



SRI LANKA CASHEW CORPORATION



ANNUAL REPORT 2022

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Message from the Chairperson

It gives me great pleasure to contribute this message on the development programme for the year 2022 of the Sri Lanka Cashew Corporation, which has reached its 50th anniversary through the successful execution of its core functions of introducing value-added cashew products, conducting cashew cultivation extension activities, and encouraging cashew research and development activities, contributing immensely to the development of the local plantation crop sector and uplifting the local cashew cultivation.

The cashew plant, which originated in the Northeast Region of Brazil, was introduced to Sri Lanka by the Portuguese through the Indian State of Goa in the 16th century. Initially, it was cultivated in the northwestern coastal belt of Sri Lanka, and later became popular as a crop that can be grown in regions with a dry climate. Today, it can be introduced as a commercially important crop with high agricultural potential.

After Sri Lanka had gained independence, those who were engaged in the agricultural sector focused more on cashew cultivation, and the cashew industry became very popular, particularly after the establishment of the Sri Lanka Cashew Corporation in 1973. The Sri Lanka Cashew Corporation is primarily assigned with the task of developing the cashew industry in the country.

Currently, the cashew kernel is used for making sweets, cakes, and curries, especially during the festive seasons such as the Sinhala and Tamil New Year and the Christmas, and the liquid obtained from outer peel of the cashew nut (Cashew nut liquid oil) has the potential to be used as a raw material for the production of lacquers, paints, and plastics.

There is a huge demand for cashew kernel and cashew kernel products in both the local and the foreign markets. Due to the ivory colour of the Sri Lankan cashew kernel, its large size, and the sugary coating around the kernel, there is an enormous demand in the global market for the Sri Lankan cashew kernel, but Sri Lanka's cashew production is not sufficient to meet that demand. There is a demand of about 25,000 metric tons of raw cashew nuts annually, but the production is only about 12,000 metric tons. This situation has adversely affected the promotion of cashew exports.

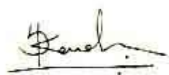
In 2021, the raw cashew nut harvest in Sri Lanka was 8,225 metric tons, which increased to 14,730 metric tons in 2022. This is a great achievement despite the global Covid-19 pandemic that prevailed during this period. This is a growth of 79% compared to the year 2021. This year's export volume was 58.2 metric tons and the export value was Rs. 212.83 million. This is an impressive growth compared to the year 2021.

During the year 2022, Sri Lanka Cashew Corporation succeeded in providing all its services and performing its commercial activities in a very satisfactory manner, and I would like to express my heartfelt gratitude and appreciation to the Board of Directors of the Corporation for extending their cooperation to me.

Especially, I would like to express my deep appreciation for the service of all the staff including the General Manager, Deputy General Manager and Assistant General Managers who worked with great dedication to carry out all the activities of the Corporation with increased productivity and efficiency.

We have been able to achieve this success due to the support and dedication shown by all stakeholders including small-scale processors, cashew product exporters, cashew smallholders, government and non-government organizations, and I would like to extend my sincere appreciation to all these parties for their valuable contribution.

Finally, I would also like to express my gratitude to Hon. Ramesh Pathirana, Minister of Plantation, as well as to Hon. Janaka Wakkumbura, State Minister of Development of Minor Crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, and Betel Related Industries and Export Promotion, and to the Secretaries to the said ministries and the staff of the ministries for the guidance given to our Corporation.



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

1. Corporate Profile/ Execution Summary

1.1 Establishment of Sri Lanka Cashew Corporation

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

1.2 Vision

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

1.3 Mission

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

1.4 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 by expanding the cultivation.
- Improving the productivity in the cashew processing industry and of the cashew estates.
- Establishing a globally recognized brand for Sri Lankan Cashew.
- Value addition and new product development.
- Promotion of cashew export.
- Making Sri Lanka the number one cashew producer.
- Making the Cashew Corporation a self-sufficient, profit making state enterprise.

1.5

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

- (a) Providing instructions for formulation and implementation of plans related to cultivation, processing and marketing of cashew and processing and marketing of cashew products.
- (b) Carrying out activities related to cultivation, processing and marketing of cashew and processing and marketing of cashew products.
- (c) Conducting investigations and research with the intention of expanding cultivation, processing and marketing of cashew and processing and marketing of cashew products.
- (d) Collecting, compiling, 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 location, size 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 as required.
- (f) Purchasing, distributing, selling and exporting cashew and cashew products.
- (g) Providing facilities for training of the required persons to carry out the works related to cultivation, processing and marketing of cashew and processing and marketing of cashew products.
- (h) Establishing the apex body required for the development of cashew cultivation, processing facilities and marketing and assisting in their establishment.
- (i) Taking measures as may be deemed necessary for the promotion and sale of cashew products, increasing the existing demand for the products in the global market and financing the promotional activities for the purpose or related incidental works, supervising such activities and initiating to assist the activities and sponsoring them.

2. Organizational Structure of the Sri Lanka Cashew Corporation

2.1 Board of Directors

Table 2.1: Members of the Board of Directors from 01.01.2022 to 31.12.2022

Serial No.	Name	Position
01.	Mrs. R.A.S.K. Saranga Ratnayake	Chairperson
02.	Miss. Ashoka Lankathilaka	Deputy Chairperson
03.	Mrs. Thilaka Jayasundara	Member of the Board of Directors (Representative of the Ministry in Charge) 01.01.2022. to 31.01.2022
04.	Mrs. A.U.K. Dodamwala	Member of the Board of Directors (Representative of the Ministry in Charge) 06.06.2022 to 31.12.2022
05.	Miss. K.A.C. Priyadarshani	Member of the Board of Directors (Representative of the Treasury) 06.06.2022 to 31.12.2022
06.	Mr. Chamara Subasinghe	Member of the Board of Directors
07.	Mr. Upali Waduarachchi	Member of the Board of Directors
08.	Mr. H.M.C.K. Herath	Member of the Board of Directors 01.01.2022 to 31.01.2022
09.	Mr. I.W.A. Saman Kumara	Member of the Board of Directors
10.	Mr. P.B. Kodikara	Acting General Manager, Secretary to the Board of Directors, (01.01.2022 to 15.08.2022)
11.	Mr. K.S. Wijayakeerthi	Acting General Manager, Secretary to the Board of Directors, (from 06.09.2022)

2.2 Audit and Management Committee of Sri Lanka Cashew Corporation

Table 2.2: Audit and Management Committee for 2022

Serial No.	Name	Position
01	Miss. K.A.C. Priyadarshani	Chairman of the Committee, Board Member - Representative of the Treasury
02.	Mrs. A.U.K. Dodamwala	Committee Member, Board Member (Representative of the Subject Ministry)
03.	Mr. Chamara Subasinghe	Committee Member, Board Member
04.	Mr. P.B. Kodikara	Secretary of the Committee (Acting), General Manager (Acting) (01.01.2022 to 15.08.2022)
05.	Mr. K.S. Wijayakeerthi	Secretary of the Committee (Acting), General Manager (Acting) (02.09.2022 to 31.12.2022)
06.	Mr. V.U. Liyanage	Committee Convener and Committee Member, Assistant General Manager (Internal Audit)
07.	Mr. R.M.P.A. Janaka	Committee Observer, Audit Superintendent, National Audit Office (01.01.2022 to 16.11.2022)
08.	Mrs. G.K.U. Abeyratne	Committee Observer, Audit Superintendent, National Audit Office (29.12.2022 to 31.12.2022)

2.3 Top Management of the Sri Lanka Cashew Corporation

- (i). Mr. P.B. Kodikara - Deputy General Manager / General Manager (Acting) (31.01.2022 to 15.08.2022)
- (ii). Mr. K.S. Wijayakeerthi - General Manager (Acting) (From 16.08.2022)

2.4 Middle Management Staff of Sri Lanka Cashew Corporation

- | | | | |
|------|--------------------------|---|--|
| i. | Mr. M.T.S.K. Peiris | - | Assistant General Manager- Finance |
| ii. | Mr. G.B.B. Surendra | - | Assistant General Manager - Extension and Research |
| iii. | Mr. V.U. Liyanage | - | Assistant General Manager - Internal Audit |
| iv. | Mr. R.M.P. Jayathissa | - | Assistant General Manager - Marketing and Processing |
| v. | Mr. P.M.A.P.K. Wijetunga | - | Assistant General Manager - Plantations |

2.5 Organizational Structure of Sri Lanka Cashew Corporation

Sri Lanka Cashew Corporation consists of 07 Divisions, and each of the Divisions and the responsibilities of each Division are given below:

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

2.5.1 Extension and Research Division

Sri Lanka Cashew Corporation has always played a very responsible role in promoting the cashew industry in Sri Lanka. In this respect, the Extension and Research Division of the Sri Lanka Cashew Corporation plays a vital role in the extension and research of cashew cultivation.

2.5.1.1 Extension Division

The functions of the Extension Division can be summarized as follows:

- Identifying the training needs of cashew farmers.
- Developing and implementing long-term programmes and projects.
- Demonstrating advanced methods of cashew cultivation.
- Providing solutions to the farmers' problems in the field.
- Establishing and maintaining demonstration and exhibition areas in the field.
- Collaborating with other agricultural extension services and organizations.
- Collecting and analyzing data related to cashew cultivation methods and results.

Under its Extension Services, the Sri Lanka Cashew Corporation provides the farmers engaged in cashew cultivation with technical and practical knowledge to improve their skills, knowledge and experience and to increase the production and productivity of cashew cultivation.

The objectives of the Extension Division can be summarized as follows.

- To introduce the latest cashew cultivation methods to farmers and to develop those methods.
- To increase the cashew production and productivity of the cashew cultivations.
- To disseminate research findings and best practices among farmers.
- To provide training and assistance to improve the skills and knowledge of farmers.
- To promote sustainable and environmentally friendly cashew cultivation methods.
- To facilitate the use of modern technologies in cashew cultivation.
- To develop research, long-term affairs and farmer-to-farmer relations.

Under the Extension Division of the Sri Lanka Cashew Corporation, 11 Regional Extension Offices have been established in Killinochchi, Anuradhapura, Trincomalee, Puttalam, Matale, Mahiyangana, Ampara,

Batticaloa, Moneragala, Hambantota and Embilipitiya, and the main objective of these offices is to provide necessary facilities to cashew cultivators.

These offices are located mainly covering the Dry Zones of Sri Lanka, but the duties of these offices are carried out in a manner that covers the Intermediate and Wet Zones as well. The main activities are to establish cashew cultivation in the districts of Puttalam, Kurunegala, Gampaha, Kegalle, Anuradhapura, Polonnaruwa, Jaffna, Killinochchi, Mannar, Vavuniya, Mullaitivu, Trincomalee, Batticaloa, Badulla, Matale, Moneragala, Hambantota, Matara, Ratnapura and Ampara.

These Regional Offices are supervised by the Assistant General Manager - Extension and Research, and are supported by a field staff of nearly 100 employees consisting of Regional Managers and Assistant Regional Managers, who perform the following roles and provide technical and practical support to improve the skills, knowledge and experience of farmers engaged in cashew cultivation on a small, medium and large scale and to increase the production and productivity of cashew cultivations.

The roles of the Extension Division are as follows:

- Conducting field visits to cashew cultivations of the cashew farmers.
- Organizing training sessions, workshops and seminars for cashew farmers.
- Providing technical and advisory services to cashew farmers.
- Transferring knowledge and innovation to the field in collaboration with the Research Divisions.
- Monitoring and evaluating the long-term impacts of environmental activities on cashew cultivations.
- Developing resources, tools, guidelines, articles and news items.
- Providing necessary facilities to farmers for the maintenance of quality cashew plants.

In addition, the responsibilities of the Extension and Research Division also include providing extension services in a timely and efficient manner, maintaining accurate records of extension services and evaluations with farmers, providing farmers with up-to-date and practical information, establishing Farmers' Associations and engaging with them for extension

services, reporting to the management on the progress and challenges faced in providing extension services, obtaining resources and funds required for extension programmes, and constantly updating farmers' knowledge and skills through professional development and training.

2.5.1.2 Research Division

The Research Division of the Sri Lanka Cashew Corporation conducts scientific research on cashew plants, cashew cultivation and cashew products. Two main centers are located under this Division in the Puttalam District, namely the Puttalam Research Center and the Kamandaluwa Research Center. The main objective of the Research Division is to support the economic growth of Sri Lanka through the cashew industry and to promote sustainable and environmentally friendly practices. The other objectives can be summarized as follows.

- Improving the quality of and yield from cashew crops.
- Developing sustainable and efficient cashew farming methods.
- Modernizing cashew value-added products and related products.
- Conducting research about pests and diseases affecting cashew crop.
- Supporting the economic growth of the cashew industry in Sri Lanka.
- Promoting the use of modern technologies in cashew cultivations.
- Dissemination of research findings to the farmers and to the relevant stakeholders.

The main function of the Research Division of the Sri Lanka Cashew Corporation is to modernize sustainable and efficient cultivation methods to improve the quality and yield of cashew cultivations and to implement measures to promote modern technological solutions required for cashew cultivation. In addition to the said functions, the following tasks, too, are performed by the Research Division.

- Conducting field examinations and research on cashew plants.
- Analyzing soil, water and plant species for research purposes.
- Developing plans for pest and disease control.
- Evaluating the efficiency of various cultivation methods.

- Collecting and maintaining the biological community of cashew varieties.
- Evaluating the economic advantages of cashew production methods.
- Modernizing post-cultivation maintenance methods of cashew plants.
- Providing consultancy services to cashew growers and processors.

In addition, this Division also works to develop value-added products from cashew trees, and conducts research for controlling pests and diseases affecting cashew trees.

The roles of the Research Division of the Sri Lanka Cashew Corporation include conducting scientific research on cashew cultivation and processing, collaborating with national and international research institutions, and providing technical support and guidance to cashew cultivators. This Division also evaluates the effectiveness of relevant cultivation methods and publishes research findings as scientific journals, papers and reports.

Ensuring the transparency and reliability of research data, adhering to legal guidelines and professional standards, maintaining complete records of research projects and findings, enhancing collaboration with stakeholders in the cashew industry, reporting the progress and results of research to the management of the Sri Lanka Cashew Corporation, securing funds and resources for research programmes, and constantly updating knowledge and skills through professional development are among the responsibilities of the Research Division.

The Sri Lanka Cashew Corporation and the Faculty of Agriculture of the Wayamba University of Sri Lanka work together to regulate research activities. The Research Management Committee is a joint committee formed in this manner, and the members of this Committee steer and direct the research activities.

2.5.2 Human Resource Management and Administration Division

The people working for an organization and the strengths, knowledge, skills and experience that they possess and that can be used for the productive production activities of that organization can be identified as the human resource of that organization.

The main functions performed by the Human Resource and Administration Division are to utilize the human resources efficiently and effectively to achieve the objectives and goals of the Sri Lanka Cashew Corporation and to provide the necessary infrastructure facilities.

In addition to these functions, the Human Resource and Administration Division provides the following benefits to the Sri Lanka Cashew Corporation.

- To increase the efficiency and productivity of the operations of the Corporation by providing services to farmers, processors, marketers and risk bearers.
- To organize training programmes for the staff of the Corporation and to increase the efficiency of the staff.
- Formulation of administrative regulations.

2.5.3 Finance Division

It is the responsibility of the Finance Division of the Sri Lanka Cashew Corporation to provide financial facilities to various Divisions of the Corporation. Accordingly, the Finance Division is responsible for providing financial facilities for the approved programmes and projects in accordance with the budget and financial work plans. The functions performed by the Finance Division are as follows.

- Increasing the efficiency and productivity of the Corporation through proper financial management.
- Making payments in accordance with relevant financial laws and regulations.
- Preparing monthly reports stating the income, expenditure and profit and loss status of the Divisions and their projects.
- Preparing the final accounts stating the profitability of the commercial and service divisions at the end of each year and submitting them to the Ministry.

2.5.4 Internal Audit Division

The main objective of the Internal Audit Division of the Sri Lanka Cashew Corporation is to contribute to the achievement of the common goals and objectives of the Sri Lanka Cashew Corporation by conducting regular and independent evaluations of the system of internal controls of the Sri Lanka Cashew Corporation, which are based on the financial activities of the Corporation, and thereby, to ensure the adequacy and validity of the relevant internal audits, to introduce the necessary procedures and methods for utilizing the resources of the Sri Lanka Cashew Corporation in a more effective, efficient and economical manner under proper control for the day-to-day operations of the institution, and to provide feedback on their practical applications, as well as to conduct a regular evaluation of the programmes and projects relevant to the progress and development of the Cashew Corporation and to report to the management on the updates that need to be made in them and their progress.

In addition, the sub-goals of the Internal Audit Division are as follows:

- To detect fraud, corruption and omissions by conducting internal audits to establish equity and adequacy based on independent verification and internal controls for the financial and non-financial activities of the Sri Lanka Cashew Corporation.
- To carry out the operations of the Sri Lanka Cashew Corporation in a controlled and target-oriented manner by using proper strategies and systematic methods and using resource-effective, efficient economic methods.
- To ensure the progress of the Sri Lanka Cashew Corporation by conducting long-term verification of the projects and programmes related to the achievement of the objectives.

2.5.5 Plantation Division

The Plantation Division of the Sri Lanka Cashew Corporation plays a very vital role in uplifting the cashew industry by producing high quality cashew nuts to meet the local cashew consumption demand in Sri Lanka. The main

functions of the Plantation Division are to provide high quality planting materials, technical advice and guidance to entrepreneurs entering the export-oriented cashew cultivation.

Cashew cultivation has spread to 22 districts in Sri Lanka at present. Cashew cultivators are engaged in cashew cultivation on small scale and large scale as well, and the Plantation Division of the Sri Lanka Cashew Corporation provides advice and guidance to these cashew cultivators to maintain their cashew cultivations in a high quality, profitable and successful manner.

The functions of the Plantation Division of the Corporation can be summarized as follows:

- Maintaining and managing the cashew estates and nurseries owned by the Corporation profitably.
- Producing unpeeled cashew nuts for the annual made cashew requirement of the Cashew Corporation.
- Establishing new plantations in the estates and rehabilitating old plantations.
- Establishing commercial nurseries annually and producing authentic grafted plants and seedlings as planting material.
- Carrying out cultivation activities in a manner that conserves the natural environment.
- Increasing the quality and quantity of production and enhancing productivity by working in collaboration with the people in the rural areas surrounding the estates and nurseries.
- Attracting investors and processors by maintaining cashew cultivations as model cultivations.
- Conducting awareness programmes on the cashew industry to cultivators, new entrepreneurs, university students, employees of public and private institutions and members of agricultural organizations.

In order to fulfill the above-mentioned functions, 08 cashew estates and 05 Planting Material Production Centers are maintained in different parts of the island under the Plantation Division of the Sri Lanka Cashew Corporation. Further, the Plantation Division of the Corporation produces authentic grafted

cashew plants required for the expansion of cashew cultivation and distributes them to farmers throughout the island cultivating cashew.

2.5.6 Marketing and Processing Division

The Marketing and Processing Division carries out quality cashew processing activities to meet the local cashew consumption needs. There are two centers functioning under the Sri Lanka Cashew Corporation where cashew processing activities are carried out. The overall functions of the Marketing Division can be summarized as follows:

- To enhance the cashew processing industry by minimizing production costs and by increasing productivity.
- To enhance the quality and taste of value-added cashew products in line with international standards.
- To develop the cashew marketing and processing industry by maintaining good relations with government and non-government organizations and to achieve annual growth in that sector.
- To maintain efficient and productive marketing by increasing profitability and maintaining good relations with market competitors.
- To enhance the living standards of the employees and to empower them by updating their knowledge and developing their skills.

