Sri Lanka Cashew Corporation

Annual Report

2019

Chairman's Message

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.

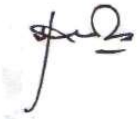
In the year 2018, the yield of cashew nuts in shell in Sri Lanka was 8,014 metric tons, and it is 12,000 metric tons in the year 2019. This is a growth of 04% compared to the year 2018. This year, the export volume was 47.40 metric tons and the export value was Rs.93.57 million.

During the year 2019, 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. Navin Dissanayake and the Hon. Ramesh Pathirana, the Ministers of Plantation Industries and the Hon. Vadivel Suresh, the State Minister of Plantation Industries and the Secretaries and the staff of the Ministries.



Damsiri Bandara Karunaratne
Chairman
Sri Lanka Cashew Corporation

Contents

		Pages
01.	Corporate Profile/ Execution Summary	1-3
02.	Organizational Structure of Sri Lanka Cashew Corporation	3-15
03.	Development Activities of the Corporation	16-22
04.	Administration	22-23
05	Report of the Board of Directors	24-26
06.	Audit and Management Committee Report	27-30
07.	Performance Report for the year 2019	31-34
08.	Medium term strategies to be implemented to enhance the Performance of the Sri Lanka Cashew Corporation	35-40
09	Five Years Summary of Performance	41-43
10.	Audited Financial Statements Sri Lanka Cashew Corporation	44-58
11.	Report of the Auditor General on the Financial Statement in Terms of section 14(2) (C) of the Finance Act No.38 of 1971	59-69
12.	Courses of action taken to rectify the weaknesses pointed out in the Audit Report	70-81
13	Five years accounts summary	82

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 for development of 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.	Mr. D.B. Karunaratne	Chairman (Up to 27.11.2019)
02.	Mr. M.W.M. Bandarathilaka	Deputy Chairman (Up to 27.11.2019)
03.	Mrs. Amanda Karunathilake	Board Member (Representative of the General Treasury) From 06.03.2019 to 27.11.2019
04.	Mr. K.S. Wijayakeerthi	Board Member (Representative of the Ministry of Plantation Industries- (Up to 27.11.2019)
05.	Mr. G.A.D.W. Dharmasiri	Board Member (Up to 27.11.2019)
06.	Mr. R.M.D.P.W.M.M.B. Yatawara	Board Member (Up to 27.11.2019)
07.	Mr. D. W. C. A. R. Chandra	Board Member (Up to 27.11.2019)
08.	Mr. Keerthi Jayakodiarachi	General Manager, (Up to 14.03.2019) Secretary to the Board of Directors
09.	Mr. P.B. Kodikara	General Manager (Cover up duties) From 15.03.2019 to 21.11.2019 Secretary to the Board of Directors

Table 2.1: Members of the Board of Directors from 01.01.2019 to 31.12.2019

2.2 Audit and Management Committee of Sri Lanka Cashew Corporation

Serial No.	Name	Position
01.	Mrs. Amanda Karunathilake	Committee Chairperson, Board Member - General Treasury Representative (From 17.05.2019 to 27.11.2019)
02.	Mr. G.L. Rubasinghe	Committee Observer, Audit Superintendent (Auditor General's Department), (From 17.05.2019)
03.	Mr. G.A.D.W. Dharmasiri	Committee Member, Board Member (From 17.05.2019 to 27.11.2019)
04.	Mr. M.D.P.W.M.M. Bandara Yatawara	Committee Member, Board Member (From 17.05.2019 to 27.11.2019)
05.	Mr. D.K. Jayakodiarachi	General Manager, Committee Secretary (Up to 14.03.2019)
06.	Mr. P.B. Kodikara	General Manager (Cover up duties), Committee Secretary (From 15.03.2019 to 21.11.2019)
07.	Mr. V.U. Liyanage	Assistant General Manager - Internal Audit

Table 2.2: Audit and Management Committee 2019

2.3 Top Management of Sri Lanka Cashew Corporation

i. Mr. D.K. Jayakodiarachi - General Manager (Up to 14.03.2019)

ii. Mr. P.B. Kodikara - General Manager (Cover up duties) Deputy General Manager (From 15.03.2019 to 21.11.2019)

iii. Major D. Medagedara - General Manager (From 21.11. 2019)

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 - Assistant General Manager - 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.

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.

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 adopting methodical strategies and systematic methods and resource-effective, efficient economic practices.

- Confirmation of progress by undertaking long-term verification of the projects and programmes initiated by 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@dialogsl.net
Website	-	www.cashew.lk

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

Regional Offices		**Districts covered**
1. Puttalam Regional Office	-	Puttalam / Kurunegala
2. Hambantota Regional Office	-	Hambantota / Ratnapura
3. Anuradhapura Regional Office	-	Anuradhapura
4. Nalanda Regional Office	-	Matale / Polonnaruwa
5. Monaragala Regional Office	-	Monaragala
6. Mahiyanganaya Regional Office	-	Kandy / Badulla
7. Ampara Regional Office	-	Ampara
8. Batticaloa Regional Office	-	Batticaloa / Trincomalee
9. Kilinochchi Regional Office	-	Kilinochchi / Mullaitivu / Jaffna / Vavuniya / Mannar

2.7 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	494
02.	Achchigewatte Estate	Puttalam	961	961
03.	Eluwankulama Estate	Puttalam	641	210
04.	Hardy Estate	Batticaloe	365	190
05.	Wilachchiya Estate	Anuradhapura	25	25
06.	Nalanda Estate	Matale	135	50
07.	Pooneryn Estate	Kilinochchi	479	479

Table 2.7: Plantations and Land Acreage

Photo 2.7: Nalanda Cashew Estate - Matale District

2.8 Seed Gardens owned by the Sri Lanka Cashew Corporation

Serial No.	Seed Gardens	District located	Total Acreage	Acreage Cultivated
01.	Mahaoya Seed Garden	Ampara	81	45
02.	Suduwathura Ara Seed Garden	Monaragala	45	45
03.	Kondachchi Seed Garden	Mannar	6,000	1,450
04.	Thiriyaya Seed Garden	Trincomalee	681	10
05.	Mankarni Seed Garden	Batticaloe	280	130

Table 2.8: Acreage of land where seed gardens are located

Photo 2.8: Mankarni Seed Garden - Batticaloe District

2.9 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.	Aluththarama Plant Nursery	Badulla / Kandy	2.0	50,000
07.	Chandrika Wewa Plant Nursery	Hambantota/ Ratnapura	0.5	20,000

Table 2.9: Acreage of land where Nurseries are located

Photo 2.9: Kamandaluwa Budded Cashew Plant Nursery - Puttalam

2.10 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

2.11 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

2.12 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.

2.13 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

2.14 Authorized Cashew Sales Outlets of the Sri Lanka Cashew Corporation

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

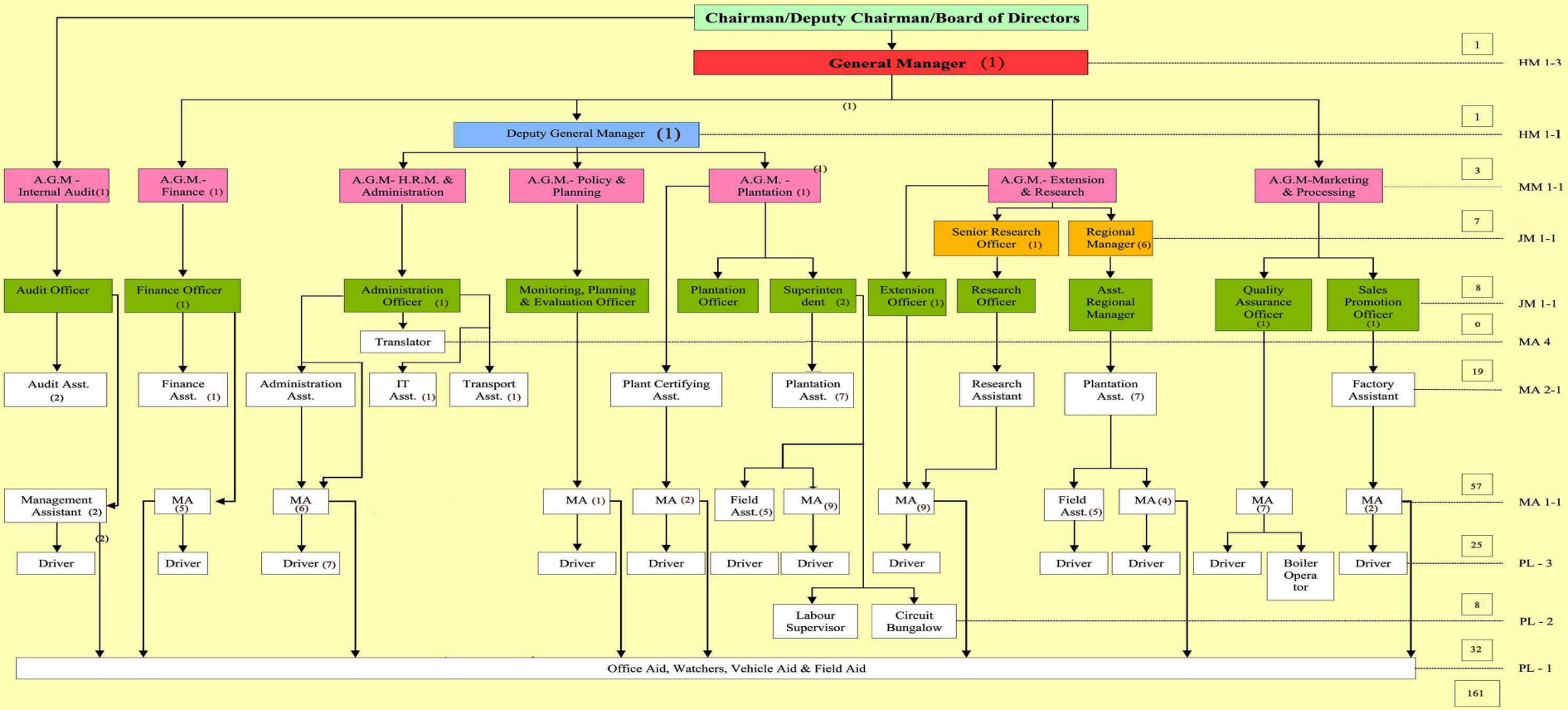
Serial No.	Corporation Authorized Cashew Sales Outlets	District
09.	National Livestock Development Board, Welisara.	Gampaha
10.	Ranjanas 7 Stories, No. 318, Galle Road, Colombo 04.	Colombo
11.	Palmyrah Development Board, Galle Road, Bambalapitiya.	Colombo
12.	Sri Lanka National Freedom from Hunger Campaign Board, No. 21, Galle Road, Dehiwala.	Colombo
13.	Udamsa Milk Shop, 978 B 3, Pannipitiya Road, Pelawatte.	Colombo
14.	Colombo Cricket Club, Maitland Crescent, Colombo 07.	Colombo
15.	Lion Grocery, Makumbura, Pannipitiya Road, Kottawa.	Colombo
16.	Thalagala Stores, Thalagala.	Colombo
17.	J. F. Tours & Travels, Jawatte Road, Bambalapitiya.	Colombo
18.	Lion Grocery, Makumbura, Pannipitiya Road, Kottawa.	Colombo
19.	Panorama Chinese Restaurant, Kottawa.	Colombo
20.	Namunukula Dairy Stores, Wattala.	Gampaha
21.	Master Shopper, Colombo 01.	Colombo
22.	Royal Bakery, Wellawatta.	Colombo
23.	Mrs. Kapuwatta, Nawala Road, Rajagiriya.	Colombo
24.	Prime Minister's Office, Colombo.	Colombo
25.	Vintage Teas, Angoda.	Colombo
26.	Balangoda Food Shop.	Ratnapura
27.	Kandy Lines, Park Road, Kegalle.	Kegalle
28.	EPPCO Mini Mart, Main Road, Mawanella.	Kegalle
29.	Siuym Food Products, No: 499, Main Street, Kegalle.	Kegalle
30.	Yatinuwara Gangapalatha Multi Purpose Cooperative Society Ltd, Polgahamula Junction, Peradeniya.	Kandy
31.	Yatinuwara Medapalatha Multi Purpose Cooperative Society Ltd, Embilmeegama, Pilimathalawa.	Kandy
32.	Central Provincial Multi Purpose Cooperative Society Union Limited, Ehelepola Kumarihami Mawatha, Bogambara, Kandy.	Kandy
33.	Poojapitiya Multi Purpose Cooperative Society Ltd, Poojapitiya.	Kandy
34.	Harispattuwa North Multi Purpose Cooperative Society Ltd, Matale Road, Alawathugoda.	Kandy
35.	Kundasale Multi Purpose Cooperative Society Ltd, Menikhinna.	Kandy

