SRI LANKA CASHEW CORPORATION

ANNUAL REPORT
2020

Chairperson's Message

At the moment, I am pleased to pen a message on the set of development programmes implemented in the year 2020 by the Sri Lanka Cashew Corporation, which is approaching its 50th year, while introducing value-added cashew products, carrying out cashew cultivation expansion activities, encouraging cashew research and development activities to uplift local cashew cultivation by making an immense contribution to the development of the local plantation crop sector.

The cashew plant, which originated in Northeast Brazil, was introduced to Sri Lanka by the Portuguese through Goa, state of the India in the 16th century. It was originally cultivated in the North western coastal belt of Sri Lanka, and later became popular as a crop that can be grown in dry zones. At present, it can be introduced as a commercially viable crop with high agricultural potential.

After achieving the independence by Sri Lanka, those who were engaging in agriculture sector focused on cashew cultivation, and the cashew industry became more popular especially after the establishment of the Sri Lanka Cashew Corporation in 1973. Development of cashew industry is mainly entrusted to the Sri Lanka Cashew Corporation.

At present, cashew kernel-based foods are especially used for sweets, cakes, curries, during the Sinhala New Year and Christmas season and the Cashew Nut Shell Liquid can be used as a raw material to manufacture lacquer, paint, and plastic.

There is a huge demand for cashew kernel and cashew nut-based products in the domestic as well as foreign market. Sri Lankan cashew nuts are in high demand in the global market due to their ivory colour, bigger size, and sugary coating around the cashew kernel, and no sufficient cashew nuts are produced to meet the demand. Annual demand for cashew nuts in shell is around 25,000 metric tons, while production is about 12,000 metric tons. This situation has adversely affected the export promotion.

In the year 2019, the yield of cashew nuts in shell in Sri Lanka was 12,000 metric tons, and it is 12,250 metric tons in the year 2020. This is an achievement despite the global COVID-19 pandemic this year. This is a growth of 2% compared to the year 2019. This year, the export volume was 34.31 metric tons and the export value was Rs.81.13 million.

During the year 2020, the Sri Lanka Cashew Corporation was able to provide all the services and maintain the commercial activities in a very satisfactory manner and I convey my heartfelt thanks and gratitude to the Board of Directors for their cooperation extended to me for the purpose.

In particular, all the staff, including the General Manager, Deputy General Manager and Assistant General Managers, worked with great dedication to maintain all the activities of the Corporation with high productivity and efficiency, and I appreciate their services as well.

It was able to make this achievement due to the commitment and cooperation extended to me by all the stakeholders including small scale manufacturers, exporters of cashew products, cashew smallholders, government and non-governmental organizations, and it is also highly appreciated.

As well, I convey my heartfelt thanks for the guidance provided us by the Hon. Ramesh Pathirana, the Minister of Plantation Industries and Hon. Janaka Wakkumbura, State Minister of Development of Minor Crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, Betel Related Industries and Export Promotion and the Secretaries and the staff of the Ministries.

Saranga Rathnayaka, Attorney-at- Law
Chairperson
Sri Lanka Cashew Corporation

Contents **Page No.**

1. Corporate Profile/ Execution Summary

1.1 Introduction

1.1.1 Establishment of Sri Lanka Cashew Corporation

Sri Lanka Cashew Corporation was established under the provisions of the State Agricultural Corporations Act No. 11 of 1972 as per the Gazette Extraordinary No. 60/7 dated 25th May 1973. The Corporation has been functioning as a public enterprise since its inception, providing all services to the cashew industry while carrying out commercial activities at a profitable level.

1.1.2 Vision, Mission, Targets and Objectives of the Corporation

1.1.2.1 Vision

Making Sri Lanka one of the leading cashew exporters in the world by producing the best quality cashews.

1.1.2.2 Mission

Developing the cashew industry to achieve long-term commercial viability by providing professional guidance to farmers and relevant stakeholders to improve cashew cultivation, production, processing technology, value addition, research and marketing promotion.

1.1.2.3 Targets and Objectives

Improving the effectiveness of expansion, processing, marketing and certification of cashew production in Sri Lanka for a globally recognized brand and high export capacity.

- Increasing the yield through expanding the cultivation.
- Improving the productivity in the cashew processing industry and the estates.
- Establishing a globally recognized brand for Sri Lankan Cashew.
- Value addition and new product development.

- Cashew export promotion.
- Making Sri Lanka the number one cashew producer.
- Becoming a self-sufficient profit making State Corporation.

1.1.2.4 Functions of the Cashew Corporation under the First Schedule to the State Agricultural Corporations Act

(a) Providing instructions for formulation and implementation of plans related to cultivation, processing and marketing of cashew and processing and marketing of cashew products.

(b) Carrying out activities related to cultivation, processing and marketing of cashew and processing and marketing of cashew products.

(c) Conducting investigations and research with the intention of expanding cultivation, processing and marketing of cashew and processing and marketing of cashew products.

(d) Collecting, preparing, publishing and disseminating technical, marketing and other information pertaining to the cultivation, processing and marketing of cashew and processing and marketing of cashew products and co-operating with others in such activities.

(e) Determining the locations, sizes and technical standards of factories to be set up for the processing of cashew and cashew products and establishing new factories and making the existing factories operational when required.

(f) Purchasing, distributing, selling and exporting cashew and cashew products.

(g) Providing facilities for training of the required persons to carry out the works related to cultivation, processing and marketing of cashew and processing and marketing of cashew products.

(h) Establishing the apex body required for the development of cashew cultivation, processing facilities and marketing and assisting in their establishment.

(i) Taking measures as may be deemed necessary for the promotion and sale of cashew products, increasing the existing demand for the products in the global market and financing the promotional activities for the purpose or related incidental works, supervising such activities and initiating to assist the activities and sponsoring them.

2. Organizational Structure of Sri Lanka Cashew Corporation

2.1 Board of Directors

Serial No.	Name	Position
01.	Mrs. R.A.S.K. Saranga Ratnayake	Chairperson
02.	Mrs. Ashoka Lankathilaka	Deputy Chairperson
03.	Mrs. S.K. Karunatunga	Board Member (Representative of the General Treasury)
04.	Mr. C.C. Muhandiramge	Member of the Board of Directors (Representative of the Ministry in charge of the subject)
05.	Mr. Upali Waduarachchi	Member of the Board of Directors
06.	Mr. Chamara Subasinghe	Member of the Board of Directors
07.	Mr. I.W.A. Saman Kumara	Member of the Board of Directors
08.	Mr. D. Medagedara	General Manager, Secretary to the Board of Directors

Table 2.1: Members of the Board of Directors from 01.01.2020 to 31.12.2020

2.2 **Audit and Management Committee of Sri Lanka Cashew Corporation**

Serial No.	Name	Position
01.	Mrs. S.K. Karunatunga	Committee Chairperson, Board Member - General Treasury Representative (From 01.01.2020 to 25.06.2020)
02.	Mr. C.C. Muhandiramge	Committee Chairman, Board Member (Representative of the Ministry in charge of the subject) (From 26.06.2020 to 31.12.2020)
03.	Mr. Chamara Subasinghe	Committee Member, Board Member
04.	Major D. Medagedara	General Manager, Committee Secretary
05.	Mr. V.U. Liyanage	Assistant General Manager - Internal Audit
06.	Mr. G.L. Rubasinghe	Committee Observer, Audit Superintendent (National Audit Office)

Table 2: Audit and Management Committee 2020

2.3 **Top Management of Sri Lanka Cashew Corporation**

i). Major D. Medagedara - General Manager

ii). Mr. P.B. Kodikara - Deputy General Manager

2.4 **Middle Management Staff of Sri Lanka Cashew Corporation**

i). Mr. M.T.S.K. Peiris - Assistant General Manager- Finance

ii). Mr. G.B.B. Surendra - Assistant General Manager - Extension and Research

iii). Mr. V.U. Liyanage - Internal Audit

iv). Mr. R.M.P. Jayathissa - Assistant General Manager - Marketing and Processing

v). Mr. P.M.A.P.K. Wijetunga - Assistant General Manager - Plantations

2.5 Organizational Structure of Sri Lanka Cashew Corporation

Sri Lanka Cashew Corporation has 07 divisions, and each of the divisions and the responsibilities of each division are given below.

01. Extension and Research Division
02. Administration Division
03. Finance Division
04. Internal Audit Division
05. Plantation Division
06. Marketing and Processing Division
07. Policy and Planning Division

2.5.1 Extension and Research Division

The Extension Division and the Research Division function under one Assistant General Manager and the functions of the Divisions are given below

2.5.1.1. Extension Division

- Assisting the farmers to expand the cashew cultivation and increase the crop productivity.
- Identifying and addressing the issues and constraints faced by the farmers.
- Improving productivity through conducting awareness programmes to conserve the natural environment and promote co-existance.
- Coordinating government and non-governmental organizations for the development of cashew cultivation.
- Enhancing the processing of cashew kernels and creating awareness among the cashew growers and cashew processors.

2.5.1.2 Research Division

- Introducing new high yielding cashew varieties resistant to various climatic changes and with a minimum use of chemical fertilizers and insecticides.

- Making the farmers aware of the use of advanced technology to achieve higher productivity while ensuring the environmental conservation.
- Paying special attention on productivity improvement, value addition, post-harvest technology and packaging to meet the consumer requirement.

2.5.2 Administration Division

- Increasing profitability by improving the efficiency and productivity of the functions of the Corporation through providing services to farmers, processors, sellers and risk bearers.
- Organizing training programmes for the staff of the Corporattion to enhance the efficiency of the staff.
- Formulating administrative regulations.

2.5.3 Finance Division

- Improving the efficiency and productivity of the Corporation through proper financial management.
- Making payments in line with the applicable financial laws and regulations.
- Preparing monthly reports indicating income, expenditure, profits and losses of various divisions and projects.
- Preparing and submitting final accounts to the Ministry at the end of each year indicating the profitability of the commercial and service divisions.

2.5.4 Internal Audit Division

- Disclosing frauds, corruptions and omissions by conducting internal audits to establish fairness and adequacy based on independent verifications and internal controls for financial and non-financial activities of the Sri Lanka Cashew Corporation.

- Carrying out operations of the Sri Lanka Cashew Corporation in a proper-controlled and purposeful manner using methodical strategies and systematic methods and resource-effective, efficient economic methods.

- Confirmation of progress by undertaking long-term verification of projects and programmes related to the initiation of targeting the progress of the Sri Lanka Cashew Corporation.

2.5.5 Plantation Division

- Maintaining the estates and the commercial nurseries of the Corporation profitably.
- Undertaking planting activities ensuring the protection of the natural Environment.
- Increasing production and productivity through friendly interactions with the rural community in the area where the estates and nurseries are located.
- Attracting investors and processors by maintaining cashew cultivation as a model garden.

2.5.6 Marketing and Processing Division

- Boosting the cashew processing industry by reducing the cost of production and improving the productivity.

- Enhancing the quality and taste of value added cashew products to meet international standards.

- Maintaining good relations with government and non-governmental organizations for the enhancement of cashew marketing and processing industry, aiming at an annual development rate of 10% in the field.

- Maintaining the marketing division efficiently and effectively by increasing profitability and maintaining good relations with market competitors.

- Updating the knowledge of employees, uplifting their living standards and empowering through skill development.

2.5.7 Policy and Planning Division

- Compilation of Corporate Plan and Action Plan annually.
- Conducting evaluations by comparing the objectives and targets related to the Corporate Plan and Action Plan with the actual activities and, informing the top management, Board of Directors and other parties and finding solutions to the obstacles to achieving targets, carrying out coordinating activities, and reporting performance and issues.
- Maintaining a database on the activities of cashew farmers and processors and all commercial activities of the Corporation.
- Identifying the impediments to achieving targets, formulating necessary policies and prepairing plans at minimum cost to achieve vision, mission, objectives and targets.
- Promoting the achievements and reputation of the Cashew Corporation and launching publicity campaigns to inform the public of the benefits of cashew cultivation.

2.6 Head Office and Regional Offices

2.6.1 Head office

Sri Lanka Cashew Corporation
No. 1334, Old Kotte Road, Rajagiriya

Telephone:

Chairman	-	0112 - 871005
Deputy Chairman	-	0112 - 869844
General Manager	-	0112 - 876134
Fax	-	0112 - 867843
Email	-	cashewco@sltnet.lk
Website	-	www.cashew.lk

2.6.2 Regional Offices, Estates, Planting Material, Production Centers and Processing Units belonging to Sri Lanka Cashew Corporation

2.6.2.1 Regional offices

Serial No.	Name and Designation	Districts covered	Address	Telephone No.
01.	N.D. Warusawitharana Regional Manager	Anuradhapura	Sri Lanka Cashew Corporation, Milk Producers Cooperative Society Building, Godage Mawatha, Anuradhapura.	025-2227071 071-8046790
02.	Buddhika Sandaruwan Assistant Regional Manager	Badulla Kandy	Sri Lanka Cashew Corporation, CTC Junction, Aluththarama, Mahiyanganaya.	055-3555257 077-3410225
03.	L.D. Pathiranage Assistant Regional Manager	Hambantota Ratnapura	Sri Lanka Cashew Corporation, Central Plant Nursery, Devala Temple Road, Kiralavelkotuwa, Embilipitiya.	077-6263358
04.	L. Sanjeevan Assistant Regional Manager	Kilinochchi Mullaitivu Jaffna Vavuniya Mannar	Sri Lanka Cashew Corporation, Old Kachcheri Building, Kilinochchi.	021-2283830 077-9850497
05.	Buddhika Sandaruwan Assistant Regional Manager	Ampara	Sri Lanka Cashew Corporation, 40th Mile Post, Mangalagama, Ampara.	077-3410225
06.	K. A. A. N. Amarasinghe Assistant Regional Manager	Monaragala	Homagama Watta, 22nd Mile Post, Nakkala, Monaragala.	055-2252090 071-8159195
07.	K.B.S.J. Kariyawasam Assistant Regional Manager	Hambantota	Sri Lanka Cashew Corporation, Silvas, Malpeththawa, Ambalantota.	071-8576359
08.	H.M.A.S. Jayawardhana Assistant Regional Manager	Puttalam	Sri Lanka Cashew Corporation, St. Mary's Rd., Senakudirippuwa, Puttalam.	032-2265998 070-3324319
09.	H.T.D Dayaratne Assistant Regional Manager	Batticaloa Polonnaruwa	Sri Lanka Cashew Corporation, Public Library, V.C Road, Vaduramulai.	077-6181734

Serial No.	Name and Designation	Districts covered	Address	Telephone No.
10.	K.D. Madusankha Officer-in-Charge	Matale	Sri Lanka Cashew Corporation, Nalanda Seed Garden, Madawala Ulpatha, Matale.	071-0144631
11.	R.S. Narresh Kumar Officer-in-Charge	Trincomalee	Sri Lanka Cashew Corporation, Kandy Road, Thambalagamuwa, Trincomalee.	077-1303648

Table 2.6.2.1: Regional Offices

2.6.2.2 Estates owned by the Sri Lanka Cashew Corporation

Serial No.	Name of the Estate	District located	Total Acreage	Acreage Cultivated
01.	Kamandaluwa Estate	Puttalam	548	548
02.	Achchigewatte Estate	Puttalam	961	961
03.	Hardy Estate	Batticaloe	365	190
04.	Kondachchi Estate	Mannar	6,498	420
05.	Mankarni Estate	Batticaloe	1,075	130
06.	Pooneryn Estate	Kilinochchi	479	479
07.	Vellankulam Estate	Kilinochchi	500	200
08.	Thiriyaya Estate	Trincomalee	10	10
	Total		**10,436**	**2,938**

