Sri Lanka Cashew Corporation

2021

Sri Lanka Cashew Corporation

Annual Report -2021

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Vision

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

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

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.

Introduction

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.

Since the Sri Lanka Cashew Corporation was established as a public enterprise, business activities related to the cashew sector had been carried out since its inception. Later, services are provided through the intervention to solve the problems that have arisen locally in the cashew sector. Accordingly, the Sri Lanka Cashew Corporation is currently functioning as a public enterprise and as a service provider.

The active contribution of the Sri Lanka Cashew Corporation during the period from the 01st of January 2021 to the 31st of December 2021 using the sales outlet network of the Corporation and other marketing methods, has been incorporated in the report.

In terms of the aforesaid Act, the functions of the Sri Lanka Cashew Corporation are defined as follows.

(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) Identifying the requirements of all parties involved in cashew cultivation, processing and marketing of cashew products and providing them training and providing facilities for the purpose.

(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 international markets and financing the promotional activities for the purpose or related incidental works, supervising such activities and initiating to assist the activities and sponsoring them.

Board of Directors of Sri Lanka Cashew Corporation - 2021

Serial No.	Name	Position
01.	Mrs. R.A. Saranga Ratnayake	Chairperson
02.	Mrs. Ashoka Lankathilaka	Deputy Chairperson
03.	Mr. C.C. Muhandiramge	Member of the Board of Directors (Representative of the Ministry in charge of the subject) (From 26.01.2021-31. 03.2021)
04.	Mr. H. M.C. K. Herath	Member of the Board of Directors (Representative of the General Treasury)
05.	Mr. Chamara Subasinghe	Member of the Board of Directors
06.	Mr. Upali Waduarachchi	Member of the Board of Directors
07.	Mr. I.W.A. Saman Kumara	Member of the Board of Directors
08.	Major D. Medagedara	General Manager, Secretary to the Board of Directors (From 01.01. 2021 to 31.03.2021)
09.	Mr. P.B. Kodikara	Acting General Manager, Secretary to the Board of Directors (From 31.03.2021 to 31.12.2021)

Chairperson'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 2020, the yield of cashew nuts in shell in the estates of the Sri Lanka Cashew Corporation was 150.0 metric tons and it is 106 metric tons in the year 2021. This is a drop of 29.3% compared to the year 2020. The overall yield in the year 2021 had decresed due to a yield reduction in the following year depending on the physical characteristics of the cashew plant after receiving a significant yield in the years 2019 and 2020 and as the cashew cultivation was suffering from severe drought after yielding last year. In the year 2021, the domestic export volume was 26.26 metric tons and the export value was Rs. 89.07million. Exports have decreased due to the COVID-19 pandemic situation prevailed this year and the increase in the local price of cashew kernels.

During the year 2021, 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 Sri Lanka Cashew Corporation with high productivity and high efficiency, and I appreciate their services as well.

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

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

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

Sri Lanka Cashew Corporation in succinct

In order to achieve the vision and mission of the Sri Lanka Cashew Corporation in a more formal and effective manner to produce the highest quality cashews in the island, Sri Lanka Cashew Corporation consists of the Head office, 11 Regional Offices, 08 Estates, 02 Processing centers, 02 Research units, 08 Central plant nurseries, 05 Seed gardens, 09 Sales outlets, 02 Circuit bungalows and 69 authorized sales outlets.

Head office

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

Telephone Numbers

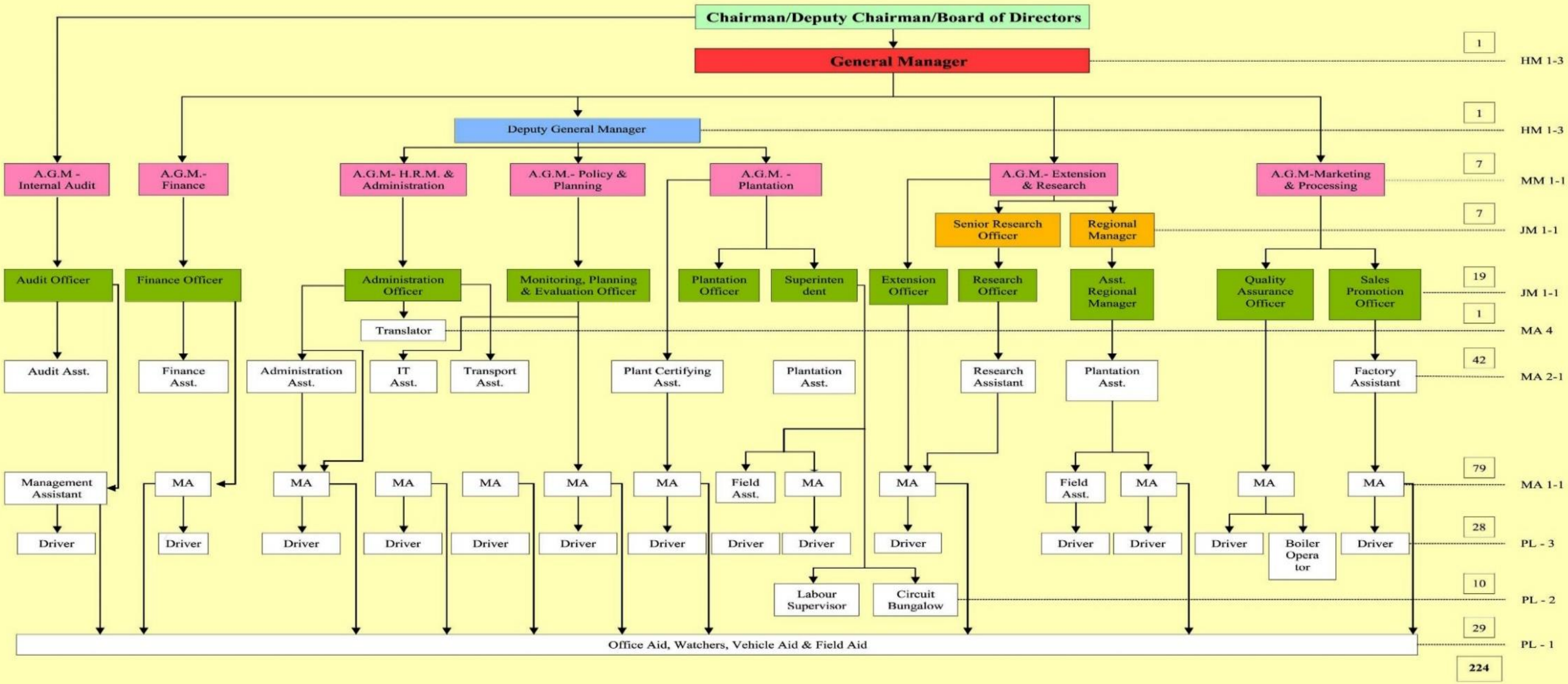
Chairman	-	011 - 2871005
Deputy Chairman	-	011 - 2869844
General Manager	-	011 - 2876134
Fax	-	011 - 2869843
Email	-	cashewco@sltnet.lk
Website	-	www.cashew.gov.lk

Number of Employees in the Sri Lanka Cashew Corporation in the year 2021

Salary Code	Designation	Approved Cadre	Number of Employees in the year 2021		Vacancies
			Permanent	Contract	
HM 1-3	General Manager	01	-	-	01
HM 1-1	Deputy General Manager	01	01	-	-
MM 1-1	Assistant General Manager - Internal Audit	01	01	-	-
	Assistant General Manager – Finance	01	01	-	-
	Assistant General Manager - Human Resource Management and Administration	01	01	-	-
	Assistant General Manager - Policy and Planning	01	01	-	-
	Assistant General Manager - Marketing and Processing	01	01	-	-
	Assistant General Manager - Extension and Research	01	-	-	01
	Assistant General Manager – Plantation	01	-	-	01
JM 1-1	Regional Manager/ Asst. Regional Manager	11	07	01	03
	Senior Research Officer/ Research Officer	02	01	-	01
	Plantation Officer	01	01	-	-
	Extension Officer	01	01	-	-
	Estate Superintendent	04	02	-	02
	Quality Assurance Officer	02	01	-	01
	Administrative Officer	01	01	-	-
	Finance Officer	01	01	-	-
	Sales Promotion Officer	01	01	-	-
	Internal Audit Officer	01	-	-	01
	Planning, Monitoring and Evaluation Officer	01	01	-	-
MA - 4	Translator	01	-	-	01
MA 2-1	Plantation Assistant	37	15	04	18
	IT Assistant	01	01	-	-
	Audit Assistant	02	02	-	-
	Finance Assistant	01	01	-	-
	Transport Assistant	01	01	-	-
MA 1-1	Management Assistant	57	41	17	-
	Field Assistant	22	11	-	11
PL - 3	Driver	26	19	05	02
	Boiler Operator	02	01	01	-
PL - 2	Labour Supervisor	07	08	-	-
	Circuit Bungalow Caretaker	03	-	01	02
PL - 1	Karyala Karya Sahayaka (KKS)	16	15	09	-
	watcher	11	08	04	-
	Vehicle Aid	02	01	01	-
		224	**147**	**43**	**45**

* *There is an excessive total staff of 11 employees in the form of 01 Management Assistant, 01 Labour Administrator, 01 Watchman and 08 Karyala Karya Sahayaka (KKS) as at 31.12.2021 due to the recruitment made on the basis of service requirement.*

Organizational Structure of Sri Lanka Cashew Corporation



Extension and Service Network of Sri Lanka Cashew Corporaton

Top Management of Sri Lanka Cashew Corporaton - 2021

I).	Major D. Medagedara	-	General Manager (From 01.01.2021 to 31.03.2021)
II).	Mr. P.B. Kodikara	-	Deputy General Manager/ Actg. General Manager (From 31.03.2021)

Middle Management Staff of Sri Lanka Cashew Corporaton

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 – Plantation

Divisions of Sri Lanka Cashew Corporaton

Sri Lanka Cashew Corporation has 07 divisions.

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

Regional Office Network of Sri Lanka Cashew Corporaton

Name and Designation		District Covered	Address	Telephone No.
01.	N.D. Warusawitharana Regional Manager	Anuradhapura	Sri Lanka Cashew Corporation, Milk Producers Cooperative Society Building, Godage Mawatha, Anuradhapura.	025-2227071 071-8046790
02.	Buddhika Sandaruwan Assistant Regional Manager	Badulla/Kandy	Sri Lanka Cashew Corporation, CTC Junction, Aluththarama, Mahiyanganaya.	055-3555257 077-3410225
03.	L.D. Pathiranage Assistant Regional Manager	Hambantota Ratnapura	Sri Lanka Cashew Corporation, Central Plant Nursery, Devala Temple Road, Kiralavelkotuwa, Embilipitiya.	077-6263358
04.	L. Sanjeevan Assistant Regional Manager	Kilinochchi/ Mullaitivu/ Jaffna/ Vavuniya / Mannar	Sri Lanka Cashew Corporation, Old Kachcheri Building, Kilinochchi.	021-2283830 077-9850497
05.	Buddhika Sandaruwan Assistant Regional Manager	Ampara	Sri Lanka Cashew Corporation, 40th Mile Post, Mangalagama, Ampara.	077-3410225
06.	K. A. A. N. Amarasinghe Assistant Regional Manager	Monaragala	Homagama Watta, 22nd Mile Post, Nakkala, Monaragala.	055-2252090 071-8159195
07.	K.B.S.J. Kariyawasam Assistant Regional Manager	Hambantota	Sri Lanka Cashew Corporation, Silvas, Malpeththawa, Ambalantota.	071-8576359
08.	H.M.A.S. Jayawardhana Assistant Regional Manager	Puttalam	Sri Lanka Cashew Corporation, St. Mary's Rd., Senakudirippuwa, Puttalam.	032-2265998 070-3324319
09.	H.T.D Dayaratne Assistant Regional Manager	Batticaloa Polonnaruwa	Sri Lanka Cashew Corporation, Public Library, V.C Road, Vaduramulai.	077-6181734
10.	K.D. Madusankha Officer-in-Charge	Matale	Sri Lanka Cashew Corporation, Nalanda Seed Garden, Madawala Ulpatha, Matale.	071-0144631
11.	R.S. Narresh Kumar Officer-in-Charge	Trincomalee	Sri Lanka Cashew Corporation. Kandy Road, Thambalagamuwa, Trincomalee.	077-1303648

Estates/Seed Garden owned by the Sri Lanka Cashew Corporation

Estate		District located	Total Acreage	Acreage Cultivated
01.	Eluwankulama - Seed Garden	Puttlam	210	245
	Eluwankulama - Plantation		441	
02.	Kamandaluwa Estate	Puttlam	548	494
03	Achchigewatte Estate	Puttlam	961	761
04.	Hardy Estate	Batticaloe	365	190
05.	Kondachchi Estate - Sri Lanka Cashew Corporation	Mannar	4,998	420
	Kondachchi Estate - Civil Security Department		1,500	935
06.	Mankarni Estate	Batticaloe	1,075	115
07.	Pooneryn Estate	Kilinochchi	479	150
08.	Vellankulam Estate	Kilinochchi	500	150
09.	Thiriyaya Estate	Trincomalee	10	02
10.	Wilachchiya - Seed Garden	Anuradhapura	25	17
11.	Suduwathura Ara - Seed Garden	Monaragala	200	45
12.	Mahaoya - Seed Garden	Monaragala	81	80
13.	Nalanda - Seed Garden	Matale	135	50
Total			**11,528**	**3,654**

❖ 1,500 acres from and out of the total 6,498 acres of the Kondachchi Estate under the Sri Lanka Cashew Corporation have been allocated to the Civil Security Department, and out of those 1,500 acres, 1,300 acres are currently being cultivated by the Civil Security Department.

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

Research Units owned by the Sri Lanka Cashew Corporation

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

Central Plant Nurseries owned by the Sri Lanka Cashew Corporation

Serial No.	Central Plant Nurseries	Districts covered	(Acres)	Plant Production Capacity (Number of Plants)
01.	Mihintale Plant Nursery	Anuradhapura, Vavuniya, Kilinochchi, Mullaitivu, Mannar	2.5	180,000
02.	Dambulla Plant Nursery	Matale, Polonnaruwa	3.0	50,000
03.	Kamandaluwa Plant Nursery	Puttalam, Kurunegala	2.0	170,000
04.	Hardy Plant Nursery	Batticaloa/ Trincomalee	1.0	42,000
05.	Kumbukkana Plant Nursery	Monaragala	3.0	160,000
06.	Mahiyanganaya Plant Nursery	Badulla, Kandy	2.0	66,000
07.	Chandrika Wewa Plant Nursery	Hambantota, Ratnapura	0.5	62,000
08.	Mangalagama Plant Nursery	Ampara	0.25	20,000
	Total		**14.25**	**750,000**

Seed Gardens owned by the Sri Lanka Cashew Corporation

Seed Gardens	District Located	Total Acreage	Acreage Cultivated
01. Eluwankulama Seed Garden	Puttalam	210	210
02. Wilachchiya Seed Garden	Anuradhapura	25	17
03. Suduwathura Ara Seed Garden	Monaragala	200	45
04. Mahaoya Seed Garden	Ampara	81	45
05. Nalanda Seed Garden	Matale	135	50
Total		**651**	**367**

Sales Outlets of the Sri Lanka Cashew Corporation

Serial No.	Cashew Sales Outlets of the Corporation	District
01.	No: 1334, Old Kotte Road, Rajagiriya.	Colombo
02.	No. 518, Galle Road, Colombo 03.	Colombo
03.	Ambepussa Cashew Sales Outlet.	Kegalle
04.	Narahenpita Cashew Sales Outlet, Economic Centre, State Trading Corporation Building.	Colombo
05.	Wellawatta Cashew Sales Outlet, Palmyrah Development Board, Galle Road, Wellawatta.	Colombo
06.	Pelmadulla Cashew Sales Outlet, 119/1, Main Street, Pelmadulla.	Ratnapura
07.	Trincomalee Cashew Sales Outlet, Trincomalee- Kandy Road, Thambalagamuwa, Trincomalee.	Trincomalee
08.	Balangoda Cashew Sales Outlet, 122 D, Barns Rathwatta Mawatha, Balangoda.	Ratnapura
09.	Badagamuwa Cashew Sales Outlet, Tourist Information Centre, Dambulla Road, Badagamuwa, Kurunegala.	Kurunegala

Locations of Sri Lanka Cashew Corporation Authorized Cashew Sales Outlets

Serial No.	Authorized Cashew Sales Outlets	District
01.	Randiya Fruits and Nuts, Payagala, Maggona.	Kalutara
02.	Sunila Grocery, No: 35, New Road, Ambalangoda.	Galle
03.	P & J City, Gamini Mawatha, Galle.	Galle
04.	Fresh Farm Shop, Galle Road, Hikkaduwa.	Galle
05.	National Livestock Development Board, Narahenpita.	Colombo
06.	National Livestock Development Board, Welisara.	Colombo
07.	Ranjanas 7 Stories, No. 318, Galle Road, Colombo 04.	Colombo
08.	Ananda Food City, No: 272, Anguruwathota Road, Horana.	Kalutara
09.	Panadura Co-op City, Panadura Multi Purpose Cooperative Society Ltd, Janapriya Mawatha, Panadura.	Kalutara
10.	New American Chicken Hut, No.16, Sri Sarananda Mawatha, Kalutara.	Kalutara
11.	Sampath Pharmacy & Grocery, 39E, Matara Road, Akuressa.	Matara
12.	Siuym Food Products, No. 499, Main Street, Kegalle.	Kegalle

