



ශ්‍රී ලංකා කැෂූ සංස්ථාව

இலங்கை மரமந்திரிகை கூட்டத்தாபனம்

SRI LANKA CASHEW CORPORATION

වාර්ෂික වාර්තාව සහ ගිණුම්

வருடாந்த கணக்கும் அறிக்கையம்

ANNUAL REPORT AND ACCOUNTS

2012

<u>Contents</u>	<u>Page No.</u>
01. Chairman's Review	
• Vision, Mission, Goals and Objectives of the Corporation	1 – 19
• Brief profile of the directors and senior management	
02. Directors Report	20 – 24
03. Audit & Management committee Report	25 - 27
04. Performance Report	28 - 31
05. Mid term strategies to be implemented by Sri Lanka Cashew Corporation to upgrade it's performance	32 - 38
06. Audited Financial Statements	39 - 56
07. Report of the Auditor General on the financial statement in terms of section 14 (2) (c) of the finance Act No. 38 of 1971	57 - 67
08. Action taken to rectify the short comings mentioned in the Auditor General's Report	68 - 74
09. Financial Highlights in the proceeding 5 years	75

SRI LANKA CASHEW CORPORATION

Chairman's report for the year 2012

(1). Establishment of Sri Lanka Cashew Corporation

Sri Lanka Cashew Corporation was established under the extra ordinary Gazette notification No. 60/7 of 25th May 1973, under the State Agricultural Corporation Act No. 11 of 1972, Since the establishment of the SLCC as a public enterprise, providing all services to the cashew industry while running commercial activities in a profitable manner.

Vision

To make Sri Lanka 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.

Targets

Increasing the cashew harvest through expanding cultivation.

Increasing production of cashew processing industry and cashew estates.

Creating globally accepted brand name for Sri Lankan cashews.

Developing value adding and new products.

Export Promotion.

To turn Sri Lanka as the leader of the cashew production.

To make a self sustaining government corporation through making profits.

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 to new 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 purpose of 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). Director Board of the cashew corporation for the year 2012

(I). Members of the Director Board of the corporation up to 21.09.2012

- i). Mr. Sanath Weerakoon - Chairman
- ii). Mr. P. Kariyawasam - Deputy Chairman
- iii). Mrs. N. Amrathunga - Director - Treasury representative
- iv). Mr. I. Wijeyarathna - Director
- v). Mr. B. Naotunna - Director
- vi). Mr. L. Wanigarathna - Director
- vii). Mr. H.M.G. Rathnayaka - Director

(II). Members of the Director Board of the corporation from 21.09.2012

- i). **Mr. Sanath Weerakoon** - **Chairman**
- ii). Mr. S.K. Gunapala - Deputy Chairman
- iii). Mrs. M.D. Abeygunawardena - Director - Treasury
representative from
23.11.2012
- iv). Mr. W.V. Fernando - Director
- v). Mr. W. G. Gnanasiri - Director
- vi). Mr. H. Gunawardena - Director
- vii). Mr. C.J. Andradi - Director

- Secretary to the Board - Mr. V. U. Liyanage

(II). Auditing and Management Committee of Sri Lanka Cashew Corporation
- 2012

- i). Mrs. N. Amarathunga - Chairman of committee -
Treasury Representative
- ii). Mr. W.W.I.P. Wijayarathne - Director
- iii). Mr. L. Wanigarathna - Director up to 21.09.2012
- iv). Mr. D.K. Jayakodiarachchi - General Manager
- v). Mr. M.T.S.K. Peiris - Manager - Finance
- vi). Mr. V.U. Liyanage - Internal Auditor - Secretary
of Committee
- vii). Mrs. A.P.G. Athukorala - Observer of auditor General
Department

(III). Senior Management panel of Sri Lanka Cashew Corporation - 2012

- i). Mr.D.K.Jayakodiarachchi - General Manager
- ii). Mr. S.S.B. Ratnayake - Manager Plantations /
Acting Manager Policy and
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 the Board
- viii). Mrs. S.R. Fernando - Acting Manager - Administration

(IV). **Registered Offices**

Head Office and Regional Offices

Head Office

Sri Lanka Cashew Corporation

No. 1334, Old Kotte Road, Rajagiriya

Telephone

Chairman - 0112-871005

Deputy Chairman - 0112-869844

General Manager - 0112-876134

Fax - 0112-867843

Email - cashewco@dialogsl.net

Web site - www.cashew.lk

Regional offices, Estates, Plant Propagation centers and Processing Units

(V). <u>Regional Offices</u>	<u>Districts Covered</u>
1. Puttlam Regional office	- Puttalam/ Kurunegala
2. Hambanthota Regional office	- Hambanthota/ Rathnapura
3. Anuradhapura Regional office	- Anuradhapura/Vavuniya/ Mannar Mulathivu
4. Naula Regional office	- Matale/ Polonnaruwa
5. Monaragala Regional office	- Monaragala
6. Mahiyangana Regional office	- Kandy/ Badulla
7. Ampara Regional office	- Ampara
8. Batticaloa Regional Office	- Batticaloa
9. Trincomalee Regional office	- Trincomalee

(VI). <u>Plantations / Estates</u>	<u>Locating District</u>
1. Kamandaluwa Plantation	- Puttalam
2. Puttlam Achchigewatta Plantation	- Puttalam
3. Eluwankulama Plantation	- Puttalam
4. Hardy Plantation	- Batticalo
5. Mankanrni Plantation	- Batticaloa
6. Kondachchi Plantation	- Mannar
7. Pooneryn Plantation	- Kilinochchi
8. Madhu Plantation	- Mannar-Not operating

(VII). **Plant Propagation Centres**

Districts

- | | | | |
|----|--|---|--------------|
| 1. | Vilachchiya Plant Propagation centre | - | Anuradhapura |
| 2. | Nalanda Plant Propagation centre | - | Mathale |
| 3. | Mahaoya Plant Propagation centre | - | Ampara |
| 4. | Suduwathura Ara Plant Propagation centre | - | Monaragala |
| 5. | Oyamaduwa Plant propagation centre | - | Anuradhapura |

(VIII). **Central Plant Nursery**

Serving Districts

- | | | | |
|----|-----------------------|---|---|
| 1. | Mihinthale Nursery | - | Anuradhapura, Vavuniya, Mannar,
Kilinochchi, Mulathivu |
| 2. | Dambulla Nursery | - | Mathale, Polonnaruwa |
| 3. | Kamandaluwa Nursery | - | Puttalam, Kurunegala |
| 4. | Hardy Nursery | - | Batticaloa, Trincomalee |
| 5. | Kumbukkana Nursery | - | Monaragala |
| 6. | Aluththarama Nursery | - | Badulla, Kandy |
| 7. | Chandrikawewa Nursery | - | Hambanthota, Rathnapura |

(IX). **Cashew processing Centres**

District

- | | | | |
|----|------------------------------|---|----------|
| 1. | Nedagamuwa processing centre | - | Gampaha |
| 2. | Puttalam processing Centre | - | Puttalam |

(X). **Research Unit**

District

- | | | | |
|----|---------------------------|---|----------|
| 1. | Kamandaluwa Research Unit | - | Puttalam |
| 2. | Puttalam Research Unit | - | Puttalam |

The main joint research entity of Sri Lanka cashew corporation

Implemented jointly by the academic Staff of the faculty of Agriculture and plantation Management of Wayamba University.

(XI). Cashew Sales Centres

District

- | | | | |
|----|--------------------------------------|---|---------|
| 1. | No. 1334, Old Kotte Road, Rajagiriya | - | Colombo |
| 2. | No. 518, Galle Road, Colombo 03 | - | Colombo |

(XII). Circuit Bungalows

District

- | | | | |
|----|-----------------------------|---|-------------|
| 1. | Puttalam Circuit Bungalow | - | Puttlam |
| 2. | Mirijawila Circuit Bungalow | - | Hambanthota |
| 3. | Hardy Circuit Bungalow | - | Batticaloa |

(03). Development Activities of the Corporation

Five major programs are implemented by the Sri Lanka cashew corporation to push through the following activities

1. Extension Service.
2. Development and rehabilitation of estates.
3. Developing Marketing and processing.
4. Research and Development
5. Commercial Nursery programme

