



**BOARD OF INVESTMENT OF SRI LANKA**  
**MINISTRY INVESTMENT PROMOTION**



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## Message from the Chairman



World-class organizations are defined by certain core characteristics: expertise, innovation and a passion for serving constituents, to name a few. These same words fittingly define the Board of Investment of Sri Lanka, a distinguished institution for which I have the privilege of serving as Chairman of the board.

On the investment front, the BOI have channeled approximately USD 1,616 million worth of Foreign Direct Investment to Sri Lanka in 2014. This is in comparison to USD 1,391 million in 2013. The BOI has embarked in 2014 on a more focused strategy for promoting investment. Hence, the BOI moved towards targeting specific sectors, companies and countries in order to evolve an investment matrix that would provide more focus to the promotions team.

In this year, BOI participated in many promotion activities and some foreign missions such as Second China South Asia Exposition, China Guangdong 21st Century Maritime Silk Road EXPO, Investment Promotion Seminar in Singapore, Sweden, Vietnam and also has signed MOUs with Bank of Tokyo Mitsubishi UFJ Ltd (BTMU) and Mizuho Bank Ltd with a view to promote Japanese Investment into Sri Lanka. Further the BOI sponsored the Asia Pacific Business Forum 2014 (APBF) and the forum took place in Colombo this year.

We believe that foreign direct investments are important for the development of national economy in developing countries. These investments also boost employment in countries, depending on their distribution in industries. We know that foreign direct investments create a strong demand for qualified labor force especially in technology-intensive industries. Depending on the level of technology use, these investments are a major channel for technology transfer and play a substantial role in the development of technology and added value-oriented competitiveness in the country.

On behalf of the entire Board of Directors, I thank the BOI Staff for carrying forth the BOI's outstanding legacy and enduring commitment to serving the public. We are pleased to report that BOI had another year of good results, despite challenges in the global economy and here at home.

**Dr Lakshman Jayaweera**  
**Chairman**  
**Board of Investment of Sri Lanka**

## BOI Profile

The Board of Investment of Sri Lanka (BOI) was incorporated as a statutory body in 1978 named Greater Colombo Economic Commission (GCEC), to function as the government's principal agency for promotion, coordination and facilitation of industrial development in designated areas of Sri Lanka. The initial model of development was to demarcate specific areas as Export Promotion Zones for which concessions and other facilities were provided. These Zones were initially established in Katunayake and Biyagama. Later more Zones were added progressively, now resulting in a total of 14 Zones.

The GCEC was changed to BOI in 1992 by an act passed in Parliament expanding its scope to cover the entirety of the country. Prior to that, its authority was confined to the specific areas demarcated in Export Processing Zones hitherto established in Katunayake, Biyagama and Koggala. BOI has since evolved from an agency primarily responsible for the promotion, coordination and facilitation of foreign and local investment in the area of industrial exports, to its present role which includes the promotion, coordination and facilitation of investments into the services and infrastructure sectors as well.

## Objectives

The key objectives of the BOI focuses on fostering and generating economic development, widening and strengthening the base of the economy, encouraging and promoting local investments and Foreign Direct Investments, diversifying the sources of foreign exchange earnings and increasing export earnings, promoting innovation and adoption of new technologies and the generation of new employment opportunities and establishing Investment Promotion Zones (IPZs) throughout the country especially through public private partnerships.

## Role

To target and attract investments to thrust sectors supporting implementation of the government's investment policy and to progressively increase the level of FDI thereby contributing towards achieving national growth targets.

The BOI acts as the first point of contact for investors who intend to set up projects in manufacturing, infrastructure, tourism, agriculture, IT related services or other chosen sector in Sri Lanka. Information and guidance is provided prior to submission of the project application and when required approvals from other Agencies are coordinated by the BOI.

Investment applications in respective sectors are evaluated by the BOI for approving and granting concessions on incentives, duty exemptions on raw materials and components and making recommendations to Immigration authorities for issuing visas for expatriate posts.

The BOI provides assistance to investors throughout the project cycle from the start-up to implementation and successful operation by facilitating and attending to import/export clearance, custom clearance for import of capital goods and raw material and the export of final products.

The BOI invests in the development of Investor Promotion Zones with all infrastructure facilities to provide investors with suitable sites for the implementation of projects towards a quicker enhancement of overall investments and/ or export earnings.

## VISION

"To make Sri Lanka the most preferred destination for Sustainable investment in Asia"

## MISSION

"Attract and secure sustainable investments for optimum utilization of resources and talents, through vigorous promotion and excellent investor facilitation whilst preserving harmony with the natural environment as a significant contributor in the development of the national economy".

## Board of Directors - 2014



Dr. Lakshman Jayaweera - Chairman



Mr. Channa Palansooriya – Member



Mr. Sanjeewa Wickramanayake – Member



Mr. Anura Jayasinghe - Member



Mr. Sagara Gunawardana - Member

## SENIOR OFFICERS OF THE BOI As at 31.12.2014

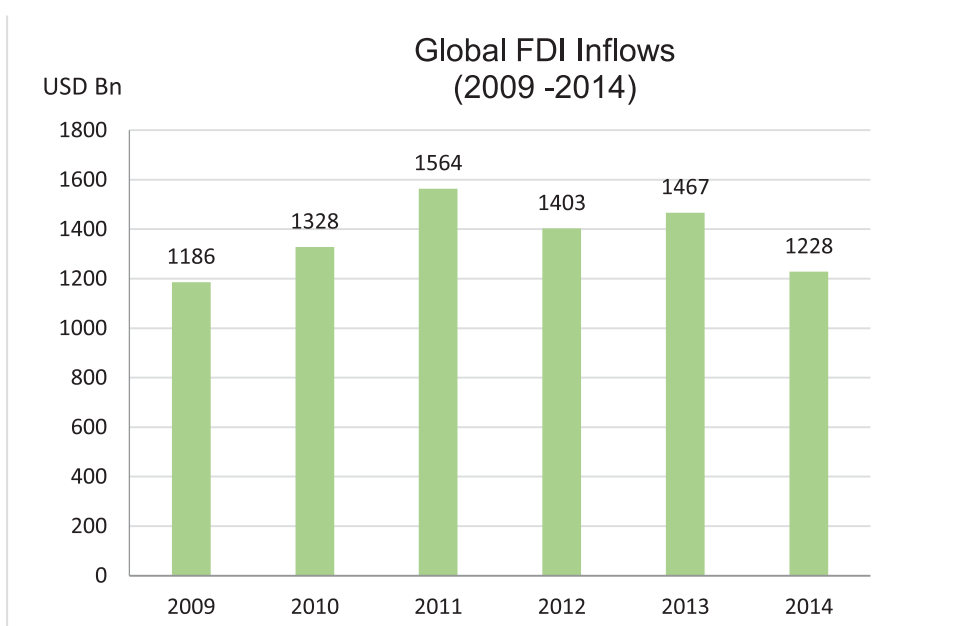
	<u>Name</u>	<u>Designation</u>
1	Dr. Lakshman Jayaweera	- Chairman
2	Mr. E A J Edirisinghe	- Director General
3	Mr. D P Ariyasinghe	- Executive Director (Project Implementation)
4	Mr. S B F De Silva	- Executive Director (Technical Services)
5	Ms. P K Walgama	- Executive Director (Legal)
6	Mr. P J Panapitiya	- Executive Director (Engineering Approvals & Special Projects)
7	Mr. U Sirigampola	- Executive Director (Zones)
8	Ms. R M Weerakone	- Executive Director (Investment Promotion)
9	Mr. S D De Silva	- Executive Director (Project Monitoring)
10	Mr. K P V D Fernando	- Director (Business Development)
11	Mr. D S Samarasinghe	- Director (Media)
12	Ms. C P Malalgoda	- Director (Research & Policy Advocacy)
13	Mr. H M Jayasundara	- Director - Kandy Industrial Park
14	Mr. U J Weerasinghe	- Director - North Western Regional Office
15	Ms. M A S Perera	- Director (Environment)
16	Ms. N De Silva	- Director (Promotion)
17	Mr. J P C Jayalath	- Director (Information Technology)
18	Ms. S P De S Mutucumarana	- Director (Finance)
19	Mr. A K Jayasinghe	- Director - Seethawaka Export Processing Zone
20	Ms. M S C Samarakoon	- Director (Legal) - Public Private Partnership & Project Monitoring
21	Mr. W A F Jayasiri	- Director (Industrial Relations)
22	Mr. M K D Lawrance	- Director - Biyagama Export Processing Zone
23	Mr. A K A Mahinda	- Director (Technical Services)
24	Mr. J Gunasekera	- Director - Koggala Export Processing Zone
25	Mr. A R Karunaratne	- Director (Human Resources)
26	Mr. R M U Senerath	- Director (Technical Administration)
27	Mr. M Ramanayake	- Director (Investor Services)
28	Mr. N N Kumaratunga	- Director (Services & Utilities) - Investment Appraisal Department
29	Mr. W U K M A Wijayakulathilaka	- Director (Manufacturing) - Investment Appraisal Department
30	Brig. D A Amunugama	- Director (Security)



## WORLD INVESTMENT SCENARIO - 2014 - FDI INFLOWS & OUTFLOWS

### FDI INFLOWS

An increasing trend of global foreign direct investment (FDI) flow can be observed during the past few decades due to liberalization of FDI regimes and market friendly investment policies adopted by the world economies. For example, global FDI flows have increased from USD 200 billion in 1990 to USD 1.47 trillion in 2013 showing a 7-fold increase and this was expected to increase further to USD 1.6 trillion in 2014. However, with the impacts of the fragile global economy, policy uncertainty for investors and elevated geopolitical risks, the global FDI inflows fell by 16 per cent in 2014 to USD 1.23 trillion.

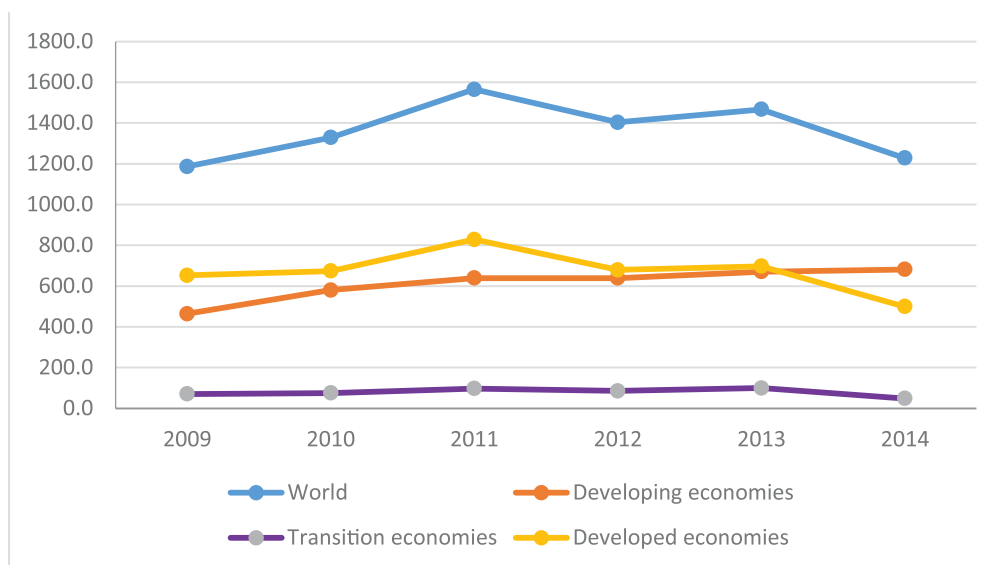


Source: UNCTAD, World Investment Report, 2015

The global FDI decline masks regional variations. While developed countries and economies in transition have shown a significant decrease, inflows to developing economies remained at historically high levels. The share of developed countries in global FDI flows has decreased from 55% in 2009 to 41% in 2014 whereas share of developing countries in global FDI flows has increased from 39% in 2009 to 56% in 2014.

The developing economies have been able to attract USD 681 billion worth of FDI inflows in 2014 with an average growth rate of 14% during the last decade. FDI from transition economies amounted to USD 48 billion in 2014 which has shown a significant decline (55%) compared to previous year. FDI inflows to developing economies and transition economies amounted to USD 730 billion in 2014 with a 59% of global share.

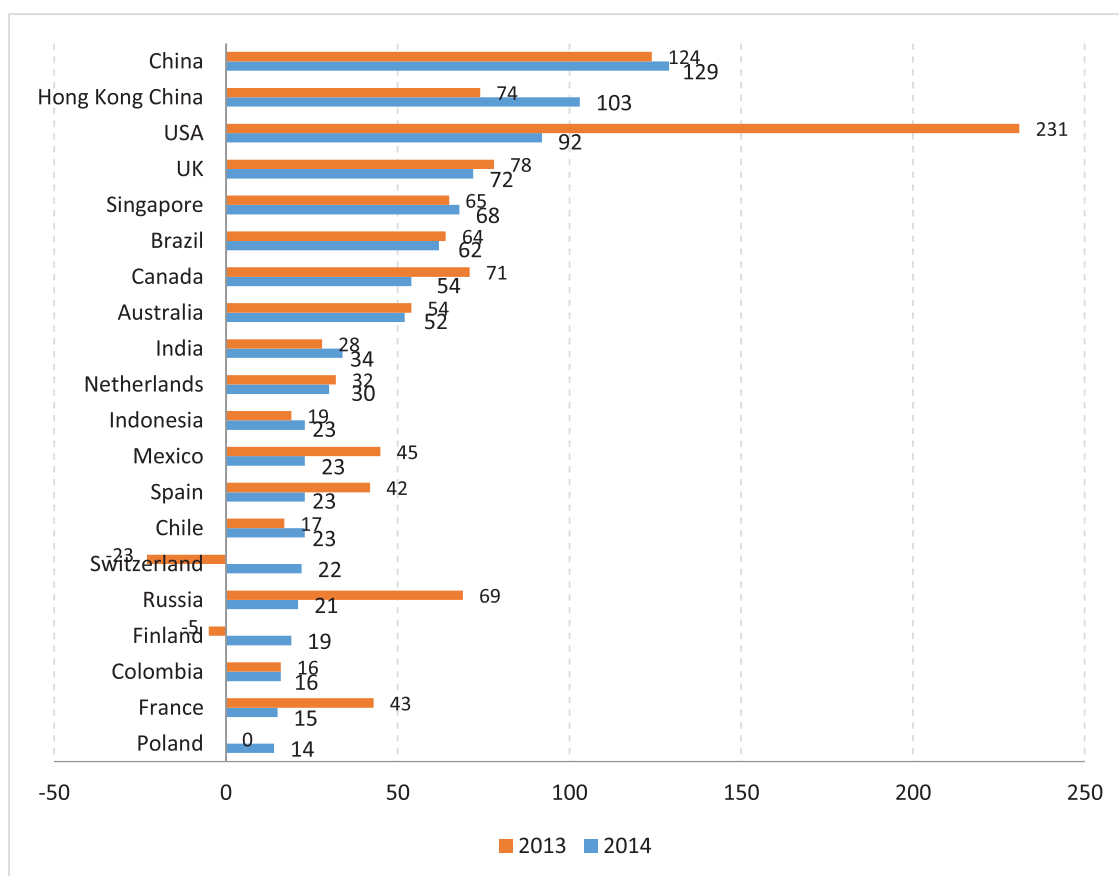
## FDI Inflows by Economies (2009 – 2014) – USD Billion



Source: UNCTAD, World Investment Report, 2015

As per the country ranking in terms of FDI Inflows, China became the largest FDI recipient in the world in 2014 and half of the top 20 host economies for FDI, consists of Developing and transition economies.

## FDI Inflows: Top 20 Host Economies 2013 and 2014 (USD Billion)



Source: UNCTAD, World Investment Report, 2015

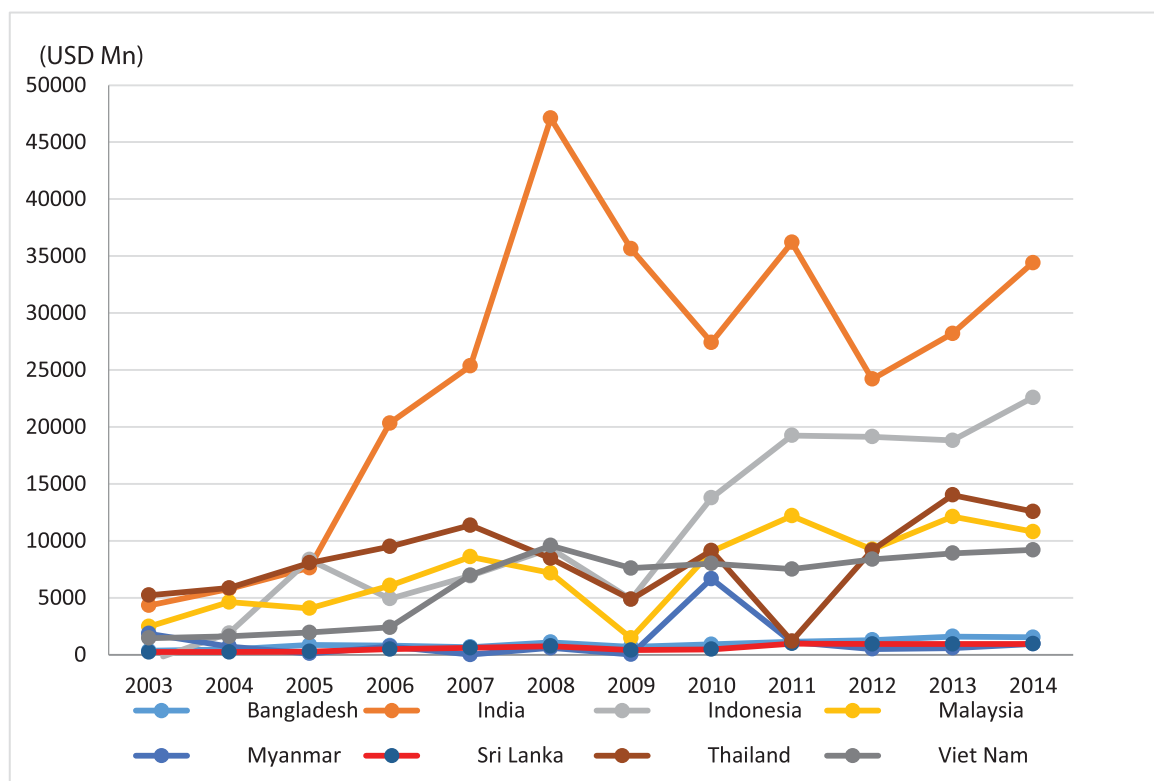
## Foreign Direct Investment Trends – Asian Region

With a contribution of 38% (USD 465 billion) to global FDI inflows in 2014, the developing Asia has continued to be the number one global investment destination.

In terms of the FDI performances of the sub regions in Asia, the highest contribution to the FDI inflows was from East Asia with 53% of the regional total which was followed by South East Asia (29%), South Asia (10%) and West Asia (10%). Out of the South Asian countries, the largest recipient of FDI inflows continued to be India with USD 34 billion in 2014.

When compare the FDI inflows of selected Asian countries during last decade, South East Asian countries such as Malaysia, Thailand, Indonesia, and Vietnam have recorded significant amount of FDI inflow compared to South Asian countries such as Sri Lanka, Myanmar, India and Bangladesh. The per capita FDI inflows in 2014 also reveal South Asian countries' (including Sri Lanka's) dismal performance in attracting FDI compared to regional competitors. For instance, in 2014 Sri Lanka's per capita FDI recorded USD 68 compared to Malaysia (USD 360), Thailand (USD 188), Indonesia (USD 89) and Vietnam (USD 99).

### FDI Inflow of Regional Competing Countries of Sri Lanka, 2003 -2014



Source: Compiled using data available at [www.unctad.org](http://www.unctad.org)

## FDI OUT FLOWS

A global FDI outflow in 2014 was recorded as USD 1,354 bn with a 4% increase over the previous year. However it is still below the 2007 peak level of USD 2,130 bn.

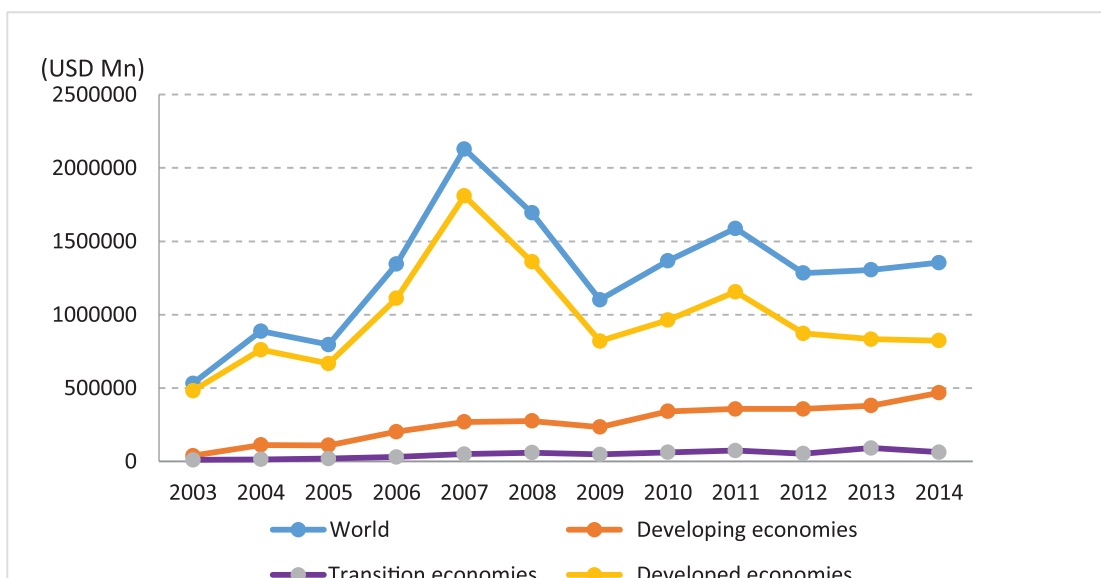
In terms of FDI out flows, the investments by developing country multinational companies has reached a recorded level as they have expanded foreign operations through greenfield investments as well as cross-border M & As. In 2014, MNEs from developing economies alone has invested USD 468 billion abroad, a 23% increase from the previous year. Their share in global FDI reached a record 35%, up from 22% in 2007.

Among developing economies, MNEs from Asia has increased their investment abroad, and has become the world's largest investor region. Outward investments by MNEs based in developing Asia increased by 29 per cent to USD 432 billion in 2014.

This growth was widespread, including all the major Asian economies such as investment by MNEs from Hong Kong (USD 143 bn), China (USD 116 bn), Japan (USD 114 bn), Singapore (USD 41 bn) and India (USD 10 bn) in 2014.

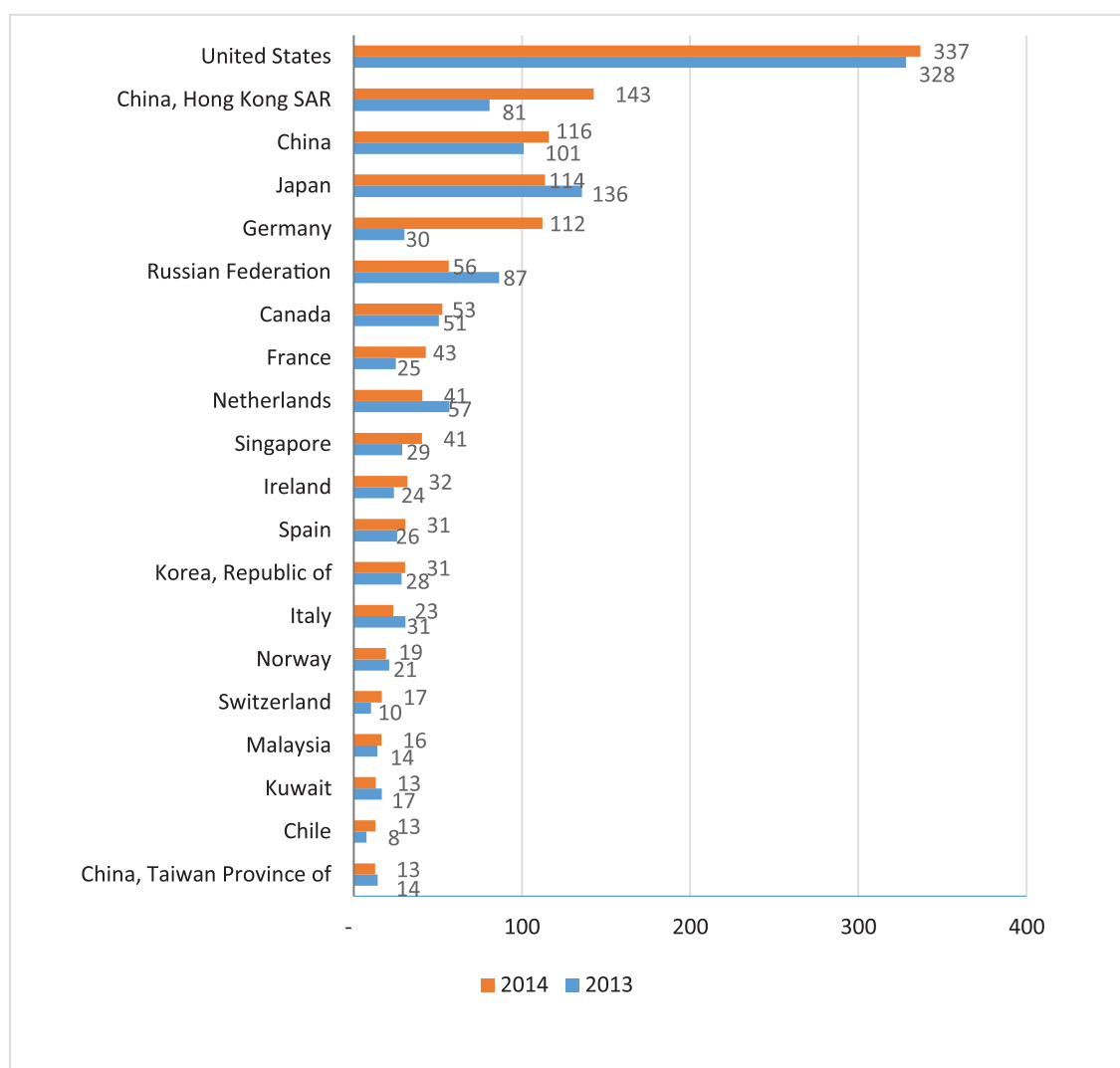
The contribution of Developed economies to the world FDI Outflows was USD 823 bn, in 2014. However, developed economies have shown a decrease in its contribution World FDI outflows from 64% in 2013 to 61% in 2014. Their share in global FDI has dropped by 24% from its record level of 85% in 2007.

### FDI Outflows by Region 2003 - 2014



Source: Compiled using data available at [www.unctad.org](http://www.unctad.org)

## FDI Outflows: Top 20 Host Economies 2013 and 2014 (USD Billion)



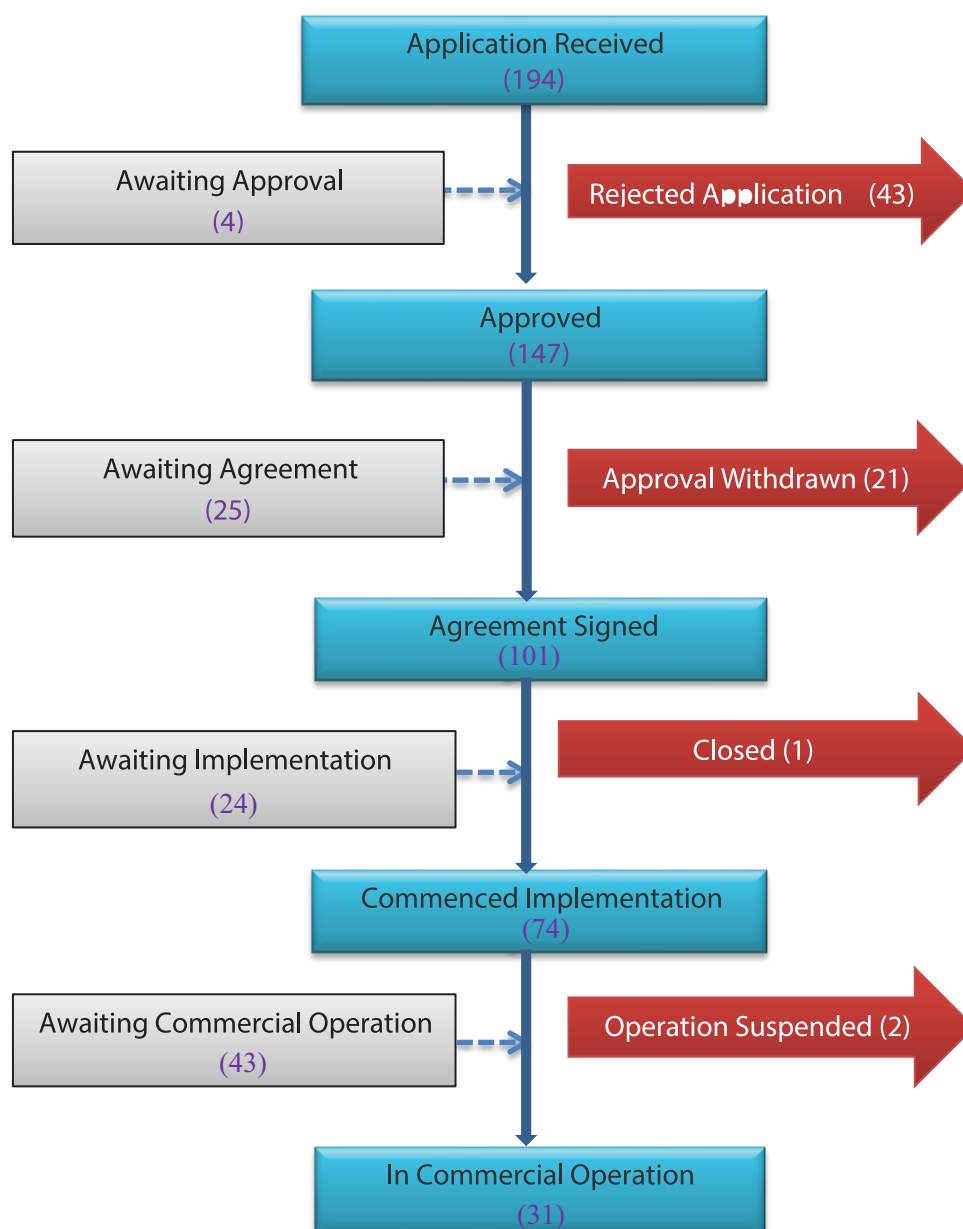
Source: Compiled using data available at [www.unctad.org](http://www.unctad.org)

Note: Ranked on the basis of the magnitude of 2014 FDI Outflows

British Virgin Islands and Cayman Island, which ranked 7<sup>th</sup> and 19<sup>th</sup> respectively in 2014, have been excluded from the list

- USA remained as the number one of the top 20 home economies of the world FDI outflows reaching at USD 337 bn. Hong Kong has taken the second position with USD 143 bn and China has come to the third position with USD 116 bn.
- There is a robust rise in investment by German, China and French MNEs, which show growth of FDI Outflows 275%, 77% and 72% respectively in 2014 over the previous year. The increase of FDI out flows by German and France was offset by the negative flows from MNEs in the United Kingdom and Luxemburg.

## 1. Progress made on Applications Received in 2014



Source : MIS-BOI (27.01.2016)

In the year 2014, 194 applications were submitted to the Board. Out of those 194 applications, 147 applications were approved of which 31 projects have commenced commercial operation as at end of 2015 and 96 projects are actively in different statuses. This has recorded a 51% success rate in terms of application submitted in 2014 (taking into consideration the number of agreements signed ie.98).

## 2. Status-wise Project Details

### ■ Projects Approved & Agreements Signed in 2014

The total numbers of project approvals granted in 2014 was 185 with a total estimated investment of US\$ 2979 Mn. (Rs. 388,669 Mn.) The estimated total number of employment opportunities of approved projects in the year 2014 is over 30,000.

#### *Investment & Employment share of Approved projects in 2014 – by sector*

Sector	No. of Projects	% Share of Investment	% share of Employment
Services/Infrastructure	91	66%	41%
Port Development	1	20%	3%
Transport Services	1	15%	3%
Housing & Property Development	14	9%	7%
Hotels, Restaurant Services & Entertainment Complexes	17	8%	10%
Power Generation	22	5%	2%
Shopping & Office Complexes	7	3%	4%
Other	29	5.97%	12.6%
Manufacturing	59	12%	45%
Agriculture	2	0.03%	0.4%
Expansions of Existing Projects	33	22%	13%
<b>Total</b>	<b>185</b>	<b>100%</b>	<b>100%</b>

Out of the total approved investment in the year 2014, the Services/Infrastructure sector accounts for the highest contribution (66%) followed by the Manufacturing sector (12%) and the Agriculture sector (0.03%). The balance 22% of the total approved investment is for the expansions of existing projects. Services/Infrastructure sector includes Port Development project which accounts for 20% of the total approved estimated investment, 1 transport service project with 15% of total investment, Housing & Property development with 9% of total investment, Hotels, Restaurant Services & Entertainment Complexes with 8% of total investment, shopping & office complexes with 3% of total investment etc.

