



ANNUAL REPORT

2016

Board of Investment of Sri Lanka

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Message from the Chairman

Since its inception, the Board of Investment of Sri Lanka is fully committed to accomplish the target of attracting investment, enhancing exports and generating employment opportunities which ensures a sustainable, enhanced economic growth of the country. It has been working relentlessly to promote investments and facilitate the investors by creating a conducive investment environment in Sri Lanka.



Deriving from 2015 policies, several initiatives has been taken to fast track the investment approval process, while having important institutional mechanisms to iron out the investment issues instantaneously. From a strategic perspective, during 2016, BOI continued to strengthen its institutional capabilities with further investments in human capital with the support of the World Bank and the Harvard University.

In line with the policy guidelines of the government, the Board of Investment has taken initial steps to improve the investment facilitation system with the collaboration of World Bank by establishing the One-Stop-Shop in the BOI with dedicated staff from key line agencies. This facilitates the investors to get their services under one roof, saving cost and time by providing a speedy approval system.

With these new initiatives we need to leverage our strengths and achieve the targeted FDI levels to utilize our true potential.

Upul Jayasuriya
Chairman
Board of Investment of Sri Lanka

BOI Profile

The Board of Investment of Sri Lanka (BOI), the country's apex agency for investment promotion and facilitation was incorporated as a statutory body in 1978 as Greater Colombo Economic Commission (GCEC). The authority of GCEC was confined to the specific areas demarcated in Export Processing Zones. 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. The GCEC was changed to BOI in 1992 by an act passed in Parliament expanding its scope to cover the entirety of the country. 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.

Further, BOI owns and operates a total of 12 Export Processing Zones (EPZs) covering 04 provinces in Sri Lanka.

Objectives & Role

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 & Mission

VISION

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

MISSION

“BOI will work in a positive and speedy manner to fulfil Sri Lanka’s potential to attract and retain quality investment that leads to an enhanced export base, and brings more and better jobs, enhanced knowledge and skills through new technologies and innovations ”

Board of Directors 2016

Mr. Upul Jayasuriya	-	Chairman
Mr. Neeth Udesha	-	Member
Mr. Manoj Cooray	-	Member
Mr. Ranjith Pandithage	-	Member
Mr. Buddhi Athauda	-	Member

Senior Officers of the BOI 2016

Name	Designation	Location
Mr. Upul Jayasuriya	Chairman	WTC
Mr. D P Ariyasinghe	Director General	WTC
Mr. R S Fernando	Board Secretary	WTC

Executive Directors

Name	Department	Location
Mr. U Sirigampola	Ed Zones'S	WTC
Ms. C P Malalgoda	Research & Policy Advocacy	WTC
Mr. S B F De Silva	Technical Services	WTC
Ms. S P DE S Mutucumarana	Finance	WTC
Mr. P J Panapitiya	Engineering Approvals & Special Projects	WTC
Ms. R M Weerakone	Project Monitoring	WTC
Mr. S P K Wijayatilake	Investment Promotion	WTC
Ms. M S R Peiris	Legal Consultant	NTC

Actg. Executive Directors

Name	Department	Location
Mr. K P V D Fernando	Investment Promotion	WTC
Mr. M Ramanayake	Investor Services	WTC
Mr. R M U Senerath	Project Implementation	WTC
Mr. A R Karunaratne	Human Resource Management	WTC

Directors

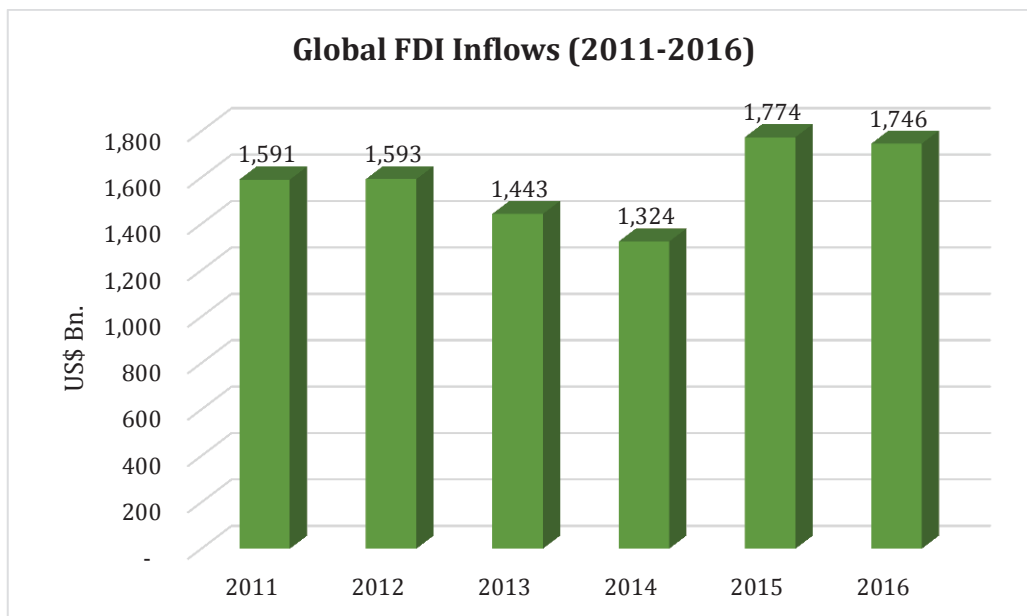
Name	Department	Location
Mr. W A F Jayasiri	Industrial Relations	WTC
Mr. G Dahanayake	Zone Management	KgEPZ
Mr. A K Jayasinghe	Zone Management	BEPZ
Ms. A S Beling	Environment	WTC
Mr. M J K Mohottala	Regional Development	KIP
Ms. N De Silva	Investment Promotion	WTC
Mr. N N Kumaratunga	Investment Appraisal	WTC
Mr. J Gunasekera	Zone Management	MEPP
Mr. W W M P A Bandara	Investor Services	WTC
Mr. W U K M A Wijayakulathilaka	Investment Appraisal	WTC
Ms. H S Urugodawatte	Industrial Relations	KEPZ
Mr. A K A Mahinda	Technical Services	WTC
Mr. H M Jayasundara	Zone Management	NWRO
Mr. M K D Lawrance	Zone Management	KEPZ
Mr. J P C Jayalath	Information Technology	WTC
Mr. D S Samarasinghe	Media & Publicity	WTC
Mr. T M D Thilakaratna	Administration	WTC
Ms. J A A M Jayakody	Research & Policy Advocacy	WTC
Brig. D A Amunugama	Security	WTC

Overview

World Investment Scenario 2016

Global FDI Inflows

Global Foreign Direct Investment (FDI) inflows decreased by 2 percent in 2016 to US\$ 1.75 trillion compared to US\$ 1.77 trillion in 2015. The major reasons for this declining trend are elevated geopolitical risks and policy uncertainty for investors.



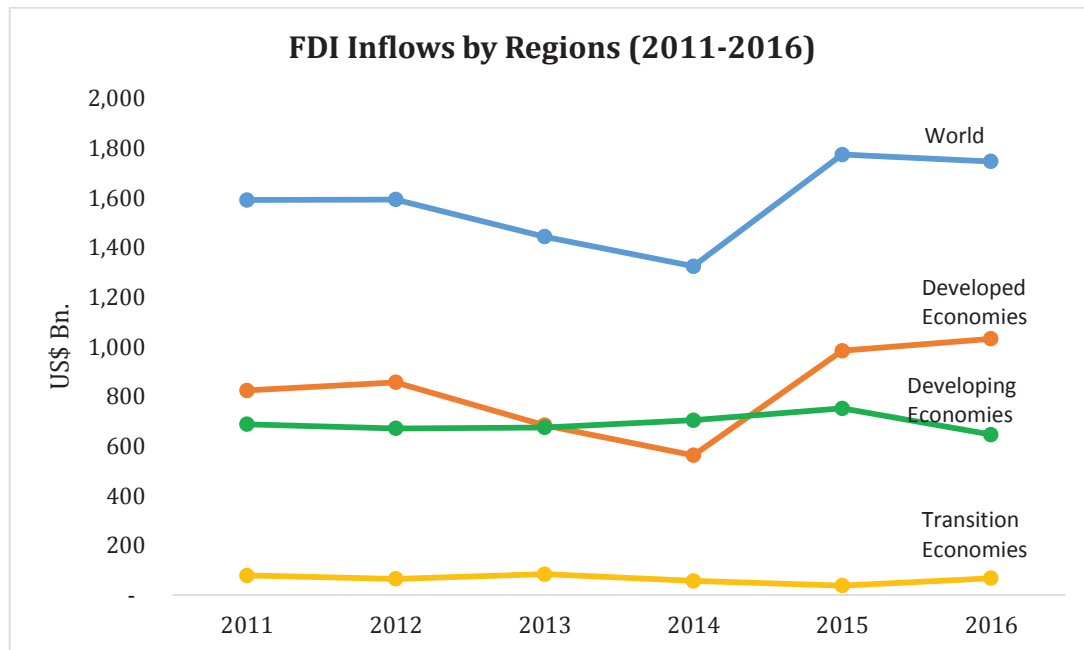
Source: UNCTAD, World Investment Report 2017

FDI Inflows by Regions

FDI inflows into the Developed Economies increased further continuing last year trend. Developed Economies could receive 59 percent of global FDI in 2016 compared to the 55 percent in 2015 with a growth rate of 5%. Equity investment flows of Developed Economies is the major source to enhance FDI inflows in Developed Economies.

Inward FDI into the Developing Economies has decreased by 14 percent to US\$ 646 Bn. in 2016 due to the downturn of cross boarder M & A activities and declining of Greenfield investments in most of Developing Economies.

FDI inflows into Transition Economies increased by almost 81 percent in 2016 reversing the declining trend of last two years and it was mainly due to the privatization of state-owned enterprises in Russia and mining exploration activities in Kazakhstan.



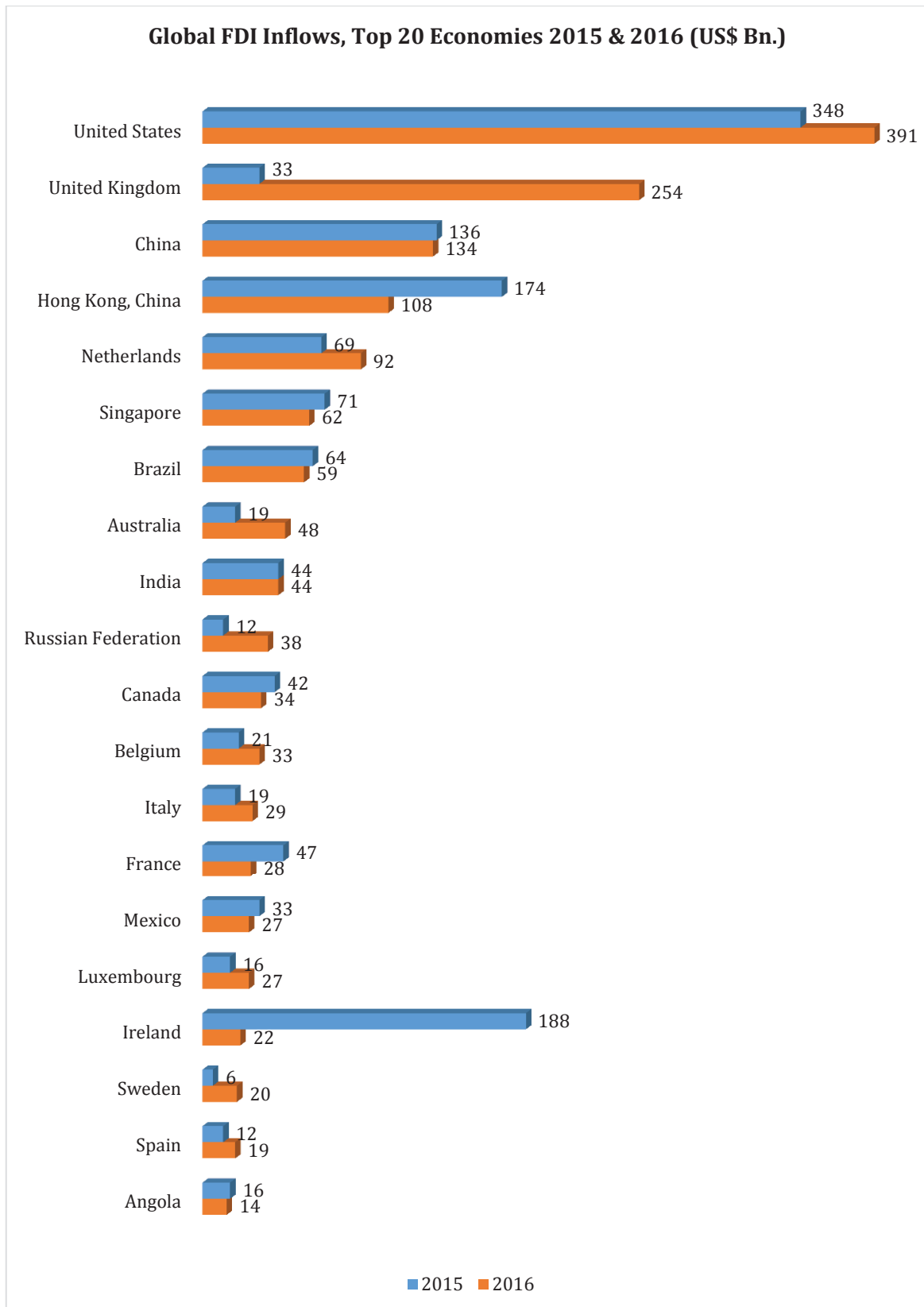
Source: UNCTAD, World Investment Report 2017

FDI inflows into the developing Asia has declined by 15 percent in 2016 due to the decreasing trend of FDI inflows in all sub regions except South Asia which showed an increase of 5.9% over the previous year.

FDI inflows into Africa and Latin America also declined by 3 percent and 14 percent respectively in 2016 compared to the previous year.

FDI Inflows by Country

United States was the largest FDI recipient country in 2016 for the second consecutive year. United Kingdom recorded the second place in 2016 compared to its 14th place in 2015.

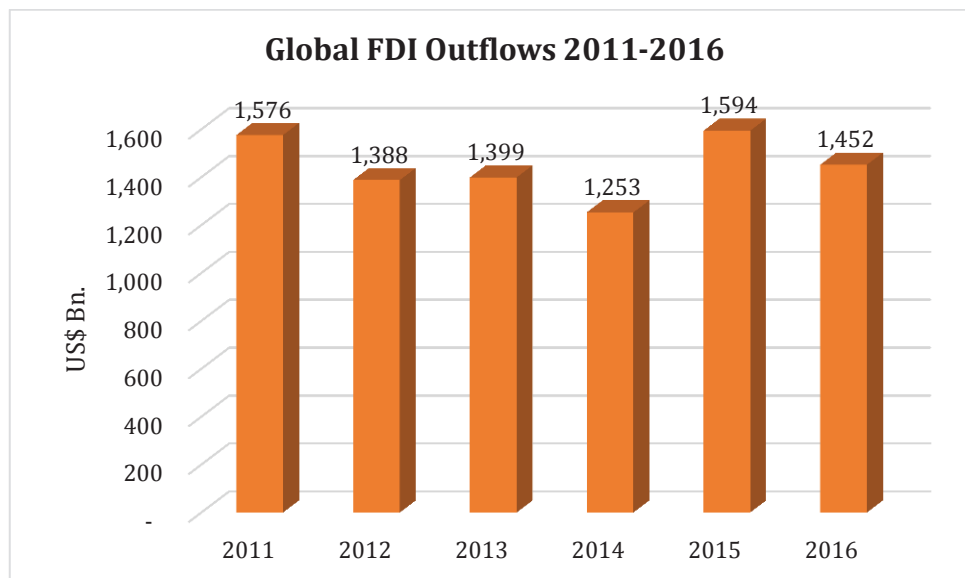


Source: UNCTAD, World Investment Report 2017

FDI Outflows

Global FDI Outflows

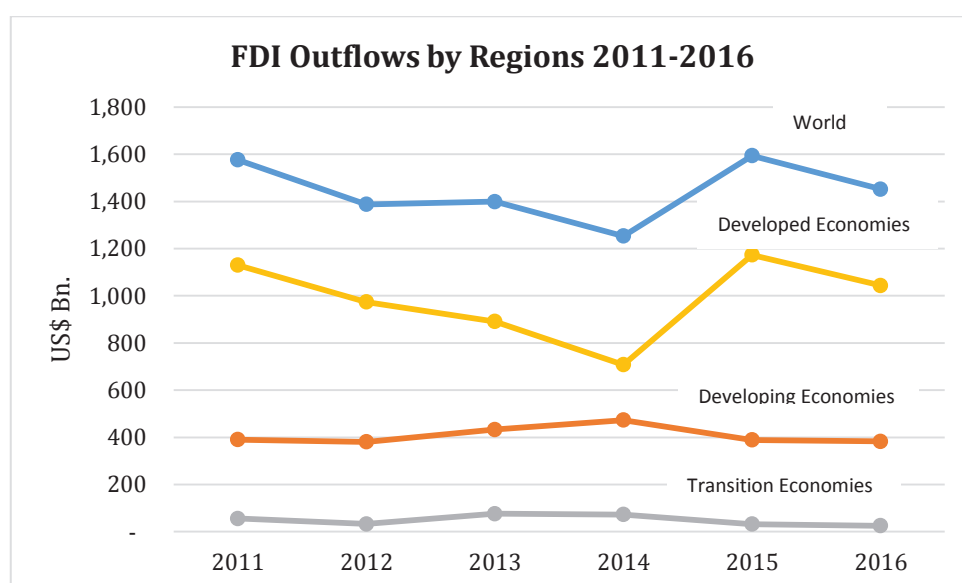
Global FDI outflows decreased by 8.9% to US\$ 1,452Bn. in 2016 compared to previous year.



Source: UNCTAD, World Investment Report 2017

FDI Outflows by Regions

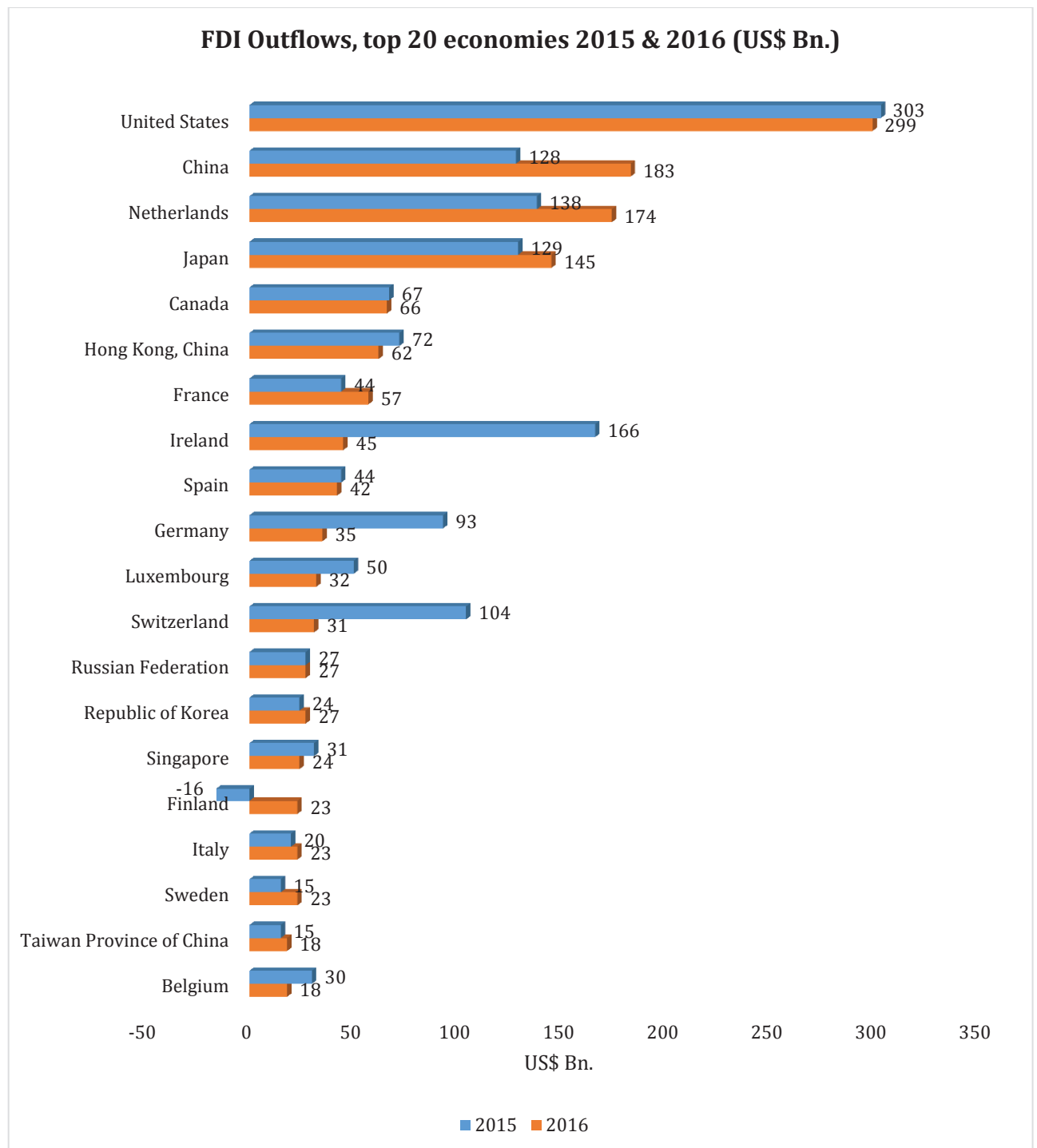
World FDI outflows declined in 2016 mainly due to the decreasing FDI outflows in developed economies. It was 11 percent decline compared to 2015. Further, outward investments of both developing economies and transition economies dropped in 2016 compared to previous year.



Source: UNCTAD, World Investment Report 2017

FDI Outflows by Country

In terms of global FDI outflow in 2016, USA became the largest investor with US\$ 299Mn. Followed by China, Netherlands and Japan. These four countries amounted to over 55% of the FDI outflow. However, compared to 2015, performances of USA has shown 1.3% decline in 2016 while China has shown 43% increase.

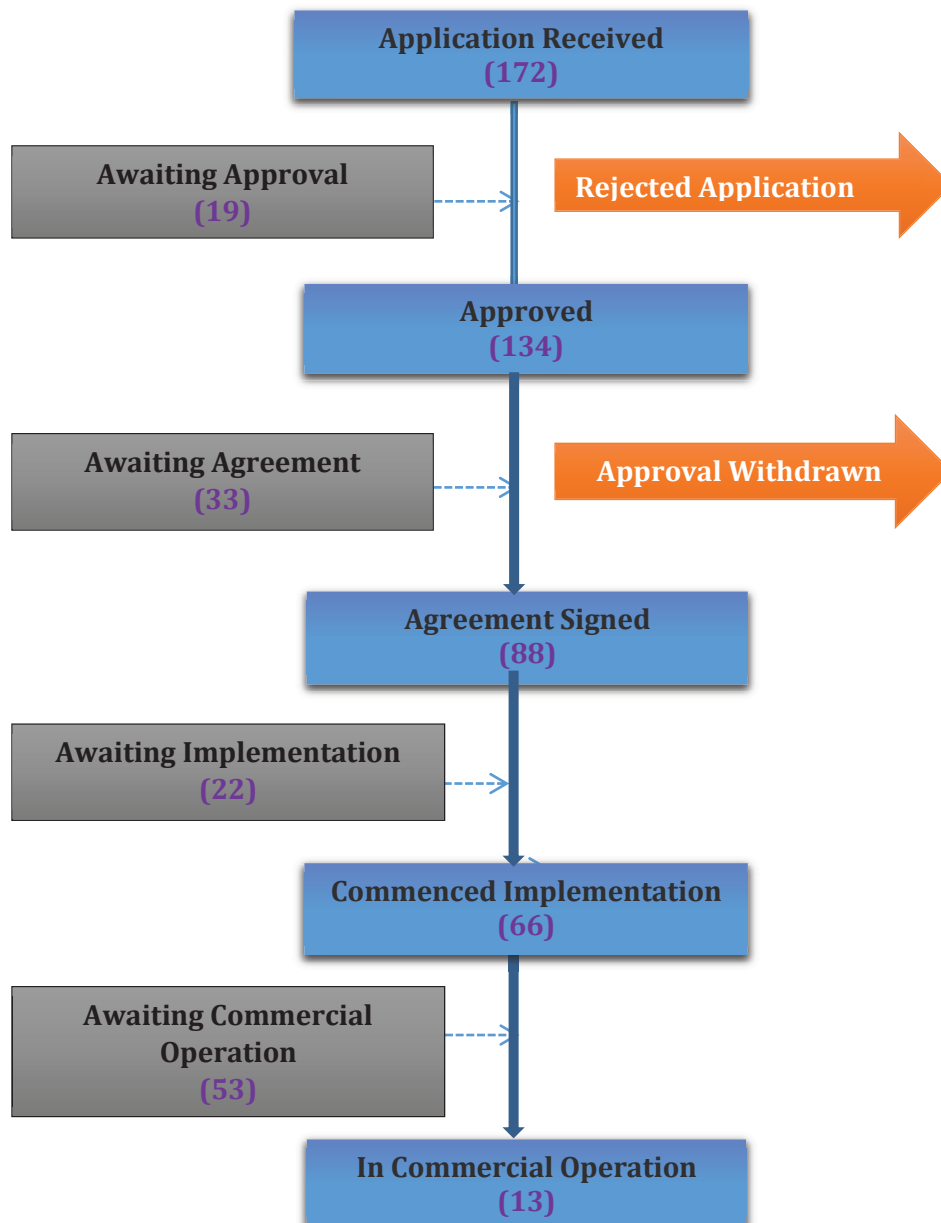


Source: UNCTAD, World Investment Report 2017

Investment Performance – 2016

Sri Lanka Investment Outlook 2016

1. Progress made on Applications Received in 2016



Source: MIS BOI (21st Dec 2017)

In the year 2016, 172 applications for new projects were submitted to the Board. Out of those 172 applications, 134 applications were approved of which 13 projects have commenced commercial operation and 53 projects are under implementation.

In addition, 48 applications for project expansions of existing projects have been received during year 2016

2. Status-wise Project Details

▪ Project Approved & Agreement Signed in 2016

The total numbers of project approvals granted in 2016 was 201 with a total estimated investment of US\$ 6,341 Mn. (Rs. 923,283 Mn.) The estimated total number of employment opportunities of approved projects in the year 2016 is over 28,000

Investment & Employment share of Approved projects in 2016 – by sector

Sector	No. of Projects	Est. Investment (Rs Mn.)	Employment (Nos.)
Services/Infrastructure	106	830,083	12,627
Housing & Property Development	31	161,713	3,548
Hotels, Restaurant Services & Entertainment Complexes	23	28,480	2,204
Power Generation	10	8,485	179
Shopping & Office Complexes	14	82,010	4,602
Education & Training Institutes	5	1,338	566
Computer Software Development/IT/BPO	4	1,083	428
Regional Operating Headquarters	4	1,285	76
Petroleum Refinery/Natural Gas Intake	2	523,805	157
Other	11	21,884	867
Manufacturing	51	64,429	10,189
Agriculture	5	3,896	363
Expansions of Existing Projects	41	24,875	5,517
Total	201	923,283	28,696

Out of the total approved investment in the year 2016, the Services/Infrastructure sector accounts for the highest contribution (90%) followed by the Manufacturing sector (7%).

Out of the total estimated employment of the approved projects in 2016, 44% is expected to create from the Services/infrastructure sectors while 35.5% is from the Manufacturing sector.

The total number of projects signed agreements with BOI in 2016 accounted for 185 in which 144 were new projects and 41 were expansions of existing projects. The total estimated investment of these projects was amounted to US\$ 5,206 Mn (Rs.757, 979 Mn). These projects were expected to generate over 27,800 employment opportunities.

▪ Projects Commenced Construction/Implementation in 2016

In the year 2016, 100 new projects and 6 expansion projects commenced implementation/construction. The total estimated investment of projects that commenced implementation was US\$ 1,060 Mn. (Rs. 154,401 Mn.). The expected employment generation was over 16,000 nos.