(04). Budget

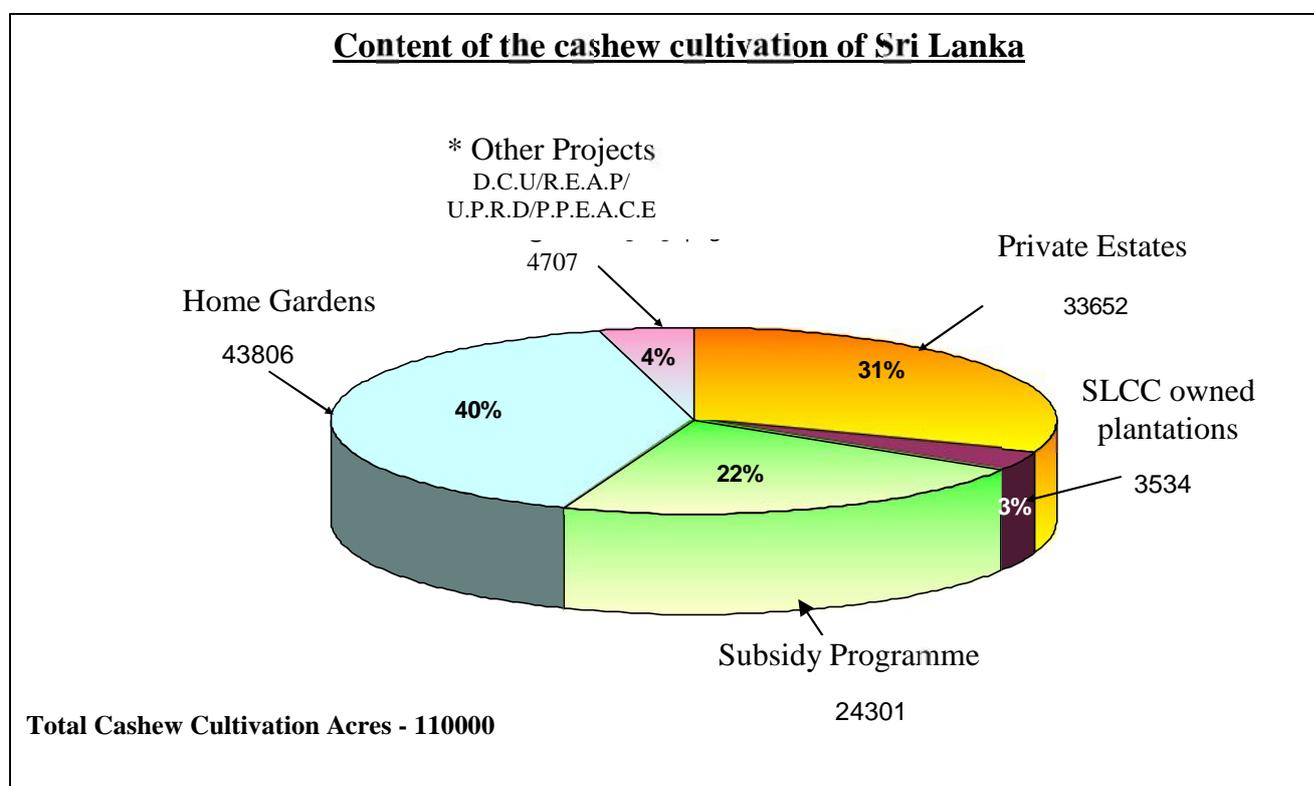
(I).

Type	Provisions - 2012 Rs. Million.		
	Government Grant	Generated Funds	Total
Capital Expenditure	40.95	22.25	63.20
Recurrent Expenditure	58.80	26.50	85.30
Total	99.75	48.75	148.50

(II). Income in the year 2012 through the commercial activities

	Rs. in Mn.	
Sale of cashew kernels	-	47.22
Sale of mother seeds and plants	-	101.72
Sale of coconuts	-	<u>1.17</u>
Total		<u>150.11</u>

(05). Content of the cashew cultivation of Sri Lanka



- * D.C.U. - 'Divineguma' Commercial units
- R.E.A.P. - Regional Economic Advancement programme - Mathale district
- U.P.R.D. - Upcountry Peasantry Rehabilitation Department
- P.E.A.C.E - Pro-Poor Economic Advancement and Community Enhancement Project

(06). Expansion of cashew cultivation and enhancing National Production

(I). Increasing cultivated areas

4000 acres in 125 divisional secretaries in 17 districts have been cultivated. Subsidies have been offered to 2400 families under the subsidy Programme. The summary of the extension program is given below.

Cashew cultivation subsidy project

District	Buded Cashew (Acres)	Seedling Cashew (Acres)
1. Puttlam	500	-
2. Kurunegala	450	-
3. Hambanthota	275	-
4. Anuradhapura	400	-
5. Ampara	-	400
6. Badulla	125	-
7. Kandy	25	-
8. Rathnapura	25	-
9. Mathale	150	-
10. Polonnaruwa	150	-
11. Monaragala	300	-
12. Batticaloa	50	400
13. Trincomalee	50	300
14. Vavuniya	-	100
15. Mannar	-	100
16. Mulathivu	-	100
17. Kilinochchi	-	100
Total	2500	1500

(II). Granting Subsidies to Farmers

Rs. 3.4 million subsidies given as cashew cultivating subsidies for 2015 farmers in Hambanthota, Puttlam, Kurunegala, Anuradhapura, Ampara, Polonnaruwa, Matale, Rathnapura, Monaragala, Batticaloa, Trincomalee, Vavuniya and Mannar districts.

Rs. 9500 subsidy for an acre to cultivate bud cashew is paid and Rs. 3500 subsidy is paid for an acre to cultivate seed cashews for the areas which are not suitable to cultivate bud cashews.

The estimated cashew cultivation area of Sri Lanka is 110 000 acres. The subsidy projects and other projects undertaken by Sri Lanka Cashew Corporation were directly contributed to increase the cultivated area in Sri Lanka.

(III). “Divi Neguma” National Development Programme.

Approximately 48000 seedling plants and 187000 buded plants have been distributed among recipients and planted in 125 divisional secretariat divisions under the home garden programme in the year 2012. In addition to that, 2000 acres in 12 districts have been cultivated in 2 acre economic units through 1000 farmer families and each recipient was paid Rs. 3500 advance payment, plants and fertilizer freely.

(IV). “Dayata Kirula” National Development Program

Sri Lanka Cashew Corporation attended to the ‘Dayata kirula’ national exhibition in the year 2012 and established 200 acre Demonstration cashew cultivation, Oyamaduwa in the Anuradhapura District.

(07). Improving Productivity of Cashew Cultivation

(I). Planting Material Production

1.5 million Mother seeds had been produced maintaining high production levels under the advanced agricultural systems in the following plant Propagation centres. In producing budded plants and planting materials, 200,000 mother seeds and scions had been used.

Plant Propagation Centre	District	Acreage
1. Wilachchiya	Anuradhapura	25
2. Nalanda	Matale	75
3. Mahaoya	Ampara	81
4. Suduwathura Ara	Monaragala	50
Total		231

(II). Nursery Management

The Corporation had produced 352,483 budded plants with high quality new varieties from central nurseries of the Corporation and issued for the “Divi Neguma” and subsidy programme.

Budded plants production in year 2012

Name of Nursery	No. Bud Plants Produced
1. Kamandaluwa	84661
2. Dabulla	60137
3. Mihintale	59191
4. Aluththarama	23000
5. Kumbukkana	67020
6. Hardy	19000
7. Chandrika wewa	39474
Total	352483

37 nurseries had been established in Batticloa, Trincomalee, Vavuniya and Ampara districts for producing 45480 seedling plants required for the subsidy scheme. In addition, 164 nurseries had been set up for producing 557200 seedling plants for the home garden programme and for commercial units (2000 acres) of 2 acre for each under the “Devi Neguma” programme after training nurserymen.

(III). Improving production

Around 2300 cultivators had been trained on increasing production by adopting advanced agricultural methods including weeding, insects and pest controlling, manure application, soil conservation in cashew lands. This programme was implemented in 17 districts selected for the subsidy scheme.

18 practical training sessions were conducted in conjunction with the Research Division for controlling insect called “Helopeltis” alias Red Cashew Mosquito, a major pest affecting cashew cultivation. With this attempt, controlling of the said pest could be successful.

(IV). Research & Development

The harvest of cashew reaped from a one hectare is 650 Kilograms. This is a poor output when compared the same with other cashew growing countries. Through the ongoing research and development drives, a salutary advancement in harvest of 1000 kg from a single hectare to be reached within the next five years.

The meaning of research programme had been controlling pests, Good Agricultural Practices (GAP), recommended manure application, pruning, plant density, insemination of new varieties and socio economic studies. Research

programmes had been implemented with Agriculture & Plantation Management faculty of the Wayaba University. Action were taken to avail this research effects to farmers at consultative sessions through extension service network as well as at field demonstrations, leaflets, video and television programmes.

Two new varieties called “WUCC 1 and WUCC 23” were introduced to farmers in the year 2012.

(08). Post harvest Technology Advancement

(I). Purchasing Raw Cashew from Farmers

90000 kilograms of raw cashew had been purchased at village level by the Corporation at competitive prices. Accordingly, a kilo of purchase ranged from Rs. 220/- to 240/-. 111 metric tons of harvest recovered from Corporation’s estates in this year too had been processed in its own factories.

(II). Strengthening Cashew Processing Industry

An advance production machinery is needed to pick a high price by floating high quality cashew products into market. Under this programme, issuing of Drying machines and cashew cutting machines for to cashew processors, application of Good Manufacturing Practices (GMP), training on value addition and quality standards, assisting in providing finance facilities for processing societies and market promotion had been undertaken. For this, the training centre of the Nedagamuwa processing centre had been used.

(09). Performance as an state enterprise

(I). Cashew Processing & Marketing

The cashew processing centres of the Corporation have been set up in Puttalam and Nedagamuwa (in Gampaha district). The raw cashew obtained from estates of the Corporation and purchased from farmers had been processed, value added and marketed at sales outlets of Corporation at Colpetty and Rajagiriya.

In addition, 06 franchise sales outlets had been established in Galle, Ambalantota, Hikkaduwa, Payagala, Narahenpita and Weerawila in expanding the existing marketing network.

Four valued added new products have been introduced to the clientele. The Corporation could earn Rs. 47.22 Mn. by marketing high quality cashew products through adopting latest technological approaches and value additions.

(II). Development of Cashew Estates

There is a tendency of gradual decrease of harvest as cashew and coconut trees of estates in Puttalam, Kamandaluwa and Hardy are aged 30-40 years.

Accordingly, re-planting programmes of cashew and coconut had been done in this year as it had been in the year 2011. Accordingly, 125 acres and 25 acres were brought under cashew and coconut cultivations respectively.

(III). Rehabilitation of Plantations in North & Eastern Provinces

Rehabilitation activities of Kodachchi and Marnkerny estates in the North and Eastern provinces had been continued unabated as in the year 2011 with the assistance of Civil Security Department. Under this, new cultivations of 300 acres in Kondachchi Plantation and 100 acres in Marnkerny plantation were undertaken.

The plants and technical know-how for this cultivation pursuit had been provided by the Corporation. Plantations lying in Poonaryn in Kilinochchi District is under the care of Sri Lankan Army which maintenance and consultation service had been provided continuously.