2.5.7 Policy and Planning Division

- To prepare the Corporate Plan and the Action Plan annually.
- To carry out evaluation by comparing the aims and objectives related to the corporate plan and the action plan with actual activities, informing the top management, the Board of Directors and other parties and obtaining solutions to the obstacles to achieving the goals, carrying out coordination activities, and reporting the performance and problems.
- To maintain a database on the activities of cashew farmers and processors and all commercial activities of the Corporation.
- To identify obstacles to achieving the goals, formulate policies to address them, and formulate plans to achieve the vision, mission, objectives and goals of the Corporation at a minimum cost.

To carry out publicity activities to enhance the achievements and reputation of the Cashew Corporation, and to inform the public about the benefits of cashew cultivation.

2.6 Head Office and Regional Offices

2.6.1 Head office

The Head Office of the Sri Lanka Cashew Corporation is located at No. 1334, Old Kotte Road, Rajagiriya.

Telephone:

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

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

2.6.2.1 Regional offices

Table 2.6.2.1 : Regional Offices

Name and Designation	Districts covered	Address	Telephone No.
1. Mrs. C.A. Denagama Regional Manager (Acting)	Anuradhapura	Sri Lanka Cashew Corporation, Milk Producers' Cooperative Society Building, Godage Mawatha, Anuradhapura.	025-2227071 071-8046790
2. Mr. Buddhika Sandaruwan Assistant Regional Manager	Badulla/ Kandy	Sri Lanka Cashew Corporation CTC Junction, Aluthgama, Mahiyangana.	055-3555257 077-3410225

Name and Designation	Districts covered	Address	Telephone No.
3. Mr. Ranjith Gamage Assistant Regional Manager (Acting)	Hambanthota Ratnapura	Sri Lanka Cashew Corporation, Central Nursery, Kiralawelkotuwa, Embilipitiya.	077-6263358
4. Mr. L. Sanjeewan Assistant Regional Manager	Killinochchi/ Mullaitivu/ Jaffna/ Mannar Vavuniya/	Sri Lanka Cashew Corporation, Old Kachcheri Building, Killinochchi.	021-2283830 077-9850497
5. Mr. Buddhika Sandaruwan Assistant Regional Manager	Ampara	Sri Lanka Cashew Corporation, 40 th Mile Post, Mangalagama, Ampara.	077-3410225
6. Mr. K.A.A. N. Amarasinghe Assistant Regional Manager	Moneragala	Homagama Estate, 22 nd Mile Post, Nakkala, Moneragala.	055-2252090 071-8159195
7. Mr. K.B.S.J. Kariyawasam Assistant Regional Manager	Hambanthota	Sri Lanka Cashew Corporation Silvas, Malpettawa, Ambalanthota.	071- 8576359
8. Mr. H.M.A.S. Jayawardena Assistant Regional Manager	Puttalam	Sri Lanka Cashew Corporation, Shantha Mariyapa, Senakudirippu, Puttalam.	032-2265998 070-3324319
9. Mr. H.T.D. Dayaratne Assistant Regional Manager	Batticaloa/ Polonnaruwa	Sri Lanka Cashew Corporation, Public Library, V.C. Road, Wanduramulai.	077-6181734
10. Mr. K.D.Madusanka Officer-in-Charge	Matale	Sri Lanka Cashew Corporation Nalanda Seed Garden, Madawala Spring, Matale.	071-0144631
11. Mr. R.S. Naresh Kumar Officer-in-Charge	Trincomalee	Sri Lanka Cashew Corporation, Kandy Road, Thambalagamuwa, Trincomalee.	077-1303648

2.6.2.2 Estates owned by Sri Lanka Cashew Corporation

Table 2.6.2.2: Estates and Acreage of Land

SN.	Name of the Estate	District located	Total Acreage	Acreage Cultivated
01.	Kamandaluwa Estate	Puttalam	548	494
02.	Achchigewaththa Estate	Puttalam	961	761
03.	Hardy Estate	Batticaloa	365	190
04.	Kondachchi Estate	Mannar	6498	2385
05.	Mankarni Estate	Batticaloa	1075	115
06.	Pooneryn Estate	Killinochchi	479	479
07.	Wellankulama Estate	Mannar	500	265
08.	Thiriyaya Estate	Trincomalee	10	10
	Total		10436	4699

2.6.2.3 Seed Gardens owned by the Sri Lanka Cashew Corporation

Table 2.6.2.3 : Acreage of land where seed gardens are located

SN.	Seed Gardens	District located	Total Acreage	Acreage Cultivated
01.	Eluwankulama Seed Garden	Puttalam	651	245
02.	Wilachchiya Seed Garden	Anuradhapura	25	17
03.	Suduwathura Ara Seed Garden	Moneragala	200	45
04.	Mahaoya Seed Garden	Ampara	81	45
05.	Nalanda Seed Garden	Matale	135	50
	Total		1092	402



Photo 2.6.2.3 : Nalanda Seed Garden - Matale District

2.6.2.4 Plant Nurseries owned by the Sri Lanka Cashew Corporation

Photo 2.6.2.4 : Acreage of land where plant nurseries are located

SN.	Central Plant Nursery	Districts covered	Acres	Plant Production Capacity (Number of Plants)
01.	Mihintale Plant Nursery	Anuradhapura, Vavuniya, Killinochchi, Mullaitivu, Mannar	2.5	160000
02.	Dambulla Plant Nursery	Matale/Polonnaruwa	3.0	50000
03.	Kamandaluwa Plant Nursery	Puttalam/ Kurunegala	1.0	240000
04.	Hardy Plant Nursery	Batticaloa/ Trincomalee	1.0	40000
05.	Kumbukkana Plant Nursery	Moneragala	3.0	150000
06.	Mahiyangana Plant Nursery	Badulla/ Kandy	2.0	60000
07.	Chandrika Wewa Plant Nursery	Hambanthota/ Ratnapura	0.5	60000
08.	Mangalagama Plant Nursery	Ampara	0.25	15000
Total			13.25	775000



Photo 2.6.2.4 : Kamandaluwa Grafted Cashew Plant Nursery - Andigama

2.6.2.5 Cashew Processing Centers owned by the Sri Lanka Cashew Corporation

Table 2.6.2.5: Cashew Processing Centers owned by Cashew Corporation

SN	Cashew Processing Center	District
01.	Nedagamuwa Processing Centre	Gampaha
02.	Puttalam Processing Centre	Puttalam



Photo 2.6.2.5 - Nedagamuwa Processing Centre

2.6.2.6 Cashew Research Units owned by the Sri Lanka Cashew Corporation

Table 2.6.2.6 : Cashew Research Units owned by Cashew Corporation

Srl. No.	Research Unit	District
01.	Kamandaluwa Research Unit	Puttalam
02.	Puttalam Research Unit	Puttalam

2.6.2.7 Main Joint Research Collaboration of the Sri Lanka Cashew Corporation

Research programmes are implemented annually in collaboration with the Faculty of Agriculture and Plantation Management of the Wayamba University of Sri Lanka. This enables the Corporation to achieve a number of objectives such as improving the quality and yield of the cashew crop, developing sustainable and efficient cashew cultivation methods, modernizing cashew value-added products and cashew-related products, conducting research against pests and diseases affecting the cashew crop, and supporting the economic growth of the Sri Lanka Cashew Corporation. By this committee, Research Programmes have been conducted in 2022.

2.6.2.8 Sales Outlets of the Sri Lanka Cashew Corporation

Table 2.6.2.8 : Sales Outlets of the Sri Lanka Cashew Corporation

SN.	Cashew Sales Outlets of the Corporation	District
01.	No. 1334, Parana Kotte Road, Rajagiriya.	Colombo
02.	No. 518, Galle Road, Colombo 03.	Colombo
03.	Narahenpita Cashew Sales Outlet, Economic Centre, State Trading Corporation Building.	Colombo
04.	Balangoda Cashew Sales Outlet, 122 D, Barnes Rathwatte Mawatha, Balangoda.	Ratnapura
05.	Pelmadulla Cashew Sales Outlet, Ratnapura Road, Pelmadulla.	Ratnapura
06.	Ambepussa Cashew Sales Outlet, “Avanhala”, Ambepussa, Warakapola.	Kegalle
07.	Badagamuwa Cashew Sales Outlet, Tourist Information Centre, Kurunegala.	Kurunegala

2.6.2.9 Franchised Dealers of the Sri Lanka Cashew Corporation

Table 2.6.2.9 : Franchised Dealers

SN.	Franchised Dealers of the Cashew Corporation	District
1.	Randiya Fruits and Nuts, Payagala, Maggona.	Kalutara
2.	Ananda Food City, No. 272, Anguruwathota Road, Horana.	Kalutara
3.	Panadura Co-op City, Panadura Multi-purposes Co-operative Society Ltd., Janapriya Mawatha, Panadura.	Kalutara
4.	New American Chicken Hut, No. 16, Sri Sarananda Mawatha, Kalutara.	Kalutara
5.	National Livestock Development Board, Narahenpita.	Colombo
6.	Sri Lanka National Freedom from Hunger Campaign, No. 21, Galle Road, Dehiwala.	Colombo
7.	Lion Grocery, Makumbura, Pannipitiya Road, Kottawa.	Colombo
8.	Thalagala Stores, Thalagala.	Colombo
9.	Panorama Chinese Restaurant, Kottawa.	Colombo
10.	Royal Bakery, Wellawatte.	Colombo
11.	Kapuwatte Miya, Nawala.	Colombo
12.	Navamini (Pvt) Ltd, Pitakotte.	Colombo
13.	Dairy Products and Milk Bar, Narahenpita.	Colombo
14.	State Trading Corporation.	Colombo
15.	Namunukula Dairy Stores, Wattala.	Gampaha
16.	Sri Lanka Thriposha Ltd.	Gampaha
17.	Fresh Farm Shop, Galle Road, Hikkaduwa.	Galle
18.	Sunila Grocery, No. 35, New Road, Ambalangoda.	Galle
19.	Golden Maid, 144, Galle Road, Ahangama.	Galle
20.	DGM Agriculture Dept., Labuduwa, Galle.	Galle
21.	Sampath Pharmacy and Grocery, 39 E, Matara Road, Akuressa.	Matara
22.	DGM Agriculture Dept., Matara.	Matara
23.	Abeygunawardena Stores, Deniyaya.	Matara
24.	DGM Agriculture Dept., Thelijawila.	Matara
25.	Yatinuwara Gangapalatha Multi-purposes Cooperative Society Ltd., Polgahamula Junction, Peradeniya.	Kandy

SN.	Franchised Dealers of the Cashew Corporation	District
26.	Yatinuwara Meda Palatha Multi-purposes Cooperative Society Limited, Embilmeegama, Pilimathalawa.	Kandy
27.	Central Province Cooperative Society Limited, Ehelepola Kumarihami Mawatha Bogambara, Kandy.	Kandy
28.	Poojapitiya Cooperative Society Ltd., Poojapitiya.	Kandy
29.	Kandy Multi-purposes Cooperative Society Limited, Coop City Mall, Palkekele.	Kandy
30.	Coop City, Kundasale.	Kandy
31.	Sepco Super, Bogambara.	Kandy
32.	Multi-purposes Cooperative Society, Kandy.	Kandy
33.	Royal Mall (Pvt) Ltd, Kandy.	Kandy
34.	Sunrise Super, Kundasale.	Kandy
35.	Kadugannawa Multi-purposes Cooperative Society.	Kandy
36.	Kandy Multi-purposes Cooperative Society Ltd., Coop City Outlet, Matale.	Matale
37.	Kandy Miscellaneous Services Cooperative Society Ltd., Coop City Outlet, Laggala.	Matale
38.	National Livestock Development Board, Beligama.	Matale
39.	EPPCO Mini Mart, Main Road, Mawanella.	Kegalle
40.	National Livestock Development Board, Melsiripura.	Kurunegala

2.6.2.10 Circuit Bungalows of the Sri Lanka Cashew Corporation

Circuit Bungalows

District

- | | | | |
|----|---------------------------|---|------------|
| 1. | Puttalam Circuit Bungalow | - | Puttalam |
| 2. | Hardy Circuit Bungalow | - | Batticaloa |

2.6.2.11 Staff of the Sri Lanka Cashew Corporation – 2022

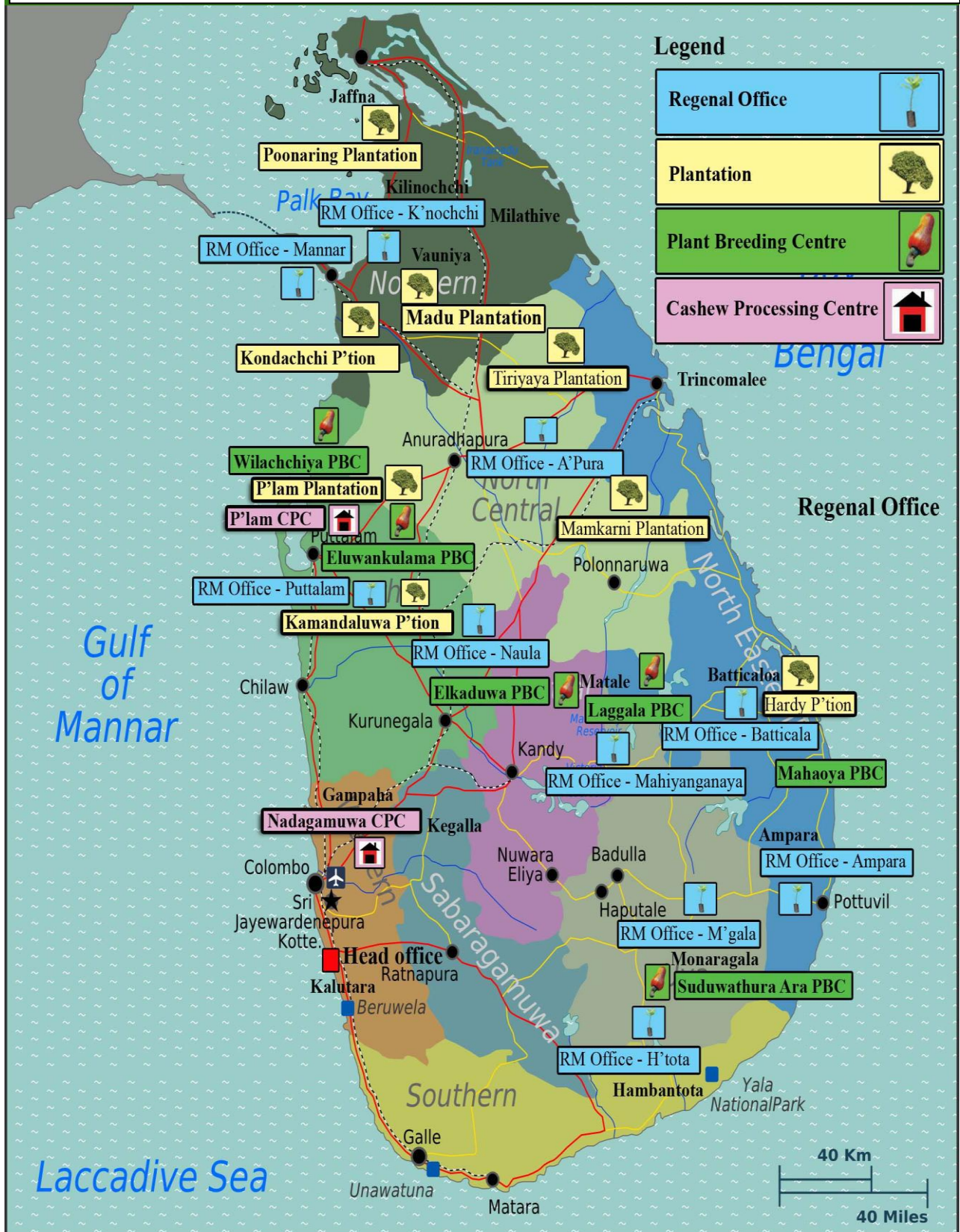
Table 2.6.2.10 : Staff of the Sri Lanka Cashew Corporation

Salary Code	Designation	Approved number	No. of employees available in 2022		Vacancies
			Permanent	Contract	
HM 1-3	General Manager	01	-	-	01
HM 1-1	Deputy General Manager	01	-	-	01
MM 1-1	Assistant General Manager - Finance	01	01	-	-
	Assistant General Manager - Extension and Research	01	01	-	-
	Assistant General Manager - Internal Audit	01	01	-	-
	Assistant General Manager - Marketing and Processing	01	01	-	-
	Assistant General Manager - Plantations	01	01	-	-
	Assistant General Manager - Human Resources and Administration	01	-	-	01
	Assistant General Manager - Policy and Planning	01	-	-	01
JM 1-1	Regional Manager/ Ast. Regional Manager	11	05	01	05
	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	-	-
	Marketing Promotion Officer	01	01	-	-
	Internal Audit Officer	01	-	-	01
	Planning, Supervision and Assessment Officer	01	-	-	01
MA - 4	Translator	01	-	-	01
MA 2-1	Plantation Assistant	37	15	01	21
	Information Technology Assistant	01	01	-	-
	Audit Assistant	02	02	-	-
	Finance Assistant	01	01	-	-
	Transport Assistant	01	01	-	-
MA 1-1	Management Assistant	57	42	6	09
	Field Assistant	22	10	-	12
PL - 3	Driver	26	22	02	02
	Boiler Operator	02	-	01	01

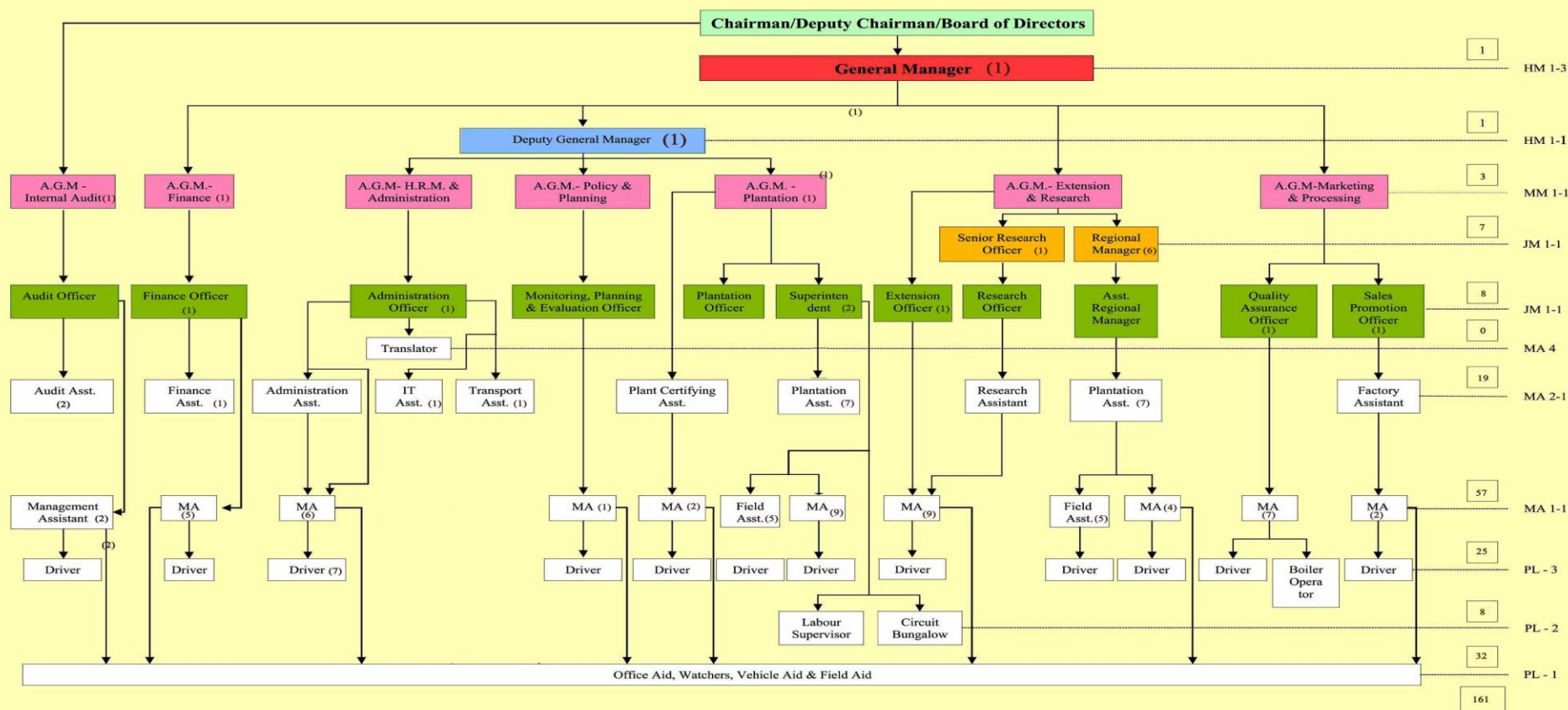
PL - 2	Labour Administrator	07	08	-	-
	Circuit Bungalow Caretaker	03	-	-	03
PL - 1	Office Assistant	16	15	08	-
	Watchman	11	06	04	01
	Vehicle Assistant	02	02	-	-
		<u>224</u>	<u>144</u>	<u>23</u>	<u>65</u>

- Due to recruitments made based on service requirements, there is a total surplus of 08 employees as at 31.12.2022, which consists of 01 Labour Administrator and 07 Office Assistants.