Table 2: Top 10 projects (based on Est. Investment) commenced construction/implementation in 2016

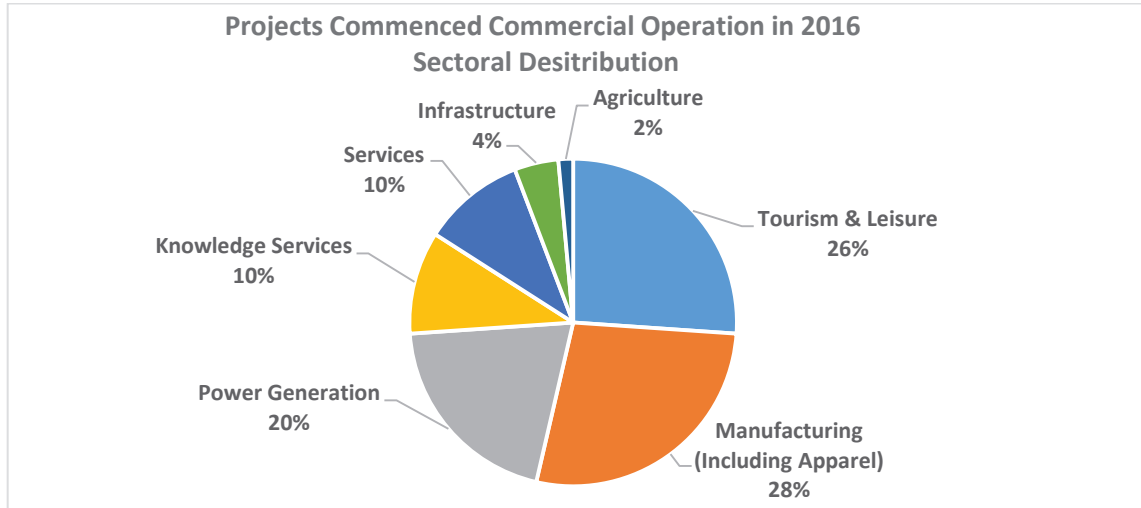
Project Name	Business Activity	Est. Employment (Nos.)	Est. Investment (Rs. Mn.)	Sector	Location
Greener Water Ltd.	380 Roomed Hotel At Negombo	1353	15,198	Tourism & Leisure	Gampaha
Laugfs Terminals Ltd.	L P Gas Storage Terminal And Filling Plant	50	11,600	Services	Hambanthota
Pearl Grand Tower Hotel (Pvt) Ltd.	Project To Set Up A 420 Roomed Hotel	650	7,530	Tourism & Leisure	Colombo
Orion Towers Ltd.	Mixed Development Project At Colombo 09	340	5,680	Infrastructure	Colombo
Indola Group (Pvt) Ltd.	Mixed Development Project	15	5,287	Infrastructure	Galle
Fairway Urban Homes (Pvt) Ltd.	Apartment Complex	65	4,305	Infrastructure	Colombo
International Equities Lanka (Pvt) Ltd.	Residential Complex	268	4,176	Infrastructure	Colombo
Solar One Ceylon (Pvt) Ltd.	10 Mw Solar Power Plant	113	3,762	Utilities	Polonnaruwa
Anorchi Lanka (Pvt) Ltd.	10 Mw Solar Power Project	20	3,482	Utilities	Hambanthota
IRIS Ecopower	10 Mw Solar Power Project	20	3482	Utilities	Hambanthota

▪ Projects Commenced Commercial Operation in 2016

During the year 2016, a total of 69 projects (65 new projects and 4 expansion projects) have commenced commercial operation. The total realized investment of these projects accounted for US\$ 477 Mn (Rs. 69,407), and over 11,000 employment opportunities were expected to be created by these projects.

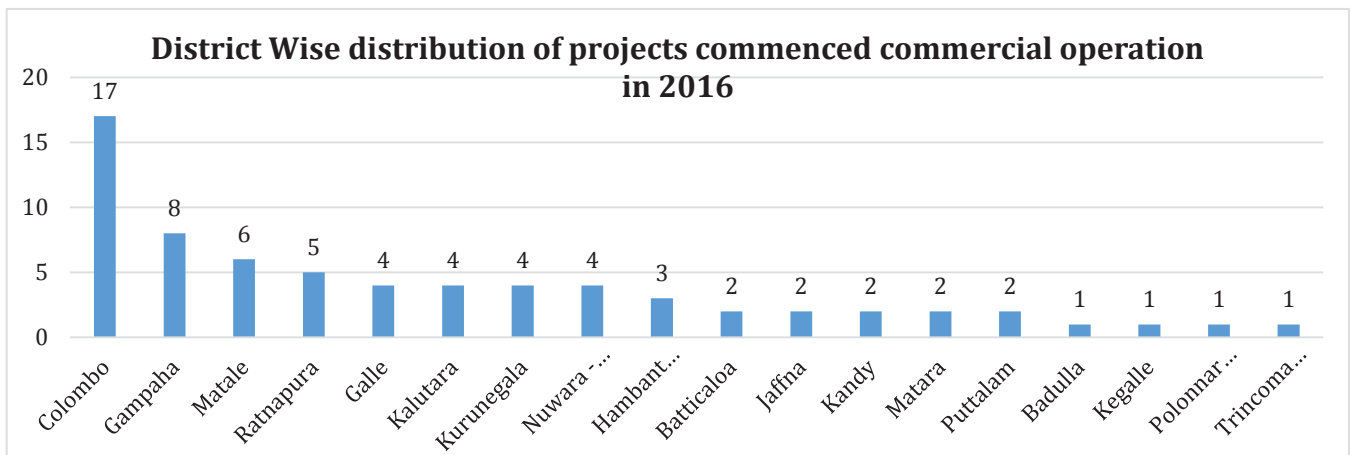
Sector wise Distribution of projects commenced Commercial Operation in 2016

Out of 69 projects that commenced commercial operation in 2016, 19 projects were in the Manufacturing sector (including Apparel) followed by 18 projects in the tourism & leisure, 14 projects in power Generation, 7 projects in Knowledge services sector, 7 projects in Services sector, 3 projects in infrastructure sector, 1 project in Agriculture sector.



District wise Distribution of projects commenced Commercial Operation in 2016

36% of the projects that commenced commercial operation in 2016 were located within the Colombo and Gampaha districts. The balance were geographically distributed over the other 16 districts i.e in Matale (9%), Ratnapura (7%), Galle (6%), Kalutara (6%), Kurunegala(6%), Nuwara-Eliya (6%), Hambantotha (4%), Batticaloa(3%), Jaffna (3%), Kandy(3%), Matara(3%), Puttalm (3%), Badulla(1%), Kegalle (1%), Polonnaruwa (1%), Trincomalee(1%),

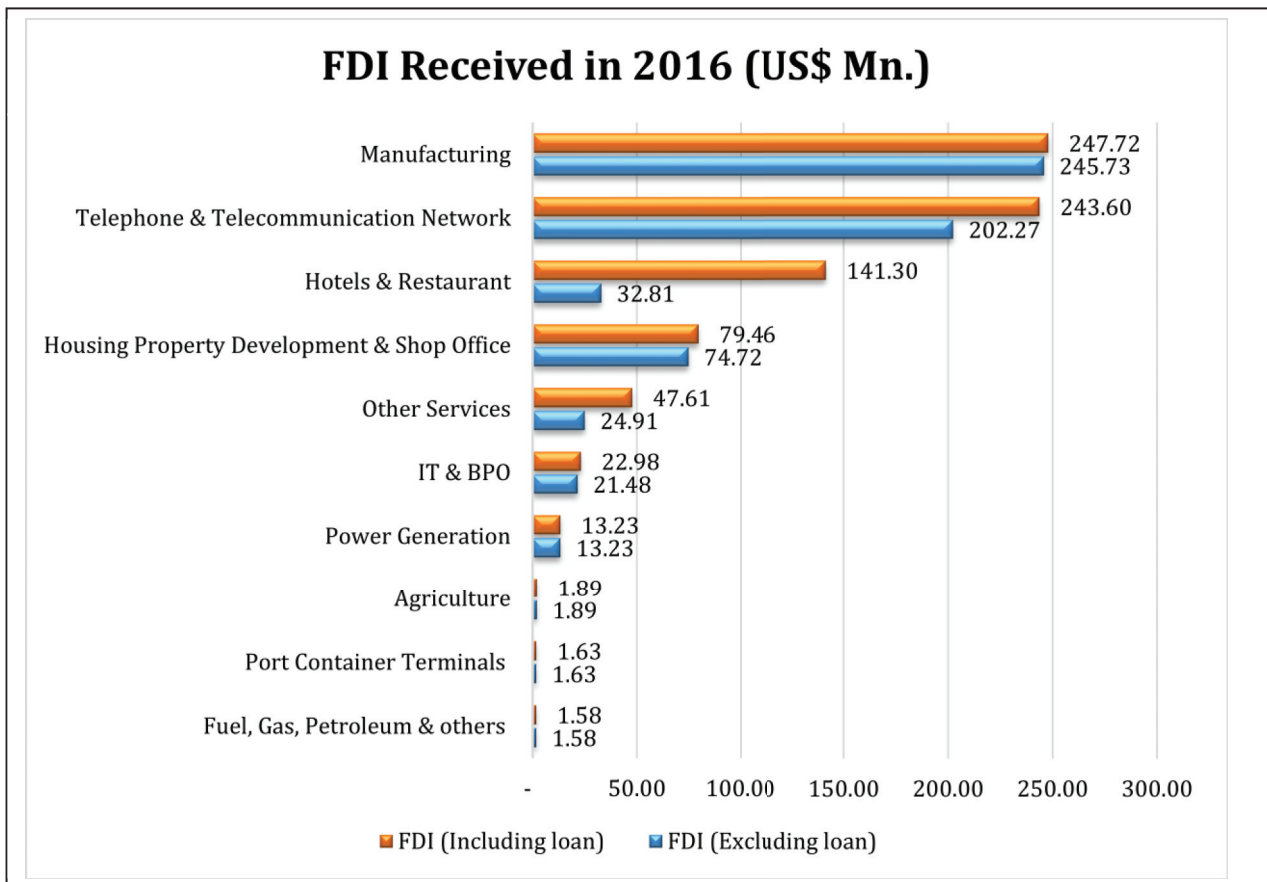


3. Foreign Direct Investment Attracted in 2016

The total FDI received in 2016 amounted to US\$ 620 Mn excluding foreign loans and it was to US\$ 801 Mn including foreign loan component.

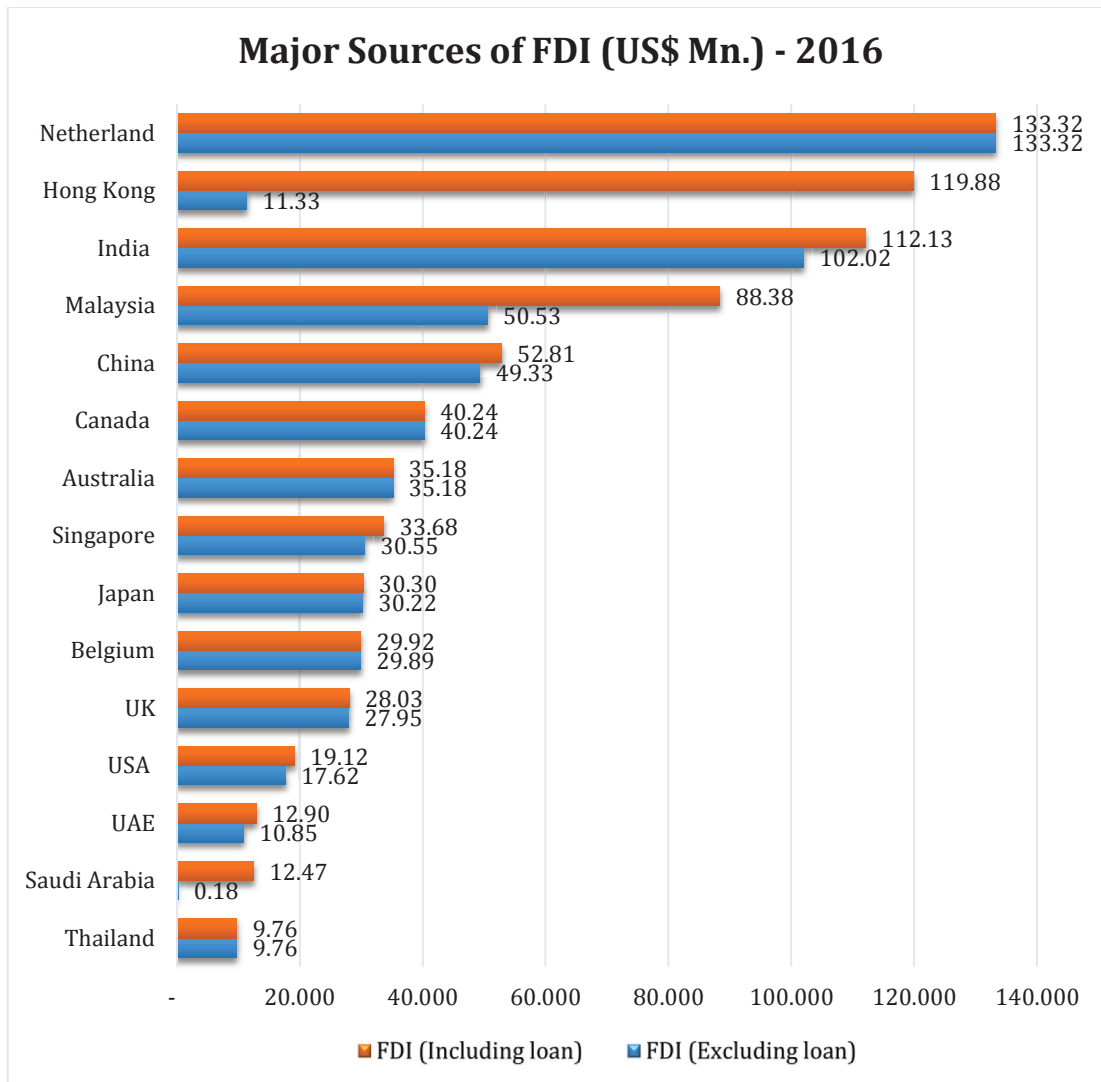
Sector Wise FDI Received in 2016

Out of total FDI received in 2016, Manufacturing sector has received the highest FDI amounted to US\$ 248 Mn , followed by Telephone & telecommunication sector with US\$ 243.6 Mn., Hotel sector with US\$ 141 Mn. etc

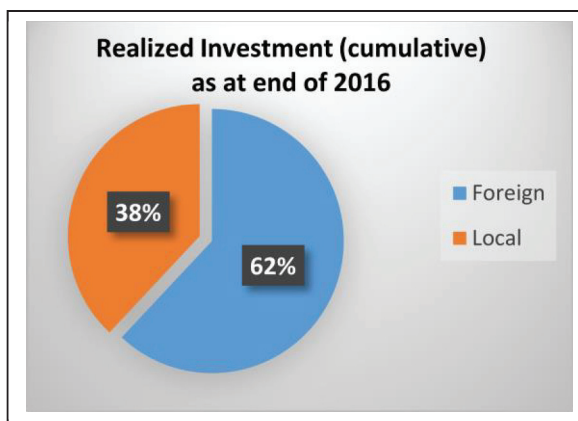


Major Sources of Foreign Direct Investment – 2016

Netherland was the largest source of FDI in 2016 with US\$ 133 Mn. This was followed by Hong Kong (US\$ 120 Mn.), India (US\$ 112 Mn.) , Malaysia (US\$ 88 Mn.) , China (US\$ 53 Mn.), Canada (US\$ 40Mn.), Australia (US\$ 35 Mn.) , Singapore (US\$ 34 Mn.), Japan (US\$ 30 Mn.), Belgium (US\$ 30 Mn), UK (US\$ 28 Mn), USA (US\$ 19 Mn.), UAE (US\$ 13 Mn.), Saudi Arabia (US\$ 12 Mn.), Thailand (US\$ 9.8 Mn.) etc. These fifteen countries together accounted for 95% of the total FDI received in the year 2016.



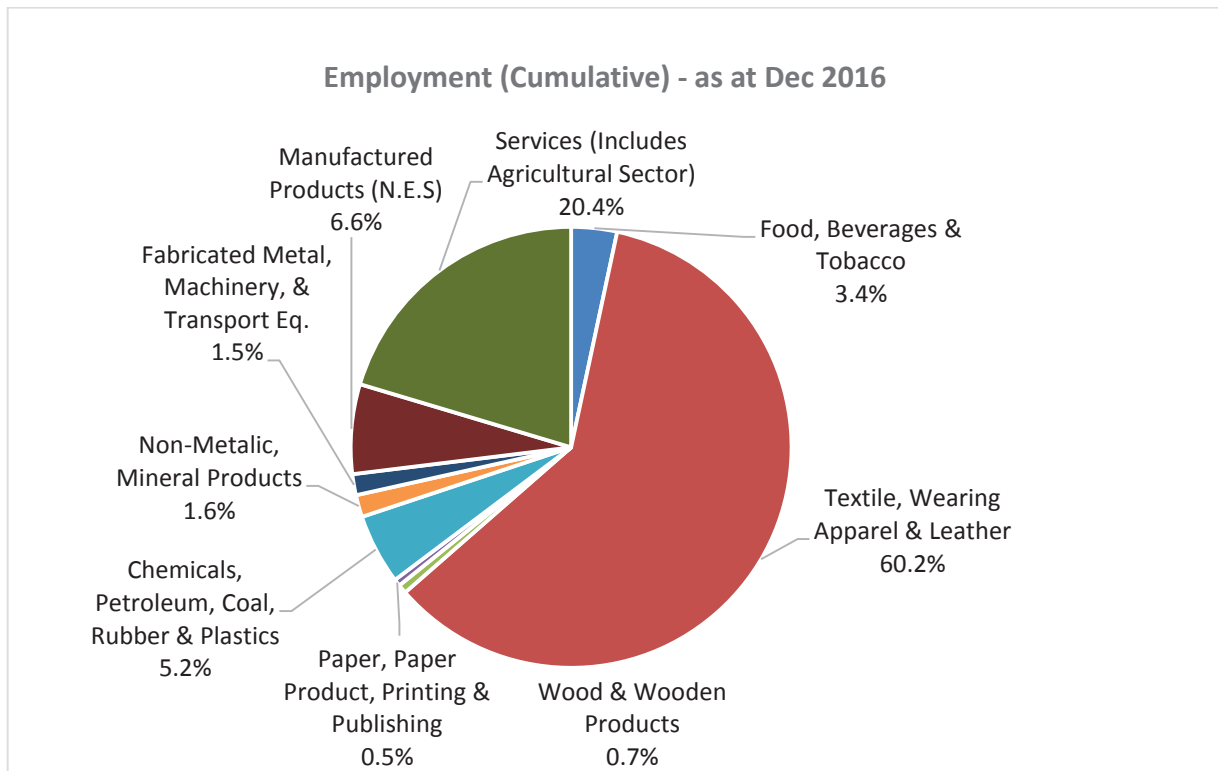
4. Realized Investment (Cumulative)



The realized cumulative total investment as at end of the year 2016 was Rs. 2,170 Bn., which showed a 9% increase compared to the previous year. Out of Rs. 2,170 Bn. total realized investment, 62% (Rs. 1,354 Bn.) represented the foreign component and the balance 38% (Rs. 816 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.

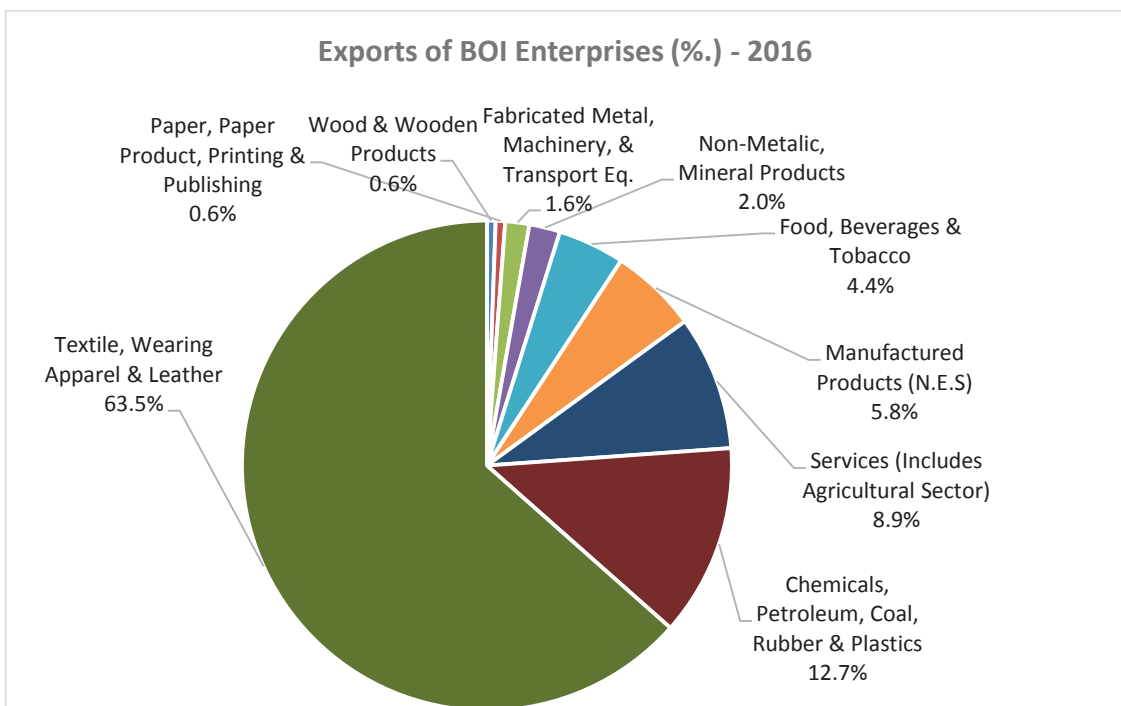
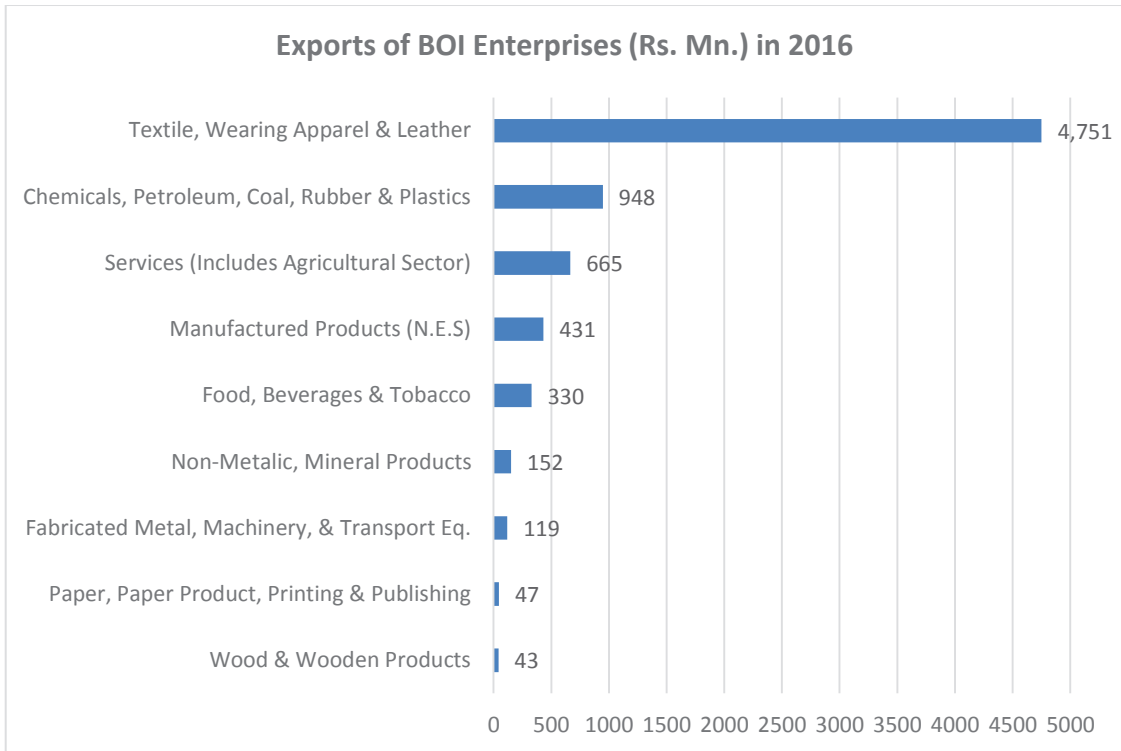
5. Employment (Cumulative)



The cumulative employment of BOI projects as at December 2016 was recorded as 493,229. 60% of the total cumulative employment of BOI projects was from the Textile, Apparel & Leather sector and 20% was from other Manufacturing sectors. Services & Infrastructure sector including Agriculture represented 20% of the total cumulative employment in 2016.

6. Export Performance

The total exports of BOI enterprises in 2016 was amounted to US\$ 7,485 Mn. which represented 73% of national exports and 86% of national industrial exports.



During the year of 2016, Apparel sector represented the highest percentage of exports (63.5%) followed by the manufacturing sector (excluding apparel) amounted to 29%. Services and agriculture sectors represented 9% of the total BOI exports.

Doing Business 2017

Doing Business 2017 is the 14th in a series of annual reports investigating the regulations that enhance business activity and those that constrain it. Economies are ranked on their ease of doing business from 1-190. Doing Business sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. It measures and tracks changes in regulations affecting 11 areas in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labor market regulation.

Sri Lanka is ranked 110 among 190 economies in the ease of doing business 2017 according to the World Bank annual ratings. The rank of Sri Lanka deteriorated to 110 in 2017 from 109 in 2016. Ease of Doing Business in Sri Lanka averaged 100 from 2008 until 2017, reaching an all-time high of 113 in 2014 and a record low of 83 in 2012.

Sri Lanka has made two positive reforms in 2016;

✓ **Starting a Business:** Sri Lanka made starting a business easier by removing the stamp duty on newly issued shares.

✓ **Protecting Minority Investors:** Sri Lanka strengthened minority investor protections by requiring board and in some cases shareholder approval of related-party transactions and by requiring that such transactions undergo external review.

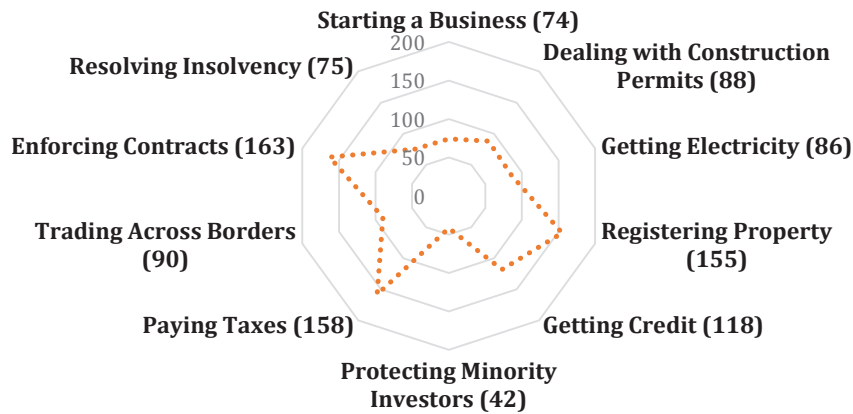
Sri Lanka and Comparator Economies Rank on the Ease of Doing Business 2017



Sri Lanka's Rankings on Doing Business Topics 2017

(Scale : Rank 1 centre, Rank 190 outer edge)

..... Sri Lanka's Rank 2017



The rankings were benchmarked to June 2016 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in 2016 aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each Doing Business indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities.

Action Plan to Enhance the Doing Business Ranking 2017

With a view to enhance the Doing Business ranking 2018, the Research & Policy Advocacy department of BOI developed an action plan in November 2016. The Research Team proposed 9 short term reforms for sub indicators categorized under 6 doing business topics; ie. Starting a Business, Dealing with Construction Permits, Getting Electricity, Registering Property, Paying Taxes and Enforcing Contracts considering only the administrative changes and without any revenue implications to the country. The short term reforms were proposed according to the 2017 Budget speech and CBSL document on short and long term reforms to enhance the DB rankings.

Using a specially built algorithm and the Doing Business simulation model of World Bank, the Research Team identified 510 combinations of reforms to be done and highlighted the minimum number of reforms to achieve a higher rank in doing business 2018. Through the analysis, the Research team identified the possibility of achieving the 91st place by executing 4 reforms and the 89th place by executing 9 reforms.

Departmental Performance

1. Investment Promotion Department

The main function of the Investment Promotion Department is to attract Foreign Direct Investment (FDI) from the respective target countries and sectors. The Investment Promotion Department also encourages existing investors/companies to make additional investments and expand their existing projects.

Main Functions of the Department Includes:

- Organizing Investment Promotion Missions Overseas to Target Markets:
Coordinating one to one meetings with potential investors, Arranging Road Shows with potential investors/companies, Sector specific discussions with respective groups, Meeting with existing companies/investors to update on business and investment climate in the country and meeting with Chambers of Commerce and Counter Part Organizations to create more awareness on investment opportunities in the country.
- Participating at events focusing on identified thrust sectors:
Representing BOI at international forums, conferences and exhibitions for networking and dissemination of information on investment opportunities in Sri Lanka.
- Inviting inward delegations to Sri Lanka, to give potential investors an insight on the investment climate in the country and facilitate their visits to the country.
- Organizing inward business delegations to visit Sri Lanka, in order to study the existing business, investment climate and arranging programmes including presentations, meetings with the government & private sector and site visits.

General Promotion Activities

Creating more awareness on investment opportunities in Sri Lanka in the respective countries, identification of target sectors to attract FDI from the respective markets, identification of target companies in the respective countries, building up relationships and networking with respective Chambers of Commerce, Business Councils, Banks and other relevant organizations for investment promotion, co-ordination with foreign missions in Sri Lanka and Sri Lanka missions abroad, close liaison with industry associations, and co-ordination with line agencies & authorities (SLTDA, EDB, Gems & Jewellery Authority, Airport & Aviation), networking with respective groups of the diaspora in the relevant countries to attract more FDI.

Investment Forums / Seminars and Exhibitions in Sri Lanka

Organizing investment forums in Sri Lanka for foreign / local participants in collaboration with the Chambers and counterparts and participation in trade exhibitions to disseminate information on investment opportunities.

Local Conferences

Presentations at local conferences and actively participating and net working with foreign participants, to create awareness on the investment climate.

Outward Investment Promotion Missions Carried out in the Year 2016

Republic of Korea (South Korea) September 2016 (4 days)

Investment Promotion Mission Delegation was led by Hon. Minister of Development Strategies & International Trade and BOI was represented by Mr. Duminda Ariyasinghe, Director General.

Outcome:

Creating Awareness on Investment Opportunities in Sri Lanka.