Table 2.6.2.2: Estates and Land Acreage

2.6.2.3 Seed Gardens owned by the Sri Lanka Cashew Corporation

Serial No.	Seed Gardens	District located	Total Acreage	Acreage Cultivated
01.	Eluwankulama Seed Garden	Puttlam	651	220
02.	Wilachchiya Seed Garden	Anuradhapura	25	25
03.	Suduwathura Ara Seed Garden	Monaragala	45	45
04.	Mahaoya Seed Garden	Ampara	81	45
05.	Nalanda Seed Garden	Matale	135	50
	Total		**937**	**385**

Table 2.6.2.3: Acreage of land where seed gardens are located

2.6.2.3 Photo: Nalanda Seed Garden - Matale District

2.6.2.4 Plant Nurseries owned by the Sri Lanka Cashew Corporation

Serial No.	Central Plant Nursery	Districts covered	(Acres)	Plant Production Capacity (Number of Plants)
01.	Mihintale Plant Nursery	Anuradhapura, Vavuniya, Kilinochchi, Mullaitivu, Mannar	2.5	120,000
02.	Dambulla Plant Nursery	Matale, Polonnaruwa	3.0	25,000
03.	Kamandaluwa Plant Nursery	Puttalam, Kurunegala	1.0	150,000
04.	Hardy Plant Nursery	Batticaloa/ Trincomalee	1.0	10,000
05.	Kumbukkana Plant Nursery	Monaragala	3.0	50,000
06.	Mahiyanganaya Plant Nursery	Badulla/ Kandy	2.0	50,000
07.	Chandrika Wewa Plant Nursery	Hambantota/ Ratnapura	0.5	20,000
Total			**13.0**	**425,000**

Table 2.6.2.4: Acreage of land where Nurseries are located

2.6.2.4 Photo: Kamandaluwa Budded Cashew Plant Nursery - Puttalam

2.6.2.5 Cashew Processing Centers owned by the Sri Lanka Cashew Corporation

Serial No.	Cashew Processing Centers	District
01.	Nedagamuwa Processing Center	Gampaha
02.	Puttalam Processing Center	Puttalam

2.6.2.5 Photos - Nedagamuwa Processing Center

2.6.2.6 Cashew Research Units owned by the Sri Lanka Cashew Corporation

Serial No.	Research Units	District
01.	Kamandaluwa Research Unit	Puttalam
02.	Puttalam Research Unit	Puttalam

2.6.2.7 Main Joint Research Collaboration of the Sri Lanka Cashew Corporation

Research programmes are implemented jointly with the Faculty of Agriculture and Plantation Management of the Wayamba University.

2.6.2.7 Photo: Introducing new varieties to farmers and felicitation to researchers who contributed to research for the purpose

2.6.2.8 Sales Outlets of the Sri Lanka Cashew Corporation

Serial No.	Cashew Sales Outlets of the Corporation	District
01.	No: 1334, Old Kotte Road, Rajagiriya	Colombo
02.	No. 518, Galle Road, Colombo 03	Colombo
03.	Ambepussa Cashew Sales Outlet	Kegalle

2.6.2.8 Photo: Opening of Ambepussa Cashew Sales Outlet

2.6.2.9 Authorized Cashew Sales Outlets

Serial No.	Corporation Authorized Cashew Sales Outlets	District
01.	Randiya Fruits and Nuts, Payagala, Maggona.	Kalutara
02.	Ananda Food City, No: 272, Anguruwathota Road, Horana.	Kalutara
03.	Panadura Co-op City, Panadura Multi Purpose Cooperative Society Ltd, Janapriya Mawatha, Panadura.	Kalutara
04.	New American Chicken Hut, 16, Sri Sarananda Mawatha, Kalutara.	Kalutara
05.	ONRO Pharmacy No: 25, Nagoda Road, Katukurunda.	Kalutara
06.	New Monis Bakery, Galle Road, Maggona.	Kalutara
07.	Sagara Bakers, Anguruwatota Road, Horana.	Kalutara
08.	Roy Grocery, Matugama Road, Katukurunda Junction, Kalutara.	Kalutara
09.	National Livestock Development Board, Narahenpita.	Colombo
10.	Sri Lanka National Freedom from Hunger Campaign Board, No. 21, Galle Road, Dehiwala.	Colombo
11.	Ranjanas 7 Stories, No. 318, Galle Road, Colombo 04.	Colombo
12.	Palmyrah Development Board, Galle Road, Bambalapitiya.	Colombo
13.	Udamsa Milk Shop, 978 B 3, Pannipitiya Road, Pelawatte.	Colombo
14.	Colombo Cricket Club, Maitland Crescent, Colombo 07	Colombo

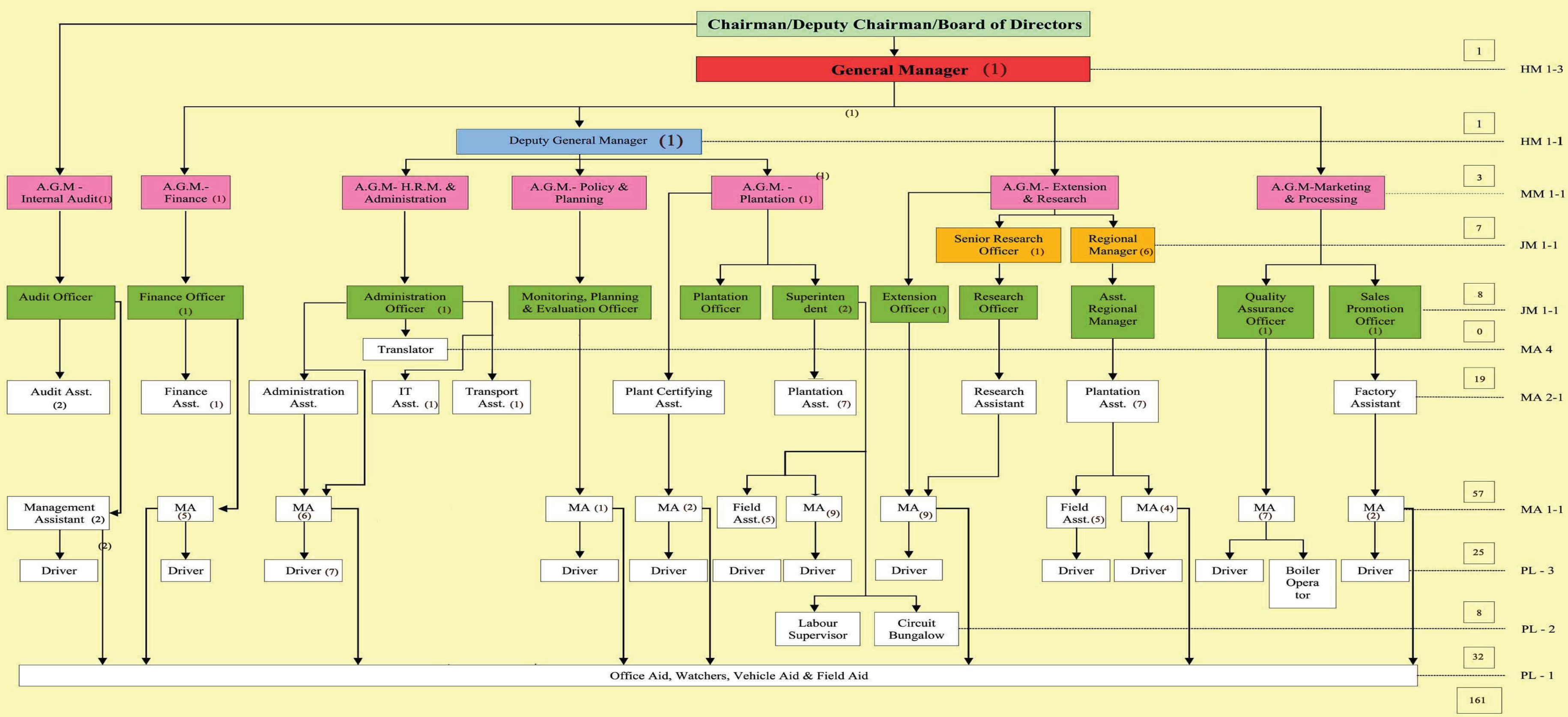
Serial No.	Corporation Authorized Cashew Sales Outlets	District
15.	Lion Grocery, Makumbura, Pannipitiya Road, Kottawa.	Colombo
16.	Thalagala Stores, Thalagala.	Colombo
17.	J. F. Tours & Travels, Jawatte Road, Bambalapitiya.	Colombo
18.	Sasen Milk Bar, Rajagiriya.	Colombo
19.	Panorama Chinese Restaurant, Kottawa.	Colombo
20.	Master Shopper, Colombo 01.	Colombo
21.	Royal Bakery, Wellawatta.	Colombo
22.	Mrs. Kapuwatta, Nawala Road, Rajagiriya.	Colombo
23.	Prime Minister's Office, Colombo.	Colombo
24.	Vintage Teas, Angoda.	Colombo
25.	Minral Juice Bar, Pannipitiya.	Colombo
26.	Nawamini (Private) Limited.	Colombo
27.	Sri Lanka Thriphosa Limited.	Gampaha
28.	Namunukula Dairy Stores,Wattala.	Gampaha
29.	National Livestock Development Board,Welisara.	Gampaha
30.	National Livestock Development Board, Melsiripura.	Kurunegala
31.	Martin Farm, Chilaw.	Puttalam
32.	Balangoda Food Shop.	Ratnapura
33.	Kandy Lines, Park Road, Kegalle.	Kegalle
34.	Siuym Food Products, No: 499, Main Street, Kegalle.	Kegalle
35.	Mr. Rangana Subasinghe, Udugala.	Kegalle
36.	SEPPCO Mini Mart, Main Road, Mawanella.	Kegalle
37.	Yatinuwara Gangapalatha Multi Purpose Cooperative Society Ltd, Polgahamula Junction, Peradeniya.	Kandy
38.	Yatinuwara Medapalatha Multi Purpose Cooperative Society Ltd, Embilmeegama, Pilimathalawa.	Kandy
39.	Central Provincial Multi Purpose Cooperative Society Union Limited, Ehelepola Kumarihami Mawatha, Bogambara, Kandy.	Kandy
40.	Poojapitiya Multi Purpose Cooperative Society Ltd, Poojapitiya.	Kandy
41.	Harispattuwa North Multi Purpose Cooperative Society Ltd, Matale Road, Alawathugoda.	Kandy
42.	Kundasale Multi Purpose Cooperative Society Ltd, Menikhinna.	Kandy
43.	Kandy Multi Purpose Cooperative Society Ltd, Co-op City, Pallekele.	Kandy
44.	Co-op City, Kundasale.	Kandy
45.	Sepco Super, Bogambara.	Kandy
46.	Multi Purpose Cooperative Society Ltd – Kandy.	Kandy
47.	Dr. Smoothy Cafe, Kandy.	Kandy
48.	Miyula Shop, Kandy.	Kandy
49.	Awanhala, Kandy.	Kandy
50.	Royal Mall (Pvt) LTD.	Kandy
51.	Sunrice Super, Kundasale.	Kandy
52.	Kadugannawa Multi Purpose Cooperative Society Ltd.	Kandy
53.	Mahaweli Reach Hotel, Kandy.	Kandy

Serial No.	Corporation Authorized Cashew Sales Outlets	District
54.	Agri Fresh, Peradeniya.	Kandy
55.	Value Added Agri Sales, Gannoruwa.	Kandy
56.	National Livestock Development Board, Karandagolla Farm Shop.	Kandy
57.	National Livestock Development Board, Mahaberiyathenna.	Kandy
58.	Agri Fresh, Gannoruwa.	Kandy
59.	Kandy Co-op City, National Hospital.	Kandy
60.	National Livestock Development Board, Haragama.	Kandy
61.	Matale Multi Purpose Cooperative Society Ltd, Co-op City, Matale.	Matale
62.	Matale Multi Purpose Cooperative Society Ltd, Co-op City, Laggala.	Matale
63.	National Livestock Development Board, Beligama.	Matale
64.	Sunila Grocery, No: 35, New Road, Ambalangoda.	Galle
65.	P & J City, Gamini Mawatha, Galle.	Galle
66.	Fresh Farm Shop, Galle Road, Hikkaduwa.	Galle
67.	Golden Maid, 144, Galle Road, Ahangama.	Galle
68.	Harischandra Mills, Talbot Street, Galle.	Galle
69.	Indra Wine Stores, Hikkaduwa.	Galle
70.	Ruhunu Rasara, Labuduwa.	Galle
71.	Ruhunu Rasara, Matara.	Matara
72.	Ruhunu Rasara, Thelijjawila.	Matara
73.	Sampath Pharmacy & Grocery, 39E, Matara Road, Akuressa.	Matara
74.	Abeygunawardena Stores, Deniyaya.	Matara

2.6.2.10 Circuit Bungalows of Sri Lanka Cashew Corporation

Circuit Bungalows		District
1. Puttlam Circuit Bungalow	-	Puttlam
2. Hardy Circuit Bungalow	-	Batticaloe

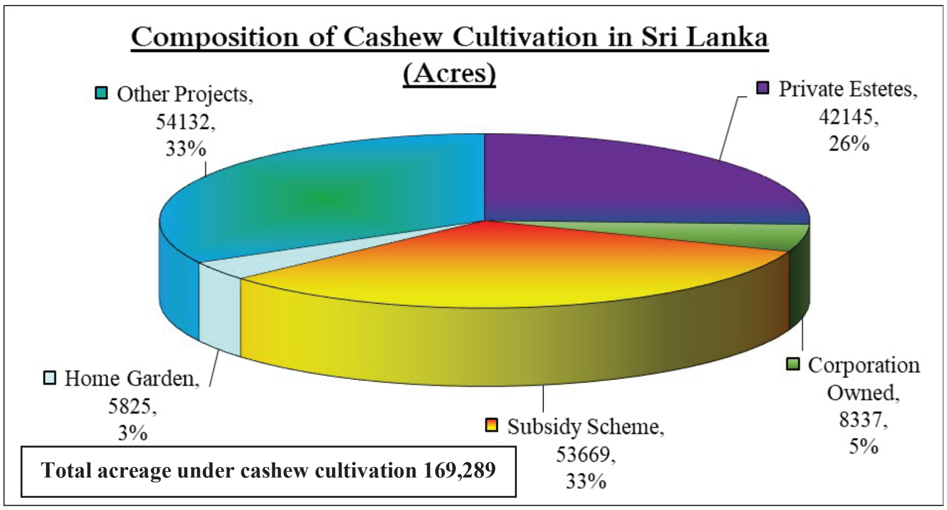
Sri Lanka Cashew Corporation
Organization Structure



3. Development Activities of the Corporation

The Sri Lanka Cashew Corporation is implementing 04 major programmes to carry out development activities of the Corporation.