Serial No.	Corporation Authorized Cashew Sales Outlets	District
36.	Kandy Multi Purpose Cooperative Society Ltd, Co-op City, Pallekele.	Kandy
37.	Co-op City, Kundasale.	Kandy
38.	Sepco Super, Bogambara.	Kandy
39.	Multi Purpose Cooperative Society Ltd – Kandy.	Kandy
40.	Dr. Smoothy Cafe, Kandy.	Kandy
41.	Miyula Shop, Kandy.	Kandy
42.	Awanhala, Kandy.	Kandy
43.	Kandy Multi Purpose Cooperative Society Ltd, Co-op City, Matale.	Matale
44.	Kandy Multi Purpose Cooperative Society Ltd, Co-op City, Laggala.	Matale
45.	P & J City, Gamini Mawatha, Galle.	Galle
46.	Fresh Farm Shop, Galle Road, Hikkaduwa.	Galle
47.	Golden Maid, 144, Galle Road, Ahangama.	Galle
48.	Harischandra Mills, Talbot Street, Galle.	Galle
49.	Indra Wine Stores, Hikkaduwa.	Galle
50.	Ruhunu Rasara, Labuduwa.	Galle
51.	Ruhunu Rasara, Thelijjawila.	Matara
52.	Ruhunu Rasara, Matara	Matara
53.	Sampath Pharmacy & Grocery, 39E, Matara Road, Akuressa.	Matara
54.	Abeygunawardena Stores, Deniyaya.	Matara

2.15 Circuit Bungalows of Sri Lanka Cashew Corporation

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

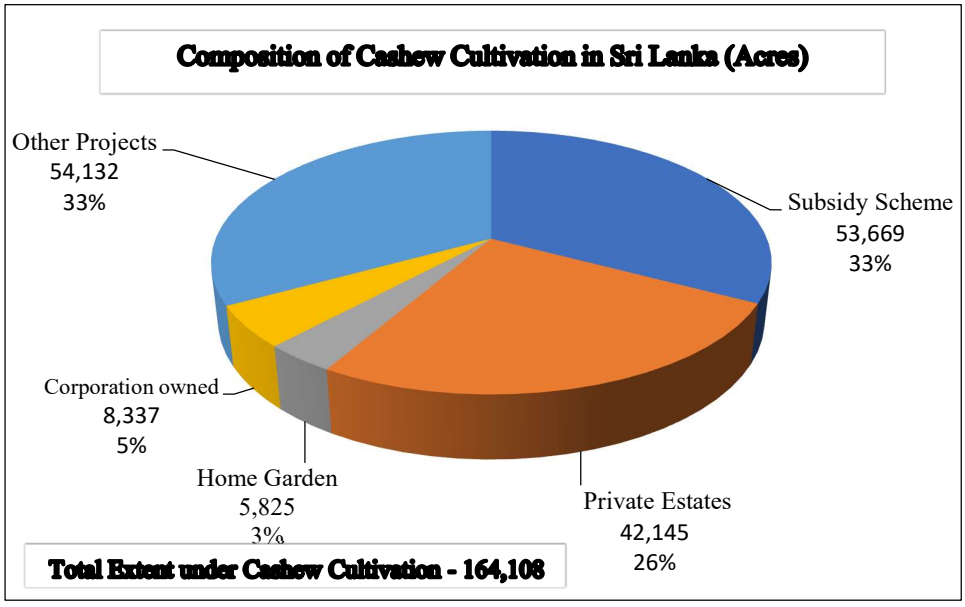
Sri Lanka Cashew Corporation
Organization Structure



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 in Sri Lanka in 2019 (Acres)

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 and the Ministry of Primary Industries

3.1 Extension Subsidy Programmme

3.1.1 Expansion of Cashew Cultivation in Sri Lanka

By the year 2019, the estimated total cashew cultivation area in Sri Lanka is 164,108 acres. In the year 2019, under the subsidy scheme, 1,968 acres of budded cashew and 1,337 acres of seed cashew were cultivated in 19 districts covering 125 Divisional Secretary's Divisions and under the subsidy scheme, seedlings were distributed for 1,195 acres under home gardening. 11,069 families have been benefitted under this subsidy programme.

Serial No.	District	Budded Cashew (Acres)	Seed Cashew (Acres)	Home Gardening	
				Budded Cashew (Acres)	Seed Cashew (Acres)
01.	Puttalam	320	80	50	25
02.	Kurunegala	215	50	95	15
03.	Hambantota	65	70	55	65
04.	Anuradhapura	313	12	75	-
05.	Ampara	-	340	103	07
06.	Badulla	125	-	50	-
07.	Kandy	25	-	25	-
08.	Ratnapura	10	10	15	10
09.	Matale	145	-	40	-
10.	Polonnaruwa	70	-	20	-
11.	Monaragala	225	-	50	-
12.	Batticaloa	30	200	15	55
13.	Trincomalee	50	100	20	30
14.	Vavuniya	100	100	50	50
15.	Mannar	50	100	-	50
16.	Mullaitivu	100	150	-	75
17.	Kilinochchi	50	100	-	50
18.	Jaffna	25	25	-	50
19.	Kegalle	50	-	50	-
	Total	**1,968**	**1,337**	**713**	**482**

Table 3.1.1: Subsidized cashew cultivation area in the year 2019

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 9 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 310,000 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

270,294 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.

Serial No.	Name of the Plant Nursery	Budded Plants Produced
1.	Kamandaluwa	86,641
2.	Dambulla	25,391
3.	Mihintale	87,118
4.	Aluththarama	23,095
5.	Kumbukkana	24,964
6.	Hardy	9,598
7.	Chandrika Wewa	13,487
	Total	**270,294**

Table 3.2.1.2: Budded Plant Production in the year 2019

In addition to the plant nurseries of the Corporation, 6 plant nurseries were established in Vavuniya, Mullaitivu and Jaffna districts in order to produce 79,945 seedlings required for the subsidy scheme.

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 in the year 2019, the land in extent 441 acres owned by the National Livestock Development Board, which was adjacent to the Eluwankulama Seed Garden, was acquired by the Corporation as Eluwankulama Phase II, of which 20 acres of land was planted with new cashew varieties. As well, new planting was undertaken in 7.5 acres in Phase I of Eluwankulama Estate and infilling of 3,750 plants were undertaken in Puttalam Estate.

Planting of 25 acres of land in Phase II of Mankarni Estate was completed and infilling of 5,000 plants in Kondachchi Estate and infilling of 450 plants in Mahaoya Seed Garden were undertaken.

3.2.1.4 Providing Plants for Development Projects

14,000 cashew seedlings were distributed among the farmers under the financial contribution of the Ministry of Primary Industries in the year 2019. As well, 50,000 plants were distributed among the farmers in the project implemented under the direct supervision of the President's Office.

A total number of 5,240 plants in the form of 1,160 budded cashew plants and 4,080 infilling plants in the year 2018 were distrubuted among the farmers in Medirigiriya Divisional Secretary’s Division under the financial contribution of the Ministry of Mahaweli Development and Environment.

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, 19 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 950 farmers.

3.3 Development of Marketing and Processing Industry

3.3.1 Purchasing of Cashew Kernels from Processors

With the intention of facing with the competitive market conditions and reducing costs, 2.3 metric tons of cashew kernels were purchased from small scale processors this year, instead of purchasing cashew nuts in shell from farmers which resulted in the establishment of a competitive price range in the market. The cashew harvest of 157.81 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 Nedagamuwa in Gampaha District and Puttlam. 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 55 authorized sales outlets, established island wide in addition to the 02 cashew sales outlets located in Kollupitiya and Rajagiriya. The Corporation was able to earn Rs.

82.76 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 2019, Sri Lanka was able to earn Rs.93.57 million in foreign exchange by offering 47.40 metric tons of high-quality value-added cashew kernels to the international market. In the year 2018, a foreign exchange of Rs.144.62 million had been earned by exporting 60.81 metric tons of value-added cashew kernels. Accordingly, a decrease in the export capacity and foreign exchange earnings was experienced in the year 2019 compared to the year 2018 and with the rapid growth of the tourism industry, the local demand for cashew kernels had increased which in turn, had led to the increase in the domestic consumption as well.

3.3.5 Import of Cashew Nuts in Shell

3.3.5.1 Import of Cashew for Local Consumption

The increase in the local consumption of cashew 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, 527.26 metric tons of cashew nuts in shell and 0.826 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 conducted 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 this context, Patch grafting experiments were successfully carried out for commercial cashew plant nurseries initiated in the year 2018 and 846 plants were grafted in Nalanda plant nursery in the year 2019 of which 646 had been successful and the successful seedlings were planted in Phase II of Eluwankulama Estate.

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.

4.1 Staff as at 31.12.2019

Approved Cadre				Staff as at 31.12.2019
Higher Management Grade	(HM)	-	02	02
Middle Management Grade	(MM)	-	07	05
Junior Management Grade	(JM)	-	26	19
Management Assistant	(MA)	-	122	80
Primary Level	(PL)	-	67	62
Total		**-**	**224**	**168**

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 2019

The Corporation was able to continue the profit-making situation in the year 2019 through the sales activities recorded in the year 2017 and 2018. 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.

The net profit earned by the Corporation in the year 2019 through the commercial operations is Rs. 43.37 million. The profit earned could not be elevated to a higher level than this due to the following obstacles.

- Increase in the prices of cashew due to the insufficient supply of cashew nuts in shell to meet the local demand.
- Increase in labour costs and input costs.
- There were obstacles in initiating new works as well as fulfilling essential services due to the limitation of recurrent and capital grants. Accordingly, 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 2019 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 28th February 2020.

