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**இலங்கை மரமந்திரிகை கூட்டத்தாபனம்**

**SRI LANKA CASHEW CORPORATION**

**වාර්ෂික වාර්තාව සහ ගිණුම්**

**வருடாந்த கணக்கும் அறிக்கையம்**

**ANNUAL REPORT AND ACCOUNTS**

**2011**

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# **SRI LANKA CASHEW CORPORATION** **CHAIRMAN'S REVIEW FOR THE YEAR - 2011**

## **(01.) Establishment of Sri Lanka Cashew Corporation.**

The Sri Lanka Cashew Corporation (SLCC) was established under the extra ordinary Gazette notification no. 60/7 of 25<sup>th</sup> May 1973, under the State Agricultural Corporation Act No. 11 of 1972. Since the establishment of the SLCC as a public enterprise, provides services to the cashew industry while running commercial activities as well.

### **VISION**

- To become one of the leading and the best quality cashew producer and the exporter in the world.

### **MISSION**

- To develop the cashew industry towards a long term commercial viability by providing professional guidance to farmers and to develop cashew cultivation, production, processing technology, value addition, research and market promotion.

### **GOALS**

Expand cultivation & increase yield.

Increase productivity in the plantation & processing industry.

Establish a globally accepted Brand Image for Sri Lankan Cashew.

Value addition and new product development.

Export promotion.

Be a reliable facilitator to the industry at national level.

Move towards a self sufficient profit making State Corporation.

## **OBJECTIVES**

- a. To advise the Minister on the formulation and Implementation of plans pertaining to the cultivation, processing and marketing of cashew and cashew products.
- b. To undertake activities pertaining to the cultivation processing and marketing of cashew and cashew products.
- c. To undertake investigations and research with the object of improving the cultivation, processing and marketing of cashew and cashew products.
- d. To undertake and collaborate in the collection, preparation, publication and dissemination of technical marketing and other information pertaining to the cultivation, processing and marketing cashew and cashew products.
- e. To determine the location, size and technical standards regarding the establishment of any factories and operate existing ones where necessary, for the processing of cashew and cashew products.
- f. To purchase, distribute, sell and export cashew and cashew products.
- g. To provide facilities for training persons required to carry out the work of cultivation, processing and marketing of cashew and cashew products.
- h. To establish and assist in the establishment of infrastructure necessary for the development of cashew plantations, processing facilities and marketing.

- i. To take such steps as may be considered necessary to advertise and sell cashew products, to promote the demand for such products in the markets of the world and to initiate and sponsor the financing, supervision and supporting of propaganda work for such purpose or for other purposes connected therewith or incidental thereto.

**(02). Board of Directors of Sri Lanka Cashew Corporation (SLCC) 2011**

**(I) The Board of Directors consisted of the Chairman and six board members.**

- |      |                             |   |                 |
|------|-----------------------------|---|-----------------|
| i.   | <b>Mr. Sanath Weerakoon</b> | - | <b>Chairman</b> |
| ii.  | Mr. P.Kariyawasam           | - | Vice Chairman   |
| iii. | Mr. I. Wijeratne            | - | Director        |
| iv.  | Mr. H.M.G. Ratnayake        | - | Director        |
| v.   | Mr. B.Naotunne              | - | Director        |
| vi.  | Mr. L.Wanigarathne          | - | Director        |
| vii. | Mrs. N.Amarathunge          | - | Director        |

**(II) Sri Lanka Cashew Corporation - Audit and Management Committee.**

- |      |                        |   |   |
|------|------------------------|---|---|
| i.   | Mrs. N.Amarathunge     | - | Board Member - Treasury Representative                  |
| ii.  | Mr. I. Wijayarathne    | - | Board Member  |
| iii. | Mr. L. Wanigarathne    | - | Board Member  |
| iv.  | Mr. D.K.Jayakodiachchi | - | General Manager   |
| iv.  | Mr. M. T. S. K. Pieris | - | Manager - Finance                                       |
| v.   | Mr. V .U. Liyanage     | - | Internal Auditor - Secretary to the Committee.          |
| vi.  | Mrs. D.S.Vithanage     | - | Observer Auditor General's Department up to 07.05.2011  |
| vii. | Mrs. A.P.G.Athukorala  | - | Observer - Auditor General's Department from 25.11.2011 |

**(III) Sri Lanka Cashew Corporation - Senior Management Staff**

- |      |                          |   |  |
|------|--------------------------|---|--|
| i.   | Mr. D.K.Jayakodyarachchi | - | General Manager  |
| ii.  | Mr. S.S.B.Ratnayake      | - | Manager - Plantations and<br>Actg.Manager Policy &<br>Planning |
| iii. | Mr.M.T.S.K. Peiris       | - | Manager – Finance  |
| iv.  | Mr.O.S.P. Perera         | - | Manager - Marketing  |
| v.   | Mr.G.B.B.Surendra        | - | Manager - Extension  |
| vi.  | Mr.V.U.Liyanage          | - | Internal Auditor & Secretary to<br>the Board                   |
| vii. | Mrs. S.R. Fernando       | - | Actg.Manager- Administration                                   |

**(IV). Registered Offices.**

**Head Office & Regional Units.**

Head Office

Sri Lanka Cashew Corporation

1334, Old Kotte Road,

Rajagiriya

Telephone

Chairman	-	0112-871005
Vice Chairman	-	0112-869844
General Manager	-	0112-876134
Fax.	-	0112-867843
E-mail	-	cashewco@dialogsl.net
Web site	-	www.cashew.lk

**(V) Regional Offices, Estates, Plant Propagation Centres & Processing Units.**

<b><u>Regional Offices</u></b>		<b><u>District</u></b>
1. Puttalam Regional Office	-	Puttalam/Kurunegala.
2. Hambanthota Regional Office	-	Hambanthota/ Rathnapura.
3. Anuradhapura Regional Office	-	Anuradhapura/ Vavuniya/Mannar.
4. Naula Regional Office	-	Matale/Polonnaruwa.
5. Monaragala Regional Office	-	Monaragala.
6. Mahiyanganaya Regional Office	-	Badulla/Kandy.
7. Ampara Regional Office	-	Ampara.
8. Batticaloa Regional Office	-	Batticaloa.
9. Trincomalee Regional Office	-	Trincomalee.

<b>(VI). <u>Plantations / Estates</u></b>		<b><u>District</u></b>
1. Kamandaluwa Plantation	-	Puttalam.
2. Puttalam/Achchigewatta Plantation		Puttalam.
3. Eluwankulama Plantation	-	Puttalam.
4. Hardy Plantation	-	Batticaloa.
5. Mankerny Plantation	-	Batticaloa.
6. Mirijjawila Plantation	-	Hambantota.
7. Kondachchi Plantation	-	Mannar.
8. Pooneryn Plantation	-	Kilinochchi..
9. Madhu Plantation	-	Mannar.- <b>Not</b>
		<b>Functioning</b>
10. Thiriyaya Plantation	-	Trincomalee. - <b>Not</b>
		<b>Functioning</b>

<b>(VII). <u>Plant Propagation Centres</u></b>		<b><u>District</u></b>
1.	Vilachchiya Propagation Centre	- Anuradhapura.
2.	Nalanda Propagation Centre	- Matale.
3.	Maha Oya Propagation Centre	- Ampara.
4.	Suduwathura-ara Propagation Centre	- Moneragala.
5.	Oyamaduwa Propagation Centre	- Anuradhapura.

<b>(VIII) <u>Central Plant Nurseries</u></b>		<b><u>Serving Districts</u></b>
1.	Mihinthale Nursery	- Anuradhapura/Vavunia/ Mannar/ Kilinochchi/ Mullathiv.
2.	Dambulla Nursery	- Matale/Polonnaruwa.
3.	Kamandaluwa Nursery	- Puttalam/Kurunegala.
4.	Hardy Nursery	- Batticaloa/Trincomalee.
5.	Kumbukkana	- Moneragala.
6.	Aluththarama	- Badulla/Kandy.
7.	Chandrikawewa	- Hambantota/Ratnapura.

<b>(IX). <u>Cashew Processing Centres</u></b>		<b><u>District</u></b>
1.	Nedagamuwa Processing Centre	- Gampaha.
2.	Puttalam Processing Centre	- Puttalam.
3.	Mangalagama Processing Centre	- Batticaloa.

<b>(X). <u>Research Units</u></b>		<b><u>Disrict</u></b>
1.	Kamandaluwa Research Unit	- Andigama.
2.	Puttalam Research Unit	- Puttalam.

**Principal collaborative researcher of Sri Lanka Cashew Corporation**

Academic staff of the faculty of Agriculture and plantation management, Wayamba University of Sri Lanka.

<b>(XI). <u>Cashew Sales Outlets</u></b>	<b><u>District</u></b>
1. No. 1334, Old Kotte Road, Rajagiriya	- Colombo
2. No. 518, Galle Road, Colombo 03	- Colombo
3. Mirijjawila Sales Outlet, Hambantota	- Hambantota

<b>(XII). <u>Circuit Bungalows</u></b>	<b><u>District</u></b>
1. Puttalam Circuit Bungalow	- Puttalam.
2. Mirijjawila Circuit Bungalow	- Hambantota.
3. Hardy Circuit Bungalow	- Batticaloa.

**(03). Development Activities of the Sri Lanka Cashew Corporation.**

Development activities of the Corporation are categorized into five major sectors as given below.

- i. Extension Service.
- ii. Plantation Development and Rehabilitation.
- iii. Marketing and Cashew processing.
- iv. Research and Development.
- v. Commercial Nursery Programme.