(10). Exporting of Cashew Products and Earning Foreign Exchange

(I). Sri Lanka was able to earn Foreign Exchange of Rs. 170 Mn. by submitting 146 metric tons of high quality value added cashew to the international market in the year 2012. A foreign exchange valued Rs. 314 Mn. has been earned by exporting valued added 310 metric tons cashew in the year 2011. Accordingly, though slight slowdown is reflected in export volume and foreign exchange earnings, local demand for cashew has been on increase with the remarkable upswing in tourism. With that local consumption too had been risen.

(11). Importing of cashew

(I). Import for Local Consumption

There had been a shortage of raw cashew in local market with the increase of local cashew consumption creating problems for small scale

cashew producers. As a way out for this, permits were issued to the small scale processing societies for import raw cashew under tax concessions. Accordingly, they had imported 953 metric tons of raw cashew and distributed them among small scale processors. With that the Corporation involved in strengthening livelihood of persons who engaged in small scale cashew processing industry.

(12). Administrative Matters

- (I). It had been able to work out a management mechanism with the aim of offering an efficient and qualitative service to clients and those engaged in cashew processing industry as an estate undertaking. For this, support of all staff including Director Board, General Manager and senior Managers had been given.

According to the “Mahinda Chintana” future vision, action were taken to meet expectations of the Corporation as well as general public in accordance with new development approaches of the government.

Proposals related to revamping the organizational structure, recruitment and promotion procedure of the Corporation had been submitted.

(II). Staff Position as at 31/12/2012

Approved cadre	as at 31/12/2012
Management level	09
Executive level	15
Medium level	74
Minor level	<u>83</u>
Grand Total	<u>181</u>

In addition to this, around 350 labourers on check roll basis have been in service on monthly requirements in nurseries, Plantations and processing centres of the Corporation.

(13). Achievements

The profitability recorded in the year 2011 could be further increased even in the year 2012. For this, commercial and plantations activities of the Corporation had been made use of and the productive/ efficient dedication and directions of the Board of Directors had been mattered.

The net profit earned by the Corporation by commercial activities during the year 2012 had been Rs. 44 Mn.

This margin of profit could not be elevated due to following obstacles.

- Decrease of targeted harvest of small scale cashew cultivators and plantations due to inclement weather conditions.
- Expensive rating of cashew products due to failure to supply for the local Raw cashew demand.
- Increase in labour remunerations and other involving costs.
- Difficulties had to be confronted in meeting essential services as well as moving into new projects due to continuous restricting of Capital and Recurrent grants. Accordingly, funds earned by the Corporation had to be utilized for continuation of those activities. As a result of this, a

scarcity of funds has been created in investing for commercial and development works.

(14). Conclusions

I would like to pay my thanks and admiration to the Board of Directors of the Sri Lanka Cashew Corporation for their corporation extended in return to me for a short period of around two and years enabling me to bring it to the current positive level.

I also admire support and dedication shown towards me by all staff members and all stake holders of the Corporation in bagging this triumph.

Thanks also to go to my Minister the Hon. Reginold Cooray, Secretary to the Ministry of Minor Export Crop Promotion and to the ministerial staff for their guidance extended to us.

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 31st December 2012.

In terms of the circular No: PED/12 issued on the 2nd 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 28th February 2013.

Establishment

Sri Lanka Cashew Corporation was established with an initial capital of Rs.40 millions on 25th 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 31st December 2012 is given in the Statement of Financial Position 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 Note no: 1 in the Statement of Financial Position as at 31.12.2012. The difference between the values indicated at this Note and their current market rates is immaterial.

Main Activities

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

- To advise the Minister on the formulation and implementation of plans pertaining to the cultivation, processing and marketing of cashew and cashew products.
- To undertake activities pertaining to the cultivation processing and marketing of cashew and cashew products.
- To undertake investigations and research with the object of improving the Cultivation, Processing and marketing of cashew and cashew products.
- 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.
- To determine the location, size and technical standards regarding the establishment of any factories and to new factories and operate existing ones where necessary, for the processing of cashew and cashew products.

- To purchase, distribute, sell and export cashew and cashew products.
- To provide facilities for training persons required to carry out the work of cultivation, processing and marketing of cashew and cashew products.
- To Establish and assist in the establishment of infrastructure necessary for the purpose of the development of cashew plantations, processing facilities and marketing.
- 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.

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 (Up to 21st September 2012)

The Board of Directors appointed as at 21st September 2012 is as follows.

Mr. Sanath Weerkoon	-	Chairman
Mr. P. Kariyawasam	-	Vice Chairman
Mrs N. Amarathunga	-	Director (Treasury Representative)
Mr. I. Wijerathne	-	Director
Mr. L Wanigarathne	-	Director
Mr.H.M.G. Ratnayake	-	Director
Mr.B.Naotunna	-	Director
Mr.V.U.Liyanage	-	Secretary to the Board

Board of Directors (From to 22nd September 2012)

Mr. Sanath Weerkoon	-	Chairman
Mr. S.K. Gunapala	-	Deputy Chairman
Mrs M.D. Abeygunawardhana	-	Director (Treasury Representative)
Mr. W.V. Fernando	-	Director
Mr. W.G. Ghanasiri	-	Director
Mr.H. Gunawardhana	-	Director
Mr.C.J.Andradi	-	Director
Mr.V.U.Liyanage	-	Secretary to the Board

Audit & Management Committee

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

Statutory Payments

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

Environmental Security

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

Incidents subsequent to the Statement of Financial Position date.

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

Auditors

The Financial Statements of Sri Lanka Cashew Corporation for the year ended 31st December 2012 has been subjected to the audit by the Auditor General.

By the order of the board of directors.

V.U. Liyanage

Secretary to the Board of Directors

AUDIT AND MANAGEMENT COMMITTEE REPORT

The Audit and Management Committee was appointed in terms of the provisions of the circular no: PED 31 (Department of Public Enterprises Circular dated 01.07.2005) and in terms of the provisions of the amendments made to the said circular from time to time and is comprised of 07 including six members and one observer.

The non executive director representing the treasury acted in the post of committee's chairman and the internal auditor of the Corporation acted in the post of Committee Secretary.

Owing to the appointment of a new board of directors at the close of the third quarter of 2012 and to the delay in appointing a member representing the General Treasury to the Board of Directors, Only 02 Committee meetings were held during the year 2012. Nevertheless, action was taken to hold another audit and management committee meeting during the month of January 2013 with regard to the matters pertaining to the year 2012.

Accordingly, the total number of audit and management committee meetings held in respect of the year 2012 had been 03 and the participation of the committee members and observers in these meetings had been in the following manner.

01. Mrs. N. Amaratunga - Committee Chairman - 2/2
Member of the Director Board - Treasury Representative
02. Mr. W.W.I.P. Wijayarathne - Committee Member 2/2
Member of the Director Board
03. Mr. L. Wanigaratne - Committee Member 1/2
Member of the Director Board

04. Mr. D.K. Jayakodiachchi - Committee Member 2/2
General Manager
05. Mr. M.T.S.K. Pieris - Committee Member 2/2
Manager - Finance
06. Mr. V.U. Liyanage - Committee Member 2/2
07. Mr. A.P.G. Athukorala - Committee Observer 2/2
Representative of the Auditor General's Department

At the audit and management Committee meeting held during the year under review, action was taken by the Audit and Management committee of the Corporation by focusing attention on the following matters.

Engaging in an extensive review of the draft corporate plan, prepared by the Corporation for the period 2012 - 2014 and forwarding recommendations with regard to the timely changes that should be made to its content.

Focusing special attention on the international standards that should be maintained with regard to the cashew processing work of the Corporation and forwarding recommendations to the Board of Directors as to how necessary action in this regard should be taken.

Also conducting a review with regard to the annual targets given to each officer and recommendations were forwarded as to how the follow up and feedback activities should be carried out.

Conducting a review on the observations included in the internal audit reports issued to the management by the Internal Audit Division of the Corporation as per the

detailed audit programme approved for the year 2012 and actions taken by the management in relation to these observations.

Forwarding recommendations to the Board of Directors with regard to the necessity of confirming the ratio between input (raw cashew) and out put (cashew kernel) during the cashew processing activities by a formal committee.

**N. Amarathunga,
Chairman,
Audit & Management Committee.**

Sri Lanka Cashew Corporation

Performance Report for the Year 2012

01. Cashew Cultivation Subsidy Program and Extension Programme

1.1 Cashew Subsidy Programme

During this year 2500 acres of budded cashew and 1500 acres of seedling cashew have been cultivated in 4000 acres covering 125 Divisional secretariat Divisions in 17 Districts under the cashew cultivation programme under the treasury funds. 2400 farmer families received benefits by this project. The total cost incurred on this was 18.4 Mn.

Rs. 3.4 Mn. have been distributed among 2015 families in Ampara, Polonnaruwa, Matale, Ratnapura, Monaragala, Hambantota, Puttalam, Kurunegala, Anuradhapura, Ampara, Polonnaruwa, Matale, Ratnapura, Monaragala, Batticaloa, Trincimalee, Vavunia, and Mannar Districts as financial assistance.

1.2 “Divi Neguma” National Development Programme

489000 seedling plants and 187000 budded plants have been distributed among recipients and planted in 125 Divisional secretariat divisions in 17 Districts under the “Divinaguma” home garden program. In addition to that 2 acre economic units in 2000 acres have been cultivated by 1000 farmer families in 12 Districts. 20 metric tons of fertilizer required for this have been distributed. The cost incurred on this was Rs.40.55 Mn.

1.3 'Deyata kirula' National Development Program

Sri Lanka Cashew Corporation attended the “Dayata kirula” national exhibition in 2012 and expanded the 100 acre cashew cultivation established in Oyamduwa up to 200 acres. The total cost incurred on this was Rs. 6.46.Mn.