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 2019 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

(1). (The members of the Board of Directors from 01.01.2019 to 31.12.2019)

Serial No.	Name	Position
01	Mr. D.B. Karunaratne	Chairman (Up to 27.11.2019)
02	Mr. M.W.M. Bandarathilaka	Deputy Chairman (Up to 27.11.2019)
03	Mrs. Amanda Karunathilake	Board Member (Representative of the General Treasury) From 06.03.2019 to 27.11.2019
04	Mr. K.S. Wijayakeerthi	Board Member (Representative of the Ministry of Plantation Industries - Up to 27.11.2019)
05	Mr. G.A.D.W. Dharmasiri	Board Member (Up to 27.11.2019)
06	Mr. R.M.D.P.W.M.M. Bandara Yatawara	Board Member (Up to 27.11.2019)
07	Mr. D. W. C. A. R. Chandra	Board Member (Up to 27.11.2019)
08	Mr. Keerthi Jayakodiarachi	General Manager, (Up to 14.03.2019) Secretary to the Board of Directors
09	Mr. P.B. Kodikara	General Manager (Cover up duties) From 22.03.2019 to 21.11.2019 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 2019 were audited by the Auditor General.

By order of the Board of Directors,

P.B. Kodikara
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 2019, the Non-executive Director representing the General Treasury 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 03 Audit and Management Committee meetings could be convened during the year 2019 due to the delay in appointing non-executive directors to the Audit and Management Committee owing to the political changes took place during the latter part of the year 2019 and the participation of the Committee members and the observers in the meetings was as follows.

Serial No.	Name	Position	Frequency of Meetings
01.	Mrs. Amanda Karunathilake	Committee Chairperson, Board Member-GeneralTreasury Representative (From 17.05.2019 to 27.11.2019)	3/3
02.	Mr. G.L. Rubasinghe	Committee Observer, Audit Superintendent (Auditor General's Department), (From17.05.2019)	3/3
03.	Mr. G.A.D.W. Dharmasiri	Committee Member, Board Member (From 17.05.2019 to 27.11.2019)	3/3
04.	Mr. R.M.D.P.W.M.M. Bandara Yatawara	Committee Member, Board Member (From 17.05.2019 to 27.11.2019)	3/3
05.	Mr. P.B. Kodikara	Committee Secretary, General Manager (Cover up duties) (From 15.03.2019 to 21.11.2019)	3/3
06.	Mr. V. U. Liyanage	Committee Member, Assistant General Manager - Internal Audit	3/3

At the first Audit and Management Committee meeting held in the year 2019, matters regarding the performance report of the Sri Lanka Cashew Corporation for the first quarter of the year 2019 were discussed at length and Thereat, the construction of the Hambantota Regional Office Building mentioned under the acquisition of fixed assets of the Corporation was discussed and since a problematic situation has arisen as the Urban Development Authority was making arrangements to acquire the proposed land to construct the building for the construction of a sports complex, the Committee paid a special attention to the matter.

Further, the observations contained in the audit queries referred by the National Audit Office were discussed and the matters such as inter-cropping in Puttalam Estate, disposal of unusable motorbikes in Naeagamuwa Processing Centre, audit fees to be paid to the National Audit Office, purchase of cashew nuts packaging machines were discussed in particular.

The Committee conducted a long review regarding the observations contained in the audit reports issued to the management by the Internal Audit Division of the Corporation during the first quarter of 2019 and the reports submitted to the Committee regarding the courses of action taken by the management based on the observations and thereat, the Committee paid the special attention to the matters such as the physical verification of cash and cashew stocks in the Rajagiriya sales outlet owned by the Corporation, the inspection of cash receipts and cash payments of the Corporation, the coconut yield of the Kamandaluwa Estate in the year 2018 and the cashew nut sales made on loan basis to the authorized sales outlets of the Corporation and other institutions.

In addition, the matters such as the Strategic Plan of the Corporation for the years 2019-2023, the progress of submitting the Annual Reports to Parliament, the progress of the inventory survey in the year 2018, the important documents to streamline the decision making regarding the commercial and service activities of the Corporation, opening of the new cashew sales outlets in Kandy, re-vesting Pooneryn Estate in the Corporation and acquiring the land owned by the National Livestock Development Board adjacent to the Eluwankulama Seed Garden to the Corporation were discussed in particular.

At the second Audit and Management Committee meeting held in the year 2019, the performance of the Corporation during the second quarter of the year 2019 was discussed, and the matters such as the development of the Seed Gardens of the Corporation and the

rehabilitation of the cultivations of the estates owned by the Corporation were discussed in particular.

Further, there was a discussion on the observations contained in the audit queries submitted by the National Audit Office, where the matters were reviewed at length with special emphasis on the preparation and presentation of financial statements and the topics of accounting for biological assets. Based on the observations contained in the internal audit quiries referred to the management by the Internal Audit Division of the Corporation, the recovery of loan amounts from the authorized sales outlets of the Corporation and other trade debtors was discussed in particular. The progress of submitting the Annual Reports to Parliament and the cashew harvest collected from the estates owned by the Sri Lanka Cashew Corporation in the year 2019 were discussed.

At the third Audit and Management Committee meeting held in the year 2019, the Committee drew attention to the report submitted on the clarifications and courses of action to be taken by the Corporation for the audit paras contained in the Auditor General's report submitted in terms of Section 13 (7) (A) of the Finance Act for the year 2018, where the matters were discussed with a special emphasis on the retirement gratuity payments, the disposal of the boiler installed in the Puttalam Processing Center and the threshing floor constructed in the Eluwankulama Seed Garden mentioned in the draft report submuiteted to the Committee in respect of the content of the report, taking the audit observations mentioned therein separately. Accordingly, as no amendments were submitted regarding the content of the draft reply report, the relevant draft report was recommended by the Audit and Management Committee for approval of the Board of Directors.

During the third quarter of the year 2019, the matters contained in the detailed report on the performance of the Corporation were discussed at length and the sales promotion, research development and procurement activities of the Corporation stated therein were discussed with a special attention.The Income Statement of the Sales Division of the Corporation for the period of 05 months ended 31st May 2019 was discussed and the internal audit queries issued to the management by the Internal Audit Division of the Corporation during the third quarter of the year 2019 were discussed at length.

The intercropping besides cashew which is the main crop of the estates to increase the income status of the Corporation was further discussed.

Amanda Karunathilake

Chairperson
Audit and Management Committee

7. Performance Report for the year 2019

7.1 Cashew Planting Subsidy Scheme and Development Programmes

Under the Cashew Planting Subsidy Scheme implemented under Treasury allocations, 2,681 acres of budded cashew, 1,819 acres of seed cashew totaling to 4,500 acres had been cultivated covering 19 districts during this year. 11,069 farmer families were benefitted thereby. In the year 2019, plants were provided especially for home gardens as well under the subsidy programme. The total cost incurred for the purpose amounted to Rs. 30.99 million.

7.2 Productivity Improvement in 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, Mankerni in the Batticaloa district, Kondachchi in Mannar district and Suduwathura Ara in Monaragala district were maintained to breed new varieties suitable for different areas and provide them to cashew smallholders. 500,000 high quality mother seeds and 310,000 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.

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, 19 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 950 farmers. The total cost incurred for the purpose amounted to Rs. 1.89 million.

7.2.3 Plant Nursery Management

07 Central Plant Nurseries of the Corporation are located in Kamandaluwa Estate, Aluththarama, 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. 270,294 high quality budded plants were produced in these nurseries and distributed among farmers for the Maha Season of 2019.

7.2.4 Providing Plants for Development Projects

14,000 cashew seedlings were distributed among the farmers under the financial contribution of the Ministry of Primary Industries in the year 2019 and 50,000 plants were distributed among the farmers for the project implemented under the direct supervision of the President's Office.

A total number of 5,240 plants in the form of 1,160 budded cashew plants and 4,080 infilling plants in the year 2018 were distrubuted among the farmers in Medirigiriya Divisional Secretary’s Division under the financial contribution of the Ministry of Mahaweli Development and Environment.

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 this context, Patch grafting experiments were successfully carried out for the commercial cashew plant nurseries initiated in the year 2019 and arrangements have been made to plant the budded plants in the Eluwankulama Estate. The total cost incurred for the purpose amounted to Rs. 2.96 million.

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

In the year 2019, the land in extent 441 acres owned by the National Livestock Development Board, which was adjacent to the Eluwankulama Seed Garden owned by the Sri Lanka Cashew Corporation, was acquired by the Corporation as Eluwankulama Phase II, of which 20 acres of land was planted with new cashew varieties. As well, Oyamaduwa Seed Garden was handed over to the National Livestock Development Board. The new planting in 7.5 acres of land in Phase I of Eluwankulama Estate was completed and the new planting in 25 acres of land in Phase-II of Mankarni Estate were undertaken.

Infilling of 5,000 plants in Kondachchi Estate, infilling of 450 plants in Mahaoya Seed Garden and infilling of 3,750 plants in Puttalam Estate were undertaken.

The yield of cashew nuts in shell collected from the estates was 157.81 metric tons. In addition, in order to increase the productivity, application of chemical fertilizer, weed control activities, disease and pest control, maintenance of field paths and pruning were carried out in accordance with the optimal agricultural methods. The total cost incurred for the purpose amounted to Rs. 6.07 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 kernels purchased from the small-scale processors 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 54 authorized sales outlets was used for the purpose. The total income earned by the Corporation during the year 2019 from sales activities was Rs. 79.08 million.

7.5.1.1 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. Management training programmes were conducted for the Field Officers in the staff of the Corporation under the professional training and guidance required for improving the employees' skills and professional standards during the year 2019 and the Quality Certification Officer and the two Plantation Officers were facilitated to participate in a course in China. The total cost incurred for the purpose amounted to Rs. 0.025 million.

8. Medium term strategies to be implemented to enhance the Performance of the Sri Lanka Cashew Corporation

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 and it has also been planned to cultivate 1,000 acres per year under home garden.

8.1.2 Rehabilitation of Plantations

New planting and rehabilitation of old plantations in the estates owned by the Corporation was initiated from the year 2011. In this context, Kondachchi Estate in the Northern Province and Mankerni Estate in the Eastern Province are being developed and rehabilitated by the Corporation. About 1,500 acres of Kondachchi Estate were developed in collaboration with the Civil Security Department to date and about 500 acres were developed by the Corporation. Arrangements have been made to cultivate the remaining 4,000 acres of the

Kondachchi Estate jointly with the Civil Security Department from the year 2020.

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 10 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

14,000 cashew seedlings were distributed among the farmers under the financial contribution of the Ministry of Primary Industries in the year 2019 and 50,000 plants were distributed among the farmers for the project implemented under the direct supervision of the President's Office.

A total number of 5,240 plants in the form of 1,160 budded cashew plants and 4,080 infilling plants in the year 2018 were distrubuted among the farmers in Medirigiriya Divisional Secretary’s Division under the financial contribution of the Ministry of Mahaweli Development and Environment.

It is expected to implement a project to develop cashew cultivation as export-oriented cluster villages in the districts of Mullaitivu, Kilinochchi, Vavuniya, Anuradhapura and Puttalam in the year 2020 under the financial provisions of the State Ministry of Plantation Industries and Export Agriculture, and 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 1,000 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 164,108 acres, of which about 88% are 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 08 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 08 varieties, WUCC 1, WUCC 5, WUCC 8, WUCC 9, WUCC 13, WUCC 19, WUCC 21, WUCC 23 have been cultivated in Eluwankulama, Wilachchiya, Nalanda, Mahaoya, Suduwathura Ara and Oyamaduwa estates and Plant Breeding Centres. 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.
(Wayamba University Cashew Corporation – WUCC)

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 spreads.