Out of the total estimated employment of the approved projects in 2014, 45% is expected to create in the Manufacturing sector while 41% is in the Services/Infrastructure sector and 0.4% is in the Agriculture sector. Expansions of existing projects are expected to create 13% of the total estimated employment of approved projects.

The total number of projects signed agreements with BOI in 2014 accounted for 149, worth of US\$ 2,012 Mn (Rs.262, 699 Mn) est. Investment. These projects are expected to generate over 25,000 employment opportunities.

## ▪ Projects Commenced Construction/Implementation in 2014

In the year 2014, a total of 100 new projects and 2 expansion projects commenced implementation/construction. The total estimated investment of projects that commenced implementation was US\$ 3,286 Mn. (Rs. 429,058 Mn.) which is a 313% increase when compared to the year 2013. The expected employment generation was over 24,000 nos.

**Table 2: Top 10 projects (based on Est. Investment) commenced construction/implementation in 2014**

Project Name	Business Activity	Estimated Investment (Rs. Mn.)	Estimated Employment (Nos.)	Location
• CHEC Port City Colombo (Pvt) Ltd.	Development Of Colombo Port City	165,750	2,000	Colombo 01
• Waterfront Properties (Pvt) Ltd.	Mixed Development Project	82,875	4,155	Colombo 02
• Havelock City (Pvt) Ltd	Shopping And Office Complex	27,984	245	Colombo 06
• Welcomhotels Lanka (Pvt) Ltd	300 Roomed Hotel /Mixed Development	15,960	500	Colombo
• C M L - M T D Joint Venture Ltd.	Construct 5000 Housing Units	14,887	644	Modara
• Riverina Resorts (Pvt) Ltd.	500 Roomed Hotel	10,896	870	Beruwela
• Ahungalla Resorts Ltd.	501 Roomed Hotel	10,440	1,070	Galle
• Keppel C T Developments (Pvt) Ltd.	Apartment Complex	8,656	30	Colombo 13
• C D C Infra (Pvt) Ltd.	Apartment Complex	8,288	180	Colombo 06
• Ceylon Beverage Can (Pvt) Ltd.	Manufacturing Of Aluminum Cans Lids	6,575	109	Horana EPZ

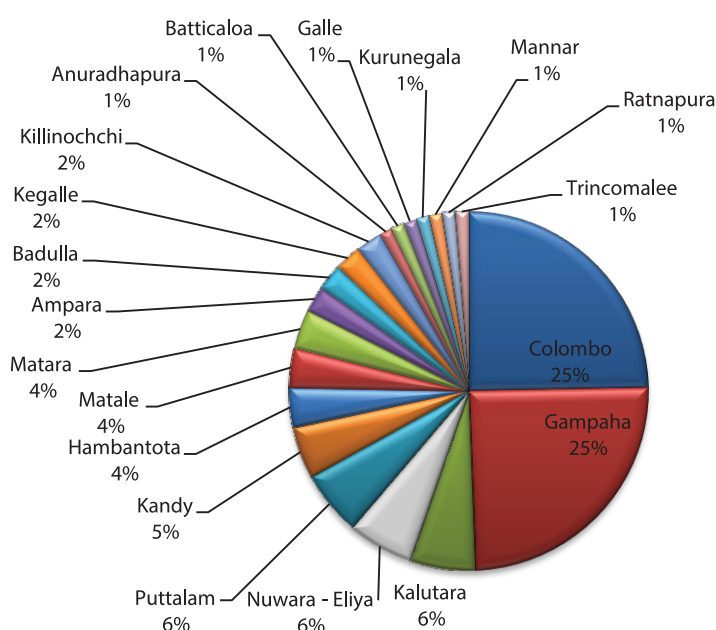
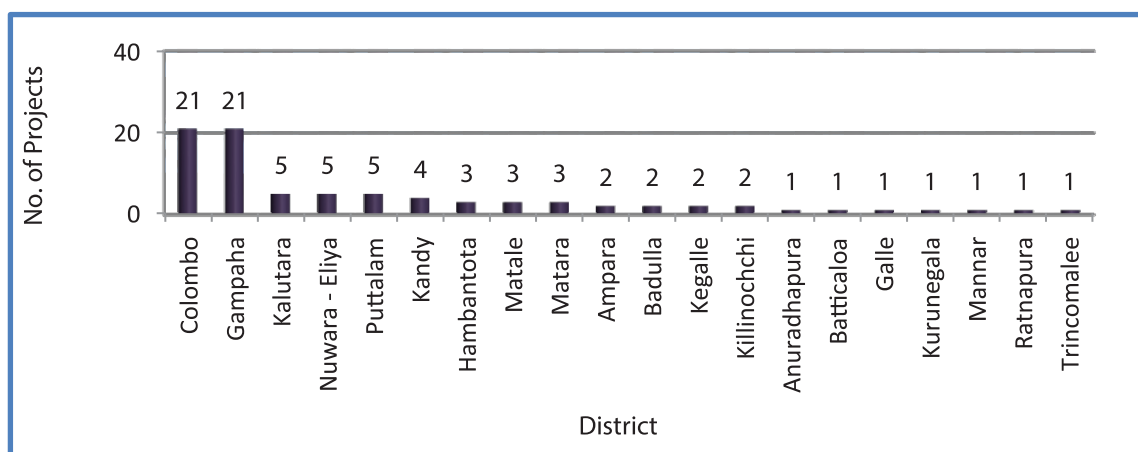


## ■ Projects Commenced Commercial Operation in 2014

During the year 2014, a total of 92 projects (85 new projects and 7 expansion projects) have commenced commercial operation. The Total estimated investment of these projects accounts for US\$ 1,197 Mn (Rs.156,230), a 77% increase compared to the year 2013 and over 13,000 employment opportunities are expected to be created by these projects.

Out of 92 projects that commenced commercial operation in 2014, 21 projects were in the Manufacturing sector followed by 20 projects in the Tourism & Leisure, 15 projects in Power Generation, 11 projects in Infrastructure sector, 6 projects in Services sector, 5 projects in Knowledge Services sector, 4 projects in Apparel sector and 3 projects in Agriculture sector.

### District wise Distribution of projects commenced Commercial Operation in 2014



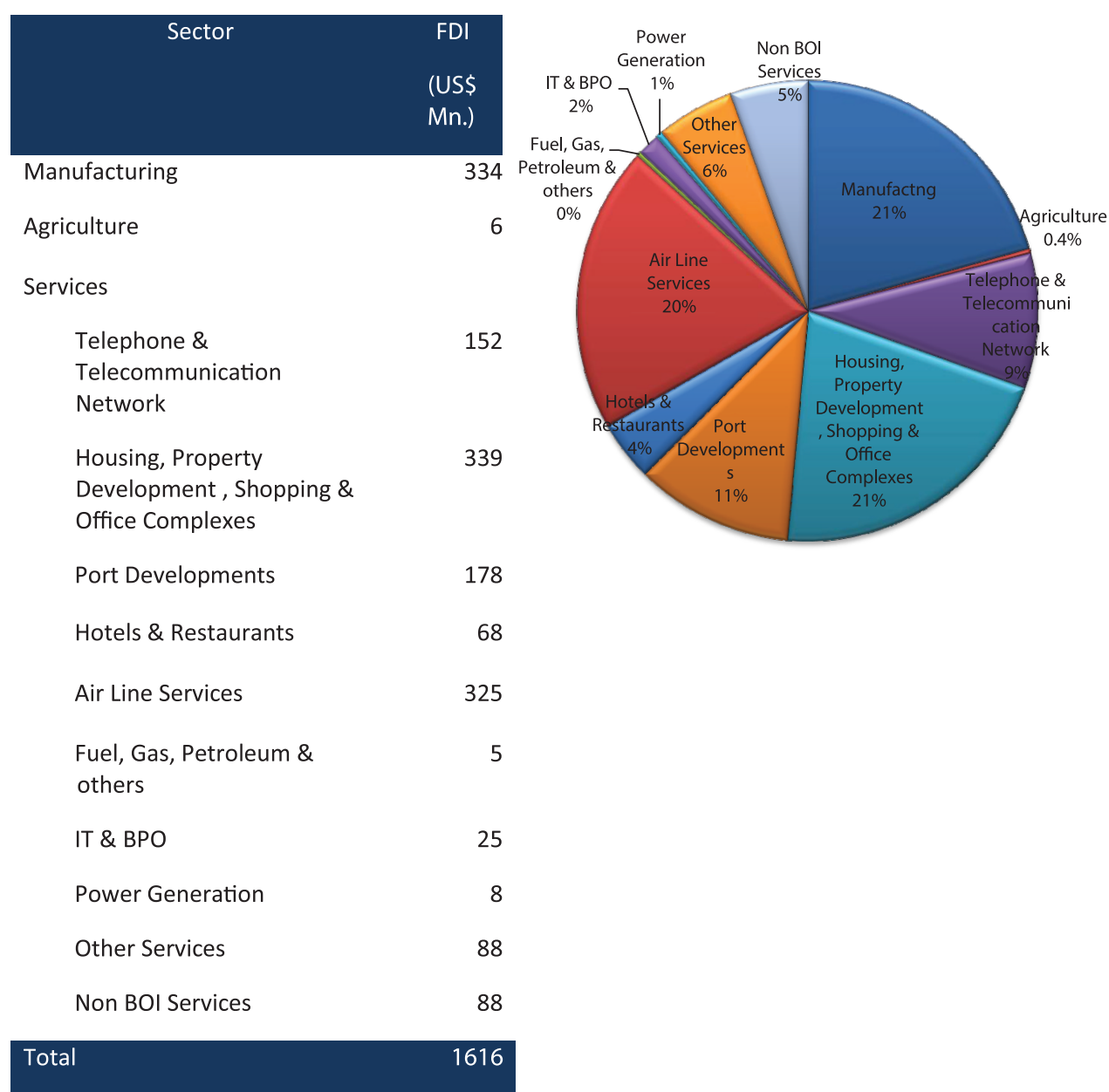
According to the figure, almost 50% of the projects that commenced commercial operation were located within the Colombo and Gampaha districts. The balance 50% were geographically distributed over the other 19 districts i.e in Kalutara, Nuwara-Eliya, Puttalam (6% each), in Kandy (5%), in Hambantota Matale, Matara (4% each), Ampara, Badulla, Kegalle, Killinochchi (2% each), Anuradhapura, Batticaloa, Galle, Kurunegala, Mannar, Ratnapura & Trincomalee (1% each).

### 3. Foreign Direct Investment Attracted In 2014

2014 became the fourth consecutive year in which the country received over US\$ 1 billion Foreign Direct Investment. The highest ever FDI recorded in this year, amounted to US\$ 1616.258 Mn.

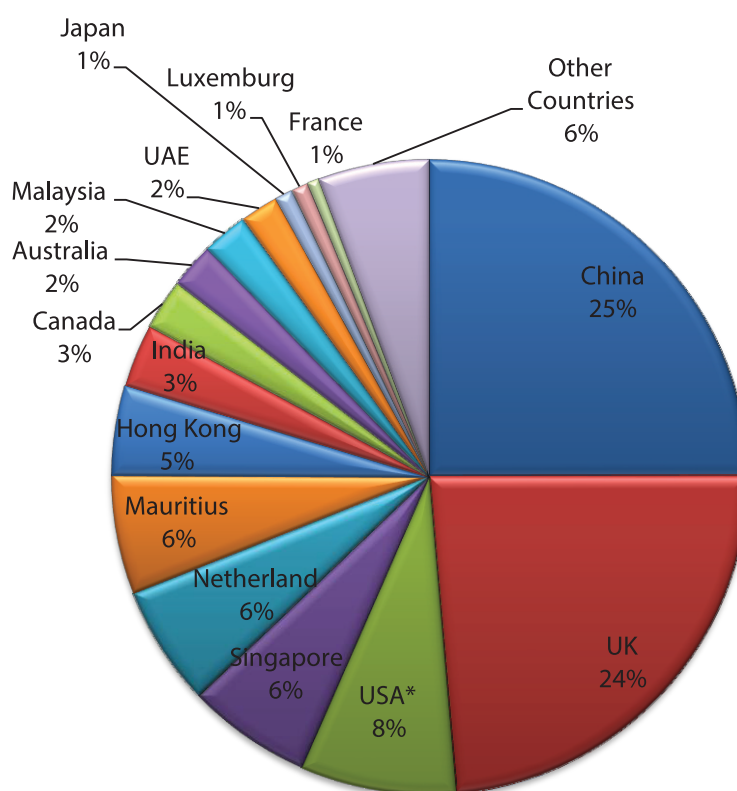
Out of total FDI in 2014, Housing, property Development, Shopping & Office complexes Sector has received the highest FDI amounted to US\$ 339 Mn. (21%), followed by the Manufacturing sector with US\$ 334 Mn. (21%) and the FDI received for the Air Line Services amounted to US\$ 325 Mn (20%).

#### ■ Sectorial Composition of FDI- 2014



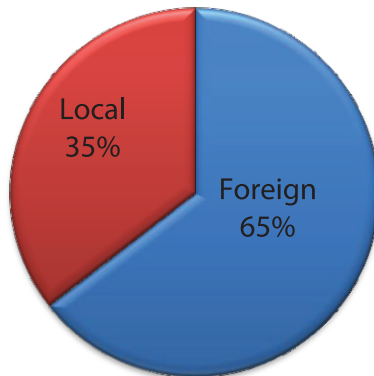
## Major Sources of Foreign Direct Investment - 2014

COUNTRY	FDI (US\$ Mn.)
China	404
UK	383
USA	128
Singapore	103
Netherland	99
Mauritius	98
Hong Kong	74
India	52
Canada	42
Australia	37
Malaysia	37
UAE	31
Japan	15
Luxemburg	14
France	10
Other Countries	91
<b>Total</b>	<b>1616</b>



China was the largest source of FDI in 2014 with US\$ 404 Mn. This was followed by UK(US\$ 383 Mn.), USA (US\$ 128 Mn.) , Singapore (US\$ 103 Mn.) , Netherland (US\$ 99 Mn.), Mauritius (US\$ 98 Mn.), Hong Kong (US\$ 74 Mn.) , India (US\$ 52 Mn.), Canada (US\$ 42 Mn.), Australia (US\$ 37 Mn), Malaysia (US\$ 37 Mn), UAE (US\$ 31 Mn.), Japan (US\$ 15 Mn.), Luxemburg (US\$ 14 Mn.), France (US\$ 10Mn.) etc. These fifteen countries together accounted for 94% of the total FDI received in the year 2014

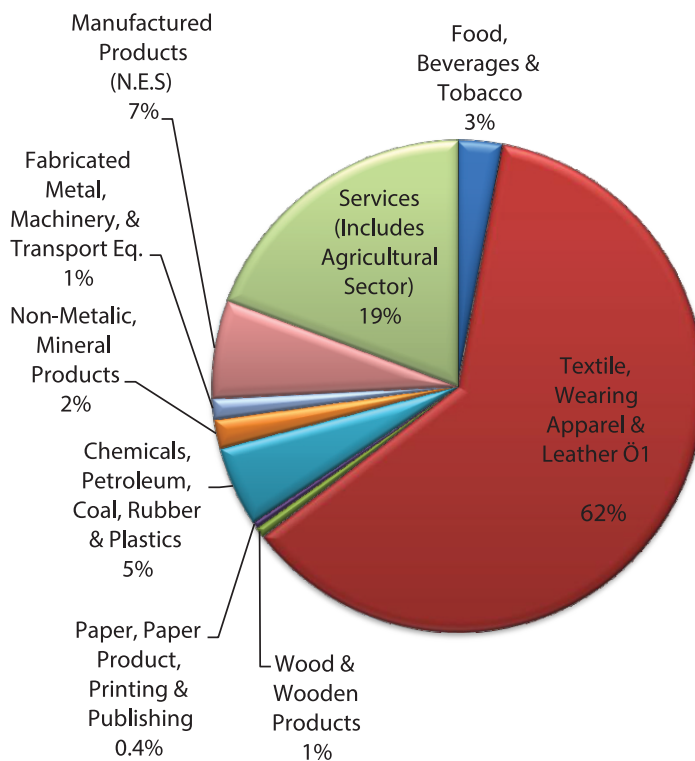
#### 4. Realized Investment (Cumulative)



The realized cumulative total investment as at end of the year 2014 was Rs. 1,756 Bn., which showed an 16% increase compared to the previous year. Out of Rs. 1,756 Bn. realized investment, 65% (Rs. 1,133 Bn.) represented the foreign component and the balance 35% (Rs. 623 Bn.) represented the domestic private investments.

The Infrastructure & Services sector accounted for 75% of the total realized cumulative investment and the balance 25% was from the Manufacturing sector including Apparel.

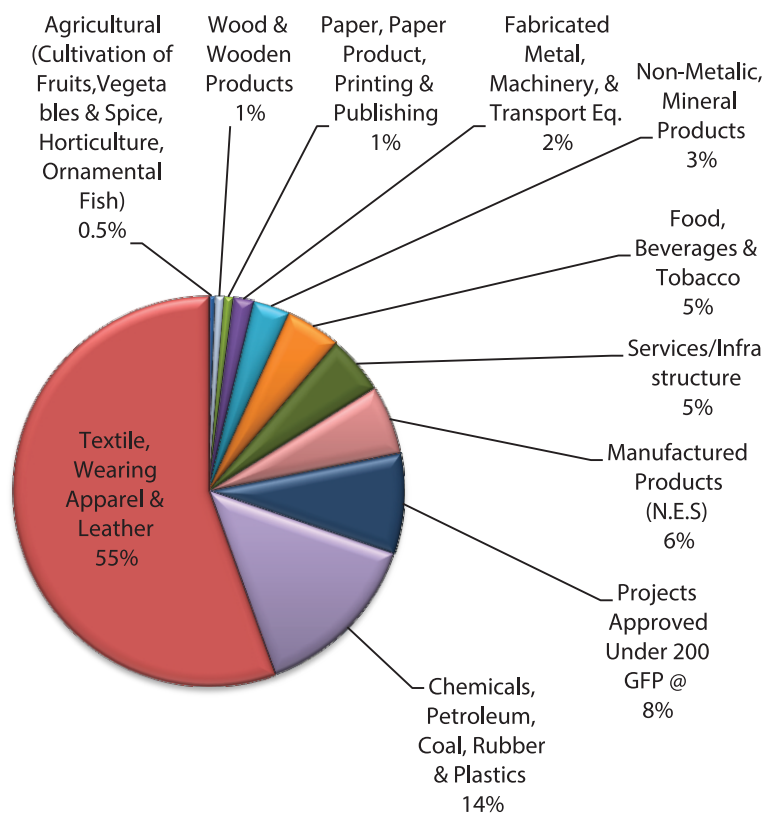
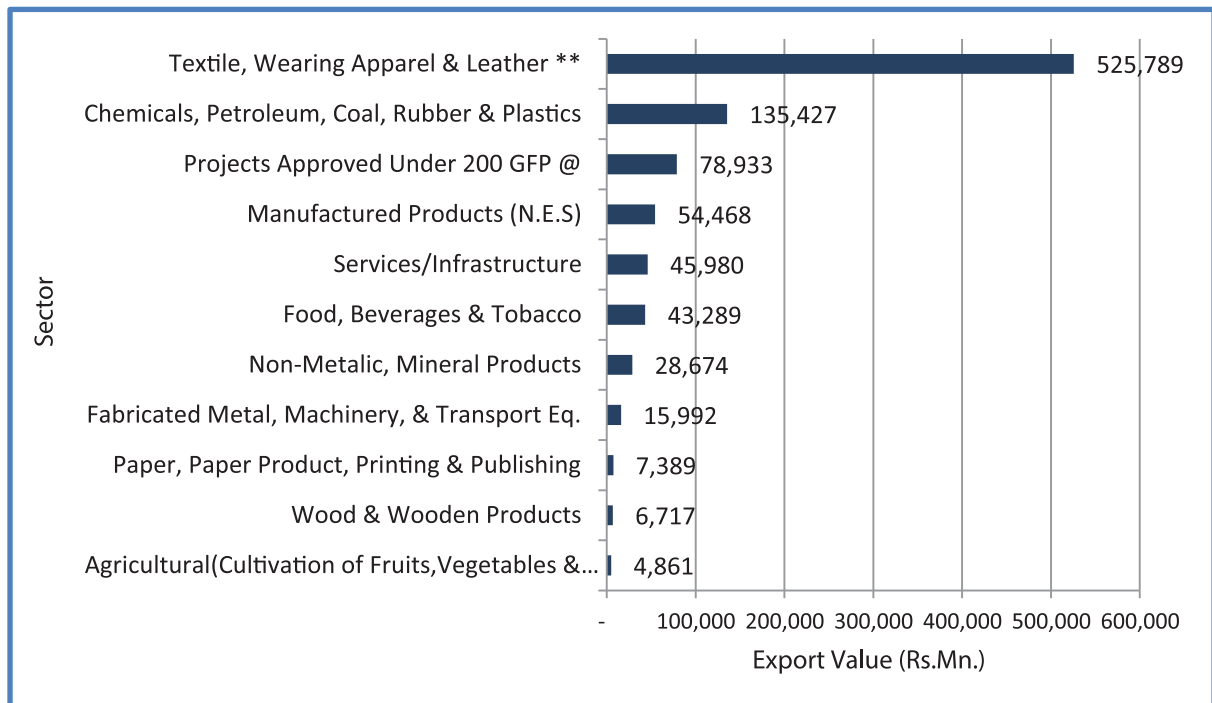
#### 5. Employment (Cumulative)



The cumulative employment of BOI projects as at December 2014 was recorded as 484,675

62% of the total cumulative employment of BOI projects is from the Textile, Apparel & Leather sector and 19% is from Other Manufacturing sectors. Services & Infrastructure sector including Agriculture represents 19% of the total cumulative employment in 2014..

## 6. Export Performance



During the year of 2014, Apparel sector represented more than 50% of the BOI exports. Agriculture sector represented the lowest export performance compared to the other sectors

## Performance Highlights

### Statistical Summary 2013 vs. 2014

Key Indicators -by Project Status			2013	2014*	2013/2014
					% Change
Projects Approved Under Sec 17 Of the BOI Law					
A. Application Received					
No of Applications					
	New		198	194	-2
	Expansions		39	47	21
	Total		237	241	2
B. Approvals					
No. of Projects Approved					
	New		143	152	6
	Expansions		38	33	-13
	Total		181	185	2
Estimated Investment					
	_ Foreign (Rs.Mn.)		337,980	224,687	_34
	- Local (Rs.Mn)		251,781	163,982	-35
	-Total (Rs.Mn.)		589,761	388,669	-34
Employment Capacity (Nos.)			37,514	30,845	-18
C. Agreement Signed					
No. of Agreements					
		New	108	128	19
		Expansions	37	21	-43
		Total	145	149	3
Estimated Investment					
		- Foreign (Rs.Mn.)	370,631	98,877	-73
		- Local (Rs.Mn)	248,185	163,822	-34
		-Total (Rs.Mn.)	618,816	262,699	-58
Employment Capacity (Nos.)					-39

			41,548	25,378	
<u>D. Commenced Implementation</u>					
No. of Projects					
		New	80	100	25
		Expansions	8	2	-
		Total	88	102	16
Estimated Investment					
		- Foreign (Rs.Mn.)	40,287	234,809	483
		- Local (Rs.Mn)	63,598	194,249	205
		-Total (Rs.Mn.)	103,884	429,058	313
Employment Capacity (Nos.)			13,883	24,807	79
<u>E. Commenced Commercial Operation</u>					
No. of Projects					
		New	97	85	-12
		Expansions	5	7	40
		Total	102	92	-10
Estimated Investment					
		- Foreign (Rs.Mn.)	38,730	74,103	91
		- Local (Rs.Mn)	49,587	82,127	66
		-Total (Rs.Mn.)	88,317	156,230	77
Employment (Est.) (Nos.)			17,900	13,967	-22
<u>F. No. of Projects in Commercial Operation (as at end of December) **</u>					
		Parent Projects	1612	1598	-1
		Expansions	188	202	7
		200 GFP	116	111	-4
		Total	1,916	1,911	0

G. <u>Foreign Direct Investment (Jan - Dec.)</u>					
		(US \$ Mn.)			16
			1,391	1,616	
		(Rs.Mn.)	179,592	210,986	17
H. <u>Exports (Jan -December)</u>					
Total (US\$ Mn.)			7,226	7,588	5
Total (Rs. Mn.)			932,988	990,655	6
I. <u>Imports (Jan -December)</u>					
Total (US \$ Mn.)			4,270	4,874	14
Total (Rs Mn.)			551,276	636,368	15
		by Category - (Rs.Mn.)			
		CaPital Goods	125,391	148,961	19
		Raw Material	425,695	487,122	14
		Other Materials	190	284	50
J. <u>Employment (Cumulative) As at end of Dec ember</u>			483,470	484,675	0.2
K. <u>No of Projects***</u>					
Closed Projects			33	65	97
Projects Suspended			5	5	0
Agreement Cancelled			122	54	-56
Total			160	124	-23
<u>Projects Approved Under Sec 16 Of the BOI Law</u>					
A. <u>Approvals</u>					
No. of projects Approved			39	27	-31
Estimated Investment					
		- Foreign (Rs.Mn .)	4,920	12,195	148



	_ Local (Rs.Mn)	230	338	47
	_ Total (Rs.Mn.)	5,150	12,533	143
Employment Capacity (Nos.)		2,789	3,278	18
B. Projects In Commercial Operation (Cumulative) **				
	No. of Projects	715	717	0.3
	Estimated Investment			
	- Foreign (Rs. Mn.)	21,801	22,987	5
	- Local (Rs. Mn.)	10,220	33,576	229
	- Total (Rs.Mn)	32,021	56,562	77
	Employment capacity (nos.)	33,624	36,866	10

Exchange Rate  
(US\$)

2013	2014
129.11	130.56

\* Provisional

Applications: Total application received (Including Projects  
Rejects & Withdrawals)

Estimated Investment/Employment -  
Including value of expansions

Source : Board of Investment of Sri Lanka (MIS -4th  
December 2015)

\*\* Excluding Agreement Cancelled/Closed/suspended projects after  
commenced commercial Operation

\*\*\* Agreement Cancelled/Closed/suspended projects after commenced  
commercial Operation (Excluding expansions)  
(As per current status of the project)

Compiled by: Statistical Unit/Research & PA Dept. - BOI



“**Departmental Performance**”

# Departmental Performance

## 1. RESEARCH & POLICY ADVOCACY DEPARTMENT

The Research & Policy Advocacy Department of the BOI undertakes research and policy advocacy task to suggest enhancements of various policies, laws and procedures related to business environment, promoting foreign and local investment and to improve the investment facilitation services of the BOI. In this context, the Department is mandated to propose and advocate improvements in relevant FDI policies and investment climate by becoming the key catalyst in investment related policy reform process.

The R & PA Department also gives suggestions to ensure incremental improvements in the investment environment (Business Rankings) by addressing legitimate regulatory reforms and policy concerns of investors to enhance the competitiveness of Sri Lanka as an investment destination.

Apart from that, conducting business research for identification of niche markets, creation of economic and business profiles of trading partners and regional competitors, conducting country specific and sector specific research required for identification of priority sectors for investment and formulation of investment promotion strategies, based on competitive and comparative advantage, are the other key research and policy functions of the department.

The department also undertakes information dissemination function for both internal and external stakeholders by formulating BOI publications and providing investment related data from the Management Information System. In 2014, the R & PA department continued to contribute mainly for the publications of Investment Guide, informative brochures and the BOI Corporate Plan.

Further, in the year 2014, the department has catered nearly 1,000 requests for data out of which the BOI has an obligatory commitment to provide specific investment related information to about 10 agencies.

The Department also involved in drafting/negotiating and carrying out research studies related to International Investment Agreements which includes; Bilateral Investment Treaties (BITs) for the promotion and protection of foreign investment, Free Trade Agreements (FTAs) and Comprehensive Economic Partnership Agreements containing investment provisions such as India-Lanka Economic and Technology Corporation Agreement (ETCA) and liaise closely with international organizations such as UNCTAD and WTO.

Consequently, the functions of R & PA Department of BOI have made a significant contribution to the effort of attracting foreign and domestic investment into Sri Lanka.

## 2.INVESTMENT DEPARTMENT

### Inward Delegations that met with the BOI for the Year 2014 Promotion Department

Country	Delegation	Dates	Areas of Interest
<b>CHINA</b>			
	30 member Trade & Investment delegation from Zhongshan City of Guangdong Province visited Sri Lanka. A Business Forum was organized by the Ceylon Chamber of Commerce at the Galadari Hotel	04.03.2014	To understand the local investment and trading climate in Sri Lanka. Lighting, Import Export trade, manufacturing, electrical home appliance, aquatic and marine products etc.
	Visit of 6 member delegation from China Poly Group of Shanghai accompanied by Lanka Logistics and Technology (Pvt) Ltd ,CEO Mr. Jayantha Wickramasinghe	27.02.2014	keen to invest in Real Estate Development
	5 member delegation from Hubei Hangyuan Power Engineering Co Ltd.	19.03.2014	The company is in the process of acquiring water supply and road construction projects in Sri Lanka and awaiting EOI assessment results
	9 member delegation from Dalian China accompanied by Mr. Palitha Sinhalage	27.03.2014	To explore investment opportunities for investment in Sri Lanka.
	Delegation from Guangdong Province led by Deputy Director General of the Foreign Affairs of the People's Govt of Guangdong Province	April 2014	Interested in investing in products earmarked for import substitution including pharmaceuticals, dairy products and textiles and fisheries products.
	22 member high powered business delegation, organized by the Beijing Lansing Century Exhibition Co Ltd, in association with Hangzhou Sub council and Liaoning Provincial Bureau of Foreign Trade.	19.06.2014	A business forum and B2B meetings were organized by the Ceylon Chamber of Commerce at the Cinnamon Grand Hotel As a result a project proposal was submitted to manufacture aluminum ingots using local scrap which was not acceptable to BOI.
	Visit of officials of the Organizing Committee of Xiamen Bureau of convention and Exhibition Affairs.	15.07.2014	To promote the event CIFIT (China International Investment Fair for Trade & Investment ) which is an annual event to be held in Fujian Province , Xiamen in September to promote international investment.

			A meeting was also arranged with SLTDA.
	8 member delegation from Chinese/ American Consortium accompanied by Lanka Logistics and Technology Co Ltd	23.07.2014	To explore investment opportunities in Sri Lanka Real Estate Development and Tourism Sectors.
	Visit of 35 member delegation from Zhongshan City organized by the Sri Lanka China Friendship Association. A Business Forum and B2B meeting were organized by the Sri Lanka China Friendship Association at the Taj Samudra Hotel	13.08.2014	BOI was invited to make a presentation on Investment Opportunities available in Sri Lanka. Director (Media & Publicity) made the presentation and BOI was represented by Director (Promotion), DD (Promotion) and Ms. Olu who translated the presentation into Chinese Language.
	A 11 member delegation from a leading logistic s group from Yunnan Province visited Sri Lanka as a result of BOI's participation at the South Asia Expo which was held in Kunming last June.	12.08.2014	The delegation was met by Chairman / DG along with other senior officials. Meetings were also arranged with DG, SLTDA, DG Customs , SLPA and ED (Zones) KEPZ.
	A 21 member Government delegation from Chaozhou city led by Deputy Mayor visited Sri Lanka as a result of a Promotion done by China Sri Lanka Friendship Society.	11.08.2014	Main areas of interest were trading, Ceramic products, hardware manufacturing, plastic industry etc.
	A group of 13 entrepreneurs from Wuhan Central part of China to under stand the investment policies and Investment opportunities available in Sri Lanka.	28.08.2014	Main areas of interest was trading and manufacturing of power transformers. The incentives and other concessions offered were explained in detail.
	A 12 membe r delegation from Bureau of Foreign Trade and Economic Cooperation of Guangzhou Municipality (BOFTEC)	26.09.2014	BOI was invited by the NCCSL to join their meeting. BOI facilitation and policies were briefly introduced and the Corporate video was shown to the delegation. The delegation comprised of a Automobile Group ,pharmac euticals Co and Govt officials
	A 10 member delegation led by Mr. Lin Xiaowei , Deputy Secretary General of Zhanjiang Municipal Government from the organizing Committee of the EXPO met the Chairman to invite	14.10.2014	To discuss about investment opportunities and potential areas for investment in Sri Lanka. As a result BOI officials participated at the Maritime Silk Road Expo 2014

	and encourage BOI to participate at the China Guangdong Maritime Silk Road EXPO to be held in Zhanjiang in Nov 2014.		
<b>INDIA</b>			
	06 member Trade & Investment delegation from Mumbai Province India, visited Sri Lanka. A Business Forum was organized by the Ceylon Chamber of Commerce P Kulkarani and team	20.02.2015	To understand the local investment and trading climate in Sri Lanka. On chemicals Import Export trade, manufacturing,
	8 member delegation from Tamilnadu/	23.07.2014	To explore investment opportunities in Sri Lanka Real Estate Development and Tourism Sectors.
	9 member delegation from India accompanied by FCCISL	27.03.2014	Met with ED (Promotion) and D/D Promotions
<b>MIDDLE EAST</b>			
	Met with Mr. Syed Asad Imam regarding Annual Investment Meeting 2015 (AIM) to be held in Dubai, UAE in end of March 2015-	18.09.2014	Participated at the Sri Lanka delegation to the UAE Programme.
	Met with Ambassadors of Middle Eastern Countries including the Government agencies	29.09.2014	To form a joint promotional mission calendar for Middle East.
	Met with Sri Lanka Trade, Investment and Tourism Promotion Road Show in Saudi Arabia with the Minister of Commerce	30.09.2014	Middle East outward promotional programme.
	Follow up discussion with the Government Agencies to formulate a common promotion calendar	01.10.2014	To organize a common outward promotional programme.
	Met with a delegation from Qatar in the	16.10.2014	Brown Field interested of Tourism
	3 member delegation from Qatar	27.10.2014	In the areas of infrastructure and Tourism

JAPAN			
	Three member delegation from Hitachi India (Japanese Subsidiary in India) visited Sri Lanka in October 2014 for a fact finding mission and met the BOI officials	30.10.2014	Interested in logistics and manufacturing.
	Two representatives of Kagome visited Sri Lanka and met the BOI officials	2.11.2014	Interested in growing tomatoes and process tomato products.
	Four member delegation from O' Will Corporation visited Sri Lanka in November 2014 on a fact finding mission and met BOI officials	13.11.2014	Interested in setting up a hotel
	Six member delegation from Floran Limited and Pregian Securities Co. Ltd visited the BOI	21.11.2014	Interested in setting up hospital that provides Ayurveda treatment for high end market. They met relevant local Authorities such as Ministry of Indigenous Medicine.
	Eleven member delegation from 11 Japanese companies based in Bangladesh, visited Sri Lanka in November, 2014 for a fact finding mission and they met the BOI officials 21/11/2014. This delegation was organized by JETRO Colombo and Bangladesh.	21.11.2014	They have shown interest in the areas such as manufacturing of garment, food processing and logistics.
ISRAEL			
	Represented the BOI at the follow up meeting of the successful Sri Lanka Business missions to Israel	September	Looking for the land in the highlight at lease 100 hectare to buy or long term lease basis for fruit cultivation project
UK			
	21 member UK Trade & Investment Mission to Sri Lanka organized by UK TI & the British High Commission in Colombo.  Senior BOI officials participated at the discussions	November	To explore investment opportunities in focused areas of interest such as <ul style="list-style-type: none"> <li>● Aviation &amp; Maritime</li> <li>● Energy</li> <li>● Commercial</li> <li>● Knowledge</li> <li>● Tourism</li> </ul>

## Investment Promotion Mission Carried out by the Promotion Department in the Year 2014

### China

- Second China South Asia Exposition 6<sup>th</sup> – 14<sup>th</sup> June 2014

The BOI participated at the Second China South Asia Exposition which was held in Kunming city, Yunnan province in China 6<sup>th</sup> TO 14 June 2014 .

