



ශ්‍රී ලංකා කජු සංස්ථාව
இலங்கை மரமுந்திரிகை கூட்டுத்தாபனம்
SRI LANKA CASHEW CORPORATION

වාර්ෂික වාර්තාව සහ ගිණුම්
வருடாந்த கணக்கும் அறிக்கையும்
ANNUAL REPORT AND ACCOUNTS

2018

<u>පටුන</u>	<u>පිටු අංක</u>
1. සභාපතිවරයාගේ වාර්තාව	01-24
<ul style="list-style-type: none"> • සංස්ථාවේ දැක්ම, මෙහෙවර, අරමුණු සහ පරමාර්ථ • අධ්‍යක්ෂ මණ්ඩලය සහ ජ්‍යෙෂ්ඨ කළමනාකරණය පිළිබඳ කෙටි හැඳින්වීම 	
2. අධ්‍යක්ෂ මණ්ඩල වාර්තාව	25-29
3. විගණන හා කළමනාකරණ කමිටු වාර්තාව	30-32
4. කාර්ය සාධන වාර්තාව	33-37
5. කාර්ය සාධනය ඉහළ නැංවීම පිණිස ගැනීමට අපේක්ෂිත මධ්‍යකාලීන ක්‍රියාමාර්ග	38-44
6. සංවිධාන ව්‍යුහය	45-50
7. කාර්ය සාධනය පිළිබඳ වර්ෂ 05 ක සාරාංශය	45-50
8. විගණනය කරන ලද මූල්‍ය ප්‍රකාශන	51-52
9. 1971 අංක 38 දරණ මුදල් පනතේ 14 (2) (සී) වගන්තිය ප්‍රකාර විගණකාධිපති වාර්තාව	73-80
10. විගණන වාර්තාවල සඳහන් අඩුපාඩු නිවැරදි කරගැනීමට ගනු ලබන ක්‍රියාමාර්ග	81-93
11. වර්ෂ 5 ක ගිණුම් සාරාංශය	94

உள்ளடக்கம்

பக்க இல

1. தவிசாளரதுசெய்தி 95-126
 - கூட்டுத்தாபனத்தின் நோக்ககூற்று,பணிக்கூற்று, இலக்குகள் மற்றும் குறிக்கோள்கள்.
 - பணிப்பாளரினதும்சிஷேட முகாமைத்துவத்தினரின் சுருக்கமுகக்குறிப்பு
2. பணிப்பாளர்களின் செய்தி 127-132
3. **கணக்காய்வு மற்றும் முகாமைத்துவ செயற்குழு அறிக்கை** 133-136
4. **2018 ஆம் ஆண்டிற்கான செயலாற்றுகை அறிக்கை** 137-142
5. **இலங்கை மரமுந்திரிகை கூட்டுத்தாபனத்தின் செயலாற்றுகையை முன்னேற்றுவதற்காக சேர்க்கப்பட்ட இடைத் தவணை தீர்வுகள்.** 143-153
6. **இலங்கை மரமுந்திரிகை கூட்டுத்தாபனத்தின் அமைப்பாண்மை கட்டமைப்பியல்** 154-160
7. **செயலாற்றுகை பற்றிய ஐந்து வருட பொழிப்புரை** 161-163
8. **கணக்காய்வு செய்யப்பட்டநிதியியல் கூற்றுக்கள்** 164-183
9. 1971 ஆம் ஆண்டின் 38 ஆம் இலக்கநிதிச்சட்டத்தின் 14 (2) ஆம் பிரிவுநியதிகளின் படிநிதியியல் கூற்றுமீதான கணக்காய்வாளர் நாயகத்தின் அறிக்கை 184-192
10. **கணக்காய்வாளர்நாயகத்தின் அறிக்கையில் குறிப்பிடப்பட்டசெயற்பாடுகளின் நடவடிக்கை** 193-210
11. **முன்னெடுக்கப்படும் 5 ஆண்டுகாலநிதியியல் சிறப்பு கூறுகள்** 211

<u>Contents</u>	<u>Page No.</u>
1. Chairman's Review	212-233
♦ Vision, Mission, Goals and Objectives of the Corporation	
♦ Brief profile of the directors and senior management	
2. Directors Report	234-237
3. Audit & Management committee Report	238-240
4. Performance Report	241-244
5. Mid term strategies to be implemented by Sri Lanka Cashew Corporation to upgrade its performance	245-250
6. Organization Structure	251-256
7. Five Year Summary on Performance	257-258
8. Audited Financial Statements	259-276
9. Report of the Auditor General on the financial statement in terms of section 14 (2) (c) of the finance Act No. 38 of 1971	277-285
10. Action taken to rectify the short comings mentioned in the Audit General's Report	286-295
11. Financial highlights in the proceeding 5 years	296



Sri Lanka Cashew Corporation

Chairman's Report for the Year 2018

(01) Establishment of the Sri Lanka Cashew Corporation

Sri Lanka Cashew Corporation (SLCC) was established under the State Agricultural Corporations Act no: 11 of 1972 as per the Gazette Extraordinary No: 60/7 dated 25th May 1973. From its inception, the Corporation is functioning as a public enterprise mainly providing services to the industry while engaging in commercial activities on a profit earning basis.

- **Vision**

Making Sri Lanka one of the leading cashew exporting countries in the world through the production of high quality cashew.

- **Mission**

Uplifting the cashew industry in a manner that ensures long term commercial potentiality by providing professional guidance to farmers and relevant parties to improve cashew cultivation, production, processing technology, value addition, research and marketing activities.

Targets

- Improving the cashew harvest through the diffusion of cashew cultivation.
- Enhancing the productivity of the cashew processing industry and of estates.
- Creating a globally accepted trade name for Sri Lankan cashew.
- Value addition and the development of new products.
- Encouraging cashew exports.
- Making Sri Lanka the leader of cashew production.
- Becoming a self-sufficient State Corporation through profit earning.

Objectives

- (a) Formulating plans with regard to the cultivation, processing and marketing of cashew and processing of and marketing of cashew products and providing instructions for their implementation.
- (b) Cultivation, processing and marketing of cashew and processing and marketing of cashew products.
- (c) Conducting investigations and research with the objective of enhancing the cashew cultivation, processing and marketing and processing and marketing of cashew products.
- (d) Collecting, processing, publicizing and distributing technical, marketing and other information with regard to the cultivation, processing and marketing of cashew and processing and marketing of cashew products and liaising with others in the implementation of such activities.

- (e) Determining the locations of cashew & cashew products processing factories, their extent and the technical standards and establishing new factories and activating existing factories when necessary.
- (f) Purchasing, distributing, marketing and exporting cashew and cashew products.
- (g) Facilitating the training of persons required for the cultivation, processing and marketing of cashew and processing and marketing of cashew products.
- (h) Establishing the fundamental organizations required for the development of cashew cultivation, processing facilities and marketing and assisting in their establishment.
- (i) Initiating measures as deemed necessary for the popularization of cashew products and their sale, promoting the existing demand for these products in the world markets, financing the promotional or any other incidental activities, controlling, assisting and sponsoring such activities.

(02) Board of Directors of the Sri Lanka Cashew Corporation - 2018

(2.1) Members of the Board of Directors of the Corporation for the duration of the period from 01.01.2018 up to 31.12.2018

- (i) **Mr. D B Karunaratne** - **Chairman**
- (ii) Mr. M W M Bandaratilleka - Deputy Chairman
- (iii) Mrs. A A D S Atapattu - Member, Board of Directors
(Representative of the General Treasury)
(up to 31.08.2018)
- (iv) Mr. M R M I Riza - Member, Board of Directors
(up to 22.06.2018)
- (v) Mr. V Manchanayaka - Member, Board of Directors
(up to 22.06.2018)

- (vi) Mr. K Lingarajah - Member, Board of Directors
(up to 22.06.2018)
- (vii) Mr. A S M Fazmi - Member, Board of Directors
(up to 22.06.2018)
- (viii) Mr. K L Suminda Wickramasinghe - Member, Board of Directors
(from 31.08.2018 to 25.10.2018)
- (ix) Mr. R M D P W M M Bandara Yatawara - Member, Board of Directors
(from 31.08.2018 to 31.12.2018)
- (x) Mr. E M J B Ehelamalpe - Member, Board of Directors
(from 31.08.2018 to 25.10.2018)
- (xi) Mr. S Arulrasa - Representative of the Ministry of
State Enterprises Development
(from 18.01.2018 to 25.10.2018)
- Secretary to the Board of Directors for 2018 - Mr. Keerthi Jayakodiachchi
(General Manager)

(2.2) The Audit and the Management Committee of the Sri Lanka Cashew Corporation-2018

- (i) Mrs. A A D S Atapattu - Committee Chairperson
Member, Board of Directors - Representative of the General Treasury
(from 01.01.2018 to 23.04.2018)
- (ii) Mrs. R P S Padmini - Committee Observer
Audit Superintendent (Auditor General's Department)
(up to 23.04.2018)
- (iii) Mr. R A C Ranawaka - Committee Observer
Audit Superintendent (Auditor General's Department)
(from 14.09.2018)
- (iv) Mr. V Manchanayaka - Committee Member
Member, Board of Directors
(up to 23.04.2018)
- (v) Mr. M R M I Riza - Committee Member
Member, Board of Directors
(up to 23.04.2018)
- (vi) Mr. K L Suminda Wickramasinghe - Committee Member
Member, Board of Directors
(from 14.09.2018)

- (vii) Mr. M D P W M M Bandara - Committee Member
Yatawara
Member, Board of Directors
(from 14.09.2018)
- (viii) Mr. D K Jayakodiarachchi - Committee Secretary
General Manager
- (ix) Mr. V U Liyanage - Committee Member
Assistant General Manager - Internal Audit
- (x) Mr. K A C Shyamantha - Committee Observer
Chief Internal Auditor (Ministry of State Enterprises Development)
(from 14.09.2018)

(2.3) Senior Management of the Sri Lanka Cashew Corporation - 2018

- (i) Mr. D K Jayakodiarachchi - General Manager
- (ii) Mr. P B Kodikara - Deputy General Manager

(2.4) Middle Management Staff of the Sri Lanka Cashew Corporation

- (i) Mr. M T S K Pieris - Assistant General Manager-Finance
- (ii) Mr. G B B Surendra - Assistant General Manager-
Extensions & Research
- (iii) Mr. V U Liyanage - Assistant General Manager
Internal Audit
- (iv) Mr. R M P Jayathissa - Assistant General Manager
Marketing & Processing
- (v) Mr. P M A P K Wijetunga - Assistant General Manager - Plantations

(2.5) Registered Offices

Head office and Regional Offices

Head Office

Sri Lanka Cashew Corporation,
No: 1334, Old Kotte Rd,

Rajagiriya.

Telephone

Chairman - 011 2 871 005

Deputy Chairman - 011 2 869 844

General Manager - 011 2 876 134

Fax - 011 2 867 843

E-mail - cashewco@dialogsl.net / cashewco@sltnet.lk

Web address - www.cashew.lk

Regional Offices, Estates, Planting Material Production Centres and Processing Units.

(2.6)

Regional Offices

Districts being covered

1. Puttlam Regional Office - Puttlam / Kurunegala
2. Hambantota Regional Office - Hambantota / Ratnapura
3. Anuradhapura Regional Office - Anuradhapura
4. Nalanda Regional Office - Matale / Polonnaruwa
5. Moneragala Regional Office - Moneragala
6. Mahiyanganaya Regional Office - Kandy / Badulla
7. Ampara Regional Office - Ampara
8. Batticaloe Regional Office - Batticaloe / Trincomalee
9. Kilinochchi Regional Office - Kilinochchi / Mulaitivu / Jaffna
10. Mannar Regional Office - Vavuniya / Mannar

(2.7)

Estates	District	Total no of acres	No of acres cultivated
1. Kamandaluwa Estate	Puttlam	548	548
2. Achchigewatte Estate	Puttlam	961	539
3. Eluwankulama Estate	Puttlam	209	209
4. Hardy Estate	Batticaloe	365	194
5. Wilachchiya Estate	Anuradhapura	25	25
6. Nalanda Estate	Matale	75	50



(Cashew Plantation)

(2.8)

Seed Gardens	District	Total no of acres	No of acres cultivated
1. Mahaoya Seed Garden	Ampara	81	34
2. Suduwathura Ara Seed Garden	Moneragala	50	21
3. Oyamaduwa Seed Garden	Anuradhapura	250	80
4. Kondachchi Seed Garden	Mannar	6000	1450
5. Thiriyaya Seed Garden	Trincomalee	50	05
6. Mankerni Seed Garden	Batticaloe	100	70



(Seed Garden)

(2.9)

<u>Central Plant Nurseries</u>	<u>Districts being covered</u>	<u>(Acres)</u>	<u>Plant Production Capacity (No of plants)</u>
1.Mihintale Plant Nursery	Anuradhapura / Vavuniya / Mannar / Kilinochchi / Mulaitivu	2.5	120,000
2.Dambulla Plant Nursery	Matale / Polonnaruwa	3.0	25,000
3.Kamandaluwa Plant Nursery	Puttlam / Kurunegala	1.0	150 ,000
4.Hardy Plant Nursery	Batticaloe / Trincomalee	1.0	10, 000
5.Kumbukkana Plant Nursery	Moneragala	3.0	50, 000
6.Aluththarama Plant Nursery	Badulla / Kandy	2.0	50, 000
7.Chandrikaweva Plant Nursery	Hambantota / Rathnapura	0.5	20 ,000



(Budded Plant Nursery)

(2.10)

<u>Cashew Processing Centres</u>	<u>District</u>
1. Nendagamuwa Processing Centre	- Gampaha
2. Puttlam Processing Centre	- Puttlam

(2.11)	<u>Research Units</u>	-	<u>District</u>
	1. Kamandaluwa Research Unit	-	Puttlam
	2. Puttlam Research Unit	-	Puttlam

The Main Joint Research Collaboration of the Sri Lanka Cashew Corporation

Research Programmes are being implemented by the corporation jointly with the faculty of Agriculture and Plantation Management of the Wayamba University.

(2.12)	<u>Sales Outlets of the Corporation</u>	-	<u>District</u>
	1. No: 1334, Old Kotte Rd, Rajagiriya	-	Colombo
	2. No: 518, Galle Rd, Colombo 03	-	Colombo
	3. Pinnawala Elephant Orphanage Premises (up to February 2018)	-	Kegalle

(2.13) Corporation Authorized Cashew Outlets

1. Randiya Fruits and Nuts, Payagala, Maggona.
2. Sunila Grocery, No: 35, New Road, Ambalangoda.
3. P & J City, Gamini Mawatha, Galle.
4. Fresh Farm Shop, Galle Road, Hikkaduwa.
5. National Livestock Development Board, Narahenpita.
6. National Livestock Development Board, Welisara.
7. Ranjanas 7 Stories, No: 318, Galle Road, Colombo 04.
8. Ananda Food City, No: 272, Anguruwathota Road, Horana.
9. Panadura Coop City, Panadura Multi Service Cooperation Society Ltd, Janapriya Mawatha, Panadura.
10. New American Chicken Hut, 16, Sri Sarananda Mawatha, Kaluthara.
11. Sampath Pharmacy & Grocery, 39E, Mathara Road, Akurassa.
12. Siuym Food Products, No: 499, Main Street, Kegalle.

