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இலங்கை மரமுந்திரிகை கூட்டுத்தாபனம்

SRI LANKA CASHEW CORPORATION

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வருடாந்த கணக்கும் அறிக்கையும்

ANNUAL REPORT AND ACCOUNTS

2015

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Sri Lanka Cashew Corporation

Chairman's Report for the Year 2015

(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) Cultivation, processing and marketing of cashew and formulating plans with regard to the cashew production, processing and marketing and providing instructions for their implementation.
- (b) Conducting investigations and research with the objective of enhancing the cashew cultivation, processing and marketing and its production, processing and marketing.
- (c) 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.
- (d) 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.
- (e) Purchasing, distributing, marketing and exporting cashew and cashew products.

- (f) Facilitating the training of persons required for the cultivation, processing and marketing of cashew and its production, processing and marketing.
- (g) Establishing the fundamental organizations required for the development of cashew cultivation, processing facilities and marketing and assisting in their establishment.
- (h) 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 – 2015

(2.1) Members of the Board of Directors of the Corporation for the duration of the period from 01.01.2015 up to 09.02.2015

- (i) **Mr. PRGLC Wijewarnasooriya** - **Chairman**
- (ii) Mr. KPG Sisira Kumararathne - Deputy Chairman (upto 13.01.2015)
- (iii) Mrs. M Andrahennedi - Member, Board of Directors
(Representative of the
General Treasury)
- (iv) Mr. SAU Silva - Member, Board of Directors
- (v) Mr. TCS Fernando - Member, Board of Directors
- (vi) Mr. RS Kahawala - Member, Board of Directors
- (vii) Mr. SL Ranaweera - Member, Board of Directors

(2.2) Members of the Board of Directors appointed from 10.02.2015 to 01.11.2015

- (i) **Mr. P R G L C Wijewarnesooriya** - **Chairman**
- (ii) Mr. A Jayathunga - Deputy Chairman
- (iii) Mr. DGMV Hapuarachchi - Member, Board of Directors
(from 06.03.2015)

- (iv) Mr. RK Jayalath - Member, Board of Directors
(Representative of the General Treasury) (from 13.03.2015)
- (v) Mrs. GP Gunatilleke - Member, Board of Directors
(from 18.03.2015)
- (vi) Mr. CB Sirimalwatte - Member, Board of Directors
(from 18.03.2015)
- (vii) Mr. EMJB Ehalamalpe - Member, Board of Directors
(from 27.03.2015)

(2.3) Members of the Board of Directors appointed as of 02.11.2015

- (i) **Mr. DB Karunaratne** - **Chairman**
- (ii) Mr. MWM Bandaratileke - Deputy Chairman (from 16.11.2015)
- (iii) Mr. RK Jayalath - Member, Board of Directors
(Representative of the General Treasury)
- (iv) Mr. MRMI Riza - Member, Board of Directors
- (v) Mr. V Manchanayaka - Member, Board of Directors
(from 06.11.2015)

Secretary to the Board of Directors for the year 2015 - Mr. VU Liyanage

(2.4) The Audit and the Management Committee of the Sri Lanka Cashew Corporation - 2015

- (i) Mr. RK Jayalath - Committee Chairman Member,
Board of Directors - Representative
of the General Treasury
- (ii) Mr. DGMV Hapuarachchi - Committee Member, Board of
Directors (up to 26.08.2015)
- (iii) Mr. CB Sirimalwatte - Committee Member, Board of
Directors (up to 06.11.2015)

- (iv) Mr. V Manchanayaka - Committee Member, Board of Directors (from 16.12.2015)
- (v) Mr. MRMI Riza - Committee Member, Board of Directors (from 16.12.2015)
- (vi) Mr. DK Jayakodiarachchi - Committee Member General Manager
- (vii) Mr. PB Kodikara - Committee Member Deputy General Manager
- (viii) Mr. MTSK Peiris - Committee Member Assistant General Manager - Finance
- (ix) Mr. VU Liyanage - Committee Secretary Assistant General Manager - Internal Audit
- (x) Mrs. APP Athukoorala - Committee Observer Representative of the Auditor General's Department (up to 06.08.2015)
- (xi) Mr. MD Gnanarathne - Committee Observer Representative of the Auditor General's Department (only for the date 06.11.2015)
- (xii) Mr. SWDKMAK Premathilleke- Committee Observer Representative of the Auditor General's Department (only for the date 16.12.2015)

(2.5) Senior Management of the Sri Lanka Cashew Corporation

- (i) Mr. DK Jayakodiarachchi - General Manager
- (ii) Mr. PB Kodikara - Deputy General Manager (from 01.06.2015)

(2.6) Board of Management of the Sri Lanka Cashew Corporation

- (i) Mr. PB. Kodikara - Assistant General Manager Human Resource & Administration (up to 30.05.2015)

- (ii) Mr. SSB Rathnayake - Assistant General Manager - Plantations (up to 27.04.2015) Assistant General Manager Policy & Planning (up to 16.10.2015)
- (iii) Mr. MTSK Pieris - Assistant General Manager - Finance
- (iv) Mr. GBB Surendra - Assistant General Manager Extensions & Research
- (v) Mr. VU Liyanage - Assistant General Manager Internal Auditor
- (vi) Mr. RMP Jayathissa - Assistant General Manager Marketing & Processing (from 18.05.2015)
- (vii) Mr. PMAPK Wijetunga - Assistant General Manager - Plantations (from 18.05.2015)

(2.7) 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

Web address - www.cashew.lk

Regional Offices, Estates, Plant Breeding Centres and Processing Units.

(2.8)	Regional Offices	Districts being covered
	1. Puttlam Regional Office	- Puttlam /Kurunegala
	2. Hambantota Regional Office	- Hambantota /Ratnapura
	3. Anuradhapura Regional Office	- Anuradhapura /Vavuniya /Mannar /Mulaitivu
	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
	9. Trincomalee Regional Office	- Trincomalee
	10. Kilinochchi Regional Office	- Kilinochchi /Mulaitivu /Jaffna
(2.9)	Estates	District
	1. Kamandaluwa Estate	- Puttlam
	2. Puttalama Achchigewatte Estate	- Puttlam
	3. Eluwankulama Estate	- Puttlam
	4. Hardy Estate	- Batticaloe
	5. Mankerni Estate	- Batticaloe
	6. Kondachchi Estate	- Mannar (being developed together with the Department of Civil Security)
	7. Poonerin Estate	- Kilinochchi (being run by the Army)
	8. Madu Estate	- Mannar (crop rehabilitation is expected)
	9. Oyamaduwa Estate	- Anuradhapura

(2.10) Plant Breeding Centres District

1. Wilachchiya Plant Breeding Centre - Anuradhapura
2. Nalanda Plant Breeding Centre - Matale
3. Mahaoya Plant Breeding Centre - Ampara
4. Suduwathura Ara Plant Breeding Centre - Moneragala

(2.11) Central Plant Nurseries Districts being covered

1. Mihintale Plant Nursery - Anuradhapura /Vavuniya /Mannar /
Kilinochchi /Mulaitivu
2. Dambulla Plant Nursery - Matale /Polonnaruwa
3. Kamandaluwa Plant Nursery - Puttlam /Kurunegala
4. Hardy Plant Nursery - Batticaloe /Trincomalee
5. Kumbukkana Plant Nursery - Moneragala
6. Aluththarama Plant Nursery - Badulla /Kandy
7. Chandrika Weva Plant Nursery - Hambantota /Rathnapura

(2.12) Cashew Processing Centres District

1. Nendagamuwa Processing Centre - Gampaha
2. Puttlam Processing Centre - Puttlam

(2.13) Research Units District

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 academic staff of the faculty of Agriculture and Plantation Management of the Wayamba University.