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, Aluththarama, 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 300,000 budded plants are produced annually, and it has been targeted to produce 300,000 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 Post-harvest Technology in Cashew Cultivation

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.2,800/- to Rs.3,800/-. 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 Kernels from Small Scale Processors

In addition to the yield of cashew nuts in shell collected from the estates of the Corporation, cashew kernels required for continuous annual production in processing factories were purchased from the small-scale processors during the past year. In order to face with the competitive market conditions and reduce the costs, cashew kernels were purchased from the small scale processors instead of purchasing cashew nuts in shell from the farmers. Arrangements will be made to purchase cashew kernels from the small-scale processors 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	2019	2018	2017	2016	2015
01.	Acreage cultivated with cashew under the subsidy scheme	Subsidy programme 3,305 Home garden 1,195 **Total** **4,500**	Subsidy programme 3,305 Home garden 1,195 Total **4,500**	4,500	4,500	4,500
02.	No. of beneficiary farmer families under the subsidy scheme	11,069	11,818	14,932	3,298	3,750
03.	No. of plants produced	Budded plants 270,294 Seedlings 79,945 **Total** **350,239**	Budded plants 197,353 Seedlings 80,007 **Total** **277,360**	Budded plants 328,456 Seedlings 105,480 **Total** **433,936**	Budded plants 209,125 Seedlings 78,500 **Total** **287,625**	Budded plants 218,373 Seedlings 80,000 **Total** **298,373**
04.	No. of mother seeds collected	500,000	484,753	560,000	330,103	600,000
05.	No. of buds collected	310,000	164,500	200,000	264,000	310,000
06.	Yield collected (Metric Tons)	157.81	83.52	66.4	109	106
07.	New planting in estates of the Corporation (Acres)	52.5	65.0	433	116.25	250

Serial No.	Description	2019	2018	2017	2016	2015
08.	No. of authorized sales outlets	55	60	56	51	39
09.	No. of training programmes conducted under the Technology Transfer Programmes, Pest Control and Post Harvest Technology	166	139	197	168	126
10.	No. of farmers trained	1369	2320	3574	1833	2200
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 2,108.22 Cashew Kernel 160.82	Cashew Nuts in shell 1,622 Cashew Kernel 263	Cashew Nuts in shell 2,490 Cashew Kernel 565
12.	Volume of Metric Tons for which cashew import licenses were issued	500	-	6,000	2,910	2,900
13.	Exported cashew volume (Metric Tons)	34.32	47.40	59.04	57.64	105.66
14.	Value of exported cashew (Rs. Millions)	81.13	93.57	143.51	99.98	174.06

Serial No.	Description	2019	2018	2017	2016	2015
15.	Purchase of cashew nuts in shell and cashew kernels (Metric Tons)	Cashew Nuts in shell 64.0 Cashew Kernel -	Cashew Nuts in shell 20.00 Cashew Kernel 2.30	Cashew Nuts in shell 63.48 Cashew Kernel 4.8	Cashew Nuts in shell 21 Cashew Kernel 19.97	Cashew Nuts in shell 2,108.22 Cashew Kernel 160.82
16.	Amount of Value-Added cashew kernels sold (Metric Tons)	16.91	21.72	27.80	30.94	27.80
17.	Sales value of Value- Added cashew kernels (Rs. Millions)	47.23	79.08	87.96	84.59	66.65

10. Audited Financial Statements
Sri Lanka Cashew Corporation

31.12.2018 Statement of Financial Position as at 31.12.2019

Rs.	Assets	Note	Rs.	Rs.
	Non-current assets			
87,369,187.30	Property, plant and equipment	01	82,027,363.09	
27,435,768.06	Maintenance cost of fruit bearing cultivations	02	34,269,747.25	
51,590,840.93	Maintenance cost of fruit non-bearing cultivations	03	37,862,098.17	
522,874.09	Other small projects	04	675,024.09	
-	Work-in-progress - Capital		69,112.00	
166,918,670.38	**Total non-current assets**			154,903,344.60
	Current assets			
20,222,792.62	Stocks	05	38,263,952.42	
17,483,950.28	Trade debtors and other receivables	06	21,206,993.81	
2,552,926.53	Deposits, Advances and Pre-payments	07	6,092,927.07	
3,224,807.73	Cash & cash equivalents	08	5,201,996.60	
43,484,477.16	**Total current assets**			70,765,869.90
210,403,147.54	**Total assets**			**225,669,214.50**
	Equity and Liabilities			
	Equity			
40,000,000.00	Initial capital		40,000,000.00	
175,414,265.06	Government grants		202,788,511.45	
17,755,767.32	Grants received from other parties	09	15,766,347.27	
17,441,846.85	Capital reserves	10	17,441,846.85	
(110,011,179.38)	Profit and Loss Account		(141,197,261.12)	
140,600,699.85	**Total Equity**			134,799,444.45
	Non-current liabilities			
27,703,878.00	Provisions for gratuity		35,045,966.00	
3,500,000.00	Long terms borrowings	11	3,500,000.00	
31,203,878.00	**Total non-current liabilities**		38,545,966.00	
	Current liabilities			
38,598,569.69	Trade creditors and other payables	12	52,323,804.05	
38,598,569.69	**Total current liabilities**			90,869,770.05
210,403,147.54	**Total equity & liabilities**			**225,669,214.50**

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

10.1 Accounting policies adopted - 2019

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
Cashew nuts in shell	:	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 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 areas, 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 administration expenses related to the production of budded plants and seedlings were calculated based on the actual plants produced and plants distributed among service and commercial sectors.

Sri Lanka Cashew Corporation

Notes to the Statement of Financial Position for the year ended 31.12.2019

Notes - 01

Property, Plant and Equipment

Description	Cost / revalued amount 01.01.2019 (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 (Rs.)	Accumulated depreciation as at 01.01.2019 (Rs.)	Accumulated depreciation for the year 2019 (Rs.)	Disposal or Sales of accumulated depreciation (Rs.)	Accumulated depreciation as at 31.12.2019 (Rs.)	Written down value (Rs.)
Freehold lands	26,657,256.54	45,568.00	-	26,702,824.54	-	-	-	-	26,702,824.54
Permanent buildings	55,053,589.95	506,200.00	1,036,560.62	54,523,229.33	20,036,369.26	1,564,198.26	185,647.91	21,414,919.61	33,108,309.72
Semi permanent buildings	492,961.00	22,850.00	-	515,811.00	415,993.91	47,953.77	-	463,947.68	51,863.32
Vehicles	102,410,837.84	5,636,270.00	662,500.00	107,384,607.84	91,146,979.18	8,244,357.91	662,498.00	98,728,839.09	8,655,768.75
Machinery	18,710,629.98	1,032,433.47	-	19,743,063.45	12,970,410.89	1,039,368.69	-	14,009,779.58	5,733,283.87
Tools & equipment	9,153,942.82	118,784.50	23,890.00	9,248,837.32	7,827,064.31	223,639.69	14,360.92	8,036,343.08	1,212,494.24
Office equipment	12,140,115.09	122,649.00	2,960.00	12,259,804.09	9,399,825.23	483,364.79	1,948.67	9,881,241.35	2,378,562.74
Furniture & fittings	7,788,080.82	178,245.00	72,280.00	7,894,045.82	5,027,901.24	277,216.89	31,370.60	5,273,747.53	2,620,298.29
Tube wells	1,063,181.18	-	76,160.00	987,021.18	651,521.46	68,682.29	55,850.67	664,353.08	322,668.10
Agricultural wells	1,333,680.40	-	-	1,333,680.40	567,847.46	133,368.04		701,215.50	632,464.90
Tanks	608,824.62	-	-	608,824.62	-	-		-	608,824.62
	235,413,100.24	**7,662,999.97**	**1,874,350.62**	**241,201,749.59**	**148,043,912.94**	**12,082,150.33**	**951,676.77**	**159,174,386.50**	**82,027,363.09**

Notes to the Statement of Financial Position as at 31.12.2019

Notes - 02

31.12.2018 (Rs.)	Fruit bearing cultivation			31.12.2019 (Rs.)
25,473,764.68	Cashew	Note - 02 (a)		32,570,205.58
1,962,003.38	Coconut	Note - 02 (b)		1,699,541.67
27,435,768.06			**Total**	**34,269,747.25**

Note - 02 (a)

Fruit bearing cultivation - Cashew

31.12.2018 (Rs.)	Estate	Cost as at 01.01.2019 (Rs.)	Accumulated Amortization as at 31.12.2019 (Rs.)	Net Value As at 31.12.2019 (Rs.)
1,178,133.64	Hardy Estate	3,180,107.38	2,115,285.87	1,064,821.51
6,681,086.59	Kamandaluwa Estate	18,387,204.86	13,109,162.19	5,278,042.67
5,836,574.60	Puttalam Estate	11,089,242.26	5,807,129.77	5,282,112.49
2,970,969.68	Eluwankulama Plant Breeding Centre	13,933,185.28	11,658,874.86	2,274,310.42
426,828.59	Wilachchiya Plant Breeding Centre	655,569.86	261,519.76	394,050.10
4,258,537.12	Nalanda Plant Breeding Centre	5,963,253.57	2,002,879.13	3,960,374.44
1,329,031.48	Mahaoya Plant Breeding Centre	1,641,264.30	394,296.04	1,246,968.26
1,452,464.05	Monaragala Plant Breeding Centre	2,331,959.19	600,752.66	1,731,206.53
1,340,138.93	Mankarni Estate	1,410,672.56	141,067.26	1,269,605.30
-	Kondachchi Plant Breeding Centre	10,598,646.17	529,932.31	10,068,713.86
25,473,764.68	**Total**	**69,191,105.43**	**36,620,899.85**	**32,570,205.58**

Note - 02 (b)

Fruit bearing cultivation - Coconut

31.12.2018 (Rs.)	Estate	Cost as at 01.01.2019 (Rs.)	Accumulated depreciation as at 31.12.2019 (Rs.)	Written down value 31.12.2019 (Rs.)
1,052,079.35	Hardy Estate	1,650,793.13	710,714.88	940,078.25
877,525.96	Kamandaluwa Estate	2,437,612.22	1,688,946.87	748,665.35
32,398.07	Puttalam Estate	431,998.76	421,200.69	10,798.07
1,962,003.38		**4,520,404.11**	**2,820,862.44**	**1,699,541.67**

Note - 03

Non-fruit bearing cultivation

31.12.2018 (Rs.)			31.12.2019 (Rs.)
47,171,830.59	Cashew	Note - 03 (a)	34,741,977.54
4,419,010.34	Coconut	Note - 03 (b)	3,120,120.63
51,590,840.93		**Total**	**37,862,098.17**

Note - 03 (a)