13. Yatinuwara Gangapalatha Multi Service Cooperative Society Ltd, Polgahamula Junction, Peradeniya.
14. Yatinuwara Madapalatha Multi Service Cooperative Society Ltd, Embilmeegama, Pilimathalawa.
15. Central Province Multi Service Cooperative Society Ltd, Ehalepola Kumarihami Mawatha, Bogambara, Kandy.
16. Poojapitiya Multi Service Cooperative Society Ltd, Poojapitiya.
17. Harispattuwa North Multi Service Cooperative Society Ltd, Mathale Road, Alawathugoda.
18. Kundasale Multi Service Cooperative Society Ltd, Manikhinna.
19. Kandy Multi Service Cooperative Society Ltd, Coop City, Pallekale.
20. Kandy Multi Service Cooperative Society Ltd, Coop City, Mathale.
21. Kandy Multi Service Cooperative Society Ltd, Coop City, Laggala.
22. Sri Lanka National Hunger Eradication Movement, No: 21, Galle Road, Dehiwala.
23. Udamsa Milk Bar, 978 D 3, Pannipitiya Road, Pelawatte.
24. Palmyrah Development Board, Galle Road, Bambalapitiya.
25. Palmyrah Development Board, Kankasanthurei Road, Jaffna.
26. Palmyrah Development Board, Near Nallur Kovil, Jaffna.
27. Palmyrah Development Board, Hospital Road, Jaffna.
28. Palmyrah Development Board, Main Street, Vavuniya.
29. On Ro Pharmacy No: 25, Nagoda Road, Katukurunda.
30. Golden Maid, 144, Galle Road, Ahangama.
31. New Monis Bakery, Galle Road, Maggona.
32. Kandy Lines, Park Road, Kegalle.
33. Sagara Bakers, Anguruwathota Road, Horana.
34. Roy Grocery, Matugama Road, Katukurunda Junction, Kalutara.
35. Harischandra Mills, Talbot Street, Galle.
36. J F Tours & Travels, Jawatte Road, Bambalapitiya.
37. Colombo Cricket Club, Maitland Crescent, Colombo 07.
38. EPPCO Mini Mart, Main Street, Mawanella.
39. Lion Grocery, Makumbura, Pannipitiya Road, Kottawa.
40. DGM Agriculture Dept., Matara.
41. Abeygunawardena Stores, Deniyaya.

42. Thalagala Stores, Thalagala.
43. Coop City, Kundasale.
44. Sepco Super, Bogambara.
45. DGM Agriculture Dept., Galle.
46. Panorama Chinese Restaurant, Kottawa.
47. Namunukula Dairy Stores, Wattala.
48. Master Shopper, Colombo 01.
49. Ruhunu Rasara, Matara.
50. Ruhunu Rasara, Labudoowa.
51. Balangoda Food Shop.
52. Royal Bakery, Wellawatta.
53. Indra Wine Stores, Hikkaduwa.
54. Mrs. Kapuwatte, Nawala, Rajagiriya.
55. Multi Service Cooperative Society, Kandy.
56. Prime Minister's Office, Colombo.
57. Vintage Teas, Angoda.
58. Dr. Smoothy Café, Kandy.
59. Miyula Shop, Kandy.
60. Awanhala, Kandy.

(2.14)

Circuit Bungalows

District

- | | | | |
|----|--------------------------|---|------------|
| 1. | Puttlam Circuit Bungalow | - | Puttlam |
| 2. | Hardy Circuit Bungalow | - | Batticaloe |

(3.0)

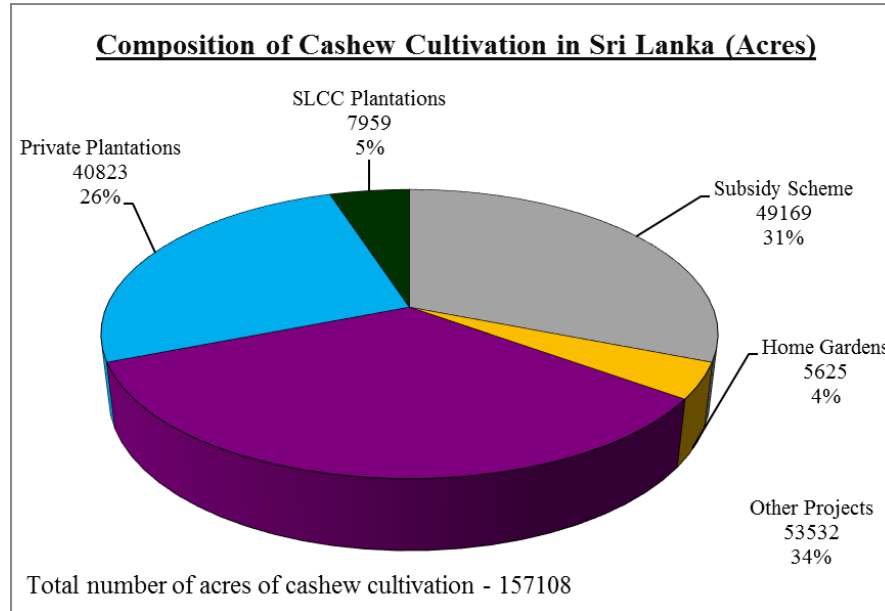
Development Activities of the Corporation

The Sri Lanka Cashew Corporation is implementing 04 major programmes as development activities.

- 1. Extension subsidy programme**
- 2. Estate development, rehabilitation and productivity development**
- 3. Development of marketing & processing industry**
- 4. Research & development**

(3.1) Extension Subsidy Programme

(3.1.1) Composition of Cashew Cultivation in Sri Lanka (Acres)



Other Projects

- * *D.E.C.U* - 'Divi Neguma' Economic Cultivation Units
- * *E.D.U.C.P.P* - Economic Development & Upliftment of Communities of the Poor Project
- * *R.E.D.P* - Regional Economic Development Project - Matale District
- * *U.R.R.D* - Joint Project with the Department of Upcountry Rural Rehabilitation
- * *Projects of the Ministry of National Integration & Reconciliation / Ministry of Mahaweli Development & Environment and Ministry of Primary Industries*

(3.1.2) Extension of Cashew Cultivation Areas and Upliftment of National Production

(3.1.2.1) Increasing the Areas of Cultivation

As of 2018, the total estimated area of cashew cultivation in Sri Lanka is 157108 acres. In 2018, under the subsidy programme, 1968 acres of bud grafted cashew and 1337 acres of seedling cashew have been cultivated in 19 districts covering 125 divisional secretary's divisions and under this subsidy scheme, plants were provided for 1195 acres, under home gardens. Under this 11818 beneficiary families have been benefitted.

Cashew Cultivation Subsidy Programme

District	Bud Grafted Cashew (acres)	Cashew Seedlings (acres)	Home Gardens	
			Bud Grafted Cashew (acres)	Cashew Seedlings (acres)
1. Puttlam	320	80	50	25
2. Kurunegala	215	50	95	15
3. Hambanthota	65	70	55	65
4. Anuradhapura	313	12	75	-
5. Ampara	-	340	103	07
6. Badulla	125	-	50	-
7. Kandy	25	-	25	-
8. Ratnapura	10	10	15	10
9. Mathale	145	-	40	-
10. Polonnaruwa	70	-	20	-
11. Moneragala	225	-	50	-
12. Batticaloe	30	200	15	55
13. Trincomalee	50	100	20	30
14. Vavuniya	100	100	50	50
15. Mannar	50	100	-	50
16. Mulaitivu	100	150	-	75
17. Kilinochchi	50	100	-	50
18. Jaffna	25	25	-	50
19. Kegalle	50	-	50	-
Total	1968	1337	713	482

(3.1.2.2) Payment of Subsidies to Farmers, under the cashew cultivation subsidy programme

Under this subsidy programme, allocations have been made for the payment of a subsidy of Rs. 9,500/- per acre for bud grafted cashew cultivation and for the payment of a subsidy of Rs. 3,500/- per acre for seedling cashew cultivation. However, the amount thus allocated is hardly sufficient for this task. At present, training on farming and other extension services are being provided free of charge to selected farmers under the subsidy programme and bud grafted cashew plants and seedlings are being distributed free of charge according to the extent of the lands under cultivation. These activities are being implemented through 10 regional offices of the Corporation in 19 cashew cultivating districts.

(3.2) Development of Estates, Rehabilitation & Productivity Development

(3.2.1) Enhancing the Productivity of Cashew Cultivation

(3.2.1.1) Planting Material Production

484753 mother seeds were produced at cashew planting material production centres of the Corporation using Good Agricultural Practices (GAP). 164500 twigs obtained from these mother seeds and mother trees were used in the production of bud grafted plants and seedlings.

(3.2.1.2) Nursery Management

197353 bud grafted plants of high quality new varieties were produced at the central nurseries of the Corporation and were issued for the subsidy programme and to private estate owners.

Production of Budded Plants in 2018

Name of the Plant Nursery	Budded Plants Produced
1. Kamandaluwa	49812
2. Dambulla	19276
3. Mihintale	65586
4. Aluththarama	24503
5. Kumbukkana	21250
6. Hardy	8470
7. Chandrikaweva	8456
Total	197353

25 plant nurseries have been established in Vavuniya, Mannar, Mulaitivu, Kilinochchi and Jaffna districts in order to produce 80007 seedlings required for the subsidy scheme.

(3.2.1.3) New Cultivation in Estates

Extensive development works were carried out in Puttlam, Kamandaluwa, Eluwankulama, Hardy, Oyamaduwa, Mankerni, Batticaloe estates of the Sri Lanka Cashew Corporation and 40 acres in the Kondachchi estate have been newly cultivated during the year 2018. In addition to this, under the new cultivation of Kamandaluwa estate, planting of cashew seedlings have been carried out in 15 acres. Further, vacancies were filled in the below mentioned estates.

Kondachchi	-	9298 plants
Mahaoya	-	3265 plants
Oyamaduwa	-	573 plants
Kamandaluwa	-	480 plants
Puttlam	-	3265 plants
Hardy	-	480 plants
Suduwathura Ara	-	687 plants
Wilachchiya	-	295 plants

(3.2.1.4) Provision of Plants for Development Projects

Under this programme initiated in 2018 with the funding from the Ministry of National Integration and reconciliation and under the direct supervision of the Prime Minister's Office, 44356 cashew seedlings and 2400 bud grafted cashew plants have been distributed among approximately 1000 farmers in the Jaffna, Kilinochchi, Mannar, Vavuniya and Mulaitivu districts, in coordination with the respective Divisional Secretariats and District Secretariats. Action has been taken to cultivate cashew in 1142 acres under this programme.

Action was taken to plant 14750 bud grafted cashew plants in 210 acres, with the involvement of 510 farmer families in the Polonnaruwa district, under the funding made available by the Ministry of Mahaweli Development and Environment.

5000 cashew plants were distributed within the Ampara district under the financial funding made available by the Ministry of Primary Industries.

(3.2.1.5) Enhancing the Productivity

With a view to eliminating pests and preventing diseases affecting cashew cultivation and also enhancing the productivity by adopting Good Agricultural Practices (GAP), Pest Control Programmes have been implemented islandwide to eradicate "Helopeltis" infection and diseases caused by trunk and root worms. In addition to this, 28 training programmes on the application of Good Agricultural Practices and pest control in cashew cultivation were conducted under the sponsorship of the National Institute of Plantation Management and 2073 farmers participated in these programmes.

(3.3) Development of Marketing and Processing Industry

(3.3.1) Post Harvest Technology Development

(3.3.1.1) Purchasing of Cashew Kernels from Processors

With the objective of reducing costs and facing the competitive market conditions, the Corporation purchased 5.3 Metric Tons of cashew from small scale processors this year, instead of purchasing raw cashew from farmers which resulted in the establishment of a competitive price range in the market. The cashew harvest of 83.52 Metric Tons, collected from the Corporation's estates was processed at the factories of the Corporation.

(3.3.1.2) Strengthening the Cashew Processing Industry

In order to earn a higher price by forwarding high quality cashew kernel products to the market, an advanced manufacturing mechanism is essential. Under this programme, cashew processors were provided with ovens and electric cashew cutting machines and they were trained with regard to the Good Manufacturing Practices (GMP), value addition and standards. Also processing societies were given assistance in obtaining financial facilities and in the market promotion.

(3.3.2) Processing and Marketing of Cashew

Cashew Processing Centres owned by the Corporation are located in Puttlam and Nedagamuwa (Gampaha District). Raw cashews gathered from the estates of the Corporation are processed and the value added cashew kernels are marketed through the Corporation's two sales outlets in Kolpetty and Rajagiriya, in addition to sales being carried out to cater to the needs of the customers through 60 authorized sales outlets, established island wide.

The Corporation has been able to earn Rs. 81.11 million from the sale of high quality cashew products using new technological methods and through value addition.

(3.3.3) Export of Cashew Products and Earning of Foreign Exchange.

(3.3.3.1) In the year 2018, Sri Lanka has earned Rs. 144.62 million foreign exchange by forwarding 60.81 Metric Tons of value added high quality cashew kernels to the international market. Rs. 143.51 million foreign exchange has been earned by exporting 59.04 Metric Tons of value added cashew kernel in the year 2017. Accordingly an increase in the export capacity and foreign exchange earnings was experienced in 2018 than that of 2017 as a result of the increase of the local demand for cashew kernels with the rapid growth of the tourism industry, which in turn has led to the increase of the local consumption of cashew kernels.

(3.3.4) Import of Cashew

(3.3.4.1) Import of Cashew for Local Consumption

With the increase of the local consumption of cashew and the decline in the cashew harvest due to climatic changes, namely, the heavy rains experienced during the flowering season, the small scale processors experienced a shortage of raw cashew in the local market during the months of January, February and March. As a solution to this, licenses were provided to small scale cashew processors to import raw cashew under tax reliefs. These licenses for importation are issued on temporary basis only during the period where shortages in the local production market are being experienced. As per the reports of the Customs, 2378.02 Metric Tons of raw cashew and 156.41 Metric Tons of cashew kernel were imported by small scale producers and distributed among a large number of processors. Thus, the Corporation had the opportunity of intervening in stabilizing the livelihoods of families engaged in the cashew processing industry.

(3.4) Research & Development

Continuous research programmes have been carried out with regard to plant breeding, use of fertilizers, pest control of cashew crops, experimenting with

various technological methods of bud grafting, bud grafted and seedling cashew cultivation, harvesting and intercropping. These programmes were implemented jointly with the Faculty of Agriculture and Plantation Management of the Wayamba University. The progress of these programmes was evaluated by the Research and Management Committee. The outcomes of these researches were made available to the farmers when they are given advisory services through the extensions service network as well as by means of field models, leaflets, videos and television programmes. Under this, Patch bud grafting is being experimented with successfully, utilizing the cashew commercial nurseries, initiated during the year 2018.