Qatar – November 2016 (3 days)

An Investment Promotion seminar was held in Qatar Doha Bank Auditorium which was organized by the Doha Bank in collaboration with Embassy of Sri Lanka in Qatar, Board of Investment of Sri Lanka and the Ministry of City Planning & Water Supply, Sri Lanka.

The BOI was represented by Director General and Mr. M H Casseer, Asst. Director (Inv. Pro).

Outcome:

The event was participated by a large gathering mainly the top business people in the country who are the clientele of the Doha Bank. The gathering paid interest on investments in Sri Lankan.

Malaysia – Kuala Lumpur December 2016 (8 days)

Sri Lanka Business Forum was organized to coincide with the State visit of the President H.E. Maithripala Sirisena to Malaysia with a view to commemorate 60th Anniversary of the Diplomatic Relationship between two countries and to strengthen the Economic and Diplomatic ties between Sri Lanka and Malaysia.

BOI was represented by Chairman, BOI and Mr. Manilal Ranasinghe, DD (Inv. Pro).

Outcome

Initiatives were taken by the BOI with the collaboration of the Malaysian organizations, to make long term relationship with Malaysian investors & Sri Lankan Business delegation who met during the business forum, focusing FDI into Sri Lanka.

Singapore – November 2016 (4 days)

Investment promotion mission to Singapore, BOI was represented by DG, BOI.

Outcome:

Creating Awareness on Investment Opportunities in Sri Lanka.

Japan – Feb (4 days)

13th business link Shobai- Hanjo in Nagoya, Japan, organized by the BTMU. (Networking programme for BTMU Clients BOI represented by Mr. G R C Gamlath, Asst. Director, (Investment).

Outcome:

Exhibition was held on 17th February, 2016 in Nagoya, Japan and the booth was operated by the BOI. Meetings were held with 06 potential companies organized by Bank of Tokyo Mitsubishi UFJ Ltd.

Japan April (4 days)

Investment promotion programme with the assistance of Bank of Tokyo Mitsubishi UFJ Ltd and Mizuho Bank, JETRO, UNIDO and Sri Lanka Embassy in Tokyo. BOI was represented by Ms. Renuka Weerakone, Executive Director (Investment Promotion).

Outcome:

Two investment seminars in Osaka and Tokyo, Osaka seminar – 25 companies and Tokyo seminar 85 companies. Round Table Discussion with 08 companies in Nagoya. One-to one meetings with 04 companies 03 companies planning to visit Sri Lanka for further discussions shortly.

Thailand, May 2016 (3 days)

Delegation led by Hon. State Minister of Development Strategies & International Trade and BOI was represented by Mr. M K D Lawrance, Director KEPZ.

Outcome

Visited Industrial Parks

China – February (6 days)

C P C Central Committee, BOI was represented by DG. BOI.

Singapore – Mach (4 days)

Sri Lanka Summit BOI was represented by DG. BOI.

Germany and Austria – February (6 days)

Visit of H.E. The President of Sri Lanka to Germany and Austria in February 2016. BOI was represented by Chairman BOI and Ms. K. Ratnaweera, DD (Inv. Pro).

Outcome

Delegation led by Hon. Uwe Beckmeyer, Parliamentary Secretary of the Federal Ministry of Economic Affairs & Energy, Federal Republic of Germany visited Sri Lanka. The delegation comprised of 20 German business representatives including: Siemens AG, BASF India Ltd, and BMW, Mercmarine Group of Companies.

Delegation led by H.E. the Austrian Ambassador for Sri Lanka. , visited Sri Lanka in May 2016, the delegation comprised of the Vice President of the Austrian Chamber of Commerce and 16 Austrian companies.

USA - April (6 days)

Bilateral talks, Trade and Investment Framework Agreement (TIFA) delegation comprised of DG, BOI.

Germany - April (6 days)

Lawasia Foreign Direct Investment in Asia - Germany, BOI was represented by Chairman, BOI

Belgium - May (3 days)

Working Group on Trade & Economic Relations Cooperation between Eu & Sri Lanka, BOI was represented by Mrs. C P Malalgoda, ED (Research & PA).

China - June (5 days)

the 4th China-South Asia Exposition & 24th China Kunming Import & Export Commodities Fair -2016, BOI was represented by Chairman, BOI, Mr. Duminda Premarathne, DD (Inv. Pro).

Bangkok - July (4 days)

Business & Investment Forum BOI was represented by Mr. U Wijayakulathilaka, Director (Inv).

Kenya- July (4 days)

World Investment Forum, BOI was represented by Mrs. C P Malalgoda, ED (Research & PA).

Thailand & China - August (7 days)

Invitation to visit Industrial Park BOI was represented by Mr. U Sirigampola, ED (Zones).

Turkey - August (7 days)

85th Izmir International Fair' BOI was represented by Mr. N N Kumaratunga, Director (Inv) .

China - September (7 days)

13th China - ASEAN Expo 2016 in Nanning, BOI was represented by Ms. Kumudini Rathnaweera, DD (Inv. Pro).

USA - September (12 days)

International Bar Association Conference 2016 BOI was represented by Chairman, BOI

Switzerland - October (5 days)

04th Trade Policy Review of Sri Lanka, BOI was represented by Mrs. C Malalgoda, ED (Research & PA).

Turkey - November (5 days)

1st Joint Committee Meeting on Economic & Technical Cooperation (ICTEC) with Turkey. BOI was represented by Mr. K P V D Fernando, ED (Special Proj).

INWARD MISSIONS / LOCAL EVENTS - 2016

	Missions /Events	Remarks
1	Sri Lanka Business Conclave - March	Created considerable awareness on investment opportunities in Sri Lanka, amongst more than 100 foreign participants. Over 100 local participants also participated at this event.
2	Delegation from Shandong Province - January	Arranged visits to KEPZ to 2 factories Brandix and KIK at the request of the Chinese embassy
3	11 member Delegation from Japanese companies based in Singapore - February	Representatives from Japanese companies based in Singapore such as Mitsui, Torray, Sumithomo and few other leading companies participated.
4	30 member Japanese delegation from Kansai Productive Center (KPC) of Japan representing leading Japanese companies - January	Fact finding mission
5	Trincomalee, Ampara & Batticalo - Investment forum together with Provincial council and Financial Institutions	2 seminars were conducted in Trinco and Baticaloa with the participation of over 200 no. of high net worth business professionals / Bankers. An application received for a City Hospital in Baticaloa. List of available lands for development gathered.

2. Research & Policy Advocacy Department

Functions of the Department

The Research and Policy Advocacy Department proposes and advocates improvements in relevant FDI policies and become a key catalysis in investment related policy reform process. In this context, the R & PA of BOI is responsible for undertaking policy research and suggesting enhancements of various policies, laws and procedures in order to assist the government in improving the business environment of Sri Lanka, thereby attracting the much needed foreign and domestic investments.

The duties of the department include, conducting business research for development of investment opportunity profiles; conducting country specific and sector specific research required for identification of priority sectors for investment; preparation of informative brochures; formulation of investment promotion strategies based on competitive and comparative advantage; compilation, analysis & dissemination of investment related data; identification of issues inhibiting investment & suggestion of remedial measures.

Research program of the department in the year 2016 was focused on identification of target sectors for attracting investments into Sri Lanka. This exercise was carried out in September 2016, in consultation with Harvard University's Center for International Development (CID), by appointing a team to work on establishing a domestic targeting mechanism to identify target sectors to attract export oriented FDI, The Research & Policy Advocacy Department actively engaged throughout this exercise from data collection to data analysis which could identify a list of priority 12 sectors; 8 manufacturing (Medical Devices, Solar Panels, Motor vehicle parts and accessories, Screws/bolts/nuts, Bridges/lock gates, Hand tools, Circuit Protection Boards and Pharmaceutical) & 4 services sectors (Tourism, Education, IT/BPO and Logistic) and the department is working on preparation of sector profiles.

Research & Policy Advocacy Department, on behalf of BOI, played the core role in coordinating the 10th Annual Forum of Developing Country Investment Negotiators which was held in November 7-9, 2016 in Colombo, Sri Lanka. The event was organized by the International Institute for Sustainable Development (IISD) and the South Centre and co-hosted by the Board of Investment of Sri Lanka, which provided an opportunity to discuss the current framework on international investment.

Based on the outcome of an analysis conducted by the research team, the Research & Policy Advocacy Department developed an action plan in November 2016 to improve Sri Lanka's doing business ranking in 2018.

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) such as Sri Lanka -Singapore Free Trade Agreement (SLSFTA) 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.

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 (MIS). The department also carry out FDI Survey on Quarterly basis, to get updated data on key performance indicators of BOI.

The library of the Board of Investment of Sri Lanka operates under the supervision of the Research & Policy Advocacy department consists of books and other publications in an array of disciplines related to the area of investment which is available for all BOI employees.

Further, in the year 2016, the department has catered to 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.

3. Investor Services Department

Import & Export Handling

The investor Services Department facilitates after care service to investors registered under section 17 of the BOI law in the field of import & export. To provide the above services, this department has 05 Investor Services Centres located at 06th Floor- WTC, Colombo, Katunayake, Biyagama, Koggala Export Processing Zones and Kandy Industrial Park in addition to 09 Cargo Verification Centres.

Services provided by the Investor Services Department

- ❖ Processing Import / Export Documents
- ❖ Verification of Import / Export Cargo
- ❖ Issuing of Certificates of Origin for textile & apparel products exported to EU countries
- ❖ Approval for clearance of goods from bonded warehouses
- ❖ Approval for sub contracts, transfers, local sales & loans of raw material and machinery
- ❖ Approving of re-import & re-export of items
- ❖ Liaising with government organizations in respect of issues faced by BOI enterprises
- ❖ Processing and approving of GRNs for Indirect Exports
- ❖ Processing of web submission for IT / BOI projects
- ❖ Recommendation to the Controller General of Immigration & Emigration for issue of expatriate visas

Automation of import & export operations

A high priority was given for automation of import, export & other related activities of BOI projects in order to minimize human intervention, reduce documents and time taken for cargo clearance.

One of the main functions of Investor Services Department is to process Import Export Customs Declarations (CUSDECS) in order to permit import & export of projects under section 17 of the BOI law.

After implementation of Asycuda World computer system in 2012 for BOI investors, all enterprises are enjoying the facility of e-submission, e-processing, e-payment & e-approval for import & exports activities. In addition, procedure for local sale was fully automated and pre-paid accounting system has been introduced for the benefit of BOI investors and also declarants.

The BOI has automated the local sale computer system, enabling all BOI enterprises located in zones to feed all details of the item to the open bidding computer system. Any individuals who are registered with the Local Sale Computer system at BOI can bid through this system. Finally, BOI enterprise can finalize the sale through open bidding system.

Six projects approved under the Commercial Hub Regulation have set up warehouses in the approved locations such as Katunayake EPZ, Mirijjawila EPZ & Hambanthota Port.

Total Import TEUs consigned to BOI enterprises for the year 2016 (TEUs)	86,579
Total Export TEUs consigned to BOI enterprises for the year 2016 (TEUs)	98,070
Import Value for the year 2016 (US\$ mn)	4,945
Export Value for the year 2016 (US\$ mn)	6,974,
Import Value of Hub Companies for the year 2016 (US\$ mn)	78,
Export Value of Hub Companies for the year 2016(US\$ mn)	59,

4. Investment Appraisal Department

Having recognized the necessity of achieving economic development goals of the country rapidly and identifying the importance of the BOI to achieve the said goals, the department has been entrusted with the responsibility of promoting, attracting and facilitating foreign direct investment (FDI), for the purpose of enhancing foreign exchange earnings through value added exports, generating employment and providing opportunities to upgrade the technological skills, transfer of technologies by facilitating investment within minimum time frame.

The facilitation process plays a major role to uplift the Doing Business Ranking of the country and create investor confidence for further expansion of businesses. Thus, the role of the Investment Department is to have a continuous facilitating process from the application accepting stage till the existence of the projects in Sri Lanka.

The Investment Appraisal Department being the heart of the BOI and knowing its significance to the institution and to the country committed and contributed immensely with the assistance of the other internal departments.

The Department is directly under the supervision and leadership of the Director General.

As per the current policy of the government, the department has been structured to facilitate investments in to following sectors with a view to achieve the objectives of the BOI and the country as well.

- Knowledge Services
- Services
- Manufacturing
- Apparel
- Infrastructure
- Tourism & Leisure
- Utilities
- Agriculture

FUNCTIONS

1. Evaluating investment proposals in line with the regulations of the BOI, investment policy document published by Exchange Control Department of Central Bank of Sri Lanka and policies of the government of Sri Lanka.
2. Coordinating with relevant line ministries to obtain required recommendations/comments based on national policies applicable to the projects prior to granting approval.

3. Making recommendations, for projects proposals to obtain approval of the Board / Chairman/ Director General.
4. Facilitating projects by granting customs duty and other exemptions as gazetted referred in the Schedule (B) of the BOI Act
5. Granting approval for the change of scope of the business
6. Granting approval for expansions in terms of location, product, activity etc
7. Resolving and intervention in operational issues such as customs inquiries, industry relation issues etc.
8. Preparation of FDI forecast
9. Recommendation of visa for expatriates (investors and employees).
10. Participating in various investor forums such as EDB, Ease of Doing Business to address the investment related issues
11. Participating in policy making committees with the Ministry of Finance, other line agencies and Cabinet Sub Committees appointed for different sectors
12. Communicating and co-coordinating with all line agencies prior to granting approval such as Urban Development Authority, Sri Lanka Tourism Development Authority, Sri Lanka Tea Board, Geological Survey & Mines Bureau, Sri Lanka Customs, Ministry of Plantation, Ministry of Lands, Forest Department etc.
13. Attending and responding to inquiries made by various State Agencies including Law Enforcing Authorities, Sri Lanka Customs and other state Agencies.

KEY PERFORMANCE INDICATORS-2016

	No. of projects	Proposed Investment		Employment
		Foreign (Rs. Mn)	Local (Rs. Mn)	
New project proposals received	171	1,259,682	372,804	31,420
Projects approved	159	1,004,182	333,462	22,903
Agreement signed	144	523,426	190,960	17,728

Expansions

	No. of projects	Proposed Investment		Employment
		Foreign (Rs. Mn)	Local (Rs. Mn)	
New expansion proposals received	49	5,140	21,034	11,514
Expansions approved	43	6,211	18,500	9,356

(including proposal received in previous years)				
Agreement signed	41	4,869	38,676	18,428

New Initiatives Taken

Screening Committee

An internal committee comprises of relevant senior officers of the BOI chaired by Director General is established to screen all the projects received by the BOI and to streamline the investor facilitation process to resolve implementation issues of both existing and the potential investors.

5. Project Monitoring Department

A significant function of the Project Monitoring Department is to examine the performance of projects that have commenced commercial operations in terms of fulfilment of conditions set out in the BOI Agreement. This remains a regular and constant activity of the Department covering the lifetime of BOI approved projects that are in commercial operation.

Companies approved under both Section 16 and Section 17 of the BOI Law are examined through the collection of periodical information as per Audited Financial Statements, Bi-Annual Performance Statements and employment statistics in respect of such projects. Accordingly, performance analysis of projects are conducted to check on compliance of the terms and conditions of the BOI Agreements.

Other key areas processed by the department include:

- Issuance of Tax Certification to Company's eligible for tax holiday.
- Formal termination of project Agreements that have reached the end of their life cycle as well as those that have been non-compliant with conditions in the BOI Agreement.
- Inspection of projects both under sec. 16 and sec. 17 of the BOI Law to provide reports for decision making by relevant Departments.
- Quarterly submission of relevant Agreement terminated projects to Commercial Banks for withdrawal of FCBU facility granted to such Companies.

During the year under review, 127 Nos. of Annual Tax Certificates were issued to BOI registered Companies.

The total collection of Financial Statements from Companies in 2016 was 1467 and number of inspections carried out during the year were 34.

The Monitoring Department processed the termination of 91 Agreements in 2016 due to factors such as non-compliance with terms and conditions of the Agreement arising from financial issues, difficulties in marketing & sourcing of land etc. faced by the Companies. It is noteworthy that terminations also occurred as a result of asset take over by prospective investors and amalgamation or merger of Companies.

6. Project Implementation Department

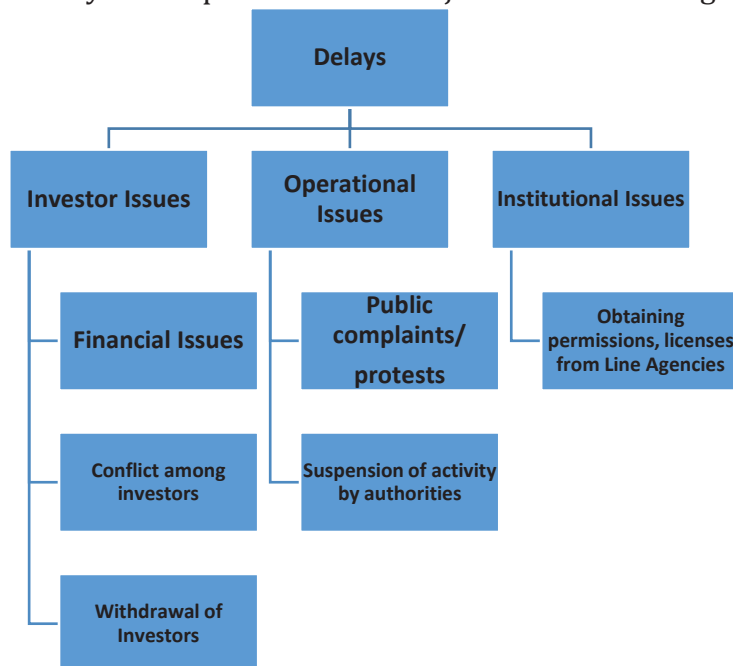
Project implementation (PI) Department of Board of Investment (BOI) was re-established on 04th August 2014 as to facilitate and accelerate investment process and commence the project in commercial operations.

Main Objective of the Department is “ To ensure successful facilitation of Projects, consistent with the implementation programme stipulated in the Agreement with the BOI.”

Functions of the Department

Main Functions of PI department are to identify the issues or bottlenecks for delay in implementing the projects and assist the investors to overcome such issues, ascertaining the actual status of the project by inquiring and engaging in inspections, granting approvals to extend Project Implementation period (PIP), updating changes of status of the projects in the Management Information System (MIS) maintained by BOI, identification of commencement of commercial operations of projects and updating same in MIS and identifying the projects which have been abandoned or failed to complete implementation and recommend same to Monitoring Department for termination of Agreements.

The reasons for delay to implement the Projects can be categorized as follows:



In resolving issues of the investors PI Department organize and co-ordinate meetings with investors, internal departments, relevant authorities, carry out physical inspections on progress achieved by investors on projects, maintain regular communication with the investors and ensure the progress of the projects, refers major

issues which cannot be solved by PI department to top management or ministerial level committees such as Cabinet Committee Economic Management (CCEM), Official Committee Economic Management (OCEM), and Investment Approval Facilitation Committee (IAFC).

INVESTOR APPROVAL FACILITATION COMMITTEE (IAFC)

IAFC is organized by the PI Department on the instructions of the Director General of the BOI to facilitate the investors.

Honorable Prime Minister by letter dated 19.11.2016 has appointed a Committee known as Investment Approval Facilitation Committee (IAFC) chaired by Mr. Paskaralingam, Advisor to the Ministry of National Policies and Economic Affairs.

The bottlenecks and the line agency related issues which delays implementing projects have been addressed at this meetings.

The IAFC is an effective mechanism to provide proper solutions for major issues encountered by the investors. Currently, the IAFC is conducted on weekly basis and the PI Department was able to resolve many major issues including the issues in policy level efficiently. This Committee motivates the various types of Governmental Agencies/Boards & Authorities to meet under one roof to solve project related matters and reach for a favourable and final solution towards the foreign/local investors to carry out their Projects very successfully.

up to now the Project Implementation Department of the BOI has convened 36 Meetings of this nature and taken up 116 issues and solved 91 issues very successfully granting relieves to several investors/BOI Companies/Non-BOI Companies clearing backlogs which they faced from time to time while only 21 issues are pending as it was impossible to reach for a solution though the Committee tried its best to come for a solution.

ACHIEVEMENTS IN 2016

Officers from Project Implementation Department participated in investor forums to address the Project related issues and participated with other Line Agencies in years 2016 as follows:

Form of Meeting	No of Meetings
1 With Line Agencies	81
2. CCEM	4
3. OCEM	10

7. Legal Department

Functions of the 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 of the enterprises approved under Section 17 of the BOI Law.

The Department attends to the duties in respect of its role in corporate legal affairs in the Organisational litigation against the BOI and initiate legal action on behalf of the BOI in order to protect its legal interest. The investor facilitation legal services are of advisory nature, which include the dissemination of information on Sri Lanka's legal regime applicable for establishment of projects under the auspices of Section 17 of BOI; perusal and approval of Articles of Association of companies to establish projects in Sri Lanka in terms of Section 17 of BOI law.

During the period BOI has contracted 144 Principal Agreements under Section 17 of the BOI Law for the establishment of new business ventures in Sri Lanka. The major projects BOI has executed are namely;

- Horizon Knowledge City Limited - to set up a higher educational institute,
- Blue Mountain Apartments (Pvt) Ltd. - to setup a mixed development project in Colombo 04,
- Laugfs Terminals Limited - to undertake entreport trading of LP Gas and logistics services by setting up a LP Gas storage and terminal and filling plant
- Havelock City Pvt Ltd – to set up a mixed development project,
- Super Group partners Holding Company Pvt Ltd. – To undertake headquarter operations

In addition, 214 Supplementary Agreements were contracted with existing BOI projects in relation to further investment changes of scope of business, relocations, taking over and mergers.

This includes the following projects with major employments in numbers:

- | | | |
|---|---|-------|
| • Furnimix (Pvt) Ltd. | - | 1,110 |
| • EAM Maliban Textiles Badulla (Pvt) Ltd. | - | 1,200 |
| • LSEG Business Services Colombo (Pvt) Ltd. | - | 710 |
| • Alpine Clothings Galgamuwa (Pvt) Ltd. | - | 1,800 |
| • Saru Exports (Pvt) Ltd. | - | 900 |

Further, Parliamentary approval has obtained for CHEC Port City and One Colombo Pvt. Ltd. by following the procedure under the Strategic Development Projects Act.

Apart from the above, Legal Department is involved in extending its investor related services by provision of leases of lands owned by the BOI to investors in setting up their industries.

Also, the International Arbitration filed by Avocadia Ceylon (Pvt) Ltd. against BOI awarded in favour of BOI directing Avocadia Ceylon Pvt Ltd. to bare its own legal fees and expenses and to pay the BOI an amount of Rs.3,406,132.20 and US\$ 22,000/- as reimbursement of BOI legal fees and expenses.

Legal department made arrangements to recover a loan of an amount of Rs. 14,000,000/- owed by M/S Bettans Lanka Leather Tannery (Pvt) Ltd to the BOI and prevented proceeding for Arbitration.

8. Technical Services Department

Functions of the Department

- (1) The Technical Services Department is mainly responsible for the
 - (i) Overall control of Action Plan for infrastructure development.
 - (ii) Identification of sites for new investment zones/projects.
 - (iii) Planning and development of new investment zones.
 - (iv) 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.
 - (v) Providing assistance and technical inputs for special investment projects with regard to land matters and provision of infrastructure.
 - (vi) 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.
 - (vii) Providing technical support for infrastructure development work carried out by the existing Export Processing Zones/Industrial Parks as and when requested.
 - (viii) Providing technical support for operation and maintenance of water supply, sewerage and solid waste management schemes of existing Export Processing Zones/Industrial Parks.
 - (ix) Inspection & making recommendations on technical aspects for the industrial plants which have encountered environmental issues and conflicts in respect of public concerns.
 - (x) Transfer of assets divested to the state under the Act no. 43 of 2011, back to the BOI.
 - (xi) Advertising vacant lands in Zones and select suitable investors through a competitive process as per the decision of the management of BOI.

- (2) In year 2016, a sum of Rs. 330.41 mn. was incurred by the BOI mainly in respect of improvement and upgrading of existing infrastructure in the Export Processing Zones/ Export Processing Park and BOI Office at Sir Baron Jayatillake Mawatha, etc.

Major scale augmentations/improvements were in progress during the year under review, for the common wastewater treatment plants at Katunayake, Biyagama and Koggala Export Processing Zones and etc.

- (3) A sum of Rs. 8.68 mn. was incurred for the new zone development. Infrastructure development in the Mirijjawila Export Processing Zone, Wagawatta Industrial Zone and Henegama Industrial Park continued by expanding the internal road network, power supply, fencing etc.
 - For continuation of construction work of Wastewater Treatment Plants at Katunayake Biyagama, Koggala and Seethawaka Export Processing Zones, utilization amount was Rs. 169.50 Mn.

- (4) A sum of Rs. 339.09 Mn. has been utilized under the Action Plan 2016.

9. Zone Management

The Export Processing Zones under the purview of the Board of Investment of Sri Lanka is a major tool for attracting foreign direct investment to the country. Export Processing Zones greatly contribute to the increase of foreign exchange earnings, employment creation, diversification of exports, gaining new technology, infrastructure development, creation of indirect employment, skills development and eradicating of poverty. To achieve these factors Export Processing Zones has played an important role in the year 2016.

As at 2016, 12 Export Processing Zones and Industrial Parks are in commercial operation under the purview of BOI, accommodating 279 BOI enterprises providing a total number of 135,600 direct employment opportunities. Also there has been an immense indirect contribution to the surrounding areas creating many indirect employment opportunities as well as self-employment as a result of successful operation of Export Processing Zones. The total land extent occupied by commercially operating enterprises is 3,417 acres in the zone. The total income generated through zones in 2016 was recorded as Rs. 2.5 billion whereas export value generated through Zones has been recorded as US\$ 2,658 million.

With the purpose of providing enhanced services to existing investors, infrastructure development programme was continued for identified key projects in year 2016. Major attention was given to complete augmentation of common waste water treatment plants at Katunayake and Biyagama EPZs, considering the environment concerns of operating these zones with minimum impact to the environment. The total allocation for development of infrastructure was 789 Mn for all the zones in various projects in addition to above two major projects such as improvement of roads, construction of perimeter fences, provision of power supply and for various buildings etc.

Special attention was also given to develop social infrastructure such as day care centers, leisure parks etc. and first two projects were established at Katunayake EPZ as pilot projects. After observing the progress, initial activities were carried out to establish day care centers at Koggala and Biyagama zones also as per the instructions of the Board.

There was a tremendous demand for lands and vacant buildings in zones and land prices went extremely high due to competitive bidding system. As a result, it was possible to promote very competitive, attractive and economically viable foreign direct investments and expansions projects to zones and parks during this year.

In year 2016 was recorded very minimum industrial disputes in all zones and highly interactive sessions were conducted in each zone to maintain industrial peace and harmony between the employers and employees. It was also possible to address many operational matters of investors such as speedy issuance of visas, close coordination of matters with outside agencies etc. All the facilitation programmes were conducted by zones to improve the confidence of investors effectively.

10. Environment Management Department

Functions of the Department

- 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 meetings 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.	149
(b) No. of environmental clearances granted for Expansions/relocations.	32
2. No. of EPLL issued/renewed.	*501
3. No. of ERR issued in respect of sites proposed for erection of telecommunication towers.	**102
4.No. of complaints attended concerning environmental issues and resolved	74
5.Environmental Monitoring	
(a). No. of effluent samples collected from industries. } (b). No. of effluent samples collected from common } sewage treatment plant.	1,313
©. No. of water samples	178

* - Income Rs.4, 872,500.00 from EPL processing

** - Income Rs. 3,085,500.00 from ER fee for erection of telecommunication towers

- In addition to above, served in the National Committees formed on the following International Conventions related to environment/chemicals for which Sri Lanka is signatory.
 1. National Coordination Committee on Basel, Rotterdam, Stockholm and Minamata Conventions.
 2. Montreal Protocol on substances that deplete the Ozone layer.
 3. United Nations Framework Convention on Climate Change (UNFCCC).
The above three Committees are chaired by the Ministry of Mahaweli Development and Environment.
 4. Convention against illicit traffic in narcotic drugs and psychotropic substances.
This is chaired by the Precursor Control Authority.

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

Achievements

- Income Rs.7.958 million by issuing of Environmental Protection Licences (EPLL) and issuing of Environmental Recommendations (ERR) to telecommunication towers.
- Achieved the target set for year 2015 under the ISO 9001:2008 standard based quality management system. Under this, the set target was to ensure that 98% of the BOI projects are in possession of the Environmental Protection Licence (EPL). This target was achieved.
- Evaluated the Environmental Impact Assessment Report (EIAR) prepared on the proposed Export Processing Zone (EPZ) – II Perth Estate, Horana by the Industrial Technology Institute (ITI). Corrections/improvements required in this report were identified and informed the ITI to upgrade this report accordingly.

After the required revisions, the EIAR was submitted to the CEA for approval.

- 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.
 - (b) Basel Technical Evaluation Committee.
 - (c) Technical Advisory Committee for Management of Industrial Chemicals (TACMIC).All these three technical Committees are chaired by the CEA.

11. Engineering Approvals & Special Projects Department

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

1. Engineering Approvals Section
2. Lands and Facilitation Section

Functions of the Department

1. Engineering Approvals Section

A. Role of the Engineering Approvals Section

Engineering Approvals section functions as the regulatory arm of the BOI for sites, and provides four key services namely; Location approval, building plan approval, quantity certification and Certificate of Conformity, to Section 17 projects.