(2.14) Sales Outlets of the Corporation District

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

(2.15) 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 Cooperation Society Ltd,
Polgahamula Junction, Peradeniya
14. Yatinuwara Madapalatha Multi Service Cooperation Society Ltd,
Embilmeeagama, Pilimathalawa
15. Central Province Multi Service Cooperation Society Ltd, Ehalepola
Kumarihami Mawatha, Bogambara, Kandy
16. Poojapitiya Multi Service Cooperation Society Ltd, Poojapitiya
17. Harispattuwa North Multi Service Cooperation Society Ltd, Mathale Road,
Alawathugoda
18. Kundasale Multi Service Cooperation Society Ltd, Manikhinna
19. Kandy Multi Service Cooperation Society Ltd, Coop City, Pallekale
20. Kandy Multi Service Cooperation Society Ltd, Coop City, Mathale 10
21. Kandy Multi Service Cooperation 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, 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

(2.16) Circuit Bungalows District

1. Puttlam Circuit Bangalow - Puttlam
2. Hardy Circuit Bangalow - Batticaloe

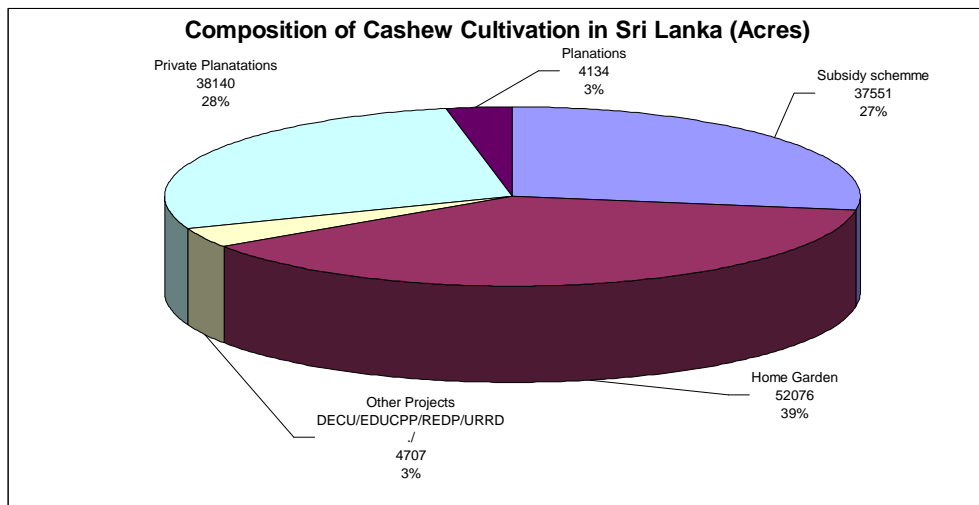
(03) Development Activities of the Corporation

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



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*

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

(3.1.2.1) Increasing the Areas of Cultivation

The total estimated area of cashew cultivation in Sri Lanka is 136608 acres. In 2015, under the subsidy programme, 2500 acres of bud grafted cashew and 2000 acres of seedling cashew have been cultivated in 18 districts covering 125 divisional secretary's divisions. Under this 3750 beneficiary families have been benefitted. In addition to this, 36630 seedlings remaining in nurseries, out of seedling produced in 2014, were distributed and planted in 916 acres of land belonging to the army.

Cashew Cultivation Subsidy Programme

District	Bud Grafted Cashew (acres)	Cashew Seedlings (acres)
01. Puttlam	400	-
02. Kurunegala	350	-
03. Hambanthota	275	-
04. Anuradhapura	450	-
05. Ampara	-	500
06. Badulla	125	-
07. Kandy	25	-
08. Ratnapura	25	-
09. Mathale	150	-
10. Polonnaruwa	150	-
11. Moneragala	300	-
12. Batticaloe	100	400
13. Trincomalee	50	450
14. Vavuniya	25	125
15. Mannar	25	125
16. Mulaitivu	25	250
17. Kilinochchi	25	125
18. Jaffna	-	25
Total	2500	2000

(3.1.2.2) Payment of Subsidies to Farmers

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 in areas unsuitable for bud grafted 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 according to the extent of the cultivating land. These activities are being implemented through 10 regional offices of the corporation in 18 cashew cultivating districts.

(3.1.2.3.) Expansion of Extension Services

Steps were taken to establish Kilinochchi Regional office to cover the cultivation work being carried out in the Kilinochchi, Malaitivu and Jaffna districts in the Northern Province. Especially under the cashew cultivation subsidy programme, 500 acres in the Kilinochchi, Jaffna and Mulaitivu districts were newly cultivated with the involvement of 450 beneficiary families. In addition to this, preliminary work has been carried out to establish a regional office in Mannar district.

(3.2) Development of Estates, Rehabilitation & Productivity Development

(3.2.1) Enhancing the Productivity of Cashew Cultivation

(3.2.1.1) Planting Material Production

600000 mother seeds were produced at plant breeding centres of the Corporation using Good Agricultural Practices (GAP). 310000 twigs obtained from these mother seeds and mother trees were used in the production of bud grafted plants and seedlings.

Plant Breeding Centre	District	Area in extent (acres)
1. Wilachchiya	Anuradhapura	25
2. Nalanda	Matale	75
3. Mahaoya	Ampara	81
4. Suduwathura	Moneragala	50
Total		231

(3.2.1.2) Nursery Management

218373 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 2015

Name of the Plant Nursery	Budded Plants Produced
1. Kamandaluwa	70956
2. Dambulla	20099
3. Mihintale	64238
4. Aluththarama	11250
5. Kumbukkana	19277
6. Hardy	5919
7. Chandrika Wewa	26634
Total	218373

45 plant nurseries have been established in Batticaloe, Trincomalee, Vavuniya, Mannar, Malaitivu, Kilinichchi, Jaffna and Ampara in order to produce 80000 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. While implementing these programmes, particularly in developing the Kondachchi Estate in the Northern Province and Mankerni Estate in the Eastern province, the assistance of the Department of Civil Security was obtained. The technical assistance and the cashew plants for cultivation were provided by the Corporation. Steps were taken under the direct supervision of the Corporation to prepare the ground for new cultivation and to plant cashew plants in 250 acres within the Kondachchi estate. The estates in Poonerin are functioning in the custody of the Sri Lanka Army and advisory services for their maintenance are being provided continuously. In addition to this, rehabilitation works were carried out in 2000 acres of mature cashew cultivations belonging to the Corporation and chemical fertilizers and chemical pesticides were provided to the estates.

(3.2.1.4) Enhancing the Productivity

115 training programmes titled Cashew Cultivation, Elimination of Pests, use of Fertilizer and Post Harvest Technology were conducted for 2125 farmer families. 11 practical training workshops were organized with the participation of a private sector resource person, on “the controlling of Helopeltis disease” for 685 farmer in 11 districts. In addition to this, a programme titled “Enhancing the productivity of the cashew cultivation with use of Good Agricultural Practices” under the sponsorship of the National Estate Management Institute, was conducted in the Puttlam District 50 cashew small holders participated in this programme.

(3.3) Development of Marketing and Processing Industry

(3.3.1) Post Harvest Technology Development

(3.3.1.1) Purchasing of Raw Cashew from Farmers

Within the objective of reducing costs and facing the competitive market conditions, the Corporation purchased cashew kernels 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 106 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. The training centre of the Nedagamuwa processing centre was utilized for this purpose.

(3.3.2) Processing and Marketing of Cashew

Cashew Processing Centres owned by the Corporation are located in Puttlam and Nedagamuwa (Gampaha District). Raw cashew gathered from the estates of the Corporation and purchased from growers are processed and the value added cashew kernels are marketed through the Corporation's two sales outlets in Kolpetty and Rajagiriya and through 39 authorized sales outlets island wide. Customers Surveys were carried out on two value added new products in 2015, such as pepper coated cashew, sugar and cinnamon flavored cashew. In addition to this chutney and marmalade were made using cashew apples and are due to be introduced to the market next year. 17 The Corporation has been able to earn Rs. 67.71 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 2015, Sri Lanka has earned Rs. 174.06 million foreign exchange by forwarding 105.66 metric tons of value added cashew kernels and high quality cashew kernels to the international market. Rs. 185.8 million foreign exchange has been earned by exporting 129.4 metric tons of value added cashew kernel in the year 2014. Even though a minor reduction in export capacity and foreign exchange earning was experienced, the local demand for cashew kernels increased with the rapid growth of the tourism industry, resulting in the increase of the local consumption of cashew kernel.

(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, licences were provided to small scale cashew processors to import raw cashew under tax reliefs. As per the reports of the customs, 2490 metric tons of raw cashew and 565 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, 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.

(04) Budget

(4.1)

Category	Investment of Funds - 2015 (Rs. million)		
	Government Investment	Funds Generated	Total
Capital Expenditure	35.0	14.24	49.24
Recurrent Expenditure	66.10	51.11	117.21
Total	101.10	65.35	166.45

(4.2) Earnings of 2015 through commercial activities

(Rs. million)

Sale of cashew kernels	67.71
Sale of cashew mother seeds and plants	6.16
Sale of coconuts	<u>1.48</u>
Total	<u>75.35</u>

(05) 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 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 31.12.2015

Approved Staff	Staff as at 31.12.2015	
Higher Management Grade (HM)	02	02
Middle Management Grade (MM)	07	05
Junior Management Grade (JM)	26	15
Management Assistant (MA)	122	103
Minor Grade (PL)	<u>67</u>	<u>71</u>
Total	<u>224</u>	<u>196</u>

In addition to this, about 350 check roll labourers have been employed according to monthly requirements in processing centres, estates, plant breeding centres and central plant nurseries of the Corporation.

(06) Achievements

The Corporation was able to maintain the profit earning status recorded in 2013 and 2014, throughout the year 2015. 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 2015 through commercial activities is Rs. 17.02 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 states from expected levels due to inclement weather conditions, viz, heavy rainfall during the flowering season.
- 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.

(07)

Acknowledgement

During the year 2015, 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. Lakshman Kiriella, Minister of Plantation Industries, the Deputy Minister, the Secretary to the Minister of Plantation Industries and the Ministry Staff to the Hon. Kbhira Hashim, incumbent Minister of State Enterprises Development,

the Deputy Minister, the Secretary to the Ministry 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 2015, 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 2015.