(4.0) Budget

(4.1)

Category	Investment of Funds – 2018 (Rs. Million)		
	Government Investment	Funds Generated	Total
Capital Expenditure	66.52	-	66.52
Recurrent Expenditure	55.00	73.86	123.86
Total	116.52	73.86	190.38

(4.2) Earnings of 2018 through commercial activities

	(Rs. Million)
Sale of cashew kernels	83.15
Sale of cashew mother seeds and plants	11.05
Sale of coconuts	1.08
Total	<u>95.28</u>

(5.0) Administration

(5.1) With the aim of providing a quality & an efficient service to cashew small holders, cashew processors and to customers, formal management applications were employed. The assistance of all of the stakeholders of the Corporation was

obtained, as the Corporation acts as a public enterprise providing services with a view to earning profits.

The unrestricted assistance of the Board of Directors, General Manager, Deputy General Manager and Assistant General Managers and the entire staff was also secured. Accordingly, the Corporation was able to align itself with the new development strategies of the government with a view to generating incomes for the public and to fulfilling the objectives of the Corporation.

(5.2) Staff as at 31.12.2018

Approved Staff		Staff as at 31.12.2018
Higher Management Grade (HM)	02	02
Middle Management Grade (MM)	07	05
Junior Management Grade (JM)	26	19
Management Assistant (MA)	122	85
Minor Grade (PL)	67	64
Total	224	175

In addition to this, about 200 check roll labourers have been employed according to monthly requirements in processing centres, estates, plant breeding centres and central plant nurseries of the Corporation.

6.0 Achievements

The Corporation was able to maintain the profit earning status recorded in 2016 and 2017, throughout the year 2018. The commercial operations of the Corporation and the productive and the efficient guidance given by the Board of Directors and the dedication of the staff, all contributed towards the accomplishment of this feat.

The net profit earned by the Corporation during the year 2018 through commercial activities is Rs. 21.66 millions.

Owing to the following drawbacks the profit earned could not be elevated to a higher level than what has been generated.


- The drop of the cashew yield of estates from expected levels due to inclement weather conditions, viz, severe droughts during the flowering season which in turn resulted in the withering of flowers.
- The cashew products having excessive prices owing to the inadequate supply of raw cashew to meet the local demand.
- High labour cost and material cost.
- The Corporation suffered drawbacks in initiating new programmes as well as fulfilling essential services due to the limiting of recurrent and capital grants. Hence, the funds generated by the Corporation had to be utilized in continuing these activities. As a repercussion of this, a lack of funds to be invested in commercial and development activities resulted.

During the year 2018, all services and commercial activities of the Sri Lanka Cashew Corporation were implemented successfully and I wish to offer my heartfelt gratitude to the Board of Directors for their cooperation extended to me in accomplishing this feat.

In particular, the General Manager, the Deputy General Manager, Assistant General Managers and all staff members worked tirelessly with much dedication in executing all activities of the Corporation efficiently and with a high productivity level and my sincere appreciation goes to them for the services rendered.

The support extended and the commitment made by all stake holders including small scale cashew processors, cashew products exporters, cashew small holders, government and nongovernmental organizations had been instrumental in establishing this level of success.

Also, I acknowledge and wish to express my sincere gratitude to the Hon. Kbhira Hashim Minister of Public Enterprises Development, Hon. Minister Lakshman Kiriella, the Hon. Naveen Dissanayaka Minister of Plantation Industries, the Hon. Vadivel Suresh State Minister of Plantation Industries and the Secretaries to the Ministries and the Ministry Staff for their invaluable guidance.


Damsiri Bandara Karunaratne
Chairman
Sri Lanka Cashew Corporation

Board of Directors Report

I am herewith forwarding the audited financial statement for the year ended 31st December 2018, on behalf of the Board of Directors of the Sri Lanka Cashew Corporation.

As per the circular no: PED/12 dated 02nd June 2003, issued by the Director General of the Department of Public Enterprises of the General Treasury, the financial statement of the Sri Lanka Cashew Corporation was forwarded to the Auditor General before the 28th of February 2019.

Establishment

The Sri Lanka Cashew Corporation was established on the 25th of May 1973, with an initial capital of Rs. 40 million, under the gazette notification 60/7, published in terms of the subsection 1 of the section 2 of the Agricultural Corporations Act no: 11 of 1972, approved by the Sri Lankan government and on the order of the then Minister of plantation industries.

Outcomes

The financial outcomes and data on the change of equity in the current year are disclosed in the financial statement and the statement on the change of equity.

Business Review

The financial position of the Sri Lanka Cashew Corporation for the year ended 31st December 2018 was given in the statement of financial position an evaluation of which has been included in the chairman's report.

Property Plant and Equipment

The changes which took place in respect of the property plant and equipment during the current year are given at no: 1, in the financial statement. The values shown in this note do not have quantitative changes with their current market value.

Main Activities

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

- Cultivation, processing and marketing of cashew and formulating plans with regard to the cashew production, processing and marketing and providing instructions to the Minister for their implementation.
- Taking measures for the cultivation, processing and marketing of cashew and for the production, processing and marketing of cashew.
- Conducting investigations and research with the objective of enhancing the cashew cultivation, processing and marketing and its production, processing and marketing.
- Collecting, processing, publicizing and distributing technical, marketing and other information with regard to the cultivation, processing and marketing of cashew and its production, processing and marketing and liaising with others in the implementation of such activities.
- Determining the locations of cashew & cashew products processing factories, their extent and the technical standards and establishing new factories and activating existing factories when necessary.
- Purchasing, distributing, marketing and exporting cashew and cashew products.
- Facilitating the training of persons required for the cultivation, processing and marketing of cashew and its production, processing and marketing.
- Establishing the fundamental organizations required for the development of cashew cultivation, processing facilities and marketing and assisting in their establishment.
- Initiating measures as deemed necessary for the popularization of cashew products and their sale, promoting the existing demand for these products in the world markets, financing the promotional or any other incidental activities, controlling, assisting and sponsoring such activities.

Reserves

The composition of the total reserves of the corporation are mentioned in the statement on the change of equity.

Board of Directors

(1) The members of the Board of Directors of the corporation from 01.01.2018 up to 31.12.2018

- | | |
|--|---|
| (i) Mr. D B Karunaratne | Chairman |
| (ii) Mr. M W M Bandaratilleke | Deputy Chairman |
| (iii) Mrs. A A D S Atapattu | Member of the Board of Directors
(Representative of the General Treasury)
(up to 31.08.2018) |
| (iv) Mr. M R M I Riza | Member of the Board of Directors
(up to 22.06.2018) |
| (v) Mr. V Manchanayaka | Member of the Board of Directors
(up to 22.06.2018) |
| (vi) Mr. K Lingarajah | Member of the Board of Directors
(up to 22.06.2018) |
| (vii) Mr. A S M Fazmi | Member of the Board of Directors
(up to 22.06.2018) |
| (viii) Mr. K L Suminda Wickramasinghe | Member of the Board of Directors
(from 31.08.2018 to 25.10.2018) |
| (ix) Mr. R M D P W M M Bandara
Yatawara | Member of the Board of Directors
(from 31.08.2018 to 31.12.2018) |
| (x) Mr. E M J B Ehelamalpe | Member of the Board of Directors
(from 31.08.2018 to 25.10.2018) |
| (xi) Mr. S Arulrasa | Representative of the Ministry of
State Enterprises Development
(from 18.01.2018 to 25.10.2018) |

Secretary to the Board of Directors for the year 2018 - Mr. Keerthi Jayakodiachchi
(General Manager)

Audit Committee

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

Statutory Payments

Statutory payments payable to the government and the employees have been duly paid.

Environmental Protection

The corporation has not been involved in any activity harmful to the environment.

Events after the date of the statement of the financial position

No event has been reported for disclosure or for adjustment through accounts after the balance sheet date.

Auditors

The financial statement of the Sri Lanka Cashew Corporation for the year ended 31st December 2018 has been audited by the government Auditor General.

By the order of the Board of Directors,



Keerthi Jayakodiachchi

Secretary to the Board of Directors

Audit and Management Committee Report

The Audit and Management Committee of the Sri Lanka Cashew Corporation was established in terms of the provisions of the circular no PED 31 (Public Enterprises Department Circular of 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 persons including five members and two observers.

A non-executive director who is the treasury representative acted in the post of committee chairman and the General Manager of the Corporation/ Secretary to the Board of Directors acted in the post of committee secretary during the year 2018.

In spite of the fact that as per the directives of the relevant circulars, at least 04 Audit & Management Committee meeting should have been convened during the period of one year only 02 Audit & Management Committee meetings of the corporation were convened during the year 2018 owing to the political changes that took place unexpectedly during the latter part of the year under review with the board of directors being dissolved from time to time and new appointments being made which resulted in the delay to appoint non-executive directors to serve on the committee. The participation of the committee members and the observers in these meetings had been in the following manner.

01.	Mrs. A A D S Atapattu	:	Committee Chairperson	1/2
	Member of the Board of Directors	:	up to 23.04.2018	
	General Treasury Representative	:		
02.	Mr. K L Suminda Wickramasinghe	:	Committee Member	1/2
	Member of the Board of Directors	:	from 14.09.2018	
03.	Mr. V Manchanayaka	:	Committee Member	1/2
	Member of the Board of Directors	:	up to 23.04.2018	
04.	Mr. M R M I Riza	:	Committee Member	1/2
	Member of the Board of Directors	:	up to 23.04.2018	
05.	Mr. R M D P W M M Bandara	:	Committee Member	1/2
	Member of the Board of Directors	:	from 14.09.2018	

06.	Mr. D K Jayakodiarachchi General Manager	:	Committee Secretary	2/2
07.	Mr. V U Liyanage Assistant General Manager - Internal Audit	:	Committee Member	2/2
08.	Mr. K A C Shamantha Chief Internal Auditor Ministry of Public Enterprise Development	:	Committee Observer	2/2
09.	Mrs. R P S Padmini Audit Superintendant National Audit Office	:	Committee Observer up to 23.04.2018	1/2
10.	Mr. R A C Ranawaka Audit Superintendant National Audit Office	:	Committee Observer from 14.09.2018	1/2

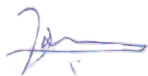
At the first audit and management committee meeting of the year under review, the progress achieved in respect of the final quarter (relevant to the final quarter of the year 2017) and the first quarter of the year under review, through the overall activities of the corporation, was extensively reviewed. Special attention was focused on the progress of the implementation of the Northern Province Development Programmes and the importance of proper maintenance of reports on the contribution being extended by the Sri Lanka Cashew Corporation to the national product through these development programmes, was emphasized.

Also, the detailed report on the audit reports issued by the internal audit division of the Sri Lanka Cashew Corporation to the management during the first quarter of the year 2018, was reviewed by the committee at the above committee meeting. Committee recommendations on the importance of conducting procurement process as per the relevant guidelines, importance of taking measures to recover commercial debtor balances during the specified period without

delay, and the importance of making the buyers aware of the specified period during which time the return of cashew kernels sold by the corporation is allowed if they desire to do so for certain reasons, were submitted to the board of directors.

At the second audit and management committee meeting held during the year 2018, the committee discussed the progress achieved through the overall activities of the corporation, in respect of the second quarter of the said year. As this meeting, the committee paid special attention on the matters reported with regard to the cashew cultivation subsidy scheme, crop rehabilitation of the estates of the corporation, Rehabilitation and development of fixed assets, purchase of raw cashew and cashew kernels from farmers and relevant recommendations were submitted to the Board of Directors in this respect.

Also, at the above said meeting, the committee held extensive discussions with regard to the observations included in the audit reports issued by the internal audit division of the corporation to the management during the second quarter of the year 2018 and the courses of action taken by the management according to the said observations. At this meeting the committee's attention was drawn to the reported errors and shortcomings. Seen in the running charts of the corporation's vehicles and recommendations on the importance of properly maintaining the said running charts free of errors and shortcomings, were submitted to the Board of Directors.



K L Suminda Wickramasinghe
Chairman
Audit & Management Committee

Sri Lanka Cashew Corporation

01. Performance Report for the year 2018

1. Subsidy Scheme for Cashew Cultivation and Development Programmes

1.1 Subsidy Scheme for Cashew Cultivation

Under the subsidy scheme for cashew cultivation being implemented under treasury grants a total of 4500 acres which is made up of 2681 acres of bud grafted cashew and 1819 acres of seedling cashew have been cultivated covering 19 districts during this year. 11818 farmer families have been benefitted. During the year 2018, plants have been provided especially for home gardens as well under the subsidy programme. The total cost incurred amounted to Rs. 16.98 millions.

2.0 Uplifting the Productivity of the Cultivation

2.1 Planting material production

Plant breeding centres in Nalanda in the Matale district, Wilachchiya and Oyamaduwa in the Anuradhapura district, Mahaoya in the Ampara district, Mankerni in the Batticaloe district, Kondachchi in the Mannar district and Suduwathura Ara in the Moneragala district were maintained with a view to breeding new varieties suitable to various areas and to providing them to cashew smallholders. 484153 high quality mother seeds and 164500 buds were obtained from these centres, required for the production of bud grafted plants necessary for the extension services and commercial activities. The total cost incurred amounted to Rs. 13.25 million.

2.2 Enhancement of the Production

With a view to eliminating pests and preventing diseases affecting cashew cultivation and also enhancing the productivity by adopting Good Agricultural Practices (GAP), Pest control programmes were carried out island wide with a view to eradicating “Helopeltis” disease infections and trunk and root borer worms. In addition to this, 28 training programmes were conducted on the application of Good Agricultural Practices and Pest control in cashew cultivation and 2073 farmers participated in these programmes. The cost incurred in thus respect amounted Rs. 1.75 million.

2.3 Plant Nursery Management

07 central plant nurseries of the Corporation have been set up in the Kamandaluwa estate, Aluththarama, Hardy, Mihintale, Chandrikaweve, Dambulla and Kumbukkana. With the aim of producing bud grafted plants using modern technological methods, 06 poly net houses have been setup in Kamandaluwa, Mihintale, Batticaloe and Aluththarama plant nurseries. For the Maha Season of 2018, 197353 high quality bud grafted plants were produced at these nurseries and distributed among farmers.

2.4 Implementation of the Northern Province Development Programme

Under this programme initiated in 2018 with the funding from the Ministry of National Integration and Reconciliation and under the direct supervision of the Prime Minister’s Office, 44352 seedlings and 2400 bud grafted cashew plants have been distributed among approximately 1000 farmers in the Jaffna and Mulaitivu districts, in coordination with the respective Divisional Secretariats and District Secretariats. Action has been taken to cultivate cashew in 1142 acres under this programme.