- Location Approvals - To sign the agreement with BOI for the project by the investor, location approval is a pre-requisite. A Site visit is carried out by EA & SP 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.
- Building Plan Approvals - Investors are supposed to commence construction works only after the building plan approval is obtained. Building plan approval is issued when the plans of the proposed buildings meet all the standards required by relevant regulations.
- Quantity Certificates for Importing Construction Items - Projects approved under Section 17 of BOI Law, can import items and materials in the approved list on duty free basis. The role of the Engineering Approvals Dept. is 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.

- Certificate of Conformity - Once construction is completed, Engineering Approvals Dept. inspects the site 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.

B) Progress made within the year 2016

▪ Site Approvals	-	286
▪ Building Plan Approvals	-	178
▪ Duty Free Clearances	-	3,012
▪ Certificate of Conformity	-	65

2. Lands & Facilitation Section

A) 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

B) Progress made within the year 2016

- Physical possession of the land at Kuliypitiya was handed over to the Western Automobile Assembly (Pvt) Ltd on 20.05.2016 and acquisition was finalized on 21.12.2016.
- Presidential Secretariat has granted approval to release the land at Rideegama, to BOI as a free grant, enabling BOI to allocate same to Emjay International (Pvt) Ltd on long term lease. Land Commissioner General's Dept is in the process of finalizing the vesting process.
- Land Commissioner General's Dept is in the process of cancelling the state grant of the land at Polonnaruwa which was vested to BOI, in order to release same to a new investor.

- Approval of the Cabinet of Ministers has been obtained by BOI to take the land identified for the proposed water intake for Horana Export Processing Zone, as a free grant. EA & SP Dept. is currently working with Land Commissioner General's Dept. to get the land vested in BOI.
- Maintaining and updating of Land Bank of State lands and private lands for the use of investors.

12. 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 the management and employees of BOI Enterprises where necessary.
- Assist investors to meet their manpower requirement through the BOI Employment Service Units functioning in EPZs, and organizing recruitment assistance programmes.

The Industrial Relations Department achieved the following progress during the year 2016.

- **Maintaining Labour Standards**

Periodical Labour Audits have been 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 2016, Labour Audits have been carried out in 1,050 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 coordinating 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 2016, Industrial Relations Department facilitated in formation and operation of 148 Employees' Councils.

- **Establishment of Worker Facilitation Centres**

There are five (05) Facilitation Centres in operation at Katunayake, Biyagama, Koggala, Wathupitiwala Export Processing Zones and Kandy Industrial Park during the year 2016 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**
98 Awareness Programmes have been conducted during the year 2016 for Employees and Management Officials of the BOI Enterprises on various subjects such as Social Dialogue, General Awareness, Workplace Co-operation, Decent Work Practices and 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. 16 industrial disputes / strikes occurred in BOI enterprises during the year 2016 were resolved with the support of Labour Dept. officials where necessary.
- **Recruitment Assistance Scheme**
During the year 2016, numbering 56,295 job seekers were registered with the Employment Services Units at EPZs out of which 55,237 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 14 such job fairs / career guidance programmes have been conducted island wide.
- **Establishment of a Day Care Centre (Crèche)**
The establishment of first day care centre and pre-school at KEPZ provides a tangible solution for employees who are willing to continue their jobs while keeping their kids in a secured place within the zone and this also provides a solution to reduce high labour turnover and create attractive impression of the zone for new recruits. At the end of the year 65 kids have been facilitated and 55 among them were participating in the pre-school.

13. Information Technology Department

Functions of the Department

- 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 2016**

Enhancement of IT resources and infrastructure during year 2016

- Enhanced BOI LAN/WAN network by providing new 200 network extensions in Head Office, Zones and Regional offices of BOI.
- Installed a new fiber network for HEPZ for the purpose of extending the network facility to Security office and fiber extension to Fire office in KEPZ.
- Procured and installed 76 numbers of personnel computers and 72 numbers of printers for BOI offices including zones.
- Procured and installed 156 numbers UPSs, 20 numbers of switches and related network devices (NIC, media converters etc.)
- Provided 117 numbers of new email accounts and 42 numbers of Internet connections for BOI officers.

Developments and implementations of Software Applications

New Projects

- Investor Facilitation System: This system was developed to monitor queries and track the progress of BOI One Stop Shop (OSS). The system supports to register investor queries, forward queries and record actions taken by relevant BOI officers.

- Sub Contract Online System: This web based solution was introduced to enable enterprises for online submission of sub contract applications.

- Local Sale Online Bidding System: This web enabled system which provides facility for buyers to bid for local sale items online was introduced as a new development.

Improvements of the existing system

- Visa Recommendation System: Provided number of report modifications to facilitate management with more comprehensive decision making information.

- Improvements have been done for Management Information System (MIS), entry permits, etc. to cater the change requirements of user departments.

14. Media & Publicity Department

Functions of the Department

The Media Department of the BOI is responsible for external communications 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.

Key Outcomes

In 2016 the BOI engaged in publicity campaigns using different types of media. Furthermore printed promotional materials were developed; advertisements were placed in publications, to convey its message to a wide audience.

Special Events

The following events were organized, coordinated and participated by the Media Department:

- Meeting with Danish Delegation
- Media Coverage of 5 Chinese delegations
- Presentation for Swedish Delegation
- Meeting with Wall Street Journal and Euromoney Magazine
- Meeting with Bank of Ceylon
- Organizing Media work for World Export Development Forum
- Finalization of Website Company selection
- Media campaign of World Export Development Forum
- Organized video photography of Katunayake Export Processing Zone, Millennium City, Nivasi
- Image building campaign for EPZ workers participation.
- Participation at meetings of Sri Lanka China Business Forum, International Alert, Co-ordination of Oxford Business Group Report.
- Presentation for High Commissioner of Designate Sri Lanka to UK
- Meeting with Guangdong Delegation and Japanese Business Delegation and Media coverage.
- Media Coverage of BOI investor Forum, London Stock Exchange Groups Agreement German Delegation
- Organized interview of DG by Nikkei Asia Review.
- Organized Press Conference of Investor Forum
- Meetings with Austria Trade Delegation, Bank of Tokyo Mitsubishi, Swedish Foreign Minister, workshop with Malaysian Delegation
- Meeting deputy Prime Minister of Thailand Economy round table
- Presentation for Yunnan Province Delegation, China
- Organized interview of Minister of Development Strategies and International Trade by Nikkei Weekly Review
- Preparation of Chinese language brochure for PM's visit to China
- Support work of BOI for President's visit to Germany and Austria
- Participation at Sri Lanka Economic Forum, Co-ordination work for opening of Bank of Tokyo Mitsubishi Office, Co-ordinating of Eastern Provinces investment Conference, coverage of Indian Foreign Secretary meeting.

15. Administration Department

Functions of the Department

The Administration Department provides logistical support to its Client Departments, Zones and Regional Offices as well.

The department consists of following functional sub units for the smooth and efficient operation of the department.

- Stores & Supplies Unit
- Transport Unit
- Maintenance Unit
- Mail Unit
- General Administration

The Major functions of the Administration Department could be categorized as follows:

- 1) Handling the Internal and External Mail which will expedite the connectivity within and outside the BOI.
- 2) Maintaining of un-interrupted process for providing Drinking Water, Tea, Janitorial Services, Telephone and Air-conditioning facility for the Head Office and other Zones when required.
- 3) Attending to the repairs and maintenance of BOI offices at Head Office.
- 4) Obtaining insurance coverage for BOI fixed assets and carry out risk assessment surveys time to time.
- 5) Manage the vehicle fleet of the Head Office and provides transport facilities for the other Departments and Zones.
- 6) Procurement of all kind of goods and services to the entire organization.

Achievements of the Year 2016

The Administration Department has expanded its role by providing facilities to the other departments & few main activities performed in the year 2016 are given below.

- Procurement of 05 nos. Double Cabs, a Hand Tractor with Trailer, a Generator, a Three Wheeler and a CCTV Camera system.
- Establishment of the Information Desk at Level – 03, WTC Building.
- Relocation of the Legal Department in the Level 27.
- Purchased 40 nos. of Personal Computers.

16. Human Resources Management Department

Functions of the 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 schemes, etc.
- **Achievements/Performance – 2016**
Employees' Monthly Performance Evaluation process was fully operated on-line through the Human Capital Management (HCM) System.
Nine (09) Executives, Fourteen (14) Management Assistant category employees and two (02) Primary Level employees were newly recruited to the Board's service.

Fifty eight (58) Executives, eighty eight (88) Management Assistant category employees and twenty three (23) Primary Level employees were promoted to higher grades.

- Staff Trainings

Type of Training	Number of participants
Foreign Trainings	34
Master Degree Programmes	09
Local Training (Soft Skills)	304
In-House Training Programmes	696
Total	1,043

Fifty eight (58) 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.

17. Security & Fire Department

A significant progress in the Security & Fire areas of the Department could be observed during the year and was creditable on how the staff has maintained the required standards in the security and safety of assets & human lives in their assigned areas.

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.

Security Unit

The Safety and Security of Property and Human Lives being vital, The Security Department of BOI has a fundamental role to play. The Security Staff at all Security Points in all Zones should be maintained extreme vigilance 24-hours of the day. The quality of service has to be at the highest levels and there cannot be any lapses on the part of the Security & Fire Staff. The system has to be comprehensive. The Security Unit had commenced its' operations on the request of Investors on March 03, 1983 with a team of 15 Security Officers and 01 Executive Officer, under the Greater Colombo Economic Commission. This operation had extended to cover a wider area with the increased Export Processing Zones and Industrial Parks. Accordingly, when GCEC converted to Board of Investment of Sri Lanka in 1992, the Security Unit had an increased strength of 160 located in all zones, under various categories, recruited in small batches over the years.

Fire Unit

BOI Fire Units are based in Katunayake, Biyagama, Seethawak and Wathupitiwala 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.

BOI Fire Units are based in 04 main Export Processing Zones:

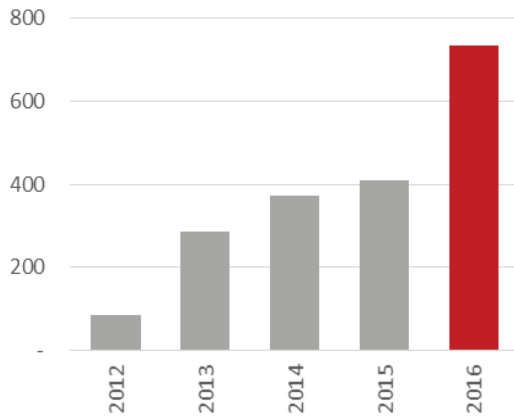
Zone
Katunayake Export Processing Zone
Biyagama Export Processing Zone
Seethawaka Export Processing Zone
Wathupitiwala Export Processing Zone

Apart from emergency calls within the zones, the fire units respond to emergency situations and fire calls, from areas in close proximity outside the zones.

Fire Units also engage in fire prevention & operational training activities for factory personnel and in the events of VVIP visits in the areas concerned.

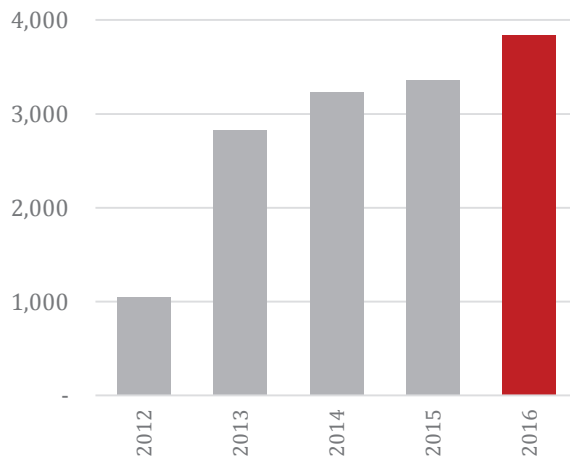
Financial Review 2016

Net Surplus - Rs. Million



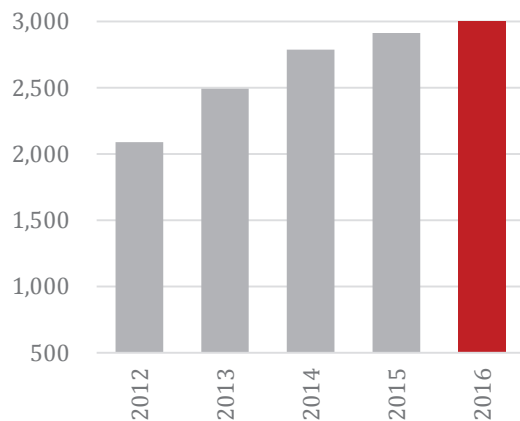
Board recorded a Net Surplus after tax of Rs. 720.79 mn. which is a 89.1% growth year on year.

Revenue – Rs. Million



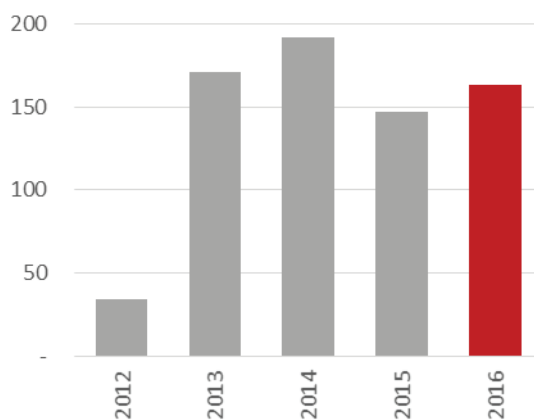
Gross Operating Income of the Board grows by Rs. 391.59 mn. to Rs. 3,605.15 mn. which is a growth of 12.2% compared to the previous year. Income of the Board constitutes Ground Rent, Annual Fee, Import Export Service Charges, Land Premium, Rent Income, Water Income and Other Income. Interest Income for the year under review increased by Rs. 103.64 mn. which is an increase of 87.34% compared to the last year. Income from Import/Export Service Charges amounting to Rs.1, 012.87 mn. contributed to the increase in revenue of the current year. This is a growth of 8% compared to the previous year. Rent Income decreased by Rs. 4.2 mn. (3.8% reduction) to Rs. 105.68 mn.

Operating Expenses - Rs. Million

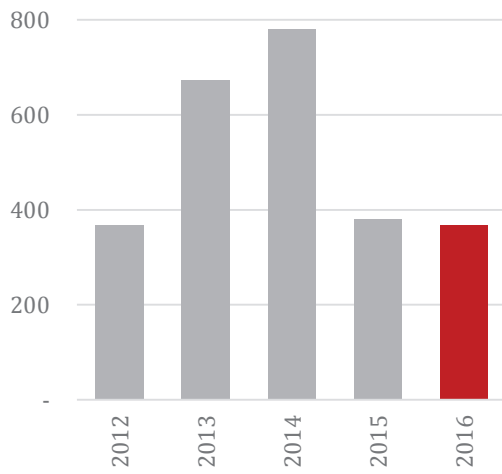


In the year under review, Total Operating Expenses increased by Rs. 135.70 mn. compared to year 2015 to Rs. 3,048.69 mn. Administrative Expenses increased by 6.1% to Rs. 2,639.68 mn. over 2015. The increase in Administrative Expenses was mainly due to the increase in Personnel Costs and Legal & Professional Charges.

Government Levies & Taxes - Rs. Million



The increase in tax on interest income is mainly due to the increase in Interest Income. Government Levies and Tax expenses for the year was Rs.163.85 mn. compared to Rs.147.18 mn. in the prior year. Board is currently liable for Income Tax on Interest Income. Value Added Tax expenses on disallowed VAT input has decreased by Rs.10.95 mn. which is a 13.2% decrease compared to the last year.

Capital Expenditure – Rs. Million

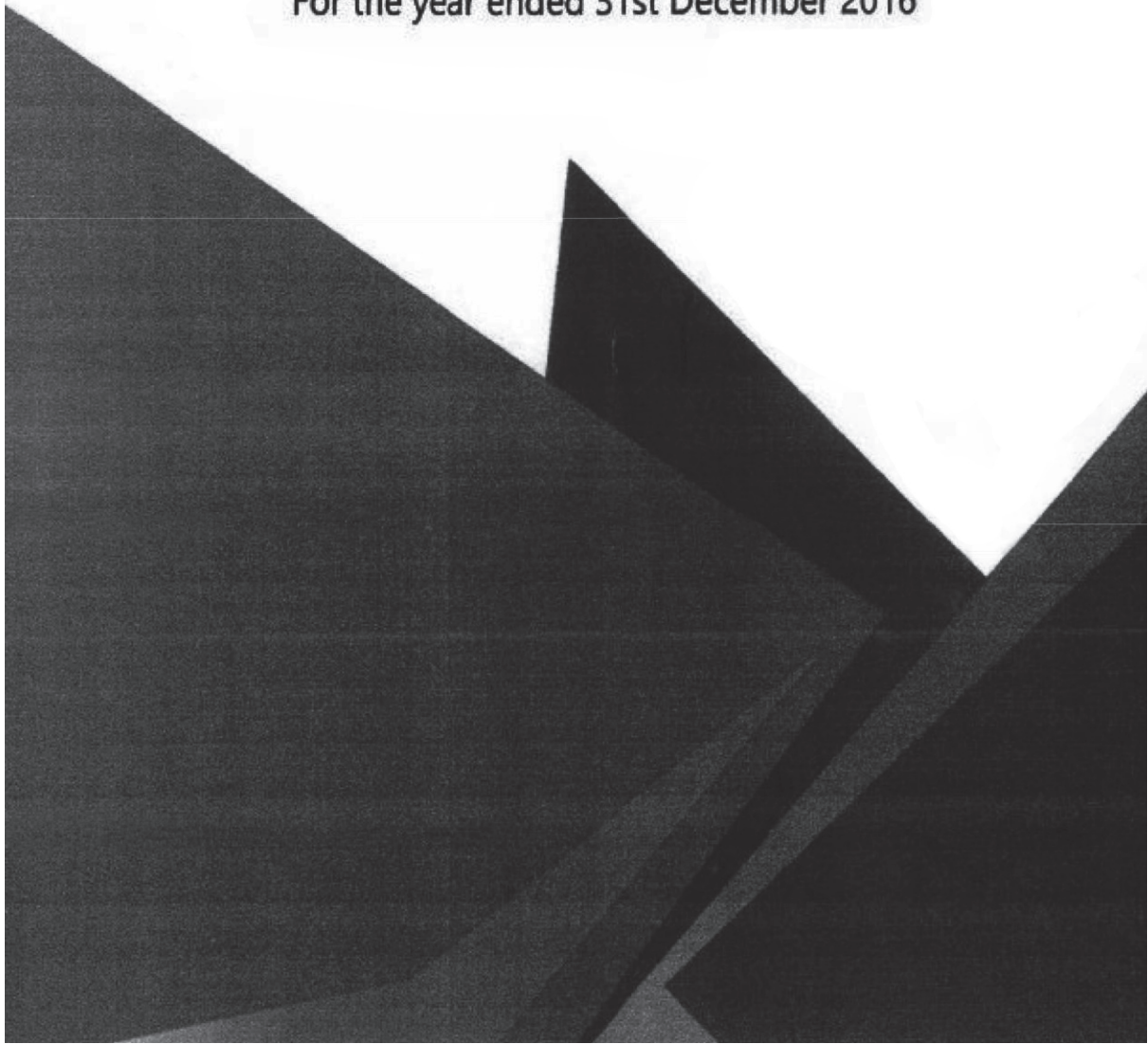
Capital Expenditure in year 2016 was Rs.366 mn. against Budgeted Capital Expenditure of Rs.1, 140 mn. BOI meets all its Capital Expenditure from internally generated funds.



2016

FINANCIAL STATEMENTS

For the year ended 31st December 2016



**BOARD OF INVESTMENT OF SRI LANKA
INCOME STATEMENT**

FOR THE YEAR ENDED 31ST DECEMBER

	Note	2016 Rs.	2015 Rs.
Revenue	4	3,605,145,347	3,213,557,727
Less ; Expenses			
Operating Expenses	6	265,978,777	276,739,350
Administrative Expenses	7	2,639,675,029	2,488,716,775
Government Levies	8	116,511,263	121,148,196
Other Expenses	9	26,528,404	26,390,038
		3,048,693,473	2,912,994,359
Results from Operating Activities		556,451,874	300,563,368
Finance Income		222,265,759	118,628,542
Finance Expenses		10,588,937	12,025,173
Net Finance Income	10	211,676,822	106,603,370
Surplus Before Taxation		768,128,696	407,166,738
Tax Expenses		47,342,329	26,031,646
Surplus for the Year		720,786,367	381,135,092

BOARD OF INVESTMENT OF SRI LANKA
COMPREHENSIVE INCOME STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER

	Note	2016 Rs.	2015 Rs.
Surplus for the Year		720,786,367	381,135,092
Other Comprehensive Income			
IFRS Adjustments staff loan interest		87,867,195	10,850,234
Less : Defined benefit plan Acturial (Gain) / Loss	21.1	(14,247,556)	(29,335,586)
Staff Cost on Staff Loan		(87,867,195)	(10,850,234)
Other Comprehensive Income		(14,247,556)	(29,335,586)
Total Comprehensive Income for the period		<u>735,033,922.67</u>	<u>410,470,678</u>

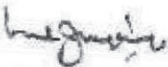
STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER

	Note	2016 Rs.	2015 Rs.
ASSETS			
Non- Current Assets			
Property Plant and Equipment	11	5,303,929,267	5,504,164,038
Investment Property	12	31,061,433,429	31,261,319,122
Capital Work-in-Progress	13	1,440,471,652	1,260,742,293
Financial Assets	14	518,297,444	505,785,687
Total Non- Current Assets		38,324,131,792	38,532,011,140
Current Assets			
Inventories		15,007,657	14,216,784
Houses For Disposal		2,551,000	2,551,000
Financial Assets	15	167,000,271	163,251,638
Receivables from Enterprises	16	259,889,902	183,343,885
Payments in Advance and Other Receivables	17	561,945,146	224,192,028
Cash and Cash Equivalents	18	2,416,619,374	1,542,114,359
Total Current Assets		3,423,013,349	2,129,669,693
Total Assets		41,747,145,141	40,661,680,833
EQUITY AND LIABILITIES			
Equity			
Accumulated Fund		10,410,484,416	9,619,169,977
Reserves		15,340,693,234	15,340,693,234
		25,751,177,650	24,959,863,211
Deferred Revenue	20	15,120,869,118	15,010,908,735
Deferred Expenditure	19	(419,319,798)	(437,454,012)
		14,701,549,320	14,573,454,723
Total Equity		40,452,726,970	39,533,317,935
Non Current Liabilities			
Retirement Benefit Obligations	21	236,228,948	249,038,271
Long Term Borrowings falling after one year	22	20,180,139	37,125,931
Total Non Current Liabilities		256,409,087	286,164,202
Current Liabilities			
Long Term Borrowings falling within one year	22	24,808,691	6,725,220
Accrued Expenses and Other Payables	23	993,051,918	812,588,719
Tax Payable		20,148,476	22,884,757
Total Current Liabilities		1,038,009,085	842,198,696
Total Equity and Liabilities		41,747,145,141	40,661,680,833

*Notes to the Financial Statements * set out on pages 1 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.


Mr. Upul Jayasuriya
CHAIRMAN
BOARD OF INVESTMENT OF SRI LANKA


Mr. M.A.N. Udeshu
MEMBER BOARD OF DIRECTORS
BOARD OF INVESTMENT OF SRI LANKA


Ms. S.P.de.S. Mufucumarana
EXECUTIVE DIRECTOR - FINANCE
BOARD OF INVESTMENT OF SRI LANKA

BOARD OF INVESTMENT OF SRI LANKA

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2016

	Accumulated Fund Rs.	Revaluation Reserves Rs.	Total Equity Rs.
Balance as at 1st January 2015	9,342,625,520	15,340,693,234	24,683,318,754
Surplus for the year	410,470,678		410,470,678
Previous year adjustment	19,322,742		19,322,742
Re-Stated Land Premium	(1,330,856)		(1,330,856)
Fund transfers to treasury	(150,000,000)		(150,000,000)
Facilitation of Infrastructure for Mega Projects	(1,918,106)		(1,918,106)
Balance as at 31st December 2015	9,619,169,977	15,340,693,234	24,959,863,211
Surplus for the year	735,033,923		735,033,923
Cashew Co-operation land transfer	213,760,000		213,760,000
Fund transfers to treasury	(150,000,000)		(150,000,000)
Expenditure on account of treasury	(86,026)		(86,026)
Facilitation of Infrastructure for Mega Projects	(7,393,460)		(7,393,460)
Balance as at 31st December 2016	10,410,484,416	15,340,693,234	25,751,177,650

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

BOARD OF INVESTMENT OF SRI LANKA**CASH FLOW STATEMENT**

FOR THE PERIOD ENDED 31ST DECEMBER	2016	2015
	Rs (Mn.)	Rs (Mn.)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations (Note 24)	1,084.08	476.28
Income Tax Paid	(38.72)	(13.67)
Payment of Retirement Benefit Obligations	(34.95)	(20.95)
Deferred Revenue Received	343.74	300.96
Cash Refund	(4.56)	-
Previous Year Adjustments	-	19.32
Net cash inflows/(out flows) from operating activities	<u>1,349.60</u>	<u>761.94</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	147.22	110.20
Staff Loan & Financial Assistance	(6.44)	(83.51)
Purchase of fixed assets	(225.79)	(204.80)
Proceeds from sale of Fixed Assets	5.20	2.60
Capital work in progress	(179.73)	(54.85)
Deferred Expenditure	(26.89)	(66.06)
Facilitation of Infrastructure Mega Projects	(7.39)	(1.92)
Net cash inflows/(outflows) from investing activities	<u>(293.83)</u>	<u>(298.34)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease Installments Paid	(31.18)	(28.88)
Fund Transfer to Treasury	(150.00)	(150.00)
CEB Advance Adjustment	(0.09)	-
Net cash flows/(outflows) from financing activities	<u>(181.27)</u>	<u>(178.88)</u>
Net Increase/ (Decrease) in cash & cash equivalents	874.51	284.73
Cash & cash equivalents at beginning of the year	<u>1,542.11</u>	<u>1,257.38</u>
Cash & cash equivalents at end of the year	<u>2,416.62</u>	<u>1,542.11</u>

BOARD OF INVESTMENT OF SRI LANKA

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, Judgements and Assumptions

The preparation of the Boards' financial statements requires management to make judgements, 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.

BOARD OF INVESTMENT OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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.

BOARD OF INVESTMENT OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

3 Significant Accounting Policies**3.1 Financial Assets**

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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.

BOARD OF INVESTMENT OF SRI LANKA

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. A total of Rs 507,650.00 is reflected under the other receivable as cash shortage at Head office. The court Case still pending.

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.

BOARD OF INVESTMENT OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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 recognised 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.