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 2015 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

The Board of Directors appointed as at 31st December 2015 is as follows. December 2015 is as follows.

- (1) The members of the Board of Directors of the corporation from 01.01.2015 up to 09.02.2015

Name of the Member	Designation
1. Mr. PRGLC Wijewarnesooriya	Chairman
2. Mr. KPG Sisira Kumararathne	Deputy Chairman (up to 13.01.2015)
3. Mrs. M Andrahennedi	Member of the Board of Directors (Representative of the General Treasury)
4. Mr. SAU Silva	Member of the Board of Directors
5. Mr. TCS Fernando	Member of the Board of Directors
6. Mr. RS Kahawala	Member of the Board of Directors
7. Mr. SL Ranaweera	Member of the Board of Directors

Secretary to the Board of Directors for the year 2015 - Mr. VU Liyanage

- (2) Members of the Board of Directors of the corporation appointed for the duration from 10.02.2015 up to 01.11.2015

Name of the Member	Designation
1. Mr. PRGLC Wijewarnesooriya	Chairman
2. Mr. A Jayathunga	Deputy Chairman
3. Mr. DGMV Hapuarachchi	Member of the Board of Directors (from 06.03.2015)
4. Mr. RK Jayalath	Member of the Board of Directors (Representative of the General Treasury) (from 13.03.2015)
5. Mrs. GP Gunatilleke	Member of the Board of Directors (from 18.03.2015)
6. Mr. CB Sirimalwatte	Member of the Board of Directors (from 18.03.2015)
7. Mr. EMJB Ehelamalpe	Member of the Board of Directors (from 27.03.2015)

Secretary to the Board of Directors for the year 2015 - Mr. VU Liyanage

- (3) Members of the Board of Directors of the corporation appointed from 02.11.2015

Name of the Member	Designation
1. Mr. DB Karunaratne	Chairman
2. Mr. MWM Bandaratilleke	Deputy Chairman (from 16.11.2015)
3. Mr. RK Jayalath	Member of the Board of Directors (Representative of the General Treasury)
4. Mr. MRMI Riza	Member of the Board of Directors
5. Mr. V Manchanayaka	Member of the Board of Directors (from 06.11.2015)

Secretary to the Board of Directors for the year 2015 - Mr. VU Liyanage

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.

Environment Safety

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 2015 has been audited by the government Auditor General.

By the order of the Board of Directors,

V U Liyanage

Secretary to the Board of Directors

Audit and Management Committee Report

The Audit and Management Committee of the Sri Lanka Cashew Corporation was established in terms of the Public Enterprises Department Circular no: 31 of 01.07.2005 (PED 31), as amended by Public Enterprises Department Circular no: 51, 53 and 55 (PED 51, PED 53 and PED 55) and comprises of 08 persons including seven members and an observer.

A non-executive director who is the treasury representative acted in the post of committee chairman and the secretary to the Board of Directors / Assistant General Manager - Internal Auditor of the Corporation acted in the post of committee secretary.

During the year 2015, the Audit and Management Committee was convened 04 times and the participation of the committee members and the observers in these meetings had been in the following manner.

01. Mr. RK Jayalath : Committee Chairman 4/4
Non executive member of the Board of Directors
(Treasury Representative)
02. Mr. DGMV Hapuarachchi : Committee Member 1/2
Non executive member of the Board of Directors - up to 06.08.2015
03. Mr. CB Sirimalwatte : Committee Member 3/3
Non executive member of the Board of Directors - up to 06.11.2015
04. Mr. V Manchanayake : Committee Member 1/1
Non executive member of the Board of Directors - from 16.12.2015
05. Mr. MRMI Riza : Committee Member 1/1
Non executive member of the Board of Directors - from 16.12.2015
06. Mr. DK Jayakodiarachchi : Committee Member 4/4
General Manager
07. Mr. PB Kodikara : Committee Member 3/4
Deputy General Manager

08. Mr. MTSK Pieris : Committee Member 3/4
Assistant General Manager – Finance
09. Mr. VU Liyanage : Committee Secretary 4/4
Assistant General Manager - Internal Audit and Secretary to the Board of Directors
10. Mrs. APG Athukorale : Committee Observer 2/2
Audit Superintendant (Auditor General’s Department) - up to 06.08.2015
11. Mr. MD Gnanarathne : Committee Observer 1/1
Audit Inspector (Class I) - only for 06.11.2015
12. Mr. SWDKMAR Prematilleke : Committee Observer 1/1
Audit Inspector (Class I) - only for 16.12.2015

At the first audit and management meeting held for the first quarter of the year 2015, the report forwarded by the Sri Lanka Cashew Corporation in respect of the progress achieved through its overall activities, the observations incorporated into the audit reports issued to the management by the internal audit branch of the corporation in the first quarter of 2015 and the report submitted on the courses of action taken by the management based on these observations, were extensively reviewed.

Also, matters relating to the answers expected to be provided for the audit paragraphs included in the draft Auditor General’s report forwarded in terms of Section 14 (2) (C) of the Finance Act of 2014, were taken up for discussion.

At the second audit and management committee meeting held in respect of the year 2015, the committee focused on the report on the comments and courses of actions proposed to be adopted on the corporation’s part in respect of the audit paragraphs included in the Audit General’s Report forwarded in terms of Section 13 (7) of the Financial Act for the year 2014. Accordingly, each audit paragraph included in the report were taken separately and the matters contained therein were analytically discussed and relevant recommendations were forwarded to the Board of Directors of the Corporation. The committee paid special attention

to the current methodology being adopted in calculating the cost of cashew kernel production, enumeration of cashew trees at corporation's plantations and breeding centres, the subsidy scheme of the corporation and the government taxes applicable according to the activities of the corporation.

At the third audit and management committee meeting held in 2015, an extensive review was made on the progress of the corporation through its overall activities in respect of the 2nd and 3rd quarters of 2015 and on observations included in the audit reports issued by the internal audit division of the Corporation to the Management during these 2nd and 3rd quarters and on the reports forwarded to the committee on the courses of action taken by the management according to these observations and necessary recommendations were forwarded to the Board of Directors of the Corporation.

At the fourth audit and management committee meeting held in 2015, the action plan of the corporation for the year 2016 was presented to the committee for the forwarding of recommendations and the internal audit plan and the procurement plan of the corporation for the year 2016 was forwarded to the committee as subsections. Discussions were held extensively with regard to the content of these documents at the committee meeting and accordingly relevant recommendations were forwarded to the Board of Directors of the Corporation. In forwarding these recommendations, special focus was given by the committee to the problematic status with regard to the adequacy of the approved government grants to bear the future expenses of the corporation, acquisition of cultivated lands of which the corporation do not have legal ownership, utilization of land not suitable for cashew cultivation in the Puttlam plantation of the corporation, for productive cultivation of other interim crops, recovering money from the creditors at the due time for the sales made on credit to authorized sales outlets.

RK Jayalath,
Chairman,
Audit & Management Committee

Sri Lanka Cashew Corporation

Performance Report for the year 2015

(01). Subsidy Scheme for Cashew Cultivation and Development Programmes

(1.1) Subsidy Scheme for Cashew Cultivation

Under the subsidy scheme for cashew cultivation, a total of 4500 acres which is made up of 2500 acres of bud grafted cashew and 2000 acres of seedling cashew have been cultivated covering 18 districts. 3288 farmer families benefited. The total cost incurred amounts to Rs. 14.76 millions.

(02) Uplifting the Productivity of the Cultivation

(2.1) Planting material production

Plant breeding centres in Nalanda in the Matale district, Wilachchiya in the Anuradhapura district, Mahaoya in the Ampara district and Suduwathuraara in the Moneragala district were maintained with a view to breeding new varieties suitable to various areas and to providing them to cashew smallholders. 600000 high quality mother seeds and 310000 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. 16.4 million.

(2.2) Enhancement of the Production

11 workshops were organized on “the control of Helopeltis disease” with the participation of a resource person from the private sector, for 685 famers in 11 districts. 23 A workshop on the elimination of pests in cashew cultivation and productivity enhancement using Good Agricultural Practices (GAP) was held in the Puttlam district. 50 cashew small holders participated in these workshops funded by the National Institute of Plantation Management. The total cost incurred amounted to Rs. 0.097 million.

(2.3) Plant Nursery Management

07 central plant nurseries of the Corporation have been set up in the Kamandaluwa estate, Aluththarama, Hardy, Mihintale, Chandrikaweva, 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 2015, 218373 high quality bud grafted plants were produced at these nurseries and distributed among farmers.

(03) 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. The total cost incurred amounted to Rs. 2.90 million.

(04) Maintenance of Estates of the Corporation and Rehabilitation of Crops

Crop rehabilitation work was carried out in a total area of 250 acres in Kondachchi estate. In addition to this, planting was carried out in 135 acres, in Oyamaduwa plant breeding centre. A raw cashew harvest of 1060 metric tons was gathered from the estates. In addition to this, chemical fertilizers were applied and weeding carried out 24 pests and diseases eliminated, field paths were maintained and coppicing carried out to ensure a higher level of productivity. Total cost incurred was Rs. 10.4 million.

