



# **ANNUAL REPORT 2017**

Board of Investment of Sri Lanka



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## Message from the Chairman



In 2017, BOI Sri Lanka stepped into the 40<sup>th</sup> year of sustainable growth as the national investment promotions agency, facilitating over 2,500 Enterprises at various stages of the project cycles. By the end of 2017, BOI has attracted over USD 15 billion cumulative Foreign Direct Investment through its investment project which amounted to over 84% of country's industrial exports.

BOI continues to drive its strategy in attracting Foreign Direct Investment and in 2017, one of the major tasks was formulating the BOI work plan in line with country's national development plan to enhance the Foreign Direct Investment (FDI) levels. BOI has been placing right strategies focussed on promoting investments in a transparent and a responsive manner that would contribute to a significant growth of the economy.

Apart from various initiatives taken by the BOI, with the Government initiatives to establish high powered committees, BOI was able to address challenges and issues that prevented or delayed the projects taking off the grounds swiftly. In addition to identifying new strategies to refocus investment promotion in targeted sectors and countries, BOI fervently encourages and facilitates existing firms to link with Global Value Chains. BOI has taken proactive initiatives to develop new Export Processing Zones in line with government's policy initiatives to identify lands for development of new Economic Zones.

With all these efforts in the backdrop, BOI was able to achieve the highest ever FDI level in 2017 with a recorded figure over US\$ 1.7 billion. This is more than a two fold increase compared to the figure of US\$ 801 million achieved in 2016.

I am pleased that I have been able to steer the BOI in the right direction under the guidance of H.E. the President, Hon. Prime Minister, Hon. Minister of Development Strategies and International Trade, Hon. State Minister of International Trade along with the cooperation from the Board of Directors and the staff of BOI.

I wish to appreciate to the enterprises that have placed their confidence in Sri Lanka and the line Agencies who joined with our team at BOI Sri Lanka for their commitment in achieving these numbers.

I commend the BOI Staff and the Board of BOI Sri Lanka for their commitment in implementing Government's investment oriented policy and export driven growth.

## Message from the Director General



The BOI, which stepped into its 40<sup>th</sup> year of contributing to the national economy, will continue to play a central role in achieving Government's economic objective of stronger economic growth, creation of employment and enhancing exports, via a significant increase in Foreign Direct Investment (FDI).

The Board of Investment of Sri Lanka (BOI) had a strong year 2017, achieving the highest level of FDI. This is a reflection of the confidence of investor community with the government policies.

In 2017, BOI has taken several initiatives to reduce the time taken for the approval process and to resolve investor issues in an efficient manner. The Project Screening Committee (PSC) immediately screens all investment applications jointly with cross functional departments to grant approvals and resolve all operational issues faced by Investors in an expeditious manner.

Being the investment facilitator, BOI has taken an initiative to improve service delivery by introducing Single Window Investment Facilitation Taskforce (SWIFT) which will act as a facilitatory arm of investment approvals process providing necessary linkages to the relevant line agencies in order to expedite the project approving process through a function based virtual platform.

BOI has established Re-investment Working Group to assist existing investors to expand, re-invest and upgrade their businesses by resolving their issues if any and using them as ambassadors to target new investors in export manufacturing and services sectors.

The BOI will invest in our employees to ensure they are "future ready" with the necessary skills to attract and facilitate top tier foreign and local investors. The Investment Promotion Certification Programme conducted by World Bank and the Problem Driven Iterative Adaptation (PDIA) programme conducted by the Center for International Development (CID) of Harvard University helped to enhance the investment promotion and facilitation competencies of the BOI staff.

The BOI has recruited the highest qualified young graduates to run the organization in future and to improve the communication skills of the staff, the training programmes have been conducted by Toastmasters International - Colombo Toastmasters.

As we look to the future, the BOI is determined to attract advanced technology and value creation which are essential for the long journey towards attaining first world economic status. We need to do this while retaining our core values, including a sustainable environment.

I would like to thank the Chairman and the Board of Directors for their excellent leadership and directives which has led in achieving outstanding performances in 2017 and special tribute to the BOI staff for their dedication over the past years in contributing to the BOI's significant growth.

Special thanks are due for our investors for their continued confidence, support and trust placed on us and BOI is determined to go an extra mile to extend its unstinted support to the investors.

## Board of Directors 2017



Mr. Dumindra Ratnayaka  
- Chairman



Mr. Sagara Gunawardana  
- Member



Mr. Ajit Gunewardene  
- Member



Mr. Hemantha Wickramasinghe  
- Member



Eng. Mangala P.B. Yapa  
- Member

## ***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.”***

## 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 as Export Processing Zones which concessions and other facilities were provided. These Zones were initially established in Katunayake and Biyagama. The GCEC was converted to BOI in 1992 by an Act passed in Parliament expanding its scope to cover the entirety of the country. BOI has evolved from an agency primarily responsible for the promotion, coordination and facilitation of foreign and local investment in the area of industrial exports to include services and infrastructure sectors as well.

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

## Objectives

The key objectives of the BOI focus on; foster and generate economic development, widen and strengthen the base of the economy, encourage and promote Foreign Direct Investments, diversify the sources of foreign exchange earnings and increase export earnings, encourage and foster the establishment and development of industrial and enterprises within the Republic.

## Role

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

The BOI acts as the first point of contact for investors who intend to set up projects in high value added/ hightech manufacturing, high value added apparel, IT enabled services, tourism, food processing, logistic, education and large scale infrastructure or other chosen sectors in Sri Lanka. Information and guidance are provided and approvals required from other Line Agencies are coordinated by the BOI to facilitate the investors.

Investment applications in respective sectors are evaluated by the BOI for approving and granting concessions and facilitate visa issuance for expatriates.

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

The BOI develops Export Processing Zones with readily available infrastructure facilities to provide investors with suitable sites for the implementation of projects within a minimum period of time.



## 40 Years of Excellence

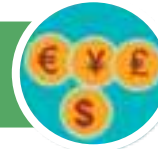
### Highlights 2017

Over 2,500 companies operating under BOI.  
800 (Section 16) -1700 (Section 17)



Over US\$ 15 billion cumulative FDI contribution to  
economic development.

Highest ever recorded FDI of USD 1.7 Bn. in 2017.



Contributes 70% of national exports and 84% of  
industrial exports.

500,000 direct employment.



Administer 12 Export Processing Zones/  
Industrial Parks.  
Planning for 3 proposed New Zones.

Strengthened investment facilitation.





## Catalyst for Changing the Landscape of Sri Lanka



Changing Colombo's Sky Line



Changing the Aspiration of Youth



Changing the Investor Perception



Changing towards Advanced Technology



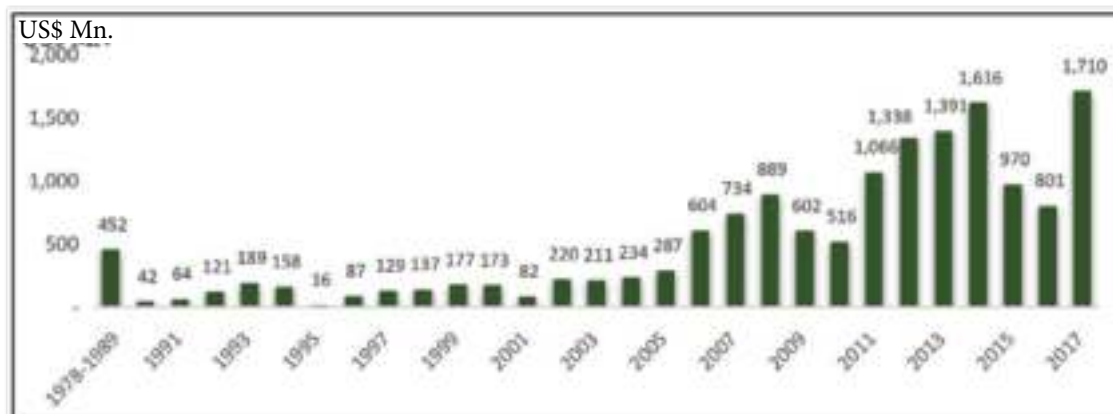
Changing the Map of Sri Lanka

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### BOI at a Glance

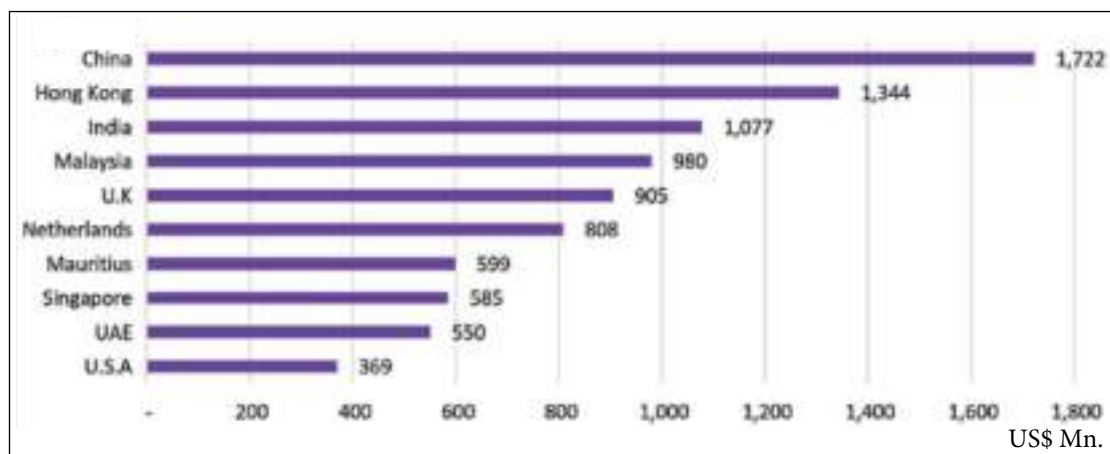
#### Foreign Direct Investment (1978 – 2017)

Cumulative FDI (1978 to 2017): US\$ 15,015 Mn.



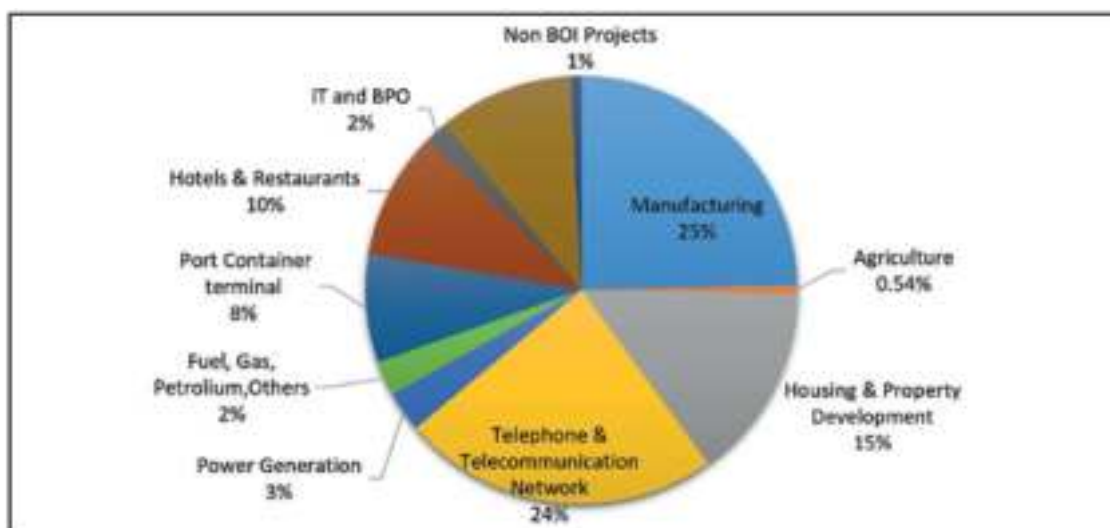
Source: MIS BOI

#### Top 10 Investing Countries in Sri Lanka (2008 – 2017)



Source: MIS BOI

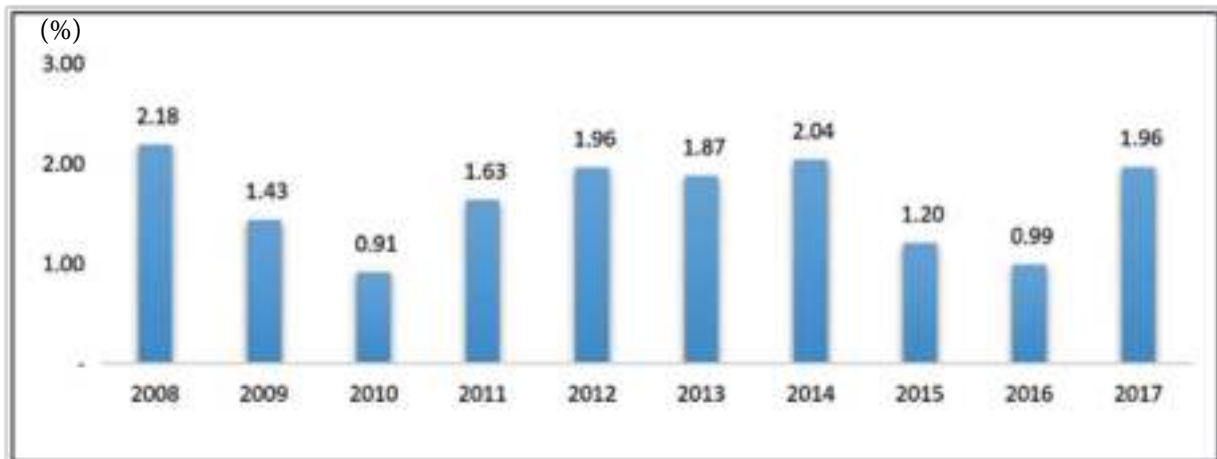
#### Foreign Direct Investment by Sector (2008 – 2017)



Source: MIS BOI

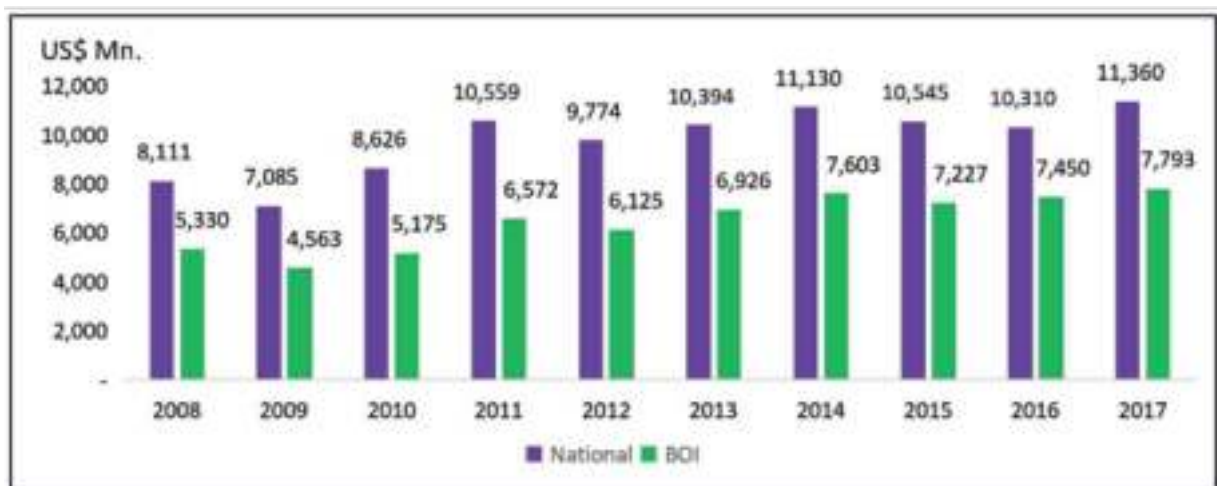


### Foreign Direct Investment as a Percentage of GDP (2008 - 2017)



Source : BOI and Central Bank

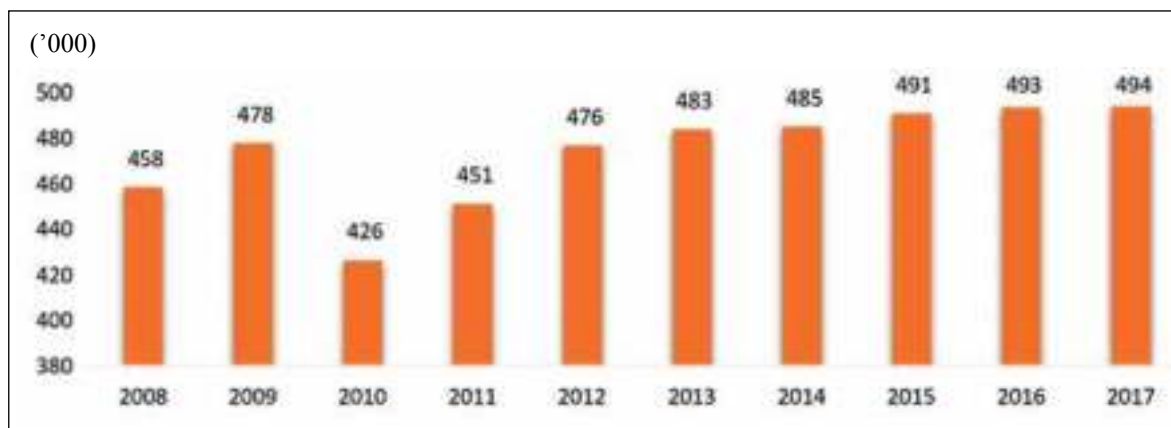
### Contribution to National Exports (2008-2017)



Source: MIS BOI

### Contribution to the National Employment (2008 - 2017)

**BOI Enterprises: 6% to the Total Labour Force**



Source: MIS BOI

## New Initiatives in 2017

### Strengthening Investment Facilitation through Acceleration of Investment Approval Process

BOI has taken several initiatives to reduce the time taken for the approval process and to resolve investor issues in an efficient manner by establishing following Committees.

- **The Project Screening Committee (PSC)**

The Project Screening Committee comprising of relevant senior officers of the BOI chaired by Director General meets weekly to screen all the projects received to the BOI and to streamline the investor facilitation process to resolve implementation issues of both existing and the potential investors.

- **Single Window Investment Facilitation Taskforce (SWIFT)**

Being the investment facilitator, BOI has taken an initiative to improve service delivery by introducing Single Window Investment Facilitation Taskforce (SWIFT) by providing necessary linkages to the relevant line agencies in order to expedite the project approving process through a function based virtual platform. SWIFT will improve investor awareness regarding the compliances and will guide the investors throughout the approval process.

This initiative has improved the information transparency of regulatory processes and process simplification of the Line Agencies. Twenty-four most important Line Agencies will be linked under a single platform in a phased approach.

- **Land Allocation Committee**

Land Allocation Committee has been established, by which all proposals that require BOI lands are evaluated according to a technical and financial criteria by the Land Allocation Committee.

- **Re-Investment Working Group**

The Chairman and Director General of BOI has appointed this group to encourage existing

investors to reinvest, expand or upgrade their businesses by facilitating and solving their bottlenecks. Further, this group also identifies new potential investors through the existing investor channel.

- **Template for Screen and Evaluate Projects**

The McKinsey Consultants developed a template to screen and evaluate investors to identify right investors and to drop non-credible investors which has improved the BOI investor screening process enabling BOI officers to spend more time on feasible projects.

### Identification of Lands to Develop of New Export Processing Zones

BOI is mandated to develop Export Processing Zones in the country and in line with government's new initiatives, proactively has taken steps to identify lands for development of zones as well as to find investors to develop new zones. Out of the lands identified as suitable for developing investment zones, it has been decided to begin development activities in three sites namely Bingiriya, Charlie Mount Estate – Matara and Milleniya.

### Budget Proposals to Establish New Export Processing Zones (EPZs)

Accordingly an allocation of Rs. 2.5 Bn. has been made in 2017 for this purpose.

### *Proposed Industrial Park in Milleniya*

- It is proposed to establish as a PPP Model Industrial Zone.

- Land acquisition for industrial area (244 acres) is in progress.
- 1<sup>st</sup> scoping meeting with relevant stakeholders was held to continue the Environment Impact Assessment (EIA).
- A Survey, to construct an Initial power line (Temporary) from Kalutara to Site Boundary, is in progress.
- Approval of the Board was granted to release a 5 acre land from Perth Estate Wagawatta to construct the Grid Substation for permanent power supply.
- Payment has been made to the National Water Supply and Drainage Board for the initial water supply of 500 m<sup>3</sup>/day and the work is in progress.
- Preliminary work is in progress to supply water of 2,000 m<sup>3</sup>/day.
- The survey for access road has been completed and land acquisition process is in progress.

#### ***New Industrial Zone in Bingiriya – Progress***

- Cabinet paper has been submitted to the Ministry of Development Strategies and International Trade (MODSIT) for land acquisition.
- Soil investigation is being carried out.
- Request for initial water supply of 1,000 m<sup>3</sup>/day and estimates have been obtained from the Water Board and forwarded to MODSIT for settlement.
- Estimates have been obtained for 2 MVA supply from the Ceylon Electricity Board and forwarded to MODSIT for settlement.
- Conceptual layout plan has been prepared by the BOI.
- 1<sup>st</sup> scoping meeting with relevant stakeholders was held to continue the Environment Impact Assessment (EIA).



#### **Targeted Approach for Attracting Investment**

The BOI has identified the target sectors for attracting FDIs and enhance export revenue through an in-depth research study which was done in collaboration with the Harvard University's Center for International Development (CID) and the World Bank Group. In identifying the target sectors, special focus has been placed on export oriented merchandise goods as well as services with a view to enhance foreign exchange earnings.

#### **Identification of Priority Target Sectors for Investment Promotion**

The priority target sectors have been identified based on following parameters;

- Where Sri Lanka's offering is market-ready (i.e. the country's offering is strong and there are no major constraints for attracting FDI).
- Which sectors are best-aligned with Sri Lanka's FDI potential.
- Where the country's value proposition is seen to have clear advantage over competing countries – in terms of quality, quantity and cost of supply.

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### Priority Target Sectors

- Manufacturing Sector
  - High Value Added, High Tech Manufacturing (automotive components, medical devices, pharmaceuticals, solar panels, fabricated metal parts, value added minerals).
  - High Value Added Apparel (smart textiles; wearable technology, niche apparel products).
  - Food Processing (fish, sea food, fruits, vegetables & dairy products).
- Services Sector
- IT Enable Services (IT Software, BPM, KPM).
- Tourism (hotels, recreational activities, adventure sports & leisure facilities).
- Logistics (entrepot trade, transportation, warehousing & storage).
- Education (both vocational and higher education).

### Strengthening Investment to Facilitate Investors

In addition to above initiatives of the BOI, the government has established two committees to further resolve policy level investor issues in an efficient manner and expedite the approval process.

### Single Window Investment Approval Committee (SWIAC)

The Cabinet appointed Single Window Investment Approval Committee chaired by Secretary to the Treasury, is established by the Government to grant approval for large projects and the BOI refers all projects with significant impact to the economy to this committee to obtain the preliminary approvals.

### Investment Approval Facilitation Committee (IAFC)

The bottlenecks and the line agency related issues which delay implementation of projects have been addressed at the IAFC, chaired by the Advisor to the Ministry of National Policies and Economic Affairs. Most of the issues have been successfully resolved with the participation of relevant line agencies and the BOI.