Serial No.	Authorized Cashew Sales Outlets	District
13	Yatinuwara Gangapalatha Multi Purpose Cooperative Society Ltd, Polgahamula Junction, Peradeniya.	Kandy
14.	Yatinuwara Medapalatha Multi Purpose Cooperative Society Ltd, Embilmeegama, Pilimathalawa.	Kandy
15.	Central Provincial Multi Purpose Cooperative Society Union Limited, Ehelepola Kumarihami Mawatha, Bogambara, Kandy.	Kandy
16.	Poojapitiya Multi Purpose Cooperative Society Ltd, Poojapitiya.	Kandy
17.	Harispattuwa North Multi Purpose Cooperative Society Ltd, Matale Road, Alawathugoda.	Kandy
18.	Kundasale Multi Purpose Cooperative Society Ltd, Menikhinna.	Kandy
19.	Kandy Multi Purpose Cooperative Society Ltd, Co-op City, Pallekele.	Kandy
20.	Matale Multi Purpose Cooperative Society Ltd, Co-op City, Matale.	Matale
21.	Kandy Multi Purpose Cooperative Society Ltd, Co-op City, Laggala.	Matale
22.	Sri Lanka National Freedom from Hunger Campaign Board, No. 21, Galle Road, Dehiwala.	Colombo
23.	Udamsa Milk Shop, 978 B 3, Pannipitiya Road, Pelawatte.	Colombo
24.	Palmyrah Development Board, Galle Road, Bambalapitiya.	Colombo
25.	Palmyrah Development Board, Kankesanthurai.	Jaffna
26.	Palmyrah Development Board, Near to Nallur, Jaffna.	Jaffna
27.	Palmyrah Development Board, Jaffna.	Jaffna
28.	Palmyrah Development Board, Vavuniya.	Vavuniya
29.	ONRO Pharmacy No: 25, Nagoda Road, Katukurunda.	Colombo
30.	Golden Maid, 144, Galle Road, Ahangama.	Galle
31.	New Monis Bakery, Galle Road, Maggona.	Kalutara
32.	Kandy Lines, Park Road, Kegalle.	Kegalle
33.	Sagara Bakers, Anguruwatota Road, Horana.	Kalutara
34.	Roy Grocery, Matugama Road, Katukurunda Junction, Kalutara.	Kalutara
35.	Harischandra Mills, Talbot Street, Galle.	Galle
36.	J. F. Tours & Travels, Jawatte Road, Bambalapitiya.	Colombo
37.	Colombo Cricket Club, Maitland Crescent, Colombo 07.	Colombo
38.	EPPCO Mini Mart, Main Road, Mawanella	Kegalle
39.	Lion Grocery, Makumbura, Pannipitiya Road, Kottawa.	Colombo
40.	DGM Agriculture Dept., Matara.	Matara

Serial No.	Authorized Cashew Sales Outlets	District
41.	Abeygunawardena Stores, Deniyaya.	Matara
42.	Thalagala Stores, Thalagala.	Colombo
43.	Co-op City, Kundasale.	Kandy
44.	Sepco Super, Bogambara.	Kandy
45.	DGM Agriculture Dept., Labuduwa, Galle.	Galle
46.	Panorama Chinese Restaurant, Kottawa.	Colombo
47.	Namunukula Dairy Stores, Wattala.	Gampaha
48.	Master Shopper, Colombo 01.	Colombo
49.	Indra Wine Stores, Hikkaduwa.	Galle
50.	Multi Purpose Cooperative Society Ltd – Kandy.	Kandy
51.	Prime Minister's Office, Colombo.	Colombo
52.	Vintage Teas, Angoda.	Colombo
53.	Dr. Smoothy Cafe, Kandy.	Kandy
54.	Miyula Shop, Kandy.	Kandy
55.	Awanhala, Kandy.	Kandy
56.	DGM Agriculture Dept., Thelijjawila.	Matara
57.	Royal Bakery, Wellawatta.	Colombo
58.	Mrs. Kapuwatta, Nawala Road, Rajagiriya.	Colombo
59.	Balangoda Food Shop.	Ratnapura
60.	Royal Mall (Pvt) Ltd, Kandy.	Kandy
61.	Sasen Milk Bar, Rajagiriya.	Colombo
62.	Sunrise Super, Kundasale.	Kandy
63.	National Livestock Development Board, Melsiripura.	Kurunegala
64.	National Livestock Development Board, Mahaberiyathanna.	Matale
65.	Sri Lanka Thriphosa Limited.	Gampaha
66.	Kadugannawa Multi Purpose Cooperative Society Ltd.	Kandy
67.	Nawamini (Pvt) Ltd.	Colombo
68.	Dairy Products and Milk Bar.	Colombo
69.	State Trading Corporation.	Colombo

01. Extension and Research Division

Introduction :-

The heavy responsibility of achieving the vision and mission of the Sri Lanka Cashew Corporation by meeting the domestic cashew consumption demand in Sri Lanka has mainly been assigned to the Extension and Research Division of the Sri Lanka Cashew Corporation. In order to achieve this process in a more formal and effective manner, the Sri Lanka Cashew Corporation has 11 Regional Offices and 02 Research Divisions throughout the country under the direct supervision of the Assistant General Manager (Extension and Research). A field staff of nearly 60 consisting of Regional Managers and Assistant Regional Managers attached to the Regional Offices provide necessary technical advices and inputs to the growers engaged in small, medium and large-scale cashew cultivation. The functions carried out by the Extension and Research Division under the above activities are given below.

- Providing planting subsidies to the farmers to expand the cashew cultivation and improve the crop productivity.
- Conducting training programmes to identify and address the issues and constraints related to the cashew sector 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 and working jointly with them for the development of cashew cultivation.
- Conducting awareness programmes to enhance cashew kernel processing, its quality and improve the competence of cashew growers and cashew processors in the relevant field.
- Conducting research to increase cashew production through introducing new cashew varieties.
- Improving the productivity of cashew cultivation through introducing efficient and effective agrochemicals and planting methods.
- Conducting research to introduce cashew related new value-added products.

Based on the allocations made annually by the Treasury to the Sri Lanka Cashew Corporation, annual development programmes are designed under the guidance of the Ministry of Plantation and the State Ministry of Development of Minor Crops Plantation including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, Betel Related Industries and Export Promotion and accordingly, the following subsidies and special projects were implemented in the year 2021.

1.1 Development programmes implemented by the Sri Lanka Cashew Corporation

1.1.1 Expanding cashew cultivation and increasing national production

In the year 2021, under the subsidy scheme, 2,365 acres of budded cashew and 555 acres of seed cashew were cultivated in 22 districts covering about 125 Divisional Secretary's Divisions and under the subsidy scheme, 18,745 seedlings were distributed for 1,080 acres under home gardening. 5,384 families have been benefitted under this subsidy programme. The programme was delayed due to travel restrictions during the COVID-19 pandemic situation.

Table No. 1.1 **No. of Seedlings Cultivated under Cashew Planting Subsidy Scheme 2021**

District	Budded Cashew (Acres)	Seed Cashew (Acres)	Home Gardening	
			Budded Cashew (Acres)	Seed Cashew (Acres)
01. Puttalam	260	30	50	10
02. Kurunegala	150	05	65	-
03. Hambantota	125	20	55	-
04. Anuradhapura	245	-	155	-
05. Ampara	80	220	90	10
06. Badulla	115	-	85	-
07. Kandy	-	-	50	-
08. Ratnapura	30	15	55	-
09. Matale	180	-	70	
10. Polonnaruwa	100	-	100	-
11. Monaragala	285	-	15	-
12. Batticaloa	105	90	105	
13. Trincomalee	50	40	10	
14. Vavuniya	160	-	40	
15. Mannar	45	40	10	-
16. Mullaitivu	105	65	10	-
17. Kilinochchi	125	25	10	15
18. Jaffna	25	05	15	05
19. Kegalle	20	-	10	-
20. Gampaha	100	-	-	-
21. Matara	50	-	25	-
22. Galle	10	-	15	-
Total	**2365**	**555**	**1040**	**40**

1.1.2 Distributing Plants under Development Projects

Under the Agri Export Village Programme implemented under the line Ministry, 130,204 budded plants have already been provided to the project targetted to distribute 100,000 budded cashew plants to Hambantota district and 60,000 budded cashew plants to Kurunegala, Kegalle, Kandy and Matara districts and about 98% of the selection of lands and farmers have been completed. under the programme, 09 training sessions were conducted for 4264 beneficiary farmers and 478 Development Officers had been trained. The production of required seedlings for the project has been completed. Financial provisions for the programme is to be received at the end of the issue of seedlings. (The project is scheduled to be completed by 28.01.2022, and a sum of Rs. 32.55 million was provided)

Table No. 1.2 **No. of seedlings distributed in 2021**

District	No. of seedlings distributed
01. Kurunegala	28,685
02. Kandy	321
03. Matara	9,800
04. Hambantota	40,158
05. Kegalle	25,000
06. Vavuniya	1,240
07. Ratnapura	5,000
08. Puttalam	20,000
Total	**130,204**

1.1.3 Providing benefits to farmers under Cashew Planting 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 worth Rs. 250.00 and cashew seedlings worth Rs. 125.00 required for the extent of lands under cultivation are also distributed free of charge. These activities are carried out through 11 Regional Offices of the Corporation in 22 cashew growing districts.

1.1.4 Research and Development Activities

Continuous research programmes had been conducted in vrious directions such as plant breeding, application of fertilizer, control of diseases and pests in cashew cultivation, trial of various bud grafting techniques, budded and seed cashew cultivation, plant density, post-harvest technology, yielding and intercropping. These programmes were condusted in collaboration with the Faculty of Agriculture and Plantation Management, Wayamba University of Sri Lanka. The Research and Management Committee provided guidance for the the programmes and reviewed the progress. The research findings were made available to the farmers through extension service network in providing advisory services as well as field demonstrations, leaflets, videos and television programmes.

In addition, due to the restriction on the import of chemical fertilizer and insecticides to Sri Lanka, chemical fertilizer and insecticides were not purchased during the year, and the production of organic fertilizer was carried out. The training and technology in production and use of organic fertilizer were imparted to the farmers in farmer training programs, which were successfully conducted through online. In this year, 10.0 metric tons of compost fertilizer has been produced in Kamandaluwa Estate.

1.1.5 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 country to control the "Helopeltis" infection and Stem and Root Borer diseases. In addition, the training programmes designed on the adoption of Good Agricultural Practices and pest control in the cashew cultivation in collaboration with the National Institute of Plantation Management could not be conducted in the legal grounds due to the COVID-19 pandemic situation in the country and only 02 training programmes could be conducted.

1.1.6 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.

1.1.7 World Food Programme (WFP) funded "Saubhagya" cashew cultivation project implemented in 05 districts

11,600 budded cashew seedlings have been distributed to 580 beneficiaries in Batticaloa, Mannar, Matale, Monaragala and Mullaitivu districts. 2.9 million rupees have been allocated for this purpose. A sum of Rs. 2.9 million has been allocated for the purpose.

02. Plantation Division

Introduction

The Plantation Division, one of the main divisions of the Sri Lanka Cashew Corporation, plays a significant role in uplifting the cashew industry by contributing to meet the domestic cashew consumption demand in Sri Lanka.

In addition to the production of high-quality cashew for domestic consumption through the contribution made by the Plantation Division of the Cashew Corporation, instructions and guidance are also provided to the small and large-scale cashew growers in 22 districts to maintain their cashew cultivations successfully and profitably. 08 estates and 05 Planting Material Production Centers or Seed Gardens are located all over the country to carry out the above activites.

Another major role under the Plantation Division is to supply authentic cashew seedlings to the cashew farmers scattered in the country. For the purpose, 08 commercial nurseries are located covering the entire island. In these commercial nurseries, the cashew varieties that have been introduced as a finding of the research conducted by the Sri Lanka Cashew Corporation in collaboration with the Faculty of Agriculture and Plantation Management of the Wayamba University of Sri Lankabudded are produced commercially and provide them to the cashew farmers as budded cashew seedlings. Accordingly, 11 varieties of seedlings have been produced for the year 2021 and those varieties are as follows.

Table No. 2.1 Varieties produced in the year 2021

Cashew varieties	
WUCC -1	WUCC -13
WUCC -2	WUCC -16
WUCC -5	WUCC -19
WUCC -7	WUCC -21
WUCC -8	WUCC -23
WUCC -9	-

Cashew seedlings of these varieties are provided to the farmers under the annual extension programmes implemented by the Extension Division of the Cashew Corporation as well as under the special programmes implemented each year. In addition, each of the nurseries has also provided the required facilities for the people in those areas to buy cashew seedlings.

Accordingly, the functions performed by the Plantation Division can be summarized as follows.

- Maintaing and managing the estates owned by the Corporation profitably.
- Undertaking new planting and rehabilitating old plantations.
- Establishing commercial nurseries annually and producing authentic budded seedlings.
- Providing required knowledge, training and other necessary information on the cashew cultivation to the new cashew growers and entrepreneurs.
- Imparting knowledge to the farmers by maintaining cashew model plantations.
- Earning additional income through intercropping in the cashew cultivation.
- Conducting awareness programmes on cashew industry to the growers, new entrepreneurs, university students, employees of public and private institutions, members of the agricultural organizations.

In order to carry out the above activities in a formal and effective manner, a staff of Management Assistants is serving under the direct supervision of the Assistant General Manager (Plantation) of the Plantation Division in the Head office and in order to carry out the activities in line with the annual action plans of 08 estates, 05 Seed Garden (Planting Material Production Centers-PMPC) and 08 plant nurseries coming under the Corporation, the Estate Superintendents, Officers-in-charge and a staff under their supervision are performing duties. In addition, nearly 200 workers are employed in each estate, nurseries and Planting Material Production Centers (PMPC). In the year 2021, the following programmes were implemented by the Plantation Division.

2.1 Estate Development, Rehabilitation and Productivity Improvement

2.1.1 Estate Development

The Plantation Division maintained 13 major estates and Seed Gardens in the year 2021. The information about the districts where the estates and Seed Gardens are located and the total acreage is given below.

Table No. 2.2	Estates / Seed Garden maintained in the year 2021

Estate	District located	Total Acreage
01. Kamandaluwa Estate	Puttalam	548
02. Achchigewatte Estate	Puttalam	961
03. Hardy Estate	Batticaloe	365
04. Kondachchi Estate	Mannar	6498
05. Mankarni Estate	Batticaloe	1075
06. Pooneryn Estate	Kilinochchi	479
07. Vellankulam Estate	Mannar	500
08. Thiriyaya Estate	Trincomalee	10
09. Eluwankulama Estate/Seed garden	Puttalam	651
10. Mahaoya Seed Garden	Ampara	81
11. Suduwathura Ara Seed Garden	Monaragala	200
12. Wilachchiya Seed Garden	Anuradhapura	25
13. Nalanda Seed Garden	Matale	135
Total		**11,528**

2.1.2 Estate Rehabilitation

In the year 2021, the jungle of 100 acres under cashew cultivation, which was adjacent to the jungle of Vellankulam Estate, was cleared and rehabilitated by infilling. In addition, efforts have been made to undertake infilling in the cultivations of Kamandaluwa, Eluwankulama, Pooneryn, Kondachchi Estates and to rehabilitate the estates thereby.

2.1.3 Productivity Improvement

In this context, 05 Seed Gardens namely Mahaoya, Wilachchiya, Eluwankulama, Suduwathura Ara and Nalanda were maintained. By maintaining the Planting Material Production Centers, budded plants were produced and distributed in a formal way.

Table No. 2.3	Plant production in the year 2021

Plant Nursery	Budded plants produced	Seedlings produced
01. Kamandaluwa	156,145	-
02. Dambulla	33,187	-
03. Mihintale	139,612	-
04. Mahiyanganaya	78,842	-
05. Kumbukkana	31,145	-
06. Hardy	24,260	6,510
07. ChandrikaWewa	38,443	-
08. Mangalagama	9,596	10,850
Total	**511,230**	**17,360**

The amount of 17,360 seedlings produced in the year 2021 was formally distributed under the subsidy scheme.

- **Production of Planting Material**

  799,785 mother seeds were produced in the Cashew Planting Material Production Centers (PMPC) of the Corporation under Good Agricultural Practices (GAP) while maintaining high production conditions. In the production of budded plants and seedlings, the mother seeds were used for the production of seedlings required for bud grafting and 800,000 shoots obtained from mother trees were used for the purpose of bud grafting.

- **Nursery Management**

  About 511,230 budded plants from the improved new varieties were produced at the Central Nurseries coming under the Plantation Division of the Corporation and formally distributed to the estates of the Corporation and private estate owners under the subsidy programmes and other special projects implemented in collaboration with the government.

Table No. 2.4 Cashew yield of the estates and seed gardens in the year 2021

Estate	Cashew Yield (Field Weight) Kg.	Cashew Yield (Dry Weight) Kg.
01. Eluwankulama	38,496	34,184
02. Kamandaluwa	20,610	17,249
03. Nalanda	193	165
04. Hardy	6,230	5.801
05. Puttlam	8,549	7,281.7
06. Mahaoya	2,613	2,339
07. Mankarni	1,108	1,032
08. Wilachchiya	334	299.8
09. Kondachchi	6,532	5,864
10. Suduwathura Ara	315	259
11. Pooneryn	18,465	16,332
12. Vellankulam	17,293	15,247
13. Thiriyaya	-	-
Total	**120,738**	**106,053.5**

In addition, the yield of the coconut cultivation undertaken as an intercrop in the estates of the Corporation in the year 2021 is given below.

Table No. 2.5 **Coconut yield in the estates in the year 2021**

Estate	Coconut Yield
01. Kamandaluwa	43,602
02. Hardy Estate	5,811

2.2 New planting in the Estates

Under this programme in the year 2021, planting of seedlings in 25 acres in the Puttalam estate has been initiated. As well, 20 acres of cashew in Eluwankulama Seed Garden and 25 acres of coconuts in Kamandaluwa Estate were cultivated. In addition, new planting and maintenance of old cultivation in these estates were successfully undertaken.