**(04). The Budget.**

**(I).**

Type	Allocation – 2011 (Rs. Mn)		
	GG	GF	Total
Capital	40.50	2.98	43.48
Recurrent	50.00	23.53	73.53
<b>Total</b>	<b>90.50</b>	<b>26.51</b>	<b>117.01</b>

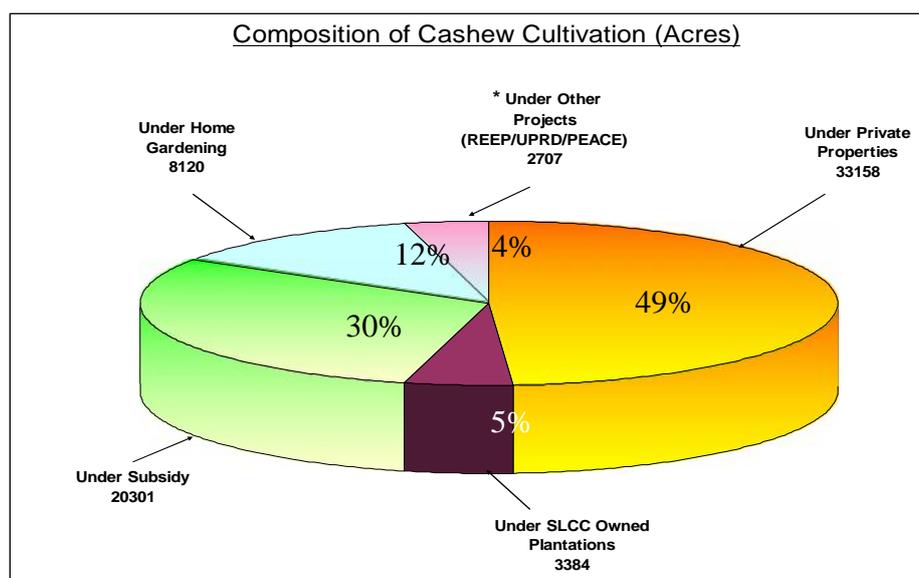
- **GG – Government Grant**
- **GF – Generated Funds**

**(II) The Income from commercial activities during the year**

	Rs. Mn.
Sale of Cashew Kernels	50.28
Sale of Cashew Mother Seeds & Plants	66.10
Sale of Coconuts	<u>1.40</u>
	<u>117.78</u>

**(05). Composition of Cashew Extent of Cultivation**

**(i).**



REAP - Regional Economic Advancement Programme - Matale District  
 UPRD - Upcountry Peasantry Rehabilitation Department  
 PEACE - Pro-Poor Economic Advancement and Community Enhancement Project

**(II) Table-1 New cultivation under Govt. Assisted Programmes - 2011**  
(acres)

District	Under Bud Grafted Subsidy (Acres)	Under Seedling Subsidy (Acres)	Under Divi Neguma National Programme Bud Grafted (Acres)	Under Divi Neguama National Programme Seedlings (Acres)	Under Deyata Kirula National Programme (Acres)
1. Anuradapura	450	-	20.5	3206	100
2. Hambantota	250	-	-	46	-
3. Ratnapura	100	-	34	-	-
4. Puttalam	600	-	220	83	-
5. Kurunagala	500	-	268	1055	-
6. Matale	150	-	287	-	-
7. Polonnaruwa	200	-	144	-	-
8. Badulla	200	-	71	523	-
9. Kandy	50	-	-	60	-
10. Ampara	250	-	-	1115	-
11. Batticaloa	200	400	-	632	-
12. Trincomalee	-	100	-	839	-
13. Vavunia	-	100	-	25	-
14. Mannar	-	100	-	52	-
15. Monaragala	350	-	6	203	-
16. Gampaha	-	-	1.5	-	-
17. Matara	-	-	25	-	-
<b>Total</b>	<b>3300</b>	<b>700</b>	<b>1077</b>	<b>7839</b>	<b>100</b>
<b>Grand Total</b>	<b>13016 acres</b>				

**(06). Expansion of Cultivation and increasing the National Production.**

**(I). Extension Programme.**

The estimated existing extent of cashew cultivation in Sri Lanka is 67670 Acres and the subsidy scheme implemented by SLCC was directly responsible for its expansion.

The extension services are conducted in 125 divisional secretarial divisions of 16 administrative Districts.

**a. Cultivation of Budded Cashew under Subsidy Programme.**

The subsidy scheme implemented by SLCC includes a grant of Rs.9500/- per acre payable in three installments.

**b. Cultivation of Seedling Cashew under Subsidy Programme.**

Seedling cashew cultivation programme was implemented where budded cashew planting is not suitable. The subsidy grant is limited to Rs.3500/- per acre for the seedling cultivation.

**c. Development & Rehabilitation of Plant Propagation Centres.**

The following plant propagation centres have been properly maintained and developed with the intention of preparing mother seeds and scions for the production of healthy seedlings and budded plants required for extension and commercial activities.

**(II).**

<b>Locality</b>	<b>District</b>	<b>Extent (Acres)</b>	<b>Activity (Acres)</b>
a. Wilachchiya Plant Propagation Centre.	Anuradhapura.	25	25 acres infilled.
b. Nalanda Plant Propagation Centre.	Matale.	135	25 acres newly planted.
c. Mahaoya Plant Propagation Centre.	Ampara.	81	10 acres planted.
d. Suduwathura ara Plant Propagation Centre.	Moneragala.	50	10 acres planted.
e. Oyamaduwa Plant Propagation Centre.	Anuradhapura.	100	100 acres planted.

**(07). Technology Development.**

**(I). Increasing Productivity.**

The average yield of cashew is 350 kg / ha per year at present, which is a low production compared to the other cashew producing countries. As the potential productivity is 650kg / ha / year, the Research and Development activities are being carried out, targeting to achieve the said potential yield. Faculty of Agriculture and Plantation Management of Wayamba University of Sri Lanka (WUSL) is the co-partner for Research and Development activities of the Cashew Corporation.

**(II). Research & Development.**

Pest control, Agronomic Practices, Fertilizer recommendations, Pruning, training and socio - economic studies are the main components of the Research & Development Programme. The experiments are in progress in collaboration with WUSL. The finding of research activities were disseminated to growers through extension staff, field demonstrations, leaflets, videos and TV programmes continuously.

**(III). By-Products.**

Continuous research and experiments are being carried out with the assistance of Sri-Jayawardanapura University and other scientific & technological institutions to explore the possibilities of using cashew apple for the production of a range of by-products such as fruit drinks, jam, Cordial etc.

**(08). Cashew Processing.**

**(I). Strengthening of Cashew Processing.**

Proper mechanism is essential to produce high quality cashew and to fetch a high price in the market. Providing cashew processing equipments, training of processors, arrangement of financial assistance to societies and market promotional assistance are the major activities of this programme.

03 training programmes were conducted and 95 workers were trained on quality assurance techniques during the year.

These training facilities were provided using the facilities available at SLCC processing centers at Nedagamuwa and Hardy Estate in Batticaloa.

**(09). Marketing.**

**(I). Purchase of Raw Cashew Nuts.**

The corporation purchased raw cashew nuts directly from farmers creating competitive environment and was able to pass the benefit to farmers by establishing an average high price of Rs.250/= per kg. SLCC purchased 68 MT. from the farmers and collected 50 MT from SLCC estates during the year 2011, though the harvest was not favourable as expected.

**(10). Business Performance of SLCC as a Public Enterprise.**

**(I). Cashew Nut Processing and Marketing.**

Cashew processing factories belongs to SLCC are located at Puttalam, Nedagamuwa (Gampaha District) and Mangalagama in Ampara / Batticaloa District.

The processed and value added cashew nuts were sold through corporation sales outlets at Colombo - 03, Rajagiriya and Hambantota. There were 03 new value added products introduced during the year.

SLCC has earned Rs. 5.72 Mn. Net profit from marketing activities during the year 2011.

Improvements in quality standards, value addition and production based on customer requirements including better administrative and internal controls were directly contributed towards the increase of sales and profits.

**(II). Cashew Plantations.**

Puttalam, Kamandaluwa, Hardy, Mirijjawila, Mankerny, Kondachchi and Madu are the cashew plantations belonging to SLCC. Majority of cashew trees and coconut plants in these plantations are over 30-40 years old. Hence, the yield drops drastically.

125 acres have been planted with cashew and 25 acres with coconut, under replanting programme at Puttalam, Kamandaluwa and Hardy Plantations and provided electricity to Puttalam and Eluwankulam plantations during the year. Only 1000 acres planted in Kondachchi &-

no new plantations were undertaken in Madu as the mine clearing operations were going on.

**(III). Rehabilitation/Development of cashew cultivation in the North & East. (Kondachchi, Poonarin, Thiriyaya, Mankerny, Madu Plantations).**

Development/Rehabilitation work commenced at Kondachchi and Mankerny plantations in the Northern and Eastern Provinces. Initially 1000 acres were planted with seedlings in Kondachchi in Mannar district, with the assistance of Dept. of Civil Security. Poonarin plantation (Kilinochchi district) earlier occupied by LTTE (nearly 500 acres) is now under Sri Lanka Army. 100 acres were planted in Mankerny plantation (Batticaloa district) by SLCC, during the year.

**(IV). Nursery Management Programme.**

Certified planting materials from selected cashew clones were issued to growers through nurseries located at Kamandaluwa, Dambulla, Mihintale, Mahiyanganaya, Monaragala, Batticaloa and Embilipitiya.

**(11). Production of Planting materials -2011.**

<b>Name of Nursery.</b>	<b>Budded Plants.</b>
1. Kamandaluwa	172,000
2. Dambulla	57,700
3. Mihinthale	75,500
4. Mahiyanganaya	37,000
5. Monaragala (Kumbukkana)	37,000
6. Batticaloa (Hardy)	41,000
7. Embilipitiya (Chandrikawewa)	45,500
<b>Total</b>	<b>465,700</b>

28 nurseries were established to produce 27,650 seedling plants in Batticaloa, Trincomalee, Vavnia and Ampara districts under subsidy programme. 85 nurseries were established to produce 313560 seedling plants in 16 districts, under Divi Neguma National Programme.

Budders and nursery workers were trained regularly to promote the production of quality cashew plants at these nurseries.

Planting Material Production Programme is one of the main sources of income generation of SLCC under commercial activities.

**(12). Foreign Exchange Earnings.**

During the year 2011, country has been able to earn foreign exchange of Rs. 314 Mn. through cashew exports to different international markets in value added and high quality form. Compared to the exports in the previous year which was only Rs.246 Mn, a significant increase has been achieved.

**(Source of information – EDB)**

The markets for Sri Lankan Cashews are Germany, USA, Japan, Netherlands, Maldives, Australia, Israel, Greece, France, Cyprus, Spain, UAE and other Middle East countries.

The training and other assistance provided by the corporation in the fields of processing, application of new technology, value additions, and standardization have successfully contributed in achieving these results.

**(13). Cashew Imports.**

**(I). Import for local consumption.**

The annual harvest was badly affected by heavy rains during the flowering season, creating a scarcity of raw nuts. As a solution to this situation, (with the assistance of the Ministry of Minor Export Crops Promotion.) small scale cashew processing societies were given permits to import raw cashew with duty free concession. They have imported 2600 MTs of raw nuts and distributed among a large number of processors.

**(14). General Administration.**

**(I).** Successfully streamlined the entire management system to improve all activities of SLCC as a state commercial organization to provide quality service to cashew growers, processors and customers, with the able assistance of the Board of Directors, the General Manager and the entire staff of the SLCC.

The Board of Directors and staff of the SLCC and stakeholders co-operated to adopt new development strategies of government "Mahinda Chinthana Idiri Dekma" to fulfill the aspirations of the people and employees of SLCC.