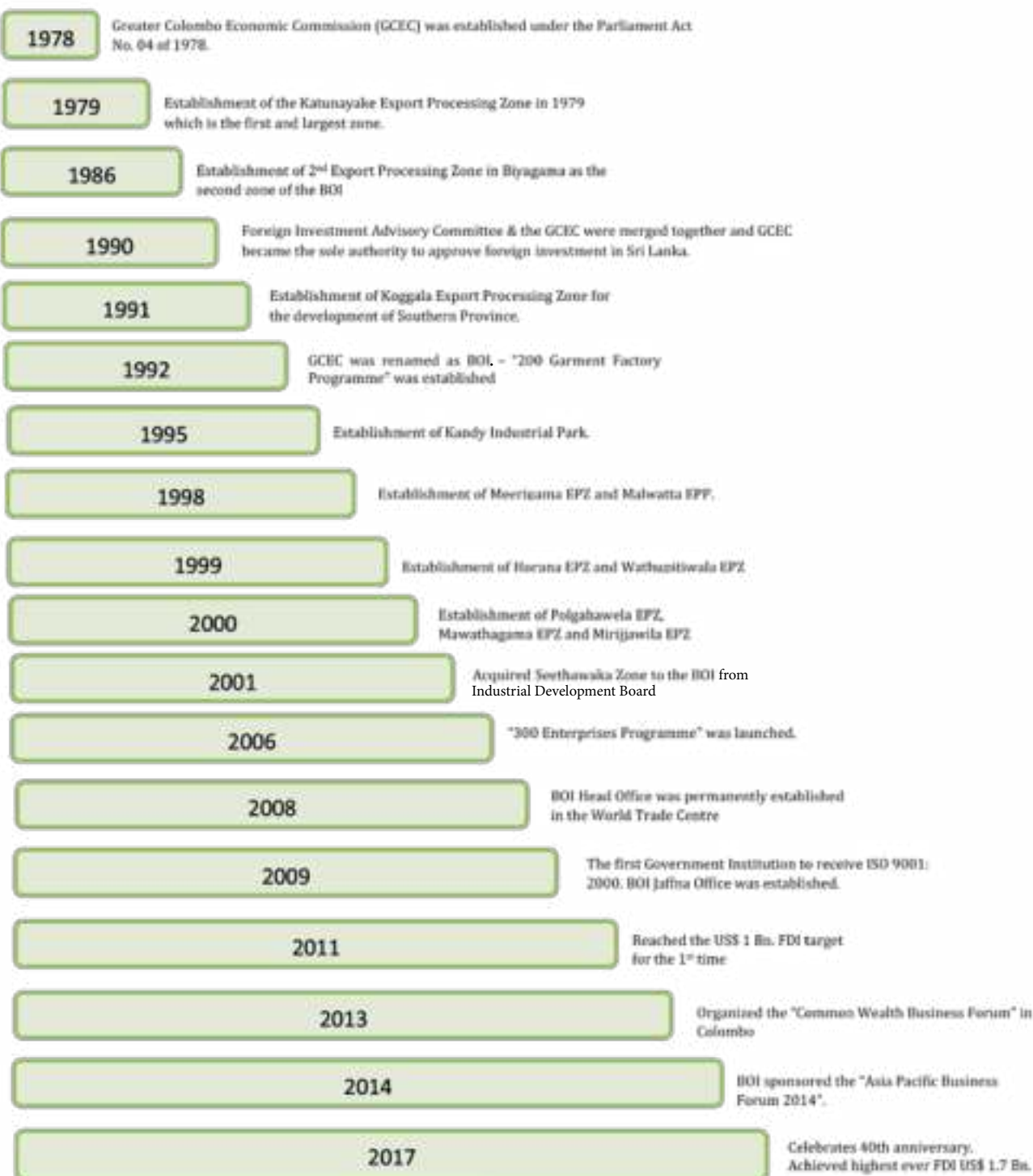
## 40<sup>th</sup> Anniversary Celebration



The BOI completes 40 years of existence in 2017. The Organization had its origins in the Greater Colombo Economic Commission (GCEC), which was established in 1978 to generate development in the outskirts of Colombo. Fourteen years later, in 1992, the Commission was reconstituted as the Board of Investment of Sri Lanka (BOI) with its mandate encompassing the entire island.

The BOI is acting as an engine of growth creating a considerable impact on the country's economic development during last 4 decades. The BOI is therefore a significant agent of social change and its existence of over 40 years has radically transformed Sri Lanka both economically and socially, placing the country in a position where it can compete in an increasingly globalized world.

## Milestones



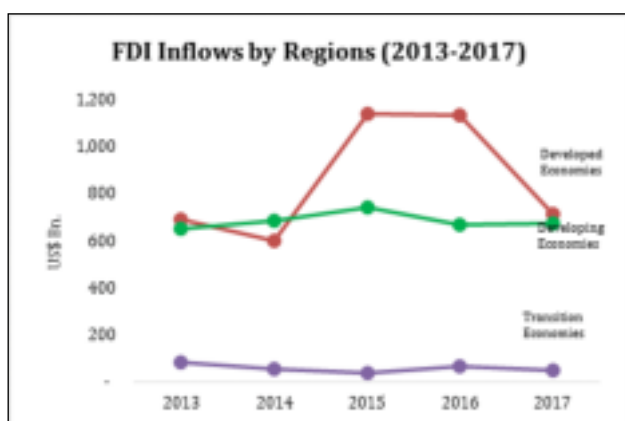
## Overview

### World Investment Scenario 2017

#### Global FDI Inflows

Global Foreign Direct Investment (FDI) inflows decreased by 23% in 2017 to US\$ 1.43 trillion compared to US\$ 1.87 trillion in 2016. The major reasons for this declining trend are 22% decrease in the value of cross-border mergers & acquisitions and 14% decrease in the value of announced Greenfield investments.

#### FDI Inflows by Regions



Source: UNCTAD, World Investment Report 2017

FDI inflows into the Developed Economies sharply declined by 37% in 2017. Developed Economies could receive only 49.8% of global FDI in 2017 compared to the 60.6% in 2016.

Inward FDI into the Developing Economies remained stable at US\$ 671 Bn. in 2017.



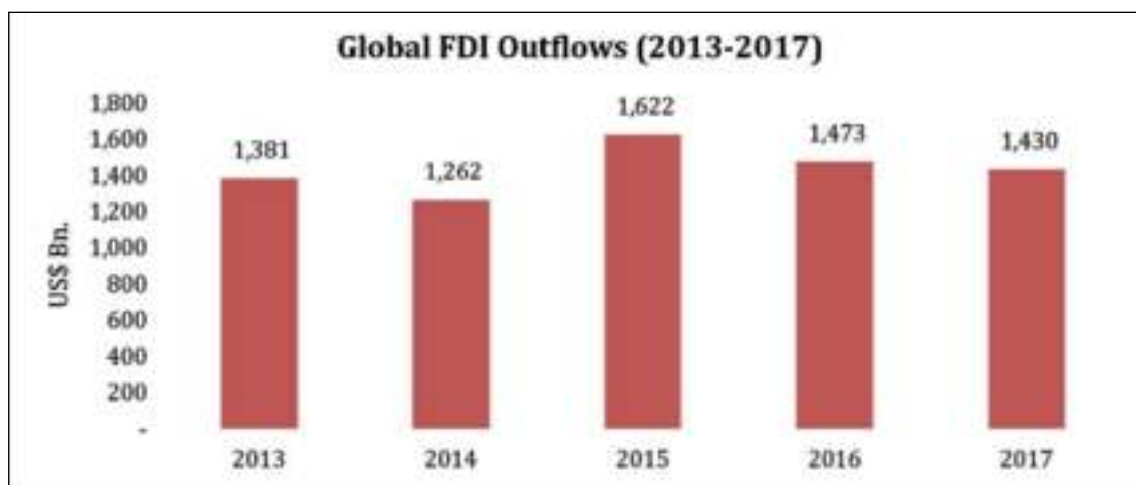
Source: UNCTAD, World Investment Report 2017

FDI inflows into the Developing Asia remained stable in 2017 and regained the position as largest FDI recipient in the world. FDI inflows into Latin America and Caribbean increased by 8% in 2017. However, FDI inflows into Africa declined by 21% compared to the previous year.

FDI inflows into Transition Economies decreased by 27% in 2017 and is the second lowest level since 2005.

## Global FDI Outflows

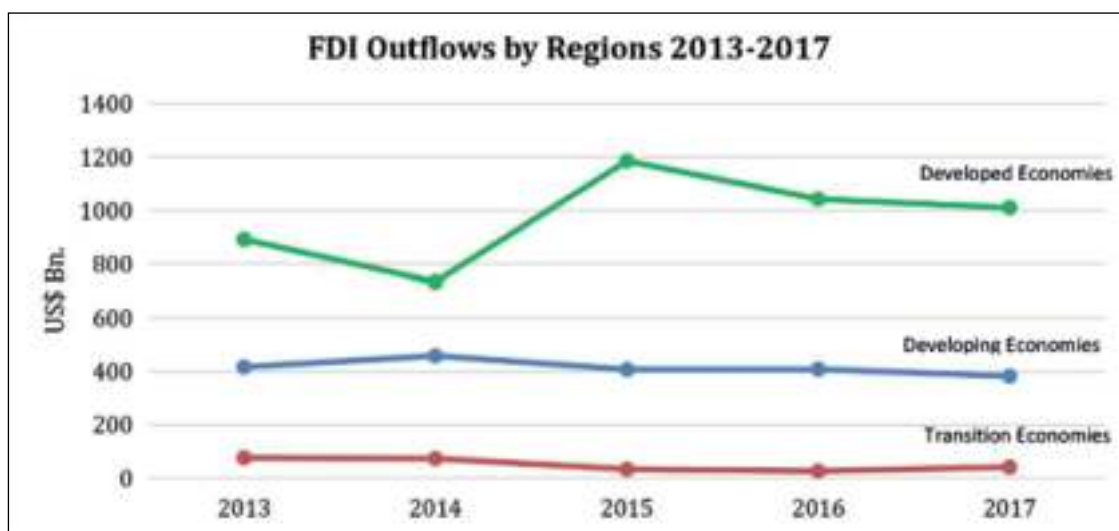
Global FDI outflows decreased by 2.9% to US\$ 1,430 Bn. in 2017 compared to the previous year.



Source: UNCTAD, World Investment Report 2017

## FDI Outflows by Regions

Outward investments of Developed and Developing Economies decreased by 3% and 6% respectively in 2017 compared to previous year. However, Outward FDI in transition economies increased by 59% in 2017.



Source: UNCTAD, World Investment Report 2017



## Sri Lanka Investment Outlook 2017

### Investment Performance – 2017

#### 1. Progress made on Applications Received



Source: MIS BOI

In the year 2017, 106 applications for new projects were submitted to the Board. Out of those 106 applications, 84 applications were approved of which 06 projects have commenced commercial operation and 11 projects are under implementation.

In addition, 61 applications for project expansions of existing projects have been received during year 2017.

## 2. Statuswise Project Details

### ◆ Projects Approved

The total number of project approvals granted in 2017 was 144 with a total estimated investment of US\$ 4,747 Mn. (Rs. 723,781 Mn.). The estimated total number of employment opportunities of approved projects in the year 2017 is over 37,000.

#### Investment & Employment Share of Approved Projects in 2017 – by Sector

Sector	No. of Projects	Est. Investment (Rs Mn.)	Employment (Nos.)
<b>Services/Infrastructure</b>	<b>52</b>	<b>521,776</b>	<b>9,382</b>
Housing & Property Development	13	31,048	2,464
Hotels, Restaurant Services & Entertainment Complexes	11	42,437	915
Shopping & Office Complex	6	101,082	1,548
Hospital Services & Medical Centres	3	4,480	1,228
Power Generation Plants	3	19,827	218
Marine Services	2	2,693	20
Call Centres/BPO & Hosting Centres	2	85	160
Port Development	2	314,927	2,246
Container Services, Warehousing & Freight Forwarding	2	672	94
Other	8	4,526	489
<b>Manufacturing</b>	<b>35</b>	<b>72,139</b>	<b>14,999</b>
<b>Agriculture</b>	<b>2</b>	<b>304</b>	<b>127</b>
<b>Expansions of Existing Projects</b>	<b>55</b>	<b>129,561</b>	<b>12,725</b>
<b>Total</b>	<b>144</b>	<b>723,781</b>	<b>37,233</b>

Source: MIS BOI

Out of the total approved investment in the year 2017, the Services/Infrastructure sector accounts for the highest contribution (72%) followed by the investments from expansions (18%) and Manufacturing sector (10%).

Out of the total estimated employment of the approved projects in 2017, 40% is expected to create from the Manufacturing sector while 25% is from the Services/Infrastructure sector.

### ◆ Agreements Signed

The total number of projects signed agreements with BOI in 2017 accounted for 103 in which 56 were new projects and 47 were expansions of existing projects. The total estimated investment of these projects was amounted to US\$ 3,462 Mn. (Rs. 527,882 Mn). These projects were expected to generate over 25,900 employment opportunities.

### ◆ Projects Commenced Construction/Implementation

In the year 2017, 68 new projects and 8 expansion projects commenced implementation/construction. The total estimated investment of projects that commenced implementation was US\$ 1,400 Mn. (Rs. 213,531 Mn.). The expected employment generation was over 12,000.

**Table 2: Top 10 projects (based on Est. Investment) commenced construction/implementation in 2017**

Project Name	Business Activity	Est. Employment (Nos.)	Est. Investment (Rs. Mn.)	Sector	Location
The One Transworks Square (Pvt) Ltd	Mixed Development Project	1,350	60,300	Infrastructure	Colombo
Capitol Towers Ltd.	A Residential Complex	895	16,632	Infrastructure	Colombo
Blue Mountain Apartments - Colombo 04	Mixed Development Project	138	16,269	Infrastructure	Colombo
Havelock City (Pvt) Ltd.	Mixed Development Project	259	15,211	Infrastructure	Colombo
Odel Properties One (Pvt) Ltd.	Mixed Development Project	66	14,730	Infrastructure	Colombo
Rigid Tyre Corporation (Pvt) Ltd.	Radial & Solid Tyres	981	10,875	Manufacturing	Kalutara
E A Macro Holdings (Pvt) Ltd.	Mixed Development Project	20	7,892	Infrastructure	Colombo
Union Place Apartments (Pvt) Ltd.	To set up an Apartment Complex	10	7,647	Infrastructure	Colombo
J S F Corporation (Pvt) Ltd.	Solar Systems Including Panels, Inverters & Led Lights	83	5,337	Manufacturing	Gampaha
Marine Drive Hotels (Pvt) Ltd.	308 Roomed (Four Star) Hotel	99	5,031	Tourism & Leisure	Colombo

Source: MIS BOI

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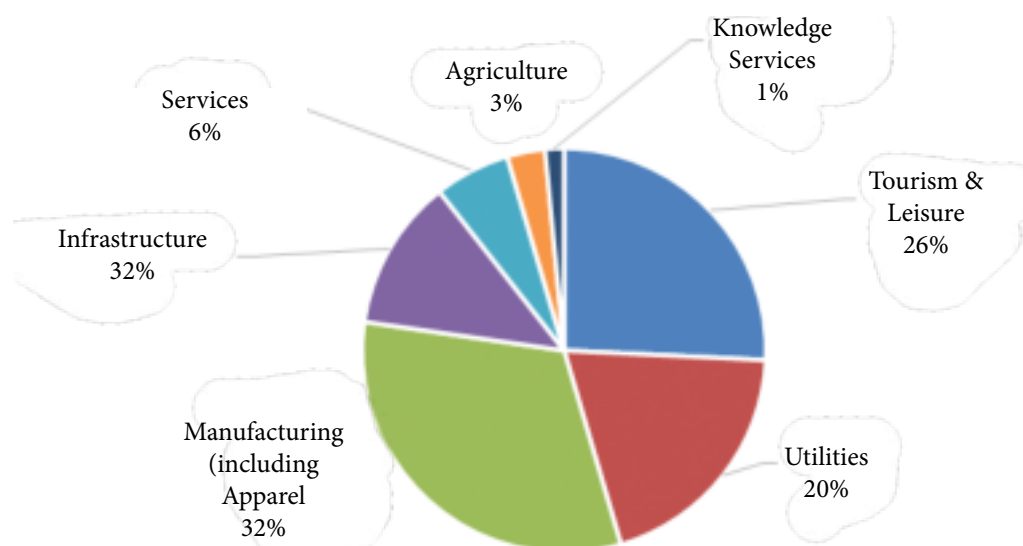
### ◆ Projects Commenced Commercial Operation

During the year 2017, a total of 66 projects (65 new projects and 1 expansion projects) have commenced commercial operation. The total realized investment of these projects accounted for US\$ 470 Mn. (Rs. 71,674 Mn.), and approximately 7,500 employment opportunities were created by these projects.

### ◆ Sector wise Distribution of Projects Commenced Commercial Operation

Out of 66 projects that commenced commercial operation in 2017, 17 projects were in the Tourism and Leisure sector followed by 13 projects in the Utilities, 21 projects in Manufacturing sector (including Apparel), 8 projects in Infrastructure sector, 4 projects in Services sector, 2 projects in Agriculture sector and 1 project in Knowledge Services Sector.

**Projects Commenced Commercial Operation in 2017  
Sectoral Distribution**

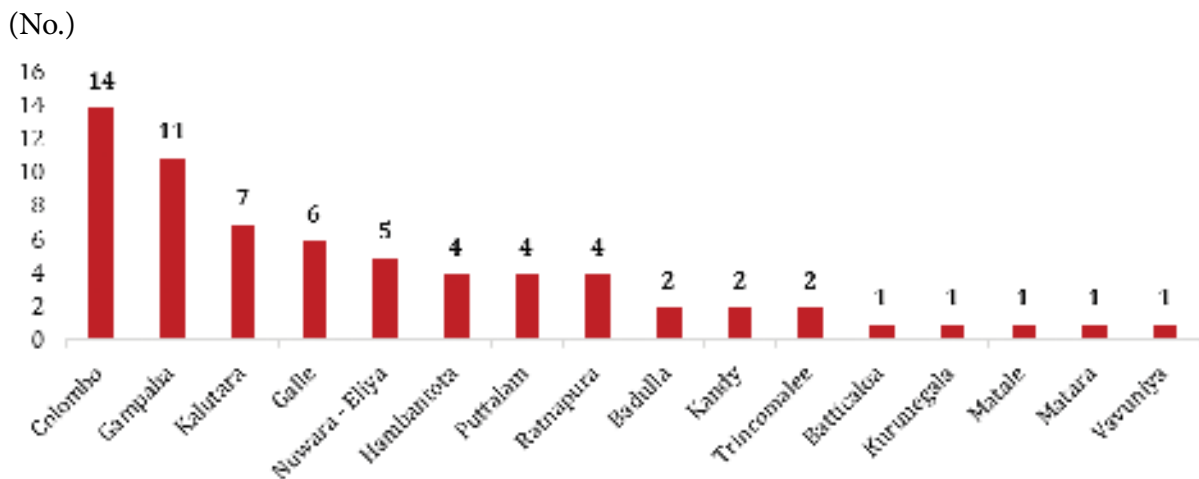


Source: MIS BOI

### ◆ District wise Distribution of Projects Commenced Commercial Operation

38% of the projects that commenced commercial operation in 2017 were located within the Colombo and Gampaha districts. The balance projects were geographically distributed over 14 other districts.

### District Wise Distribution of Projects Commenced Commercial Operation in 2017



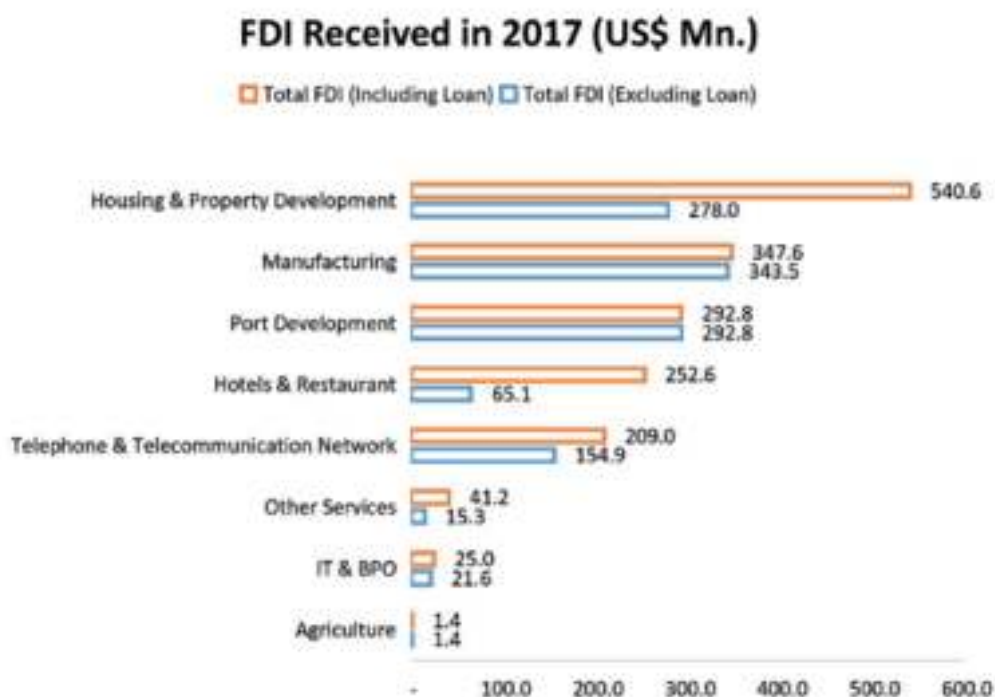
Source: MIS BOI

### 3. Foreign Direct Investment Attracted

The highest ever FDI was recorded in Sri Lanka in the year 2017 which amounted to US\$ 1,173 Mn. excluding foreign loans and US\$ 1,710 Mn. including foreign loan component.

#### Sector wise FDI Received

Out of total FDI received in 2017, Housing & Property Development sector has received the highest FDI amounting to US\$ 541 Mn (32%), followed by manufacturing sector with US\$ 347.6 Mn. (20%), Port Development sector with US\$ 293 Mn. (17%), Hotel sector with US\$ 253 Mn. (15%), Telephone & Telecommunication sector with US\$ 209 Mn. (12%) etc.



Source: MIS BOI

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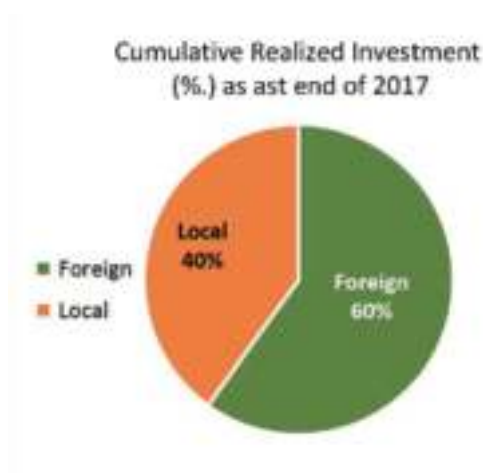
### Major Sources of Foreign Direct Investment – 2017

China was the largest source of FDI in 2017 with US\$ 628 Mn. This was followed by Hong Kong (US\$ 296 Mn.), India (US\$ 174 Mn.), Malaysia (US\$ 88 Mn.), Singapore (US\$ 81 Mn.), Netherlands (US\$ 72 Mn.), United Kingdom (US\$ 67 Mn.), Japan (US\$ 46 Mn.), Sweden (US\$ 43 Mn.), United States (US\$ 38 Mn.), Australia (US\$ 27 Mn.), Thailand (US\$ 22 Mn.), Philippines (US\$ 20 Mn.), UAE (US\$ 19 Mn.), Dubai (US\$ 14 Mn.) etc. These fifteen countries together accounted for 96% of the total FDI received in the year 2017.



Source: MIS BOI

#### 4. Realized Investment (Cumulative)

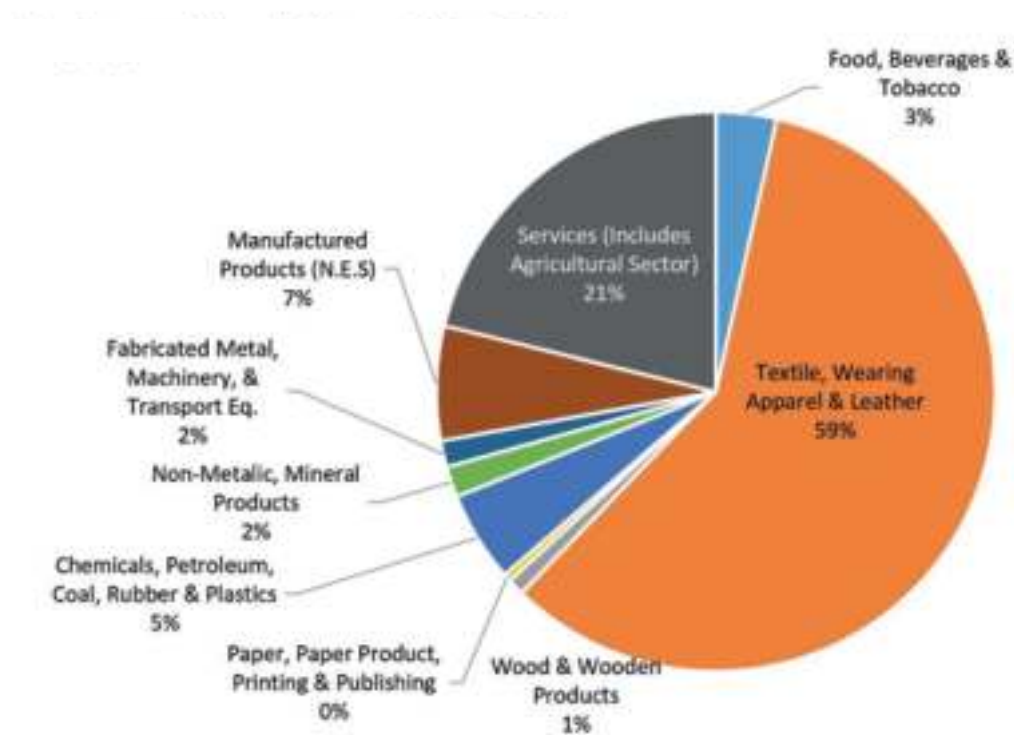


The realized cumulative total investment as at end of the year 2017 was Rs. 2,727 Bn., which showed a 26% increase compared to the previous year. Out of Rs. 2,727 Bn. total realized investment, 60% (Rs. 1,635 Bn.) represented the foreign component and the balance 40% (Rs. 1,092 Bn.) represented the domestic private investments.