Action was taken to cultivate 210 acres with 14750 bud grafted cashew plants with the involvement of 510 farmer families in the Polonnaruwa district with the financial contribution of the Ministry of Mahaweli Development and Environment.

About 5000 cashew plants were distributed in the Ampara district with the financial contribution of the Ministry of Primary Industries.

3.0 Research and Development Programmes

Research programmes are being implemented jointly with the Faculty of Agriculture and Plantation Management of the Wayamba University. Research programmes related to plant breeding, use of fertilizer, plant density, diseases and pest elimination in cashew cultivation, inter cropping, bud grafted and seedling crops, bud grafting techniques and harvesting are being carried out. Farmers are being made aware of the research outcomes through workshops and extension services. Patch bud grafting is being experimented with successfully for commercial cashew plants nurseries initiated in 2018. The cost incurred in this respect amounted to Rs. 2.90 million.

4.0 Maintenance of Estates of the Corporation and Rehabilitation of Crops

Development works were carried out extensively in the Puttlam, Kamandaluwa, Eluwankulama, Hardy, Oyamaduwa, Mankerni, Batticaloa estates of the Sri Lanka Cashew Corporation, and new cultivations have been carried out in 40 acres in the Kondachchi estate during the year 2018. In addition to this, under the new cultivation of Kamandaluwa estate 15 acres of cashew have been cultivated. Further, vacancies were filled in the below mentioned estates.

Kondachchi	- 9298 plants	Puttlam	- 3265 plants
Mahaoya	- 3265 plants	Hardy	- 480 plants

Oyamaduwa - 573 plants	Wilachchiya - 295 plants
Kamandaluwa - 480 plants	Suduwathura Ara - 687 plants

A raw cashew harvest of 83.52 Metric tons was gathered from the estates. In addition to this chemical fertilizers were applied and weeding was carried out, pests and diseases eliminated, field paths were maintained and coppicing was carried out, under Good Agricultural Practices to ensure a higher level of productivity. The total cost incurred amounted to Rs. 20.36 million.

5.0 Post Harvest Technology

5.1 Marketing and the Promotion of the Processing Industry

The harvest gathered from Corporation's estates and the raw cashews purchased from farmers were processed at the processing centres in Puttlam and Nedagamuwa. They were sold at the main sales outlets of the Corporation as value added products. The network of Corporation's sales outlets, consisting of 60 authorized sales outlets was used for this purpose. The total income earned by the Corporation during the year 2018 from marketing activities was Rs. 81.11 million.

06. Human Resources Development

Steps were taken to conduct in-service Training Sessions necessary for the training and development of the officers of every level of the staff. This gave them the opportunity to increase their productivity, to update their subject related knowledge, to gain new knowledge and to increase efficiency through self motivation. 60 employees of the Corporation have been provided with the professional training and guidance for upgrading the employees' skills and professional standards within the 2018 . The cost incurred in this respect amounted to Rs. 0.12 million.

Mid Term Measures to be Adopted for the Improvement of the Performance of the Sri Lanka Cashew Corporation.

Several mid term measures are expected to be initiated by the Corporation with a view to improving its performance.

01. Increasing the area of cashew cultivation in Sri Lanka
02. Increasing the productivity of cashew grown lands
03. Promotion of post harvest technologies related to cashew cultivation
04. Development of human resources and increasing productivity

01. Increasing the Area of Cashew Cultivation in Sri Lanka

1.1 Cashew Cultivation under Extension Programmes

Primarily, cashew cultivation in Sri Lanka is limited to the dry zone. Nearly 30000 acres of cashew grown lands were destroyed owing to the war which raged in these areas for the last three decades. However, under the extension programmes being implemented by the Corporation from 2010, more than 7000 acres of land per year were reclaimed.

Under the extension subsidy scheme funded by the treasury, bud grafted and seedling cashew cultivation will be carried out during the next three years at the rate of 4500 acres per year. Further, it has been planned to cultivate 750 acres out of the 4500 acres to be cultivated annually under the Subsidy Scheme, utilizing the surplus land available at places such as army camps, prisons, police and sacred sites where labour force is found in abundance. Under the subsidy programme, about 1200 acres per year are planned for cultivation as home gardens.

1.2 Rehabilitation of Plantations

Rehabilitation of old plantations and starting new plantations in the estates of the Corporation was undertaken from the year 2011. Under this, rehabilitation of the Kondachchi estate in the Northern Province and the Mankerni estate in the Eastern 2 Province was undertaken jointly with the Department of Civil Security. It has been planned to cultivate about 4000 acres in the Kondachchi estate under a public - private joint project.

1.3 New Cultivation

New cultivations will be carried out also in cashew grown lands of cashew small holders, at the rate of 500 acres per year and this trend for cultivation will continue for the next three years. Through the implementation of all aforementioned cultivation programmes, the cashew grown land extent will be increased at least by 7000 acres each year. A network of extension services consisting of 10 regional offices is being implemented for the successful completion of these activities and cashew cultivation development work in 19 districts is being covered through this network.

1.2 Implementation of the Northern Province Development Programme

Under this programme initiated in 2017 with the funding from the Ministry of National Integration and reconciliation and under the direct supervision of the Prime Minister's Office, 76000 seedlings have been distributed among approximately 1100 farmers in the Jaffna and Mulaitivu districts, in coordination with the respective Divisional Secretariats and District Secretariats. Action has been taken to cultivate cashew in 1900 acres under this programme.

Plans have been already drawn up for the implementation of this programme also in 2018 and it is expected to cultivate 120000 plants in 3000 acres in Kilinochchi, Mannar and Vavuniya districts. It is expected to expand the extent of cashew grown lands and to

generate new avenues of income through the implementation of this Programme. This programme is expected to be continued also in the ensuing years.

02. Increasing the Productivity of Cashew Grown Lands

The extent of cashew grown lands in Sri Lanka amounts to 150108 acres, of which 88% is made up of cashew small holdings. Seedling cashew trees have been cultivated in a majority of these lands and the cashew trees on these lands are aged 20-35 years, similar to those on the plantations of the Corporation and produce 3-5 kilograms of raw cashew per tree. In countries like Vietnam and India, where improved new varieties of cashew are being cultivated, a tree produces a yield of 10-15 kilograms of cashew. Accordingly, the Corporation is implementing the following activities with a view to increasing the productivity of the plantations.

2.1 Introduction of New Varieties

The Corporation has introduced 08 new improved varieties to the cashew growers, which give a higher yield. The research work is being implemented jointly with the Faculty of Agriculture and Plantation Management of the Wayamba University and the 08 varieties, WUCC 1, WUCC 5, WUCC 8, WUCC 9, WUCC 13, WUCC 19, WUCC 21, WUCC 23 have been cultivated on the Eluwankulama, Wilachchiya, Nalanda, Mahaoya, Suduwathuraara and Oyamaduwa estates and in Plant Breeding Centres. Action is being taken to obtain buds from these mother trees and to breed new varieties to suit various climatic zones of the island, which will be provided to the cashew growers. Two new varieties will be introduced annually with a view to increasing the cashew yield to 1000 kilograms per hectare.

2.2 Application of Good Agricultural Practices

Each year cashew small holders are directed to remove seedling cashew trees which give a low yield and to start replanting. Training programmes for cashew growers are conducted annually with the involvement of the National Institute of Plantation Management, with a view to increasing the cashew yield through the application of Good Agricultural Practices. This is expected to be implemented also during the course of the next three years. Visual media are being used for this purpose. Owing to heavy rainfall during the flowering season, shoot dieback disease may occur in plantations. 4 As a result, the cashew yield may drop by 30% - 40%. Hence the need to make the cashew small holders knowledgeable has become vitally important. With the intention of suppressing damages being caused by carpenter worms in mature cashew cultivations a programme is being implemented jointly with the research units and is scheduled to be implemented during the course of the next three years.

2.3 Central Plant Nurseries

Central Plant Nurseries of the Corporation have been established in Mihintale, Dambulla, Kamandaluwa estate, Aluththarama, Kumbukkana, Hardy estate and Chandrikaweve. At these nurseries, high quality bud grafted plants of new varieties are produced under the supervision of the Corporation's officials and are issued to growers. A total of 300000 bud grafted plants are produced annually at these plant nurseries and it is envisaged that 350000 plants per year will be produced during the next 03 years. The application of new technologies in the production of plants is being promoted.

03. Promotion of Post Harvest Technologies of Cashew Corporation

A high demand for Sri Lankan cashew has arisen in the world market due to its taste, size and even colour. However, it is difficult to increase the export capacity immediately with the annual harvest of 10000-12000 raw cashew produced each year. Also, the local consumption of cashew kernels has increased. In addition to this, due to the increase of

the production cost of a kilogram of cashew kernels, the price of a kilo of cashew kernels ranges from Rs.2500 - Rs.3800. After taking these facts into consideration, the Corporation has initiated a number of measures to increase the standards of the cashew kernel products and the profit being earned.

3.1 Good Manufacturing Practices

The Corporation encourages the use of standardization, value addition and the application of Good Manufacturing Practices to increase the quality of the products, the use of hygienic manufacturing practices, modernizing of the 5 processing utilizing new technologies and the use of new packaging methods and the manufacture of new products among small scale entrepreneurs. The training centre of the Nedagamuwa processing centre is being used for this purpose.

3.2 Training Programmes

The Corporation contributed towards the elevation of the products of small scale producers to reach the international standards and have conducted training programmes for 50 persons engaged in the processing industry annually. This will be continued during the course of the next three years. Also a programme currently being implemented to provide those who embark on processing industries with electricity operated shelling machines and ovens at affordable prices with the involvement of the Corporation will also be continued.

3.3 Purchase of Cashew Kernels from small scale processors

In addition to the harvest gathered from the plantations of the Corporation, cashew kernels needed to continue the annual production at processing factories, were purchased last year from the cashew growers. Cashew Kernels were purchased from small scale processors, instead of purchasing raw cashew from farmers, with the objective of facing market competition and reducing the cost. Steps will be taken to purchase raw cashew from small scale processors during the course of the next three years.

3.4 Promotion of cashew byproducts

Raw cashews are separated from the cashew harvest and cashew apples go to waste without any use being derived from them. Accordingly, every year more than 10000 Tons of cashew apples go to waste without any use being derived from them. A joint programme is being implemented with the private sector to conduct research on the manufacture of byproducts of cashew apples such as Non Alcoholic Beverages, jams, cordials, to provide training and to market products.

04. Human Resources Development and Increasing the Productivity

4.1 Training and Development of Human Resources

Steps have been taken to conduct in service training sessions necessary for the training and development of officers of all levels of the staff. This programme enables them to acquire a higher level of productivity, in their respective works, update their knowledge of the subject field, provides opportunities to obtain latest knowledge, enables to acquire a higher level of efficiency through self motivation. It has been planned to continue this training programme during the course of the next three years.

4.2 Restructuring and Performance Evaluation of the Staff

Computers and fax machines have been provided to the network of regional offices of the Corporation. Accordingly, the communication facilities have been modernized with access to internet. Measures have been taken to restructure the staff to conform to the current development process of the Corporation and to revise the scheme of recruitment and promotion. This This will ensure that the performance of the staff is maximized enabling the Corporation to overcome the challenges of the next few years. Steps have also been taken to evaluate the performance of all levels of the staff.

Organizational Structure of the Sri Lanka Cashew Corporation

The Sri Lanka Cashew Corporation is made up of the following 07 divisions. The roles being assigned to each of the divisions are given below.

- 1.0 Extensions and Research Division
- 2.0 Administration Division
- 3.0 Financial Division
- 4.0 Internal Audit Division
- 5.0 Plantation Division
- 6.0 Marketing and Processing Division
- 7.0 Policy and Planning Division

1.0 Extensions and Research Division

The extension division and research division function under the administration of an Assistant General Manager, the role of which is as follows

Extensions Division

1. Issue of the plants free of charge under the cashew subsidy program, for the extension of cashew cultivation and the increase of the productivity of the crops.
2. Identifying and addressing the issues and drawbacks faced by farmers.
3. Conservation of the natural environment and increasing the productivity through the conduct of the programs to increase co-existence.
4. Coordination of government and non-governmental organizations for the development of cashew cultivation.

5. Enhancing the processing of cashew kernels and creating awareness among the cashew growers and cashew processors.

Research Division

1. Introduction of the new high yielding cashew varieties with the ability to withstand different climatic changes with minimum use of chemical fertilizers and insecticides.
2. Educating farmers on how to make use of advanced technological methodologies to achieve higher productivity while ensuring environmental conservation.
3. Paying close attention to increasing productivity, adding value, post-harvest technology and packaging to suit the needs of the consumers.

2.0 Administration Division

1. Enhancing the profits by increasing the efficiency and productivity of the operations of the corporation through the provision of services to farmers, processors, sellers and risk takers.
2. Enhancing the efficiency of the staff by organizing training programs for the staff of the Corporation.
3. Formulation of administrative regulations

3.0 Financial Division

1. Enhancing the efficiency and the productivity of the Corporation through correct financial management.

2. Making payment adhering to the relevant financial rules and regulations.
3. Preparation of monthly reports indicating the incomes, expenditures, profits and losses of different divisions and projects.
4. Preparation of final accounts, indicating the profits of commercial and service divisions as per the generally accepted accounting standards, policies and financial laws at the end of each year.
5. Preparation of the report relevant to the ensuing year.

4.0 Internal Audit Division

1. Through the conduct of regular independent evaluation of internal control systems based on commercial and non-commercial activities of SLCC, ensuring the quantitiveness and validity of internal inspections through which quantity errors and frauds would be disclosed
2. Introducing necessary methodologies for the productive, efficient, and economical use of SLCC resources for daily operations, under proper control and engage in a feedback on its practical uses.
3. Conduct regular evaluations on the programs and projects relevant to the progress and advancement of SLCC and reporting the changes that should be made to them and their progress to the management.

5.0 Plantation Division

1. Maintenance of the commercial plant nurseries of the Corporation in a productive manner.

2. Engaging in agricultural practices with minimum damage to the natural environment.
3. Enhancing the products and productivity through friendly interactions with the rural committees where plantations and nurseries are located.
4. Attracting investors who are willing to embark upon cashew cultivation through the maintenance of a model cashew plantation.
5. Uplifting the living standards of the employees serving at Corporation's estates and plant nurseries.

