



2023

Annual Report

**Sri Lanka Climate
Fund (Pvt.) Limited**

Ministry of Environment

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01. Board of Directors

Review by the Chairman



I am immensely delighted about receiving the opportunity to present a review to the Annual Report of the Sri Lanka Climate Fund (Private) Limited for the year ending at 31st December 2023 and the main objective of this report is to bring an approximate analysis of programs and projects implemented by Sri Lanka Climate Fund (Private) Limited, as well as, to bring an update about the situation related to implementation of the strategic directions.

Sri Lanka Climate Fund (Private) Limited, with the objective of attaining a sustainable environment, has implemented a number of projects and consultancy services and simultaneously, the institution is also engaged in the responsibility of awarding ISO 14064-1:2018 and ISO 14067:2018 conformity certificates to government, semi-government and private institutions. The greenhouse gas emissions, which have been calculated by the respective institutions, will be verified by our institution before issuing these certificates.

“Sri Lanka Carbon Crediting Scheme” is a greenhouse gas emission program implemented by Sri Lanka Climate Fund (Private) Limited under the direct supervision and administration of the Climate Change Division of the Ministry of Environment. This scheme was established in year 2016 to gain financial benefits by minimizing greenhouse gas emissions.

We are very humbly proud about the effort and commitment borne by the Sri Lanka Climate Fund (Pvt.) Limited to transform Sri Lanka into a country that is environmentally friendly, also, to provide the client with a service high in quality.

In programs and projects implemented by the company, the efforts borne by the company to maintain the service chain continuously and optimally as well as to implement efficiently and effectively according to international standards should be appreciated.

In Sri Lanka’s journey towards an economically and sustainably developed country, we are optimistic that we will be able to proceed as a long term surviving company, while contributing to achieve that objective. In the face of various challenges and issues confronting us in future, I believe that the qualified human capital owned by us will be of great potential to work with unflinching courage and commitment to transform Sri Lanka Climate Fund (Private) Limited into a profitable public company.



**Dr. B.M.S.
Batagoda**
Field Specialist



Mr. Venura Fernando
Chairman
Central
Environmental
Authority



Mrs. N.T.
Amarathunga
Deputy Director,
Ministry of Finance

1.1 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 (Pvt.) Limited is a government-owned company registered under Company No. PV 63781 on April 09th 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 the 25th day of September, 2020. The company implements, both locally and internationally, a number of sustainable environmental projects for the public and private sectors. Although it was initiated 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, our 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 and 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 for quantification and verification of greenhouse gas emissions at institutional projects and at production level.
- VI. Providing laboratory services to improve the quality of environment.
- VII. Development and implementation of environmental product marketing programs including Eco-tourism.
- VIII. Development and implementation of Bio-prospecting Program.
- IX. Implementation of sanitary waste disposal development programs.
- X. Development of commercially viable, clinical and hazardous waste incineration and maintaining them.
- XI. Providing any assisting services required by project developers.
- XII. Providing financial support to environment related producers and service developers under fair conditions.
- XIII. Charging a user fee for environmental services and environmental pollution and providing environmental services to selected industrialists and business groups through the financial benefits received
- XIV. Assisting private companies and agencies to promote Green Reporting.
- XV. Investing funds for sustainable development activities.
- XVI. Implementing any type of environmental activities that are connected to environment.
- XVII. Implementing any activity that would transform Sri Lanka into a Green economy .

03. 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. This institution provides guidance to improve the capability for effective, carbon-low solutions, explore innovative strategies to lower carbon emissions and for the optimization of carbon emissions within the existing facilities. Accordingly, by reducing the Environmental Footprint of industries, facilities are provided 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. These certificates are awarded after greenhouse gas emissions calculated by the respective institutions are verified by this company. Sri Lanka Accreditation Board has permitted the company to carry out the aforementioned verification process and it is accepted both locally and internationally. Due to quality verification-service-providing by Sri Lanka Climate Fund (Pvt.) Ltd. to local business institutions, those business institutions' venturing into the 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), registers projects under the Clean Development Mechanism (CMD) of United Nations Framework Convention on Climate Change (UNFCCC) and provides facilities for the validation and verification process for

issuance of Certified Emission Reductions (CER). Also, under energy audit, after conducting an energy audit by experts and technical equipment in the field, how it relates to the environment will be explained and what measures should 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 through Sri Lanka Climate Fund (Private) Limited. Sri Lanka Climate Fund (Private) Limited 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 the 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 Sri Lanka Climate Fund (Private) Limited distributed Greenhouse Verification Certificates for the year 2022 to reputed and branded companies in the market, who have been certified for minimizing greenhouse gas emissions, has been illustrated below.