1. **Extension Subsidy Programme**
2. **Estate development, rehabilitation and productivity improvement**
3. **Development of marketing and processing industries**
4. **Research and development**



Pie Chart 3.1: Composition of Cashew Cultivation (Acres) in Sri Lanka in 2019

Other Projects

- 'Divi Neguma' Economic Cultivation Units
- Projects for economic development of the poors and upliftment of the community
- Regional Economic Development Project- Matale District
- Joint Project with the Uplands Rural Rehabilitation Department
- Projects of the Ministry of National Integration and Reconciliation / Ministry of Mahaweli Development and Environment / Ministry of Primary Industries / State Ministry of Development of Minor Crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, Betel Related Industries and Export Promotion.

3.1 Extension Subsidy Programmme

3.1.1 Expansion of Cashew Cultivation in Sri Lanka

By the year 2020, the estimated total cashew cultivation area in Sri Lanka is 169,289 acres. In the year 2020, under the subsidy scheme, 1,936 acres of budded cashew and 745 acres of seed cashew were cultivated in 19 districts covering 125 Divisional Secretary's Divisions and under the subsidy scheme, 18,703 seedlings were distributed for 819 acres under home gardening. 7,709 families have been benefitted under this subsidy programme. The programme was delayed due to the COVID-19 pandemic situation.

Cashew Cultivation Subsidy Scheme - 2020

Serial No.	District	Target Subsidized Cultivated Area		Target Home Gardening Area	
		Budded Cashew (Acres)	Seed Cashew (Acres)	Budded Cashew (Acres)	Seed Cashew (Acres)
01.	Puttalam	325	05	55	40
02.	Kurunegala	200	10	40	-
03.	Hambantota	65	35	80	20
04.	Anuradhapura	229	9	112	-
05.	Ampara	70	165	55	-
06.	Badulla	85	-	30	-
07.	Kandy	-	-	10	-
08.	Ratnapura	05	15	20	10
09.	Matale	140	-	60	-
10.	Polonnaruwa	85	40	40	-
11.	Monaragala	225	110	25	-
12.	Batticaloa	93	86	52	39
13.	Trincomalee	14	45	31	-
14.	Vavuniya	125	25	25	-
15.	Mannar	50	70	-	-
16.	Mullaitivu	75	75	-	-
17.	Kilinochchi	117.5	48	10	04
18.	Jaffna	32.5	07	10	26
19.	Kegalle	-	-	25	-
	Total	**1,936**	**745**	**680**	**139**

Table 3.1.1: Subsidized cashew cultivation area in the year 2020

3.1.2 Providing benefits to farmers under Cashew Cultivation Subsidy Programme

Under this subsidy programme, allocations have been made for the payment of a subsidy amount of Rs. 9,500/- per acre for budded cashew cultivation and a subsidy amount of Rs. 3,500/- per acre for seed cashew cultivation. However, the amounts of allocations made are by no means sufficient for the purpose. At present, the farmers selected under the subsidy programme are provided with the training on farming, technology and other extension services free of charge, and the budded cashew plants and cashew seedlings required for the extent of lands under cultivation are also distributed free of charge. These activities are carried out through 11 Regional Offices of the Corporation in 19 cashew growing districts.

3.2 Estate Development, Rehabilitation and Productivity Improvement

3.2.1 Productivity Improvement in Cashew Cultivation

3.2.1.1 Production of Planting Material

500,000 mother seeds were produced in the cashew planting material production centers of the Corporation under Good Agricultural Practices (GAP) while maintaining high production conditions. A total of 520,000 shoots obtained from the mother seeds and mother trees were used in the production of budded plants and seedlings.

3.2.1.2 Nursery Management

422,570 budded plants of high quality new varieties were produced at the Central Nurseries of the Corporation and released to the subsidy programme, estates of the Corporation and private estate owners. 54,500 seedlings required for the subsidy scheme were produced and distributed.

Serial No.	Name of the Plant Nursery	Budded Plants Produced	Seedlings Produced
01.	Kamandaluwa	137,591	-
02.	Dambulla	26,072	14,000
03.	Mihintale	155,676	19,300
04.	Mahiyanganaya	30,476	16,500
05.	Kumbukkana	31,297	2,200
06.	Hardy	20,972	-
07.	Chandrika Wewa	20,486	2,500
	Total	422,570	54,500

Table 3.2.1.2: Cashew Plant Production in the year 2020

3.2.1.3 New planting in Estates

Development activites were carried out in Puttalam, Kamandaluwa, Hardy and Mankarni Estates owned by the Sri Lanka Cashew Corporation and new planting was undertaken in 15 acres at Eluwankulama Seed Garden Phase I. Under the Kondachchi Estate Rehabilitation Programme, cashew cultivation was undertaken in about 131 acres in Kondachchi Estate on the allocation of Rs.5.0 million made by the State Ministry of Development of Minor Crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, Betel Related Industries and Export Promotion. In the year, the Vellankulam Estate was acquired and 200 acres of the Estate was developed.

As well, weeds in 180 acres of the Puttalam Estate were controlled and it was handed over to a private sector entrepreneur for intercropping. In addition, infilling was undertaken as 3,600 plants in Kondachchi Estate, 2,000 plants in Suduwathura Ara Estate and 1,500 plants in Mahaoya Estate.

3.2.1.4 Providing Plants for Development Projects

In the year 2020, "Export Based Cashew Cluster Village Project" with the financial contribution of the State Ministry of Development of Minor Crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, Betel Related Industries and Export Promotion distributed 100,000 budded cashew plants among the beneficiaries to cultivate 1,428 acres in the districts of Mullaitivu, Vavuniya, Kilinochchi, Puttalam and Anuradhapura.

3.2.1.5 Productivity Improvement

With a view to controlling diseases and pests in the cashew cultivation and improving productivity by adopting Good Agricultural Practices (GAP), Pest Control Programmes were implemented throughout the island to control the damage caused by the "Helopeltis" Bug and Stem and Root Borer diseases. In addition, the training programmes designed on the adoption of Good Agricultural Practices and pest control in the cashew cultivation in collaboration with the National Institute of Plantation Management could not be conducted due to the COVID-19 pandemic situation and only 02 training programmes could be conducted.

3.3 Development of Marketing and Processing Industry

3.3.1 Purchasing Cashew Nuts in Shell

With the intention of facing with the competitive market conditions and reducing costs, 64 metric tons of cashew nuts in shell were purchased through the Civil Security Department this year which resulted in the establishment of a competitive price range in the market. The cashew harvest of 149.46 metric tons, collected from the estates of the Corporation this year was also processed in the factories of the Corporation.

3.3.2 Strengthening the Cashew Processing Industry

An advanced manufacturing mechanism is essential to fetch a higher price by forwarding high quality cashew kernel products to the market. In line with the programme, cashew processors were provided with dehydrator machines and electric powered cashew cutting machines, they were trained in the adoption of Good Manufacturing Practices (GMP), value addition and standards, processing societies were assisted in obtaining financial facilities and in the market promotion.

3.3.3 Cashew Processing and Marketing

Cashew Processing Centres owned by the Corporation are located in Puttlam and Nedagamuwa (Gampaha District). Cashew nuts in shell collected from the estates of the Corporation were processed and the value added cashew kernels were sold to the consumers through 74 authorized sales outlets, established island wide in addition to the 03 cashew sales outlets located in Kollupitiya and Rajagiriya and Ambepussa that was established in the year 2020. The Corporation was able to earn Rs. 47.23 million from the sale of high quality cashew products using new techniques and through value addition.

3.3.4 Export of Cashew Products and Earning of Foreign Exchange

In the year 2020, Sri Lanka was able to earn Rs.81.13 million in foreign exchange by offering 34.31 metric tons of high-quality value-added cashew kernels to the international market. In the year 2019, a foreign exchange of Rs.93.57 million had been earned by exporting 47.40 metric tons of value-added cashew kernels. Accordingly, a decrease in the export capacity and foreign exchange earnings was experienced in the year 2020 compared to the year 2019 and this was affected by the global COVID-19 pandemic situation, and with the rapid decline in the domestic tourism industry, the local demand for cashew kernels has also dropped which in turn, had led to the decrease in the domestic consumption.

3.3.5 Import of Cashew

3.3.5.1 Import of Cashew for Local Consumption

Insufficiency of locally produced cashews resulted in a shortage in the local market of cashew nuts in shell required by the small-scale cashew processors, especially during the months of January, February and March. As a solution for the situation, the small-scale cashew processors were granted licenses to import cashew nuts in shell under duty exemption.

These import licenses are issued on a temporary basis only during the period of shortage in the domestic market. As per the reports of Sri Lanka Customs, 549.2 metric tons of cashew nuts in shell and 0.025 metric tons of cashew kernel were imported and distributed among a large number of processors by the small-scale producers. Accordingly, the Corporation had the opportunity to intervene in stabilizing the livelihoods of families engaged in the cashew processing industry.

3.4 Research and Development Programmes

Continuous research programmes had been conducted on plant breeding, application of fertilizer, control of diseases and pests in cashew cultivation, trial of various bud grafting techniques, budded and seed cashew cultivation, plant density, post-harvest technology, yielding and intercropping. These programmes were condusted in collaboration with the Faculty of Agriculture and Plantation Management, Wayamba University of Sri Lanka. The progress of these programmes was reviewed by the Research and Management Committee. The research findings were made available to the farmers through extension service network in providing advisory services as well as field demonstrations, leaflets, videos and television programmes. In addition, for the development of the cashew cultivation, 03 new cashew varieties of high quality such as WUCC 02, WUCC 07, WUCC 16 were introduced this year in collaboration with the Faculty of Agriculture and Plantation Management, Wayamba University of Sri Lanka.
(WUCC – Wayamba University Cashew Corporation)

4. Administration

The Corporation was able to carry out formal management practices with the objective of providing quality and efficient service to cashew smallholders, those who are engaged in the cashew processing industry and consumers. Since it has also been aimed to earn profits while services are provided as a public enterprise, the assistance of all stakeholders of the Corporation could be obtained for the purpose.

The entire staff, including the Board of Directors, General Manager, Deputy General Manager and Assistant General Managers extended their assistance endlessly for the purpose. Accordingly, the Corporation was able to align itself with the new development strategies of the government with a view to generating incomes for the public and to fulfilling the objectives of the Corporation.

In the year 2020, an Efficiency Bar Examination was conducted for 50 Management Assistants in the staff. It was unable to conduct the designed training programmes due to the COVID-19 pandemic situation prevailed in the year.

4.1 Staff Management as at 31.12.2020

Approved Cadre			Staff as at 31.12.2020
Higher Management Grade	(HM)	2	02
Middle Management Grade	(MM)	7	05
Junior Management Grade	(JM)	26	18
Management Assistant	(MA)	122	79
Primary Level	(PL)	67	63
Total		**224**	**167**

In addition, around 200 check-roll workers had been employed on the monthly requirements in processing centres, estates, plant breeding centres and central plant nurseries of the Corporation.

4.2 Achievements in the year 2020

The Corporation was able to continue the profit-making situation in the year 2020 through the sales activities recorded in the year 2018 and 2019. The commercial operations of the Corporation were used for the purpose, and the effective and efficient guidance of the Board of Directors and the dedication of the staff were resulted in this achievement.

It was not possible to bring the performance to a higher level due to the following obstacles.

- Impact of the global COVID-19 pandemic situation prevailed in the year 2020.
- The drop of the cashew yield of the estates from expected level due to adverse weather conditions, i.e., severe droughts during the flowering season which in turn resulted in the withering of flowers.
- High prices of cashew due to the insufficient supply of cashew nuts in shell to meet the local demand.
- Increase in labour costs and material costs.
- There were obstacles in initiating new works as well as fulfilling essential services due to the limitation of recurrent and capital grants. Hence, the funds generated by the Corporation had to be utilized in continuing these activities. As a result, there was a shortage of funds for investment in commercial and development activities.

5. Report of the Board of Directors

The audited financial statements for the year ended 31st December 2020 are submitted herewith on behalf of the Board of Directors of the Sri Lanka Cashew Corporation.

In terms of the Circular No. PED/12 dated 02nd June 2003, issued by the Director General of the Department of Public Enterprises of the General Treasury, the financial statements of the Sri Lanka Cashew Corporation were submitted to the Auditor General on 31st January 2023.

5.1 Establishment

The Sri Lanka Cashew Corporation was established on 25th of May 1973, with an initial capital of Rs. 40 million by the Gazette Notification No. 60/7, under the sub-section 1 of the section 2 of the State Agricultural Corporations Act No. 11 of 1972, with approval of the Government of Sri Lanka and on the order of the then Minister of plantation industries.

5.2 Results

Data on financial results and changes in equity in the current year is disclosed in the Statement of Changes in Equity and Financial Statements.

5.3 Business Review

The financial position of the Sri Lanka Cashew Corporation for the year ended 31st December 2020 is given in the Statement of Financial Position and an evaluation of the same has been included in the Chairman's report.

5.4 Property, Plant and Equipment

Changes in property, plant and equipment during the current year are given in Note No.1 of the Financial Statement. The values shown in this note do not have quantitative changes with their current market value.

5.5 Reserves

The composition of the total reserves of the Corporation is stated in the Statement of Changes in Equity.

5.6 Board of Directors

(The members of the Board of Directors from 01.01.2020 to 31.12.2020)

Serial No.	Name	Position
01.	Mrs. R.A. Saranga Rathnayake	Chairperson
02.	Mrs. Ashoka Lankathilaka	Deputy Chairperson
03.	Mrs. S.K. Karunatunga	Board Member - Treasury Representative
04.	Mr. C.C. Muhandiramge	Board Member - Representative of the Ministry in charge of the subject
05.	Mr. Upali Vaduarachchi	Board Member
06.	Mr. Chamara Subhasinghe	Board Member
07.	Mr. I.W.A. Saman Kumara	Board Member
08.	Mr. D. Medagedara	General Manager, Secretary to the Board of Directors

5.7 Audit and Management Committee

The Audit and Management Committee of the Corporation has been established in line with the Public Enterprises Guidelines.

5.8 Statutory Payments

All statutory payments due to Government and employees have been duly paid.

5.9 Environmental protection

The Corporation has not engaged in any activity harmful to the environment.

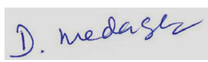
5.10 Events occurring after the date of Statement of Financial Position

No events have been recorded for adjustment or disclosure by the accounts after the Balance Sheet date.

5.11 Auditors

Financial statements of the Sri Lanka Cashew Corporation for the year ended 31st December 2020 were audited by the Auditor General.

By order of the Board of Directors,



D. Medagedara

Board Secretary

6. Audit and Management Committee Report

The Audit and Management Committee of the Sri Lanka Cashew Corporation was established in accordance with the instructions given in the Circular No. PED 31 (Public Enterprises Department Circular dated 01.07.2005) and the instructions given on the amendments made to the said Circular from time to time, which consists of 06 officials including five members and an observer.

During the year 2020, the Non-executive Director representing the General Treasury and in the absence of such representation, the Non-executive Director representing the Ministries in charge of the subject acted as the Chairman of the relevant Committee and the General Manager of the Corporation acted as the Secretary of the Committee.

As per the directives of the relevant Circulars, at least 04 meetings should be convened within a period of one year. However, only 02 Audit and Management Committee meetings could be convened during the year 2020 owing to the severe restrictions on functions of the office due to the COVID-19 pandemic situation prevailed from the first half of the year 2020 and the participation of the Committee members and the observers in the meetings was as follows.