Non-fruit bearing cultivation - Cashew

Cost as at 31.12.2018 (Rs.)	Estate	Cost as at 31.12.2019 (Rs.)
2,115,493.61	Hardy Estate	2,130,228.63
609,440.46	Kamandaluwa Estate	706,026.95
8,078,550.11	Puttalam Estate	10,549,669.75
801,935.23	Eluwankulama Plant Breeding Centre	1,269,855.41
-	Mankarni Estate	143,601.75
269,852.11	Mahaoya Plant Breeding Centre	329,833.71
390,757.28	Monaragala Plant Breeding Centre	-
1,871,964.02	Research and Development	1,871,964.02
135,360.40	Nedagamuwa Processing Centre	135,360.40
11,568,077.41	Oyamaduwa Plant Breeding Centre	-
44,354.96	Wilachchiya Plant Breeding Centre	103,822.74
20,537,289.07	Kondachchi Plant Breeding Centre	16,504,322.41
748,755.93	Thiriyaya Plant Breeding Centre	997,291.77
47,171,830.59	**Total**	**34,741,977.54**

Note - 03 (b)

Non-fruit bearing cultivation - Coconut

Cost as at 31.12.2018 (Rs.)	Estate	Cost as at 31.12.2019 (Rs.)
1,907,524.26	Hardy Estate	1,667,021.57
1,293,056.82	Kamandaluwa Estate	1,453,099.06
1,218,429.26	Oyamaduwa Estate	-
4,419,010.34		**3,120,120.63**

Note - 04
Other small projects

Cost as at 31.12.2018 (Rs.)		Cost as at 31.12.2019 (Rs.)
482,874.09	Teak Plants Project	482,874.09
40,000.00	Sesame Project	40,000.00
-	Wood Apple Project	90,100.00
-	Intercropping - Cowpea	42,910.00
-	Intercropping - Pumpkin	19,140.00
522,874.09		**675,024.09**

Note - 05
Current assets

As at 31.12.2018 (Rs.)	**Stocks**	As at 31.12.2019 (Rs.)
4,516,553.18	Miscellaneous	4,938,493.65
3,039,403.94	Cashew kernel - Sales Outlets	3,801,512.96
4,550,542.23	- Processing Centres	6,616,365.28
3,570,763.94	Cashew nuts in shell	17,929,353.31
3,167,806.88	Cashew Plants	4,108,063.50
926,394.97	Packaging materials	870,163.72
251,677.48	Cashew Wine	-
199,650.00	Mother seeds	-
20,222,792.62		**38,263,952.42**

Note - 06
Trade debtors and other receivables

As at 31.12.2018 (Rs.)			As at 31.12.2019 (Rs.)
3,367,412.32	Trade debtors	5,520,248.22	
(118,869.69)	**Less: Provision for Bad Debtors**	194,865.00	5,325,383.22
3,486,282.01			
16,103,851.69	Sundry debtors	17,987,795.01	
(2,106,184.42)	**Less - Impairment Losses**	2,106,184.42	15,881,610.59
17,483,949.28			**21,206,993.81**

Note - 07
Deposits, Advances and Prepayments

As at 31.12.2018 (Rs.)		As at 31.12.2019 (Rs.)
17,200.00	Advances	58,535.00
275,843.03	Prepayments	430,153.72
2,259,883.50	Deposits	5,604,238.35
2,552,926.53		**6,092,927.07**

Note - 08
Cash and Cash Equivalents

As at 31.12.2018 (Rs.)				As at 31.12.2019 (Rs.)
94,988.86	Bank of Ceylon – Kollupitiya	1633704	(Current)	504,139.63
520,003.09	Bank of Ceylon – Kollupitiya	1633705	(Current)	1,871,315.45
761,484.77	Bank of Ceylon – Kollupitiya	1633710	(Current)	317,402.54
99,061.58	Bank of Ceylon – Kollupitiya	1633711	(Current)	174,875.87
29,996.32	Bank of Ceylon – Kollupitiya	1649789	(Savings)	81,123.34
55,617.62	Bank of Ceylon – Kollupitiya	1649970	(Savings)	57,768.15
15,593.10	Bank of Ceylon - Ja-Ela	813	(Current)	15,593.10
50,000.00	Peoples' Bank - Nugegoda	10013	(Current)	19,250.00
92,790.57	Peoples' Bank - Nugegoda	20011	(Savings)	4,153.56
100,315.94	Peoples' Bank - Nugegoda	20020	(Savings)	226,317.33
26,428.58	Regional Development Bank	687	(Savings)	28,357.37
114,000.00	Cash - in Hand (Kollupitiya)			89,210.00
76,750.00	Cash - in Hand (Rajagiriya)			80,200.00
10,000.00	Petty cash imprest			10,000.00
50,000.00	Fuel imprest			50,000.00
34,650.25	Cash-in-transit			-
5,000.00	Cash imprest - Stamps			5,000.00
70,000.00	Cashew sales outlet imprest			70,000.00
200,000.00	Cheques for encashment			195,000.00
534,821.30	Cash - in Hand (Nursery)			966,232.80
8,558.50	Cash - in Hand (Extension)			21,125.50
213,387.00	Cash - in Hand (Research and Development)			185,555.00
11,628.19	Cash - in Hand (Nedagamuwa Processing Centre)			309.84
743.14	Cash - in Hand (Puttlam Processing Centre)			7,172.00
-	Cash - in Hand (Hardy Estate)			5,832.00
-	Cash - in Hand (Kamandaluwa Estate)			29,789.15
-	Cash - in Hand (Mankarni Plant Breeding Centre)			655.00
43,585.00	Cash - in Hand (Puttalam Estate)			54,254.00
942.68	Cash - in Hand (Eluwankulama Estate)			1,410.23
115.00	Cash - in Hand (Mahaoya Plant Breeding Centre)			-
-	Cash - in Hand (Elkaduwa Plant Breeding Centre)			38,375.00
0.90	Cash - in Hand (Wilachchiya Plant Breeding Centre)			0.40
2,900.00	Cash - in Hand (Oyamaduwa Plant Breeding Centre)			-
-	Cash - in Hand (Thiriyaya Plant Breeding Centre)			200.00
-	Cash - in Hand (Punareen Estate)			406.00
1,445.34	Cash - in Hand (Kondachchi Plant Breeding Centre)			20,973.34
	Petty Cash Imprest (Eluwankulama Estate)			15,000.00
	Petty Cash Imprest (Hardy Estate)			5,000.00
	Petty Cash Imprest (Kamandaluwa Estate)			15,000.00
	Petty Cash Imprest (Kondachchi Estate)			20,000.00
	Petty Cash Imprest (Punareen Estate)			5,000.00
	Petty Cash Imprest (Puttalam Estate)			10,000.00
3,224,807.73	**Total**			**5,201,996.60**

Note - 09

Grants received from other parties

As at 31.12.2018 (Rs.)		As at 31.12.2019 (Rs.)
6,117,869.61	North East Coastal Community Development Project	5,901,938.18
1,612,451.80	Ministry of Supplementary Plantation Crops Development	-
10,025,445.91	Ministry of Minor Export Crop Promotion	9,864,409.09
17,755,767.32		**15,766,347.27**

Note -10

Capital Reserves

As at 31.12.2018 (Rs.)		As at 31.12.2019 (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 - 11

Long Term Loans

As at 31.12.2018 (Rs.)		As at 31.12.2019 (Rs.)
3,500,000.00	Paddy Marketing Board	
-		3,500,000.00
3,500,000.00	**Total**	**3,500,000.00**

Note - 12

Current Liabilities and Other Payables

As at 31.12.2018 (Rs.)		As at 31.12.2019 (Rs.)
23,891,408.03	Sundry Creditors	26,189,521.41
	Other Expenses	18,578,295.03
14,707,161.66	Accrued Expenses	7,555,987.61
38,598,569.69	**Total**	**52,323,804.05**

Sri Lanka Cashew Corporation

Income Statement for the Year Ended 31.12.2019

	Note		
Sales	01		
			100,082,839.37
Cost of Sales			
			67,857,577.72
Gorss Profit (Loss)			
			32,225,261.65
Government Grants (Recurrent)			60,000,000.00
Other Income	02		
			48,343,281.71
			140,568,543.36
Distribution Expenses	03	8,437,210.80	
Administrative Expenses	04	132,329,845.72	
Other Expenses	05	29,739,778.69	
Financial Expenses		246,958.89	
			170,753,794.10
Profit/ (Loss) before Tax			**(30,185,250.74)**
Income Tax (Provision)			-
Profit/ (Loss) after Tax			**(30,185,250.74)**
Other Comprehensive Income			
Total Comprehensive Income			**(30,185,250.74)**

Notes to the Income Statement for the Year Ended 31.12.2019

Note - 01	**(Rs.)**	**(Rs.)**
Sales		
Cashew Kernels	82,767,072.85	
Less : Returns	178,357.40	82,588,715.45
Plants		15,645,315.00
Cashew nuts in shell		-
Coconut		1,848,808.92
		100,082,839.37

Note -02	
Other Income	
Interest income (Savings Accounts)	65,809.59
Interest income (Distress Loan/ Special Loan)	44,692.29
Import Service Charges for cashew nuts in shell	235,000.00
Sundry Income	2,931,656.17
Circuit Bunglow Rental Income	114,950.00
Compensation received	336,000.00
Amortization of Capital Grants	44,615,173.66
	48,343,281.71

Note - 03			
	Income earned by the Corporation	**Capital Grants**	**Total**
Distribution Expenses	8,437,210.80	-	
	8,437,210.80	**-**	**8,437,210.80**

Note - 04			
	Income earned by the Corporation	**Capital Grants**	
Administrative expenses			
Commercial Plant Nurseries	2,049,901.85		
Head Office	116,496,751.31		
Amortization of coconuts	226,020.27		
Marketing	890,247.94		
Human Resource Development	-	171,197.90	
Extension Division	-	9,281,500.48	
Research and Development	-	3,214,225.97	
	119,662,921.37	**12,666,924.35**	**132,329,845.72**

Note - 05

	Income earned by the Corporation	Capital Grants	
Other Expenses			
Helopeltis Control Programme			
	-	652,429.07	
Damages and Losses (Wine)		-	
	251,677.48		
Closing Account of Oyamaduwa Estate			
	-	14,480,914.24	
Cost of plants (Subsidy programme)	-		
		12,520,339.09	
Dead plants		-	
	1,550,839.68		
Loss from dead plants	-		
		283,579.13	
	1,802,517.16	**27,937,261.53**	**29,739,778.69**
	129,902,649.33	**40,604,185.88**	

