanka Accreditation Board	265,000.00		150,000.00
	Project Expenses - Sri Lanka Carbon Crediting Scheme	82,420.79		-
	Expenses borne for Training and Workshops	109,800.00		-
	Project Expenses - Carbon Foot Print	153,925.42		92,222.00
	Expenses borne for Clean Development Mechanism	114,260.00		-
	Expenses borne for Water Footprint	18,000.00		-
	Expenses borne for Consultancies	-		68,000.00
		743,406.21		310,222.00
3	Other Revenue			
	Interest Income	587,191.78		864,864.00
		587,191.78		864,864.00
4	Personnel Cost			
	Wages for the Staff	3,707,500.00		4,060,400.00
	Expenditure - Employees' Provident Fund	444,900.00		434,400.00
	Expenditure - Employees' Trust Fund	111,225.00		108,600.00
	Cost of Living Expense	694,200.00		-
	Salary Allowance	221,459.92		134,349.16
	Special Allowance	300,000.00		-

	Fuel Allowance	-		19,600.00
	Gratuity Expenses	165,000.00		-
	Employee Welfare	27,016.95		21,714.00
	Telephone Expenses	47,500.00		-
		5,718,801.87		4,779,063.16
		2021		2020
		Rupees		Rupees
5	Administrative Expenses			
	Secretarial fees	172,801.39		58,971.00
	Legal fees	25,000.00		
	Insurance charges	61,159.65		56,880.00
	Telephone charges	132,838.48		147,904.00
	Expenses borne for websites	10,500.00		20,150.00
	Postage and stamp duty	5,745.00		-
	Director Board Allowances	90,000.00		30,000.00
	Fuel and vehicle maintenance expenses	134,274.00		203,945.00
	Computer and Printer maintenance expenses	49,650.00		19,960.00
	Audit fees	185,000.00		-
	Printing and stationery expenses	44,550.00		850.00
	Depreciations	27,343.75		9,679.00
	Travelling expenses	5,544.73		2,082.93
	Other expenses	22,426.00		-
	Expenses for advertisements	59,184.00		-
	Employees' Trust Fund - surcharge	15,723.13		-
		1,041,740.13		550,421.93
6	Sales and distribution expenses			
	Publicity expenses	8,500.79		4,160.00
		8,500.79		4,160.00
7	Financial and other expenditure			
	Employees' Trust Fund - Surcharges	-		1,890.00
	Other expenditure	-		159,575.00
	Bank charges	3,315.00		3,615.00
		3,315.00		165,080.00

8	Receivables			
	Receivable debtor balance	3,422,354.90		2,662,479.00
	Financial advances	313,771.00		182,771.00

		3,736,125.90		2,845,250.00
9	Fixed Deposits			
	Fixed Deposits - Bank of Ceylon	10,000,000.00		10,000,000.00
		10,000,000.00		10,000,000.00
10	Cash and Cash Equivalents			
	Bank balance	53,949.27		71,017.00
		53,949.27		71,017.00
11	Capital Expressed			
	Capital expressed	25,000,010.00		25,000,010.00
		25,000,010.00		25,000,010.00
12	Payables			
	Payable - Employees' Provident Fund	1,395,803.01		945,303.00
	Payable - Employees' Trust Fund	150,361.60		138,287.00
	Payable - Audit fees payable	260,000.00		150,000.00
	Payable - Payable 'Pay As You Earn' taxes	326,000.00		326,000.00
	Payable -Gratuity payable	905,000.00		-
		3,037,164.61		1,559,590.00
13	Adjustments to Previous Year			
	Gratuity	740,000.00		-
	Audit fee	(37,500.00)		-
		702,500.00		

14	Property, Plant and Equipment			
14.1	Cost / Estimation			
		Balance as at 1/1/2021	Additional	Balance as at 31/12/2021
		Rupees	Rupees	Rupees
	Office Equipment			
	Air conditioners	209,000.00		209,000.00
	Binding machine	7,000.00	-	7,000.00
	Other office equipment	55,000.00	-	55,000.00
	Furniture and accessories			

	Furniture and accessories	525,635.00	-	525,635.00
	Vehicles			
	Motor car	3,100,000.00	-	3,100,000.00
	Motor bicycle	199,640.00		199,640.00
	Computer Accessories			
	Computers and Printers	1,223,800.00	125,000.00	1,348,800.00
	Total Assets	5,320,075.00	125,000.00	5,445,075.00
14.2	Cumulative Depreciations			
		Balance as at 1/1/2021	Depreciation	Balance as at 31/12/2021
		Rupees	Rupees	Rupees
	Office Equipment			
	Air conditioners	209,000.00	-	209,000.00
	Binding machine	7,000.00	-	7,000.00
	Other office equipment	55,000.00	-	55,000.00
	Furniture and accessories			
	Furniture and accessories	525,635.00	-	525,635.00
	Vehicles			
	Motor car	3,100,000.00	-	3,100,000.00
	Motor Cycles	199,640.00	-	199,640.00
	Computer Accessories			
	Computers and Printers	1,223,800.00	27,343.75	1,251,143.75
	Total Depreciations	5,320,075.00	27,343.75	5,347,418.75

Audit Report

NATIONAL AUDIT OFFICE

My No.} PSE/D/SLCF/01/21/01 Date} 15th December 2023

Chairman,
Sri Lanka Climate Fund (Pvt.) Ltd.