Sri Lanka Export Development Board who was the local coordinator of the event allocated BOI one Exhibition Booth out of total number of 90 Exhibition Booths in the Sri Lanka Pavilion assigned to Sri Lanka

The BOI prepared backdrops on the walls of the booth highlighting the key sectors for investment and distributed flyers prepared in Chinese language outlining the overview of the country's business environment and the investment policies to the visitors. Arrangements were also made to screen the corporate video in Chinese language.

The BOI was represented by

- Senior Deputy Director –Media
- Deputy Director (Investment Promotions)

#### Outcome:

As a result of above the visit a 11member delegation from Yunnan City led by Mr Shaao Gianhe , General Manager of the Yunan Logistics Group visited Sri Lanka on 14 -16 in August 2014 and a Business Promotion meeting chaired by BOI Chairman and other senior officials was held at BOI. The BOI coordinated meetings with Ports Authority, Tourist Board, UDA on behalf of the Chinese party.

- China Guangdong -29<sup>th</sup> Oct -03<sup>rd</sup> Nov 2014

The BOI participated at the China Guangdong 21<sup>st</sup> Century Maritime Silk Road EXPO which was held in Zhanjiang city , hosted by China council for the Promotion of International Trade Guangdong Committee (CCIPT) and several other supporting agencies.

Sri Lanka Export Development Board who was the local coordinator of the event allocated BOI one Exhibition Booth (3x3 meters each) out of total number of 30 Exhibition Booths in the Sri Lanka Pavilion assigned to Sri Lanka at no cost.

The BOI prepared backdrops on the walls of the booth highlighting the key sectors for investment and distributed flyers prepared in Chinese language outlining the overview of the country's business environment and the investment policies to the visitors. Arrangements were also made to screen the corporate video in Chinese language. A delegation comprising of 27 private sector companies including Apparel, Tea, Coir products Jem & Jewellery participated at the EXPO.

The BOI was represented by:

- Director -NWRO
- Deputy Director (Investment Promotion) and country desk officer, for China.



## Outcome:

As a result of above visit a 12 member delegation from Zhanjiang City led by Mr Liu Xiaohua, Party Secretary of CPC Zhanjiang Committee, Director of the Standing Committee of Zhanjiang Municipal People's Congress visited Sri Lanka and a business Promotion Conference was held at the Hilton Hotel Colombo, in order to meet the local entrepreneurs and to strengthen bilateral and economic cooperation between Zhanjian and Sri Lanka. The BOI coordinated the event on behalf of the Chinese party together with the Sri Lanka China Business Council and EDB. Over 60 participants attended the conference.

A framework agreement was also signed with the Bibile sugar Industries Ltd, CICT (Colombo international Container Terminal) and the Chinese party for further cooperation.

BOI 's participated at the **Second Round meeting of proposed China Sri Lanka FTA Negotiations** which was held in Beijing , China from 26-29<sup>th</sup> Nov 2014. ED(Inv Prom) and Director (Investment Appraisal) participated.

## Singapore

### **Singapore 10<sup>th</sup> – 14<sup>th</sup> June 2014**

On the invitation of H.E. the High Commissioner for Sri Lanka in Singapore, the BOI participated at a Investment Promotion Seminar in Singapore on 11<sup>th</sup> June 2014. The seminar was held at the Singapore Business Federation Auditorium and was a collaboration between Singapore Business Federation, International Enterprise Singapore and the Ceylon Chamber of Commerce / Sri Lanka Singapore Business Council.

The objective of this seminar was to further enhance awareness amongst Singaporean investors at Investment Opportunities in Sri Lanka . A delegation from Sri Lanka led by President of Sri Lanka, Singapore Business Council at the Ceylon Chamber of Commerce attended the seminar and there was a lot of interest on investing in Sri Lanka.

The programme included a BOI presentation at the seminar followed by one to one meetings with potential investors. The BOI was represented by Senior Deputy Director (Investment).

## Israel

### **Israel 24<sup>th</sup> – 28<sup>th</sup> June 2014**

The mission was organized by Sri Lanka Embassy in Israel together with LR Group in Israil, Export Development Board in Sri Lanka and Ministry of Foreign Affairs in Sri Lanka in close collaboration with the BOI.

The objective of this mission was to identify potential investors and explained current business environment and benefits that the BOI offers to them.

BOI was invited to promote investment opportunities in Sri Lanka amongst prospective investors in Israel and the BOI was represented by the Chairman and Deputy Director (Investment). Deputy Minister of External Affairs led the Sri Lanka delegation and Senior Officials from Central Bank and EDB were among the delegation along with private sector participants. The programme comprised of a Business Forum , one to one meetings followed by field visits. The following companies indicated interest in investing in Sri Lanka

Name of the Company	Proposals / Remarks
1. Castro Group (the biggest Israeli Clothing Company)	Interested in outsourcing their garment manufacturing to Sri Lanka, considering the good reputation earned by the Sri Lankan garment manufactures.
2. Mekorot (the Israeli Government Water	Company is interested in investing in water projects in Sri Lanka. BOI agreed to provide the available projects for private sector

Company)	participation in Sri Lanka.
3. LR Group	LR Group was interested in investing in Health Sector. They have submitted a project proposal to establish a Lifesciences Industrial Park in Sri Lanka.

### **Outcome :**

LR Group visited Sri Lanka to discuss about their project and the BOI organized meetings with Ministry of Health.

Eco – Nexion showed a keen interest in investing in renewable energy sector and forwarded their proposal to the BOI.

## **Indonesia**

### **Indonesia – 13<sup>th</sup> October 2014**

This Investment Promotion Mission came as a result of H.E. Anoma Wijethilaka, Sri Lanka's Ambassador to Indonesia, using the opportunity for Sri Lanka to participate at the event "Sri Lanka Indonesia Joint Economic Commission" that was held on 13<sup>th</sup> October 2014.

The Ambassador proposed to organize a Sri Lanka Indonesia Business Forum coinciding with Sri Lanka Joint Economic Commission from 9<sup>th</sup> and 10<sup>th</sup> October 2014 in Jakarta.

Officials from the Embassy of Indonesia in Colombo, Department of Commerce, BOI, EDB and a business delegation from Sri Lanka participated at this forum, where multinational companies attended the forum, from Indonesia.

A presentation on Investment Opportunities in Sri Lanka was made by Deputy Director (Investment Promotion) who represented the BOI. The forum was followed by one to one meetings with:

- Puna Group
- The Harvest Group
- Diana Furniture
- Salsabita Collection
- Indofood CBP
- PT Tri Cipta Chandre
- PT Jaya Swarsa Agung
- Rainbow Roof
- Biza Satephanes Tiitus Widyasa

## **Sweden**

### **Sweden - 25<sup>th</sup> – 30<sup>th</sup> November 2014**

The main objective of this mission was to promote Sri Lanka amongst the business and investment Community in Sweden, in order to attract new investment and establish new business link and enhance the current investment and business activities between Sri Lanka and Sweden.

Programme included an Investment Promotion Seminar, discussion with Ministry of Foreign Affairs in Sweden, one to one meetings. A BOI presentation on Investment opportunities was made at the seminar highlighting investment opportunities in Sri Lanka. Many inquiries were received by the Swedish business community regarding investing and doing business in Sri Lanka.

## **OutCome**

### **Scandinavia Care**

Interested to invest in Health Sector in Sri Lanka particularly in Cancer care. With the support of Faculty of Medicine, University of Colombo provided detailed information what they have requested.

### **Mobil Scandinavia AB**

This company interested to invest in communication sector. They search for a local company to partner with for implementing M-Ticketing and Mobile Wallet (Mobile application for all domestic & International Reach). Proposal forwarded to the local mobile service provided.

### **Three member Delegation from Sweden**

Three member Swedish Delegation came to Sri Lanka to study the investment climate to put up a Jewellery Manufacturing plant and Ice manufacturing plant. Filed visits and discussions were organized with relevant authorities. They have developed good networking with local gem suppliers and still looking for opportunity to establish a Jewelry manufacturing company.

## **Japan**

### **Japan - 19th – 25th October 2014**

As a result of the MOU signed between the BOI and Bank of Tokyo Mitsubishi UFJ Ltd, (BTMU) on 18th August, 2014, with a view to promote Japanese Investment into Sri Lanka, the BOI has organized an Investment promotion programme including two seminars and one-on-one meetings in Osaka and Tokyo from 19th – 25th October 2014, in collaboration with the BTMU.

Objectives of the mission were as follows.

- To create awareness and build up confidence amongst Japanese investors and motivate them to invest in Sri Lanka
- To identify potential investors and explain current business environment, investment opportunities and the benefits that Sri Lanka offers to investors.
- To build-up a close relationship with identified investors by providing required information & assistance with Japanese institutes that encourage Japanese investors for overseas investments

The delegation was led by Hon. Minister of Investment Promotion. The BOI Chairman and three BOI Officials were included in the delegation.

About 60 participants from the sectors of trading, manufacturing, logistics, constructions financial and Insurance attended at the Osaka Seminar and about 185 participants from the sectors of Logistics, Manufacturing of Light engineering products, packaging, trading, infrastructure, IT, insurance services, consultancy etc, attended at the forum.

In addition to the above seminars, Delegation had discussions with Leading Japanese companies such as Sharp Inc. Yanmar Corporation. Sojitzu Corporation and ITOCHU Corporation. Also Delegation met Japan Auto Parts Industry Association (JAPIA) and Japan Electronics and Information Technology Industry Association (JEITA).

## Special Events / Activities

### **EU – Sri Lanka Investor Dialog**

EU – Sri Lanka Investor Dialog was launched in August 2014. The objective of this forum is to act as a platform where investor related issues of EU Steak Holders can be addressed.

The programme was organized in close co-ordination with European Commission in Sri Lanka, European Chamber of Commerce and all respective European Missions in Sri Lanka.

Relevant Government Ministries/ Authorities were invited to attend based on the queries raised by the investor.

### **Asia Pacific Business Forum 2014 (APBF)**

BOI sponsored the APBF 2014 (in part) and the forum took place in Colombo from 24<sup>th</sup> – 26<sup>th</sup> November 2014.

This was part of a process to hold in Sri Lanka annually one major event similar to Commonwealth Business Forum (CBF). The purpose was to maintain the momentum achieved during CBF by keeping a focus on Sri Lanka.

The Promotion Department and the Media Department worked in close collaboration with UNESCAP to organize this event and to make it a success.

The forum was attended by more than 75 foreign participants and approximately 100 local participants. Hence a good platform was created for the networking of local / foreign participants which was followed by one to one meetings as well as site visits for potential investors.

#### **1. Appointment of Advisor to promote Japanese FDI**

Mr. Keizo Tsuchiya (Japanese citizen) was been appointed by JICA to work as an Advisor for Investment Promotion from 1st April, 2014. He is located in the 08th Floor, West Tower, WTC. He is engaged in this assignment until 31st March 2016

#### **2. MOU between BOI Sri Lanka and two leading Japanese Banks**

To encourage more Japanese investments in to Sri Lanka, the MOUs have been signed by the Board of Investment of Sri Lanka with following world reputed Japanese Banks

- I. Bank of Tokyo Mitsubishi, UFJ - Signed on 18/08/2014.
- II. Mizuho Bank Ltd – Signed on 07/09/2014

**Status of Project Proposals/ Applications during period from  
01<sup>st</sup> January 2014 - 31<sup>st</sup> December 2014  
(Sec.17)**

S/ N	Description	2014								Total	Estimated Investment (Rs Mn)		
		Tourism	Agriculture	Knowledge Services	Manufacturing	Apparel	Infrastructure	Utilities	Services		Foreign	Local	Total
1	Application/ proposals received	23	3	8	29	17	17	23	8	128	136,764.95	98,232.33	234,997.28
2	Projects approved	18	2	6	31	16	17	23	10	123	193,428.47	95,338.13	288,766.60
3	Projects signed agreement	19	5	8	34	14	16	21	6	123	59,984.46	101,472.42	161,456.88
4	Projects implemented	14	6	5	23	13	20	10	5	96	216,217.99	190,176.13	406,394.13
5	Projects commenced commercial operation	21	3	5	20	3	10	15	6	83	61,620.18	53,958.25	115,578.42

Report taken on 09/10/2015

**Status of Project Proposals/ Applications during period  
from 01<sup>st</sup> January 2014 - 31<sup>st</sup> December 2014  
(Sec.16)**

S/N	Description	No. of Projects	Estimated Investment (Rs Mn)		
			Foreign	Local	Total
1	Application/proposals received	38	46,336.04	1,534.72	47,870.76
2	Projects approved	27	12,194.85	337.92	12,532.77
3	Projects implemented	1	179.20	716.80	896.00
4	Projects commenced commercial operation	15	11,333.13	138.25	11,471.38

Report taken on 09/10/2015

**Status of Project Proposals/ Applications during period  
from 01<sup>st</sup> January 2014 - 31<sup>st</sup> December 2014  
Manufacturing**

S/N	Description	No. of Projects	Estimated Investment (Rs Mn)		
			Foreign	Local	Total
1	Application/proposals received	29	6,527.36	16,617.03	23,144.40
2	Projects approved	31	10,762.70	15,570.31	26,333.01
3	Projects signed agreement	34	8,848.96	17,028.94	25,877.90
4	Projects implemented	23	5,857.86	6,666.74	12,524.61
5	Projects commenced commercial operation	20	4,482.60	3,046.13	7,528.73

Report taken on 09/10/2015

Summary of Approved Projects in 2014 - by Sector *							
(Approved under Section 17 of the BOI Law)							
Sector	No.of Project	Estimated Investment (Rs.Mn.)			% of Share of Investment	Employment Capacity	% of share of Employment
		Foreign	Local	Total			
Manufacturing - New Projects	59	23180.164	24590.098	47770.262	12.29	13966	45.28
Electrical Goods	2	-	816.2	816.2	0.21	204	0.66
Proc. Of Food, Meat, Fish, Dairy Prod,	4	915.8	620.1	1,535.9	0.40	323	1.05
Agro-based Food Product - Local Agriculture Raw Material	2	-	1,954.9	1,954.9	0.50	609	1.97
Manufactured Food Products	2	1,371.3	687.3	2,058.6	0.53	342	1.11
Tea Bags - CTC & Organic Teas	3	84.8	1,793.8	1,878.6	0.48	156	0.51
Other Industrial & Chemical Products	1	-	200.0	200.0	0.05	160	0.52
Tyres, Tubes, Rubber Gloves & Toys	3	2,128.0	3,134.2	5,262.2	1.35	699	2.27
Wooden Furniture	3	1,394.7	85.3	1,480.1	0.38	1545	5.01
Textile & Fabrics	1	53.5	-	53.5	0.01	19	0.06
Other Textile Products	1	254.1	-	254.1	0.07	120	0.39
Building Materials	2	352.4	4,689.3	5,041.7	1.30	581	1.88
Granite Slabs	5	3,195.3	254.5	3,449.8	0.89	348	1.13
Other Non-Metallic	3	3541.6	0	3541.6	0.91	707	2.29
Other Coir / Fibre Products	1	110.0	51.8	161.8	0.04	93	0.30
Steel & Iron Products	1	897.6	-	897.6	0.23	233	0.76
Fabricated Metal Products	1	1,315.0	5,260.0	6,575.0	1.69	109	0.35
Machinery	1	-	255.4	255.4	0.07	201	0.65
Other Fabricated Metal Products	1	233.725	25.969	259.694	0.07	72	0.23
Transport Equipment	1	1003.2	0	1003.2	0.26	372	1.21
Skirts, Jeans, Slacks, Under Garments	9	147.631	1330.804	1478.435	0.38	4844	15.70
Gloves	2	5012.04	1693.56	6705.6	1.73	1113	3.61
Other Wearing Apparel	1	96.268	0	96.268	0.02	261	0.85

Other Footwear	1	357.7	3.916	361.616	0.09	53	0.17
Wind Surfings Sails	1	66	0	66	0.02	74	0.24
Other Paper Products	1	0	168.868	168.868	0.04	100	0.32
Medical & Pharmsuital Products	2	0	1440.96	1440.96	0.37	114	0.37
Garment Accessories & Ancilleries	2	148.031	90.153	238.184	0.06	147	0.48
Other Manufactured Products	1	443.7	0	443.7	0.11	327	1.06
PVC Products	1	57.811	33.017	90.828	0.02	40	0.13
Agriculture	2	119	7	126	0.03	112	0.36
Agriculture	2	119.26	6.6	125.86	0.03	112	0.36
Service/ Infrastructure - NEW Projects	91	182,447.41	73,804.97	256,252.37	65.93	12,737	41.29
<b>Shopping &amp; Office Complex</b>	7	4876.506	7203.091	12079.597	3.11	1374	4.45
<b>Housing &amp; Property Development</b>	14	16627.2	18760.013	35387.213	9.10	2071	6.71
<b>Hotels, Restaurant Services &amp; Entertainment Complexes</b>	17	15591.77	14571.313	30163.083	7.76	3250	10.54
<b>Power Generation Plants</b>	22	3611.325	16894.667	20505.992	5.28	742	2.41
<b>Educational &amp; Training Institutions &amp; Research Organizations</b>	1	73.146	0	73.146	0.02	68	0.22
<b>Container Services, Warehousing &amp; Freight Forwarding</b>	5	13.4	3505.2	3518.6	0.91	264	0.86
<b>Computer S/W Development &amp; Data Entry</b>	2	437.133	0	437.133	0.11	73	0.24
<b>Audo Visual Services - Radio &amp; Television, Film</b>	1	1499.445	138.33	1637.775	0.42	127	0.41
<b>Fuel/Gas/Petroleum &amp; Others</b>	1	704.88	1056	1760.88	0.45	12	0.04
<b>Air Line Services</b>	1	0	783	783	0.20	64	0.21
<b>Exports/Imports Trading Houses - Buying Offices</b>	1	0	1.188	1.188	0.00	54	0.18
<b>Hospital Services &amp; Medical Centres</b>	2	89.964	439.035	528.999	0.14	213	0.69
<b>Call Centers/ BPO &amp; Hostoring Centers</b>	1	317.768	1.957	319.725	0.08	708	2.30
<b>Marine Services</b>	2	5595	0	5595	1.44	508	1.65
<b>IT Enabled &amp; IT Related Services</b>	2	78.3	326.25	404.55	0.10	214	0.69
<b>Automobile Services</b>	1	0	613.35	613.35	0.16	160	0.52
<b>Sea Cargo Services</b>	1	0	897.057	897.057	0.23	58	0.19



<b>Leasure and Recreation</b>	1	0	238.163	238.163	0.06	43	0.14
<b>Port Development</b>	1	78430.5	0	78430.5	20.18	995	3.23
<b>Transport Services</b>	1	52826.4	5089.5	57915.9	14.90	965	3.13
<b>Hub Operation</b>	5	1492.339	3225.545	4717.884	1.21	728	2.36
<b>Printing of Textile (Screen Printing)</b>	2	182.33	61.308	243.638	0.06	46	0.15
Sub-Total New Projects	152	205,747	98,402	304,148	78.25	26,815	86.93
Sub-Total Expansions of the existing Projects	33	18940.181	65580.733	84,520.91	21.75	4030	13.07
Grand Total	185	224,687.01	163,982.40	388,669.41	100.00	30,845	100.00
* provisional							
Note : Include Cancellations							
Source: MIS BOI (4th December 2015)							

# Summary of Approved Project in 2014 - by Sector

(Approved under Section 16 of the BOI Law)

Sector	No. of Project	Estimated Investment (Rs.Mn.)			% of Share of Investment	Employment Capacity	% of share of Employment
		Foreign	Local	Total			
Manufacturing - New Projects	4	110.00	32.62	142.62	1.14	108	3.29
Proc. Of Food, Meat, Fish, Dairy Prod,	1	32.63	-	32.63	0.26	20	0.61
Other Food Processing - Local Raw Material	1	32.62	6.52	39.14	0.31	25	0.76
Building Materials	1	32.62	26.10	58.72	0.47	30	0.92
Jewellery & Lapidary	1	12.14	-	12.14	0.10	33	1.01
Agriculture - NEW Projects	1	43.69	-	43.69	0.35	14	0.43
Agriculture	1	43.69	-	43.69	0.35	14	0.43
Service/ Infrastructure - NEW Projects	22	12,041.16	305.30	12,346.46	98.51	3,156	96.28
Exports/Imports Trading Houses - Buying Offices	2	326.25	87.00	413.25	3.30	34	1.04
Hotels, Restaurant Services & Entertainment Complexes	4	216.85	166.74	383.59	3.06	142	4.33
Housing & Property Development	1	98.62	-	98.62	0.79	142	4.33
Hospital Services & medical Centers	1	32.87	-	32.87	0.26	20	0.61
Investment Holding Companies	4	137.02	6.53	143.55	1.15	63	1.92
Management Consultancy Firms	1	32.62	-	32.62	0.26	5	0.15
Factory & Building Constructions, Repairs & Technical Services	5	366.21	45.04	411.25	3.28	2,645	80.69
Computer S/W Development & Data Entry Operations	2	49.73	-	49.73	0.40	45	1.37
Other Services	2	10,781.00	-	10,781.00	86.02	60	1.83
Grand Total	27	12,194.85	337.92	12,532.77	100.0	3,278	100.00

\* provisional

Note: Include Cancellations

Source: MIS BOI (4th December 2015)

### 3. PROJECT IMPLEMENTATION DEPARTMENT

#### Background and main functions

The Project Implementation Department was established in 4<sup>th</sup> August 2014 under the restructuring programme introduced by the BOI to provide better facilitation to investors.

The primary function of the department is to facilitate investors after the signing of an agreement so that a project reaches the commercialization stage expeditiously. The PI department intervenes on behalf of investors with other authorities to clear potential bottlenecks.

When an agreement is signed, the department issues basic guidelines to investors to inform them of the reports to be submitted by investors on a regular basis to ensure the project remains viable and feasible.

In many instances, projects require additional time for completion beyond the period specified in the agreement. This is an opportunity for the department to evaluate the progress of the project with the investor based on the work carried out so far, together with a time bound implementation programme for the remaining work. After evaluation, an extension is granted to the project to complete the work.

Projects which have been successfully completed are transferred to the Monitoring Department. Additionally, projects which have not moved forward for a number of years despite support from the department are identified for termination as the incentives granted in the agreements are time specific.

Within a period of less than four months, the department has been able to create a fresh level of confidence among the investors due to re-activation of the inactive projects to move forward effectively.

#### **Progress Achieved During the year Ended December 2014**

During the above period following work has been completed by the department.

- (a) Time extensions have been granted to 42 project companies to complete implementation after careful review of the progress achieved by the projects.
- (b) 23 companies completed their projects and achieved commercialization and the commercialization status have been updated by the PI department and relevant files transferred to Monitoring Department for further action.
- (c) 15 projects which were unable to move have been identified for termination and the relevant files transferred to the Monitoring Department.

## 4. PROJECT MONITORING DEPARTMENT

The Project Monitoring Department of the BOI, evaluates the performance of the projects which have entered into Agreements with the BOI on a regular basis during the lifetime of the projects, to ascertain the actual achievement/fulfillment of conditions given in the Agreements.

This department has collected 753 Nos Audited Financial Statements from companies together with the other periodical statements.

61 Nos of web passwords were issued to BOI approved enterprises enabling them to submit the employment details, EPF/ETF payment details and Bi-Annual performance statements online.

During the said period, 70 Annual Tax Certificates were issued to the companies on their request.

Board papers were prepared for termination of Agreements for 11 enterprises due to non-compliance of conditions of Agreements and as requested by investors.

This department has collected Rs.10,702,294.91 of long outstanding BOI dues from Enterprises after reviewing and analyzing file maintained by Finance and Legal departments and carrying out inspections to such enterprises.

Conducted an Annual Survey for the year 2014 for 892 Enterprises to collect information/Financial data on Section 16 BOI Enterprises.

## 5. TECHNICAL SERVICES DEPARTMENT

- (1) The Technical Services Department is mainly responsible for the
- a) Identification of sites for new investment zones/projects.
  - b) Planning and development of new investment zones.
  - c) Undertaking initial development work of new investment zones, establishment of zone units for initial work and gradual handing over of functions to relevant Zone Directors under delegation of authority as done in other zones for management and operation of zones.
  - d) Providing technical support for infrastructure development work carried out by the existing 12 Export Processing Zones as and when requested.
  - e) Providing technical support for operation and maintenance of water supply, sewerage and solid waste management schemes of existing 12 Export Processing Zones.
  - f) Providing assistance and technical inputs for special investment projects with regard to land matters and provision of infrastructure.
  - g) Overall control of Action Plans for infrastructure development.
  - h) Preparation of proposals, identification of sites, obtaining necessary approvals for the establishment of an integrated solid waste management project/industrial park and recycle of water in Zones.
  - I Transfer of assets divested to the state under the Act no. 43 of 2011, back to the BOI in co-ordination of the Competent Authority.
  - j) Inspection & making recommendations on technical aspects for the industrial plants which have encountered environmental issues and conflicts in respect of public concerns.
- (2) Based on the decision of the Board to upgrade the existing Export Processing Zones of BOI as Model Industrial Zones to benchmark as international zones of other countries, in year 2014, a sum of Rs. 320 mn. was incurred by the BOI mainly in respect of improvement and upgrading of existing infrastructure in the Export Processing Zones.
- Major scale augmentations were in progress during the year under review, for the common wastewater treatment plants at Katunayake and Biyagama Export Processing Zones.
- (3) A sum of Rs. 375 mn. was incurred for the new zone development. Infrastructure development in the Mirijjawila EPZ continued by expanding the internal road network, power supply, etc.

## 6. ENGINEERING APPROVALS & SPECIAL PROJECTS DEPARTMENT

Engineering Approvals and Special Projects Dept. consists of two units namely;

1. Engineering Approvals Section
2. Lands and Facilitation Section

### 1. Engineering Approvals Section

#### **Role of the Engineering Approvals Section**

To provide location related services to Section 17 BOI projects during the project implementation and construction phases of the respective projects. This includes the granting of the following key approvals.

- a) Location approvals
- b) Plan approvals
- c) Quantity Certification
- d) Issuing of Certificates of Conformity

#### a) Location Approvals

Location approval is a pre-requisite for the investor to sign the agreement with BOI for the project. In this process, site is visited by this Department jointly with the Environmental Mgt. Dept. Further, thereafter, the other relevant outside agencies are consulted and a brief Environmental Impact Assessment is carried out. At the end, when it is found that the site is suitable for locating the project, the letter of site approval is issued.

#### b) Building Plan Approvals

Building plan approval is issued when the plans of the proposed buildings meet all the standards required by relevant regulations. Investors are supposed to commence construction works only after the building plan approval is obtained.

#### c) Quantity Certificates for Importing Construction Items

Section 17 projects can import certain construction items and materials on duty free basis. It is the role of the Engineering Approvals Dept. to certify the relevant quantities of the particular items/materials for the project, whenever they are imported. Certificates are issued after checking the quantity of the current consignment with the previous imports and the total requirement, once it is found that the current quantity is less than the balance requirement.

#### d) Certificate of Conformity

Engineering Approvals Dept. inspects the site once construction is completed to ensure whether it has been completed in accordance with the approved plans. In addition at this inspection the items/materials imported under duty free facility are physically verified, in order to establish their proper usage.

### Progress made within the year 2014

■ Site Approvals	-	184
■ Building Plan Approvals	-	185
■ Duty Free Clearances	-	1,959
■ Certificate of Conformity	-	48

## 2. Lands & Facilitation Section

### Role of the Lands & Facilitation Section

Land and facilitation section is responsible for providing of the following services to the investors.

- Assisting investors to obtain state lands for their BOI projects
- Acquire state lands/private lands when necessary for the construction of BOI zones
- Maintaining a Land Bank of state and private lands for the use of new investors
- Assisting the Legal Dept. and other Departments of BOI in the matters pertaining to land matters

### Progress made within the year 2014

- Acquisition procedure has been started in 2014, to acquire the land called Mawaralawatta located in Hakmana in Matara District to set up an Industrial Zone. The said land belongs to Thalawakele Plantation and they have objected to the acquisition and filed a court case. Therefore, the BOI decided not to develop the said land as an Industrial Zone. The then Minister of Highways & Investment Promotion has informed the Ministry of Lands on 19.05.2015 to divest the land to the previous owner.
- Project proposals have been formulated for the 22 Acre land at Kadolkelewatta, Seeduwa for an Eco-Tourism project.
- 15 Acre land owned by Janatha Estates Development Board and managed by Kegalle Plantations PLC was purchased for the expansion of Polgahawela Export Processing Zone.
- Acquisition of land at Manakola in Hanguranketha for H Hydro W V (Pvt) Ltd to set up a mini hydro project. Acquisition was finalized and transfer deeds were handed over to the investor company.
- Acquisition of lands for service area of Mirigama Export Processing Zone. Acquisition is being processed.

## 7. INVESTOR SERVICES DEPARTMENT

Investor Services Department is responsible for permitting imports & exports of projects under section 17 of the BOI law as well as providing other investor related services in Colombo & Export Processing Zones.

Investor Services Department provides customs services such as Processing import / export documents, Verification of Cargo imported & exported, Issue of certificate of origin for textile & apparel products exported to EU countries, Approving for clearance of goods from bonded warehouses, Approving for sub contracts, transfers and local sale, permitting Re-import & Re-Export of items, Liaising with government organizations in respect of issues faced by BOI enterprises.

In order to provide cargo verification service for the projects located outside zones, Central Verification Terminal has been set up in Orugodawatta for sea cargo and Air Cargo Terminal in Katunayake for Air Cargo effected by the BOI projects while providing verification service for the project located in Export Processing Zone. These terminals are kept open round-the-clock for cargo verification.

BOI enterprises are permitted to import raw materials & capital goods, approved by the BOI, on duty free basis. At present 938 projects are located outside Export Processing Zone while 206 projects locating inside the zones. Total no. of BOI enterprises obtain import / export services at present from this department is 1144 enterprises.

After implementation of ASYCUDA world computer system in 2012 at BOI, all enterprises are enjoying the facility of e-submission, e-processing, e-payment & e-approval for import & export activities. In addition, procedure for sub contract, transfers was fully automated and pre-paid accounting system has been introduced for the benefit of BOI investors and also declarants.