Serial No.	Name	Description	Frequency of Meetings
01	Mrs. S.K. Karunatunga	Committee Chairman, Board Member, Treasury Representative (From 01.01.2020 to 25.06.2020)	1/2
02	Mr. C.C. Muhandiramge	Committee Chairman, Board Member, Representative of the Ministry in charge of the subject (From 26.06.2020 to 31.12.2020)	2/2
03	Mr. Chamara Subhasinghe	Committee Member, Board Member	2/2
04	Major D. Medagedara	Committee Secretary, General Manager	2/2
05	Mr. V.U. Liyanage	Committee Member, Assistant General Manager - Internal Auditor	2/2
06	Mr. G.L. Rubasinghe	Committee Observer, Audit Superintendent, National Audit Office	2/2

At the first Audit and Management Committee meeting convened in the year under review, the progress of settling the legal ownership of the lands owned by the Sri

Lanka Cashew Corporation was reviewed, and matters were discussed at length regarding 14 estates and seed garden lands of the Corporation that have not yet been assigned the legal ownership. Matters were discussed regarding the manner in which the assistance and instructions of the relevant Ministry are sought in the long process of taking over the legal ownership of the respective lands.

As well, the Committee discussed how to solve the problems related to the payment of gratuity to an officer who died before retiring from the service of the Corporation and receiving the gratuity, and the progress of the Sales Division of the Corporation, the progress of the asset disposal, and the progress of the Research Division were also reviewed by the Committee. As well, the attention of the Committee was drawn to the reports prepared indicating the progress of taking necessary actions regarding the audit reports issued by the Internal Audit Division of the Corporation for the period under review, clarifications from the Corporation regarding the audit reports issued by the National Audit Office in terms of the provisions of the Finance Act and the audit paragraphs contained in the audit reports and the steps to be taken for the same.

In the second and last Audit and Management Committee meeting held for the year 2020, the Committee reviewed the progress of the implementation of the decisions made in line with the first Audit and Management Committee discussions in the relevant year and in addition, the Committee also reviewed at length the draft Action Plan of the Corporation prepared for the year 2021.

The Internal Audit Plan and the Procurement Plan incorporated in the relevant Action Plan were also discussed thereat and accordingly, the Committee recommended the relevant Action Plan for approval of the Board of Directors with all amendments. Further, the Committee investigated the problematic situation that had arisen from the observations made by the National Audit Office regarding the preparation of the final accounts of the Sri Lanka Cashew Corporation for the year 2019, and the necessary arrangements were made to submit the relevant recommendations to the Board of Directors.

C.C. Muhandiramge
Chairman
Audit and Management Committee

7. Performance Report for the year 2020

7.1 Cashew Planting Subsidy Scheme and Development Programmes

Under the Cashew Planting Subsidy Scheme implemented under Treasury allocations, 1,936 acres of budded cashew, 745 acres of seed cashew, 680 acres of budded cashew home gardens and 139 acres of seed cashew home gardens totaling to 3,500 acres had been cultivated covering 19 districts during this year. 7,709 farmer families were benefitted thereby. 39 farmer training programmes were conducted in which 1,269 farmers participated. The total cost incurred for the purpose amounted to Rs.16.23 millions.

7.2 Improving the Productivity of the Cultivation

7.2.1 Production of planting material

Plant Breeding Centres at Nalanda in Matale district, Wilachchiya in Anuradhapura district, Mahaoya in Ampara district, Suduwathura Ara in Monaragala district and Eluvankulama in Puttalam district were maintained to breed new varieties suitable for different areas and provide them to cashew smallholders. In this context, cashew cultivation was undertaken in 15 acres of Eluvankulama Plant Breeding Centre. 500,000 high quality mother seeds and 520,000 buds were obtained from these centres for the production of budded plants required for the extension services and commercial activities. The total cost incurred for the purpose amounted to Rs. 14.69 million. The total cost incurred for the purpose amounted to Rs. 23.98 million.

7.2.2 Enhancement of the Production

With a view to controlling diseases and pests in the cashew cultivation and improving productivity by adopting Good Agricultural Practices (GAP), Pest Control Programmes were implemented throughout the island to control the damage caused by the "Helopeltis" Bug and Stem and Root Borer diseases. In addition, 02 training programmes on the adoption of Good Agricultural

Practices and pest control in the cashew cultivation were conducted in collaboration with the National Institute of Plantation Management with the participation of 100 farmers.

7.2.3 Plant Nursery Management

07 Central Plant Nurseries of the Corporation are located in Kamandaluwa, Mahiyanganaya, Hardy, Mihintale, Chandrika Wewa, Dambulla and Kumbukkana. With the intention of producing budded plants using modern technology, 06 poly net houses had been constructed in Kamandaluwa, Mihintale, Batticaloa and Aluththarama plant nurseries. 422,570 high quality budded plants were produced in these nurseries and distributed among farmers for the Maha Season of 2020. The total cost incurred for the purpose amounted to Rs. 18.28 million.

7.2.4 Providing Plants for Development Projects

In the year 2020, under the "Export Based Cashew Cluster Village Project" with the financial contribution of the State Ministry of Development of Minor Crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, Betel Related Industries and Export Promotion, 100,000 budded cashew plants were distributed among the beneficiaries to cultivate 1,428 acres in the districts of Mullaitivu, Vavuniya, Kilinochchi, Puttalam and Anuradhapura. The State Ministry allocated Rs. 25.8 million for this project.

7.3 Research and Development Programme

Research programmes were conducted in collaboration with the Faculty of Agriculture and Plantation Management, Wayamba University of Sri Lanka. Research programmes had been conducted on plant breeding, application of fertilizer, plant density, control of diseases and pests in cashew cultivation, intercropping, budded and seed cashew cultivation, bud grafting techniques and yield. The farmers were made aware of the relevant research findings through workshops and extension services. In the year 2020, 03 new cashew varieties such as WUCC 02, WUCC 07, WUCC 16 were introduced in collaboration with the Faculty of Agriculture and Plantation Management, Wayamba University of Sri Lanka. The total cost incurred for the purpose amounted to Rs. 3.98 million.

7.4 New planting and Crop Rehabilitation in the Estates owned by the Corporation

Development activites were carried out in Puttalam, Kamandaluwa, Hardy, Mankarni, Pooneryn and Thiriyaya Estates owned by the Sri Lanka Cashew Corporation and weed control in Pooneryn Estate was carried out. In addition, weeds in 180 acres of the Puttalam Estate were controlled and it was handed over to a private sector entrepreneur for intercropping. As well, the Vellankulam Estate in Mannar district was acquired and 200 acres of the Estate was developed.

In addition, infilling was undertaken as 3,600 plants in Kondachchi Estate, 2,000 plants in Suduwathura Ara Seed Garden and 1,500 plants in Mahaoya Seed Garden. Rs.10.63 million of Treasury funds have been allocated for the programmes.

As well, in order to enhance the productivity through the income generated by the Corporation, application of chemical fertilizer, weed control activities, disease and pest control, maintenance of field paths and pruning were carried out in line with the Good Agricultural Practices. The yield of cashew nuts in shell collected from the estates in the year was 149.46 metric tons. In this context, infilling of 2,700 plants in Puttalam Estate and infilling of 400 plants in Vilachchiya Seed Garden were undertaken. The total cost incurred for the purpose amounted to Rs. 30.11 million.

7.5 Post Harvest Technology

7.5.1 Marketing and the Promotion of the Processing Industry

The yield of cashew nuts in shell collected from the estates of the Corporation and the cashew nuts in shell purchased through the Civil Security Department were processed at the processing centres in Puttalam and Nedagamuwa. They were sold as value added products at the main sales outlets of the Corporation. The network of Corporation's sales outlets, consisting of 74 authorized sales outlets was used for the purpose. As well, 04 new cashew products were introduced to the local market. Rs.1.0 million of Treasury funds were spent for the purpose.

The total income earned by the Corporation during the year 2020 from the sales activities was Rs. 47.23 million. It was unable to achieve sales targets due to the COVID-19 pandemic situation prevailed in the year 2020. In addition, the income generated by the Corporation is used to maintain the cashew processing centres in Puttalam and Nedagamuwa. The total amount incurred for the purpose is Rs. 16.62 million.

7.5.2 Human Resources Development

Actions were taken to conduct in-service training sessions required for the training and development of the officers in all positions of the staff. This provided an opportunity to improve work productivity, update their subject knowledge, acquire new knowledge and to increase efficiency through self-motivation. An awareness programme for the Efficiency Bar Examination was conducted for 50 Management Assistants in the staff of the Corporation under the professional training and guidance required for improving the employees' skills and professional standards during the year 2020.

8. Medium term strategies to be implemented to enhance the Performance

Some of the major Medium-term strategies to be implemented by the Corporation to enhance the performance are as follows.

01. Expanding the area of cashew cultivation in Sri Lanka
02. Improving the productivity of lands under cashew cultivation
03. Promoting the post-harvest technology in cashew cultivation
04. Human resource development and productivity enhancement

8.1 Expanding the area of cashew cultivation in Sri Lanka

8.1.1 Cashew Cultivation under Extension Programmes

The cashew cultivation in Sri Lanka has mainly expanded to the dry zone. About 30,000 acres of cashew cultivated lands in the Northern and Eastern provinces were destroyed due to the war prevailed in the past 03 decades. However, it was able to convert more than 7,000 acres of land into cashew cultivation per year since the year 2010 under the extension programmes implemented by the Corporation.

Under the Extension Subsidy Scheme funded the Treasury, it is expected to undertake budded and seed cashew cultivation in 3,500 acres per year in the next three years and it has also been planned to cultivate 1,000 acres per year under the home gardening.

8.1.2 Rehabilitation of Cultivations

New planting and rehabilitation of old cultivations in the estates owned by the Corporation was initiated from the year 2011. In this context, Kondachchi Estate, Pooneryn Estate and Vellankulam Estate in the Northern Province and Mankerni Estate in the Eastern Province are being developed and rehabilitated by the Corporation.

8.1.3 New planting

New planting in about 500 acres of cashew cultivations owned by the private, small and medium scale land owners is undertaken annually, and this trend will continue in the next three years. Actions will be taken to expand the extent of land under cashew cultivation to at least 7,000 acres annually through all the above cultivation programmes.

An extension service network consisting of 11 Regional Offices is being operated to carry out these activities successfully, and cashew cultivation development works in 19 districts are being covered through this network.

8.1.4 Providing Plants for Development Projects

In the year 2020, under the "Export Based Cashew Cluster Village Project" with the financial contribution of the State Ministry of Development of Minor Crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, Betel Related Industries and Export Promotion, 100,000 budded cashew plants were distributed among the beneficiaries to cultivate 1,428 acres in the districts of Mullaitivu, Vavuniya, Kilinochchi, Puttalam and Anuradhapura.

Under the project, it is expected to provide medium-scale entrepreneurs with 100,000 cashew plants and to uplift the economic and social level of 1,428 farmer families. One of the primary objectives is to expand the area under cashew cultivation through implementing such development projects in the coming years as well.

8.2 Productivity Improvement in Cashew Cultivated Lands

The cashew cultivation area in Sri Lanka is about 169,289 acres, of which about 88% are owned by smallholders. Seed cashew trees have been grown in majority of the lands, and the age of the cashew trees in the estates of the Corporation as well as these lands, is about 20-35 years, and one tree yields between 3-5 kg of cashew nuts in shell. A cashew tree in the countries like Vietnam, India, where there are cashew plantations consisting of improved new cashew varieties, yields between 10-15 kg. Accordingly, the following activities are being carried out by the Corporation to improve the productivity of the cultivation.

8.2.1 Introducing New Varieties

Accordingly, the Corporation has introduced 11 new improved varieties with high yielding to the farmers. Researches are being conducted in collaboration with the Faculty of Agriculture and Plantation Management, Wayamba University of Sri Lanka and the 11 varieties, WUCC 01, WUCC 02, WUCC 05, WUCC 07, WUCC 08,WUCC 09, WUCC 13, WUCC 16, WUCC 19, WUCC 21, WUCC 23 have been cultivated in Eluwankulama, Wilachchiya, Nalanda, Mahaoya and Suduwathura Ara Seed Gardens. Actions will be taken to obtain buds from the mother plants and breed new varieties suitable for different climate zones of the island and distribute them among the farmers. Actions will be taken to introduce 02 new varieties annually and in turn, it is expected to increase the yield per hectare to 1,000 kg.

8.2.2 Adoption of Good Agricultural Practices

The smallholders are directed annually to remove the seed cashew trees with very low yielding and to undertake replanting. Farmer training programmes are conducted annually in collaboration with the National Institute of Plantation Management with the intention of enhancing the yield productivity of cashew cultivation by adopting Good Agricultural Practices (GAP). This is expected to be implemented in the next three years as well.

Visual media is used for the purpose. Due to the presence of heavy rainfall during the flowering period of cashew trees, shoot dieback disease spreaded.
As a result, the cashew yield is reduced by 30% - 40%. It is essential to make the smallholders aware of the same. A joint programme with the Research

Divisions is being implemented to control stem borer damage in mature cashew cultivations and this is to be implemented within the next three years.

8.2.3 Central Plant Nurseries

Central Plant Nurseries of the Corporation have been established in Mihintale, Dambulla, Kamandaluwa Estate, Mahiyanganaya, Kumbukkana, Hardy Estate and Chandrika Wewa. These nurseries produce high quality budded plants of new varieties under the supervision of the officials of the Corporation and release them to the farmers.

About 400,000 budded plants are produced annually, and it has been targeted to produce 400,000 plants per year in the next 03 years as well. The use of new technology in plant production will be improved.

8.3 Promotion of Cashew Processing Technology

Cashew nuts produced in Sri Lanka secure a high demand in the global market due to their taste, size and unique colour. However, the annual yield of about 10,000-12,000 metric tons of cashew nuts in shell has made it difficult to increase the export capacity immediately. Domestic cashew kernel consumption has also increased.

In addition, due to the increase in the cost of production of cashew kernel per kilo, the price of cashew kernel per kilo is ranging from Rs.3,000/- to Rs.4,000/-. Taking these facts into consideration, the Corporation has taken courses of action to improve the quality and increase the profitability of cashew kernel products.

8.3.1 Adoption of Good Manufacturing Practices

The Corporation encourages the small scale entrepreneurs to improve the quality of products through standardization, value addition and adopting Good

Manufacturing Practices (GMP) and to use hygienic production methods, modernize the manufacturing process with new technology, use low cost dehydrator machines and new packaging methods and new products. The Training Center at Nedagamuwa Processing Center will be used for the purpose.

8.3.2 Training Programmes

The Corporation has contributed to improve the products of small-scale manufacturers to international standards, and has made arrangements to conduct training programmes for 50 persons engaged in the processing industry annually. The programmes will be conducted continuously in the next 03 years.

A programme to provide automatic Shelling Machines and Ovens required by those who start the processing industry, at affordable prices is also being implemented with the intervention of the Corporation, and this will continue to be implemented.

8.3.3 Purchase of Cashew Nuts in Shell

In addition to the yield of cashew nuts in shell collected from the estates of the Corporation, cashew nuts in shell required for continuous annual production in the processing factories were purchased through the Civil Security Department during the past year. The Civil Security Department has cultivated about 935 acres in Kondachchi Estate belonging to the estates owned by the Corporation and those cashew nuts are provided by the Civil Security Department at lower price than the market price. These cashew nuts in shell were purchased in order to face with the competitive market conditions and reduce the costs. Arrangements will be made to purchase these cashew nuts in shell in the next 3 years as well.