2.3 Restoration of Kondachchi Estate

The restoration works of the Kondachchi Estate in extent 6,498 acres in Mannar district have already been started, and the preliminary works to commence a cashew plantation-based tourism (Agro Based Eco Tourism) was initiated in the year 2020 on the provisions of the State Ministry. Under the special budget provisions for the year 2021, the State Ministry allocated Rs.225.00 million as Rs.125.0 million for the estate restoration works and Rs.100.0 million for the development of irrigation. Out of the 4,000 acres that can be cultivated in the Kondachchi Estate, the extent of land established in the year 2020 is 131 acres, and out of the remaining 3,869 acres, around 125 acres of forest clearing has been done for new planting at the end of the year 2021, and the remaining clearing is still being done. Estimates of electricity availability for Kondachchi Estate have been obtained for which arrangements have been made to pay Rs.23.0 million, and electricity wiring has been marked. Procurement procedure of electric fences have been prepared to protect the estate from elephants. Initial arrangements were made to supply 15 water bowsers to the estate. 01 warehouse, 02 halls and 05 houses in the Kondachchi Estate damaged during the war were renovated.

Production of seedlings to cultivate the entire target area of the estate has been completed. Actions are being taken to repair and acquire 16 tractors used by the Department of Agrarian Services for the tractor requirement of the estate

In order to improve the food security, the land preparation of about 120 acres in the land where the new planting and immature cashew plantations are available has been completed and the cultivation of pumpkin, Ash pumpkin (Puhul), Cooking Melon (Kekiri) and Black Gram (Undu) as intercrops have been initiated. The financial progress is Rs.54.84 million.

Land preparation of Kondachchi Estate

Yield of pumpkins grown as inter crops in Kondachchi Estate

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2.4 Establishment of 07 official quarters in charge of estates and nurseries

Under the provisions of the State Ministry, foundations have been laid for the construction of these 07 quarters, and the floors have been prepared and walls have been assembled. The financial cost for the purpose is Rs. 3.5 million. This programme is being implemented in the year 2022 as well.

03. Marketing and Processing Division

Introduction

The Marketing and Processing Division carries out quality cashew processing to meet the local cashew consumption requirements. There are 02 Cashew Processing Centers under the Sri Lanka Cashew Corporation. The overall functions performed by the Marketing Division can be summarized as follows.

- Upgrading the cashew processing industry by reducing the cost of production and improving the productivity.
- Enhancing the quality and taste of value-added cashew products in compliance with the international standards.
- Developing 10% annually in the sector by maintaining strong relationships with government and non-government organizations for development of cashew marketing and processing industry.
- Running the Marketing Division efficiently and effectively, increasing the profitability and maintaining strong relationships with market competitors.
- Uplifting the living standard and empowering the employees through updating their knowledge and skills development.

The following programmes were implemented by the Marketing Division in the year 2021.

3.1 Development of Marketing and Processing Industry

3.1.1 Purchasing Cashew Nuts in Shell

With the intention of facing with the competitive market conditions and reducing costs, 54.81metric tons of cashew nuts in shell were purchased through the Civil Security Department this year. As a result, a competitive price range in the market was established. The cashew yield of 106.0 metric tons, collected from the estates of the Corporation this year was also processed in the factories of the Corporation.

3.1.2 Cashew Marketing

With the intention of providing high quality domestic cashews to the consumer at a concessionary price without the intervention of brokers, a formal process was initiated for the modernization of sales outlets under the concept of "Cashew Pub" for marketing promotion in the year 2021. On the occasion of its inauguration, sales outlets of the Corporation were also opened on 11.02.2021 in Narahenpita "Rajawasa" premises and on 21.01.2021 in Wellawatte town. Further, another sales outlet was opened under this concept on 09.04.2021 in Balangoda town. In the last quarter of this year, cashew sales outlets were opened in the towns of Pelmadulla in Ratnapura district and Badagamuwa in Kurunegala district. As well, plans have been made to open cashew sales outlets under this concept in the main cities of the country. In addition, 06 new authorized sales outlets have already been opened.

The Corporation was able to earn a sum of Rs. 92.12 million by using new techniques, value-addition and selling high quality cashew products.


Inauguration of Opening Corporation Cashew Sales Outlet at "Rajawasa" Premises in

Narahenpita Inauguration of Opening Corporation Cashew Sales outlet in Wellawatte Town

3.2 Promoting and Strengthening the Cashew Processing Industry

On the provisions of the State Ministry of Development of Minor Crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, Betel Related Industries and Export Promotion, the purchase of equipment and repairs were made for fully mechanization of the Puttalam Processing Center. Thereby, it is expected to increase the efficiency of the cashew processing network. Further, an automatic cashew nut packaging machine was purchased for the Corporation utilizing the provisions of the line Ministry and has been installed at the Nedagamuwa Cashew Processing Center.

An advanced manufacturing mechanism is essential to fetch a high price by releasing high quality cashew kernel products to the market. The activities such as training of processors in the adoption of Good Manufacturing Practices (GMP), value addition and standards, assisting in obtaining financial facilities for processing societies and supporting for market promotion were carried out.

In the year 2021, 134.7 metric tons of cashew nuts in shell were processed in Puttalam and Nedagamuwa Processing Centers, and 26.8 metric tons of value-added cashew kernels were sold and an income of Rs.92.12 million was earned thereby.

Cashew cutting machine purchased for Puttalam Cashew Processing

Cashew nut packaging machine at Nedagamuwa Cashew Processing Centre

3.3 Export of Cashew Products and Earning of Foreign Exchange

In the year 2021, Sri Lanka was able to earn Rs. 89.07 million in foreign exchange by offering 26.26 metric tons of high-quality value-added cashew kernels to the international market. As well, a foreign exchange of Rs. 81.13 million had been earned by exporting 34.31 metric tons of cashew kernels in the year 2020. Accordingly, the export capacity in the year 2021 was comparatively low. This was affected by the global COVID-19 pandemic situation, and with the rapid decline in the domestic tourism industry, the demand for cashew kernels had also dropped.

3.3.1 Export Capacity and Income of the Cashew Industry in Sri Lanka

The data obtained from the Export Development Board on the cashew export quantities and capacity in Sri Lanka for the last 10 years is as follows.

Year	Export quantity (Metric Tons)	Export Revenue (Rs. Million)
2012	145.70	170.30
2013	51.00	77.00
2014	129.40	185.80
2015	105.66	174.06
2016	57.64	99.98
2017	59.04	143.51
2018	60.81	144.62
2019	47.40	93.57
2020	34.31	81.13
2021	26.26	89.07

Source- Export Development Board

3.4 Sale of Cashew Kenels of Sri Lanka Cashew Corporation in the year 2021

Month	2021	
	Quantity (Kg.)	Value (Rs.)
January	1,811.44	4,944,705.50
February	1,910.85	5,109,588.50
March	3,701.52	9,552,839.00
April	3,618.78	10,297,398.00
May	1,378.28	4,136,402.00
June	676.19	1,965,306.00
July	2,664.21	7,749,970.00
August	1,537.50	4,831,695.50
September	1,576.29	4,674,789.50
October	3,114.07	10,132,450.00
November	2,953.09	11,674,663.00
December	3,599.00	14,767,635.00
Total	**28,541.22**	**89,837,442.00**

3.5 Carrying out research activities to release new cashew products to the market

By realizing the new dimensions of the Sri Lankans tastes stimulated by the global trends, research work was initiated to release a certain number of new value added products to the market by mixing other ingredients with cashew.

That is, as new value-added products,

1. Cinnamon and sugar candied cashews
2. Cashew and Bee honey mixed products
3. Masala flavoured cashews

- **Cinnamon and sugar candied cashews**

  Taking into account the health benefits and unique fresh taste of our cinnamon with its unique Sri Lankan flavour, research is being conducted to mix together cinnamon, sugar and cashew and release it to the market.

- **Cashew and Bee honey mixed products**

  Having considered the scientifically proven quality and unique taste of Bee honey, separate dissemination of research to study the possibility to mix it with cashews and release them into the market as new value-added products and the feasibility of mobilizing private entrepreneurs and launching them at the business level to further extend the use of Bee honey dating back to ancient time, to Sri Lankan consumers.

- **Masala flavoured cashews**

  Conducting research for new products based on natural ingredients and spices with the intention of spreading their taste requirement to the multiracial society by mixing the masala flavour which is a very popular part of the Tamil food culture with cashews.

The first phase of the research was carried out as above in order to secure the title of high-quality cashew not only within the Cashew Corporation but also in the entire industry through new trend studies of the domestic and foreign market of consumer as the only government body in the cashew sector.

Its findings were started to be implemented practically at the institutional level, and the basic foundation was set for further research to be carried out in collaboration with universities, government institutions and private entrepreneurs.

04. Human Resources and Administration Division

Introduction

The Human Resources and Administration Division functions to develop the human resources to achieve the objectives of the Sri Lanka Cashew Corporation by coordinating all the divisions, units and offices of the Sri Lanka Cashew Corporation and to maximize the effectiveness of the human resources by providing and improving the required infrastructure.

4.1 In the year 2021, 08 Board meetings have been held in the Sri Lanka Cashew Corporation.

Table No. 4.1 The Board meetings held in the year 2021

Date	
26.01.2021	01st meeting
31.03.2021	02nd meeting
28.04.2021	03rd meeting
09.07.2021	04th meeting
17.09.2021	05th meeting
29.10.2021	06th meeting
10.12.2021	07th meeting
30.12.2021	08th meeting

4.2 Staff structure

The following staff has contributed to achieve the objectives of the Sri Lanka Cashew Corporation by providing quality and efficient services in the year 2021. A number of 190 employees from various service categories have provided services during the year. This staff had served in the Head office and other Regional offices scattered in the country.

Table No. 4.2 Number of employees served in the year 2021

Service Category	**Number of employees served in the year 2021**
Senior	06
Tertiary	17
Secondary	72
Primary	52
Contract/ Casual	43
Total	**190**

4.3 Recruitment and Promotions

In the year 2021, about 10 staff members have been recruited on a contract basis to the essential vacant posts out of 45 vacancies that were an obstacle to achieve the objectives of the Corporation.

Table No. 4.3 The staff recruited on a contract basis in the year 2021

Post	Number of employees recruited
Plantation Assistant	03
Management Assistant	04
Office Aid	01
Field Assistant	01
Watcher	01
Total	**10**

4.4 Local and Forei gn Training Programmes

In the year 2021, the following training programmes were conducted locally with the intention of developing the knowledge, attitudes, and skills of the officials in various divisions of the Sri Lanka Cashew Corporation. The Corona pandemic situation prevailed in the country this year, was an obstacle for conducting training programmes.

01. Online Workshop on Public Procurement Procedures

Two officials of the Sri Lanka Cashew Corporation have participated in this training programme. The programme was conducted by the National Institute of Plantation Management, and the objective was to introduce the public procurement process and to make the employees aware of the objectives and role of the procurement, the types and methods of procurement, the preparation of bid documents and the activities of closing contracts.

02. Conducting support lectures for Efficiency Bar Examination

In the year 2021, the National Institute of Plantation Management conducted support lectures to the officers who appeared for the Efficiency Bar Examination conducted as per the Scheme of Recruitment and Promotion of the

Corporation. In turn, the officers were able to appear for the examination successfully and also gain the knowledge of office systems, the subject knowledge of the financial administration and the knowledge of the office procedures.

4.5 Contribution of Training Programmes to Human Resource Development

Training programmes provide an opportunity for employees to improve their work efficiency, update their subject knowledge and acquire new knowledge, and self-motivation provides an opportunity to improve efficiency. It has been planned to continue these training programmes in the coming years.

Through the improvement of effectiveness, subject knowledge and efficiency of the employees, the training programmes make an immense contribution to achieving the objectives of increasing the yield by expanding the cashew cultivation in the estates, improving the productivity of cashew processing industry and estates, encouraging cashew exports, making the Sri Lanka Cashew Corporation the leader in the cashew production and making it a self-sufficient government corporation by making profits. Therefore, the training programmes have beeen a great opportunity to achieve the performance as well as the objectives of the Cashew Corporation.

4.6 Efficacy Bar Examinations

For the first time in the Sri Lanka Cashew Corporation, arrangements were made to conduct an Efficiency Bar Examination on 05.03.2021 for 41 Management Assistants (MM 1-1) employed in the Corporation in line with the new Schemes of Recruitment and Promotion. The Management Assistants, Grades I, II, III have appeared for the examination.

Table No. 4.4 Number of employees appeared in various Grades in 2021

Grade	Number of officers appeared
Grade I	4
Grade II	14
Grade III	23
Total	**41**

It was able to conduct this Efficiency Bar Examination very successfully even in the Corona pandemic situation prevailed in the country during this period.

4.7 Retirement

During this year, 08 employees who rendered effective and efficient services to the Corporation by dedicating their abilities and skills for the betterment of the Sri Lanka Cashew Corporation have retired upon reaching 60 years of age. The Human Resources and Administration Division has made arrangements to provide the gratuities and other benefits entitled to these officers in due time.

05. Internal Audit Division

5.1 Objective of the Internal Audit

The objective of the Internal Audit Division of the Corporation is to make contribution to achieve the common targets and objectives of the Sri Lanka Cashew Corporation based on the activities such as introducing the required various methods for utilizing the resources of the Sri Lanka Cashew Corporation in a more effective and efficient and economical manner under proper control for the day-to-day operations of the institution by carrying out regular and independent evaluation of the internal controls based on the financial activities of the Sri Lanka Cashew Corporation and thereby, verifying the adequacy and validity of the relevant internal examinations and giving feedback on their practical application, as well as making a regular evaluation of programmes and projects relevant to the progress and improvement of the Cashew Corporation, and reporting the changes to be made thereto and their progress to the management.

5.2 Internal Audits conducted in the year 2021

By conducting the following audits, the functions and duties related to the internal audit scope have been performed in the year 2021 on a going concern basis with a high quality.

- The inspection carried out according to the physical calculation of the cashew seedlings produced in Kumbukkana commercial budded plant nursery, Monaragala of the Corporation established in the year 2021.
- The investigation conducted under Financial Regulation No. 104 regarding the damage caused to the budded cashew cultivation due to the sudden fire that occurred at night on 10.10.2020 at Kondachchi estate premises, Mannar owned by the Corporation.
- The inspection carried out according to the physical calculation of the cashew seedlings produced in Mangalagama seedling nursery, Ampara owned by the Corporation established in the year 2020.

- The investigation conducted under Financial Regulation No. 104 regarding the damage caused to the budded cashew cultivation due to the sudden fire that occurred in the afternoon on 03.11.2020 at Achchige Estate, Puttalam owned by the Corporation.
- Investigation of the imprest for postage of the Corporation in the year 2021.
- The inspection carried out according to the physical verification of the stock of budded cashew plants and seedlings kept at the head office premises of the Corporation for the sale in the year 2021.
- The inspection carried out according to the physical calculation of the cashew plants produced in Kamandaluwa commercial budded plant nursery owned by the Corporation established in the year 2020.
- The investigation conducted in respect of the coconut yield and coconut sales income collected from the estates such as Kamandaluwa and Hardy owned by the Sri Lanka Cashew Corporation during the last quarter of 2020 and the year 2021.
- The inspection carried out in respect of the sales of cashew kernels to the authorized sales outlets of the Corporation and the unauthorized sales outlets on credit basis during the period of October - December 2020, recovering money from those debtors and the debtor balances.
- Investigations carried out based on the physical verification of cashew kernel stocks and cash made available in the sales outlets of the Corporation at Kollupitiya, Wellawatta, Narahenpita, Balangoda, Ambepussa and Rajagiriya.
- The investigation carried out based on the physical verification of the stationery stock at the Head office of the Corporation and the stocks made available in the warehouse.
- The examination of stocks identified as waste accumulated through collection and processing of cashew nuts in shell in the estates of the Corporation.
- The investigation conducted in respect of the intercropping undertaken in the year 2020/2021 in the Eluwankulama Seed Garden owned by the Corporation.

- The investigation conducted in relation to the delivery of inventory items and equipment in Kondachchi and Nalanda Seed Gardens owned by the Corporation as per the transfers of officers.
- The investigation conducted to ascertain the fees paid to the workers for the collection of cashew nuts in shell at the Kamandaluwa Estate owned by the Corporation during the harvest season of the year 2020.
- The examination of the final payments to be made to the bud grafters for grafting cashew plants in the commercial nurseries of the Corporation in the year 2020.
- Inspection of the repair works carried out at the Nedagamuwa Processing Center premises for the installation of the new cashew packing machine purchased for processing activities.
- The investigation carried out based on the physical inspection of the yields of cashew nuts in shell in Mahaoya Seed Garden in the year 2021.
- The investigation carried out based on the physical inspection of the activities of the Kondachchi Estate owned by the Corporation.
- The preliminary investigation carried out regarding the matters disclosing the duties of the officer who covered up the duties in the post of officer in charge of the Puttalam Processing Center owned by the Sri Lanka Cashew Corporation.
- Documentary investigation of stocks of cashew nuts in shell collected from the estates and seed gardens of the Corporation in the year 2021.
- The investigation carried out regarding the cashew kernel production activities at Nedagamuwa Cashew Processing Centre.

Necessary steps have been taken to report the errors and deficiencies discovered during the audits conducted in the above mentioned units to the Chairman and to rectify them. In addition, the audit observations and answers have also been submitted to the Audit Committee and the recommendations of the Committee have been submitted to the Board of Directors to make necessary decisions.

5.3 Audit Committee Meeting

5.3.1 Objective

The main objective of conducting audit committee meetings is to guide the management to rectify the errors and deficiencies disclosed by the internal and external audits and to make the internal audit of the Corporation efficient and strong.