(05) 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 39 authorized sales outlets was used for this purpose. 02 new value added products were introduced to the customers and small scale processors and exporters were trained and made knowledgeable about Good Manufacturing Practices (GMP). The total income earned by the Corporation from marketing activities was Rs. 67.71 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, A skills development programme was conducted for the 50 staff members under the sponsorship of the Department of Labour. A workshop title "Nutrition Week" was conducted for the 50 staff members under the sponsorship of Ministry of Health. A one day training workshop on extensions was conducted for 35 Cashew Development Officers under the sponsorship of the Faculty of Agriculture and Plantation Management of the University of Wayamba. The total cost incurred amounted to Rs. 0.4 million.

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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 Services

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 10000 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.

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 Province was undertaken jointly with the Department of Civil Security. It has been planned to cultivate about 1000 acres in the Kondachchi and Mankerni estates during the course of the next three years. 26

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 18 districts is being covered through this network.

02. Increasing the Productivity of Cashew Grown Lands

The extent of cashew grown lands in Sri Lanka amounts to 136608 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 27 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 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 rotting disease may occur in plantations. 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 Chandrikaweva. 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. 28

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. 2,000 - Rs. 2,500. 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 processing utilizing new technologies 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 20 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.

3.1 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. This enabled the farmers to obtain a higher price for their products and to maintain a stable price since this prevented middlemen from buying raw cashew at a low price from farmers. 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 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 house training session 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, updates 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.

4.2.1 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 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.

Sri Lanka Cashew Corporation

31.12.2014

Amalgamated Statement of Financial Position As At 31.12.2015

<u>Rs.</u>	<u>Assets</u>	<u>Notes</u>	<u>Rs.</u>	<u>Rs.</u>
	Non Current Assets			
77,005,215.45	Property Plant & Equipment	01	110,208,071.46	
35,141,076.20	Mature Area Expenditure	02	31,442,182.70	
25,852,827.72	Immature Area Expenditure	03	33,242,774.25	
1,046,491.00	Capital Work in Progress		-	
614,594.38	Other Small Projects	04	806,139.73	
139,660,204.75	Total Non Current Assets			175,699,168.14
	Current Assets			
48,712,114.42	Stocks	05	30,130,806.66	
24,842,906.55	Trade Debtors & Other Receivables	06	24,410,542.89	
10,079,743.24	Deposits, Advances & Prepayments	07	4,287,395.21	
60,878,673.12	Cash & Cash Equivalents	08	38,846,405.43	
144,513,437.33	Total Current Assets			97,675,150.19
284,173,642.08	Total Assets			273,374,318.33
	Equity & Liabilities			
	Equity			
40,000,000.00	Initial Capital		40,000,000.00	
78,956,936.39	Government Grant		114,881,471.56	
19,303,961.19	Grant from Other Parties	09	18,916,912.73	
22,215,332.25	Capital Reserves	10	17,441,846.85	
56,278,274.35	Profit & Loss Account		8,550,232.37	
216,754,504.18	Total Equity			199,790,463.51
	Non Current Liabilities			
42,414,576.01	Provision for Gratuity		52,470,630.13	
42,414,576.01	Total Non Current Liabilities		52,470,630.13	
	Current Liabilities			
25,004,561.89	Trade Creditors & Other Payables	11	21,113,224.69	
25,004,561.89	Total Current Liabilities			73,583,854.82
284,173,642.08	Total Equity & Liabilities			273,374,318.33

Damsiri Bandara Karunaratne
Chairman

Mirialla W.M. Bandarathilaka
Deputy Chairman

M.T.S.K.Peiris
Assistance General manager
Finance

SRI LANKA CASHEW CORPORATION

Accounting Policies – 2015

- (1) The accounts have been prepared in accordance with the Sri Lanka Accounting Standards.
- (2) Fixed Assets depreciated on the fixed installments (i.e.) Straight line Basis. The depreciation for the year of purchase is provided in proportion to the date of purchase. Full depreciation is provided on buildings, in the year of completion of construction, irrespective of the date of completion.

The depreciation rates are as follows:

Vehicles	20%
Plant & Machinery	10%
Tools & Equipment / Office Equipment	10%
Tube Wells	10%
Furniture & Fittings	06%
Buildings – Permanent	03%
Buildings – Semi Permanent	33 1/3%

- (3) An item of property, plant and equipment that qualifies for recognition as an asset is be measured at cost.

After recognition as an asset, an item of PPE whose fair value can be measured reliably shall be carried at a revalued amount (being its fair value at the date of the re-valuation) less accumulated depreciation and any accumulated impairment losses.

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

a. Cashew Kernels &

Cashew Nut Shell Liquid - Cost and Net realizable
Value whichever is lower.

b. Cashew Seeds

- Guaranteed Floating/
- Marketing price

- | | | |
|----|------------------|---|
| c. | Sheep & Cattle | - Market Price in the region
(Live weight) |
| d. | Coconut | - Since realized Value |
| e. | All other stocks | - At cost |
- (5) Head Office Charges have been apportioned among the cost centers on the basis of total salary expenditure incurred for the cost centers.
- (6) The basis of apportionment of Plantation General Expenditure to mature, immature area, nursery & Animal husbandry on the actual labour days.
- (7) Amortizing of Cashew & Coconut Mature Areas is at 5% per annum.
- (8) The provision for bad doubtful debts is made at 3.53% on total debts. Difference in the provision, Provision account is transferred to write off bad debts account for the final year.
- (9) Past service cost arising during the period of completion of the minimum period of service for illegibility, for gratuity payable under the Act, is charged to income during the accounting year the employees complete the minimum period of service. Present service cost arising during the period, after the completion of minimum period is charged to income during the related accounting year.
- (10) Revenue shall be measured at the fair value of the consideration received or receivable.

Revenue from the Sales of Goods shall be recognized when all the following conditions have been satisfied.

- The entity has transferred to the buyer the significant risk and rewards of ownership of the goods.
- The entity retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

- The amount of revenue can be measured in reliably.
 - It is probable that the economic benefits associated with the transaction will flow to the entity and
 - The cost incurred or to be incurred in respect of the transaction can be measured reliably.
- (11) When the capital Grant is allocated and realized, to the corporation that is usually capitalized after identifying related capital assets and other development activities which are considered as long term assets in accordance with the Accounting Standards.

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

- (12) The effective date of the revaluation of Motor Vehicles is determined as 01.01.2009 and the revaluation is done by an independent committee which headed by a Mechanical Engineer of a reputed government institution.
- (13) The administration expenses with regard to the production of cashew budded and seedling plants have been distributed proportionately among the service and commercial cost centres based on the actual number of plants produced and distributed.

Sri Lanka Cashew Corporation

Note - 01

Property, Plant & Equipment:

Asset	Cost/Revaluation Value as at 01.01.2015 (Rs.)	Additions/Revaluation During the Year (Rs.)	Disposal/Transfer During the Year (Rs.)	Cost/Revaluation Value as at 31.12.2015 (Rs.)	Cumulative Depreciation as at 31.12.2015 (Rs.)	Written Down Value as at 31.12.2015 (Rs.)
Land	11,775,947.01	11,760,775.36	-	23,536,722.37	-	23,536,722.37
Buildings (Permenent)	40,347,029.15	3,958,616.00	-	44,305,645.15	16,027,100.83	28,278,544.32
Buildings (Semi Permenent)	162,210.00	81,500.00	-	243,710.00	73,281.40	170,428.60
Motor Vehicles	70,452,115.84	32,958,750.00	4,807,500.00	98,603,365.84	53,225,693.11	45,377,672.73
Plant & Machinery	14,993,679.65	275,000.00	109,272.67	15,159,406.98	10,504,680.75	4,654,726.23
Tools & Equipment	7,864,075.93	349,299.99	34,256.00	8,179,119.92	7,081,504.77	1,097,615.15
Office Equipment	9,972,172.49	577,286.50	-	10,549,458.99	8,089,529.90	2,459,929.09
Furniture & Fittings	6,395,185.32	492,787.00	-	6,887,972.32	4,132,585.04	2,755,387.28
Tube Well	826,682.00	-	-	826,682.00	474,657.25	352,024.75
Cultivation Well	644,999.00	465,756.66	-	1,110,755.66	194,559.34	916,196.32
Tank	608,824.62	-	-	608,824.62	-	608,824.62
	164,042,921.01	50,919,771.51	4,951,028.67	210,011,663.85	99,803,592.39	110,208,071.46

Sri Lanka Cashew Corporation

Note - 02

Mature Area Expenditure

		(Rs.)
Cashew	Schedule - 2A	29,218,412.24
Coconut	Schedule - 2B	<u>2,223,770.46</u>
Total		<u>31,442,182.70</u>