Extension and Service Network of the Sri Lanka Cashew Corporation



Sri Lanka Cashew Corporation **Organization Structure**



3. Development Activities of the Sri Lanka Cashew Corporation

Sri Lanka Cashew Corporation implements 04 major programmes to carry out development activities of the Corporation.

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

3.1 Extension Subsidy Programme

3.1.1 Expansion of the cashew cultivation in Sri Lanka

The Extension and Research Division of the Sri Lanka Cashew Corporation reduced the Cultivation Subsidy Project to 1,530.5 acres in 2022 due to the lack of production in the commercial nurseries and due to the economic and political crisis that prevailed in the country caused by the Covid-19 pandemic.

Although it had been planned to cultivate 1,530.5 acres under the subsidy scheme in year 2022, it was implemented as an extension programme of 1,637.76 acres. Under the subsidy programme grafted cashew plants were cultivated in 860.7 acres and cashew seedlings were cultivated in 411 acres in 20 districts, and grafted cashew plants were cultivated in 308.56 acres and cashew seedlings were cultivated in 57 acres as home gardening under this subsidy programme.

Information on the areas of land cultivated with grafted cashew plants and cashew seedlings in those 20 districts is given in Table 3.1.1.

Table 3.1.1: Area under cashew cultivation under the Subsidy Scheme –2022

	District	Grafted Cashew (Acres)	Seed Cashew (Acres)	Gardening	
				Grafted Cashew (Acres)	Seed Cashew (Acres)
1	Puttalam	65.5	40.5	10	25
2	Kurunegala	43.1		10.9	
3	Gampaha	20.6		0.4	
4	Anuradhapura	130.5	20	69.5	
5	Vavuniya	20			
6	Mannar	5.5			
7	Mullaitivu	25	17		
8	Jaffna	6.5			
9	Killinochchi	53	6		
10	Moneragala	175	100	25	
11	Matale	50		5.71	
12	Ampara	40	115	50	
13	Polonnaruwa	44		10	
14	Kandy			12.05	
15	Badulla	60		54	
16	Hambanthota	70			
17	Ratnapura	7	8	13	22
18	Matara	2		48	
19	Batticaloa	13	90		
20	Trincomalee	30	15		10
Total		860.7	411.5	308.56	57

3.1.2 Providing benefits to farmers under the Cashew Cultivation Subsidy Programme

Under this Subsidy Programme, a provision of Rs. 9,500/= has been allocated per acre of grafted cashew cultivation and Rs. 3,500/= has been allocated per acre of seed cashew cultivation. However, the allocation of these amounts is not sufficient for this purpose. Therefore, at present, farmers selected under this Subsidy Programme are provided with free extension services including farmer training and technology, and in addition that, grafted plants and seedlings required for the cultivation are provided free of charge. These activities are carried out in the 20 cashew growing districts through the 11 regional offices of the Corporation.

3.2 Estate Development, Rehabilitation and Productivity Improvement

3.2.1 Increasing the Productivity of Cashew Cultivation

3.2.1.1 Production of Planting Material

Parent trees were maintained under Good Agricultural Practices (GAP) at the cashew planting material production centers functioning under the Sri Lanka Cashew Corporation, and 39,200 scions were obtained from those trees. In 2022, 49000 seeds obtained from parent trees were used to produce grafted plants.

3.2.1.2 Management of nurseries

In 2022, high quality new varieties (23296 grafted plants & 3494 seed plants) were successfully produced in the central plant nurseries functioning under the Sri Lanka Cashew Corporation and were issued to the Subsidy Programme and to the private estate owners. Due to the COVID pandemic and the economic and political instability that prevailed in the country during the year, the production of cashew seedlings had to be limited. The number of grafted plants produced in the Kamandaluwa and Mihintale nurseries during the year is as follows.

Table 3.2.1.2 : Production of grafted cashew plants in year 2022

Name of the nursery	Number of grafted plants produced	Number of seed plants produced
1. Kamandaluwa	10974	524
2. Mihintale	12322	2970
Total	23296	3494

3.2.1.3 New cultivations in the estates

In 2022, development activities were carried out in the Kondachchi and Maha Oya Estates that are under the Sri Lanka Cashew Corporation, but compared to previous years, development activities of this year were limited due to the economic and political instability that prevailed in the country. Further, gap filling was done in 86 acres in the Kondachchi Estate, in 20 acres in the Puttalam Estate, and in 21 acres in the Maha Oya, and the following numbers of grafted plants were used for this purpose:

Kondachchi	- 5246 grafted plants
Puttalam	- 1400 grafted plants
Maha Oya	- <u>1500 grafted plants</u>
Total	- <u>8146 grafted plants</u>

3.2.1.4 Provision of saplings for development projects

Grafted cashew plants were distributed among beneficiaries for cashew cultivation in the year 2022 under the Agro Export Villages Programme implemented under the Ministry of Plantation Industries. Accordingly, 11060 cashew plants were distributed among the beneficiaries in the Kurunegala District, 250 cashew plants were distributed among beneficiaries in the Vavuniya District, 4,000 cashew plants were distributed among the beneficiaries in the Matara District, 3895 cashew plants were distributed among the beneficiaries in the Gampaha District, 7893 cashew plants were distributed among the beneficiaries in the Moneragala District, and 7493 cashew plants were distributed among the members of the Civil Security Department, making a total of 34591 grafted plants.

3.2.1.5 Improving Productivity

With the aim of increasing productivity through the control of diseases and pests in cashew cultivation and through the use of Good Agricultural Practices (GAP), pest control programmes were implemented island-wide to control the damage caused by the “Helopeltis” bug and the stem and root borer beetle. In addition, by the end of the year 2022, 68 farmer training classes were conducted

for 558 beneficiary farmers under the Cashew Subsidy Programme. Moreover, arrangements were made to conduct necessary research to identify methods by which the quality, yield and efficiency of cashew crops can be improved.

Further, importation of chemical fertilizers was restricted due to the economic instability that prevailed in the country during this year, and to overcome this situation, 10 MT of organic fertilizer was produced and used for the cultivation in the Kamandaluwa Estate.

3.3 Development of marketing and processing industries

3.3.1 Purchase of cashew in shell

In order to meet the local demand for cashew and to introduce quality and value added products to the market and in order to meet the market demand and reduce costs, 79.05 MT of cashew in shell was purchased from the Civil Security Department during this year. This helped establish a competitive market price range. The yield of 88.24 MT of cashew received from the estates belonging to the Corporation in this year was used for processing at the Processing Centers of the Sri Lanka Cashew Corporation located at Puttalam and Nedagamuwa.

3.3.2 Strengthening the Cashew Processing Industry

An advanced production mechanism is essential to get a high price by introducing high-quality cashew kernel products to the market. In accordance with this Programme, the cashew processors were provided with dehydrators and electric cashew cutting machines, the processors were trained on Good Manufacturing Practices (GMP) and value addition and quality standards, and the Processors' societies were assisted in obtaining financial facilities and marketing promotion.

3.3.3 Cashew Processing and Marketing

The Cashew Processing Centres of the Corporation are located in Puttalam and Nedagamuwa. The cashew in shell obtained from the estates maintained by

Corporation was used for processing and value added Cashew kernel was sold to the consumers through the 07 cashew sales outlets located at Kollupitiya, Narahenpita, Rajagiriya, Balangoda, Ambepussa, Badagamuwa and Pelmadulla in addition to the 40 franchised dealers spread across the island.

The Corporation was able to earn Rs. 112.39 million through the use of new technologies, value addition and marketing of high-quality cashew products.

3.3.4 Export of Cashew Products and Foreign Exchange Earning

In the year 2022, Sri Lanka was able to earn foreign exchange amounting to Rs. 212.83 million by exporting 58.20 MT of high-quality, value-added cashew kernel to foreign markets. In the year 2021, Rs. 89.07 million was earned by exporting 26.26 MT of value-added cashew kernel. Accordingly, this year's export capacity and foreign exchange earnings show an increase compared to 2021, and despite the global Covid 19 pandemic and a rapid decline in the local tourism industry, this year's increase in foreign exchange earnings can be considered as a great achievement.

3.3.5 Import of cashew

3.3.5.1 Import for local consumption

There was a shortage of cashew in shell in the local market due to the short supply of cashew produced locally, especially in the months of January, February and March, to meet the demand from small-scale cashew processors. As a solution to this issue, licenses were issued to small-scale cashew processors to import cashew in shell under tax concessions.

These import licenses are issued on a temporary basis only during times of short supply in the local production market. According to the records of the Sri Lanka Customs, 207.57 MT of cashew in shell was imported and distributed among a large number of small-scale producers/processors. Thus, the Corporation was able to intervene in stabilizing the livelihood of farmers engaged in the cashew processing industry and to help improve their economic and social status.

3.4

Research and Development Programmes

The main function of the Research Division of the Corporation is to work on the modernization of sustainable and efficient cultivation methods in order to improve the quality of cashew cultivation and to increase the cashew yield and to promote modern technological solutions required for cashew cultivation.

The multi-year research conducted by the Research Division was continued in the year 2022 as well. In addition, research was conducted on sustainable cultivation methods, pest and disease control and modernization of post-harvest processing. Research was also conducted to find solutions to the issues of pests and diseases affecting cashew trees.

4. Administrative Functions

The Corporation was able to implement systematic management practices with the aim of providing high quality and efficient services to small and large scale cashew growers, to those engaged in the cashew processing industry and to buyers of cashew products. Since the services are provided as a state enterprise and as the aim is to earn profits, support of all stakeholders of the Corporation could be obtained for this.

Active support of the entire staff led by the Board of Directors, General Manager, Deputy General Manager and Assistant General Managers of the Sri Lanka Cashew Corporation was received for this. Accordingly, the Corporation was able to generate income for the people and achieve the objectives of the Corporation in accordance with the new development strategies of the government.

4.1 Staff Management as at 31.12.2022

The Sri Lanka Cashew Corporation is staffed by employees at the senior, tertiary, secondary and primary levels and on contract basis, and in 2022, a staff consisting of approximately 167 employees provided an efficient and effective service to achieve the goals and objectives of the Corporation. These employees worked at the Head Office and at the regional offices located island-wide. In addition to this staff, nearly 200 workers are employed on a daily wage basis in the estates, processing centers and other offices of the Corporation and they perform tasks such as removing wild plants, cutting pits, planting saplings, applying fertilizer, controlling weeds, harvesting cashew nuts and cutting cashew nuts, peeling cashew kernel, etc.

Table 4.1: Number of employees working at various service categories – 2022

Service category	No. of employees
Senior	05
Tertiary	15

Service category	No. of employees
Secondary	79
Primary	68
Total	167

4.2 Achievements achieved in the year 2022

The Corporation succeeded in maintaining the profitable status of sales activities recorded in the years 2020 and 2021 in the year 2022 as well. The commercial activities of the Corporation were used for this purpose, and the effective and efficient guidance of the Board of Directors and the dedication of the staff also contributed to this situation.

The following obstacles prevented the performance from improving to a higher level.

- The impact of the global COVID-19 pandemic that prevailed in the years 2020 - 2022 and the consequent economic and political instability in the country as well as the existence of crises such as the shortage fuel in the country during that time.
- Due to adverse weather conditions, i.e. due to the severe drought that prevailed during the flowering period, the flowers dried and the yield from the estates was lower than expected.
- Lack of a supply that meets the local demand for cashew in shell.
- Increased labour and material costs.
- Limitation of recurrent and capital grants hindered the initiation of new activities as well as the provision of essential services. Accordingly, the Corporation had to utilize the funds earned to continue these activities. As a result, there was a shortage of funds for investment in commercial and development activities.
- The planned training programmes could not be conducted.

5. Report of the Board of Directors

On behalf of the Board of Directors of the Sri Lanka Cashew Corporation, I hereby present the audited financial statements of the Corporation for the year ended 31 December 2022.

The financial statements of the Sri Lanka Cashew Corporation were submitted to the Auditor General on 12 September 2023 in accordance with Circular No. PED/12 issued on 02 June 2003 by the Director General of the Department of Public Enterprises of the Treasury.

5.1 Establishment

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

5.2 Results

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

5.3 Business Review

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

5.4 Property, Plant and Equipment

Changes in property, plant and equipment during the current year are given in Note 07 to the Financial Statements which appears on page 56 of this report. The values shown in this note do not have material differences from their current market value.

5.5 Reserves

The composition of the total reserves of the Corporation is stated in the Statement of Changes in Equity which appears on page 69 of this report.

5.6 Board of Directors

Table 5.6 : The members of the Board of Directors from 01.01.2022 to 31.12.2022

Srl. No.	Name	Position
01.	Mrs. R.A.S.K. Rathnayake	Chairperson
02.	Miss. Ashoka Lankathilaka	Deputy Chairperson
03.	Mrs. Thilaka Jayasundara	Board Member (Representative of the subject Ministry) (01.01.2022 to 2022.01.31)
04.	Mrs. A.U.K. Dodamwala	Board Member (Representative of the subject Ministry) (06.06.2022 to 31.12.2022)
05.	Miss. K.A.C. Priyadarshani	Board Member (Treasury Representative) (06.06.2022 to 31.12.2022)
06.	Mr. Chamara Subhasinghe	Board Member
07.	Mr. Upali Waduarachchi	Board Member
08.	Mr. H.M.C.K. Herath	Board Member (01.01.2022 to 31.01.2022)
09.	Mr. I.W.A. Saman Kumara	Board Member
10.	Mr. P.B. Kodikara	Acting General Manager, Secretary to the Board, (01.01.2022 to 15.08.2022)
11.	Mr. K.S. Wijayakeerthi	Acting General Manager, Secretary to the Board of Directors, (from 06.09.2022)

5.7 Audit and Management Committee

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

5.8 Statutory Payments

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

5.9 Environmental protection

The Corporation has not been engaged in any activity that is harmful to the environment or that results in environmental pollution.

5.10 Events occurring after the date of Statement of Financial Position

No event that require adjustments or disclosures in the accounts after the balance sheet date has been reported.

5.11 Auditors

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

By order of the Board of Directors,



K.S. Wijayakeerthi
Board Secretary

6. Report of the Audit and Management Committee

The Audit Committee of the Sri Lanka Cashew Corporation was established for the year 2022 in accordance with the directives of the previous circulars and the directives contained in the Circular No. 01/2021 of the Department of Public Enterprises issued on 16.11.2021, and it was a six-member committee consisting of five members and one observer. The membership of the Audit and Management Committee is as follows:

Table 6: Members of the Audit and Management Committee from 01.01.2022 to 31.12.2022

Srl. No.	Name	Designation
01	Miss. K.A.C. Priyadarshani	Chairman of the Committee, Board Member - Treasury Representative
02.	Mrs. A.U.K. Dodamwala	Committee Member, Board Member (Representative of the Subject Ministry)
03.	Mr. Chamara Subhasinghe	Committee Member, Board Member
04.	Mr. P.B. Kodikara	Secretary of the Committee (Acting), General Manager (Acting) (From 01.01.2022 to 15.08.2022)
05.	Mr. K.S. Wijayakeerthi	Secretary of the Committee (Acting), General Manager (Acting) (From 02.09.2022 to 31.12.2022)
06.	Mr. V.U. Liyanage	Committee Convener and Committee Member, Assistant General Manager (Internal Audit)
07.	Mr. R.M.P.A. Janaka	Committee Observer, Audit Superintendent, National Audit Office (From 01.01.2022 to 16.11.2022)
08.	Mrs. G.K.U. Abeyrathne	Committee Observer, Audit Superintendent, National Audit Office (29.12.2022 to 31.12.2022)

During the year 2022, the Non-Executive Director representing the Treasury acted as the Chairman of the Audit Committee, and since a Secretary had not been appointed for 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 2022 was 04.

At the meetings of the Audit Committee held during the year 2022 under review, the Audit Committee made recommendations to the Board of Directors on the following matters and followed up on the progress of the relevant activities in accordance with the approvals given by the Board of Directors for those recommendations:

1. Taking necessary steps with the assistance of the line ministry to get undisturbed legal right of the estates and seed gardens to which the rights for cultivation have been transferred to the Sri Lanka Cashew Corporation, but the legal rights have not yet been transferred by the relevant government institutions.
2. To take necessary steps to promptly complete the preparation of the financial statements of the Sri Lanka Cashew Corporation for the years 2020 and 2021, which had been delayed due to various practical issues.
3. To discuss the observations contained in the audit queries issued by the National Audit Office regarding the activities of the Corporation during the year under review and to take necessary steps accordingly.
4. To identify the problems related to the implementation of the recommendations contained in the reports issued by the Internal Audit Division regarding the activities of the Corporation during the year under review and to take necessary action to address them.
5. To conduct a review of the progress of the activities in accordance with the matters reported regarding the Cashew in shell harvest collected from the Estates and Seed Gardens of the Corporation during the year under review.

6. To investigate the reasons for the material delays in the recovery of the outstanding balances from the franchised dealers and non-franchised dealers of the Corporation and to take necessary action in that regard, and to make recommendations for a formal methodology to be followed in selling cashew kernel on credit to franchised and non-franchised dealers.
7. To review the reports of the investigation that was conducted in accordance with the provisions of Financial Regulation No. 104 regarding the sudden fire that occurred at the Puttalam Estate of the Corporation and to take further action as required.
8. To conduct a review of the various procurement activities that have been carried out by the Corporation during the period under review.



K.A.C. Priyadarshani
Chairman - Audit and Management Committee

7. Performance Report for the Year 2022

7.1 Cashew Cultivation Subsidy Scheme and Development Programmes

A total of 1637.76 acres have been cultivated with grafted cashew and 468 acres have been cultivated with cashew seedlings during this year covering 20 districts under the Cashew Cultivation Subsidy Scheme implemented under the Treasury funds. This has benefited 3,590 farmer families. Cashew saplings were also provided under this Subsidy Programme in the year 2022 especially for home gardening. The total amount spent on this programme was Rs. 7.00 million. Although it was not possible to achieve the expected target this year, too, due to the COVID-19 pandemic as in the previous years, the Corporation managed to successfully complete this project.