8.3.4 Promotion of cashew by-products

Cashew nuts in shell are mainly separated from the cashew yield and cashew apples are wasted without being utilized. Accordingly, more than 120,000 metric tons of cashew apples are wasted annually without being utilized. A joint programme is being implemented with the private sector for conducting research on by-products such as Non Alcoholic Beverages, Jams and Cordials using the cashew apples, providing training and production and marketing activites. In addition, a project proposal is being prepared for the production of wine and spirits by using cashew apples and it is expected to implement this project in the coming years.

8.4 Human Resource Development and Productivity Improvement

8.4.1 Human Resource Training and Development

Actions have been taken to conduct in-service training sessions required for the training and development of the officers in all positions of the staff. This provided an opportunity to improve work productivity, update their subject knowledge, acquire new knowledge and to increase efficiency through self-motivation. It has been planned to conduct these training programmes continuously in the next 03 years.

8.4.2 Staff Structure Reorganization and Performance Appraisal

Computers and fax machines have been provided for the Regional Office network of the Corporation. Accordingly, communication activities have been modernized with access to internet. The staff structure of the Corporation has been reorganized in line with the current development process, and necessary steps have been taken to revise the Scheme of Recruitment and Promotion accordingly.

Thereby, these structural changes will enable the Corporation to meet the challenges of the next few years with the necessary basics to enhance performance in the staff structure. Necessary steps have also been taken to conduct performance appraisals at all levels.

9. Five Years Summary of Performance

Serial No.	Description	2020	2019	2018	2017	2016
01.	Acreage cultivated with cashew under the subsidy scheme	Subsidy programme 2,568 Home gardening 932 **Total 3,500**	Subsidy programme 2,681 Home gardening 1,819 **Total 4,500**	Subsidy programme 3,305 Home gardening 1,195 **Total 4,500**	Subsidy programme 4,500	Subsidy programme 4,500
02.	No. of beneficiary farmer families under the subsidy scheme	7,676	11,069	11,818	14,932	3,750
03.	No. of plants produced	Budded plants 422,570 Seedlings 54,500 **Total 477,570**	Budded plants 270,294 Seedlings 79,945 **Total 350,239**	Budded plants 197,353 Seedlings 80,007 **Total 277,360**	Budded plant 328,456 Seedlings 105,480 **Total 433,936**	Budded plants 218,373 Seedlings 80,000 **Total 298,373**
04.	No. of mother seeds collected	500,000	500,000	484,753	560,000	600,000
05.	No. of buds collected	520,000	310,000	164,500	200,000	310,000
06.	Yield of cashew nuts in shell collected (Metric Tons)	149.46	157.81	83.52	66.4	106
07.	New planting in estates of the Corporation (Acres)	346	52.5	65.0	433	250

Serial No.	Description	2020	2019	2018	2017	2016
08.	No. of authorized sales outlets	74	55	60	56	39
09.	No. of training programmes conducted under the Technology Transfer Programmes, Pest Control and Post Harvest Technology	82	166	139	197	126
10.	No. of farmers trained	1,369	2,320	3,550	3,574	1,833
11.	Imported cashew volume (Metric Tons)	Cashew Nuts in shell 549.2 Cashew Kernel 0.025	Cashew Nuts in shell 527.26 Cashew Kernel 0.826	Cashew Nuts in shell 2,378.02 Cashew Kernel 156.41	Cashew Nuts in shell 2,108.22 Cashew Kernel 160.82	Cashew Nuts in shell 1,622 Cashew Kernel 263
12.	Volume of Metric Tons for which cashew import licenses were issued	500	-	4,255	6,000	2,910
13.	Exported cashew volume (Metric Tons)	34.32	47.40	60.81	59.04	57.64

Serial No.	Description	2020	2019	2018	2017	2016
14.	Value of exported cashew (Rs. Millions)	81.13	93.57	144.62	143.51	99.98
15.	Purchase of cashew nuts in shell and cashew kernels (Metric Tons)	Cashew Nuts in shell 64.00 Cashew Kernel -	Cashew Nuts in shell 20.00 Cashew Kernel 2.30	Cashew Nuts in shell - Cashew Kernel 5.30	Cashew Nuts in shell 63.00 Cashew Kernel 4.80	Cashew Nuts in shell 21.94 Cashew Kernel 19.97
16.	Amount of Value-Added cashew kernels sold (Metric Tons)	16.91	21.72	24.74	27.80	30.94
17.	Sales value of Value- Added cashew kernels (Rs. Millions)	47.23	79.08	83.15	87.96	84.59

10. Audited Financial Statements

Sri Lanka Cashew Corporation

Statement of Income for the year ended 31.12.2020

		2020 (Rs.)	2019 (Rs.)
Sales	01	109,120,346.83	100,082,839.37
Cost of Sales	02	72,190,471.63	67,857,577.72
Gorss Profit (Loss)		**36,929,875.20**	**32,225,261.65**
Government Grants (Recurrent)		60,000,000.00	60,000,000.00
Other Income	03	43,300,474.48	48,343,281.71
		140,230,349.68	**140,568,543.36**
Distribution Expenses	04	10,583,914.69	8,437,210.80
Administrative Expenses	05	131,122,235.93	132,329,845.72
Other Expenses	06	9,216,939.55	29,739,778.69
Financial Expenses		192,906.32	246,958.89
		151,115,996.49	**170,753,794.10**
		(10,885,646.81)	**(30,185,250.74)**
Profit/ (Loss) before Tax		**(10,885,646.81)**	**(30,185,250.74)**
Income Tax (Provision)		-	-
Other Comprehensive Income		-	-
Total Comprehensive Income		**(10,885,646.81)**	**(30,185,250.74)**

Notes to the Statement of Income for the year ended 31.12.2020

Note - 01

Sales	**2020**	**2019**
Cashew Kernels	48,462,877.83	82,767,072.85
Less : Returns	(1,231,362.00)	(178,357.40)
	47,231,515.83	82,588,715.45
Plants	32,312,630.00	15,645,315.00
Cashew nuts in shell	29,576,201.00	-
Coconut	-	1,848,808.92
	109,120,346.83	**100,082,839.37**

Note -02

Cost of Sales		
Opening Stock	7,909,576.46	5,879,788.42
Cashew Kernels	3,801,512.96	3,039,403.94
Cashew Plants	4,108,063.50	2,840,384.48
Added- Purchases		
Fruit bearing coconut cultivation	-	92,900.00
Purchases	26,560,000.00	-
Cost of Production - Cashew Kernels	42,372,991.30	65,192,141.20
Cost of Production - Cashew Plants	21,959,266.92	19,990,122.35
	90,892,258.22	85,275,163.55
	98,801,834.68	91,154,951.97
Less - Closing Stock		
Cashew kernel	4,336,211.00	3,801,512.96
Cashew Plants	11,794,044.10	4,108,063.50
Coconut	-	-
Less:		
Internal transfers (Plants)	9,440,528.80	13,274,284.47
Dead plants	603,298.40	1,550,839.68
Samples and Hampers	437,280.75	562,673.64
	26,611,363.05	23,297,374.25
	72,190,471.63	**67,857,577.72**

Note - 03

Other Income

Interest Income (Savings Accounts)	197,688.74	65,809.59
Interest Income (Distressed Loan / Special Loan)	25,767.62	44,692.29
Import Service Charges for Cashew Nuts in Shell	5,000,000.00	235,000.00
Sundry Income	4,881,009.61	2,931,656.17
Circuit Bunglow Rental Income	29,000.00	114,950.00
Compensation received	-	336,000.00
Amortization of Capital Grants	31,426,875.82	44,615,173.66
Profit from Coconut cultivation	1,740,132.69	-
	43,300,474.48	**48,343,281.71**

Note - 04

	Income of the Corporation 2020	Capital Grants 2020	2020	2019
Marketing Development	-	34,350.00	34,350.00	
Sales and distribution expenses	10,549,564.69	-	10,549,564.69	8,437,210.80
	10,549,564.69	**34,350.00**	**10,583,914.69**	**8,437,210.80**

Note - 05

Administrative Expenses

	Income of the Corporation 2020	Capital Grants 2020	2020	2019
Commercial Plant Nurseries	1,901,633.83	-	1,901,633.83	2,049,901.85
Head Office	114,273,713.49	-	114,273,713.49	116,496,751.31
Amortization of Coconut cultivation	-	-	-	226,020.27
Marketing	-	-	-	890,247.94
Non-fruit bearing cultivation	-	2,895,142.71	2,895,142.71	-
Human Resource Development	-	13,934.00	13,934.00	171,197.90
Extension Division	-	8,209,572.92	8,209,572.92	9,281,500.48
Research and Development	-	3,828,238.98	3,828,238.98	3,214,225.97
	116,175,347.32	**14,946,888.61**	**131,122,235.93**	**132,329,845.72**

Note - 06

Other Expenses

	Income of the Corporation 2020	Capital Grants 2020	2020	2019
Helopeltis Control Programme	-	66,971.31	66,971.31	652,429.07
Damages and Losses (Wine)	-	-	-	251,677.48
Closing Account of Oyamaduwa Estate	-	-	-	14,480,914.24
Cost of Plants	-	7,991,791.84	7,991,791.84	12,520,339.09
Loss from dead plants (from nurseries)	603,298.40	-	603,298.40	1,550,839.68
Loss from dead plants (from fire)	-	554,878.00	554,878.00	283,579.13
	603,298.40	**8,613,641.15**	**9,216,939.55**	**29,739,778.69**
	127,328,210.41	**23,594,879.76**		

Accounting policies adopted - 2020

01. Accounts have been prepared based on generally accepted accounting principles and Sri Lankan Accounting Standards.

02. Fixed assets were depreciated on straight line method. Depreciation of the assets purchased within the year, was calculated based on the date of purchase. Depreciation of the buildings constructed during the year was calculated for the entire year but not based on the date of completion of the construction work.

The depreciation percentages are as follows.

Motor vehicles	20%
Machinery	10%
Tools and equipment	10%
Office equipment	10%
Tube wells/ Agricultural wells	10%
Furniture and fittings	06%
Permanent buildings	03%
Semi permanent buildings	33 1/3%

03. Assets identified as property, plant and equipment have been accounted at cost.

The value of property, plant and equipment has been indicated on the revalued amount deducting the accumulated depreciation and impairment losses.

04. Stocks were calculated on the following basis.

Cashew kernel	:	At net selling price
Seed cashew	:	Guaranteed variable price / market price
Cattle and sheep	:	Market price of each area/ live weight
Coconut	:	Net selling price
All other stocks	:	Calculated at cost

05. The expenses of the Head office were distributed among the costing centers as per the total salary expenditure contained therein.

06. The average cost of the estates was divided between fruit bearing and non fruit bearing cultivations, plant nurseries and animal husbandry in proportion to the number of actual labour days spent on those areas.

07. Amortization of fruit bearing plantations was calculated at 5% per annum.

08. The provision for bad and doubtful debts has been calculated at 3.53% of the total debtors. The difference in the provisions account was transferred to write off bad debts during the year.

09. The provision for gratuity was computed on the basis of years of completed service, as specified in the Payment of Gratuity Act. The service cost of those who have completed the minimum period of service stipulated in the Act during the financial year for receiving gratuity entitlement has been debited to the income account.

10. The income has been accounted on the value of the receipts and receivables.

The income from the sale of goods has been recognized by taking the followings into account.

- The institution transfers both the risk and the reward to the buyer.
- The management of the institution does not intervene in the ownership of the goods being sold or to maintain an efficient control.
- The income could be recognized reliably.
- Economic benefits relating to the transactions may flow towards the institution.
- The cost incurred or to be incurred, in respect of the transaction can be measured reliably.

11. The actual values entered in the books of accounts as depreciation and amortization of capital assets, after writing off them from the respective capital assets, an equivalent value will be removed from the capital grants and recognized as income in the books of accounts.

12. The effective date of the revaluation of motor vehicles was determined as 01.01.2009 and it was carried out by an independent commission headed by a Technical Engineer of a recognized government institution.

13. The administrative expenses related to the production of budded plants and seedlings were distributed among service and commercial divisions based on the actual plants produced and plants distributed.

Sri Lanka Cashew Corporation

Statement of Financial Position as at 31.12.2020

31.12.2019 Rs.		Note	(Rs.)	(Rs.)
	Assets			
	Non-current assets			
82,027,363.09	Property, plant and equipment	07	77,883,869.75	
34,269,747.25	Maintenance cost of fruit bearing cultivations	08	31,135,782.62	
37,862,098.17	Maintenance cost of fruit non- bearing cultivations	09	60,329,579.41	
675,024.09	Other small projects	10	576,524.09	
69,112.00	Work-in-progress - Capital		122,343.00	
154,903,344.60	**Total non-current assets**			170,048,098.87
	Current assets			
38,263,952.42	Stocks	11	64,467,673.60	
21,206,993.81	Trade debtors and other receivables	12	18,474,967.95	
6,092,927.07	Deposits, Advances and Pre-payments	13	9,828,178.08	
5,201,996.60	Cash & cash equivalents	14	42,516,220.25	
70,765,869.90	**Total current assets**			135,287,039.88
225,669,214.50	**Total assets**			**305,335,138.75**
	Equity and Liabilities			
	Equity			
40,000,000.00	Initial capital		40,000,000.00	
202,788,511.45	Government grants		256,381,422.50	
15,766,347.27	Grants received from other parties	09	32,337,560.40	
17,441,846.85	Capital reserves	10	17,441,846.85	
(141,197,261.12)	Profit and Loss Account		(149,638,349.05)	
134,799,444.45	**Total Equity**			196,522,480.70
	Non-current liabilities			
35,045,966.00	Provisions for gratuity		38,953,602.00	
3,500,000.00	Long terms borrowings	11	3,500,000.00	
38,545,966.00	**Total non-current liabilities**		42,453,602.00	
	Current liabilities			
52,323,804.05	Trade creditors and other payables	12	66,359,056.05	
52,323,804.05	**Total current liabilities**			108,812,658.05
225,669,214.50	**Total equity & liabilities**			**305,335,138.75**

R.A.S.K. Rathnayaka	**Asoka Lankatilaka**	**K.S. Wijayakeerthi**	**M.T.S.K. Peiris**
Chairperson	**Deputy Chairperson**	**General Manager (Actg.)**	**Assistant Gereral Manager-Finance**