02. Improving Productivity

2.1 Plant Propagation Centres

Plant Propagation centres were maintained at Wilachchiya in Anurahapura District, Mahaoya in Ampara District, Nalanda in Matale District and Suduwatura Ara in Monaragala District with a view to produce new varieties suitable for areas and distribute them among farmers. 7.6 metric tons of mother seeds and 300000 scions with higher quality required for plant production specially extension programme and commercial purposes. Were able to obtain from these centers.The cost incurred on this was 2.64 Mn.

2.2 Improving Production

Around 2300 farmer families had been trained under weeding, Insect and pest control and using fertilizer. This program was implemented in 17 Districts. 04 training work shops were conducted for 160 cashew small holdings in Monaragala, Hambantota, Matale and Batticaloa Districts on Good Agricultural Practices (GAP). National Institute of Plantation Management was sponsored for this programme and total cost incurred on this was Rs. 0.085 Mn.

2.3 Nursery Management

The Corporation had produced 400000 budded plants with nearly high quality new varieties and issued for the “Divi Neguma” and subsidy program. The cost incurred on this was 22.9 Mn.

<u>Name of the nursery</u>	<u>District located</u>
1. Kamandaluwa	Puttalam
2. Dambulla	Matale
3. Mihintale	Anuradhapura
4. Mahiyanganaya	Badulla
5. Kumbukkana	Monaragala
6. Hardy	Batticaloa
7. Chandrikawewa	Ratnapura

03. Research and Development Programmes

Research program had been conducted on introducing new varieties, Pest control, plant density, and development programs on manure application. 1200 farmers had been made aware on research results by practical training sessions. Two new varieties called “WUCC 1 and WUCC 23” were introduced to farmers in the year 2012. This research was conducted with Faculty of Agriculture and Plantation Management of Wayamba University. The total cost incurred on this was Rs. 2.53 Mn.

04. Plantation Rehabilitation

150 acres of cashew and 25 acres of coconut cultivations had been rehabilitated in Kamandaluwa, Puttalam Achchigewatta and Hardy plantations. Further 115 metric tons of row cashew harvest was collected from these estates. In

addition to that application of fertilizer and insects and pest control was done to increase the harvest. The total cost incurred on this was Rs.2.31Mn

05. Post Harvest Technology

5.1 90000 kgs of raw cashew purchased in village level and their raw cashew harvest was purchased by the corporation under competitive price. The harvest obtained from corporation estates were processed at Puttlam and Nadagamuwa factories. These products were able to be issued to the market as value added new products. New 04 products were introduced. 02 dehydration units were produced and given to the small scale entrepreneurs. Higher quality products were issued to the market through new technological methods, career guidance, training and value addition. The corporation was able to open 07 new franchise shops in order to strengthen the sales net work. Total income Rs. 47.23 was received by the corporation.

06. Human Resources Development

Training Programs were conducted to train officers in different levels. Accordingly, 01 training program was held to train medium level officers, 02 training programs for extension Officers and two training programs were held for minor employees. The total cost incurred on this was Rs.0.11 Mn.

Mid Term Strategies to be Implemented in 2012 by Sri Lanka Cashew Corporation (SLCC) to Improve Performance

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

- 1). Increase the extent of cashew cultivation.
- 2). Increase productivity in cashew lands.
- 3). Promote post harvest technology.
- 4). Develop human resources and increase productivity

1). Increase the extent of cashew cultivation.

1.1 Cashew Plantation under Extension Programmes

Cashew plantation of Sri Lanka is spreaded predominately 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 2010, helped to cultivate more than 10,000 acres of new cashew land per year.

A total of 4250 acres of bud grafted and seedlings cashew plants will be cultivated each year, during next three years. Nearly 12000 farmer families will be benefited in 18 districts by the treasury assisted programme.

Further more, Home Gardening programmes will be implemented in 22 Districts under “Divi Neguma” National programme and approximately 300,000 bud grafted plants 600000 seedlings will be produced by SLCC

and planted. This programme will be implemented and continue during next three years. Two acre lands belong to small holders will also be developed under “Divi Neguma” Economic programme. Nearly 2000 acres will be cultivated annually by implementing the programme.

1.2 Rehabilitation of SLCC Plantations

Most of the SLCC plantations situated in North and East were abandoned during the past 3 decades during the civil unrest. The SLCC initiated rehabilitation programmes in Kondachchi plantation in Mannar District and Mankerny plantation in Batticaloa District in collaboration with civil security Department. Nearly 1300 acres in Kondachchi and 200 acres in Mankerny were replanted and scheduled to continue in next 3 years.

1.3 New Plantations / Replanting

Majority of plantations owned by the SLCC are senile as cashew trees older than 30 years. Hence the harvest of some trees decreased gradually. SLCC has implemented replanting programme in Kamandaluwa, Puttalam and Hardy plantations with replanting on 100 acres cashew and 50 acres coconut annually.

SLCC also established 100 acre new demonstration plantation in Oyamaduwa under “Deyata Kiruala” National Programme. It has been scheduled to plant entire 270 acres of the allocated land with 250 acres cashew and 20 acres coconut during the next 3 years. There is an increasing demand for new cultivation by the plantation companies, and small holders. Approximately 500 acres are being planted each year. SLCC provides quality planting materials to the growers.

The amount of land alienation for cashew plantations is expected to reach 15000 acres per annum by way of implementing aforesaid programmes. A network of SLCC extension service consisting of Regional offices will enhance to make the efforts a success and increase the national production. SLCC also expected to establish new regional office in Mankulam to overview the activities in the entire Northern Province.

02. Increase of Productivity in Cashew Lands

The cashew growing area in Sri Lanka is approximately 111,000 acres and, 88% of these lands are small holdings. Majority of seedling plants were planted in these lands and are age of 20-35 years. Very low yield of average 4-5 Kgs per tree is obtained. A harvest of average 10-15 kilograms are obtained from a tree in cashew growing countries like Vietnam and India. The SLCC has taken several steps in order to overcome the situation.

2.1 Introduction of New Varieties

There were 08 new high yielding cashew varieties introduced to the farmers by the SLCC. All the research activities are conducted in collaboration with Faculty of Agriculture and Plantation Management of Wayamba University. The eight elite varieties namely WUCC 1, WUCC 5, WUCC8, WUCC 9, WUCC 13, WUCC 19, WUCC 21 and WUCC 23 have been cultivated in SLCC plantations and plant propagation centres in Eluwankulam, Vilachchiya, Nalanda, Mahaoya, Suduwathuraara and Oyamaduwa. Measures will be taken to propagate new cashew varieties which will be suitable to varied climatic zones. Two new varieties will be introduced annually and expect the ultimate target of 1000kgs / ha could be achieved in the future.

2.2 Application of Good Agricultural Practices (GAP)

SLCC encourage smallholders to remove low yielding senile plants and plant new high yielding varieties. In view of improving the productivity of the small holdings, SLCC conducts farmer training programmes on GAP in collaboration with National Institute of Plantation Management. These programmes are expected to be conducted in next three years as well. Remarkable loss of cashew harvest occurs as Helopeltis disease spread during flowering season. Unexpected heavy rains create the situation worst. As a result cashew harvest decrease by 30% 40%. Therefore it is essential to educate all cashew growers to overcome the situation. A joint programme is being carried out with researchers to control major pests and expected to continue in next three years.

2.3 Central Nurseries

Central nurseries of SLCC were established in Mihintale, Dambulla, Kamandaluwa, Aluththarama, Kumbukkana, Hardy and Chandrikawewa. High quality bud grafted plants and seedlings are being produced under the supervision of SLCC staff. Approximately 500,000 bud grafted plants are expected to produce annually in the next 3 years. 06 modern poly net houses were constructed under “Divi Neguma” National Programme to apply new technology in plant production.

3. Promotion of Post Harvest Technology

Sri Lanka cashew has gained the reputation in global markets for its natural taste, large size and characteristic colour. Presently it has been difficult to cater the export demand as the annual raw nut production is approximately 10,000 MT. The domestic demand also increased during the last few years.

The Price of 1 kg of processed cashew is in the range of Rs. 1800-2400 due to increase production costs and scarcity of raw nuts. The SLCC has taken measures to increase product quality and profitability in processing industry.

3.1 Application of Good Manufacturing Practices (GAP)

Entrepreneurs and small scale processors are encouraged by SLCC in view of improving the quality standards, application of hygienic production methodologies, modernization of production process use of low cost ovens, value addition, new packaging methods, improvements of supply chain management and innovations. The training centre of Nedagamuwa processing factory is being used for this purpose.

3.2 Training Programmes

The SLCC extended its assistance to upgrade the products of small scale processors to meet ISO and HACCP standard requirements. It has been planned to hold training sessions to train 150 processors annually and these programmes will continuously be carried out in next 3 years.

3.3 Purchasing Raw Cashew from Farmers.

Raw cashew needed for uninterrupted production in processing factories was purchased from farmers in addition to the harvest being obtained from SLCC plantations. SLCC was able to provide competitive rate for raw nuts produced by growers and purchase through regional extension network. Raw cashew will be purchased from farmers in next 3 years as well.

3.4 Promotion of By-products of Cashew By-products

There are more than 10000MT of cashew apples are being wasted annually without proper utilization.

SLCC has established a winery in Puttalam Processing Centre with the use of cashew apples harvested from plantations. Approximately 4500 liters of high quality wines are expected to be produced as a pilot project. The cashew apple wine is expected to reach the market at the end of the year and this will continue and increase in next 3 years.

4.0 Human Resource Development and Increase of Productivity

4.1 Human Resource Training and Development

SLCC is being conduct training sessions to improve skills of all categories of employees through out the year. 02 skills development training sessions were conducted for drivers, 02 training sessions on GAP for Cashew Extension Offices and 02 training sessions for middle level managers were conducted accordingly. Ministry of Minor Export Crop Promotion and National Institute of Plantation Management will assist the above programmes and will be continued in next 3 years.