7.2 Increasing the productivity of cultivation

7.2.1 Production of planting material

Seed gardens located at Nalanda in the Matale District, Wilachchiya in the Anuradhapura District, Maha Oya in the Ampara District, Suduwathura Ara in the Moneragala District and Eluwankulama in the Puttalam District were maintained in order to produce new varieties suitable for different areas and to provide them to cashew smallholders. From these seed gardens, 49,000 high quality parent seeds and 39,200 scions were obtained for the production of grafted plants required for extension services and for commercial purposes. The total cost for this was Rs.7.12 million. Due to the economic and political instability that prevailed in the country during this year, the production of seedlings had to be limited.

7.2.2 Increase of production

With the aim of controlling diseases and pests in cashew cultivation and increasing productivity through the use of Good Agricultural Practices (GAP), pest control programmes were implemented island-wide to control the damage caused by the “Helopeltis” beetle and stem and root borer diseases. However, it was not possible

to conduct the planned training programmes due to the unstable economic situation that prevailed in the country during this year.

Moreover, the import of chemical fertilizers was restricted during this year due to the unstable economic situation that prevailed in the country, and to overcome this situation, 10 MT of organic fertilizer was produced and used for the cashew cultivation in the Kamandaluwa Estate.

7.2.3 Management of Plant Nurseries

Sri Lanka Cashew Corporation owns 08 Central Plant Nurseries located at Kamandaluwa, Mahiyangana, Hardy, Mihintale, Chandrika Wewa, Dambulla, Kumbukkana and Mangalagama. Six (06) poly net houses were constructed for the production of grafted plants under modern technological conditions in the Plant Nurseries in Kamandaluwa, Mihintale, Hardy and Mahiyangana.

Although it had been planned to produce 440,650 high quality grafted plants and 21,500 seedlings in these nurseries for the year 2022, the production of plants had to be limited due to the limitation of capital grants that were to be received from the Treasury consequent to the unstable economic situation that prevailed in the country. Steps were taken to meet the requirement of plants for this year by maintaining the grafted plants and seedlings that was remaining from those that had been produced in the year 2021. In addition to them, 23296 grafted plants & 3494 seed plants were successfully produced in year 2022.

7.2.4 Distribution of cashew plants for development projects

In year 2022, under the “Export Based Cashew Cluster Village Project”, 34,591 grafted Cashew plants were distributed among the beneficiaries for cultivation in 494 acres with the financial contribution of the State Ministry of Development of Minor Crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, and Betel Related Industries and Export Promotion, which provided Rs. 10.05 million for this project.

Research programmes are implemented in collaboration with the Faculty of Agriculture and Plantation Management of the Wayamba University of Sri Lanka.

Research programmes are implemented on plant breeding, use of fertilizer, plant density, disease and pest control in cashew cultivation, intercropping, cultivation of grafted plants and seedlings, grafting techniques and yield. Farmers are informed of such research findings through workshops and extension services. In addition, the multi-year research and development activities carried out by the Research Division in the year 2022 were continued in this year as well. The amount spent on these activities was Rs. 1.94 million.

7.4 New cultivations and rehabilitation of existing cultivations in the estates of the Corporation

In 2021, New cultivations were started on 25 acres in the Puttalam Estate of the Sri Lanka Cashew Corporation and it was completely finished in 2022. In addition, gap filling was done in the cultivations on 86 acres in the Kondachchi Estate, 20 acres in the Puttalam Estate and 21 acres in the Maha Oya Estate. This year, the harvest received from the Estates was 88.24 MT cashew in shell and 92639 coconuts. An amount of Rs. 10.02 million was spent on these activities out of the provisions allocated from the Treasury and an amount of Rs. 32.74 million out of the income earned by the Corporation.

7.5 Post-harvest Technology

7.5.1 Promotion of Marketing and Processing Industries

Cashew in shell harvest from the Estates of the Corporation and the Cashew kernels purchased from small scale processors engaged in cashew processing activities were processed at the Puttalam and the Nedagamuwa processing centers. They were sold as value added products through the main outlets of the Corporation. For this, the network of 40 franchised outlets of the Corporation was also used.

The total income earned by the Corporation from sales activities in year 2022 was Rs. 112.39 million. Further, the maintenance of the Puttalam and the Nedagamuwa cashew processing centers was done with the income earned by the Corporation. The amount spent on this was Rs. 26.65 million.

7.5.2 Human Resource Development

In-service training sessions were conducted for the training and development of officers in all positions of the staff of the Corporation. This helped increase productivity, update their subject knowledge and acquire new knowledge, and it also helped increase efficiency through self-motivation.

During the year 2022, one officer was referred to the National Institute of Plantation Management for training on the procurement process. Also, a training programme was conducted for twelve (12) Management Assistants under the sponsorship of the Ministry of Plantation Industries.

8. Medium-term Strategies to be Implemented to Enhance Performance

The key medium-term activities the Corporation intends to implement in order to improve performance are as follows.

01. Expanding the area under cashew cultivation in Sri Lanka.
02. Increasing the productivity of the lands under cashew cultivation.
03. Improvement of Post-harvest Technology in Cashew Cultivation.
04. Developing the human resources and increasing productivity.

8.1 Expanding the area under cashew cultivation in Sri Lanka.

8.1.1 Cashew cultivation under extension programmes

Cashew cultivation in Sri Lanka is mainly spread in the dry zone. Due to the armed conflicts that prevailed for about 03 decades, cashew cultivations of about 30,000 acres in the North and East were destroyed. However, under the extension programmes implemented by the Corporation since 2010, more than 5,000 acres of land per year have been brought under cashew cultivation.

Under the Extension Subsidy Scheme implemented under the Treasury funds, it is expected to cultivate grafted plants and seedlings in 3,500 acres in each year in the next 03 years, and it has also been planned to cultivate about 1,000 acres per year under home gardening.

New cultivations and rehabilitation of old cultivations in the estate of the Corporation was initiated from the year 2011. Under this programme, the Corporation is carrying out development and rehabilitation activities in the Kondachchi Estate, Pooneryn Estate and Wellankulama Estate in the Northern Province and the Mankarni Estate and Thiriyaya Estate in the Eastern Province.

8.1.3 New Cultivations

Annually, about 500 acres of land are cultivated newly in the cashew plantations owned by cashew smallholders and medium-scale landowners in Sri Lanka, and this cultivation trend will continue for the next 03 years. Through all the cultivation programmes described above, steps will be taken to increase the area under cashew cultivation by at least 5,000 acres annually.

In order to carry out these tasks successfully, an extension service network consisting of 11 regional offices is implemented, and cashew cultivation development activities in the 20 districts are handled by this.

8.1.4 Provision of Cashew plants for development projects

In 2022, a total of 34,591 grafted Cashew plants were distributed among the Kurunegala, Vavuniya, Gampaha, Moneragala Districts and to the Civil Security Department for cultivating an area of about 494 acres of land under the “Export Based Cashew Cluster Village Project” with the financial contribution of the State Ministry of Development of Minor Crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, and Betel Related Industries and Export Promotion.

Through this project, it is expected to improve the economic and social condition of the farmers. Further, expanding the area of land under Cashew cultivation by implementing these development projects in the future years is another primary objective of this programme.

8.2 Increasing the productivity of the lands under cashew cultivation.

The area under cashew cultivation in Sri Lanka is about 38,853 acres, of which about 80% are cashew smallholders. Most of these lands are cultivated with cashew seedlings, and the cashew trees in these lands as well as in the estates of the Corporation are about 20-35 years old and one tree yields between 3-5 kg of cashew in shell. In countries such as Vietnam and India, where cashew cultivation consists of improved new cashew varieties, a tree yields between 10-

15 kg of cashew in shell. Accordingly, the Corporation is carrying out the following activities to increase the productivity of the cultivations.

8.2.1 Introduction of new varieties

Accordingly, the Corporation has introduced to the farmers 11 new improved varieties of cashew that give higher yields. Research is carried out in collaboration with the Faculty of Agriculture and Plantation Management of the Wayamba University of Sri Lanka, and 11 varieties namely WUCC 01, WUCC 02, WUCC 05, WUCC 07, WUCC 08, WUCC 09, WUCC 13, WUCC 16, WUCC 19, WUCC 21, WUCC 23 have been cultivated in the seed gardens of Eluwankulama, Wilachchiya, Nalanda, Maha Oya and Suduwathura Ara. New varieties suitable for different climatic zones of the country will be produced by obtaining scions from these parent trees and will be distributed among the farmers. Steps are being taken to introduce 02 new varieties annually, and it is expected that the cashew yield per hectare will increase to 1000 kg through these measures.

8.2.2 Use of Good Agricultural Practices

Smallholders are encouraged to annually remove low yielding cashew trees and to replant cashew. Training programmes for farmers are conducted annually with involvement of the National Institute of Plantation Management in order to increase the yield from cashew cultivations using Good Agricultural Practices (GAP). This is expected to be continued in the next three (03) years as well. Visual media will be used for this purpose.

Due to heavy rainfall that occurs during the flowering season of cashew trees, leaf dieback disease spreads. As a result, cashew yield declines by 30% - 40%. It is essential to educate cashew smallholders to address this situation. A joint programme is being implemented in collaboration with the research divisions in order to control the stem borer damage in mature cashew plantations, and this is scheduled to be implemented within the next three (03) years.

8.2.3 Central Plant Nurseries

The central plant nurseries of the Corporation are established in Mihintale, Dambulla, Kamandaluwa (Estate), Mahiyangana, Kumbukkana, Hardy (Estate), Mangalagama and Chandrika Wewa. In these nurseries, high quality grafted plants of new varieties are produced under the supervision of the officers of the Corporation and are issue to farmers.

About 400,000 grafted plants are produced annually, and although it was not possible to produce the expected number of plants this year due to the crisis situation in the country, it is aimed to produce 400,000 plants per year within the next three (03) years. Use of new technology in the production of plants will be further improved.

8.3 Improvement of Post-harvest Technology in Cashew Cultivation

Cashew kernels produced in Sri Lanka are in high demand in the world market due to their delicious taste, quality, size and unique colour. However, with an annual production of about 10,000 - 12,000 MT of Cashew in shell, it has become difficult to increase the export capacity immediately. Domestic consumption of Cashew kernel has increased, too.

Moreover, due to the increase in the production cost of Cashew kernel, the price of a kilo of Cashew kernels is in the range of Rs. 5,000/- to Rs. 6,000/-. Considering these factors, the Corporation has taken various measures to improve the quality and profitability of Cashew kernel products.

8.3.1 Use of Good Manufacturing Practices (GMP)

The Corporation provides training to small-scale entrepreneurs on standardization, value addition and improvement of product quality through the use of Good Manufacturing Practices (GMP), use of hygienic production methods, modernization of the processing process with new technology and use of low cost ovens and new packaging methods, and encourages entrepreneurs to develop new products. The Training Center at the Nedagamuwa Processing Center is used for these training activities.

8.3.2 Training Programmes

The Corporation has contributed to raising the quality of the products of small-scale producers to international standards and has taken steps to conduct training programmes for 50 persons engaged in the processing industry annually. Implementing these programmes will be continued in the next three (03) years as well.

A programme to provide shelling machines and ovens required for start-ups in the cashew processing industry at affordable prices is also being implemented with the intervention of the Corporation, and this programme will be continued.

8.3.3 Purchase of cashew in shell

In addition to the harvest received from the cashew estates belonging to the Corporation, cashew in shell was purchased from the Civil Security Department as well during the past year in order to maintain a continuous annual production in the processing factories. About 935 acres of land in the Kondachchi Estate belonging to the Corporation has been cultivated by the Civil Security Department, and cashew in shell are provided to the Corporation by the Civil Security Department at a price that is lower than the market price. Cashew in shell was purchased in this manner with the aim of facing the market competition and minimizing costs. Steps will be taken to purchase Cashew in shell in this manner in the next three (03) years as well.

8.3.4 Promotion of cashew by-products

Cashew in shell is separated mainly from the cashew harvest and the cashew apple is wasted without being utilized. Accordingly, more than 120,000 MT of cashew apple are wasted annually. Research is being conducted on making by-products such as non-alcoholic beverages, jam and cordial from the cashew apple, and training is being provided on this while a joint programme is being implemented with the private sector on production and marketing of such by-products. In addition, a project proposal is being prepared for the production of wine and spirits from cashew apple and it is expected to be implemented in the coming years.

8.4 Developing the human resources and increasing productivity

8.4.1 Human Resource Development and Training

Arrangements have been made to conduct in-service training sessions for the training and development of officers in all positions of the staff. This will increase work productivity, and provide opportunities for them to update their subject knowledge, acquire new knowledge, and enhance self-motivation which will increase efficiency. These training programmes are planned to be conducted continuously for the next three (03) years.

8.4.2 Reorganization of the Structure of Staff and Performance Appraisal

Training programmes provide an opportunity for employees to update their subject knowledge and acquire new knowledge while enhancing self-motivation, which increases productivity and efficiency. These training programmes have been planned to be carried out continuously in the coming years. Plans have also been made to develop infrastructure facilities at the Head Office and regional offices.

Further, steps have also been taken to conduct performance appraisals of employees in all positions. In addition, it has also been planned to conduct examinations such as efficiency bar examinations and give promotions accordingly.

9. Five Years Summary of Performance

Description		2022		2021		2020		2019		2018	
01	Extent of land cultivated with cashew under the subsidy scheme in acres	Subsidy programme	1169.26	Subsidy programme	2920	Subsidy programme	2568	Subsidy programme	3305	Subsidy programme	3305
		Gardening	<u>468.00</u>	Gardening	<u>1080</u>	Gardening	<u>932</u>	Gardening	<u>1195</u>	Gardening	<u>1195</u>
		Total	<u>1637.26</u>	Total	<u>4000</u>	Total	<u>3500</u>	Total	<u>4500</u>	Total	<u>4500</u>
02	No. of beneficiary farmer families under the subsidy scheme		3590		5384		7676		11069		11818
03	No. of plants produced	Grafted plants	23296	Grafted plants	511230	Grafted plants	422570	Grafted plants	270294	Grafted plants	197353
		Seedlings	<u>18770</u>	Seedlings	<u>17360</u>	Seedlings	<u>54500</u>	Seedlings	<u>79945</u>	Seedlings	<u>80007</u>
		Total	<u>42066</u>	Total	<u>528590</u>	Total	<u>477070</u>	Total	<u>350239</u>	Total	<u>277360</u>
04	No. of mother seeds collected		49000		799785		500000		500000		484753
05	No. of buds collected		39200		800000		520000		310000		164500
06	Yield of cashew nuts collected (Metric Tons)		88.24		106.0		149.46		157.81		83.52
07	New planting in estates of the Corporation (Acres)		25		90		346		52.5		65
08	No. of franchised dealers		40		69		74		56		60

Description		2022	2021	2020	2019	2018
09	No. of training programmes conducted under the Technology Transfer Programmes, Pest Control and Post-Harvest Technology	-	30	82	166	139
10	No. of farmers trained	558	663	1,369	2,320	3,550
11	Imported cashew volume (Metric Tons)	Cashew in shell 207.57 Cashew kernel -	Cashew in shell 0.051 Cashew kernel 0.047	Cashew in shell 549.2 Cashew kernel 0.025	Cashew in shell 527.26 Cashew kernel 0.826	Cashew in shell 2,378.02 Cashew kernel 156.41
12	Volume of Metric Tons for which cashew import licenses were issued	100	-	500	-	4,255
13	Exported cashew volume (Metric Tons)	58.20	26.26	34.32	47.40	60.81
14	Value of exported cashew (Rs. Millions)	212.83	89.07	81.13	93.57	144.62
15	Purchase of cashew nuts in shell and cashew kernels (Metric Tons) Amount of Value-Added cashew kernels sold (Metric Tons)	Cashew in shell 79.05 Cashew kernel -	Cashew in shell 54.81 Cashew kernel -	Cashew in shell 64.0 Cashew kernel -	Cashew in shell 20.0 Cashew kernel -	Cashew in shell - Cashew kernel 5.3
16	Sales value of Value-Added cashew kernels (Rs. Million)	21.55	26.8	16.91	21.72	24.74
17	Value of exported cashew (Rs. Million)	112.39	92.12	47.23	79.08	83.15

10.1 Accounting policies adopted - 2022

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, 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 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 cost centers based on the total salary expenditure contained therein.
06. The breakdown of the average cost of the estates as fruit bearing and non-fruit-bearing cultivations, plant nurseries and animal husbandry was done 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 calculated 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 revenue 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. After writing off the actual values entered in the books of accounts as depreciation and amortization of capital assets from the respective capital assets, an equivalent value will be removed from the capital grants and recognized as income in the accounts books.
12. The effective date of the revaluation of motor vehicles was determined as 01.01.2009 and it was carried out by an independent commission headed by a Technical Engineer of a recognized government institution.
13. The administrative expenses related to the production of grafted plants and seedlings were distributed among service and commercial divisions based on the actual plants produced and plants distributed.

10.2 Audited Financial Statements

Sri Lanka Cashew Corporation

31.12.2021

Statement of Financial Position as at 31.12.2022

<u>Rs.</u>	Assets	<u>Notes</u>	<u>Rs.</u>	<u>Rs.</u>
	Non-current assets			
117,553,407.32	Property, plant and equipment	07	116,124,752.11	
28,053,376.57	Maintenance cost of fruit bearing cultivations	08	25,316,396.38	
71,591,554.11	Maintenance cost cultivations not bearing fruit	09	98,080,023.96	
627,768.04	Other small projects	10	588,524.09	
6,362,983.10	Work-in-progress - Capital		<u>6,542,597.00</u>	
224,189,089.14	Total non-current assets			246,652,293.54
	Current assets			
90,952,157.31	Stocks	11	76,769,613.94	
47,390,219.63	Trade debtors and other receivables	12	31,800,793.00	
43,812,917.85	Deposits, Advances and Pre-payments	13	50,638,657.60	
<u>159,875,737.30</u>	Cash & cash equivalents	14	<u>143,842,699.56</u>	
342,031,032.09	Total current assets			<u>303,051,764.10</u>
<u>566,220,121.23</u>	Total assets			<u>549,704,057.64</u>
	Equity and Liabilities			
	Equity			
40,000,000.00	Initial capital		40,000,000.00	
289,534,925.21	Government grants		281,565,222.86	
286,736,184.04	Grants received from other parties			
17,441,846.85	Capital reserves	15	280,919,046.17	
<u>(167,065,129.24)</u>	Profit and Loss Account	16	<u>17,441,846.85</u>	
466,647,826.86	Total Equity		(152,058,776.37)	467,867,339.51
	Equity and Liabilities			
	Non-current liabilities			
42,948,044.00	Provisions for gratuity	17	35,789,916.00	
<u>3,500,000.00</u>	Long terms borrowings	18	<u>3,500,000.00</u>	39,289,916.00
46,448,044.00	Total non-current liabilities			
	Current liabilities			
53,124,250.37	Trade creditors and other payables	19	<u>42,546,802.13</u>	
	Total current liabilities			42,546,802.13
566,220,121.23	Total equity & liabilities			549,704,057.64


R.A.S.K. Rathnayaka
Chairperson


Asoka Lankatilaka
Deputy Chairperson


K.S. Wijayakeerthi
General Manager (Actg.)