**(II).** The Human Resources Development and Skills Development Programmes were conducted to suit all levels of hierarchy and for the field staff. Medical scheme is being implemented for hospitalized or OPD patients as per approved ceilings of Rs. 30,000.00 and Rs. 6,000.00, per employee per year respectively.

**(III) The cadre position of SLCC as at 31/12/2011 is as follows.**

	<b>Approved Cadre</b>	<b>Actuals at 31/12/2011</b>
Management Cadre	13	10
Executive Grade	13	09
Middle Grade	108	111
Minor Grade	<u>47</u>	<u>54</u>
Total	<u>181</u>	<u>184</u>

In addition, there are about 350 check roll labourers working in the processing centers, plantations and nurseries based on the monthly requirements.

**(15). Achievements.**

The Board of the Directors, who assumed duties in June 2010, continued in the year 2011 as well. The corporation which was running at a loss, has been transformed to be a profit making one in its commercial and plant production activities entirely due to the effective and efficient guidance and policies adopted by the Board of Directors and the commitment of the employees.

The corporation has gained a net profit of Rs. 45 Mn during the year 2011 from the commercial activities. This is a tremendous achievement, the SLCC has reached since the establishment of the corporation.

It was not possible to gain a higher profit than this, due to the following constrains.

- Drastic cashew yield drop in plantations due to bad weather conditions.

- High buying prices of cashew kernels and raw nuts due to shortages.
- High cost of Labour and materials.
- Continuous reduction of recurrent & capital grant during the year affected new activities and carrying - out the essential services. This had to be compensated by using the generated funds of the Corporation, which finally resulted in creating liquidity problems and unavailability of funds to invest in commercial and development activities.

**(16). Conclusion.**

I would like to extend my sincere gratitude to the Board Members for their unreserved support and co-operation extended to me in uplifting the SLCC to its present viable status within a short period of nearly one and half years.

It is also extended to entire staff of the Corporation and all stakeholders for their fullest support and dedication.

I wish to thank my Minister, Hon. Reginold Cooray and the staff of the Ministry of Minor Export Crop Promotion for their guidance.

**Sanath Weerakoon**  
**Chairman**  
**Sri Lanka Cashew Corporation**

## **Report of the Board of Directors**

On behalf of the board of directors I herewith submit the audited financial statements for the year ended 31<sup>st</sup> December 2011.

In terms of the circular No: PED/11 issued on the 2<sup>nd</sup> of June 2003 by the Director General of the Department of Public Enterprises of the General Treasury, the financial statements of Sri Lanka Cashew Corporation was submitted to the Auditor General before 28<sup>th</sup> February 2012.

### **Establishment.**

Sri Lanka Cashew Corporation was established with an initial capital of Rs.40millions on 25<sup>th</sup> May 1973 by the gazette notification No: 60/7 issued under the subsection 01 of the section 02 of the state Agricultural Act No: 11 of 1972 and by the order of the Minister of Plantation Industries at the time.

### **Outcome.**

Financial outcome & data on change of equity in the current year have been disclosed by the statement on the change of equity and the financial statement.

### **Business Review.**

The Financial status of Sri Lanka Cashew Corporation in the year ended 31<sup>st</sup> December 2010 is given in the balance sheet and an evaluation in this respect is included in the chairman's report.

### **Property, Plants & Equipment.**

Changes that had taken place with regard to Property, Plants and equipment during the current year have been indicated at entry no: 1. The difference between the values indicated at this entry and their current market rates is immaterial.

### **Main Activities.**

The main activities of Sri Lanka Cashew Corporation are as follows.

- Enhancing the productivity of farming lands by cultivating cashew under the cashew cultivation subsidy scheme.
- Development & rehabilitation of Plantations owned by the corporation.
- Assisting in the promotion of cashew processing industry through the development of cashew marketing and the development of small scale entrepreneurship.
- Conducting research on cashew and by products of cashew.
- Establishing commercial nurseries to produce high quality planting material necessary for the extension of cashew cultivation.
- Establishing seed gardens to create new varieties to suit various climatic Zones.

No significant changes occurred in the activities of the corporation during the preceding financial year.

### **Reserves.**

The composition of the total reserves of the corporation is indicated in the statement on the change of equity.

### **Board of Directors.**

The Board of Directors appointed as at 31<sup>st</sup> December 2011 is as follows.

<b>Mr. Sanath Weerkoon</b>	-	<b>Chairman</b>
Mr. P. Kariyawasam	-	Vice Chairman
Mr. I. Wijerathne	-	Director
Mr. L. Wanigarathne	-	Director
Mr.H.M.G. Ratnayake	-	Director
Mr.H.P.M.Wasantha Kumara	-	Director
Mr.B.Naotunna	-	Director
Mr.V.U.Liyanage	-	Secretary to the Board

### **Audit Committee.**

The corporation's audit committee has been established in accordance with the Public Enterprises Guide lines.

### **Statutory Payments.**

All statutory payments that should be made to the government & employess have been duly paid.

### **Environmental Security.**

The corporation has not been involved in any activity posing a threat to the environment.

### **Incidents subsequent to the balance sheet date.**

No incident has been reported to be adjusted through accounts or for disclosure subsequent to the balance sheet date.

**Auditors.**

The financial statement of Sri Lanka Cashew Corporation for the year ended 31<sup>st</sup> December 2011 has been subjected to audit by the Auditor General.

**By the order of the board of directors.**

**V.U.Liyanage**

**Secretary to the Board of Directors**

### Audit & Management Committee Report

The Audit and Management Committee of the Sri Lanka Cashew Corporation was appointed in terms of the provisions of the Circular no: PED (Public Enterprises circular dated 01/07/2005) and as per the instructions given by the amendments made to the circular from time to time and this committee comprised of seven including six members and an observer.

The non-executive directors representing the treasury acted in the post of Committee Chairman and the Internal Auditor of the Corporation acted in the post of Committee Secretary.

Since it took time to get another treasury representative appointed in place of Mr H. P. M. Wasantha Kumara who had acted in the post of Committee Chairman in 2010 and got transferred to another department of Ministry of Finance, during the early part of 2011, an Audit & Management Committee meeting could not be held for the first quarter of 2011.

However, the Audit and Management Committee of the Corporation was convened 04 times during the year 2011 in terms of provisions of the relevant circulars and the participation of the committee members in these meetings had been in the following manner.

01. Mrs. N. Amaratunga – Committee Chairman Member of the Board of Directors – Treasury Representative from	4/4 05/07/2011
02. Mr. W. W. I. P. Wijayaratne - Committee Member Member of the Board of Directors	4/4
03. Mr. L. Wanigaratne - Committee Member Member of the Board of Directors	4/4
04. Mr. D. K. Jayakodiachchi - Committee Member General Manager – from 05/07/2011	3/4
05. Mr. M. T. S. K. Pieris - Committee Member Manager- Finance	3/4
06. Mr. V. U. Liyanage - Committee Secretary Internal Auditor	4/4
07. Mrs. D. S. Witanage - Committee Observer Representative of the Auditor General's Department – up to 05/07/2011	1/1
Mrs. A. P. G. Athukorala - Committee Observer Representative of the Auditor General's Department	2/2

At its first audit & management committee meeting a special review was carried out by the committee on the accounts of the corporation relevant to the previous year (2010) and focused its attention on the debtors' balances which are relatively low in value. Recommendations were made by the committee to the Board of Directors to the effect that it is appropriate to take necessary measures to write off the relevant debtors' balance from the accounts books based on the ability to get these amounts recovered after enquiring in to this matter. Also recommendations were made to the effect that necessary measures should be initiated with regard to the changes that should be made to the current standards and norms associated with the activities of the corporation.

At the second audit and management committee meeting held for the year under review, the physical and financial progress achieved from the activities of the Corporation by the end of the first three quarters was extensively discussed and on this occasion recommendations were made to the Board of Directors on special matters such as taking special action to contain the disease Helopeltis in cashew cultivation and providing spraying machines on concessionary rates to farmers engaged in cashew cultivation.

At the third audit and management committee meeting held relevant to the year under review, the committee reviewed the draft of the detailed audit programme prepared by the internal audit branch of the corporation for the ensuing year (for the year 2012).

At this meeting matters were taken up for discussion pertaining to the manner in which the audit programmes, namely the production data inspection of cashew production process and inspection of the maintenance of vehicles of the corporation should be implemented and the relevant detailed audit programme was recommended for the approval of the Board of directors.

At the fourth & final Audit and Management Committee meeting held for the year under review, a special review was carried out with regard to the audit reports issued to the management by the Internal Audit Division of the corporation during the first three quarters of the year and recommendations were made to the Board of Directors concurrently to take necessary action with regard to further regularizing of commercial nurseries of the corporation, further extending the roles assigned to the extension officers of the corporation, conducting research on special cashew varieties providing yield during the off season, to promote cashew cultivation extension activities in the districts of the North & East where corporation's officers have not been assigned for the cashew cultivation at present to carryout follow up and feedback action to achieve the target set in respect of all commercial and non-commercial activities of the corporation.

N. Amaratunga

Chairman

Audit and Management Committee

## **Sri Lanka Cashew Corporation**

### **Performance Report 2011.**

#### **01. Cashew Subsidy Scheme and Extension Programmes.**

##### **1.1 Cashew Subsidy Scheme.**

A total of 4000 acres of cashew were cultivated within this year (3300 acres of grafted cashew plants and 700 acres of seedlings) under the government Subsidy scheme. This extension programme was implemented in 125 Divisional Secretariats in 16 administrative Districts. 3600 families were benefited. Total cost incurred in this regard was Rs. 27.34 Mn.

##### **1.2 'Divi Neguma' National Programme.**

Approximately 86160 of grafted plants have been distributed among 1077 beneficiary families and planted in 1077 acres of 10 Districts under Home Gardening Programme of 'Divi Neguma' National Programme. 313560 of seedlings were planted in 7839 acres of 12 Districts under this programme. About 80000 families were benefited. Total cost incurred in this regard was Rs. 38.6 Mn.

##### **1.3 'Deyata Kirula' National Development Programme.**

100 acre of Cashew demonstration plantation was established at Oyamaduwa National Exhibition premises. Total cost incurred in this regard was Rs. 3.0 Mn.

**02. Development of Plant Propagation centers.**

The plant propagation centers in Wilachchiya in Anuradapura District, Mahaoya in Ampara District, Nalanda in Matale District and Suduwathura in Monaragala District were maintained in view of producing new varieties suitable to various climatic conditions and to introduce them to farmers. Weed control of these centers and application of chemical fertilizer has been carried out in this year. It was able to obtain, 7.6 Metric Tons of high quality mother seeds and 300,000 scions needed to produce plants, mainly for extension services and commercial activities. Total cost incurred in this regard was Rs. 3.28 Mn.