Arinma Holdings (Pvt.) Ltd
Verification of Greenhouse gases



Hayleys Fabric (Pvt.) Ltd
Verification of Greenhouse gases

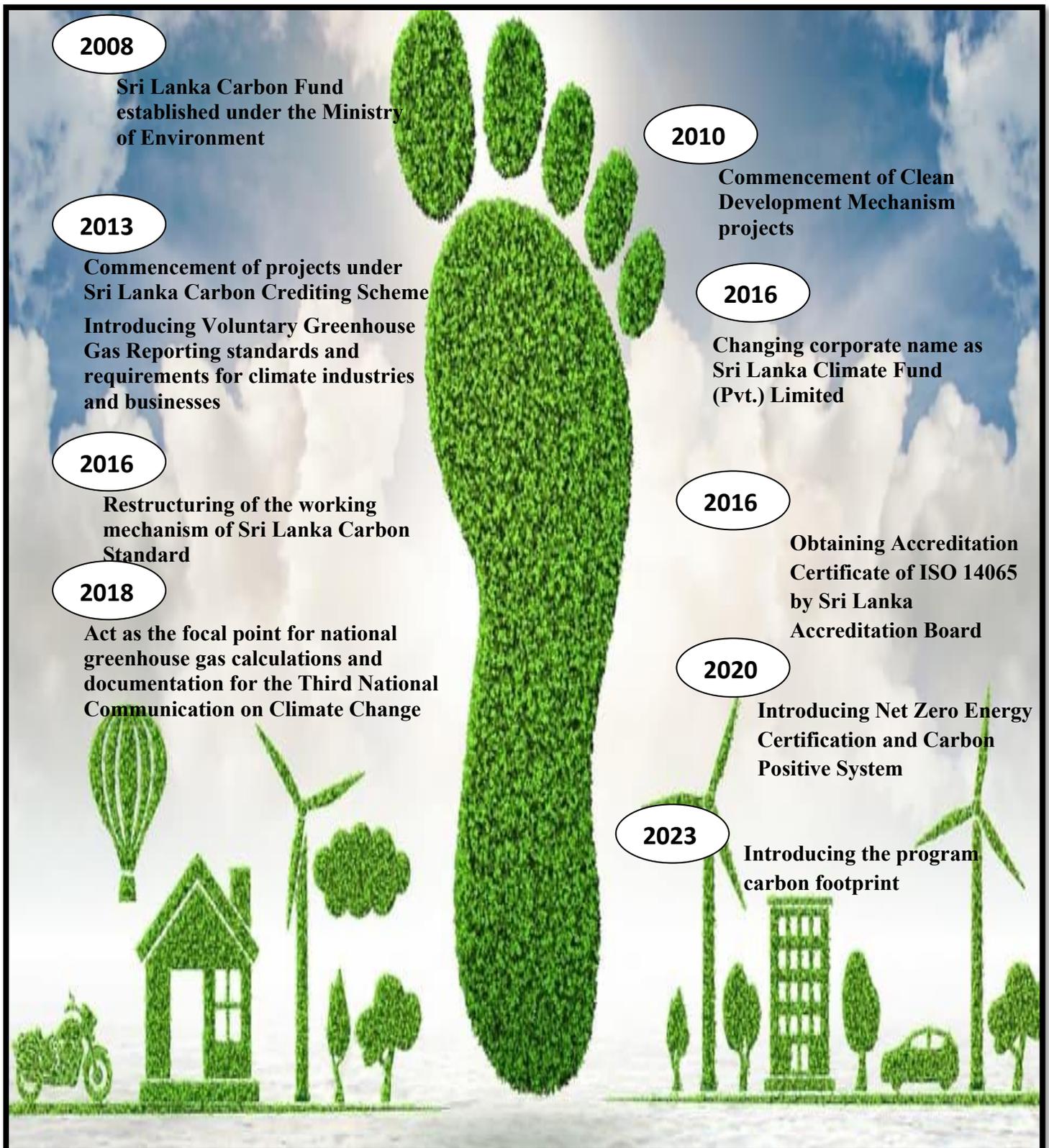


Hatton National Bank
Verification of Greenhouse gases



UniDil Packaging
Verification of Greenhouse gases

04. Corporate Journey



05. 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) (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

5.1 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. Greenhouse gas emission certificates will be awarded after verifying the greenhouse gas emissions, which have been calculated by those institutions. The company has been granted permission by the Sri Lanka Accreditation Board for the aforementioned verification process. Greenhouse gas emissions are calculated annually and a third-party verification gives value to those institutional information.