M.T.S.K. Peiris
Asst. General Manager-Finance

Notes to the Statement of Financial Position as at 31.12.2022

(Notes 07) Property, Plant and Equipment

Description	Cost / revalued amount 01.01.2022 (Rs.)	Additions/ Revaluation of assets in the current year (Rs.)	Disposals/ Sales of assets in the current year (Rs.)	Current cost/ revalued value of assets 31.12.2022 (Rs.)	Accumulated depreciation as at 01.01.2022 (Rs.)	Depreciation for the year 2022 (Rs.)	Accumulated depreciation as at 31.12.2022 (Rs.)	Written off value 31.12.2019 (Rs.)
Freehold lands	28,335,084.54	-	-	28,335,084.54	-	-	-	28,335,084.54
Permanent buildings	62,147,027.78	505,273.30	-	62,652,301.08	24,641,689.70	1,695,332.49	26,340,617.19	36,311,683.89
Semi-permanent buildings	825,751.00	-	-	825,751.00	626,377.97	108,406.70	734,784.67	90,966.33
Vehicles	129,792,682.84	-	-	128,075,837.84	103,536,165.63	5,752,818.66	109,288,984.29	18,786,853.55
Machinery	31,539,163.45	7,902,000.00	-	39,441,163.45	16,800,467.60	2,247,163.34	19,047,630.94	20,393,532.51
Tools & equipment	13,130,916.20	755,826.25	-	13,886,742.45	8,627,756.27	649,502.84	9,277,259.11	4,609,483.34
Office equipment	13,182,407.09	-	-	13,182,407.09	10,760,367.50	438,430.40	11,198,797.90	1,983,609.19
Furniture & fittings	8,835,948.82	132,600.00	-	8,968,548.82	5,832,683.93	306,690.05	6,139,373.98	2,829,174.84
Tube wells	1,065,218.18	1,762,404.00	-	2,827,622.18	803,258.58	104,319.41	907,577.99	1,920,044.19
Agricultural wells	1,333,680.40	-	-	1,333,680.40	967,951.58	110,233.71	1,078,185.29	255,495.11
Tanks	608,824.62	-	-	608,824.62	-	-	-	608,824.62
	290,796,704.92	1,158,103.55	-	300,137,963.47	172,596,718.76	11,412,897.60	184,013,211.36	116,124,752.11

- ❖ The two Cashew Processing Centres in Nedagamuwa and Puttalam are located in a land belonging to the Sri Lanka Cashew Corporation. The ownership of the other lands is with the state or the Land Reform Commission (LRC). Action is being taken to acquire these land on long-term lease basis.

Notes to the Statement of Financial Position for the year ended 31.12.2022

<u>31.12.2021</u> <u>(Rs.)</u>		<u>31.12.2022</u> <u>(Rs.)</u>
	Fruit-bearing cultivation Expenses	
26,732,690.52	Cashew Notes - 8(a)	24,159,358.85
1,320,686.05	Coconut Notes - 8(b)	1,157,037.53
28,053,376.57	Total	25,316,396.38

Notes - 8(a)

Fruit bearing cultivation - Cashew

<u>31.12.2021</u> <u>(Rs.)</u>	<u>Estate</u>	<u>Cost as at 01.01.2022</u> <u>(Rs.)</u>	<u>Accumulated Amortization as at 31.12.2022</u> <u>(Rs.)</u>	<u>Net Value as at 31.12.2022</u> <u>(Rs.)</u>
838,197.25	Hardy Estate	3,180,107.38	2,455,222.26	724,885.12
4,429,531.19	Kamandaluwa Estate	18,387,204.86	14,381,929.41	4,005,275.45
4,173,188.27	Puttalam Estate	11,089,242.26	7,470,516.10	3,618,726.16
880,991.90	Eluwankulama Plant Breeding	13,933,185.28	13,403,426.78	529,758.50
328,493.12	Wilachchiya Plant Breeding Centre	655,569.86	359,855.23	295,714.63
3,364,049.08	Nalanda Plant Breeding Centre	5,963,253.57	2,897,367.17	3,065,886.40
1,082,841.82	Mahaoya Plant Breeding Centre	1,641,264.30	640,485.70	1,000,778.60
1,498,010.61	Moneragala Plant Breeding Centre	2,331,959.19	950,546.54	1,381,412.65
1,128,538.04	Mankarni Estate	1,410,672.56	352,668.15	1,058,004.41
9,008,849.24	Kondachchi Plant Breeding Centre	10,598,646.17	2,119,729.24	8,478,916.93
26,732,690.52	Total	69,191,105.43	45,031,746.58	24,159,358.85

Note - 8 (b)

Fruit bearing cultivation - Coconut

<u>31.12.2021</u> <u>(Rs.)</u>	<u>Estate</u>	<u>Cost as at 01.01.2022</u> <u>(Rs.)</u>	<u>Accumulated depreciation as at 31.12.2022</u> <u>(Rs.)</u>	<u>Written-off value as at 31.12.2022</u> <u>(Rs.)</u>
774,998.93	Hardy Estate	1,650,793.13	958,333.86	692,459.27
545,686.12	Kamandaluwa Estate	2,437,612.22	1,973,034.96	464,577.26
1.00	Puttalam Estate	431,998.76	431,997.76	1.00
1,320,686.05		4,520,404.11	3,363,366.58	1,157,037.53

Sri Lanka Cashew Corporation

As at 31.12.2021

(Rs.)

68,404,053.37

3,187,500.74

71,591,554.11

**Non fruit-bearing
cultivation Expenses**

Cashew Notes 9 (a)

Coconut Notes 9 (b)

Total

As at 31.12.2022

(Rs.)

93,717,023.22

4,363,000.74

98,080,023.96

**Cost as at
31.12.2021**

**Notes 9 (a)
Non fruit-bearing
cultivation - Cashew**

**Cost as at
01.01.2022
(Rs.)**

**Direct
expenses as
at 31.12.2022
(Rs.)**

**Cost as at 31.12.2022
(Rs.)**

Estate

2,280,660.86

Hardy Estate

2,280,660.86

220,108.91

2,500,769.77

768,465.60

Kamandaluwa Estate

768,465.60

68,108.65

836,574.25

16,466,684.48

Puttalam Estate

16,466,684.48

2,061,096.33

18,527,780.81

3,288,527.13

Eluwankulama Plant Breeding
Centre

3,288,527.13

1,623,348.32

4,911,875.45

937,705.06

Mankarni Estate

937,705.06

438,337.87

1,376,042.93

680,972.05

Maha Oya Plant Breeding Centre

680,972.05

189,954.40

870,926.45

81,552.00

Moneragala Plant Breeding Centre

81,552.00

-

81,552.00

2,103,465.79

Research and Development

2,103,465.79

-

2,103,465.79

135,360.40

Nedagamuwa Processing
Centre

135,360.40

-

135,360.40

1,628,450.40

Pooneryn Estate

1,628,450.40

-

1,628,450.40

4,436,749.44

Wellankulama Estate

4,436,749.44

5,847.00

4,442,596.44

188,524.12

Wilachchiya Plant Breeding Centre

188,524.12

141,760.50

330,284.62

33,403,107.83

Kondachchi Plant Breeding Centre

33,403,107.83

19,669,606.99

53,072,714.82

2,003,828.21

Thiriyaya Plant Breeding Centre

2,003,828.21

894,800.88

2,898,629.09

Total

68,404,053.37

68,404,053.37

25,312,969.85

93,717,023.22

**Cost as at
31.12.2021
(Rs.)**

**Notes 9 (b)
Non fruit-bearing
cultivation - Coconut**

**Cost as at
01.01.2022
(Rs.)**

**Direct
expenses as at
31.12.2022 (Rs.)**

Cost as at 31.12.2022 (Rs.)

1,667,021.57

Hardy Estate

1,667,021.57

166,500.00

1,833,521.57

1,520,479.17

Kamandaluwa Estate

1,520,479.17

1,009,000.00

2,529,479.17

3,187,500.74

3,187,500.74

1,175,500.00

4,363,000.74

Sri Lanka Cashew Corporation

Notes 10 Other small projects

<u>Cost as at 31.12.2021 (Rs.)</u>		<u>Cost as at 31.12.2022 (Rs.)</u>
482,874.09	Teak Plants Project	482,874.09
93,650.00	Wood Apple Project	93,650.00
39,243.95	Manioc	-
12,000.00	Pepper	12,000.00
<u>627,768.04</u>		<u>588,524.09</u>

Notes 11

Current assets

Stocks

3,894,533.06	Cashew kernel - Sales Outlets	10,685,093.21
7,400,301.51	- Processing Centres	30,113,893.39
20,530,888.30	Cashew Plants	16,343,218.51
54,705,437.34	Cashew in shell	14,951,472.29
293,650.00	Spice products	-
1,842,931.94	Packaging materials	2,573,074.23
2,284,415.16	Sundry	2,102,862.31
<u>90,952,157.31</u>		<u>76,769,613.94</u>

2021.12.31 (Rs.)

Notes 12

Trade debtors and other receivables

6,443,158.44	Trade debtors	8,263,310.76	
227,443.00	Less: Provision for Bad Debtors	<u>291,695.00</u>	<u>7,971,615.76</u>
6,215,715.44			
43,280,688.61	Other receivables	25,935,361.66	
2,106,184.42	Less: Impairment loss	<u>2,106,184.42</u>	<u>23,829,177.24</u>
<u>47,390,219.63</u>			<u>31,800,793.00</u>

Notes 13

Deposits, Advances and Prepayments

10,765,975.00	Advances	14,541,184.00
16,000.00	Salary Advances	16,000.00
29,267,519.65	Prepayments	30,793,050.40
<u>3,763,423.20</u>	Rentals and other deposits	<u>5,288,423.20</u>
<u>43,812,917.85</u>		<u>50,638,657.60</u>

Sri Lanka Cashew Corporation

Notes 14

Cash and Cash Equivalents

162,408.83	Bank of Ceylon - Kollupitiya	1633704	(ජංගම)	337,708.29
2,950,274.34	Bank of Ceylon - Kollupitiya	1633705	(ජංගම)	8,487,922.27
580,522.08	Bank of Ceylon - Kollupitiya	1633710	(ජංගම)	781,490.32
4,686,599.60	Bank of Ceylon - Kollupitiya	1633711	(ජංගම)	659,122.04
146,393,432.10	Bank of Ceylon - Kollupitiya	1649789	(ඉතුරුම්)	131,210,295.14
3,140,436.07	Bank of Ceylon - Kollupitiya	1649970	(ඉතුරුම්)	91,973.77
15,593.10	Bank of Ceylon - Ja-Ela	813	(ජංගම)	15,593.10
7,750.00	People's Bank -Nugegoda	174-1-001-3007348	(ජංගම)	7,750.00
4,452.09	People's Bank -Nugegoda	174-2-001-10007348	(ඉතුරුම්)	4,587.44
252,855.41	People's Bank -Nugegoda	174-2-002-0-0007348	(ඉතුරුම්)	270,824.17
30,757.13	Regional Development Bank	134011100687	(ඉතුරුම්)	31,555.14
-	Cash in hand (Ambepussa Sales Outlet)			37,840.00
-	Cash in hand (Balangoda Sales Outlet)			27,540.00
-	Cash in hand (Narahenpita Sales Outlet)			21,320.00
-	Cash in hand (Kollupitiya Sales Outlet)			91,960.00
-	Cash in hand (Rajagiriya Sales Outlet)			217,911.00
10,000.00	Petty cash imprest			10,000.00
50,000.00	Fuel imprest			80,000.00
5,000.00	Cash imprest - Stamps			10,000.00
280,000.00	Cashew sales outlet imprest			275,000.00
200,000.00	Cheques for encashment			200,000.00
457,515.25	Cash in hand (Commercial nurseries)			300,330.25
5,878.00	Cash in hand (Extension)			9,892.00
151,105.00	Cash in hand (Research and Development)			151,105.00
31,016.52	Cash in hand (Nedagamuwa Processing Centre)			54,610.96
539.13	Cash in hand (Puttalam Processing Centre)			168,521.23
393.25	Cash in hand (Hardy Estate)			7,404.84
263,009.02	Cash in hand (Kamandaluwa Estate)			28,327.52
705.45	Cash in hand (Mankarni Plant Breeding Centre)			656.07
32,102.91	Cash in hand (Puttalam Estate)			40,579.91
137,515.12	Cash in hand (Eluwankulama Estate)			11,589.25
14,496.00	Cash in hand (Elkaduwa Plant Breeding Centre)			19,400.00
490.00	Cash in hand (Wellankulama Plant Breeding Centre)			154.70
211.90	Cash in hand (Thiriyaya Plant Breeding Centre)			160.15
-	Cash in hand (Pooneryn Estate)			115.00
4,818.00	Cash in hand (Kondachchi Estate)			173,599.00
5,861.00	Cash in hand (Wine project)			5,861.00
159,875,737.30	Total			143,842,699.56

Sri Lanka Cashew Corporation

2021	Notes 15	2022
(Rs.)	<u>Grants received from other parties</u>	(Rs.)
5,484,438.08	North East Coastal Community Development Project	5,275,688.03
9,542,335.45	Ministry of Minor Plantation Crops Development	9,381,298.63
271,709,410.51	State Ministry of Development of Minor Crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, and Betel Related Industries and Export Promotion	266,262,059.51
286,736,184.04		280,919,046.17
	Notes 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
	Notes 17	
	<u>Payments of retirement allowances</u>	
38,953,602.00	Balance at the beginning of the year	42,948,044.00
4,679,120.00	Payments for the year	4,656,007.00
(684,678.00)		(11,814,135.00)
42,948,044.00	Gratuity allowances paid / to be paid	
	Total	35,789,916.00
	Notes 18	
	<u>Long Term Loans</u>	
3,500,000.00	Paddy Marketing Board	3,500,000.00
3,500,000.00	Total	3,500,000.00
	Notes 19	
	<u>Trade creditors and other payables</u>	
43,853,682.11	Sundry Creditors	35,448,561.19
9,270,568.26	Accrued Expenses	7,098,240.94
53,124,250.37	Total	42,546,802.13

The amount of Rs. 35,789,916.00 has not been invested on payment of gratuity. Steps will be taken expeditiously to make the investment on this.

Presentation of additional notes.

Note 20

Capital grants and contingencies

Capital grants

20.1 This Corporation does not have a significant and noticeable amount of capital grants as at the reporting date.

Contingent liabilities

20.2 No contingent liability has been discovered as at the reporting date.

Court case No.	Description	Present situation
Supreme Court Case No. 185/2021	The employment of Mr. D. Medagedara, a former General Manager of the Corporation, was suspended, and he has filed a case in the Supreme Court seeking reinstatement and compensation.	The case is pending.

Notes 21

Events after reporting date

Adjustments and disclosures to be made after the relevant reporting period are not applicable to these financial statements.

Notes 22

22.1 Transactions with related parties / amounts payable to related parties

Paddy Marketing Board	Rs. <u>3,500,000.00</u>
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22.2 Amounts receivable from related parties

Ministry of Economic Development	Rs. 9,466,200.00
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Ministry of Nation Building	Rs. <u>1,962,800.00</u>
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	Rs. <u>11,429,000.00</u>
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Sri Lanka Cashew Corporation

Statement of profit or loss and other comprehensive income as at 31.12.2022

2021.12.31(Rs.)				(Rs.)
139,222,590.64	Sales	01		134,849,168.44
99,660,553.32	Sales cost	02		83,472,666.14
39,562,037.32	Gross profit / (loss)			51,376,502.30
64,800,000.00	Government grants (recurrent)			77,500,000.00
42,726,523.72	Other income	03		69,390,183.13
147,088,561.04				198,266,685.43
15,682,534.12	Sales and distribution costs	04	15,029,109.31	
135,189,584.58	Administrative expenses	05	145,510,078.61	
12,192,843.64	Other expenses	06	23,101,087.38	
435,783.38	Financial expenses		154,999.16	
163,500,745.72				183,795,274.46
(16,412,184.68)	Annual profit / (loss)			14,471,410.97
	Other Comprehensive income			
(16,412,184.68)	Annual profit / (loss)			14,471,410.97
3,317,448.50	Actuarial gains / (loss)			(2,232,295.00)
-	Income tax for other comprehensive income			-
(3,317,448.50)	Other comprehensive income for the year			(2,232,295.00)
(19,729,633.18)	Total comprehensive income earned for the year.			16,703,705.97

Sri Lanka Cashew Corporation

Notes to the Profit or Loss Account as at 31.12.2022

Note 1

<u>Sales</u>	<u>Year 2022</u>	<u>Year 2021</u>
Cashew kernel	113,791,178.44	92,633,678.85
Less : Returns		(517,524.00)
	113,791,178.44	92,116,154.85
Plants	21,057,990.00	44,856,435.79
Cashew in shell		2,250,000.00
	134,849,168.44	-
		<u>139,222,590.64</u>

Notes 2

Year 2022

Year 2021

Trade account as at 31.12.2022

Sales cost

Opening stock		16,130,255.10
Cashew kernel	24,425,421.36	4,336,211.00
Cashew plants	3,894,533.06	11,794,044.10
	20,530,888.30	

Added - Purchases

Purchases

Production expenses -Cashew kernel	98,903,031.69	86,445,004.97
Production expenses - Cashew plants	13,985,793.66	34,248,932.88
	112,888,825.35	120,693,937.85
	137,314,246.71	136,824,192.95

Less - Closing stock

Cashew kernel	10,685,093.21	3,894,533.06
Cashew plants	16,343,218.51	20,530,888.30
		-

Less:

Internal transfers (Plants)	21,303,755.70	10,117,010.45
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Issuing of Special plants

Seed plants	936,400.21	1,882,876.90
Samples and appreciations	3,615,782.19	738,330.92
	957,330.75	37,163,639.63

99,660,553.32

Notes 3**Other income****Year 2022****Year 2021**

Interest income (savings accounts)	4,667,302.86	2,690,393.70
Interest income (Distress loan / Special loan)	220,972.45	9,369.89
Cashew in shell import service fees	1,000,000.00	750,000.00
Miscellaneous income	15,875,290.90	3,240,012.15
Circuit bungalow rent income	117,200.00	25,250.00
Amortization of capital grants	42,786,840.22	31,701,078.49
Sale of coconut		3,482,090.49
Sale of spice products	614,659.00	828,329.00
	<u>69,390,183.13</u>	<u>42,726,523.72</u>

Sri Lanka Cashew Corporation

Notes 4

Sales and distribution expenses

	<u>Income earned by the Corporation</u>	<u>Capital grants</u>	<u>Year 2022</u>	<u>Year 2021</u>
Sales and distribution expenses	15,029,109.31	-	15,029,109.31	15,682,534.12
			15,029,109.31	15,682,534.12

Notes 5

Administrative expenses

	<u>Income earned by the Corporation</u>	<u>Capital grants</u>	<u>2022</u>	<u>2021</u>
Commercial nurseries	2,618,117.96	-	2,618,117.96	3,137,581.45
Head Office	129,447,214.74	-	129,447,214.74	117,500,277.66
Sales activities	895,310.87	-	895,310.87	543,770.32
Non fruit-bearing cultivation	-	981,754.00	981,754.00	1,446,741.94
Human resource development	-	5000.00	5000.00	215,875.50
Extension Division	-	9,132,226.65	9,132,226.65	8,825,034.08
Research and development	-	2,430,454.39	2,430,454.39	3,520,303.63
	132,960,643.57	12,549,435.04	145,510,078.61	135,189,584.58