**03. Pest and Disease Control Programme.**

The insect, *Helopeltis* can be identified as a major pest which reduces cashew harvest as pest is responsible for the reduction of cashew harvest by 30%- 40%. 40 practical training sessions to control the pest was held in 18 districts. About 2000 small holders took part in these training sessions. 09 power spraying machines were granted to farmer's societies through Regional Managers. The cost incurred in this regard was Rs. 0.29 Mn.

**04. Research and Development Programme.**

The Research and Development Programme of the Corporation is carried out in collaboration with the Faculty of Agriculture and Plantation Management of North Western (Wayamba) University. Research programmes and experiments were carried out on plant propagation, use of agricultural technology, fertilizer management, disease control and plant density. Four adaptive research were carried out in four Districts selected to observe performance in different climatic zones and the new varieties WUCC 05, WUCC 08, WUCC 09, WUCC 13, WUCC 19, and WUCC 21 were introduced to the farmers. Cost incurred in this regard was Rs.0.94 Mn.

**05. Commercial Nurseries.**

405152 of grafted plants needed for subsidy scheme and other planting programmes were produced in central nurseries of the Corporation. These nurseries were established at Kamandaluwa Estate, Mihintale, Dambulla, Aluththarama, Kubukkana, Hardy Estate and Chandrika wewa. Total cost incurred in this regard was Rs.11.7 Mn.

**06. Maintenance and Rehabilitation of SLCC plantations.**

525 acres of cashew and 25 acres of coconut were rehabilitated in Kamandaluwa, Puttlam Achchigewatta, Hardy and Kondachchi estates. Further, a raw cashew harvest of 68 metric tons was harvested from these estates. In addition to this, application of chemical fertilizer and pest control were carried out in order to increase productivity. Cost incurred in this regard was Rs. 3.28 Mn.

**07. Promotion of Processing Industry.**

The Corporation was able to purchase 67.7 metric tons of raw cashews from growers paying Rs. 16.72 million in addition to the raw cashew harvest obtained from plantations. Processed cashew products and by-products of cashew were sold at Rajagiriya, Kollupitiya and Mirijjawila sales outlets. The income generated was Rs.49.2 Mn.

**08. Human Resource Development.**

Training programmes were held to upgrade skills of the employees at various levels. Accordingly, it was able to hold 01 training programme each for Middle-Level Managers, Extension Officers and Minor Staff. Cost incurred in this regard was Rs. 0.08 Mn.

## **Mid Term Strategies to be implemented by Sri Lanka Cashew Corporation to improve Performance.**

The following mid-term strategies will be implemented by the corporation to upgrade performance

- 1) To increase the extent of cashew cultivation
- 2) To increase productivity in cashew lands
- 3) To promote post harvest technology
- 4) To develop human resources and productivity

### **01) Increase the Extent of Cashew Cultivation.**

#### **1.1 Cashew Plantation under Extension Programmes.**

Cashew plantation of Sri Lanka is spreaded in the dry zone. About 30,000 acres of cashew lands in Northern and Eastern Provinces were abandoned and destroyed due to war during the last three decades. However, the programmes implemented by the Corporation since 2011 helped cultivate more than 10,000 acres of new cashew land per annum.

4250 acres of grafted and seedling cashew will be cultivated within each of next three years under Cashew Subsidy Programme conducted with the help of treasury provisions.

Home Gardening programmes will be carried out in 22 districts under “Divi Neguma” national programme and about 80,000 plants (500,000 grafted plants and 600,000 seedlings) will be annually produced and planted. This will continuously be carried out in next three years. Accordingly, about 8000 acres of cashew in- excess will be annually cultivated.

Two acre lands are developed with cashew plantation under Divi Neguma Economic Plot Programme. This programme is expected to be carried out in next three years by cultivating 2000 acres in each year.

## **1.2 Rehabilitation of Plantations.**

Rehabilitation of new plantations and old plantations were initiated in estates of corporation since 2011. Development and rehabilitation of Kondachchi estate in Northern Province and Mankerni Estate in Eastern province was initiated in collaboration with Civil Security Department under this programme. New plantations of 300 acres per annum are expected to be rehabilitated in puttlam, Kamandaluwa, and Eluwankulama estates. New 2000 acres of cashew are planned to be cultivated in Kondachchi and Mankerni estates in next three years under this.

## **1.3 New Plantations.**

500 acres of new plantations in cashew plantations owned by small land owners will be carried out per annum and this trend of cultivating new cashew lands will continuously exist in the next three years. Amount of land dedicated for cashew plantations is expected to increase at least by 15000 acres per annum by way of all above mentioned programmes. A network of extension services consisting of 09 regional offices will be set up to make these efforts a success and, cashew improvement activities in 18 districts will be covered by this. Mannar and Kilinochchi regional offices will be set up within the next year so as to cover the Northern Province.

## **02) Increase of Productivity in Cashew Lands.**

The cashew growing area of Sri Lanka is about 111,000 acres and, 88% of these lands belong to small land owners. Seedling plants have been cultivated in most of these lands and, the age of cashew trees is 20-25 as in lands owned by the corporation and, about 3-5 Kilogrammes of cashew are obtained from each tree. A harvest of about 10-15 Kilogrammes are obtained from one tree in countries like India and Vietnam.

### **2.1 Introduction of New Varieties.**

08 new varieties yielding a higher harvest have been introduced to farmers by the corporation. Research is being conducted in collaboration with Faculty of Agriculture and Plantation Management of North Western (Wayamba) University. The 08 varieties WUCC 1, WUCC 5, WUCC 8, WUCC 9, WUCC 13, WUCC 19, WUCC 21, and WUCC 23 have been cultivated in the estates and propagation centers of Eluwankulama, Wilachchiya, Nalanda, Mahaoya, Suduwathura Ara and Oyamaduwa. Measures will be taken to propagate new varieties suitable for the varied climatic zones with the help of scions obtained from these mother plants and to distribute them among farmers. Two new varieties will be introduced annually and, harvest obtained per hectare is expected to increase up to 650 Kg by this.

### **2.2 Application of Good Agricultural Practices.**

Land owners are annually encouraged to remove low- harvesting seedlings and to go for new varieties. Farmer training programmes are annually conducted with the participation of National Institute of Plantation Management by using good agricultural practices in view of increasing the harvest productivity of cashew plantation. These

programmes are expected to be carried out in next three years as well. Visual media is used in this regard. Wilting disease spreads due to heavy rain during flowering season of cashew trees. As a result of this, cashew harvest goes down by 30% - 40%. Therefore, it is essential to make small cashew land owners aware of in this regard. A joint programme is carried out with research sector so as to control root and stem borer and this is expected to carry out during the next three years as well.

### **2.3 Central Nurseries.**

Central nurseries of the corporation have been set up in Mihinthale, Dambulla, Kamandaluwa, Aluththarama, Kubukkana, Hardy and Chandrika wewa. High quality Grafted plants of new varieties are produced under the supervision of officers of the corporation and are issued to the farmers by these plants. 520,000 grafted plants are annually produced and about 500, 000 plants are expected to produce in the next three years as well. 06 poly-net houses built in these nurseries under 'Divi Neguma' national programme and application of modern technology will be improved in the production of plants.

### **3. Promotion of Post Harvest Technology.**

Cashew produced in Sri Lanka has a high demand in world market due to its taste, size and characteristic colour. But, it has been difficult to cater this export capacity with 15,000 metric tons of annual raw cashew harvest. Domestic use of raw cashew has also gone up.

The prize of one Kilogram of cashew nuts has also risen up to Rs.1800-2400 due to increase of production cost. By considering these facts, the corporation has taken several measures to increase quality and profit of cashew products.

### **3.1 Application of Good Manufacturing Practices.**

Entrepreneurs are encouraged by the corporation for Improvement of quality of products, Application of hygienic productive methodologies, modernization of processing, use of low cost ovens, application of new packing methods and innovations by Standardization of small scale entrepreneurs, value addition and application of good manufacturing practices. The training center of Nandagamuwa processing center is used in this regard.

### **3.2 Training Programmes.**

The corporation extended its support to upgrade the products of small scale producers up to the level of International Standard Certificate and HACCP standard, and it has been decided to hold training programmes for 150 persons engaged in processing industry annually. These training programmes will continuously be carried out within next three years.

A continuous programme to offer electric shelling machines and ovens on concessional price to those who initiate processing industry is carried out by the corporation.

### **3.3 Purchasing Raw Cashew from Farmers.**

Raw cashew needed for continuous production in processing factories was purchased from farmers in addition to the harvest being obtained from estates of corporation. This task is carried out by regional managers and extension officers of the corporation. The farmers were able to obtain a good price for their products due to this programme as the intermediates were

unable to buy raw cashew from farmers at low price. Raw cashew will be purchased from farmers within next three years as well.

### **3.4 Promotion of By-products of Cashew.**

Raw cashew is mainly extracted from the harvest and cashew apple is wasted. More than 10,000 tons of cashew apple is annually wasted.

The corporation has started to produce wine from cashew apple and a winery is set up at Puttlam processing center. 4500 liters of high quality wine are expected to be produced by this winery under a pilot project and, wine produced from cashew apple is expected to issue to the market within the next three years on the progress of the above mentioned pilot project.

It is also expected to produce liquor from cashew apple in collaboration with Udawalawa Sugar Research Institute.

## **4.0 Human Resource Development and Increase of Productivity.**

### **4.1 Human Resource Training and Development.**

It has been arranged to hold in-house training secessions in view of training and development of officers of all levels of the staff. Accordingly, 01 driver skill development programmes, 01 staff training programme (in collaboration with Labour Department) on the use of good agricultural practices and 01 training programmes for middle level managers have already been held. These programmes enable to increase productivity of officers, to update their subject wise knowledge. These programmes also increase the efficiency by way of self motivation. These

programmes are planned to be continuously carried out within the next three years.

The assistance of the Ministry of Minor Export Crops Promotion and National Institute of Plantation Management is obtained in organizing these programmes.

#### **4.2 Reorganization of Staff Structure and Assessment of Performance.**

Computer and fax machines have been supplied to the regional office network of the corporation. Communication facilities have been modernized with internet facilities under this. Necessary steps will be taken to reorganize the structure of the staff of the corporation and to amend recruitment and promotion procedure in line with the current development process. These structural changes will be utilized to face the challenges of the corporation with the elements needed to increase performance in the staff structure. Relevant measures have been taken to assess performance in all levels.