BOARD OF INVESTMENT OF SRI LANKA
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER

	2016 Rs.	2015 Rs.
4 Revenue		
Ground Rent	770,853,162	678,123,208
Annual Fees	687,405,189	576,352,452
Import/Export Service Charges	1,012,870,498	937,721,331
Net Income from Supply of Water (Note 4.1)	412,690,657	409,082,696
Land Premium	223,182,809	209,990,260
Rent Income	105,676,758	109,896,161
License Fee Sec.-16 Enterprises	26,353,505	21,752,458
Sale of Entry Permits	176,197,977	129,019,786
Agreement/Processing Fees	73,869,982	42,880,421
Income from Housing & Other Projects	18,786,103	14,825,974
Miscellaneous Income	97,258,706	83,912,981
	<u>3,605,145,347</u>	<u>3,213,557,727</u>
4.1 Net Income from Supply of Water for Enterprises		
Income from Water Supply	1,257,047,009	1,194,189,116
Related Cost on Water Supply	(844,356,352)	(785,106,420)
Net Income from Supply of Water	<u>412,690,657</u>	<u>409,082,696</u>
5 Surplus from Operations		
Surplus from Operations is stated after charging/(crediting) all expenses including the followings.		
Operating Expenses (Note 6)	265,978,777	276,739,350
Administrative Expenses (Note 7)	2,639,675,029	2,488,716,775
Government Levies(Note 8)	116,511,263	121,148,196
Other Expenses (Note 9)	26,528,404	26,390,038
6 Operating Expenses		
Investment Promotion Expenses	35,577,054	34,599,084
Maintenance of Zones	119,074,542	124,586,169
Light & Power	53,935,215	54,838,198
Security Services	54,218,698	59,532,391
Welfare Expenses to Zone Employees	3,173,268	3,183,508
	<u>265,978,777</u>	<u>276,739,350</u>

BOARD OF INVESTMENT OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER

	2016 Rs.	2015 Rs.
7 Administrative Expenses		
Personnel Cost (Note 7.1)	1,558,555,244	1,467,957,595
Staff Welfare Expenses	220,044,053	205,875,843
Printing & Stationery	24,783,354	23,236,468
Maintenance of P/M Computer & Offi.Equip.	39,219,489	38,571,845
Building Maintenance	72,706,977	70,296,069
Transport Related Expenses	96,092,086	74,961,934
Office Rent & Verification Unit Rent	46,504,143	46,613,165
Press Notifications	4,078,488	2,028,016
Water Consumption	4,978,312	5,633,151
Communication Expenses	37,234,821	34,441,506
Municipality Rates	8,571,820	7,554,800
Staff Training	13,616,305	10,169,421
Legal & Professional Charges	40,995,850	20,484,797
Compensation for Legal obligations	-	1,910,225
Travelling & Subsistence	5,498,609	5,492,489
Audit Fees	1,200,000	1,200,000
Impairment on Debtors	21,000,456	30,691,125
Depreciation	444,595,022	441,598,325
	<u>2,639,675,029</u>	<u>2,488,716,775</u>
7.1 Personnel Cost		
Board Members Fee	511,000	370,750
Chairman / Director General	7,785,476	4,415,561
Salaries & Wages - Executive Staff	470,720,307	413,895,546
Salaries & Wages - Clerical & Allied Staff	105,213,509	100,407,680
Salaries & Wages - Security Staff	52,561,153	45,691,910
Salaries & Wages - Minor Staff	131,053,882	125,329,004
Overtime	114,313,570	114,658,593
Leave Encashment	55,045,813	57,700,465
Bonus	48,159,291	40,378,481
Provision for Retirement Benefit Obligation	36,385,587	35,790,817
Contribution to Employee's Provident Fund	88,827,364	85,945,428
Contribution to Employee's Trust Fund	17,765,476	17,225,264
Other Staff Cost	430,212,816	426,148,096
	<u>1,558,555,244</u>	<u>1,467,957,595</u>

BOARD OF INVESTMENT OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER

	2016 Rs.	2015 Rs.
8 Government Levies		
Stamp Duty	684,215	330,065
Nation Building Tax	43,513,475	37,562,332
Value Added Tax - Disallowed VAT Input	72,313,573	83,255,799
	116,511,263	121,148,196
9 Other Expenses		
Expenses on Issuing Identity Cards	2,963,972	2,645,197
Sundry Expenses	16,199,543	15,579,814
Container Key Locks	1,048,592	1,054,508
Insurance	4,424,142	4,028,150
Corporate Social Responsibility Expenses	268,350	1,350,000
Environment Control Expenses	278,147	314,847
Entertainment	1,345,658	1,417,521
	26,528,404	26,390,038
10 Net Finance Income		
Finance Income		
Interest Income on Call Deposits/Others	195,641,555	95,035,666
Interest Income on Staff Loans	26,624,204	23,592,877
Total Finance Income	222,265,759	118,628,542
Finance Expenses		
Interest on Lease	9,958,480	11,458,256
Bank Charges	630,457	566,916
Total Finance Expenses	10,588,937	12,025,173
Net Finance Income	211,676,822	106,603,370

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31ST DECEMBER 2016

11 Property, Plant and Equipment

	Land		Buildings		Structures		Plant & Machinery		Fixtures & Fittings		Furniture, & Office Equipment		Computers		Motor Vehicles		Total		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Freehold Assets at Cost																			
Balance as at 01 st January	582,934,551	1,766,543,472	5,298,074,392	51,204,454	702,921	133,848,487	156,531,031	215,906,151	8,205,745,459	8,017,632,951									
Additions during the Year	78,282,681	-	194,715	3,020,973	67,170	11,004,560	18,679,417	1,473,829	112,723,345	55,129,279									
Transferred from Capital Work in Progress	1,324,407	2,530,320	79,130,319	-	-	-	-	-	82,985,046	149,667,471									
Disposal During the Year	-	-	-	587,232	-	154,700	998,685	-	1,740,617	16,684,242									
Balance as at 31st December	662,541,639	1,769,073,792	5,377,399,426	53,638,195	770,091	144,698,347	174,211,763	217,379,980	8,399,713,233	8,205,745,459									
Depreciation																			
Balance as at 01 st January	-	611,319,216	1,779,475,955	29,214,543	178,033	56,591,073	120,791,128	145,586,476	2,743,156,424	2,347,264,175									
Charge for the year	-	88,327,174	268,816,366	5,120,445	70,292	13,384,849	18,012,757	17,005,019	410,736,902	407,740,208									
On Disposals	-	-	-	427,598	-	108,290	46,685	-	582,573	11,847,960									
Balance as at 31st December	-	699,646,390	2,048,292,321	33,907,390	248,325	69,867,632	138,757,200	162,591,495	3,153,310,753	2,743,156,422									
Written Down Value of Freehold Assets																			
As at 31st December	662,541,639	1,069,427,402	3,329,107,105	19,730,805	521,766	74,830,715	35,454,563	54,788,485	5,246,402,480	5,462,589,037									
Leasehold Assets																			
Balance as at 01 st January	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions during the Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposal During the Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Leasehold Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation																			
Balance as at 01st January	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
On Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31st December	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Written Down Value of Leasehold Assets																			
As at 31st December	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Written Down Value of Assets																			
As at 31st December	662,541,639	1,069,427,402	3,329,107,105	19,730,805	521,766	74,830,715	35,454,563	54,788,485	5,246,402,480	5,462,589,037									

As at 31 December 2016, Motor Vehicles acquired under Finance Leases amounted to Rs. 122,591,071.45 They are mainly related to Property used in administrations. The liability relating to these assets are shown under in Note 22. " Finance Lease "

BOARD OF INVESTMENT OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31ST DECEMBER		2016 Rs.	2015 Rs.
12	Investment Property		
	Balance as at 1 st January	31,356,094,597	31,356,094,597
	Additions during the year	26,869,116	-
	Disposals during the year	210,669,903	-
	Less -Accumulated Amortization as at 31st December	110,860,380	94,775,475
	Balance as at 31 st December	<u>31,061,433,429</u>	<u>31,261,319,122</u>
13	Capital Work-in-Progress		
	General Projects		
	Balance as at 1 st January	1,034,438,160	973,268,115
	Additions the during the year	293,737,733	274,648,745
	Capitalized during the year	(117,409,766)	(213,478,700)
	Refunds	(147,757)	-
	Balance as at 31 st December	<u>1,210,618,370</u>	<u>1,034,438,160</u>
	Special Projects		
	Balance as at 1st January	226,304,133	232,628,372
	Refunds	(363,320)	(10,803,077)
	Additions during the year	3,912,469	4,478,838
		<u>229,853,282</u>	<u>226,304,133</u>
	Total Capital Work-in-Progress	<u>1,440,471,652</u>	<u>1,260,742,293</u>

Advance payments on preliminary and development expenses on Special Projects which can not be estimated and classified initially or as at Balance Sheet date have been shown under Capital work in progress until those projects are completed.

BOARD OF INVESTMENT OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER

	2016 Rs.	2015 Rs.
14 Non Current Financial Assets		
Staff Loans & Advances (Note 14.1)	518,297,444	494,671,688
Financial Assistance Programme (Note 14.2)	-	11,113,999
Total Non Current Financial Assets (14.3)	518,297,444	505,785,687

The part less than one year of other non current financial assets is included under other current financial assets for Rs.160,018,228.05

	2016 Rs.	2015 Rs.
14.1 Staff Loan Measured at Effective Interest Rate		
Staff Loans & Advances - Maturity part more than one year (Note 14.3)	518,297,444	494,671,688
Staff Loans & Advances - Maturity part less than one year (Note 15)	160,018,228	151,642,480
Prepaid Staff Expenses for Staff loan	87,867,195	32,987,995
Less : IFRS Adjustments -Staff Loan	(87,867,195)	(32,987,995)
Total Staff Loans & Advances	678,315,672	646,314,168

14.2 Financial Assistance Programme

Balance as at 1 st January	46,741,333	54,744,935
Repaid during the year	(17,180,972)	(8,003,602)
Balance as at 31 st December before Provision of Impairment	29,560,360	46,741,333
Less - Provision for Impairment	(28,646,982)	(29,880,013)
Balance as at 31 st December after Provision for Impairment	913,378	16,861,319
Measured at amortized cost by maturity part less than one year	913,378	5,747,321
Measured at amortized cost by maturity part more than one year	-	11,113,999
Total of Financial Assistance Programme	913,378	16,861,319

BOARD OF INVESTMENT OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER 2016

14.3 Financial Assistance Programme (Contd.)

Loans and receivables measured at amortized cost break down by maturity date as follows.

	31.12.2016 Rs.	Maturity	
		Between 1 and 05 years	After 05 years
Staff Loans & Advances	518,297,444	349,733,978	168,563,465
Financial Assistance Programme	-	-	-
Total Non Current Financial Assets	518,297,444	349,733,978	168,563,465

	31.12.2015 Rs.	Maturity	
		Between 1 and 05 years	After 05 years
Staff Loans	494,671,688	333,830,825	160,840,863
Financial Assistance Programme	11,113,999	11,113,999	-
Total Non Current Financial Assets	505,785,687	344,944,824	160,840,863

15	Current Financial Assets	2016	2015
		Rs.	Rs.
Measured at amortized cost by maturity part less than one year			
	Staff Loans	151,764,891	143,668,443
	Staff Advance	8,253,338	7,974,038
	Total Staff Loan & Advances	160,018,228	151,642,480
	Financial Assistance Programme (Note 14.2)	913,378	5,747,321
	Investment Held for Maturity		
	Fixed Deposit - State Mortgage & Investment Bank	6,048,665	5,841,837
	Fixed Deposit	20,000	20,000
	Total Current Financial Assets	167,000,271	163,251,638

BOARD OF INVESTMENT OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER

	2016 <u>Rs.</u>	2015 <u>Rs.</u>
16 Receivables from Enterprises		
Receivables from Enterprises	564,553,943	473,824,469
Less-Provision for Impairment on Debtors - (Note 16.1)	(304,664,041)	(290,480,584)
	<u>259,889,902</u>	<u>183,343,885</u>
16.1 Provision for Impairment on Debtors		
Balance as at 1 st January	290,480,584	518,917,751
Written off during the year	-	267,016,239
Provision made during the year	14,183,457	38,579,073
Balance as at 31 st December	<u>304,664,041</u>	<u>290,480,584</u>
17 Payments in Advance and Other Receivables		
Advance Payments	2,218,845	942,306
Advance Payments Foreign Travel	569,999	569,999
Sri Lanka Mission Abroad	285,734	1,008,974
Mobilization Advances	29,820,616	58,606,213
Prepaid Expenses	-	3,945,092
Interest Income - Receivables	64,553,536	16,131,207
Deposit Receivables	10,191,354	9,048,854
Deposit against pending litigation	105,766,250	-
Other Receivables	490,544,092	166,989,315
Less-Provision for Impairment on Debtors - (Note 17.1)	(142,005,280)	(33,049,931)
	<u>561,945,146</u>	<u>224,192,028</u>
17.1 Provision for Impairment on Debtors - Other Receivables		
Balance as at 1 st January	33,049,931	111,709,320
Written off during the year	-	72,444,304
Provision made during the year	108,955,349	(6,215,085)
Balance as at 31 st December	<u>142,005,280</u>	<u>33,049,931</u>

BOARD OF INVESTMENT OF SRI LANKA

AS AT 31ST DECEMBER

	2016	2015
	Rs.	Rs.
18 Favourable Cash & Cash Equivalents		
Bank of Ceylon - Personal Branch	22,851,661	66,547,044
Bank of Ceylon - Personal Branch	2,203,505	2,203,505
Bank of Ceylon - Personal Branch	3,574,308	-
Sampath Bank	25,000	-
Bank of Ceylon -Katunayake	31,936,303	(8,109,340)
Bank of Ceylon -Biyagama	90,211,131	89,446,913
Bank of Ceylon - Koggala	4,729,127	2,060,958
Bank of Ceylon - Digana	2,418,480	3,406,500
Bank of Ceylon -Awissawella	23,979,266	18,104,541
Bank of Ceylon -Ingiriya	16,106,528	5,995,607
Bank of Ceylon - Mirigama	23,609,253	5,334,190
Bank of Ceylon - Nittambuwa	5,044,141	6,837,626
Bank of Ceylon - Kurunagala	3,212,586	7,088,943
Gold Sovereign	44,800	44,800
Balance in Franking Machine	289,781	303,548
Temporary Surplus Fund - Bank of Ceylon	3,113,847	2,645,703
National Savings Bank - Staff Security Deposits	210,560	203,836
Repos	2,108,000,000	950,000,000
Call Deposit/Other Deposits	75,059,096	389,999,983
Total Cash and Cash Equivalents	<u>2,416,619,374</u>	<u>1,542,114,359</u>

19 Deferred Expenditure

BOI has acquired nine (9) floors of World Trade Center in 2008, the cost of interior decorations, carpeting and partitions are recognized in the income statement on a straight line basis over the estimated useful lives of 10 years. Amortization of Cost of zone development is recognized over the 20 years.

	2016	2015
	Rs.	Rs.
Balance as at 1 st January	437,454,012	415,062,611
Expenditure Deferred during the year	26,894,607	66,060,902
Less - Current year expenditure	(45,028,821)	(43,669,501)
Balance as at 31 st December	<u>419,319,798</u>	<u>437,454,012</u>

BOARD OF INVESTMENT OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER

		2016 Rs.	2015 Rs.
20	Deferred Revenue		
	Land Premium	20.1	15,100,455,558
	Grant	20.2	20,413,561
		<u>15,120,869,118</u>	<u>15,010,908,735</u>

20.1 Deferred Revenue - Land Premium

Balance as at 1 st January	14,983,690,654	14,890,673,535
Received during the year	343,740,891	300,957,535
Recognized income through Income Statements	(222,415,937)	(209,271,272)
Cash Refund-Polydex (Pvt) Ltd	(4,560,050)	-
Previous year adjustment	-	(1,330,856)
Balance as at 31 st December (Note 20.1.1)	<u>15,100,455,558</u>	<u>14,983,690,654</u>

20.1.1 Deferred Revenue

31.12.2016 Rs.	Maturity		
	Within 01 year	Between 1 and 05 years	After 5 years
Land Premium	222,415,937	1,112,079,686	13,765,959,935
	<u>222,415,937</u>	<u>1,112,079,686</u>	<u>13,765,959,935</u>

31.12.2015 Rs.	Maturity		
	Within 01 year	Between 1 and 05 years	After 5 years
Land Premium	209,271,272	1,046,356,358	13,728,063,025
	<u>209,271,272</u>	<u>1,046,356,358</u>	<u>13,728,063,025</u>

20.2 Deferred Revenue - Grant

Grant from the Japanese government is recognized as Non Current Assets at their fair value. Grant is recognized as income over the period to match with the depreciation expenses on those assets are recognized

	2016 Rs.	2015 Rs.
Balance as at 1 st January	27,218,081	34,022,601
Recognized income through Income Statements	6,804,520	6,804,520
Balance as at 31 st December	<u>20,413,561</u>	<u>27,218,081</u>

21 Retirement Benefit Obligations

	2016 Rs.	2015 Rs.
Total present value of obligations as at 1 st January	249,038,271	263,532,140
Interest Cost	24,903,827	23,717,893
Current Service Cost	11,481,759	12,072,924
Actuarial (Gain)/Loss on obligations	(14,247,556)	(29,335,586)
Less - Payments made/payable during the year	(34,947,353)	(20,949,100)
Total present value of defined benefits obligations	<u>236,228,948</u>	<u>249,038,271</u>

BOARD OF INVESTMENT OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER

	2016 Rs.	2015 Rs.
21.1 Expenses Recognized in the Income Statement.		
Interest Cost	24,903,827	23,717,893
Current Service Cost	11,481,759	12,072,924
Actuarial (Gain)/Loss	(14,247,556)	(29,335,586)
Total Expenses Retirement Benefit Obligations	22,138,030	6,455,231

An independent actuarial valuation of the retirement benefit obligation was carried out as at 31st December 2016 by professional actuary M/S M. Poopalanathan. The valuation method used by the Actuaries to value the Retirement Benefit Obligation is "Projected Unit Credit Method".

The Key Assumptions used by Actuary including the following.

	2016	2015
(i) Discount Rate	11%	10%
(ii) Salary Increment Rate	Fixed	Fixed
(iii) Assumption regarding Future Mortality	A1967/70	A1967/70
(iv) Retirement Age	60 Years	60 Years

	2016 Rs.	2015 Rs.
22 Finance Lease		
Balance as at 1 st January	57,326,624	86,979,838
Finance Lease obtained during the year	30,517,380	-
VAT Adjustment	1,467,349	-
Installments paid during the year	(32,650,451)	(29,653,214)
Balance as at 31 st December	56,660,902	57,326,624
Less - Interest in suspense	(11,672,072)	(13,475,473)
Capital Payable	44,988,830	43,851,152
Long - Term Borrowings falling within one year	24,808,691	6,725,220
Long Term Borrowings falling after one year	20,180,139	37,125,931
Total Payable Finance Lease	44,988,830	43,851,151

23 Accrued Expenses and Other Payables		
Sundry Creditors	53,238,525	42,339,900
Accrued Expenses	209,565,324	183,576,851
Receipts in Advance	277,689,681	140,164,052
Funds Received for Commonwealth FDI Promotion	1,917,160	1,917,160.25
Funds Received for Tsunami 2004	1,958,839	1,958,838.71
Refundable Deposits	107,263,729	110,427,128
Land Reservation Fees	10,124,859	13,427,085
Deposit Payable	326,533,604	317,893,506
Central Environmental Authority	4,760,197	4,760,197
Total Operating and Other Payables	993,051,918	812,588,719

BOARD OF INVESTEMENT OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER

	2016 Rs (Mn.)	2015 Rs (Mn.)
24 CASH GENERATED FROM OPERATIONS		
Surplus after Income Tax	735.03	410.47
Depreciation	444.60	441.60
Income Tax Expense	47.34	26.03
Provision for Ret.Benefit Obligations	36.39	35.79
Acturial Gain	(14.25)	(29.34)
Provision for Imparement of Debtors	21.00	30.69
Impairment Written off	(1.23)	(339.46)
Deffered Revenue - Land Premium	(222.42)	(209.27)
Deffered Revenue - Grant	(6.80)	(6.80)
(Profit)/Loss on sale of fixed assets	(2.97)	2.24
Investment income	(195.64)	(118.63)
Interest on Lease	1.80	11.46
Amortization of deferred expenditure	45.03	43.67
Operating surplus before working capital changes	887.87	298.45
Working capital changes		
Stocks	(0.79)	1.08
Receivables from enterprises	(90.73)	245.61
Payment in advance & other Receivables	127.21	(56.13)
Financial assets	(8.58)	(17.48)
Accrued expenses & other payables	169.10	4.74
Operating surplus after working capital changes	1,084.08	476.27
Analysis of Cash & Cash equivalents		
Bank & cash balances	2,341.56	1,152.11
Call Deposits	75.06	390.00
	2,416.62	1,542.11

BOARD OF INVESTMENT OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS

25 Related Party Disclosures

- 25.1 Mr. V U P de Silva Jayasuriya – Chairman of Board of Investment of Sri Lanka has indicated that he has no related party transactions with BOI enterprises.
- 25.2 Mr. M Cooray – Member of Board of Directors of Board of Investment of Sri Lanka has indicated that he has no related party transactions with BOI enterprises.
- 25.3 Mr. M A N Udesha – Member of Board of Directors of Board of Investment of Sri Lanka has indicated that he has no related party transactions with BOI enterprises.
- 25.4 Mr. Buddhi Athauda – Member of Board of Directors of Board of Investment of Sri Lanka is a Director of the following BOI enterprises or entered into an agreement with the BOI.
(a) G V R Lanka (Pvt) Ltd
(b) Dynast Development (Pvt) Ltd
- 25.5 Mr. R Pandithage – Member of Board of Directors of Board of Investment of Sri Lanka is a Director of the following BOI enterprises or entered into an agreement with the BOI.
(a) Dial Textiles Ind. (Pvt) Ltd
- 25.6 Transaction with the entities that are controlled, jointly controlled or significant influenced by Board Members are as follows.

Nature of the Transaction	GVR Lanka (Pvt) Ltd	Dial Textiles Industries (Pvt) Ltd
Service Rendered	-	11,280,122.09
Annual Fees	1,242,982.12	-
Ground Rent	-	3,454,398.35

26 Contingent Liabilities

Provision for sum of Rs.102, 135,350.00 which has been seized by Court in relation to case filed by Million Garments (Pvt) Ltd., against the BOI on 01.01.2015.

Audit Report 2016

**Report of the Auditor General on the Financial
Statements of the Board of Investment of Sri
Lanka (BOI) for the Year Ended 31 December
2016 in terms of Section 14 (2) (c) of the Finance
Act. No. 38 of 1971**



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය } TIP/B/BOI/1/16/64
எனது இல. }
My No. }

මගේ අංකය } 10 NOV 2017
உமது இல. }
Your No. }

දිනය } 02 November 2017
திகதி }
Date }

Board of investment of Sri Lanka

The Chairman
Board of Investment of Sri Lanka

Acting Dir (TA)

V/10 DA

Report of the Auditor General on the Financial Statements of the Board of Investment of Sri Lanka (BOI) for the year ended 31 December 2016 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 ("the Board") comprising the statement of financial position as at 31 December 2016 and the statement of income, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 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 Board in terms of Section 14(2) (c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7) a of the Finance Act was issued to the chairman of the Board on 12 September 2017.

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 frauds or errors.

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 require that I comply with ethical requirements and plan and perform the audit to obtain

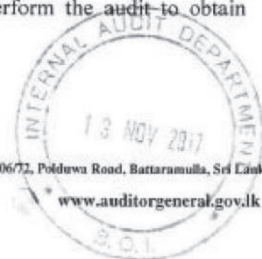
දු.අ. 306/72, පොල්දම් පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. - இல. 306/72, பொல்தறுவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka

+94-11-2887028-34

+94-11-2887223

oaggov@slt.net.lk

www.auditorgeneral.gov.lk





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.

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 financial position of the Board of Investment of Sri Lanka (BOI) as at 31 December 2016 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 Compliance with Sri Lanka Accounting Standards (LKAS/SLFRS)

The following observations are made.

- (a) **LKAS 01- Presentation of Financial Statements:** - According to the provision in the Standard, the Board shall disclose significant accounting policies and other accounting policies used that are relevant to understanding of financial statements. However, the accounting policies, nature and circumstances associated with the



expenditure incurred for facilitation of infrastructure for Mega Projects which directly deducted from the accumulated fund had not been disclosed in the financial statements.

- (b) **LKAS 10 –Events after the Reporting Period:** - An Board shall disclose the date when the financial statements were authorized for issue and who gave that authorization, since it is important for users to know when the financial statements were authorized for issue because the financial statements do not reflect events after this date. However, date on which the financial statements authorized for issue had not been disclosed in the financial statements.
- (c) **LKAS 16 – Property Plant and Equipment:** - According to the paragraph 55 of the standard, depreciation of an asset is begun when it is available for use and ceased at the earlier of the date that the asset is disposed. In contrary to that, the Board had not charged depreciation on fixed assets in the year of purchase while charging in full in the year of disposal.
- (d) **LKAS 19- Employee Benefits:** - The Board had not established a separate plan asset to settle the future retirement benefit obligations. However, the investments in treasury bills and repurchase agreements (REPOs) which come under current assets are used to settle the retirement benefit obligations.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) Rent income for 25th floor of the World Trade Centre had been understated by Rs.3,882,144 due to calculating the rent income based on the previous lease agreement instead of being calculated by considering new lease agreement entered during the year under review.
- (b) A difference of Rs. 222,150 was observed between the interest in suspense account and interest on leased hold vehicles account for the month of November 2016 due to a classification error.



- (c) Office rent amounting to Rs 6,811,737 received for November and December 2015 which had not been shown as receivable in the previous year had been accounted as an income of the year under review. Hence, the surplus for the year under review had been overstated by similar amount.
- (d) A land to the value of Rs. 209,600,000 had been granted to another institute based on the Schedule 11 of the Revival of Under-performing Enterprises or Under-utilized Assets Act, No.43 of 2011. Compensation receivable thereon amounting to Rs.423, 360,000 had been shown under other receivables without obtaining a confirmation from the respective party. Therefore, the balance of other receivable account had been overstated by Rs.423,360,000. Further, the difference between the value of land and the compensation of Rs. 213,760,000 had been credited to the accumulated fund of the Board. Accordingly, the accumulated fund had been overstated by Rs, 213,760,000.

2.2.3 Unexplained Differences

The following observations are made.

- (a) Differences aggregating Rs. 92,727,084 was observed between the seven items of accounts shown in the cash flow statement prepared for the year under review and the amount calculated in audit by using the available information for audit. The reason for differences had not been explained to audit.
- (b) A difference of Rs.167,900 was observed between the depreciation on structures according to the depreciation calculation schedule presented to the audit and the note No. 11 to the financial statement for year under review.

2.3 Accounts Receivable and Payable

2.3.1. Dues from BOI Approved Enterprises

The following observations are made.

- (i) According to the age analysis, the dues from BOI approved enterprises as at 31 December 2016 was amounted to Rs. 564,553,943 and out of this an amount of Rs.261,744,375 or 46 per cent had remained outstanding for more than two years.



- (ii) Annual fee receivable as at 31 December 2016 was amounted to Rs.231,271,138 and out of this Rs.142,569,265 or 62 per cent had remained for more than four years.
- (iii) Provision for impairment had represented 54 per cent of the total dues from the enterprises as at the end of the year under review.
- (iv) Out of total provision for impairment of Rs.304,664,041, a sum of Rs.256,934,105 or 84 per cent had represented dues from cancelled, closed down and operations suspended projects as at 31 December 2016.
- (iv) A provision for impairment of Rs.203,743,845 or 88 per cent had been made during the year under review for annual fees, out of which a sum of Rs.181,101,811 or 78 per cent had represented dues from 438 cancelled projects, 180 closed down projects and 83 operation suspended projects.

2.3.2 Other Receivables

The following observations are made.

- (i) A sum of Rs.1,604,200 receivable from a private company on the account of auction of the Wathupitiwala Housing Units had remained unrecovered for over six years and no any evidence was made available to prove the existence of an agreement between that company and the Board .
- (ii) A cash shortage of Rs.507,650 and a stock shortage of Rs.2,090 shown under other receivables remained unchanged for over thirteen years.
- (iii) Out of total other receivables amounting to Rs.490,544,093 as at 31 December 2016, an amount of Rs.461,040,103 or 94 per cent represented dues from Government Ministries and Statutory Boards. Further, an amount of Rs.37,680,103 receivable from Government Institutions had not been recovered for over 4 years. Details are as follows.



<u>Name of the Institution</u>	<u>Amount due as at 31 December 2016</u>
	Rs.
Janatha Estate Development Board	37,412,573
Ministry of Foreign Affairs	141,950
Sri Lanka States Plantation Corporation	125,580
Total	<u>37,680,103</u>

- (iv) Further, a 100 per cent provision for impairment on outstanding balances from the Government Institutions for over four years had been made in the financial statements as it was failed to recover these balances even up to 31 December 2016.

2.3.3 Irrecoverable Staff Loans

The following observations are made.

- (i) Out of total irrecoverable loan balances of Rs. 5,671,860 as at 31 December 2016, a sum of Rs. 1,403,748 or 25 per cent had remained unrecovered for over 4 years.
- (ii) Irrecoverable loan balances, aggregating Rs.3,405,344 and Rs.2,235,299 had remained outstanding due to interdiction of seven employees and vacation of post of eight employees respectively. Further, the instances where the balances are remained unrecovered due to ending the contract period of employees who recruited on contract basis, resignations of employees and releasing employees to the line Ministry without recovering the dues were observed.

2.3.4 Payables

The following observations are made.

- (i) Sundry creditors aggregating Rs.8, 392,906 had not been settled for over 3 years.
- (ii) Out of retention money totalling Rs.19, 809,741, a sum of Rs.5,446,915 or 27 per cent related to 16 contracts had remained unsettled for more than three years.



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

Instances of non-compliance observed in audit are given below.

Reference to Laws, Rules and Regulations etc.	Non – Compliance
(a) Finance Act, No. 38 of 1971	
(i) Section 10 (5)	Net surplus of the year under review after the appropriations had not been remitted to the Consolidated Fund.
(ii) Section 11	The Board had invested a sum of Rs. 4,741,059,094 as at 31 December 2016 without the approval of the appropriate Minister concern with the concurrence of the Minister of Finance.
(b) Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka	
Financial Regulation 113 (3)	The Board of Directors had decided to waive off the dues from BOI Enterprises amounting to Rs.23,442,740 without the approval of the General Treasury.
(c) Public Enterprises Circular No. PED 55 of 14 December 2010 ,	A representative from General Treasury had not been appointed as an observer of the Audit and Management Committee meetings of the Board.

2.5 Unauthorized Transactions

The following observations are made.

- (a) According to the Public Enterprises Circular No. 95 of 14 June 1994, Corporations and Statutory Boards can only make payments to its employees those benefits specially approved by the Cabinet, Public Administration or General Treasury with the approval of their governing bodies. Nevertheless, the Board had paid the professional, hardship, and special allowances aggregating to Rs. 11,627,707 to its employees without obtaining such approval. Further the Board had paid a sum of Rs.26,168,541 as transport subsidy for the year under review by obtaining an approval from the Board of Directors on 13 December 1990.

In the meantime the employees of the Board had enjoyed both attendance incentive and encashment of unutilized medical leave in contrary to the above Circular. The attendance incentive scheme was replaced by Key Performance Payment (KPP) Scheme with effect from 01 November 2013 as per the directives of Committee on Public Enterprises held on 14 November 2012 to prepare a proper incentive scheme instead of present incentive scheme based on the attendance of employees. The Board had paid a sum of Rs. 349,375,058 as KPP allowance for the year 2016 without obtaining the proper approval. Further the method of calculation of the allowance had been revised without the approval of Department of Management Services and recommendation of the Salaries and Cadre Commission as requested by Management Services Circular No. 39 of 26 May 2009.