Notes 6

Other expenses

	<u>Income earned by the Corporation</u>	<u>Capital grants</u>	<u>2022</u>	<u>2021</u>
Helopeltis control programme	-	91,433.80	91,433.80	120,367.78
Fruit-bearing cultivation - coconut	1,482,884.13	-	1,482,884.13	474,015.19
Spice purchasing cost	662,758.00	-	662,758.00	788,350.00
Cot for plants	-	17,248,229.26	17,248,229.26	8,927,233.77
Died plants	3,615,782.19	-	3,615,782.19	1,882,876.90
	5,761,424.32	17,339,663.06	23,101,087.38	12,192,843.64

Sri Lanka Cashew Corporation

Combined Cash Flow Statement for the year ended 31.12.2022

<u>2021.12.31</u>		<u>The year ended 31.12.2022</u>	
<u>(Rs.)</u>		<u>(Rs.)</u>	<u>(Rs.)</u>
	<u>Cash Flow from Operating Activities</u>		
(19,729,633.18)	Profit/(Loss) during the year		16,703,705.97
2,302,852.99	Adjustments for the previous year		(1,697,353.10)
	<u>Adjustments for non-cash moving items</u>		
7,039,191.87	Depreciation	11,416,492.60	
3,082,406.05	Amortization	2,736,980.19	
10,599,828.50	Provisions for Gratuity	4,656,008.00	
(10,760.00)	Write off or provision for Bad Debts	64,252.00	
-	Over-provision for gratuity allowances	(6,837,703.50)	
-	Write-off cost for motor vehicles	1,716,845.00	
-	Accumulated depreciation written off for motor vehicles	(646,578.84)	
(854,581.20)	Write-off of grants from other parties	(369,786.87)	
-	Write off other small projects	39,243.95	
(2,699,763.59)	Interest income received	(4,888,275.31)	
(30,846,497.29)	Amortization of government grants	(36,969,702.35)	(29,082,225.13)
(31,116,955.85)	Operating Profit / (Loss) before Working Capital Changes		(14,075,872.26)
	<u>Working Capital Changes</u>		
(26,484,483.71)	Increase / (Decrease) of Stock	14,182,543.37	
(28,904,491.68)	Debtors Increase / (Decrease)	15,525,174.63	
(33,984,739.77)	Advances and prepayments - Increase / (Decrease)	(6,825,739.75)	
(8,203,979.64)	Creditors Increase / (Decrease)	(8,405,120.92)	
(5,030,826.04)	Accrued expenses Increase / (Decrease)	(2,172,327.32)	
(102,608,520.84)			12,304,530.01
(133,725,476.69)			(1,771,342.25)
(6,605,386.50)	Gratuity payments		(4,976,432.50)
(140,330,863.19)	Net Cash Flow from Operating Activities		(6,747,774.75)
	<u>Cash Flow from Investing Activities</u>		
(46,708,729.44)	Purchase of fixed assets	(11,058,103.55)	
(6,240,640.10)	Capital expenditure in progress	(179,613.90)	
(11,261,974.70)	Investment on new planting	(26,488,469.85)	
2,699,763.59	Interest income received	4,888,275.31	
(51,243.95)	Investment on other small projects	-	
(61,562,824.60)			(32,837,911.99)

		<u>Cash Flow from Financing Activities</u>		
64,000,000.00	Government Grants		29,000,000.00	
<u>255,253,204.84</u>	Grants received from ministries		<u>(5,447,351.00)</u>	
117,359,517.05	Net increase in cash and cash equivalents		(16,033,037.74)	
4,516,220.25	Cash and cash equivalents at the beginning of the year		159,875,737.30	
<u>159,875,737.30</u>	Cash and cash equivalents at the end of the year		<u>143,842,699.56</u>	
<u>As at 31.12.2021</u>			<u>31.12.2022</u>	
1,650,656.55	Cash in hand		1,943,877.88	
8,403,147.95	Cash in bank		10,289,586.02	
<u>149,821,932.80</u>	Savings		131,609,235.66	
<u>159,875,737.30</u>			<u>143,842,699.56</u>	

Statement of Changes in Equity for the year ended 31.12.2022

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 01.01.2021	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
Balance as at 01.01.2022	40,000,000.00	289,534,925.21	286,736,184.04	17,441,846.85	(167,065,129.24)	466,647,826.86
Adjustments for the previous year	-	-		-	(1,697,353.10)	(1,697,353.10)
Grants received during the year	-	29,000,000.00	(5,817,137.87	-	-	29,000,000.00
Transfer to Profit and Loss Account	-	(36,969,702.35)		-	-	(42,786,840.22)
Annual profit / (loss)	-	-		-	14,471,410.97	14,471,410.97
Net actual increase / (decrease)	-			-	2,232,295.00	2,232,295.00
Balance as at 31.12.2022	40,000,000.00	281,565,222.86	280,919,046.17	17,441,846.85	(152,058,776.37)	467,867,339.51

11. Report of the Auditor General



The 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 31 December 2022 in terms of Section 12 of the National Audit Act No. 19 of 2018

1. Financial Statements

1.1. Qualified Opinion

The audit of the financial statements of the Sri Lanka Cashew Corporation for the year ended 31 December 2022 comprising the statement of financial position of the Corporation as at 31 December 2022, and the statement of comprehensive income and the statement of changes in equity for the year then ended, and the cash flow statement and notes to the financial statements and the summary of material accounting policies for the year then ended was carried out under my direction in pursuance of the provisions in 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 and Finance Act No. 38 of 1971. In terms of the provisions in Article 154 (6) of the Constitution, my report will be tabled in Parliament in due course.

In my opinion, except for the effects of the matters described under Basis for the Qualified Opinion in my report, the financial statements give a true and fair view of the financial position of the Corporation as at 31 December 2024, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2. Basis for the qualified opinion

- (a) The Corporation had not recognized the deferred tax value in the financial statements in accordance with Section 15 of Sri Lanka Accounting Standard 12.
- (b) As per paragraph 51 of Sri Lanka Accounting Standards 16, although fixed assets which had cost Rs.133,557,771 were fully depreciated as the residual value and the useful life of non-current assets had not been reviewed annually, they were still being used, and the useful life of those assets had not been reassessed and accounted. Action had not been taken to correct the estimated error that had occurred accordingly in accordance with Sri Lanka Accounting Standard 8.

- (c) Although the gross carrying value of Property, Plant and Equipment which have been fully depreciated, but are currently in use should be disclosed in the financial statements according to Section 79 of Sri Lanka Accounting Standards No.16, fully depreciated Property, Plant and Equipment which had cost Rs.133,557,771 had not been disclosed in the financial statements.
- (d) Although the provisions for retirement gratuity should be invested according to a proper investment plan as per Section 139 of Sri Lanka Accounting Standard 19 (Employee Benefits), no investment had been made corresponding to the balance of Rs.35,789,916 in the retirement gratuity provisions account at the end of the year under review.
- (e) The profit for this year shows an increase of Rs. 646,579 as the error of allocation for depreciation for capitalization of vehicle repairs in the previous year, which should have been done through the statement of changes in equity, had been debited to the depreciation account in the year under review.
- (f) The entity had not presented a comparison of the opening balance to the closing balance of the provision for the defined benefit plan in accordance with Section 135(b) of Sri Lanka Accounting Standards 19. Although the Corporation should show the items such as its current service cost, interest income or expense, payments made in relation to the year under review and actuarial benefits gain/loss separately, their total had been shown as expenses for the year in the note related to the defined benefit plan in the statement of financial position.
- (g) Although the debt recovery period of the Corporation is 60 days, the trade debtor balance exceeding 90 days was Rs.2,994,271, and actions had not been taken properly to recover the debtor balance of Rs.1,499,410 receivable from a private company located in Colombo, which had been included in the said trade debtor balance for over two years.
- (h) It is observed that ten (10) years has passed since cashew plants worth Rs.9,466,200 were given to the then Ministry of Economic Development, and that there is no possibility of recovering the said debt due to the fact that the relevant ministry is non-existent at the present.
- (i) The impairment loss that had been allocated for the value of Rs. 18,857,611 of other trade debtors which were over 01 year was Rs. 2,106,184, and it had been maintained at the same value in each year since 2018, and this value had neither been updated nor written off, or no other action had been taken either. This impairment loss also included a sum of Rs. 102,830 which was receivable from two institutions which were trade debtor balances of over 02 years.
- (j) Out of the trees in the teak cultivation that were planted in year 2000 in the Eluwankulama Estate in the Puttalam District, 3,350 trees had grown to the level that they can be used for obtaining timber, but the value of those trees had not been assessed and had not been enter in the accounts.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility under these auditing standards is further described in the Auditor's Responsibility for the Audit of the Financial Statements section of this 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 2022 of the Corporation

Other information refers to the information that is included in the Annual Report for year 2022 of the Corporation, which is expected to be produced to me after the date of this audit report, but not included in the financial statements and my audit report on the same. The management is responsible for other information.

My opinion regarding the financial statements does not cover the other information, and I will not give any assurance or express any opinion regarding the same.

My responsibility in relation to my audit of the financial statements is to read the other information identified above, and in doing so, to consider whether the other information is materially inconsistent with the financial statements or with the knowledge I have gained during the audit or otherwise.

When I read the Annual Report 2022 of the Corporation, if I conclude that there are material misrepresentations, I am required to report such matters to those charged with governance for correction. If there are further misrepresentations that have not been corrected, they will be included in my report that will be tabled in Parliament in due course in terms of Article 154(6) of the Constitution.

1.4. Responsibilities of the Management and those Charged with Governance for the Financial Statements

The management is responsible for the preparation of financial statements in accordance with Sri Lanka Public Sector Accounting Standards giving a true and fair view, and for determining the necessary internal controls to enable the preparation of financial statements that are free from material misstatement, 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.

In terms of Sub-section 16(1) of the National Audit Act No. 19 of 2018, the Corporation is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable preparation of annual and periodic financial statements of the Corporation.

1.5. Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it

exists. Material misstatements can arise from fraud or error as it impacts individually or in the aggregate, and its materiality depends on the influence of the economic decisions made by the users on the basis of these financial statements.

I exercised professional judgment and maintained professional scepticism throughout the audit in accordance with Sri Lanka Auditing Standards. Further:

- In providing a basis for the stated audit opinion, appropriate audit procedures were designed and performed, as the case may be, to identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. The impact of 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 Corporation's internal controls.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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 a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluated whether the transactions and events underlying the structure and the content of the financial statements are represented in a manner that achieves fair presentation and the overall presentation of the financial statements including the disclosures.

I communicate with those charged with governance regarding significant audit findings, deficiencies in internal control and other matters 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 the following requirements:

2.1.1. Except for the effects of the matters described under Basis for the Qualified Opinion in my report, in terms of the requirements of section 12(a) of the National Audit Act, No. 19 of 2018, I have obtained all the information and explanations that are required for the audit, and as far as it appears from my examination, proper accounting records have been kept by the Corporation.

- 2.1.2.** In terms of the requirement of section 6(1)(d)(iii) of the National Audit Act No. 19 of 2018, the financial statements presented by the Corporation are in consistent with the preceding year.
- 2.1.3.** In terms of the requirement of section 6(1)(d)(iv) of the National Audit Act No. 19 of 2018, except for the observations I have made in Paragraphs 1.2(a), (d), (h) and (i) in the Basis for the Qualified Opinion section of my report, the financial statements presented include the recommendations made by me in the previous year.
- 2.2.** Due to limitation to matters that are material based on the procedures performed and evidence obtained, nothing has come to my attention as to make the following statements:
- 2.2.1.** According to the requirement provided in Section 12(d) of the National Audit Act No. 19 of 2018, a member of the board of directors of the Corporation has an interest outside the normal business situation of the Corporation directly or otherwise regarding a contract that relates to the Corporation.
- 2.2.2.** The Corporation has not complied with any applicable written law or general and special directions issued by the governing body of the Corporation in terms of the requirement of section 12(f) of the National Audit Act, No. 19 of 2018 except for following observations:

Reference to Laws / Directives-- -----	Observations -----
(a) Inland Revenue Act No. 24 of 2017	Action has not been taken since year 2011 to pay income tax or to send income tax reports. Yet, the financial statements had shown a balance of Rs.779,483 of withholding tax (WHT) receivable in respect of those periods.
(b) in Section 18 of the National Audit Act No. 19 of 2018	Although the audit fees should be settled within thirty days from the date stated in the invoice, the audit fee of Rs. 930,000 payable as at 23 June 2023 had not been settled.
(c) Financial Regulations 105 and 106	In cases where cash, cheques etc. are lost, the actual loss should be recovered, and it should be recovered forthwith from the officer who was responsible for its custody. Action had not been taken so far to recover the cash deficit of Rs. 126,692, which was discovered at the physical verification of cash of the Head Office of the Corporation which was done on 01 June 2021.
(d) Decision of the COPE dated 24 July 2012	Although the Committee On Public Enterprises had directed the Corporation to take over the legal ownership of the lands which the Corporation does not own legally, the processes

	related to the transfer of the legal ownership of the lands in extent of 11,363 acres enjoyed by the Corporation before 24 July 2012 and after 24 July 2012, which have been given to the Corporation by the Divisional Secretariats and the Land Reform Commission, had not been completed even by 31 December 2022.
(e) Paragraph 66 of the Manual issued for the Good Governance of Public Enterprises in the Public Enterprises Circular No. PED/01/2021 of Secretary to the Treasury dated 16 November 2021	Although 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 within 60 days of the end of the financial year, the accounts of the Corporation for the year ended 31 December of the year under review were submitted to the Auditor General on 12 September 2023.

2.2.3. In terms of the requirement provided in Section 12(g) of the National Audit Act No. 19 of 2018, the Corporation has not performed according to its powers, functions and duties.

2.2.4. According to the requirement provided in Section 12(h) of the National Audit Act No. 19 of 2018, the resources of the Corporation have not been procured and utilized economically, efficiently and effectively within the time frames in accordance with the relevant laws and rules except for the following observation:

- (a) By 31 December 2022, the Corporation had used Rs.9,000,000 to purchase cashew in shell out of the amount of Rs.225,000,000 received from the State Ministry of Development of Minor Crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, and Betel Related Industries and Export Promotion for the key activities under the reconstruction of Kondachchi Estate, namely construction of an elephant fence, purchase of tractors and water bowsers, and construction of buildings.

2.3. Other Observations

- (a) Minimum attention had been paid from the year 2013 to the year 2022 regarding the fulfilment of the factors mentioned in paragraphs (a),(c),(d),(f) and (h) of the first schedule to the Gazette Extraordinary No.60/07 dated 25 May 1973 issued for the establishment of the Corporation, i.e., action had not been taken to advise the Minister on processing cashew products, developing sales and exports, collaborating with external parties regarding promotion and distribution, and on carrying out investigations and research.
- (b) The accuracy of the final stock value of Rs.72,093,677 entered in the accounts could not be verified due to the fact that an accepted accurate method has not been established in calculating the unit cost of cashew in shell, cashew kernel and cashew plants.

- (c) The Corporation had earned a profit of Rs.14,471,411 for the year under review compared to the previous year. It was mainly due to the increase in recurrent grants by Rs.12,700,000 and capital grants recognized as income by Rs.11,085,762 and receiving an income of Rs. 6,437,392 by the cultivation of interim crops in the Kondachchi Estate in the Mannar District during the year under review, but it was observed that the sales income of cashew products during the year had dropped by 3.1% compared to the previous year. In the immediately preceding 5 years, i.e. during the period from 2018 to 2022, the visible loss in the financial statements of the Corporation regardless of the government grants had varied ranging from Rs. 134.8 million to Rs. 102.3 million. Accordingly, it was observed that the going concern of the Corporation has become challenging due to factors such as incurring losses continuously, vacancies in the cadre and drop in the production as a maximum area of the existing estates has not been cultivated. Details are as follows:

Year	Profit/(Loss)	Government Grants (Recurrent)	Government Grants (Capital)	Government Grants Recognized as Income	Loss Exclusive of Government Grants
	Rs.	Rs.	Rs.	Rs.	Rs.
	1	2	3	4	1-2-4
2018	(39,642,728)	50,000,000	66,520,000	35,263,122	(124,905,850)
2019	(30,185,251)	60,000,000	70,000,000	44,615,174	(134,800,425)
2020	(39,642,728)	60,000,000	84,650,000	31,426,876	(102,312,533)
2021	(30,185,251)	64,800,000	64,000,000	31,701,078	(112,913,263)
2022	(39,642,728)	77,500,000	29,000,000	42,786,840	(105,815,429)

(d) -----

- (e) The corporation has 06 current accounts and 05 savings accounts in banks and out of them 02 current accounts and 03 savings accounts have not been operated for a long time, and the total balance of those accounts are Rs. 23,343 and Rs.306,966 respectively. Action had not been taken to close those 05 dormant accounts.
- (f) The instalment amounting to Rs.1,807,121, which was deducted from the salary of the officers and the employees as the contribution to their trade unions and welfare associations had been retained in the account of the Corporation by the 31 December 2021 without it crediting to the said associations.
- (g) From the insurance maintained on behalf of the employees of the corporation, a sum of Rs.3,954,338 i.e. the total of Rs.1,300,431, which was to be paid two years ago for the reimbursement of the medical bills of the employees and Rs.2,653,907, which was to be paid a year ago, had been shown in the financial statements as an outstanding creditor balance without paying it to the respective beneficiaries.

- (h) An amount of Rs.3,500,000 which had been borrowed through the intervention of the Ministry of Cooperative Development in 2005 from the Paddy Marketing Board for purchasing raw cashews, and the related interest of Rs.927,500 had not been paid until the year under review.
- (i) The land area of the 13 estates owned by / in the custody the Corporation was 11,363 acres, and out of that 3,449 acres were cultivated with cashew while the percentage of uncultivated land was 70%. No effective measures had been taken by the Corporation to cultivate the vacant lands.
- (j) By planting 70 grafted cashew plants per acre and 40 cashew seedlings per acre on the 3,449 acres of land where cashews were cultivated by the Corporation, the cashew yield gathered in the year 2022 was 88.24 metric tons, and accordingly the cashew yield was as low as 25.38Kg per acre. It has been stated that the number of fecund cashew trees in those plantations by the end of the year under review was 51,685, and accordingly, the average yield from a cashew tree was as low as 1.71Kg.
- (k) The number of coconut trees in the Kamandaluwa Estate in Puttalam and Hardy Estate in Ampara which are owned by the corporation were 3,358 and 826 respectively, and the estates consisted of 1,147 immature trees, 2,391 fecund trees and 646 unproductive trees. The coconut production in the year 2022 was 90,304 nuts, and its sales income was Rs. 4,427,439. Accordingly, the annual coconut production of a tree was 38 nuts and the sales income had reduced to Rs.1,863 due to the poor maintenance of coconut trees and inadequate application of fertilizer.
- (l) The cashew in shell production of the Corporation in year 2022 was 88.24 metric tons. About 125 nuts of cashew in shell are needed for a kilogram of cashew in shell. The annual production of cashew apple is about 11,030,000, and the gross weight of this production is about 1,103,000. Further, after producing the cashew kernel, the removed cashew shell is about 75% of the total production, i.e. about 59.415 metric tons. The Corporation had not looked into the possibility of using the cashew apple and the cashew shell for making some byproduct or to sell them to the industrialists in this industry.
- (m) As at 30 November 2023, 3 cars, 2 lorries, a tractor and 2 motorcycles belonging to the Corporation had been parked in garages without being repaired.
- (n) It was observed during physical inspection of the Puttalam Processing Center that the machine purchased in the year 2021 for the automatic processing of cashews at a cost of Rs.7.092 million had been left idle.
- (o) The generator, boiler, and the machine for extracting oil from cashew shell, which are available at the Nedagamuwa Processing Center and the boiler available at the Puttalam Processing Center had been left idle and no action had been taken either to repair them and put to use or to dispose them.