04 Audit Committee Meetings have been held in the Sri Lanka Cashew Corporation in the year 2021.

	Date held
❖ 2021 – 01st Meeting	25.01.2021
❖ 2021 – 02nd Meeting	20.07.2021
❖ 2021 – 03rd Meeting	09.11.2021
❖ 2021 – 04th Meeting	29.12.2021

5.3.2 Composition of the Audit and Management Committee

Serial No.	Name	Position
01	Mr. H.M.C.K. Herath	Committee Chairman - Board Member From 20.07.2021 to 31.12.2021 Treasury Representative
02.	Mr. C.C. Muhandiramge	Committee Chairman - Board Member From 25.01.2021 to 20.07.2021 Representative of the Ministry in charge of the subject
03.	Mrs. J.M.T. Jayasundara	Committee Member - Board Member (From 20.07.2021)
04.	Mr. Chamara Subhasinghe	Board Member - Committee Member
05.	Mr. P.B. Kodikara	Committee Secretary - General Manager (Acting)
06.	Mr. V.U. Liyanage	Committee Member and Convener - Assistant General Manager, Internal Auditor
07.	Mr. R.M.P.A. Janaka	Committee Observer - Audit Superintendent, National Audit Office

The errors and deficiencies disclosed by the internal audits and the audit queries of the Government Audit Division have also been discussed at the Audit Committee Meeeting and have submitted to the Board of Directors to make necessary rectifications.

5.3.3 Audit Committee Report for the year 2021

The Audit Committee of the Sri Lanka Cashew Corporation was established for the year 2021 in line with the instructions of the previous Circular and the instructions given in the Public Enterprises Department Circular No. 01/2021 issued on 16.11.2021, and it consists of 06 officials including five members and an observer.

In the year 2021, the Non-executive Director representing the General Treasury acted as the Chairman of the Audit Committee, and as agreed by the Committee, in the absence of such representation, the Non-executive Director representing the Ministry in charge of the subject acted as the Chairman of the Committee. As well, since a Secretary had not been appointed to the Committee, the acting General Manager of the Corporation acted as the acting Secretary of the Audit Committee. The total number of Audit Committee Meetings held in the year 2021 is 04.

In the Audit Committee Meetings held in the year 2021under review, the Audit Committee made recommendations to the Board of Directors regarding the following matters and followed up on the progress of the related works in terms of the approvals granted by the Board of Directors for those recommendations.

1. Carrying out reviews of the quarterly progress of the implementation of the Action Plan, the Internal Audit Plan and the Procurement Plan for the year 2021.
2. Pursuing necessary actions based on a priority list in collaboration with the Ministry in charge of the subject to settle the legal ownership of the estates and seed gardens of the Corporation where the possession of cultivation has been assigned to the Sri Lanka Cashew Corporation, but the relevant government agencies have not yet assigned the legal ownership.

3. Making necessary arrangements to expedite the completion of the preparation of financial statements of the Sri Lanka Cashew Corporation for the years 2019 and 2020, which had been delayed due to various practical issues.

4. Discussing the observations contained in the audit queries issued by the National Audit Office related to the activities of the Corporation in the year under review, and pursuing necessary actions for the purpose acordingly.

5. Identifying the problems in the implementation of the recommendations contained in the reports issued by the Internal Audit Division related to the activities of the Corporation in the year under review and pursuing necessary actions for the purpose acordingly.

6. Inquiring into the reasons for the material delays in recovering the debtor balances in the authorized and un-authorized sales outlets of the Corporation and taking necessary action for the purpose accordingly.

7. Taking necessary further actions based on the clarifications made on the importance of providing training to the relevant officials formally regarding the procurement activities in line with the government procurement guidelines.

8. Making proposals to implement a suitable programme with the intervention of the Research Diviaion of the Corporation for the supply of organic fertilizer required for the cashew cultivations in the estates and seed gardens of the Corporation.

9. Reviewing the reports of the inspections that had been carried out in accordance with the provisions of the Finance Regulation No.104 regarding the sudden fires, that occurred in the Kondachchi and Puttalam Estates of the Corporation and pursuing necessary actions accordingly.

10. Requesting instructions from the Ministry in charge of the subject on the courses of action to be taken to reduce the Helopeltis insect damage which had adversely affected the cashew yield in the entire island due to the restriction of the import of insecticides and taking necessary actions for the purpose.

11. Reviewing the existing internal control methods for the distribution of cashew kernals free of charge for marketing promotion activities by the Corporation and taking necessary actions to amend them.

12. Reviewing the draft Action Plan, Internal Audit Plan and Procurement Plan prepared for the year 2022 and submitted to the Audit Committee in the year under review and accordingly, taking necessary actions regarding their further amendments to be made.

H.M.C.K. Herath
Chairman
Audit and Management Committee

06. Finance Division

Introduction

The Finance Division of the Sri Lanka Cashew Corporation is responsible for providing financial facilities to various sectors. Accordingly, the Finance Division is responsible for providing financial facilities for approved programmes and projects in line with the budget and financial action plans. The functions performed by the Finance Division are as follows.

- Improving the efficiency and productivity of the Corporation through proper financial management.
- Making payments in accordance with the relevant financial laws and regulations.
- Preparing monthly reports stating income, expenditure, profit and loss status of various sectors and projects.
- Preparing final accounts at the end of each year stating the profitability of the commercial and service sectors and submitting them to the Ministries, Auditor General's Department and the General Treasury.

6.1 Statement of Accounts

In terms of the provisions of the State Agricultural Corporations Act No. 11 of 1972, the financial statements for the year ended 31.12.2021, have been presented in accordance with the Sri Lanka Public Sector Accounting Standards subject to the prescribed Circulars and Financial Regulations.

Under the direction and guidance of the Assistant General Manager - Finance, the staff consists of Deputy Manager - Finance and 05 Management Assistants manage, report and control the financial activities in the Head Office as well as in the islandwide Regional Offices.

- Based on the estimates of the Sri Lanka Cashew Corporation for the year 2021, a sum of Rs. 128.00 million has been allocated by the General Treasury under the recurrent and capital expenditure Head.

Government grants 2021	(Rs.Mn.)
Capital grants	64.00
Recurrent grants	64.80
Total	**128.80**

- Under the earnings from commercial activities in the year 2021, Rs. 181.96 million has been earned from the sale of cashew kernals, the sale of cashew plants, the sale of cashew nuts in shell and under other income.

Earnings	(Rs.Mn.)
Sale of cashew kernals	92.12
Sale of cashew plants	44.86
Sale of cashew nuts in shell	2.25
Other income	42.73
Total	**181.96**

6.2 Accounting policies adopted - 2021

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

31.12.2020 **Statement of Financial Position as at 31.12.2021**

Rs.	Assets	Note	Rs.	Rs.
	Non-current assets			
77,883,869.75	Property, plant and equipment	07	117,553,407.32	
31,135,782.62	Maintenance cost of fruit bearing cultivations	08	28,053,376.57	
60,329,579.41	Maintenance cost of fruit non-bearing cultivations	09	71,591,554.11	
576,524.09	Other small projects	10	627,768.04	
122,343.00	Work-in-progress - Capital		6,362,983.10	
170,048,098.87	**Total non-current assets**			**224,189,089.14**
	Current assets			
64,467,673.60	Stocks	11	90,952,157.31	
18,474,967.95	Trade debtors and other receivables	12	47,390,219.63	
9,828,178.08	Deposits, Advances and Pre-payments	13	43,812,917.85	
42,516,220.25	Cash & cash equivalents	14	159,875,737.30	
135,287,039.88	**Total current assets**			342,031,032.09
305,335,138.75	**Total assets**			**566,220,121.23**
	Equity and Liabilities			
	Equity			
40,000,000.00	Initial capital		40,000,000.00	
256,381,422.50	Government grants		289,534,925.21	
32,337,560.40	Grants received from other parties	15	286,736,184.04	
17,441,846.85	Capital reserves	16	17,441,846.85	
(149,638,349.05)	Profit and Loss Account		(167,065,129.24)	
196,522,480.70	**Total Equity**			**466,647,826.86**
	Non-current liabilities			
38,953,602.00	Provisions for gratuity	17	42,948,044.00	
3,500,000.00	Long terms borrowings	18	3,500,000.00	
42,453,602.00	**Total non-current liabilities**			**46,448,044.00**
	Current liabilities			
66,359,056.05	Trade creditors and other payables	19	53,124,250.37	
66,359,056.05	**Total current liabilities**			**53,124,250.37**
305,335,138.75	**Total equity & liabilities**			**566,220,121.23**

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

Notes to the Combined Balance Sheet for the year ended 31.12.2021

<u>Property, Plant and Equipment</u>

Description	Cost / Revalued Amount 01.01.2021 (Rs.)	Additions/ Revaluation of Assets in the respective year (Rs.)	Disposals/ Sales of assets in the respective year (Rs.)	Current cost/ Revalued Amount of Assets 31.12.2021 (Rs.)	Accumulated depreciation as at 01.01.2021 (Rs.)	Accumulated depreciation as at 31.12.2021 (Rs.)	Accumulated depreciation as at 01.01.2020 (Rs.)	Written down value 31.12.2021 (Rs.)
Freehold Lands	26,812,824.54	1,522,260.00	-	28,335,084.54	-	-	-	28,335,084.54
Permanent Buildings	54,833,606.72	7,313,421.06	-	62,147,027.78	22,979,217.87	1,662,471.83	24,641,689.70	37,505,338.08
Semi permanent Buildings	738,631.00	87,120.00	-	825,751.00	501,456.87	124,921.10	626,377.97	199,373.03
Vehicles	108,247,057.84	21,545,625.00	-	129,792,682.84	101,953,993.32	2,228,751.15	104,182,744.47	25,609,938.37
Machinery	20,209,163.45	11,330,000.00	-	31,539,163.45	15,115,218.82	1,685,248.78	16,800,467.60	14,738,695.85
Tools & Equipment	9,544,667.32	3,586,248.88	-	13,130,916.20	8,262,309.35	365,446.92	8,627,756.27	4,503,159.93
Office Equipment	12,471,898.09	710,509.00	-	13,182,407.09	10,282,662.61	477,704.89	10,760,367.50	2,422,039.59
Furniture & Fittings	8,222,403.32	613,545.50	-	8,835,948.82	5,543,464.08	289,219.85	5,832,683.93	3,003,264.89
Tube Wells	1,065,218.18		-	1,065,218.18	731,199.27	72,059.31	803,258.58	261,959.60
Agricultural Wells	1,333,680.40		-	1,333,680.40	834,583.54	133,368.04	967,951.58	365,728.82
Tanks	608,824.62		-	608,824.62	-		-	608,824.62
	244,087,975.48	**46,708,729.44**	-	**290,796,704.92**	**166,204,105.73**	**7,039,191.87**	**173,243,297.60**	**117,553,407.32**

Sri Lanka Cashew Corporation

Notes to the Combined Balance Sheet for the year ended 31.12.2021

31.12.2020 (Rs.)			31.12.2021 (Rs.)
	Fruit bearing cultivation Expenses		
29,651,448.05	Cashew Note - 8 (a)		26,732,690.52
1,484,334.57	Coconut Note - 8 (b)		1,320,686.05
31,135,782.62		**Total**	**28,053,376.57**

Note - 8 (a)

Fruit bearing cultivation - Cashew

31.12.2020 (Rs.)	Estate	Cost as at 01.01.2021 (Rs.)	Accumulated Amortization as at 31.12.2021 (Rs.)	Net Value as at 31.12.2021 (Rs.)
951,509.38	Hardy Estate	3,180,107.38	2,341,910.13	838,197.25
4,853,786.93	Kamandaluwa Estate	18,387,204.86	13,957,673.67	4,429,531.19
4,727,650.38	Puttalam Estate	11,089,242.26	6,916,053.99	4,173,188.27
1,577,651.16	Eluwankulama Plant Breeding Centre	13,933,185.28	13,052,193.38	880,991.90
361,271.61	Wilachchiya Plant Breeding Centre	655,569.86	327,076.74	328,493.12
3,662,211.76	Nalanda Plant Breeding Centre	5,963,253.57	2,599,204.49	3,364,049.08
1,164,905.04	Mahaoya Plant Breeding Centre	1,641,264.30	558,422.48	1,082,841.82
1,614,608.57	Monaragala Plant Breeding Centre	2,331,959.19	833,948.58	1,498,010.61
1,199,071.67	Mankarni Estate	1,410,672.56	282,134.52	1,128,538.04
9,538,781.55	Kondachchi Plant Breeding Centre	10,598,646.17	1,589,796.93	9,008,849.24
29,651,448.05	**Total**	**69,191,105.43**	**42,458,414.91**	**26,732,690.52**

Note - 8 (b)

Fruit bearing cultivation - Coconut

31.12.2020 (Rs.)	Estate	Cost as at 01.01.2021 (Rs.)	Accumulated depreciation as at 31.12.2021 (Rs.)	Written down value as at 31.12.2021 (Rs.)
	Hardy Estate	1,650,793.13	875,794.20	774,998.93
	Kamandaluwa Estate	2,437,612.22	1,891,926.10	545,686.12
	Puttalam Estate	431,998.76	431,997.76	1.00
	Total	**4,520,404.11**	**3,199,718.06**	**1,320,686.05**

Sri Lanka Cashew Corporation

As at 31.12.2020 (Rs.)	Non-fruit bearing cultivation Expenses		As at 31.12.2021 (Rs.)
57,166,748.00	Cashew Note - 9 (a)		68,404,053.37
3,162,831.41	Coconut Note - 9 (b)		3,187,500.74
60,329,579.41		**Total**	**71,591,554.11**

Note - 9 (a)
Non-fruit bearing cultivation - Cashew

Cost as at 31.12.2020 (Rs.)	Estate	Cost as at 31.12.2021 (Rs.)
2,140,825.58	Hardy Estate	2,280,660.86
728,305.32	Kamandaluwa Estate	768,465.60
13,113,278.10	Puttalam Estate	16,466,684.48
2,146,847.80	Eluwankulama Plant Breeding Centre	3,288,527.13
935,069.79	Mankarni Estate	937,705.06
536,553.71	Mahaoya Plant Breeding Centre	680,972.05
81,552.00	Monaragala Plant Breeding Centre	81,552.00
2,095,934.95	Research and Development	2,103,465.79
135,360.40	Nedagamuwa Processing Centre	135,360.40
1,520,190.82	Pooneryn Estate	1,628,450.40
5,419,570.00	Vellankulam Estate	4,436,749.44
134,572.74	Wilachchiya Plant Breeding Centre	188,524.12
27,160,714.98	Kondachchi Plant Breeding Centre	33,403,107.83
1,017,971.81	Thiriyaya Plant Breeding Centre	2,003,828.21
57,166,748.00	**Total**	**68,404,053.37**

Note - 9 (b)
Non-fruit bearing cultivation - Coconut

Cost as at 31.12.2020 (Rs.)	Estate	Cost as at 31.12.2021 (Rs.)
1,667,021.57	Hardy Estate	1,667,021.57
1,495,809.84	Kamandaluwa Estate	1,520,479.17
-	Oyamaduwa Estate	-
3,162,831.41		**3,187,500.74**

Sri Lanka Cashew Corporation

Note 10
Other small projects

Cost as at 31.12.2020 (Rs.)		Cost as at 31.12.2021 (Rs.)
482,874.09	Teak Plants Project	482,874.09
93,650.00	Wood Apple Project	93,650.00
	Intercropping - Cassava	39,243.95
	Intercropping - Pepper	12,000.00
576,524.09		**627,768.04**

Note 11
Current assets
Stocks

4,179,529.85	Sundry	2,284,415.16
15,677.00	Coconut	-
4,336,211.00	Cashew kernel - Sales Outlets	3,894,533.06
6,848,525.00	- Processing Centres	7,400,301.51
35,062,231.71	Cashew nuts in shell	54,705,437.34
11,794,044.10	Cashew Plants	20,530,888.30
2,231,454.94	Packaging materials	1,842,931.94
-	Spices products	293,650.00
64,467,673.60		**90,952,157.31**

Note 12

31.12.2020 (Rs.)			31.12.2021 (Rs.)
6,747,974.26	Trade debtors	6,443,158.44	
238,203.00	**Less: Provision for Bad Debtors**	227,443.00	
6,509,771.26			**6,215,715.44**
14,071,381.11	Sundry debtors	43,280,688.61	
2,106,184.42	**Less - Impairment Losses**	2,106,184.42	41,174,504.19
18,474,967.95			**47,390,219.63**

Note 13
Deposits, Advances and Prepayments

931,950.00	Advances	10,765,975.00
14,000.00	Salary Advances	16,000.00
4,053,804.88	Prepayments	29,267,519.65
4,828,423.20	Deposits	3,763,423.20
9,828,178.08		**43,812,917.85**