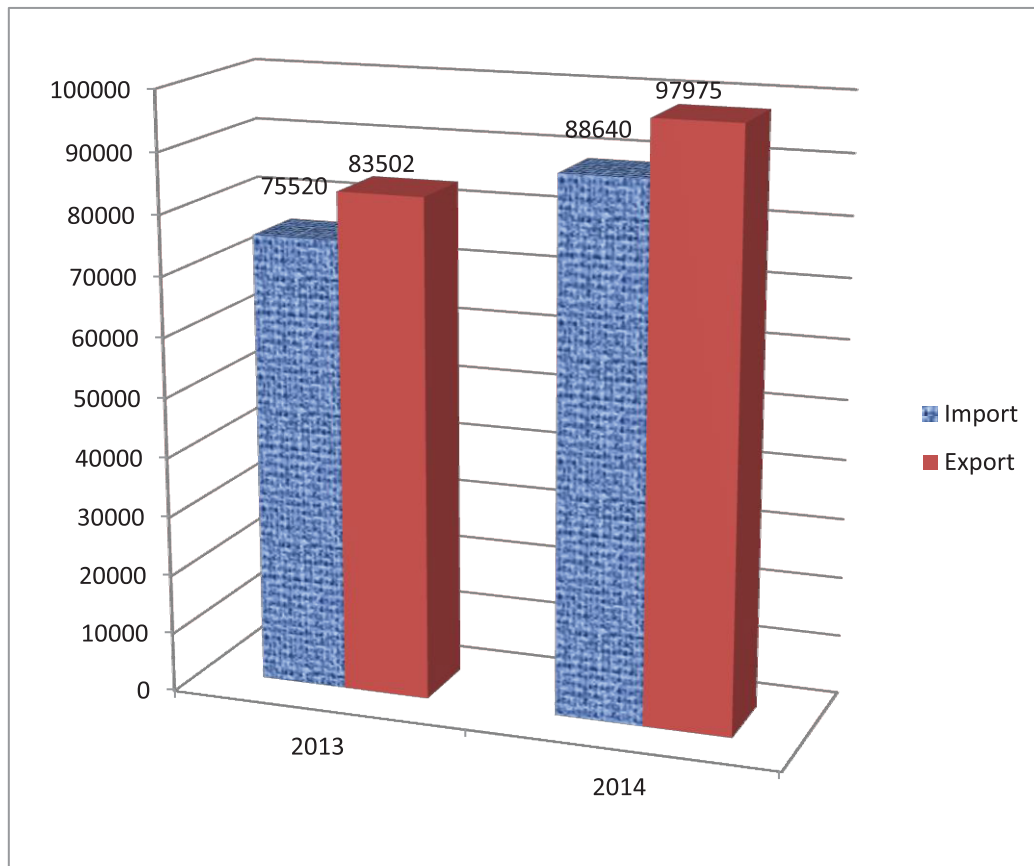
In order to facilitate the investors who import or export urgent air cargo, Air Cargo Terminal Office in Katunayake provides round-the-clock service for documentation of imports & exports Air cargo import & export Customs documents in addition to cargo examination. So that BOI companies will have the ability to submit import & export customs documents 24 hours of the day and 07 days of the week.

Total Import TEUs consigned to BOI enterprises for the year 2014		83502
Total Export TEUs consigned to BOI enterprises for the year 2014		97975
Import Value for the year 2014	SL Rs	716,255.95Mns
Export Value for the year 2014	SL Rs	1,818,858.56 Mns



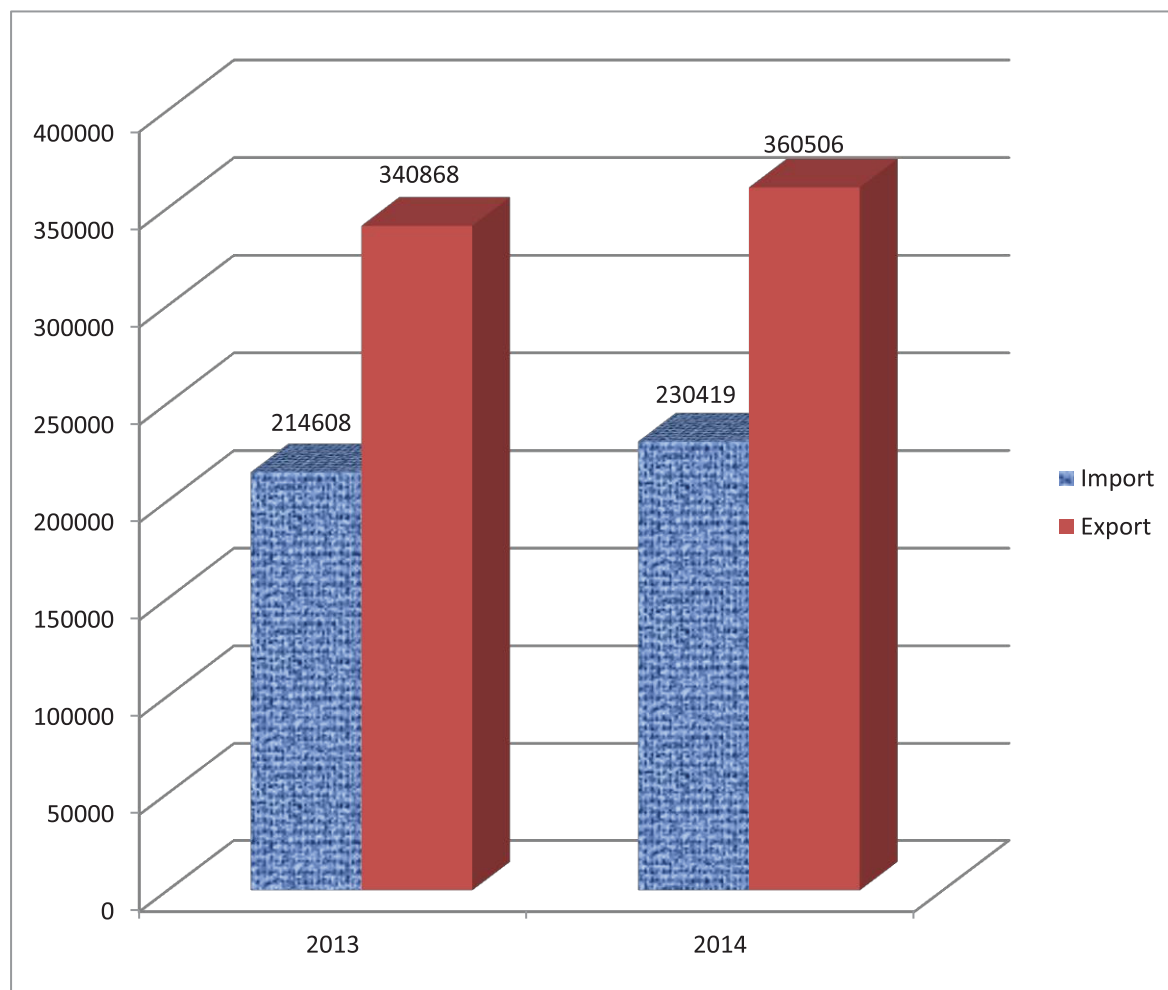
### Containerized Cargo for BOI Enterprises (Import/ Export)

	2013	2014	Difference	Growth (%)
Import	75520	83502	7982	9.56
Export	88640	97975	9335	9.53



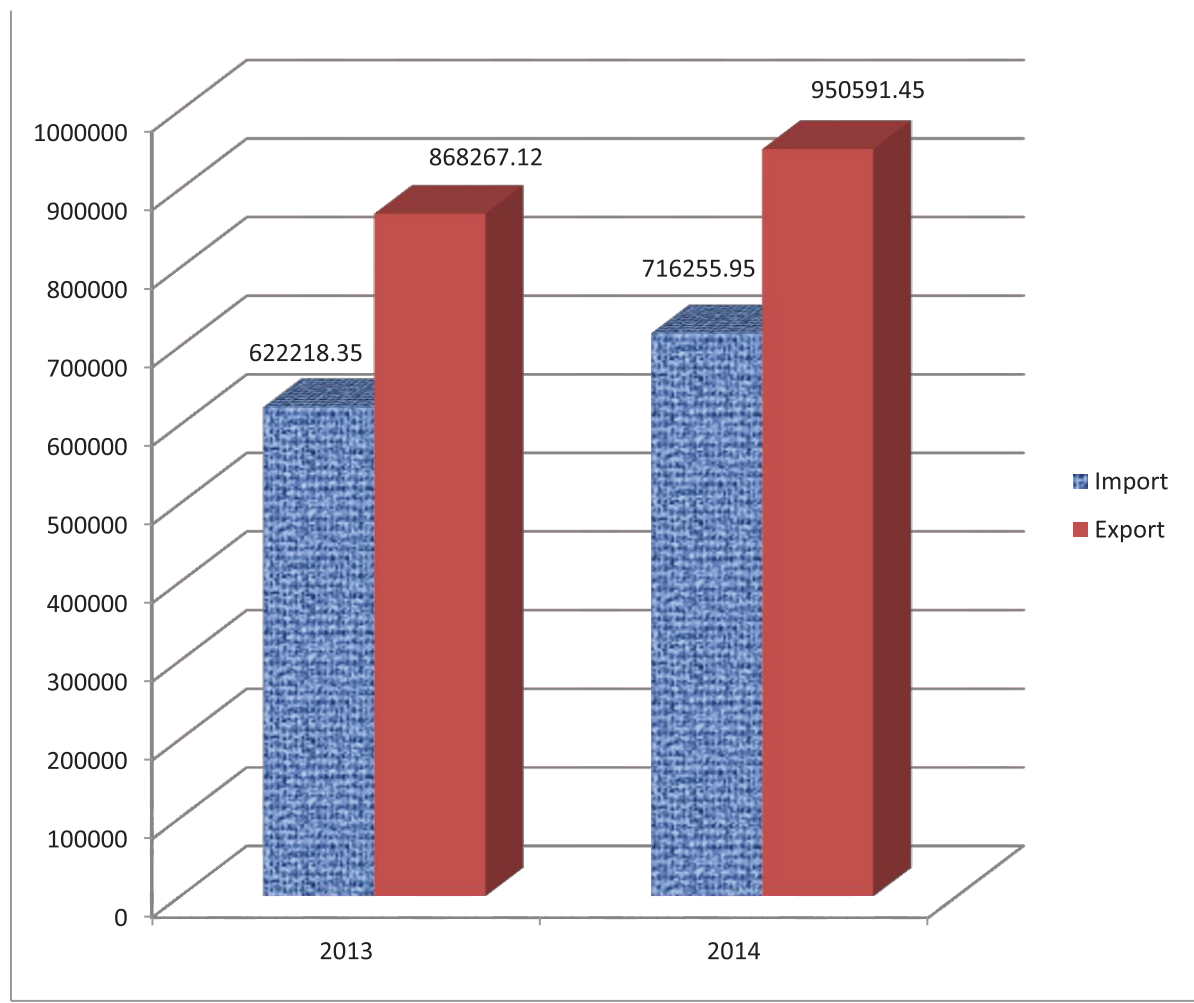
### No of CUSDECS Processed

	2013	2014	Difference	Growth (%)
Import	214,521	230,419	15,898	6.90
Export	339,300	360,506	21,206	5.88



### Value of Imports & Exports (SL Rs.Mn)

	2013	2014	Difference	Growth (%)
Import	622,218.35	716,255.95	94,037.60	13.13
Export	868,267.12	950,591.45	82,324.33	8.66



## 8. FINANCE DEPARTMENT

### Financial Review

Total Revenue of the BOI for the year under review was 3,235.26 Mn and records a growth of 15% compared to Rs.2,822.57 Mn last year.

Surplus after tax was 401.78 Mn against Rs.290.92 Mn in the previous year which is a growth of 38%. This growth was mainly due to the increase in Land Premium, Net income from supply of water and Import & Export Service Charges which recorded growth rates of 228%, 20% and 10% respectively. The increase in net finance income is due to the increase in investment portfolio.

Total operating expenses has increased by 12% from Rs.2,493 Mn in 2013 to Rs.2,788 Mn in 2014. The increase is largely due to increase in Administrative expenses in respect of current year amounting to Rs.2,303.28 Mn compared to Rs.1,983.95 Mn in 2013, 20% increase in Personnel costs in 2014 has contributed to the above increase in Administrative costs.

BOI meets all its Capital Expenditure from internally generated funds & Capital Expenditure for the year 2014 was Rs.780.53 Mn.

## 9. HUMAN RESOURCES MANAGEMENT DEPARTMENT

### Core activities of the Human Resources Department

Human Resources department is the key department which has the responsibility to manage the total human resources of the Board. Its main functions are

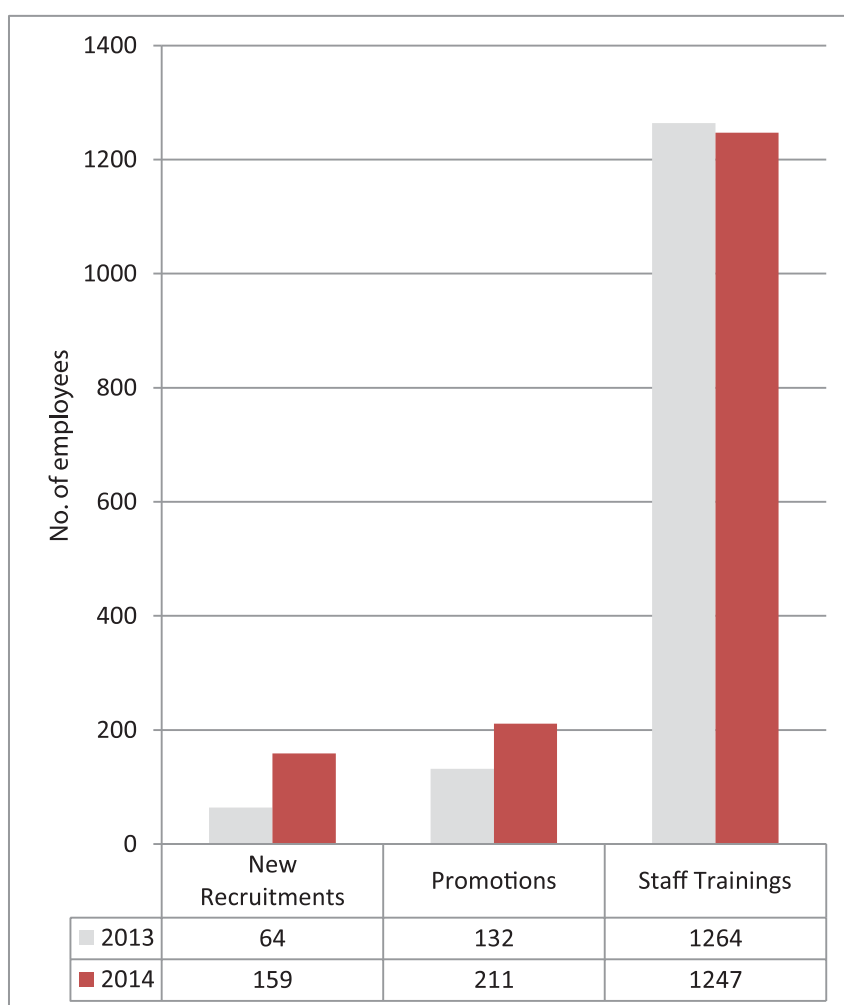
- Human Resource Planning
  - Assessment of present and future Human resource requirements.
  - Implementation of Recruitment and Selection processes to satisfy the above requirements.
- Performance Assessment Performance of employees are reviewed and assessed annually.
  - Granting annual salary increments on the performance of the employees.
  - Promoting employees to higher grades based on their performance, Qualifications & Experience.
- Human Resource Development
  - Integrated use of training & career development efforts to improve individual and organizational effectiveness. It develops the key competencies that enable the individuals to perform the current job and prepare for future job advancements through well planned learning activities.
- Maintenance of Discipline
  - Taking necessary measures to maintain and improve the discipline of the employees.
  - Attending to the labour issues at the external institutions such as Labour Tribunals, Labour Department, HRC & Courts.
- Maintenance of attendance and leave
- Employee Welfare Services
  - Implementation of various types of Loan schemes, Comprehensive life and disability Insurance, Medical facilities, Funeral assistance schemes, Official bus transport services, Transport subsidy & Attendance incentive schemes, etc.

### Achievements/Performance – 2014

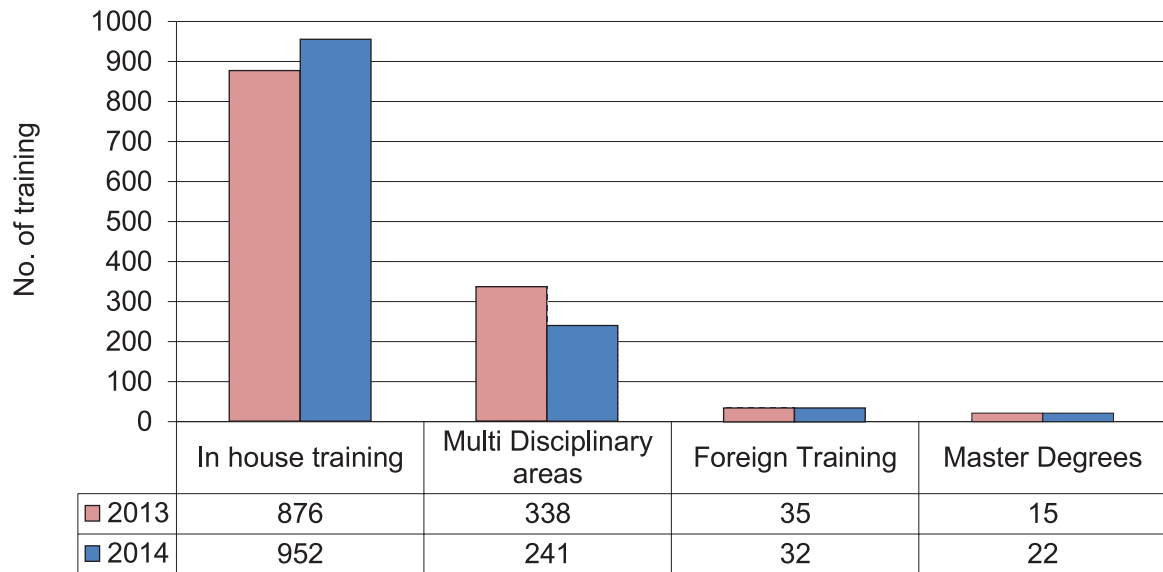
- Overtime claiming process by the employees was computerized through Human Capital Management (HCM) System.
- Nineteen (19) Executives, Sixty Three (63) Management Assistant category employees and Seventy Seven (77) Primary Level employees were newly recruited to the Board's service.
- Twenty Five (25) Management Assistant category employees and Eighty (80) Primary Level employees on Casual/Contract basis were absorbed into the permanent cadre.

- Twenty Nine (29) Executives, One Hundred & Five (105) Management Assistant category employees and Seventy Seven (77) Primary Level employees were promoted to higher grades.
- Twenty Two (22) Officers were sponsored to follow Master Degree programmes and Thirty Two (32) foreign training opportunities were provided for the employees of the Board. Further, Fifteen (15) in-house training programmes were conducted for Nine Hundred & Fifty Two (952) employees and Two Hundred & Forty One (241) employees were given job related training programmes at outside training institutions.
- Fifty Four (54) Trainees from recognized Universities & Vocational Training Institutes were provided On the Job Training in various fields as a Corporate Social Responsibility (CSR) measure of the BOI.

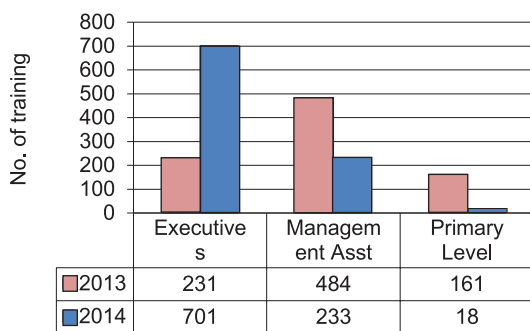
### **Comparison of Key Performance areas - 2013 & 2014**



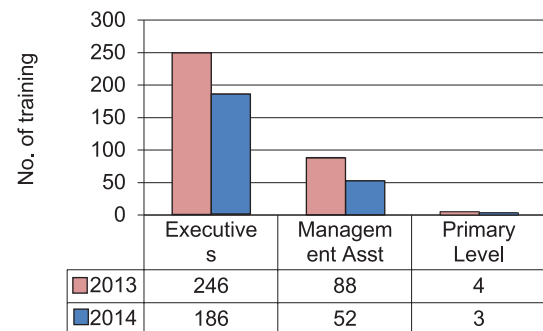
### Comparison of training provided - 2013 & 2014



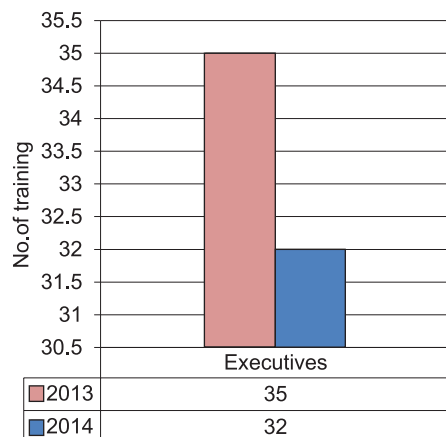
#### In-house Training - 2013 & 2014



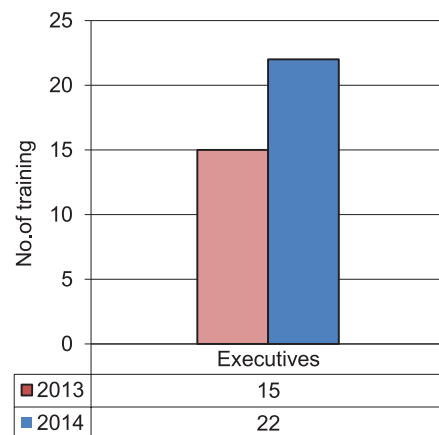
#### Multidisciplinary areas (short)-2013 & 2014



#### Foreign Training - 2013 & 2014



#### Master Degree Program - 2013 & 2014



## 10. ADMINISTRATION DEPARTMENT

The Administration Department plays a vital role in the BOI. Even though not directly getting involved in Foreign Direct Investment Promotion, it provides the logistical support for all Departments in the BOI to achieve their goals. The main functions can be categorized as follows.

- 1) Handling of the Internal and External Mail which is computerized thereby assisting in reaching the necessary agencies on time which will expedite the connectivity within and outside the BOI.
- 2) The provision of uninterrupted supply of drinking water, tea, janitorial, telephone and assisting with welfare provision activities, the maintenance of a very clean environment for the staff to work is provided through the Administration Department. All repairs to maintain the buildings, equipment and purchasing of furniture etc., is also taken care of by the Department.
- 3) The road to success of the BOI is through communication and being able to access and interact with the outside world and being able to reach the relevant agencies in time is a facility provided by the Transport Unit of the Administration Department. It is proposed in the future to purchase few more double cabs which will facilitate easy transportation of officials for their day to day activities within the city and around the country.
- 4) The Supplies Unit of the Administration Department plays a major role in providing the necessary stationary equipment, and all provisions to ensure that functions are un-interrupted, in all the offices. So that there is a steady flow of provisions reaching the staff on time.

### **Major Contribution of the Department**

- Providing infrastructure facilities to the relevant Departments under the restructuring programme implemented.
- Generating income through conducting Auctions to dispose un-economical vehicles.



## 11. LEGAL DEPARTMENT

The Legal Department of the Board of Investment (BOI) is responsible for providing professional advice/service to the Board as well as investors. The main role is providing investor-related services on legal regime applicable for investment and facilitating investment Agreements for projects approved under Section 17 of the BOI Law and under Strategic Development Projects Act No.14 of 2008 as amended Hub Regulation No.1 of 2013. The Department attends to the duties in respect its role in corporate legal affairs in the organizational litigation against the BOI and initiate legal action on behalf of the BOI in order to protect its legal interests.

The investor facilitation legal services are of advisory nature, which include the dissemination of information on Sri Lanka's legal regime applicable to establishment of projects under the auspices of Section 17 of the BOI Law and under Strategic Development Projects Act; perusal and approval of Articles of Association of ventures permitted to establish projects in Sri Lanka.

During the period under review BOI has contracted 92 Agreements under Section 17 of the BOI Law for the establishment of new business ventures in Sri Lanka. This includes projects under the Section 17 of BOI Law No.4 of 1978 and under the Strategic Development Projects Act No. 14 of 2008.

These are namely;

Namely One Colombo Project (Pvt) Ltd – Agreement signed on 13.05.2014 (SDP Project)

### **Manufacturing Sector**

1. Ceylon Beverage Can (Pvt) Ltd  
Employment – 109 persons  
Investment - Rs. 6,575 Mn (Foreign+Local)
2. El-Toro Roofing Products Limited  
Employment – 147 persons  
Investment - Rs. 3697.50 Mn (Local)

### **Power Sector**

Royal Asian Cruise Line (Pvt) Ltd – Agreement signed on 25.09.2014  
Employment – 500 persons  
Investment - Rs. 4,290 Mn

- **Tourism & Leisure Sector**

1. Qventures Investments (Pvt) Ltd - Agreement signed on 03.11.2014  
Employment – 81 persons  
Investment - US\$ 25 Mn

- **Infrastructure Sector**

1. International Equities Lanka (Pvt) Ltd  
Employment – 268 persons  
Investment -
2. CML-MTD Joint Venture Ltd  
Employment – 644 persons  
Investment -
3. Clear Point Residencies (Pvt) Ltd  
Employment – 530 persons  
Investment -
4. Fairway Elements (Pvt) Ltd  
Employment – 56 persons  
Investment -

**Knowledge Services Sector**

Employment – persons

Investment -

In addition, Two Hundred and Forty Seven (247) Supplementary Agreements were concluded with existing BOI projects, in relation to further investments, expansion of existing business, change of scope of business and relocation of projects, take over and revival of sick industries

## 12. INFORMATION TECHNOLOGY DEPARTMENT

- **Summary of Department's functions**

- Provide advice and technical support to identify, evaluate & implement IT solutions for BOI,
- Planning, Recommending, Coordinating the procurement, commissioning and maintenance of ICT resource of BOI.
- Enhance and manage the corporate networks and data communication facilities.
- Design, develop, implement and maintain software application systems required by BOI.
- Provide user-support in solving the problems relating to hardware, software, communication, network, e-mail and virus problems.
- Support other departments in the use of information technology in business re-engineering efforts.
- Develop and maintain corporate data dictionary, database and related system documentation.

- **Projects completed in 2014**

- Enhancement of IT resources and infrastructure during year 2014**

- Enhanced BOI LAN/WAN network by providing new 37 network extensions in Head Office, Zones and Regional offices of BOI.
- Installed a new fiber network at Horana EPZ for the purpose of extending the facility for issuance of day permits.
- Procured and installed 123 numbers of personnel computers and 89 numbers of printers for BOI offices including zones.
- Procured and installed 177 numbers UPSs, 18 numbers of switches and network devices (NIC, media converters etc.)
- Purchased external USB tape driver for the purpose of taking safety backups of corporate data in addition to the backups sent for BOC wallet for safety measures.
- Purchased and commissioned a firewall solution according to the recommendation of SLCERT who conducted a survey of the security measures of BOI network to tighten the network security of the BOI network
- Provided 118 numbers of new email accounts for BOI officers.
- Drafted an Email policy to implement within the BOI to streamline the usage of BOI email and sent for comments of ICTA
- Enhanced the memory capacity from 4GB to 8GB enabling the email server to perform more effectively for user's requests.

## **Developments and implementations of Software Applications**

### **New Projects**

- Developed and implemented a software products called Computerized Document Management System (CDMS) to capture all types of documents related for project applications electronically generated at each user department in order to speed up the flow of project application.
- Implemented an automated data validation process for IEMS and Prepaid Accounts System to ensure the correctness of financial data.
- Developed and implemented an automated system to recommend VISA for expatriates of BOI enterprises and collect relevant charges from the system.
- Implemented a Web portal for BOI enterprises for Visa recommendation process enabling them to apply online and upload the scanned copy of required documents.
- Developed and implemented a module to collect service charges related to Transfers of Raw Materials and Machinery from the Prepaid Accounts.

### **Improvements of the existing system**

- Local Sales : Enhanced the system by incorporating the facility to cancel Local Sales, display company location on search window and provisions to grant approval for Local Sales finished goods from any location irrespective of the location the site located.
- Recurrent Budget – Provision to make amendments for Expenses, Revisions and Fund allocations until 31<sup>st</sup> March of the following year.
- Prepaid A/C – Improved the system to get Day-end reports, Daily report by monitoring center, Cash and Cheques receipt summary.
- IEMS : Incorporated the facility for selecting multiple service locations for multiple services such as import, export, L/S, Subcontract, Transfers etc. Improved the modules to collect OT for documentation, CusDecs amendments, PI Period for site levels.
- Systems improvements/amendments in line with the redefining of responsibilities of WTC Departments, Zones and Regional offices involved with project approvals.
- Improvements/amendments have been done for other systems like Service Suspension module, Entry Permit, Director/Share Holder's Details, Central Mail management system etc. to cater the change requirements of the user Departments.

## 13. ENVIRONMENT MANAGEMENT DEPARTMENT

### Summary of the core activities of the Department is as follows

- Grants environmental clearances to projects that operate under Section 17 of the BOI law, with the concurrence of the Central Environmental Authority (CEA).

With respect to projects requiring Environmental Impact Assessment process (EIA) in terms of the National Environmental (Procedure for approval of projects) Regulations, participated in the scoping sessions held in that regard and thereby facilitated the approval procedure.

Also functions as the Project Approving Agency (PAA) as well, in the event the CEA appoints the BOI so.

- Issues Environmental Protection Licences (EPLL) with the concurrence of the CEA
- Issues Environmental Recommendations (ERR) to the Telecommunication Regulatory Commission (TRC) in respect of sites proposed for erection of telecommunication towers.
- Investigates into complaints concerning environment pollution pertaining to BOI projects and resolve them by ensuring required pollution control measures are in place.
- Monitors the industrial effluent discharged in the Export Processing Zones.

A summary of the above functions is given below.

Function	No.
1.(a) No. of environmental clearances granted for projects	104
(b) No. of environmental clearances granted for expansions/relocations	18
2. No. of EPLL issued/renewed	*909
3. No. of ERR issued in respect of sites proposed for erection of telecommunication towers.	**86
4. No. of complaints attended concerning environmental issues and resolved	20
5.Environmental Monitoring	
(a). No. of effluent samples collected from industries.	} 1200
(b). No. of effluent samples collected from common sewage treatment plant.	
(c). No. of water samples	
	140

\* - Income Rs.63,73,084.00 from EPL processing

\*\* - Income Rs.17,20,000.00 from ER fee

Total earnings = Rs.80,93,084.00

- In addition to above, served in the National Committees formed on the following International Conventions related to environment/chemical for which Sri Lanka is signatory.
  1. Basel Convention on the Transboundary Movement of Hazardous Waste
  2. Stockholm Convention on Persistent Organic Pollutants.
  3. Montreal Protocol on substances that deplete the Ozone layer.
  4. Chemical Weapons Convention
  5. Convention against illicit traffic in narcotic drugs and psychotropic substances for which Sri Lanka is signatory.
  6. United Nations Framework for Climate Change (UNFCCC)

It was ensured that BOI projects operate in compliance with these Conventions.

#### Achievement

- Income nearly Rs 8.1million by Environmental Protection Licences (EPLL) and issuing of Environmental Recommendations (ERR) to telecommunication towers.
- Achieved the target set for year 2014 under the ISO 9001:2008 standard based quality management system. Under this, the set target was to ensure that 95% of the BOI projects are in possession of the Environmental Protection Licence (EPL). The target achieved was 95.5%.
- Evaluated the Environmental Impact Assessment Reports (EIARR) presently under preparation in respect of the proposed Mirijjawila Export Processing Zone and Suriyawewa Investment Promotion Zone by the Skills International (Pvt) Ltd Corrections/improvements required in these reports were identified and informed this Consultant to upgrade these reports accordingly.

Subsequently, approval for the EIAR of Mirijjawila Export Processing Zone was obtained from the CEA.

- Represented the following Technical Committees and actively contributed in its decision making processes.
  - (a) Committee for deciding siting of high & medium polluting industries outside export processing zones and industrial parks chaired by the CEA.
  - (b) Basel Technical Evaluation Committee chaired by the CEA.
  - (c) Importation of industrial pesticides chaired by the Registrar of Pesticides

## 14. MEDIA & PUBLICITY DEPARTMENT

The Media Department of the BOI is responsible for external communications. The BOI took initiatives in 2014 to create awareness about investment opportunities in Sri Lanka, the country's business climate and the organization's successes through a variety of media addressed to different types of audiences.

In 2014, the BOI engaged in publicity campaigns using different types of media. Furthermore printed promotional materials were developed, advertisement were placed in publications, documentary films produced by the BOI to convey its message to a wide audience.

The main activities and Projects of the BOI Media Department in 2012 were the following:

### **Media releases:**

- A total number of 222 nos Press releases were published in both languages in print media.

### **Documentary films:**

- A documentary film on the development of the North and East was produced. This documentary features the BOI's involvement setting up manufacturing plants in the war affected area and the change of life styles of the people living in those areas.