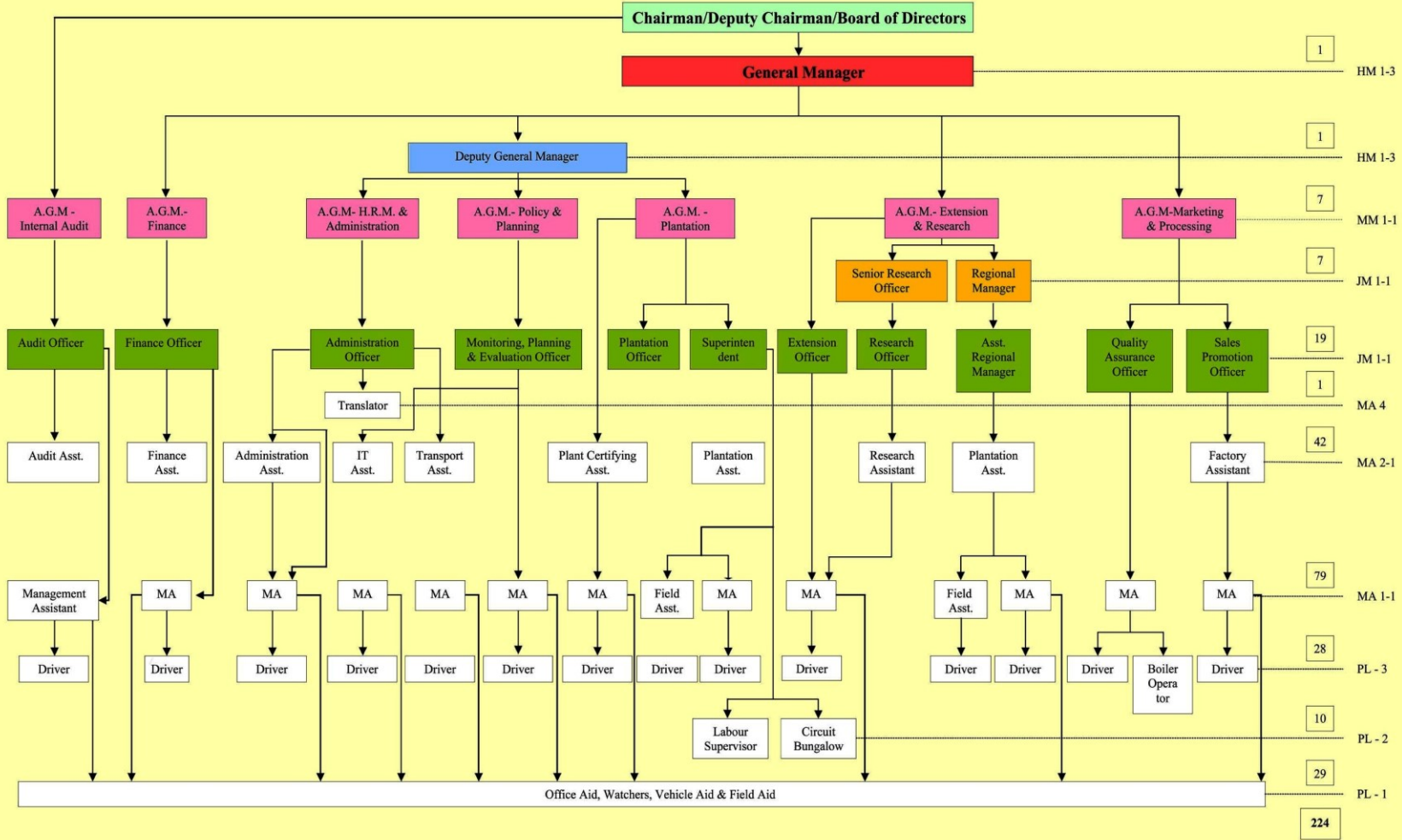
6.0 Marketing and Processing Division

1. Uplifting the cashew processing industry, by minimizing the production cost and elevating the productivity.
2. Increasing the standards and flavors of the value added cashew products to suit international standards.
3. Maintaining good relation with government and non-governmental organizations for the advancement of the cashew sales and the processing industry, aiming at an annual development rate of 10% in the said field.
4. Maintaining the sales divisions efficiently and productively by increasing profitability and maintaining positive mutual relations with the market competitors.
5. Providing training on cashew industry for entrepreneurs.

7.0 Policy and Planning Division

1. Annual compilation of the corporate plan and the action plan.
2. Conducting evaluations by comparing the respective objectives and targets of the corporate plan and action plan with the actual activities and reporting performance related issues accordingly.
3. Maintaining a database on the activities of subsidy beneficiaries and processors and on all commercial activities of the Corporation.
4. Identifying the drawbacks for the achievement of targets, formulation of necessary policies and plans to overcome them.
5. Taking measures to launch publicity campaigns on the achievements and achieved targets of the Cashew Corporation, with a view to building up the image of the Corporation and educating the public about the benefits of cashew cultivation.

Organisation Structure Sri Lanka Cashew Corporation




Five Year Summary on Performance

Description		2017	2016	2015	2014	2013
01	No. of acres cultivated with cashew under the subsidy scheme	Subsidy programme- 3215 Home gardens - <u>1285</u> Total - <u>4500</u>	4500	4500	4200	4350
02	No. of farmer families benefitting under the subsidy scheme	14932	3298	3750	4397	4008
03	No. of Plants produced	Bud grafted plants - 328456 Seedlings - <u>105480</u> Total - <u>433936</u>	Bud grafted Plants - 209125 Seedlings - <u>78500</u> Total - <u>287625</u>	Bud grafted Plants - 218373 Seedlings - <u>80000</u> Total - <u>298373</u>	Bud grafted Plants - 465979 Seedlings - <u>80000</u> Total - <u>545979</u>	Bud grafted Plants - 468714 Seedlings - <u>88529</u> Total - <u>557243</u>
04	No. of mother seeds collected	560000	330103	600000	1300000	1100000
05	Amount of twigs collected	200000	264000	310000	200000	300000
06	Harvested crop	66.4	109	106	115	72
07	New cultivations at Corporation's estates	433	116.25	250	400	252.5
08	No. of authorized sales outlets	56	51	39	18	11
09	No. of training programmes conducted under the Technology Transfer Programmes, Pest control and Post harvest technology	197	168	126	223	216
10	No. of farmers trained	3574	1833	2200	2230	2197
11	Amount of imported cashew (Metric Tons)	Raw Cashew - 2108.22 Cashew Kernels - 160.82	Raw Cashew - 1622 Cashew Kernels - 263	Raw Cashew - 2490 Cashew Kernels - 565	Raw Cashew - 755.89 Cashew Kernels - 311.57	Raw Cashew- 16.33 Cashew Kernels -159.60
12	Amount of Metric Tons for which cashew import licenses have been issued	6000	2910	2900	855	-
13	Amount of Metric Tons of cashew exported	59.04	57.64	105.66	129.4	51.0

Description		2017	2016	2015	2014	2013
14	Value of exported cashew (Rs. Millions)	143.51	99.98	174.06	185.8	77.0
15	Purchase of raw cashew and cashew kernels from farmers (Metric Tons)	Raw Cashew - 2108.22 Cashew Kernels - 160.82	Raw Cashew - 2108.22 Cashew Kernels - 160.82	Raw Cashew - 2108.22 Cashew Kernels - 160.82	Raw Cashew - 2108.22 Cashew Kernels - 160.82	Raw Cashew - 2108.22 Cashew Kernels - 160.82
16	Amount of value added cashew kernels sold (Metric Tons)	27.80	30.94	27.80	26.32	41.03
17	Value of value added cashew kernels sold	87.96	84.59	66.65	64.0	78.8

Sri Lanka Cashew Corporation
Combined Balance Sheet as at 31.12.2018

31.12.2017		Note	Rs.	Rs.
Rs.	Assets			
	Non current assets			
89,362,959.50	Property plant & equipment	01	87,369,187.30	
22,870,089.39	Maintenance cost of fruit bearing crops	02	27,435,768.06	
50,446,121.30	Maintenance cost of non fruit bearing crops	03	51,590,840.93	
619,747.39	Other small projects	04	522,874.09	
1,726,012.98	On going works - Capital		-	
<u>165,024,930.56</u>	Overall non current assets			166,918,670.38
	Current assets			
24,940,401.02	Stocks	05	20,222,792.62	
19,597,015.87	Commercial debtors and other receivables	06	17,483,950.28	
3,809,621.50	Advance deposit & Pre-payments	07	2,552,926.53	
5,805,582.02	Cash & cash equivalents	08	3,224,807.73	
<u>54,152,620.41</u>	Total current assets			43,484,477.16
219,177,550.97	Total assets			210,403,147.54
	Equity & liabilities			
	Equity			
40,000,000.00	Initial capital		40,000,000.00	
143,996,351.45	Government grants		175,414,265.06	
18,142,815.79	Grants received from other parties	09	17,755,767.32	
17,441,846.85	Capital reserves	10	17,441,846.85	
(70,310,901.06)	Profit & loss account		(110,011,179.38)	
<u>149,270,113.03</u>	Total equity			140,600,699.85
	Non current liabilities			
27,334,760.00	Provisions for gratuity allowances		27,703,878.00	
3,500,000.00	Long terms loans	11	3,500,000.00	
<u>30,834,760.00</u>	Total non current liabilities		31,203,878.00	
	Current liabilities			
39,072,677.94	Commercial creditors & other payables	12	38,598,569.69	
<u>39,072,677.94</u>	Total current liabilities			69,802,447.69
219,177,550.97	Total equity & responsibilities			210,403,147.54


**Damsiri Bandara
Karunaratne
Chairman**


**Mariella W.M.
Bandaratileke
Vice Chairman**


**D.K. Jayakodiachchi
General Manager**


**M.T.S.K. Pieris
Asst. General Manager
(Finance)**

Sri Lanka Cashew Corporation

Notes to the Accounts

(1) The relevant financial statements of the Sri Lanka Cashew Corporation for the year ended 31.12.2018, was approved by the Board of Directors.

(2) Nature of business and major activities

The Sri Lanka Cashew Corporation is engaged in agricultural production related work, the main activities of which are mentioned below.

- Cultivation of cashew plants in estates and production of raw cashew.
- Production of planting material at the corporation's seed gardens.
- Production of bud grafted plants and seedlings at commercial nurseries of the corporation.
- Implementation of a subsidy programme for farming lands covering 18 districts, for the extension of cashew cultivation.
- Production and value addition of cashew kernels at processing centres.
- Wine production utilizing cashew apple.
- Marketing of value added cashew products at sales outlets of the corporation, authorized sales outlets and at other institutions.
- Ensuring the conduct of research and development work on cashew cultivation and processing technologies and providing training.

(3) Measurements for the preparation and submission of Financial Statements.

Measurements relevant to the preparation and submission of financial statements have been disclosed in the notes to the accounts, as appropriate.

Sri Lanka Cashew Corporation

Accounting policies used in the preparation of the financial statements - 2018

01. The accounts have been prepared based on the generally accepted accounting fundamentals and Sri Lanka Accounting Standards.
02. Depreciation of fixed assets was calculated using the straight line depreciation method. Depreciation of assets purchased within the year, was calculated based on the date of purchase. Depreciation of buildings constructed during the year was not calculated based on the date of completion of construction work, but for the duration of the whole year.

The depreciation rates are as follows.

Motor vehicles	20%
Machinery	10%
Tools & equipment	10%
Office equipment	10%
Tube wells/ cultivation wells	10%
Furniture and fittings	06%
Permanent buildings	03%
Semi permanent buildings	33 1/3%

03. Assets identified as property, plant and equipment have been accounted under expenses incurred.

The value of property, plant and equipment has been indicated on the revalued amount deducting the accumulated depreciation and losses.

04. Stocks were calculated, on the following bases.

Cashew kernel	;	from the net sale price
Cashew nut	;	certified changing price/ market price
Cattle and sheep	;	market price of each area/ live weight

Coconut ; net sale price
Other stocks in total ; accounted under costs incurred

05. The expenses of the head office was distributed among centres as per the total salary expenses incorporated therein.
06. The general expenses of estates were distributed among fruit bearing and non fruit bearing areas, plant nurseries and livestock according to the ratio of actual labour days spent in respect of these areas.
07. Depreciation of mature areas was calculated at the rate of 5% per year.
08. The provision for bad and doubtful debts was calculated at the rate of 3.53% of total creditors. The difference in the reserve account was transferred to write off bad debts.
09. The provision for gratuity allowances was calculated, according to the total number of years served, as specified in the Gratuity Allowances Act. The service cost of those who completed the minimum period of service stipulated by the Act, in order to become eligible for gratuity rights, were debited to the income account.
10. The income was accounted on the value of the receipts and receivables.

The income from the sale of goods has been identified by taking the following into account.

- The institution provides the buyer with both the risk and the benefit.
 - The institution's management will not intervene in the ownership of the goods being sold or to maintain an efficient control.
 - Ability to identify the income with credibility.
 - Economic benefits relating to the transaction may flow towards the institution.
 - Evaluation of cost related to or might be related to the transaction, with credibility.
11. Actual values entered in the accounts books as depreciation and amortization of fixed assets will be written off from the relevant capital assets and thereafter a similar value

will be removed from capital grants and identified as an income of the accounts books.

12. The effective date of the valuation of motor vehicles is determined as 01.01.2009 and was carried out by an independent commission headed by a Technical Engineer of a recognized government institution.
13. The administration expenses related to the production of bud grafted plants and seedlings were calculated based on the actual plants produced and plants distributed among service and commercial divisions.