**Sri Lanka Cashew Corporation**  
**Amalgamated Balance Sheet As At 31.12.2011**

<b>31.12.2010</b>		<b>Notes</b>	<b>Rs.</b>	<b>Rs.</b>
	<b>Assets</b>			
	<b>Non Current Assets</b>			
4,506,381,339.31	Propety Plant & Equipment	01	4,509,793,519.26	
67,803,331.96	Mature Area Expenditure	02	66,480,235.35	
41,038,577.11	Immature Area Expenditure	03	40,558,785.44	
807,056.87	Other Small Projects	04	739,276.92	
4,616,030,305.25	<b>Total Non Current Assets</b>			4,617,571,816.97
	<b>Current Assets</b>			
25,102,254.63	Stocks	05	37,705,608.15	
10,916,241.08	Trade Debtors & Other Receivables	06	7,744,101.41	
2,479,690.28	Deposits, Advances & Prepayments	07	2,463,680.70	
5,863,861.48	Cash & Cash Equivalents	08	45,787,513.77	
44,362,047.47	<b>Total Current Assets</b>			93,700,904.03
<b>4,660,392,352.72</b>	<b>Total Assets</b>			<b>4,711,272,721.00</b>
	<b>Equity &amp; Liabilities</b>			
	<b>Equity</b>			
251,952,042.15	Government Grant		258,821,820.23	
13,570,025.96	Grant from Other Parties	09	13,570,025.96	
4,464,178,935.01	Capital Reserves	10	4,464,178,935.01	
(94,196,684.60)	Brought Forward Profit & Loss Account		(109,251,866.04)	
<b>(15,055,181.44)</b>	Current Year Profit/ (Loss)		<b>20,448,950.58</b>	
(109,251,866.04)				
4,620,449,137.08	<b>Total Equity</b>			<b>4,647,767,865.74</b>
	<b>Non Current Liabilities</b>			
24,451,548.87	Provision for Gratuity		27,834,960.75	
24,451,548.87	<b>Total Non Current Liabilities</b>			27,834,960.75
	<b>Current Liabilities</b>			
15,491,666.77	Trade Creditors & Other Payables	11	35,669,894.51	
15,491,666.77	<b>Total Current Liabilities</b>			35,669,894.51
<b>4,660,392,352.72</b>	<b>Total Equity &amp; Liabilities</b>			<b>4,711,272,721.00</b>

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

Sanath Weerakoon  
Chairman

## SRI LANKA CASHEW CORPORATION

### Accounting Policies – 2011.

- (1). The accounts have been prepared in accordance with the generally accepted accounting principles and historical cost basis.
- (2). Fixed Assets depreciated on the fixed installments (i.e.) Straight line Basis. The depreciation for the year of purchase is provided in proportion to the date of purchase. Full depreciation is provided on buildings, in the year of completion of construction, irrespective of the date of completion.

- (3). The depreciation rates are as follows:

Vehicles	20%
Plant & Machinery	10%
Tools & Equipment / Office Equipment	10%
Tube Wells	10%
Furniture & Fittings	06%
Buildings - Permanent	03%
Buildings - Semi Permanent	33%

- (4). The basis followed in valuing of stock is as follows:

- a. Cashew Kernels &  
Cashew Nut Shell Liquid - Net realizable Value
- b. Cashew Seeds - Guaranteed Floating/  
- Marketing price
- c. Sheep & Cattle - Market Price in the  
Region (Live weight)

- d. Coconut - Since realized Value
- e. All other stocks - At cost

Head Office Charges have been apportioned among the cost centers on the basis of total salary expenditure incurred for the cost centers.

- (5). The basis of apportionment of Plantation General Expenditure to mature, immature area, nursery & Animal husbandry on the actual labour days.
- (6). Amortizing of Cashew & Coconut Mature Areas is at 5% per annum.
- (7). The provision for bad doubtful debts is made at 3.53% on total debts. Difference in the provision, Provision account is transferred to write off bad debts account for the final year.
- (8). Past service cost arising during the period of completion of the minimum period of service for illegibility, for gratuity payable under the Act, is charged to income during the accounting year the employees complete the minimum period of service. Present service cost arising during the period, after the completion of minimum period is charged to income during the related accounting year.
- (9). Kondachchi Plantations is not operational from year 1990. Corporation has not employed officers for these Plantations and no income is getting from the plantations. Therefore, the provision due to amortization and depreciation of above plantations will not be charged against the profit until the plantations are resettled.

**Notes to the Balance Sheet as at 31.12.2011**

**Note - 01**

**Property, Plant & Equipment**

<b>Asset</b>	<b>Cost / Revaluation Value as at 01.01.2011 (Rs.)</b>	<b>Additions/ Revaluation During the Year (Rs.)</b>	<b>Disposal/ Transfer During the Year (Rs.)</b>	<b>Cost / Revaluation Value as at 31.12.2011 (Rs.)</b>	<b>Cumulative Depreciation as at 31.12.2011 (Rs.)</b>	<b>Written Down Value as at 31.12.2011 (Rs.)</b>
Land	4,452,241,129.30	-	-	4,452,241,129.30	-	4,452,241,129.30
Buildings	50,412,456.75	67,877.50	-	50,480,334.25	22,351,174.53	28,129,159.72
Motor Vehicles	27,710,300.00	12,038,892.84	99,500.00	39,649,692.84	18,362,478.57	21,287,214.27
Plant & Machinery	8,659,944.59	1,306,619.00	-	9,966,563.59	7,788,233.29	2,178,330.30
Tools & Equipment	8,037,394.42	108,969.00	30,600.00	8,115,763.42	7,106,267.34	1,009,496.08
Office Equipment	8,086,716.99	114,130.00	1,000.00	8,199,846.99	6,206,562.45	1,993,284.54
Furniture & Fittings	5,058,663.30	48,200.00	-	5,106,863.30	3,035,483.87	2,071,379.43
Tube Well	344,625.00	-	-	344,625.00	344,623.00	2.00
Cultivation Well	274,699.00	-	-	274,699.00	-	274,699.00
Tank	608,824.62	-	-	608,824.62	-	608,824.62
	<b>4,561,434,753.97</b>	<b>13,684,688.34</b>	<b>131,100.00</b>	<b>4,574,988,342.31</b>	<b>65,194,823.05</b>	<b>4,509,793,519.26</b>



<b>Sri Lanka Cashew Corporation</b>			
<b><u>Schedule - 2B</u></b>			
<b><u>Mature Area - Coconut</u></b>			
<b>Plantation</b>	<b>Cost up to maturity as at 01.01.2011 (Rs.)</b>	<b>Provision for Amortization as at 31.12.2011 (Rs.)</b>	<b>Net Value as at 31.12.2011 (Rs.)</b>
Hardy Plantation	1,369,822.51	205,473.39	1,164,349.12
Kamandaluwa Plantation	1,805,470.37	745,509.08	1,059,961.29
Puttalam Plantation	431,998.76	248,400.69	183,598.07
	<b>3,607,291.64</b>	<b>1,199,383.16</b>	<b>2,407,908.48</b>

<b><u>Note - 03</u></b>			
<b><u>Immature Area Expenditure</u></b>			
			<b>(Rs.)</b>
Cashew	Schedule - 3A		37,673,068.00
Coconut	Schedule - 3B		2,885,717.44
		<b>Total</b>	<b>40,558,785.44</b>

**Sri Lanka Cashew Corporation**

<b>Schedule - 3A</b>				
<b>Immature Area – Cashew</b>				
<b>Plantation</b>				<b>Cost as at 31.12.2011</b>
				<b>(Rs.)</b>
Hardy Plantation				<b>905,831.93</b>
Kamandaluwa Plantation				<b>2,127,134.06</b>
Kondachchi Plantation				17,962,037.98
Puttalam Plantation				2,928,522.76
Eluwankulama Seed Garden				389,201.06
Mirijjawila Plantation				6,724,524.05
Elkaduwa Seed Garden				2,282,584.37
Laggala Seed Garden				980,015.15
Mahaoya Seed Garden				1,136,373.75
Monaragala Seed Garden				1,557,326.45
Vilachchiya Seed Garden				368,520.95
Research & Development				226,945.49
Nedagamuwa Processing Centre				84,050.00
<b>Total</b>				<b>37,673,068.00</b>

<b>Schedule - 3B</b>				
<b>Immature Area – Coconut</b>				
<b>Plantation</b>				<b>Cost as at 31.12.2011</b>
				<b>(Rs.)</b>
Hardy Plantation				158,493.70
Kamandaluwa Plantation				780,213.00
Kondachchi Plantation				18,540.04
Marnkerny Plantation				1,590,294.49
Puttalam Plantation				338,176.21

**Total**

**2,885,717.44**

**Sri Lanka Cashew Corporation**

**Note – 04**

**Other Small Projects**

<b>Project</b>	<b>Cost as at 31.12.2011 (Rs.)</b>
Teak Plants Project	244,104.24
Banana Project	445,546.84
Papaya Project	49,625.84
	<b>739,276.92</b>

**Note – 05**

<b><u>Stocks</u></b>	<b>(Rs.)</b>
Sundries	2,121,948.72
Wine	424,319.37
Animal Husbandry	2,277,200.00
Cashew Kernels	16,279,816.12
Raw Cashew	7,463,792.25
Plants	8,254,733.10
Tea Leaves	3,580.00
Packing Materials	880,218.59
	<b>37,705,608.15</b>

**Note – 06**

**Trade Debtors & Other  
Receivables**

			<b>(Rs.)</b>
Trade Debtors		113,330.00	
<b>Less : Pro. For Bad Debts</b>		4,000.55	109,329.45
Sundry Debtors			7,634,771.96
			<b>7,744,101.41</b>

**Sri Lanka Cashew Corporation**

<b>Note – 07</b>			
<b>Deposits, Advance &amp; Prepayments</b>			<b>(Rs.)</b>
Advance	196,950.00		
Prepayments	481,847.20		
Deposits	1,784,883.50		
<b>Total</b>			<b>2,463,680.70</b>

**Note – 08**

**Cash & Cash Equivalent**

**(Rs.)**

Cash In Transits	1,114,973.71
Cash at Bank & Cash in Hand	44,672,540.06
<b>Total</b>	<b>45,787,513.77</b>

**Note – 09**

**Grant from Other Parties**

**(Rs.)**

North East Coastal Community Development Project	7,699,951.16
State Plantation Corporation	4,176,784.00
Department of Minor Export Crop.	80,839.00
Ministry of Supplementary Plantation Crop Development	1,612,451.80
<b>Total</b>	<b>13,570,025.96</b>

**Note – 10**

**Capital Reserves**

**(Rs.)**

Revaluation Reserve-Vehicles	23,163,646.03
Revaluation Reserve-Land	4,440,502,558.76
Other Capital Reserves	512,730.22
<b>Total</b>	<b>4,464,178,935.01</b>