Notes to the Statement of Financial Position as at 31.12.2020

Notes - 07

Property, Plant and Equipment

Description	Cost / revalued amount 01.01.2020 (Rs.)	Additions/ Revaluation of assets in the respective year (Rs.)	Disposals/ Sales of assets in the respective year (Rs.)	Current cost/ revalued amount of assets 31.12.2020 (Rs.)	Accumulated depreciation as at 01.01.2020 (Rs.)	Accumulated depreciation for the year 2020 (Rs.)	Disposal or Sales of accumulated depreciation (Rs.)	Accumulated depreciation as at 31.12.2020 (Rs.)	Written down value 31.12.2019 (Rs.)
Freehold lands	26,702,824.54	110,000.00	-	26,812,824.54	-	-	-	26,812,824.54	26,702,824.54
Permanent buildings	54,523,229.33	310,377.39	-	54,833,606.72	21,414,919.61	1,564,298.26	22,979,217.87	31,854,388.85	33,108,309.72
Semi permanent buildings	515,811.00	222,820.00	-	738,631.00	463,947.68	37,509.19	501,456.87	237,174.13	51,863.32
Vehicles	107,384,607.84	862,450.00	-	108,247,057.84	98,728,839.09	3,225,154.23	101,953,993.32	6,293,064.52	8,655,768.75
Machinery	19,743,063.45	466,100.00	-	20,209,163.45	14,009,779.58	1,105,439.24	15,115,218.82	5,093,944.63	5,733,283.87
Tools & equipment	9,248,837.32	295,830.00	-	9,544,667.32	8,036,343.08	225,966.27	8,262,309.35	1,282,357.97	1,212,494.24
Office equipment	12,259,804.09	282,449.00	70,355.00	12,471,898.09	9,810,887.35	471,775.27	10,282,662.62	2,189,235.47	2,378,562.74
Furniture & fittings	7,894,045.82	328,357.50	-	8,222,403.32	5,273,747.53	269,716.55	5,543,464.08	2,678,939.24	2,620,298.29
Tube wells	987,021.18	78,197.00	-	1,065,218.18	664,353.08	66,846.18	731,199.26	334,018.92	322,668.10
Agricultural wells	1,333,680.40	-	-	1,333,680.40	701,215.50	133,368.04	834,583.54	499,096.86	632,464.90
Tanks	608,824.62	-	-	608,824.62	-	-		608,824.62	608,824.62
	241,201,749.59	**2,956,580.89**	**70,355.00**	**244,087,975.48**	**159,104,032.50**	**7,100,073.23**	**166,204,105.73**	**77,883,869.75**	**82,027,363.09**

Notes to the Statement of Financial Position as at 31.12.2020

31.12.2019 (Rs.)	Notes - 08 Fruit bearing cultivation Expenses			31.12.2020 (Rs.)
32,570,205.58	Cashew	Note 08 (a)		29,651,448.05
1,699,541.67	Coconut	Note 08 (b)		1,484,334.57
34,269,747.25			**Total**	**31,135,782.62**

Note - 08 (a)
Fruit bearing cultivation - Cashew

31.12.2019 (Rs.)	Estate	Cost as at 01.01.2020 (Rs.)	Accumulated Amortization as at 31.12.2020 (Rs.)	Net Value as at 31.12.2020 (Rs.)
1,064,821.51	Hardy Estate	3,180,107.38	2,228,598.00	951,509.38
5,278,042.67	Kamandaluwa Estate	18,387,204.86	13,533,417.93	4,853,786.93
5,282,112.49	Puttalam Estate	11,089,242.26	6,361,591.88	4,727,650.38
2,274,310.42	Eluwankulama Plant Breeding Centre	13,933,185.28	12,355,534.12	1,577,651.16
394,050.10	Wilachchiya Plant Breeding Centre	655,569.86	294,298.25	361,271.61
3,960,374.44	Nalanda Plant Breeding Centre	5,963,253.57	2,301,041.81	3,662,211.76
1,246,968.26	Mahaoya Plant Breeding Centre	1,641,264.30	476,359.26	1,164,905.04
1,731,206.53	Monaragala Plant Breeding Centre	2,331,959.19	717,350.62	1,614,608.57
1,269,605.30	Mankarni Estate	1,410,672.56	211,600.89	1,199,071.67
10,068,713.86	Kondachchi Plant Breeding Centre	10,598,646.17	1,059,864.62	9,538,781.55
32,570,205.58	**Total**	**69,191,105.43**	**39,539,657.38**	**29,651,448.05**

Note - 08 (b)
Fruit bearing cultivation - Coconut

31.12.2019 (Rs.)	Estate	Cost as at 01.01.2020 (Rs.)	Accumulated Amortization as at 31.12.2020 (Rs.)	Written down value as at 31.12.2020 (Rs.)
940,078.25	Hardy Estate	1,650,793.13	793,254.54	857,538.59
748,665.35	Kamandaluwa Estate	2,437,612.22	1,810,817.24	626,794.98
10,798.07	Puttalam Estate	431,998.76	431,997.76	1.00
1,699,541.67	**Total**	**4,520,404.11**	**3,036,069.54**	**1,484,334.57**

Note - 09

31.12.2019 (Rs.)	Non-fruit bearing cultivation Expenses			(Rs.)
34,741,977.54	Cashew	Note - 09 (a)		57,166,748.00
3,120,120.63	Coconut	Note - 09 (b)		3,162,831.41
37,862,098.17			**Total**	**60,329,579.41**

Note - 09 (a)
Non-fruit bearing cultivation - Cashew

Cost as at 31.12.2019 (Rs.)	Estate	Cost as at 31.12.2020 (Rs.)
2,130,228.63	Hardy Estate	2,140,825.58
706,026.95	Kamandaluwa Estate	728,305.32
10,549,669.75	Puttalam Estate	13,113,278.10
1,269,855.41	Eluwankulama Plant Breeding Centre	2,146,847.80
143,601.75	Mankarni Estate	935,069.79
329,833.71	Mahaoya Plant Breeding Centre	536,553.71
-	Monaragala Plant Breeding Centre	81,552.00
1,871,964.02	Research and Development	2,095,934.95
135,360.40	Nedagamuwa Processing Centre	135,360.40
-	Pooneryn Estate	1,520,190.82
	Vellankulam Estate	5,419,570.00
103,822.74	Wilachchiya Plant Breeding Centre	134,572.74
16,504,322.41	Kondachchi Plant Breeding Centre	27,160,714.98
997,291.77	Thiriyaya Plant Breeding Centre	1,017,971.81
34,741,977.54	**Total**	**57,166,748.00**

Note - 09 (b)
Non-fruit bearing cultivation - Coconut

Cost as at 31.12.2019 (Rs.)	Estate	Cost as at 31.12.2020 (Rs.)
1,667,021.57	Hardy Estate	1,667,021.57
1,453,099.06	Kamandaluwa Estate	1,495,809.84
-	Oyamaduwa Estate	-
3,120,120.63		**3,162,831.41**

Note - 10
Other small projects

Cost as at 31.12.2019 (Rs.)		Cost as at 31.12.2020 (Rs.)
482,874.90	Teak Plants Project	482,874.09
40,000.00	Sesame Project	-
90,100.00	Wood Apple Project	93,650.00
42,910.00	Intercropping - Cowpea	-
19,140.00	Intercropping - Pumpkin	-
675,024.90		**576,524.09**

Note -11
Current assets

Cost as at 31.12.2019 (Rs.)	<u>**Stocks**</u>	Cost as at 31.12.2020 (Rs.)
4,938,493.65	Sundry	4,179,529.85
-	Coconut	15,677.00
3,801,512.96	Cashew kernel - Sales Outlets	4,336,211.00
6,616,365.28	- Processing Centres	6,848,525.00
17,929,353.31	Cashew nuts in shell	35,062,231.71
4,108,063.50	Cashew Plants	11,794,044.10
870,163.72	Packaging materials	2,231,454.94
38,263,952.42		**64,467,673.60**

Note -12

Trade debtors and other receivables

Cost as at 31.12.2019 (Rs.)			**Cost as at 31.12.2020 (Rs.)**
5,520,248.22	Trade debtors	6,747,974.26	
194,865.00	**Less: Provision for Bad Debtors**	238,203.00	6,509,771.26
5,325,383.22			
17,987,795.01	Sundry debtors	14,071,381.11	
(2,106,184.42)	**Less - Impairment Losses**	2,106,184.42	11,965,196.69
21,206,993.81			**18,474,967.95**

Note -13

Deposits, Advances and Prepayments

Cost as at 31.12.2019 (Rs.)		**Cost as at 31.12.2020 (Rs.)**
58,535.00	Advances	931,950.00
-	Salary Advances	14,000.00
430,153.72	Prepayments	4,053,804.88
5,604,238.35	Deposits	4,828,423.20
6,092,927.07		**9,828,178.08**

Note -14

Cash and Cash Equivalents

Cost as at 31.12.2019 (Rs.)				**Cost as at 31.12.2020 (Rs.)**
504,139.63	Bank of Ceylon - Kollupitiya	1633704	(Current)	4,045,074.86
1,871,315.45	Bank of Ceylon - Kollupitiya	1633705	(Current)	7,937,940.01
317,402.54	Bank of Ceylon - Kollupitiya	1633710	(Current)	934,372.23
174,875.87	Bank of Ceylon - Kollupitiya	1633711	(Current)	18,684,370.22
81,123.34	Bank of Ceylon - Kollupitiya	1649789	(Savings)	7,590,193.41
57,768.15	Bank of Ceylon - Kollupitiya	1649970	(Savings)	962,145.33
15,593.10	Bank of Ceylon - Ja-Ela	813	(Current)	15,593.10
19,250.00	Peoples' Bank - Nugegoda	10013	(Current)	7,750.00
4,153.56	Peoples' Bank - Nugegoda	20011	(Savings)	4,320.74
226,317.33	Peoples' Bank - Nugegoda	20020	(Savings)	245,391.64
28,357.37	Regional Development Bank	687	(Savings)	28,357.37
-	Cash - in Hand (Ambepussa sales outlet)			25,630.00
89,210.00	Cash - in Hand (Kollupitiya sales outlet)			25,160.00
80,200.00	Cash - in Hand (Rajagiriya sales outlet)			101,000.00
10,000.00	Petty cash imprest			10,000.00
50,000.00	Fuel imprest			50,000.00
-	Cash-in-transit			44,050.00
5,000.00	Cash imprest - Stamps			5,000.00
70,000.00	Cashew sales outlet imprest			207,500.00
195,000.00	Cheques for encashment			200,000.00
966,232.80	Cash - in Hand (Commercial Nurseries)			703,538.05
21,125.50	Cash - in Hand (Extension)			12,364.59
185,555.00	Cash - in Hand (Research and Development)			241,305.00
309.84	Cash - in Hand (Nedagamuwa Processing Centre)			147,559.65
7,172.00	Cash - in Hand (Puttalam Processing Centre)			322.00
10,832.00	Cash - in Hand (Hardy Estate)			65,985.95
44,789.15	Cash - in Hand (Kamandaluwa Estate)			23,325.85
655.00	Cash - in Hand (Mankarni Plant Breeding Centre)			706.25
64,254.00	Cash - in Hand (Puttalam Estate)			10,272.00
16,410.23	Cash - in Hand (Eluwankulama Estate)			133,025.10
-	Cash - in Hand (Mahaoya Plant Breeding Centre)			975.00
38,375.00	Cash - in Hand (Elkaduwa Plant Breeding Centre)			-
0.40	Cash - in Hand (Wilachchiya Plant Breeding Centre)			100.00
	Cash - in Hand (Vellankulam Estate)			23,252.00
200.00	Cash - in Hand (Thiriyaya Plant Breeding Centre)			211.90
5,406.00	Cash - in Hand (Punareen Estate)			6,396.00
40,973.34	Cash - in Hand (Kondachchi Estate)			22,361.00
	Cash - in Hand (Vine Project)			671.00
5,201,996.60	**Total**			**42,516,220.25**

Note -15
Grants received from other parties

Cost as at 31.12.2019 (Rs.)		Cost as at 31.12.2020 (Rs.)
5,901,938.18	North East Coastal Community Development Project	5,693,188.13
-	Ministry of Supplementary Plantation Crops Development	-
9,864,409.09	Ministry of Minor Export Crop Promotion	9,703,372.27
-	State Ministey of Development of Minor Crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, Betel Related Industries and Export Promotion	16,941,000.00
15,766,347.27		**32,337,560.40**

Note -16
Capital Reserves

Cost as at 31.12.2019 (Rs.)		Cost as at 31.12.2020 (Rs.)
16,929,116.63	Revaluation Reserve - Vehicles	16,929,116.63
512,730.22	Other Capital Reserves	512,730.22
17,441,846.85	**Total**	**17,441,846.85**

Note -17
Long Term Loans

Cost as at 31.12.2019 (Rs.)		Cost as at 31.12.2020 (Rs.)
3,500,000.00	Paddy Marketing Board	3,500,000.00
-		
3,500,000.00	**Total**	**3,500,000.00**

Note -18
Current Liabilities and Other Payables

Cost as at 31.12.2019 (Rs.)		Cost as at 31.12.2020 (Rs.)
26,189,521.41	Sundry Creditors	26,219,532.36
18,578,295.03	Other Expenses	25,838,129.39
7,555,987.61	Accrued Expenses	14,301,394.30
52,323,804.05	**Total**	**66,359,056.05**

Sri Lanka Cashew Corporation

Combined Cash Flow Statement for the year ended 31.12.2020

31.12.2019 (Rs.)		**The year ended 31.12.2020 (Rs.)**	**(Rs.)**
	Cash Flow from Operating Activities		
(30,185,250.74)	Profit/(Loss) during the year		(10,885,646.81)
(290,325.00)	Adjustments for the previous year		2,444,558.88
	Adjustments for non cash moving items		
12,082,150.32	Depreciation	7,100,073.23	
3,420,039.98	Amortization	3,133,964.63	
8,742,490.00	Provisions for Gratuity	8,321,457.00	
75,995.31	Write off or provision for Bad Debts	43,338.00	
922,673.86	Loss from transfer of fixed assets	1.00	
-	Capital work in progress	69,112.00	
13,167,618.32	Write off fruit bearing cultivation	-	
(97,532.52)	Loss from dead plants	-	
(1,989,420.05)	Grants from other parties	(369,786.87)	
-	Write off other small projects	102,050.00	
(110,501.88)	Interest income received	(223,456.36)	
(42,625,753.61)	Amortization of capital allowances	(31,057,088.95)	
			(12,880,336.32)
(36,887,816.01)	**Operating Profit / (Loss) before Working Capital Changes**		**(21,321,424.25)**
	Working Capital Changes		
(18,041,159.80)	Stock - Increase / (Decrease)	(26,203,721.18)	
(3,799,038.84)	Debtors - Increase / (Decrease)	2,688,687.86	
(3,540,000.54)	Advances and pre-payments - (Increase)/(Decrease)	(3,735,251.01)	
20,876,408.41	Creditors - Increase / (Decrease)	7,289,845.31	
(7,151,174.05)	Accrued expenses - Increase/(Decrease)	6,745,406.69	
(11,654,964.82)			(13,215,032.33)
(48,542,780.83)			(34,536,456.58)
(1,400,402.00)	Gratuity payments		(4,413,821.00)
(49,943,182.83)	**Net Cash Flow from Operating Activities**		**(38,950,277.58)**
	Cash Flow from Investing Activities		
(2,720,499.97)	Purchase of fixed assets	(2,956,580.89)	
(69,112.00)	Capital work in progress	(122,343.00)	
(10,305,868.21)	Investment in new planting	(22,467,481.24)	
110,501.88	Interest income received	223,456.36	
-	Grants from other parties	16,941,000.00	
(152,150.00)	Investment in other small projects	(3,550.00)	
(13,137,128.30)			(8,385,498.77)
(63,080,311.13)			(47,335,776.35)
	Cash Flow from Financing Activities		
65,057,500.00	Government Grants		84,650,000.00
1,977,188.87	Net Increase/(Decrease) in Cash and Cash Equivalents		37,314,223.65
3,224,807.73	Opening Cash and Cash Equivalents		5,201,996.60
5,201,996.60	Cash and Cash Equivalents at the end of the year		**42,516,220.25**

	As at 01.01.2020	**As at 31.12.2020**
Cash in hand	2,016,661.34	1,901,700.26
Cash in bank	31,625,100.42	2,902,576.59
Cash in transit	44,050.00	-
Savings	8,830,408.49	397,719.75
	42,516,220.25	**5,201,996.60**

Statement of Changes in Equity for the year ended 31.12.2020

Changes	Initial Capital (Rs.)	Government Capital (Rs.)	Grants received from other parties (Rs.)	Capital Reserves (Rs.)	Profit and Loss Account (Rs.)	Total (Rs.)
Balance as at 01.01.2019	40,000,000.00	175,414,265.06	17,755,767.32	17,441,846.85	(110,011,179.38)	140,600,699.85
Adjustments for the previous year	-	-	-	-	(1,000,831.00)	(1,000,831.00)
Grants received during the year	-	70,000,000.00	-	-	-	70,000,000.00
Transfer to Profit and Loss Account	-	(42,625,753.61)	(1,989,420.05)	-	-	(44,615,173.66)
Total Net Income	-	-	-	-	(30,185,250.74)	(30,185,250.74)
Expenditure exceeded the income-Service Sector	-	-	-	-	-	-
Balance as at 31.12.2019	**40,000,000.00**	**202,788,511.45**	**15,766,347.27**	**17,441,846.85**	**(141,197,261.12)**	**134,799,444.45**
Balance as at 01.01.2020	40,000,000.00	202,788,511.45	15,766,347.27	17,441,846.85	(141,197,261.12)	134,799,444.45
Adjustments for the previous year	-	-	-	-	2,444,558.88	2,444,558.88
Grants received during the year	-	84,650,000.00	16,941,000.00	-	-	101,591,000.00
Transfer to Profit and Loss Account	-	-	(369,786.87)	-	-	(369,786.87)
Total Comprehensive Income	-	(31,057,088.95)	-	-	(10,885,646.81)	(41,942,735.76)
Balance as at 31.12.2020	**40,000,000.00**	**256,381,422.50**	**32,337,560.40**	**17,441,846.85**	**(149,638,349.05)**	**196,522,480.70**

My No. ARI/D/SLCC/FA/2022/01 23rd day of April, 2023

Chairman,

Sri Lanka Cashew Corporation,

Report of the Auditor General on the Financial Statements and other Legal and Regulatory Requirements of the Sri Lanka Cashew Corporation for the year ended 31st December 2020 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

11.