- (b) According to the Public Enterprise Circular No. PED 05/2016 of 16 December 2016, the proposed bonus for the Government Corporations which have earned profits during the relevant financial year and pay or have paid incentives based on attendance performance or any other form of incentives is Rs. 13,500. However the Board had paid an amount of Rs. 40,000 for each of the permanent, casual and contract basis employees as annual bonus contrary to the provisions in the above Circular and a sum of Rs.48,159,291 had been so paid as bonus for the year 2016.
- (c) The staff loan scheme is being implemented since the year 2007 under the approval of the Board of Directors was not approved by the Department of Public Enterprises even up to the end of the year under review.



3 Financial Review

3.1 Financial Results

According to the financial statements presented, the operation of the Board for the year ended 31 December 2016 had resulted in a pre- tax net surplus of Rs.768,128,696 as compared with the pre- tax net surplus of Rs.407,166,738 for the preceding year, thus showing an improvement of Rs.360,961,958 in the financial result for the year under review. Increase of revenue and finance income by Rs.391,587,620 and Rs.103,637,217 respectively as against the increase of total expenses by Rs.135,699,114 with compared to the previous year were the main reasons attributed for this improvement in the financial results.

3.2 Analytical Financial Review

Unusual Increase of Expenditure

Legal and professional charges for the year under review was amounting to Rs. 40,995,850 and it had been increased by 100 per cent as compared with that of Rs. 20,484,797 in the previous year due to significant increase of legal cases and international arbitrations during the year under review.

4. Operating Review

4.1 Performance

The following observations are made.

- (a) The Board had not prepared a Progress Report for the year under review in line with the Action Plan. Therefore, the Action Plan could not made use of as an effective instrument of evaluating the performance of the Board.
- (b) Progress of achieving the main objectives of the Board during the year under review is as follows.

(i) Progress of the BOI Projects

The progress of Projects implemented under Section 17 of the BOI Law for the year under review and five proceeding years are given below.



Year	Number of Projects for which Agreements Signed	Number of Projects Commenced	Number of Projects Cancelled, Closed down or Suspended
2016	182	52	133
2015	156	96	111
2014	155	100	125
2013	146	108	165
2012	164	105	114
2011	165	103	58

The following observations are made in this connection.

- A significant decrease in number of Projects commenced the operations during 04 preceding years is observed while as compared with the previous year, a decrease of 46 per cent was observed in the year under review in this connection.
- Number of projects cancelled, closed down or suspended was greater than the number of projects which operations had been commenced in each year during the period of 2012-2016.

(ii) Attracted Foreign Direct Investments

Attracted Foreign Direct Investments (FDI) during the period from 2012 to 2016 is given below.

Year	Annual Target as per Corporate Plan (2014-2016) US\$ Million	Actual Achievement US\$ Million	Actual Achievements as a percentage of Annual Targets
2016	5,000	801.00	16
2015	3,500	969.66	28
2014	2,500	1616.26	65
2013	1,391	1391.40	100
2012	1,338	1338.16	100



According to the Corporate Plan of the Board, the targeted Foreign Direct Investment for the year 2016 was US\$ 5,000 million. However, the Board had able to achieve only US\$ 801 million or 16 per cent of the target due to insufficiency of the investment promotion program conducted by the Board and unavailability of an effective tax incentive scheme introduced by the Government.

4.2 Management Weaknesses

The following observations are made.

- (a) The Board had paid a sum of Rs. 24,215,422 for the contractual services obtained without entering into a written agreement. Details are as follows.

Details of Service Obtained	Period	Amount paid
		Rs.
Website maintenance Service	01 October 2105 to 31 October 2016	2,825,000
Janitorial Services	01 January to 31 December 2016	4,156,200
Supply of tea for the Staff	01 January to 31 December 2016	7,338,588
Security Services	01 October to 31 December 2016	9,895,634
Total		24,215,422

- (b) The following transactions aggregating to Rs.28, 826,165 had been made by the Board during the year under review without entering in to written agreements.

- (i) Payment of Rs. 2,504,096 to the National Water Supply and Drainage Board for Designing the consultancy work of the contract of improvements of Common Sewage Treatment Plant at Wathupitiwala Export Processing Zone
- (ii) Leasing out buildings, premises and stores of the Board to external parties at an annual rental aggregating Rs.26, 322,069 as follows.



Activity	Name of the Party	Amount Paid
		Rs.
Leasing out the floor No. 03, 04 and 05 of the building at Sir Baron Jayathilake Mawatha	Ministry of Foreign Affairs	18,629,884
12 numbers of Buildings, premises and stores of 04 Export Processing Zones and Industrial Parks	Private Parties	7, 692,185
Total		26 322,069

(c) The Board had granted permission to the investment companies 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 observations are made in this connection.

(i) Some companies ended up with liquidation by defaulting loans obtained from financial institutions.

(ii) The Board had to bear the loss of depriving the land value, opportunity cost of idling land and dues to the Board due to unsettled issues relating to mortgaged properties.

(d) The Perth Estate in Maputugala, Horana had been leased out to Vidyodaya Ayuurvedic Medical College (Pvt) Ltd. The said property had been mortgaged to the People's Bank for obtaining a loan amount of Rs. 5 million. Furthermore, a tripartite agreement had not been entered into in obtaining the said loan. The property had been acquired by the bank on 12 May 2013 due to failure in paying the loan, and it had been decided to sell the property in public auction. Although a new investor had agreed to purchase the leased property in the year 2014, an



agreement had not been entered into between the Board and the new investor even up to 15 April 2017.

- (e) A part of the Perth Estate purchased by the Board during the year 1999 had been handed over to the Sri Lanka State Plantation Corporation (SLSPC) for a period of 5 years since the year 1999 for management. Subsequently, it had been extended up to 08 December 2006. The following observations are made in this connection.
- (i) According to the financial statements presented for the year 2006, the total amount receivable from the SLSPC relating to the Perth Estate amounted to Rs.16.47 million. However, the Board had not identified and reported the correct amount receivable from the SLSPC even up to 31 December 2016.
 - (ii) Rent for Motor vehicles and bungalow aggregating Rs.12.42 million had been irregularly transferred to the contractor's account through the current accounts.
 - (iii) Although according to the survey report, the extent of the land purchased by the Board was 1563 acres and 24.74 perches, the extent of the land owned by the Board was 1435 acres, 3 roods and 25.03 perch. Accordingly, a difference of 127 acres and 39.71 perch was observed. However, the Board had not taken action in this regard even up to 31 December 2016.
- (f) According to the Cabinet Decision No. 12/356/504/045 dated 22 March 2012, the approval was granted to transfer a land with an extent of 818 acres at Sampoor, Trincomalee to the Board to develop a heavy industrial zone. The land was granted to the Board by then President of Democratic Socialist Republic of Sri Lanka on free of charge. The following observations are made in this connection.
- (i) The land granted to the Board for the project had been revoked by a notice published in the Gazette Extraordinary No. 1913/19 of 07 May 2015.
 - (ii) The Board had granted approval to release funds up to a sum of Rs.347,130,000 to the Divisional Secretary, Muthur for the construction of 1218 houses for relocation of families who have been affected due to the acquisition of the land. Accordingly, a sum of Rs. 20,000,000 had been paid to the Divisional Secretary, Muthur as a part payment on 01 August 2014. However, according to the letter of



the Divisional Secretary, Muthur dated 29 October 2014, the foundation works of 50 houses were completed and an amount of Rs. 3,584,000 had been spent for the construction works. The Board had not taken action to recover the balance of Rs.16,416,000 from Divisional Secretary, Muthur or continue the construction works even up to 31 December 2016.

(g) A private company had entered into an agreement with the Board on 16 July 1998 to operate a business for manufacture of apparel and textile products for export under Fifty Garment Factories Program at Abayapura in Polonnaruwa District. The following observations are made in this connection.

(i) Land premium for the allocated land had not been charged even up to 31 May 2017.

(ii) The land occupied by the company had been provided by the Government to the Board as a grant. According to the Special Grant of Government Land, the revenue from the land should be credited to the Consolidated Fund. However, it was observed that the Board had not complied with this.

4.3 Operating Inefficiencies

4.3.1 Operation of Export processing Zones (EPZ), Industrial Parks (IP) and Regional Offices

It was observed that the following Export Processing Zones and the Regional Offices had continuously sustained losses over number of years due to excessive administrative expenses.



Component	Pre-tax Surplus /(Deficit) for the Year					
	2016	2015	2014	2013	2012	2011
	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'
Koggala Export Processing Zone	(10,903)	(47,108)	(40,781)	(14,050)	(11,775)	(26,980)
Wathupitiwala Export Processing Zone	(9,062)	(3,323)	777	(2,969)	(7,767)	(15,743)
North Western Regional Office	(31,508)	(30,307)	(28,010)	(9,147)	(21,639)	(22,256)

4.4 Transactions of Contentious Nature

The following observations are made.

- Expenses of Rs. 901,000 incurred in the year under review under investment promotion category were not related to the objectives of the Board.
- A land with an extent of 100 acres belonging to the Industrial Park in Wagawatta, Horana, had been allocated to a private company in order to manufacture radial tyres for local and foreign market. The Board had entered into an agreement with the company to lease out the land on 99 year lease basis for an annual lease rental of Rs.100 per acre based on the nominal value assessed by the Government Valuer without considering the actual market value of the land.

4.5 Idle and Underutilized Assets

The following observations are made.

- A land named Maliduwakanda Estate with an extent of 122 acres, 01 roods and 27.4 perch, purchased by the Board on 23 January 2004 at cost of Rs. 97,937,000 had not been utilized for any purposes even up to the end of the year 2016. According to the fixed asset register, the book value of this land as at 31 December 2016 was Rs.100,800,000.



- (b) The balance of Tsunami Relief Fund and funds received for Commonwealth FDI Promotion amounting to Rs.1,958,839 and Rs. 1,917,160 respectively remained unchanged even up to the end of the year under review without being utilized for intended purposes.

4.6 **Identified Losses**

The following observations are made.

- (a) A private company was entered into an agreement with the Board 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 textiles. On 05 November 1992, the Board had terminated the agreement and requested investing company to transfer all buildings and machineries thereon to the Board with the agreed compensation. Since the Board had failed to pay compensation as agreed, the matter was referred to the Sri Lanka National Arbitration Centre and the award was made on 07 August 2000 to pay an amount of Rs. 23,835,535 as full and final settlement. Upon payment of the said sum, the company filed an application 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 Board. As per the judgment delivered by the High Court on 14 May 2012, the Board was liable to pay an additional sum of Rs.102,138,350. On 22 December 2014, the Registrar of the Commercial High Court has given an order to seize bank account bearing number 1431688 for the amount of Rs.102,138,350 since the Board failed to comply with the High Court decision. However, on 01 January 2015 an amount of Rs.102,138,350 had been deposited by the Board in a bank account of the High Court. This case was in progress even as at 31 May 2017.
- (b) The Board had terminated an employee of the Board on several malpractices and the employee filed a case in the Labour Tribunal Colombo, against the decision of termination. As per the order delivered by Labour Tribunal, the Board had to deposit Rs. 3,627,900 as compensation at the Labour Tribunal Colombo on 22 August 2016. Thereafter, the Board had appealed against the judgment given by the Labour Tribunal, Colombo and the case was in progress even as at 31 May 2017.



4.7 Delayed Projects

The proposal for improvements of Common Sewage Treatment Plant at wathupitiwala Export Processing Zone was made in the year 2009. Accordingly, it was decided to increase the capacity of the plant from 400 m³ per day to 650 m³ per day. On 14 May 2016, the company which provides the maintenance service of the treatment plant had informed the Board that increasing of plant capacity to meet the waste water discharge volume is very much essential as the insufficient capacity of the plant has heavily affected to the smooth operation and maintenance of treatment plant and high priority should be given to meet the treated waste water quality standards of the plant outlet. The Technical Evaluation Committee had been appointed on 03 August 2016. However it was observed that the project had not been completed even up to 31 May 2017.

4.8 Resources Released / Given to Other Institutions

The following observations are made.

(a) Released of Employees to the Line Ministry

In contrary 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, three employees of the Board had been released to the Ministry of Development Strategies and International Trade and incurred a sum of Rs. 2,465,346 as salaries and overtimes for the year 2016.

(b) Motor Vehicles Parking Passes

Twelve vehicle parking passes at the World Trade Centre had been provided to the Ministry of Development Strategies and International Trade and a sum of Rs.720,000 had been spent thereof in the year 2016. However, the Board had failed to reimburse this expenditure from the Ministry even up to the end of May 2017.

(c) Fixed assets of the Board costing Rs.3,823,250 had been released to the Ministry of Development Strategies and International Trade without obtaining proper approval.



4.9 Human Resources Management

The following observations are made.

- (a) Hundred and three (103) vacancies in different categories of the staff, including ninety five (95) managerial level posts had not been filled even by 31 December 2016.
- (b) Sixty three (63) Management Assistants (Non-Technical) and hundred and eighty eight (188) Primary Level employees are in excess to the approved cadre as the Board had recruited number of employees on contract and casual basis without considering the actual human resources requirements of the Board.
- (c) Although 251 posts under the category of Management Assistants, primary level skilled and unskilled was an excess in cadre, overtime allowances of Rs. 58,504,285 had been paid during the year 2016.
- (d) Eighty two (82) employees on contract basis and thirteen (13) employees on casual basis had been recruited and forty six (46) casual employees recruited prior to December 2014 had been absorbed during the year 2016 to the permanent cadre contrary to the provisions in the Management Services Circular No. 28 of 10 April 2006,
- (e) Succession Plan for the future human resources requirements had not been prepared by the Board.
- (f) The approved Scheme of Recruitment of the Board had not been revised according to the approved cadre. As a result, it was observed that some post of Executive Directors have been recruited without an approved Scheme of Recruitment.

4.10 Legal Cases Commenced by and Against the Board

According to the information made available at the Legal Department of the Board, it was observed that there were 41 unsettled Court cases at the end of the year under review and out of that 35 cases were filed by the outsiders against the Board claiming compensation of Rs.15,704,291,016 and the Board had filed 06 legal cases against the outsiders by claiming compensation of Rs.6,164,875.



5 Accountability and Good Governance

5.1 Action Plan

Although an Action Plan had been prepared for the year under review, it had not in line with the Corporate Plan of the Board.

5.2 Budgetary Controls

Significant variations were observed between the budgeted and the actual figures, thus showing that the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

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

<u>Areas of control</u>	<u>Observation</u>
(a) Control over Personnel Emoluments	The Board had not taken proper approvals for staff allowances such as professional allowances, monthly transport allowances and Key Performance Payments etc.
(b) Collection of Dues from Enterprises	No proper and effective procedure had been followed by the Board to recover the outstanding balances from BOI approved enterprises.

H.M. Gamini Wijesinghe

Auditor General

The Reply of the BOI for the Report of the Auditor General on the Financial Statements of the Board of Investment of Sri Lanka (BOI) for the Year ended 31 December 2013 in terms of Section 14 (2) (c) of the Finance Act. No. 38 of 1971.

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Report of the Auditor General on the Financial Statements of the Board of Investment (BOI) of Sri Lanka for the year ended 31 December 2016 in terms of Section 14(2)(c) of the Finance Act No. 38 of 1971**2.2 Comments on Financial Statements****2.2.1 Compliance with Sri Lanka Accounting Standards (LKAS/SLFRS)****(a) LKAS 01 - Presentation of Financial Statements**

BOI has disclosed significant accounting policies and other accounting policies where it is required. Accounting policies have been disclosed assessing the transactions which could influence the economic decisions of users and are material.

The size or nature of this transaction is not material as a determining factor to be disclosed.

(b) LKAS 10 - Events after the Reporting Period

Noted.

(c) LKAS 16 - Property Plant and Equipment

The depreciable amount of an asset has been allocated on a systematic basis over its useful life, to simplify the fixed assets module and to be compatible with the IMAS.

Further, Board has adopted present depreciation policy based on the LKAS 16.

(d) LKAS 19 - Employee Benefits

Noted.

2.2.2 Accounting Deficiencies

- (a) Rent invoices for the year 2016 had been raised based on the lease agreement signed with BOI and Ministry of Development Strategies and International Trade on 25th February 2015, due to non-availability of a new agreement for the 2016 year. However, a new agreement was signed on 03rd May 2017. Difference is shown below and this has arisen due to difference between lease areas of the two agreements.

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	Rs.
Invoiced as per agreement signed on 25.02.2015 (7,400 sq.ft) (01.01.2016 – 31.12.2016 – Rs.1,613,200.00 x 12)	- 19,358,400.00
As per new agreement signed on 03.05.2017 (8,884 sq.ft) (01.01.2016 – 31.12.2016 – Rs. 1,936,712.00 x 12)	- <u>23,240,544.00</u>
Difference	- <u>3,882,144.00</u>

Action would be taken to rectify the error.

(b) Agreed. This has occurred due to a coding error.

(c) Agreed.

Sundry debtors had been understated by crediting amount of Rs. 6,811,737/- on 04.01.2016. This had been adjusted on 30.06.2016. Further, Sundry Debtors had not been overstated as mentioned in the audit query.

(d) Land known as Former Cashew Corporation premises was vested under the act of revival of underperforming Enterprises or underutilized assets. Book value of the land was Rs.209,600,000/-. Cabinet has approved to transfer this land to UDA. Further the Compensation Tribunal has determined the amount of Rs.423,360,000/- as compensation to be paid to BOI.

This value was determined by the Government Chief Valuer.

In accordance with the above information and to give legal effect to the above transaction, receivable amount had been shown under the other receivables. Difference of Rs. 213,760,000/- had been transferred to accumulated Fund without overstating the net surplus.

2.2.3 Un-explained Differences

(a) Noted.

(b) Metal hut worth Rs. 3,358,000/- at BEPZ (based on the audit query TC/G/BOI/2015/D/AQ06) was removed from ledger. However due to limitations of fixed asset module, metal hut cannot be removed from fixed asset register (i.e. Metal hut is a sub category, not a main category). Therefore depreciation of structures was calculated on the closing value of structures which includes depreciation of the metal hut. Hence, depreciation is removed manually from the PPE. Calculation is shown below.

Structures	Rs.
Balance as at 31.12. 2016 as per Fixed Assets Module	5,380,757,426.00
Balance as at 31.12.2016 as per Ledger	<u>(5,377,399,426.00)</u>
Value of Metal Hut (Difference between Fixed Asset Module & Ledger)	<u>3,358,000.00</u>
Difference found in Depreciation (3,358,000/- x 5%)	167,900.00

2.3 Accounts Receivable & Payable

2.3.1 Dues from BOI Approved Enterprises

- (i) It is pertinent to note that average recovery rate of the BOI is around 97%. Details are given below.

	2016 (Rs. M)	2015 (Rs. M)	2014 (Rs. M)
Total revenue of the Board	4,862	4,408	4,239
Dues less than one year	271	195	62
Average recovery percentage	95%	96%	98%

Various actions have been taken by BOI to recover the outstanding dues of enterprises as mentioned under item no. 6(b) below.

- (ii) Noted.

- (iii) Disagree with the observation that follow up action on dues is poor. Provision for impairment on dues has increased due to first time adoption of accounting standards of Sri Lanka.

- (iv) Accounting policy adopted by BOI for provision for impairment is to provide 100% for dues of cancelled, closed and operation suspended projects.

- (v) Out of the total provision for impairment made in relation to Annual Fees, Rs.199,525,904/- is provided in respect of Annual Fee due from cancelled, closed and operation suspended projects and Rs. 4,217,941/- is in respect of Annual Fee due over two years.

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2.3.2 Other Receivables

- (i) BOI had awarded the contract of auctioning houses at Wathupitiwala Export Processing Zone to an auctioneer. Selection of the auctioneer was made through the paper advertisement and subsequent decision of the Procurement Committee. The auction was completed successfully and the bidders who obtained houses had 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/- to the BOI and the Legal Department of the BOI sent Letters of Demand to the auctioneer whereas those Letters of Demand were returned back as the business was closed and the owner had left the country.

On instructions of the Audit Committee of BOI, the officers of the BOI met the Director of the Fraud Investigation Bureau to check the possibility of filing a case against the auctioneer and it was observed that legal actions should be taken against the auctioneer only on a solid legal background.

In the context above, Audit Committee at its meeting held on 09.05.2016 instructed to obtain the opinion of the Attorney General.

Accordingly, this matter has been referred to the Attorney General's opinion on 31.08.2016 as per the decision taken by the Audit Committee of BOI. BOI officials had subsequent consultation with the relevant State Counsel and the required documents have been submitted on 13.02.2017. The Attorney General's opinion has not yet been received in this regard and verbal and written reminders have been sent on the same (last reminder on 15.06.2017).

(ii) Cash Shortage

Misappropriation of cash of BOI at Baron Jayathilake Mawatha Office was happened on 06.02.1995. The personnel who had involved in the misappropriation 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 the court.

Stock Shortage

Action will be taken to adjust the records.

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(iii) Dues from Government Ministries and Statutory Boards**Janatha Estate Development Board (JEDB)**

The above land of which the ownership had been with the JEDB was purchased by BOI on 01.03.2001 for an amount of Rs. 50 Mn to set up a housing development project.

In the year 2003, Land Reform Commission (LRC) had sold this same land to a private party and BOI was not aware about this transaction until it was done.

When BOI objected about the second transaction, LRC claimed that legal ownership of the said land was with them.

After several discussions and meetings, JEDB by their letter dated 20.02.2006 agreed to pay back BOI and it was accepted as a solution to the problem by BOI.

The total cost of purchasing the land at Hantana was Rs. 52,382,573/- which included a sum of Rs. 2,382,573/- paid in respect of stamp duty, survey charges and valuation fees, too.

BOI allowed JEDB a period of 18 months to pay the due payment by the letter dated 06.09.2012 considering their request dated 27.06.2012 for the same **(Pl. Refer Annexure I & II)**.

JEDB gave a firm assurance by their letter dated 07.09.2012 that the principle sum would be settled after 18 months as agreed by both parties **(Pl. Refer Annexure III)**.

On 18.09.2013, BOI sent a reminder about the due payment for which JEDB did not respond.

Later, when BOI purchased a block of land from Serapis Division of Edella Estate, Polgahawela (belongs to JEDB) for the expansion of Polgahawela Export Processing Zone at a sum of Rs. 30 Mn in 2014, JEDB set-off Rs. 15 Mn out of the amount due to BOI.

BOI is yet to receive Rs. 37,412,573/- as the remaining balance.

Secretary, Ministry of State Resources & Enterprise Development informed the BOI by his letter dated 13.10.2014 that this due amount would be set-off when JEDB property at No. 175, Vauxhall Street, Colombo 02 is released to BOI **(Pl. Refer Annexure IV)**.

The Mixed Development project which is to be located in the land at Vauxhall Street has not been implemented yet due to a pending issue with regard to the land releasing process. As a result, the settlement of dues from JEDB is still pending.

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Ministry of Foreign Affairs

Ministry of Foreign Affairs has occupied the 3rd, 4th and 5th floors of the BOI Building at Sir Baron Jayathilake Mawatha on a Lease Agreement. Although the Ministry has paid the rental, they have not paid the VAT component relevant to the rental. BOI has informed on several occasions asking them to settle this amount.

Sri Lanka State Plantation Corporation (SLSPC)

Former superintendent of Perth Estate, Hoarana had instituted an action in Labour Tribunal against SLSPC and BOI for terminating his services before the age of 60 years unjustifiably.

The President of the Tribunal had ordered to pay Rs.125,580/- to the former superintendent.

Therefore, Rs. 125,580/- was deposited at the Office of the Assistant Labour Commissioner of Panadura in favour of the former superintendent of Perth Estate, Horana.

Since BOI expects to recover this amount from SLSPC, it is treated as a receivable in the accounts.

- (iv) In compliance with SLFRS, 100% provision has been made for likely bad debts more than two years as all efforts to recover these dues have failed.

2.3.3 Irrecoverable Staff Loans

- (i) Vehicle Loan amount of Rs. 389,472/90 out of Rs. 990,378/- has been settled on 13.03.2017. Action will be taken to recover the total amount of Rs. 413,370/- which comes under gift vouchers, festival advance, special advance, salary loans and push bicycle loans from respective employees who are under interdiction at the moment and once the formal disciplinary actions are over.
- (ii) Loan balances of interdicted employees remained unsettled for a specific time till formal disciplinary orders are released.

Amounts due on vacated employees are recovered from sureties and letters in this regard have already been issued to such sureties. Accordingly, loan amount of vacated employees are recovered instalment-wise.

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2.3.4 Payables

- (i) Noted.
- (ii) Please Refer **Annexure V** for details.

2.4 Non-Compliances with Laws, Rules, Regulations & Management Decisions**(a) Finance Act No. 38 of 1971**

- (i) Since the BOI Act No. 04 of 1978, [Sec. 30] gives authority for the establishment of a Fund for general financial purposes, there is no obligation to transfer funds to treasury from BOI.
- (ii) As mentioned under 2.4(a)(i) above, when BOI is authorized to establish its own fund, such fund includes all the accounts held by BOI including the investments also; hence there is no need of obtaining concurrence of the Minister of Finance.

(b) Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka

At present action is taken to obtain board approval prior to writing off the bad debts. However action would be taken to obtain treasury approval prior to writing off bad debts in future.

- (c) Mr. C. Jayasooriya, the Additional Director General of Department of Trade and Investment Policy has been appointed as the Treasury Representative to the Board.

2.5 Unauthorized Transactions

- (a) • Approval of the Board of Directors was granted to the Professional Allowance Scheme of the BOI at its 217th meeting held on 13.09.1991 subject to the approval of Ministry of Policy Planning & Implementation. Secretary, Ministry of Policy Planning & Implementation had granted approval for the said scheme by letter No. E/5/GCEC/Misc dated 01st November 1991. Subsequently, Board of Directors of the BOI at its 125th meeting held on 09.05.2002 and 331st meeting held on 24.11.2015 granted approval to revise the payment of professional allowance of the BOI.

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- Management of the BOI had decided to pay a Hardship Allowance to the employees attached to Mirijjawila EPZ considering the difficulties they have to encounter being employees at the particular Zone. Approval of the Board of Directors was granted for the Hardship Allowance at its meeting held on 13.05.2016.

- Personal Assistant to the Chairman being paid a Special Allowance for duties as Assistant to the Board's Secretary in addition to the routine office work in the Chairman's Office and for coordination of Board Papers & Board Decisions. Chairman has granted approval for the said payment.

An Assistant Director attached to Investment Appraisal Department being paid a Special Allowance for the additional duties and special assignments given by the Director General in addition to core duties in the Investment Appraisal Department. Director General has granted approval for the said payment.

Director (Malwatta Export Processing Park) was paid a Special Allowance for additional duties at Horana Export Processing Zone and Perth Estate at Horana in addition to his duties at Malwatta EPP. Board of Directors has granted approval for the above payment.

- Approval of the Board of Directors was granted for the Transport Allowance at its meeting held on 06.11.1990. H.E. the President granted approval for the Transport Allowance on 08.11.1996.

- Attendance Incentive Scheme operated in the BOI was approved by the Board of Directors on 06.11.1990 and approved by Her Excellency the President on 08.11.1996. It 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. Approval for the Key Performance Scheme was requested from the Department of Public Enterprises by the letter no. EC/12/EST/192 dated 03.06.2014 and they have referred this matter for the observation of Department of Management Services by the letter no. PE/NBE/BOI/PR dated 19.06.2014.

Encashment of unutilized medical leave was compiled in the BOI leave regulations and approved by the Board of Directors on 11.12.1979. Further, the above leave encashment was compiled in to the Human Resource Policy Manual of the BOI which was approved by the Board of Directors on 20.03.2007. Approval for the Human Resources Policy Manual of the BOI was requested from the Department of Public Enterprises on 10.03.2014.

- Board of Directors at its 347th meeting held on 06.10.2016 has granted approval to revise the payment method of KPP allocating high weight for employees' performance which is more beneficial to the organization. Approval for the Key Performance Scheme was requested from the Department of Public Enterprises by letter no. EC/12/EST/192 dated 03.06.2014 and they have referred this matter for the observation of Department of Management Services by letter no. PE/NBE/BOI/PR dated 19.06.2014.

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- (b) The basic criteria for bonus had been as follows;
- (i) The organization should earn profit
 - (ii) The approval of the Board of Directors should be obtained for the payment of bonus
 - (iii) The annual accounts of the organization should be submitted to the Auditor General on or before the due date
 - (iv) Provisions are not provided by the Treasury for the payment of bonus

As the BOI has fulfilled the above criteria and having considered the net surplus for the nine (09) months ended on 30.09.2016, the Board of Directors at its 349th meeting held on 25.11.2016 has granted approval to pay Rs. 40,000/- per employee as bonus.

- (c) Approval has been obtained from the Board of Directors for the BOI Loan Scheme. This Loan Scheme is included in the Human Resource Policy Manual of the BOI. The approval of the Department of Public Enterprises had been requested by the BOI for the Human Resource Policy Manual in the year 2014.

3. Financial Review

3.1 Financial Results

Noted.

3.2 Analytical Financial Review

(a) Unusual Increase of Expenditure

Noted.

4. Operating Review

4.1 Performance

- (a) Action has been formulated after benchmarking strategies and action plans of several global best performing Investment Promotion Agencies and considering the targets BOI has set forth. Being a service oriented organization, BOI is not in a position to quantify the outcome receive from each and every action stated

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in the action plan, but in totality BOI has set the targets and action plan to realize those targets.

(b) (i) Progress of the BOI Projects

- The observations given under progress of BOI projects (in page 10) is the response given by BOI. The main reason for decrease of projects commenced commercial operation in 2016 was due to land allocation issues and line agency delays.

We do not see any rationale for comparing the number of projects commenced operation in 2016 with that of 2013, instead it should be compared with figure in previous year.