- (p) As the cashew processing boiler at the Nedagamuwa Cashew Processing Centre had been defunct and the cashew boiling process had stopped since 2015, the productivity that could have been increased up to 90 - 95 percent of the production by boiling the raw cashews had dropped to 70 - 80 percent. As a result, the income that could have been obtained from the sale of cashews had been lost by 15 - 20 percent.
- (q) An Automated Packing Machine which had the capacity of packing 60 packets per minute had been purchased at a cost of Rs. 8,100,000 for the Grading and Packing Division of Nedagamuwa Cashew Processing Centre in 2021. The number of packets packed in the year 2022 was 62,265 and the maximum capacity of this machine had not been utilized.
- (r) The warehouse for raw cashew at the Nedagamuwa Cashew Processing center had not been repaired for many years, and good quality raw cashew nuts had spoiled due to the use of polysack type packaging instead of using twine sacks or net sacks to allow ventilation for the raw cashew when kept stored in the warehouses.
- (s) Although a total of Rs.225,000,000 had been given by the State Ministry of Development of Minor Crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, and Betel Related Industries and Export Promotion on three occasions for the project to restore the Kondachchi Estate in Mannar, which had been proposed to be completed by 31 December 2021, only Rs.78,761,352 had been spent and the balance of Rs.137,236,648 remained idle as at 31 December 2022.
- (t) Although an amount of Rs. 28,209,434 had been paid to the Ceylon Electricity Board by the end of year 2022 for obtaining electricity supply to the Kondachchi Estate in Mannar, the necessary works related to obtaining power supply and installing the electrical systems/ wiring of the buildings required for that had not been completed by 31 December 2022.
- (u) An amount of Rs.15,653,000 had been allocated by State Ministry of Development of Minor Crops including Sugarcane, Maize, Cashew, Pepper, Cinnamon, Cloves, and Betel Related Industries and Export Promotion for the construction of official residences for officers in charge of the stations, and it had been planned to build 07 quarters. These quarters had not been fully constructed and could not be used by 31 December 2022.
- (v) The area under cashew cultivation was approximately 3,449 acres by the end of the year under review. The net value of those trees has been stated as Rs.24,159,359 in the financial statements, but conducting a census of the cashew trees, numbering of the trees or preparation of a register of the trees had not been done.



W.P. C. Wickramaratne
Auditor General

12. Measures Adopted to Correct the Deficiencies Pointed out in the report of the Auditor General

Explanations on the part of Sri Lanka Cashew Corporation on content of 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 31 December 2022 in terms of Section 12 of the National Audit Act No. 19 of 2018.

1.2(a) Agreed.

Steps will be taken to obtain the necessary advice from the relevant parties and to correctly calculate the deferred taxes and to include the related adjustments in the financial statements of the coming year.

1.2(b) Agreed.

In order to commence the revaluation of all tangible, non-current assets of the Corporation referred to in this audit observation including the tangible, non-current assets (property, plant and equipment) that have been fully depreciated or have zero carrying amount, it has been decided to revalue the motor vehicles of the Corporation first, and as per the approval of the Board of Directors, as an initial step, revaluation of all the motor vehicles in the pool of the Head Office of the Corporation was completed on 20.02.2024 by a duly appointed committee which consisted of a mechanical engineer and an officer of the Department of Motor Traffic. Necessary steps are being taken to complete the revaluation of the remaining motor vehicles, too, by or before 30.06.2024.

Similarly, action will also be taken to properly conduct a survey on the tangible, non-current assets other than motor vehicles and to collect the relevant information to complete the revaluation of those assets as well.

1.2(c) Agreed.

As mentioned under Paragraph 1.2(b) above, immediately after the revaluation of the assets of the Corporation has been completed, necessary steps will be taken to show in the financial statements as appropriate the gross carrying amount of the fully depreciated property, plant and equipment referred to herein.

1.2(d) Agreed.

As pointed out in this audit observation, approval of the Board of Directors of the Corporation was obtained for an investment with a monthly contribution of Rs. 100,000/- corresponding to the pensions gratuity provision balance, and a letter was sent to the Department of Public Enterprises of the Treasury seeking approval, and the said Department instructed to submit the letter again with the approval of the subject Minister. Accordingly, the letter was sent to the Department of Public Enterprises with the approval of the subject Minister and the approval of the Department has now been received for the matters referred to in the letter, and necessary action is being taken proceed with this accordingly.

1.2(e) Not agreed.

The correction related to the depreciation of property, plant and equipment referred to herein has been adjusted in the financial statements of the current year considering it as a change in accounting estimates. Accordingly, the statement that the profit for the year under review has increased by Rs. 646,579/= is not acceptable.

1.2.(f) Agreed.

As stated in this audit observation, the information required to be presented separately for the defined benefit plan will be disclosed in the financial statements from the year 2023 in accordance with the provisions of the relevant Accounting Standard.

1.2.(g) Explanation of the Corporation is as follows:

Out of the said trade debtor balances of Rs. 2,994,271/=-, which have exceeded the moratorium, an amount of Rs. 1,296,771/= has been recovered as at 31.12.2023.

Further, as stated in this audit observation, since the efforts that have been made over a long period of time to recover the outstanding balance of Rs. 1,499,410/= (Lisala Enterprises), which is included in the said trade debtor

balance, have failed, the file containing the relevant loan transaction information was sent to the Legal Officer of the subject Ministry for taking legal action and for necessary instructions to recover the outstanding balance. Accordingly, necessary approvals are being sought to initiate legal action against this debtor institution and further steps will be taken accordingly.

1.2(h) Explanation of the Corporation is as follows:

A lot of efforts were made to recover the said outstanding balance of Rs. 9,466,200/- from the Ministry of Economic Development, but it was unsuccessful. The issue regarding this outstanding balance was discussed at length at the meeting of the Audit Committee of the Corporation that was held on 15.06.2023.

It was recommended to send a letter to the Department of Public Enterprises of the Treasury seeking advice on how to proceed with this loan amount that is currently due from a government ministry that is non-operational at present, and the Board of Directors of the Corporation was informed of this matter and the said letter has been sent.

The reply letter received from the Department of Public Enterprises to the above-mentioned letter was submitted to the Audit Committee of the Corporation at its meeting 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, the government ministry to which the assets of such non-operational government ministries have been transferred, to seek further advice on the recovery of this loan amount, and accordingly action was taken to send a letter to the said Ministry. Further action will be taken based on the response that will be received to that letter.

1.2(i) Explanation of the Corporation is as follows:

Attention will also be paid to the material debtor balances currently due to the Corporation but for which no provision has been made for impairment loss, and steps will be taken to make the necessary amendments to the current

provisions for impairment loss, and those adjustments will be included in the accounts as applicable to the financial statements for the year 2023.

Apart from that, on the recommendation of the Board of Directors, a letter was sent to the Department of Public Enterprises a considerable time ago seeking approval to write off from the accounts the debtor balances amounting to Rs. 102,830/=, which has been uncollectible over a long period of time as pointed out by this audit observation, but permission has not been given for the same.

1.2(j) Explanation of the Corporation is as follows:

The valuation of the teak trees in the Eluwankulam estate referred to here has now been completed, and the valuation report has been forwarded to the State Timber Corporation to verify the accuracy of the valuation. However, since transferring of the legal ownership of the Eluwankulam Estate to the Corporation has not yet been completed, it is not possible to enter the assessed value of the teak trees in the accounts of the Corporation. Since obtaining the legal ownership of the said estate has now been completed to greater extent, relevant adjustments can be made in the accounts within a short period of time.

2.2.2 (a) Explanation of the Corporation is as follows:

The said reports of income tax returns are currently being prepared, and since reports on income tax returns have to be prepared for several years, it will take a significant period of time. Accordingly, the relevant activities will be completed as early as possible and the reports will be sent to the Inland Revenue Department.

2.2.2 (b) Explanation of the Corporation is as follows:

Out of the audit fees of Rs. 930,000/= payable to the National Audit Office as pointed out herein, an amount of Rs. 465,000/= has already been paid to the National Audit Office utilizing the existing financial provisions, and the remaining amount of Rs. 465,000/= will be paid as early as possible.

2.2.2(c) Explanation of the Corporation is as follows:

Although recommendations have been made to the administration of the Corporation as per the internal investigation of the Corporation that the then Cashier of the Corporation is responsible for the cash shortage of Rs. 126,092/= pointed out here, the said Cashier, as the Audit has been informed in writing even on a previous occasion, has submitted an explanation to the then State Ministry in charge of this Corporation in a manner that challenges the results of the aforementioned Investigation, and therefore a ministerial investigation has been conducted into this matter. Since the findings of the said ministerial investigation have not been reported to this Corporation so far even after a reminder, it has not been possible to take further action regarding this matter.

It was decided by the Audit Committee at its meeting held on 22.12.2023 that it would be appropriate to recommend to the Board of Directors that, under the prevailing situation, the findings of the investigation of the State Ministry should not be considered as an obstacle to taking action as per the findings of the internal investigation of the Corporation, and that it would therefore be appropriate to conduct a preliminary investigation as per the findings of the internal investigation and to take necessary action promptly.

The above-mentioned recommendation of the Audit Committee was submitted to the Board of Directors seeking their advice. It was decided by the Board to send a reminder again regarding this matter, and accordingly, the relevant reminder letter has been sent. Further action will be taken regarding this matter soon after receiving advice in this regard.

2.2.2(d) Explanation of the Corporation is as follows:

The total extent of lands in the estates/seed gardens of which the legal ownership had not been acquired by the Corporation by the time of the decision of the Committee on Public Enterprises dated 24th July 2012 was 2,370 acres. The breakdown thereof is as follows:

Estate / Seed Garden	Ownership	District	Divisional Secretariat	Acreage
1. Eluwankulam - Phase I	State Owned	Puttalam	Wanathavilluwa	210
2. Achchigewatta	Land Reform Commission	Puttalam	Wanathavilluwa	961
3. Kamandaluwa	Land Reform Commission	Puttalam	Rasnayakapura	548
4. Hardy	Land Reform Commission	Batticaloa	Valaichchenai	365
5. Wilachchiya	Department of Forest Conservation	Anuradhapura	Mahawilachchiya	25
6. Suduwathura-Ara	Department of Forest Conservation	Moneragala	Moneragala	45
7. Maha Oya	Department of Forest Conservation	Ampara	Maha Oya	81
8. Nalanda (Note)	Elkaduwa Plantations Ltd.	Matale	Matale	135
Total (Acres)				2,370

Note:

As the land on which the above-mentioned Nalanda Seed Garden is located has now been transferred back to the Elkaduwa Plantations Ltd. on a formal decision made by the Board of Directors, the total extent of lands that had not been legally acquired by the Corporation at the time of the said decision of the COPE and the extent of lands that are currently being cultivated by the Corporation is 2,235 acres (2,370 – 135).

Further, the extent of lands that did not belong to this Corporation by the year 2012 when the said decision of the COPE was taken, but has been received by the Corporation from various parties later and has not yet been legally acquired by the Corporation is 8,988 acres, and its breakdown is as follows: (As per the verifications made in the current year)

Estate / Seed Garden	Ownership	District	Divisional Secretariat	Extent (Acres)	Year of receipt by the Corporation
1. Mankarni	State Owned	Batticaloa	Koralaipattu North	1075	2013
2. Kondachchi	State Owned	Mannar	Musali	6498	2014
3. Thiriyaya	State Owned	Trincomalee	Gomarankadawala	27	2017
4. Eluwankulam Phase II	State Owned	Puttalam	Wanathavilluwa	409	2018
5. Pooneryn	State Owned	Killinochchi	Pooneryn	479	2019
6. Wellankulama	State Owned	Mannar	Manthai West	500	2021
Total (Acres)				8,988	

Accordingly, the total extent of lands for which action should be taken to acquire the legal ownership is 11,223. (2,235 + 8,988)

Although the above-mentioned land plots in the Pooneryn, Kondachchi, Mankarni and Wellankulama Estates were in the possession of the Sri Lanka Cashew Corporation in the 1970s, due to the 30-year long war in the North and the East, the Corporation lost the possession of those lands, and now they were returned to the Corporation in the years stated above.

It has become clear that, the steps that have been taken to acquire the legal rights of the above-mentioned lands under a long-term lease to this Corporation will entail a huge amount of lease rental, and given the current financial situation of the Corporation, the Corporation does not have the capacity to pay the lease. An example for this is that more than Rs. 11.0 million has been paid to the government as lease to acquire the rights of one of the above-mentioned lands, Eluwankulam Phase I.

Under this situation, following the discussions that were held with the officials of the Land Reform Commission and the Land Commissioner General's

Department, which currently hold the ownership of the relevant lands, with the intervention of the subject ministry, action has been taken by now to submit to the subject ministry a concept paper containing all necessary information in order to get the approval of the Cabinet of Ministers to obtain the long-term lease rights of the above-mentioned lands by the Corporation for cultivation purposes on the basis of sub-lease under a tripartite agreement between the Land Reform Commission / Land Commissioner General's Department, the Sri Lanka Cashew Corporation and external private institutions, and further steps well be taken in accordance with the approvals received accordingly.

2.2.2(e) Agreed.

Although there was a delay in submitting the financial statements of previous years to the relevant government institutions due to various practical reasons, all those delays have been overcome by now and preparation of the financial statements up to the year 2022 has been completed, and necessary steps are being taken to prepare the financial statements by the due date and submit them to the relevant government institutions from the year 2023.

2.2.4 (a) Explanation of the Corporation is as follows:

Since there is an obligation to purchase by this Corporation the cashew in shell harvest of the cashew cultivation section maintained by the Civil Security Department in the Kondachchi Estate as per a Cabinet decision, the said amount of Rs. 9,000,000/= has been used from the relevant provisions for replacement project, but by now this amount has been settled and returned to the replacement project.

2.3 (a) Explanation of the Corporation is as follows:

Paragraph (a) of the First Schedule to the Gazette Extraordinary No. 60/7 issued under the provisions of the State Agricultural Corporations Act, No. 11 of 1972.

As the sole state institution that has been established in relation to all the activities of cashew cultivation and cashew processing and marketing, it is the

responsibility of the Sri Lanka Cashew Corporation to provide relevant information and advice to the Hon. Minister in charge of the subject in relation to the formulation of policies and plans relating to such activities in terms of Gazette Extraordinary No. 60/7 dated 25.05.1973.

In providing such information and advice to the Hon. Minister, the relevant information is requested from the Corporation by the Ministry in charge of the subject (currently the Ministry of Agriculture and Plantation Industries), which is the highest institution in the hierarchy of institutions, and the Corporation provides the information requested.

In addition, in urgent, special and other subject-related matters that arise, the officers responsible for the subject present their views, relevant information and expert opinions at meetings held by the Ministry in charge of the subject.

Similarly, in problematic matters that require state intervention as identified by the Cashew Corporation in its case study and in matters that are outside its primary objectives and require intervention by the Cashew Corporation, a request is made to the Secretary to the Ministry in charge of the subject to bring the matter to the attention of the Hon. Minister and the relevant work is carried out as per the approval received.

Paragraph (c) of the First Schedule to the Gazette Extraordinary No. 60/7 issued under the provisions of the State Agricultural Corporations Act No. 11 of 1972.

The Sri Lanka Cashew Corporation conducts research activities to address the issues related to diseases in cashew cultivation, pesticides and fertilizers in the cashew cultivation, and the existing and future problems and challenges in the cashew plantation sector and to find solutions to them.

In addition, all research work related to cashew processing and marketing activities is carried out at the Nedagamuwa Processing Center of the Corporation with the intervention of the Quality Assurance Officer of this Corporation, and as a result, a number of value-added cashew products have been introduced to the market.

Moreover, with the aim of improving the marketing of cashew nuts, a trademark, slogan and packaging models for cashew nuts have been prepared for the Corporation in line with international standards by studying the conditions in the world market, and the required documents for the registration of the trademark and the slogan have already been submitted to the National Intellectual Property Office.

Paragraph (d) of the First Schedule to the Gazette Extraordinary No. 60/7 issued under the provisions of the State Agricultural Corporations Act No. 11 of 1972.

Due to the problems of not systematically gathering information under each division of the Sri Lanka Cashew Corporation, it has not been possible to provide complete information for inquiries made from time to time by government and non-governmental institutions. Having identified this weakness, the process of gathering and networking information has been initiated together with the Ministry of Plantation Industries, which is the line ministry. Under this initiative, institutional collaboration has been initiated with the relevant District Secretariats, the Department of Population and Statistics, the Export Development Board and the Sri Lanka Standards Institution, and the Corporation has joined a programme that is implemented under the supervision of the line ministry by exchanging information with those institutions.

Paragraph (f) of the First Schedule to the Gazette Extraordinary No. 60/7 issued under the provisions of the State Agricultural Corporations Act No. 11 of 1972.

To enter the global market, international specifications and standards must be met, and the Sri Lanka Cashew Corporation has already made necessary arrangements to implement most of them. As mentioned earlier, the Corporation has prepared the brand name and the slogan and the packaging models that are compatible with the international standards, and after submitting proposals and project reports to the line ministry for the research and preparation of infrastructure to obtain the standards for processing, financial provisions have been allocated by the line ministry for carrying out

those activities. Accordingly, the Corporation has already commenced the relevant activities.

Paragraph (h) of the First Schedule to the Gazette Extraordinary No. 60/7 issued under the provisions of the State Agricultural Corporations Act No. 11 of 1972.

One of the primary objectives of the establishment of Sri Lanka Cashew Corporation is to expand cashew cultivation in the island. For this purpose, the Sri Lanka Cashew Corporation actively contributes to the cashew cultivation extension work by providing high quality grafted plants and seedlings produced by following the prescribed procedures in the plant nurseries belonging to the Corporation with the financial provisions provided by the subject ministry under the Government policy for providing agricultural subsidy and through the Cashew Cultivation Subsidy Programme and the Cashew Agricultural Export Villages Project, as well as by conducting training programmes for the relevant beneficiaries to transfer the necessary technical knowledge on planting cashew plants following good agricultural practices. In addition to these, the corporation, in collaboration with institutions such as Dilma Conservation, which aim to provide assistance for sustainable agriculture, provides cashew seedlings at subsidized prices in the Batticaloa District and provides expert knowledge free of charge for the expansion of cashew cultivation.

2.3 (b) Explanation of the Corporation is as follows:

Only the initial work of calculating the costs referred to here has been completed so far by a committee consisting of the officials of the Corporation, and due to several practical issues, the relevant work has not been fully completed yet. Accordingly, the said cost calculation methodology will be completed as early as possible, and after obtaining the concurrence of the officers of the National Audit Office, this methodology will be used to calculate the values of the closing stocks in preparing the financial statements of the coming years and they will be included in the financial statements.

2.3(c) Explanation of the Corporation is as follows:

In accordance with the objectives of the establishment of the Corporation as stated in the aforesaid Gazette Extraordinary of the government, in addition to commercial activities such as the sale of cashew nuts and cashew seedlings, the Corporation is also entrusted with the responsibility of service activities such as the expansion of cashew cultivation in the island and research and development activities to be implemented to increase the productivity of cashew cultivation and the cashew industry in general.

A separate income and expenditure account is not prepared for the extension and research and development services provided by the Corporation as service activities as mentioned above, and the related costs are accounted annually by consolidating the value of the material costs relating to those centers and the costs of centers relating to the profits from the commercial activities of the Corporation.

Although the costs related to the service activities of the Corporation have been accounted for as stated above, since the benefits accrued to the economy in general from the provision of those services cannot be measured in monetary terms and therefore cannot be accounted for, it should be noted that it is important that this audit observation focuses on this situation as well. However, the Corporation has paid careful attention to implementing the measures that need to be taken to further increase its sales and other income and to manage expenses properly, and necessary measures have been taken for the same, which is evident from the fact that the Corporation has achieved a net profit of Rs. 14.471 million in the year under review. Accordingly, the required future measures will be implemented continuously.