4.2 Reorganization of Staff Structure and Assessment of Performance

Modern devices such as computers and fax machines were provided to all Regional Offices to create a network. Communication facilities have been modernized with internet accessibility. Necessary steps have been taken to recognize organizational structure, and scheme of recruitment. The

structural changes will be utilized to meet the future challenge of SLCC with elementary needs to increase performance of level of employees.

Sri Lanka Cashew Corporation
Amalgamated Statement of Financial Position As At 31.12.2012

31.12.2011

<u>Rs.</u>		<u>Notes</u>	<u>Rs.</u>	<u>Rs.</u>
	Assets			
	Non Current Assets			
4,509,793,519.26	Propety Plant & Equipment	01	3,141,510,371.57	
66,480,235.35	Mature Area Expenditure	02	31,619,684.51	
40,558,785.44	Immature Area Expenditure	03	19,981,804.19	
739,276.92	Other Small Projects	04	707,535.39	
<u>4,617,571,816.97</u>	Total Non Current Assets			3,193,819,395.66
	Current Assets			
37,705,608.15	Stocks	05	46,135,309.65	
7,744,101.41	Trade Debtors & Other Receivables	06	71,158,967.30	
2,463,680.70	Deposits, Advances & Prepayments	07	3,373,592.53	
45,787,513.77	Cash & Cash Equivalents	08	28,675,795.93	
<u>93,700,904.03</u>	Total Current Assets			<u>149,343,665.41</u>
<u>4,711,272,721.00</u>	Total Assets			<u>3,343,163,061.07</u>
	Equity & Liabilities			
	Equity			
258,821,820.23	Government Grant		34,959,185.36	
13,570,025.96	Grant from Other Parties	09	17,910,572.05	
4,464,178,935.01	Capital Reserves	10	3,100,200,605.98	
(88,802,915.46)	Profit & Loss Account		118,124,804.97	
<u>4,647,767,865.74</u>	Total Equity			3,271,195,168.36
	Non Current Liabilities			
27,834,960.75	Provision for Gratuity		31,271,754.62	
-	Vehicle Lease		6,513,024.00	
<u>27,834,960.75</u>	Total Non Current Liabilities		<u>37,784,778.62</u>	
	Current Liabilities			
35,669,894.51	Trade Creditors & Other Payables	11	34,183,114.09	
35,669,894.51	Total Current Liabilities			71,967,892.71
<u>4,711,272,721.00</u>	Total Equity & Liabilities			<u>3,343,163,061.07</u>

M.T.S.K.Peiris
Manager Finance

Sanath Weerakoon
Chairman

SRI LANKA CASHEW CORPORATION

Accounting Policies – 2012

- (1). The accounts have been prepared in accordance with the Sri Lanka Accounting Standards.
- (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 - Cost and Net realizable Value
whichever is lower.
- 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

- (5). Head Office Charges have been apportioned among the cost centers on the basis of total salary expenditure incurred for the cost centers.
- (6). The basis of apportionment of Plantation General Expenditure to mature, immature area, nursery & Animal husbandry on the actual labour days.
- (7). Amortizing of Cashew & Coconut Mature Areas is at 5% per annum.
- (8). 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.
- (9). 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.
- (10). When the capital Grant is allocated and realized, to the corporation that is usually capitalized after identifying related capital assets and other development activities which are considered as long term assets in accordance with the Accounting Standards.

The actual value entered to the books of accounts by way of depreciation and amortization is written off from the capital assets and subsequently an equivalent value is identified from the Capital Grant as revenue.

Sri Lanka Cashew Corporation

Notes to the Balance Sheet as at 31.12.2012

Note - 01

Property, Plant & Equipment:

Asset	Cost/Revaluation Value as at 01.01.2012 (Rs.)	Additions/ Revaluation During the Year (Rs.)	Disposal/ Transfer During the Year (Rs.)	Cost/Revaluation Value as at 31.12.2012 (Rs.)	Cumulative Depreciation as at 31.12.2012 (Rs.)	Written Down Value as at 31.12.2012 (Rs.)
Land	4,452,241,129.30	-	1,366,200,000.00	3,086,041,129.30	-	3,086,041,129.30
Buildings	50,480,334.25	8,704,376.97	20,889,479.38	38,295,231.84	12,347,915.03	25,947,316.81
Motor Vehicles	39,649,692.84	7,182,000.00	-	46,831,692.84	27,111,217.14	19,720,475.70
Plant & Machinery	9,966,563.59	1,333,623.70	323,833.84	10,976,353.45	7,944,795.59	3,031,557.86
Tools & Equipment	8,115,763.42	62,561.00	64,305.50	8,114,018.92	7,227,690.70	886,328.22
Office Equipment	8,199,846.99	1,140,231.50	-	9,340,078.49	6,654,860.34	2,685,218.15
Furniture & Fittings	5,106,863.30	343,054.16	56,325.00	5,393,592.46	3,280,087.22	2,113,505.24
Tube Well	344,625.00	76,160.00	-	420,785.00	350,335.00	70,450.00
Cultivation Well	274,699.00	154,000.00	-	428,699.00	23,133.33	405,565.67
Tank	608,824.62	-	-	608,824.62	-	608,824.62
	4,574,988,342.31	18,996,007.33	1,387,533,943.72	3,206,450,405.92	64,940,034.35	3,141,510,371.57

Sri Lanka Cashew Corporation

Note – 02

Mature Area Expenditure

		(Rs.)
Cashew	Schedule - 2A	29,392,140.68
Coconut	Schedule - 2B	<u>2,227,543.83</u>
Total		<u>31,619,684.51</u>

Schedule - 2A

Mature Area – Cashew

Plantation	Cost up to maturity as at 01.01.2012 (Rs.)	Provision for Amortization as at 31.12.2012 (Rs.)	Net Value as at 31.12.2012 (Rs.)
Hardy Plantation	2,736,310.00	1,433,050.31	1,303,259.69
Kamandaluwa Plantation	14,089,138.40	8,614,713.90	5,474,424.50
Puttalam Plantation	27,311,754.96	14,038,576.01	13,273,178.95
Eluwankulama Seed Garden	13,933,185.28	6,782,260.04	7,150,925.24
Vilachchiya Plant Propagation Centre	160,869.00	32,173.60	128,695.40
Nalanda Plant Propagation Centre	2,290,729.90	229,073.00	2,061,656.90
Total	<u>60,521,987.54</u>	<u>31,129,846.86</u>	<u>29,392,140.68</u>

Sri Lanka Cashew Corporation

Schedule - 2B

Mature Area – Coconut

Plantation	Cost up to maturity as at 01.01.2012 (Rs.)	Provision for Amortization as at 31.12.2012 (Rs.)	Net Value as at 31.12.2012 (Rs.)
Hardy Plantation	1,369,822.51	273,964.52	1,095,857.99
Kamandaluwa Plantation	1,805,470.37	835,782.60	969,687.77
Puttalam Plantation	<u>431,998.76</u>	<u>270,000.69</u>	<u>161,998.07</u>
	<u>3,607,291.64</u>	<u>1,379,747.81</u>	<u>2,227,543.83</u>

Note - 03

Immature Area Expenditure

		(Rs.)
Cashew	Schedule - 3A	17,392,214.15
Coconut	Schedule - 3B	<u>2,589,590.04</u>
	Total	<u>19,981,804.19</u>

Sri Lanka Cashew Corporation

Schedule - 3A

Immature Area – Cashew

<u>Plantation</u>	<u>Cost as at 31.12.2012 (Rs.)</u>
Hardy Plantation	583,955.69
Kamandaluwa Plantation	1,287,715.78
Puttalam Plantation	3,221,792.48
Eluwankulama Seed Garden	389,201.11
Manrkerni Plantation	587,211.50
Elkaduwa Seed Garden	2,988,471.67
Mahaoya Seed Garden	1,273,431.40
Monaragala Seed Garden	1,783,059.95
Vilachchiya Seed Garden	492,635.45
Research & Development	1,230,967.05
Nedagamuwa Processing Centre	128,560.40
Oyamaduwa Plant Propagation Centre	3,425,211.67
Total	<u>17,392,214.15</u>

Schedule - 3B

Immature Area - Coconut

<u>Plantation</u>	<u>Cost as at 31.12.2012 (Rs.)</u>
Hardy Plantation	613,135.37
Kamandaluwa Plantation	1,346,272.18
Puttalam Plantation	630,182.49
	<u>2,589,590.04</u>

Sri Lanka Cashew Corporation

Note - 04

Other Small Projects

Project	Cost as at 31.12.2012 (Rs.)
Teak Plants Project	261,988.55
Banana Project	445,546.84
	707,535.39

Note - 05

<u>Stocks</u>	(Rs.)
Sundries	3,422,054.88
Wine	27,969.48
Animal Husbandry	2,116,935.00
Cashew Kernels	18,585,536.17
Raw Cashew	18,736,420.50
Plants	2,328,342.72
Packing Materials	902,622.90
Coconuts	15,428.00
	46,135,309.65

Note -06

Trade Debtors & Other Receivables

		(Rs.)
Trade Debtors	2,673,560.50	
Less : Pro. For Bad Debts	94,377.00	2,579,183.50
Sundry Debtors	68,579,783.80	
Less : Impairment Loss	336,898.00	68,242,885.80
		70,822,069.30

Sri Lanka Cashew Corporation

Note -07

Deposits, Advance & Prepayments

	(Rs.)
Advance	270,055.00
Prepayments	1,367,950.03
Deposits	1,735,587.50
	<hr/> 3,373,592.53 <hr/>

Note - 08

Cash & Cash Equivalents

	(Rs.)
Cash in Transit	165,295.11
Cash at Bank & Cash in Hand	28,510,500.82
	<hr/> 28,675,795.93 <hr/>

Note - 09

Grant from other Parties

	(Rs.)
North East Coastal Community Development Project	7,473,939.51
Ministry of Supplementary Plantation Crop. Development	1,612,451.80
Ministry of Minor Export Crop Promotion	8,824,180.74
	<hr/> 17,910,572.05 <hr/>