Sri Lanka Cashew Corporation
Notes on the Combined Balance Sheet for the year ended 31.12.2018

Notes 01

Property, Plant & Equipment

Description	Cost / Revaluated Price 01.01.2018 (Rs.)	Accumulation of assets of the respective year / Revaluation (Rs.)	Removal of assets of the respective year / Sales (Rs.)	Current cost of assets / Revaluated price (Rs.)	Accumulated depreciation as at 01.01.2018 (Rs.)	Accumulated depreciation for the year 2018 (Rs.)	Accumulated depreciation as at 31.12.2018 (Rs.)	Written off value as at 31.12.2018 (Rs.)
Free hold lands	26,657,256.54	-	-	26,657,256.54	-	-	-	26,657,256.54
Permanent buildings	45,677,952.77	9,375,637.18	-	55,053,589.95	18,457,443.88	1,578,925.38	20,036,369.26	35,017,220.69
Semi Permanent buildings	440,411.00	52,550.00	-	492,961.00	326,457.24	89,536.67	415,993.91	76,967.09
Vehicles	101,307,695.84	1,103,142.00	-	102,410,837.84	79,127,417.38	12,019,561.80	91,146,979.18	11,263,858.66
Machinery	16,949,546.98	1,761,083.00	-	18,710,629.98	12,108,350.72	862,060.16	12,970,410.88	5,740,219.10
Tools & equipment	9,080,094.74	73,848.08	-	9,153,942.82	7,598,905.27	228,159.05	7,827,064.32	1,326,878.50
Office equipment	11,615,854.09	753,461.00	229,200.00	12,140,115.09	8,866,964.46	532,860.77	9,399,825.23	2,740,289.86
Furniture & fittings	7,209,337.32	578,743.50	-	7,788,080.82	4,736,055.84	291,845.40	5,027,901.24	2,760,179.58
Tube wells	905,936.00	157,245.18	-	1,063,181.18	582,286.59	69,234.87	651,521.46	411,659.72
Farming wells	1,333,680.40	-	-	1,333,680.40	434,479.42	133,368.04	567,847.46	765,832.94
Lakes	608,824.62	-	-	608,824.62	-	-	-	608,824.62
	221,786,590.30	13,855,709.94	229,200.00	235,413,100.24	132,238,360.80	15,805,552.14	148,043,912.94	87,369,187.30

Sri Lanka Cashew Corporation
Notes on the Combined Balance Sheet for the year ended 31.12.2018

31.12.2017

Notes 02

20,682,696.05	Fruit bearing crop	- Cashew (Note 2 a)	25,473,764.68
2,187,393.34		- Coconut (Note 2 b)	<u>1,962,003.38</u>
22,870,089.39			<u><u>27,435,768.06</u></u>

Notes 02 (a)

Fruit bearing crop - Cashew

	<u>Estate</u>	<u>Cost</u> <u>01.01.2018</u> <u>(Rs.)</u>	<u>Accumulated</u> <u>depreciation</u> <u>as at</u> <u>31.12.2018</u>	<u>Written off</u> <u>value</u> <u>31.12.2018</u> <u>(Rs.)</u>
847,648.39	Hardy estate	3,180,107.38	2,001,973.74	1,178,133.64
3,866,627.54	Kamandaluwa estate	19,090,730.86	12,409,644.27	6,681,086.59
4,970,892.86	Puttlam estate	11,089,242.26	5,252,667.66	5,836,574.60
3,667,628.94	Eluwankulama plant breeding centre	13,933,185.28	10,962,215.60	2,970,969.68
459,607.08	Wilachchiya plant breeding centre	655,569.86	228,741.27	426,828.59
4,400,317.80	Elkaduwa plant breeding centre	5,963,253.57	1,704,716.45	4,258,537.12
920,678.45	Mahaoya plant breeding centre	1,641,264.30	312,232.82	1,329,031.48
1,549,294.99	Moneragala plant breeding centre	1,936,618.75	484,154.70	1,452,464.05
-	Mankerni estate	1,410,672.56	70,533.63	1,340,138.93
<u>20,682,696.05</u>		<u>58,900,644.82</u>	<u>33,426,880.14</u>	<u>25,473,764.68</u>

Sri Lanka Cashew Corporation
Notes on the Combined Balance Sheet for the year ended 31.12.2018

Notes 02 (b)

31.12.2017	Fruit bearing crop - Coconut	<u>Cost</u> <u>01.01.2018</u> <u>(Rs.)</u>	<u>Accumulated</u> <u>depreciation</u> <u>as at</u> <u>31.12.2018</u>	<u>Written off</u> <u>value</u> <u>31.12.2018</u> <u>(Rs.)</u>
	<u>Estate</u>			
1,140,968.70	Hardy estate	1,777,787.09	725,707.74	1,052,079.35
992,426.57	Kamandaluwa estate	2,444,592.22	1,567,066.26	877,525.96
53,998.07	Puttlam estate	431,998.76	399,600.69	32,398.07
<u>2,187,393.34</u>		<u>4,654,378.07</u>	<u>2,692,374.69</u>	<u>1,962,003.38</u>

Notes 03

45,725,156.44	Non fruit bearing crop - Cashew	(Note 3 a)	47,171,830.59
<u>4,720,964.86</u>	- Coconut	(Note 3 b)	<u>4,419,010.34</u>
<u>50,446,121.30</u>			<u>51,590,840.93</u>

Notes 03 (a)

-	Non fruit bearing crop - Cashew	-
	Estate	Cost as at 31.12.2018
2,431,679.09	Hardy estate	2,115,493.61
3,068,537.81	Kamandaluwa estate	609,440.46
6,864,655.88	Puttlam estate	8,078,550.11
772,390.43	Eluwankulama plant breeding centre	801,935.23
1,410,672.56	Mankerni estate	-
156,382.00	Elkaduwa plant breeding centre	-
721,564.25	Mahaoya plant breeding centre	269,852.11
364,280.30	Moneragala plant breeding centre	390,757.28
1,647,839.85	Research & Development	1,871,964.02
135,360.40	Nedagamuwa processing centre	135,360.40
10,978,043.14	Oyamaduwa plant breeding centre	11,568,077.41
21,783.98	Wilachchiya plant breeding centre	44,354.96
16,993,081.39	Kondachchi plant breeding centre	20,537,289.07
158,885.36	Thiriyaya plant breeding centre	748,755.93
<u>45,725,156.44</u>		<u>47,171,830.59</u>

Sri Lanka Cashew Corporation

Notes on the Combined Balance Sheet for the year ended 31.12.2018

31.12.2017

Notes 03 (b)

Non fruit bearing crop - Coconut

	Estate	Cost as at 31.12.2018
1,748,184.58	Hardy estate	1,907,524.26
1,124,168.53	Kamandaluwa estate	1,293,056.82
630,182.49	Puttlam estate	-
1,218,429.26	Oyamaduwa plant breeding centre	1,218,429.26
4,720,964.86		4,419,010.34

Notes 04

Other small projects

Project

482,874.09	Teak plants project	482,874.09
40,000.00	Sesame project	40,000.00
10,800.00	Banana & lime project	-
86,073.30	Thibbatu project	-
619,747.39		522,874.09

Notes 05

Current assets

Stocks

5,059,052.46	Miscellaneous	4,516,553.18
60,912.45	Wine	251,677.48
4,841,901.20	Cashew kernels	7,589,946.17
12,024,540.68	Cashew nuts	3,570,763.94
-	Mother seeds	199,650.00
2,148,676.44	Plants	3,167,806.88
705,317.79	Packaging materials	926,394.97
24,940,401.02		20,222,792.62

Sri Lanka Cashew Corporation
Notes on the Combined Balance Sheet for the year ended 31.12.2018

31.2.2017	<u>Notes 06</u>		
	<u>Commercial debtors and other receivables</u>		
3,937,304.10	Commercial debtors	3,367,413.32	
(138,986.00)	Less - Reservation of bad debts	(118,869.69)	
3,798,318.10			3,486,283.01
17,742,289.77	Various debtors	16,103,851.69	
1,943,592.00	Less - Losses from damages	2,106,184.42	
15,798,697.77			13,997,667.27
19,597,015.87			17,483,950.28
	<u>Notes 07</u>		
	<u>Deposits, advances and pre-payments</u>		
80,890.00	Advances		17,200.00
149,848.00	Pre-payments		275,843.03
3,578,883.50	Deposits		2,259,883.50
3,809,621.50			2,552,926.53

Sri Lanka Cashew Corporation

Notes on the Combined Balance Sheet for the year ended 31.12.2018

31.12.2017

Notes 08

Cash & cash equivalents

887,647.10	Bank of Ceylon – Kolpetty	1633705	(Current)	520,003.09
1,624,071.47	Bank of Ceylon – Kolpetty	1633710	(Current)	761,484.77
46,378.59	Bank of Ceylon – Kolpetty	1633711	(Current)	99,061.58
81,394.00	Bank of Ceylon - Kolpetty	1649789	(Savings)	29,996.32
53,520.84	Bank of Ceylon - Kolpetty	1649970	(Savings)	55,617.62
(579,176.22)	Bank of Ceylon - Kolpetty	1633704	(Current)	94,988.86
15,593.10	Bank of Ceylon - Ja-ela	813	(Current)	15,593.10
50,000.00	Peoples' Bank - Nugegoda	10013	(Current)	50,000.00
911,518.02	Peoples' Bank - Nugegoda	20011	(Savings)	92,790.57
889,965.50	Peoples' Bank - Nugegoda	20020	(Savings)	100,315.94
25,000.00	Regional Development Bank	687	(Savings)	26,428.58
33,840.00	Cash - in hand (Pinnawala)			-
147,140.00	Cash - in hand (Kolpetty)			114,000.00
142,831.00	Cash - in hand (Rajagiriya)			76,750.00
10,000.00	Petty cash imprest			10,000.00
50,000.00	Fuel imprest			50,000.00
222,180.00	Cash in transit			34,650.25
5,000.00	Stamp imprest			5,000.00
78,500.00	Cashew sales outlet imprest			70,000.00
200,000.00	Imprest - Shroff			200,000.00
571,732.60	Cash - in hand (Nursery)			534,821.30
17,462.36	Cash - in hand (Extension)			8,558.50
188,570.96	Cash - in hand (Research)			213,387.00
14,346.44	Cash - in hand (Nedagamuwa)			11,628.19
125.57	Cash - in hand (Puttlam)			743.14
1,260.00	Cash - in hand (Hardy estate)			-
2,900.52	Cash - in hand (Kamandaluwa estate)			-
82,721.00	Cash - in hand (Puttlam estate)			43,585.00
22,969.53	Cash - in hand (Eluwankulama plant breeding centre)			942.68
776.00	Cash - in hand (Moneragala plant breeding centre)			115.00
9.40	Cash - in hand (Elkaduwa plant breeding centre)			-
0.90	Cash - in hand (Wilachchiya plant breeding centre)			0.90
50.00	Cash - in hand (Oyamaduwa plant breeding centre)			2,900.00
7,253.34	Cash - in hand (Kondachchi plant breeding centre)			1,445.34
5,805,582.02	Total			3,224,807.73

Sri Lanka Cashew Corporation

Notes on the Combined Balance Sheet for the year ended 31.12.2018

31.12.2017

Notes 09

Grants received from other parties

6,343,881.26	North Eastern Coastal Community Development Project	6,117,869.61
1,612,451.80	Ministry of Supplementary Plantation Crops Development	1,612,451.80
10,186,482.73	Ministry of Minor Export Crops Promotion	10,025,445.91
18,142,815.79		17,755,767.32

Notes 10

Capital reserves

16,929,116.63	Revaluation reserve – Vehicles	16,929,116.63
512,730.22	Other capital reserves	512,730.22
17,441,846.85		17,441,846.85

-

Notes 11

Long term loans

3,500,000.00	Paddy Marketing Board	3,500,000.00
3,500,000.00		3,500,000.00

Notes 12

Current liabilities

28,294,917.54	Various creditors	23,891,408.03
10,777,760.40	Accrued expenditures	14,707,161.66
39,072,677.94	Total	38,598,569.69

Sri Lanka Cashew Corporation
Commercial Division
Combined Profit & Loss Account for the year ended 31.12.2018

31.12.2017		31.12.2018
(Rs.)		(Rs.)
	Sales / Turnover	
90,515,369.48	Cashew Kernels	83,116,145.49
2,866,000.00	Seed cashew nuts	2,551,030.00
6,631,300.00	Cashew plants	8,502,940.00
1,321,899.23	Coconut	1,081,356.39
(383,486.20)	Returns	(320,669.20)
100,951,082.51	Net sales	94,930,802.68
	Less : <u>Sales cost</u>	
1,635,651.00	Decrease / Increase in stocks	(865,233.86)
1,612,703.11	Nursery expenses	2,659,611.14
45,034,158.52	Cashew Kernel production cost / General works	32,436,765.05
24,730,199.52	Maintenance cost of fruit bearing crops	19,579,763.02
7,169,800.48	Direct expenses of fruit bearing crops	7,212,210.54
80,182,512.63	Total sales cost	61,023,115.89
20,768,569.88	Gross profit	33,907,686.79
	Less : <u>Other expenses</u>	
20,603,576.87	Administrative expenses (processing & nurseries)	22,095,474.96
164,993.01	Profit (Loss) before amortization	11,812,211.83
2,473,266.69	Amortization	2,177,791.03
(2,308,273.68)	Profit (Loss) after amortization	9,634,420.80
239,778.90	Profit / (Loss) wine	(86,065.17)
160,000.00	Profit / (Loss) processing equipment	-
(306,544.66)	Profit / (Loss) papaw project	-
(11,831.45)	Profit / (Loss) training programmes	(11,831.45)
(60,198.60)	Profit / (Loss) Thibbatu cultivation	(76,241.50)
4,681,795.00	Profit / (Loss) other projects	4,657,487.92
2,394,725.51	Net profit / (Loss) from operations	14,117,770.60
	Other incomes	
18,700,200.00	Government grants (recurrent)	15,076,500.00
9,593,187.00	Adjustment for surplus / deficit provisions	20,116.31
329,352.28	Interest income	139,310.70
6,816,908.27	Other income	5,912,374.66
2,717,036.82	Amortization - grants received from other parties	2,717,036.82
38,156,684.37	Total of other incomes	23,865,338.49
	<u>Other expenses</u>	
18,288,559.76	Administrative expenses (Head Office)	16,311,928.07
896,103.60	Fixed assets removal loss	10,560.00
5,024,718.24	Written off value - fruit bearing cashew crop	-
24,209,381.60	Other total expenditure	16,322,488.07
16,342,028.28	Net profit	21,660,621.02

Sri Lanka Cashew Corporation

Services Division

Income and expenditure account for the year ended 31.12.2018

31.12.2017

Rs.		Rs.
	Income	
24,589,778.18	Government grant capital current year	24,599,202.06
2,884,391.09	Amortization - other assets	4,112,884.33
3,834,000.00	Cabs – 03	3,834,000.00
35,299,800.00	Recurrent	34,923,500.00
	Other incomes	
189,038.00	Adjustment for additional provisions	237,300.00
3,870.00	Extension services	327,450.00
-	Puttlam estate	666,160.00
139,875.00	Oyamaduwa plant breeding centre	426,280.00
334,356.06	Kondachchi plant breeding centre	809,482.50
-	Mahaoya plant breeding centre	234,480.00
-	Moneragala plant breeding centre	57,800.00
<u>1,030,875.00</u>	Research & Development	<u>1,086,700.00</u>
1,698,014.06		<u>3,845,652.50</u>
68,305,983.33	Total income	71,315,238.89
	Less :-	
	Expenditure	
34,522,759.20	Head office	37,785,269.79
24,589,778.18	Under capital allowance	24,599,202.06
58,896,287.71	Extension services	56,317,628.40
1,570,956.24	Central nurseries	2,020,902.27
3,616,873.22	Research & Development	3,388,610.76
-	Puttlam estate	5,020,088.71
1,295,658.36	Oyamaduwa plant breeding centre	1,108,782.62
2,491,420.64	Kondachchi plant breeding centre	1,747,921.18
-	Liyahala coconut crop	630,182.49
126,983,733.55	Total expenditure	<u>132,618,588.28</u>
	Expenditure exceeding income within the year	
<u>(58,677,750.22)</u>	Transferred to the final combined profit and loss account	<u>(61,303,349.39)</u>