Financial Statements for the year ending at 31st December 2021 and the Audit Report as per Section 12 of National Audit Act No. 19 of 2018 relating to other legal and regulatory requirements of the Sri Lanka Climate Fund Private Limited

The aforementioned Audit Report has been referred herewith.

W.P.C. Wickramarathne
Auditor General

Copies: 1. Secretary- Ministry of Environment – for your kind information

2.Secretary- Ministry of Finance, Economic Stabilization and National Policies - for your kind information

NATIONAL AUDIT OFFICE

My No.} PSE/D/SLCF/01/21/01 Date } 15th December 2023

The Chairman,

Sri Lanka Climate Fund Private Limited.

Financial Statements for the year ending at 31st December 2021 and the Audit Report as per Section 12 of National Audit Act No. 19 of 2018 relating to other legal and regulatory requirements 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 2021 of the Sri Lanka Climate Fund Private Limited comprising the Statement of Financial Position as at 31st December 2021, 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 relevant to financial statements, 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 2021 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 Sized Entities.

1.2 Basis for Qualified Opinion

(a) Even though the productive life span of Property, Plant and Equipment costing Rs. 5,366,485/- owned by the company has come to an end, it was revealed in audit that the said assets were being used within the year of audit. Accordingly, it was observed that the productive life span of those assets have not been estimated correctly as per Paragraph No. 17.1.9 of Part 17 of Accounting Standards for Small and Medium Sized Entities.

(b) Eventhough the company used the Cab vehicle No. GG-9396, which was valued for a cost of Rs. 2,500,000/- in year 2012, the relevant asset was not revealed under Non-current Assets in the Statement of Financial Position prepared as at 31st December 2021 according to Paragraph No. 19 of Part 2 of Accounting Standards for Small and Medium Sized Entities.

(c) Rupees 43,873/- had been paid on 01st of July 2021 as the Annual Insurance Fee of vehicle No. KJ-4483, and from the said amount, Rs. 14,664/- relevant to year 2022 had been written off as expenditure of the summary year without it being accounted under accrual basis.

(d) Only the amount of Rs. 129,863/- was relevant for year 2021 from the total amount of Rs. 150,000/-, paid to the Sri Lanka Accreditation Board on 01st of July as Annual Accreditation charges for years 2021/2022, the total amount has been accounted as the expenditure of the year under review.

(e) Prior to establishing the company's office in the premises of Ministry of Environment, although it had been established in the premises of Timber Corporation, office rent payable from Year 2017 to year 31st December 2021 totaling to Rs. 1,415,849/- had not been paid to the Timber Corporation. Similarly, provisions had not been allocated from the Financial Statements of Year 2021 in this regard and it was not revealed through the accounting notes.

(f) A sum of Rs. 248,482/- was stated under Operational Expenses as a revenue due from Central Environmental Authority on behalf of providing necessary services for Carbon Footprint System which is a step towards minimizing climate changes. However, a contract was not signed with the Central Environmental Authority on behalf of this program and the company too had not provided this service. According to the above facts, it was revealed in auditing that the company had accounted revenues contrary to Section 23.14 in Part 23 of the Accounting Standards for Small and Medium Sized Entities.

(g) According to Section 16 of Employees' Provident Fund (Amended) Act No. 15 of 1958, although a surcharge of Rs. 259,600/- had been imposed due to delay in payment of contributory money to the Employees' Provident Fund on behalf of year 2021, action was not taken to identify and account the relevant surcharge amount from the Financial Statements of year 2021 . Similarly, due to delayed payment of contributory money relevant to Employees' Trust Fund for year 2021, even though a surcharge of Rs. 29,205/- had to be paid; provisions in that regard were not allocated and accounted.

(h) Seven (07) invoices which were said to have been cancelled in relation to year 2021 were not presented for auditing and the reason for their cancellation was not presented to the audit. The company had not established a proper internal control system relating to revenue collecting and accounting, therefore, the accuracy of the revenue stated as Rs. 7,124,960/- in the Financial Statements of year 2021 could not be verified.