Note - 10

Capital Reserves

	(Rs.)
Revaluation Reserve - Vehicles	23,163,646.03
Revaluation Reserve - Land	3,076,524,229.73
Other Capital Reserves	512,730.22
Total	<u>3,100,200,605.98</u>

Note - 11

Current Liabilities

	(Rs.)
Sundry Creditors	18,579,551.49
Accrued Expenses	15,603,562.60
Total	<u>34,183,114.09</u>

Sri Lanka Cashew Corporation

Commercial Sector

Amalgamated Statement of Comprehensive Income For the Year Ended 31.12.2012

<u>31.12.2011</u>	Particulars	<u>31.12.2012</u>
	<u>Sales/Turn Over</u>	
50,287,941.28	Cashew Kernels	47,224,171.89
5,000.00	Cashew Mother Seeds	-
66,106,904.75	Cashew Plants	101,715,050.00
1,409,220.99	Coconut	1,168,019.62
(59,200.00)	Return Inward	-
117,749,867.02	Net Sales	150,107,241.51
	<u>Cost of Sales</u>	
(5,641,741.19)	(Increase)/Decrease In Stock	1,804,244.42
17,195,366.46	Cost of Plants Production	15,500,764.37
28,478,358.92	Cost of Kernels Production/Over Heads	16,830,913.43
13,483,917.11	Mature Area Admin. Expenditure	17,805,186.39
5,191,022.88	Mature Area Direct Expenses	7,997,965.29
58,706,924.18	Total Cost of sales	59,939,073.90
59,042,942.84	Gross Profit/ (Loss)	90,168,167.61
	<u>Expenditure</u>	
17,094,383.77	Administration Expenses (Processing Centres & Nurseries)	25,097,195.93
41,948,559.07	Profit / (Loss) Before Amortization	65,070,971.68
3,491,246.56	Amortization	3,714,705.71
38,457,312.51	Profit/(Loss) After Amortization	61,356,265.97
16,545.00	Profit/(Loss) Wine	96,507.09
125,000.00	Profit/(Loss) Processing Equip.	87,000.00
75,605.72	Profit/(Loss) Animal Husbandry	(797,479.00)
38,674,463.23	Operational profit / (Loss)	60,742,294.06
	<u>Other Income</u>	
2,729,921.79	Sundry Income	2,459,036.87
22,402,839.62	Government Grant (Recurrent)	25,909,934.00
25,132,761.41	Total Other Income	28,368,970.87
	<u>Other Expenses</u>	
18,288,366.79	Administration Expenses (Head Office)	19,357,697.31
45,518,857.85	Net Profit/(Loss)	69,753,567.62

Sri Lanka Cashew Corporation
Service Sector

<u>31.12.2011</u>	<u>Income & Expenditure Account for the Year Ended 31.12.2012</u>			(Rs.)
	<u>Income</u>			
31,255,721.06	Government Grant -	Capital -	Current Year	14,496,036.83
2,374,500.86			- Amortization	2,394,033.04
<u>27,597,160.38</u>		- Recurrent		<u>32,670,066.00</u>
61,227,382.30	Total Income			49,560,135.87
	Less;			
	<u>Expenditure</u>			
22,528,706.18	Head Office		23,981,642.93	
31,255,721.06	Under Capital Grant		14,496,036.83	
30,390,653.12	Extension Service		34,583,060.13	
<u>2,122,209.21</u>	Research & Development		<u>2,019,132.45</u>	
86,297,289.57	Total Expenditure			75,079,872.34
	Expenditure Over Income during the Year			
<u>(25,069,907.27)</u>	Transferred to Final Amalgamated Profit/Loss Account			<u>(25,519,736.47)</u>

Sri Lanka Cashew Corporation
Final Amalgamated

<u>31.12.2011</u>	Statement of Comprehensive Income For The Year Ended 31.12.2012	
(Rs.)		(Rs.)
45,518,857.85	Net Profit earned from the Commercial Sector	69,753,567.62
(25,069,907.27)	Expenditure Over Income for the Year	(25,519,736.47)
<hr/> 20,448,950.58		<hr/> 44,233,831.15
-	Other Income (Govt. Grant Amortization)	239,230,188.00
-	Loss on Assets written off	(71,860,348.26)
-	Prior Year Adjustment	(5,012,848.46)
<hr/> (109,251,866.04)	Profit/(Loss) Brought Forward	<hr/> (88,802,915.46)
(109,251,866.04)		73,554,075.82
<hr/> <u>(88,802,915.46)</u>	Profit/(Loss) Carried Forward	<hr/> <u>117,787,906.97</u>

SRI LANKA CASHEW CORPORATION

CASH FLOW STATEMENT

Consolidated cash flow statement for the year ended 31st December 2012.

	<u>Year ending 31st December - 2012</u>	
	(Rs.)	(Rs.)
<u>Cash Flows from Operating Activities</u>		
Profit for the year		44,233,831.15
<u>Adjustments for items not involving movement of cash</u>		
Depreciation	11,080,279.84	
Amortization	(1,244,342.35)	
Provision for Gratuity	4,157,221.00	
Bad debtors written off & Pro. for Impairment Loss	427,274.45	
Losses on Dispose Fixed Assets	1,376,198,875.18	
Written off Plantation Assets	36,104,893.19	
Government Grant Amortization	(16,890,069.87)	
	<hr/>	1,409,834,131.44
Operating Profit/(loss) before changes in Items of working capital		1,454,067,962.59

SRI LANKA CASHEW CORPORATION

Changes in Items of Working Capital

Stocks - (Increase)/Decrease	(8,429,701.50)	
Debtors - (Increase)/Decrease	(63,505,242.34)	
Advances and Prepayments - (Increase)/Decrease	(909,911.83)	
Creditors - Increase/(Decrease)	(3,867,225.46)	
Accrued Expenses - Increase/(Decrease)	2,380,445.04	
Other Payables - Increase/(Decrease)	<u>6,513,024.00</u>	
		<u>(67,818,612.09)</u>
		1,386,249,350.50
Payment of Gratuity		<u>(720,427.13)</u>
Cash used in/generated from operating activities		1,385,528,923.37

Cash Flows from Investing Activities

Purchase of Fixed Assets	(18,996,007.33)	
Investment on New Planting	20,576,981.25	
Equity Grants Received	4,340,546.09	
Investments on Other Small Projects	<u>31,741.53</u>	
		<u>5,953,261.54</u>
		1,391,482,184.91

Cash Flows from Financial Activities

Redemption of Equity		(1,436,593,902.75)
Government Grant		<u>28,000,000.00</u>
Increase in cash & cash equivalents		(17,111,717.84)
Cash & cash equivalents at beginning of the year	(Note-01)	<u>45,787,513.77</u>
		<u>28,675,795.93</u>

SRI LANKA CASHEW CORPORATION

<u>Note - 01</u>	<u>As at 01.01.2012</u>	<u>As at 31.12.2012</u>
Cash at Bank/in hand	44,672,540.06	28,510,500.82
Cash in Transits	<u>1,114,973.71</u>	<u>165,295.11</u>
	<u><u>45,787,513.77</u></u>	<u><u>28,675,795.93</u></u>

Sri Lanka Cashew Corporation
Changes in Equity Statement for the year ended 31.12.2012

Changes	Government Grant-Capital	Grant from Sri Lanka SPC	Grant from DMEC	Grant from NECCD Project	Grant from MSPCD	Revaluation Reserve	Other Capital Reserves	Grant from MMECP	Profit & Loss Account	Total
Balance as at 01.01.2012	258,821,820.23	4,176,784.00	80,839.00	7,699,951.16	1,612,451.80	4,463,666,204.79	512,730.22	-	(88,802,915.46)	4,647,767,865.74
Grant Received During the Year	28,000,000.00	-	-	-	-	-	-	8,824,180.74	-	36,824,180.74
Transfers to Profit & Loss Account	(251,862,634.87)	(4,176,784.00)	(80,839.00)	(226,011.65)	-	-	-	-	239,230,188.00	(17,116,081.52)
Transfers to Assets written off Account	-	-	-	-	-	(1,363,978,329.03)	-	-	-	(1,363,978,329.03)
Loss on Assets written off	-	-	-	-	-	-	-	-	(71,860,348.26)	(71,860,348.26)
Prior year Adjustment	-	-	-	-	-	-	-	-	(5,012,848.46)	(5,012,848.46)
Net Profit for the period	-	-	-	-	-	-	-	-	44,233,831.15	44,233,831.15
Balance as at 31.12.2012	34,959,185.36	-	-	7,473,939.51	1,612,451.80	3,099,687,875.76	512,730.22	8,824,180.74	117,787,906.97	3,270,858,270.36

SPC - State plantation Corporation

DMEC - Department of Minor Export Crops

NECCD -North East Coastal Community Development Project

MSPCD - Ministry of Supplementary Plantation Crops Development



විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය } AF/A/SLCC/2012/FA
 எனது இல }
 My No. }

ඔබේ අංකය }
 உமது இல }
 Your No. }

දිනය } 16 August 2013
 திகதி }
 Date }

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 2012 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 2012 comprising the balance sheet as at 31 December 2012 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 furnished to the Chairman of the Corporation on 02 May 2013.

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.

අංක 306/72 පොල්දූව පාර,
 බත්තරමුල්ල, ශ්‍රී ලංකාව

இல. 306/72, பொல்துவ வீதி,
 புத்தரமுல்லை இலங்கை

No.306/72, Polduwa Road,
 Battaramulla, Sri Lanka

දුරකථනය } 2887220
 தொலைபேசி }
 Telephone. }

ෆැක්ස් අංකය } 2887220
 பக்ஸ் இல }
 Fax No. }

ඉලෙක්ට්‍රොනික් තැපෑල } oaggov@sltnet.lk
 #+ மெயில் }
 E-mail. }

1:3 Auditor's Responsibility

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 judgements, 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 powers 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

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

2. Financial Statements

2:1 Qualified Opinion

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 2012 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

Non-compliances with the following Sri Lanka Accounting Standards were observed during the course of audit.