Sri Lanka Cashew Corporation

Cash Flow Statement

Combined cash flow statement for the year ended 31st December 2018

31.12.2017

Year ended 31.12.2018

<u>Cash flow generated from operational activities</u>		
(42,335,721.94)	Net loss earned within the year	(39,642,728.37)
<u>Adjustment for non cash moving items</u>		
16,153,527.73	Depreciation	15,818,922.14
2,627,640.03	Amortization	2,932,747.30
(337,498.50)	Provisions for gratuity allowances	4,554,681.00
357,280.00	Writing off or reserving for bad debts	142,476.11
(9,593,187.00)	Additional provisions for gratuity	-
948,551.10	Loss from transfer of fixed assets	10,560.00
-	Adjustments related to the previous year	(57,549.95)
5,024,718.24	Writing off fruit bearing crop	630,182.49
(387,048.47)	Grants received from other parties	(387,048.47)
329,577.09	Writing off other small projects	104,238.90
(329,352.28)	Receipt of interest incomes	(139,310.70)
(33,864,169.27)	Amortization of capital allowance	(35,102,086.39)
		<u>(11,492,187.57)</u>
(61,405,683.27)	Operational profit / loss before changes in the working capital	(51,134,915.94)
<u>Changes in the working capital</u>		
3,976,091.34	Stock - (increase) / decrease	4,717,608.40
843,604.77	Debtors - (increase) / decrease	1,970,589.48
1,031,310.60	Advances and pre-payments - (increase) / decrease	1,256,694.97
15,382,137.84	Creditors - (increase) / decrease	(4,403,509.51)
4,195,400.56	Accrued expenses - (increase) / decrease	3,929,401.26
<u>(2,794,816.00)</u>	Gratuity payments	<u>(4,923,799.00)</u>
(38,771,954.16)	Net cash flow generated from operational activities	(48,587,930.34)

	<u>Cash flow generated from investing activities</u>		
(5,596,509.39)	Purchase of fixed assets	(13,835,709.94)	
(1,726,012.98)	Capital expenditure being incurred	1,726,012.98	
(10,303,565.77)	Investment on new cultivations	(8,535,842.09)	
329,352.28	Receipt of interest incomes	139,310.70	
-	Investment for other small projects	(6,615.60)	
(17,296,735.86)			(20,512,843.95)
(56,068,690.02)	Net cash flow generated from investing activities		(69,100,774.29)
	<u>Cash flow generated from financial activities</u>		
54,000,000.00	Government grants		66,520,000.00
(2,068,690.02)	Net increase / decrease of cash and cash equivalents during the year		(2,580,774.29)
7,874,272.04	Cash and cash equivalents at the beginning of the year (Notes 01)		5,805,582.02
5,805,582.02			3,224,807.73

	(Notes 01)	As at <u>01.01.2017</u>	As at <u>31.12.2018</u>
5,583,402.02	Cash in hand and at bank	5,583,402.02	3,190,157.48
222,180.00	Cash in transit	222,180.00	34,650.25
5,805,582.02		5,805,582.02	3,224,807.73

Sri Lanka Cashew Corporation
Combined Accounting Statement

31.12.2017	Overall income particulars for the year ended 31.12.2018	
(Rs.)		(Rs.)
16,342,028.28	Net income received from commercial division	21,660,621.02
<u>(58,677,750.22)</u>	Expenditure exceeding income for the current year - Services Division	<u>(61,303,349.39)</u>
<u>(42,335,721.94)</u>		<u>(39,642,728.37)</u>
	Adjustments related to the previous year (57,549.95)	
<u>(27,975,179.12)</u>	Profit carried downwards	<u>(70,310,901.06)</u>
(27,975,179.12)		(70,368,451.01)
<u>(70,310,901.06)</u>	Profit carried forward	<u>(110,011,179.38)</u>

Sri Lanka Cashew Corporation
Statement on the change of equity for the year ended 31.12.2018

31.12.2017	Changes	Initial capital	Government capital grants	Capital grants - North Eastern Coastal Community Development Programme	Capital grants - Ministry of Supplementary Plantation Crops Development	Revaluation reserve	Other capital reserves	Grants - Ministry of Minor Export Crop Promotion	Profit & loss account	Total
171,857,052.71	Balance as at 01.01.2018	40,000,000.00	143,996,351.45	6,343,881.26	1,612,451.80	16,929,116.63	512,730.22	10,186,482.73	(70,310,901.06)	149,270,113.03
54,000,000.00	Grants received during the year	-	66,520,000.00	-	-	-	-	-	-	66,520,000.00
(34,251,217.74)	Transfer to the profit & loss account	-	(35,102,086.39)	(226,011.65)	-	-	-	(161,036.82)	-	(35,489,134.86)
(42,335,721.94)	Net profit / loss for the period	-	-	-	-	-	-	-	(39,642,728.37)	(39,642,728.37)
-	Adjustments related to the previous year	-	-	-	-	-	-	-	(57,549.95)	(57,549.95)
149,270,113.03	Balance as at 31.12.2018	40,000,000.00	175,414,265.06	6,117,869.61	1,612,451.80	16,929,116.63	512,730.22	10,025,445.91	(110,011,179.38)	140,600,699.85

The Chairman
Sri Lanka Cashew Corporation

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Sri Lanka Cashew Corporation for the year ended 31 December 2018 in terms of Section 12 of the National Audit Act, No. 19 of 2018

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Cashew Corporation for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Corporation as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

1.2.1 Deviating from Accounting Standards

Following observations are made.

- (a) Even though it was fully depreciated 43 motor vehicles amounted to Rs.40,294,448 were further being used action had not been taken to revalue and those motor vehicles as per standard 16 and taken to accounts.
- (b) Although provision of Rs. 27,703,878 has been made for the payment of pension gratuity in terms of paragraph 139 of standard 19, an investment plan with regard to the pension gratuity obligation should be worked out in order to minimize the risk of future liabilities action had not been taken accordingly.

1.2.2 Accounting Deficiencies

Following observations are made.

- (a) Even though the loss of Rs. 630,183 from the coconut palms which were removed from the Puttalam estate was included in the income statement, the net profit and total assets for the year were understated due to adjustment also had been made as amortization.
- (b) The completed work balance of Rs.1,726,013 which was transferred from capital work in progress account to building account had been shown in the cash flow statement under the investment activities as cash inflow.
- (c) Even though consumable bio assets should be valued and accounted at fair value, cashew trees, which are the consumable bio assets of the Corporation, had been shown in the financial statements as bio assets at a value of Rs. 79,026,608.

1.2.3 Lack of Evidence for Audit

Stock reports to verify the existence of final stock balance of Rs. 14,328,517, reports of damaged plants related to damaged cashew plants amounting to Rs. 1,007,126 and balance confirmation letters for creditors amounting to Rs. 853,000 were not furnished to audit.

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

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

As per Sub-section 16 (1) of the National Audit Act No. 19 of 2018, the Corporation is required to maintain proper books and records of all its income, expenditure, assets

and liabilities, to enable annual and periodic financial statements to be prepared of the Corporation.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor’s report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

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

- Except for the effect of the matters described in the Basis for Qualified Opinion paragraph, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Corporation as per the requirement of Section 12 (a) of the National Audit Act, No. 19 of 2018.
- The financial statements presented is consistent with the preceding year as per the requirement of Section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

- The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of Section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

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

- to state that any member of the governing body of the Corporation has any direct or indirect interest in any contract entered into by the Corporation which are out of the normal course of business as per the requirement of Section 12 (d) of the National Audit Act, No. 19 of 2018;
- to state that the Corporation has not complied with any applicable written law, general and special directions issued by the governing body of the Corporation as per the requirement of Section 12 (f) of the National Audit Act, No. 19 of 2018 except for;

Reference to Law/Direction

Description

-----	-----
(a) New Inland Revenue Act No. 24 of 2017.	Although the Corporation is subject to Income Tax Liability, no action has been taken to prepare the Income Tax Statements from the assessment year 2011/2012 to the assessment year 2017/2018.
(b) Value Added Tax (Amended) Act No.25 of 2018 and Nations Building Tax Act No.20 of 2018	Payment should be make after register for VAT and NBT for taxable goods, services or supplies which exceeds Rs.3,000,000 per quarter or Rs.12,000,000 per annum, although the corporation has earned a turnover of Rs. 94,930,802.68 for the year 2018, action had not been taken to register for VAT and NBT or payment any taxes.

- (c) Gratuity Payment Act No.12 of 1983. Even though the gratuity allowance should be paid within one month from the retirement of the service of an officer, action had not been taken to pay a sum of Rs. 2,108,918 up to 31 March 2019 relating to 5 officers who were retired during the year under review.
- (d) Decisions of the Committee on Public Enterprises, dated 24 July 2012. Although the Committee on Public Enterprises (COPE) has instructed the Corporation to take over the legal ownership of lands where the Corporation does not have legal title, the acquisition of 15329 acres of cashew planting lands has not been completed even up to 31 March 2019 by the Corporation.
- to state that the Corporation has not performed according to its powers, functions and duties as per the requirement of Section 12 (g) of the National Audit Act, No. 19 of 2018.
 - to state that the resources of the Corporation had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of Section 12 (h) of the National Audit Act, No. 19 of 2018 except for;

3. Other Audit Observations

- (a) Although the market price for a kilogram of husk cashew in the year under review was between Rs. 390 to Rs. 505, the production cost of one kilogram of husk cashew in the estates of the Corporation ranged between Rs. 541 to Rs. 2,679. Accordingly, it was confirmed that the management's actions to reduce the cost of production were inadequate.
- (b) The husk cashew yield received during the year under review in the estates owned by the Corporation were 99,119 kg of and as it was not

sufficient to fulfill the orders another 6,299 kg of cashew nuts had to be purchased from outside. Therefore, the measures taken to increase the production of the estates and to manage the yield of the estates were not sufficient

- (c) Although the Corporation had spent a total sum of Rs. 210,934,375 in the years 2015, 2016 and 2017 for the Cashew Plant Distributing Program, out of 275,320 seed and bud cashew plants distributed in 2015, 66,399 seedlings were successful and out of the 258,700 seeds and bud cashew plants distributed in 2016, 116,356 seedlings were successful. Obtaining seedlings and planting in the months of May and June and distributing of plants which are not able to withstand the growing weather conditions in the last quarter under the assistance programme, Having vacant in 27 Cashew Development Officers of the Corporation, one officer has to supervise several Divisional Secretariat areas were the reasons for this but in this regard the Corporation had not taken necessary actions.
- (d) Even though a sum of Rs. 3,388,611 had been spent for the research centers in Puttalam and Kamandaluwa in the year under review, no new research in cashew cultivation and by-products has been initiated during the year under review and at both centers, there were only eight ongoing researches which were continuing from previous years.
- (e) Although a sum of Rs. 5,050,354 had been spent to convert the training center of Hardy Estate, which was being trained by the officers of the Corporation, into a Circuit Bungalow in 2017, it has not yet been leased even at the end of the year under review. Thus, the purpose of converting it into a circuit bungalow has not been fulfilled.
- (f) About 160 acres belonging to the Suduwathura Aara Seed Garden and 10 acres of land in the Ottukulama area of the Kamandaluwa estate are being acquired by outsiders and cultivating crops and betel, no legal action has been taken to acquire these lands.

- (g) It had to be paid Rs. 103,787 as surcharges and late charges in the year under review due to not paying contributions on time to the Employees Provident Fund
- (h) The cashew boiler at Puttalam's cashew processing center, which had been in operation for more than 24 years, had been inactive for about 10 years, but action had not been taken to auctioned the boiler.
- (i) Although a Cashew Drying House and a building at Eluwankulam Seed Garden had been constructed in the year 2018 spending a sum of Rs. 2,389,757 (including tax), as the work was carried out without proper supervision, the concrete spread of the concrete floor and the walls of the H Iron Bar structure which were filled with block stones had been cracked. The foundation had been cracked from several places by connecting of its H Iron Bar to its previous foundation.
- (j) Even though a charge is being deducting from the monthly salary of the employees for the medical scheme, which was implemented from 4 June 2013, the bills submitted by the employees under this scheme for outpatient and inpatient treatment have not been reimbursed for a period of two years.

W.P.C. Wickramaratne
Auditor General

Expression of opinion on the part of the Corporation with regard to the issues raised by the Auditor General's Report issued in terms of the section 12 of the Financial Act no: 19 of 2018, on the Financial Statements of the Sri Lanka Cashew Corporation for the year ended 31st December 2018.

- 1.2.1 (a) The revaluation of property, plant and equipment which remain in the corporation's possession was delayed, owing to a problematic situation arisen with regard to the reservation of necessary funds to complete the task. Once adequate funding is made available, the revaluation work of property, plant and equipment will be carried out category wise and the relevant results will be entered in accounts books.
- 1.2.1 (b) Due to the non-receipt of funds from the General Treasury within the stipulated time, for the payment of the pension gratuity which is mentioned herein, an investment plan could not be devised regarding the said liability. Once the financial condition of the corporation attains a somewhat satisfactory level, fullest attention will be paid to the devising of this investment plan.
- 1.2.2 (a) The sum of Rs. 630,183/- mentioned in this audit paragraph was indicated in the previous year's financial statements that is of the year 2017, as an asset under the expenses incurred with regard to the non fruit bearing coconut cultivation of Puttlam estate.
- In the current year, this has been written off against the profit earned, as the loss incurred by the removal of coconut trees when the Puttlam estate was being cleared for the new cultivation and since this was an expenses entered under non fruit bearing coconut crops as mentioned above, it was not amortized and accounted.
- 1.2.2 (b) The revised cash flow statement which had been prepared with relevant rectification being made regarding this error, was handed over to the officers at the National Audit Office.
- 1.2.2 (c) These matters mentioned in this audit paragraph were also included in the previously submitted draft Auditor General's Report on the financial

statements of the corporation forwarded in 2016 and the opinion of the corporation in this regard which was expressed in writing at the time, is re-quoted here as follows.

Beginning of quote :

The accounting methodology which is currently adopted by the corporation for the evaluation of biological assets (cashew trees), is one that capitalises the total cost borne for the cultivation of cashew trees until the time the cashew trees reach maturity or until the time a commercial harvest could be gathered from these cashew trees and thereafter writing off these expenses as amortization against the income for the duration of a specified period of time.

With a view to finding out facts on the need for the accounting of the relevant cashew trees at fair value in terms of the no. 41 of the Sri Lanka Accounting Standards, as mentioned in this audit paragraph, while deviating from the above mentioned methodology, a discussion was held with a lady Chartered Accountant of the Technical Department, who is appointed to assist in resolving problematic situations encountered with regard to accounting standards, of the institute of Chartered Accountants of Sri Lanka, which is assigned the responsibility of issuing the relevant accounting standards.

At this discussion it was revealed that in terms of the no. 41 of Sri Lanka Accounting Standards, when trees which are identified as biological assets are categorized under Bearer Biological Assets and Consumable Biological Assets, cashew trees fall under the Bearer Biological Assets which is established with the aim of gathering a harvest and therefore in the evaluation of Bearer Biological Assets, the no. 16 of the Sri Lanka Accounting Standards should be made use of, but not no. 41 of the Sri Lanka Accounting Standards (for the accounting of property, plant and equipment) and therefore the accounting methodology currently adopted by the corporation is accurate and accordingly an evaluation of cashew trees at fair price is not applicable.