5.1.1 Annual Progress in Greenhouse Gas Verification Sector - 2023

No.	Project	Progress
Institutional level of the Greenhouse Gas Emission Declaration Verification		
01	Lanka Tobacco Company	Completed
02	Commercial Bank	Completed
03	Elpitiya Plantations	Completed
04	Knorr Lanka (Pvt.) Limited	Completed
05	Ceylinco Life Insurance Limited	Completed
06	BoardPAC (Pvt.) Limited	Completed
07	Bank of Ceylon - 2022	Completed
08	Talawakele Tea Estate	Completed
09	Cargills Quality Confectionaries (Pvt.) Limited	Completed
10	Textrip (Pvt.) Limited	Completed
11	Citizens Development Business Finance PLC	Completed
12	Cargills Food Company P.L.C	Completed
13	EB Crissy and Corporation	Completed
14	Seylike (Pvt.) Limited	Completed
15	Bogawanthalawa Tea Estate	Completed
16	Horana Plantations PLC	Completed
17	Sri Lanka Insurance Corporation	Completed
18	Dilma Ceylon Tea (Pvt.) Limited	Completed
19	Maliban Biscuits Company	Completed
20	Jafferjee Brothers Pvt. Ltd	Completed
21	Korean SPA Accessories (Pvt) Ltd.	Completed
22	Noritake Porcelain Private Limited	Completed
23	Global Sea Foods (Pvt.) Ltd	Completed
24	National Development Bank - 2022	Completed
25	Amazon Trading (Pvt.) Ltd	Completed
26	RECYplus (Pvt.) Ltd	Completed
27	ATIRE Pvt. Ltd.	Completed
28	MAS Holdings-MAS Capital (Pvt.) Ltd	Completed

29	M J International (Pvt.) Ltd.	10% Completed
30	MAS Capital (Pvt.) Ltd.	10% Completed
31	Trischel Fabric (Pvt.) Ltd	20% Completed
32	Stretchline (Pvt.) ltd	10% Completed
33	Kelani Valley Plantations (Pvt.) Ltd.	40% Completed
34	UniDil Packaging (Pvt.) Ltd.	30% Completed
35	Cargills Quality Foods (Pvt.) Limited	10% Completed
36	Ethimale Plantations	Remained at contract level
37	LINK Natural (Pvt.) Limited	Remained at contract level
38	Salike - UK	Remained at contract level
39	University of Colombo	Remained at contract level
40	Scanwell Logistics (Colombo) Pvt. Ltd.	Remained at contract level
41	National Development Bank - 2023	Remained at contract level
42	Hatton National Bank	Remained at contract level
43	Commercial Bank PLC	Remained at contract level
44	Bank of Ceylon - 2023	Remained at contract level
45	BoardPAC (Pvt.) Ltd.	Remained at contract level
46	Nature's Beauty Creations (Pvt.) Ltd.	Remained at contract level
47	Nobleswear (Pvt.) Ltd.	Remained at contract level
48	Rich Light Exports (Pvt.) Ltd.	Remained at contract level
49	Rainbow Fashions	Remained at contract level
50	LOLC Holdings	Remained at contract level
51	Lanka IOC (Pvt.) Ltd.	Remained at contract level
52	Dipped Products (Pvt.) Ltd.	Remained at contract level
53	Lankem Ceylon PLC	Remained at contract level
54	Nations Trust Bank	Remained at contract level
55	Headstart Pvt. Ltd	Remained at contract level
56	Siam City Cement Lanka Limited - INSEE	Remained at contract level
57	Urban Council - Kuliyaipitiya	Remained at contract level
58	Ananda College – Maradana	Remained at contract level

5.2 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.