- (a) LKAS 1 The detailed income statement had not been presented in the specified format framework.
- (b) LKAS 2 Even though the lower value out of the cost and the net realizable value should be adopted for the valuation of stocks, the cost of the fully finished cashew kernels of the Sales Outlets and the Processing Centres had been shown as 80 per cent of the selling price without computing the cost and the net realizable value. Similarly the stocks of unprocessed kernels up to 90 per cent and 75 per cent also had been valued at the above cost rate.
- (c) SLFRS 1 In the preparation of the Statement of Financial Position, the fixed assets other than lands and motor vehicles had been shown at cost less accumulated depreciation without being revalued. The Chairman informed that in view of the large number of external offices and fixed assets it is very difficult to revalue them simultaneously.

- (d) LKAS 16
- (i) The matters that should be disclosed in connection with the lands and motor vehicles shown at the revalued amounts had not been disclosed.
 - (ii) Even though the Corporation does not possess the legal title to the other estates with cultivations except the Processing Centres at Nedagamuwa and Puttalam, a sum of Rs.3,083,279,850 had been shown in the accounts as the revalued amounts of those estates. Nevertheless, the Chairman informed that these estates had been handed over by the Government for cashew cultivation from the year 1973.
 - (iii) Out of the non-current assets except the lands, buildings and motor vehicles, 57 per cent costing Rs.18,752,624 had been fully depreciated. Nevertheless, no action had been taken for the revaluation though the Corporation utilizes those assets continuously.
- (e) LKAS 18
- The interest income from employees' loans had not been recognized at an effective interest rate.
- (f) LKAS 19
- (i) Action had not been taken to carry out an actuarial valuation of the provision made for gratuity by an Actuary for the recognition of the actuarial profits and losses.
 - (ii) Action had not been taken to invest the Gratuity Fund.
- (g) LKAS 41
- Action had not been taken for accounting and disclosure of the biological assets of the Cashew Corporation in terms of this Standard.

2:2:2 Accounting Policies

According to Sri Lanka Accounting Standard 01, a summary of the significant accounting policies adopted by a business for the preparation and presentation of financial statements should be disclosed. Nevertheless, the following policies had not been disclosed.

- (a) Revenue Recognition
- (b) Measurement of Property, Plant and Equipment

2:2:3 Accounting Deficiencies

The following deficiencies were observed.

- (a) Depreciation on fixed assets amounting to Rs.426,876 had been included in the expenditure incurred from Capital Grants.
- (b) Even though 255,369 cashew seedlings had been transferred to the Extension Division, Seed Gardens and the Research and Development Division in the year 2011 at a cost of Rs.20,231,507, the actual cost of the cashew seedlings amounted to Rs.9,756,271, thus resulting in the overstatement of the profit on the year 2011 by a sum of Rs.10,475,236. That had not been rectified in the year under review.

2:2:4 Accounts Receivable and Payable

The external debtors balance brought forward from the period prior to the year 2010 amounted to Rs.2,003,354 as at the end of the year under review. The progress of the recovery of those debts had been at a weak level.

2:2:5 Non-compliance with Laws, Rules, Regulations and Management Decisions

Non-compliance with the laws, rules, regulations and management decisions observed are given below.

Reference to Laws, Rules, Regulations, etc.	Non-compliance
--	----------------

- | | |
|--|---|
| (a) Employees' Provident Fund Act, No. 15 of 1958 and the Employees' Trust Fund Act, No. 46 of 1980. | Even the computation of the contributions to the Employees' Trust Fund and the Employees' Provident Fund should be made on the salary inclusive of the Cost of Living Allowance and the Special Cost of Living Allowance, contrary to that, the contributions had been computed on the basis of the basic salary only. As such contributions amounting to Rs.3,248,394 had been underpaid during the year under review. |
| (b) Public Enterprises Circular No. PED/12 of 02 June 2003 Section 8.3.5(a) | In addition to the official motor vehicles of the Chairman, a motor vehicle hired at Rs.40,000 per month had also been given for his use. |

3. Financial Review

3:1 Financial Results

According to the financial statements presented, the working institution for the year ended 31 December 2012 had resulted in a surplus of Rs.44,233,831 as compared with the corresponding surplus of Rs.20,448,951 for the preceding year. As such, an increase of Rs.23,784,880 in the surplus of the year under review as compared with the preceding year was observed. The increase of sales income under the Divineguma Project during the year under review by a sum of Rs.35,608,145 had been the reason for the improvement. A sum of Rs.73,076,037 had been received as the Government grant in the year under review as compared with the sum of Rs.81,255,721 received in the preceding year.

3:2:1 Analytical Financial Review

According to the financial statements presented, the financial results of the institution for the year ended 31 December 2012 as compared with the position for the year ended 31 December 2011 is given below.

(a) Commercial Division

	<u>Estates and Sales Division</u>			<u>Commercial Nursery Division</u>		
	2012	2011	Increase (Decrease) in Income and Increase (Decrease) in Expenditure as a percentage	2012	2011	Increase (Decrease) in Income and Increase (Decrease) in Expenditure as a percentage
	Rs.	Rs.	%	Rs.	Rs.	%
Total Income	57,375,124	57,582,062	(0.3)	101,947,112	66,106,905	54
Total Expenditure	61,367,823	59,372,280	3	36,115,643	25,122,425	44
Operating Profit (Loss)	(3,992,699)	(1,790,218)	123	65,831,469	40,984,480	61

(b) Service Division

	2012	2011	Increase (Decrease) in Income and Increase (Decrease) in Expenditure as a percentage
	Rs.	Rs.	%
Government Grants			
Capital	16,890,069	33,630,222	(50)
Recurrent	58,580,000	50,000,000	17
Profit of Commercial Division	61,838,770	39,194,262	58
Other Income	1,362,562	2,210,122	(38)
Total Income	138,671,401	125,093,806	11
Total Expenditure of Services Division	94,437,570	104,585,656	(10)
Overall Net Profit	44,233,831	20,448,950	116

- (c) The operating loss of the Estates and Sales Division as compared with the year 2011 had increased by 123 per cent.
- (d) The sale of cashew seedlings for the Divineguma Programme had increased the sales income of the Corporation by 59 per cent and 276 per cent in the years 2011 and 2012 respectively.

3:2:2 Financial Structure

According to the accounts presented, the financial structure of the institution as at 31 December 2012 as compared with that as at 31 December 2011 is given below.

Resources	As at 31 December		Percentage of Variance
	2012	2011	
	Rs.	Rs.	%
Government Grants – Capital	34,959,185	258,821,820	(86)
Other Institutional Grants	17,910,572	13,570,026	32
Capital Reserves	3,100,200,606	4,464,178,935	(30)
Long Term Liabilities	37,784,779	27,834,961	36
Profit/Loss/Brought forward	117,787,907	(88,802,915)	233
	<u>3,308,643,049</u>	<u>4,675,602,827</u>	
Utilisation			
Fixed Assets	3,141,510,372	4,509,793,519	(30)
Expenditure on Cultivated Lands	51,601,489	107,039,021	(52)
Other Minor Projects	707,535	739,277	(4)
Net Current Assets	114,823,653	55,031,010	98
	<u>3,308,643,049</u>	<u>4,675,602,827</u>	

4. Operating Review

4.1 Performance

The cashew crop of the estates of Sri Lanka Cashew Corporation and the information of the cashew cultivated areas are given below.

Estate	Production Kilogrammes	Cost of Production Rs.	Cost per Kilogramme Rs.	Cashew Areas		Age Levels	
				Matured Hectares	Immatured Hectares	Matured Years	Immatured Years
Puttalam	10,260	9,493,325	925	264.71	20.24	Over 30	Less than 05
Kamandaluwa	39,440	8,642,719	219	146.0	20.0	Over 30	Less than 05
Eluwankulama	48,570	6,282,007	129	77.0	04.0	Over 11	Less than 05
Hardy	5,850	999,884	171	70.85	10.12	Over 30	Less than 05
Nalanda	4,870	764,788	157	20.24	8.1	Over 10	Less than 05
Vilachchiya	1,600	183,347	114	7.28	--	Over 10	--
Mahaoya	--	--	--	--	10.12	--	Less than 05
Total	110,590	26,366,070	238	586.08	72.58		

- (i) Out of the bearing 586 hectares of the Corporation, 82 per cent or 481 hectares had passed the high yielding age of 30 years.
- (ii) Even though the market value of 1 kilogramme of cashew nuts amounted to about Rs.270, the cost of production of 1 kilogramme of cashew nuts at Puttalam Estate amounted to about Rs.925.

4:2 Management Inefficiencies

The matters observed are given below.

- (a) The cashew crop of the Mirijjawila Estate in the year 2012 had been 288 kilogrammes valued at Rs.64,822. As the administrative expenditure and the direct expenditure for the year amounted to Rs.2,141,154 the operating loss for the year 2012 amounted to Rs.2,076,332.
- (b) Even though the income of the Puttalam Estate for the year amounted to Rs.2,962,981, the direct and administrative expenditure amounted to Rs.9,551,318 and the operating loss for the year amounted to Rs.6,588,067.

4:3 Identified Losses

A loss of Rs.72,754,773 had been incurred in the year under review due to the elimination of the physically non-existent buildings, equipment and the expenditure on the matured areas and the immatured areas of the Kondachchi, Mankarni and Laggala Estates and elimination of the lands, buildings, expenditure on the matured areas and the expenditure on immatured due to the takeover of the Mirijjawila Estate, Mirijjawila Circuit Bungalow and the Mirijjawila Sales Centre by the Government. This loss included the expenditure of Rs.2,710,143 spent on carrying out repairs to the Mirijjawila Circuit Bungalow despite the notice of takeover of the Circuit Bungalow being made to the Corporation. The Chairman informed that the loss was incurred due to the factors beyond the control of the Corporation.