The Infrastructure & Services sector accounted for 76% of the total realized cumulative investment and the balance 24 % was from the Manufacturing sector including Apparel.

## 5. Employment (Cumulative)

### Employment Cumulative as at December 2017



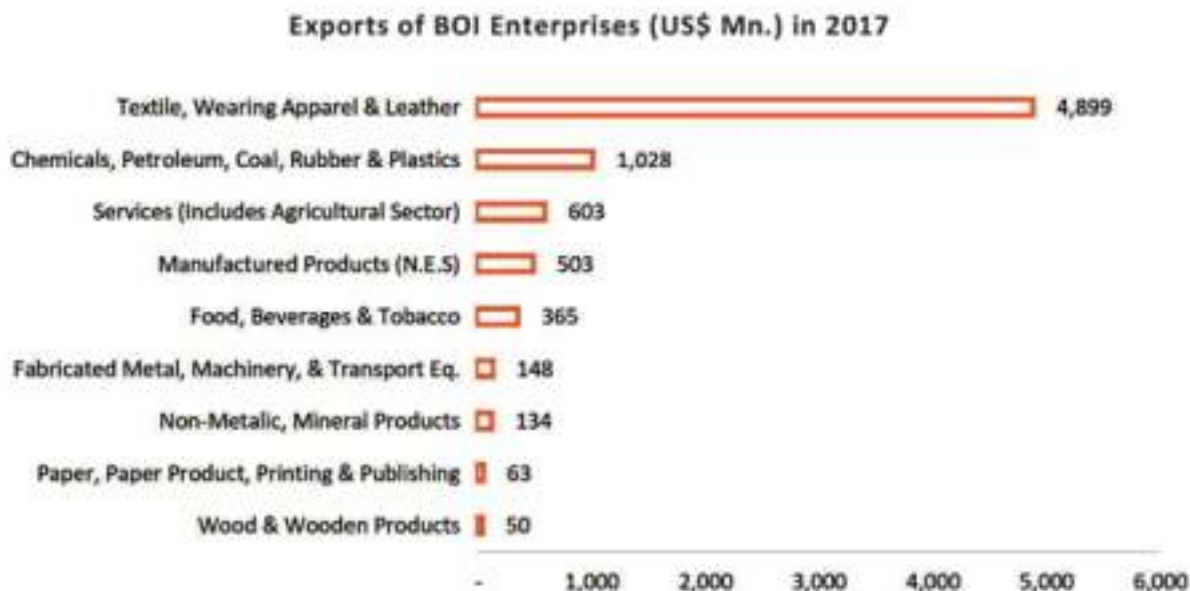
Source: MIS BOI

The cumulative employment of BOI projects as at December 2017 was recorded as 494,397

59% 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 21% of the total cumulative employment in 2017.

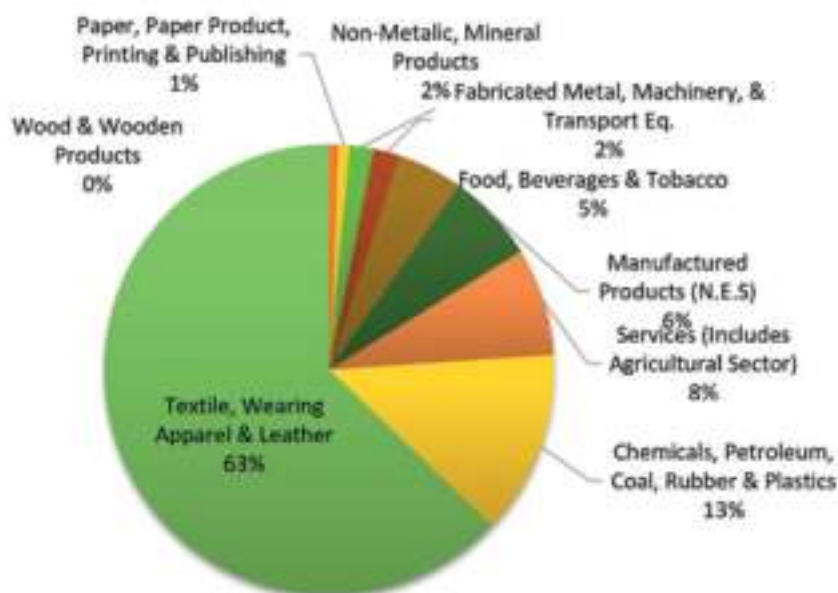
## 6. Export Performance

The total exports of BOI enterprises in 2017 amounted to US\$ 7,792 Mn, which represented 68% of national exports and 84% of national industrial exports.



Source: MIS BOI

### Exports of BOI Enterprises (%) in 2017



Source: MIS BOI

During the year of 2017, Apparel sector represented the highest percentage of exports (63%) followed by the Manufacturing sector (excluding apparel) which amounted to 29%. Services and Agriculture sectors represented 8% of the total BOI exports.



## Departmental Performance

### 1. Investment Promotion Department

#### Functions

The Investment Promotion Department is the first point of contact for the new investors. The key function of the Investment Promotion Department is to attract Foreign Direct Investment (FDI) from the target countries for desired sectors. Investment Promotion also involves in identifying the potential enhancements of existing investments, and encouraging the existing investors to expand their investments.

#### Progress

#### Outward and Inward Missions held by the Department during the year 2017

<b>Outward Missions</b>
<b>Australia (Melbourne) : 13<sup>th</sup>-17<sup>th</sup> February 2017</b> Round Table discussion was held in Melbourne to coincide the visit of the Hon. Prime Minister.
<b>Thailand: 15<sup>th</sup> -18<sup>th</sup> February 2017</b> Round Table discussion was held at the Thai Chamber of Commerce, followed by one to one meetings with selected companies including Rojana Ind. Park Public Co., and Amata Corp. Subsequent visits (inward) from Rojana Technical Team (March 2017) and a high level delegation in August 2018 to sign Letter of Interest.
<b>Hong Kong: 15<sup>th</sup> -18<sup>th</sup> March 2017</b> Director General, BOI participated as a guest panelist at Sri Lanka Investment Roadshow on the invitation of the Standard Chartered Bank.
<b>Moscow, Russia: 23<sup>rd</sup>-25<sup>th</sup> March 2017</b> Chairman, BOI represented in high level discussions, during the visit of H.E. the President in Moscow. BOI participated in the 2 <sup>nd</sup> session of Sri Lanka / Russia Intergovernmental Commission on Trade Economic, Science & Technical Corporation held in Colombo in October 2017. The BOI highlighted opportunities available for Russian Investors and the two sides agreed to facilitate closer investment linkages through the exchange of business missions.
<b>Hanoi, Vietnam: 15<sup>th</sup>-20<sup>th</sup> April 2017</b> The Director General, BOI represented the Sri Lanka - Vietnam Investment Forum and One to One Business Meetings were held with leading companies in Vietnam, in the presence of the Hon. Prime Minister.
<b>Turkey: 14<sup>th</sup> -20<sup>th</sup> May 2017</b> A fact finding mission was held on invitation of the Chairman of the Apparel Association in Istanbul.
<b>Osaka, Japan: 13<sup>th</sup> -18<sup>th</sup> May 2017</b> Chairman, BOI represented the discussions with Mitsubishi Tokyo UFJ Bank, Sri Lanka Japan Economic Corporation Committee and Mitsubishi Corp. Creating more awareness on Investment Opportunities in Sri Lanka.
<b>Singapore: 31<sup>st</sup> May-4<sup>th</sup> June</b> BOI participated as a panelist in a World Bank Programme.

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### **Sweden & Denmark : 6<sup>th</sup> -9<sup>th</sup> June 2017**

BOI represented the Awareness Mission which was held amongst the Danish & Swedish investor communities on the opportunities available under the Megapolis Initiatives.

Inward delegation from M/s Fortum Ltd., visited to explore Waste Management & Waste to Energy Projects in June & September 2017.

### **Turkey : 14<sup>th</sup>-19<sup>th</sup> August 2017**

BOI participated in the Izmir International Fair in Turkey.

### **Italy & Switzerland: 24<sup>th</sup> Sept.-2<sup>nd</sup> October 2017**

To initiate re-investment programme, Investment Promotion Missions were held in Italy & Switzerland. This investment promotion programme was organised by a Swiss company (Contrinex) which was already established in Sri Lanka (Ceylon Contrinex) and Director General and Executive Director (Investor Services) represented BOI. Few companies were interested to visit Sri Lanka to find out business possibilities. After follow up activities, The KUK Electronic has already finalised the first visit to Sri Lanka in June 2018.

### **China: November 2017**

Investment Promotion Seminar and One to One Meetings were held in targeted cities with pre identified companies.

### **Singapore: November 2017**

BOI complemented the Sri Lanka Singapore Business Council of the Ceylon Chamber of Commerce in organizing an Investment and Trade Promotion Mission with the support of IE Singapore.

### **Republic of Korea: November 2017**

Chairman BOI participated in an Investment Promotion Mission organized to complement HE The President's official visit to Korea. A high-level forum was followed by one on one meeting with selected companies.

The Lotte Engineering and Construction Company has expressed interest to explore possibilities in investing and engaging with construction projects in Sri Lanka. Delegation from "Lotte" has already visited Sri Lanka and had follow up discussions with the BOI.

### **Inward Missions**

#### **Delegates from SAITO College Malaysia and Alpha International Education Ltd of Stafford UK: 21<sup>st</sup> February**

Interested in setting up a training institute to (conduct IT related designing courses for Textile & Apparel).

BOI arranged meeting with JAAF and University of Moratuwa.

#### **Delegation from Mitsui Asia Pacific Business Unit, Singapore : 20<sup>th</sup> February**

Fact finding mission.

#### **Business Delegation from New Zealand 6<sup>th</sup> March**

Chairman BOI participated at the Business Forum organized by Australia, New Zealand Business Council and New Zealand Trade & Enterprise.

Inward delegation visited in October 2017, with interest in establishing an Aviation Academy at Mattala Airport.

#### **Business Delegation from Canada 14<sup>th</sup> March**

Met with the Chairman and Senior Officials of the BOI.

#### **Delegation from JIMA CO., LTD, Japan : 23<sup>rd</sup> March**

Interested in Solar Power projects.

<b>Delegation from Mitsubishi Corporation Finance &amp; Consulting Asia. Ltd Japan: 25<sup>th</sup> April</b>
Interested in infrastructure sector and Investment opportunities in the Port City.
<b>Delegation from Mitsui &amp; Co. Ltd 26<sup>th</sup> April : Japan</b>
Interested in Power sector.
<b>Business Delegation from Czech. Rep.: 4<sup>th</sup> May</b>
Chairman, BOI participated at the Business Forum and follow up discussion organized by the Hon. Consul for Czech Rep. in Sri Lanka.
<b>Business Delegation from: Guangxi Province, China 19<sup>th</sup> May</b>
Industrial Parks and Port Development.
<b>Delegation from Department of Trade Negotiation, Ministry of Commerce, Fiscal Policy, Institute of Thailand : 23<sup>rd</sup> May</b>
Study Tour to learn about investment opportunities in Sri Lanka. Met with Senior BOI officials as well as visited EPZ at Biyagama and Hambantota.
<b>Business Delegation from Zhengzhou Municipal Committee, China: 24<sup>th</sup> May</b>
Interested in a project for value addition in quartz.
<b>Delegation from Marubeni India Pvt. from Japan 31<sup>st</sup> May</b>
Interested in energy infrastructure sector, such as FSRU / distribution of LNG / Oil Tanks. Meetings were arranged with Ministry of Megapolis, Petroleum Resources Development and Transport & Aviation
<b>Sheng Yang City Government Representatives from China :1<sup>st</sup> June</b>
Interested in Theme Parks and Tourism related projects
<b>Business Delegation from Fujian &amp; Lianing Provinces , China : 26<sup>th</sup> November 2017</b>
Interested in Tourism, Manufacturing and Logistics
<b>Confederation of Indian Industry, India: 29<sup>th</sup> June</b>
Delegation was in Sri Lanka to participate at the “Sri Lanka and Business Conclave” organized by the Ceylon Chamber of Commerce. Met with the Chairman BOI and Senior BOI Officials. Areas of Interest: Agriculture / Processing , IT / BPO, Higher Education, Tourism / Leisure and LNG
<b>Rojana Industrial Park Public Co: 21<sup>st</sup> August</b>
Follow up of the visit to Thailand in February 2017, to sign Letter of Intent (LOI) with BOI to manage the Industrial Park in Milleniya, Sri Lanka.
Follow up the visit to Thailand in February 2017, to sign LOI with BOI to manage Industrial Park in Milleniya, Sri Lanka.
<b>Delegation from Oriental Business Platform Zhejiang Province Dongyang City, China 5<sup>th</sup> September 2017</b>
Interested to invest in housing, tourism, hotels, apartments, shopping complex, trading and Agriculture sectors
<b>Delegation from China Business Council Hangzhou, China 5<sup>th</sup> September 2017</b>
Interested to invest in Housing, Tourism, Hotels, Apartments Trading and Agriculture sectors.
<b>KOIMA Delegation, (Korea): 6<sup>th</sup> September 2017.</b>
Business Forum & B2B program at the Hilton Colombo
<b>Delegation from Jin Hua City, China 19<sup>th</sup> September 2017</b>
Fact finding mission.
<b>Delegation from Sinoshine , China 17<sup>th</sup> December 2017</b>
Interested to invest in Agriculture and Environment sectors.
<b>Delegation from Qinghai Province, China on 21<sup>st</sup> December 2017</b>
Interested to invest in Agriculture, Housing and Industrial sectors.

## 2. Research & Policy Advocacy Department

### Functions

The Research and Policy Advocacy Department is mandated to propose and advocate necessary improvements in relevant FDI policies thus becoming a key catalyst 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.

### Progress

- ◆ A key focus of the department's activities during the year 2017 was to develop BOI Corporate Plan for year 2017- 2020 with the technical assistance provided by the World Bank's Investment Promotion mission.
- ◆ The department took a leading role in assessing the application of Inland Revenue Act No 24 of 2017 & Foreign Exchange Act No 12 of 2017 on existing and potential investors and created the awareness among the BOI staff and investors through presentations and summarized documents on the new incentive regime.
- ◆ Being in line with the BOI Corporate Plan, the department played the key role in organizing a capacity building programme; "Investment Promotion Certification Programme- IPCP", with the technical assistance of the World Bank Group.
- ◆ Further, the department is responsible for compiling BOI Annual Report in collaboration with other departments of the BOI.
- ◆ R & PA Department was also involved in following activities;
  - Preparation of the White Paper on "Why Sri Lanka has failed to achieve it's FDI targets?, Prominent Reasons and Corrective Measures".
  - Identification of priority sectors for investment promotion and preparation of a comprehensive report titled "Targeting Sectors for Investment & Export Promotion", in collaboration with the Harvard University's Center for International Development.
  - Drafting/negotiating International Investment Agreements which include; Bilateral Investment Treaties for the promotion and protection of foreign investment, Free Trade Agreements (FTAs) and Comprehensive Economic Partnership Agreements.
  - Preparation of various briefing notes benchmarking different countries (Australia, South Africa, Russia, Viet Nam, China, Japan, Qatar, Singapore, Switzerland and South Korea) by analysing trade and investment relations of both countries.
  - Undertaking information dissemination function for both internal and external stakeholders and provide investment related data from the Management Information System (MIS).
  - Carrying out FDI Survey on a Quarterly basis, to get updated data on key performance indicators of BOI.

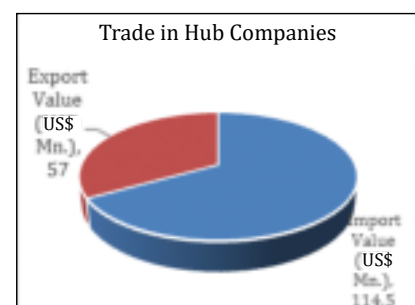
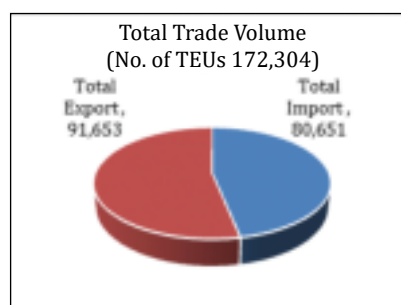
### 3. Investor Services Department

#### Functions

The Investor Services Department facilitates after care services to investors registered under section 17 of the BOI law in the fields of import & export. To provide the above services, the department has five Investor Services Centers located at Level 06, WTC, Colombo, Katunayake, Biyagama, Koggala Export Processing Zones and Kandy Industrial Park in addition to 09 Cargo Verification Centers.

Services provided by the Investor Services Department;

- ◆ Processing Import / Export CUSDECS.
- ◆ 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 issuance of expatriate visas. (Only for the Zonal Enterprises)



Source: Investor Services Department, BOI

### 4. Investment Appraisal Department

The Investment Appraisal Department plays the pivotal role in the BOI in identifying the areas of investment and providing continuous facilitating process from the acceptance of application till the existence of the projects in Sri Lanka.

Investment Appraisal Department is responsible for evaluating project proposals and formulating policies and regulations of the BOI to promote both foreign and local investments to achieve the objectives of the BOI and Economic Goals of the Government.

As per the current policy of the government, the department has been structured into identified sectors to promote investments and achieve BOI Objectives.

Knowledge Services	-	IT/BPO/KPO/ Higher Education/ Vocational Training / R & D.
Services	-	Hub/ Export of Services/Trading Houses (Other than Apparel) / Logistics & Warehousing/ Regional Operating Headquarters.
Manufacturing	-	All manufacturing projects other than apparel.
Apparel	-	Apparel & textile including apparel related Trading Houses.
Infrastructure	-	Apartments / Housing & Town Ship Developments/ Mixed Developments (Hotel, Service Apartment and other activities) / Shopping Complexes / Hospitals/ Road Development/ Airports/ Ports/ Industrial Zones.
Tourism & Leisure	-	Hotels/ Villas/ Water Parks/ Theme Parks/ Adventure Tourism/ Air Line Service/ Mixed Developments (Hotel and Service Apartments).
Utilities	-	Telecommunication / Power & Energy / Waste Management/ Mass Communication / Water Management.
Agriculture	-	Agro Processing / Dairy / Cultivation / Livestock / Inland Fishing / Deep Sea Fishing / Fish Processing.

### 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 project proposals to obtain approval of the Board / Chairman / Director General.
4. Facilitating projects granting customs duty and other exemptions as 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 related 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 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 coordinating with all Line Agencies prior to granting approvals 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.

## Progress

### New Projects

	No. of projects	Proposed Investment		Employment
		Foreign (Rs. Mn)	Local (Rs. Mn)	
New project proposals received	101	592,555	181,064	20,969
Projects approved	87	436,189	154,098	18,680
Agreement signed	55	301,620	136,338	13,764

### Expansions

	No. of projects	Proposed Investment		Employment
		Foreign (Rs. Mn)	Local (Rs. Mn)	
New expansion proposals received	60	38,710	102,198	21,913
Expansions approved (including proposal received in previous years)	52	16,570	73,118	17,775
Agreement signed	47	6,342	45,082	15,989



## 5. Project Monitoring Department

### Functions

A major 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 based on Audited Financial Statements, Bi-Annual Performance Statements and employment statistics of each project.

Other key areas handled by the Department include, Issuance of Tax Certification to Companies eligible for Tax Holiday, formal termination of Project Agreements that have reached the end of their Life Cycle as well as those that have not complied with conditions in the BOI Agreement, inspection of projects both under sec. 16 and sec. 17 of the BOI Law to provide performance reports for decision making by relevant Departments and quarterly submission of relevant Agreement Terminated Projects to Commercial Banks for withdrawal of FCBU facility granted to such companies.

### Progress

- During the year under review, 122 Nos. of Annual Tax Certificates were issued to BOI registered companies that had complied with conditions set out in respective Agreements.
- The total collection of Financial Statements from Companies during 2017 numbered 1,477. The inspection of Company activities carried out during the year increased to 112, following a cohesive monitoring plan.
- Clearing the backlog of Dormant Projects was regularized during the year under review by processing the termination of 154 Agreements 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

### Functions

Main Objective of Project Implementation Department is “To ensure successful facilitation of projects, consistent with the implementation clause stipulated in the Agreement with the BOI”.

- Issue extension letters to companies on request, after getting approval from the Board.
- Identify the projects which have failed to complete implementation and recommend for termination of Agreements to Monitoring Department.
- Update MIS in identifying the changes of status of the project.

### Progress

Implemented 84 projects up to commenced commercial operations and 155 Board Papers were submitted to the Board to get approval for extension of the Project Implementation Period. 80 site inspections were done to ascertain the progress of the projects.

Hon. Prime Minister has appointed a committee known as “Investment Approval Facilitation Committee” (IAFC) chaired by Mr. Paskaralingam, Advisor to the Ministry of National Policies & Economic Affairs, to expedite the process to clear the bottle-necks of the projects and facilitate investors which is organized by the Project Implementation Department.

Inauguration Meetings were arranged by Project Implementation Department with other Heads of Departments to familiarize with the officers of the BOI and for smooth operation of the projects. Further 44 projects were taken up at Meetings with investors to discuss project performances.

## 7. Legal Department

### Functions

The Legal Department advises and assists the BOI in all matters related to the legal aspects of investment. As such provides legal assistance for the execution that is required for investment, while providing professional advice/service to the Board as well as investors. This includes providing investor related services on applicable legal regime for investment and execution of Investment Agreements for projects approved under Section 17 of the BOI Law and under Strategic Development Projects Act No. 14 of 2008 as amended.

### Progress

During the period BOI has contracted 55 Principal Agreements under Section 17 of the BOI Law for the establishment of new business ventures in Sri Lanka. The major projects executed were;

- Rigid Tyre Corporation (Pvt) Limited - Dilorza 9 Yards Apparel (Pvt) Ltd.
- Hambantota International Port Group (Pvt) Limited
- Hambantota International Port Services Company (Pvt) Limited
- Best Pacific Textiles Lanka (Pvt) Limited

In addition, 225 Supplementary Agreements were contracted with existing BOI projects in relation to expansion, changes in the scope of business, relocations, take overs and mergers.

This includes the following projects with considerable investment and employment generation:

- Ansell Lanka (Pvt) Ltd.
- MAS Fabric Park (Pvt) Ltd. (Giriulla Expansion – Formerly occupied by Kabool Lace) - Logiwiz Ltd.
- Serendib Flour Mills (Pvt) Ltd.
- Future Energy (Pvt) Ltd.

Further, the Legal Department has completed the entire procedure laid down in the Strategic Development Project Act No. 14 of 2008, as amended, and executed the Principal Agreements for Hambantota Internal Port Group (Pvt) Limited and Hambantota International Port Services Company (Pvt) Limited.

## 8. Technical Services Department

### Functions

The Technical Services Department is responsible for the overall control of Action Plan for infrastructure development pertaining to Export Processing Zones and Industrial Parks managed by BOI. Key functions of the department are establishment of new Investment Zones, providing technical inputs for construction, operation, maintenance and determination of infrastructure facilities in zones, advertising vacant lands on availability for selection of investors for new investment projects and assisting Competent Authority in transferring assets divested to the state.