2.3(e) Explanation of the Corporation is as follows:

By now, with the approval of the Board of Directors of the Corporation, all the unnecessary bank accounts of the Corporation have been closed, except for 02 current accounts of the Bank of Ceylon (current accounts bearing numbers 1633704 and 1633705) and 01 savings account of the Bank of Ceylon (savings account bearing number 1649789).

2.3 (f) Explanation of the Corporation is as follows:

All the installments amounting to Rs. 1,807,121/= referred to here have been remitted to the relevant unions and associations by now. The situation mentioned here had arisen due to the financial difficulties of the Corporation, however, necessary steps will be taken to remit the deductions made from this salary to the relevant unions and associations at the appropriate time in future.

2.3(g) Explanation of the Corporation is as follows:

The total amount of Rs. 3,954,338/= of medical aid referred to in this audit observation has now been paid to the relevant staff members.

2.3(h) Explanation of the Corporation is as follows:

As previously observed under Paragraph 1.2(h) of this detailed audit report, although the Department of Public Enterprises was requested to grant approval to set off the loan of Rs. 3,500,000/= payable by the Corporation to the Paddy Marketing Board against the loan of Rs. 9,466,200/= receivable by this Corporation from the Ministry of Economic Development, approval has not been granted for the same. Accordingly, as previously mentioned, action will be taken to reach a conclusion regarding the manner in which the loan amount payable to the Paddy Marketing Board should be paid off based on the responses received in the future to the letter sent to the Ministry of Finance, Economic Stabilization and National Policies regarding the recovery of the said government loan receivable by the Corporation.

2.3(i) Explanation of the Corporation is as follows:

As previously stated under Paragraph 2.2.2(c) of this reply report, as per the verifications carried out recently, out of the total extent of 11,223 acres of land belonging to this Corporation, 80% (8,988/11,223x100) has been acquired by this Corporation after the year 2012.

Out of the total extent of lands of 11,223 acres, 1,600 acres of land given to the Civil Security Department for cashew cultivation from the Kondachchi Estate in Mannar and from the Mankarni Estate in Batticaloa has been successfully

cultivated with cashew. Moreover, within the said total acreage, there is an area of 552 acres where cashew cultivation or any other cultivation cannot be done.

The funds generated by the Corporation are used for the new cashew cultivations in the lands belonging to the estates of the Corporation, but as new cashew cultivations are started in these estates annually based on the amount of earnings, a very small extent of lands can be cultivated newly. Accordingly, new cashew cultivations are started in the estates belonging to the Corporation to the maximum extent possible based on the availability of financial provisions, and the required development activities and rehabilitation of old cultivations (i.e. re-cultivation and underplanting) are also carried out. Accordingly, in the current year (i.e. in the year 2024), plans have been made to cultivate cashew in 100 acres and 05 acres respectively in the Eluwankulam estate and the Thiriyaya estate, which are owned by the Corporation.

Similarly, action is being taken to start new cashew cultivations in these estates by leasing out lands to the private sector planters for under-cropping, and plans are being prepared to establish new cashew cultivations by formally entering into agreements with private sector investors interested in starting cultivations using their funds.

2.3(j) Explanation of the Corporation is as follows:

Many of the estates belonging to the Corporation have very old cashew plantations, and the number of cashew trees available in those plantations is much lower than the standard number of cashew trees. Further, due to reasons such as the damages caused by wild elephants and by the stem and root borer beetle, the number of cashew trees available per acre has greatly reduced.

It should also be noted that the harvest of cashew in shell was lower throughout the island due to adverse weather and climatic conditions that prevailed during the harvest season of 2022, and that the average yield per fruit-bearing cashew tree, based on the amount of cashew in shell harvested by the estates of this Corporation during the year 2020, when weather and climatic conditions were very favourable for cashew cultivation, was approximately 5.043 kilograms.

2.3 (k) Explanation of the Corporation is as follows:

Due to the various crises that prevailed in the country and due to the poor financial situation of the Corporation, chemical fertilizer required for the coconut cultivations had not been applied for the past 05 years and consequently, the coconut harvest has decreased significantly. This has resulted in the issues mentioned under this audit observation. However, since necessary steps have been taken to purchase fertilizer for the coconut cultivations in the current year (i.e. in the year 2024), a significant increase in coconut harvest can be expected in the coming years.

2.3 (l) Explanation of the Corporation is as follows:

The Corporation has been producing and selling wine from cashew apple for a long time, and accordingly, the Corporation has taken the necessary steps to produce and sell a by-product from cashew apple wine.

Normally, cashew in shell is collected after the cashew nuts fall from the tree on to the ground, and therefore, until then, the apple cannot be removed from the cashew in shell, and it is not possible to harvest the cashew apple directly from the tree and use them for by-products, and accordingly, using the fresh apple for the said commercial products is problematic. Also, since a significant amount of cashew apple are subject to loss on the tree itself, it is not practical to calculate the amount of cashew apples collected based on the amount of cashew in shell harvest.

Due to technical issues that arose in the production of wine from cashew apple, the Corporation has temporarily stopped the production of wine, but the preliminary experiments conducted by the Corporation on the feasibility of producing ethyl alcohol/spirits using cashew apple have been successful. Accordingly, production of ethyl alcohol at experimental level has been handed over to the IDL Company, which is currently carrying out the experiments. Depending on the progress of these production activities, it is possible to start the production of ethyl alcohol on a commercial level in the future.

On a previous occasion, the Corporation produced cashew nut shell oil/liquid samples using the cashew nut shell oil/liquid extraction machine available at

the Nedagamuwa Processing Center of the Corporation, and attempts were made to find an institution to purchase it on a wholesale basis, but failed. However, it should also be noted that, since the Corporation is currently selling cashew nut shells, it generates income for the Corporation.

2.3 (m) Explanation of the Corporation is as follows:

For emergency repairs, the vehicles of the Corporation are taken to the garages as per the vehicle repair procedure of the Corporation, and in some cases, the vehicles taken to the garages have to be kept in those garages for an extended period of time until the procurement procedures related to the repairs are properly completed. However, necessary steps are taken to complete the relevant repairs as early as possible by properly following the vehicle repair procedure.

2.3 (n) Explanation of the Corporation is as follows:

The value of Rs. 7.092 million referred to under this audit observation originally included the purchase of a cashew boiler, a cashew nut processing machine and 02 cashew nut dryer machines, out of which only the cashew processing machine and the cashew nut dryer machines were ordered by the Corporation. Since the relevant supplier, Sahesh Industries, informed the Corporation that the cashew nut dryer machines could not be supplied due to the high inflation situation that prevailed in the country during that period, only the cashew processing machine was handed over to the Corporation by the relevant supplier.

Due to the problematic situation that arose regarding the operation of the said processing machine, using it for processing of cashew nuts was delayed, and when the supplier of this machine requested for payment, he resolved the issues regarding the operation of the machine on several occasions. Later, on the recommendations of the committee that was appointed to inspect the functioning of the machine, steps were taken to release the relevant payments by retaining 10% of the purchase price of the machine.

After making the relevant payments, the machine stopped working again after about 15 minutes on the first occasion and after about 02 hours on the second occasion, and thereafter it was not used for processing of cashew nuts. The supplier was informed of this problematic situation on several occasions and requests were made to restore the machine to working condition, but he did not respond to it.

Further, although he was requested on several occasions to enter into an agreement with the Corporation for providing after-sales services for this machine, but he avoided entering into such agreement.

In view of this situation, since the Corporation has incurred a loss due to the inability to use the relevant machine for processing of cashew nuts and the utility of the said machine has been minimum, the relevant documents were forwarded to the Legal Officer of the Ministry in charge of the subject seeking legal advice in order to take legal action against the relevant supplier.

The Legal Officer of the Ministry issued a written notice to the aforementioned supplier to give an explanation regarding his failure to fulfill the obligations he owe to his client, and the Legal Officer has further advice the Corporation to forward the relevant documents to the Attorney General's Department for further legal action. Accordingly, the relevant action has been taken, and the payment of the above-mentioned 10% retention money has been suspended.

Subsequently, a cost estimate for the repair of this machine was requested from Buddhi Industries, a pioneer company in the production of cashew nut processing machines, which holds the patent for the manufacture of cashew cutting machines, to restore the machine to working condition. The technicians of that company physically inspected the machine and have submitted an estimate of Rs. 04 million to restore the machine to working condition.

Accordingly, the Corporation expects to initially repair the part of the machine in which cashew nuts are cut, which has been currently identified as essential in the operation of this machine, and in the meantime, legal action is being taken against the original supplier as mentioned above.

2.3 (o) Explanation of the Corporation is as follows:

Although the generator and the boiler referred to here are very old, they have been used for the purposes of the Processing Center with periodic repairs, and due to various practical reasons, some of these repairs have been delayed. Special attention will be paid to this in future.

Further, due to the lack of a demand in the market for cashew nut shell oil at present, this machine which is used for producing oil from cashew nut shells is not in use at present, however, if market factors change in the future, there is the possibility to carry out servicing of this machine as required and use it again for production.

2.3 (p) Explanation of the Corporation is as follows:

At the request of the Senior Officer-in-Charge of the Nedagamuwa Processing Center and in view of the circumstances that arose subsequently, an advertisement was published in a leading national newspaper inviting bids for the repair of the boiler of the Nedagamuwa Processing Center in mid-2017, but only one bid was received in response. Since the bid received was very high, the said repair was not done taking into consideration the amount of provisions available with the Corporation at that time.

Although the percentage of kernels of cashew nuts can be increased by steaming the cashew in shell using this boiler and by processing the cashew in shell, which is beneficial as stated in this audit paragraph, it also has unfavorable/adverse effects on the sale of cashew nuts as the taste of such processed cashew becomes slightly lower than the normal taste and its shelf life decreases to some extent.

The main reason as to why customers who purchase cashew from the Corporation resort to it is that the taste of the cashew produced by the Cashew Corporation is significantly higher than that of other cashew producers, and since cashew needs to be produced to meet that demand, the boiler is not currently used for processing purposes. However, the Corporation is considering the possibility of reusing the boiler for steaming cashew in shell

for cashew processing purposes in a way that the above-mentioned unfavourable/adverse conditions can be controlled or regulated.

2.3 (q) Explanation of the Corporation is as follows:

The following explanation is given in addition to the explanations given for the audit queries and audit observations submitted to the Corporation from time to time regarding this matter previously.

Being the only state institution in the cashew sector in the country, the Sri Lanka Cashew Corporation has been entrusted with the responsibilities of making interventions and taking action on various tasks representing a number of fields including cashew cultivation, cashew distribution, cashew processing, cashew research and development and cashew marketing, etc.

In the wake of the Covid-19 pandemic that spread across the country in 2020 and 2021, a large number of cashew farmers, processors, marketers, etc. in the cashew sector lost their income, and since this Corporation has been entrusted with the responsibility of taking steps to relieve those in the cashew sector who got economically hit from their difficulties, in order to provide solutions to this situation, at the request made by the then Chairperson of the Corporation during the Progress Review Meetings of the Ministry and as a result of the observations made by the then State Minister of the subject Ministry during several observation visits to the Processing Centers of the Corporation, the required financial provisions were provided to the Corporation for purchasing a cashew packing machine and another cashew processing machine system, on which this audit observation was based, so that both the Corporation and those engaged in the cashew sector will commonly benefit by them (Audit observations regarding this processing machine system have been presented under No. 2.3(n) of the Auditor General's report).

Since the final value addition and final packaging of the cashew processing activities of the Corporation are carried out at the Nedagamuwa Processing Center, the cashew packaging machine was installed at the premises of that Centre. Although the cashew processing machine system, too, could have been installed at the Nedagamuwa Processing Center, the cashew processing

machine system was installed at the processing center of the Corporation in the Puttalam District, where the cashew industry of the country is most widespread so that the people in this field could derive more benefits.

Further, as per the government budget for the year 2021, which was presented towards the end of the year 2020, the then State Ministry in charge of the subject allocated a provision of Rs. 225 million to the Corporation for the rehabilitation of the Kondachchi Estate of the Corporation in Mannar, and out of the said allocation of Rs. 225 million, a sum of Rs. 125 million was allocated for the new cashew plantation on an area of 1,000 acres of land and other development and infrastructure facilities under the Kondachchi Estate Project for the year 2021.

Accordingly, forecasts were made regarding the amount of harvest that can be obtained by gradually cultivating new cashew plantations on the said area of 1,000 acres of land over a period of 03 years, and the need for processing and packaging machines required to carry out the processing activities of the expected cashew in shell production with high efficiency was also taken into consideration in these purchases.

However, as the Covid – 19 pandemic prevailed throughout the country over a prolonged period, and due to the subsequent economic recession, the activities of the said new cashew plantations could not be completed properly, and accordingly, the expected production capacities could not be achieved even with the said machines that were purchased as mentioned above. Accordingly, as the said packaging machine is not suitable for the current cashew nut production capacity of the Corporation, it will be sold at the maximum market price following a proper procurement procedure and a new packaging machine suitable for the current production capacity of the Corporation will be purchased with the proceeds of that sale, and further action will be taken accordingly as required.

2.3 (r) Explanation of the Corporation is as follows:

The Nedagamuwa Processing Center is housed in a very old building, which was available there when the relevant land was acquired by the Corporation.

As the building is very old, it is a very difficult task to modernize this building to suit the processing needs of the Corporation. These problematic situations can be overcome by removing this old building and constructing a new building in its place for the Processing Center, but the Corporation does not have sufficient funds for that.

Therefore, only the necessary repairs to the warehouse building and other building components mentioned here are carried out from time to time so that the operations of the center can be maintained without interruption. Once the financial situation of the Corporation becomes satisfactory, necessary steps will be taken in this regard.

As stated further in this audit observation, the use of sacks made of coir fibre twine or net bags for packing the cashew in shell harvest of the Corporation is not practically possible mainly due to the fact that such sacks are very expensive and therefore unaffordable for the Corporation, and also due to other factors such as that the said coir fibre twine sacks / net bags are subject to rapid decaying, and that the cashew in shell packaged following the said packaging method directly absorbs water vapour from the atmosphere making it difficult to use the cashew in shell for processing purposes, and the difficulty in obtaining a sufficient number of coir fibre twine sacks / net bags from the market. Accordingly, the Corporation uses relatively inexpensive polysack type packaging for packing the cashew in shell. Further, since cashew in shell is a fat reserve substance, there is no significant difference in the storage period regardless of the type of sacks in which they are packaged.

2.3 (s) Explanation of the Corporation is as follows:

Out of the provisions of Rs. 225 million received from the line ministry for the restoration project of the Kondachchi Estate referred to under this observation, an amount of Rs. 106.598 million has been spent on completing the targeted works as at 29.02.2024, and in addition to that, the payment obligation for the work in progress for which the procurement activities have been commenced is Rs. 87.671 million. Accordingly, except for the construction of an electric fence around the Kondachchi Estate, which is currently in a problematic state, all the other targeted works that were included in the said project have been

completed to a greater extent, and it has been planned to complete all the construction activities by 30.04.2024.

2.3 (t) Explanation of the Corporation is as follows:

Electricity has been supplied to all the buildings of which construction work has been completed by now, and construction works of the other buildings are being carried out, too. Electrical wiring work in those buildings are completed in line with the said construction works, and immediately after the completion of those works, electricity will be supplied to those buildings.

2.3 (u) Explanation of the Corporation is as follows:

Since the prices of the construction materials and labour costs in the market increased significantly compared to the estimates that had been initially approved for the construction of these official residences, it was not possible to properly complete the relevant construction work. However, taking this situation into consideration, steps have been taken by now to obtain additional provisions under the approval of the Ministry, and accordingly, necessary plans are being prepared for the completion of the construction work referred to herein.

2.3 (v) Explanation of the Corporation is as follows:

As the first phase of the census of cashew trees, the census activities were commenced from the Kamandaluwa Estate of the Corporation, and since the relevant activities require a very large cost for labour and for the tree marking paint, etc., it has become problematic to provide additional financial provisions for that. However, steps will be taken to allocate the required additional provisions as early as possible and to complete the census activities, and preparation of the cashew tree register will also be completed based on the findings.

13. Account Summaries for 05 Years

Sri Lanka Cashew Corporation					
	2022	2021	2020	2019	2018
Profit and Loss Account	Rs.(000)	Rs.(000)	Rs.(000)	Rs.(000)	Rs.(000)
Net sales	134,849	139,223	109,120	100,082	94,931
Sales cost	83,472	99,661	(72,190)	(67,857)	(61,023)
Gross profit	51,377	39,562	36,930	32,225	33,908
Other income	69,390	42,727	43,300	48,343	10,544
Recurrent grants	77,500	64,800	60,000	60,000	15,077
Administrative expenses / Other expenses	(181,059)	(160,419)	(147,982)	(167,334)	(38,407)
Amortization	(2,736)	(3,082)	(3,134)	(3,420)	539
Net profit from commercial activities	14,472	(16,412)	(10,886)	(30,186)	21,661
Service Division - expenses exceeding incomes	-	-	-	-	(61,303)
Actuarial (Profit) / Loss	2,232				
Net Profit/Loss	16,704	(16,412)	(10,886)	(30,186)	(39,642)
Balance Sheet					
Non-current assets					
Property, Plant and Equipment	116,125	117,553	77,883	82,027	87,369
Maintenance of fruit-bearing cultivations	25,316	28,053	31,135	34,270	27,436
Maintenance of non-fruit-bearing cultivations	98,080	71,592	60,329	37,862	51,591
Capital works in progress	6,543	628	576	69	-
Other small projects	588	6,363	122	675	523
Total non-current assets	246,652	224,189	170,045	154,903	166,919
Current assets					
Stocks	76,770	90,952	64,467	38,264	20,222
Trade debtors and other receivables	31,801	47,390	18,474	21,207	17,484
Advances and Pre-payments	50,639	43,813	9,828	6,093	2,553
Cash & cash equivalents	143,842	159,876	42,516	5,202	3,225
Total current assets	303,052	342,031	135,285	70,766	43,484
					70,766
Total assets	549,704	566,220	305,330	225,669	210,403
Equity and Liabilities					
Equity					
Initial capital	40,000	40,000	40,000	40,000	40,000
Government grants	281,565	289,535	256,381	202,788	175,414
Grants from other parties	280,919	286,736	32,337	15,766	17,756
Capital reserves	17,441	17,442	17,441	17,442	17,442
Profit and Loss Account	(152,058)	(167,065)	(149,638)	(141,197)	(110,011)
Total Equity	467,867	466,648	196,521	134,799	140,601
Non-current liabilities					
Provisions for gratuity	35,790	42,948	38,953	35,046	27,704
Long term loans	3,500	3,500	3,500	3,500	3,500
Total non-current liabilities	39,290	46,448	42,453	38,546	31,204
Current liabilities					
Trade creditors & other payables	42,547	53,124	66,359	52,324	38,598
Total current liabilities	42,547	53,124	66,359	52,324	38,598
Total Equity and Liabilities	549,704	566,220	305,333	225,669	210,403
Return on Net Assets %	3.6%	(3.5%)	(64.36)	(59.7)	(28.2)
Net Profit Ratio %	12.4%	11.8%	(9.98)	(30.2)	(41.8)
Current Ratio	7:1	0:3	2:01	1:4	1:1
Quick Assets Ratio	5:3	4:7	1:1	0:4	0:6
Total Expenditure against Total Income	1:1	(0.93)	(0.89)	(1.3)	(1:2)