Schedule - 2A

Mature Area - Cashew

Plantation	Cost up to maturity as at 01.01.2015 (Rs.)	Provision for Amortization as at 31.12.2015 (Rs.)	Net Value as at 31.12.2015 (Rs.)
Hardy Plantation	2,736,310.00	1,706,417.09	1,029,892.91
Kamandaluwa Plantation	14,708,944.94	10,401,579.27	4,307,365.67
Puttalam Plantation	30,069,888.71	18,168,284.35	11,901,604.36
Eluwankulama Plant Propagation Centre	13,933,185.28	8,872,237.82	5,060,947.46
Vilachchiya Plant Propagation Centre	655,569.86	130,405.80	525,164.06
Nalanda Plant Propagation Centre	4,440,584.27	825,866.61	3,614,717.66
Mahaoya Plant Propagation Centre	1,150,848.05	115,084.80	1,035,763.25
Monaragala Plant Propagation Centre	1,936,618.75	193,661.88	1,742,956.87
Total	<u>69,631,949.86</u>	<u>40,413,537.62</u>	<u>29,218,412.24</u>

Schedule - 2B

Mature Area - Coconut

Plantation	Cost up to maturity as at 01.01.2015 (Rs.)	Provision for Amortization as at 31.12.2015 (Rs.)	Net Value as at 31.12.2015 (Rs.)
Hardy Plantation	1,369,822.51	479,437.91	890,384.60
Kamandaluwa Plantation	2,437,612.22	1,201,424.43	1,236,187.79
Puttalam Plantation	431,998.76	334,800.69	97,198.07
	<u>4,239,433.49</u>	<u>2,015,663.03</u>	<u>2,223,770.46</u>

Sri Lanka Cashew Corporation

Note - 03

Immature Area Expenditure

		<u>(Rs.)</u>
Cashew	Schedule - 3A	28,794,547.00
Coconut	Schedule - 3B	<u>4,448,227.25</u>
Total		<u>33,242,774.25</u>

Schedule - 3A

Immature Area - Cashew

Plantation	Cost as at 31.12.2015 (Rs.)
Hardy Plantation	2,315,771.69
Kamandaluwa Plantation	3,317,964.70
Puttalam Plantation	3,294,716.57
Eluwankulama Plant Propagation Centre	701,634.10
Manrkerni Plantation	1,284,884.70
Elkaduwa Plant Propagation Centre	1,518,669.30
Mahaoya Plant Propagation Centre	479,418.25
Monaragala Plant Propagation Centre	306,257.84
Research & Development	1,462,458.89
Nedagamuwa Processing Centre	135,360.40
Oyamaduwa Plant Propagation Centre	9,022,730.05
Villachchiya Plant Propagation Centre	21,783.98
Kondachchi Plant Propagation Centre	<u>4,932,896.53</u>
Total	<u>28,794,547.00</u>

Schedule - 3B

Immature Area - Coconut

Plantation	Cost as at 31.12.2015 (Rs.)
Hardy Plantation	1,924,923.91
Kamandaluwa Plantation	802,012.46
Puttalam Plantation	630,182.49
Oyamaduwa Plant Propagation Centre	<u>1,091,108.39</u>
Total	<u>4,448,227.25</u>

Sri Lanka Cashew Corporation

Note - 04

Other Small Projects

Project	Cost as at 31.12.2015 (Rs.)
Teak Plants Project	482,874.09
Black Gram Project	40,000.00
Papaya Project	272,465.64
Banana / Citrus Project	10,800.00
Total	806,139.73

Note - 05

Stocks

	(Rs.)
Sundries	4,072,068.74
Wine	457,220.79
Animal Husbandry	-
Cashew Kernels	6,807,455.44
Raw Cashew Plants	14,051,225.00
Packing Materials	3,380,396.32
Coconuts	1,362,440.37
	-
Total	30,130,806.66

Note -06

Trade Debtors & Other Receivables

		(Rs.)
Trade Debtors	1,831,472.00	
Less : Pro. For Bad Debts	64,650.96	1,766,821.04
Sundry Debtors	23,987,313.85	
Less : Impairment Loss	1,343,592.00	22,643,721.85
Total		24,410,542.89

Note -07

Deposits, Advance & Prepayments

	(Rs.)
Advance	1,147,450.00
Prepayments	704,397.71
Deposits	2,435,547.50
Total	4,287,395.21

Sri Lanka Cashew Corporation

Note - 08

Cash & Cash Equivalents

	<u>(Rs.)</u>
Cash in Transit	122,078.00
Cash at Bank & Cash in Hand	38,724,327.43
Total	38,846,405.43

Note - 09

Grant from other Parties

	<u>(Rs.)</u>
North East Coastal Community Development Project	6,795,904.56
Ministry of Supplementary Plantation Crop. Development	1,612,451.80
Ministry of Minor Export Crop Promotion	10,508,556.37
Total	18,916,912.73

Note - 10

Capital Reserves

	<u>(Rs.)</u>
Revaluation Reserve - Vehicles	16,929,116.63
Other Capital Reserves	512,730.22
Total	17,441,846.85

Note - 11

Current Liabilities

	<u>(Rs.)</u>
Sundry Creditors	11,778,834.66
Accrued Expenses	9,334,390.03
Total	21,113,224.69

Sri Lanka Cashew Corporation
Commercial Sector
Amalgamated Statement of Comprehensive Income For the Year Ended 31.12.2015

<u>31.12.2014</u>	Particulars	<u>31.12.2015</u>
	<u>Sales/Turn Over</u>	
63,334,146.00	Cashew Kernels	67,707,424.80
-	Cashew Mother Seeds	3,004,850.00
50,865,900.00	Cashew Plants	3,157,500.00
1,170,028.84	Coconut	1,481,898.19
-	Return Inward	(55,122.80)
115,370,074.84	Net Sales	75,296,550.19
	<u>Cost of Sales</u>	
(292,510.82)	(Increase)/Decrease In Stock	1,188,845.97
6,831,406.95	Cost of Plants Production	166,617.83
7,257,248.33	Cost of Kernels Production/Over Heads	22,998,006.00
19,939,368.87	Mature Area Admin. Expenditure	21,355,753.45
8,640,179.67	Mature Area Direct Expenses	9,345,547.13
62,375,693.00	Total Cost of sales	55,054,770.38
52,994,381.84	Gross Profit/ (Loss)	20,241,779.81
	<u>Expenditure</u>	
29,345,618.67	Administration Expenses (Processing Centres & Nurseries)	16,102,968.44
23,648,763.17	Profit / (Loss) Before Amortization	4,138,811.37
3,283,050.99	Amortization	3,283,051.20
20,365,712.18	Profit/(Loss) After Amortization	855,760.17
313,034.62	Profit/(Loss) Wine	227,361.39
129,400.00	Profit/(Loss) Processing Equip.	33,500.00
8,586.81	Profit/(Loss) Papaya Project	(152,344.97)
(307,992.97)	Profit/(Loss) Animal Husbandry	(1,266,682.36)
20,508,740.64	Operational profit / (Loss)	(302,405.77)
	<u>Other Income</u>	
21,235,000.00	Government Grant (Recurrent)	27,798,000.00
265,147.00	Profit/(Loss) Disposal of Fixed Assets	10,168,605.39
-	Profit/(Loss) Burglary	38,306.39
3,151,683.11	Interest Income	2,451,182.75
498,181.30	Sundry Income	2,474,094.75
161,036.82		2,291,036.81
25,311,048.23	Total Other Income	45,221,226.09
	<u>Other Expenses</u>	
24,050,413.02	Administration Expenses (Head Office)	27,897,829.00
21,769,375.85	Net Profit/(Loss)	17,020,991.32

Sri Lanka Cashew Corporation

Service Sector

31.12.2014

Income & Expenditure Account for the Year Ended 31.12.2015

(Rs.)

Income

17,072,009.24	Government Grant - Capital	- Current Year	23,382,225.18
		- Amortization	
2,215,710.37		Other Assets	2,318,239.65
-		03 Cabs	3,195,000.00
28,765,000.00	- Recurrent		38,302,000.00

Sundry Income

	- Extension service	111,620.00	
	- Research & Development	26,455.00	
			138,075.00
48,052,719.61	Total Income		67,335,539.83

Less;

Expenditure

32,578,767.62	Head Office	38,438,172.65	
17,072,009.24	Under Capital Grant	23,382,225.18	
42,451,595.13	Extension Service	51,705,959.87	
-	Central Nurseries	12,114,885.83	
2,839,104.31	Research & Development	3,891,016.26	
731,327.44	Oyamaduwa Plant Propagation Centre	569,763.68	
206,933.20	Kondachchi Plant Propagation Centre	1,982,549.66	
95,879,736.94	Total Expenditure		132,084,573.13

Expenditure Over Income during the Year

(47,827,017.33)	Transferred to Final Amalgamated Profit/Loss Account		(64,749,033.30)
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Sri Lanka Cashew Corporation

Final Amalgamated

31.12.2014

Statement of Comprehensive Income For The Year Ended 31.12.2015

<u>(Rs.)</u>		<u>(Rs.)</u>
21,769,375.85	Net Profit/(Loss) earned from the Commercial Sector	17,020,991.32
<u>(47,827,017.33)</u>	Expenditure Over Income for the Year - Service Sector	<u>(64,749,033.30)</u>
<u>(26,057,641.48)</u>		<u>(47,728,041.98)</u>
996,618.81	Prior Year Adjustment	-
81,339,297.02	Profit / (Loss) Brought Forward	<u>56,278,274.35</u>
82,335,915.83		56,278,274.35
<u>56,278,274.35</u>	Profit / (Loss) Carried Forward	<u>8,550,232.37</u>

SRI LANKA CASHEW CORPORATION

CASH FLOW STATEMENT

Consolidated cash Flow Statement for the year ended 31st December 2015.