### Progress

- a. In year 2017, a sum of Rs. 377 Mn. was incurred by the BOI mainly in respect of improvements and upgrading of existing infrastructure in the Export Processing Zones/ Industrial Parks. Major scale augmentations/improvements have been initiated and are in progress during the year under review, for the Common Wastewater Treatment Plants, Construction & Improvements to Existing Road Networks, Building, Fencing, Water supply etc.
- b. A sum of Rs. 56 Mn. was incurred for the new zone development such as infrastructure development in the Wagawatta Industrial Zone by constructing internal roads, Supply & installation of mechanical & electrical equipment for raw water intake. Preliminary investigations of sites identified for new Zones continued, by expanding the internal road network, electricity supply, water supply, perimeter fencing etc.

A sum of Rs.433 Mn. has been utilized under the Action Plan 2017.

## 9. Zone Management Department

### Functions

The Zone Management Department is responsible for overall coordination and supervision of the functions of Export Processing Zones/Industrial Parks of the BOI. The Department provides management information related to Zones and assists to resolve their technical and functional issues. The department provides guidance on environmental matters, land issues and facilitates enterprises in the Zones for better prospects. In addition, the department assesses the resource requirements and intervenes for allocation of resources to the Zones/Parks.

### Progress

- New method for competitive bidding of lands was introduced and was able to achieve a high income from allocating lands to investors.
- Overall land usage of major Zones such as Katunayake EPZ, Biyagama EPZ and Seethawaka EPZ exceeded 90% in average. There was a very high demand for the remaining lands of other Zones. In order to meet the demand for Zonal lands, actions were taken to develop Zone-B area of Mirigama EPZ with necessary infrastructure facilities.
- When considering the attraction of new employees and retention of existing employees, the Zone Management paid much attention and many awareness programmes as well as advertising systems were introduced with the collaboration of stakeholder institutions.
- Import/Export performances of Zone enterprises have increased considerably and service facilities were enhanced by implementing new systems and providing required training to BOI Zone staff.
- There were no significant Fire Hazards and major labour disputes recorded in any Zone in 2017.

## 10. Environment Management Department

### Functions

The functions with regard to the Environment Protection and Management pertaining to the projects within the purview of the BOI, are being executed by its Environment Management Department in consultation and with concurrence of the Central Environmental Authority (CEA). The functions of the Environment Management Department are granting environmental approvals for projects, issuing Environmental Protection Licences, investigating environment related complaints and resolving them, liaising with other agencies, organizations and departments in activities related to Natural Resources Management and Environmental Pollution Control etc.

### Progress

Function	No.
1. (a) No. of environmental clearances granted for Projects.	63
(b) No. of environmental clearances granted for expansions/relocations.	31
2. No. of EPL issued/renewed.	979
3. No. of ERR issued in respect of sites proposed for erection of telecommunication towers.	99
4. No. of complaints attended concerning environmental issues and resolved	107
5. Environmental Monitoring	
(a) No. of effluent samples collected from industries.	1,164
(b) No. of effluent samples collected from common sewage treatment plant.	
(c) No. of water samples	176

In addition to the above, the Environment Management Department also 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.

Achieved the target set for year 2017 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), and the Department achieved this target.

The Department also 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

### Functions

Engineering Approvals & Special Projects Department consists of two units namely; Engineering Approvals Section and Land and Facilitation 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.

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

- Assisting investors in obtaining state lands for BOI projects.
- Acquire state lands/private lands when necessary for construction of BOI Zones.
- Maintaining a Land Bank of state and private lands for the use of investors.
- Assisting the Legal Department and other departments of the BOI in matters pertaining to lands.

### Progress

Site Approvals	-	191
Building Plan Approvals	-	173
Duty Free Clearances	-	3,737
Certificate of Conformity	-	60

Maintaining and updating Land Bank of state lands and private lands for the use of investors.

## 12. Industrial Relations Department

### Functions

The Industrial Relations Department of the BOI plays a vital role in maintaining a sound industrial relation 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.

### Progress

- In the year 2017, Labour Audits have been carried out in 922 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.
- During the year 2017, Industrial Relations Department facilitated the formation and operation of 150 Employees' Councils.
- There are five Facilitation Centres in operation at Katunayake, Biyagama, Koggala, Wathupitiwala Export Processing Zones and Kandy Industrial Park during the year 2017 for the use of Trade Union Officials to meet their members working in the respective zone enterprises freely and privately as and when necessary.
- 115 Awareness Programmes have been conducted during the year 2017 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.
- In maintaining industrial peace & harmony in the BOI enterprises, IR Officers mediate in settling any industrial dispute occurred in BOI Enterprises. 10 industrial disputes / strikes occurred in BOI enterprises during the year 2017 were resolved with the support of Labour Dept. officials where necessary.
- During the year 2017, 68,129 job seekers were registered with the Employment Services Units at EPZs out of which 66,801 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.
- 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, 72 kids have been facilitated and 60 among them were attending the pre-school.



## 13. Information Technology Department

### Functions

Information Technology Department has been setup to plan, design, develop, evaluate and implement IT solutions for BOI. It also coordinates procurement, commissioning and maintenance of ICT resource of the organization.

IT Department manages the organization's corporate network to provide IT infrastructure with hardware & software for communication and all IT requirement of its users to give around-the-clock service.

### Progress

- In order to avoid the complex manual procedure of FDI survey data collecting process, a web solution was developed and launched by the IT Department to submit FDI survey forms online. The system supports enterprises to submit their FDI survey forms and monitor the progress of their submissions online. The Research & Policy Advocacy Department officers can view the online submitted FDI forms and transfer data into MIS.
- A web solution was designed and implemented to submit online requests for employee's ID cards for BOI enterprises. They have the facility to get their ID cards by submitting online requests and making online payments via their pre-paid account. This is a more streamlined and automated web solution which was introduced to eliminate the existing manual procedure of issuing employee ID cards.
- IT Department developed and launched a Mobile App for BOI telephone directory of BOI officers. BOI officers can install the said Mobile App into their mobile phones so that they can search any mobile number, generate telephone calls and send emails via the App to any BOI officer.
- A system has been designed, developed and implemented by the IT Department to allocate tasks for IT officers, monitor performance and follow up targets.
- Successfully implemented a new software solution with an out-sourced software system for processing board papers & managing board meetings.
- Various enhancements were done to the Visa System to fulfil all requirements of users and the management with report modifications and comprehensive decision making information.

## 14. Media & Publicity Department

### Functions

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.

### Progress

In 2017 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.

#### Events participated

- Job Fairs in Kurunegala, Avissawella and Kandy

#### Media coverages

- EU-Sri Lanka Dialogue
- Launch of Oxford Business Group Report

#### Press Conference

- Signing of Kantale Sugar Agreement
- Launch of Oxford Business Group Report 2017
- Rojana – BOI signing ceremony

#### Publications

- Pitch Books, 2 brochures for President's visits (Russia & Australia)
- Ministry of Development Strategies and International Trade Performance Report

#### Press Releases

- 28 Nos. sent out.

#### Designed

- Sri Lanka Australia Trade and Investment Relation brochure
- Investment Promotion Handbook for Diplomats brochure
- Sri Lanka Russia Trade and Investment Relation brochure
- Invest in Sri Lanka Russian brochure
- Reducing time for construction permit approval leaflet
- Bingiriya Hoarding
- Bogambara Hoarding
- BOI Investment Guide - Japanese
- Banner for Ministry of Development Strategies and International Trade
- Procedure of Land release
- A Cover for BOI Telephone Directory 2017

## 15. Administration Department

### Functions

The Administration Department provides logistical support for the operations of other Departments. It provides optimum services to its client Departments and Export Processing Zones as well. The Department has following sub units for smooth operation of its functions.

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

### Progress

- Procurement of three nos. of Brand New Motor Cars, a SUV, four nos. of Double Cabs & a Van to the Vehicle Fleet, four Motor Cycles, one Tractor & Trailer, Water Bowser & 108 nos. of 650VA UPSs.
- Re-evaluation of the existing Insurance Policies of the BOI with an Insurance Consultant.
- Arrangements were made to submit the Annual Reports to (2012-2016) to the parliament
- Infrastructure facilities of the other Departments in the WTC Building were improved.
- Procurement of 66 personal computer to the BOI.

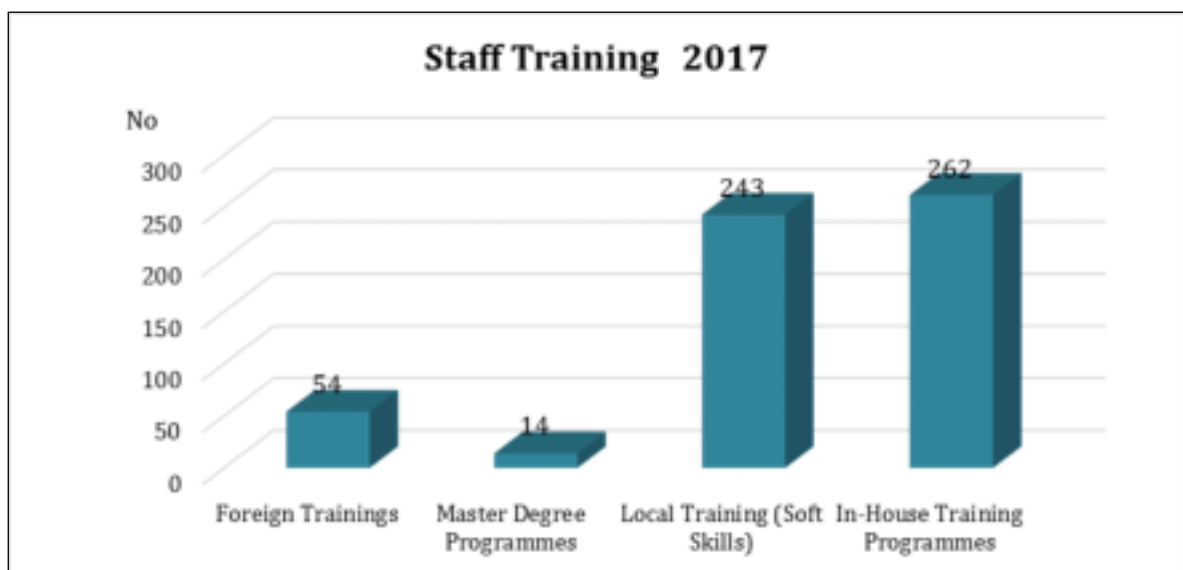
## 16. Human Resources Management Department

### Functions

Human Resources Department is the key department which has the responsibility to manage the total human resources of the Board by developing and implementing policies and programmes that contribute to achieve organizational and employee goals. Its main functions are human resource planning, performance assessment, training and development, maintenance of discipline, maintenance of attendance and leave and employee welfare services.

### Progress

- Seven Executives, three Management Assistant category employees and six Primary Level employees were newly recruited to the Board's service.
- Six Contract employees were absorbed in to the permanent cadre.
- 52 Executives, 28 Management Assistant category employees and 16 Primary Level employees were promoted to higher grades.
- Staff Trainings (Total 573)



Source : Human Resource Department, BOI

- Fifty five 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

### Functions

#### Security Division:

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

#### Fire Division:

- Responding to fire calls & emergency situations in the Zones and the areas of close proximity outside the Zones.
- Fire prevention inspections (overall).
- Fire risk assessments (overall).
- Fire drills & awareness to factory staff.
- Training on fire equipment handling to factory staff.
- Fire training on request of enterprises.
- Inspection of fire hydrants and equipment of enterprises.
- Issuing of compliance certificates, fire certificates and evacuation certificates to enterprises.
- Fire equipment is checked on daily basis for efficiency.
- The fire staff also responds to emergency situations related to Zone Management.
- Responding to fire calls & emergency situation.
- Fire risk assessments through annual fire prevention inspections.
- Evacuation drills & awareness to factory staff/ employees.
- Training on fire equipment handling/first aid to staff & factory employees.
- Consultation on installation of fire equipment to factories and servicing of existing fire vehicles.

### Progress

#### Training Programmes:

- For security personnel: English Course-for a period of 04 months commenced from 02/02/2017 to 22/06/2017
- For Fire personnel: One day seminar was held in June 2017 at Colombo Fire Brigade

## Financial Review - 2017

### FINANCIAL HIGHLIGHTS

Year Ended 31 December	2017 Rs. Mn.	2016 Rs. Mn.	Change %
<b>Financial Performance</b>			
Revenue	3,712	3,605	3
Operating Expenses	(3,211)	(3,049)	(5)
Finance Income	337	222	52
Finance Expense	(11)	(11)	-
Surplus Before Taxation	827	768	8
Tax Expenses	(71)	(47)	(51)
<b>Surplus After Taxation</b>	<b>756</b>	<b>721</b>	<b>5</b>
Other Comprehensive Income	(25)	14	(278)
Total Comprehensive Income	731	735	(1)
<b>Financial Position</b>			
Total Assets	42,412	41,747	2
Total Equity	41,005	40,453	1

### Financial Review 2017

#### Profitability

Net Surplus (Rs.Mn)

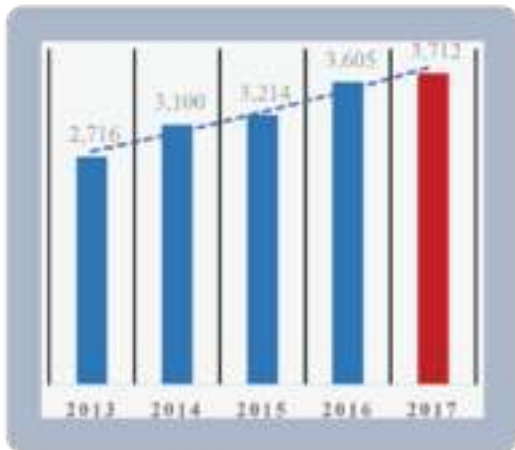


The Board recorded a Net Surplus after taxation of 756 M for year 2017 & there is a 5% increase compared to year 2016.

## Annual Report - 2017

### Revenue

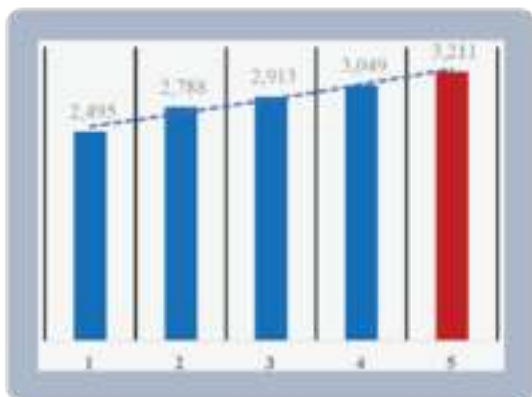
Revenue Growth (Rs.Mn)



Operating Revenue of year 2017 has increased to Rs. 3,712 M from Rs. 3,605 M recorded during the previous year. This is a growth of Rs. 107 M and it is 3% over the previous year. Revenue from Import/Export Service Charges which accounts for 29% of the Total Revenue has increased by 79 M to Rs.1,091 M & this is a 8% growth compared to year 2016.

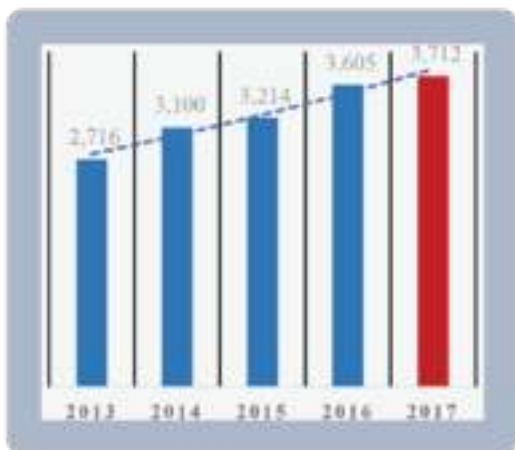
### Expenditure

Operating Expenditure (Rs.Mn)



In the year under review, Total Operating Expenses have increased by 5% to Rs. 3,211 M in year 2017 compared to year 2016. Expenses incurred for Investment Promotion and Maintenance of Zones have been classified under Operating Expenses. Administrative Expenses too have increased by 3% over 2016. This is mainly due to the increase in Personnel Costs and Depreciation.

Government Levies & Taxes (Rs.Mn)



Amounts paid on account of Government Levies have increased by 64% compared to last year. This is due to the increase in disallowed VAT input. BOI has paid Rs. 71 M as income tax on interest income for the year under review.



# 2017

## **Financial Statements**

for the year ended 31<sup>st</sup> December 2017

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

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER**

	Note	2017 Rs.	2016 Rs.
<b>Revenue</b>	<b>4</b>	<b>3,711,862,608</b>	<b>3,605,145,347</b>
<b>Less : Expenses</b>			
Operating Expenses	6	265,378,859	265,978,777
Administrative Expenses	7	2,724,737,396	2,639,675,029
Government Levies	8	190,599,853	116,511,263
Other Expenses	9	29,943,193	26,528,404
<b>Total Operating Expenses</b>		<b>3,210,659,301</b>	<b>3,048,693,473</b>
<b>Results from Operating Activities</b>		<b>501,203,307</b>	<b>556,451,874</b>
Finance Income		336,920,319	222,265,759
Finance Expenses		10,940,559	10,588,937
<b>Net Finance Income</b>	<b>10</b>	<b>325,979,760</b>	<b>211,676,822</b>
<b>Surplus Before Taxation</b>		<b>827,183,067</b>	<b>768,128,696</b>
Tax Expenses		70,759,017	47,342,329
<b>Surplus for the Period</b>		<b>756,424,050</b>	<b>720,786,367</b>

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

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER**

	Note	2017 Rs.	2016 Rs.
Surplus for the Period		756,424,050	720,786,367
Other Comprehensive Income			
Less : Defined benefit plan Actuarial (Gain)/Loss	21.1	25,054,316	(14,247,556)
Total Comprehensive Income for the period		<u>731,369,734</u>	<u>735,033,923</u>

**BOARD OF INVESTMENT OF SRI LANKA**  
**STATEMENT OF FINANCIAL POSITION**

**AS AT 31<sup>ST</sup> DECEMBER**

	Note	2017 Rs.	2016 Rs.
<b>ASSETS</b>			
<b>Non- Current Assets</b>			
Property Plant and Equipment	11	5,286,329,406	5,303,929,267
Investment Property	12	31,045,348,525	31,061,433,429
Capital Work-in-Progress	13	1,459,645,476	1,440,471,652
Financial Assets	14	550,320,565	518,297,444
<b>Total Non- Current Assets</b>		<b>38,341,643,972</b>	<b>38,324,131,792</b>
<b>Current Assets</b>			
Inventories		15,288,767	15,007,657
Houses For Disposal		2,551,000	2,551,000
Financial Assets	15	180,817,889	167,000,271
Receivables from Enterprises	16	244,621,184	259,889,902
Payments in Advance and Other Receivables	17	459,138,042	561,945,146
Cash and Cash Equivalents	18	3,168,262,320	2,416,619,374
<b>Total Current Assets</b>		<b>4,070,679,203</b>	<b>3,423,013,349</b>
<b>Total Assets</b>		<b>42,412,323,175</b>	<b>41,747,145,141</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Accumulated Fund		10,707,121,650	10,410,484,416
Reserves		15,340,693,234	15,340,693,234
		<b>26,047,814,884</b>	<b>25,751,177,650</b>
Deferred Revenue	20	15,372,603,440	15,120,869,118
Deferred Expenditure	19	(415,893,541)	(419,319,798)
		<b>14,956,709,899</b>	<b>14,701,549,320</b>
<b>Total Equity</b>		<b>41,004,524,784</b>	<b>40,452,726,970</b>
<b>Non Current Liabilities</b>			
Retirement Benefit Obligations	21	265,684,539	236,228,948
Long Term Borrowings falling after one year	22	47,923,182	20,180,139
<b>Total Non Current Liabilities</b>		<b>313,607,721</b>	<b>256,409,087</b>
<b>Current Liabilities</b>			
Long Term Borrowings falling within one year	22	13,776,989	24,808,691
Accrued Expenses and Other Payables	23	1,060,917,370	993,051,918
Tax Payable		19,496,310	20,148,476
<b>Total Current Liabilities</b>		<b>1,094,190,669</b>	<b>1,038,009,085</b>
<b>Total Equity and Liabilities</b>		<b>42,412,323,175</b>	<b>41,747,145,141</b>

"Notes to the Financial Statements " set out on pages 8 to 24 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.

  
**Duminda Rathnayaka**  
 CHAIRMAN

  
**Mangala Yapa**  
 BOARD MEMBER

  
**Duminda Ariyasinghe**  
 DIRECTOR GENERAL

  
**Savitha Malucumaran**  
 EXECUTIVE DIRECTOR - FINANCE

24-Apr-18

**BOARD OF INVESTMENT OF SRI LANKA**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2017**

	<b>Accumulated Fund Rs.</b>	<b>Revaluation Reserves Rs.</b>	<b>Total Equity Rs.</b>
<b>Balance as at 01<sup>st</sup> January 2016</b>	<b>9,619,169,977</b>	<b>15,340,693,234</b>	<b>24,959,863,211</b>
Surplus for the Period	735,033,923	-	735,033,923
Capital Gain - Cashew Corporation 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)
<b>Balance as at 31<sup>st</sup> December 2016</b>	<b>10,410,484,416</b>	<b>15,340,693,234</b>	<b>25,751,177,650</b>
<b>Balance as at 01<sup>st</sup> January 2017</b>	<b>10,410,484,416</b>	<b>15,340,693,234</b>	<b>25,751,177,650</b>
Surplus for the Period	731,369,734	-	731,369,734
Fund transfers to Treasury	(220,000,000)		(220,000,000)
Reversal of Capital Gain - Cashew Corporation land trans	(213,760,000)		(213,760,000)
Facilitation of Infrastructure for Mega Projects	(972,500)	-	(972,500)
<b>Balance as at 31<sup>st</sup> December 2017</b>	<b>10,707,121,650</b>	<b>15,340,693,234</b>	<b>26,047,814,884</b>

"Notes to the Financial Statements " set out on pages 8 to 24 form an integral part of the Financial Statements.