5.2.1 Annual Progress of Sri Lanka Carbon Crediting Scheme

No.	Project	Progress
Annual Progress of Sri Lanka Carbon Crediting Scheme		
01	Bogo Power Pvt. Ltd.	Completed
02	Dilma Tea Pvt. Ltd.	Completed
03	Waverley Pvt. Ltd.	Completed
04	Lankem Ceylon Pvt. Ltd.	Completed
05	Bogawanthalawa Tea Plantations Corporation	Completed
06	National Water Supplies and Drainage Board	Completed
07	Horana Plantations Pvt. Ltd	Completed
08	Anunine Holdings Pvt. Ltd.	Completed
Projects of Sri Lanka Carbon Crediting Scheme the remained at discussion level		
01	Talawakelle Tea Estates PLC	Remain at discussion level
02	Pothotuwa Tea Factory	Remain at discussion level
03	Unidil Packaging Pvt. Ltd.	Remain at discussion level
04	K.D. Ebert and Sons Pvt. Ltd.	Remain at discussion level
05	LOLC Pvt. Ltd.	Remain at discussion level
06	Hayleys - Solar	Remain at discussion level
07	Dipped Products PLC	Remain at discussion level

5.3 Clean Development Mechanism(CDM)

Sri Lanka Climate Fund (Private) Limited encourages and provides facilities for investors to use Clean Development Mechanism to minimize greenhouse gas emission through utilization of renewable energy.

It also 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 (Private) Limited prepares Project Design Documents (PDD) and the Monitoring Reports (MR).

5.3.1 Annual Progress in Clean Development Mechanism

No.	Project	Progress
Annual Progress in Clean Development Mechanism		
01	Small Scale Hydroelectric Power Project	Supervision reports have been forwarded to the United Nations Framework Convention on Climate Change (UNFCCC)
02	Bulathawaththa Project	
03	Maskeliya Oya Project	
04	Dambulu Oya Project	
05	Moragaha Oya Project	
06	Gomale Oya Project	

5.4 Net Zero Energy Certification

Net Zero Energy concept is the type of energy use where energy conservation efficiency and on-site renewable generation are achieved 100% 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.

Institutions that own renewable energy production projects that exceeds the non-renewable energy use become eligible for Net Zero Energy Certification. As benefits of this certification:

- Through the use of renewable energy, being able to reduce greenhouse gas emissions caused by energy use.

- Organizations, investors and consumers receive the opportunity to engage in environmentally friendly businesses
- Organizations producing renewable energy in excess of their 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 the dependence on fossil fuel-based energy, and energies that have a market with rapidly changing prices and supply.
- Create a competitive environment for development in the country and increasing the expansion of long-term renewable energy industries.

5.5 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 and services of institutions, it has been possible to offset their greenhouse gas emissions. Furthermore, by focusing annually on the greenhouse emissions of their operational activities in order to obtain the Climate Positive Certification, the institution gets the opportunity to understand their annual greenhouse gas emission, as well as, after verification, to sell the excess amount.

Key compliances required for this certification:

- Desired Quantitative Greenhouse Gas Emissions Certificate (verified by a recognized third party)
- Development of Carbon Management Projects by the intended party and their emission reduction 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 afforestations and reforestations
- Energy efficiency and conservation
- Minimize waste, reuse and recycle

5.6 Environmental Consultation 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.

5.7 Project Financial Management

Sri Lanka Climate Fund (Pvt.) Limited manages various environmental and climate change related projects and fund management for projects. 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
- Environmental engineering
- Improvement of MRV systems
- Community development
- Social studies

06. Financial Progress

6.1 Statement of Financial Position as at 31st December 2023

SRI LANKA CLIMATE FUND (PVT) LTD

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2023

	Notes	2023 Rs.	2022 Rs.
ASSETS			
Non Current Assets			
Property, Plant, Equipment	14	✓ 601,498.19	843,242.19
Fixed Deposit			
Fixed Deposit	9	✓ 10,000,000.00	10,000,000.00
Current Assets			
Curtains		-	-
Prepayments	15	25,129.26	-
Trade & Other Receivables	8	17,827,274.44	5,255,567.80
Cash & Cash Equivalents	10	550,957.73	198,459.66
		<u>18,403,361.43</u>	<u>5,454,027.46</u>
Total Assets		<u>29,004,859.62</u>	<u>16,297,269.65</u>
EQUITY & LIABILITIES			
Equity			
Stated Capital	11	✓ 25,000,010.00	25,000,010.00
Retained Profit/(Loss)		✓ 1,967,142.46	(11,619,371.38)
Total Equity		<u>26,967,152.46</u>	<u>13,380,638.62</u>
Non Current Liabilities			
Current Liabilities			
Other Payables	12	2,037,707.40	2,916,630.43
Total Equity & Liabilities		<u>29,004,859.86</u>	<u>16,297,269.65</u>

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 1 to 13 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.