(i) Cash and cash equivalents for the closing date of the year 2020, which was stated as Rs. 10,071,017.45 in the audited financial statements of year 2020, has been stated as Rs. 71,017.45 in the initial balance of cash and cash equivalents for the year 2021.

(j) In the Cash Flow Statement, when calculating the Net Cash Flow generated through operational activities of year 2021, Rs. 702,500/- had been adjusted as error-corrections of the previous year.

(k) According to Section 10.21 (a) of Part 10 of the Accounting Standards for Small and Medium Sized Entities, eventhough it has been stated that the comparative details relating to the previous year should be stated again accurately in the financial statements, when errors of previous years are corrected, the company has not corrected 'gratuity payable' and 'audit fees payable', which are relevant to the error-corrections of year 2020, before presenting them in the financials statement.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). 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 2021

Other Information means the information included in the Company's 2021 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 2021 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 Sized Entities 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

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 Except for the effect created by the facts explained in the part "Basis for Qualified Opinion" in my report, 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 Except for the observations stated in 1.2(i) and 1.2(k) of the part "Basis for Qualified Opinion" in my report, 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.

2.1.3 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 directives or special directives issued by the company's governing body.

	Reference to Rules and Regulations/ Directives	Observations
(a)	Section 16(1) of Employees' Trust Fund No. 46 of 1980	Although the employer should refer the employees' contributory money relevant to each month to the Board on or before the final day of the following month, due to company delaying payment of contributory money, a surcharge of Rs. 15,723/- had to be paid within the year under review.
(b)	(i) Section 120 (j) of the Inland Revenue Act No. 24 of 2017	The money deducted monthly by the employer from employees as Pay As You Earn Tax should be remitted to the Commissioner of Inland Revenue before the 15th day of the following month. However, Rs. 326,000/- deducted as Pay As You Earn Tax from the Chief Executive Officer and Finance Officer who were serving in the company in years

		2015,2016 and 2017, was not remitted to the Commissioner of Inland Revenue.
(c)	Company's Act No. 07 of 2007 - Section 131(1)	i. Although every company should, at least once in every year, submit to the Registrar an annual report including the specific details stated in the Fifth Schedule, the company had not taken action accordingly.
	Section 223(1)	ii. According to this section, eventhough the company should have maintained a document of Directors and Secretaries; action has not been taken accordingly.
	Sub-section 223(2) (a),(b)	iii. Although the Director Board and Secretaries of the company have changed in years 2020 and 2021, measures have not been taken to register the said change as per this Section by way of submitting to the Registrar in prescribed format.
(d)	Circular No. 01/2021 dated 16th November 2021 of Department of Public Enterprises	
	(i) Guideline No. 2.3	Action Plan together with the Combined Plan approved by the Director Board of the Company, Annual Budget document have not been submitted to the Secretary of the Line Ministry and Director General of Department of Public Enterprises.
	(ii) Paragraph No. 02 of Operations Handbook	As per Paragraph 2 of the Operations Handbook, the company had not established operational systems and control mechanisms.
	(iii) Paragraph No. 3.1 (i) of Operations Handbook	Eventhough the number of staff in the company was 08 as at 31st December 2021, measures have not been taken to get the recruitment procedure or carder of the company approved.

(ii) Paragraph No. 6.7 of Operations Handbook	The company has not conducted an annual verification of assets in the year under review.
(iii) Paragraph No. 7.3 of Operations Handbook	The Director Board of the company has not time-appropriately reviewed the basic Key Performance Indicators (KPI) with the approved Action Plan and budget.
(iv) Paragraph No. 7.4 of Operations Handbook	The Director Board has not checked reports relating to company's physical and financial progress, working capital, cash flows, liquidity level and debt position on a monthly basis.
(v) Paragraph No. 7.5 of Operations Handbook	The company has not referred the performance reports prepared on monthly, quarterly and annual basis to the Treasury.

2.2.3 As per the requirement mentioned in Section 12 (g) of the National Audit Act No. 19 of 2018, functioned non-compliant with the company's powers, duties and functions.

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, except in the situation relating to the following observation.

(a) An air-conditioning machine, which is said to have been purchased by the company at a cost of Rs. 209,000/-, is mentioned as fixed in the building where the office of the company was located previously, therefore, it was observed that the said air-conditioning machine is not utilized for activities of the company.

(b) According to Section 4.2 of the Procurement Guidelines, a procurement plan for the year under review had not been prepared. Further, when purchasing computers in the year under review to a value of Rs. 125,000/-, it was observed that a procurement process with a potential to maximize the economy, timeliness and quality of procurement, which is the anticipated objective of 1.2.1 of the Procurement Guidelines, has not been followed.