**BOARD OF INVESTMENT OF SRI LANKA****CASH FLOW STATEMENT****FOR THE PERIOD ENDED 31ST DECEMBER**

	<b>2017</b>	<b>2016</b>
	<b>Rs ( Mn.)</b>	<b>Rs ( Mn.)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from operations (Note 24)	<b>810.44</b>	<b>1084.08</b>
Income Tax Paid	(71.41)	(38.72)
Payment of Retirement Benefit Obligations	(34.11)	(34.95)
Deferred Revenue Received	461.77	343.74
Exchange Loss of Deferred Revenue	(0.23)	-
Cash Refund	-	(4.56)
<b>Net cash inflows/(out flows) from operating activities</b>	<b><u>1,166.45</u></b>	<b><u>1,349.60</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	326.02	147.22
Staff Loan & Fin. Assistance	(29.72)	(6.44)
Purchase of fixed assets	(96.02)	(225.79)
Proceeds from sale of Fixed Assets	0.11	5.20
Capital work in progress	(356.58)	(179.73)
Deferred Expenditure	(0.09)	(26.89)
Facilitation of Infrastructure Mega Projects	(0.12)	(7.39)
<b>Net cash inflows/(outflows) from investing activities</b>	<b><u>(156.40)</u></b>	<b><u>(293.83)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Lease Installments Paid	(38.35)	(31.18)
Fund Transfer to Treasury	(220.00)	(150.00)
Advance Survey Charges	(0.06)	(0.09)
<b>Net cash flows/(outflows) from financing activities</b>	<b><u>(258.41)</u></b>	<b><u>(181.27)</u></b>
Net Increase/ (Decrease) in cash & cash equivalents	751.64	874.51
Cash & cash equivalents at beginning of the year	2,416.62	1,542.11
<b>Cash &amp; cash equivalents at end of the year</b>	<b><u>3,168.26</u></b>	<b><u>2,416.62</u></b>

## BOARD OF INVESTMENT OF SRI LANKA

### TOTAL REVENUE FOR THE YEAR ENDED 31ST DECEMBER 2017

	Rs.
Ground Rent	836,974,485
Annual Fees	717,579,891
Interest on Deposits	336,920,319
Rent Income	88,337,335
Net Water Income	402,860,636
Import/Export Service Charges	1,091,708,658
Others	549,347,287
<b>Total</b>	<b>4,023,728,611</b>

### Composition of Revenue



### TOTAL EXPENDITURE FOR THE YEAR ENDED 31ST DECEMBER 2017

	Rs.
Operating Expenses	265,378,859
Administrative Expenses	2,724,737,396
Government Levies	261,358,870
Finance Expenses	10,940,559
Others	29,943,193
<b>Total</b>	<b>3,292,358,876</b>

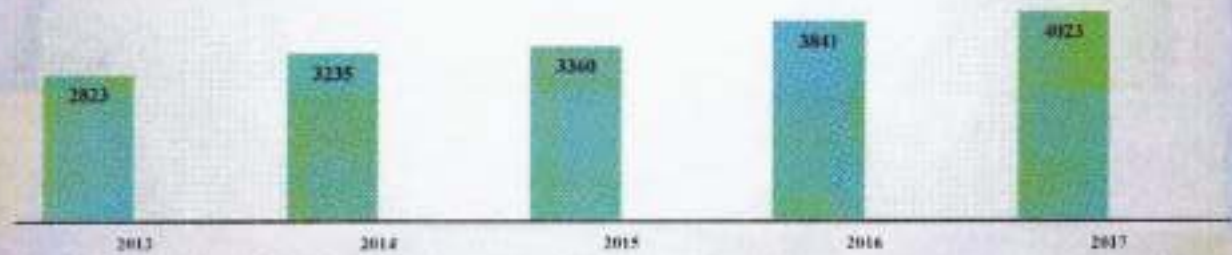
### Composition of Expenditure



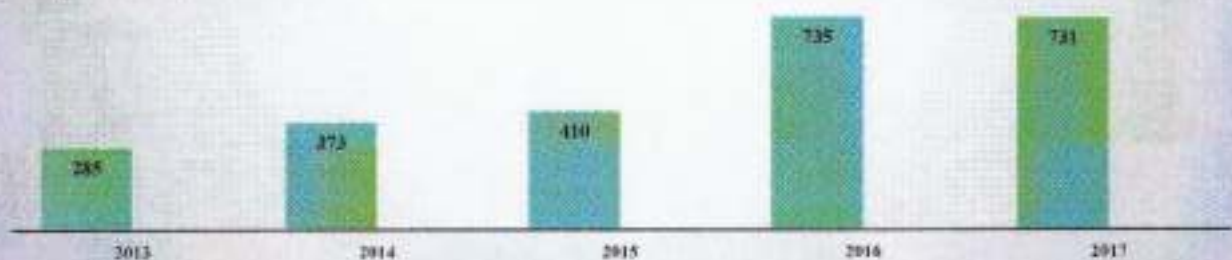


## BOARD OF INVESTMENT OF SRI LANKA

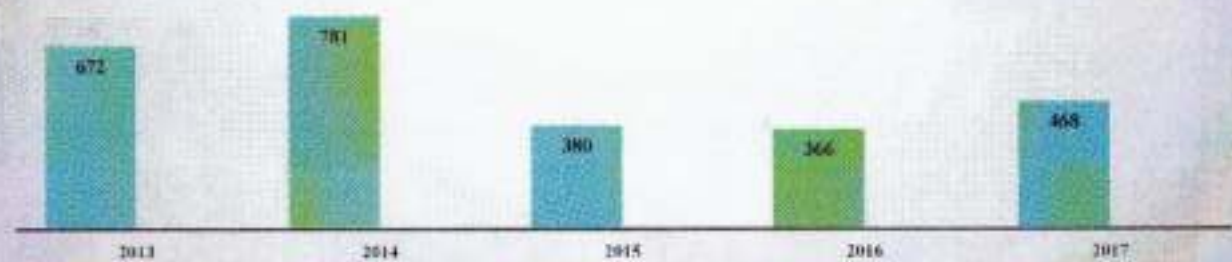
### Revenue (Rs. Million)



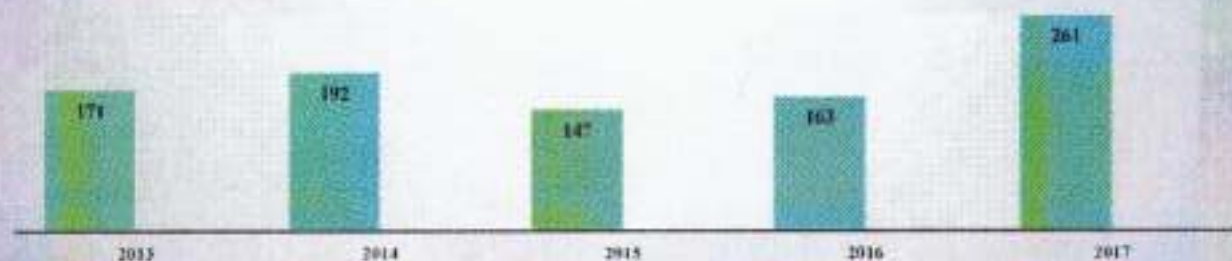
### Net Surplus After Taxation (Rs. Million)



### Capital Expenditure (Rs. Million)



### Government Levies & Taxes (Rs. Million)



## **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 1<sup>st</sup> January 2011 have been considered being the deemed cost as at 1<sup>st</sup> January 2011 as per SLFRS 1.

## **BOARD OF INVESTMENT OF SRI LANKA**

### **NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

#### **(b) Depreciation**

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

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

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

#### **(c) De-recognition**

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

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

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

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

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

#### **(f) Structures**

Fair Values of Structures have been assessed under seven main sub categories. All items and components connected with each main sub category are considered as forming part one unit.

### **3.3 Investment Properties**

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

### **3.4 Inventories**

All inventories have been valued at lower of Cost or Net Realizable Value. Cost is determined based on First in First out basis, (FIFO)

## **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 31<sup>ST</sup> DECEMBER**

		<b>2017</b>	<b>2016</b>
		<b><u>Rs.</u></b>	<b><u>Rs.</u></b>
<b>4</b>	<b>Revenue</b>		
	Ground Rent	836,974,485	770,853,162
	Annual Fees	717,579,891	687,405,189
	Import/Export Service Charges	1,091,708,658	1,012,870,498
	Net Income from Supply of Water (Note 4.1)	402,860,636	412,690,657
	Land Premium	201,443,760	223,182,809
	Rent Income	88,337,335	105,676,758
	License Fee Sec.-16 Enterprises	30,164,743	26,353,505
	Sale of Entry Permits	183,860,944	176,197,977
	Agreement/Processing Fees	50,015,830	73,869,982
	Income from Housing & Other Projects	17,480,363	18,786,103
	Miscellaneous Income	91,435,963	97,258,706
		<b><u>3,711,862,608</u></b>	<b><u>3,605,145,347</u></b>
<b>4.1</b>	<b>Net Income from Supply of Water for Enterprises</b>		
	Income from Water Supply	1,334,919,915	1,257,047,009
	Related Cost on Water Supply	(932,059,279)	(844,356,352)
	<b>Net Income from Supply of Water</b>	<b><u>402,860,636</u></b>	<b><u>412,690,657</u></b>
<b>5</b>	<b>Surplus from Operations</b>		
	Surplus from Operations is stated after charging/(crediting ) all expenses including the followings.		
	Operating Expenses (Note 6)	265,378,859	265,978,777
	Administrative Expenses (Note 7)	2,724,737,396	2,639,675,029
	Government Levies(Note 8)	190,599,853	116,511,263
	Other Expenses (Note 9)	29,943,193	26,528,404
<b>6</b>	<b>Operating Expenses</b>		
	Investment Promotion Expenses	37,357,229	35,577,054
	Maintenance of Zones	122,994,012	119,074,542
	Light & Power	48,286,027	53,935,215
	Security Services	53,433,317	54,218,698
	Welfare Expenses to Zone Employees	3,308,275	3,173,268
		<b><u>265,378,859</u></b>	<b><u>265,978,777</u></b>



**BOARD OF INVESTMENT OF SRI LANKA**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER**

		<b>2017</b>	<b>2016</b>
		<b>Rs.</b>	<b>Rs.</b>
<b>7</b>	<b>Administrative Expenses</b>		
	Personnel Cost (Note 7.1)	1,621,713,148	1,558,555,244
	Staff Welfare Expenses	225,724,124	220,044,053
	Printing & Stationery	29,715,558	24,783,354
	Maintenance of P/M Computer & Offi.Equip.	40,964,380	39,219,489
	Building Maintenance	81,856,531	72,706,977
	Transport Related Expenses	99,603,533	96,092,086
	Office Rent & Verification Unit Rent	47,208,987	46,504,143
	Press Notifications	7,899,380	4,078,488
	Water Consumption	4,661,753	4,978,312
	Communication Expenses	37,851,961	37,234,821
	Municipality Rates	15,907,608	8,571,820
	Staff Training	15,855,742	13,616,305
	Legal & Professional Charges	19,012,185	40,995,850
	Compensation for Legal obligations	1,800,000	-
	Travelling & Subsistence	5,832,365	5,498,609
	Audit Fees	2,400,000	1,200,000
	Impairment on Debtors	-	21,000,456
	Depreciation	466,730,142	444,595,022
		<b>2,724,737,396</b>	<b>2,639,675,029</b>
<b>7.1</b>	<b>Personnel Cost</b>		
	Board Members Fee	542,000	511,000
	Chairman / Director General	6,674,478	7,785,476
	Salaries & Wages - Executive Staff	470,013,606	470,720,307
	Salaries & Wages - Clerical & Allied Staff	104,084,722	105,213,509
	Salaries & Wages - Security Staff	53,547,052	52,561,153
	Salaries & Wages - Minor Staff	128,095,038	131,053,882
	Overtime	132,092,728	114,313,570
	Provision for Leave Encashment	59,438,271	55,045,813
	Bonus	86,227,250	48,159,291
	Provision for Retirement Benefit Obligation	38,515,873	36,385,587
	Contribution to Employee's Provident Fund	99,579,145	88,827,364
	Contribution to Employee's Trust Fund	19,915,829	17,765,476
	Other Staff Cost	422,987,156	430,212,816
		<b>1,621,713,148</b>	<b>1,558,555,244</b>

**BOARD OF INVESTMENT OF SRI LANKA**  
**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER**

	<b>2017</b>	<b>2016</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>8 Government Levies</b>		
Stamp Duty	983,155	684,215
Nation Building Tax	44,666,586	43,513,475
Value Added Tax - Disallowed VAT Input	144,950,112	72,313,573
	<b>190,599,853</b>	<b>116,511,263</b>
<b>9 Other Expenses</b>		
Expenses on Issuing Identity Cards	1,761,993	2,963,972
Sundry Expenses	19,164,534	16,199,543
Container Key Locks	1,703,607	1,048,592
Insurance	5,791,506	4,424,142
Environment Control Expenses	695,855	268,350
Corporate Social Responsibility Expenses	38,265	278,147
Entertainment	787,433	1,345,658
	<b>29,943,193</b>	<b>26,528,404</b>
<b>10 Net Finance Income</b>		
<b>Finance Income</b>		
Interest Income on Call Deposits/Others	308,581,770	195,641,555
Interest Income on Staff Loans	28,338,549	26,624,204
Total Finance Income	<b>336,920,319</b>	<b>222,265,759</b>
<b>Finance Expenses</b>		
Interest on Lease	10,229,435	9,958,480
Bank Charges	711,124	630,457
Total Finance Expenses	<b>10,940,559</b>	<b>10,588,937</b>
<b>Net Finance Income</b>	<b>325,979,760</b>	<b>211,676,822</b>

BOARD OF INVESTMENT OF SRI LANKA  
NOTES TO THE FINANCIAL STATEMENTS  
AS AT 31<sup>ST</sup> DECEMBER 2017

11 Property, Plant and Equipment

Freehold Assets at Cost	Land		Buildings		Structures		Plant & Machinery		Fixtures & Fittings		Furniture, & Office Equipment		Computers		Motor Vehicles		Total	
	Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.	
Balance as at 01 <sup>st</sup> January	662,541,639		1,769,073,792		5,377,399,426		53,638,195		770,091		144,698,347		174,311,763		217,379,980		8,399,713,233	
Additions during the year	-		799,850		674,941		1,461,777		71,800		11,448,413		29,878,305		6,855,827		51,190,914	
Transferred from Capital Work in Progress	-		-		-		-		-		-		-		-		-	
Disposal During the year	-		13,683,443		264,697,652		7,838,729		13,772		4,434,086		4,786		1,769,000		292,441,468	
Balance as at 31 <sup>st</sup> December	662,541,639		1,783,557,085		5,642,772,019		62,462,272		835,063		159,818,626		202,355,248		225,969,807		8,740,232,360	
Depreciation																		
Balance as at 01 <sup>st</sup> January	-		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	
Charge for the year	-		88,838,330		282,120,476		5,363,820		77,009		14,469,835		18,003,337		17,254,215		426,127,022	
On Disposals	-		-		-		412,036		-		574,606		1,839,606		35,000		2,861,248	
Balance as at 31 <sup>st</sup> December	-		788,484,720		2,330,412,797		38,859,174		325,334		83,762,861		154,920,931		179,810,710		3,576,576,527	
Written Down Value of Freehold Assets																		
As at 31 <sup>st</sup> December	662,541,639		995,072,365		3,312,359,222		23,603,098		530,329		76,055,765		47,334,317		46,159,097		5,163,655,833	
Leasehold Assets																		
Balance as at 01 <sup>st</sup> January	-		-		-		-		-		-		-		122,591,071		122,591,071	
Additions During the year	-		-		-		-		-		-		-		89,665,000		89,665,000	
Total Leasehold Assets	-		-		-		-		-		-		-		212,256,071		212,256,071	
Depreciation																		
Balance as at 01 <sup>st</sup> January	-		-		-		-		-		-		-		65,064,284		65,064,284	
Charge for the year	-		-		-		-		-		-		-		24,518,214		24,518,214	
Balance as at 31 <sup>st</sup> December	-		-		-		-		-		-		-		89,582,498		89,582,498	
Written Down Value of Leasehold Assets																		
As at 31 <sup>st</sup> December	-		-		-		-		-		-		-		122,673,573		122,673,573	
Written Down Value of Assets																		
As at 31 <sup>st</sup> December	662,541,639		995,072,365		3,312,359,222		23,603,098		530,329		76,055,765		47,334,317		168,832,670		5,286,329,406	

As at 31<sup>st</sup> December 2017, Motor Vehicles acquired under Finance Leases amounted to Rs. 89,665,000 /-. 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**

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER**

	<b>2017</b>	<b>2016</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>12 Investment Property</b>		
Balance as at 1 <sup>st</sup> January	31,172,293,810	31,356,094,597
Additions during the year	-	26,869,116
Disposals during the year	-	210,669,903
Less -Accumulated Amortization as at 31 <sup>st</sup> December	126,945,285	110,860,380
Balance as at 31 <sup>st</sup> December	<u><u>31,045,348,525</u></u>	<u><u>31,061,433,429</u></u>
<b>13 Capital Work-in-Progress</b>		
<b>General Projects</b>		
Balance as at 1 <sup>st</sup> January	1,210,618,370	1,034,438,160
Additions the during the year	352,180,166	293,737,733
Capitalized during the year	(337,410,928)	(117,409,766)
Refunds & Adjustments	(628,146)	(147,757)
Balance as at 31 <sup>st</sup> December	<u><u>1,224,759,462</u></u>	<u><u>1,210,618,370</u></u>
<b>Special Projects</b>		
Balance as at 1 <sup>st</sup> January	229,853,282	226,304,133
Refunds	-	(363,320)
Additions during the year	5,032,732	3,912,469
Balance as at 31 <sup>st</sup> December	<u><u>234,886,014</u></u>	<u><u>229,853,282</u></u>
<b>Total Capital Work-in-Progress</b>	<u><u>1,459,645,476</u></u>	<u><u>1,440,471,652</u></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

### FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER

	2017 Rs.	2016 Rs.
<b>14 Non Current Financial Assets</b>		
Staff Loans & Advances (Note 14.1)	550,320,565	518,297,444
<b>Total Non Current Financial Assets (Note 14.3)</b>	<b>550,320,565</b>	<b>518,297,444</b>

The part less than one year of other non current financial assets is included under other current financial assets for Rs.174,534,643/-

	2017 Rs.	2016 Rs.
<b>14.1 Staff Loans &amp; Advances</b>		
Staff Loans & Advances - Maturity part more than one year (Note 14)	550,320,565	518,297,444
Staff Loans & Advances - Maturity part less than one year (Note 15)	174,534,643	160,018,228
<b>Total Staff Loans &amp; Advances</b>	<b>724,855,208</b>	<b>678,315,672</b>

### 14.2 Financial Assistance Programme

Balance as at 1 <sup>st</sup> January	29,560,360	46,741,333
Repaid during the year	(3,216,297)	(17,180,972)
Balance as at 31 <sup>st</sup> December before Provision of Impairment	26,344,063	29,560,360
Less - Provision for Impairment	(26,344,064)	(28,646,982)
Balance as at 31 <sup>st</sup> December after Provision for Impairment	-	913,378
Measured at amortized cost by maturity part less than one year	-	913,378
<b>Total Financial Assistance Programme</b>	<b>-</b>	<b>913,378</b>

**BOARD OF INVESTMENT OF SRI LANKA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER**

**14.3 Non Current Financial Assets**

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

		<b>Maturity</b>	
	<b>31.12.2017</b>	Between 1	After
	<b><u>Rs.</u></b>	and 05 years	05 years
Staff Loans & Advances	550,320,565	372,888,519	177,432,046
<b>Total Non Current Financial Assets</b>	<b><u>550,320,565</u></b>	<b><u>372,888,519</u></b>	<b><u>177,432,046</u></b>

		<b>Maturity</b>	
	<b>31.12.2016</b>	Between 1	After
	<b><u>Rs.</u></b>	and 05 years	05 years
Staff Loans & Advances	518,297,443	349,733,978	168,563,465
<b>Total Non Current Financial Assets</b>	<b><u>518,297,443</u></b>	<b><u>349,733,978</u></b>	<b><u>168,563,465</u></b>

	<b>2017</b>	<b>2016</b>
	<b><u>Rs.</u></b>	<b><u>Rs.</u></b>
<b>15 Current Financial Assets</b>		
Measured at amortized cost by maturity part less than one year		
Staff Loans	163,636,306	151,764,891
Staff Advances	10,898,338	8,253,338
Total Staff Loans & Advances	174,534,643	160,018,229
Financial Assistance Programme (Note 14.2)	-	913,378
Investment Held for Maturity		
Fixed Deposit - State Mortgage & Investment Bank	6,263,246	6,048,665
Fixed Deposit	20,000	20,000
<b>Total Current Financial Assets</b>	<b><u>180,817,889</u></b>	<b><u>167,000,272</u></b>

**BOARD OF INVESTMENT OF SRI LANKA**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER**

	<b>2017</b>	<b>2016</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>16 Receivables from Enterprises</b>		
Receivables from Enterprises	594,291,216	564,553,943
Less-Provision for Impairment on Debtors - (Note 16.1)	<u>(349,670,032)</u>	<u>(304,664,041)</u>
	<b><u>244,621,184</u></b>	<b><u>259,889,902</u></b>
 <b>16.1 Provision for Impairment on Debtors</b>		
Balance as at 1 <sup>st</sup> January	304,664,041	290,480,584
Written off during the year	-	-
Provision made during the year	<u>45,005,991</u>	<u>14,183,457</u>
Balance as at 31 <sup>st</sup> December	<b><u>349,670,032</u></b>	<b><u>304,664,041</u></b>
 <b>17 Payments in Advance and Other Receivables</b>		
Advance Payments	2,823,796	2,218,845
Advance Payments Foreign Travel	742,559	569,999
Sri Lanka Mission Abroad	395,839	285,734
Mobilization Advances	52,709,549	29,820,616
Prepaid Expenses	513,900	-
Interest Income - Receivables	75,453,767	64,553,536
Deposit Receivables	11,085,104	10,191,354
Deposit Against Pending Litigation	105,766,250	105,766,250
Other Receivables	281,357,610	490,544,092
Less-Provision for Impairment on Debtors - (17.1)	<u>(71,710,332)</u>	<u>(142,005,280)</u>
	<b><u>459,138,042</u></b>	<b><u>561,945,146</u></b>
	<b>2017</b>	<b>2016</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>17.1 Provision for Impairment on Debtors - Other Receivables</b>		
Balance as at 1 <sup>st</sup> January	142,005,280	33,049,931
Provision made during the year	<u>(70,294,948)</u>	<u>108,955,349</u>
Balance as at 31 <sup>st</sup> December	<b><u>71,710,332</u></b>	<b><u>142,005,280</u></b>



# BOARD OF INVESTMENT OF SRI LANKA

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER

	2017 Rs.	2016 Rs.
<b>18 Favourable Cash &amp; Cash Equivalents</b>		
Bank of Ceylon - Personal Branch	65,501,814	22,851,661
Bank of Ceylon - Personal Branch	1,261,158	2,203,505
Bank of Ceylon - Personal Branch	246,955	3,574,308
Sampath bank	22,611	25,000
Bank of Ceylon -Katunayake	29,766,885	31,936,303
Bank of Ceylon -Biyagama	47,934,429	90,211,131
Bank of Ceylon - Koggala	6,126,785	4,729,127
Bank of Ceylon - Digana	4,561,930	2,418,480
Bank of Ceylon -Avissawella	16,503,426	23,979,266
Bank of Ceylon -Ingiriya	3,036,019	16,106,528
Bank of Ceylon - Mirigama	26,065	23,609,253
Bank of Ceylon - Nittambuwa	5,471,748	5,044,141
Bank of Ceylon - Kurunagala	4,570,527	3,212,586
Gold Sovereign	44,800	44,800
Balance in Franking Machine	317,859	289,781
Temporary Surplus Fund - Bank of Ceylon	3,310,905	3,113,847
National Savings Bank - Staff Security Deposits	221,324	210,560
Deposit-Gratuity	246,337,081	
Repos	2,733,000,000	2,108,000,000
Call Deposit/Other Deposits	-	75,059,096
<b>Total Cash and Cash Equivalents</b>	<b>3,168,262,320</b>	<b>2,416,619,374</b>

### 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.

	2017 Rs.	2016 Rs.
Balance as at 1 <sup>st</sup> January	419,319,798	437,454,012
Expenditure Deferred during the year	44,256,925	26,894,607
Less - Current year expenditure	(47,683,182)	(45,028,821)
<b>Balance as at 31<sup>st</sup> December</b>	<b>415,893,541</b>	<b>419,319,798</b>

**BOARD OF INVESTMENT OF SRI LANKA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER**

		2017	2016
		Rs.	Rs.
<b>20 Deferred Revenue</b>			
Land Premium	<b>20.1</b>	15,358,994,399	15,100,455,558
Grant	<b>20.2</b>	13,609,041	20,413,561
		<u>15,372,603,440</u>	<u>15,120,869,118</u>

**20.1 Deferred Revenue - Land Premium**

Balance as at 1 <sup>st</sup> January	15,100,455,558	14,983,690,654
Received during the year	461,771,403	343,740,891
Exchange loss	(230,437)	
Cancelled Agreement	(1,610,046)	(4,560,050)
Recognized income through Income Statements	(201,392,079)	(222,415,937)
Balance as at 31 <sup>st</sup> (Note 20.1.1)	<u>15,358,994,399</u>	<u>15,100,455,558</u>

**20.1.1 Deferred Revenue**

		Maturity		
	31.12.2017	Within 01 year	Between 1 and 05 years	After 5 years
	Rs.			
Land Premium	15,358,994,399	201,392,079	1,006,960,394	14,150,641,925
	<u>15,358,994,399</u>	<u>201,392,079</u>	<u>1,006,960,394</u>	<u>14,150,641,925</u>

		Maturity		
	31.12.2016	Within 01 year	Between 1 and 05 years	After 5 years
	Rs.			
Land Premium	15,100,455,558	222,415,937	1,112,079,686	13,765,959,935
	<u>15,100,455,558</u>	<u>222,415,937</u>	<u>1,112,079,686</u>	<u>13,765,959,935</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.