.....
Manager - HR and Finance

.....
Chief Executive Officer

.....
Chairman

The board of directors is responsible for the preparation and presentation of these financial statements as per the companies Act No.07 of 2007.

Approved and signed for and on behalf of the board.

.....
Director

4

.....
Director

6.2 Comprehensive Income Statement for the Year Ended at 31st December 2023

Sri Lanka Climate Fund (Pvt.) Ltd.			
Comprehensive Income Statement			
31 st December 2023			
		2023	2022
	Notes	Rupees	Rupees
Revenue	1	27,460,515.67	14,030,203.36
Expenses Relating to Projects	2	(4,143,208.08)	(4,435,591.61)
Gross Profit		23,317,307.59	9,594,611.75
Other Revenue	3	1,080,136.96	832,397.26
		24,397,444.55	10,427,009.01
<u>Deductions:</u>			
Personal Cost	4	8,550,679.24	6,529,800.86
Administrative Cost	5	2,342,513.01	1,361,981.34
Sales and Distribution Cost	6	9,350.00	-
Financial and Other expenses	7	12,175.00	5,155.00
		10,914,717.25	7,896,937.20
Profit/ (Loss) before Tax		13,482,727.30	2,530,071.81
Taxation			-
Profit/ (Loss) before Tax		13,482,727.30	2,530,071.81
Other Comprehensive Revenue			-
Total Comprehensive Revenue		13,482,727.30	2,530,071.81

6.3 Statement of Equity as of December 31st, 2023

	Note	Profit/(Loss) of Retains (Rs.)	Capital Expressed (Rs.)	Total (Rs.)
Initial Balance as at 01 st January 2023		(14,149,443.19)	25,000,010.00	10,850,566.81
Profit/(Loss) for the year		2,530,071.81		2,530,071.81
Adjustments of previous year	13	107,780.54		107,780.54
Adjustments of previous year - Depreciations		(3,994.00)		(3,994.00)
Balance as at 31 st December 2023 (Final Balance)		(11,515,584.84)	25,000,010.00	13,484,425.16
Balance as at 01 st January 2023		(11,515,584.84)	25,000,010.00	13,484,425.16
Profit/(Loss) for the year	13	13,482,727.30		13,482,727.30
Balance as at 31 st December 2023		1,967,142.46	25,000,010.00	26,967,152.46

6.4 Statement of Cash Flow for the year ending at 31st December 2023

Sri Lanka Climate Fund (Pvt.) Ltd.			
Statement of Cash Flow			
31 st December 2023			
	2023		2022
	Rupees		Rupees
Cash Flow Statement –operational activities			
Net profit/(Loss) before taxation	13,482,727.30		2,530,071.81
<u>Adjustments</u>			
Depreciations	237,750.00		80,414.06
<u>Adjustments with the previous year</u>	107,780.54		0
	13,828,257.84		2,610,485.87
<u>Changes in Working Capital</u>			
Increases/ (decreases) and other receivables	(12,571,707.64)		(1,519,441.30)
(Increases) / Decreases Fund Management	(25,129.26)		
(Increases) / Decreases Other payables	(878,923.03)		(120,534.18)
	(13,475,759.93)		(1,639,975.48)
<u>Net cash flow – from operational activities</u>	352,498.07		970,510.39
Cash flow statement- Investment Activities			
Purchasing of fixed assets	-		(826,000.00)
Net Cash Flow - Investment Activities	-		(826,000.00)
Increases/ (Decreases) in Cash and Cash Equivalents	352,498.07		144,510.39
Cash and cash equivalents at the commencement of the year	198,459.66		53,949.27
Cash and cash equivalents at the end of the year	550,957.73		198,459.66