1. Financial Statements

1.1 Qualified Opinion

The Audit of the Financial statement of the Sri Lanka Cashew Corporation for the year ended 31st December 2020 comprising the Statements of Financial Position as at 31st December 2020 and the Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended and notes to the financial statements including the summary of significant accounting policies, was carried out under my direction in pursuance of provisions of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with the provisions of the National Audit Act, No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion the accompanying financial statements give a true and fair view of the financial position of the Corporation as at 31st December 2020 and of financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, except for the impact of the matters discussed in the Basis for Qualified Opinion section.

1.2 Basis for Qualified Opinion.

(a) According to Sri Lanka Accounting Standard 01 (38), comparative information has not been presented in respect of the information in Note No. 07 relating to the net value of the items of property, plant, and equipment which has been stated as Rs, 82,027,363/- in the financial statements.

(b) According to Sri Lanka Accounting Standard 02 (36), the accounting principle adopted by the Corporation in measuring the inventories including the cost formula used has not been disclosed.

(c) According to Sri Lanka Accounting Standard 12, the deferred tax value has not been recognized in financial statements.

(d) According to Sri Lanka Accounting Standard 19 (57)(c), the current service cost and the net interest on the net defined benefit liability should be recognized in the Comprehensive Income Statement under employee gratuity allocations based on the values of the actuarial assessment. The Corporation erroneously debited the said allocation of Rs. 5,512,346/- pertaining to the year under review, as per the actuarial assessment, to the Comprehensive Income Statement as Rs.9,678,561/-.

(e) The audit disclosed that the actuarial loss of Rs. 4,068,410/- which should be recognized under comprehensive income according to Sri Lanka Accounting Standard 19 (57) (d), had been recognized in the Profit and Loss Account.

(e) According to Sri Lanka Accounting Standard 19 (139), the retirement benefit allocations should be invested according to a formal investment plan. However, no investment had been made with the balance of Rs.

38,953,602/- in the retirement benefit allocation account as of the final date of the year under review.

(g) The cost of repairs to two motor vehicles of Rs. 862,450/- had been debited to the motor vehicle account and as a result, the profit for the year under review had been over stated by Rs. 713,556/- after adjusting depriciations relevant to those transactions.

(h) It was observed that the profit for the year was decreased by the depreciation cost of Rs. 138,754/-, which was related to the expenses of Rs. 693,770/- incurred in 2019 for the repair of two motor vehicles of the Corporation. This occurred due to the capitalization of the repair cost in that year during the preparation of the financial statements for the year under review.

(i) Even though 08 years have passed since providing cashew plants worth of Rs. 9,466,200/- to the Ministry of Economic Development, the recovery of the outstanding loan balance classified as sundry debtors has become doubtful due to the closure of the relevant Ministry. The audit revealed that no provision for bad debts and doubtful debts had been made.

(j) No written evidence whatsoever had been presented for the audit that can prove the subsidy payment aggregating Rs. 3,602,678/- and the payment of crop insurance classified as payable expenses for the last 7 years. In the year under review, a sum of Rs. 2,760,587/- had been deducted from the cumulative loss in the statement of liability change.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities under those standards are further described in the Auditor’s Responsibilities for the audit of the financial statements section of my report. I believe that the audit evidence, I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.2 **Other information contained in the Annual Report of the Corporation for the year 2020**

The other information means the information which is expected to be provided to me after the date of this Audit Report and is included in the Annual Report 2020 but not in the financial statements and in my report on those financial statements. The Management should be responsible for the other information.
My opinion on the financial statements does not cover the other information and I do not extend any certificate whatsoever or express any opinion on the other information.

My responsibility in respect of my audit of the financial statements is to read the other information when they are made available and in doing so to consider whether the other information is substantially inconsistent with the financial statements, or my knowledge acquired in the audit or otherwise.

In case I conclude while reading the Annual Report of the Corporation for 2020 that there are substantial misstatements, I shall communicate such matters to those charged with governance for rectification. If there are unrectified misstatements, they will be included in the report to be tabled in Parliament, in due course, by me in terms of Article 154 (6) of the Constitution.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material mist statements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

As per Section 16 (1) the National Audit Act No. 19 of 2018, proper books and records of all its income, expenditure, assets and liabilities are to be maintained to enable annual and periodic statements to be prepared by the Corporation.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also –

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

- Concluded on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that there exists a material uncertainty, I am required then to draw attention in my Report, to the related disclosures in the financial statements or if such disclosures are inadequate to modify my opinion. My conclusions are based on the audit evidence obtained up the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluated the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicated with those charged with governance regarding, inter alia, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on Other Legal and Regulatory Requirements

1 National Audit Act, No.19 of 2018 includes specific provisions for following requirements:

1.1 I was able to obtain all the information and explanations required for the audit and as far as appears from my examination, I was able to observe that proper accounting records have been kept by the Corporation as per the requirement of Section 12(a) of the National Audit Act, No. l9 of 2018.

1.2 The financial statements presented is consistent with the preceding year as per the requirement of Section 6(1)(d)(iii) of the National Audit Act, No.19 of 2018.

1.3 The financial statements presented include all the recommendations made by me in the previous year except for the observations mentioned in 1.2(a) of the Basis for Qualified Opinion section, as per the requirement of Section 6(1)(d)(iv) of the National Audit Act, No.19 of 2018.

2 Based on the procedures performed and evidence obtained which were limited to matters that are material, nothing has come to my attention to

2.1 state that any member of the Board of Management of the Corporation has any direct or indirect interest in any contract entered into by the Corporation which is out of the normal course of business as per the requirements of Section 12 (d) of National Audit Act No. 19 of 2018.

2.2 state that the Corporation has not complied with the applicable written law, general and specific directions issued by the Board of Management of the Corporation as per the requirement of Section 12 (f) of National Audit Act No. 19 of 2018.

	Laws /Rules / Regulations	Comments
(a)	Inland revenue Act, No. 24 of 2017	Action had not been taken either to pay income tax or to submit tax returns from the year 2011. However, a receivable balance of withholding tax of Rs. 779,483/- had been shown in the financial statements in relation to that periods.
(b)	Section 18 of the National Audit Act, No. 19 of 2019.	Audit fees should be settled within 30 days from the date of the invoice, however, audit fees of Rs. 2,189,211/- relevant for the period from 2005 to 2019 had not been settled.
(c)	Decision dated 24th July 2012 of the Committee on Public Enterprises	Committee on Public Enterprises (COPE) had informed the Corporation to pursue action to acquire the legal ownership of the lands the Corporation does not hold such legal ownership. However, relevant action to acquire the legal ownership of 11,363 acres of cashew cultivating lands granted to the Corporation by the Divisional Secretariats and the Land reform Commission had not been completed as of the date of this report.
(d)	F.R. 371(b) as amended by the Public Finance Circular No. 03/2015 dated 14th July 2015	Even though it was specified that a sum of Rs. 100,000/- could be issued as interim imprest to staff level officers for a specific audited purpose, the petty cash imprest was increased to Rs. 200,000/- on the contrary.

(e)	Treasury Circular No. PED/12, dated 02nd June 2003	The financial statements approved by the Board of Management should be submitted to the Auditor General within 60 days from the end of the financial year. However, the final accounts for the year 2020 were submitted to the Auditor General on 31st January 2023, which was 1 year and 10 months after the deadline.

2.2.3 state that action has been taken not in consistent with the powers, functions and duties of the Corporation as per Section 12 (g) of National Audit Act No. 19 of 2018.

2.2.4 state that the resources of the Corporation had not efficiently, economically and effectively been procured and utilized in compliance with the relevant laws and regulations during the period under review as per Section 12 (h) of National Audit Act No. 19 of 2018.

(a) During the year under review, a total of Rs. 84,650,000/- was received as capital government grants. Out of this amount, Rs. 23,022,359/- was used for cashew and coconut cultivations, while a similar amount of Rs. 23,594,880/- was spent on recurrent expenses. Although there should have been a balance of Rs. 38,032,761/- in the account at the end of the year, the actual balance was only 4,045,075/-. Accordingly, it was observed that Rs. 33,987,686/- of the capital grants was used for other purposes.

(b) Despite spending Rs. 4,000,000/- under capital grants for the Puttalam and Kamandaluwa Research Centers during the year under review, no new research initiatives were started. Only the 08 research projects carried over from previous years were being conducted at both research centers.

Moreover, no continues and proper progress reports were maintained so as to enable the evaluation of the progress of researches.

(c) During the audit, it was noted that inadequate planning for procuring polyethylene bags for plant nursery purposes and insufficient time granted to suppliers for submitting quotations led to the necessity of calling for quotations twice. As a result, the procurement worth Rs. 2,393,610/- had to be awarded to suppliers who had not submitted correct samples.

(d) As part of the project to establish cashew import villages, 100,000 grafted cashew seedlings were produced and distributed. A random plant survey in selected areas revealed that 30% of the seedlings in Anuradhapura district, 34.5% in Vavuniya district, 04% in Mullaitivu district, and 63% in Kilinochchi district had been wasted. The survey found that 1,560 seedlings amounting to Rs. 390,000/- within the limited area subjected to the survey alone, had been wasted. Considering the regular wastage of 06% in planting seedlings, the audit identified this as a significantly high level of wastage.

2.3. Other Audit Observations

(a) The Corporation did not maintain printed credit slips (with serial numbers) for returns of cashew kernel sold, nor did it maintain registers for that purpose. During the year under review, when one customer organization returned cashew stock worth Rs. 1,058,542/- to the Corporation, two letters were issued as credit slips upon receipt of the returns. However, these letters did not specify the reasons for the returns or the conditions for accepting returns after sale.

(b) Upon analyzing the total debtor balance of Rs. 6,747,974/- based on the outstanding period, it was found that there was a debtor balance of Rs. 2,092,275/- outstanding for over 90 days, and another debtor balance of Rs. 485,512/- outstanding for a period of 61-90 days. However, no appropriate action had been taken to recover these debtor balances.

(c) Despite the government grants made available between 2016 and 2020, the Corporation's financial statements showed visible losses ranging from Rs. 134 million to Rs. 102 million. As a result, it was observed that the Corporation's ability to continue operating as a going concern had become challenging.

Year	Loss Rs. 1	Government Grants (Recurrent) Rs. 2	Government Grants (Capital) 3	Government Grants recognized as income (Capital) Rs. 4	Loss minus government grants Rs. 1-2-4
2016	(36,525,411)	48,000,000	40,000,000	31,181,987	(115,707,398)
2017	(42,335,722)	54,000,000	54,000,000	43,025,205	(130,360,927)
2018	(39,642,728)	50,000,000	66,520,000	35,263,122	(124,905,850)
2019	(30,185,251)	60,000,000	70,000,000	44,615,174	(134,800,425)
2020	(10885,647)	60,000,000	84,650,000	31,426,876	(102,312,533)

(d) As there was no established methodology to calculate the unit cost of cashew nuts in shell, cashew kernels, and cashew seedlings, the audit could not verify the method used to calculate the final stocks totaling Rs. 58,041,012/-.

(e) In the year under review, no action was taken to settle the outstanding loan of Rs. 3,500,000/- and the relevant interest of Rs. 927,500/- over 7 years to the Paddy Marketing Board.

W.P.C. Wickramaratne
Auditor General

12. Courses of action taken to rectify the weaknesses pointed out in the Audit Report

<u>Explanations from the Corporation regarding the matters contained in the Report of the Auditor General on the Financial Statements and other Legal and Regulatory Requirements of the Sri Lanka Cashew Corporation for the year ended 31st December 2020 in terms of Section 12 of the National Audit Act, No. 19 of 2018.</u>

1.2 (a) Arranegents will be made to present the comparative information on the net value/carrying value of the property, plant and equipment stated herein, with the financial statements of the year under review, and henceforth, special attention will be drawn to the presentation of the comparative information in the preparation of financial statements.

1.2 (b) Actions will be taken to include the information on the accounting policy adopted in measuring the inventories including the cost formula used (First In, First Out - FIFO Method) in the financial statements through a note.

1.2 (c) Necessary actions will be taken to include the adjustments related to the deferred taxes in the books of accounts.

1.2 (d) As per the actuarial assessment pertaining to the year under review, the balance of gratuity allocation of Rs.38,953,702/- as at 31.12.2020 has been shown in the financial statements.

1.2 (e) Due to the matters pointed out in this audit query, only a presentation error has occurred, and it has not affected the total net assets of the Corporation.

1.2 (f) As per the financial statements of the Corporation for the year 2022 which have been prepared to date, the investment to be made is Rs.3,578,916/- in accordance with the gratuity allocation value as at 31.12.2022, and due to the severe financial difficulties of the Corporation, the relevant investments have not been made at present. However, until such time the financial situation of the Corporation is favourable, a Board paper has been prepared and submitted to obtain necessary approval to make an investment of Rs.100,000/- per month for gratuity allocations, and accordingly, necessary further actions will be taken.

1.2 (g) A sum of Rs.862,450/- has been incurred for the engine repairs to the respective motor vehicles, and as the useful lifespan of the respective motor vehicles has increased by a significant number of years due to the repairs, actions have been taken to capitalize the related expenses as follows.

1.2 (h) As per the replies to the draft Auditor General's report submitted on the financial statements of the year 2019, the motor vehicle repair cost of Rs.693,770/- stated here was capitalized by spending the said cost on Overhauled Complete Engine Repairs of the relevant motor vehicle and accordingly, as mentioned here, the profit was not decreased by a sum of Rs.138,754/-.