### **Participation at events:**

- Participation at the Deyeta Kirula National Exhibition held in Kuliyaipitiya. The BOI stall was set up at a dedicated area with the trade stalls of BOI enterprises. BOI stall featured a photographic gallery of the important sectors of investment, a Job Bank counter, an Information desk on investment, and specially designed leaflets were disseminated among the general public who visited the stall.
- Participated at the CEATEC Japan 2014 was held in Tokyo, Japan. BOI had a booth and conducted an Investment forum in collaboration with JEITA Japan Electronics and Information Technology Association.
- Participated at the 2<sup>nd</sup> China-South Asia Exposition in Kunming, China. The BOI set up the stall at the Sri Lanka country pavilion and actively participated at the Investment Forum with two neighboring countries i.e. Thailand and Myanmar
- Actively participated at the UNESCAP Asia Pacific Business Forum held in Colombo
- Website of the BOI translated into various languages such as Chinese, Japanese, Spanish, Hindi, Korean and Tamil. The home page of the website can be browsed in those languages.
- Participated at the Boat show and Fisheries Exhibition which was held at Dikowita Fisheries harbor.
- BOI corporate video dubbed into Korean language
- Two major local newspaper advertisement campaigns were ran on the BOI's contribution to the national economy.

- Publicity campaigns were organized for the following major events.
  - Sri Lanka – EU Investor dialogue
  - MOU with Tokyo Bank, Japan
  - MOU with Mizuho Bank, Japan
  - MOU with Seychelles Investment Board
- Management of the BOI website: BOI website [www.investsrilanka.com](http://www.investsrilanka.com) total number of page views 564,830 in 2014.



## 15. INDUSTRIAL RELATIONS DEPARTMENT

**The Industrial Relations Department of the BOI** plays a vital role in maintaining a sound industrial relations climate conducive for higher efficiency and productivity within the BOI Enterprises. In order to achieve the said goal, the Industrial Relations Department handles the following functions:

- Promote and facilitate to maintain labour management co-operation, industrial peace & harmony and higher productivity in the enterprises coming under the purview of the BOI.
- Provide advisory services and guidance on Labour Laws / regulations and IR practices to managements and employees of BOI Enterprises where necessary.
- Assist investors to meet their manpower requirement through the BOI Employment Service Units functioning in EPZs, Job Bank Website and organizing recruitment assistance programmes.

The Industrial Relations Department achieved the following progress during the year 2014.

- **Maintaining Labour Standards**

Periodical Labour Audits are being carried out in BOI Enterprises by the Industrial Relations Officers attached to Zones and the Head Office of the BOI with a view to monitor the compliance of labour standards stipulated in the Labour Laws / Regulations and BOI Labour Standards & Employment Relations Manual.

In the year 2014, Labour Audits have been carried out in 1239 BOI Enterprises in Zones and outside Zones as well and remedial actions have been taken to rectify the shortcomings / lapses found at the above audits.

- **Promotion of Labour Management Co-operation**

Employees' Councils are the main tool utilized in promoting labour management co-operation in BOI Enterprises. Whilst encouraging and co-ordinating with Trade Unions, Employees' Councils are guided with a view to promote wider participation of Employees in BOI Enterprises in labour management co-operation.

During the year 2014, Industrial Relations Department facilitated in formation and operation of 118 Employees' Councils.

- **Establishment of Worker Facilitation Centres**

In addition to the Facilitation Centres established at Katunayake, Biyagama and Koggala, EPZs, another two (02) more Facilitation Centres have been established at Wathupitiwala Export Processing Zone and Kandy Industrial Park during the year 2014 for the use of Trade Union officials to meet their members working in the respective zone enterprises freely and privately as and when necessary.

- **Organizing Awareness Programme**

76 Awareness Programmes have been conducted during the year 2014 for Employees and Management Officials of the BOI Enterprises on various subjects such as Social Dialogue, Labour Laws / regulations Workplace Co-operation, Decent Work Practices and Occupational Health Safety, etc in collaboration with relevant government agencies.

**Mediation / Conciliation for Settlement of Industrial Disputes**

In maintaining industrial peace & harmony in the BOI Enterprises, IR Officers mediate in settling any industrial dispute occurred in BOI Enterprises. 08 industrial disputes / strikes occurred in BOI enterprises during the year 2014 were resolved with the support of Labour Dept. officials where necessary.

**Recruitment Assistance Scheme**

During the year 2014 numbering 63,499 job seekers were registered with the Employment Services Units at EPZs out of which 62,329 have been referred to the enterprises for placement interviews.

In addition, IR department facilitates in organizing Job Fairs / Career guidance programmes in collaboration with other relevant agencies in order to attract more job seekers to the employment opportunities existing in BOI Enterprises. During the period under review 23 such job fairs / career guidance programmes have been conducted island wide.

## 16. INTERNAL AUDIT DEPARTMENT

Internal Audit Department regularly evaluated the internal controls of the BOI and reported on deviations to the Chairman. During the year 2014, Internal Audit mainly focused on ensuring adherence to the regulatory framework of Government by the BOI and Internal Audit was successful in convincing the top management in instances where certain revisions to the decisions were required. Especially during this year, Internal Audit made a considerable contribution with constructive suggestions for imposing proper internal controls when developing and implementing the new computerized systems for investor service facilitation.

Internal Audit further carried out routine verifications of the financial function to ensure the efficiency and effectiveness of the internal controls and compliance tests on operations to ensure adherence to applicable rules & regulations and pre-audits relating to final payments of contracts in accordance with the annual action plan.

In addition to above, Internal Audit carried out special investigations as per the directives of the management and reported on the lapses/faults with a view of protecting public interest/property by taking suitable disciplinary and remedial actions.

When accomplishing all above tasks, Internal Audit maintained its objectivity and integrity by following formal and transparent processes in verifying, examining and reporting on lapses/observations and recommendations.

## Report of the Audit Committee - 2014

The Audit Committee which was constituted in accordance with the provisions in the Public Finance Circular PF/PE3 of 19.11.1999 comprised of following members;

1. Chairman - Mr. Anura Jayasinghe (Member of the Board of Directors of BOI)
2. Member - Mr. Sanjeewa Wickramanayake (Member of the Board of Directors of BOI)
3. Member - Mr. Channa Palansuriya (Member of the Board of Directors of BOI)
4. Member - Mr. Sagara Gunawardena (Member of the Board of Directors of BOI)
5. Member - Mr. K. M. M. Siriwardana (Treasury Representative)
6. Member - Mr. Jagath Wijeweera (Director General of Customs)

Actg. Senior Deputy Director (Internal Audit - HO) acted as the Secretary / Convener to the Audit Committee.

Having identified the difficulty of maintaining quorum of the meeting which obstructed having regular meetings evenly spread throughout the year, an additional member was appointed to the Audit Committee.

Four Audit Committee meetings were held during the financial year ended 31.12.2014.

The Superintendent of Government Audit frequently participated the Audit Committee Meetings as an observer which supported developing a dialogue with the representative of the Auditor General. As a result, it was able to review the adequacy of internal controls and quality of financial reporting and provided assurance on various matters.

Audit Committee ensured the adequacy of Internal Audit coverage by adopting the annual action plan for year 2014.

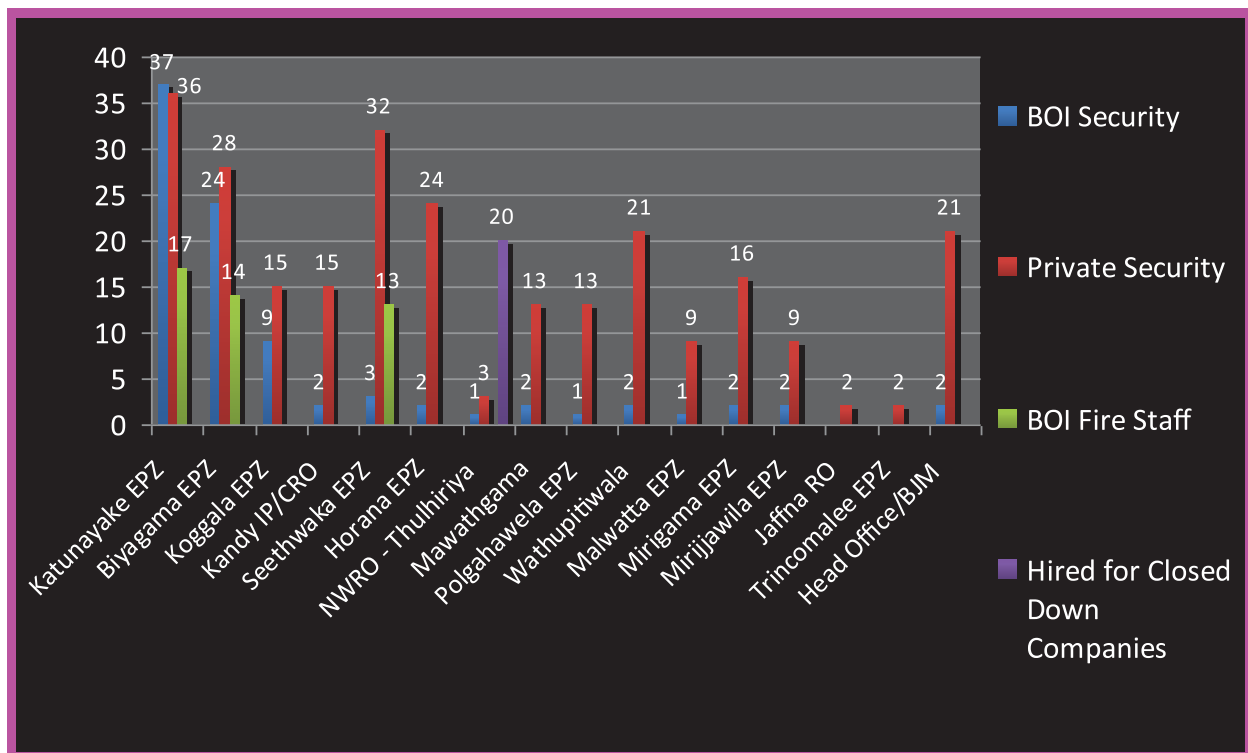
The Audit Committee was of the view that terms and references for the Committee were compiled within all material aspects.

## 17. SECURITY & FIRE DEPARTMENT

During year 2014 the security and fire department has made a significant progress. The performance of staff has been commendable. They have maintained the required standards in the security and safety of assets and human lives in their assigned areas. The operations have been carried out to the expected standards on the best efforts and commitment of the available staff in spite of many short comings. Mainly due to the non- availability of actual BOI staff requirements

The BOI Security & Fire Department is comprised of BOI recruited staff and hired security personnel from private security companies. BOI annually obtains services of Private Security Companies for its offices/Parks/Zones to cover a shortage, through Tender procedures. Security arrangements for Land and Buildings taken over by the Competent Authority too have been arranged by BOI Security & Fire Department.

TOTAL STRENGTH AS AT DEC 31, 2014 - SECURITY & FIRE UNITS - BOI & Hired Services



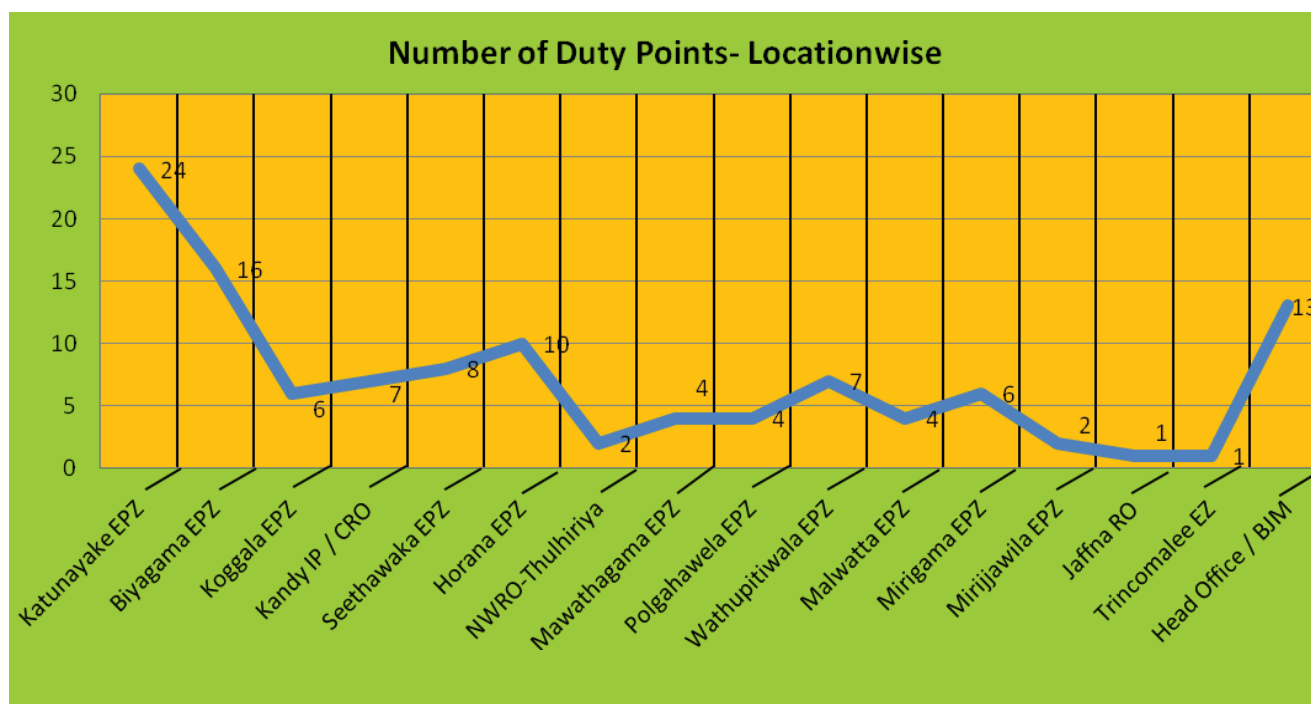
Total **BOI** Security Staff  
Fire Staff

- 90  
- 44 } 134

Total **Private** Security Hired  
Total Private Security for Closed downs

- 259  
- 20 } 279

The number of duty points as at December 2014 remains same as in the previous year.



Among the Core Functions of the Security & Fire Units, is Security & safety of property and human lives:

#### Security

- Prevention of possible sabotage, subversive activities, thefts, illegal removal of duty free & other goods, inclusive of repair/return items.
- Manning all entrances and exit points with close checks on illegal entries and exists into and out of the Zones
- Skilled staff on mobile patrol, Motor Cycle patrol and foot patrol in all Zones.
- Duties at custom-bonded areas, 24-hour vigilance, surveillance in Zone-related areas
- Issuing of entry permits together with BOI staff, within and after working hours except on weekends and holidays where the Security staff is fully responsible for this task.
- Frequent factory inspections carried out in all Zones for detections of attempted thefts, misuse of expired entry permits, etc.
- Coordination between Zone management, enterprises and law enforcement authorities.
- Security Supervision at closed down enterprises.
- Daily/Monthly meetings, briefings, training, awareness programmes and instruction sessions held in all Zones.

### 2014– Security Operations – Performance

Location	No. of Main Detections	Income on gate passes (handled by security) (Rs)	Other security related incidents	Promotions / Transfers / New / Retirements
Katunayake EPZ	12	5,663,413.00	02	P=05, T=2, R=03, N=10
Biyagama EPZ	04	1,915,350.00	20	P=02, R=01, T=1, N=02
Koggala EPZ	01	1,691,765.00	03	P=1, T=1, N=2
Kandy IP / CRO	01	1,089,240.00	01	P=1, T=1
Seethawaka EPZ	-	4,929,700.00	-	-
Horana EPZ	01	2,364,770.00	01	P=2
NWRO -Thulhiriya	-	-	-	-
Mawathagama EPZ	05	7,094,920.00	03	P=1
Polgahawela EPZ	10	924,415.00	02	P=1
Wathupitiwala EPZ	03	4640920.00	-	P=1
Malwatta EPZ	01	1321015.00	-	-
Mirigama EPZ	03	1,100,000.00	-	P=1
Mirijjawila EPZ	-	-	-	N=2
Jaffna RO	-	-	-	-
Trincomalee RO	-	-	-	-
Head Office / BJM	-	-	-	-

### **Fire**

BOI Fire Units are based in Katunayake, Biyagama and Seethawaka Export Processing Zones. Every effort is made to provide a secured working environment to the workers and the number of factories located within these Zones is considerable and increasing. Apart from emergency situations within the Zones, the Fire units are engaged in emergency situations in close proximity outside the Zones, in Fire training of factory personnel and in the events of VVIP visits in the areas. All Fire arrangements are carried out coordinating with the authorities of the area Police Stations and closest Army Camps. Whilst BOI Head Office obtains assistance from Overseas Realty and Colombo Fire Brigade, Zones where there are no BOI Fire units obtain the assistance of the Municipal Council, closest Army or Navy Camps.

- Responding to Fire calls & Emergency situations.
- Fire risk assessments through annual Fire prevention inspections.
- Evacuation drills & awareness to factory staff/employees.
- Training on Fire equipment handling/first aid – to staff/ factory employees.
- Issue of Compliance certificates, Fire certificates and Evacuation certificates to enterprises.
- Consultation on installation of Fire equipment to factories.
- Daily checks of Fire equipment for efficiency.
- Servicing of existing Fire vehicles.
- Responding to emergency situations related to Zone management.

### 2014– Fire Operations – Performance

AREA	Evacuation Drills & Inspections	Fire Calls Attended	Other Programmes
Katunayake EPZ	155	46	80
Biyagama EPZ	87	40	55
Seethawaka EPZ	62	43	42

#### Other Significant Developments in fire and Security Department:

Five re-conditions fire fighting vehicles were received from the Embassy of Japan as a project.

These fire fighting vehicles were deployed as follows:

- 02 for Fire unit in KEPZ
- 02 for BEPZ and
- 01 for SEPZ

Ten new BOI recruitments as follows:

- 05 for Security Unit in KEPZ
- 02 for BEPZ
- 02 for MijEPZ and
- 01 for KgEPZ



## 18. ZONE MANAGEMENT DEPARTMENT

In 2014, 11 Export Processing Zones and Industrial Parks were in commercial operation, accommodating 266 BOI enterprises providing a total number of 133,725 employment opportunities.

BOI continued with the development of infrastructure facilities within the BOI zones with special attention to the water supply and sewerage treatment facilities.

In line with the government policy directive to locate environmental sensitive enterprises within BOI zones, action has been taken to expand existing affluent treatment plants at BEPZ, KEPZ and KgEPZ to facilitate such industries. Such expansions were also necessitated due to expansion of existing industries. Accordingly relevant contracts were awarded during the course of the year and work to be completed during 2016.

In response to the growing demand for new investment in pharmaceutical sector being a specific sector promoted by the BOI as an import substitution industry which requires dependable infrastructure facilities, KEPZ & KgEPZ zones were identified and promoted to attract investment in this sector, in view of the available infrastructure in place which are being developed/updated further along with the availability of lands.

It has also been noted that there was an increase in demand for zonal lands for new investments and expansions of existing industries. In the overall context the BOI adopted a policy shift in the allocation of zonal lands for new investments giving weightage to the critical infrastructure needs of the investment proposal, and also adopting industrial cluster concept.

As most of the zones are reaching maturity, the land asset has become a scarce resource. Therefore it was an urgent necessity to find additional lands to meet the demand. In this context, project to develop Phase 4 area in KEPZ was implemented during the year adding an extent of 16 acres for new investment opportunities.

In the year 2014 the operational and development programmes were successfully implemented to sustain the investor's confidence and satisfaction.



# “ Financial Review ”

## FINANCIAL REVIEW

BOARD OF INVESTMENT OF SRI LANKA INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER				
		2014		2013
	Note	Rs.		Rs.
Revenue	4	3,100,162,918		2,721,805,586
Less ; Expenses				
Operating Expenses	6	299,383,652		337,008,595
Administrative Expenses	7	2,303,286,584		1,983,947,246
Government Levies	8	161,676,718		148,120,375
Other Expenses	9	23,815,616		24,300,318
<b>Results from Operating Activities</b>		<b>312,000,348</b>		<b>228,429,052</b>
Finance Income		135,105,411		100,765,279
Finance Expenses		14,534,281		15,646,075
<b>Net Finance Income</b>	10	<b>120,571,130</b>		<b>85,119,204</b>
<b>Surplus Before Taxation</b>		<b>432,571,478</b>		<b>313,548,256</b>
Tax Expenses		30,786,759		22,627,258
<b>Surplus for the Year</b>		<b>401,784,719</b>		<b>290,920,997</b>

BOARD OF INVESTMENT OF SRI LANKA COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER				
		2014		2013
	Note	Rs.		Rs.
Surplus for the Year		401,784,719		290,920,997
Other Comprehensive Income				
IFRS Adjustments staff loan interest		9,166,765		
Less : Defined benefit plan Acturial Loss	21	28,339,987		6,283,354
Staff Cost on Staff Loan		(9,166,765)		
Other Comprehensive Income		28,339,987		6,283,354
Total Comprehensive Income for the period		373,444,732		284,637,643

BOARD OF INVESTMENT OF SRI LANKA STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER				
		2014		2013
	Note	Rs.		Rs.
<b>ASSETS</b>				
<b>Non- Current Assets</b>				
Property Plant and Equipment	11	5,730,557,776		5,311,796,082
Investment Property	12	31,276,563,244		16,887,855,359
Capital Work-in-Progress	13	1,205,896,487		838,860,038
Financial Assets	14	417,361,476		430,811,757
Total Non- Current Assets		<b>38,630,378,984</b>		<b>23,469,323,235</b>
<b>Current Assets</b>				
Inventories		15,300,663		13,394,315
Houses For Disposal		2,551,000		2,551,000
Financial Assets	15	149,020,518		148,523,279
Receivables from Enterprises	16	200,513,779		170,968,291
Payments in Advance and Other Receivables	17	80,971,152		73,618,778
Cash and Cash Equivalents	18	1,257,382,982		811,476,128
Total Current Assets		<b>1,705,740,094</b>		<b>1,220,531,792</b>
<b>Total Assets</b>		<b>40,336,119,078</b>		<b>24,689,855,028</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Accumulated Fund		9,342,625,520		6,687,975,770
Reserves		15,340,693,234		15,340,693,234
		<b>24,683,318,754</b>		<b>22,028,669,005</b>
Deferred Revenue	20	14,924,696,136		2,094,695,897
Deferred Expenditure	19	(415,062,611)		(427,235,029)
		<b>14,509,633,525</b>		<b>1,667,460,867</b>
<b>Total Equity</b>		<b>39,192,952,280</b>		<b>23,696,129,872</b>
<b>Non Current Liabilities</b>				
Retirement Benefit Obligations	21	263,532,140		224,062,180
Long Term Borrowings falling after one year	22	47,146,064		54,912,130
<b>Total Non Current Liabilities</b>		<b>310,678,204</b>		<b>278,974,310</b>
<b>Current Liabilities</b>				
Long Term Borrowings falling within one year	22	14,123,579		14,393,354
Accrued Expenses and Other Payables	23	807,844,191		695,429,780
Tax Payable		10,520,825		4,927,712
<b>Total Current Liabilities</b>		<b>832,488,594</b>		<b>714,750,846</b>
<b>Total Equity and Liabilities</b>		<b>40,336,119,078</b>		<b>24,689,855,028</b>
"Notes to the Financial Statements" set out on pages 8 to 25 form an integral part of the Financial Statements.				

The Board of Directors is responsible for the preparation and presentation of these financial statements.															
Approved and signed for and on behalf of the Board of Directors of Board of Investment of Sri Lanka.															
<b>Mr. Upul Jayasuriya</b> <b>CHAIRMAN</b>				<b>Mr. Manoj Cooray</b> <b>MEMBER OF BOARD OF DIRECTORS</b>				<b>MS.S.P.de.S.Mutukumrana</b> <b>ACTG. EXECUTIVE DIRECTOR - FINANCE</b>							
<b>BOARD OF INVESTMENT OF SRI LANKA</b>															

**BOARD OF INVESTMENT OF SRI LANKA  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31ST DECEMBER 2014**

		<b>Accumulated</b>	<b>Revaluation</b>	<b>Total</b>
		<b>Fund</b>	<b>Reserves</b>	<b>Equity</b>
		<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>Balance as at 1st January 2013</b>		<b>6,528,728,331</b>	<b>15,340,693,235</b>	<b>21,869,421,566</b>
Surplus for the year		284,637,643		284,637,643
Previous year adjustment		(39,931,716)		(39,931,716)
Lands transfered		(84,006,960)		(84,006,960)
Valuation of unaccounted Fixed Assets		109,740		109,740
Facilitation of Infrastructure for Mega Projects		(1,561,266)		(1,561,266)
<b>Balance as at 31st December 2013</b>		<b>6,687,975,770</b>	<b>15,340,693,235</b>	<b>22,028,669,005</b>
Surplus for the year		373,444,732		373,444,732
Previous year adjustment		163,839,727		163,839,727
Fund transfers to treasury		(100,000,000)		(100,000,000)
Land premium on granted lands		(12,807,450,000)		(12,807,450,000)
Land Premium income on terminated agreements		217,956,163		217,956,163
Write back of puttalam land		11,270,121		11,270,121
Cancellation of Benevolent fund		13,444,429		13,444,429
Lands transferred from BOI		(607,000)		(607,000)
Valuation of unaccounted Fixed Assets		907,415		907,415
Land Granted to BOI		14,782,600,000		14,782,600,000
Facilitation of Infrastructure for Mega Projects		(755,837)		(755,837)
<b>Balance as at 31st December 2014</b>		<b>9,342,625,521</b>	<b>15,340,693,235</b>	<b>24,683,318,756</b>

"Notes to the Financial Statements" set out on pages 8 to 25 form an integral part of the Financial Statements.

<b>BOARD OF INVESTEMENT OF SRI LANKA</b> <b>CASH FLOW STATEMENT</b> <b>FOR THE PERIOD ENDED 31ST DECEMBER</b>		
	<b>2014</b>	<b>2013</b>
	<b>Rs ( Mn.)</b>	<b>Rs ( Mn.)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from operations	708.65	1,139.62
Income Tax Paid	(25.20)	(24.78)
Payment of Retirement Benefit Obligations	(24.11)	(13.58)
Deferred Revenue	569.64	
Land Premium on granted lands	12,807.45	
Adjustment in respect of previous year		(39.93)
Net cash inflow/(out flow from operating activities)	<b>14,036.43</b>	<b>1,061.33</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	134.30	128.75
Financial Assets	9.56	(1.81)
Purchase of fixed assets	(70.79)	(109.65)
Proceeds from sale of Fixed Assets	10.00	33.28
Capital work in progress	(709.25)	(429.50)
Special Projects	(26.42)	(107.91)
Deferred expenditure	(1.88)	(24.35)
Net cash flows from investing activities	<b>(654.61)</b>	<b>(511.19)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Installments Paid on Lease	(28.47)	(15.03)
Funds Transfer to Treasury	(12,907.45)	
Net cash flows from financing activities	<b>(12,935.92)</b>	<b>(15.03)</b>
<b>Net Increase/ (Decrease) in cash &amp; cash equivalents</b>	<b>445.91</b>	<b>535.11</b>
<b>Cash &amp; cash equivalents at beginning of the year</b>	<b>811.48</b>	<b>276.37</b>
<b>Cash &amp; cash equivalents at end of the year</b>	<b>1,257.38</b>	<b>811.48</b>
<b>Note.A</b>		
<b>CASH GENERATED FROM OPERATIONS</b>		
Surplus after Income Tax	373.44	
Depreciation	429.04	
Income Tax Expense	30.78	
Provision for Ret.Benefit Obligations	63.57	
Provision for Imparement of Debtors	24.40	
Deffered Revenue for the year	-199.37	
(Profit)/Loss on sale of fixed assets	-6.46	
Investment income	-135.11	



	<b>2014</b>	<b>2013</b>
	<b>Rs ( Mn.)</b>	<b>Rs ( Mn.)</b>
Interest on Lease	13.93	
Amortization of deffered expenditure	40.53	
Operating surplus before working capital changes	634.76	
Working capital changes		
Stocks	-1.91	
Receivables from enterprises	-29.55	
Payment in advance & other Receivables	-6.57	
Financial assets	-0.50	
Accrued expenses & other payables	112.41	
<b>Operating surplus after working capital changes</b>	<b>708.65</b>	
<b>Analysis of Cash &amp; Cash equivalents</b>		
Bank & cash balances	1,257.38	
Call Deposits	0.00	
	<b>1,257.38</b>	

## Notes to the Financial Statements

### 1. Reporting Entity

Board of Investment of Sri Lanka is established under Board of Investment of Sri Lanka Law, No 4 of 1978. The registered office and the principal place of organization is located at West Tower, WTC, Echelon Square, Colombo 01.

### 2. Basis of Preparation

#### 2.1 Statement of Compliance

The statement of Financial Position, Comprehensive income, Changes in Equity, Cash Flow and notes together with summary of significant accounting policies of the Board have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS) issued by The Institute of Chartered Accountants of Sri Lanka which represent International Financial Reporting Standards issued by the International Accounting Standard Board.

#### 2.2 Use of Estimates, Judgments and Assumptions

The preparation of the Boards' financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. The estimates and underlying assumption are reviewed on an ongoing basis. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

#### 2.3 Going Concern

When preparing the financial statements the Management has assessed the ability of the Board to continue as a going concern. The Management has a reasonable expectation that the Board has adequate resources to continue in operational existence for the foreseeable future. The Board does not foresee a need for liquidation or cessation of operations, taking into account all available information about the future. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

#### 2.4 Functional and Presentation Currency

The functional currency of the Board is determined to be Sri Lankan Rupees and the Financial Statements are also presented in Sri Lankan Rupees.

### 3 Significant Accounting Policies

#### 3.1 Financial Assets

The Board classifies its financial assets in to loans and receivables and held to maturity investments. The classification is determined by management at initial recognition and depends on the purpose for which the investments were done and acquired.

##### (a) Classification

##### (i) Loans and Receivables

Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables arising from ordinary transactions are also classified in this category and are reviewed for impairment.

**(ii) Held-to-Maturity Financial Assets**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Board's Management has the positive intention and ability to hold to maturity.

**(b) Impairment**

Financial Assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists the assets recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an assets or it's cash generating units exceed its recoverable amount. Impairment losses are recognized in the income statement.

**(c) De-recognition**

Impairment losses recognized in prior period are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is de-recognized if there has been a change in the estimates used to determine the recoverable amount.

**3.2 Property, Plant and Equipment**

**(a) Cost**

Value of property plant and equipment carried at valuation less accumulated depreciation as at 1st January 2011 have been considered being the deemed cost as at 1st January 2011 as per SLFRS 1.

**(b) Depreciation**

The provision for depreciation is calculated on the straight-line basis on the cost/ valuation of the Property, Plant and Equipment. All Property, Plant and Equipment other than land have been depreciated annually over the useful life.

	2013	2014
Buildings & Structures	20 years	20 years
Plant and Machinery	10 years	10 years
Fixtures & Fittings	10 years	10 years
Office Furniture & Equipment	10 years	10 years
Computers	3 years	3 years
Motor Vehicles	5 years	5 years

Depreciation is not charged on fixed assets in the year of purchase, while charging in full in the year of disposal.

**(c) De-recognition**

Items of property and equipment are de-recognized upon disposal or when no future economic benefits are expected from its use. Gain or loss arising on de-recognition of an item of property, plant and equipment is determined as the difference between the sales proceed and the carrying amount of the asset and is recognized in the income statement.

#### **(d) Capital Work in Progress**

Capital expenses incurred during the year which are not completed as at the Balance sheet date are shown as Capital Work in Progress, whilst the capital assets which have been completed during the year and available to use have been transferred to Property, Plant and Equipment.

#### **(e) Leasehold Assets**

Assets acquired under finance leases are capitalized & included under the category of leasehold motor vehicles with recognition of a corresponding financial liability. Assets held under finance leases are depreciated over their period of use.

### **3.3 Investment Properties**

Investment properties are stated at cost prevailed as of the date of classifying the said assets under investment properties.

### **3.4 Inventories**

All inventories have been valued at lower of Cost or Net Realizable Value. Cost is determined based on First in First out basis. (FIFO) Notes to the Financial Statements (contd.)

### **3.5 Other Assets**

Other assets include Other Debtors, Receivables, Advances, Deposits and Prepayments.

#### **(a) Advances, Deposits, Prepaid Expenditure**

Expenditure which is deemed to have a benefit or relationship to more than one financial year is classified as advances, deposits and prepaid expenditure. Such expenditure is written off over the period, to which it relates, on a time proportion basis.

#### **(b) Other Debtors**

Other debtors are recognized at cost less impairment loss.

### **3.6 Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These are held for the purpose of meeting short-term cash commitments.

### **Cash Flow Statement**

The cash flow statement has been prepared by using indirect method in accordance with the Sri Lanka Accounting Standard No. 7 (LKAS) on cash flow statements.

### **3.7 Employee Benefits**

#### **(a) Defined Contribution Plans**

Employees are eligible for Employees' Provident Fund (EPF) Contributions and Employees' Trust Fund (ETF) Contributions in line with the respective statutes and regulations. The Board pays fixed contributions of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund and will have no legal or constructive obligation to pay further amounts.

**(b) Defined benefit plans**

Defined benefit plans are post-employment plans other than defined contribution plans. Board is liable to pay gratuity in terms of the Payment of Gratuity Act No. 12 of 1983. A provision for the obligations under the Act is determined based on an actuarial valuation.

**3.8 Liabilities & Provision**

Liabilities & Provisions are recognized in the balance sheet when there is a present legal /constructive obligation as a result of the past events the settlement & which is expected to result in an outflow of resources embodying economic benefits.

Obligations payable at the demand of the creditor or within one year of balance sheet date are treated as current liabilities in the balance sheet. Liabilities payable after one year from the balance sheet are treated as non-current liabilities in the Statement of Financial Position.