## Sri lanka Cashew Corporation

### Note - 11

#### Current Liabilities

	<b>(Rs.)</b>
Sundry Creditors	22,446,776.95
Accrued Expenses	13,223,117.56
<b>Total</b>	<b><u>35,669,894.51</u></b>

**Sri Lanka Cashew Corporation**

**Commercial Sector**

<b>Amalgamated Profit &amp; Loss Account For The Year Ended 31.12.2011</b>			
<b>31.12.2010</b>		<b>Particulars</b>	<b>31.12.2011</b>
<b>(Rs.)</b>			<b>(Rs.)</b>
44,480,723.35	<b>Sales</b>	Cashew Kernels	50,287,941.28
110,000.00		Cashew Mother Seeds	5,000.00
27,055,554.68		Cashew Plants	66,106,904.75
1,244,027.00		Coconut	1,409,220.99
(1,286,900.00)		Return Inward	(59,200.00)
(431,938.25)		Turnover Tax	-
<b>71,171,466.78</b>	<b>Net Sales</b>		<b>117,749,867.02</b>
	<b>Cost of Sales</b>		
(1,297,193.88)		(Increase)/Decrease In Stock	(5,641,741.19)
8,769,462.13		Nursery Expenses	17,195,366.46
24,263,191.50		Cost of Production/Over Heads	28,478,358.92
12,207,161.50		Mature Area Admin. Expenditure	13,483,917.11
6,192,362.81		Mature Area Direct Expenses	5,191,022.88
50,134,984.06	Total Cost of sales		58,706,924.18
<b>21,036,482.72</b>	<b>Gross Profit/ ( Loss )</b>		<b>59,042,942.84</b>
	<b>Expenditure</b>		
15,691,109.23		Administration Expenses	17,094,383.77
15,691,109.23			17,094,383.77
<b>5,345,373.49</b>	<b>Profit / (Loss) Before Amortization</b>		<b>41,948,559.07</b>
3,589,956.93		Amortization	3,491,246.56
<b>1,755,416.56</b>	<b>Profit/(Loss ) After Amortization</b>		<b>38,457,312.51</b>
12,054.21		Profit/(Loss) Wine	16,545.00
74,700.00		Profit/(Loss) Processing Equip.	125,000.00
(208,757.63)		Profit/(Loss) Animal Husbandry	75,605.72
<b>1,633,413.14</b>	<b>Operational profit / (Loss)</b>		<b>38,674,463.23</b>
13,711,978.14		Administration Expenses (Head Office) (Indirect)	18,288,366.79
1,447,787.72		Sundry Income	2,729,921.79
16,958,774.94		Government Grant (Recurrent)	22,402,839.62
(24,539.22)		Profit/(Loss) Training Centre	-
<b>6,303,458.44</b>	<b>Net Profit/(Loss)</b>		<b>45,518,857.85</b>
	(Transferred to Final Amalgamated Profit & Loss Account)		

<b>Sri Lanka Cashew Corporation</b>					
<b>Service Sector</b>					
<b><u>Income &amp; Expenditure Account for the Year Ended 31.12.2011</u></b>					
<b>(Rs.)</b>					<b>(Rs.)</b>
	<b><u>Income</u></b>				
	Government				
27,717,395.53	Grant -	Capital	-	Current Year	31,255,721.06
2,462,643.94			-	Amortization	2,374,500.86
26,976,225.06		-	Recurrent		27,597,160.38
57,156,264.53	<b>Total Income</b>				<b>61,227,382.30</b>
	<b>Less;</b>				
	<b><u>Expenditure</u></b>				
18,191,880.50	Head Office			22,528,706.18	
27,717,395.53	Under Capital Grant			31,255,721.06	
29,902,282.97	Extension Service			30,390,653.12	
2,703,345.12	Research & Development			2,122,209.21	
78,514,904.12	<b>Total Expenditure</b>				<b>86,297,289.57</b>
	Expenditure Over Income during the Year				
<b>(21,358,639.59)</b>	Transferred to Final Amalgamated Profit/Loss Account				<b>(25,069,907.27)</b>

<b>Sri Lanka Cashew Corporation</b>		
<b><u>Final Amalgamated Profit &amp; Loss Account for the Year Ended 31.12.2011</u></b>		
	<b>31.12.2010</b>	<b>31.12.2011</b>
	<b>(Rs.)</b>	<b>(Rs.)</b>
Net Profit earned from the Commercial Sector	6,303,458.15	45,518,857.85
Expenditure Over Income for the Year - Service Sector	(21,358,639.59)	(25,069,907.27)
<b>Net Profit</b>	<b>(15,055,181.44)</b>	<b>20,448,950.58</b>

**SRI LANKA CASHEW CORPORATION**

**CASH FLOW STATEMENT**

Consolidated cash flow statement for the year ended 31st December 2011.

**Year ending 31st December - 2011**

<b><u>Cash Flows from Operating Activities</u></b>	<b><u>(Rs.)</u></b>	<b><u>(Rs.)</u></b>
Net Profit for the year		20,448,950.58
<b><u>Adjustments for items not involving movement of cash</u></b>		
Depreciation	101,594,529.99	
Amortization	1,323,096.61	
Provision for Gratuity	5,414,646.88	
Bad debtors written off	(133,880.45)	
Profit on Sale of fixed Assts	(1,221.00)	
Written off Raw Cashew	67,362.50	
Written off Stock - Sundry	2,741.50	
Government Grant Amortization	(33,630,221.92)	
		(16,798,022.89)
Operating Profit/(loss) before changes in items of working capital		<b>3,650,927.69</b>
<b><u>Changes in items of Working capital</u></b>		
Stocks - (Increase)/Decrease	(12,603,353.52)	
Debtors - (Increase)/Decrease	3,306,020.12	
Advances and Prepayments - (Increase)/Decrease	16,009.58	
Creditors - Increase/(Decrease)	13,082,286.67	
Accrued Expenses - Increase/(Decrease)	7,095,941.07	10,896,903.92
		<b>14,547,831.61</b>
Payment of Gratuity		(2,031,235.00)
Cash used in/generated from operating activities		<b>12,516,596.61</b>
<b><u>Cash flows from Investing Activities</u></b>		
Purchase of fixed assets	(13,684,688.34)	
Investment on New Planting	523,964.07	
Investments on Other Small Projects	67,779.95	
		<b>(13,092,944.32)</b>
		<b>(576,347.71)</b>

<b>SRI LANKA CASHEW CORPORATION</b>						
<b><u>Cash Flows from Financial Activities</u></b>						
Government Grant						40,500,000.00
Increase in cash & cash equivalents						39,923,652.29
Cash & cash equivalents at beginning of the year					<b>(Note-01)</b>	5,863,861.48
						<b><u>45,787,513.77</u></b>

**Note – 01**

**As at 01.01.2011**

**As at 31.12.2011**

Cash at Bank/in hand

5,768,903.48

44,672,540.06

Cash in Transits

94,958.00

1,114,973.71

**5,863,861.48**

**45,787,513.77**

**Sri Lanka Cashew Corporation**  
**Changes in Equity statement for the year ended 31.12.2011**

<b>Changes</b>	<b>Government Grant-Capital</b>	<b>Grant from Sri Lanka SPC</b>	<b>Grant from DMEC</b>	<b>Grant from NECCD Project</b>	<b>Grant from MSPCD</b>	<b>Revaluation Reserve</b>	<b>Other Capital Reserves</b>	<b>Profit &amp; Loss Account</b>	<b>Total</b>
Balance as at 01.01.2011	251,952,042.15	4,176,784.00	80,839.00	7,699,951.16	1,612,451.80	4,463,666,204.79	512,730.22	(109,251,866.04)	4,620,449,137.08
Grant Received During the year	40,500,000.00	-	-	-	-	-	-	-	40,500,000.00
Transfers to Profit & Loss Account	(33,630,221.92)	-	-	-	-	-	-	-	(33,630,221.92)
Revaluation Surplus - Land	-	-	-	-	-	-	-	-	-
Net Profit for the period	-	-	-	-	-	-	-	20,448,950.58	20,448,950.58
Balance as at 31.12.2011	<b>258,821,820.23</b>	<b>4,176,784.00</b>	<b>80,839.00</b>	<b>7,699,951.16</b>	<b>1,612,451.80</b>	<b>4,463,666,204.79</b>	<b>512,730.22</b>	<b>(88,802,915.46)</b>	<b>4,647,767,865.74</b>

**SPC - State plantation Corporation**

**DMEC - Department of Minor Export Crops**

**NECCD -North East Coastal Community Development Project**

**MSPCD - Ministry of Supplementary Plantation Crops Development**



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கணக்காய்வாளர் தலைமை அகியுதி திணைக்களம்  
**AUDITOR GENERAL'S DEPARTMENT**



My No: AF/A/SLCC/FA/2011

28 July 2012

The Chairman

Sri Lanka Cashew Corporation

**Report of the Auditor General on the Financial Statements of the Sri Lanka Cashew Corporation for the year ended 31 December 2011 in terms of Section 14(2)(c) of the Finance Act. No. 38 of 1971.**

The audit of financial statements of the Sri Lanka Cashew Corporation for the year ended 31 December 2011 comprising the balance sheet as at 31 December 2011 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 23 of the State Agricultural Corporations Act, No.11 of 1972. My comments and observations which I consider should be published with the Annual Report of the Corporation in terms of Section 14(2)(c) of the Finance Act, appear in this report. A detailed Report in terms of Section 13(7)(a) of the Finance Act was issued to the Chairman of the Corporation on 08 May 2012.

1:2 Management's Responsibility for the Financial Statements

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

### 1:3 Auditor's Responsibility

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgments, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub - sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary power to the Auditor General to determine the scope and the extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

### 1:4 Basis for Qualified Opinion

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My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial statements  
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2:1 Qualified Opinion  
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In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the Sri Lanka Cashew Corporation as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2:2 Comments on Financial Statements  
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2.2.1 Sri Lanka Accounting Standards  
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The following observations were made.

- (a) Sri Lanka Accounting Standards No.5 Even though the valuation of stocks should be done at the cost or the net realizable value whichever is less, the valuation cashew kernels of the closing stocks of Cashew Sales Outlets had been done by assuming 80 per cent of the price as the cost without computing the cost and the net realizable values
- (b) Sri Lanka Accounting Standards No.18 Even though the estates with cashew cultivations other than the Processing Centres at Nedagamuwa and Puttalam are not legally owned by the Corporation, those estates had been revalued at Rs.4,452,241,129 and shown in the financial statements as lands owned by the Corporation.
- (c) Sri Lanka Accounting Standards No.24 (i) Out of the assets or development works built up from Capital Grants, the amount identified through a logical methodology recognized annually as the income should be brought to account. Nevertheless, no income whatsoever had been recognized as income annually out of the Capital Grants amounting to Rs.234,972,565 provided by the Government.