- As per details mentioned in the audit query, the total number of projects started commercial operations during the period from 2012 to 2016 is 461 nos., and number of projects closed down/operation suspended/agreement cancelled is 648 nos. during the same period.

Please note that most of the agreement signed projects do not commence commercial operation during the year in which the agreements are signed since BOI grants a time period to start operation as per the agreement. As an example, a two (02) year time period is granted to some of the hotel projects to start operation, which can be extended on the request of the company. In addition, some projects may delay in starting operations due to various reasons such as land issues, delays in obtaining approvals from relevant authorities, company request etc.

Closure of operations/operation suspended/agreement cancelled status are based on various reasons such as due to financial difficulties, lack of orders, investor conflict etc.

When a company is closed/operation suspended, termination process is started by the Monitoring Department of BOI which needs a certain time period to finalize after obtaining following clarifications;

- Position of settlement of worker dues – To be confirmed by Industrial Relations Dept., of BOI
- Position of settlement of annual fees/ground rent – Finance Dept., of BOI
- Position of settlement of liabilities to the Inland Revenue – Inland Revenue Dept.
- Any other confirmations such as Zones/Regional Offices etc.

After receiving above confirmations, termination process is initiated by the Monitoring Department of BOI. Once it is completed Board Papers are submitted to the Termination Committee and thereafter to the Board for termination. Status of 'closed down/operation suspended projects' are reflected in the system as it is for a certain period until formal

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termination of the agreement, although the process for termination has already been commenced. After termination, the 'closed down/operation suspended projects' are reflected as 'agreement cancelled projects' (same projects) in the system.

(ii) Attracted Foreign Direct Investments

Although this report has considered 2014 targets, these targets have been revised when the government decided to remove tax incentives. With regard to the decrease of FDI for the past two years (page 10), it should be corrected as the "tax holidays had been completely withdrawn", **not** "a reduction of tax concessions" as given in the text.

Since 1978, BOI has been issuing gazette notifications granting tax incentives to investors and the last of such gazette notification is No. 2 of 2006. In the year 2011, Secretary, Ministry of Finance issued verbal instructions to BOI to suspend its incentives and the Inland Revenue to provide incentives for investors. From this point it started diluting the authority of BOI and in 2012, the Inland Revenue published its amended fiscal incentives ranging from 5 to 12 years tax holidays with the minimum investment threshold slabs of 3 million and above. The incentives were focused on manufacturing, agriculture and service sectors as well as import replacement.

In May 2014, the Inland Revenue Department by its amendment suddenly introduced cut-off dates to bring the investment amounts on or before 1st April 2016 if a project is to get qualified to get the incentives. These ad-hoc decisions brought severe difficulties and uncertainties to the investor community and by that time these investors have entered into written agreement with BOI which provided them different time limits to bring their investments. Further, the projects that approved after 1st April 2014 were not entitled for any incentives.

The BOI made several representations to the Secretary Ministry of Finance explaining the situation that over 250 projects were seriously affected due to this sudden change and finally by subsequent amendments Inland Revenue granted time until 1st April 2018 for those projects to bring the agreed investment amount if the project was approved prior to 31st October 2014. From May to October 2015 there were no clear directives to BOI on incentives for investment and in October 2015 the BOI enforced its Regulation No. 2 of 2006 (as it was not repealed) until the government comes up with its new incentive regime.

Further in April 2016, the Ministry of Development Strategies and International Trade (MODSIT) informed the BOI, the Cabinet Decision suspending all incentives with effect from 27th April 2016 and requested all projects pending agreements signing to complete within 2 months from April 2016.

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This has resulted in decrease in FDI from 2015 and 2016. Please note with the introduction of new incentive scheme in 2012 the FDI shown an increase in the year 2012, 2013 & 2014 but with the suspension in 2014, 2016 the FDI has declined. There is no effective incentive scheme after 27th April 2016.

And also the BOI promotional activities were suspended by the Ministry of Development Strategies and International Trade in 2016.

4.2 Management Weaknesses

(a) • Website Maintenance Service

- BOI had decided to hire a new company to develop and manage its website. Therefore the contract was not renewed.
- However it was decided to maintain the existing Website Company whilst the BOI was sourcing for a new contractor through a tendering process, to undertake that assignment in order to avoid disruption of services.
- Chairman BOI required to ask the company E-Futures to develop an online local sale system in collaboration with the IT Department of BOI.
- This period where the services of the company were used essentially as an interim period to maintain the existing system whilst a new contractor was being sourced to develop a completely new website for BOI which would be technologically more advanced. It would have been impossible to stop work on a website which is accessed by investors all over the world pending the hiring of a new company.
- In order to maintain this temporary arrangement two Board Papers were submitted for approval to cover the payments for the work being done. The Company E-futures is no longer doing any work for the BOI as this has lapsed.
- The contract has now been awarded to another company Pyxle (Pvt) Ltd., from November 2016. This company has been involved in the development of the new website which is to be launched shortly.

• Janitorial Services

The Janitorial Service Contract was awarded to M/S Topshine Environmental Services Ltd., after following a National Competitive Bidding Procedure and with the approval of the Procurement Committee. The conditions of contract and scope of work were given in the Bidding document and the Service Provider has agreed to adhere the conditions stipulated in the Bidding Document.

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Contract Letter was signed with the Service Provider (Topshine Environmental Services Ltd.) and the Letter of Award contains all Terms and Conditions that should be included in the Contract Agreement.

National Competitive Bidding Procedure have followed to call sealed Bids for the supply of Janitorial Services for the Year 2017 and waiting to get the approval of the Procurement Committee to award the contract and sign the Agreement with the new Service Provider.

- Supply of Tea for the Staff

The Tea Service Contract was awarded to M/S Araliya Tea Services after following a National Competitive Bidding Procedure with the approval of the Procurement Committee. The conditions of contract and scope of work were given in the Bidding document and the Service Provider has agreed to adhere the conditions stipulated in the Bidding Document.

Contract Letter was signed with the Service Provider and the Letter of Award contains all Terms and Conditions that should be included in the Contract Agreement.

- Security Services

BOI, following the tender procedure, has awarded the contract of Private Security Service to M/s Delve Guard Security Services and M/s V G Security Service (Pvt) Ltd covering all BOI Zones and Parks with effect from date of 01st October 2016.

In this context, the contract awarding letters issued to the private security contractors were treated as a binding agreement between BOI and the private security contractors. The reason to follow this procedure was to prepare the agreement between the two parties including the conditions more relevant to BOI. Accordingly the Administration Department of BOI made arrangements to get the agreement done liaising with the Legal Department and it was delayed as there were administrative procedures to be followed by the particular departments concerned.

The contractors took a considerable time period to forward the signed agreements to BOI after affixing their seals and their signature (certified by a JP) on the agreement. BOI was able to bring down the signed agreements on 30th December 2016 with the consultation of the Chairman / DG of BOI.

Please note that this is the normal procedure carried out by the BOI when awarding of a tender/contract and the delay has taken place due to the facts mentioned above.

- (b) (i) Consultancy fee has been released to NWS&DB upon receipt of designs, detailed drawings and draft bidding documents. Arrangements will be made to sign an agreement between BOI and NWS&DB shortly.

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(ii) Leasing out of Three Floors of the Building at Sir Baron Jayathilake Mawatha

The three floors (03, 04 & 05) of BOI building at Sir Baron Jayathilake Mawatha were rented out to Ministry of Foreign Affairs on a Lease Agreement. In the year 2016 the new Lease Agreement was sent to the Ministry of Foreign Affairs for their signature. However, they have not signed the Lease Agreement and stayed in the same floors. Meanwhile, we have informed them to vacate the building to commence urgent repairs of the building.

12 Nos. of Buildings, Premises and Stores of 04 Export Processing Zones and Industrial Parks

Zone / Ind. Park	Name of Lessee	Remarks
KEPZ	A&E Lanka (Pvt) Ltd	New allocation.
	Antron Express (Pvt) Ltd	Extension of lease period.
	Commercial Bank	Extension of lease period.
	Perstaff Holdings (Pvt) Ltd	Extension of lease period.
	Mr. P.R.W. Kumara Silva	Extension of lease period.
	-	<p>KEPZ has leased-out several building spaces to the outside parties who provide services for enterprises at KEPZ.</p> <p>When allocating new office spaces or extension of the lease periods, letters of award to the relevant lessees are issued and after receiving the acceptance for the letter of award, a copy of the same with the request letter is sent to the Legal Department at Head office for signing the lease agreement with relevant parties.</p> <p>Although, the lease agreements have not been executed for the above office premises, letters of award and acceptances of same can be considered as the valid legal documents.</p> <p>It is also noted that above mentioned parties are running their business in accordance with the rules and regulations mentioned in the letters of award and monthly rentals are paid without outstanding.</p>
KgEPZ	Polytex Garments Ltd	Polytex Garments Ltd building had been rented out by Letter of Award since 20 th September 2005. Zone management of KgEPZ shall make arrangements to enter into an agreement with M/s Polytex Garments Ltd for leasing out of the building for Child Care Centre.

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Zone / Ind. Park	Name of Lessee	Remarks
	Vogue Tex (Pvt) Ltd	Vogue Tex (Pvt) Ltd has been allowed to use the building upon the letter of allocation dated 17.10.2013 only for two months period. Since then extensions of 2 or 3 months had been granted for the period of allocation as requested by the enterprise. Due to the extensions in the period, no agreement had been signed.
	Hambantota Trading (Pvt) Ltd	Space has been leased out to Hambantota Trading Co. (Pvt) Ltd upon an agreement (no.180) signed on 12 th July 2012 and registered on 23 rd July 2012 at Galle Land Registry.
SEPZ	American & Effird Lanka (Pvt) Ltd	As per the directive received from Executive Director (Zones) the premises was leased out to American & Effird Lanka (Pvt) Ltd. On the 10.12.2015, the company was informed by a letter indicating the terms and conditions for the lease. The rate for area/space of 415 sqft was calculated according to the approved rates of BOI for leasing of premises. A MOU was entered into with the company on 21 st March 2016 and it was forwarded to the Legal Department of BOI for signing the agreement on 28.03.2016.
	BOC	BOI has leased out 812 sqft based on the rates approved for year 2016. A letter was sent stipulating conditions applicable to the BOC on 26.11.2015. BOC requested to extend the office premises and came into occupation on 19.10.2016. The space allocated was 812 sqft. The charges applicable was based on the approved rates of BOI for the year 2016. The condition letter issued by former Actg. Director (SEPZ) dated 26.11.2015, had been forwarded to Legal Department for signing of the agreement. The draft agreement prepared by the BOI/Legal Department was forwarded to BOC for finalization.
KIP	BOC	All the necessary documents required to sign the agreement with the BOC have been sent to Legal Department of BOI on 27.04.2015 for them to prepare the lease agreement. They have issued the draft of the agreement on 13.07.2015 to AGM of BOC Central Province for their approval. The BOC had given their consent to the Draft agreement by their letter dated 06.08.2015 with some objections. Zone BOI has submitted that consent letter along with recommendations (of zone) to the Legal Department of BOI on 19.08.2015.

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Zone / Ind. Park	Name of Lessee	Remarks
	Unichela (Pvt) Ltd	<p>M/s Unichela (Pvt) Ltd has entered in to a Supplementary Agreement on 30.07.2014 to lease out an existing old building situated at lot. No 32 part 1 of the Kandy Industrial Park on temporary basis for a period of 2 years commencing from 19.02.2014 to be used as a raw material stores by its sister company namely Linear Intimates Division.</p> <p>The company had submitted another request on 10.03.2016 to renew the lease agreement by a further period of five (05) years commencing from 19.02.2016 since the Lease has been expired on 19.02.2016.</p> <p>Approval was obtained from Executive Director (Zones) on 30.03.2016 and submitted papers to the Legal Department to prepare the lease agreement. Due to certain changes in the land lease policy following approvals had to be resubmitted;</p> <ul style="list-style-type: none"> ▪ Approval of the Land Allocation Committee ▪ Approval of Rate Committee ▪ Approval from the Investment Department <p>Thereafter, a letter of approval to this effect was issued by the Director General of BOI to the company on 05.06.2017 with a copy to Legal Department of BOI.</p> <p>Legal Department is making arrangements to issue a draft agreement in this regard.</p>

(c) (i) & (ii)

Following precautions have been taken with regard to the issues mentioned under 4.2(c) (i) & (ii);

- As per the Board Decision dated 06th December 2016, a restriction of 60% of the value of the leasehold rights was imposed when mortgaging zonal lands.
- As per the Board Decision dated 24th October 2016, the Legal Department of BOI requests the enterprises to submit draft mortgage bonds to be entered into with the banks for the approval of the Board.
- As per the advice given by the Attorney General's Department, the Legal Department has conditioned the enterprises and the banks to submit the status of the payment of the mortgage on a quarterly basis so then the Board may take action if the enterprise is defaulting.
- The Legal Department of BOI maintains a Seal Registry where information pertaining to mortgages is being registered.

BOARD OF INVESTMENT OF SRI LANKA

- (d) As per clause (7) of the Lease Agreement No. 223 dated 4th June 2002 entered into with BOI, the enterprise was permitted to mortgage the leasehold rights of the land subject to the notice given to the Board under the provisions of the Mortgage Act.

Accordingly, the enterprise has sent a letter dated 1st September 2006 to obtain approval from the Board and by letter dated 18th September 2006 the approval was given.

Thereafter, on 14th June 2012 the People's Bank had given notice to BOI of the parate execution.

Since there were no successful bidders at the auction the leasehold right of the property was acquired by the People's Bank on 12th May 2013.

People's Bank by their letter dated 27.10.2016 requested BOI to give them an opportunity to negotiate with a prospective investor to recover their dues by disposing the land.

BOI has informed the People's bank on 15.11.2016 that there is no objection from BOI in negotiating with a prospective investor, subject to following conditions (for which the response from the People's Bank is pending);

- The new project shall be qualified to receive the Section 17 status of the project.
- The new investor shall enter into a lease agreement with the BOI for the land.

A response from the People's Bank is pending.

- (e) (i) The amount receivable from SLSPC is Rs.16.4 M as at 31.12.2006 as per the audited financial statements submitted by them.

BOI has sent several reminders from time to time requesting the above sum due to us and also requested to submit audited accounts signed by Chairman (SLSPC), as the Audited Financial Statements submitted are incomplete.

SLSPC by their letter of 02.03.2012 informed that they had managed the Perth Estate until August 2007 as per extensions granted by the BOI. Accordingly, the amount due could be identified only after completion of the audit of financial statements for the period January 2007 to August 2007.

Despite several reminders over the past few years for the submission of audited accounts for the period January 2007 to August 2007, SLSPC has not responded.

SLSPC was informed of the above lapse at the meeting held on 04.07.2017 with Chairman SLSPC.

BOARD OF INVESTMENT OF SRI LANKA

- (ii) No records relating to motor vehicle rent and bungalow rent are available in the accounts of BOI as those transactions have not been done by BOI.
- (iii) BOI requested SLSPC to release such extent of land (127A OR 39.67P) to BOI by the letters dated 19.11.2012 and 06.09.2013.

A meeting was held on 06.07.2017 with the participation of both Chairmen of BOI and SLSPC to resolve the issues pertaining to above. As agreed at the said meeting, a subsequent meeting was held on 10.07.2017 with the participation of relevant officials of BOI and SLSPC and checking on receivables is in progress.

(f) (i) Noted.

- (ii) BOI has taken action to recover the amount released (Rs. 20Mn) from the Divisional Secretary of Muthur as per letter dated 18.11.2016 (**Pl. Refer Annexure VI**).

(g) (i) & (ii)

The Agreement between BOI and a private company was signed on 16th July 1998 with the understanding of entering into a lease agreement pertaining to the land situated at Lankapura, Polonnaruwa after completion of the documentation process of land transaction.

The State Grant was issued to BOI in respect of the land at Lankapura, Polonnaruwa on 08th June 1999. A valuation report was obtained from the Government Chief Valuer on 11.01.2000. The company was informed on 06.03.2000 to liaise with Legal Department to effect the 50 years lease agreement by making the lease premium and the rental.

The draft lease agreement dated 28th January 2000 was issued to the enterprise subsequently. The revised draft of the lease agreement was issued on 31.05.2000.

In response to the letter dated 24th October 2011 sent by Director (Central Regional Office), the enterprise informed that they wished to enter into a lease agreement provided it did not have retrospective effects. However, since the valuation was done in 2000, revaluation was requested by the BOI. Accordingly, a fresh valuation report dated 20th July 2012 was issued by the Government Chief Valuer.

After several communications between inter-departments of BOI, the draft lease agreement was issued on 06th November, 2012 and the same was forwarded to the enterprise by e-mail dated 08th November, 2012. Despite

BOARD OF INVESTMENT OF SRI LANKA

several reminders sent to the enterprise regarding the signing of lease agreement, the enterprise has not turned up for the execution of the said lease agreement.

Based on a requirement of Legal Department of BOI, Engineering Approvals & Special Projects Department requested a fresh valuation from the Valuation Department on 02.08.2016 with retrospective effect since year 2000 and a reminder too was sent on 11.10.2016 to expedite the valuation.

Lease Agreement has been signed on 26.05.2017 and ground rent for the period from 01.01.2000 to 01.01.2017 has been recovered by BOI at the time of signing the lease agreement. No land premium is involved in this land.

4.3 Operating Inefficiencies

4.3.1 Operation of Export Processing Zones (EPZ), Industrial Parks (IP) and Regional Offices

Koggala Export Processing Zone (KgEPZ)

Expenditure Component	2014 (Rs. Mn)	2015 (Rs. Mn)	Increase as a % of Yr. 2014	2016 (Rs. Mn)	Increase as a % of Yr. 2015
Salaries & Wages	66.4	90.3	35%	103.4	15%
Repairs & Maintenance of Buildings	0.7	1.1	57%	1.5	36%
Water Rates	6.4	9.9	55%	11.3	14%
Cost of Water	18.1	22.9	27%	22.2	(-3%)
Total Revenue	106.3	128.6	21%	159.3	24%
Net Income from Water	(-6.5)	(-9.1)	-	(-8.98)	-
Pre-Tax Surplus	(-40.8)	(-47.1)	-	(-10.9)	-

Repair and maintenance cost of KgEPZ has significant increase due to many buildings being occupied for over 25 years which need frequent renovations, maintenance, colour-washing etc. to ensure safety of the occupiers and to upgrade the scenic view.

The second highest expenditure component is salaries and wages, which is due to salary increase in year 2016 and the considerably higher staff level in the zone.

Although the next significant increase is the water rates (i.e. 14%), when compared with the previous year's increment which is 55%, there is an improvement. The loss in 'net income from water' has a major contribution to

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the Pre-Tax loss of KgEPZ. This is mainly due to the monthly payments made to NWS&DB for the work to operate sewer network of the zone.

Despite above, the total revenue of KgEPZ has increased gradually decreasing the Pre-Tax loss significantly in year 2016 indicating a better operating position.

Wathupitiwala Export Processing Zone (WEPZ)

The main reason for the deficits experienced by WEPZ since 2011 is the high personnel cost which is currently more than 50% (approx.) of the operational expenditure.

Year	Personnel Cost (Rs. Mn)	Operational Expenditure (Rs. Mn)	Personnel Emoluments as a Percentage of Total Operational Cost (%)
2011	23.87	51.10	46.72
2012	20.65	48.80	42.31
2013 (Est)*	22.46	53.21	42.25
2014	27.47	58.04	47.32
2015	34.47	65.54	52.59
2016	39.54	70.28	56.26

* - Estimated (separate financial statements are only available for the 1st half of the year and the annual one has been prepared as "New Zones"

As per above figures, there is a tendency of increasing the personnel cost upwards (except for the years 2012 and 2013) and in year 2016, it has increased up to 56.26% mainly due to increase of fire and security staff, increase in salary etc. Personnel cost under administrative expenses has increased during the period by Rs. 5.07 Mn or 14.71% (i.e. 2015 – Rs. 34.47Mn and 2016 – Rs. 39.54 Mn).

In addition to above, WEPZ has been experiencing a huge water shortage since year 2014 resulting a decrease in the water income. The water quantity to be supplied by NWS&DB is 700m³ per day, the actually supplied quantity during the period is as follows;

Year 2015	-	585m ³
Year 2016	-	340m ³

Accordingly, the water income during the period is as follows;

Year 2015	-	Rs. 24.61 Mn
Year 2016	-	Rs. 17.58 Mn

In order to fulfill the gap, WEPZ had to obtain water from NWS&DB - Veyangoda Water Supply Scheme and Mirigama Export Processing Zone, which is a main reason for the loss occurred during the period.

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Further, the cost of water treatment and waste water treatment have also increased during the period since both the treatment plants are very old and therefore are subject to frequent operational defects.

North Western Regional Office (NWRO)

As per the decision taken by the Management Committee Meeting held on 22nd June 2012, NWRO has not been identified as a cost centre but will be considered as an Administrative Office of the Mawathagama (MWEPPZ) and Polgahawela (PWEPPZ) Zones. As such, the total annual fee income collected from enterprises located outside Zones in North Western Region has also been distributed among other two Zones MWEPPZ & PWEPPZ.

Combining as a one cost centre, the North Western Region (including two zones and NWR Office) has made profits from 2011 to 2016 except year 2015.

4.4 Transactions of Contentious Nature

(a) Noted.

(b) BOI has obtained a valuation from the Valuation Department on 16.10.2016 (**Pl. Refer Annexure VII**).

Cabinet Committee on Economic Management (CEM) at its meeting on 16.11.2016 (**Annexure VIII**) granted approval for allocating 100 acre land on a 99 year lease to the enterprise based on the valuation determined by the Government Valuer and on the basis of payment of total lease value upfront subject to nominal annual payment and subsequently the Cabinet of Ministers at its meeting held on 29.11.2016 gave its concurrence for the decision of CEM (**Annexure IX**).

It is also to be noted that the investor has enhanced the total lease payment to be made for the 100 acre land by a sum of Rs. 40 Mn, thus increasing to Rs.210,825,000/-. The said value represents the land value and does not comprise cost of provision of infrastructure such as water supply, electricity and waste water treatment by the BOI. It is noted that the investor will incur around Rs. 325 Mn for the development of the land and foundation improvements.

Also please note that the lease value determined by the Valuation Department does not comprise any cost of infrastructure provided by the BOI within Export Processing Zone. On the other hand the rates namely USD 40,000/- per acre as lease premium and USD 3,850/- per acre per annum as Annual Ground Rental are inclusive of all infrastructure provided by the BOI to the investors within the Zone.

4.5 Idle and Underutilized Assets

- (a) Due to the poor infrastructure development in the area, it was not successful in bringing investors to Maliduwakanda Estate at Keragala for the earlier proposed IT Park, Knowledge City, mini Industrial Zone concept.

Currently, Maliduwakanda Estate is being identified by the BOI to set up an Educational City in line with the Master Plan of Western Region Megapolis Planning Project. Preparation of Master Plan for the above has been assigned to Sri Lanka Institute of Architects (SLIA) and the same was completed by them. Preparation of a project proposal is being carried out by SLIA and same will be submitted to BOI within eight weeks.

- (b) Tsunami Relief Fund - Action has been initiated to purchase some equipment for the Physiotherapy Unit of Mahamodara Hospital in Galle using the balance available in the Tsunami Relief Fund.

Funds for Commonwealth
FDI Promotion - Noted.

4.6 Identified Losses

- (a) • A private company instituted Arbitration proceedings against BOI in November, 1998 claiming damages for the alleged termination of Agreement and alleged unlawful takeover of the factory premises.
- In August 2000, a settlement had been entered into between the company and the BOI whereby BOI was to make a payment of Rs.23,855,535 as full and final settlement, which had been made by the BOI on an agreed instalment plan.
 - Thereafter the company had filed a case in the Commercial High Court to enforce a forged Arbitration award wherein the BOI was to make payment of Rs. 37,200,000 in addition to the Rs. 23,855,535 already paid by BOI.
 - Simultaneous to the pendency of Case No. HC/ARB/1254/2002 consequent to the complaint made by BOI to the CID, the Managing Director of the company was indicted in the High Court of Colombo for alleged commission of offences under Section 400, 454, and 459 of the Penal Code.
 - The order in the Case bearing No. HC/ARB/1254/2002 [The Private Company Vs BOI] was pronounced in the Commercial High Court on 14th May 2012 in favour of the company and ordering the BOI to make the payment stipulated in the forged Arbitral award together with legal interest accrued.
 - The BOI appealed the said Decision of the Commercial High Court to the Supreme Court re Appeal No. SC(HC)LA/58/2012.

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- However, on 24th October 2014, the Supreme Court dismissed the Appeal No. SC(HC)LA/58/2012 on the basis that the appeal was filed out of time by the BOI.
 - The judgment was pronounced in the Commercial High Court on 18th December, 2014 and on the same day, the company filed Writ Papers and execution of Writ was granted by the Commercial High Court and consequently, Rs.102,138,350 was seized from the BOI account at Bank of Ceylon (BOC).
 - Deposit against pending litigation of the private company shown under Payment in Advance and Other Receivables (Note 17).
- (b) The terminated employee who was the Director (Cooperate Services) at North Western Regional Office was terminated from the service by the Board of Directors based on the findings of a domestic inquiry held against him.

The terminated employee had filed an action against the termination before the Labour Tribunal Colombo. The judgment was delivered on 25.07.2016. Hon. LT President commented that the responded Board had failed to prove the charges levelled against the terminated employee and concluded that the termination was unjust and unfair and ordered the BOI to pay the applicant 05 years' salary as the compensation. Accordingly, the BOI was ordered to pay Rs. 3,627,900/- (Rs. 60,465/- x 60).

Board of Directors at its meeting held on 30th August 2016 granted approval to deposit the said sum at the Labour Tribunal Colombo and to appeal against the said judgment. Accordingly, BOI appealed against the said judgment before the High Court of Western Province and the judgement was delivered on 25.07.2017 in favour of BOI, setting aside the order of the Labour Tribunal. Appealable period is pending till 07.09.2017 (06 weeks).

If appeal is not filed during this period, steps will be taken by the BOI to get the above mentioned deposit released.

4.7 **Delayed Projects**

BOI has entrusted a consultancy assignment to National Water Supply & Drainage Board (NWS&DB) for designing and preparation of bidding documents, drawings, estimates etc.

Detailed estimate submitted by NWS&DB has been kept under sealed cover to maintain confidentiality.

Consultancy fee has been released to NWS&DB upon receipt of designs, detailed drawings and draft bidding documents. Arrangements will be made to sign an agreement between BOI and NWS&DB shortly.

BOI has requested NWS&DB to undertake an assignment to study the possibility of augmenting the common wastewater treatment plant through letter dated 06.01.2011.

As mentioned in the audit report, there is no seven years delay.

4.8 Resources Released / Given to Other Institutions

(a) Release of Employees to the Line Ministry

Deputy Director who was mentioned in the above query was temporarily released to the Line Ministry on the request dated 31.05.2016 made by the Secretary, Ministry of Development Strategies & International Trade.

Actg. Administrative Officer who was mentioned in the above query was temporarily released to the Line Ministry on the request dated 20.11.2015 made by the Secretary, Ministry of Development Strategies & International Trade.

Office Aide (Casual) who was mentioned in the above query was temporarily released to the Line Ministry on the request dated 01.10.2015 made by the Additional Secretary, Ministry of Development Strategies & International Trade.

(b) Motor Vehicle Parking Passes

The Ministry of Development Strategies & International Trade previously known as the Ministry of Investment Promotion is the line Ministry of the BOI. Therefore, Ministry of Development Strategies & International Trade has established its offices in three (03) floors (Level 06, 25 & 27) owned by the BOI on a Lease Agreement

Twelve (12) numbers of vehicle passes were given to the Ministry of Development Strategies & International Trade on the request of the Secretary of the Ministry. Since the Ministry is the tenant of the BOI floors, it is entitled to get parking facilities for their vehicles and the parking charge is covered by the lease rental.

(c) The floor area at Level 25, 27 has been leased to the line Ministry on a lease Agreement. The Board of Directors has granted approval to rent out the said floors to the line Ministry with all assets.

All fixed assets which have given to the Ministry were previously used by the BOI and those items will be taken over for the use of BOI when the Ministry will hand over the premises.

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4.9 Human Resources Management

- (a) Vacancies in the approved cadre are filled on priority basis considering the importance of duties & responsibilities of the vacant positions following the proper recruitment procedures as per the Scheme of Recruitment.

Accordingly, actions have already been taken to fill the vacancies of five (05) Director posts [Seethawaka Export Processing Zone (EPZ)/ New Zones/ Engineering Approvals/ Finance/ Industrial Relations], three (03) Senior Deputy Director posts (Investor Services/ Environment/ Mirijjawila EPZ], thirteen (13) Assistant Director posts (Finance/ Internal Audit/ Monitoring/ Zone Management/ Information Technology/ Legal/ Industrial Relations/ Technical Services/ Security) and all vacancies in the Junior Manager category in year 2017. Arrangements will be made to fill the other vacancies too.

- (b) Excess employees in the Management Assistant Category & Primary Level Category are mainly Casual and Contract basis employees who have been recruited on short term basis to be attended essential day to day operations mainly in Export Processing Zones & Industrial Parks. Most of the Management Assistants have been deployed in Permit Offices, Investor Services Units and other duty stations where the essential manpower requirements are needed.

Several batches of Security Guards were recruited on contract basis to serve in the Export Processing Zones and Industrial Parks under the BOI as per the requests of investors regarding the security arrangements in the respective Zones and Parks. Most of zonal security functions were covered by the private security firms. As per the directives of Management, Security Guards were recruited on contract basis by removing private security personnel from the zonal security service. Accordingly, private security personnel at Katunayake EPZ and Biyagama EPZ were totally removed and their services are covered by the above Security Guards on contract basis at present.