**Other Liabilities**

Other liabilities include other creditors including Accrued Expenditure. These are stated at their historical value which is deemed to be their fair value.

**3.9 Income Recognition****(a) Revenue**

Revenue from services/fees is measured at fair value of the consideration received or receivable. License Fee and Agreement processing Fees are recognized on cash basis.

**(b) Interest Income**

Interest income for all interest-bearing financial instruments including financial instruments measured at fair value through profit or loss, are recognized within 'Finance income' in the income statement.

**(c) Other Income**

Other income is recognized on an accrual basis.

**3.10 Expenses****Expenses Recognition*****(a) Revenue Expenditure***

All expenses are measured at fair value of the consideration given and recognized in the period to which those expenses relate. The surplus earned by the Board as shown in the income statement is after providing for all known liabilities and for depreciation of Property, Plant and Equipment.

***(b) Capital Expenditure***

Expenditure incurred for the purpose of extending or improving assets of a permanent nature by means to carry on the organization or for the purpose of increasing the service/product capacity of the organization has been treated as Capital Expenditure.

**3.11 Taxation**

Income tax is based on the elements of interest income as reported in the financial statement and is computed in accordance with provisions of the Inland Revenue Act No. 10 of 2006. The Board is exempt from Income Tax on profits and income, other than profits and income from interest.

### **3.12 Contingent Liabilities**

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER**

		<b>2014</b>	<b>2013</b>
		<b>Rs.</b>	<b>Rs.</b>
<b>4</b>	<b>Revenue</b>		
	Ground Rent	657,671,171	605,761,845
	Annual Fees	553,143,361	543,709,821
	Import/Export Service Charges	888,755,523	809,683,033
	Net Income from Supply of Water (Note 4.1)	400,144,483	334,629,422
	Land Premium	199,372,412	60,781,696
	Rent Income	101,553,029	113,566,109
	License Fee Sec.-16 Enterprises	25,969,310	23,178,312
	Sale of Entry Permits	114,696,177	103,282,627
	Agreement/Processing Fees	45,280,725	40,589,957
	Income from Housing & Other Projects	19,864,433	19,771,047
	Miscellaneous Income	93,712,294	66,851,715
		<b>3,100,162,918</b>	<b>2,721,805,586</b>
<b>4.1</b>	<b>Net Income from Supply of Water for Enterprises</b>		
	Income from Water Supply	1,138,986,922	1,061,917,400
	Related Cost on Water Supply	(738,842,438)	(727,287,978)
	Net Income from Supply of Water	<b>400,144,483</b>	<b>334,629,422</b>
<b>5</b>	<b>Surplus from Operations</b>		
	Surplus from Operations is stated after charging/(crediting) all expenses including the followings.		
	Operating Expenses (Note 6)	299,383,652	337,008,595
	Administrative Expenses (Note 7)	2,303,286,584	1,983,947,246
	Government Levies (Note 8)	161,676,718	148,120,375
	Other Expenses (Note 9)	23,815,616	24,300,318
<b>6</b>	<b>Operating Expenses</b>		
	Investment Promotion Expenses	67,470,738	116,561,220
	Maintenance of Zones	115,339,883	107,053,825
	Light & Power	55,766,589	58,037,179
	Security Services	57,496,320	52,032,990
	Welfare Expenses to Zone Employees	3,310,123	3,323,381
		<b>299,383,652</b>	<b>337,008,595</b>
<b>7</b>	<b>Administrative Expenses</b>		
	Personnel Cost (Note 7.1)	1,202,671,696	1,005,801,591
	Staff Welfare Expenses	187,561,838	178,788,674
	Printing & Stationery	24,879,375	21,912,827
	Maintenance of P/M Computer & Offi.Equip.	36,383,952	32,810,692
	Building Maintenance	70,503,103	75,308,516
	Transport Related Expenses	100,218,988	85,384,338
	Office Rent & Verification Unit Rent	42,174,550	37,908,488
	Press Notifications	2,447,869	2,298,152
	Water Consumption	6,429,267	7,181,794
	Communication Expenses	35,661,678	34,960,254

	Municipality Rates	7,545,200	7,545,200
	Staff Training	14,503,999	13,100,708
	Legal & Professional Charges	8,813,665	7,778,874
	Compensation for Legal obligations	102,138,350	0
	Corporate Social Responsibility Expenses	1,603,527	2,000,000
	Travelling & Subsistence	5,106,655	4,554,383
	Audit Fees	1,200,000	1,500,000
	Impairment on Debtors	24,400,841	63,810,680
	Depreciation	429,042,030	401,302,075
		<b>2,303,286,584</b>	<b>1,983,947,246</b>
<b>7.1</b>	<b>Personnel Cost</b>		
	Board Members Fee	315,000	384,000
	Chairman / Director General / ADG Salary	14,830,000	0
	Salaries & Wages - Executive Staff	341,156,799	290,835,260
	Salaries & Wages - Clerical & Allied Staff	71,692,729	92,853,345
	Salaries & Wages - Security Staff	35,839,724	40,332,018
	Salaries & Wages - Minor Staff	84,183,379	74,454,572
	Overtime	120,656,644	116,949,241
	Leave Encashment	55,687,626	59,098,318
	Bonus	37,963,429	55,810,744
	Provision for Retirement Benefit Obligation	35,237,997	30,896,886
	Contribution to Employee's Provident Fund	81,699,003	74,551,196
	Contribution to Employee's Trust Fund	16,377,900	14,910,140
	Other Staff Cost	307,031,465	153,486,392
	Voluntary Retirement Scheme	0	1,239,480
		<b>1,202,671,696</b>	<b>1,005,801,591</b>
<b>8</b>	<b>Government Levies</b>		
	Stamp Duty	377,240	518,885
	Nation Building Tax	36,119,784	34,619,596
	Economic Service Charges	9,885,968	9,436,774
	WHT on Interest Income	0	0
	Value Added Tax - Disallowed VAT Input	115,293,727	103,545,120
		<b>161,676,718</b>	<b>148,120,375</b>
<b>9</b>	<b>Other Expenses</b>		
	Exchange Gain Losses		
	Expenses on Issuing Identity Cards	2,581,353	2,501,217
	Sundry Expenses	16,213,541	15,710,909
	Container Key Locks	875,436	1,050,600
	Insurance	3,025,460	3,729,525
	Environment Control Expenses	136,170	215,745
	Compensation on legal cases		
	Entertainment	983,656	1,092,322
	Loss on Disposals of Property Plant & Equipment		
		<b>23,815,616</b>	<b>24,300,318</b>
<b>10</b>	<b>Net Finance Income</b>		
	<b>Finance Income</b>		
	Interest Income on Call Deposits/Others	113,613,178	79,000,907



	Interest Income on Staff Loans	21,492,232	21,764,372
	Total Finance Income	<b>135,105,411</b>	<b>100,765,279</b>
	<b>Finance Expenses</b>		
	Interest on Lease	13,931,370	15,025,375
	Bank Charges	602,911	620,700
	Total Finance Expenses	<b>14,534,281</b>	<b>15,646,075</b>
	<b>Net Finance Income</b>	<b>120,571,130</b>	<b>85,119,204</b>
<b>12</b>	<b>Investment Property</b>		
	Balance as at 1st January	16,951,301,806	17,000,254,053
	Transferred from Property Plant & Equipment - Building		
	Additions during the year	14,405,399,791	53,859,753
	Disposals during the year	607,000	102,812,000
	Less -Accumulated Amortization as at 31st December	79,531,353	63,446,447
	<b>Balance as at 31st December</b>	<b>31,276,563,244</b>	<b>16,887,855,359</b>
<b>13</b>	<b>Capital Work-in-Progress</b>		
	<b>General Projects</b>		
	Balance as at 1st January	631,716,386	728,911,501
	Additions the during the year	709,242,322	429,500,651
	Capitalized during the year	(367,690,592)	(526,695,765)
	Balance as at 31st December	<b>973,268,115</b>	<b>631,716,386</b>
	<b>Special Projects</b>		
	Balance as at 1st January	207,143,652	153,095,367
	Capitalized - Land & Building	(12,200,000)	(53,859,753)
	Refunds		
	Puttalam Land-As per B/P No 311/09	11,270,121	
	Additions during the year	26,414,600	107,908,038
		<b>232,628,372</b>	<b>207,143,652</b>
	<b>Total Capital Work-in-Progress</b>	<b>1,205,896,487</b>	<b>838,860,038</b>
	Capital work in progress until those projects are completed.		
<b>14</b>	<b>Non Current Financial Assets</b>		
	Staff Loans (Note 14.1)	403,161,301	403,368,949
	Financial Assistance Programme (Note 14.2)	14,200,175	27,442,809
	Financial Assets	<b>417,361,476</b>	<b>430,811,757</b>
<b>14.1</b>	<b>Staff Loan Measured at Effective Interest Rate</b>		
	Staff Loans - Maturity part more than one year (Note 14.1)	403,161,301	403,368,949
	Staff Loans - Maturity part less than one year (Note 15)	134,080,350	131,098,397
	Prepaid Staff Expenses for Staff loan	<b>25,519,331</b>	<b>52,189,614</b>
	Less : IFRS Adjustments -Staff Loan	<b>(25,519,331)</b>	<b>(52,189,614)</b>
	Total Financial Assets	<b>537,241,652</b>	<b>534,467,346</b>
<b>14.2</b>	<b>Financial Assistance Programme</b>		
	Balance as at 1st January	64,310,750	90,792,606
	Granted during the year	-	-
	Repaid during the year	-9,565,815	-26,481,856

	Balance as at 31st December before Provision of Impairment	54,744,935	64,310,750
	Less - Provision for Impairment	-31,552,875	-25,092,321
	Balance as at 31st December after Provision for Impairment	23,192,059	39,218,429
	Measured at amortized cost by maturity part less than one year	8,991,884	11,775,620
	Measured at amortized cost by maturity part more than one year	14,200,175	27,442,809
	Total of Financial Assistance Programme	<b>23,192,059</b>	<b>39,218,429</b>
<b>14.1</b>	<b>Financial Assistance Programme (Contd.)</b>		
		<b>Maturity</b>	
	<b>31.12.2014</b>	<b>Between 1</b>	<b>After</b>
	<b>Rs.</b>	<b>and 05 years</b>	<b>05 years</b>
	Staff Loans	281,471,923	121,689,378
	Financial Assistance Programme	11,778,792	2,421,383
	Total Non Current Financial Assets	<b>293,250,715</b>	<b>124,110,761</b>
		<b>Maturity</b>	
	<b>31.12.2013</b>	<b>Between 1</b>	<b>After</b>
	<b>Rs.</b>	<b>and 05 years</b>	<b>05 years</b>
	Staff Loans	276,037,410	127,331,539
	Financial Assistance Programme	22,613,885	4,828,923
	Total Non Current Financial Assets	<b>298,651,295</b>	<b>132,160,462</b>
<b>15</b>	<b>Current Financial Assets</b>		
	Measured at amortized cost by maturity part less than one year		
	Staff Loans	128,527,839	125,856,985
	Staff Advance	5,552,511	5,241,413
	Financial Assistance Programme (Note 14.1)	8,991,884	11,775,620
	Investment Held for Maturity		
	Fixed Deposit - State Mortgage & Investment Bank	5,928,284	5,629,262
	Fixed Deposit	20,000	20,000
	Financial Assets	<b>149,020,518</b>	<b>148,523,279</b>
<b>16</b>	<b>Receivables from Enterprises</b>		
	Receivables from Enterprises	719,431,529	664,452,940
	Less-Provision for Impairment on Debtors - (Note 16.1)	(518,917,751)	(493,484,649)
		<b>200,513,779</b>	<b>170,968,291</b>
<b>16.1</b>	<b>Provision for Impairment on Debtors</b>		
	Balance as at 1st January	493,484,649	492,790,570
	Written off during the year	1,055,613	13,483,407
	Provision made during the year	26,488,715	14,177,486
	Balance as at 31st December	<b>518,917,751</b>	<b>493,484,649</b>
<b>17</b>	<b>Payments in Advance and Other Receivables</b>		
	Advance Payments	602,406	478,892
	Advance Payments Foreign Travel	569,999	569,999

	Sri Lanka Mission Abroad	1,075,853	848,998
	Mobilization Advances	29,958,353	46,660,561
	Prepaid Expenses	74,093	0
	Interest Income - Receivables	7,699,838	6,910,098
	Deposit Receivables	7,197,689	7,133,689
	Other Receivables	145,502,248	131,274,290
	Less-Provision for Impairment on Debtors - (Note 17.1)	(111,709,326)	(120,257,749)
		<b>80,971,152</b>	<b>73,618,778</b>
<b>17.1</b>	<b>Provision for Impairment on Debtors - Other Receivables</b>		
	Balance as at 1st January	120,257,755	61,204,152
	Provision made during the year	(8,548,428)	59,053,597
	Balance as at 31st December	<b>111,709,326</b>	<b>120,257,749</b>
<b>18</b>	<b>Favourable Cash &amp; Cash Equivalents</b>		
	Bank of Ceylon - Personal Branch	238,078,501	155,933,847
	Bank of Ceylon - Personal Branch	2,203,505	5,524,895
	Bank of Ceylon -Katunayake	13,029,434	27,278,178
	Bank of Ceylon -Biyagama	36,274,435	19,526,031
	Bank of Ceylon - Koggala	1,791,003	4,470,175
	Bank of Ceylon - Digana	6,790,134	2,308,313
	Bank of Ceylon -Avissawella	10,109,215	11,539,707
	Bank of Ceylon -Ingiriya	10,933,381	2,183,146
	Bank of Ceylon - Mirigama	992,279	647,756
	Bank of Ceylon - Nittambuwa	944,179	6,095,290
	Bank of Ceylon - Kurunagala	2,199,359	3,247,218
	Gold Sovereign	44,800	44,800
	Balance in Franking Machine	238,397	278,887
	Temporary Surplus Fund - Bank of Ceylon	83,556,547	172,236,126
	National Savings Bank - Staff Security Deposits	184,155	160,554
	Repos	849,999,777	400,000,000
	Call Deposit/Other Deposits	0	251
	Cash in Hand	13,882	956
	Total Cash and Cash Equivalents	<b>1,257,382,982</b>	<b>811,476,128</b>
<b>19</b>	<b>Deferred Expenditure</b>		
	recognized over the 20 years.		
	Balance as at 1st January	427,235,029	440,993,614
	Expenditure Deferred during the year	28,367,305	24,345,688
	Less - Current year expenditure	(40,539,723)	(38,104,272)
	Balance as at 31st December	<b>415,062,611</b>	<b>427,235,029</b>
<b>20</b>	<b>Deferred Revenue</b>		
<b>20.1</b>	<b>Deferred Revenue - Land Premium</b>		
	Balance as at 1st January	2,094,695,897	1,792,358,277
	Received during the year	13,384,426,852	352,768,594
	Re-payment during the year	(7,333,333)	
	Recognized income through Income Statements	(199,319,990)	(50,430,975)
	Previous year adjustment	(381,795,890)	
	Balance as at 31st December (Note 20.1.1)	<b>14,890,673,535</b>	<b>2,094,695,897</b>

<b>20.1.1</b>	<b>Deferred Revenue</b>		<b>Maturity</b>		
		<b>31.12.2014</b>	<b>Within 01</b>	<b>Between 1</b>	<b>After</b>
		<b>Rs.</b>	<b>year</b>	<b>and 05 years</b>	<b>5 years</b>
	Land Premium	14,890,673,535	199,319,990	996,599,952	13,694,753,593
		<b>14,890,673,535</b>	<b>199,319,990</b>	<b>996,599,952</b>	<b>13,694,753,593</b>
			<b>Maturity</b>		
		<b>31.12.2013</b>	<b>Within 01</b>	<b>Between 1</b>	<b>After</b>
		<b>Rs.</b>	<b>year</b>	<b>and 05 years</b>	<b>5 years</b>
	Land Premium	2,094,695,897	50,430,975	252,154,876	1,792,110,045
		<b>2,094,695,897</b>	<b>50,430,975</b>	<b>252,154,876</b>	<b>1,792,110,045</b>
<b>20.2</b>	<b>Deferred Revenue - Grant</b>				
	Grant is recognized as income over the period to match with the depreciation expenses on those assets are recognized.				
	Balance as at 1st January				
	Received during the year				34,022,601
	Recognized income through Income Statements				
	Balance as at 31st December				<b>34,022,601</b>
<b>21</b>	<b>Retirement Benefit Obligations</b>				
	Total present value of obligations as at 1st January				224,062,179
	Interest Cost				20,045,898
	Current Service Cost				10,850,989
	Actuarial (Gain)/Loss on obligations				6,283,354
	Less - Payments made/payable during the year				(13,577,026)
	Total present value of defined benefits obligations				<b>224,062,179</b>
<b>21.1</b>	<b>Expenses Recognized in the Income Statement.</b>				
	Interest Cost				20,045,897
	Current Service Cost				10,850,989
	Actuarial (Gain)/Loss				6,283,354
	Total Expenses Retirement Benefit Obligations				<b>37,180,240</b>
<b>21.1</b>	<b>Retirement Benefit Obligations (Contd.)</b>				
	The Key Assumptions used by Actuary including the following.				
<b>AS AT 31ST DECEMBER</b>				<b>2014</b>	<b>2013</b>
	(i) Discount Rate			9%	10%
	(ii) Salary Increment Rate			Fixed	Fixed
	(iii) Assumption regarding Future Mortality			A1967/70	A1967/70
	(iv) Retirement Age			60 Years	60 Years
<b>22</b>	<b>Finance Lease</b>				
	Balance as at 1st January				103,827,537
	Finance Lease obtained during the year				28,230,300
	Installments paid during the year				(26,657,187)
	Balance as at 31st December				105,400,650
	Less - Interest in suspense				(36,095,165)
	Capital Payable				<b>69,305,484</b>

	Long - Term Borrowings falling within one year	14,123,579	14,393,354
	Long Term Borrowings falling after one year	47,146,064	54,912,130
	Total Payable Finance Lease	<b>61,269,642</b>	<b>69,305,484</b>
<b>23</b>	<b>Accrued Expenses and Other Payables</b>		
	Sundry Creditors	152,496,162	65,257,876
	Accrued Expenses	194,739,704	203,396,847
	Receipts in Advance	157,115,953	216,201,116
	Refundable Deposits	104,327,709	114,902,248
	Land Reservation Fees	12,291,716	13,752,598
	Deposit Payable	182,112,751	62,781,963
	Central Environmental Authority	4,760,197	4,760,197
	<b>Total Operating and Other Payables</b>	<b>807,844,191</b>	<b>695,429,780</b>

# NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2014

11 Property, Plant and Equipment													
	Land	Buildings	Structures	Plant & Machinery	Fixtures & Fittings	Furniture, & Office Equipment	Computers	Motor Vehicles	Total 2014	Total 2013			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.			
<b>Freehold Assets at Cost</b>													
Balance as at 01st January	155,209,000	1,760,870,831	4,852,242,586	47,835,708	445,099	111,408,159	130,547,199	149,263,884	7,207,822,466	6,653,805,225			
Additions during the Year	417,182,000	8,500,000		2,211,449	175,232	11,581,310	20,350,350	56,493,698	516,494,039	46,493,626			
Transferred from Capital Work in Progress		1,781,882	310,492,598						312,274,480	527,111,193			
Disposal During the Year			3,358,000	315,000	8,500	1,950,328	3,914,725	9,411,481	18,958,034	19,587,580			
Transferred to Investment Property													
<b>Balance as at 31st December</b>	<b>572,391,000</b>	<b>1,771,152,713</b>	<b>5,159,377,184</b>	<b>49,732,157</b>	<b>611,831</b>	<b>121,039,141</b>	<b>146,982,824</b>	<b>196,346,101</b>	<b>8,017,632,951</b>	<b>7,207,822,463</b>			
<b>Depreciation</b>													
Balance as at 01st January		436,034,922	1,257,764,460	19,652,006	75,740	35,584,712	83,388,994	132,846,975	1,965,347,809	1,609,613,367			
Charge for the year		87,898,335	257,943,909	4,783,570	44,509	11,231,557	23,429,807	24,196,866	409,528,553	374,665,514			
On Disposals			1,007,400	189,000	3,400	952,353	3,848,346	9,407,830	15,408,329	18,931,071			
Dep.trf to Investment Property													
<b>Balance as at 31st December</b>		<b>523,933,258</b>	<b>1,514,700,969</b>	<b>24,246,576</b>	<b>116,849</b>	<b>45,863,916</b>	<b>102,970,455</b>	<b>147,636,011</b>	<b>2,359,468,033</b>	<b>1,965,347,811</b>			
<b>Written Down Value of Freehold Assets</b>													
As at 31st December	572,391,000	1,247,219,455	3,644,676,215	25,485,581	494,982	75,175,225	44,012,369	48,710,090	5,658,164,918	5,242,474,652			
<b>Leasehold Assets</b>													
Balance as at 01st January								82,366,071	82,366,071	65,223,214			
Additions during the Year								6,500,000	6,500,000	17,142,857			
Disposal During the Year													
<b>Total Leasehold Assets</b>								<b>88,866,071</b>	<b>88,866,071</b>	<b>82,366,071</b>			
<b>Depreciation</b>													
Balance as at 01st January								13,044,642	13,044,642	0			
Charge for the year								3,428,571	3,428,571	13,044,643			
On Disposals													
<b>Balance as at 31st December</b>								<b>16,473,213</b>	<b>16,473,213</b>	<b>13,044,643</b>			
<b>Written Down Value of Leasedhold Assets</b>													
As at 31st December								72,392,858	72,392,858	69,321,429			
<b>Written Down Value of Assets</b>													
As at 31st December	572,391,000	1,247,219,455	3,644,676,215	25,485,581	494,982	75,175,225	44,012,369	121,102,948	5,730,557,776	5,311,796,081			

As at 31 December 2014, Motor Vehicles acquired under Finance Leases amounted to Rs.88,866,071.45 They are mainly related to Property used in administrations. The liability relating to these assets are shown under in Note 22 "Finance Lease"

# “Audit Report”

The image features a minimalist, abstract design. A teal banner at the top contains the text "Audit Report" in white. Below this, a large, dark teal chevron shape points downwards, partially overlapping a dark grey chevron shape that also points downwards. The background is a light grey, and the overall composition is clean and modern.





# විගණකාධිපති දෙපාර්තමේන්තුව

## கணக்காய்வாளர் தலைமை அறிபதி திணைக்களம்

### AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය  
எனது இல.  
My No.

TC/G/BOI/01/2014

ඔබේ අංකය  
உமது இல.  
Your No.

දිනය  
திகதி  
Date } 01 December 2015

The Chairman

Board of Investment of Sri Lanka

#### Report of the Auditor General on the Financial Statements of the Board of Investment of Sri Lanka (BOI) for the year ended 31 December 2014 in terms of Section 14(2) (c) of the Finance Act, No. 38 of 1971.

The audit of financial statements of the Board of Investment of Sri Lanka (BOI) for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2013 and statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flow 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 31 of the Greater Colombo Economic Commission Law, No.4 of 1978 as amended by Act, No. 49 of 1992. My comments and observations which I consider should be published with the annual report of the BOI 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 will be issued to the chairman in due course.

#### 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 Auditors' 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 standards of Supreme Audit Institution (ISSAI 1000-1810). Those Standards

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. - இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka

+94-11-2887028-34

+94-11-2887223

oaggov@slt.net.lk

www.auditorgeneral.gov.lk





require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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

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

#### **1.4 Basis for Qualified Opinion**

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

### **2. Financial Statements**

#### **2.1 Qualified Opinion**

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Board of Investment of Sri Lanka (BOI) as at 31 December 2014 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 Accounting Deficiencies

The following observations are made.

- (a) Expenditure aggregating Rs.64,535,967 incurred on 28 completed contracts had been included in the capital work in progress as at 31 December 2014 without being capitalized or transferred to the deferred expenditure account. Further, a sum of Rs. 5,993,163 spent in respect of contract for supply and installation of borehole pump and connected accessories which had been terminated in the year 2008 had remained in the capital work in progress.
- (b) Structure balance amounting to Rs. 5,162,735,184 was represented 67 per cent of the fixed assets as at 31 December 2014. The BOI had categorized Plant & Machinery, Internal Roads, Walk Ways, Jeep Tracks, Culverts, Boundary Walls, Fences, Gates, Entrance Buildings, Storm Water Drains, Supply Lines, Pipe Lines, Manholes, and Irrigation Canal etc. as structures under Property Plant & Equipment even though nature, residual value and life time of the above fixed assets are different with each other and all assets are being depreciated based on 20 years economical life period or at the rate of 5 per cent per annum.
- (c) A sum of Rs.6,758,323 received in respect of three activities (Commonwealth for FDI promoting, relief for flood victims and Tsunami relief fund) had been erroneously shown under the sundry creditors as at 31 December 2014 instead of being shown properly.
- (d) Ground rent totalling Rs.813,238 in connection with lands with extent of 1.46 acres occupied by 08 BOI enterprises at Katunayake Export Processing Zone had neither been invoiced nor taken into account during the year 2014 as well. Hence, the revenue for the year under review had been understated by same amount.
- (e) A sum of Rs. 24,844,375 had been paid by the BOI to the Surveyor General on 10 September 2010 in order to meet the immediate survey expenses in respect of Agro Farms Development Programme. Subsequently, on 06 January 2011 a sum of Rs.9,000,000 had been refunded by the Surveyor General and another amount of Rs.14,837,882 had been deducted for the services obtained by the BOI as per the letter



dated 14 September 2011. Accordingly the actual receivable balance was Rs.1,006,492. However, a balance of Rs.15,844,375 had been included in the advances for preliminary expenditure on projects as at 31 December 2014.

- (f) Even though according to the information made available at the Technical Division of the BOI the retention money related to three construction contracts totaling Rs.3,546,975 had been already settled, the said amount had been included in the retention money payable balance shown as at 31 December 2014.

### 2. 2.2. Accounts Receivable and Payable

(a) **Dues from Enterprises**

A sum of Rs.200,513,779 was dues from the BOI approved enterprises as at 31 December 2014. The details of provision for impairment and bad debts written off thereon as at the end of the year under review as compared with preceding four years are given below.

Description	2014	2013	2012	2011	2010
	Rs.	Rs.	Rs.	Rs.	Rs.
Dues from BOI Enterprises	719,431,529	664,452,940	701,884,118	623,861,381	631,911,594
Provision for impairment	518,917,751	493,484,649	492,790,570	437,041,560	249,452,238
Provision for impairment as a percentage of total dues	72	74	70	70	39
Bad debts written off during the year	1,055,613	13,483,407	5,517,032	73,113,266	8,306,417

The following observations are made in this connection.

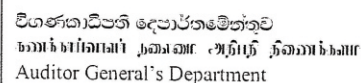
- (i) Provision for impairment on dues from these enterprises had rapidly increased during the last five years from 39 per cent in 2010 to 72 per cent in 2014 thus, indicating that the follow up action on the recovery of those outstanding balances was at a very weak level.
- (ii) Out of total provision for impairment of Rs. 518,917,751, a sum of Rs. 513,085,170 or around 99 per cent represented dues from cancelled and closed down projects as at 31 December 2014.
- (iii) A provision for impairment of Rs. 201,545,912 had been made during the year under review for annual fees, which was 84 per cent of total annual fees of Rs.240,076,662 receivable as at 31 December 2014.

#### (b) Other Debtors

The details of outstanding balances of other debtors of the BOI and provision for impairment as at the balance sheet date as compared with the preceding four years are given below.

Description	2014	2013	2012	2011	2010
-----	-----	-----	-----	-----	-----
	Rs.	Rs.	Rs.	Rs.	Rs.
Other debtors	145,502,248	131,274,290	66,891,763	61,204,152	103,810,214
Provision for doubtful debts /impairment	111,709,320	120,257,749	61,204,152	7,688,630	48,234,339
Provision for doubtful debts/impairment as a percentage of total other debtors	76.7	91.6	91.5	12	46

The following observations are made in this connection.



- The following observations are also made in this connection.

- Instead of recovering the outstanding balances receivable from the Government Institutions for more than two years, a 100 per cent provision for bad and doubtful debts had been made in the accounts. The amount of provision made in this regard was Rs.82,911,083.
- Other debtors amounting to Rs.5,257,979 receivable from following three Government Ministries were physically not existing.

Name of the Government Ministry -----	Amount due as at 31 December 2014 -----
	Rs.
Ministry of Rehabilitation and Tamil Affairs	2,099,895
Ministry of Enterprise Development, Industry Policy & Investment Promotion	710,550
Ministry of Enterprise Development & Investment Promotion	2,447,534
	-----
	5,257,979



### 2.2.3. Defaulted Value Added Tax

The BOI had not paid the Value Added Tax amounting to Rs.9,108,682 relating to the 4<sup>th</sup> quarter of the year 2013. Actions had not been taken to remit this amount even by 31 May 2015.

#### 2.2.4. Refundable Deposits

Out of the retention money totalling Rs. 25,569,041, a sum of Rs.4,970,347 or 19 per cent related to 69 contracts had remained unsettled for more than three years.

### 2.2.5. Lack of Evidence for Audit

Differed expenditure balance as at 31 December 2014 amounting to Rs.415,062,611 could not be satisfactorily verified due to unavailability of evidence such as nature of the expenditure, year of payment, total period of amortization, remaining period of amortization etc.

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

The following instances of non-compliance were observed in audit.

Reference to Laws, Rules and Regulations etc.	Non – Compliance
(a). Public Administration Circular No. 13/2008 of 26 June 2008.	The employees of the BOI who had enjoyed monthly transport and fuel allowances had further enjoyed monthly driver's allowance of Rs.15,000 contrary to the provisions in the Circular. The BOI had paid a sum of Rs.2,874,500 for the above allowance during the year under review.
(b). Public Enterprises Circular No. 95 of 14 June 1994, Management Services Circular No. 30 of 22 September 2006 and the letter	(i) The employees of the BOI had enjoyed professional allowances or postgraduate degree allowances without obtaining required approvals from the relevant Authorities concerned and the total amount so paid by the BOI during the year under review was Rs.6,766,104.

No.DMS/A2/BOI of 02

January 2007, send by the  
Department of  
Management Services.

(ii) The employees of the BOI had been paid with both attendance incentive and encashment of unutilized medical leave together contrary to the provisions in the Circular by introducing a new attendance allowance scheme for key performance payments and the BOI had incurred an overpayment of Rs. 128,419,019 on both these allowances during the year under review.

### 3. Financial Review

#### 3.1 Financial Results

According to the financial statements presented, the operation of the BOI for the year under review had resulted in a pre-tax net profit of Rs.432,571,478 as compared with the corresponding pre-tax net profit of Rs.313,548,256 for the preceding year, thus indicating an improvement of Rs.119,023,222 in the financial results for the year under review. The increase of revenue by way of receiving the portion of land premium income amounting to Rs.289,522,676 out of the total land premium of Rs.12,807,450,000 from two BOI registered companies during the year under review was the main reason attributed for this improvement in the financial results.

#### 3.2 Analytical Financial Review

##### 3.2.1. Significant Accounting Ratios

According to the financial statements and information made available for audit, some important ratios for the year under review as compared with preceding 03 years are given below.

Ratio	2014	2013	2012	2011
Profitability Ratio (Percentage)				
Net Profit Ratio	12.05	10.45	10.29	3.89
Return on Total Assets	0.93	1.2	0.95	0.33

Return on Equity	0.95	1.2	0.99	0.28
Activity Ratios				
Debtors Turnover Ratio –(Number of times)	4.48	3.98	3.36	3.19
Debtors Collection Period – (Number of days)	81	92	109	114
Liquidity Ratios –(Number of times)				
Current Ratio	204.90	170.8	120.11	329.29
Net Current Assets to Total Assets	51.19	41.4	16.75	69.63

The following observations are also made in this connection.

- (i) Debt collection of the BOI is in a weak level.
- (ii) The BOI had invested a huge amount of money in working capital. Therefore, the profitability of the BOI was not in a satisfactory level.

### 3.2.3. Analysis of Expenditure

Out of total expenditure incurred during the year under review, a sum of Rs.2,802.7 million or 82 per cent represented the administration expenses and 60 per cent of the administration expense was incurred for personal emoluments. The analysis of total expenditure of the Board is depicted in the table given bellow.

Expenses during the year under review.				
Category of Expenses	2014		2013	
	Amount	Percentage	Amount	Percentage
	Rs. million	%	Rs. million	%
Operating	299.38	11	337.01	13
Administration	2,303.29	82	1,983.95	79
Government Levies	161.68	6	148.12	6
Finance and Other Cost	38.35	1	39.95	2
	2,802.70		2,509.03	



### 3.2.4. Financial Analysis of the Export Processing Zones, Industrial Parks and Regional Offices

The following observations are made in this connection.

- (a) Two Export Processing Zones and an Industrial Park had incurred losses before tax continuously since 2008 due to huge administration cost and underutilization of lands for revenue generation. Details are shown below.

Zone / Park	Losses incurred during the year						
	2014	2013	2012	2011	2010	2009	2008
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Wathupitiwala EPZ	99	2,969	7,766	15,743	13,703	12,787	11,872
Koggala EPZ	43,027	14,050	11,775	26,980	17,503	23,149	23,412
Malwatta IP	4,635	2,748	5,531	3,226	3,458	3,639	2,576

- (b) Profit before tax of Seethawaka Export Processing Zone had been increased by Rs.34 million in the year under review when compared with the previous year due to increase in net income from supply of water for enterprises.
- (c) Profit before tax of Katunayaka Export Processing Zone had been increased by Rs.33 million in the year under review when compared with the previous year due to increase of import and export service charges.