- (ii) The income in respect of the assets built up from capital grants should be recognized parallel to the depreciation policy relating to those assets. Nevertheless, no income whatsoever had been recognized for the year under review in respect of the assets valued at Rs.2,551,006 and Rs.206,507 acquired in the years 2010 and 2011 respectively.
- (iii) The assets or the development works acquired from grants amounting to Rs.5,870,075 brought forward over a number of years had not been recognized and brought to account.
- (iv) No amount whatsoever had been recognized as the income from the Capital Grants amounting to Rs.13,570,026 received from other parties.

(d) Sri Lanka Accounting Standards No.19 The Capital Portion of the instalments payable in the ensuing year should be shown as current liabilities in the disclosure of lease creditors in the balance sheet while the Capital portion of the installments payable in the other years should be shown as long term liabilities. Nevertheless, the Capital portion of all installments payable amounting to Rs.10,026,192 had been shown under the current liabilities.

#### 2:2:2 Accounting Policies

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The following matters were observed.

- (a) Sales of Cashew to employees on credit basis had been brought to account in the cash basis instead of the accrued basis.
- (b) Action had not been taken to revalue the assets shown in the financial statements at the written down value of one Rupee but remaining in use.

The following matters were observed.

- (a) Even though the Puttalam Processing Centre had sent 2,895.14 kilogrammes of cashew kernels in the year under review to the Nedagamuwa Processing Centre, that amount had not been recorded in Production Accounts of the Puttalam Processing Centre and the Nedagamuwa Processing Centre.
- (b) Issue Orders had not been used for the free issue of cashew kernels to external parties and the value of cashew issued free as well had not been brought to account. According to observations made at a test check, the Sales Centre had issued cashew (exclusive of issues to Parliament and the Board meetings) with a sales value of Rs.153,435 by the Rajagiriya Sales Centre from January to August 2011, that quantity had not been brought to account.
- (c) The value of free issue of 147 kilogrammes of cashew valued at Rs.229,320 to the employees of the Corporation on their birthdays in the year 2011 as well had not been brought to account.

(d) Commercial Seedlings Nursery Division

The following matters were observed.

- (i) Even though the cost of the closing stock of 108,998 cashew seedlings had been brought to account as Rs.8,254,733 the actual cost amounted to Rs.4,576,051 and as such the stock had been overvalued by the sum of Rs.3,678,682. As such the profit for the year had been overstated by that amount.
- (ii) The Projects Division had transferred 255,369 cashew seedlings valued at Rs.20,231,507 to the Seed Gardens and Research and Development Division subjected to set off by capital grants. In this connection, the cost of a grafted seedling had been computed at Rs.79.65 and cost of seed propagated seedling had been computed at Rs.67.35. Nevertheless, the actual cost amounted to Rs.11,612,803 and as such the cost had been overvalued by Rs.8,618,704. Therefore the Cashew Corporation had earned an unrealized profit of Rs.8,618,704 through the Capital Grants.

(iii) The expenditure from the Capital grants included depreciation on fixed assets amounting to Rs.508,610.

#### 2.2.4 Unexplained Differences

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According to the Financial Statements, the closing stock of seed propagated seedlings had been 34,712 seedlings whereas according to the records of the Seedlings Nurseries Division that amounted to 33,760. Similarly the closing stock of grafted seedlings had been 74,286 whereas according to the records of the commercial Seedling Nurseries Division that amounted to 79,546.

#### 2.2.5 Accounts Receivable and Payable

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The balance of external debtors as at the end of the year under review amounted to Rs.2,816,580 and out of that a sum of Rs.2,003,354 represented balances older than 02 years. The progress on the recovery of debts had been at a weak level.

#### 2.2.6 Lack of Evidence for Audit

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The Daily Running Charts of the motor vehicle procured on hire basis at Rs.40,000 per month from the year 2010 had not been furnished to audit to establish the official duties for which it was used.

#### 2.2.7 Non-compliance with Laws, Rules, Regulations and Management Decisions

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The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka Chapter XV Section 3.1	Even though an officer on probation should not be sent abroad on study or training a Quality Control Officer on probation had been sent to participate in a Seminar in Cashew Industry conducted in Madras, India.

- (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
- (i) Financial Regulation 1647(e) A Register of Motor Vehicles had not been maintained.
- (ii) Section 2.2.1 of the Third Schedule of Financial Regulations None of Fixed Assets of the Corporation had been code numbered
- (c) Treasury Circular No.842 of 19 December 1978 A Register of Fixed Assets had not been maintained in accordance with the Circular.
- (d) Public Administration Circular No.41/90 of 10 October 1990 Even though the fuel consumption of all motor vehicles should be tested once in 06 months and the fuel consumption of motor vehicles should be decided accordingly, it had not been so done in respect of all motor vehicles except two motor vehicles.
- (e) Public Enterprises Department letter No.PE/CO/MC/27/2 Vol.iii of 19 November 2008. Even though instructions had been given that a transport allowance cannot be paid to the staff of the Corporation, contrary to the instructions transport allowance at Rs.1,500 and Rs.5,000 per month had been paid to the officers.

### 3. Financial Review

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#### 3:1 Financial Results

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According to the financial statements presented, the working of the Corporation for the year ended 31 December 2011 had resulted in a surplus of Rs. 20,448,951 as against the deficit of Rs.15,055,181 for the preceding year, thus as compared with the preceding

year an improvement of Rs.35,504,132 in the year under review was observed. The increase of sales income in the year under review under the Divineguma Project by a sum of Rs.38,661,612 had been the reason for such increase.

#### 4. Operating Review

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##### 4.1 Performance

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Even though the annual crop of the cultivation managed by the Cashew Corporation amounted to 97.33 kilogrammes per acre, that crop of the estates managed by the private sector amounted to about 650 kilogrammes per acre. This as compared with the other countries in the region was observed as about 2,000 kilogrammes per acre. The particulars of the crop according to the estates are given below.

Estate	Total Crop	Acreage	Average Crop per Acre
-----	-----	-----	-----
	Kilogrammes		Kilogrammes
Puttalam Estate	22,300	327	68.19
Kamandaluwa Estate	8,900	368	74.18
Hardy Estate	2,700	365	7.39
Eluawankulama Estate	15,300	190	80.52

##### 4.2 Management Inefficiencies

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The following observations are made.

- (a) Instances of payment of further advances to 14 officers who had not settled previous advances were observed.
- (b) A sum of Rs.38,100,000 had been received in the year 2010 as capital grants and a sum of Rs.35,244,829 out of that had been spent for the purchase of fixed assets and development activities. The balance sum of Rs.2,855,171 had not been issued for development works even during the year under review.

#### 4.3 Identified Losses

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The double cab motor vehicle allocated for official duties of the Assistant Estates Superintendent of the Puttalama Achchigewatta Estate had met with an accident while being driven by him without authority and the cost of repairs to the damage amounted to Rs.418,105. The Board of Directors had approved the letter of resignation submitted by the Assistant Estate Superintendent without taking action to recover the above amount from him.

#### 5. System and Controls

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Deficiencies in systems and controls observed during the course of audit were brought to the notices of the Chairman of the Corporation from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Preparation of Journal Vouchers
- (c) Register of Fixed Assets
- (d) Motor Vehicles Control.
- (e) Maintenance and Cost Records of Seedlings Nurseries

H.A.S Samaraweera

Auditor General

Mn/2150

Answer to the Auditor General's Report in terms of the section 14(2)(C) of the Financial Act no: 38 of 1971 on the Financial Statements of the Sri Lanka Cashew Corporation for the year ended 31<sup>st</sup> December 2011.

2.2.1 (a) In terms of the relevant Accounting Standards the final cashew kernel stock has been valued on the cost, which is the lowest value out of the cost and the net realized value.

2.2.1 (b) The plantations herein mentioned, are plantations that have been provided to the Corporation by the government for cashew cultivation activities from the year 1973, the year in which the Corporation was established and budgetary allocations of the government have been spent annually for the development activities of the plantations from the Corporation's inception.

The corporation reserves the legal ownership rights of these plantations and if this ownership was not reserved by the corporation, no provisions would have been allocated from the Government Treasury annually for the development of these plantations.

Accordingly, information was formally gathered with regard to the plantations from the Divisional Secretaries of the respective areas where these plantations are located and based on this information these plantations have been revalued to suit the present times and these revalued values have been entered in the financial Statements.

2.2.1 (c) (i) This balance being a capital grant balance without adequate information to identify the capitalized assets that have been brought for a long time in Financial Statements, has contributed to the inability to identify any amount as annual income with regard to the capital grant Value.

After receiving instructions from the Sri Lanka Accounting & Auditing Standards Monitoring Board in 2008, in order to solve this problematic situation, incomes have been identified with regard to these capital grants as far as possible and at present all relevant information is being maintained and relevant incomes are being properly identified with regard to the capital grant.

2.2.1 (c) (ii) Action will be taken to correct this error at the time final accounts are being prepared for the current year.

2.2.1 (c) (iii) Capital grants that have been received from outside parties mentioned in this audit query, also are balances being carried forward for a long time as mentioned in the above 2.2.1 (c) (i) and accurate details of assets or development work cannot be obtained with regard to these balances as well.

However, at present detailed reports are being properly maintained in respect of capital grants received from outside parties and accounting work is being carried out by identifying assets and development tasks at relevant times.

2.2.1 (c) (iv) Relevant incomes have been identified from the current year in respect of capital grants received from outside parties amounting to Rs. 13,570,026/- mentioned in the audit query.

2.2.1 (d) Corrections with regard to the matters contained in this audit query will be done within the current year.

2.2.2 (a) Action is being taken from the current year onwards to enter in accounts the herein mentioned sale of cashew to employees on loan basis, using the correct accounting basis.

2.2.2 (b) According to the financial provisions available with the corporation, action will be taken in future to revalue the fixed assets of which the written down value amount to Rs. 1.00

2.2.3 (a) This is only a matter which surfaced with regard to a inter departmental transaction. This has had no impact on the net profit of the Sales Division or the overall net profit of the corporation since the net profit of the Sales Division is computed by accumulating the transactions of all processing centres functioning under the Sales Division in the preparation of the final accounts.

2.2.3 (b) All of these free issuances of cashew has been done under the welfare scheme for the staff and the Board of Directors of the corporation with the hope of receiving customer feedback on new products and for marketing promotion purposes and these issuances are being documented in bin cards according to the formal methodology.