Sri Lanka Cashew Corporation

Cash Flow Statement

Combined Cash Flow Statement for the year ended 31st December 2019

31.12.2018 (Rs.)		The year ended 31.12.2019 (Rs.)	(Rs.)
	Cash Flow from Operating Activities		
(39,642,728.37)	Profit/(Loss) during the year		(30,185,250.74)
	Adjustments for non cash moving items		
15,818,922.14	Depreciation	12,082,150.32	
2,932,747.30	Amortization	3,420,039.98	
6,249,295.00	Provisions for Gratuity	8,742,490.00	
142,476.11	Write off or provision for Bad Debts	75,995.31	
(1,325,496.00)	Additional provision for Gratuity	-	
10,560.00	Loss from transfer of fixed assets	922,673.86	
(57,549.95)	Adjustments for the previous year	(290,325.00)	
630,182.49	Write off fruit bearing cultivation	13,167,618.32	
-	Loss from dead plants	(97,532.52)	
(387,048.47)	Grants from other parties	(1,989,420.05)	
96,873.30	Write off other small projects	-	
(139,310.70)	Interest income received	(110,501.88)	
(35,102,086.39)	Amortization of capital allowance	(42,625,753.61)	
			(6,702,565.27)
(50,773,163.54)	**Operating Profit / (Loss) before Working Capital Changes**		(36,887,816.01)
	Working Capital Changes		
4,717,608.40	Stock - Increase / (Decrease)	(18,041,159.80)	
1,970,589.48	Debtors - Increase / (Decrease)	(3,799,038.84)	
1,256,694.97	Advances and pre-payments - (Increase) / (Decrease)	(3,540,000.54)	
(4,403,509.51)	Creditors - Increase / (Decrease)	20,876,408.41	
3,929,401.26	Accrued expenses - Increase/(Decrease)	(7,151,174.05)	
7,470,784.60			(11,654,964.82)
(43,302,378.94)			(48,542,780.83)
(4,554,681.00)	Gratuity payments		(1,400,402.00)
(47,857,059.94)	**Net Cash Flow from Operating Activities**		(49,943,182.83)
	Cash Flow from Investing Activities		
(12,109,696.96)	Purchase of fixed assets	(2,720,499.97)	
-	Capital work in progress	(69,112.00)	
(9,273,328.09)	Investment in new planting	(10,305,868.21)	
139,310.70	Iinterest income received	110,501.88	
-	Investment in other small projects	(152,150.00)	
(21,243,714.35)			(13,137,128.30)
(69,100,774.29)			(63,080,311.13)
	Cash Flow from Financing Activities		
66,520,000.00	Government Grants		65,057,500.00
(2,580,774.29)	Net Increase/(Decrease) in Cash and Cash Equivalents		1,977,188.87
5,805,582.02	Cash and Cash Equivalents at the beginning of the year	**(Note 01)**	3,224,807.73
3,224,807.73			**5,201,996.60**

Note - 01	**As at 01.01.2019**	**As at 31.12.2019**
Cash in Hand and at Bank	3,190,157.48	5,201,996.60
Cash in transit	34,650.25	-
	3,224,807.73	**5,201,996.60**

Sri Lanka Cashew Corporation

Statement of Changes in Equity for the year ended 31.12.2019

Total for the Year 2018 (Rs.)	Changes	Initial Capital (Rs.)	Government Capital (Rs.)	Capital grants - North East Coastal Community Development Programme (Rs.)	Capital grants - Ministry of Supplementary Plantation Crops Development (Rs.)	Revaluation Reserve (Rs.)	Grants - Ministry of Minor Export Crop Promotion (Rs.)	Other Capital Reserves (Rs.)	Profit and Loss Account (Rs.)	Total for the Year 2019 (Rs.)
149,270,113.03	Balance as at 01.01.2019	40,000,000.00	175,414,265.06	6,117,869.61	1,612,451.80	16,929,116.63	10,025,445.91	512,730.22	(110,011,179.38)	140,600,699.85
(57,549.95)	Adjustments for the previous year	-	-	-	-	-	-	-	(1,000,831.00)	(1,000,831.00)
66,520,000.00	Grants received during the year	-	70,000,000.00	-	-	-	-	-	-	70,000,000.00
(35,489,134.86)	Transfer to Profit and Loss Account	-	(42,625,753.61)	(215,931.43)	(1,612,451.80)	-	(161,036.82)	-	-	(44,615,173.66)
21,660,621.02	Total Net Income	-	-	-	-	-	-	-	(30,185,250.74)	(30,185,250.74)
(61,303,349.39)	Expenditure exceeded the income- Service Sector	-	-	-	-	-	-	-	-	-
140,600,699.85	**Balance as at 31.12.2019**	**40,000,000.00**	**202,788,511.45**	**5,901,938.18**	**-**	**16,929,116.63**	**9,864,409.09**	**512,730.22**	**(141,197,261.12)**	**134,799,444.45**

My No. ARI/D/SLCC/FA/2022/01 22.12.2022

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 2019 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 2019 comprising the Statements of Financial Position as at 31st December 2019 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 2019 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 the financial statements prepared and submitted by the Corporation in respect of year under review.

(b) 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. 35,045,966/- in the retirement benefit allocation account as of the final date of the year under review.

(c) Action had not been taken even by 01st March 2022 to settle accrued expenses totaling Rs. 817,934/- out of the accrued expenses of Rs. 7,555,988/- included in the financial statements on the final date of the year under review.

(d) Accrued expenses of Rs. 186,453/- relating to the year under review had not been identified and accounted in the financial statements.

(e) The cost of repairs to two motor vehicles of Rs. 659,720/- had been debited to the motor vehicle account and the relevant amount had been adjusted as depriciations and as a result, the profit for the year under review had been over stated by Rs. 604,876/-.

(f) According to the physical stock verification carried out on the last day of the accounting year, the cashew nut stock processed at the two cashew processing centers was 3070 kg, however, the final stock had been calculated using schedules with values that did not align with the physical stock values which includs 839 kg of cashew kernel in inner shell (Kurutu Kaju) that was not included in the stock verification report, without taking the physical stock into account. As a result of this

calculation, the closing stock and profit for the year was overstated by Rs. 1,557,247/-.

(g) Based on the cost information used to calculate the final stock submitted by the Corporation for the audit in the year under review, a deficit of 827,740 kgs of cashew nuts is observed between the should be stock and the actual final sctock when the starting balnce available at cashew sales centers, the stock received from processing centers, sales, and free issuings, are taken into consideration, and the value of the deficit amounts to Rs. 2,099,321/-.

(h) A sum of Rs. 9,446,200/- outstanding for over 07 years accounted as receivables under miscellaneous debtors for providing cashew plants to the Ministry of Economic Development, has become unable to recover as the Ministry concerned does not exist at present, however, action to make provision for bad debts and doubtful debts in respect of the said outstanding loan had not been taken.

(i) The Sales Division of the Corporation had reported proceeds of Rs. 79,425,899/- from the sale of cashew to the Board of Directors. However, the financial statements showed proceeds of Rs. 82,767,073/- This results in a discrepancy of Rs. 3,341,174/- between the reported proceeds to the Board of Directors and those included in the financial statements.

(j) Expenses totaling Rs. 111,177/- for overtime payments, combined allowances, and motor vehicle repairs were accounted under sundry creditors. However, no written evidence was provided to the auditors to support these expenses, and they remained unsettled by the date of this report.

(k) No written evidence such as invoices to substantiate the subsidy and crop insurance payments totaling Rs. 3,602,678/- which had been indicated under other payable expenses from the past 6 years, was provided for the audit.

1.3 Other information contained in the Annual Report of the Corporation for the year 2019

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 2019 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.

1.4 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, the Corporation is responsible to maintain proper books and records of all its income, expenditure, assets and liabilities to enable annual and periodic statements to be prepared of the Corporation.

1.5 **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.

2. Report on Other Legal and Regulatory Requirements

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

2.1.1 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.

2.1.2 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.

2.1.3 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.

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

2.2.1 state that any member of the governing body 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.

2.2.2 State that the Corporation has not complied with the applicable written law, general and specific directions issued by the governing body 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, withholding Tax of Rs. 779,483/- in relation to that periods had been included in the financial statements as a receivable balance.

(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. 2,552,208/- relevant for the period from 2005 to 2018 had not been settled by the final date of the year under review.
(c)	Employee's Trust Fund Act No. 14 of 1980	A sum of Rs. 24,427/- had to be paid as a surcharge due to non-payment of ETF subscriptions relating to the accounting year on the due date and non-submission of C reports accurately.
(d)	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 2019 had been submitted to the Auditor General on 07th February 2022 after a lapse of 02 years and 08 months.
(e)	Decision dated 24th July 2012 of the Committee on Public Enterprises (COPE)	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 11,239 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.

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. 70,000,000/- was received as capital government grants. Out of this amount, Rs. 10,301,285/- was capitalized under cashew and coconut cultivations, while Rs. 25,839,693/- an amount almost doubled the capitalized amount, was spent on recurrent expenses. Although there should have been a balance of Rs. 33,859,022/- in the capital grant deposit account, the actual balance at the end of the year under review was only 504,140/-. Accordingly, it was observed that the capital grants had been utilized for other purposes.

(b) Despite spending Rs. 3,214,226/- under capital grants for the Puttalam and Kamandaluwa Research Centers during the year under review, no new research initiatives were started in the year under review. Only the 08 research projects carried over from previous years were being conducted at both research centers. Also, no continues and proper progress reports were maintained so as to enable the evaluation of the progress of researches.

(c) 24,159 budded cashew plants and 9,831 cashew seedlings produced at a unit cost of Rs. 49.45 and Rs. 36.23 respectively had to be discarded as dead plants due to the absence of proper regulation of the cashew plant production process and maintenance and as a result, the Corporation had incurred losses to the tune of Rs. 1,550,840/-.

(d) **The exchange of Oyamaduwa Estate which was developed by the Cashew Corporation by planting cashew seedlings with the Eluwankulama Martin (Ipil-Ipil) Farm**

The portion of land in extent of 250 acres assigned to the Cashew Corporation from and out of the Oyamaduwa Farm belonging to the National Livestock Development Board (NLDB) was reassigned to the NLDB and the land in extent of 442 acres at Eluwankulama on which the Martin (Ipil Ipil) Farm was standing, was assigned to the Cashew Corporation on 01st August 2019. In the audit carried out in that connection, the followings were observed:

(i) The letter No. WAN/LND/01/LTLES/(3) 24, dated 29th November 2019 had informed that necessary action was being taken by the Wanathawilluwa Divisional Secretary to assign the land at Eluwankulama on which the Martin (Ipil Ipil) Farm is standing to the Cashew Corporation on a long-term lease basis and that no development whatsoever should not be carried out on the land until the lease right to the land is obtained. However, an agreement had been entered into with a contractor on 09th August 2019 to deforest and prepare a portion of land in extent 50 acres and the contractor had completed work in 08 acres.

(ii) The Cashew Corporation was assigned 100 acres of land in Oyamaduwa area to establish the Oyamaduwa Plant Breeding Garden in parallel with the "Deyata Kirula" national development program held in 2011, and an additional 150 acres

in 2012 and 2013. The Cashew Corporation spent Rs. 14,480,914/- on growing cashew and coconut and constructing buildings on this land. Subsequently, a 441-acre land in Eluwankulama in the Wanathawilluwa Divisional Secretary's division on which the Martil Ipil Ipil Farm was situated was assigned to the Cashew Corporation, leading to the transfer of the developed land in Oyamaduwa to the NLDB. Due to these developments, the aforesaid expenses incurred by the Cashew Corporation became uneconomical.

(iii) The cashew harvest from the Oyamaduwa Estate in 2019 was 1,345.5 kg. Due to the exchange of the land with the land at Eluwankulama, and with the exchange of the land with Eluwankulama, the Corporation was deprived of the expected cashew harvest in the following years.

(iv) In 2019, the Board of Directors approved the development of 50 acres for cashew plantation at a cost of Rs. 6.7 million as Phase II of the Eluwankulama land project. The objective was to introduce new cashew varieties and conduct comparative evaluations near the Eluwankulama cashew seedling garden of the Sri Lanka Cashew Corporation. However, these objectives were not met.