	2017	2016
	Rs.	Rs.
Balance as at 1 <sup>st</sup> January	20,413,561	27,218,081
Recognized income through Income Statements	(6,804,520)	(6,804,520)
Balance as at 31 <sup>st</sup> December	<u>13,609,041</u>	<u>20,413,561</u>

**21 Retirement Benefit Obligations**

Total present value of obligations as at 1 <sup>st</sup> January	236,228,948	249,038,271
Interest Cost	25,985,184	24,903,827
Current Service Cost	12,530,688	11,481,759
Actuarial (Gain)/Loss on obligations	25,054,316	(14,247,556)
Less - Payments made/payable during the year	(34,114,597)	(34,947,353)
Total present value of defined benefits obligations	<u>265,684,539</u>	<u>236,228,948</u>

**BOARD OF INVESTMENT OF SRI LANKA**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER**

	<b>2017</b>	<b>2016</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>Retirement Benefit Obligations (Contd.)</b>		
<b>21.1 Expenses Recognized in the Income Statement.</b>		
Interest Cost	25,985,184	24,903,827
Current Service Cost	12,530,688	11,481,759
Actuarial (Gain)/Loss	25,054,316	(14,247,556)
<b>Total Expenses Retirement Benefit Obligations</b>	<b>63,570,189</b>	<b>22,138,030</b>

An independent actuarial valuation of the retirement benefit obligation was carried out as at 31<sup>st</sup> December 2017 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.

	<b>2017</b>	<b>2016</b>
(i) Discount Rate	10%	11%
(ii) Salary Increment Rate	Fixed	Fixed
(iii) Assumption regarding Future Mortality	A1967/70	A1967/70
(iv) Retirement Age	60 Years	60 Years

	<b>2017</b>	<b>2016</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>22 Finance Lease</b>		
Balance as at 1 <sup>st</sup> January	56,660,901	57,326,624
Finance Lease obtained during theyear	60,618,420	30,517,380
VAT Adjustment	-	1,467,349
Installments paid during the year	(38,350,593)	(32,650,451)
Balance as at 31 <sup>st</sup> December	78,928,729	56,660,902
Less - Interest in suspense	(17,228,557)	(11,672,072)
<b>Capital Payable</b>	<b>61,700,171</b>	<b>44,988,830</b>
Long - Term Borrowings falling within one year	13,776,989	24,808,691
Long Term Borrowings falling after one year	47,923,182	20,180,139
<b>Total Payable Finance Lease</b>	<b>61,700,171</b>	<b>44,988,830</b>

<b>23</b>	<b>Accrued Expenses and Other Payables</b>		
	Sundry Creditors	90,216,777	53,238,525
	Accrued Expenses	214,861,337	209,565,324
	Funds received for commonwealth FDI promotion	917,160	1,917,160
	Funds received for Tsunami	1,163,958	1,958,839
	Funds received for Flood Victims	761,058	-
	Dialog - Subsidy	232,849	-
	MAS Holding - Grant	1,000,000	-
	Receipts in Advance	319,418,722	277,689,681
	Refundable Deposits	113,243,633	107,263,729
	Land Reservation Fees	14,730,035	10,124,859
	Deposit Payable	299,611,644	326,533,604
	Central Environmental Authority	4,760,197	4,760,197
	<b>Total Operating and Other Payables</b>	<b>1,060,917,370</b>	<b>993,051,918</b>

# BOARD OF INVESTMENT OF SRI LANKA

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

	2017 Rs ( Mn.)	2016 Rs ( Mn.)
<b>24 CASH GENERATED FROM OPERATIONS</b>		
Surplus after Income Tax	731.37	735.03
Depreciation	466.73	444.60
Income Tax Expense	70.76	47.34
Provision for Ret.Benefit Obligations	38.52	36.39
Acturial (Gain) / Loss	25.05	(14.25)
Provision for Imparement of Debtors	(27.59)	21.00
Impairment Written off	-	(1.23)
Deffered Revenue - Land Premium	(201.39)	(222.42)
Deffered Revenue - Grant	(6.80)	(6.80)
Revenue on Cancelled Agreements	(1.61)	-
(Profit)/Loss on sale of fixed assets	0.14	(2.97)
Investment income	(336.92)	(195.64)
Interest on Lease	10.23	1.80
Amortization of deferred expenditure	47.68	45.03
<b>Operating surplus before working capital changes</b>	<b>816.16</b>	<b>887.87</b>
<b>Working capital changes</b>		
Stocks	(0.28)	(0.79)
Receivables from enterprises	(29.74)	(90.73)
Payment in advance & other Receivables	(29.76)	127.21
Financial assets	(13.82)	(8.58)
Accrued expenses & other payables	67.87	169.10
<b>Operating surplus after working capital changes</b>	<b>810.44</b>	<b>1,084.08</b>

## 25 Related Party Disclosures

Refer Annexure I

## 26 Contingent Liabilities

26.1 The list of pending litigations attached and actual liability of such litigations can't be ascertained accurately. (Annexure 11)

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

**Related Party Disclosures**

- (1) Mr. Dumindra Ratnayake , Chairman - BOI has indicated that he has no transactions with BOI enterprises for 2017.
- (2) Mr. P B Mangala Yapa , Board Member - BOI has indicated that he has no transactions with BOI enterprises for 2017.
- (3) Mr. Sagara Gunawardana , Board Member - BOI has indicated that he has no transactions with BOI enterprises for 2017.
- (4) Mr. Hemantha Wickramasinghe, Board Member - BOI has indicated that he has no transaction with BOI enterprises for 2017.
- (5) Mr. Ajit Gunawardene, Board Member – BOI has a control and/or significant influence over the following BOI enterprises with which Business transactions were entered into with the BOI for 2017.

1. John Keells International (Pvt) Ltd
2. The Colombo Ice Company (Pvt) Ltd
3. John Keells Computer Services (Pvt) Ltd
4. John Keells BPO Solutions Lanka (Pvt) Ltd
5. Habarana Lodge Limited
6. International Tourists & Hoteliers Ltd
7. Kandy Walk Inn Ltd
8. Rajawella Hotels Ltd
9. Asian Hotels & Properties PLC
10. Trans Asia Hotels PLC
11. Yala Village (Pvt) Ltd
12. Beruwala Holiday Resorts (Pvt) Ltd
13. Trinco Holiday Resorts (Pvt) Ltd
14. Hikkaduwa Holiday Resorts (Pvt) Ltd
15. John Keells Residential Properties (Pvt) Ltd
16. British Overseas (Pvt) Ltd
17. Waterfront Properties (Pvt) Ltd
18. Transware Logistics (Pvt) Ltd
19. South Asia Gateway Terminals (Pvt) Ltd
20. Lanka Marine Services (Pvt) Ltd
21. John Keells Logistics (Pvt) Ltd
22. Saffron Aviation (Pvt) Ltd
23. Rajawella Holding Ltd
24. John Keells Warehousing (Pvt) Ltd
25. Mackinnons Travels (Pvt) Ltd
26. Wirawila Walk Inn Ltd



## PENDING LEGAL CASES AS AT 31.12.2017

Sr/ NO	CASE NO.	PARTIES	HANDLING OFFICER	INSTRUCTING ATTORNEY / PROXY	COUNSEL/S
1	S.C. Appeal 31/09 & 35/09 (45 Cases)	BOI -vs- Chandana Karunathilake & 44 Others	Ms. Nafila Niyas, Legal Officer	M/S Samararatne Associates	Mr. S.A. Parathalingam, President's Counsel
2	S.C. Appeal 53/2012	Joint Liquidators of Bonaventure Textiles (Lanka) Ltd -vs- BOI	Ms. Dilrukshi Dehideniya, Assistant Director (Legal)	M/S Shiranthi Gunawardena Associates	Mr. Hiran M.C. De Alwis, Attorney-at-Law
3	S.C. Appeal 54/2012	Joint Liquidators of Bonaventure Apparel Lanka (Pvt) Ltd -vs- BOI	Ms. Hemadree Naotunna, Legal Officer	M/S Shiranthi Gunawardena Associates	Mr. Ronald C. Perera, President's Counsel
4	H.C. (ARB) 1254/2002	Milton Garments (Pvt) Ltd -vs- B O I	Ms. Sewwandi Madubhashini, Legal Officer	M/S Shiranthi Gunawardena Associates	Mr. Lakshman Perera, President's Counsel
5	H.C. (Civil) 49/2011/CO	Propack Sareiner (Pvt) Ltd -vs- Haikawa Industries (Pvt) Ltd	Ms. Roshini Ranathunga, Executive (Legal)	M/S Shiranthi Gunawardena Associates	Mr. Dinesh Vidanapathirana, Attorney-at-Law
6	D.C. Colombo DMR 01262/13	BOI -vs- Upasena Property Development (Pvt) Ltd	Ms. Nafila Niyas, Legal Officer	Proxy not required	Mr. S.A. Parathalingam, President's Counsel
7	Arbitration	Vehicles Lanka (Pvt) Ltd -vs- BOI	Ms. Sukumary Niranjan, Assistant Director (Legal)	Proxy not required	Mr. Lakshman Perera, President's Counsel
8	Arbitration	Crown City Developers (Pvt) Ltd -vs- B O I	Ms. Sukumary Niranjan, Assistant Director (Legal)	Proxy not required	Mr. Dinal Phillips, President's Counsel
9	LCIA Arbitration 163250	Housing & Construction Lanka (Pvt) Ltd -vs- BOI	Ms. Hemadree Naotunna, Legal Officer	M/S Samararatne Associates	Mr. Shivan Gooray, Attorney-at-Law
10	D.C. Colombo DMR 02244/2015	Stirling Group Lanka (Pvt) Ltd	Ms. Sewwandi Wijesinghe, Legal Officer	M/S Samararatne Associates	Mr. Sandamal Rajapakse, Attorney-at-Law
11	C.A (Writ) 444/2015	U.T.M.T Resort (Pvt) Ltd -vs- B O I	Ms. Sewwandi Wijesinghe, Legal Officer	M/S Samararatne Associates	Mr. Ronald C. Perera, President's Counsel
12	C.A (Writ) 488/2015	B O I -vs- Conservator of Forests & 25 Others	Ms. Roshini Ranathunga, Executive (Legal)	M/S Shiranthi Gunawardena Associates	Mr. Sandamal Rajapakse, Attorney-at-Law
13	C.A (Writ) 465/2015	Elina Cocoa Products (Pvt) Ltd -vs- B O I & 02 Others	Ms. Roshini Ranathunga, Executive (Legal)	M/S Shiranthi Gunawardena Associates	Mr. Sandamal Rajapakse, Attorney-at-Law

Sr/No	Case No.	Parties	Handling Officer	Instructing Attorney / Proxy	Counsel's
14	S.C (F/R) 453/2015	S.V. Nawaratne -Vs- B O 1 & 05 Others	Ms. Rushda Niyas, Legal Officer	M/S Samararatne Associates	Mr. Ronald C. Perera, President's Counsel
15	C.A (Writ) 455/2015	Upali Ananda Gunasinghe -Vs- B O 1 & 05 Others	Ms. Hemadree Nandunna, Legal Officer	M/S Samararatne Associates	Mr. S.A. Parathalingam, President's Counsel
16	C.A (Writ) 487/2015	T.S. Rajesiri -Vs- B O 1 & 05 Others	Ms. Gayathri Fernando, Legal Officer	M/S Samararatne Associates	Mr. J. C. Wellamuna, Attorney-at-Law
17	C.A (Writ) 469/2015	H.V.A. Farms (Pvt) Ltd -Vs- B O 1 & 05 Others	Ms. Nafla Niyas, Legal Officer	M/S Samararatne Associates	Mr. J. C. Wellamuna, Attorney-at-Law
18	C.A (Writ) 45/2016	Werbok MDF Lanka (Pvt) Ltd -Vs- B O 1 & 05 Others	Ms. Nafla Niyas, Legal Officer	M/S Samararatne Associates	Mr. J. C. Wellamuna, Attorney-at-Law
19	S.C. (F/R) 141/2015	Ravindra Gunawardane Karwasam -Vs- B O 1 & 05 Others	Ms. Shehani Perera, Legal Officer	Attorney General's Department	Attorney General's Department
20	L.T. Colombo 01/20/2015	M.M. Amil Janak -Vs- B O 1	Ms. Sherom Wijesinghe, Executive (Legal)	Proxy not required	Mr. Madubhashana Ariyaratne, Attorney-at-Law
21	C.A. (Writ) 08/2015	B O 1 -Vs- Million Garments (Pvt) Ltd	Ms. Rushda Niyas, Legal Officer	M/S Shiranthi Gunewardena Associates	Mr. Ronald C. Perera, President's Counsel
22	H.C. Kalutara 29/2016	ALT Sri Lanka Estate Plantation Corporation -Vs- B O 1 & 02 Others	Ms. Sewwandi Madubhashini, Legal Officer	Mr. V. L. Asurappuli, Attorney-at-Law	Mr. V. L. Asurappuli, Attorney-at-Law
23	H.C. Kalutara 40/2016	ALT B O 1 -Vs- The Ceylon Estates Staffs Union & 02 Others	Ms. Sherom Wijesinghe, Executive (Legal)	M/S Samararatne Associates	Mr. Sandamal Rajapakshe, Attorney-at-Law
24	H.C. (Civil) 56/2016/CO	M.L.K. Perera -Vs- Lumiere Textiles Ltd & 05 Others	Ms. Rushda Niyas, Legal Officer	M/S Samararatne Associates	Mr. Ronald C. Perera, President's Counsel
25	D.C. Colombo 152/2016	BSP S.V. Nawaratne -Vs- B O 1 & 01 Other	Ms. Rushda Niyas, Legal Officer	M/S Samararatne Associates	Mr. Rohan Sahabandu, President's Counsel
26	C.A. (Writ) 386/2016	Asiri Surgical Hospitals PLC -Vs- B O 1 & 02 Others	Ms. Sewwandi Madubhashini, Legal Officer	M/S Samararatne Associates	Mr. Rohan Sahabandu, President's Counsel
27	C.A. (Writ) 393/2016	Lanka Healthcare Services (Pvt) Ltd -Vs- B O 1 & 05 Others	Ms. Gayathri Fernando, Legal Officer	M/S Samararatne Associates	Mr. Shivan Cooray, Attorney-at-Law



SRI NO	CASE NO.	PARTIES	HANDLING OFFICER	INSTRUCTING ATTORNEY / PROXY	COUNSEL/S
28	C.A. (Writ) 362/2016	Indiary Aqua (Pvt) Ltd & 01 Other -Vs- B O I & 03 Others	Ms. Sheron Wijesinghe, Executive (Legal)	Ms. Lianthi de Silva, Attorney-at-Law	Mr. Varuna Senaditha, Attorney-at-Law
29	L.T. Colombo 01/10/2017	K.D. Jayawardena -Vs- B O I	Ms. Shehani Perera, Legal Officer	Proxy not required	Mr. Hinal Ranmukkarachchi, Attorney-at-Law
30	W.P (HCCA) 24/2016	S.K. Kanegambal -Vs- Chairman (BOI)	Ms. Rosini Ranathunga, Executive (Legal)	Mr. Priyalal Sirisena, Attorney-at-Law	Mr. P. Radhakrishnan, Attorney-at-Law
31	W.P (HCCA) 23/2016	R.M.A.I. Rajakaruna -Vs- Chairman (BOI)	Ms. Rosini Ranathunga, Executive (Legal)	Proxy not required	Mr. Hinal Ranmukkarachchi, Attorney-at-Law
32	L.T. Colombo 08/137/2017	K.Lakshmi Malkanthi -Vs- B O I	Ms. Rosini Ranathunga, Executive (Legal)	Proxy not required	Mr. Hinal Ranmukkarachchi, Attorney-at-Law
33	S.C. (SPL) L.A. 182/2017	R.A. Dharmadasa -Vs- B O I	Ms. Rosini Ranathunga, Executive (Legal)	Legal Department - BOI	Mr. Janapriya Fernando, Attorney-at-Law
34	S.C. (FIR) 265-274 & 346-345/11 (13 Cases)	K.M.M. Sampath Kumara & 12 Others -vs- OIC, Police Station, Katunayake & 07 Others	Ms. Sukumari Niranjan, Assistant Director (Legal)	BOI Legal Department	Attorney General's Department
35	C.A. (Writ) 366/2010	South West Apparel (Pvt) Ltd -vs- Director (I/R) - BOI & 600 Others	Ms. Sheron Wijesinghe, Executive (Legal)	BOI Legal Department	Attorney General's Department
36	C.A. (Writ) 307/2008	MTV Channel (Pvt) Ltd -vs- Director General of Customs & 03 Others	Ms. Gayathri Fernando, Legal Officer	BOI Legal Department	Attorney General's Department
37	H.C. (Civil) 36/2012/CO	Mac Supply Chain Solutions (Pvt) Ltd (Petitioner) and now Union Chandrosoma Piyasene (Re-Liquidator of Capital Consolidated Lanka (Pvt) Ltd.) -vs- Star Clothing International (Pvt) Ltd & 2 Others	Ms. Sheron Wijesinghe, Executive (Legal)	BOI Legal Department	Attorney General's Department
38	D.C. Gampaha 2/65/L	M.M.M. Smyle -vs- BOI	Ms. Shehani Perera, Legal Officer	BOI Legal Department	Attorney General's Department
39	ICC Arbitration 18656/CYK	Sevanegala Sugar Industries Ltd -vs- BOI	Ms. Hemadree Naotunna, Legal Officer	Proxy not required	Attorney General's Department
40	H.C. (Civil) 579/2016 MR	D.P. Jayasinghe Piling Company (Pvt) Ltd -Vs- BOI & 02 Others	Ms. Shehani Perera, Legal Officer	Attorney General's Department	Attorney General's Department

SRI NO	CASE NO.	PARTIES	HANDLING OFFICER	INSTRUCTING ATTORNEY / PROXY	COUNSEL/S
41	C.A. (Writ) 112/2015	Centre for Environmental Justice (Guarantee) Limited -Vs- BOI & 07 Others	Ms. Gayathri Fernando, Legal Officer	Attorney General's Department	Attorney General's Department
42	S.C. (F/R) REF 37/2017	Centre for Environmental Justice (Guarantee) Limited & 04 Others -Vs- Director General (BOI) & 16 Others	Ms. Rushda Niyas, Legal Officer	Attorney General's Department	Attorney General's Department
43	P.C. Colombo DSP 68/2017	D.M. Industries Ltd -Vs- B O I & 02 Others	Ms. Shehani Perera, Legal Officer	Attorney General's Department	Attorney General's Department
44	H.C. 3905/06	Case filed by Criminal Investigation Department against Ranjith Amerasinghe (Chairman/Managing Director, M/s. Million Garments (Pvt) Ltd)	Ms. Rushda Niyas, Legal Officer	Proxy not required	Attorney General's Department
45	H.C. 3127/06	Case filed by Criminal Investigation Department against Ranjith Amerasinghe (Chairman/Managing Director, M/s. Million Garments (Pvt) Ltd)	Ms. Rushda Niyas, Legal Officer	Proxy not required	Attorney General's Department
46	S.C. (F/R) 355/2017	K.P. Vickershan Disantha Fernando -Vs- BOI	Ms. Rushda Niyas, Legal Officer	Attorney General's Department	Attorney General's Department
47	S.C. (SPL) LA 227/2017	Eco Tech Create 21 Company (Pvt) Ltd & another -Vs- BOI & 07 Others	Ms. NaRa Niyas, Legal Officer	Attorney General's Department	Attorney General's Department
48	C.A. (Writ) 364/2017	Suzung Lanka Industries Company (Pvt) Ltd & another -Vs- B O I & 06 Others	Ms. Dilrukshi Dehideniya, Assistant Director (Legal)	Attorney General's Department	Attorney General's Department
49	H.C. (ARB) 645/2017	B O I -Vs- Avocado Ceylon (Pvt) Ltd	Ms. Dilrukshi Dehideniya, Assistant Director (Legal)	BOI Legal Department	Attorney General's Department

# **Report of the Auditor General**

## **2017**





Director General's Office

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08 NOV 2018 (15)

தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



Board of Investment of Sri Lanka

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TIP/B/BOI/1/17/59

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Your No.

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திகதி

Date

23 October 2018



Report of the Auditor General on the Financial Statements of the Board of Investment of Sri Lanka (BOI) for the year ended 31 December 2017 in terms of Section 14(2) (c) of the Finance Act, No. 38 of 1971.

The English version of the above mentioned report together with the audited financial statements is sent herewith.

H.M. Gamini Wijesinghe  
Auditor General

- Copies to: -
1. The Secretary, Ministry of Finance and Mass Media
  2. The Secretary, Ministry of Development Strategies and International Trade







# ජාතික විගණන කාර්යාලය

## தேசிய கணக்காய்வு அலுவலகம்

### NATIONAL AUDIT OFFICE



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எனது இல.  
My No. }

TIP/B/BOI/1/17/59

ඔබේ අංකය  
உமது இல.  
Your No. }



23 October 2018

The Chairman

Board of Investment of Sri Lanka

#### Report of the Auditor General on the Financial Statements of the Board of Investment of Sri Lanka (BOI) for the year ended 31 December 2017 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 2017 and the statement of income and other comprehensive income, statement of changes in equity and statement of cash flows 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 01 October 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

reasonable assurance about whether the financial statements are free from material misstatements.

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

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

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

## **2. Financial Statements**

### **2.1. Qualified Opinion**

In my opinion except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of financial position of the Board of Investment of Sri Lanka (BOI) as at 31 December 2017 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)**

The following observations are made.

- (a) **LKAS 01- Presentation of Financial Statements:-** The accounting policy, 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 16 – Property Plant and Equipment:-** The Board had not charged the depreciation on fixed assets in the year of purchase. However, it had been charged in full in the year of disposal. Hence, the depreciation for the year under review had been understated by Rs. 7,866,369 in the financial statements.
- (c) **LKAS 24 – Related Party Disclosures:-** The Board had failed to disclose the nature and value of individually significant transactions which conducted with related parties.
- (d) **LKAS 39 – Financial Instruments Recognition and Measurement:-** The impairment on long outstanding balances of staff loan had not been recognized in the financial statements for the year under review.

### 2.2.2 Accounting Deficiencies

The following observations are made.

- (a) An amount of Rs 209,600,000 had been shown as receivable from Cashew Corporation of Sri Lanka in the financial statements since the year 2016. However, the corresponding amount had not been shown as payable to the Board in the financial statements of Cashew Corporation of Sri Lanka and this had not confirmed to the Board too. Hence, the recoverability of that balance was doubt in audit.
- (b) The land premium income received from a private company in Horana Export Processing Zones (HEPZ) had been overstated by Rs. 1,410,549 and the differed revenue had been understated by the same amount due to computation error.
- (c) Amortization on differed expenditure for the year under review had been overstated by Rs.1,330,929 due to computation error.
- (d) Even though the total contract value of Rs. 930,142 relating to 3 construction works of Mirijjawila Export Processing Zone had been fully paid as at 31 December 2017, these works were included in the works in progress as at 31 December 2017 without being capitalized.

### 2.2.3 Un-reconciled Differences

Although the provision for retirement benefit obligation for the year under review as per the actuarial valuation was Rs. 24,115,267, it was shown as Rs. 25,054,316 in the financial statements. Hence, an un-reconciled difference of Rs. 939,049 was observed in audit.

### 2.2.4 Accounts Receivable and Payable

#### Accounts Receivable

The following observations are made.

- (a) The dues from BOI approved enterprises as at 31 December 2017 amounted to Rs.594,291,216 and out of this, an amount of Rs. 279,622,328 or 47 per cent had remained outstanding for more than two years. Further, provision for impairment on dues from BOI approved enterprises had represented 59 per cent of the total dues as at the end of the year under review.

- (b) Annual fees receivable as at 31 December 2017 was amounted to Rs. 252,766,237 and out of this, a sum of Rs. 156,034,986 or 62 per cent had remained outstanding for over four years. In the meantime, a provision for impairment of Rs. 221,713,312 had been made during the year under review thereon and it representing 88 per cent of total dues as at 31 December 2017.

Further, out of total provision for impairment annual fee receivables, a sum of Rs.201,646,285 or 91 per cent had represented dues from 529 cancelled projects, 151 closed down projects and 75 operation suspended projects.

Out of total provisions for impairment of Rs. 349,670,032 made in the year under review, a sum of Rs. 262,358,801 or 75 per cent representing the impairment made for cancelled closed down and operation suspended projects as at 31 December 2017.

- (c) A sum of Rs.1,604,200 receivable from a private company which was the auctioneer of Wathupitiwala Housing Units had remained unrecovered for over seven years and no evidence made available to prove the existence of an agreement between the company and the Board.
- (d) A cash shortage of Rs. 507,650 shown under other receivables remained unchanged for over fourteen years.

- (e) Out of total other receivables amounting to Rs.281,357,610 as at 31 December 2017, an amount of Rs. 253,346,759 or 90 per cent represented dues from Government Ministries and Statutory Boards. It was further observed that an outstanding balance of Rs. 37,680,103 receivable from government institutions had not been recovered over 4 years. Details are shown below.