## 4. Operating Review

### 4.1 Performance

- (a) Details of approved Projects under Section 17 of BOI Law and agreements entered during the year 2014 and four preceding years and the total numbers of Projects cancelled and closed down or suspended are given below.

Year	Number of Projects Approved √*	Number of Agreements signed √*	Number of Projects commenced during the year √*	Number of Projects cancelled √**	Number of Projects closed down √**	Number of Projects suspended √**
2014	181	148	87	52	68	5
2013	176	145	93	120	38	7
2012	238	163	98	79	26	9
2011	160	165	99	47	7	4
2010	364	270	144	124	28	10
2009	384	182	134	93	12	4
Total	1,503	1,073	655	515	179	39

√\* Including Expansions of existing Projects.

√\*\* As per the current status of the Projects.

- The number of approved Projects had reduced by 53 per cent in the year under review when compared with that of 2009 and it was increased by 3 per cent as compared with previous year.
- Number of Projects which commenced commercial operation during the year under review had decreased from 134 in 2009 to 87 in 2014.
- Number of Projects cancelled had decreased by 58 per cent while closed down Projects increased by 78 per cent in the year under review when compared with the previous year.

**(b) Attracting the Foreign Direct Investments.**

(i) The details of foreign direct investments (FDI) attracted by the BOI during the period from 2009 to 2013 are given below.

Sector	2014	2013	2012	2011	2010	2009
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
Manufacturing	333.90	359.76	307.65	322.42	159.65	164.47
Agriculture	5.72	8.47	7.17	17.97	6.45	3.69
Services	506.34	236.34	426.74	269.14	29.48	52.55
Infrastructure	682.45	786.83	596.60	456.53	320.72	381.54
Non BOI Project	87.85	-	-	-	-	-
	<u>1616.26</u>	<u>1,391.40</u>	<u>1,338.16</u>	<u>1,066.06</u>	<u>516.30</u>	<u>602.25</u>

The following observations are made in this connection.

- The investments attracted under the agricultural sector had decreased by 32 per cent while total foreign direct investments attracted had increased by 16 per cent as compared with previous year.
- The foreign direct investments in the manufacturing sector had decreased by 7 per cent in the year under review as compared with 2013.

(ii) The realized Foreign Direct Investments (FDIs) and Local Investments (LI) made through the BOI during the period from 2009 to 2014 are given below.

Year	Realized Foreign Direct Investments (FDI)	Realized Local Investments
	Rs. Mn.	Rs. Mn.
2014	1,135,236	631,130
2013	956,183	555,025
2012	828,005	452,154
2011	655,513	368,587
2010	536,140	331,849
2009	495,506	278,762

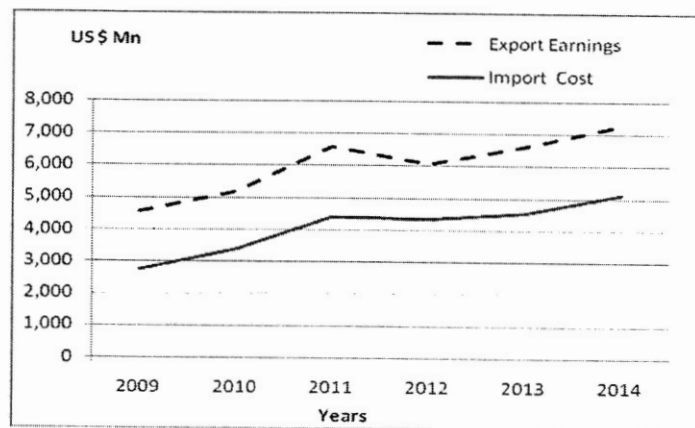


The realized Foreign Direct Investments (FDI) and Local Investments made during the year under review had increased by 19 per cent and 14 per cent respectively as compared with the previous year.

#### (c) **Import Cost and Export Earnings**

Total import cost and export earnings of the BOI enterprises during the year under review and in the last five years are depicted in the table and the chart given bellow.

Year	Export Earnings	Import Cost
-----	-----	-----
	US \$ Mn	US \$ Mn
2014	7,257	5,112
2013	6,606	4,525
2012	6,042	4,345
2011	6,572	4,400
2010	5,171	3,360
2009	4,563	2,739



*Trend of the import cost and export earnings*

Export earnings through BOI enterprises were increased by 15 per cent and 5 per cent in the years 2013 and 2014 respectively as compared with previous year while import cost incurred by the BOI enterprises were increased by 2 per cent and 15 per cent in the years 2013 and 2014 respectively as compared with previous year.

#### 4.2 **Transactions of Contentions Nature**

The following observations are made.

- Although the following expenditure totaling Rs. 37,936,276 had been incurred under the investment promotion during the year under review, the purposes of spending these amounts are questionable in audit since these expenses may not related to the investment promotion.

- (i) Payment of Rs.22,425,000 made to two private companies for the expenditure related to the Hambanthota Conclave-2014 held in BMICH on 09 December 2014.
  - (ii) Payment of Rs.10,000,000 made to the Sri Lanka Tourism Bureau on 26 March 2014, in respect of exhibition held in Janakalakendraya parallel to Commonwealth Heads of Government Meeting (CHOGM).
  - (iii) Spending Rs.3,311,276 for the advertisements in local newspapers relating to build up the image of then President.
  - (iv) Incurring Rs.2,200,000 for producing a 9.5 minutes documentary film on the recent development in the North and East Provinces.
- (b) The BOI had paid a sum of Rs.100 million to the Sri Lanka Land Reclamation and Development Corporation (SLLRDC) for the construction of 15 houses in a land with an extent of 72.8904 hectares at Weliwewa Grama Niladari Division. These houses were built for the people who lost their houses due to construction of access road for the Sooriyawewa International Cricket Stadium. The following observations are also made in this connection.
- (i) The obligation of the BOI regarding the construction of houses was questionable in audit.
  - (ii) Out of these houses, five houses had been handed over to outside parties nominated by the political authorities.
  - (iii) According to the Cabinet approval dated 06 December 2013, the ownership of the above land should be transferred to the BOI. However, the ownership of the land had not been transferred even up to May 2015. Hence, the ownership of constructed houses is remained in uncertainty.

#### 4.3 Management Inefficiencies

- (a) The BOI had paid Rs.15 million to the Urban Development Authority to meet the preliminary expenses relating to the acquisition of a land with an extent of 830 acres to set up a special economic zone at Godagama, in Matara. However, on 10 January 2008 the Cabinet Sub-committee on Investment Facilitation (CSIF) was decided to suspend the acquisition process and discontinue the proposal. At the meantime, the UDA had deducted a sum of Rs.2,899,062 against the expenditure incurred by them in this regard and subsequently Rs.2,000,000 had been recovered from the UDA and the remaining amount of Rs.10,100,938 had not yet been recovered.

- (b) The BOI had purchased nine floors of the World Trade Centre Building in the years 2007 and 2008 for a sum of Rs.1,150 million and out of them 14,075 square feet had been rented out to the line Ministry. Meantime, the BOI had obtained 1012 square feet on rental basis and paid a sum of Rs. 4,012,377 during the year under review thereto.
- (c) The BOI had entered into a lease agreement with a private company on November 1996 for obtaining an office space in World Trade Centre and a sum of Rs. 2,637,240 had been paid to above company as initial deposit. Subsequently this office space had been handed over to the said company in June 2010. However the BOI had failed to recover the deposited amount even up to 31 December 2014.
- (d) The Board of Directors of the BOI has granted the permission to the investment companies in terms of clause No.19 of the principal agreement to mortgage its leasehold rights and interests in the demised premises and the buildings thereon and all plant, machinery and fixtures permanently fastened to the demised premises to any Bank and / or Credit Institution by way of signing tripartite agreement.

The following deficiencies are observed in this regard.

- (i) The Legal Department of the BOI had not maintained a proper register for mortgage lands and buildings.
  - (ii) No restrictions or limits included neither in the principal agreement nor in the tripartite agreement regarding the value that can be obtained by mortgaging leasehold rights over the property. Further, most of the companies ended up with liquidation by defaulting loans obtained from financial institutions.
  - (iii) The BOI had to bear loss of depriving the land value, opportunity cost of idling land and dues to be receivable to the BOI due to unsettled issues relating to mortgaged lands and buildings.
- (e) The BOI had agreed with a Rubber manufacturing company situated at Horana Export Processing Zone, to reimburse the electricity tariff if the rates prevailed on 29 December 2000 will be increased over 6.9 per cent per annum. The following observations were made in this connection.



- (i) The BOI had not obtained an assessment report from related Government Institutions before granting the approval for the Project.
- (ii) The company had claimed a sum of Rs. 356,793,568 due to increase of electricity tariffs during the period of June 2002 to September 2007 and Rs. 388,161,877 in respect of interest on delay in the payment of indemnity and the arbitration cost incurred by the company in terms of the final decision given by the International Court of Arbitration of the International Chamber of Commerce (ICC). The BOI made an appeal against the award given by the ICC at the Commercial High Court. Subsequently an award had given in favor of the BOI. The company had made an appeal against the award given in favor of the BOI. The two cases are handled by the Attorney General's Department.
- (iii) The BOI had not obtained the assessment report from related Government Institutions on the availability of rubber wood in this area for consumption before granting approval for the Project.
- (iv) The BOI was unable to recover the ground rental, water bills, and bungalow rental etc due from the company due to pending court cases.
- (f) The Perth Estate was purchased by the BOI and a part of the estate had been handed over to the Sri Lanka State Plantation Corporation (SLSPC) for the management of five years period. The following observations are made in this connection.
  - (i) The BOI had not received the related financial statements since 2006 from Sri Lanka State Plantation Corporation (SLSPC).
  - (ii) The Corporation had not regularly remitted the profit to BOI as agreed except an amount of Rs. 10 million remitted during the year 2005. As per the financial statements submitted for the year 2006, the dues from the SLSPC pertaining to the Perth Estate was Rs. 16.47 million. However, the BOI had not clearly identified and recorded the correct amount receivable from the SLSPC even up to 31 December 2014.

- (iii) The matters pertaining to the Perth Estate contravening the conditions of the agreement, such as increasing the management fees by 15 per cent, unilateral utilization of revenue by the Perth Estate, investment of revenue amounting to Rs. 20 million generated from the Perth Estate in the name of the contractor, unauthorized transfer of motor vehicles and bungalow rental amounting to Rs. 12.42 million through the current account to the contractor etc. are yet to be resolved.

### 4.3 Idle and Underutilized Assets

A Land named Maliduwakanda Estate with an extent of 122 acre 01 rout 27.4 perches purchased by the BOI on 08 January 2003 at cost of Rs. 97,937,000 had not been utilized for any purpose up to the end of May 2014. According to the fixed asset register, the book value of this land as at 31 December 2014 was Rs.100,800,000.

#### 4.4 Human Resources Management

The following observations are made.

- (a) Hundred and thirty six (136) vacancies in different categories of the staff, including 84 executive staff had not been filled even by 31 December 2014. Further, eleven clerical and allied staff had been employed beyond the approved cadre and 24 posts of the staff had been filled on contract basis.
- (b) According to the approved cadre of the BOI, only one officer had been approved for the post of Chairman or Director General. However, two separate officers had been appointed to above posts without the approval from the Department of Management Services.
- (c) The Board of Directors had approved consolidated remuneration of Rs.200,000 and Rs.525,000 in its meetings held on 19 November 2013 and 20 November 2014 respectively with the fuel allowance of 300 litre per month for the post of Director General without obtaining proper approval from the Department of Management Service of the General Treasury and recommendation from the Salaries and Cadre Commission as per the Public Enterprise Circular No 95 of 14 June 1994 and Management Services Circular No 39 of 26 May 2009. As a result the former Director General had been paid



amounts of Rs.337,890, Rs.537,475 and Rs. 575,235 as consolidated remuneration for the months of November, December 2014 and January 2015 respectively.

- (d) Contrary to provisions in Section 1 of Management Services Circular No.39 of 26 May 2009, the Board of Directors of the BOI had approved a monthly remuneration of Rs.640,000 including accommodation, air ticket and entertainment to the Chairman. Accordingly sums aggregating Rs.15,578,333 had been paid to then Chairman during the years 2013 and 2014. However, as per Section 1.2 of the Public Enterprises Circular No.58 (2) of 15 September 2011, the Chairman of the State Owned Companies under self-financed promotional agency (Promotional category-A) is entitled only for a monthly allowances of Rs.70,000 per month. As such BOI had over paid a sum of Rs.13,949,666 during the last 2 years.
- (e) A sum of Rs 344,584,251 or 96 per cent of the basic salary had been paid to the staff as allowances during the year 2014 without obtaining proper approval from the Department of Management Services.

#### 4.5 Resources given to other Government Institutions

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According to Sections 8.3.9 and 9.4 of the Public Enterprises Circular No. PED/12 of 02 June 2003 on Public Enterprises Guidelines for Good Governance, The Public Enterprises is not permitted to incur expenditure or deploy its resources under any circumstances, on behalf of the line Ministry. Contrary to this provision the following instances were observed in audit.

- (i) The BOI had incurred the expenditure aggregating Rs. 878,500 on behalf of line Ministry during the year under review.
- (ii) Further, four BOI officer had been attached to the line Ministry for the posts of Assistant Director, Security Officer, Receptionist and Office Aide without obtaining proper approval and incurred a sum of Rs 3,443,263 as salaries and allowances of them for the year 2014.
- (iii) In addition to that, two motor vehicles had been released to then line Ministry and had incurred a sum of Rs. 2,751,809 for the period from 2009 to 2013 as repairs and

maintenance expenditure and this amount had neither been recovered from the Ministry nor brought to accounts of the BOI as receivables. The Chairman had stated in his reply that these vehicles had not been permanently released to the line Ministry of Investment Promotion and released time to time for project monitoring activities during the year under review.

#### 4.6 Identified Losses

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A private company was entered into an agreement with the BOI on 14 August 1992 under Section 17 of the BOI Law to set up and operate a business of manufacture and export of apparel and other textile. On 5 November 1992 the BOI terminated the agreement and requested the company to transfer all buildings and machineries thereon to the BOI with the agreed compensation. The BOI had paid a sum of Rs. 23, 835,535 as full and final settlement.

Upon payment of the said sum, the Company had filed a case in High Court of Colombo bearing HC/ARB/1254/02 under Section 31 of the Arbitration Act, to enforce an arbitral award seeking a further payment of Rs. 37,200,000 from the BOI. As per the judgment delivered by the High Court on 14 May 2012, the BOI was liable to pay a sum of Rs.102,138,350 together with the interest component of Rs.64,938,350 accrued from 2002 to 2014. Further, on 22 December 2014 the Registrar of the Commercial High Court has given an order to seize a bank account of the BOI for an amount of Rs.102,138,350 since the BOI failed to comply with the High Court decision.

### 5. Accountability and Good Governance

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#### 5.1 Corporate Plan

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Without considering the targets stated in the Corporate Plan for the period 2009 to 2013, the BOI had prepared a new plan for the period of 2011 - 2016 and for the period of 2014 to 2016. According to the new plan no specific targets had been established with specific time frame.

#### 5.2 Action Plan

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An Action Plan in line with Corporate Plan had not been prepared for the year under review.

### 5.3 Audit and Management Committee

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According to Section 9.12 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the Audit Committee should have met on a regular basis at least once in three months and should have submitted its observations to the Board of Directors with their recommendations for necessary actions. Even though the BOI had held four Audit Committee Meetings during the year 2014, all meetings were held during the last 6 months of the year and it was not used effectively to review observations continuously.

### 5.4 Budgetary Controls

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Significant variations were observed between the budget and actual income and expenditure; as such the budget had not been made use of as an effective instrument of management control.

## 6. Systems and Controls

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

- (a) Maintaining of Accounting Records /Registers
- (b) Personnel Emoluments
- (c) Collection of Dues from Enterprises
- (b) Controls over Journal Entries.



H.M. Gamini Wijesinghe  
Auditor General.

# “Comments on Financial Statements ”



## BOARD OF INVESTMENT OF SRI LANKA

### Report of the Auditor General on the Financial Statements of the Board of Investment (BOI) of Sri Lanka for the year ended 31 December 2014 in terms of Section 14(2)(c) of the Finance Act No. 38 of 1971

## 2.2 Comments on Financial Statements

### 2.2.1 Accounting Deficiencies

- (a) A sum of Rs. 35,271,497.18 shown as capital work-in-progress (CWIP) of 24 contracts has been capitalized in year 2015. Balance sum of Rs. 39,624,644.81 relating to work in progress of eight (08) contracts cannot be capitalized and the details are given below;

Details	Zone	Balance as at 31.12.14 (Rs.)	Comment
Texone Technologies: Laying of balance Sewerage Collection System	WEPZ	14,411,683.25	Arrangements have been made to finalize the contract and capitalize the payment.
Inoac Polymer Lanka (Pvt) Ltd: Reimbursement of Land Development Cost	HEPZ	10,321,311.00	Action will be taken to capitalize the expenditure.
Engineering Consultants (Pvt) Ltd: Design Consultancy Services of Treated Effluent Pumping Main	HEPZ	1,650,000.00	Consultancy Fee cannot be capitalized until all contracts related to the project are completed.
S.E.C.: Consultancy Fee for proposed Admin. Building	HEPZ	3,124,800.00	Consultancy Fee can be capitalized only after the completion of other contracts related to the project.
Agrarian Service Committee: Improvements to the Irrigation Canal	MEPP	1,000,000.00	There is no requirement to capitalize the expenditure as the BOI was involved in release of funds to Agrarian Services Dept. to improve irrigation canal which accommodates storm water/treated effluent from the Zone.
Engineering Consultants (Pvt) Ltd.: Augmentation of Sewerage Treatment	KEPZ	4,514,375.00	Even though this contract for consultancy service was completed, BOI is not in a position to capitalize this value till other related main contracts for construction works are completed. Those contracts are still in progress and will be completed in 2016.
Uni Consultancy Services:	SEPZ	1,071,000.00	The assignment confined to an investigation and design for the

## BOARD OF INVESTMENT OF SRI LANKA

Details	Zone	Balance as at 31.12.14 (Rs.)	Comment
Design of rectification measures for the failed slope			failed slope of reservation area. The expenditure cannot be capitalized but will be included as deferred expenditure on completion of rest of the construction part of the project.
Shakthi Civil Construction	HEPZ	3,531,475.56	Final payment has been paid in year 2015. Capitalized in year 2015 (Ref. J/E 008/F/02).

Contract awarded to M/s Mech Pump Systems (Pvt) Ltd has been terminated and mobilization advance has been fully recovered. In this context, amount of work done which had been debited to the capital work-in-progress account has been capitalized in May 2015.

- (b) A new methodology for categorization of structures was introduced in 2007 based on the report issued by M/s SJMS Associates on Verification & Revaluation of Structures. This policy was approved by the management.

Accordingly, the BOI has categorized structures consisting of many categories of assets as one item of structures and has applied a single rate of depreciation to each such structure.

- (c) Funds shown under Sundry Creditors
- |   |   |       |
|---|---|-------|
| Funds received from commonwealth for FDI Promoter | - | Noted |
| Funds collected on flood victims                  | - | Noted |
| Tsunami 2004 relief fund                          | - | Noted |
- (d) Out of 1.62 acres occupied by the enterprises 0.16 acres have been invoiced and taken into accounts during the year 2014 and balance 1.46 acres of the land would be invoiced once the lease agreements are signed.
- (e) The expenditure referred in the audit query has been incurred in respect of survey work carried out by the Department of Survey under the project for “Agricultural Farmland Development Programme for National Economic Renaissance” (AFDPNER). The project was implemented as per a decision taken by the Cabinet of Ministers at its meeting on 29.09.2010.

According to the decision of the Cabinet of Ministers, BOI was responsible to coordinate with relevant agencies and grant necessary approvals for the projects recommended by a special committee.

Director General (Investment and Tourism) of Ministry of Economic Development in terms of letter dated 01<sup>st</sup> September, 2010 informed the Chairman of BOI that the total estimated cost of survey work to be undertaken by the Department of Survey was Rs. 99,377,500/-. Chairman of BOI was requested by the said letter to release 25% of the said amount to the



## BOARD OF INVESTMENT OF SRI LANKA

Department of Survey to initiate and expedite the survey work of the identified land at various districts in the country. Accordingly, the BOI released Rs.24,844,375/- being 25% of the estimated cost to the Department of Survey.

According to the information available in the files it is noted that in accordance with the decision of the Cabinet of Ministers, BOI had published an advertisement inviting potential investors to express interest to participate in the Agro Farm Development Programme.

However, in terms of Department of Survey's letter dated 04<sup>th</sup> January 2011, BOI was informed that the land available for survey work up to 30<sup>th</sup> December 2010 was around 6000 hectares only and therefore that an amount of Rs. 9 Mn was returned to the BOI.

Subsequently at its meeting on 08<sup>th</sup> July 2011, the Board of Directors discussed matters relating to the project and based on a directive received from the Ministry of Economic Development, it was decided not to proceed with awarding of lands to approved applicants as serious issues had arisen regarding the release of these lands by the respective land owning agencies.

It was minuted that awarding letters should not be sent out until the issues were resolved by the Secretary of Ministry of Economic Development. There was no evidence regarding continuation of this programme thereafter.

In the meantime Department of Survey in its letter dated 14<sup>th</sup> September 2011 informed final expenditure details with regard to the survey work carried out by the Department of Survey. Accordingly, a sum of Rs.1,006,492/57 was to be returned to BOI from the Department of Survey.

BOI is making arrangements to set-off the cost of survey work carried out by the Department of Survey on other projects of BOI against the balance funds available with the Department of Survey.

(f) ▪ Supply and installation of treatment plant (Rs. 1,802,153)

Above is under a contract awarded to Ecologic Systems (Pvt) Ltd in year 2003 for Wathupitiwala Export Processing Zone. Later the plant was shifted to Horana Export Processing Zone.

The amount of Rs. 1,802,153/- is the retention amount for the foreign component of the contract. The above mentioned retention money has been paid to the contractor together with the final payment after completion of defects liability period and operation and maintenance period.

As such there is no unsettled retention payment amounting to Rs. 1,802,153/-.

▪ Supply and installation of treatment plant (Rs. 831,127)

The amount of Rs. 831,127/- is the retention money corresponding to the local component of the contract described under 'supply and installation of

## BOARD OF INVESTMENT OF SRI LANKA

treatment plant' above. This retention money as well has been released under the final payment.

- Laying of balance sewerage collection system (Rs. 913,695)

Statement on final accounts of the contract has been issued to finance department to capitalize the expenditure.

### 2.2.2 Accounts Receivable & Payable

#### (a) Dues from Enterprises

- (i) It is pertinent to note that recovery of annual fee and ground rent is 97% of invoiced value (as at 31.05.2015 from 2011 to 2014).

Details are as follows:

<u>Revenue (without VAT)</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
Ground Rent } Annual Fee }	1,211M	1,149M	978M	849M

Dues (balance due from above invoicing value as at 31.05.2015)

Ground Rent } Annual Fee }	43M	29M	24M	17M
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#### Debt Recovery Ratio

Ground Rent } Annual Fee }	97%	98%	98%	98%
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Therefore, recovery level of dues is at higher level at present.

Due to first time adoption of Accounting Standards of Sri Lanka – 2011 (SLFRS & LKAS) it is required to provide 100% impairment on cancelled, closed, suspended projects and likely bad debts over two years Hence, provision for impairment on dues from enterprises increased from 2011.

- (ii) Accounting policy adopted by BOI for provision of impairment is to provide 100% for dues of cancelled, closed and suspended projects.
- (iii) Out of the total provision of Rs. 201,545,912/- for impairment of dues from annual fee, Rs. 175,247,831/- is in respect of annual fees due from cancelled, closed and suspended projects and Rs. 22,283,961/- in respect of annual fee for over two years by enterprises in operation.



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### (b) Other Debtors

- (i) In compliance with first time adoption of SLFRS in 2011, it is required to provide 100% impairment on likely bad debts. Hence, provision for impairment on dues from other debtors increased from 2012.
- (ii) BOI had awarded the contract of auctioning houses at Wathupitiwala Export Processing Zone to an auctioneer. Selection of the auctioneer was made through a paper advertisement and subsequent decision of the Procurement Committee. The auction was completed successfully and the bidders who obtained houses has paid their advance money to the auctioneer. However, the auctioneer had failed to deposit that amount to the BOI.

The BOI had made effort to get this amount of Rs. 1,604,200/- and the Legal Department of the BOI had sent Letters of Demand to the auctioneer. But, the Letters of Demand were returned back as the Business was closed and the owner had left the country.

On instructions of the Audit and Management Committee, the officers of the BOI met the Director of the Fraud Investigation Bureau to check the possibility of filing a case against the auctioneer.

### (iii) Cash shortage

- Misappropriation of cash at BOI office at Baron Jayathilake Mawatha was happened on 06.02.1995.
- The employee involved in this was dismissed on 04.05.1995.
- CID is handling this case at High Court under HC/12146/06. As per the information, the respondent is not appearing in Court.

### Stock shortage

BOI will review the history of this balance and will take suitable action on the same.

- (iv) . In compliance with first time adoption of SLFRS in 2011, it is required to provide 100% impairment on likely bad debts. Hence, 100% provision has been made for likely bad debts more than two (02) years.

### • **Ministry of Rehabilitation & Tamil Affairs – Rs 2,099,895.00**

In the year 2003 the BOI had to release office space from the BOI building at No 14 Sir Baron Jayathilake Mawatha Colombo 01 to Hon. Dr. Sarath Amunugama, the Minister of Rehabilitation & Tamil Affairs to establish his office. Thereafter Hon. Douglas Devananda became the Minister and occupied the premises. Subsequently, with the change of the Government, Hon. Dr. Jayalath Jayawardene had become the Minister and Board Decision had been taken by the BOI to charge a monthly rental of Rs 30.00

## BOARD OF INVESTMENT OF SRI LANKA

per sq. ft. and also to recover monthly electricity bills from the Ministry. On the request of the Ministry, some used furniture of the BOI worth of Rs. 2,099,895.00 had also been handed over.

Later on, the Ministry had vacated the BOI office. While shifting, they had taken with them the furniture which had been temporary released by the BOI. The BOI had managed to recover rent and electricity charges applicable for the period except the cost of used furniture.

According to the available records, continuous efforts had been taken by the BOI to recover the said amount from the Ministry. However, due to the change of Ministry officials under different regimes within the period above referred to, the BOI had failed to recover the balance due.

### **Ministry of Enterprise Development, Industry Policy and Investment Promotion – Rs.710,550.00**

In the year 2001 the office space occupied by the Director General of the Bureau of Infrastructure Investment (BII) had been handed over to the Ministry of Ports Development & Development of the South (PD & DS) along with the furniture & equipment therein. The value of the inventory handed-over was Rs.710,550.00. Although the Ministry of PD & DS had agreed to reimburse the value to the BOI, despite the repeated requests made the Rs.710,550.00 is remaining unsettled to date.

The above amount appears in the debtors account from the year 2002 up to the year 2011. Within the period, the Ministry portfolio had changed number of times under different regimes and officers responsible for finalizing the transaction in that period are no more in the present Ministry. Hence, recovery of the said amount is very unlikely.

### **Ministry of Enterprise Development & Investment Promotion, 27<sup>th</sup> Floor – Rs. 2,447,534.00**

Level 27, West Tower, World Trade Centre had been released to the Ministry of Advanced Technology & National Enterprise Development (AT & NED) as per the request of the Secretary to the President dated 19<sup>th</sup> November 2004. Accordingly, the floor has been sub leased to the Ministry of AT & NED with the approval of the Board. Further, lease agreement had been signed with the said Ministry to ensure the payment of monthly rental to the BOI.

In the year 2006, due to a Cabinet reshuffle the name and the portfolio of the Ministry of AT & NED had been changed and continued to function as the Ministry of Enterprise Development and Investment Promotion (ED & IP). The Ministry of (ED & IP) had not responded to the letters requesting to reimburse the rent. However, arrangements were made to request the present Ministry



## BOARD OF INVESTMENT OF SRI LANKA

of Economic Development to settle the long outstanding dues to the BOI.

The General Treasury was informed to reimburse the above amounts due to BOI from the Ministries.

### 2.2.3 Defaulted Value Added Tax

The input VAT disallowed for quarter ended 30<sup>th</sup> June 2013 was based on the assessment made by the Department of Inland Revenue.

### 2.2.4 Refundable Deposits

- Construction of a building of Hiriyala Estate (Rs. 1,332,882)

Above project was completed by the National Engineering Research & Development (NERD) Centre.

As per the documents obtained from the North Western Regional Office, the balance amount to be released is Rs. 663,517.35 (excl. VAT).

Approval was obtained from the Board of Directors for the final certificate on work done.

Since there is a dispute regarding calculation of taxes applicable for payments made, NERD Centre has agreed to intimate the decision of their Audit Committee.

- Kandy City Centre (Rs. 1,649,553)

Arrangements are being made to release the retention money to the developer, M/s Property Finance and Investments Kandy (Pvt) Ltd. The formal request has been received and action will be made to release the retention money.

- Amount of retention related to 66 construction contracts (Rs. 1,987,912)

Arrangements will be made to inform the contractors and release retention money wherever possible.

Action will be taken to absorb the retention money to the income in case of unclaimed retentions for a longer period and retentions relating to contracts where defects have not been rectified.

### 2.2.5 Lack of Evidence for Audit

Evidence attached (Annexure I)

## BOARD OF INVESTMENT OF SRI LANKA

### 2.3 Non-Compliances with Laws, Rules, Regulations & Management Decisions

#### (a) Driver Allowance

- The Board of Directors of the BOI at its 133<sup>rd</sup> meeting held on 14<sup>th</sup> January 2003 decided to make a payment of Rs. 15,000/- per month to officers who are assigned vehicles by the Board.
- Officers who obtain this allowance are not entitled for a driver from the BOI.
- This is financially and administratively cost beneficial to the BOI rather than employing a driver from the BOI.

#### (b) Payments to Employees without required Approvals

##### (i) Professional and Post Graduate Degree Allowance

- The BOI decided to give this benefit to its professionally qualified staff.
- Approval was granted by the Ministry of Policy Planning & Implementation by their letter No. E/5/GCEC/Misc dated 01<sup>st</sup> November 1991.
- Approval of the Board of Directors has been granted at its 217<sup>th</sup> meeting held on 13.09.1991.
- Amendment to the Professional Allowance has been terminated by the Board at its 316<sup>th</sup> meeting held on 27.06.2014.

##### (ii) Attendance Incentive and Encashment of Unutilised Medical Leave

- Former Attendance Incentive Scheme which was approved by the Board of Directors on 06.11.1990 and approved by the Her Excellency the President on 08.11.1996 has been replaced by the Key Performance Payment (KPP) Scheme which evaluates employee's punctuality, accomplishments and personal traits as per the COPE directives. Said KPP Scheme has been approved by the Board of Directors on 29.10.2013.
- Method of calculation the KPP is different from Attendance Incentive payment made in year 2013. Further, the Board of Directors has granted approval on 29.10.2013 to include cost of living allowance and Budgetary Relief allowances for the calculation of KPP. In addition, the employment in the BOI has increased in year 2014. Accordingly, the cost of KPP has been increased in year 2014.
- The KPP Scheme has been submitted for the approval of the Department of Public Enterprises on 03.06.2014.

## BOARD OF INVESTMENT OF SRI LANKA

### 3. Financial Review

#### 3.1 Financial Results

Noted.

#### 3.2 Analytical Financial Review

##### 3.2.1 Significant Accounting Ratios

(i) & (ii) Noted.

##### 3.2.2 Analysis of Expenditure

Noted.

##### 3.2.3 Financial Analysis of the Export Processing Zones, Industrial Parks & Regional Offices

(a) Although WEPZ, MEPP and KgEPZ incur losses due to high administrative cost as well as underutilization of land asset severely affecting the revenue generation pertaining to direct income from lands and corresponding other income from the prospective business operations, it is noted that the losses becoming reduced for last few years except for KgEPZ. However, it should be noted that at KgEPZ BOI has been able to dispose nearly 12 acres for new projects and the corresponding BOI revenue expected from the enterprises on account of service charge will further reduce the losses in future.

(b) The BOI of the Seethawaka Export Processing Zone replaced two submersible pumps with low capacity (132 m<sup>3</sup>/h) to two submersible pumps (550 m<sup>3</sup>/h) with high capacity at the intake well of Water Treatment Plant in November 2013. Due to this reason we could increase our monthly supply of water units to the enterprises throughout the year 2014 significantly and the demand was met. In addition due to several expansion projects of Enterprises at SEPZ the demand for water increased. Hence profit before tax had increased by Rs. 34 Mn in the year 2014.

(c) Noted.



## BOARD OF INVESTMENT OF SRI LANKA

### Operating Review

#### .1 Performance

- (a) BOI doesn't see the rationale for comparing 2014 against 2009 other than to show a higher decline in figures (number of approvals and agreements signed) instead of comparing with 2013.