Drivers and Labourers were recruited on contract & casual basis to attend essential routine operations mainly in Export Processing Zones & Industrial Parks.

- (c) Excess employees are in the category of non-executive staff (Management Assistant and Primary Level). However, overtime duties are performed by non-executive staff as well as the executive staff on the approval of respective Head of the Department on the exigency of service. Further, it has been observed that a large portion of the overtime bill comprised of the overtime done by the staff of Investor Services Department. Investor Services Department at the Head Office and Investor Services Units of all the Zones & Industrial Parks are operated during weekends to facilitate the enterprises. Verification Officers and the Staff of the Air Cargo Terminal at Katunayake and Central Verification Terminal at Orugodawatta provide round the clock service to enterprises. Accordingly, said staff is permitted to attend overtime duties and Investor

BOARD OF INVESTMENT OF SRI LANKA

Services Department recovers their overtime cost from the enterprises which have been served by them as a service charge.

(d) Noted.

(e) Succession planning is a process of identifying and developing potential internal employees to fill key positions on the exit of incumbent officers. Accordingly, every opportunity is granted for the career development of employees of the Board on an equal manner to strengthen them for the above purpose. When a vacancy is created, it is openly advertised making equal opportunity to compete the candidates enabling the management to select the best person for the vacant position.

In this context, the Board has prepared a documented Succession Plan till year 2010 and followed above practice thereafter.

(f) Job Specifications identified for several Executive Director posts specialized in the disciplines such as Finance, Legal and Technical Services are mentioned separately in the Scheme of Recruitment. Specifications required for the other Executive Director posts are mentioned under a common category. Therefore, at the time of recruitment, applications are called under either the specialized category or the common category as appropriate and recruitments are made accordingly.

4.10 Legal Cases Commenced by and Against the Board

Please Refer **Annexure X** for details.

5. Accountability & Good Governance

5.1 Action Plan

BOI made relevant changes to Action Plan 2017 as informed to the Superintendent of the Audit by the letter dated 21.07.2017. Therefore we kindly request you to drop this item from the Auditor General's Report.

5.2 Budgetary Controls

BOI has used Budgetary Control System as an effective management tool to achieve the annual budget.

BOARD OF INVESTMENT OF SRI LANKA

6. Systems and Controls**(a) Control over Personnel Emoluments**

Please refer reply for 2.5 (a) above.

(b) Collection of Dues from Enterprises

Following procedure is followed to recover the dues from Enterprises.

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

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

- 1st Reminder is sent during the 1st week of February notifying suspension of services from 28th February if not settled by 28th February.
- Zone Officers are also informed giving the deadline for payment of Ground Rent and Annual Fees, as 28th February.
- By 2nd 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 the day is indicated in the MIS system to enable Directors/Accountants/Managers at Zone/Regional Officers to follow up on dues at the time of providing a service.
- 2nd Reminder is sent by 30th June.
- Commencing 2011, 3rd Reminder is sent by 1st week of September.
- Commencing 1st October 2007, interest is charged on delayed settlement of dues. Accordingly, interest is charged after 10th January of the year for all delayed settlements.
- A list of enterprises who have defaulted Annual Fee/Ground Rent in the preceding year is submitted at end of January in the following year to relevant Investment Sector Group/Monitoring Department of the BOI for termination of Agreement & the Legal Department to take legal action.
- A statement of non-compliance / cancellation is sent by relevant Investment Sector Group/Monitoring Department before cancelling projects requesting for payment of dues.

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- 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 enterprises. 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.
- In 2013, a separate Monitoring Unit was established to expedite recovery of dues. However, this function has been entrusted to the Monitoring Department from late 2014.

Annexure I

141

Dr Willie Gamage
Chairman
Janatha Estates Development Board
55/75, Vauxhall Lane
Colombo 2.

06.09.2012

EC/9/LA/Hantan

**Principle Sum of Rs.52,383,573.27 Payable to BOI in Lieu of
Land Released from Hantana Estate**

We make reference to our letter dated 06.07.2012 sent in connection with the above captioned matter (vide copy attached).

We shall be thankful to you if you could send us the firm assurance at your earliest, which we have requested from you with regard to repayment of the sum of Rs.52,383,573.27 certainly after 18 months based on the undertaking given by you in your letter, addressed to me on 27.06.2012.

Since the Audit Dept of Board of Investment of Sri Lanka is supposed to report the present status of this matter to the COPE meeting, your early reply is very much appreciated by us.

Your cooperation in this regard is very much obliged by us.

4

M M C Ferdinando
Chairman/Director General
BOARD OF INVESTMENT OF SRI LANKA

Nalini AD
Zhera h

M
6/9/12

Annexure II

13°

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அரசு வளங்கள் மற்றும் தொழில் முயற்சி அபிவிருத்தி அமைச்சு
Ministry of State Resources & Enterprises Develop



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மக்கள் தோட்ட அபிவிருத்திச் சபை

JANATHA ESTATES DEVELOPMENT BOARD

මගේ අංකය
எமது இலக்கம்
My No.

27th June 2012.

BOARD OF INVESTMENT
OF SRI LANKA
02 JULY 2012
ENGINEERING APPROVALS &
SPECIAL PROJECTS DEPT.

ඔබේ අංකය
உமது இலக்கம்
Your No.

Mr.M.M.C.Ferdinando,
Chairman/Director General,
Board Of Investment of Sri Lanka,
World Trade Center,
Level 12,
Echelon Square,
Colombo 01.

DIRECTOR GENERAL'S OFFICE
29 JUN 2012
12-06-001099
BOARD OF INVESTMENT
SRI LANKA

M.M.C. Ferdinando
G.I.E.S.
Plan release

Dear Mr.Ferdinando,

PRINCIPAL SUM OF RS.52,383,573.27 PAYABLE TO BOI IN LIEU OF THE LAND RELEASED FROM HANTANA ESTATE.

We refer to your letter dated 24th May 2012, under the above caption.The content of which have been noted.

But, it is essential to bring to your kind attention that Janatha Estates Development Board is currently experiencing a severe financial crisis, with over SLRs. 1.8 billion liabilities, and an annual cash flow deficit of over SLRs.250 million. The wage increase made in April 2011 has brought disastrous effects and the wage increase was almost 27 per cent.

Further the drop in demand for tea due to global unrest ,particularly in middle-east countries during years 2010 & 2011, has adversely affected. More over, the unprecedented weather patterns being experienced by the entire country has aggravated the problems in the plantation sector.

Despite above, the undersigned as the Chairman of JEDB and Secretary to Ministry of State Resources & Enterprise Development has taken various measures to recover not only JEDB but Sri Lanka State Plantations Corporation (SLSPC) & Elkaduwa Plantation Limited (EPL) also from its difficulties. At present our prime focus area has been improvement of production quality, volumes and reduction of overheads. In this regard, the Ministry of State Resources & Enterprise Development has made an investment of over SLRs. 46 million for fertilizer and over SLRs.25 million allocated to upgrade existing machinery for better quality of teas.A request is made from all plantations under above entities to reduce overheads by 15 -20 per cent.

ප්‍රධාන කාර්යාලය	:	55/75, වොක්හෝල් පවුම, කොළඹ 02.
தலைமை அலுவலகம்	:	55/75, வாக்ஹால் ஒழுங்கை, கொழும்பு 02.
Head Office	:	55/75, Vauxhall Lane, Colombo 02.
දුරකථන / தொலைபேசி இல. / Telephone	:	011 2327088-011 2445398
ෆැක්ස් / தொலைநகல் இல. / Fax	:	011 2446577
විද්‍යුත් තැපෑල / E-mail	:	iedhcd@yahoo.com



Annexure IV

රාජ්‍ය සම්පත් සහ ව්‍යවසාය සංවර්ධන අමාත්‍යාංශය
அரச வளங்கள் மற்றும் தொழில்முயற்சி அபிவிருத்தி
Ministry of State Resources and Enterprise Development

561/3, ඇල්විටිගල මාවත, කොළඹ 05.
 561/3, எல்விட்டிகல மாவத்தை, கொழும்பு 05
 561/3, Elvitigala Mawatha, Colombo 05.

මගේ අංකය }
 எனது இல } MSRED/2(i)/12/07/24
 My No }

මෙබේ අංකය }
 உமது இல }
 Your No }

Director General

30 OCT 2014

Date: 2014.10.23

191 23 OCT 2014 A-15

MINISTERING APPROVALS
 SPECIAL PROJECTS DEPT.

අධ්‍යක්ෂ ජනරාල්,
 ශ්‍රී ලංකා ආයෝජන මණ්ඩලය.

පොල්ගහවෙල පිහිටි අපනයන පැකකමි කලාපය පුරාණ කිරීම සඳහා ජනතා වතු සංවර්ධන මණ්ඩලයේ අයදුම් පිටපත්
විෂේෂ යෝජිත කොටසින් අත්කප 15 ක් නිදහස් කිරීම.

ඉහත කඳුණ පමිකන්ධයෙන් මධ්‍යම 2014.09.18 දිනැති ලිපිය හා බැඳේ.

2. පොල්ගහවෙල පිහිටි අපනයන පැකකමි කලාපය පුරාණ කිරීම සඳහා ජනතා වතු සංවර්ධන මණ්ඩලයට අයත් කැණුණු වැටිලි සමාගම් විසින් පාලනය කරනු ලබන කුරුණෑගල දිස්ත්‍රික්කයේ පිහිටි පදනමක් වශයෙන් යෝජිත කොටසින් අත්කප 15 ක ඉඩම් කොටසක් ශ්‍රී ලංකා ආයෝජන මණ්ඩලය වෙත පවරා දීමට කටයුතු කර ඇති බව ජනතා වතු සංවර්ධන මණ්ඩලයේ සභාපතිගේ අංක JEDB/LND/BOI හා 2014.09.29 දිනැති ලිපියෙන් දන්වා ඇත. එම ලිපියේ පිටපතක් මේ සමඟ එවමි.

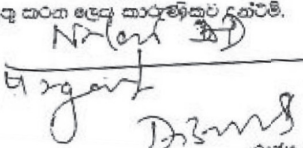
3. පහත සඳහන් තොරතුරු හා සොර්ජනා ජනතා වතු සංවර්ධන මණ්ඩලය සභාපතිගේ ඉහත ලිපිය මගින් ඉදිරිපත් කර ඇත.

I. ඒ සඳහා වැටියල් 30,000,000.00 (වැටියල් ලක්ෂ තුන්සියයක) රජයේ තත්කේරු වටිනාකමට මෙම ඉඩම් කොටස බැහැර කිරීමට කැණුණු වැටිලි සමාගම් එකතුවට පසු කර ඇත.

II මෙම ඉඩම් කොටස සඳහා අය විය යුතු වැටියල් මිලියන 30 ක මුදල ජනතා වතු සංවර්ධන මණ්ඩලය විසින් ශ්‍රී ලංකා ආයෝජන මණ්ඩලය වෙත භවිත යුතු වැටියල් මිලියන 50 ක මුදලට හිලවූ කිරීමට කටයුතු කරන ලෙස දන්වා ඇති අතර ඒ සඳහා විරෝධයක් නොමැති බව ජනතා වතු සංවර්ධන මණ්ඩලය 2014.06.16 දිනැති ලිපියෙන් දන්වා ඇතත්, එරෙහිව සභාපතිගේ ආයතන මුහුණපා ඇති දැඩි මූල්‍ය අර්බුදය හේතුවෙන් මෙම වැටියල් මිලියන 30ක මුදල ජනතා වතු සංවර්ධන මණ්ඩලයට ලබා නැතිමි.

III මිනු සංවර්ධන ව්‍යාපාරිකයන් සඳහා ජනතා වතු සංවර්ධන මණ්ඩලය විසින් ශ්‍රී ලංකා ආයෝජන මණ්ඩලය වෙත නිදහස් කිරීමට සොර්ජනා කර ඇති අංක 175, වොස්කෝල් විදිග කබඩා සංකිරණය සඳහා අයවිය යුතු මුදලින් ඉහත ණය මුදල සඳහා හිලවී කිරීම.

4. ඒ අනුව අවශ්‍ය කටයුතු කරන ලෙස කාරුණිකව දන්වමි.


 Director General
 රාජ්‍ය සම්පත් හා ව්‍යවසාය සංවර්ධන අමාත්‍යාංශය
 ලේකම්

පිටපත : සභාපති - ජනතා වතු සංවර්ධන මණ්ඩලය
 විද්‍යාලය - මධ්‍යම අංක JEDB/LND/BOI හා 2014.09.29 දිනැති ලිපිය අනුව දැනුණු

දුරකථන } தொலைபேசி } Tel }	011-2368358	ෆැක්ස් } பெக்ஸ் } Fax }	011-2368380	00 45	ලේකම් } செயலாளர் } Secretary }	011-2368280	0- 088 எ மெயில் } E - Mail }	stateresources@gmail.com
	011-2368390							
	011-2368400							

Annexure V

2.3.4 (ii) Unsettled Retention Money

Location	Description	Contractor	Retention Money (Rs.)	Remarks
Head Office	a).Kandy City Center	Property Finance	1,649,551.97	Arrangements are being made to release the retention money
	b).Supply of Medical equipment	Analytical Instruments PLC	19,841.58	Retention money has already been released
	c).Rearrangement of Deputy Minister's Office at Level 27, WTC	Adwatch (Pvt) Ltd	227,317.50	Since the particular work had been done for the Ministry, relevant invoice for release of retention money was forwarded to the Line Ministry by Admin. Dept. of BOI
	d).Renovation to Jaffna Regional Office	Mihindupura Samurdhi Balakaya	39,846.00	To be taken as income in BOI accounts since request to release retention money has not been received yet
	e).Supply of Defibrillator for Base Hospital Tangalle	Premium Ltd	38,175.00	-Do-
	f).Supply of Multimeter for Base Hospital Tangalle	Marks HLC	19,400.00	-Do-
Biyagama EPZ	Augmentation of Common Waste Water Treatment Plant	KES Engineering (Pvt) Ltd	1,113,349.00	Issue pertaining to the recovery of balance advance payment has not been settled yet. Therefore, retention money couldn't be released.

Location	Description	Contractor	Retention Money (Rs.)	Remarks
Kandy IP	a). Water Supply	National Water Supply & Drainage Board	90,000.00	Arrangements are being made to release the retention money
	b). Construction of Dump yard Separator and a Parapet wall	Gihan Enterprises	190,418.00	Arrangements have been made to treat as income of BOI.
Malwatte EPP	Construction of RCC road side drains	348 A , Malwatte Gramiya Samurdhi Balakaya	8,607.00	Arrangements have been made to treat as income of BOI.
Wathupitiwela EPZ	Replacing RCC cover slabs along main access road	Maduwegedara Grama Sanwardena Samithiya	7,035.00	Arrangements are being made to release the retention money
Horana EPZ	a).Supply installation and commissioning of a bore hole pump for BH 10	Dimo (Pvt) Ltd	33,755.00	Arrangements have been made to treat as income of BOI.
	b).Construction of storm water drain along P4 – P4a road	Gamini Construction	480,848.40	Release of retention money approved by Tech. Services Dept. of BOI on 21.05.2013 and arrangements made to release
	c).Laying of pre-cast concrete ducts	D S Construction	133,187.00	Arrangements are being made to release the retention money
Mirijjawila EPZ	BOI/SR/TS/MIP/2011/04	Green Engineering (Pvt) Ltd	62,700.00	Arrangements have been made to treat as income of BOI.
Hiriyala	Construction of a Building	National Engineering Research Development Center	1,332,882.00	Awaiting for clarifications from Inland Revenue Department regarding taxes relevant to payments already made to the NERD center



Registered Post

18.11.2016

Our Ref: EC/15/TS/GEN/126

Divisional Secretary
Divisional Secretariat
Muthur

BOARD OF INVESTMENT OF SRI LANKA

P.O. Box 1768, World Trade Center - West Tower, Echeleon Square, Colombo 01, Sri Lanka.

Date :
Our Ref :
Your Ref :

Dear Sir

LAND IDENTIFIED FOR HEAVY INDUSTRY ZONE AT SAMPUR

We wish to make reference to our letter dated 06.08.2014 addressed to you issuing Bank of Ceylon cheque no. 298055 dated 01.08.2014 releasing funds amounting to Rs. 20 Mn. for the construction of houses for resettlement of families in view of the allocation of land in extent 818 acres at Sampur to BOI for the proposed Heavy Industry Zone.

As you are aware due to a subsequent decision made by the Cabinet of Ministers, BOI had to return the land in extent 818 acres back to the Land Commissioner General.

Although the BOI in terms of letters dated 09.03.2016, 18.05.2016 and 25.07.2016 has requested to allocate land in the balance area in Sampur for the proposed Heavy Industry Zone project, so far the request has not been responded favourably. Copies of said letters have been attached for information please.

Therefore we have no option other than to request from you to return the funds amounting to Rs. 20 Mn. back to BOI since the BOI has not been provided any land despite numerous requests and reminders made.

Yours faithfully

BOARD OF INVESTMENT OF SRI LANKA

S B F de Silva

EXECUTIVE DIRECTOR (TECHNICAL SERVICES)

- cc: 1. District Secretary/Trincomalee
2. Secretary to the Governor-Eastern Province
3. Deputy Director (Trincomalee Regional Office)/BOI

encl.

Tel : 94 11 2385972-6, 2346131-3, 2434403-5, 2435027, 2447531

Fax 94 11 2329795

E-mail : info@boi.lk

Web: www.investorilanka.com

SBF/ep

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තක්සේරු දෙපාර්තමේන්තුව
විභාගයක්වනු ලබන
VALUATION DEPARTMENT

මහ කොළඹ ප්‍රාදේශීය
කොටුබදු පෙරුම්පාසුව
COLOMBO METRO REGION

තක්සේරු මෙහෙයුම් 3 වන මටු
අංක 748, මාරුදාන පාර, කොළඹ 10
විකුණවීමේ මධ්‍යස්ථානය
මු.අ.748 මාරුදාන පාර, කොළඹ 10
Valuation House, 3rd Floor,
No. 748, Marudana Road, Colombo 10

ප්‍රදේශ තක්සේරුකරු Regional Valuer	011-2674477	දිස්ත්‍රික් තක්සේරුකරු District Valuer	011-2674478	පාලන කාර්යාලය Office	
ප.ම. අංක P.O. Box No	561	විදුලි සන්නිවේදන කේන්ද්‍රය Telegraph	"ප්‍රධාන තක්සේරු" "Chiefval"	ෆැක්ස් Telefax	011-2694383
ප්‍රධාන තක්සේරුකරු / ප්‍රධාන විභාගයක්වනු ලබන Chief Valuer		011-2695533		Email:	divv@uedslk.lk
අතිරේක ප්‍රධාන තක්සේරුකරු / අතිරේක ප්‍රධාන විභාගයක්වනු ලබන Additional Chief Valuer					011-2693658
මෙහි අංකය My No	KL/LM/3381		ඔබේ අංකය Your No	දිනය Date	2016.10.16

රහස්‍යයි ලි.ප.ක.෭

අධ්‍යක්ෂ ජනරාල්
ශ්‍රී ලංකා ආයෝජන මණ්ඩලය
ලෝක වෙළඳ මධ්‍යස්ථානය
124 මහල, නැගෙනහිර කුළුණ
එව්ලන් චතුරලය
කොළඹ 01

භාරණ පරිත් චක්‍රයේ වටවත්ත අපනයන සැලසුම් කලාපය සඳහා අක්කර 100 ක්
දීර්ඝ කාලීන බදු පදනම මත ලබාදීම සඳහා තක්සේරු වාර්තාවක් ලබා ගැනීම

ලක්කරුණ සම්බන්ධයෙන් ඔබේ සමාංක හා 2016.09.12 දිනැති ලිපිය හා බැඳේ.

(12. ඒ අනුව, බස්නාහිර පළාතේ කළුතර දිස්ත්‍රික්කයේ භාරණ ප්‍රාදේශීය සහා බල සීමාව තුළ තුළ
වටවත්ත ගමේ පරිත් චක්‍රයේ පිහිටි අයි.ඒ.විජේතිලක බලයලත් මිනිත්දෝරුතැන වීසින් 2016.10.04
දින මැන සකස් කරන ලද අංක: 3368 දරණ පිඹුරේ කැබලි අක්ෂර A වශයෙන් පෙන්වනු ලබන අක්:100
රූ.0:0 පරි:00 ක් වූ ඉඩම වසර නිෂ්පාදන කර්මාන්ත ව්‍යාපෘතියක් සඳහා දීර්ඝ කාලීන බදු පදනම මත ලබා
දීමට වර්තමාන වෙළඳපල වටිනාකම සහ බදු කුලිය තක්සේරු කර පහත පරිදි වාර්තා කරමි.

අනු අංකය	විස්තරය	තක්සේරු වටිනාකම (රුපියල්)
01	වර්තමාන වෙළඳපල වටිනාකම	185,000,000/- (එකසිය අසූපන් මිලියනයයි)
02	99 අවුරුදු බදු පදනම මත ලබා දීමේදී එකවර ගෙවිය යුතු මුදල	170,825,000/- (එකසිය හත්තැ මිලියන අටසිය විසිපන් දහසයි)
03	50 අවුරුදු බදු පදනම මත ලබා දීමේදී එකවර ගෙවිය යුතු මුදල	145,850,000/- (එකසිය හතළිස් පන් මිලියන අටසිය පනස් දහසයි)
04	වාර්ෂිකව අයකරගත යුතු නාමික බදු මුදල	10,000/- (දස දහසයි)

(13. මෙම තක්සේරුව අදාල කාර්යය සඳහා පමණක් යොදා ගන්නා ලෙසත් වෙනත් කිසිදු කටයුත්තක්
සඳහා යොදාගොන්නා ලෙසත් වැඩිදුරටත් කාරුණිකව දන්වමි.

ප්‍රධාන තක්සේරුකරු වෙනුවට

ආචාර්ය ජනරාල්
විකුණවීමේ මධ්‍යස්ථානය
අංක 748, මාරුදාන පාර,
කොළඹ 10.

Page 00-03 of 00



අග්‍රාමාත්‍ය කාර්යාලය
பிரதம அமைச்சரின் அலுவலகம்
PRIME MINISTER'S OFFICE

Annexure VIII

58, මුස් දර්කට් ද පිල්වා මාවත, කොළඹ 07.
 58, முஸ்த ஏர்மைட், தசிலுவா மாளத்தைய, கொழும்பு 07.
 58, Sir Ernest de Silva Mawatha, Colombo 07.

මගේ යොමුව
 எனது குறியீடு
 My Ref.

PMO/01/ASP/2016/01(Vol V)

ඔබේ යොමුව
 உமது குறியீடு
 Your Ref.

දිනය
 திகதி
 Date

19.11.2016

Secretary

Ministry of Development Strategies & International Trade

Dear Sir



Cabinet Committee on Economic Management

Given below is an extract of the Minutes of Cabinet Committee on Economic Management Meeting held on 16th November 2016, for your information and necessary follow up action.

Item No. (16/11/2016/23)

Radial Tyre Plant within BOI Industrial Zone at Wagawatte, Horana

(Ref CCEM decision 09/11/2016/15)

Considering the request made by the Secretary, Ministry of Development Strategies & International Trade, approval was granted to amend the CCEM decision 09/11/2016/15 as follows.

A note submitted by the Minister of Development Strategies & International Trade requesting approval for the Radial Tyre Plant within BOI Industrial Zone at Wagawatte, Horana was discussed in detail. It was explained by BOI that out of 150 acres of industrial area the Investor concerned is asking for 100 acres and it is requested to build accommodation for the workers inside the zone, which is not acceptable in BOI zones. However the CCEM considering the need to facilitate a large investment it was decided to allocate 100 acres and to de list the land areas required for the accommodation and provide approval for the project. Approval was also granted to lease the land on a 99 year lease based on the valuation to be determined by the Government Valuer and on the basis of payment of total lease value upfront subject to a nominal annual payment.

Action by: Secretary, Ministry of Development Strategies & International Trade

සාමාන්‍ය
 அதுவகம்
 Gen. Office } 2575317
 2575318

දුරකථන
 தொலை
 Fax } 2574143
 2575454
 2575310

විද්‍යුත් තැපෑල
 மின்னஞ்சல்
 E-mail } secpra@slinet.lk

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287

Decision of the Cabinet Meeting held 16.11.29Atten - Mr Sunil de
silva**(B) Agenda Items :****(I) Cabinet Papers - General.**

05. Cabinet Paper No.16/2469/702/003-XXXVIII, a Memorandum dated 2016-11-21 by the Prime Minister on "**Minutes of the Meeting of the Cabinet Committee on Economic Management (CCEM) held on 16th November 2016**" - the above Memorandum was considered along with the observations of the Minister of Finance. After discussion, Cabinet, having noted that separate Memoranda on Item Nos.14 and 15 in Annex-1 to the Memorandum had been submitted to the Cabinet by the respective Ministers and decisions on the same have already been taken, decided to grant its concurrence for the actions decided/recommendations made by the CCEM in Annex-1 to the Memorandum.

Action by: **Secretary to the Prime Minister** - above observations annexed.

Copied to: **Secretary to the President** - above observations annexed.
My/National Policies and Economic Affairs - copy of Memorandum and above observations annexed.
My/Finance

<p>Radial Tyre Plant within BOI Industrial Zone at Wagawatte, Horana (Ref CCEM decision 09/11/2016/15)</p>	<p>Sec/ Development Strategies</p>
<p>Considering the request made by the Secretary, Ministry of Development Strategies & International Trade, approval was granted to amend the CCEM decision 09/11/2016/15 as follows.</p>	<p>Sec/ NP & EA Sec/ Finance Chairman/ BOI</p>
<p>A note submitted by the Minister of Development Strategies & International Trade requesting approval for the Radial Tyre Plant within BOI Industrial Zone at Wagawatte, Horana was discussed in detail. It was explained by BOI that out of 150 acres of industrial area the investor concerned is asking for 100 acres and it is requested to build accommodation for the workers inside the zone, which is not acceptable in BOI zones. However the CCEM considering the need to facilitate a large investment it was decided to allocate 100 acres and to de list the land areas required for the accommodation and provide approval for the project. Approval was also granted to lease the land on a 99 year lease based on the valuation to be determined by the Government Valuer and on the basis of payment of total lease value upfront subject to a nominal annual payment.</p>	

Cases Filed by BOI against Enterprises/Individuals

SR/ NO	CASE NO.	PARTIES	COMPENSATION AMOUNT IN RS.
1	D.C. Colombo DMR 01262/13	BOI -vs- Upasena Property Development (Pvt) Ltd	626,750.00 (Dues from the Company)
2	H.C. Kalutara ALT 40/2016	B O I -Vs- The Ceylon Estates Staff's Union & 02 Others	1,910,225.00 (Deposited. However made an appeal in the High Court, Kalutara)
3	H.C. Colombo ALT 40/2016	B O I -Vs- R.A. Dharmadasa	3,627,900.00 (Deposited. However made an appeal in the High Court, Colombo)

Cases Filed by Enterprises/Individuals against BOI

SR/ NO	CASE NO.	PARTIES	COMPENSATION AMOUNT IN RS.
1	S.C. Appeal 53/2012	Joint Liquidators of Bonaventure Textiles (Lanka) Ltd -vs- BOI	36,385,186.20
2	S.C. Appeal 54/2012	Joint Liquidators of Bonaventure Apparels Lanka (Pvt) Ltd -vs- BOI	46,790,396.67
3	H.C. (ARB) 1254/2002	Million Garments (Pvt) Ltd -vs- B O I	102,138,350.00 (Ceased the Account of BOI in BOC Bank by Courts for the amount.)
4	S.C. (F/R) 455/2015	S.Y. Nawaratne -VS- B O I & 09 Others	10,000,000.00
5	H.C. (Civil) 49/2011/CO	Propack Shreiner (Pvt) Ltd -vs- Haikawa Industries (Pvt) Ltd	9,071,282.83
6	H.C. Colombo ALT 40/2014	L.H.W Kumara & K.A.A Hemapala -vs- BOI	Just & equitable compensation
7	D.C. Gampaha 2165/L	M.M.M. Smyle -vs- BOI	Plaintiff Claims ownership of land of 11A 2R at the BEPZ
8	Arbitration	Crown City Developers (Pvt) Ltd -vs- BOI	200 Mn.
9	ICC Arbitration 18656/CYK	Sevanagala Sugar Industries Ltd -vs- BOI	4 Bn.
10	LCIA Arbitration 163250	Housing & Construction Lanka (Pvt) Ltd Vs- BOI	11,281.62 Mn.
11	D.C. Colombo DMR 02244/2015	Stirling Group Lanka (Pvt) Ltd	18,285,800.00

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
Fax : 011-2447995, 2329795, 2430512, 2422407
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

Mahayawaththa, 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

Thihariya, 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

Southern Regional Office

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) 2420019, 2420025, 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 / 41526
Fax : (+9437) 2244657
E-mail : pwepz@boi.lk

Mawathagama Export Processing Zone

Dynevor 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 Mirijawila Industrial Park

Mirijawila, Hambantota
Tel : 047-2221596

Hambanthota Regional Office

Room No.302, Administrative Complex,
Ruhunu-Magampura, Siribopura,
Hambanthota, Sri Lanka.
Tel : (+9447) 2256800
Fax : (+9447) 2256800

Jaffna Regional Office

NHDA Building, Chundukuli, Jaffna
Tel : 021-2221336, 021-222130
Fax : 021-2221336