Name of the Institution	Amount due as at 31 December 2017
	Rs.
Janatha Estate Development Board	37,412,573
Ministry of Foreign Affairs	141,950
Sri Lanka State Plantation Corporation	125,580
Total Amount	37,680,103

The receivable amount from Janatha Estate Development Board had remained unchanged for over ten years. However, a 100 per cent provision for impairment on outstanding balances from Government institutions for over four years had been made in the financial statements since failed to recover these balances even up to 31 December 2017.

- (f) Out of total irrecoverable staff loan balance of Rs. 5,766,335 as at 31 December 2017, a sum of Rs. 3,202,582 or 55 per cent had remained unsettled for over 4 years.

### Accounts Payables

The following observations are made.

- (a) Sundry creditors aggregating Rs. 5,913,789 had not been settled for over 3 years.
- (b) Out of retention money totaling Rs.24,405,234, an amount of Rs.7,897,111 or 32 per cent related to 16 contracts had remained unsettled for more than three years.
- (c) Receipt in advance aggregating Rs. 10,313,595 had remained unchanged for more than three years. No proper actions had been taken in this regard.



## 2.3 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 – Compliances
(a) Section 11 of Finance Act, No. 38 of 1971	The Board had invested a sum of Rs. 6,807.75 million as at 31 December 2017 without the approval of the appropriate Minister after obtaining the concurrence of the Minister of Finance.
(b) Financial Regulations 770 (2) of the Government of the Democratic Socialist Republic of Sri Lanka	Fixed assets costing Rs. 3,113,255 had been disposed during the year under review without the approval of the accounting officer.
(c) Government Procurement Guidelines 2006.	The Board had organized an exhibition in the theme of "BOI's contribution to development of Sri Lanka and paid Rs.7,630,000 for two private companies without following the procurement procedure

## 2.4 Transactions Not Supported by Adequate Authority

The following observations are made.

- It was observed that the Board had paid 7 allowances totaled Rs. 512,809,119 to its staff after obtaining only the Board approval without being obtained proper approvals in terms of provisions in Section 13 (2) (b) of the Board of Investment Act No. 04 of 1978 and Public Enterprises Circular No. 95 of 14 June 1994.
- The directions of the Minister or the approval of the Department of Management Services and recommendation of the Salaries and Cadre Commission had not been obtained for the computation of Key Performance Payment (KPP) as requested by Management Services Circular No. 39 of 26 May 2009.

- (c) The Board had paid an annual bonus of Rs.58,649,750 for the year 2017 at a rate of Rs. 45,000 or one month salary whichever is higher for permanent employees and Rs.45,000 for casual and contract basis employees in contrary to the Public Enterprises Circular No. PED 03/2017 of 11 December 2017. Hence, an overpayment of Rs. 41,302,250 made as bonus in the year under review.
- (d) The employees of the Board enjoy three categories of loans with zero interest rate and seven categories of loans with an interest rate of 4.2 per cent. The following observations are made in this connection.
- (i) The staff loan scheme is included in the Human Resources Policy Manual of the Board and is being implemented since the year 2007 under the approval of the Board of Directors. The approval of the Department of Public Enterprises had been requested by the Board for this Manual in the year 2014. However, the loan scheme is being implemented without the approval of the Department of Public Enterprises and the balance of staff loans as at 31 December 2017 was Rs.724,855,208.
- (ii) In addition to the above, a housing loan scheme for employees of the Board had been introduced with effect from 09 August 1994. Accordingly, an employee who has obtained a loan from a public or private bank or a lending institution for any housing purpose is granted reimbursement of the deference between the actual annual interest on the loan and 4.2 per cent subject to a maximum of 20.5 per cent. A sum of Rs. 42,122,777 had been reimbursed for the above loan scheme within the year under review without the approval of the Department of Public Enterprises.

### **3. Financial Review**

#### **3.1 Financial Results**

According to the financial statements presented, the operation of the Board for the year ended 31 December 2017 had resulted in a pre- tax net surplus of Rs.827,183,067 as compared with the pre- tax net surplus of Rs.768,128,696 for the preceding year, thus showing an improvement of Rs.59,054,371 in the financial results for the year under review. Increase of revenue and finance income by Rs.106,717,261 and Rs.114,654,560 respectively as against the increase of total expenses by Rs.162,317,450 with compared to

the previous year were the main reasons attributed for this improvement in the financial results.

#### 4. Operating Review

##### 4.1 Performance

Progress of achieving the main objectives of the Board for the year under review is as follows.

##### (a) Progress of the BOI Projects

The progress of BOI Projects performed 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 (New Agreements and Expansions)	Number of Projects Commenced the Commercial Operations (New Agreements and Expansions)	Number of Projects Suspended	Number of Projects Closed down	Number of Projects which Agreements Cancelled
2017	103	66	7	7	148
2016	185	73	7	10	78
2015	157	100	5	27	23
2014	160	101	0	15	56
2013	147	108	3	16	122

The following observations are made.

- Number of agreements signed in the year under review had been decreased by 44 per cent as compared with the previous year.
- A significant decrease in number of projects commenced the commercial operations during the period from 2013 to 2017 is observed.

##### (b) Attracted Foreign Direct Investments

Attracted Foreign Direct Investments (FDI) during the period from 2013 to 2017 is given below.



Year	Annual Target as per Corporate Plan 2014-2016 and 2017-2020	Actual	Actual Achievements as a percentage of the Annual Targets
	US\$ Million	US\$ Million	
2017	1,000	1,710	171
2016	5,000	801.00	16
2015	3,500	969.66	28
2014	2,500	1616.26	65
2013	1,391	1391.40	100

According to the Corporate Plan for the period of 2017-2020, the annual target of attracting Foreign Direct Investments (FDI) for the year under review had been set out in an abnormal manner and it was only 20 per cent as compared with the target for the previous year. Hence, a significant increase in actual achievements for the year under review was shown.

#### 4.2 Management Activities

The following observations are made.

- As a result of insufficient water supply of the National Water Supply and Drainage Board and tube well of Watupitiwela Export Processing Zone, the required water for Enterprises had been supplied by the Board by using hired bowzers. Accordingly, the cost per 1m<sup>3</sup> of water was Rs. 395 during the year under review. However, the Board had charged only Rs. 75 per 1m<sup>3</sup> of water supplied to the Enterprises. Hence, a loss of Rs. 5,280,320 had been sustained to the Board. Nevertheless, the Board had not introduced a proper mechanism to minimize the loss even up to 30 June 2018.
- Fifty nine premises of Seethawaka Export Processing Zone, Koggala Export Processing Zone and Katunayaka Export Processing Zone with an extent of 53,667 square feet had been leased out to the external parties for an annual rent of Rs.17,207,076 without entering into written agreements.
- It was observed that the Board had not taken actions to formulate and regularize the policy to revise the BOI fees and charges and to assure that all its revenue is earned



properly. As a result, the Board has to bear the loss of revenue to be earned. The following observations are made at the audit test check carried out in this connection.

- (i) The BOI fees and charges are recommended by the Rate Committee of the Board and approved by the Board of Directors. After that these are published in the Government Gazette. However, in most instances, the proposed fee or charge is decided by adding some amount to the existing fee or charge by the Rate Committee or the revised fee or charge is proposed by the Head of the relevant Export Processing Zone and it is recommended by the Rate Committee. However, the method of deciding the amount added to the existing fee or charge or the base used for revision of fee or charge was not made available for audit.
- (ii) A part of the ground floor of the administrative building at Seethawaka Export Processing Zone has been rented out to the Bank of Ceylon since the year 2003. A rate of Rs. 30 per square feet had been charged for the period of 2003-2014 and it was revised as Rs. 45 per square feet from 01 January 2016. However, the base used for determine the rent was not submitted to the audit. Further, it was revealed that, the Board had not entered into an agreement with the Bank of Ceylon in this regard.
- (iii) The lease rental of 15 trade stalls at Aweriwatta bus terminal and 04 trade stalls facing to the Baseline road which are owned to Katunayake Export Processing Zone had not been revised since the year 2009 for over a period of eight years even though it should be revised in every three years as per the report of the Government Valuer.
- (iv) According to the written agreement entered into between the Board and a private bank branch at Kandy Industrial Park on 02 September 2004, the annual ground rent should be revised in every three years. However, it was observed that the ground rent had not been revised as per the agreement.
- (d) Ceylon Steel Corporation Ltd, known as Ceylon Heavy Industries and Construction Company Ltd. had entered into an agreement with the Board on 07 May 1998 to modernize and upgrade the existing factory at Athurugiriya. Subsequently, a supplementary agreement had been entered into between two parties on 03 June 2011 to modernize and upgrade the existing factory under the Strategic

Development Project Act No. 14 of 2008. The following observations are made in this connection.

- (i) The company had not introduced additional range of products as agreed.
- (ii) Although it was agreed to increase the existing production capacity to 250,00 MT, the production capacity of the company had not increased to 250,000 MT by 2015. Details are given below.

Year	Production Capacity (MT)
-----	-----
2011	78,847
2012	138,197
2013	132,765
2014	181,417
2015	169,521

- (iii) Although the Board had granted relieves such as ten year tax holiday, import tax concessions, custom duty exemptions etc. to the company, the Board had failed to carryout close monitoring with regard to non-fulfillment of terms and conditions in the supplementary agreement.

### 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 had continuously sustained losses over number of years due to excessive administrative expenses.

Name of the Zone	Pre-tax Surplus /(Deficit) for the Year					
	2017	2016	2015	2014	2013	2012
	-----	-----	-----	-----	-----	-----
	Rs. 000*	Rs. 000*	Rs. 000*	Rs. 000*	Rs. 000*	Rs. 000*
Koggala Export Processing Zone	(12,547)	(10,903)	(47,108)	(40,781)	(14,050)	(11,775)

Wathupitiwala Export Processing Zone	(16,911)	(9,062)	(3,323)	777	(2,969)	(7,767)
Malwaththa Export Processing Park	(4,824)	0.2	(1,914)	(4,376)	(2,748)	(5,531)
Mirijjawila Industrial Park	(16,044)	(4,828)	1,256	(8,384)	6,334	0.5

#### 4.4 Identified Losses

The Board had acquired a land at Keragala on 23 January 2004 to develop an Export Processing Zone (EPZ) and the Board had agreed to pay a monthly allowance of Rs.3,000 to Rs.6,000 for 08 terminated employees who worked in the land as labourers at the time of acquisition of the land on sympathetic ground until the land is developed as an EPZ with the intention of providing job opportunities in the industries to be set up in the zone. However, the establishment of EPZ had been delayed due to various reasons and the Board had decided to suspend the payment of allowances to those workers. As a result, 06 workers of them had made a complaint against the Board at the Office of the Assistant Commissioner of Labour by demanding their arrears amount. Finally, both parties came into an agreement for an amicable settlement of the dispute under the Industrial Dispute Act and the Board had to be deposited an amount of Rs.1,800,000 as compensation at the Office of the Assistant Commissioner of Labour, Gampaha on 12 July 2017.

#### 4.5 Resources Released to Other Institutions

The following observations are made.

- 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. 4,629,590 as salaries and overtimes for the year 2017.



- (b) The vehicle bearing No. 64-5315 which was owned to the former Ministry of Policy Planning and Implementation is being used by the Board over a period of 10 years. However, the Board had not taken action to take over the vehicle to the Board even up to 31 December 2017. The Board had incurred a sum of Rs.290,610 as maintenance cost of the vehicle during the year 2017.
- (c) Twelve vehicle parking passes for parking facilities at the World Trade Center had been provided to the Ministry of Development Strategies and International Trade by the Board for the year under review and a sum of Rs.720,000 had been spent thereof. However, The Board had failed to reimburse this expenditure from the Ministry even up to 31 December 2017.
- (d) Fixed assets of the Board with a cost of Rs.3,823,250 had been released to the Ministry of Development Strategies and International Trade, without obtaining proper approval.

#### 4.7 Human Resources Management

The following observations are made.

- (a) Sixty four (64) Management Assistants (Non-Technical) and hundred and twenty six (126) Primary Level Employees are in excess as compared with the approved cadre as at 31 December 2017 as result of recruiting ninety six (96) employees on contract basis and hundred and three (103) employees on casual basis without considering the actual human resources requirements of the Board. Further, prior approval from the Department of Management Services had not been obtained for these recruitments.
- (b) Nine (09) managerial level posts had been filled on acting basis as at 31 December 2017. Further, according to the Finance Circular No. 124 of 24 October 1997 of the Ministry of Finance and Planning, covering up duties of a vacant post should be limited to a period of 03 months, 08 officers had been assumed for cover up duties of the vacant posts for a period ranging from 06 months to 51 months as at 31 December 2017.
- (c) A succession plan for the future human resources requirements had not been prepared by the Board even as at 31 December 2017.

## 5. **Achievement of Sustainable Development Goals**

All government institutions should carry out their duties according to the “Agenda” 2030 of the United Nations as agreed by the members of the United Nations in the month of September 2015. Accordingly, the Board had identified the Goals No. 08, 09 and 17 as related to its day to day activities. However, the targets together with milestones in achieving those targets, and indicators for evaluating the achievement of such targets had not been set out by the Board.

## 6. **Accountability and Good Governance**

### 6.1 **Action Plan**

The following observations are made in connection with the Action Plan prepared for the year 2017.

- (i) Action Plan had not been prepared in line with the Corporate Plan of the Board.
- (ii) Outputs or indicators had not been set out as enable to measures the progress of the planned activities.
- (iii) Thirty one activities and thirty six activities with the allocation of Rs. 219.65 million and Rs. 155.3 million respectively which planned to complete during the year 2017 had not been completed or commenced during the year as scheduled in the Action Plan.

### 6.2 **Environment and Social Responsibility**

The following observations are made in connection with the impact on the environment from the activities of the Board.

- (i) An apparel industry in Seethawaka Export Processing Zone and the Seethawaka Export Processing Zone are being operated since April 2013 and 31 December 2010 respectively without obtaining the Environment Protection License due to non-comply with the standards of the Central Environmental Authority.
- (ii) According to the field inspection carried out in the Seethawaka and Biyagama Export Processing Zones on 06, 09 and 19 of July 2018 the following observations are made.

- An environment friendly mechanism for disposing the factory waste had not been introduced. Hence the solid waste of the factories is dumped in an open area within the Zone in a way of harmful to the Environment.
- Treated water of the Seethawaka Export Processing Zone is released to a pond situated near the waste water treatment plant. However, as a result of overflow of the treatment plant in the rainy periods, the waste water is mixed with the treated water of the pond and passed to the river.

### 6.3 Procurement Plan

Although the Master Procurement Plan had been prepared by the Board for the year 2017, it had not been approved by a responsible officer and the following observations are also made in connection with the Procurement Plan prepared as per Procurement Guidelines 2016.

- (i) Procurement activities envisaged at least for a period of three years had not been listed in the Master Procurement Plan According to Guideline 4.2.1 (b).
- (ii) The Master Procurement Plan had not been regularly updated at intervals not exceeding six months according to Guideline 4.2.1 (c).
- (iii) At the sample audit check carried out, it was revealed that Procurement Time Schedule for 28 procurement activities out of 31 activities carried out during the year 2017 had not been prepared and 03 procurement activities for which the Procurement Time Schedules had been prepared were not complied with Guideline 4.2.2 (b).
- (iv) Hundred and ninety six procurement activities completed during the year had not been included in the Master Procurement Plan.
- (v) Twenty one procurement activities with an estimated cost of Rs. 272.63 million planned to perform during the year 2017 had not been completed during the year.



#### 6.4 Delayed Projects

The initial concept for construction of Proposed Main Entrance Building at Seethawaka Export Processing Zone had been formulated in the year 2011 in order to accommodate container checking and basic facilities for security and custom staff. This activity had been included in the Master Procurement Plan and scheduled to complete as at 31 December 2017 as well as it was included in the Action Plan of the Board for the year 2017. Although the investors, service providers and employees are facing difficulties in the absence of proper building at main gate, the construction of the proposed building was delayed up to the end of the year under review.

#### 6.5 Budgetary Controls

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

#### 6.6 Unresolved Audit Paragraphs

(a) The Board had granted permission to 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 of 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 be receivable to the Board due to unsettled issues relating to mortgaged properties.
- (iii) 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 thereby 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 31 May 2018.

- (b) The Board had purchased the Perth Estate and a part of the estate had been handed over to the Sri Lanka State Plantation Corporation (SLSPC) for a period of 5 years from 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 Sri Lanka State Plantation Corporation 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 Sri Lanka State Plantation Corporation even up to 31 December 2017.
- (ii) Motor vehicle rent and bungalow rent amounting to Rs.12.42 million had been irregularly transferred to the contractor's account through the current accounts.
- (iii) Although the extent of the land purchased by the Board from the Sri Lanka State Plantation Corporation was 1563 acres 0 roods 24.74 perches, according to the survey report, the extent of the land owned by the Board of Investment was 1435 acres 3 roods 25.03 perches. Accordingly, the difference of 127 acres 0 roods 39.71 perches had been identified by the Board, whereas the Board has not taken action up to 31 December 2017 to take over the said extent of lands.
- (c) 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 a sum of Rs. 23, 835,535 as full and final settlement. Upon payment of the said sum, the enterprise 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 Rs.102,138,350. On 22 December 2014 the Registrar of the Commercial High Court has given an order to seize BOC 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. The Board filed a case against the judgment and the case was in progress even as at 31 December 2017.

- (d) 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 is in progress even as at 31 December 2017.
- (e) 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 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, 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. The Board had not taken action to recover the amount paid from responsible parties even up to 31 December 2017.
- (f) A land named Maliduwakanda Estate with an extent of 122 acres 01 roods 27.4 perches, purchased by the Board on 23 January 2004 at cost of Rs. 97,937,000 had not been utilized for any purpose up to the end of June 2018. According to the fixed asset register, the book value of this land as at 31 December 2017 was Rs.100, 800,000.



- (g) The balance of Tsunami Relief Fund and funds received for Commonwealth FDI Promotion amounting to Rs.1,163,958 and Rs. 917,160 respectively remained unchanged even up to the end of the year under review without being utilized for intended purposes.
- (h) The proposal of improvements to 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 m<sup>3</sup> per day to 650 m<sup>3</sup> 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 2018.
- (i) Committee On Public Enterprises (COPE) held on 05 May 2017 had directed the Board to take steps to create an incentive payment system in consistent to their contribution to the performance of the institute as cost of the staff has been increased compared to the total cost. However it was observed that the Board had not followed the COPE direction.

## 7. 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.

### Areas of Systems and Controls

### Observations

#### 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.

#### Collection of Dues from Enterprises

As the several procedures had been followed by the Board, it has been unable to recover the outstanding balances from BOI approved enterprises.

Procurement Planning

The procurement plan had not been made use of as an effective instrument of management control.

Accounting

The Board has no proper mechanism to classify its properties correctly.



**H.M. Gamini Wijesinghe**  
**Auditor General**



**The Reply of the BOI for the  
Report of the Auditor General  
2017**





**Report of the Auditor General on the Financial Statements of the Board of Investment of Sri Lanka (BOI) for the year ended 31 December 2017 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)**

**(a) LKAS 01 - Presentation of Financial Statements**

BOI has disclosed significant accounting policies & other accounting policies wherever it is required. Accounting policies have been disclosed assessing the transactions which could influence the economic decisions of users & which are material. Expenditure on Mega Projects has been directly deducted from the Accumulated Fund as the size & nature of this transaction is not material as a determining factor to be disclosed separately.

**(b) 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 & to be compatible with the IMAS. Further, Board has adopted present depreciation policy based on LKAS 16.

**(c) LKAS 24 – Related Party Disclosures**

Noted.

**(d) LKAS 39 – Financial Instruments Recognition and Measurement**

Noted.

**2.2.2 Accounting Deficiencies**

- (a) Land known as former Cashew Corporation premises was vested under the Act of Underperforming Enterprises or Underutilized Assets. The book value of the land is Rs. 209,600,000/- and the Cabinet of Ministers has approved to transfer this land to UDA.

Further, the Compensation Tribunal has determined the compensation to be paid to BOI as Rs. 423,360,000/- based on the valuation of Government Chief Valuer.

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Considering above information, the book value has been shown under other receivables to give legal effect to the above transaction.

(b) Agreed.

Action has been taken to adjust the accounts.

(c) Noted.

(d) Necessary action will be taken to capitalize the balances during the year 2018.

### **2.2.3 Un-reconciled Differences**

Agreed. Action has been taken to adjust the accounts.

### **2.2.4 Accounts Receivable & Payable**

#### **Accounts Receivable**

(a) Noted.

It is pertinent to note that the average recovery rate of the BOI is around 98% and the details are given below;

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total revenue of the Board	4,644	4,449	3,999
Dues less than one year	247	67	27
Average Recovery Percentage	95%	98%	98%

Further, out of total dues as at 31.12.2016, a sum of Rs. 217,459,654/- has been recovered during year 2017.

(b) Noted.

Accounting policy adopted by BOI for provision for impairment is to provide 100% for dues of cancelled, closed & operation suspended projects and dues over two years.

(c) BOI had awarded the contract of auctioning houses at Wathupitiwala Export Processing Zone to the auctioneer, M/s Dunstan Kelaart. Selection of the auctioneer was made through the paper advertisement and subsequent decision of the Procurement Committee. The auction was completed successfully and

## BOARD OF INVESTMENT OF SRI LANKA

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 has sent Letters of Demand to M/s Dunstan Kelaart, whereas the Letters of Demand were returned back as the Business was closed and the owner has left the country.

On instructions of the Audit Committee, the officers of the BOI met the Director of the Fraud Investigation Bureau to check the possibility of filing a case against M/s Dunstan Kelaart.

The matter has been referred to the Attorney General's Department on 31.08.2016. Senior State Counsel informed that a draft opinion is ready. However, they sought further clarification with regard to payments and execution of title deeds. Relevant Officials have been informed to provide required information and which is awaited. Attorney General's Department will release their advice upon submission of the same.

- (d) 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.

- (e) Dues from Government Ministries and Statutory Boards

### **Janatha Estate Development Board (JEDB)**

The Secretary, Ministry of State Resources and Enterprise Development has informed the BOI by his letter dated 13.10.2014 that the amount will be set off when JEDB property at No.175, Vauxhall Street, Colombo 2 is released to BOI. Investment Appraisal Department of BOI informed that 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.

A reminder was sent to JEDB requesting to settle the outstanding amount as this is a long outstanding issue.

### **Ministry of Foreign Affairs**

The Consular Affairs Division of Ministry of Foreign Affairs was housed in the 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup> floors of the BOI building at Sir Baron Jayathilake Mawatha on a

lease agreement. A vault room which was used by the BOI was also at the 4<sup>th</sup> floor of the building and the key of the vault was not handed over to the Ministry of Foreign Affairs. Therefore, the Ministry had retained part of the rent until the key of the vault was handed over to the Ministry.

**Sri Lanka State Plantation Corporation (SLSPC)**

Board approval was granted at its 288<sup>th</sup> meeting held on 14.02.2012 to deposit Rs.125,580/- at the Office of the Assistant Commissioner of Labour/Panadura in favour of the former Superintendent of Perth Estate, by the BOI without taking steps to appeal against the order of the Learned President of Labour Tribunal, Kalutara, for claiming re-instatement with back wages until the age of 60 years or compensation of Rs.864,683/10.

BOI requested SLSPC by the letter dated 12.06.2014 to reimburse the deposit.

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.

- (f) Even though it was mentioned that a sum of Rs. 3,202,582 had remained unsettled over 4 years, it reveals as per the records that the actual due amount over 4 years is Rs. 1,052,413.31. Action has already been taken to recover the vehicle loan balance of Rs. 254,697.33 over 04 years from the respective sureties. Further, the loan balances amounting to Rs. 764,769.78 over 04 years are due from four employees who are under interdiction and action will be taken to recover the said due amount on the conclusion of their disciplinary cases. Balance loan amount over four years will be recovered from the sureties in due course.

**Accounts Payable**

- (a) Noted.
- (b) Arrangements will be made to notify/clarify the outstanding retention payments pertaining to relevant contracts and after obtaining the concurrence of the contractors arrangements will be made to settle retention payments or if otherwise same will be taken as income to the BOI accounts.
- (c) Noted.