Also all these free issuances of cashew have been done with the approval of the chairman or the General Manager of the corporation.

2.2.3 (c) Action will be taken in future to enter this accurately in accounts.

2.2.3 (d) (i) The matters contained in this audit query cannot be agreed upon and the explanations with regard to the cost of the cashew plants are given under 2.2.3 (d) (ii)

2.2.3 (d) (ii) The cost of a seedling, being Rs. 67/35 is relevant to seedlings issued for the extension activities of the corporation, other than those issued for the DiviNeguma project. However, the cost of a seedling issued for the DiviNeguma project is not Rs. 67/35, as these DiviNeguma Plant nurseries are outside nurseries and the cost of a plant differs on the area of location of the plant nurseries and on other factors.

It has been mentioned that, without taking the above situation into consideration and by calculating the general cost of a cashew plant, the corporation has gained an unrealized profit within the current year and this statement cannot be agreed upon.

2.2.3 (e) this situation mentioned in the audit query is only a presentation error and this has had no effect on the final operating results and final results of the accounts of the year 2011.

2.2.4 The number of seeds and budded plants, mentioned in the final accounts are correct and matters pointed out with regard to the number of plants given as per the details gathered from other sources cannot be agreed upon.

2.2.5 Out of the external debtor's value mentioned in the audit query, which amounts to Rs. 2,003,354/-, 98% (Rs. 1,962,800/-) consists of a loan value receivable from the Ministry of Nation Building, which has been closed down from several years back without a successor. This value is payable for budded cashew plants provided by the corporation for a cultivation project carried out by the corporation jointly with the Ministry of Nation Building and Samurdhi Development Authority.

Since there is no method that could be adopted for the recovery of the relevant loan amount under these circumstances, action will be taken to write off this loan amount from the accounts book with the approval of the Board of Directors.

2.2.6 Necessary measures will be initiated for the preparation and maintenance of daily running charts relevant to the official vehicle that has been hired.

2.2.7 (a) This Quality Controller has been recruited to the Corporation recently on a decision taken by the Board of Directors, with the objective of introducing modern technological methodologies for cashew processing and introducing methodologies to maintain the quality controlling activities with regard to cashew processing in a high standard. Since the chance of receiving formal training on quality controlling with regard to the process of cashew processing within Sri Lanka is extremely less, this officer was made to participate in a training workshop on cashew industry in Madurei in India at the first opportunity given.

2.2.7 (b) (i) Documents are being properly maintained with regard to all vehicles of the corporation.

2.2.7 (b) (ii) Code numbers have been used for all fixed assets in the Corporation's Head Office and all other regional offices other than the fixed assets purchased during recent times. As soon as the relevant accounting work has been completed, code numbers will be properly used for the above mentioned fixed assets which have been purchased recently.

2.2.7 (c) A computer software is being used at present to maintain a register on fixed assets in terms of this circular and necessary action will be taken accordingly.

2.2.7 (d) Necessary inspections will be carried out in terms of this circular in future with regard to the fuel combustion of all vehicles.

2.2.7 (e) In terms of the provisions of Public Administration circular 22/29, transport facilities could be provided to senior level officers, approved by the secretary to the Ministry and on the decision of the Board of Directors of State Corporations since the managers of

However, owing to the fact that the corporation does not possess an adequate number of vehicles and also its inability to bear large expenses in this regard, these officers have been granted a transport allowance. This transport allowance of Rs. 5000/- has not been paid to all staff officers of the Corporation and only 05 managers of Grade M II are being paid this allowance.

Also a request was made to the administration of the Cashew Corporation by the employees of the Sri Lanka Cashew Corporation to grant them a travelling allowances as some kind of relief for the financial difficulties that they had to encounter due to the increase of the general transport service fees in the country.

The request had been forwarded to the Hon. Minister of the line ministry under which the corporation had been functioning at the time and the line minister had granted his approval subject to the approval of the Director Board.

Thereafter, the approval of the Board of Directors was also received in this regard. Accordingly, this transport allowance of Rs. 1500/- is being paid to permanent and contract basis employees with the exemption of above mentioned Grade M II managers and officers who are provided with a vehicle for transportation and officers occupying Corporation's official quarters.

This transport allowance has been arranged to be paid from the profit being earned by the Corporation's Commercial Division.

4.1 The extent of acres with yielding cashew trees that has been mentioned in the audit query differs from the actual extent of acres with yielding cashew trees and the extent of acres with yielding trees in the respective plantations being less the average yield acquires a value higher than the value mentioned herein.

However, the uncontrollable weather conditions that prevailed during the harvesting season of 2011, which impacted the island as a whole, had affected the expected cashew yield to decrease by about 60%.

However, during the current year, a favourable weather condition prevailed compared to that of the previous year and accordingly an average high yield could be expected from the Corporation's plantations in the current year.

4.2 (a) Having to assign the officer or the employee who had taken an advance with another essential and urgent official duty before the task for which the advance has been obtained is finalized, the second advance has to be released to the relevant officer or the employee in this manner before the settlement of the first advance.

4.2 (b) Since a considerable part of the capital grants allocated by the treasury for the Corporation for the year 2010, was received near the end of the relevant year, these grants could not be spent on the planned development work during the relevant year.

However, the amount that was not spent during the relevant year makes up a small percentage as 7% of the total capital grants received for the year 2010.

4.3 Although a complaint has been lodged following the accident mentioned in this audit query against the Assistant Superintendent who had been driving the vehicle at the time of the accident under complaint no: CIB 30/156 on 16/06/2010 at the police station – Wanathawilluwa, under which comes the area where the accident took place, to recover this loss, he has defaulted on the payment of the relevant loss.

Also, the Board of Directors have accepted the resignation of the Assistant Superintendent concerned, not on releasing him from the payment of the relevant loss but on his promise to pay the loss to the Corporation. Although this has been included in the letter issued to inform that his resignation has been accepted he has not paid the loss to the Corporation. This is a fraudulent act of him.

Under these circumstances, a letter has been sent to the Superintendent of police in charge of the Puttlam area with a copy to the officer-in-charge of the police, Wanathawilluwa to recover the above mentioned loss caused to the Corporation by taking relevant legal actions.

Also a letter has been sent to the Attorney General's Department seeking necessary legal advice to recover the above mentioned loss from the Assistant Estate Superintendent. Once a reply has been received action will be taken accordingly in future.

5. Noted it down to act accordingly in future by paying special attention to these subject areas.

**Sri Lanka Cashew Corporation**

**Five Year Summary**

	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>(Rs. 000)</b>				
<b>PROFIT &amp; LOSS ACCOUNT</b>					
Net Salaries	117,750	71,171	64,678	81,423	48,431
Cost of sales	(58,707)	(50,135)	(42,200)	(64,208)	(33,350)
<b>Gross Profit</b>	<b>59,043</b>	<b>21,036</b>	<b>22,478</b>	<b>17,215</b>	<b>15,081</b>
Other income	2,947	1,301	1,829	1,660	4,499
Recurrent Grant	22,403	16,959	42,500	37,620	35,185
Administration Expenses	(35,383)	(29,403)	18,072)	(12,768)	(10,032)
Amortization	(3,491)	(3,590)	(3,428)	(3,359)	(3,359)
<b>Net Profit From Commercial Sector</b>	<b>45,519</b>	<b>6,303</b>	<b>45,307</b>	<b>40,368</b>	<b>41,374</b>
<b>Expenses Over Income From Service Sector</b>	<b>(25,070)</b>	<b>(21,358)</b>	<b>(57,066)</b>	<b>(48,807)</b>	<b>(45,196)</b>
<b>Net Loss</b>	<b>20,449</b>	<b>(15,055)</b>	<b>(11,759)</b>	<b>(8,439)</b>	<b>(3,822)</b>
<b>BALANCE SHEET</b>					
<b>Non Current Assets</b>					
Property Plant & Equipment	4,509,794	4,506,381	70,232	44,516	44,877
Mature Area Expenditure	66,480	67,803	71,401	73,307	76,666
Capital Working Progress	-	-	385	-	-
Immature Area Expenditure	40,559	41,039	38,325	43,138	38,274
Other Small Projects	739	807	609	789	187
<b>Total Non Current Assets</b>	<b>4,617,572</b>	<b>4,616,030</b>	<b>180,952</b>	<b>161,750</b>	<b>160,004</b>
<b>Current Assets</b>					
Stock	37,706	25,102	30,688	20,322	6,200
Trade Debtors & Other Receivables	7,744	10,916	14,996	3,089	8,117
Advance & Prepayments	2,464	2,480	1,456	2,073	5,794
Cash & Cash Equivalents	45,787	5,864	13,619	10,234	5,095
<b>Total Current Assets</b>	<b>93,701</b>	<b>44,362</b>	<b>60,759</b>	<b>45,718</b>	<b>35,206</b>
<b>TOTAL ASSETS</b>	<b>4,711,273</b>	<b>4,660,392</b>	<b>241,711</b>	<b>207,468</b>	<b>195,210</b>
<b>Equity &amp; Liabilities</b>					
<b>Equity</b>					
Government Grant	258,822	251,952	244,032	238,471	225,937
Grant from Other Parties	13,570	13,570	13,570	4,258	4,258
Capital Reserves	4,464,179	4,464,178	23,676	513	513
Profit & Loss Account	(88,803)	(109,252)	(101,552)	(89,793)	(80,867)
<b>Total Equity</b>	<b>4,647,768</b>	<b>4,620,448</b>	<b>179,726</b>	<b>153,449</b>	<b>149,841</b>
<b>Non Current Liabilities</b>					
Provision for Gratuity	27,835	24,451	22,911	22,747	23,083
<b>Total Non Current Liabilities</b>	<b>27,835</b>	<b>24,451</b>	<b>22,911</b>	<b>22,747</b>	<b>23,083</b>
<b>Current Liabilities</b>					
Trade Creditors & Other Payables	35,670	15,492	39,075	31,272	22,286
<b>Total Current Liabilities</b>	<b>35,670</b>	<b>15,492</b>	<b>39,075</b>	<b>31,272</b>	<b>22,286</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>4,711,273</b>	<b>4,660,391</b>	<b>241,712</b>	<b>207,468</b>	<b>195,210</b>
Return on Net Assets	%	0.44	(0.33)	(6.54)	(5.50)
Net Profit Ratio	%	17.4	(21.2)	(18.2)	(7.9)
Current Ratio	Times	2.6	2.9	1.6	1.5
Quick Asset Ratio	Times	1.6	1.2	0.8	0.8
Total Income to Total Expenditure		1.2	0.9	0.9	0.1