	<u>Year ending 31st December - 2015</u>	
	(Rs.)	(Rs.)
<u>Cash Flows from Operating Activities</u>		
Loss for the year		(47,728,041.98)
<u>Adjustments for items not involving movement of cash</u>		
Depreciation	17,695,062.67	
Amortization of plantation Assets	3,437,424.54	
Provision for Gratuity	12,242,906.37	
Bad debtors written off & Pro. for Impairment Loss	384,277.97	
Profit on Dispose fixed Assets	(5,395,119.99)	
Capital Reserve Written off to Profit & Loss Account	(4,773,485.40)	
Loss on Burglary - Tools & Equipment	21,846.87	
Written off Capital work in Progress	1,046,491.00	
Written off Other Small Project	237,187.85	
Adjustment to Mature Area (Hardy)	261,468.96	
Government Grant Amortization	(31,186,501.64)	
		<u>(6,028,440.80)</u>
Operating Profit/(loss) before changes in items of Working Capital		<u>(53,756,482.78)</u>

SRI LANKA CASHEW CORPORATION

Changes in items of Working capital

Stocks - (Increase)/Decrease	18,581,307.76	
Debtors - (Increase)/Decrease	48,085.69	
Advances and Prepayments - (Increase)/Decrease	5,792,348.03	
Creditors - Increase/(Decrease)	(2,132,590.15)	
Accrued Expenses - Increase/(Decrease)	(1,758,747.05)	
		20,530,404.28
		(33,226,078.50)
Payment of Gratuity		(2,186,852.25)
Cash used in/generated from operating activities		(35,412,930.75)

Cash flows from Investing Activities

Purchase of fixed assets	(18,969,771.51)	
Investment on New Planting	(7,389,946.53)	
Sale Proceeds from Property, Plant & Equipment	5,395,125.95	
Grant from Other Parties		
Investments on Other Small Projects	(428,733.20)	
		(21,619,336.94)
		(57,032,267.69)

Cash Flows from Financial Activities

Government Grant		35,000,000.00
Increase in cash & cash equivalents		(22,032,267.69)
Cash & cash equivalents at beginning of the year	(Note-01)	60,878,673.12
		38,846,405.43

Note - 01

	<u>As at 01.01.2015</u>	<u>As at 31.12.2015</u>
Cash at Bank & Cash in hand	60,794,964.18	38,724,327.43
Cash in Transits	83,708.94	122,078.00
	60,878,673.12	38,846,405.43

Sri Lanka Cashew Corporation
Changes in Equity Statement for the year ended 31.12.2015

Changes	Initial Capital	Government Grant-Capital	Grant from NECCD Project	Grant from MSPCD	Revaluation Reserve	Other Capital Reserves	Grant from MMECP	Profit & Loss Account	Total (Rs.)
Balance as at 01.01.2015	40,000,000.00	78,956,936.39	7,021,916.21	1,612,451.80	21,702,602.03	512,730.22	10,669,593.18	56,278,274.35	216,754,504.18
Grant Received during the year	-	35,000,000.00	-	-	-	-	-	-	35,000,000.00
Grant Received for Vehicle during the year	-	31,950,000.00	-	-	-	-	-	-	31,950,000.00
Transfers to Profit & Loss Account	-	(31,025,464.83)	(226,011.65)	-	-	-	(161,036.81)	-	(31,412,513.29)
Transfers to Assets disposal Account	-	-	-	-	(4,773,485.40)	-	-	-	(4,773,485.40)
Prior year Adjustment	-	-	-	-	-	-	-	-	-
Net Profit / (Loss) for the period	-	-	-	-	-	-	-	(47,728,041.98)	(47,728,041.98)
Balance as at 31.12.2015	40,000,000.00	114,881,471.56	6,795,904.56	1,612,451.80	16,929,116.63	512,730.22	10,508,556.37	8,550,232.37	199,790,463.51

NECCD -North East Coastal Community Development Project

MSPCD - Ministry of Supplementary Plantation Crops Development

MMECP -Ministry of Minor Export Crops Promotion



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல. } AGL/C/SLC/I/15/FA
My No. }

මගේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி }
Date }

27 July 2016

The Chairman

Sri Lanka Cashew Corporation

Report of the Auditor General on the Financial Statements of the Sri Lanka Cashew Corporation
for the year ended 31 December 2015 in terms of Section 14(2) (c) of the Finance Act, No. 38 of 1971.

The audit of financial statements of the Sri Lanka Cashew Corporation for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 23 of the State Agricultural Corporations Act, No. 11 of 1972. My comments and observations which I consider should be published with the Annual Report of the Corporation in terms of Section 14(2) (c) of the Finance Act appear in this report. A detailed Report in terms of Section 13(7)(a) of the Finance Act was furnished to the Chairman of the Corporation on 26 April 2016.

1.2 Management's Responsibility for the Financial Statements

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





1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The Procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

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

1.4 Basis for Qualified Opinion

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



2. Financial Statements

2.1 Qualified Opinion

In my opinion, expect for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Sri Lanka Cashew Corporation as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

Instances of non-compliance with the Accounting Standards are given below.

(a) Sri Lanka Accounting Standard 01

- I. The basis adopted for the preparation and presentation of financial statements had not been disclosed.
- II Even though the other requirements should have been disclosed in terms of Section 138, the following information had not been disclosed.
 - (i) Addresses of the registered office or the principal business premises.
 - (ii) Operations and key functions of the Corporation.

(b) Sri Lanka Accounting Standard 02

Instead of valuing the stock by separately computing the cost, the stock had been valued at the average cost of all the products. As such, the market price of the cashew related products had been lesser than the cost.



(c) Sri Lanka Accounting Standard 10

Since the date approved for the issue of financial statements in accordance with Section 17 is important for the users of the financial statements, the approval dated of the financial statements should be disclosed. Nevertheless, the Corporation had not disclosed the approval date of the financial statements.

(d) Sri Lanka Accounting Standard 16

- I. Fully depreciated 19 vehicles were further being used, whereas action had not been taken to revalue and bring to account in order to show their fair value.
- II. The accumulated depreciation as at the beginning of the year under review, depreciation relating to the year under review and the depreciation of the assets disposed of relating to property, plant and equipment had not been disclosed.

(e) Sri Lanka Accounting Standard 19

The requirements that should be disclosed on the employees' benefits had not been properly disclosed in terms of the Standard.

(f) Sri Lanka Accounting Standard 37

The contingent liabilities should be disclosed in the financial statements. Nevertheless, the cases filed against the Corporation by two officers who had served in the Corporation claiming compensation had not been disclosed in the financial statements.

(g) Sri Lanka Accounting Standards 41

The biological assets of the Corporation, that is, cashew trees, had not been brought to account at the fair value in accordance with the Standard and the following disclosures had not been made.



- I. The financial risk strategies relating to the agricultural activities.
- II. Each biological assets category and the nature of activities.
- III. The physical quantities of each biological asset and the non-financial pre-measurement estimates relating to yield harvested during the period.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) The interest amounting to Rs.43,968 receivable for the year under review for the fixed deposits had been understated in the accounts.
- (b) Expenditure of Rs.364,664 relating to the year under review had not been brought to account as accrued expenditure and the amount payable for the laboratory equipment valued at Rs.53,000 purchased by the Nedagamuwa Processing Centre in September 2015 had not been accounted under the creditors.
- (c)
 - (i) A loan amounting to Rs.3,500,000 obtained under 6 per cent annual interest from the Treasury through the Ministry of Agriculture, Marketing Development, Cooperative Development, Hindu Religious Affairs and Auxiliary Education and Vocational Training on 08 April 2005 had not been shown under the long term debts and it had been shown under the current liabilities in the accounts.
 - (ii) Allocation for the interest of Rs.210, 000 payable for that loan for the year under review had not been made and the interest of Rs.2, 240,000 payable up to 31 December 2015 had not been shown as current liabilities.
- (d) The sum amounting to Rs.791,465 payable for the Crop Insurance had been shown as current liabilities in the accounts instead of being shown under the long term liabilities.



- (e) Although the total value of the Agrarian Well constructed at the commercial nursery, Mihinthale was Rs.517,507, that value had been shown as Rs.465,756 under the fixed assets. Accordingly, fixed assets had been understated by Rs.51,751.

2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non-compliances were observed.