2.3 Other Matters

(a) Eventhough it was informed on 27th July 2023 to submit information relating to company's financial and physical performance to audit, measures had not been taken to submit information to audit as per Section 38 of the National Audit Act No. 19 of 2018.

Accordingly, the scope of the audit relating to financial and physical performance had been limited.

(b) According to the Guideline 6.6 of Circular No. 01/2021 dated 16th November 2021 of the Department of Public Enterprises, eventhough the draft of the annual report and final accounts should be submitted to the Auditor General within 60 days of the closing down of the financial year, the company has submitted the final accounts of the year under review with a delay of 20 months, that is, on 30th October 2023.

(c) Accounts of non-current assets relevant to Property, Plant and Equipment and depreciation allocation accounts of the said assets were not disclosed in the general ledger and the relevant values were not also shown in the Balance Sheet.

W.P.C. Wickramarathne
Auditor General

Aduit Reply

Auditor General,

National Audit Office,

Dear Sir,

Auditor General's Report in terms of Section 12 of the National Audit Act No. 19 of 2018 on the Financial Statements and other Legal and Regulatory Requirements of the Sri Lanka Climate Fund (Private) Limited for the year ended by 31st December 2021

With regard to your letter No. PSE/D/SLCF/01/21/01 dated November 28th, 2021 regarding the matter mentioned above. I submit herewith the answers to the points mentioned in the said letter.

1.2 Basis for opinion

(a) According to the current financial situation of the company, it is difficult to incur expenses for valuation and revaluation of assets. But since this is very much a compulsory task, I will take measures to complete these activities in the future.

(b) This cab is one registered under the name of the Secretary, Ministry of Environment and measures will be taken to include it into assets after it is acquired by the company.

(c) I will arrange to report such transactions properly in future years.

(d) I will arrange to report such transactions properly in future years.

(e) Due to the financial condition of the company, it has not been possible to settle this amount till now; however, measures will be taken to pay this in future.

(f) I observe that this service has not been performed so far and the Central Environmental Authority has not paid attention to this matter. Therefore, this matter will be investigated further and necessary actions will be taken.

(g) When accounts of future years are prepared, arrangements will be made to make allocations for such transactions.

(h) Copies of 07 invoices cancelled in the year 2021 were not submitted for audit and the value of the submitted invoices was mentioned in the Financial Statements.

(i) In the year 2020, the Fixed Deposit was recorded under Cash and Cash Equivalents and in the year 2021, the Fixed Deposit was recorded under Non-current Assets.

(j) This adjustment has been made on the basis of previous audit observations.

(k) The correct value of gratuity payable and audit fees remitted is shown in the accounts.

Observations on Reference to Rules and Regulations/Directives

(a) This petty cash payment has been recorded in the general cash book. The petty cash book has been maintained using Excel.

(b) Measures will be taken to prevent these delays in the future.

(c) All these payments have already been made to the Department of Inland Revenue and current payments will be duly made without delay.

(d)

(i) The Annual Report of the Year 2020 has already been submitted to the Ministry and measures will be taken in future to submit other Annual Reports without delay.

(ii) This will be investigated and dealt with in the future.

(iii) Proceedings in this regard will be carried out by the Secretary of the company.

(e)

(i) So far the Strategic Plan has been submitted to the Department of Public Enterprises for approval.

(ii) This will be investigated and dealt with in the future.

(iii) After the approval of the strategic plan, approval of staff will be done.

(ii) This will be dealt with in future.

(iii) Performance indicators have been prepared and included in the Corporate Plan and submitted for future review.

(iv) This will be looked into and dealt with in the future.

(v) This report has been submitted to the Ministry.

2.2.4 According to the requirement mentioned in Section 12 (h) of the National Audit Act No. 18 of 2018, apart from the following observation, the company's resources have not been procured and used economically, efficiently and effectively within relevant time periods in accordance to the relevant rules and regulations.

(a) This fixed deposit has been invested to get renewed annually and the company received interest-income according to the respective interest rates in each year. Accordingly, it is hereby informed that the interest rate affecting every year is not 11.75% and the interest rate that the company is entitled to on renewal from 22.06.2023 is 11%.

(b) This air conditioner has been installed in the building where the company's office was located previously. After vacating the building, although arrangements were made to obtain the air conditioner, it has not been possible to obtain it and arrangements are being made to obtain it in the future.

(c) In the future, these procurement activities will be carried out properly

2.3 Other Matters

(a) I will arrange to submit Annual Reports without delay. The Annual Report of the year 2020 has been submitted to the Ministry.

(b) Attention will be paid to this in the future according to the company's sales promotion plans.

(c) I will correct this in the future.

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K.H.M. H.H. Abeyratne

Chief Executive Officer - Acting

Sri Lanka Climate Fund (Private) Limited