1.2 (i) Even though the Corporation has made efforts to recover the outstanding loan amount of Rs.9,466,200/- from the said Ministry of Economic Development, it has failed. Currently, there is no government ministry called the Ministry of Economic Development, and hence, necessary arrangements will be made to obtain proper advice on how to proceed with respect to the relevant debtor balance and further action will be taken accordingly.

1.2 (j) At the Audit Committee of the Corporation held on 29.12.2022, the payable subsidy and crop insurance expenses of Rs.3,602,678/- stated herein were discussed and as the Corporation has presently no obligation in respect of the respective liabilities, the Audit Committee recommended that the said amounts be written off from the books of accounts. Accordingly, the necessary adjustments were made in the books of accounts subject to the covering approval of the Board of Directors, and approval of the Board of Directors has already been granted for the recommendation of the Audit Committee.

2.2.2. (a) In consultation with the officials of the Inland Revenue Department in this regard, arrangements have been made to obtain the necessary tax returns from the said Department for submitting the income tax information of the Corporation for the previous accounting periods stated here and accordingly, necessary actions will be taken to duly complete the tax returns and send them to the Inland Revenue Department.

2.2.2 (b) Out of the audit fees of Rs.2,189,211/- to be paid to the National Audit Office as at 31.12.2020, an amount of Rs.528,006/- has already been settled and arrangements will be made to settle the remaining audit fees promptly, depending on the manner in which funds are allocated.

2.2.2 (c) In this context, the following lands whose ownership has not been acquired are used by the Corporation.

Serial No.	Estate/ Seed Garden	Ownership	District	D.S. Division	Extent Acres
01.	Eluwankulama Phase I	Government owned	Puttalam	Vanathavilluwa	210
02.	Eluwankulama Phase II	Government owned	Puttalam	Vanathavilluwa	406
03.	Achchigewatta	Land Reform Commission	Puttalam	Vanathavilluwa	961
04.	Kamandaluwa	Land Reform Commission	Puttalam	Rasnayakapura	548
05.	Hardy	Land Reform Commission	Batticaloa	Valaichchenai	365
06.	Pooneryn	Government owned	Kilinochchi	Pooneryn	479
07.	Kondachchi	Government owned	Mannar	Musali	6,498
08.	Thiriyaya	Government owned	Trincomalee	Gomarankadawala	35
09.	Mankarni	Government owned	Batticaloa	Koralai Pattu North	1,075
10.	Vilachchiya	Department of Forest Conservation	Anuradhapura	Mahavilachchiya	25
11.	Suduwathura Ara	Department of Forest Conservation	Monaragala	Monaragala	45
12.	Mahaoya	Department of Forest Conservation	Ampara	Mahaoya	81
13.	Nalanda	Elkaduwa Plantation Ltd.	Matale	Matale	135
14.	Vellankulam	Government owned	Mannar	Manthai West	500
Total (Acres)					**11,363**

At present, the Corporation has made all the necessary arrangements to acquire the Eluwankulama Phase I land in extent of 210 acres given in Serial No. 01 of the above Schedule on a long term lease basis and Accordingly, the Vanathavilluwa Divisional Secretariat has informed the Corporation to pay the related installments and lease rentals, and immediately after the completion of the said activities, the lease indenture with the possession of the land will be owned by the Corporation.

As well, approval of the Cabinet of Ministers has been granted to handover the ownership of the lands totaling 8,993 acres in Eluwankulama Phase II, Pooneryn, Kondachchi, Thiriyaya, Mankarni and Vellankulam estates and seed gardens given in Serial No. 2, 6, 7, 8, 9 and 14 above to the Sri Lanka Cashew Corporation on a long-term lease basis. Accordingly, the necessary further work will be carried out together with the Divisional Secretaries in the areas where the lands are located.

Further, the Corporation has held necessary preliminary discussions with the officials of the Land Reform Commission to acquire the total of 1,874 acres of the estates of Achchigewatta, Kamandaluwa and Hardy given in Serial No. 3, 4 and 5, and action will be pursued accordingly.

The Corporation is in the process of acquiring the ownership of the other lands, and since the process to be followed for the purpose is very long, it will take a considerable period of time.

2.2.2 (d) An imprest of Rs.200,000/- is maintained as mentioned herein, in case of incurring expenses for daily urgent requirements outside the banking hours, as per the nature of the expenses of the Corporation, which will be sufficient under practical circumstances.

2.2.2 (e) The methodology followed in preparing the final accounts for the Sri Lanka Cashew Corporation until the year 2019 was to prepare separate balance checks for each costing center of the Corporation, thereby to prepare separate final accounts for each costing center and to consolidate them finally. As the final accounts were prepared separately for the activities of the commercial and service sectors of the Corporation thereby, decision-making activities for those sectors were also able to be carried out properly.

By following the same method as above for the year 2019 as well, the final accounts were prepared within the prescribed period and submitted to the National Audit Office for audit purposes, and the officials of that office audited the relevant accounts and forwarded a draft Auditor General’s report to the Corporation.

The Corporation answered to the above draft Auditor General's report, where the said officials instructed to prepar one balance check for the entire Corporation instead of each balance check for the costing centers and thereby to prepare and submit the final accounts. However, it was difficult to prepare one balance check as above, deviating from the accounting method that has been used for a long time and until then no audit queries have been submitted and therefore, it was unable to prepare final accounts for the year 2019 on the instructions of the Auditor General and accordingly, the Corporation had to withdraw the old final set of accounts.

Later, the financial statements for the year 2019 were prepared following the new methodology, which took a considerable periodof time. Due to the time delay, there was a delay in preparing and submitting the financial statements for the year 2020.

However, the preparation of financial statements for the years 2021 and 2022 has already been completed, and the financial statements for the year 2021 have been handed over to the National Audit Office for audit purposes under approval of the Board of Directors. As well, the financial statements for the year 2022 have been submitted for approval of the Board of Directors, and as soon as approval is granted, the relevant financial statements will be sent to the National Audit Office for audit purposes.

2.2.4 (a) As mentioned here, although the expenses of Rs.23,594,880/- have been recognized as recurrent expenses, it includes the expenditure made from the provisions allocated under capital expenditure for cashew cultivation extension and research activities of the Corporation. Accordingly, necessary arrangements will be made to submit a reconciliation statement containing all the information on the manner in which the capital grants received during the year under review have been spent, to the officials of the National Audit Office.

2.2.4 (b) Although it was stated in this audit quiry that no new research initiatives have been started by the Puttalam and Kamandaluwa Research Centers of the Corporation during the year 2020, the following new research programmes have been implemented by the centers during the year under review.

1. Minor and Major Pest Management in Cashew Cultivation.

2. Dehydration of Cashew Apples as a Value Added Product.

3. Climate changes and their impact on cashew cultivation according to the cashew cultivation areas in Sri Lanka.

4. Integrated management of stem and root borer pests in cashew tree. In addition to the above mentioned new research programmes, in the year 2020, 03 new high quality improved cashew varieties namely WUCC 02, WUCC 16 and WUCC 07 were introduced to the relevant beneficiaries of the cashew industry.

As well, a monthly progress report of the progress of the research programmes conducted by the Research Division of the Corporation is submitted to the Board of Directors by the Research Division of the Head Office. In addition, the progress of the related research activities and the revisions and updates that should be made in them are discussd at the research and management committee meetings of the Corporation chaired by a professor from the Faculty of Plantation Management, Wayamba University which are held quarterly. The relevant minutes along with necessary recommendations are also submitted for the reference of the Board of Directors.

2.2.4 (c) As mentioned herein, sealed bids were invited for the purchase of polythene bags required for cashew plant nurseries of the Corporation in the year 2020 and a limited number of days were given for the submission of bids as the duties were strictly limited due to the rapid spread of the Corona pandemic situation throughout the island during the relevant period, taking into account the upcoming period for commercial nursery work. On the first occasion, only one bid was received in calling bids, and accordingly, once again only a limited number of days were given to make a formal price comparison and bids were invited. On the second occasion, 06 bids were received and the respective bidders had sent samples of the polythene bags provided by them along with their bids.

A bidder was formally selected after submitting the bids and samples of polythene bags to a Technical Evaluation Committee, and accordingly, it is not correct to state that the procurement was awarded to the bidders who had not submitted correct samples.

2.2.4 (d) In the year 2020, the total acreage cultivated by the beneficiaries is 1,428.63 in relation to the number of 100,000/- cashew seedlings distributed to 774 beneficiaries/farmers in 05 districts under the project to establish cashew import villages, and its analysis according to the respective districts is given below.

Serial No.	District	No. of Beneficiaries	Acreage under Cultivation	No. of cashew seedlings distributed
01.	Anuradhapura	251	357.13	25,000
02.	Vavuniya	238	357.00	25,000
03.	Puttalam	180	428.50	30,000
04.	Mullaitivu	78	143.00	10,000
05.	Kilinochchi	27	143.00	10,000
	Total	**774**	**1,428.63**	**100,000**

According to the available time and resources, the total extent of 53.58 acres under cultivation randomly checked in 04 of the above 05 districts by the Extension Division of the Corporation was taken as a percentage of the total extent of 1,000.13 acres planted with cashew seedlings distributed in the relevant 04 districts, is a very small percentage of 5.36% and its analysis is given below.

Serial No.	District	Total acreage under Cultivation	Acreage under cultivation randomly checked by the Extension Division	Percentage (%) of inspected acreage against total acreage
01.	Anuradhapura	357.13	12.00	3.36
02.	Vavuniya	357.00	17.50	4.90
03.	Mullaitivu	143.00	19.00	13.28
04.	Kilinochchi	143.00	5.08	3.56
	Total	**1,000.13**	**53.58**	**5.36**

Taking into consideration the above mentioned 5.36% crop test sample percentage, it is not practical to substitute the result of the sample test to the total acreage under cultivation as the sample test can only get a rough idea regarding the success of the crop.

However, as the cashew cultivations have been undertaken in the areas with dry climate, there is a possibility that some of the cashew plants will die in the field due to extreme drought, and damage from wild animals may further affect it.

2.3 (a) Necessary arrangements have been made to maintain credit slips properly for all returns of cashew kernels until 30.04.2023, and actions will also be taken to make necessary amendments in the related internal control process.

2.3 (b) Actions have already been taken to recover an amount of Rs.1,103,377/- out of the total outstanding debtor balance of Rs.2,577,787/- mentioned here and the necessary arrangements will be made to recover the remaining debtor balance of Rs.1,474,410/- as soon as possible.

2.3 (c) A separate Income and Expenditure Account is not prepared for the extension and research and development services which are operated as service activities of the Corporation, and the cost of those costing centers are also consolidated with the cost of profit making centers related to the commercial activities of the Corporation and included in accounts.

Although the costs related to the service activities of the Corporation are included in accounts as above, the benefits generally accrued by providing those services are not included in accounts and therefore, attention has been drawn to the situation and necessary arrangements are being made to include the benefits from service activities in the books of account with intangible assets having necessary advices from the officials of the National Audit Office. As well, strict attention has been drawn to the courses of action to be taken to increase the profitability of the Corporation by further increasing the sales and managing expenses, and the necessary courses of action will be taken accordingly.

2.3 (d) There is no problem in the methodology available for calculating the cost of cashew nuts in shell and cashew seedlings, and since there are many types of cashew kernel products in the Corporation, calculating the cost separately for each cashew kernel products is a complicated process. However, the special attention has been drawn to the matters mentioned in this audit paragraph, and accordingly, a written request has been made to the Ministry in charge of the subject to appoint a committee of experts to prepare a formal methodology for calculating the production cost of cashew kernels. Accordingly, necessary actions will be pursued.

2.3 (e) It has been delayed to settle the outstanding loan of Rs. 3,500,000/- to the Paddy Marketing Board due to the financial difficulties of the Corporation, and after the financial situation is favourable, the necessary arrangements will be made to settle the loan in installments.

13. Sri Lanka Cashew Corporation

Five year accounts summary Rs.(000)

	2020	2019	2018	2017	2016
Profit and Loss Account	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Net sales	109,120	100,082	94,931	100,951	94,906
Sales cost	(72,190)	(67,857)	(61,023)	(80,182)	(68,648)
Gross profit	**36,930**	**32,225**	**33,908**	**20,769**	**26,258**
Other income	43,300	48,343	10,544	15,522	28,224
Recurrent grants	60,000	60,000	15,077	18,700	16,923
Administrative expenses / Other expenses	(147,982)	(167,334)	(38,407)	(38,893)	(39,141)
Amortization	(3,134)	(3,420)	539	244	(634)
Net profit from commercial activities	**(10,886)**	**(30,186)**	**21,661**	**16,342**	**31,630**
Service Division - expenses exceeding incomes	-	**-**	**(61,303)**	**(58,678)**	**(68,155)**
Net Loss	**(10,886)**	**(30,186)**	**(39,642)**	**(42,336)**	**(36,525)**
Balance Sheet					
Non current assets					
Property, Plant and Equipment	77,883	82,027	87,369	89,363	100,869
Maintenance of fruit bearing cultivations	31,135	34,270	27,436	22,870	29,303
Maintenance of non fruit bearing cultivations	60,329	37,862	51,591	50,446	41,362
Capital works in progress	576	69	-	1,726	-
Other small projects	122	675	523	620	949
Total non current assets	**170,045**	**154,903**	**166,919**	**165,025**	**172,483**
Current assets					
Stocks	64,467	38,264	20,222	24,940	28,916
Trade debtors and other receivables	18,474	21,207	17,484	19,597	20,798
Advances and Pre-payments	9,828	6,093	2,553	3,810	4,841
Cash & cash equivalents	42,516	5,202	3,225	5,806	7,874
Total current assets	**135,285**	**70,766**	**43,484**	**54,153**	**62,429**
Total assets	**305,330**	**225,669**	**210,403**	**219,178**	**234,912**
Equity and Liabilities					
Equity					
Initial capital	40,000	40,000	40,000	40,000	40,000
Government grants	256,381	202,788	175,414	143,996	123,860
Grants from other parties	32,337	15,766	17,756	18,143	18,530
Capital reserves	17,441	17,442	17,442	17,442	17,442
Profit and Loss Account	(149,638)	(141,197)	(110,011)	(70,311)	(27,975)
Total Equity	**196,521**	**134,799**	**140,601**	**149,270**	**171,857**
Non current liabilities					
Provisions for gratuity	38,953	35,046	27,704	27,335	40,060
Long term loans	3,500	3,500	3,500	3,500	-
Total non current liabilities	**42,453**	**38,546**	**31,204**	**30,835**	**40,060**
Current liabilities					
Trade creditors & other payables	66,359	52,324	38,598	39,073	22,995
Total current liabilities	**66,359**	**52,324**	**38,598**	**39,073**	**22,995**
Total Equity and Liabilities	**305,333**	**225,669**	**210,403**	**219,178**	**234,912**
Return on Net Assets %	(5.5)	(22.4)	(28.2)	(28.3)	(21.3)
Net Profit Ratio %	(10.0)	(30.2)	(41.8)	(41.9)	(38.5)
Current Ratio	2.0	1.4	1.1	1.4	2.7
Quick Assets Ratio	1.1	0.4	0.6	0.7	1.5
Total Expenditure vs Total Income	(1.0)	(0.9)	(0.8)	(0.8)	(0.1)