Reference to Laws, Rules, Regulations, and Management Decisions	Non compliance
(a) Inland Revenue Act, No.10 of 2006	Even though the Corporation is an institution liable for income tax, action had not been taken for the preparation of Income Tax Returns for the years of assessment 2011/2012, 2012/2013, 2013/2014 and 2014/2015 or for the payment of income tax.
(b) Value Added Tax Act, No.14 of 2002 and Nation Building Tax Act, No. 9 of 2009	Where the institution supplying wholesale and retail sale goods is the manufacture of the same goods and where the turnover per quarter exceeds Rs.3 million or the annual turnover exceeds Rs.12 million, the institution should register for Value Added Tax and Nation Building Tax, but action had not been taken accordingly.



(c) Section 3.5 of Chapter XXIV of the Establishments Code of Democratic Socialist Republic of Sri Lanka

In the payment of Distress Loans, instances in which loan had been granted exceeding the 40 per cent deduction limit of the debtors and the guarantors were observed.

(d) Public Enterprises Circular No.95 dated 14 June 1994

Even though the benefits specifically approved by the Ministry of Public Administration or the General Treasury only could be paid to the employees under the approval of the Board of Control, contrary to that, transport allowance amounting to Rs.2,368,801 at the rate of Rs.5,000 and Rs.1,500 per month for the officers at managerial level and the other employees respectively had been paid up to October of the year under review.

(e) Paragraph 10 of the Public Finance Circular No. 02/2015 dated 10 July 2015.

As stipulated in the circular instructions with regard to the transfer of vehicles and sales income, the vehicle sales income should be credited to the Consolidated Fund. Nevertheless, income of Rs.5,306,351 earned by the sale of vehicles of the Corporation during the year under review had not been remitted to the Treasury.



3. Financial Review

3.1 Financial Results

- (a) According to the financial statements presented, the operations of the Corporation for the year under review had resulted in a deficit of Rs.47,728,042 as compared with the deficit of Rs. 26,057,641 for the preceding year. Accordingly, as compared with the preceding year, an increase of the deficiency by Rs.21,670,401 was observed. The decrease of the expenditure of the Commercial Division by Rs.40,073,524 and the increase in the expenditure of the Cashew Project Service by Rs.9,254,364 and increase in the expenditure of nurseries by Rs.12,114,885 had been the main reasons for this deficit.
- (b) In analyzing financial results of the year under review and three preceding years, the financial results of the year 2012 amounting to a net profit of Rs.44,233,832 and it had ceaselessly deteriorated to a net loss of Rs.47,728,042 in the year 2015. However, when taking into consideration employees' remunerations and depreciations, contribution in the year 2012 amounting to Rs.100,906,166 had decreased to Rs.41,851,749 or by 141 per cent in the year 2015.
- (c) The payments for the employees' remunerations of the Corporation in the year 2012 was Rs.45,592,055, whereas it had been Rs.71,884,727 during the year under review thus showing a 57 per cent increase.

3.2 Analytical Financial Review

(a) Operations

- I. The gross profit ratio of the Commercial Divisions of the Corporation in the year 2015 was 27 per cent and it was 46 per cent in the year 2014. Accordingly, a 19 per cent decrease was observed as compared with the year 2014.



- II. When comparing sales income of the cashew related products of the year 2015 with sales income of the years 2011 to 2014, a decrease in the sales income in the year 2015 was observed.

4. Operating Review

4.1 Performance

In terms of State Agricultural Corporations Act, No. 11 of 1972, the main objectives of the establishment of the Corporation were the cultivation, production, processing and purchase of cashew, preparation of marketing plans, conduct of investigations and researches, collecting, preparing, publishing and distributing information on marketing and other information, training of persons required for processing cashew related products and promotion of the demand for the productions in the international markets. However, the following matters were observed on the achievement of the objectives.

- (a) Action had not been taken to train persons required for processing cashew related products and to promote global markets for the cashew products.

(b) Cashew Cultivation

- (i) Even though Puttalam Cashew Plantation had a land area 960 acres in extent, only 240 acres had been utilized for the cashew cultivation. Accordingly, 720 acres remained idle.
- (ii) Cashew trees that standing on Puttalam, Kamandaluwa and Hardy Estates had exceeded 30 years and as such yield had been at a minimal level.

(c) Implementation of Subsidy Programme

For the purpose of propagation of cashew, 560,000 plans comprising 200,000 grafted plants and 80,000 cashew seedlings had been distributed per year among the farmers in the years 2014 and 2015. The following observations are made in this connection.



- (i) Grafted cashew plants amounting 34,240 and 36,000 had been distributed in the year 2014 by spending Rs.2,054,400 and Rs.2,152,800 for 09 Divisional Secretariats in Puttalam District and 11 Divisional Secretariats in Kurunegala District respectively. It was observed at the physical verification conducted that the expected targets had not been achieved as 22,204 or 65 per cent cashew plants in Puttalam District and 13,027 or 36 per cent cashew plants in Kurunegala District had perished.
 - (ii) It was observed that out of 280,000 cashew plants distributed, only 130,303 plants had been successful and as such the expected outcome of the Cashew Subsidy Project had not been achieved.
 - (iii) Even though cashew plants for 4500 acres had been supplied under the subsidy programme in the year 2014, it was observed that there was not even a single cashew plant in 422 acres.
- (d) Research and Development

A sum of Rs.3 million had been allocated for research and development of the year under review and out of that Rs.2.894 million had been spent. The following matters were observed in the examination of implemented research programmes,.

- (i) Although a research proposal should be presented and approval obtained before carrying out researches, action had not been taken accordingly.
- (ii) Regular and proper progress reports had not been presented so as to enable the progress of the researches to be evaluated and progress reports had been presented in the form of monthly work done reports.



4.2 Management Inefficiencies

The following observations are made

- (a) Financial Regulations and Administrative Procedural Rules had not been prepared for the Corporation and in respect of employees' arrival and departure and office hours, the Establishments Code and Public Administration Circulars and in respect of the payment of overtime, the provisions in the Shop and Office Employees Act, had been adopted in favourable manner.
- (b) The Corporation had maintained cashew cultivation in 9 estates comprising 15,329 acres in extent and out of which one estate of 200 acres, three estates of 1874 acres and five estates of 13,255 acres belonged to the Department of Agriculture, Land Reform Commission and the Government respectively and action had not been taken to acquire those lands to the Corporation.
- (c) A sum of Rs.9,466,200 was due from the Ministry of Economic Development as at 31 December 2015 in respect of providing cashew plants to the Divinegume Programme in the years 2012 and 2013 and a Ministry named the Ministry of Economic Development does not exist at present. Accordingly, the recovery of above money is questionable and steps had not been taken to recover that sum during that period itself.

5 Accountability and Good Governance

5.1 Annual Reports

Annual Reports of the Corporation pertaining to the years 2013 and 2014 had not been tabled in Parliament and the draft Annual Reports for the year 2015 had not been furnished along with the financial statements in accordance with Public Finance Circular No. PF/PE/21 dated 24 May 2002.



5.2 Budgetary Control

- I. Although the Budget for the relevant year should be prepared so as to enable the budget figures to be reviewed with the actual expenditure of the preceding year, Budget presented by the Corporation for the year under review had not included the actual expenditure of the preceding year.

- II. A variance between the budgeted expenditure and actual expenditure of 26 budgeted items ranging from 20 per cent to 1102 per cent was observed and as such the budget had not been made use of as an effective instrument of financial management control.

6. Systems and Controls

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

(a) Staff Administration

Financial and Administrative Procedural Rules had not been prepared for the Corporation and recruitment and promotions of employees had been carried out deviating from the approved scheme.

(b) Budgetary Control

A formal Budget approved by the Board of Directors had not been furnished.



(c) Assets Management

Action had not been taken to take over the legal possession of the estates.

(d) Financial Control

Action had not been taken to recover the loans due from the sale of cashew plants of the Corporation within the relevant period.

H.M. Gamini Wijesinghe

Auditor General

Expression of opinion with regard to the issues raised by the Auditor General's Report issued in terms of the section 14 (2) (c) of the Financial Act no: 38 of 1971 on the Financial Statements of the Sri Lanka Cashew Corporation for the year. ended.31st December 2015 and intimation of corrective measures expected to be taken.

2.2.1 (a) I All measuring base relevant to the Accounts items forwarded by financial statements have been disclosed.

2.2.1 (a) II In the preparation of the annual report for the respective year, the annual accounts are presented as a part of the said report. All facts mentioned in this audit query have been incorporated into the chairman's report, included in the relevant annual report.

2.2.1 (b) Processing and value addition is a complex process and the services of a Chartered Accountants' Institution was obtained to calculate the cost to suit the process. Also, the sale price of the products were decided according to the market competition, with the intention of earning a profit from the total sale, in the end. Accordingly a profit of Rs. 7.34 million has been earned in 2015 from the sale of cashew.

2.2.1 (c) The Board of Directors at its meeting on 24.02.2016 approved the Financial Statements of the corporation for the year 2015. From the year 2016 onwards, necessary action will be taken to include the details mentioned in this audit paragraph, in the Financial Statements.

2.2.1 (d) I It has been planned to complete these revaluation works in the year 2016.