6.5 Detailed Notes to Financial Statements as at 31st December 2023

Sri Lanka Climate Fund (Pvt.) Ltd.			
31 st December 2021			
Detailed Notes to Financial Statements			
		2023	2022
		Rupees	Rupees
1	<u>Revenue</u>		
	Greenhouse Gas Verification Revenue	13,944,976.75	10,295,212.95
	Training and Workshops Revenue	-	495,080.00
	Sri Lanka Carbon Crediting Scheme Project Revenue	2,243,797.50	2,262,990.41
	Consultancy Services Revenue	-	976,920.00
	Water Footprint Revenue	460,157.25	-
	Training and Workshops Revenue	294,500.00	
	Projects based on science	404,750.00	
	Project Management Revenue	9,718,261.67	
	Other Revenue	394,072.50	
		27,460,515.67	14,030,203.36
2	<u>Direct Expenses for Projects</u>		
	Project Expenses - Carbon Footprint	1,245,691.91	150,000.00
	Project Expenses - Expenses for Sri Lanka Accreditation Board	288,000.00	-
	Project Expenses - Sri Lanka Carbon Credit Scheme	291,575.17	-
	Expenses for Training and Workshops	299,372.00	92,222.00
	Expenses for Water Footprint	115,000.00	-
	Expenses for projects based on science	15,000.00	-
	Project Expenses	1,378,569.00	68,000.00
	Forest cultivation project expenses	510,000.00	
		4,143,208.08	4,435,591.61
3	<u>Other Revenue</u>		
	Interest income	1,080,136.96	832,397.26
		1,080,136.96	832,397.26

		2023	2022
		Rupees	Rupees
4	<u>Personnel Cost</u>		
	Wages for the Staff	4,557,237.10	3,909,360.12
	Expenses for Employees' Provident Fund	571,322.67	481,800.00
	Expenses for Employees' Trust Fund	143,359.62	120,450.00
	Cost of Living Expense	850,451.61	746,362.50
	Salary Allowance	360,500.00	454,109.92
	Allowances for acting in posts	420,260.18	-
	Special Allowance	300,000.00	300,000.00
	Gratuity Expenses	178,750.00	144,280.82
	Telephone Allowances	205,306.45	-
	Other Allowances	505,161.29	373,437.50
	Vehicle Allowances	225,806.45	
	Fuel Allowances	232,523.87	-
		8,550,679.24	6,529,800.86
5	<u>Administrative Expenses</u>		
	Secretarial fees	134,108.10	-
	Legal fees	-	22,500.00
	Insurance charges	72,539.70	91,071.76
	Telephone charges	124,991.97	156,655.16
	Expenses for Websites	15,500.00	25,000.00
	Postage and Stamp fees	6,735.00	14,345.00
	Director Board Allowances	127,500.00	30,000.00
	Fuel and vehicle maintenance expenses	307,470.00	256,831.00
	Computer and Printer maintenance expenses	112,125.00	199,119.39
	Audit fees	182,160.00	182,160.00
	Printing and stationery expenses	366,650.00	55,424.00
	Depreciation expenses	237,750.00	80,414.06
	Travelling expenses	19,235.92	28,859.53
	Other expenses	18,275.00	90,540.17
	Translation cost	33,111.87	6,452.25
	Expenses for advertisements	73,140.00	72,688.00
	Foreign tour expenses	62,875.00	24,000.00
	Employee welfare	7,225.75	25,921.02
	Annual Return	13,375.70	-
	Expenses for CSR Activities	17,100.00	-
	Life Insurance Expenses	215,644.00	-
	Staff Training Expenses	45,000.00	-

		2023	2022
		Rupees	Rupees
	Executive Board Expenses	75,000.00	-
	Expenses for Audit Management Meeting Allowances	75,000.00	-
		2,342,513.01	1,361,981.34
6	<u>Sales and Distribution Expenses</u>		
	Advertising Expenses	9,350.00	-
		9,350.00	
7	<u>Financial and Other Expenses</u>		
	Bank charges	12,175.00	5,155.00
		12,175.00	5,155.00
8	<u>Receivables</u>		
	Receivable Debtor Balance	15,214,503.44	4,458,796.80
	Financial advances	2,612,771.00	796,771.00
		17,827,274.44	5,255,567.80
9	<u>Fixed Deposits</u>		
	Fixed Deposit - Bank of Ceylon	10,000,000.00	10,000,000.00
		10,000,000.00	10,000,000.00
10	<u>Cash and Cash Equivalents</u>		
	Bank Balance	550,957.73	198,459.66
		550,957.73	198,459.66
11	<u>Capital Expressed</u>		
	Capital Expressed	25,000,010.00	25,000,010.00
		25,000,010.00	25,000,010.00