Accordingly, the number of agreements signed, cancelled, closed down and suspended projects under Section 17 of BOI Law for the year under review and five proceeding years period are given below;

Year	Approval Granted Projects <sup>√*</sup>	Agreement Signed Projects <sup>√*</sup>	Projects Started During the year <sup>√*</sup>	Cancelled Projects <sup>√**</sup>	Closed Down Projects <sup>√**</sup>	Suspended Projects <sup>√**</sup>
2009	384	182	134	93	12	4
2010	364	270	144	124	28	10
2011	160	165	99	47	7	4
2012	238	163	98	79	26	9
2013	176	145	93	120	38	7
2014	170	144	66	50	64	5
(Updated figure for year 2014)	(181)	(148)	(87)	(52)	(68)	(5)
<b>Total</b>	<b>1492</b>	<b>1069</b>	<b>634</b>	<b>513</b>	<b>175</b>	<b>39</b>

<sup>√\*</sup> Including expansions of existing projects

<sup>√\*\*</sup> As per the current status of the projects (excluding expansions)

- (i) We are unable to provide a scientific reason, but we are of the view that after the cessation of war in 2009, an increase was shown both in number of approvals and agreement signed. This trend has been reversed once the BOI was restrained granting incentives under its own regime, but amalgamating with the Inland Revenue Law.

Please note that updated figures for 2014 as at today (26<sup>th</sup> June 2015), stands at 181 approvals and 148 agreements signed. Compared to 2013 figures, this shows an increase of 6% in project approvals and 3% in projects signed agreements despite the fact of cut-off dates imposed by the Inland Revenue amendment in 2014 that created an uncertainty among the investor community.

As repeatedly indicated in our previous responses to government audit reports, the key objective of the BOI is to attract quality, sustainable, high value Foreign Direct Investment to the country. Therefore, mere count of number of approvals or number of agreements signed will not lead to economic development. Although the number of agreements signed in 2014 is higher than 2013, the estimated investment is much

## BOARD OF INVESTMENT OF SRI LANKA

higher in 2013 due to flagship projects such as Port City with a very high investment value.

- (ii) Please note that as at today (26<sup>th</sup> June 2015), the updated figure for 2014 on number of projects commenced commercial operation stands at 87 (not 66). Compared to 2013 figure, it shows a slight decrease of 6% in projects which commenced commercial operation. There are various reasons beyond control of the BOI, as the investor needs to get various approvals such as land clearance, environmental clearance, UDA, Local Government etc. prior to commencement of operations.
- (iii) In this case, the Government Audit has compared 2014 figures with 2013 unlike in other cases where the comparison was with 2009.

As intimated in response to previous year's audit query, during the year 2013, as per the instructions of the Ministry of Finance, action was taken to identify projects which were not implemented and held up for a long period of time. Agreements with such projects were cancelled accordingly. As a result, the number of cancelled projects in 2013 shows an increased value. Cancellation of projects takes place after taking relevant actions for recoveries of dues and etc.

### Attracting the Foreign Direct Investments

- (i) Attracted FDI during the period from 2009 to 2014 is given below;

Sector	2014 Rs. Mn	2013 Rs. Mn	2012 Rs. Mn	2011 Rs. Mn	2010 Rs. Mn	2009 Rs. Mn
Manufacturing	333.899	359.765	307.655	322.418	159.653	164.470
Agriculture	5.719	8.473	7.169	17.971	6.448	3.689
Services	506.340	236.342	426.736	269.143	29.476	52.555
Infrastructure	682.451	786.825	596.595	456.527	320.719	381.536
Non-BOI Projects	87.849					
<b>Total</b>	<b>1,616.258</b>	<b>1,391.405</b>	<b>1,338.155</b>	<b>1,066.059</b>	<b>516.296</b>	<b>602.250</b>

Referring FDI in rupees million is a serious error as these figures were given by the BOI in United States dollar millions.

- Depending on the projects with foreign ownership, the amount of FDI varies in a particular year.

Example: In 2011 & 2013 - Dole Lanka (Pvt) Ltd is the major investor in the Agriculture Sector.

This indicates the good performance of the BOI. If we compared this with 2009, it shows an increase of 168%.



## BOARD OF INVESTMENT OF SRI LANKA

- Except for year 2013, 2014 figure is higher than all other years. However, compared to 2009, it shows an increase of 104%.

(ii) Realized FDI and Local Investment made through the BOI during the period 2009 - 2013 are given below;

Year	FDI (Rs. Mn)	Local Investment (Rs. Mn)
2009	495,506	278,762
2010	536,140	331,849
2011	655,513	368,587
2012	828,005	452,154
2013	956,183	555,025

Realized FDI and Local Investment in year 2014 had not been updated in the MIS as at the reporting date.

These are not annual figures. What BOI has provided to the Government Audit is cumulative figures. BOI obtains the realized investment figures (Not Realized FDI) through a survey carried out in the 1<sup>st</sup> Quarter of the following year. Due to elections held in January, there was a delay in receiving survey responses and this will be available in end of July this year.

### (c) Import Cost and Export Earnings

Please note that the determinants of the increases and decreases of import and export performance of the BOI enterprises are out of the control of BOI.

## 1.2 Transactions of Contentious Nature

### (a) Expenses incurred under investment promotion

- (i) The Hambantota Conclave was organized to create awareness on the investment opportunities available to local and foreign investors in Hambantota. The programme included presentations and addresses to showcase investment opportunities available in Hambantota and convey the conducive investment climate in the country. These were presented by State Officials of the UDA, Central Bank, Sri Lanka Ports Authority, Presidential Secretariat and Airport & Aviation Services (Sri Lanka) Ltd as well as foreign and local private investors engaged in major projects in the sectors of Tourism, Warehousing, IT & Logistics. The keynote address was made by Dr. Mahathir Mohamad, former Prime Minister of Malaysia.

The said sum was paid to two private companies with respect to event management and logistics arrangements of the Hambantota Conclave



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which was a collaborative effort with other stake holder state agencies such as SLPA, SLTDA and Airport & Aviation Services (Sri Lanka) Ltd, UDA, Central Bank and the BOI.

Accordingly, the BOI also contributed Rs. 12.5 Mn which was approved by the Board at its meeting held on 20<sup>th</sup> November 2014.

- ii) This exhibition was part of the CHOGM process and held at Janakala Kendra, Kotte. Its purpose was to showcase Sri Lanka in different sectors to foreign visitors and public at large.

The exhibition displayed an entire range of quality export products and services on a single platform. Over 300 trade stalls set up to showcase Sri Lanka exports portfolio at its best. A wide range of products / sectors from primary agriculture products to process food and beverages from value added industry manufactured products to niche products were offered to the international market.

Main products areas displayed including tea, apparel, rubber and rubber based products, ICT / BPO, food and other beverages, spices and allied products, fish and fisheries, boat building and professional services.

This was a national event which included all major State Agencies such as BOI, EDB, SLTB, Tea Board as well as private sector enterprises who made monetary contribution towards the success of the event.

Accordingly, BOI also contributed Rs. 10 Mn which was approved by the Board at its meeting held on 29<sup>th</sup> November 2013.

- iii) A request was made by the Hon. Minister of Investment Promotion and former Director General of the BOI to publish two advertisements as follows:

- H. E. The President's ninth year achievement Commemorative Supplements
  - Five (05) nos. full page advertisements
  - Six (06) nos. full page advertisements
- Restructuring Process of BOI – Six (06) nos. full page advertisements

These advertisements were approved by both the Minister and Director General for publication. The BOI Procurement Committee approval was obtained and also approval by the Board of Directors of BOI.

- iv) The Media Department of BOI was asked by the former Director General to identify a party to make a short film covering the development of the North and East resulting from the inflows of FDI into those provinces. Due to the limited timeframe the Media Department did not have sufficient time to follow the open bidding procedure. However, three competitive quotations were called from



## BOARD OF INVESTMENT OF SRI LANKA

leading video film production companies including M/s Through the Lens, the company which had made a BOI promotional video earlier which was highly commended by both local and foreign investor community. When three (03) quotations were called, M/s Through the Lens submitted the lowest quotation for Rs. 3.3 Mn. However, the then Director General of BOI required to reduce the cost further to Rs. 2.2 Mn and M/s Through the Lens agreed to produce the film at this lower cost. The purpose of the film was to show the role of investment in the reconciliation process as many young people in the North and East including former LTTE combatants were now employees at apparel factories established in Kilinochchi under BOI leading apparel exporters. Some foremost apparel exporters lent their support to making this film. Part of the film was telecasted by Sri Lanka Rupavahini Corporation.

The film was shot for five (05) days in different locations such as Jaffna, Kilinochchi, Trincomalee and Batticaloa areas.

This video can be reused for the BOI's local and foreign investment promotion programmes with some editing where necessary. This film was approved by the former Minister and the Board of Directors of BOI.

- (b) The decision to release funds from the BOI for construction of houses by the Sri Lanka Land Reclamation & Development Corporation (SLLRDC) for relocation of people who lost their houses at Sooriyawewa was taken by the Board of Directors of BOI at its meeting held on 22.01.2013.

The decision of the Board as recorded in the minutes is reproduced below for information.

*"It was mentioned by Chairman that there is a requirement to relocate families presently occupying the site at Sooriyawewa which the government has given to BOI free of charge. SLLRDC has agreed to construct houses for relocation of families on basis BOI provides construction cost to SLLRDC.*

*As the relocation benefits the BOI by way of getting land free of charge, policy approval was granted to release funds on cash flow basis to SLLRDC to construct houses for relocation of families at Sooriyawewa".*

At the time when the above decision was taken by the Board of Directors, construction of houses by SLLRDC had already commenced and was in progress. The BOI was not involved in deciding the location for houses as well as the preparation of plans for the houses.

The 15 houses have been constructed within part of the 72.8904 Ha. land and the overall extent occupied by the houses is around 0.73 Hectares.

- (i) As per the decision of the Board at its meeting on 22.01.2013, it has been mentioned that the relocation of families benefits the BOI by way of getting land free of charge.

It is also to be noted that the total extent of land transferred to the BOI free of cost at Sooriyawewa is around 177.29 Hectares. The land in

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extent 18.77 Ha was transferred to the Sri Lanka Cricket by the BOI out of the land transferred to the BOI by the state. As the BOI is obliged to provide land to Sri Lanka Cricket without any encumbrances, the responsibility of relocation of families for providing access road and other areas free of encumbrances is held with the BOI.

- (ii) The identification of parties who had to be relocated was done jointly by the Divisional Secretary and the political authorities. SLLRDC, on completion of construction of houses, handed over the houses to the BOI, since the ownership of the land where the houses were built was to be transferred to BOI as per a Decision of Cabinet of Ministers on 03.01.2014. Accordingly the houses were handed over to people with the co-ordination of the political authorities.

However, the Divisional Secretary in terms of letter dated 11.02.2015 informed the BOI that only 10 parties were eligible for houses and to take over the 5 houses back to BOI.

In view of above, BOI has taken action so far as follows;

### (a) House No. 15

Occupied by Sri Lanka Land Reclamation and Development Company (SLLRDC) as site office.

Letter dated 03.04.2015 was sent to SLLRDC requesting to hand over the house to BOI.

SLLRDC responded by letter dated 16.03.2015, indicating that they would take a decision on the instructions of the Board of Directors of SLLRDC.

A reminder to handover the house by 05.06.2015 was sent on 21.05.2015.

The house was handed over to BOI on 03.06.2015.

### (b) House No. 11

Letter dated 04.03.2015 was sent to the occupier requesting to handover the house to BOI

A reminder dated 15.05.2015 requesting to handover the house to BOI was sent.

The occupier was contacted over the telephone by the Executive Director (Technical Services) of BOI and the occupier requested time to respond. The matter is being followed up.

### (c) House No. 12

Letter dated 26.02.2015 was sent to the occupier requesting to handover the house to BOI.

Same letter was handed over on 03.03.2015.



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A reminder dated 30.03.2015 requesting to handover the house to BOI by 24.04.2015 was handed over on 11.05.2015.

Since the above party failed to return the house, Senior Deputy Director (Hambantota) of BOI made a complaint to the Police Station at Sooriyawewa on 07.07.2015.

(d) House No. 13

Letter dated 26.02.2015 was sent to the occupier requesting to handover the house to BOI

Same letter was handed over on 03.03.2015.

A reminder dated 30.03.2015 requesting to handover the house to BOI by 24.04.2015 was handed over on 03.04.2015.

Since the above party failed to return the house, Senior Deputy Director (Hambantota) of BOI made a complaint to the Police Station at Sooriyawewa on 07.07.2015.

(e) House No. 14

Letter dated 26.02.2015 was sent to the occupier requesting to handover the house to BOI

Same letter was handed over on 18.03.2015

A reminder dated 30.03.2015 requesting to handover the house to BOI by 24.04.2015 was handed over on 03.04.2015.

Since the above party failed to return the house, Senior Deputy Director (Hambantota) of BOI made a complaint to the Police Station at Sooriyawewa on 07.07.2015.

- (iii) As per the approval granted by the Cabinet of Ministers on 03.01.2014, land in extent 72.8904 Hectares is being transferred to the BOI and at present the documents pertaining to land transfer is with the Land Commissioner General's Office. The recommendation of the Land Commissioner General has to be forwarded to the Ministry of Land to enable them to forward documents to the Presidential Secretariat.

### 4.3 Management Inefficiencies

- (a) ▪ An internal memo sent by Executive Director (Engineering Approval & Special Projects) to Executive Director (Finance) dated 06.09.2011 can be considered as an acceptance of the management fee of Rs.2,899,062.20.
- BOI has released a sum of Rs.15 Mn. By the cheque No. 869137 dated 07 June 2006 as preliminary expenses for acquiring at land Godagama, Matara for the purpose of setting up a Special Economic Zone (SEZ) in keeping with a decision taken at the meeting of Cabinet Sub Committee on Investment Facilitation held on 10 April 2006.

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- As per the directives given at the Cabinet Sub Committee on Investment Facilitation (CSIF) meeting held on 10 January 2008 process of acquiring the land for the proposed IPZ was terminated.
  - UDA has informed BOI by their letter dated 15.09.09 that they retain a sum of Rs.2,899,062.20 as the management fee due to UDA from the BOI pertaining to the acquisitions of Thulhiriya Kabool Lanka land, Regidale Estate, Kesbewa and Godagama land.
  - However, again in 2012 (30.01.2012) BOI made a request to UDA to seek the possibility of acquiring the same land for a Higher Education & Investment Zone.
  - UDA has informed by their letter dated 10.03.2013 to pay Rs.830 Mn as per the valuation of the said land in order to proceed with the land acquisition.
  - BOI informed the UDA by the letter dated 10.03.2014 to terminate the acquisition process due to high cost of land value, and the restrictions imposed by Southern Highway and requested UDA to settle the balance sum of Rs.10,100,938.00 Mn.
  - A reminder was sent on 08.06.2015 to UDA requesting UDA to settle Rs.10,100,938.00 Mn due to BOI.
  - The interest shown by BOI, in recommencing the acquisition process in the year 2012, was one of the reasons for delay in the recovering of the balance.
- (b) The Investor Services (IS) Department was located at Sir Baron Jayathilake Mw. Building (SBJM). It was decided to renovate old SBJM building after shifting all the offices from that building. Hence, the Investor Services Department was shifted to a part of the Level 06 where the floor is owned by the BOI. However, it was found that the space at Level 06 is not adequate to establish a Filing Room for the IS Department. The Filing Room must be closely located to the Department to carry out the day to day functions of the IS Department. At that time all nine (09) floors owned by the BOI at WTC building was fully occupied, therefore, Management of the BOI has decided to obtain floor space from the WTC building on yearly rental basis.
- (c) Office of the Hon. Minister of Enterprise Development (late Mr. Mano Wijerathne) was set up at Level 12 West Tower WTC building. The BOI had signed a lease agreement with Overseas Reality (Ceylon) PLC (ORCL) in respect of the level 12, West Tower of the World Trade Centre building on 04 November 1996 and had paid Rs. 2,637,240/- as initial deposit and subsequent renewal of deposits.

After the Cabinet reshuffle in the April 2010 the Minister's Office was suddenly evacuated from the Level 12. Therefore, ORCL had forfeited the security deposit of Rs.1,303,020.00.



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Although such office space had been handed over to the above company in June 2010, the BOI had failed to recover such deposited amount until May 2013. The Finance Department and Legal Department had made efforts to get refund of the said amount from the ORCL.

As a result of continuous negotiations had with ORCL they informed that the deposit amount was set off against the payments due for electricity and other maintenance work that was carried out in the BOI owned floors of the WTC building.

(d) Facility to mortgage leasehold rights

- (i) Every Tripartite Agreement entered into among the Investor Company, Bank and the BOI is being registered in the Seal Register and details of same are being listed and computerized. In addition the Legal Department maintains a Register.
- (ii) There is no Board Decision taken on the ceiling/limitation on the value of mortgage facility despite several proposals. However, the maximum limit on land value/building value is specified by the Board/Chairman at his discretion at the time of granting approval to the investor company to obtain loan facility and accordingly incorporated in the Tripartite Agreement.
- (iii) The recovery process will have to be as per the terms and conditions stipulated in the Agreement. However, as the legal process is time consuming Legal Department has taken all steps to act swiftly.

(e) Rubber Manufacturing Company at Horana Export Processing Zone

- (i) It is observed that this project proposal had been considered and approved at Director General's level without obtaining an assessment report from Rubber Development Authority.
- (ii) Rubber Manufacturing Company at HEPZ appealed against the Decisions delivered by the High Court in favour of the BOI to the Supreme Court. The said 2 Supreme Court Cases are still pending.
- (iii) Pl. Refer reply given for 4.3 (e) (i) above.
- (iv) Until the court cases will be over BOI is not in a position to recover the dues.

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- (f) Perth Estate handed over to SLSPC for management
  - (i) Sri Lanka State Plantations Corporation (SLSPC) has not submitted the audited accounts of the Perth Estate for the period, January to August 2007 yet although several requests were made by the BOI.
  - (ii) The correct amount receivable from SLSPC could be identified only on receipt of audited accounts of the Perth Estate for the period January to August 2007.
  - (iii) Negotiations are in progress.

### 4.3 Idle and Underutilized Assets

Maliduwakanda Estate at Keragala is being identified by the BOI to set up an Investment Zone. According to the proposal, Investment Zone will comprise an area for a Mini Industrial Zone and the balance area for an IT Park and a Knowledge City.

### 4.4 Human Resources Management

- (a)
  - Number of vacancies should be corrected as 104.
  - Vacancies should be filled by public advertisement as per the Scheme of Recruitment.
  - Some of the vacancies could not be filled during the year 2014 due to the elections of Western, Southern & Uwa Provincial Councils and Presidential Election though applications were called by public advertisement.
  - 10 vacancies have been filled at 30.06.2015 and necessary arrangements will be made to fill the rest of vacancies in due course.
- (b) As per the Cadre approved for the BOI by the Department of Management Services on 27.09.2011, there is one (01) post of Chairman/Director General and one (01) post of Deputy Director General. However, as per the provisions of Board of Investment of Sri Lanka (Amendment) Act, No. 3 of 2012, BOI has separated Chairman and Director General posts. Therefore, two separate officers could be appointed for the posts of Chairman and Director General by H. E. the President. As per section 11 (1) of the above Act, provision has been made for the post of Director General.
- (c) As per the provisions of Section 11 (5) of the Board of Investment of Sri Lanka (Amendment) Act, No. 3 of 2012, The Board of Directors shall



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determine the remuneration and other benefits payable to the Director General. Accordingly, the Board of Directors at their 310<sup>th</sup> & 320<sup>th</sup> meetings held on 19.11.2013 & 20.11.2014 respectively had decided the remuneration package of the Director General.

The secondment salary of former Director General was based on his salary in the permanent position as Senior Assistant Secretary with 25% of Director General's Salary in the BOI. In addition, he was paid the allowances entitled to the employees in the board's service on secondment basis and the allowances entitled to the post of Director General in the BOI as approved by the Board of Directors.

However, the Finance Department had informed that an overpayment of salary to the then Director General for a period of 15 months amounting to Rs. 1,033,297.34 had occurred. Accordingly, he is settling the dues to the BOI on monthly instalment basis at present. He has already settled a sum of Rs. 292,349.89 by cheque nos. 088223 & 088224 dated 14.05.2015 & 25.06.2015 respectively.

- (d) The Secretary to the Treasury informed by his letter no. PE/POLI/COM/2013/04 dated 07.03.2014 that H. E. the President had given his consent to pay the following remuneration package to the Chairman of BOI as per the section 07 of the Board of Investment of Sri Lanka Law, with effect from the date of appointment.

Salary	Rs. 325,000.00
Accommodation	Rs. 200,000.00
Two Return Air Tickets	Rs. 65,000.00
Entertainment	<u>Rs. 50,000.00</u>
	<u>Rs. 640,000.00</u>

- (e) Necessary approvals had been obtained at the inception of those allowances as follows;

Transport Allowance – Approval was granted by the Board of Directors at its meeting held on 06.11.1990.

H.E the president granted approval on 08.11.1996.

KPP Allowance – Approval was granted by the Board of Directors at its meeting held on 29.10.2013.

Former Attendance Incentive Scheme which was approved by the Board of Directors on 06.11.1990 and subsequently approved by H.E the President on 08.11.1996 has been replaced

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with this KPP Allowance as per the COPE directives.

KPP Scheme has been submitted for the approval of the Department of Public Enterprises on 03.06.2014.

Leave Encashment – This payment has been effected since the time the BOI was set up.

Leave encashment was included to the Human Resource Policy Manual of the BOI which was approved by the Board of Directors on 20.03.2007.

Professional Allowance- Approval was granted by the Board of Directors at its meeting held on 13.09.1991.

Approval was granted by the Secretary of the Ministry of Policy Planning & Implementation 01.11.1991.

### 4.5 Resources given to other Government Institutions

- (i) The expenditure was for official entertainment by the Deputy Minister Investment Promotion for inviting to dinner 65 people which included local and foreign business delegates.

The Dinner was hosted at the Pearl Grand Hotel with the purpose of identified business potential to implement new projects of the BOI in the Colombo district.

The cost of the entertainment was approved by the Director General and the Chairman of BOI. The payments were made out of the Media budget.

Former Deputy Minister of Investment Promotion had been invited by the EU Sri Lanka Business Council to attend series of meetings on Investment promotions held in Belgium during the period 10 and 11 February 2014. All expenses were paid by the BOI on the request of the Secretary, Ministry of Investment Promotion.

After the meetings mentioned above, Hon. Deputy Minister had left to London for a private visit from 12 to 15 February 2014. Secretary, Ministry of Investment Promotion by his letter dated 11 February 2014 stated that HE the President has asked the Deputy Minister to attend couple of meetings during his private visit from 12 to 16 February 2014 and the Director General/BOI by his minute dated 20 February 2014 had instructed to pay the relevant expenditure. Accordingly,



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balance combined allowance and incidental allowance were released to the Hon. Deputy Minister.

- (ii)
  - Assistant Director
    - This officer has been attached to office of the Hon. Minister of Economic Development to co-ordinate and facilitates the investors on BOI matters and to get relevant approvals from government agencies.
    - However, he has been recalled to the service of the BOI on 12.01.2015
  - Security Officer
    - Attached to the office of the Hon Minister of Economic Development.
    - His contract employment in the BOI was ended.
  - Receptionist
    - The person who looks after the BOI inventories is released to Hon. Minister's Office.
    - One of the exchange belongs to BOI is deployed at Hon. Minister's Office and said employee is the responsible officer of them.
  - Office Aide
    - The person who is responsible for audio visual of Hon. Minister's Auditorium.
    - He is deployed as and when required by the Hon. Minister's Office to safeguard and durability of such items.
- (iii) Vehicles were released on request of the Ministry time to time for the Investment and Promotion activities related to the BOI. Officials of the BOI also travelled with the Ministry officials for Investment Promotion activities. As these tasks were related to the BOI, Ministry of Economic Development/Ministry of Investment Promotion has not responded to reimburse the repair expenditure incurred for BOI vehicles.

### 4.6 Identified Losses

An unrealistically high compensation was requested by a private company which resulted in the company pursuing the matter in claiming the compensation in a legal forum.

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Additional payment of Rs.37,200,000/- was claimed on a purported Arbitral Award by the company and the company sought to enforce the said purported Arbitral Award in the High Court, the authenticity of which was challenged by the BOI and the said case is still pending.

The Chairman/Managing Director of the Company (the Claimant at the Arbitration Process) is being indicted in the Colombo High Court over the said purported Arbitral Award. Accordingly 02 Criminal Cases are pending in the High Court.

### **5. Accountability & Good Governance**

#### **5.1 Corporate Plan**

Original Corporate Plan is 2009-2013. Since the structure of the BOI was changed in 2011, it became necessary to change the Corporate Plan accordingly and as a result a new plan for the 2011-2015 was prepared. Again in 2014, another new structure was introduced to the mainly to Investment Promotion & Investment Appraisal sections and revised the Corporate Plan for the period 2014-2016. Item No. 1.7 of the Corporate Plan 2014-2016, clearly indicates the annual targets of BOI for the years 2014, 2015 & 2016.

BOI targets are based on actual figures of the preceding years and can be revised according to the economic situation of the country. Therefore, the statement made by the Government Audit is incorrect.

#### **5.2 Action Plan**

An action Plan was prepared for infrastructure development during 2014 and approval of the Board of Directors was granted at its meeting on 25.02.2014.

#### **5.3 Audit and Management Committee**

Having noted the difficulties of maintaining the quorum of the audit committee which obstructed having regular meetings, the Management appointed another member to the committee and held the minimum number of meetings (four) during year 2014 as per the Public Enterprises Guidelines.

However, such committee was dissolved after the presidential election in January 2015 and the new audit committee was appointed in April 2015. So far, two audit committee meetings were held for year 2015.



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### 5.4 Budgetary Controls

We do not agree with the observations with regard to budgetary control system. Approval has been obtained for additional requirements. However BOI has used the budgetary control system as an effective management tool.

## 6. Systems and Controls

### (a) Maintaining Accounting Records / Registers

Fixed Assets Register has been maintained in the IMAS System including details relating to date of purchase, cost of asset, asset code, asset disposal etc.

Action has been taken to maintain a Deferred Expenditure Register.

Register is being maintained for Tripartite Agreements.

### (b) Personnel Emoluments

Professional Allowance - Please refer answer for 2.3 (b) (i) above.

Drivers' Allowance - Please refer answer for 2.3 (a) above.

Monthly Transport - Please refer answer for 4.4 (e) above.

Fuel Allowance :

- This allowance is paid to the officers who are assigned vehicles.
- Apply the Public Administration Circular No. 13/2008 (iv) dated 09<sup>th</sup> February 2011 for the reimbursement of fuel cost.
- The Board of Directors at its 226<sup>th</sup> meeting held on 14<sup>th</sup> November 2008 has granted approval.

Key Performance Payment - Please refer answer for 4.4 (e) above.

### (c) Collection of dues from enterprises

The Board invoices all enterprises by the 1<sup>st</sup> January each year for Ground Rent and Annual Fees. According to the agreements, the Annual Fees and Ground Rent are payable before 10<sup>th</sup> of January each year.

Every effort is made to collect dues from enterprises by dispatching reminders at regular intervals as follows.

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- 1<sup>st</sup> Reminder is sent during the 1<sup>st</sup> week of February notifying suspension of services from 28<sup>th</sup> February if not settled by 28<sup>th</sup> February.
- Zone Officers are also informed giving the deadline for payment of Ground Rent and Annual Fees, as at 28<sup>th</sup> February.
- By 2<sup>nd</sup> March, Finance Department of the BOI informs the relevant departments to suspend all services given to enterprises which have defaulted payment.
- Dues outstanding as at end of every day is indicated in the MIS system enable Directors/Accountants/Managers at Zone/Regional Offices to follow on dues.
- 2<sup>nd</sup> Reminder is sent by 30th June.
- Commencing 2011, 3<sup>rd</sup> Reminder is sent by 1st week of September.
- Commencing 1<sup>st</sup> October 2007, interest is charged on delayed settlement of dues. Accordingly, interest is charged after 10<sup>th</sup> January of the year.
- A list of enterprises who have defaulted Annual Fee/Ground Rent in the preceding year is submitted to relevant Investment Sector Group of the BOI for termination of Agreement.
- A statement of non-compliance/cancellation is sent by relevant Investment Sector Group before cancelling projects requesting for payment of dues.
- Legal Department is informed to take legal action to recover dues from cancelled projects.
- Commencing from 2012, Legal Department is informed to take legal action in respect of all defaulters irrespective of the status of enterprise. Before 2012, Letters of Demand were sent to the cancelled enterprises only.
- Commencing 2012, the Directors of Zone have been delegated authority to monitor the operations of the enterprises under their purview and take necessary action to improve debt recovery.
- Commencing May 2013, a separate Monitoring Unit has been established to expedite the recovery of dues.

### Action taken by Project Monitoring Department;

- Sending letters of non-compliance informing outstanding dues
- Inspecting projects and making requests to settle dues
- Communicating with relevant officers in the enterprises

After taking possible efforts, if the enterprises are still defaulting, the Project Monitoring department sends the list of defaulters to Legal Department to take legal action.



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As a result, collection of dues from January to December 2014 is Rs. 20,820,911/98.

1) Controls over journal entries

Delegation of financial authority adopted for certification of payments is applied in respect of journal entries by all zones. In Head-Office, officer in-charge of the respective division is authorized to approve journal entries.

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[illegible]

POSTS	LOCATIONS
CHAIRMAN	ACI
DG	BEZP
DDG	CRO & KP
ED	CVT
D	HEPZ
SDD	JRO
	KEPZ
	MEPP
	MEPZ

[illegible]

## Directory of BOI Offices

### Head Office (WTC Office)

Level 05, 06, 08, 09, 19, 24, 25, 26 & 27  
West Tower, WTC  
Echelon Square, Colombo 01.  
Tel : 011-2434403-5, 2435027, 2447531  
2385972-6, 2346131-3 011-2435407-9, 2445779,  
2331909, 2331910-3, 2342404  
Fax : 011-2430625, 2399891  
E-mail : infoboi@boi.lk

### Katunayake Export Processing Zone

Katunayake, Sri Lanka  
Tel : (+9411) 2252364-5, 2252140, 2252038,  
4833737, 4833741, 4833774, 4833779,  
4833817, 4833819  
Fax : (+9411) 2253207  
E-mail : kepz@boi.lk

### Biyagama Export Processing Zone

Walgama, Malwana, Sri Lanka  
Tel : (+9411) 2465206 – 09  
Fax : (+9411) 2465227  
E-mail : bpz@boi.lk

### Horana Export Processing Zone

Boralugoda, Poruwadanda, Sri Lanka  
Tel : (+9434) 2269296, 2269752, 2258077  
Fax : (+9434) 2255687, 2258029  
E-mail : hepz@boi.lk

### Mirigama Export Processing Zone

Mahayayawaththa, Loluwagoda, Mirigama,  
Sri Lanka  
Tel : (+9433) 2274657, 2276626, 2276393  
Fax : (+9433) 2274657, 2276393  
E-mail : mepz@boi.lk

### Wathupitiwala Export Processing Zone

Wathupitiwala, Sri Lanka  
Tel : 033-2281604, 033-2281381  
Fax : 033-2282364  
E-mail : wepz@boi.lk

### Malwatta Export Processing Park

Thiahariya, Nittambuwa, Sri Lanka  
Tel : (+9433) 2288826, 2296166, 2296620  
Fax : (+9433) 2288826  
E-mail : mepp@boi.lk

### Seethawaka Export Processing Zone

Awissawella, Sri Lanka  
Tel : (+9436) 2231082  
Fax : (+9436) 2231083  
E-mail : sip@boi.lk

### Koggala Export Processing Zone,

Koggala, Habaraduwa  
Tel : 091-2283425  
Fax : 091-2283370  
E-mail : kgepz@boi.lk

### Central Regional Office

Kandy Industrial park, Kengalle, Sri Lanka  
Tel : (+9481) 2423992, 2423994  
Fax : (+9481) 2420091, 2423995  
E-mail : kip@boi.lk

### North Western Regional Office

MAS Fabric Park, Kurunegala Road, Thulhiriya.  
Tel : 037-2277037, 037-2277038  
Fax : 037-2277036  
E-mail : nwro@boi.lk

### Polgahawela Export Processing Zone

Kegalle Road, Polgahawela, Sri Lanka  
Tel : (+9437) 2244657 / 2241526  
Fax : (+9437) 2244657  
E-mail : pwepz@boi.lk

### Mawathagama Export Processing Zone

Dynevora Estate, Kandy Road, Mawathagama, Sri Lanka.  
Tel : (+9437) 2298147  
Fax : (+9437) 2296041  
E-mail : mwepz@boi.lk

### Central Verification Terminal

Ceylon Shipping Lines Yard  
No 70, Avissawella Road, Orugodawatte  
Tel : 011-2547485, 4411591, 4978969  
Fax : 011-2547485, 4411592 026-2233002

### Air Cargo Verification Unit

Bandaranayake International Airport  
Katunayake  
Tel : 011-2252155, 4833834, 2265183  
Fax : 011-2252155

### BOI Special Economic Zone

Prima Factory Road, China Bay, Trincomalee  
Tel : 026-2233003  
Fax : 026-2233002

### BOI Mirijjawila Industrial Park

Mirijjawila, Hambantota  
Tel : 047-2221596

### Jaffna Regional Office

NHDA Building, Chundukuli, Jaffna  
Tel : 021-2221336, 021-2222130  
Fax : 021-2221336