Note 14
Cash and Cash Equivalents

4,045,074.86	Bank of Ceylon – Kollupitiya	1633704	(Current)	162,408.83
7,937,940.01	Bank of Ceylon – Kollupitiya	1633705	(Current)	2,950,274.34
934,372.23	Bank of Ceylon – Kollupitiya	1633710	(Current)	580,522.08
18,684,370.22	Bank of Ceylon – Kollupitiya	1633711	(Current)	4,686,599.60
7,590,193.41	Bank of Ceylon – Kollupitiya	1649789	(Savings)	146,393,432.10
962,145.33	Bank of Ceylon – Kollupitiya	1649970	(Savings)	3,140,436.07
15,593.10	Bank of Ceylon - Ja-Ela	813	(Current)	15,593.10
7,750.00	Peoples' Bank - Nugegoda	10013	(Current)	7,750.00
4,320.74	Peoples' Bank - Nugegoda	20011	(Savings)	4,452.09
245,391.64	Peoples' Bank - Nugegoda	20020	(Savings)	252,855.41
28,357.37	Regional Development Bank	687	(Savings)	30,757.13
25,630.00	Cash - in Hand (Ambepussa sales outlet)			-
25,160.00	Cash - in Hand (Kollupitiya sales outlet)			-
101,000.00	Cash - in Hand (Rajagiriya sales outlet)			-
10,000.00	Petty cash imprest			10,000.00
50,000.00	Fuel imprest			50,000.00
44,050.00	Cash-in-transit			-
5,000.00	Cash imprest - Stamps			5,000.00
207,500.00	Cashew sales outlet imprest			280,000.00
200,000.00	Cheques for encashment			200,000.00
703,538.05	Cash - in Hand (Commercial Nurseries)			457,515.25
12,364.59	Cash - in Hand (Extension)			5,878.00
241,305.00	Cash - in Hand (Research and Development)			151,105.00
147,559.65	Cash - in Hand (Nedagamuwa Processing Centre)			31,016.52
322.00	Cash - in Hand (Puttalam Processing Centre)			539.13
65,985.95	Cash - in Hand (Hardy Estate)			393.25
23,325.85	Cash - in Hand (Kamandaluwa Estate)			263,009.02
706.25	Cash - in Hand (Mankarni Plant Breeding Centre)			705.45
10,272.00	Cash - in Hand (Puttalam Estate)			32,102.91
133,025.10	Cash - in Hand (Eluwankulama Estate)			137,515.12
975.00	Cash - in Hand (Mahaoya Plant Breeding Centre)			-
-	Cash - in Hand (Elkaduwa Plant Breeding Centre)			14,496.00
100.00	Cash - in Hand (Wilachchiya Plant Breeding Centre)			-
23,252.00	Cash - in Hand (Vellankulam Estate)			490.00
211.90	Cash - in Hand (Thiriyaya Plant Breeding Centre)			211.90
6,396.00	Cash - in Hand (Pooneryn Estate)			-
22,361.00	Cash - in Hand (Kondachchi Estate)			4,818.00
671.00	Cash - in Hand (Vine Project)			5,861.00
42,516,220.25	**Total**			**159,875,737.30**

Note 15
Grants received from other parties

(Rs.)		(Rs.)
5,693,188.13	North East Coastal Community Development Project	5,484,438.08
-	Ministry of Supplementary Plantation Crops Development	-
9,703,372.27	Ministry of Minor Export Crop Promotion	9,542,335.45
-	State Ministry of Development of Minor Crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, Betel Related Industries	-
16,941,000.00	and Export Promotion	271,709,410.51
32,337,560.40		**286,736,184.04**

Note 16
Capital Reserves

16,929,116.63	Revaluation Reserve - Vehicles	16,929,116.63
512,730.22	Other Capital Reserves	512,730.22
17,441,846.85	**Total**	**17,441,846.85**

Note 17
Retirement Benefits

35,045,966.00	Opening balance of the year	38,953,602.00
8,321,457.00	Receipts for the year	4,679,120.00
(4,413,821.00)	Closing balance of the year	(684,678.00)
38,953,602.00	**Total**	**42,948,044.00**

Note 18
Long Term Loans

3,500,000.00	Paddy Marketing Board	3,500,000.00
3,500,000.00	**Total**	**3,500,000.00**

Note 19
Current Liabilities and Other Payables

52,057,661.75	Sundry Creditors	43,853,682.11
14,301,394.30	Accrued Expenses	9,270,568.26
66,359,056.05	**Total**	**53,124,250.37**

Investments have not been made for payment of gratuity.
Actions will be taken for the purpose in the near future.

Sri Lanka Cashew Corporation

Statement of Income for the year ended 31.12.2021

		(Rs.)
Sales		139,222,590.64
Cost of Sales		99,660,553.32
Gorss Profit		**39,562,037.32**
Government Grants (Recurrent)		64,800,000.00
Other Income		42,726,523.72
		147,088,561.04
Selling and Distribution Expenses	15,682,534.12	
Administrative Expenses	135,189,584.58	
Other Expenses	12,192,843.64	
Financial Expenses	435,783.38	
		163,500,745.72
Loss for the year		**(16,412,184.68)**
Other Comprehensive Income		
Less: Loss on Actuarial valuation		3,317,448.50
Income Tax (Provision)		-
Other Comprehensive Income after Tax		(3,317,448.50)
Total Comprehensive Income for the year		**(19,729,633.18)**

Sri Lanka Cashew Corporation

Notes to the Profit and Loss Account as at 31.12.2021

Note 1

Sales	**2021**
Cashew Kernels	92,633,678.85
Less: Returns	(517,524.00)
	92,116,154.85
Plants	44,856,435.79
Cashew nuts in shell	2,250,000.00
Coconuts	-
	139,222,590.64

Note 2

Trading Account for the year ended 31.12.2021

Cost of Sales	
Opening Stock	16,130,255.10
Cashew Kernels	4,336,211.00
Cashew Plants	11,794,044.10
Added	
Purchases	
Cost of Production - Cashew Kernels	86,445,004.97
Cost of Production - Cashew Plants	34,248,932.88
	120,693,937.85
Less - Closing Stock	136,824,192.95
Cashew kernels	3,894,533.06
Cashew Plants	20,530,888.30
Coconuts	-
Less:	
Internal transfers (Plants)	10,117,010.45
Dead plants	1,882,876.90
Samples and Hampers	738,330.92
	37,163,639.63
	99,660,553.32

Note 3

Other Income	
Interest Income (Savings Accounts)	2,690,393.70
Interest Income (Distressed Loan / Special Loan)	9,369.89
Import Service Charges for Cashew Nuts in Shell	750,000.00
Sundry Income	3,240,012.15
Circuit Bunglow Rental Income	25,250.00
Amortization of Capital Grants	31,701,078.49
Profit from Coconut cultivation	3,482,090.49
Profit from the sale of spices	828,329.00
	42,726,523.72

Sri Lanka Cashew Corporation

	Income earned by the Corporation	Capital Grants	2021	2020
Marketing Development				34,350.00
Selling and Distribution Expenses	15,682,534.12	-	15,682,534.12	10,549,564.69
	15,682,534.12	-	15,682,534.12	10,583,914.69

Administrative Expenses

	Income earned by the Corporation	Capital Grants	2021	2020
Commercial Plant Nurseries	3,137,581.45	-	3,137,581.45	1,901,633.83
Head Office	117,500,277.66	-	117,500,277.66	114,273,713.49
Amortization of Coconut cultivation	-	-	-	-
Marketing	543,770.00	-	543,770.00	-
Non-fruit bearing cultivation	-	1,446,741.94	1,446,741.94	2,895,142.71
Human Resource Development	-	215,875.50	215,875.50	13,934.00
Extension Division	-	8,825,034.80	8,825,034.80	8,209,572.92
Research and Development	-	3,520,303.63	3,520,303.63	3,828,238.98
	121,181,629.11	**14,007,955.87**	**135,189,584.98**	**131,122,235.93**

	Income earned by the Corporation	Capital Grants	2021	2020
Other Expenses				
Helopeltis Control Programme	-	120,367.78	120,367.78	66,971.31
Fruit bearing cultivation - Coconut	474,015.19	-	474,015.19	-
Cost of Production of spices	788,350.00	-	788,350.00	-
Cost for plants	-	8,927,233.77	8,927,233.77	7,991,791.84
Dead plants	1,882,876.90	-	1,882,876.90	603,298.40
Loss from dead plants	-	-	-	554,878.00
	3,145,242.09	**9,047,601.55**	**12,192,843.64**	**9,216,939.55**
		23,055,556.70		

Sri Lanka Cashew Corporation

Cash Flow Statement

Combined Cash Flow Statement for the year ended 31st December 2021

31.12.2020 (Rs.)		The year ended 31.12.2021 (Rs.)	(Rs.)
	Cash Flow from Operating Activities		
(10,885,646.81)	Profit/(Loss) during the year	(19,729,633.18)	
2,444,558.88	Adjustments for the previous year	2,302,852.99	
	Adjustments for non-cash moving items		
7,100,073.23	Depreciation	7,039,191.87	
3,133,964.63	Amortization	3,082,406.05	
8,321,457.00	Provisions for Gratuity	10,599,828.50	
43,338.00	Write off or provision for Bad Debts	(10,760.00)	
1.00	Loss from transfer of fixed assets	-	
69,112.00	Capital work in progress	-	
-	Write off fruit bearing cultivation		
-	Loss from dead plants		
(369,786.87)	Grants from other parties	(854,581.20)	
102,050.00	Write off other small projects	-	
(223,456.36)	Interest income received	(2,699,763.59)	
(31,057,088.95)	Amortization of capital allowances	(30,846,497.29)	
(21,321,424.25)	Operating Profit / (Loss) before Working Capital Changes		(31,116,955.85)
	Working Capital Changes		
(26,203,721.18)	Stock - (Increase) / Decrease	(26,484,483.71)	
2,688,687.86	Debtors - (Increase) / Decrease	(28,904,491.68)	
(3,735,251.01)	Advances and pre-payments - (Increase)/Decrease	(33,984,739.77)	
7,289,845.31	Creditors - Increase / (Decrease)	(8,203,979.64)	
6,745,406.69	Accrued expenses - Increase/(Decrease)	(5,030,826.04)	
(13,215,032.33)			(102,608,520.84)
(34,536,456.58)			(133,725,476.69)
(4,413,821.00)	Gratuity payments		(6,605,386.50)
(38,950,277.58)	Net Cash Flow from Operating Activities		(140,330,863.19)
	Cash Flow from Investing Activities		
(2,956,580.89)	Purchase of fixed assets	(46,708,729.44)	
(122,343.00)	Capital work in progress	(6,240,640.10)	
(22,467,481.24)	Investment in new planting	(11,261,974.70)	
223,456.36	Interest income received	2,699,763.59	
16,941,000.00	Grants from other parties	255,253,204.84	
(3,550.00)	Investment in other small projects	(51,243.95)	
(8,385,498.77)			**193,690,380.24**
			53,359,517.05

Cash Flow from Financing Activities

84,650,000.00	Government Grants	64,000,000.00
37,314,223.65	Net Increase/ Decrease in Cash and Cash Equivalents	117,359,517.05
5,201,996.60	Opening Cash and Cash Equivalents of the year	42,516,220.25
5,201,996.60	Closing Cash and Cash Equivalents of the year	**159,875,737.30**

	2020.12. 31	**2021.12. 31**
Cash in hand	2,016,661.34	1,650,656.55
Cash in bank	31,625,100.42	8,403,147.95
Cash in transit	44,050.00	-
Savings	8,830,408.49	149,821,932.80
	42,516,220.25	**159,875,737.30**

Statement of Changes in Equity for the year ended 31.12.2021

Changes	Initial Capital (Rs.)	Government Capital (Rs.)	Grants received from other parties (Rs.)	Capital Reserves (Rs.)	Profit and Loss Account (Rs.)	Total (Rs.)
Balance as at 01.01.2020	40,000,000.00	202,788,511.45	15,766,347.27	17,441,846.85	(141,197,261.12)	134,799,444.45
Adjustments for the previous year	-	-	-	-	2,444,558.88	2,444,558.88
Grants received during the year	-	84,650,000.00	16,941,000.00	-	-	101,591,000.00
Transfer to Profit and Loss Account	-	(31,057,088.95)	(369,786.87)	-	-	(31,426,875.82)
Total Net Income	-	-	-	-	(10,885,646.81)	(10,885,646.81)
	-	-	-	-	-	-
Balance as at 31.12.2020	**40,000,000.00**	**256,381,422.50**	**32,337,560.40**	**17,441,846.85**	**(149,638,349.05)**	**196,522,480.70**
Balance as at 01.01.2021	40,000,000.00	256,381,422.50	32,337,560.40	17,441,846.85	(149,638,349.05)	196,522,480.70
Adjustments for the previous year	-	-	-	-	2,302,852.99	2,302,852.99
Grants received during the year	-	64,000,000.00	255,253,204.84	-	-	319,253,204.84
Transfer to Profit and Loss Account	-	(30,846,497.29)	(854,581.20)	-	-	(31,701,078.49)
Total Comprehensive Income	-	-	-	-	(19,729,633.18)	(19,729,633.18)
Balance as at 31.12.2021	**40,000,000.00**	**289,534,925.21**	**286,736,184.04**	**17,441,846.85**	**(167,065,129.24)**	**466,647,826.86**

08. Sri Lanka Cashew Corporation

Five-year accounts summary Rs. (000)

Profit and Loss Account	2021 Rs.	2020 Rs.	2019 Rs.	2018 Rs.	2017 Rs.
Net sales	139,223	109,120	100,082	94,931	100,951
Cost of Sales	99,661	(72,190)	(67,857)	(61,023)	(80,182)
Gross profit	**39,562**	**36,930**	**32,225**	**33,908**	**20,769**
Other income	42,727	43,300	48,343	10,544	15,522
Recurrent grants	64,800	60,000	60,000	15,077	18,700
Administrative expenses / Other expenses	(160,419)	(147,982)	(167,334)	(38,407)	(38,893)
Amortization	(3,082)	(3,134)	(3,420)	539	244
Net profit from commercial activities	**(16,412)**	**(10,886)**	**(30,186)**	**21,661**	**16,342**
Service Division - Expenses exceeding incomes	**-**	**-**	**-**	**(61,303)**	**(58,678)**
Net Profit/ Loss	**(16,412)**	**(10,886)**	**(30,186)**	**(39,642)**	**(42,336)**
Balance Sheet					
Non-current assets					
Property, Plant and Equipment	117,553	77,883	82,027	87,369	89,363
Maintenance of fruit bearing cultivations	28,053	31,135	34,270	27,436	22,870
Maintenance of non-fruit bearing cultivations	71,592	60,329	37,862	51,591	50,446
Capital works in progress	628	576	69	-	1,726
Other small projects	6,363	122	675	523	620
Total non-current assets	**224,189**	**170,045**	**154,903**	**166,919**	**165,025**
Current assets					
Stocks	90,952	64,467	38,264	20,222	24,940
Trade debtors and other receivables	47,390	18,474	21,207	17,484	19,597
Advances and Pre-payments	43,813	9,828	6,093	2,553	3,810
Cash & cash equivalents	159,876	42,516	5,202	3,225	5,806
Total current assets	**342,031**	**135,285**	**70,766**	**43,484**	**54,153**
Total assets	**566,220**	**305,330**	**225,669**	**210,403**	**219,178**
Equity and Liabilities					
Equity					
Initial capital	40,000	40,000	40,000	40,000	40,000
Government grants	289,535	256,381	202,788	175,414	143,996
Grants from other parties	286,736	32,337	15,766	17,756	18,143
Capital reserves	17,442	17,441	17,442	17,442	17,442
Profit and Loss Account	(167,065)	(149,638)	(141,197)	(110,011)	(70,311)
Total Equity	**466,648**	**196,521**	**134,799**	**140,601**	**149,270**
Non-current liabilities					
Provisions for gratuity	42,948	38,953	35,046	27,704	27,335
Long term loans	3,500	3,500	3,500	3,500	3,500
Total non current liabilities	**46,448**	**42,453**	**38,546**	**31,204**	**30,835**
Current liabilities					
Trade creditors & other payables	53,124	66,359	52,324	38,598	39,073
Total current liabilities	**53,124**	**66,359**	**52,324**	**38,598**	**39,073**
Total Equity and Liabilities	**566,220**	**305,333**	**225,669**	**210,403**	**219,178**
Return on Net Assets %	(3.5%)	(5.5)	(22.4)	(28.2)	(28.3)
Net Profit Ratio %	11.8%	(9.98)	(30.2)	(41.8)	(41.9)
Current Ratio	6.4	2.0	1.4	1.1	1.4
Quick Assets Ratio	4.7	1.1	0.4	0.6	0.7
Total Expenditure vs Total Income	0.93	(0.89)	(1.3)	(1.2)	(0.8)

08. Performance Report for the year 2021

8.1 Cashew Planting Subsidy Scheme and Development Programmes

8.1.1 Cashew Planting Subsidy Scheme

Under the Cashew Planting Subsidy Scheme implemented under Treasury allocations, 3405 acres of budded cashew and 595 acres of seed cashew totaling to 4000 acres had been cultivated covering 22 districts during this year. 5384 farmer families were benefitted thereby. In the year 2021, under the subsidy programme, cashew plants were also distributed especially for gardening. 19 farmer training programmes were conducted in which 228 farmers participated. Even under the Corona pandemic situation prevailed in the year as well, it was possible to successfully achieve the targets of the cashew subsidy programme. The total cost incurred for the purpose amounted to Rs. 14.76 million.

8.2 Improving the Productivity of the Cultivation

8.2.1 Production of planting material

Plant Breeding Centres at Nalanda in Matale district, Wilachchiya in Anuradhapura district, Mahaoya in Ampara district, Mankarni in Batticaloe 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. 799,785 high quality mother seeds and 800,000 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. 14.53 million.

8.2.2 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 "Helopeltis" Bug disease infection and Stem and Root Borer diseases. In addition, 02 training programmes on the adoption of Good Agricultural Practices and pest control in the cashew cultivation were conducted in collaboration with the National Institute of Plantation Management with the participation of 100 farmers.

8.2.3 Plant Nursery Management

08 Central Plant Nurseries of the Corporation are located in Kamandaluwa Estate and Aluththarama, Hardy, Mihintale, Chandrika Wewa, Dambulla, Mangalagama and Kumbukkana. Works have been initiated to set up permanent nursery houses in the central plant nurseries. 511,230 high quality budded plants were produced in these plant nurseries and distributed them among the farmers for the Maha Season of 2021. The total cost incurred for the purpose amounted to Rs. 15.52 million.