12	<u>Payables</u>			
	Payables - Employees' Provident Fund	306,412.82		983,028.01
	Payables - Employees' Trust Fund	125,561.76		191,161.60
	Payable Audit Fees	367,160.00		367,160.00
	Payable 'Pay As You Earn' taxes	10,542.00		326,000.00
	Payable gratuity	1,228,030.82		1,049,280.82
		2,037,707.40		2,916,630.43
13	<u>Adjustments to Previous Year</u>			
	Gratuity	-		740,000.00
	Audit fee	-		(37,500.00)
	Expenses for Sri Lanka Accreditation Board	36,000.00		
	Expenses for Board of Directors	7,500.00		
	Post Box Expenses	5,000.00		
	Fuel and Vehicle Maintenance Expenses	18,500.00		
	Employees' Trust Fund	2,025.00		
	Insurance	38,755.54		
		107,780.54		702,500.00

14	<u>Property Plants and Equipment</u>			
14.1	<u>Cost / Estimation</u>			
		Balance as at 01/01/2023	Additional	Balance as at 31/12/2023
		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			
	Car	3,100,000.00	-	3,100,000.00
	Motor Cycle	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	<u>Cumulative Depreciations</u>			
		Balance as at 01/01/2023	Depreciation	Balance as at 31/12/2023
		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			
	Car	3,100,000.00	-	3,100,000.00
	Motor Cycle	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

07. Auditor General's Report

(English Translation of the Audit Report)

NATIONAL AUDIT OFFICE

My No. } PSE/D/SLCF/02/23/01
2024/20

Date } 31st December 2024

The Chairman,
Sri Lanka Climate Fund (Private) Limited.

Financial Statements for the year ending at 31st December 2023 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 2023 of the Sri Lanka Climate Fund Private Limited comprising the Statement of Financial Position, Comprehensive Income Statement and Statement of Equity for the year ending by the same date inclusive of Cash Flow Statement and notes relevant to financial statements as at the year ending by the same date together with the 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 2023 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 Lanka Accounting Standards for Small and Medium Sized Entities.

1.2 Basis for the Qualified Opinion

(a) The company had entered into agreements with customers in the delivery of services, which was the main source of company's income, and although it was stated in those agreements that 40 percent of the contracted income should be paid as Mobilization Advance and the remaining 60 percent should be paid upon issuance of service certificates, it was observed that the company recognized the entire income at the time of entering into the agreement when recognizing service

- provision income. Accordingly, the prudence of the income of Rs. 27,460,515/- included in the financial statements for the year 2023 was not confirmed. Of this income, the amount of services that had not been provided and completed as of December 09th, 2024 was Rs. 7,179,662/-. Accordingly, it was observed that in recognizing income, the procedure was not followed in accordance with paragraph 23.14 of the Accounting Standards for Small and Medium Sized Entities.
- (b) The audit observed that the useful lives of the property, plant and equipment owned by the company, which cost Rs. 5,320,075/-, had expired, but those assets were still being used during the current year. Accordingly, it was observed that the useful lives of those assets had not been estimated correctly in accordance with paragraph 17.19 of Part 17 of the Accounting Standards for Small and Medium-sized Entities.
- (c) In relation to years 2021, 2022 and 2023, a surcharge of Rs. 507,700/- was imposed for the delay in payment of contributory money for the Employees' Provident Fund and a surcharge of Rs. 64,804/- was imposed for the period of 2021, 2022 and up to the month of June in 2023 for the delay in making contributory money to the Employees' Trust Fund, but the company had not taken steps to account for and pay the said surcharges.
- (d) In contravention of Section 7.8 of the Sri Lanka Accounting Standards for Small and Medium Sized Enterprises, the Company had not adjusted the value of the gratuity allocation amounting to Rs. 178,750/- as a non-cash item in the cash flow statement prepared using the indirect method in the adjustment to the net profit or loss from operating activities.
- (e) Although the Company was required to recognize a tax expense of Rs. 4,112,708/- for the year under review on its income as per Section 29.6 of the Sri Lanka Accounting Standards for Small and Medium Sized Enterprises, it had not taken steps to recognize that tax liability in the financial statements.
- (f) The Company had not recognized and accounted for the relevant withholding tax amount of Rs. 56,849/- as an expense while recognizing the relevant interest income of Rs. 1,080,137/- stated in the financial statements during the year under review.
- (g) In terms of Section 47 of the Employees' Provident Fund Act, No. 15 of 1958 and in terms of Section 16(1) of the Employees' Trust Fund Act, No. 46 of 1980, the basic salary of the employee and the approved allowances should also be taken into account in calculating the contributions to the respective Funds. However, since the beginning, the Company had taken into account only the basic salary of the employee in calculating the contributions to the Employees' Provident Fund and the Employees' Trust Fund and had not taken into account the allowances such as cost of living allowance, special allowance and telephone allowance. Accordingly, the under-calculated Employees' Provident Fund and Employees' Trust Fund contributions for the year under review alone were Rs. 270,566/- and Rs. 40,268 respectively.
- (h) The company had not made any provision for doubtful debts and bad debts during the year under review as stipulated in the accounting policies.