2.2.1 (d) II Noted down to include the relevant disclosures in the financial statements in the year 2016, accordingly.

2.2.1 (e) The relevant Accounting Policies will be adhered to from the year 2016 onwards.

- 2.2.1 (f)** Action will be taken to mention the necessary notes in this respect, in the financial statements in 2016..
- 2.2.1 (g)** The corporation does not have the necessary expertise to satisfy the requirements of this accounting policy, and action will be taken to complete the task by obtaining the services of an outside expert in the ensuing year.
- 2.2.2 (a)** Relevant adjustments in the accounts books will be made in the year 2016 in this respect.
- 2.2.2 (b)** Within the year 2016 action will be taken to enter the accrued expenses herein mentioned in the accounts books, properly.
- 2.2.2 (c) I,II** Action will be taken to mention the loan amount herein mentioned under the non-movable liabilities in the Financial Status Statement in the year 2016.
- Also, necessary action will be taken from 2016 onwards, pertaining to the payment of this loan and interest, on concessionary basis through discussion with the officers of the Paddy Marketing Board.
- 2.2.2 (d)** The approval of the Board of Directors has been granted to write off this amount payable, from the accounts books subject to the approval of the treasury.
- 2.2.2 (e)** Necessary adjustments in this regard, will be made in accounts books in the year 2016.
- 2.3 (a)** Necessary action will be taken following discussions with the Department of Inland Revenue held in 2016.
- 2.3 (b)** Action will be taken in respect of the payment of relevant taxes in 2016.

2.3 (c) Payments are not made exceeding the relevant limit of deduction at present. All loan amounts have been duly recovered during the relevant period.

2.3 (d) Treasury funds are not utilized in the payment of the transport allowances herein mentioned and these allowances are paid out of the funds earned by the corporation, as a benefit being granted. to the staff of the corporation.

The approval of the Board of Directors of the Corporation, the approval of the Hon. Minister of the line Ministry at the time and the approval of the Secretary to the said Ministry have been obtained for the payment of these allowances.

2.3 (e) Action will be taken to credit the relevant funds to the consolidated fund during the year 2016.

4.1 (a) Even though training workshops were conducted every year for cashew processors at the training centre of the Nedagamuwa processing centre of the corporation, prior to the year under review, new entrées to the processing sector had remained at a very low level, due to the significant drop of raw cashew harvest island wide during the year under review (2015). Since the number of applicants who applied for training had been well under the minimum number of participants for a training workshop, a training workshop for processors could not be conducted.

Also, on account of the financial difficulties encountered by the corporation, no programmes to promote cashew products in the world market were implemented nor corporation's officers were made to participate in international training programmes, to gain knowledge in this respect.

4.1 (b) I, II In taking note of the matters mentioned in these audit paragraphs, it should be primarily mentioned that not 240 acres of the puttlam estate, but the whole 960 acre land has been utilized for cultivation purposes. However when taking into consideration lands which cannot be utilized for cashew cultivation and land with cashew trees destroyed due to pest damage and various weather and climatic conditions, it is acceptable that there exists a large area without cashew crops at random within the whole area of land.

Even though matters to support that attention has not been paid to new cultivations, was mentioned in the audit query, already new bud grafted and seedling cashew cultivations have been carried out in approximately 87 acres in the puttlam estate. The number of new cashew trees established under these cultivations amounts to 3448, which makes up areas with still immature and unyielding crops.

4.1 (c) I-III The planting of cashew plants were carried out under the cashew cultivation subsidy programme of the putt lam district during the period from October - December 2014..

Excessive rainfall was experienced in putt lam area from October to December 2014 (168.2 mm, 239.1 mm and 449.9 mm respectively during the relevant months) and it dropped in the months January, February and March, to 11.3 mm and 34.9 mm respectively. Excessive rainfall which prevailed at the time of the planting of cashew seedlings, contributing to reducing the air in the soil and the spreading of various fungal infections has resulted in the destruction of a large number of cashew seedlings. In addition to this, the rapid growth of weeds due to heavy rainfall has also had an impact on this.

Similar weather and climatic conditions affected a large number of cashew seedlings planted under the Subsidy Scheme in the Kurunegala District, which resulted in the destruction of the seedlings.

- 4.1 (d) (i)** All research work of the corporation is discussed, by the Cashew Research and Management Committee, comprised of Professors and Lecturers of the University of Wayamba, at its meeting and decisions are reached at, before implementation. This committee has been in operation for a period of 20 years within the corporation which included the Chairman, General Manager and the Assistant General Manager in charge of the Research Division as members. Accordingly, the necessary approval for the research proposals are granted by this committee.
- 4.1 (d) (ii)** The progress of all research activities is reported monthly to the Board of Directors, in writing, incorporating the details of the relevant research work.
- 4.2 (a)** The corporation has adhered to the provisions of the Establishment code as well as the provisions of the Shop and Office Employee's Act from the date of its inception to suit various circumstances and has employed such provisions in the manner beneficial to the government, as mentioned in this audit query.
- 4.2 (b)** Necessary action is being taken with regard to the acquisition of these lands through the line Ministry
- 4.2 (c)** Even though all arrangements had been made through the line Ministry, to recover this amount during the relevant period, this amount was not received from the Ministry of Economic Development.
- 5.1** The annual reports for the year 2013 and the year 2014 have been submitted to the line Ministry, for the purpose of obtaining approval of the Cabinet of Ministers and the draft annual report for the year 2015 is currently being prepared
- 5.2 I** All relevant documents have been duly prepared and submitted

5.2 II The actual expenditure of the corporation has not exceeded the approved budget of expenditure estimates. Accordingly, the matters contained in this audit paragraph is not clear.

6(a)-(d) Special attention will be paid to these areas of control in future and will act accordingly.

Sri Lanka Cashew Corporation

Five Year Summary

PROFIT & LOSS ACCOUNT	2015 Rs.	2014 Rs.	2013 Rs.	2012 Rs.	2011 Rs.
Net Sales	75,297	115,370	134,180	150,107	117,750
Cost of sales	(55,055)	(62,376)	(82,586)	(59,939)	(58,707)
Gross Profit	20,242	52,994	51,594	90,168	59,043
Other income	13,974	4,219	10,494	1,846	2,947
Recurrent Grant	27,798	21,235	22,775	25,910	22,403
Administration Expenses	(44,001)	(53,396)	(43,493)	(44,455)	(35,383)
Amortization	(992)	(3,283)	(3,045)	(3,715)	(3,491)
Net Profit From Commercial Sector	17,021	21,769	38,325	69,754	45,519
Expenses Over Income From Service Sector	(64,749)	(47,826)	(37,358)	(25,520)	(25,070)
Net Profit/Loss	(47,728)	(26,057)	967	44,234	20,449
BALANCE SHEET					
Non Current Assets					
Property Plant & Equipment	110,208	77,005	63,916	64,986	4,509,794
Mature Area Expenditure	31,442	35,141	30,466	31,620	66,480
Capital Working Progress	-	1,046	215	-	-
Immature Area Expenditure	33,243	25,853	29,288	19,982	40,559
Other Small Projects	806	615	619	707	739
Total Non Current Assets	175,699	139,660	124,504	117,295	4,617,572
Current Assets					
Stock	30,131	48,712	29,460	46,135	37,706
Trade Debtors & Other Receivables	24,411	24,843	60,042	70,822	7,744
Advance & Prepayments	4,287	10,080	5,461	3,374	2,464
Cash & Cash Equivalents	38,846	60,879	66,529	28,676	45,787
Total Current Assets	97,675	144,514	161,492	149,007	93,701
TOTAL ASSETS	273,374	284,174	285,996	266,302	4,711,273
Equity & Liabilities					
Equity					
Initial Capital	40,000	40,000	40,000	40,000	-
Government Grant	114,881	78,957	58,745	34,959	258,822
Grant from Other Parties	18,917	19,304	19,691	17,911	13,570
Capital Reserves	17,442	22,215	22,241	23,676	4,464,179
Profit & Loss Account	8,550	56,278	81,339	77,788	(88,803)
Total Equity	199,790	216,754	222,016	194,334	4,647,768
Non Current Liabilities					
Provision for Gratuity	52,471	42,415	33,875	31,272	27,835
Vehicle Lease	-	-	3,257	6,513	-
Total Non Current Liabilities	52,471	42,415	37,132	37,785	27,835
Current Liabilities					
Trade Creditors & Other Payables	21,113	25,005	26,849	34,183	35,670
Total Current Liabilities	21,113	25,005	26,849	34,183	35,670
TOTAL EQUITY & LIABILITIES	273,374	284,174	285,997	266,302	4,711,273
Return on Net Assets %	(23.9)	(12.0)	0.44	22.76	0.44
Net Profit Ratio %	(63.4)	(22.6)	0.7	29.5	17.4
Current Ratio Times	4.6	5.8	6.0	4.4	2.6
Quick Asset Ratio Times	3.2	3.8	4.9	3.0	1.6
Total Income to Total Expenditure	0.8	0.9	1.0	1.3	1.2