With the intention of securing more information in this regard, officers of the Finance Division of the Kelaniweli PLC functioning under Hayleys, a company of the Private Sector were contacted and officers of the Finance

Division of the Kurunegala Plantations PLC, which is engaged in agricultural practices functioning under the Line Ministry, were contacted, where upon these officers confirmed the accuracy of the above facts.

End of quote :

I wish to further mention that as per the above expression of opinion, the officers of the Auditor General's Department had taken action to remove the said audit paragraph from the final Auditor General's Report of 2016.

1.2.3 The corporation is in possession of reports on cashew kernel, cashew nut and cashew plant stocks mentioned herein, which could be forwarded for auditing purposes at any time. Also the said stocks could be verified through the reports of the Board of Survey which have been finalized in respect of the year 2018.

Also the loss incurred through the damaged plants, which have been calculated and accounted, based on the reports on the commercial plant nurseries, sent to the Head Office by the supervisory officers of the commercial plant nurseries which produce the relevant cashew plants, can be verified through the reports of the commercial plant nurseries and these reports also can be forwarded for auditing purposes at any time.

Action will be taken to promptly to forward the relevant verification letters to verify the commercial creditor value of Rs. 853,000/-, which is mentioned herein.

02 (a) Discussions have been held with the relevant tax consultancy firm regarding this income tax liability and according to their initial calculations it has been confirmed that the corporation has not earned a profit, subject to tax for the years mentioned herein. Accordingly, work pertaining to the preparation of relevant income tax statements is currently in progress.

02 (b) A written request has been submitted to the Ministry of Finance through the line Ministry, seeking special tax concession. In the said request, attention was specially drawn to the various negative conditions which might arise affecting

the market demand for corporation's cashew, through the addition of taxes which are mentioned herein, which would result in the increase of the price of cashew and also as these cashew products fall under agricultural products it was requested to pay special attention in granting a special tax concession. It has been decided to carry out the future activities based on the responses which will be received for this request.

02 (c) These gratuity payments were delayed due to the financial difficulties of the corporation. However, as of now action has been taken to pay all relevant gratuity monies to these retired officers.

02 (d) Out of the lands mentioned in this audit query, work necessary for the acquisition on lease basis of the 200 acre land in the Eluwankulama estate, owned by the Department of Agriculture and maintained by the Sri Lanka Cashew Corporation from 1997, has been progressing with the Divisional Secretariat Wanathavilluwa, since 2017. As of now, majority of work pertaining to this has been completed and is expected to be finalized by the end of the current year.

The plots of government owned land, utilized for the cultivation and other development work of Sri Lanka Cashew Corporation which collectively amounts to 13,255 acres are from the Poonerin, Kondachchi, Thiriyaya, Mankerni and Oyamaduwa.

Out of these, the Poonerin estate had been an estate maintained and run by the Army and the said estate was temporarily handed over to the Sri Lanka Cashew Corporation in the current year, that is in the month of May of 2019. Several rounds of discussions were held with the governor of the Northern Province and Government Agent to take over the ownership of this estate on a permanent basis by the Sri Lanka Cashew Corporation and their final decision in this respect has not been informed thus far.

Several rounds of discussions were also held with the Government Agent of Mannar regarding the government owned Kondachchi estate which is currently assigned to the Sri Lanka Cashew Corporation for cultivation

purposes. During these discussions necessary courses of actions which should be carried out for the acquisition of the said land in extent of 6500 acres on lease basis, were taken up for discussion. Further, work in this regard is in progress.

The land in extent of 5000 acres of the Thiriyaya estate was taken over for the Yaan Oya project of the government and in order to obtain cabinet approval to provide the corporation with a plot of land in extent of 680 acres from the Gomarankadawala area in place of the aforementioned land, the Government Agent of Trincomalee had provided relevant information to the Secretary to the Ministry of Plantation Industries. Future work in this regard is also in progress.

Out of the total land area of the Mankerni estate which amounts to 1200 acres, only an area of approximately 100 acres has been provided to this corporation for cultivation purposes while the remaining land area is used for cultivations being carried out by the Navy. Discussions were held with the Commander of the Navy to solve this problematic situation and the first attempt, it was informed by the Ministry of Defence that the relevant land in extent of 1000 acres cannot be made available to the corporation. As of now, relevant discussions have commenced once again.

As the 250 acre plot of land of the Oyamaduwa seed garden, taken over by the National Livestock Board from the government, has by now acquired the state of not being suitable for cashew cultivation, necessary action is being taken to re-assign this land to the National Livestock Board and to acquire another plot of land in its place, from the Eluwankulama area, the process of which by now is at the final stages. Accordingly, necessary action is being taken to acquire the relevant land on lease basis.

Also the plots of land which collectively amount to 1874 acres, owned by the Land Reforms Commission are from the Puttlam, Kamandaluwa and Hardy estates of the corporation.

Several rounds of discussions have been held with the Land Reforms Commission with a view to resolving the problematic situation that has arisen with regard to the process of acquiring the relevant plots of land of these

estates, by the corporation. Once the relevant problems have been resolved, necessary action will be taken to acquire the said plots of land on lease basis by the corporation.

- 03 (a) This production cost has been calculated with the inclusion of expenses directly linked to the harvesting activities of the corporation and taking into consideration all expenses borne for other common activities of the estates during the year under review. It is our view that in calculating the production cost it is more accurate to consider only the aforementioned direct cost and thereafter compare it with the market price.

Even though it is mentioned in the audit paragraph that this corporation has not paid any attention to reduce the production cost of raw cashew, already the corporation's management has adopted measures such as allowing external parties to conduct intercropping with cashew cultivation, in the Puttlam and Kondachchi estates aiming at reducing the production cost of raw cashew and using machinery in place of human labour for deforestation activities in the Kondachchi estate, aiming at cost cutting. Also, the use of new high yielding cashew varieties when initiating new cultivations in estates, is another measure taken in this regard.

- 03 (b) A shortage of raw cashew for processing purposes was created as a result of the inability to obtain the targeted total cashew harvest owing to the weather and climatic conditions which prevailed during the harvesting season of the year under review and accordingly cashew kernels had to be purchased from external parties to fulfil the relevant orders.

- 03 (c) The cashew subsidy programme is being implemented in 19 districts, where conducive climatic conditions for cashew cultivation prevail. Even though this subsidy programme has been continuing from several years in the past, the overall success rate of the relevant programme ranges from 35% - 40% estimated on the remaining number of cashew plants in the plantations. The decline of the success rate of the subsidy programme is directly attributable to the below mentioned reasons.

1. Cashew plants dying out in large numbers owing to the drought conditions and the difficulty of supplying water to cashew plants.
2. Loss of interest and negligence on the part of the beneficiaries of the subsidiary programme, with the passing of time, as a result of provision of cashew plants to small lands (starting from lands in extent of half an acre) under the subsidy programme.
3. Weather and environmental factors harmful to the crop.
4. Damages caused to crops by wild animals.
5. Unexpected damages caused by fire.
6. Due to the longer yielding time of cashew trees, the loss of interest of subsidy recipients, resulting in their abandonment of cultivation and resorting to short term yielding crops.
7. As more attractive subsidy benefits are offered for other cultivations, the subsidy recipients resorting to such cultivations, with the passing of time, abandoning the cashew cultivations.
8. Other personal reasons affecting the subsidy recipients.

Following extensive studies carried out with regard to the above situation, the decision was taken at the Board of Directors' meeting to implement the cashew cultivation subsidy programme from 2017 onwards, by placing priority on the below mentioned locations/ sites.

1. Land suitable for cashew cultivation within the areas of land occupied by camp premises of the three armed forces and of the Department of Civil Security.
2. Land suitable for cashew cultivation within the areas of land occupied by open air prison camps.
3. Land suitable for cashew cultivation, belonging to Buddhist temples, catholic churches, hindu kovils and islam mosques.
4. Land suitable for cashew cultivation within land areas where government schools are situated.

It is expected that physical resources as well human resources necessary for the existence and growth of cashew cultivation, can be acquired adequately through the adoption of this methodology.

Also, in conjunction with this initiative cashew plants are being issued for home gardens selected under the new home garden cultivation project and for the home gardens of recipients of houses at new housing schemes, being constructed by the Housing Authority.

Relevant inspection/ evaluation work is currently being conducted on the success of the cashew cultivations being carried out from 2017 onwards in the above lands.

- 03 (d) The views expressed herein, citing that direct contributions have not been made by the Research Units established in the Puttlam and Kamandaluwa estates of the corporation, is misleading, as these Research Units are engaged in the conduct of vital research programmes related to the development work of the cashew cultivation with direct advices being provided by several professors and PhD degree holders of the Wayamba University.

As an outcome of the said programmes, a number of activities which lead to the development and productivity of cashew cultivation had been implemented by the Research Units of the corporation, viz. launching 08 high standard cashew varieties in the country, introducing the pesticide Mospilan to successfully contain the damages caused by the Helopeltis mosquito to cashew crops, introducing the pesticide Noyuluran/ Reborn to control the damages being caused by cashew stem borer.

- 03 (e) The work pertaining to the conversion of the building at Hardy estate which is mentioned herein, in to a circuit bungalow was completed on 12.03.2018 . Thereafter, an advertisement was published in a public newspaper on 17.03.2018 to lease out the said circuit bungalow to an external party. In response to the said advertisement, bids were received from external parties and their conditions were discussed. After the discussions one such party (Mr.

Rajan Mailwahanam) had consented to enter into a lease agreement, also subject to the conditions of the corporation.

Due to the sudden change which took place in the political situation of the country in October 2018, at a time the lease agreement was about to be signed, the Board of Directors of the Corporation was dissolved and a new Board of Directors were appointed and thereafter the said appointments were revised once again, which in turn resulted in the inability to finalize the lease agreement during this period. Subsequently, discussions were held with the relevant external party in January 2019, whereupon he forwarded a condition, regarding further renovations to be carried out in the circuit bungalow, a condition which he had not forwarded previously for which corporation's consent could not be granted and which resulted in both parties refusing to enter into the lease agreement.

However, the bookings of the circuit bungalow made by tourists during this period, was accepted by the corporation and accordingly from October 2018 to the end of the year, an income of Rs. 46,000/- was earned from the circuit bungalow.

Thereafter, the management had taken the decision to run the circuit bungalow on the bookings by tourists without leasing out to external parties. As this Hardy circuit bungalow is located in a site ideal for tourism industry in the Batticaloe district, it is expected that a higher income would be earned by in future by the corporation and necessary action is being taken by focusing more on the necessary publicity work and other works.

03 (f) A detailed report has been forwarded to the officers at the National Audit Office on the courses of action already taken by the corporation with regard to the acquisition of land in the Suduwathura Ara seed garden and Kamandaluwa estate by external parties as mentioned herein.

03 (g) This surcharge had to be paid, due to the inability to pay the employees provident funds during the period specified due to the financial difficulties of

the corporation which was created as a result of limitations imposed on the grant of treasury funds.

- 03 (h) A technician was summoned to obtain an opinion regarding the existing condition of the boiler being used to boil cashew, at the Puttlam Processing Centre, whereupon the said technician has informed that the boiler is presently in a very dilapidated condition and that a large cost would have to be borne for its repair and even after repairs, it is doubtful that it can be used continuously. Accordingly, action will be taken in future to have the said boiler disposed of.

- 03 (i) As of now, the construction consultants have informed the relevant contractor to rectify the repairing defects mentioned herein and to properly complete the relevant constructions. Action will not be taken to release the retention of this contractor, until the relevant works are properly finalized.

- 03 (j) The payment of these medical funds have been delayed due to the financial difficulties of the Corporation and as of now the medical scheme for hospitalization has been temporarily suspended. However, as soon as the financial condition achieves stability, all these payments will be settled.

Sri Lanka Cashew Corporation

Five year accounts summary

	2018	2017	2016	2015	2014
	Rs.	Rs.	Rs.	Rs.	Rs.
Profit & loss account					
Net sales	94,931	100,951	94,906	75,297	115,370
Sales cost	(61,023)	(80,182)	(68,648)	(55,055)	(62,376)
Gross profit	33,908	20,769	26,258	20,242	52,994
Other incomes	10,544	15,522	28,224	13,974	4,219
Recurrent grants	15,077	18,700	16,923	27,798	21,235
Administrative expenses	(38,407)	(38,893)	(39,141)	(44,001)	(53,396)
Amortization	539	244	(634)	(992)	(3,283)
Net profit from commercial activities	21,661	16,342	31,630	17,021	21,769
Service Division - expenses exceeding incomes	(61,303)	(58,678)	(68,155)	(64,749)	(47,826)
Net profit / loss	(39,642)	(42,336)	(36,525)	(47,728)	(26,057)
Balance sheet					
Non current assets					
Property plant & equipment	87,369	89,363	100,869	110,208	77,005
Maintenance of fruit bearing crops	27,436	22,870	29,303	31,442	35,141
Research & development expenses	-	-	-	-	1,046
Maintenance of non fruit bearing crops	51,591	50,446	41,362	33,243	25,853
Capital works in progress	-	1,726	-	-	-
Other small projects	523	620	949	806	615
Total non current assets	166,919	165,025	172,483	175,699	139,660
Current assets					
Stocks	20,222	24,940	28,916	30,131	48,712
Commercial debtors and other receivables	17,484	19,597	20,798	24,411	24,843
Advance & Pre-payments	2,553	3,810	4,841	4,287	10,080
Cash & cash equivalents	3,225	5,806	7,874	38,846	60,879
Total current assets	43,484	54,153	62,429	97,675	144,514
Total assets	210,403	219,178	234,912	273,374	284,174
Entitlements & liabilities					
Entitlements					
Initial capital	40,000	40,000	40,000	40,000	40,000
Government grants	175,414	143,996	123,860	114,881	78,957
Grants received from other parties	17,756	18,143	18,530	18,917	19,304
Capital reserves	17,442	17,442	17,442	17,442	22,215
Profit & loss account	(110,011)	(70,311)	(27,975)	8,550	56,278
Total entitlements	140,601	149,270	171,857	199,790	216,754
Non current liabilities					
Provisions for gratuity allowances	27,704	27,335	40,060	52,471	42,415
Long terms loans	3,500	3,500	-	-	-
Total non current liabilities	31,204	30,835	40,060	52,471	42,415
Current liabilities					
Commercial creditors & other payables	38,598	39,073	22,995	21,113	25,005
Total current liabilities	38,598	39,073	22,995	21,113	25,005
Total entitlements & liabilities	210,403	219,178	234,912	273,374	284,174
Net assets gain %	(28.2)	(28.3)	(21.3)	(23.9)	(12.0)
Net profit ratio %	(41.8)	(41.9)	(38.5)	(63.4)	(22.6)
Current ratio	1.1	1.4	2.7	4.6	5.8
Quick assets ratio	(1.6)	(1.3)	1.5	3.2	3.8
Total expenditure on total income	1.2	0.8	0.1	0.8	0.9