8.2.4 Providing Plants for Development Projects

In the year 2021, under the "Export Based Cashew Cluster Village Project" with the financial provisions of the State Ministry of Development of Minor Crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, Betel Related Industries and Export Promotion, 100,000 budded cashew plants to the Hambantota district and 60,000 budded cashew plants to the Kurunegala, Kegalle, Kandy and Matara districts were distributed. 09 training sessions have been conducted for 4264 beneficiary farmers of this programme. The line Ministry had allocated Rs. 32.55 million for this project.

In addition to this project, 11,600 budded cashew plants have been issued to 580 beneficiaries in the Batticaloa, Mannar, Matale, Monaragala, and Mullaitivu districts under the Project Saubhagya funded by the World Food Programme (WFP). A sum of Rs. 2.9 million has been allocated for the purpose.

8.3 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 spite of the

Corona pandemic situation prevailed in the year 2021, a programme for production of organic fertilizer was carried out in the Kamandaluwa Estate due to the restriction on the import of chemical fertilizers and insecticides. Under this programme, 10.0 metric tons of compost fertilizer was produced. In addition, a training programme for farmers on the production and use of organic fertilizers was successfully conducted online. Arrangements were made to obtain a special approval to receive insecticides for the control of insects and pests in the estates. The financial progress of the research and development programmes is Rs. 2.69 million.

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

Under this programme, planting of cashew plants in 25 acres was initiated in Puttalam Estate. As well, preliminary works are being carried out to cultivate 20 acres of cashew in Eluwankulama Seed Garden, 10 acres of coconut in Kamandaluwa Estate and 25 acres of cashew in Hardy Estate.

A financial allocation of Rs. 225.0 million was made by the State Ministry of Development of Minor Crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, Betel Related Industries and Export Promotion for the rehabilitation of the Kondachchi Estate in the Mannar district.

The yield of cashew nuts in shell collected from the estates of the Corporation was 106 metric tons. In addition, in order to enhance the productivity, the application of chemical fertilizer, weed control activities, disease and pest control, maintenance of field paths and pruning were carried out in line with the Good Agricultural Practices. The total cost incurred for the purpose amounted to Rs. 19.63 million.

8.5 Post-Harvest Technology

8.5.1 Marketing and Promotion of the Processing Industry

The yield of cashew nuts in shell collected from the estates of the Corporation and the cashew kernels purchased through the small-scale processors and the Civil Security Department were processed at the processing centres in Puttalam and Nedagamuwa.

They were sold as value added products at the main sales outlets of the Corporation. The network of Corporation's sales outlets, consisting of 69 authorized sales outlets was used for the purpose.

The total income earned by the Corporation during the year 2021 from the sales of cashew kernels was Rs. 92.12 million.

8.6 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 was conducted for 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 2021. The amount incurred for the purpose was Rs. 0.18 million.

09. Medium term strategies to be implemented to enhance the Performance of 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

01. Expanding the area of cashew cultivation in Sri Lanka

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 3,000 acres per year in the next three years and it has also been planned to cultivate 1,000 acres per year under the home gardening.

1.2 Rehabilitation of Cultivations

New planting and rehabilitation of old cultivations in the estates owned by the Corporation was initiated from the year 2011. In this context, Kondachchi Estate in the Northern Province and Mankerni Estate in the Eastern Province are being developed and rehabilitated by the Corporation. About 1500 acres of Kondachchi Estate has already been developed in collaboration with the Civil Security Department and about 500 acres has been developed by the Corporation. Arrangements have been made to cultivate the remaining 4000 acres of the Kondachchi Estate in collaboration with the Civil Security Department from the year 2020.

1.3 New planting

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

An extension service network consisting of 11 Regional Offices is being operated to carry out these activities successfully, and cashew cultivation development works in 22 districts are being covered through this network.

1.4 Providing Plants for Development Projects

In the year 2021, under the “Export Based Cashew Cluster Village Project” with the financial provisions of the State Ministry of Development of Minor Crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, Betel Related Industries and Export Promotion, 100,000 budded cashew plants to the Hambantota district and 60,000 budded cashew plants to the Kurunegala, Kegalle, Kandy and Matara districts were distributed. 09 training sessions have been conducted for 4264 beneficiary farmers of this programme.

In addition to this project, 11,600 budded cashew plants have been issued to 580 beneficiaries in the Batticaloa, Mannar, Matale, Monaragala, and Mullaitivu districts under the Project Saubhagya funded by the World Food Programme (WFP).

One of the primary objectives is to expand the area under cashew cultivation through implementing such development projects in the coming years as well.

02. Productivity Improvement in Cashew Cultivated Lands

The cashew cultivation area in Sri Lanka is about 166000 acres, of which about 88% are owned by smallholders. Seed cashew trees have been grown in majority of the lands, and the age of the cashew trees in the estates of the Corporation as well as these lands, is about 20-35 years, and one tree yields between 3-5 kg of cashew nuts in shell. A cashew tree in the countries like Vietnam, India, where there are cashew plantations consisting of improved new cashew varieties, yields between 10-15 kg. Accordingly, the following activities are being carried out by the Corporation to improve the productivity of the cultivation.

2.1 Introducing New Varieties

Accordingly, the Corporation has introduced 11 new improved varieties with high yielding to the farmers. Researches are being conducted in collaboration with the Faculty of Agriculture and Plantation Management, Wayamba University of Sri Lanka and the 11 varieties, WUCC 1, WUCC 2, WUCC 5, WUCC 7, WUCC 8,WUCC 9, WUCC 13, WUCC 16, WUCC 19, WUCC 21, WUCC 23 have been cultivated in the Estates and Plant Breeding Centres such as Eluwankulama, Wilachchiya, Nalanda, Mahaoya and Suduwathura Ara and Oyamaduwa. Arrangements will be made to obtain buds from the mother plants and breed new varieties suitable for different climate zones of the island and distribute them among the farmers. Actions will be taken to introduce 02 new varieties annually and in turn, it is expected to increase the yield per hectare to 1,000 kg.

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.

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 and Mangalagama. 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 adoption of new technology in plant production will be improved.

03. Promoting 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 kg. is ranging from Rs.3,500/- to Rs.4,500/-. Taking these facts into consideration, the Corporation has taken courses of action to improve the quality and increase the profitability of cashew kernel products.

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.

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.

3.3 Purchase of Cashew Nuts in Shell and Cashew Kernels

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 the processing factories were purchased through the Civil Security Department during the last year. The Civil Security Department has cultivated about 935 acres in Kondachchi Estate owned by the Corporation and those cashew nuts are provided to the Cashew Corporation by the Civil Security Department at lower price than the market price. The cashew nuts were purchased in order to face with the competitive market conditions and to reduce the costs. This purchase is to be done in the next 03 years as well.

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 activities. In addition, research work on the release of cashew and bee honey mixed cashew products and the production of Masala flavoured cashew nuts is being successfully carried out.

4.0 <u>Human Resource Development and Productivity Improvement</u>

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 and 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.

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.

10. Five Years Summary of Performance

	Description	2021	2020	2019	2018	2017
01	Acreage cultivated with cashew under the subsidy scheme	Subsidy programme 2,920 Home gardening 1,080 **Total 4,000**	Subsidy programme 2568 Home gardening 932 **Total 3500**	Subsidy programme 3305 Home gardening **Total 4500**	Subsidy programme 3305 Home gardening 1195 **Total 4500**	4500
02	No. of beneficiary farmer families under the subsidy scheme	5384	7676	11069	**11818**	14932
03	No. of plants produced	Budded plants 511230 Seedlings 17360 **Total 528590**	Budded plants 422570 Seedlings 54500 **Total 477570**	Budded plants 270294 Seedlings 79945 **Total 277360**	Budded plants 197353 Seedlings 80007 **Total 433936**	Budded plants 328456 Seedlings 105480 **Total 433936**
04	No. of mother seeds collected	799,785	500,000	500,000	484,753	560,000
05	No. of buds collected	800,000	520,000	310,000	164500	200,000
06	Yield collected (Metric Tons)	106.0	149.46	157.81	83.52	66.4
07	New planting in estates of the Corporation (Acres)	90	346	52.5	65	433
08	No. of authorized sales outlets	69	74	56	60	56

	Description	2021	2020	2019	2018	2017
09	No. of training programmes conducted under the Technology Transfer Programmes, Pest Control and Post-Harvest Technology	30	82	166	139	139
10	No. of farmers trained	663	1369	2320	3550	3574
11	Imported cashew volume (Metric Tons)	Cashew Nuts in shell 0.051 Cashew Kernel 0.047	Cashew Nuts in shell 549.2 Cashew Kernel 0.025	Cashew Nuts in shell 527.26 Cashew Kernel 0.826	Cashew Nuts in shell 2378.02 Cashew Kernel 156.41	Cashew Nuts in shell 2108.22 Cashew Kernel 160.82
12	Volume of Metric Tons for which cashew import licenses were issued	-	500	-	4255	6000
13	Exported cashew volume (Metric Tons)	26.26	34.32	47.40	60.81	59.04
14	Purchase of cashew nuts in shell and cashew kernels (Metric Tons)	89.07	81.13	93.57	144.62	143.51

	Description	2021	2020	2019	2018	2017
15	Purchase of cashew nuts in shell and cashew kernels (Metric Tons)	Cashew Nuts in shell 54.81 Cashew Kernel -	Cashew Nuts in shell 64.0 Cashew Kernel -	Cashew Nuts in shell 20.0 Cashew Kernel 2.30	Cashew Nuts in shell - Cashew Kernel 5.3	Cashew Nuts in shell 63.0 Cashew Kernel 4.8
16	Amount of Value-Added cashew kernels sold (Metric Tons)	26.8	16.91	21.72	24.74	27.80
17	Sales value of Value- Added cashew kernels (Rs. Millions)	92.12	47.23	79.08	83.15	87.96

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය எனது இல. My No.	ජීආර්අයි/බී/එස්එල්සීසී/එෆ්ඒ/2021/02	ඔබේ අංකය உமது இல. Your No.		දිනය திகதி Date	20th October, 2023

SRI LANKA CASHEW CORPORATION
24 OCT 2023
1334, OLD KOTTE RD, RAJAGIRIYA.
GENERAL MANAGER'S OFFICE

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 2021 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 2021 comprising the Statements of Financial Position as at 31st December 2021 and the Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended and notes to the financial statements including the summary of significant accounting policies, was carried out under my direction in pursuance of provisions of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with the provisions of the National Audit Act, No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion the accompanying financial statements give a true and fair view of the financial position of the Corporation as at 31st December 2020 and of financial performance and its cash flows for the year then ended in accordance with Sri Lanka

Accounting Standards, except for the impact of the matters discussed in the Basis for Qualified Opinion section.

1.2 Basis for Qualified Opinion

(a) In accordance with Section 15 of the Sri Lanka Accounting Standards 12, the Corporation had not recognized the deferred tax value in the financial statements.

(b) Instead of debiting the cost of repairs to motor vehicles of Rs. 486,025 to the Profit and Loss Account in accordance with Section 12 of the Sri Lanka Accounting Standards 16, a sum of Rs. 360,625 was erroneously debited to the Motor Vehicle Account and a depreciation of Rs. 72,175 had been calculated for the purpose. The remaining amount of Rs. 125,400 had been debited to the accumulated profit in the Statement of Changes in Equity as an adjustment in the previous year.

(c) Although the actuarial gain/loss should be recognized under other comprehensive income in accordance with Section 57 (c) of the Sri Lanka Accounting Standards 19, the actuarial loss of Rs. 4,874,309 for the year under review had been debited as Rs. 3,317,449 to the statement of other comprehensive income.

(d) In accordance with paragraph 135 (b) of the Sri Lanka Accounting Standards 19, an entity shall present a reconciliation from the opening balance to the closing balance for Defined Benefit Plans and the items such as current service cost, interest income or expenditure, payments made in respect of the year under review and the actuarial gain/loss should be shown separately. However, there were differences between the values disclosed for the components such as the expenditure for the year (current service cost and interest expenses), the payments in the year and the actuarial (gain)/loss relating to the Defined Benefit Plan in the Statement of Financial Position and the values stated in the actuarial valuation report.

(e) In accordance with Section 139 of the Sri Lanka Accounting Standards 19, the retirement benefit allocations should be invested according to a formal investment plan. However, no investment had been made with the balance of Rs. 38,953,602/- in the retirement benefit allocation account as of the final date of the year under review.

(f) Due to the capitalization of the cost of repairs to four motor vehicles of Rs.1,356,220 incurred in the years 2019 and 2020, during those years, the depreciated value of Rs. 271,244 had to be deducted from the profit of the year under review.

(g) Even if the credit period of the Corporation is 60 days, the provision for doubtful debts for the trade debtor balance of Rs. 6,133,121 over 90 days, had taken a lower value of Rs.216,499. Formal courses of action had not been taken to recover the debtor balance of Rs, 1,797,788 from a private institution located in Colombo which is included in the said trade debtor balance.

(h) 09 years had passed since providing cashew plants worth of Rs. 9,466,200/- to the Ministry of Economic Development. As the relevant Ministry has been abolished at present, it is observed that there is no possibility to recover the debts.

(i) Even if the same value of Rs. 2,106,184 had been maintained as impairment losses for other debtors since the year 2018, the value had not been updated annually or written off or any other steps had been taken. The amount of Rs. 103,730 to be recovered from two institutions which were trade debtor balances over 02 years had been included in the impairment loss.

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

1.3 Other information contained in the Annual Report of the Corporation for the year 2021

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 2021 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 2021 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, proper books and records of all its income, expenditure, assets and liabilities are to be maintained to enable annual and periodic statements to be prepared by the Corporation.

1.5 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), (e), (f) and (h) 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 Board of Management of the Corporation has any direct or indirect interest in any contract entered into by the Corporation which is out of the normal course of business as per the requirements of Section 12 (d) of National Audit Act No. 19 of 2018.

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

	Reference to Laws, Rules / Direction	**Observations**
(a)	Inland Revenue Act, No. 24 of 2017	Action had not been taken either to pay income tax or to submit tax returns from the year 2011. However, a receivable balance of withholding tax of Rs. 779,483/- had been shown in the financial statements in relation to that periods.
(b)	Section 18 of the National Audit Act, No. 19 of 2019	Although audit fees should be settled within 30 days from the date of the invoice, audit fees of Rs. 1,530,165 as at 23rd June 2023 had not been settled.
(c)	Decisions dated 24th July 2012 of the Committee on Public Enterprises	Committee on Public Enterprises (COPE) had informed the Corporation to pursue action to acquire the legal ownership of

		the lands the Corporation does not hold such legal ownership. However, relevant action to acquire the legal ownership of 11,363 acres of cashew cultivating lands granted to the Corporation by the Divisional Secretariats and the Land reform Commission had not been completed as at 31st December 2021.
(d)	Paragraph 66 of the Handbook on Good Governance in Public Enterprises issued with Public Enterprises Circular No. PED/01 /2021 dated 16th November 2021 of the Secretary to the Treasury	Within 60 days of the end of the financial year, the draft Annual Report and accounts should be submitted to the line Ministry and the Department of Public Enterprises of the Treasury with copies to the Auditor General, however, the accounts of the Corporation for the year ended 31st December of the year under review were submitted to the Auditor General on 03rd May 2023.

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, except for the following observations.

(a) Out of the amount of Rs. 225,000,000 received from the line Ministry for the main works such as construction of elephant fences, purchase of tractors and water bowsers and construction of buildings under the reconstruction of Kondachchi Estate, 2021, a sum of Rs.17,557,500 had been used as at 31st December for the maintenance of the estates of the Corporation, payment of salaries and the purchase of cashew nuts in shell.

2.3 Other Audit Observations

(a) The instalments amounted to Rs. 1,443,002 deducted from the salaries of the officials and employees as the subscriptions of the Trade Unions and Welfare Associations had been retained in the Account of the Corporation without crediting to the said Associations even on 31st December 2021.

(b) Due to the fact that no accepted methodology had been established for calculating the unit cost of cashew nuts in shell, cashew kernels and cashew plants, the accuracy of the final stock value of Rs. 86,531,160 recorded in the accounts could not be verified.

(c) During the period from 2017 to 2021, regardless of the government grants, the apparent loss in the financial statements of the Corporation in the last 5 years had ranged from Rs. 134,000,000 to Rs 112,900,000. Accordingly, it was observed that functioning of the Corporation as a going concern has become a challenge due to the reasons such as continuous operating losses and staff vacancies.

(d) Although it had been planned to purchase machinery required for mechanization of the Puttalam Cashew Processing Center, only a part of the machinery had been purchased at a cost of Rs 2,870,000. Due to complete failure of mechanization process by not purchasing all the required machines, the purchased machinery was remaining unused.

(e) The cashew boiling process has been ceased as the cashew processing boiler at the Nedagamuwa Cashew Processing Center has been out of service since the year 2015 and hence, the production efficiency ranging from 90 to 95 percent that could be achieved by boiling cashew nuts in shell has dropped to 70 to 80 percent. As a result, the income that could have been earned from the sale of cashew kernels had been lost by 15 to 20 percent.

(f) In September 2021, an automated packaging machine capable of packing 60 packets per minute at a cost of Rs.8,100,000 had been purchased to the Grading and Packaging Section of the Nedagamuwa Cashew Processing Center. The daily output from the section is less than 100 kg of production, from which a maximum of 200-300 packets are prepared. It takes 4-5 minutes for the purpose. Accordingly, it is observed that the purchased machine is of high capacity.