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 2023

Other Information means the information included in the Company's 2023 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 2023 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**

As a whole, my objective is to provide reasonable assurance as to the absence of material misstatements in financial statements which would result from frauds and errors, and, to issue the audit report containing my opinion. Reasonable assurance is a high level of assurance, but it will not be an assurance that material misstatements will always be detected when conducting an audit in accordance with Sri Lanka Auditing Standards. Fraud and errors, individually or collectively, may result in material misstatements, the materiality of which depends on the effect on the economic decisions made by users based on 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 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, and, according to my investigation, proper financial records had been maintained by the Company;
- 2.1.2 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 Section 6(i)(d)(iv) of National Audit Act No. 19 of 2018, except the observations stated in my report under 1.2 (c) ‘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

Non-conformation

(a) **Company's Act No. 07 of 2007**

(i) **Section 131(1)**

Although a company is required to submit an annual report in the prescribed form to the Registrar once a year, stating the company's issued share capital, total number of shares issued by the company, number of shares forfeited, date of incorporation of the company and address of its office according to the 5th Schedule of the Act, the company has not submitted such a report after the year 2020.

- (ii) **Section 223(1)** Every company is required to keep a register of the current names and surnames, residential addresses and occupations of its directors and secretaries at its registered office or at such other place as may be notified to the Registrar under section 116, but the company had not maintained such a register.
- (b) **Section 93 (1) of the Inland Revenue Act No. 24 of 2017** Subsequent to the end of each assessment year, within a period not exceeding 8 months therefrom, an income statement for the relevant assessment year should be submitted to the Commissioner General of Inland Revenue. However, the income report for the year 2023 was not filed with the Commissioner General of Inland Revenue even by the 10th of October 2024.
- (c) **Circular No. 02/2022 dated 28th January 2022 of Department of Public Enterprises** Contrary to the provisions of the circular, an amount of Rs. 166,306/- was given as telephone allowance during the year under review in respect of non-executive positions.
- (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) **Guideline No. 4.2 (h)** Even though it has been stated that the Audit Meeting should be conducted at least every three months, only 02 audit meetings had been conducted in year 2023.
- (iii) **Guideline No. 6.6** Although the draft annual report and final accounts should be submitted to the Auditor General within 60 days of the end of the financial year, the company submitted the final accounts for the year under review 7

months late, i.e. on 3rd September 2024.

- | | |
|---|--|
| <p>(iv) Paragraph No. 2 of Operations Handbook</p> | <p>The company had not established operating systems and control procedures as per paragraph 2 of the operations handbook.</p> |
| <p>(v) Paragraph No. 7.3 of Operations Handbook</p> | <p>The Director Board of the company has not time-appropriately reviewed the basic Key Performance Indicators (KPI) with the approved Action Plan and budget.</p> |
| <p>(vi) Paragraph No. 7.4 of Operations Handbook</p> | <p>Although the reports related to the company's physical and financial progress, working capital, cash flows, liquidity level and debt position should be reviewed monthly by the Board of Directors, the company had not prepared those reports.</p> |

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

2.3 Other Matters

Since 2012, although the company had been using an eco-friendly vehicle owned by the Ministry of Environment valued Rs. 2,500,000/-, no steps had been taken by the company to take possession of it up to the date of the audit.

Sgd./ Illegibly

W.P.C. Wickramarathne

Auditor General