5. Systems and Controls

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

- (a) Takeover of Returned Cashew
- (b) Storage of Stocks of Cashew
- (c) Motor Vehicles Control

H.A.S. Samaraweera
Auditor General

COMMENTS ON THE MATTERS CONTAINING IN 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 31ST DECEMBER 2012 AND THE MEASURES TO BE INITIATED IN THIS RESPECT.

2.2.1 (a) Matters mentioned in this audit query cannot be accepted and the extended income Statement has been prepared as per the relevant accounting standards and according to the formal framework, based on the transactions of the Corporation.

2.2.1 (b) As per the calculations done using the cost system of the Corporation and according to the profit percentage maintained on the sales of cashew kernel, the cost of wholly made cashew kernel and 90%-75% made cashew kernel is equivalent to 80% of its sale price.

Accordingly, the 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 (c) According to the relevant accounting standards only a part of the fixed assets grouped under a certain category of fixed assets cannot be revalued and recorded in the accounts books, but all fixed assets grouped under the relevant category of fixed assets should be revalued at one time.

The Corporation owns a large number of outside offices and it poses great difficulties to revalue all machinery, furniture,

fittings and other equipment being used at those outside offices as well as at the head office, at one time. However, depending on the available financial provisions, action will be taken in future to revalue the relevant fixed assets and to enter the results in accounts books.

2.2.1 (d) (i). The relevant disclosures will be made at the time of the preparation of the final accounts of 2013.

2.2.1 (d) (ii). The plantations herein mentioned, are plantations that have been provide 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 provision 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.

Also, during the current year, information have been requested from the Divisional Secretary with regard to the present value of these lands and once these information have been received action will be taken to incorporate the relevant current values into the final accounts of 2013.

2.2.1 (iii) This has been answered under 2.2.1 (c)

2.2.1 (e) Action will be taken accordingly in future.

2.2.1 (f) (i) Although considerable attempt was made to establish links with a qualified assessor to assess the gratuity allocation of the year under review, it proved futile since assessors with such expert knowledge are limited in number.

Nevertheless, using our knowledge and experience we have been able to substitute values for gratuity allocations in a manner that is practically appropriate.

2.2.1 (f) (ii) Only a book entry is made in accounts books of the corporation in respect of gratuity allocations and these gratuity values allocated thus are paid out of government funds. Even these funds are received by the corporation from time to time.

Under these circumstances a gratuity fund is not accumulated in cash to be invested.

2.2.1 (g) Matters pertaining to the content of the accounting standards herein mentioned, will be studied and thereafter necessary action will be taken.

2.2.2 (a) (b) Identification of surcharges, measurements of property, plant & equipment have been carried out as per the Sri Lanka Accounting Standards and action will be taken to make the relevant disclosures with regard to the relevant accounting standards in the final accounts of the year 2013.

2.2.3 (a) It is not clear how the depreciation value has been calculated of the sum of Rs. 426,876/- which is mentioned to have been included in the capital expenditure in this audit query.

2.2.4 Out of the external debtors 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.

2.2.5 (a) For a period of nearly 40 years, from the Corporation's inception in 1973 until the present times the Employee's Provident fund contributions and Employee's Trust Fund Contributions have been

calculated based on the basic salary of employees of the Corporation and no audit query in this respect has been directed to the Corporation thus far.

Financial provisions annually granted from the General Treasury for the payment of salaries and allowances of Corporations employee's are not adequate to make the relevant payments and only 70% - 75% of the total value of the salaries and allowances can be covered by these grants.

Accordingly, the balance amount of the salaries & allowances has to be settled out of the money earned annually by the Corporation.

If Employees' Provident Fund Contributions and Employees' Trust Fund Contributions are calculated by considering other fixed allowances in addition to the basic salary as pointed out in this audit query, the Corporation will have to expend an additional amount of nearly Rs. 3.5 millions, annually. Since this additional amount which is to be released from the treasury has not been received by the Corporation thus far, these payments could not be made. However, attempts are being made to obtain the provisions from the treasury, during this year by regarding this as an urgent and an essential payment. Noted it down to make the relevant payments once these provisions have been received.

2.2.5 (b)

The chairman uses only one official vehicle. No other vehicles are assigned to the Chairman.

Since the plantations, plant-breeding centers, commercial nurseries of the Corporation are located in areas with difficult geographical features, which could only be reached by 4 wheel vehicles, the chairman when engaging in field visits out of Colombo uses an appropriate vehicle from the Corporation's vehicle pool.

4.1 (i) The treasury grants being received by the Corporation to embark upon new cultivations on the plantations are severely restricted. Accordingly, new cultivations have to be carried out on a very small scale.

4.1 (ii) The Puttlam plantation herein mentioned, is a plantation with cashew trees of more than 30 years old, which give a very low yield.

Since recultivation work of the Puttalam plantation is being carried out at a very restricted pace, owing to the reasons mentioned under 4.1 (i) above, the productivity of the plantation remains at a low level.

Under these circumstances, necessary action is being taken promptly with regard to reaching a decision on the implementation of an appropriate alternative methodology for the recultivation of the Puttalam plantation and thereby this production cost can be minimized in future.

4.2 (a) The Mirijjawila plantation is an estate, of which the cultivation is unsuccessful owing to the nature of soil and which is frequently attacked by wild elephants and other wild animals incurring damages due to its location.

Therefore, investing money for recultivation at this plantation is meaningless, considering the nature of this plantation.

At present this plantation has been acquired by the government for the development work in progress in the Hambantota area, including the Harbour and accordingly the Corporation has requested compensation from the government.

4.2 (b) Answers have been provided for this under 4.1 (ii).

4.3 The values of Kondachchi and Mankerni plantations were removed from accounts books as these plantations had been totally destroyed as a result of the war that raged in the northern and eastern areas before 2009.

Instructions have been given at the meeting of Committee on Public Enterprises in 2012, with regard to the inspection of the activities of the corporation for this purpose.

Also, Mirijjawila and Laggala plantations and Mirijjawila sales outlets hereinmentioned were removed from accounts books, as they have been acquired by the government.

Accordingly, these losses had to be borne owing to reasons beyond the control of the Corporation.

5. Action will be taken in future by paying special attention to these areas of control.

Sri Lanka Cashew Corporation

Five Year Summary

	2012	2011	2010	2009	2008	
	Rs.	Rs.	Rs.	Rs.	Rs.	
PROFIT & LOSS ACCOUNT						
Net Salaries	150,107	117,750	71,171	64,678	81,423	
Cost of sales	(59,939)	(58,707)	(50,135)	(42,200)	(64,208)	
Gross Profit	90,168	59,043	21,036	22,478	17,215	
Other income	1,846	2,947	1,301	1,829	1,660	
Recurrent Grant	25,910	22,403	16,959	42,500	37,620	
Administration Expenses	(44,455)	(35,383)	(29,403)	(18,072)	(12,768)	
Amortization	(3,715)	(3,491)	(3,590)	(3,428)	(3,359)	
Net Profit From Commercial Sector	69,754	45,519	6,303	45,307	40,368	
Expenses Over Income From Service Sector	(25,520)	(25,070)	(21,358)	(57,066)	(48,807)	
Net Loss	44,234	20,449	(15,055)	(11,759)	(8,439)	
BALANCE SHEET						
Non Current Assets						
Property Plant & Equipment	3,141,510	4,509,794	4,506,381	70,232	44,516	
Mature Area Expenditure	31,620	66,480	67,803	71,401	73,307	
Capital Working Progress	-	-	-	385	-	
Immature Area Expenditure	19,982	40,559	41,039	38,325	43,138	
Other Small Projects	707	739	807	609	789	
Total Non Current Assets	3,193,819	4,617,572	4,616,030	180,952	161,750	
Current Assets						
Stock	46,135	37,706	25,102	30,688	20,322	
Trade Debtors & Other Receivables	71,159	7,744	10,916	14,996	13,089	
Advance & Prepayments	3,374	2,464	2,480	1,456	2,073	
Cash & Cash Equivalents	28,676	45,787	5,864	13,619	10,234	
Total Current Assets	149,344	93,701	44,362	60,759	45,718	
TOTAL ASSETS	3,343,163	4,711,273	4,660,392	241,711	207,468	
Equity & Liabilities						
Equity						
Government Grant	34,959	258,822	251,952	244,032	238,471	
Grant from Other Parties	17,910	13,570	13,570	13,570	4,258	
Capital Reserves	3,100,201	4,464,179	4,464,178	23,676	513	
Profit & Loss Account	118,125	(88,803)	(109,252)	(101,552)	(89,793)	
Total Equity	3,271,195	4,647,768	4,620,448	179,726	153,449	
Non Current Liabilities						
Provision for Gratuity	31,272	27,835	24,451	22,911	22,747	
Vehicle Lease	6,513	-	-	-	-	
Total Non Current Liabilities	37,785	27,835	24,451	22,911	22,747	
Current Liabilities						
Trade Creditors & Other Payables	34,183	35,670	15,492	39,075	31,272	
Total Current Liabilities	34,183	35,670	15,492	39,075	31,272	
TOTAL EQUITY & LIABILITIES	3,343,163	4,711,273	4,660,391	241,712	207,468	
Return on Net Assets	%	1.40	0.44	(0.33)	(6.54)	(5.50)
Net Profit Ratio	%	29.5	17.4	(21.2)	(18.2)	(10.4)
Current Ratio	Times	4.4	2.6	2.9	1.6	1.5
Quick Asset Ratio	Times	3.0	1.6	1.2	0.8	0.8
Total Income to Total Expenditure		1.6	1.2	(0.9)	0.9	0.9