(g) Based on the Action Plan, although it has been planned to construct 07 cashew sales outlets, no design plans have been prepared, quantity sheets have been prepared or a market study of the construction sites has not been done. No Memorandum of Understanding was entered into for the acquisition or lease of the land for the said construction and approval of the Board of Directors had not been taken for the entire proposal. Instead of following the provisions of the Government Procurement Guidelines for this process, the contractors were selected through the advertisements posted on the social media network and an advance payment of 75 percent of the contract value had been made. A sum of Rs.3,475,000 for the Narahenpita cashew sales outlet and a sum of Rs.950,000 for the Wellawatta cashew sales outlet were paid to the private contractors for the construction and there was no withholding on their final bill payments.

(h) In order to construct quarters for the officers in-charge, the State Minister of Development of Minor Crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, Betel Related Industries and Export Promotion had allocated an amount of Rs.15,653,000 and planned to construct 07 quarters. Thereat, in place of the quarters proposed to be constructed at Embilipitiya Chandrika Wewa Plant Nursery, it had been changed as the construction of quarters at Puttalam Estate without approval. The Regional Procurement Committees for these constructions had not been appointed even by 31st December 2021 and without approval, the acting General Manager had directed the officers in charge to invite sealed quotations. However, a related file had not been submitted for audit.

(i) Although 7,995 cashew plants were planted in an area of more than 100 acres in the upstream part of Puttalam (Achchigewatta) Estate in the year 2017, the growth of the cashew plant had decreased and productivity had been lost in the year 2020, due to the abandonment of intercropping and the non-maintenance of the cashew cultivation by the Corporation.

(j) Although it had been proposed to allocate a total of Rs.225,000,000 on three occasions for the Mannar, Kondachchi Estate Rehabilitation Project through the State Minister of Development of Minor Crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, Betel Related Industries and Export Promotion and to complete the project by 31st December 2021, a sum of Rs. 62,831,734 had been spent as at the date and the balance of Rs. 162,168,266 remained idle.

(k) Although an amount of Rs. 35,000,000 was received from the State Minister of Development of Minor Crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, Betel Related Industries and Export Promotion to purchase 14 water bowsers and 14 four-wheel tractor engines for Mannar Kondachchi Estate, 15 water bowsers were purchased at a cost of Rs. 20,775,000 without purchasing tractors. According to the specifications of the water bowser purchased, a water bowser should have an ISO certified water pump of 4.5 horsepower and a capacity of 600 liters per minute, but on the contrary, non-ISO certified water pumps of 3 horsepower and a capacity of 450 liters of water per minute had been supplied. Due to the inability to use the water bowers without purchasing tractors, the money spent on purchasing water bowsers remained idle. As well, 7 out of the 15 water bowsers purchased under the project were distributed to Puttalam Achchigewatta, Kamandaluwa, Eluwankulama, Pooneryn, Vallamkulam, Hardy, and Thiriyaya Estates as the cultivations in Kondachchi Estate had not been initiated.

(l) Out of the sum of Rs 12,000,000 allocated for the construction of one kilometer long elephant fence around the Kondachchi project area in Mannar, an expenditure of Rs.2,196,090 had been incurred on 3 occasions to purchase chemicals required to tan the wood for the construction of the elephant fence and to provide food allowance to the Civil Security Guards, but there was no construction related to the elephant fence.

(m) Although money had been paid for an estimate of Rs. 23,640,042 received from the Ceylon Electricity Board to obtain electricity for the Mannar Kondachchi Estate Project, the Electricity Board could not supply electricity as there was no building to install the electricity meter. No action had been taken to get electricity connection before 31st December 2021 when the estimate remained valid. As well, it was observed that it was a management weakness that electricity connection to the buildings had been applied for without development or construction of buildings or preparation for obtaining the supply.

(n) Shade nets were purchased incurring a sum of Rs.2,494,200 on 4 occasions for the purchase of shade nets, which was another external work which was not included as a component of the Mannar Kondachchi Estate Project, and the related house was not constructed.

(o) Actions were not taken to settle the loan amount of Rs.3,500,000 obtained from the Paddy Marketing Board on the basis of settlement in the year 2014 for the purchase of cashew nuts in shell with the intervention of the then Ministry of Cooperative Development and the related interest up to the year under review.

(p) By the end of the year under review, the extent of lands under cashew cultivation was approximately 3,449 acres. Although the net written-down value of those trees was recorded as Rs.26,732,691 in the financial statements, an enumeration of the cashew trees, numbering of the trees and preparation of a register of the trees had not been done.

(q) The Corporation had possessed 06 bank current accounts out of which the current accounts in Bank of Ceylon (Ja-Ela) and People's Bank (Nugegoda) branches had not been operated for a long time and their year-end balances were Rs.15,593 and Rs.7,750 respectively. Further, there were 05 bank savings accounts of the Corporation, out of which two bank accounts in Rural Development Bank and People's Bank (Nugegoda) branches were inactive for a long time. The year-end balances of those accounts were Rs.30,757 and Rs.252,858 respectively. No steps had been taken to close those 04 inactive accounts.

W.P.C. Wickramaratne

Auditor General

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

Explanations from the Corporation regarding the matters contained in the Report of the Auditor General on the Financial Statements and other Legal and Regulatory Requirements of the Sri Lanka Cashew Corporation for the year ended 31st December 2021 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1.2 (a) I agree.

Necessary actions will be taken to calculate the deferred taxes accurately under the required instructions of the relevant parties and to include the related adjustments in the financial statements for the year 2023.

1.2 (b) I agree.

Actions have been taken to include the required adjustments to rectify the accounting errors that have occurred in respect of the capitalized vehicle repair expenses of Rs. 360,625/-, the depreciation of Rs. 72,125/- calculated thereon and Rs. 125,400/- in prepaid expenses stated under this audit paragraph, in the financial statements for the year 2022.

1.2 (c) I agree.

Actions have been taken to include the relevant adjustments in respect of the amount of Rs 1,556,860/- to be further recognized as other comprehensive income in relation to the actuarial loss related to the gratuity allocations presented here, in the financial statements for the year 2022.

1.2 (d) I agree.

According to the actuarial valuation as at 31.12.2021, the gratuity allocation liability of Rs. 42,948,044/- had been correctly shown in the books of accounts and however, the adjustments related to the changes in the sub-values stated herein have been included in the financial statements for the year 2022.

1.2 (e) I agree.

As shown in the audit observation, the Board of Directors of the Corporation had granted approval to make a monthly investment of Rs. 100,000/- in proportion to the retirement gratuity allocation balance shown in the financial statements.

For the purpose, a letter was sent to the Department of Public Enterprises of the General Treasury for approval, and the said department had given instructions to re-submit the letter with approval of the Hon. Minister.

A letter has already been re-submitted to the Department of Public Enterprises with approval of the Minister in charge, and accordingly, necessary further actions will be taken immediately after receiving the relevant approval of the Department of Public Enterprises.

1.2.(f) I agree.

The rectifications to be made in respect of the currently capitalized repair expenses of Rs. 1,356,220/- stated herein and the depreciations of Rs. 271,244/- accounted thereon in the years 2019 and 2020 have been included in the financial statements for the year 2022.

1.2 (g) The following explanations are made.

Out of the trade debtor balance totaling Rs. 6,133,121/- that have exceeded the loan grace period stated herein, the amount recovered as at 31.12.2023 is Rs. 4,055,036/. Necessary arrangements will be made to recover the remaining debtor balance of Rs. 2,078,085/- as soon as possible.

As well, the debtor balance of Rs. 1,797,788/- stated in the audit query is pertaining to the company named Lisala Enterprises. Arrangements have already been made to recover further amount of Rs. 323,378/- out of the debtor balance and, Accordingly, the outstanding debtor balance to be recovered from the Lisala Enterprises as at 31.12.2023 was Rs. 1,474,410/-. Although the Corporation lodged a complaint with the Rajagiriya Police and called the owner of the relevant company to the police to make clarifications and made a strong effort to recover the above loan balance, it has not been successful. Therefore, the management of the Corporation has decided to take legal action against the company and recover the relevant loan amount, and accordingly, the file containing the information of the relevant loan transactions has been forwarded to the Legal Officer of the Ministry in charge of the subject for necessary instructions.

As well, A set of proposals for a new system has been prepared to streamline the entire process of cashew kernel sale transactions on credit, including the recovery of the relevant loan amounts before the loan grace period is exceeded for sale of cashew kernels on credit basis to the chartered and non-chartered sales outlets of the Corporation, and the Board of Directors has granted approval for the purpose, and necessary actions are being taken to implement the system.

1.2 (h) The following explanations are made.

Although a strong effort was made to recover the loan amount of Rs. 9,466,200/- stated herein from the Ministry of Economic Development, it was futile. This loan value was discussed at length in the Audit Committee meeting of the Corporation held on 15.06.2023.

Thereat, it was recommended to send a letter to the Department of Public Enterprises of the General Treasury for instructions on how to proceed with this loan amount to be recovered from a government Ministry that is not currently functioning, and the Board of Directors of the Corporation was informed in this regard and actions were taken to send the relevant letter.

The response letter received from the Department of Public Enterprises for the above mentioned letter was submitted to the Audit Committee Meeting of the Corporation held on 22.12.2023 for necessary instructions, and accordingly, it was decided to send a letter to the Ministry of Finance, Economic Stabilization and National Policies to request further instructions for the recovery of this loan amount. Necessary further actions will be taken accordingly.

1.2 (i) The following explanations are made.

Attention will also be drawn to the material debtor balances currently to be recovered by the Corporation but no provision for impairment losses has been made and actions will be taken to make necessary adjustments to the current provisions for impairment losses and to include the adjustments in the financial statements for the year 2023 accordingly.

As well, a letter had been sent to the Department of Public Enterprises a considerable time ago requesting approval under the recommendation of the Board of Directors to write off the debtor balances with a value of Rs. 103,730/- outstanding for a long period of time, which is further included in this audit observation, from the books of account. However, approval was not granted for the purpose and therefore, as per the instructions received, various courses of action have been taken to inform the relevant debtors and recover the above mentioned debts. However, the relevant activities have not been successful to date.

2.2.2 (a) I agree.

At present, the preparation of the relevant income tax reports is being completed, and since there are also a significant number of income tax returns to be prepared during the year, it will take a considerable period of time. Accordingly, actions will be taken to complete the relevant works as soon as possible and to send the returns to the Inland Revenue Department.

2.2.2 (b) The following explanations are made.

Out of the payable audit fees of Rs. 1,530,165/- stated herein, arrangements have been made to settle an amount of Rs. 1,065,165/- to the National Audit Office and accordingly, actions will be taken to settle the further outstanding amount of Rs. 465,000/- as soon as possible.

2.2.2 (c) The following explanations are made.

The land acreage of the estats/seed gardens that have not been transferred the legal ownership to the Corporation at the time of receiving the decision of the Committee on Public Enterprises (COPE) dated 24th July 2012 stated herein, is not 11363 but only 2370 acres. Its analysis is as follows.

Estate/ Seed Garden	Ownership	District	D.S. Division	Acreage
01. Eluwankulama - Phase I	Government owned	Puttalam	Vanathavilluwa	210
02. Achchigewatta	Land Reform Commission	Puttalam	Vanathavilluwa	961
03. Kamandaluwa	Land Reform Commission	Puttalam	Rasnayakapura	548
04. Hardy	Land Reform Commission	Batticaloa	Valaichchenai	365
05. Vilachchiya	Department of Forest Conservation	Anuradhapura	Mahavilach chiya	25
06. Suduwathura Ara	Department of Forest Conservation	Monaragala	Monaragala	45
07. Mahaoya	Department of Forest Conservation	Ampara	Mahaoya	81
08. Nalanda	Elkaduwa Plantation Ltd.	Matale	Matale	135
Total (Acres)				**2370**

The land acreage that was not owned by the Corporation by the year 2012, but later acquired by the Corporation from various parties but has not yet been transferred the legal ownership, is 8993 acres, and its analysis is given below.

Estate/ Seed Garden	Ownership	District	D.S. Division	Extent Acres	Year acquired by the Corporation
01. Mankarni	Government owned	Batticaloa	Koralai Pattu North	1075	2013
02. Kondachchi	Government owned	Mannar	Musali	6498	2014
03. Thiriyaya	Government owned	Trincomalee	Gomaran kadawala	35	2017
04. Eluwankulama Phase II	Government owned	Puttalam	Vanatha villuwa	406	2018
05. Pooneryn	Government owned	Kilinochchi	Pooneryn	479	2019
06. Vellankulam	Government owned	Mannar	Manthai West	500	2021
Total (Acres)				**8993**	

Although the plots of land in the Pooneryn, Kondachchi, Mankarni and Vellankulam Estates mentioned above were owned by the Sri Lanka Cashew Corporation in the 70s, they were lost to the Corporation due to the North-East war experienced for nearly 30 years and returned them to the Corporation in the above-mentioned years.

The Corporation was informed to pay a lease amount of Rs.25.44 million to transfer the ownership on the long-term lease basis for the above mentioned Eluwankulama - Phase I land, and the assessment was a rough calculation made on the agricultural commercial lease basis. Later, on the correct assessment, the lease amount was again reported as Rs. 11.86 million, but as it was also a commercial assessment, the Corporation had made a request to calculate and submit it under the lease system for undeveloped agricultural lands. Accordingly, the relevant lease assessment is to be received by the Corporation.

As well, in a meeting chaired by the then Hon. Minister of Plantation Industries held on 11.04.2023 regarding the acquisition of the legal ownership of the lands in the estates such as Puttalam Achchigewatta, Kamandaluwa and Hardy, that are under the ownership of the above Land Reform Commission, the Chairman of the Land Reform Commission had given the consent to assess the relevant lands as undeveloped lands under the agricultural basis and lease out them to the Corporation on a long-term lease basis and accordingly, a written request has already been made for the purpose.

As well, the government owned lands such as Eluwankulama - Phase II, Pooneryn, Kondachchi, Thiriyaya, Mankarni and Vellankulam were also discussed in the above meeting, and the Land Commissioner General who participated in the meeting had informed to make a request to assess the relevant lands as undeveloped lands under the agricultural basis and to lease out them to the Corporation on a long-term lease basis. Accordingly, written requests on the matter have been made to the Divisional Secretaries of the areas where the respective lands are located.

In addition, the necessary arrangements will be made in the future to obtain the legal ownership of the lands of Vilachchiya, Suduwathura-Ara and Mahaoya seed gardens under on a long-term lease basis.

2.2.2 (d) The following explanations are made.

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

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

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

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

However, the preparation of the financial statements of the Corporation for all the years up to the year 2022 has already been completed, and all the financial statements up to that year have been audited by the National Audit Office and the final audit reports have been issued. As well, the necessary arrangements will be made to complete the preparation of financial statements within the prescribed time frame from the year 2023 and to submit those financial statements to the National Audit Office and other relevant government institutions.

2.2.4 (a) As per a Cabinet decision, since there is an obligation to purchase the yields of cashew nuts in shell from the cashew cultivation division maintained by the Civil Security Department at Kondachchii Estate, to this Corporation, during the year 2021, the said Department has made related expenses from the rehabilitation provisions of the Kondachchi Estate to purchase the yields of cashew nuts in shell collected as above. However, the said sum of money has already been reimbursed to the Rehabilitation Project.

2.3 (a) The following explanations are made.

Out of the installments of Rs. 1,443,002/- stated herein, a sum of Rs. 1,327,600/- (That is, 92% of the total amount) has been paid to the respective associations. The situation mentioned here had arisen due to the financial constraints of the Corporation. However, necessary arrangements will be made in the future to remit the salary reductions to the associations at the relevant time.

2.3 (b) The following explanations are made.

The unit cost of the cashew nuts in shell, cashew kernels and cashew plants has been calculated based on the total cost for the period under review, and based on the same, the cost of the final stocks of the above products has also been calculated.

An internal official committee representing the relevant sectors has been appointed to introduce a method of calculating the unit costs of the above products by drawing attention separately in a formal way on the variable costs and fixed costs included in the relevant total costs, and the committee has already completed the preliminary works on the costcalculations stated herein. Accordingly, actions will be taken to complete the related cost calculation method as soon as possible, obtain the consent of the officials of the National Audit Office for the same, use the relevant method in the preparation of the financial statements of the year 2023 to calculate the values of the final stocks and include them in the financial statements.

2.3 (c) The following explanations are made.

In line with the objectives of the establishment of the Corporation incorporated in the Government Gazette Extraordinary related to the establishment of the Corporation, in addition to the commercial activities such as the sales of cashew kernels and cashew plants, the Corporation has also been assigned the responsibility for the expansion of cashew cultivation and the service activities such as research and development activities to be carried out to imrove productivity of the cashew cultivation and the cashew industry in general.

As stated above, this Income and Expenditure Account is not prepared for the extension and research and development services which are carried out as service activities of the Corporation and annually, the cost with a material value related to those costing centers is also combined with the cost related to the profit-making centers related to the commercial activities of the Corporation and entered into accounts.

As the Corporation has made great progress in its extension, research and development service activities, the entire economy has received a lot of significant non-financial benefits through it. However, as these benefits cannot be entered into accounts as per the accounting system made available, it should be noted that it is important to pay attention to the situation during this audit observation.

However, the close attention has been drawn to the courses of action to be taken to increase the profitability of the Corporation by increasing the sales and other incomes and managing the expenses properly, and accordingly the necessary further courses of actions wll be taken.

As a result of the courses of actions taken, in the year 2022, a net profit of Rs.14.47 million had been made against the operational results of the Corporation.

2.3 (d) The following explanations are made.

According to the physical checks carried out in this regard, it has been confirmed that machinery items with an approximate value of Rs.7.8 million have been received at the Puttalam Processing Center of the Corporation.