2.3. **Other Audit Observations**

(a) The Corporation included Rs. 178,357 in financial statements as cashew nut returns by customers without credit slips for the year under review. However, the Corporation failed to provide a specific and clear answer to the audit regarding the reason for the return of cashew nut products or the actions taken in respect of returned stocks, due to existing deficiencies in the internal control.

(b) The Corporation had incurred substantial losses as indicated below in imediately preciding 05 year from 2015 to 2019. Despite the government grants made available by the line Ministry to the Corporation, the Corporation had operated in the last 05 year period with heavy losses ranging from Rs. 115 million to Rs. 145 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) Rs. 3	Government Grants recognized as income (Capital) Rs. 4	Loss minus government grants Rs. 1-2-4
2015	(47,728,042)	66,100,000	35,000,000	31,186,501	(145,014,543)
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)

(c) As there was no established methodology to calculate the unit cost of cashew nuts with shell, cashew nuts, and cashew seedlings, the audit could not verify the method used to calculate the final stocks totaling Rs32,455,294/-.

W.P.C. Wickramaratne
Auditor General

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

Explanations and courses of action taken by 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 2019 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1.2 (a) Formats of financial statements used in the preparation of financial statements of the Sri Lanka Cashew Corporation from its inception to the year 2018 (i.e. up to the year prior to the year under review) and submitted on audit opinion from time to time by the Auditor General's Department/National Audit Office, underwent a significant change on the instructions of the officials of the National Audit Office while preparing the financial statements for the year 2019. Since practical issues were arisen in presenting information in the financial statements for the year 2018 for comparison with the financial statements for the year 2019 due to the change in the relevant formats, the requirement could not be fulfilled properly.

Since similar financial statement formats are used, no issue is arisen in presenting the comparative financial information from the year 2020, and actions have been taken to submit the relevant comparative information with the financial statements for the year 2020 that have been prepared to date.

1.2 (b) Since the annual recurring grant received from the Treasury to the Corporation is not sufficient even for the payment of employee salaries, it is not possible to use the recurring grant for the payment of retirement gratuity and therefore, the earnings of the Corporation have to be used for the purpose. As there are many other urgent and necessary expenses to be met from the earnings of the Corporation, no scope for making a separate investment in respect of the obligation to pay gratuity is created.

However, it has been decided to make an investment of Rs.100,000/= per month for gratuity allocations until the financial condition of the Corporation

improves and actions will be taken to obtain approval of the Board of Directors and take necessary further action for the purpose.

1.2 (c) Actions have already been taken to settle more than 89% of the accrued expenses of Rs. 7,555,988/= as at 31.12.2019 as stated in the audit query and the delay in settling the accrued expenses of Rs.817,934/= mentioned here is due to the financial difficulties faced by the Corporation.

1.2 (d) Arrangements have been made to include the accrued expenses of Rs.186,453/= mentioned here in the financial statements for the year 2020, and accordingly, the financial position of the Corporation as atn 01.01.2021 is accurately reflected in the books of accounts.

1.2 (e) The expenses of Rs.695,720/= which have been spent on the repair of the motor vehicles mentioned here have been done for the complete engine repairs of the respective motor vehicles (Overhauled Complete Engine Repairs) and Due to these repairs, the effective life span of the respective motor vehicles has increased by a significant number of years and therefore, the relevant expenses have been capitalized.

1.2 (f) The financial statements show the values of the final stocks calculated on that date according to the physical cashew stock amounts as at 31.12.2019 as confirmed in writing by the officials in charge of the Cashew Processing Centers of the Corporation at Nedagamuwa and Puttalam. However, due to an omission in the submission of the relevant Inventory Survey Reports, the quantities of physical cashew kernels have been recorded differently as mentioned here and as the final cashew kernel stock has been valued considering the physical cashew kernel stock quantities presented by the officials in charge of the Processing Centers, there has been no overstatement of profit by Rs.1,557,247/= in the financial statements as stated here.

1.2 (g) Although records have been maintained regarding all transactions carried out by the sales outlets of the Corporation, there is a need to use a proper system for the purpose. Even though the difference in the stock mentioned here has been observed due to the calculation of cashew stock at the end of the year based on the information maintained by the Sales Division in line with the

existing method, the amount related to the final stock of cashew kernel shown in the financial statements prepared by the Finance Division is correctly calculated based on the relevant source documents. Hence, actually, there is no cashew stock shortage of Rs.2,099,321/= as mentioned here.

However, taking into account the relevant audit observations, special attention will be paid to maintaining the records of the Sales Division in a formal and systematic manner in the future and necessary arrangements will also be made to maintain the documents related to cashew kernel sales in the Finance Division by comparing them with the documents of the Sales Division on a monthly basis.

1.2 (h) Although efforts have been made over a considerable period of time to recover the amount due from the Ministry of Economic Development, the efforts shave failed to date. However, taking into consideration the facts stated in the audit report, from the conversion year onwards, the possibility of provision for bad debts and doubtful debts (impairement losses) will be explored and the necessary actions will be taken for the purpose.

1.2 (i) The sales revenue of 82,767,073/= shown in the financial statements mentioned in the audit agreement is the correct sales revenue for the year 2019 which has been accounted using the related cash receipts and approved sales invoices. The sales revenue of Rs.79,425,899/= quoted here from the documents maintained by the Marketing Division of the Corporation for its decision-making is not the sales revenue value calculated correctly based on the source documents as mentioned above or reported to the Finance Division and accordingly, it is not pragmatic to compare the sales revenue shown in the financial statements and the sales revenue shown according to the rough documents of the Sales Division and present the differences between them. As well, the Finance Diviaion has all the source documents related to the confirmation of the sales income shown in the financial statements, and accordingly the necessary confirmations can be made. However, in order to reduce such problematic situations, actions will be taken to issue necessary instructions to the officials of the Sales Division to maintain the correct sales revenue information in their records in accordance with the information of the Financial Division using correct source documents.

1.2 (j) The relevant payment vouchers for the expenses of Rs.111,177/= stated here are available in the Corporation, and they have been properly filed so that they can be audited. Actions will be taken to make necessary adjustments in the books of accounts in respect of the relevant accrued expenses.

1.2 (k) The matters regarding the subsidies of Rs.3,602,678/= payable and crop insurance expenses shown here was discussed in the Audit Committee of the Corporation and as it has been established that the Corporation has no present obligation in respect of the relevant liabilities, the Audit Committee recommended to write off the said amounts from the books of accounts. The Board of Directors has granted approval for the recommendation of the Audit Committee, and accordingly, attangements have been made to written off these liabilities from the books of accounts in the preparation of the final accounts of the year 2020.

2.2.2 (a) Necessary steps will be taken to deal with the tax reports of the old years mentioned here The Department of Inland Revenue will discuss and. Necessary steps will be taken to carry out the related activities to deal with the tax returns of the old years mentioned here in consultation with the Inland Revenue Department.

2.2.2 (b) Out of the audit fees of Rs.2,552,208/= to be paid to the National Audit Office as at 31.12.2018, an amount of Rs.528,006/= has already been paid and arrangements will be made to pay the outstanding balance of audit fees promptly, depending on the receipt of funds.

2.2.2 (c) Since the contributions to the Employees' Trust Fund were not paid in due time due to the financial difficulties faced by the Corporation, the surcharge of Rs.24,427/= has to be paid and by paying attention to the matter, necessary arrangements will be made to make such statutory payments without delay in the future.

2.2.2 (d) 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 preparing separate final accounts for each costing center and finally consolidating them. As the

final accounts were prepared separately for the activities of the commercial and service divisions of the Corporation, it was possible to make decisions for those divisions in a formal manner.

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

Serial No.	Estate/ Seed Garden	Ownership	District	D.S. Division	Acreage
1.	Eluwankulama – Phase - I	Government owned	Puttalam	Wanathawilluwa	210
2.	Eluwankulama – Phase - II	Government owned	Puttalam	Wanathawilluwa	406
3.	Achchigewatte	Land Reform Commission	Puttalam	Wanathawilluwa	961
4.	Kamandaluwa	Land Reform Commission	Puttalam	Rasnayakapura	548
5.	Hardy	Land Reform Commission	Batticaloa	Walachchena	365
6.	Pooneryn	Government owned	Kilinochchi	Pooneryn	479
7.	Kondachchi	Government owned	Mannar	Musali	6,498
8.	Thiriyaya	Government owned	Trincomalee	Gomarankadawala	35
9.	Mankarni	Government owned	Batticaloa	Koralai Pattu North	1,075
10.	Wilachchiya	Department of Forest Conservation	Anuradhapura	Mahawilachchiya	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				**11,363**

All the work required to transfer the Elwankulama Phase I land with an area of 210 acres mentioned in Serial No. 1 of the above Table to the Corporation on long term lease basis has already been completed and Accordingly, the Wanathawilluwa Divisional Secretariat has informed the Corporation to pay the relevant installments and the lease rental, and immediately after the completion of the work, the Deed of Lease with the possession of the land will be owned by this Corporation.

As well, approval of the Cabinet of Ministers has been granted to hand over the ownership of the lands in extent 8,993 acres, the total extent of the estates and seed gardens such as Eluwankulama Phase II, Pooneryn, Kondachchi, Thiriyaya, Mankarni and Vellankulam given in Serial Numbers 2, 6, 7, 8, 9 and 14 above to the Sri Lanka Cashew Corporation on 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.

As well, the necessary preliminary discussions have been held with the officials of the Land Reform Commission to acquire the lands in extent 1,874 acres, the total extent of the estates such as Achchigewatte, Kamandaluwa and Hardy given in Serial Numbers 3, 4 and 5 above to the Corporation, and accordingly the further work will be carried out.

The Corporation submitted answers to the above draft report of the Auditor General, where the officials instructed to prepare one balance check for the entire Corporation instead of each balance check for the cost centers and thereby, to prepare and submit the final accounts. However, since it was difficult to prepare a balance check as above deviating from the accounting method that has been used for a long time and no audit queries have been submitted until then, it was not possible to complete the final accounts for the year 2019 on the instructions of the Auditor General and Accordingly, the Corporation had to withdraw the old set of final accounts.

Later, the financial statements for the year 2019 were prepared following the new method, and since it took a considerable period of time for the purpose, the delay mentioned here was created.

However, the preparation of the financial statements for the years 2020 and 2021 has been completed by now, and the National Audit Office has completed the audit of the financial statements for the year 2020 and submitted the final report of the Auditor General. As well, in line with approval of the Board of Directors for the recommendation made by the Audit Committee of the Corporation regarding the financial statements for the year 2021, actions have also been taken to submit the financial statements to the National Audit Office for the audit purposes.

2.2.2 (e) In this context, the following lands whose ownership has not been taken over is being used by the Corporation.

Note:

Although the total extent of the respective lands has been mentioned as 11,239 acres in the audit query, the correct total extent is 11,363 acres when all the information is taken into consideration.

The necessary actions are being taken together with the Ministry in charge of the subjet to take over the ownership of the other lands, and however the process to be followed is very long and will take a considerable period of time. Actions will be taken to submit the progress of acquiring the ownership of the respective lands from time to time in the Audit and Management Committee Meetings of the Corporation and the Ministry in charge of the subject.