The procurement mentioned under this audit observation basically consisted of a cashew boiler, a cashew processing machine and 02 cashew dehydrating machines, of which the Corporation had ordered only the cashew processing machine and two cashew dehydrating machines. As the relevant supplier, Sahesh Industries, informed that the supply of the aforementioned cashew dehydrating machines was not possible due to the inflationary situation prevailing in the country during the relevant period, the relevant supplier had delivered only the cashew processing machine to the Corporation.

Due to the problematic situation regarding the operation of the processing machine, it was delayed in its use for processing purposes, and when the relevant supplier requested payment for the machine, he resolved the problems regarding the operation of the machine on several occasions. Later, on the recommendations of the Committee appointed to check the operation of the machine, arrangements were made to release the related payments retaining 10% of the purchase price of the machine.

After making the relevant payments, at the initial stage the machine was used for processing purposes, the machine stopped working after about 15 minutes in the first time and after about 02 hours in the second time, and then it was not used for processing purposes. Although the relevant supplier was informed about this problematic situation on several occasions and requests were made to put the relevant machine back into working condition, he did not give any response. As well, although he was informed several times to participate in entering into an agreement for providing services after the sale related to the above machine, he avoided all the opportunities.

In view of this situation, the relevant documents were forwarded to the Legal Officer of the Ministry in charge of the subject seeking legal advice to take legal action against the relevant supplier based on the fact that the Corporation was unable to use the machine for processing purposes and the utility of the machine was reduced. The Legal Officer of the Ministry issued a written notice to the above-mentioned supplier to inform about the breach of obligations to his client, and the Legal Officer had given further advices to forward the relevant documents to the Attorney General's Department for future legal proceedings. Accordingly, the relevant further works had been carried out and actions were taken to suspend the payment of the above mentioned 10% retention amount.

Later, in order to get this machine back into working condition, a cost estimate for the repair work was requested from Buddhi Industries, a pioneering company in the production of cashew processing machines, which holds the patent for the production of cashew cutting machines, and the technicians of the relevant company have submitted an estimate of Rs. 04 million to physically check the machine and make it usable again.

Accordingly, the Corporation expects to basically repair the part of the cashew cutting machine that has been identified as essential in the above processing machine, and in the meantime, as mentioned above, arrangements are being made to take legal action against the primary supplier.

2.3 (e) The following explanations are made.

Upon the request of the senior officer in charge of the Nedagamuwa Cashew Processing Center and due to the circumstances created later, in the mid half of the year 2017, a newspaper advertisement was published to call for bids for the repair of the boiler at the Nedagamuwa Cashew Processing Center, and accordingly, only one bid was received. As the bid received was also very high, the Corporation did not proceed to carry out the related repairs based on the provisions available for the purpose at that time.

As mentioned in this audit observation, although it is beneficial to increase the percentage of total cashew kernels by boiling cashew nuts in shell by boiler and processing those cashew nuts in shell, it also creates unfavourable/adverse effects on the sale of cashew nuts such as slightly less taste than the normal taste of cashew kernels, the shelf life of cashew kernels decreases to some extent.

The main reason why customers who buy cashews from the Sri Lanka Cashew Corporation turn to it is that the taste of the cashew nuts of the Corporation is significantly higher compared to the cashew nuts of other cashew producers, and as the cashew nuts have to be produced to meet the demand, the boiler is not used for the traditional processing activities that are currently in use. However, through the fully self-mechanized processing methods that are expected to be used in the future, necessary studies are being carried out to explore the possibility of re-using the boiler for boiling cashew nuts in shell for cashew processing activities so that the relevant quality and taste of the cashew nut products are preserved.

2.3 (f) The Sri Lanka Cashew Corporation, as the only government institution in the cashew sector, has been entrusted with the responsibility of involving in the relevant activities by representing a number of fields such as cashew cultivation, cashew expansion, cashew processing, cashew research and development, cashew marketing etc. in the country.

In the years 2020 and 2021, a large number of growers, processors and traders in the cashew sector lost their income due to the COVID-19 pandemic sitiation that spread throughout the country, and as this Corporation has also been entrusted with the responsibility of working to rescue the people representing the cashew sector who are in economic difficulties, in order to provide solutions to this situation, upon the request of the then Chairperson of the Corporation in the Progress Review Meetings of the Ministry and also as a result of the observations made by the then State Minister in charge of the subject during several visits to the processing centers of the Corporation, in order to benefit the Corporation and the processors represented in the cashew sector in general, arrangements were made to allocate the required financial provisions to the Corporation through the State Ministry in charge of the subject to purchase the cashew packaging machine based on this audit observation and another cashew processing machine system (Audit observations are presented under No. 3.4 (a) of this Auditor General's Report regarding this processing machine system).

As the final value addition of the cashew processing activities of the Corporation and the final packaging activities are carried out at the Nedagamuwa Processing Center, the cashew packaging machine was installed at that premises, and although the cashew processing machine system can also be installed at the Nadagamuwa Processing Center, the cashew processing machine system was installed at the processing center of the Corporation located in Puttalam district, where the cashew industry activities in the country have mostly expanded so that the people in the sector can fetch more benefits.

As well, in line with the goverment budget for the year 2021, which was presented in the latter half of the year 2020, then State Ministry in charge of the subject had allocated provisions of Rs.225 million to the Corporation for the rehabilitation works of the Kondachchi Estate, Mannar of the Corporation and out of the provisions of Rs.225 million, Rs.125 million had been allocated for new planting of cashew in a plot of land in extent 1000 acres and other development activities and infrastructure under the project for the year 2021 in Kondachchi Estate. Accordingly, the requirement for processing and packaging machinery required to carry out processing activities of the cashew nuts in shell with high efficiency, by forecasting the quantity of the yield from the new planting undertaken gradually in the area of 1000 acres within a period of 03 years, was also taken into consideration in these purchases.

However, due to the prevailing of the COVID-19 pandemic situation in the country for a long time and the subsequent economic recession, it was unable to complete the related cashew new planting activities properly, and accordingly, it was not possible to achieve the expected production capacities with the machines at the above cost. Thus, as the packaging machine in question is not compatible with the current cashew production capacities of the Corporation, the Board of Directors had granted approved to the paper submitted to the Board of Directors for seeking approval to sell the packaging machine at a maximum market price by following a formal procurement method and purchase a new packaging machine compatible with the current production capacity of the Corporation using the said proceeds from the sale, and necessary actions will be pursued accordingly.

2.3 (g) The following explanations are made.

Since the period of time allocated by the Ministry of Trade for the completion of the establishment of the relevant sales outlets was extremely limited, although it has not been possible to formally conduct a feasibility study or obtain approval of the Board of Directors for the establishment/ designing of cashew sales outlets at Narahenpita and Wellawatta before starting the procurement process, after completing the establishment/ designing works of the relevant sales outlets, actions have been taken to submit a paper containing relevant information of the purpose to the Board of Directors, and to obtain approval for the same.

As well, based on the limited period for the establishment/ designing of relevant sales outlets, Under the Shopping Method for calling for bids, the information on the relevant designers was obtained from the internet and social media networks and from those who are involved in the field of shop design, and those activities were carried out by the Marketing Division of the Corporation.

Having considered the request made by the relevant designer for the establishment of the sales outlets, an amount of 75% of the contract value has been paid as an advance based on the conditions of the works completed at the relevant time, and actions have not yet been taken to pay the remaining 25% even though the establishment works of the respective sales outlets had been completed.

2.3 (h) The following explanations are made.

After the government acquired the Mirijjawila Circuit Bungalow that previously owned by the Corporation, when there was a requirement to construct a new circuit bungalow, the Ministry in charge of the subject had made allocations for the construction of a circuit bungalow in the Chandrika Weva Plant Nursery premises, Ambilipitiya owned by the Corporation. Since the plans can be prepared taking into account the requirement of the official quarters in the construction of the circuit bungalow and accordingly, since it is unnecessary to construct a separate official quarters in the Chandrika Weva Plant Nursery premises, Ambilipitiya, a discussion on the construction of an official quarters in another place instead of the said official quarters was discussed.

Accordingly, the management had made a decision to carry out related construction works in the premises of the Puttalam Processing Center aiming to meet both the requirements of official quarters for the officer-in-charge of the Puttalam Processing Center and a laboratory for the Puttalam Research Division.

Accordingly, there has been no change in the estimated costs or other related matters, except for the change in the location of the quarters.

As the primary procurement method related to the construction of quarters stated herein, the Corporation planned to follow the method to establish procurement committees under the Shopping Method and invite bids from the contractors in the area and carry out activities accordingly.

Accordingly, even if the relevant committees were established and the activities were carried out through the committees with the written approval of the Ministry in charge of the subject to establish and operate the committees through the relevant method, since the bids received by the bidders were much higher than the bid value and the prices were unworkable under the approved provisions, it was not practical to carry out the procurement activities through the said method. The documents related to all the activities such as the appointment of Regional Procurement Committees, invitation for bids, evaluation of bids etc. are included in the procurement file.

2.3 (i) The following explanations are made.

In the year 2017, by the agreements entered into with the external parties, the plots of land in Puttalam Estate were leased out to those out-growers for a period of 05 years for inter-cropping with cashew. Accordingly, replanting activities were carried out in the Estate without using the provisions of the Corporation, and it gave rise to save a huge cost that the Corporation would have had to incur.

In terms of the relevant agreements, the out-growers should have carried out their intercropping activities while maintaing the cashew cultivation for a period of 05 years. Accordingly, the out-growers carried out the planting activities for a period of about 02 years in terms of the relevant agreements, and as the growers incurred losses in their intercropping activities, the intercropping was stopped after the second year. At the same time, they also stopped the maintenance of the cashew cultivation, and since then, the maintenance of the cashew cultivation was carried out on the provisions of the Corporation. As the growers were violating their agreements, actions were taken to make notifications in line with the proper method and all the related agreements were cancelled.

There was cassava (Manioc) cultivation undertaken by the intercrop growers in the Mungil Aru sub-division, which is the upper stream part of the Estate. Upon a request made by the out-growers, although they were given the opportunity to remove the cassava (Manioc) cultivation, due to the lack of market demand, the work had been slow and then in the year 2020, they abandoned the cultivation.

Since a large amount of money would be incurred to fully control weeds in the said part of the Estate, due to the non-availability of provisions for the purpose at that time, arrangements were made to remove the cassava (Manioc) cultivation around the cashew trees and to protect the cashew plants.

Later, in the year 2020 as well, although a few plots of land in the Mungil Aru sub-division were lease out to out-growers for intercropping on the basis of renewing the agreements every year, their agreements were also canceled as those growers also violated the agreements as before.

Due to these facts, the forest gradually grew in the land where cashew was cultivated, however, using the provisions of the Corporation, arrangements were made to maintain these plots of land as much as possible and protect the cashew trees from dying.

In the year 2021, a newspaper advertisement was published to clear the jungle of this sub-division, and as only one bidder had submitted bids for the purpose, the procurement had to be cancelled.

In the current year, plans have been prepared to carry out weed control activities in the belt between the existing cashew trees in this division, and accordingly, necessary actions will be taken to protect the yield of cashew nuts in shell to be received from this sub-division without being destroyed.

2.3 (j) The following explanations are made.

During the period under review, there were material delays in the rehabilitation project of the Kondachchi Estate due to the various practical issues arisen due to the COVID-19 pandemic situation spread throughout the country and the subsequent economic recession, and however, as mentioned here, out of the allocation of Rs. 225,000,000/- received from the relevant Ministry for the related rehabilitation project, an amount of Rs. 92,727,485/- has been spent on the activities of the project as at 31.12.2023. As well, the procurement activities related to clearing the forest in the area of the Estate where the cashew new planting is undertaken and purchasing electrical equipment and office equipment for the circuit bungalow to be constructed in the Estate are being carried out, and in addition, it is expected to spend nearly a sum of Rs. 90,000,000/- in the next short period of time through the procurement activities in the final stages such as digging pits, purchasing agricultural equipment, field equipment and office equipment for the Estate. The procurement activities related to other major expenditures have also been initiated, and accordingly, the necessary actions are being taken to complete the activities of this project within the stipulated period of time as planned.

2.3 (k) The following explanations are made.

Although provisions had been allocated for the production of 14 water bowsers in the initial project, it was later revised to 15 water bowsers due to the requirements of the field.

Necessary arrangements were made with the intervention of the Ministry in charge of the subject to acquire 14 tractors in the possession of the Department of Agrarian Services to the Corporation free of charge and to repair and use them instead of purchasing new tractors required for the relevant bowsers.

Accordingly, the Department of Agrarian Services provided 08 tractors in usable condition for the above water bowsers after making repairs, to the Corporation free of charge. The repairs to 04 of those tractors were completed and they are now being used for the related activities, and the necessary repairs to the remaining 04 tractors are also being carried out. In addition, 02 tractors owned by the Kondachchi Estate have also been sent for repair works. As it is not necessary to have one tractor for each water bowser, the above mentioned number of tractors (Total number of tractors is 10) is sufficient to use all the new water bowsers.

Accordingly, since all the above-mentioned water bowsers are used for the activities of the estates of the Corporation using the tractors made availabla in the best possible way, as stated in this audit paragraph, there has been no waste of money spent on purchasing water bowsers due to inability to use them.

As well, as per the inspections carried out by a Technical Evaluation Committee consisting of a Mechanical Engineer after the production of the respective water bowsers, there were no reports of rusting at the welding points of the white metal plates of those water bowsers or at any other place, and accordingly, the Technical Evaluation Committee had confirmed in writing that the white iron bowser had been produced in line with the relevant specifications.

2.3 (l) Since the Kondachchi Estate of the Corporation is located on the border of the Wilpattu Reserve, in the construction of the electric fence for a distance of 26 kilometers covering an area of 6498 acres of the said Estate, initially, permission had to be obtained from the Department of Wildlife and Forest Conservation for the purpose, and Thereat, the boundary of the Wilpattu Reserve and the boundary of the Kondachchi Estate had to be settled, so, it took a considerable period of time. As well, a tremendous effort had to be made to obtain the relevant permissions.

In parallel with the activities of obtaining the relevant permission, several rounds of discussions on the construction of this electric fence were held between the Sri Lanka Cashew Corporation and the Civil Security Department, which has currently undertaken cashew cultivation in a part of the Kondachchi Estate, and since the construction of this electric fence will also provide protection for the cashew cultivation area of the Civil Security Department, the Civil Security Department has given consent to make labour contribution to the construction and maintenance of the relevant electric fence and as a result, it was possible to reduce the cost of electric fence construction by a significant amount.

As well, all the procurement activities related to the construction of this electric fence are carried out by the Civil Security Department, and the said Department has already published a newspaper advertisement for the purchase of materials required for the related construction activities. The Corporation has paid Rs.513,912/- for the purpose as well. Accordingly, bids have already been invited for the work in question, and accordingly, the relevant future procurement activities are being carried out.

2.3 (m) In keeping with the prevailing conditions of the Electricity Board, as the total amount required to establish the electricity system should be paid at once, the relevant total payments were made accordingly. In accordance with the revised installation cost submitted by the Electricity Board based on the changes in the economic condition of the country during the project period, the total amount paid by the Corporation to the Board to date is Rs.28,209,434/-.

Since the responsibility of cutting and removing the trees on the road where the electrical wiring was being laid was assigned to the relevant Divisional Secretariat and the State Timber Corporation, although frequent notifications were made in this regard, due to the quarantine curfew imposed due to the spread of the Corona pandemic during the relevant period, there was a big delay in those activities.

However, the work of supplying electricity to the Kondachchi Estate has been completed by now, and accordingly, arrangements have already been made to obtain the electricity supply for one official quarter of the Estate after completing the circuits for the electricity supply. The construction works of the remaining quarters and buildings are being carried out, and necessary arrangements will be made to complete the works promptly and obtain the electricity supply for those quarters and other buildings as well.

2.3 (n) Due to the sharp increase in the prices of domestic raw materials due to the severe import restrictions due to the Corona pandemic situation during the relevant period, initially, the amount estimated for the construction of shade house templates was by no means sufficient. Therefore, although the construction of the related shade house templates had to be stopped, as usual, templates were created in the respective nurseries using wooden rods and the shade nets purchased as above were used for the nursery activities. These shade nets will be used for nursery activites in the coming period as well.

Since there has been some reduction in the price of related construction materials at present, actions are being taken to consider the construction of net houses even below the required number.

2.3 (o) The following explanations are made.

As per the letter addressed to the Department of Public Enterprises of the General Treasury seeking instructions on the possibility to set off the loan balance of Rs. 3,500,000/- to be settled by the Corporation to the Government Paddy Marketing Board, with the debtor balance of Rs. 9,466,200/- to be recovered from the Ministry of Economic Development (currently abolished) previously mentioned under No. 1.2

(h) of this report, as there is no possibility for related set off, the letter received from the said Department of Public Enterprises was submitted to the Audit Committee Meeting of the Corporation held on 22.12.2023 to seek necessary further instructions.

Accordingly, as mentioned earlier, it was decided to issue a letter to the Ministry of Finance, Economic Stabilization and National Policies to seek instructions for recovering the above loan amount of Rs.9,466,200/-, and if any amount is recovered based on such instructions, it was further decided to use 50% of that amount to settle the outstanding loan amount to be paid to the Paddy Marketing Board. Necessary actions will be pursued accordingly.

2.3 (p) The following explanations are made.

As per a recommendation of the Audit Committee of the Corporation, in terms of the approval granted by the Board of Directors, it has been planned to complete the works of an enumeration of the cashew trees and the preparation of cashew tree registers in the estates and seed gardens of the Corporation stated herein in the current year, and the relevant activities will be completed accordingly.

2.3 (q) The following explanations are made.

With approval of the Board of Directors of the Corporation, the necessary arrangements have already been made to close all the remaining bank accounts of the Corporation except for 02 current accounts (Current accounts bearing numbers 1633704 and 1633705) and 01 saving account of the Bank of Ceylon (Saving Account No. 1649789).

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