2.2.4 (a) Although the expenses of Rs.25,839 million mentioned here have been recognized as recurring expenses, it includes the expenses made from the provisions allocated under capital expenses for the cashew cultivation extension activities and research activities of the Corporation. As well, it is observed that the matters in this audit paragraph have been submitted without considering the capital expenditure of Rs.7.66 million spent on additions/purchases of property, plant and equipment in the year 2019. The related information on other expenses will be obtained and necessary further action will be taken.

2.2.4 (b) Since cashew is a perennial crop, in order to obtain the final results of all the research activities related to the crop, the relevant research activities should be

carried out continuously over a period of several years. Such programmes are the ongoing research programmes from previous years stated in this audit paragraph.

As a result of the related ongoing research programmes, it was able to release 11 improved high-quality new cashew varieties to the field, and two more improved new cashew varieties are to be introduced to the field in the year 2023.

Although the audit paragraph states that no new research programmes have been conducted during the year under review, the following new research programmes have been conducted during the year under review.

1. Trial of chemical pesticides for the stem and root borer control.
2. Effect of weather factors on cashew cultivation.
3. Effect of Mycorrhiza Fungi on Cashew Cultivation.
4. Inter-relationship between post-harvest time of cashew and its weight.

A monthly progress report containing the progress of the research programmes carried out by the Research Division of the Corporation is submitted to the meetings of the Board of Directors by the Research Division of the Head Office and in addition, the progress of the relevant research activities and the revisions and updates that should be made in them are discussed at the Research and Management Committee Meetings of the Corporation held quarterly and chaired by a Professor from the Faculty of Plantation Management of Wayamba University of Sri Lanka. The relevant minutes of the meetings are also submitted to the meetings of the Board of Directors.

As a result of the research programmes of the Corporation, many activities which will help in the development and productivity of cashew cultivation such as introducing 11 high-quality cashew varieties to the field of cashew cultivation to date, introducing Mospilan insecticide to successfully prevent the damage of the Helopeltis bug harmful to the cashew cultivation and introducing Novaluron / Ribbon insecticide to control the damage of the stem borer in cashew cultivation, have been completed.

2.2.4 (c) According to the norms of the Corporation, the maximum percentage allowed for graft failure is 20% in the production of grafted cashew plants in commercial cashew plant nurseries, and the unsuccessful grafted plants may often die. In comparison with the total number of grafted cashew plants produced in the year under review, which is 304,317 plants, the number of 24,159 grafted cashew plants that have failed and died as above is an allowable percentage of almost 8%. The sale price of grafted cashew plants has been determined in such a way that the loss that the Corporation has to suffer through the death of the plants in such an allowable percentage can be covered as normal waste.

As well, the maximum percentage allowed for the death of plants in the production of grafted cashew plants is 5%, and when compared with the total number of seedlings produced during the year under review, which is 136,409 seedlings, the number of 9,831 dead seedlings mentioned here is about 7%. Accordingly, the percentage of unacceptable seedling death is nearly 2%, and taking into consideration the cost of production of the year under review, the loss incurred by the Corporation due to that unusual waste (i.e. unacceptable number of seedling death) is approximately Rs.109,072/=.

Accordingly, it is not fair to interpret the loss incurred by the Corporation as Rs.1,550,840/= due to the death of grafted and seed cashew plants as mentioned here.

2.2.4 (d)(i)-(ii) The land of the Oyamaduwa Plant Breeding Center was acquired by the Sri Lanka Cashew Corporation from the National Livestock Development Board under the Deyata Kirula National Development Programme, and accordingly, the development activites of the land was carried out. At the beginning, there was an electric fence built by the government around the land, and since it was not maintained properly, the related electric fence was destroyed and as a result, the frequent entry of wild elephants into the Oyamaduwa Seed Garden has caused serious damage to the cashew cultivation there. Accordingly, when the Oyamaduwa Plant Breeding Center was running at a loss due to the inability to produce a significant amount of cashew nuts in shell, there was a opportunity to exchang the Martin Ipil Ipil Farm, which is under the ownership of the Livestock Development Board adjacent to the Eluwankulama Estate of

the Corporation with the land where the aforementioned Oyamaduwa Plant Breeding Center is located.

Taking into consideration the matters such as the continuous severe threat posed by the wild elephants to the cultivation of the land where the Oyamaduwa Plant Breeding Center is located, the limitation in the staff of the Corporation that can be practically allocated to the work of the Plant Breeding Center and the limitation in the amount that can be invested in the future development activities of the relevant land, the fact that the yield of cashew nuts in shell that can be obtained from the said Plant Breeding Center in the coming years was at a very minimum level, had also directly affected the land exchange mentioned here.

Accordingly, with the intention of getting quick benefits to the Corporation through new cashew cultivation, the development work of Martin Ipil Ipil farm in Eluwankulama was started as mentioned here, and based on the financial provisions allocated, cashew new planting in a land in extent of 35 acres has been completed. As well, in the year 2023, it has been planned to undertake cashew new planting in another 40 acres of land in the farm, and accordingly, the necessary activities are being carried out.

As well, taking into considering all the facts that the market price of the plot of land, the real economic value of the land, the ease of carrying out development activities (A main Seed Garden of the Corporation is already being successfully maintained on a plot of land adjacent to the Eluwankulama Martin Ipil Ipil farm.), the environmental factors suitable for cashew cultivation, it can be mentioned that the exchange of Eluwankulama Martin Ipil Ipil farm with the Oyamaduwa Estate is very beneficial for the Corporation in all respects, and accordingly, it is not suitable to make explanation that the cost incurred by the Corporation for the development of the Oyamaduwa Plant Breeding Center is an uneconomical expense.

2.3 (a) Even though the preparation of credit notes was not done, the goods receipts related to cashew kernel returns were correctly prepared and the cashew kernel stocks were received correctly, the value of the returns was correctly calculated and those values have been shown in the financial statements. In the future, necessary courses of action will be taken to regularize the relevant internal

controls by paying close attention to the matter and accordingly, the credit notes will be prepared in a formal manner and the return transactions will be recorded in the books of account accordingly.

2.3 (b) The Sri Lanka Cashew Corporation is a government corporation engaged in commercial as well as service activities, and the main service activities are the expansion of cashew cultivation in the island and conducting research related to the entire cashew industry. Nearly 60% of the entire staff of the Corporation is engaged in the duties related to the aforementioned service activities, and the economic benefits obtained from their services are not generally measured and accounted. As well, about 85% - 90% of the recurring grant from the government Treasury to this Corporation is spent on the payment of salaries to the staff engaged in the above service activities.

A separate Income and Expenditure Account is not prepared for the extension and research & development services which are operated as the above service activities and the cost of those costing centers are also combined with the cost of the profi making centers related to the commercial activities of the Corporation and accounted.

Although the costs related to the service activities of the Corporation are accounted as above, since the benefits generally accrued from those services are not accounted, the attention has been drawn to the situation, and the necessary activities are being carried out to add the benefits of the service activities to the books of account with intangible assets by obtaining necessary instructions 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 the expenses, and accordingly, the necessary actions will be taken.

2.3 (c) There is no problematic situation in the existing method for calculating the costs related to cashew nuts in shell and cashew plants, and since there are many types of cashew kernel products in the Corporation, calculating the cost separately for each cashew kernel product is a complicated process. However, a special attention has been drawn to the matters pointed out in the audit paragraph, and accordingly, a written request has been made to the Ministry in

charge of the subject to appoint a committee with expertise to prepare a formal system for calculating the cost of production of cashew kernels. Accordingly, the necessary further actions will be taken.

As well, in relation to the year under review, the respective final stock values have been calculated based on the actual cost spent on the cashew nuts in shell, cashew kernels and cashew plants mentioned here, and the stock valuation has been done by drawing attention to the net realizable value of those stocks as at the relevant date.

13. Sri Lanka Cashew Corporation

Five year accounts summary **Rs.(000)**

	2019	2018	2017	2016	2015
Profit and Loss Account	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Net sales	100,082	94,931	100,951	94,906	75,297
Sales cost	(67,857)	(61,023)	(80,182)	(68,648)	(55,055)
Gross profit	**32,225**	**33,908**	**20,769**	**26,258**	**20,242**
Other income	48,343	10,544	15,522	28,224	13,974
Recurrent grants	60,000	15,077	18,700	16,923	27,798
Administrative expenses / Other expenses	(167,334)	(38,407)	(38,893)	(39,141)	(44,001)
Amortization	(3,420)	539	244	(634)	(992)
Net profit from commercial activities	**(30,186)**	**21,661**	**16,342**	**31,630**	**17,021**
Service Division - expenses exceeding incomes	**-**	**(61,303)**	**(58,678)**	**(68,155)**	**(64,749)**
Net Profit / (Loss)	**(30,186)**	**(39,642)**	**(42,336)**	**(36,525)**	**(47,728)**
Balance Sheet					
Non current assets					
Property, Plant and Equipment	82,027	87,369	89,363	100,869	110,208
Maintenance of fruit bearing cultivations	34,270	27,436	22,870	29,303	31,442
Maintenance of non fruit bearing cultivations	37,862	51,591	50,446	41,362	33,243
Capital works in progress	69	-	1,726	-	-
Other small projects	675	523	620	949	806
Total non current assets	**154,903**	**166,919**	**165,025**	**172,483**	**175,699**
Current assets					
Stocks	38,264	20,222	24,940	28,916	30,131
Trade debtors and other receivables	21,207	17,484	19,597	20,798	24,411
Advances and Pre-payments	6,093	2,553	3,810	4,841	4,287
Cash & cash equivalents	5,202	3,225	5,806	7,874	38,846
Total current assets	**70,766**	**43,484**	**54,153**	**62,429**	**97,675**
Total assets	**225,669**	**210,403**	**19,178**	**234,912**	**273,374**
Equity and Liabilities					
Equity					
Initial capital	40,000	40,000	40,000	40,000	40,000
Government grants	202,788	175,414	143,996	123,860	114,881
Grants from other parties	15,766	17,756	18,143	18,530	18,917
Capital reserves	17,442	17,442	17,442	17,442	17,442
Profit and Loss Account	(141,197)	(110,011)	(70,311)	(27,975)	8,550
Total Equity	**134,799**	**140,601**	**149,270**	**171,857**	**199,790**
Non current liabilities					
Provisions for gratuity	35,046	27,704	27,335	40,060	52,471
Long term loans	3,500	3,500	3,500	-	-
Total non current liabilities	**38,546**	**31,204**	**30,835**	**40,060**	**52,471**
Current liabilities					
Trade creditors & other payables	52,324	38,598	39,073	22,995	21,113
Total current liabilities	**52,324**	**38,598**	**39,073**	**22,995**	**21,113**
Total Equity and Liabilities	**225,669**	**210,403**	**219,178**	**234,912**	**273,374**
Return on Net Assets %	(22.4)	(28.2)	(28.3)	(21.3)	(23.9)
Net Profit Ratio %	(30.2)	(41.8)	(41.9)	(38.5)	(63.4)
Current Ratio	1.4	1.1	1.4	2.7	4.6
Quick Assets Ratio	0.4	0.6	0.7	1.5	3.2
Total Expenditure on Total Income	(0.9)	(0.8)	(0.8)	(0.1)	(0.8)