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

- (a) Noted. We have initiated action to obtain the Minister's approval.
- (b) Fixed Assets amounting to Rs.3,113,255 had been disposed according to the procedures laid down in the Financial Manual.
- (c) Exhibition held for 40<sup>th</sup> Anniversary of the Open Economy from 27 to 31 of July 2017;

Due to extremely short timelines to execute the above project, permission to deviate from the general procurement process has been requested and granted from/by the Board of Directors, and the related expenses have been approved by the Ministry Procurement Committee.

Following expenses were approved;

- Design work, fabricating & installation, hiring of equipment:  
M/s Gravitas Integrated Holdings (Pvt) Ltd - Rs. 7,405,000/- (excl. VAT)
- Installation of 3m x 6m cubicles:  
M/s M.W. Ventures International (Pvt) Ltd - Rs. 225,000/-

Communication received from the Prime Minister's Office and the Ministry of Development Strategies & International Trade dated 13.07.2017 and 25.07.2017 regarding the above exhibition and subsequent approvals obtained from the Board of Directors of BOI as well as the Ministry Procurement Committee are attached herewith **(Pl. Refer Annexure I)**.

**2.4 Transactions not Supported by Adequate Authority**

- (a) As the apex agency of the government promoting and facilitating foreign direct investment and private sector capital formation in priority sectors of the economy, the BOI has made a significant contribution to develop the economy of the country from its inception in year 1978 and the workforce of the BOI has made a huge contribution by giving their maximum capacity to the organization in achieving its corporate objectives.

BOI should have highly qualified and motivated staff to achieve its objectives. In order to motivate & retain the existing staff in the organization as well as to attract highly qualified staff to the organization, BOI salary scales were kept higher when compared to those in the public service and other state owned organizations at the time of its establishment. In addition, various allowances/ payments were approved for BOI employees by various authorities from its inception (e.g. H.E. the President, Secretary to the Treasury, Board of Directors,

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Government Circulars, etc.) and the said allowances/ payments have been continued.

- Approval of the Board of Directors was granted for the Transport Allowance at its meeting held on 06.11.1990. H.E. the president has granted approval for the Transport Allowance on 08.11.1996. Further, the above Transport Allowance was included 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.
- Attendance Incentive Scheme operated in the BOI was approved by the Board of Directors on 06.11.1990 and approved by the Her Excellency the President on 08.11.1996. It had 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 letter (Ref. EC/12/EST/192) dated 03.06.2014 and they have referred this matter for the observations of Department of Management Services by letter (Ref. 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 included 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.

- Management of the BOI has decided to pay a Hardship Allowance to the employees who are attached to Mirijjawila EPZ considering the difficulties they have to encounter being employees of 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 was paid a Special Allowance for duties as Assistant to the Board's Secretary in addition to her routine office work in the Chairman's Office and for coordination of Board Papers & Board Decisions. Chairman had granted approval for the said payment. However, she has resigned from the service of the Board on 24.07.2017.

An Assistant Director attached to Investment Appraisal Department is 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.

- As a mark of appreciation of the dedicated service rendered by the employees of the BOI to the organization to reach its objectives, anniversary



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payments were made on the occasions of 20<sup>th</sup>, 25<sup>th</sup>, 30<sup>th</sup>, 35<sup>th</sup> and 40<sup>th</sup> anniversaries of the BOI.

- Board of Directors at its 325<sup>th</sup> meeting held on 07<sup>th</sup> July 2015 has approved the payment of the Special Allowance to the Executive Staff comprising of Junior, Middle and Senior Managers as per the Public Administration Circular No.18/2015 of 26<sup>th</sup> June 2015.
- (b) Board of Directors at its 347<sup>th</sup> meeting held on 06.10.2016 has granted approval to revise the payment method of KPP allocating a higher weight for performance of employees which is more beneficial to the organization with no increase in the cost. Approval for the Key Performance Payment Scheme was requested from the Department of Public Enterprises by letter (Ref. EC/12/EST/192) dated 03.06.2014 and they have referred this matter for the observations of Department of Management Services by letter (Ref. PE/NBE/BOI/PR) dated 19.06.2014.
- (c) 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 30.09.2017, the Board of Directors at its 367<sup>th</sup> meeting held on 10.11.2017 has granted approval to pay Rs. 45,000/- or one month's salary whichever is higher for the permanent employees and Rs. 45,000/- for casual & contract employees of the BOI as the bonus for the year 2017.

(d) (i & ii)

All the Loan Schemes of the BOI, were implemented from its inception with the approval of the Board of Directors and the said benefits have been enjoyed by the employees to-date.

Subsequently, all the loan schemes were included 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.

### 3. Financial Review

#### 3.1 Financial Results

Noted.

### 4. Operating Review

#### 4.1 Performance

##### (a) Progress of the BOI Projects

- (i) The key objective of the BOI is to attract quality, sustainable, high value Foreign Direct Investment to the country. Therefore, mere count of number of agreements signed will not indicate the clear picture of the investment attracted to the country in the particular year. Although the number of agreements signed in 2016 is higher than 2017, the estimated investment is much higher in 2017.

Est. Investment of Agreement signed in 2016: US\$ 2,187 Mn.

Est. Investment of Agreement signed in 2017: US\$ 3,462 Mn.

- (ii) Projects get delayed to start its commercial operation due to various reasons beyond the control of the BOI, as the investor needs to get various approvals such as land clearance, Environmental clearance, approvals from UDA, Local Government etc. prior to commencement of operations. In addition, suspension of tax holidays and introduction of cut-off dates to bring investments by the Inland Revenue Law in 2014 also delayed commencement of operation of projects.

##### (b) Attracted Foreign Direct Investments

The current Corporate Plan is for the period 2017 – 2020. The targets given in this Corporate Plan 2017-2020 was stated in 2 scenarios due to the uncertainty and the non-availability of incentive package from 2014-2018.

Scenario 1 : Continue with the present investment climate.

Scenario 2 : With the improved investment climate by fulfilling the requirements to attract investment referred in the section titled “Essential requirement to achieve BOI targets” (Section 6).

	FDI Targets (US\$ Bn.)			
	2017	2018	2019	2020
Scenario 1	1	1.6	1.8	2
Scenario 2	1	2.5	3	5

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However, due to the large scale infrastructure projects such as CHEC Port City and Hambantota Port Development project, Sri Lanka could attract US\$ 1.7 Bn FDI for the year 2017 which exceeded the target of US\$ 1 Bn. Accordingly, we have now decided to achieve US\$ 2.5 Bn in 2018 as per the targets set in Scenario 2.

### 4.2 Management Activities

(a) Noted.

(b) Building, premises and stores being leased out without written agreements;

EPZ/IP	Name of Lessee	Remarks
SEPZ	Bank of Ceylon	Draft Lease Agreement has been issued on 19.10.2016 and revised draft on 16.01.2018. Awaiting to sign the agreement.
SEPZ	American & Efirid Lanka (Pvt) Ltd	Draft Lease Agreement was issued to the Company on 19.10.2016 which was collected on 10.08.2017. Awaiting to sign the agreement.
KgEPZ	Koggala Garments (Pvt) Ltd	Lease Agreement was signed on 07.10.2010 for a period of three (03) years. Necessary action will be taken to renew the agreement.

Arrangements have already been made to sign the agreements for the BOI premises at KEPZ which have been leased out based on acceptance of letter of award without written agreement and the same is being processed. Also, please note that the relevant lessees are running their businesses in accordance with the rules and regulations mentioned in the letter of award and monthly rentals are paid without long outstanding.

(c) BOI Rates and Charges

(i) Now a policy for revision of BOI Fees & Charges has been established with the approval of Board of Directors.

(ii) The charges applicable was based on the approved rates for year 2016.

The first draft agreement has been sent to the Bank of Ceylon on 07<sup>th</sup> October 2003. Thereafter, from time to time amended drafts have been exchanged between the parties with various amendments. The location has been changed in November 2015 and again several drafts have been exchanged with amendments. After several reminders, on 05<sup>th</sup> July 2017, Bank of Ceylon has paid the processing fee and collected the draft agreement.

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Thereafter the draft agreement has been amended several times. Based on the amendments prepared by the Legal Department of Bank of Ceylon and as per the letter dated 24<sup>th</sup> November 2017 issued by the Senior Deputy Director (SEPZ) of BOI, a revised draft was issued by the Legal Department on 16<sup>th</sup> January 2018. BOI is now awaiting the confirmation from the Bank of Ceylon to sign the Lease Agreement.

- (iii) The attempts made by the BOI to increase the rentals of the trade stalls at Averiwatte Bus Terminal with effect from 10.02.2009 as per the Government Chief Valuer's valuation report dated 04.11.2008 were unsuccessful. Subsequently, the proposed rentals were reduced by the Government Chief Valuer on the request made by the BOI, considering the appeals of the respective lessees.

Considering the following reasons, BOI had not arrived at a decision to increase the lease rentals of the said trade stalls every three years as proposed by the Government Chief Valuer;

- Recovering monthly rentals had also become a cumbersome exercise and the difficulty to implement the revisions of the lease rentals
- Declining of their businesses targeted to the zonal worker community and the direct employment of the enterprises of KEPZ was gradually decreasing (eg: December 2009 - 43048 nos. and August 2015 - 38226 nos.)
- Repairs and maintenance of the trade stalls were totally attended by the Lessees at their own cost.
- Uncertainty of holding the agreements entered with the respective Lessees of the aforesaid trade stalls under the Aero City Development Programme that was seriously discussed in year 2014.

However, action would be initiated to obtain a valuation and compare with existing rates and make recommendations to the Rates Committee of BOI [in respect of item nos. 4.2(c)(ii) & (iii) above].

- (iv) Noted.

### (d) Ceylon Steel Corporation Ltd (CSCL)

- (i) CSCL has confirmed by the letter dated 22.09.2017 that it currently consists with all required machinery, equipment and technology in respect of manufacturing steel fabrication. It has also been stated that manufacture of steel fabrication has been limited to internal use due to high manufacturing cost and low market demand.
- (ii) CSCL has also indicated that capacity has been enhanced to meet the production requirement of 250,000 Mts. However, it has been stated there is no market requirement for such a quantity.

- (iii) CSCL has signed a Supplementary Agreement with the BOI on 03.06.2011 under the Strategic Development Projects Act No. 14 of 2008 as amended, with approval granted by the Cabinet of Ministers granting concessions such as income tax exemptions, Customs Duty exemptions and other benefits.

#### 4.3 Operating Inefficiencies

##### 4.3.1 Operation of Export Processing Zones (EPZZ), Industrial Parks (IPP) and Regional Offices (ROO)

###### Koggala Export Processing Zone

- Drop in revenue is mainly due to loss of Rs.4.9 Mn from supply of water for enterprises. Most of the wastages in water supply network has been rectified and thereby revenue has gradually increased in the latter part of the year 2017. Actions have been taken to reduce the water loss further to increase the income.
- High administrative expenses in KgEPZ is mainly due to excessive staff and maximum efforts will be taken to make the situation favourable based on management instructions.

###### Wathupitiwala Export Processing Zone

###### ▫ Shortage of Water

Daily water requirement of the zone is more than 1000m<sup>3</sup> and the agreed quantity from National Water Supply & Drainage Board is 700m<sup>3</sup>/day. 250m<sup>3</sup>/day is obtained from the tube well at the zone.

However, NWS&DB is not in a position to provide the agreed quantity due to lack of required infrastructure facilities (as stated by them) and the normal daily supply from the NWS&DB is less than 500m<sup>3</sup>/day and most of the instances this is even reduced less than 300m<sup>3</sup>/day. Therefore, the zone is obtaining water from Mirigama EPZ using hired bowzers. The quantity obtained from the MEPZ varies according to the supply of NWS&DB; hence the cost also varies. Rs.6.19Mn was spent for this process in year 2017.

###### ▫ Operational Cost of Fire Unit

It has to be operated 24 Hr basis and therefore incurs a considerable amount of expenses for its operation.

###### ▫ Administrative Expenses

Personnel cost, staff welfare expenses and depreciation were very high compared to other administrative expenses.



Malwatte Export Processing Park (MEPP)

▫ Administrative Expenses

During the period, personnel cost, staff welfare expenses and depreciation as a percentage of total administrative expenses shows a considerable amount in the MEPP.

The aforesaid expenses contributed tremendously for repeated losses experienced during the period considered.

▫ Limitations of Lands to offer for Investments

Since the zone is a small one, income sources are also very limited. Total industrial area is only 26 acres.

▫ Operating Cost

This cost is essential to maintain and upgrade the infrastructure facilities and therefore there is no possibility of reducing those. However, during the period average cost is only Rs 5.43Mn due to the efforts being taken to control the same.

Accordingly, the personnel cost, staff welfare expenses and depreciation were the contributory factors for the loss experienced during the concerned period.

Mirijjawila Industrial Park (MIP)

- The income generation at MIP is less compared to administrative cost. Increase of income is expected with the new policies of the Government under Hambantota development plan.

**4.4 Identified Losses**

Following details are furnished for clarification with regard to the matter of paying compensation for 06 labourers who had been working in the BOI acquired land at Keragala;

- This 120 Acre Keragala land has been acquired by the BOI on 23.01.2004 to develop as an Export Processing Zone (EPZ).
- The Board had taken a decision for paying monthly allowance (Rs. 3,000/- to Rs. 6,000/-) to the eight (08) workers (at that time) until the land developed as an EPZ with the intension of providing job opportunities in the industries to be coming up.
- However due to the continuous delaying of developing the land as an EPZ, the 06 persons out of above have made a complaint to the Assistant Commissioner

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of Labour (ACL), Gampaha demanding their arrears of wages as per Coconut Growing Wages Board with respective EPF and job security.

- After several discussions with respective labourers, ACL Gampaha and BOI officials, came to an amicable solution to pay a sum of Rs. 300,000/- per each person totalling to Rs. 1,800,000/- for 06 labourers as compensation.
- The matter of paying compensation (total Rs. 1,800,000/-) to the 06 labourers have been referred to the Board and obtain the approval for paying Rs. 300,000/- each to the six employees as recommended by ACL (Gampaha) and obtained additional budget allocation Rs. 1,800,000/- as well for this purpose (Item No. 4.4, referring to Board Paper No. 358/11 of the 358th Meeting held on 02.06.2017).
- Accordingly, agreement of the amicable settlement (12.1 Settlement by Conciliation of the Industrial Dispute Act 1950) have been signed by the six (06) involved workers with the BOI management and ACL – Gampaha.
- Also six individual affidavits have been obtained as to this Rs. 300,000/- each are the full and final settlement of the dispute.
- The total compensation Rs. 1,800,000/-, has been deposited with the ACL Gampaha.

### **4.5 Resources Released to Other Institutions**

- (a) Deputy Director and the Actg. Administrative Officer who were mentioned in the above query were temporarily released to the Line Ministry based on the requests dated 31.05.2016 and 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 of the Ministry of Development Strategies & International Trade.

Line Ministry has not released them to the BOI as at 31.12.2017.

- (b) The Mitsubishi Pajero (64-5315) is registered in the name of Secretary, Ministry of Policy Planning and Implementation. It has been used by the BOI more than 20 years and identified for disposal at the next Auction. BOI sent a letter to the Ministry of Finance and Mass Media to transfer the ownership of this vehicle prior to disposal.
- (c) The Ministry of Development Strategies & International Trade is the Line Ministry of the BOI. Therefore, Ministry of Development Strategies &

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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 parking passes have been given to the Ministry of Development Strategies & International Trade on the request of the Secretary of the Ministry. Since Line 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.

- (d) The Line Ministry has been using the two floors (Level 25, 27) from the year 2005 on a lease Agreement. The Board of Directors has granted approval to rent out the said floors to the line Ministry with all assets.

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

### **4.7 Human Resource Management**

- (a) Excess employees in the Management Assistant Category & Primary Level Category are mainly casual and contract basis employees who were recruited on short term basis to attend essential day-to-day operations mainly in Export Processing Zones & Industrial Parks. Most of the Management Assistants have been deployed at Permit Offices, Investor Services Units and other duty stations where there are essential manpower requirements.

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 contract Security Guards at present.

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

Prior approval from Department of Management Services - Noted.

- (b) Three (03) managerial level posts out of 08 posts mentioned in the query have been filled recently. One (01) employee, who was on acting basis, has expired in March 2018. Arrangements will be made to fill the remaining posts covered on acting basis in due course.

- (c) A committee was appointed to do a preliminary study in developing a Succession Plan and the committee report was presented to the Chairman and the Director General. It was decided to create awareness on the importance of succession planning among the Higher Managerial Officers and said awareness programme was conducted by a well-recognized Human Resource Specialist (A Professor in HRM) in February 2018. Accordingly, the process of preparing a Succession Plan is in progress.

## 5 Achievement of Sustainable Development Goals

Overall targets of BOI are focused on achieving economic growth by attracting Foreign Direct Investments (FDI) and creating equal employment opportunities, increasing export income of the country, developing infrastructure etc. Thereby, when the overall BOI targets are identified it will in turn contribute to the achievement of Sustainable Development Goals (SDG) indirectly in the long term. Therefore, BOI has identified the Sustainable Development Goal Nos. 08, 09 and 17 as those can be related to the planned activities of the BOI with measurable output/indicator.

Goal Nos. 01 (end poverty in all its forms everywhere), 07 (ensure access to affordable, reliable, sustainable and modern energy for all) and 10 (reduce inequality within and among countries) can be considered as the indirect positive outcomes of the BOI activities. For example BOI contributes to poverty alleviation by attracting foreign direct investment resulting in establishment/expansion of new/existing enterprises, creating employment and increasing export income of the country.

Accordingly, it is pertinent to note that the following targets of BOI can be assigned for SDG No. 01, 07 and 10;

Goals	Targets	Institution/Division Responsible under your Institution
<b><u>SDG (1) No Poverty</u></b> End poverty in all its forms everywhere.	<ul style="list-style-type: none"> <li>- The BOI has a target for employment opportunities over 600,000 by 2020.</li> <li>- Develop 03 Export Processing Zones in Kalutara, Kurunegala and Puttalam Districts to create more direct and indirect employment opportunities in regional areas.</li> </ul>	BOI
<b><u>SDG (7) Affordable and Clean Energy</u></b> Ensure access to affordable, reliable, sustainable and modern energy for all.	<ul style="list-style-type: none"> <li>- Solar manufacturing has been identified as one of the targeted sectors among 10 priority sectors to attract FDI.</li> <li>- BOI promotes investments in wind power, bio-mass and waste energy.</li> </ul>	BOI
<b><u>SDG (10) Reduce Inequality</u></b> Reduce inequality	<ul style="list-style-type: none"> <li>- The FDI target for 2018 is USD 2.5Bn and for 2020, it is USD 5Bn. Exports of BOI enterprises to be increased to</li> </ul>	BOI

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Goals	Targets	Institution/Division Responsible under your Institution
within and among countries.	<p>USD 9 Bn by 2020 and to generate employment opportunities over 600,000 by 2020.</p> <p>This will contribute to the economic development of the country and thereby reduce the inequality of its people.</p>	

Further action will be taken to conduct workshops for the senior officers with a view of identifying the Sustainable Development Goals in a broader sense and its application to the planning process of BOI.

### 6. Accountability & Good Governance

#### 6.1 Action Plan

- (i) BOI prepared its Corporate Plan 2017-2020 with the technical assistance of the World Bank and the 2017 Action Plan was prepared in line with this Corporate Plan.

The Action Plan 2017 has been prepared aiming to achieve the Targets given in the Corporate Plan and BOI has identified the activities of BOI to achieve set targets which can directly or indirectly be achieved by respective departments. A summary of targets and corresponding core activities in the Action Plan are given below for your easy reference.

Targets	Activities	Progress
1. Attract Foreign Direct Investment	<ul style="list-style-type: none"> <li>▫ Outward and inward promotion missions to promote the country.</li> <li>▫ Formulation &amp; advocating policies to improve country's business environment.</li> <li>▫ Identification of sectors and countries for investment promotion.</li> <li>▫ Preparation of promotional materials.</li> <li>▫ Appraising investment proposals &amp; approving through Project Screening Committee or Single Window Investment Approval Committee.</li> </ul>	<ul style="list-style-type: none"> <li>▫ Attracted USD 1.7 Bn FDI</li> </ul>
2. Investor Facilitation	<ul style="list-style-type: none"> <li>▫ Facilitate projects through One-Stop-Shop &amp; IAFC.</li> <li>▫ Develop environment protection required infrastructure in existing zones.</li> </ul>	<ul style="list-style-type: none"> <li>▫ 105 issues were resolved</li> <li>▫ Tree planting programs were conducted in each zone</li> </ul>
3. Export Generation	<ul style="list-style-type: none"> <li>▫ Facilitating imports/exports by BOI enterprises.</li> <li>▫ Introduced pre-shipment Import-Export</li> </ul>	<ul style="list-style-type: none"> <li>▫ Reduce time taken for import-</li> </ul>



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Targets	Activities	Progress
	Documentation in line with Sri Lanka Customs ▫ Developing acceptance of electronic documentation.	export documentation from 20 minutes to 10 minutes.
4. Employment Creation	▫ Promoting labour intensive projects and decent work practices in BOI enterprises. ▫ Conducting Labour Fairs.	▫ Rate of Labour Turnover reduced to 3.9%
5. Development of New Zones & improving existing Zones	▫ Planning of new zones, Land Acquisitions for Development of Zones. ▫ Regular meetings to evaluate the progress. ▫ Upgrading existing zones.	▫ Identifying lands for development projects ▫ Initial Discussions with a Thai Investor ▫ Coordination with RDA

- (ii) Wherever possible, output has been indicated. For some proposed activities, it is difficult to specify the output. For an example, making specific policies for the industry and service sectors is done when and where need arises. However, we have indicated the policy recommendations which we have made in the progress column of the Action Plan. Also in some instances, the overall achievement of the activity could be the output.

- (iii) ▪ 31 Activities with an allocation of Rs. 219.65 Mn

### Activities not completed in 2017 as scheduled in the Action Plan

Department/ Zone	Activity	Reasons
Engineering Approvals & Special Projects	Obtaining Kuliyaipitiya land as a free grant	<ul style="list-style-type: none"> <li>▪ At a meeting held in the office of the Hon. Prime Minister, the decision has been taken to acquire the Section of Mahanugalanda land in Kuliyaipitiya which belongs to Public Trustee for the purpose of setting up of the proposed Industrial Complex.</li> <li>▪ Accordingly, acquisition was initiated and the land was vested in BOI on 21.12.2016 under Section 44 Notice of the Land Acquisition Act.</li> <li>▪ Although with the vesting, BOI could lease out the land, investor wanted to purchase it on outright basis.</li> <li>▪ To sell the land, BOI had to obtain it as a free grant from Land Commissioner General (LCG) and BOI made a formal request for this on 18.01.2017.</li> <li>▪ Release the land on outright basis to the BOI by the LCG is pending due to the reason that for the release, LCG wanted the opinion of the Attorney General which is pending since March, 2017.</li> </ul> <p>Therefore, obtaining the land on a free grant could not be completed in 2017 as planned.</p>
KEPZ	Construction of new entrance structure for	The work of entrance structure has to be completed after completion of access road to phase IV which was completed in



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Department/ Zone	Activity	Reasons
	phase IV of KEPZ	December 2017. However, BOI managed to complete construction of entrance structure in January 2018.
Wagawatte Industrial Zone (WIZ)	Asphalt Concrete Surfacing along the access road	PC has granted approval to award the above contract on 22.03.2017. However, Rigid Tyre Company has used the road to keep the building materials for their land development works and wall construction. Hence, this contract has not been awarded to the contractor until 29.08.2017. Further, road levels have been reduced with the land levels of Rigid Tyre Company and side drains excavated have been disappeared. Accordingly, construction work of the road has been delayed. Further, bad weather condition has also affected. However, the entire road has been completed on 20.03.2018.
	Construction of drains, culvert, cascade and road surfacing for part of access road near Lot 7A	For the request of the investors i.e. Qiao Zhen International (Pvt) Ltd, road levels have been reduced near Lot 7A. Due to change of design levels of the road, culvert, cascade & drains have been changed time to time on the request of the investor. Accordingly, the above works could not be implemented within the year 2017.
	Construction of culvert at station 0+700km	PC has granted approval to award this contract on 02.11.2017. Accordingly, this contract has been awarded on 10.11.2017. As Rigid Tyre Company has used the road for their land development works, part by part of the culvert was completed. However, the culvert has been completed on 20.02.2018.
	Storm water drainage at main entrance area	Design levels of the road entrance area have been changed with the request of investors. Hence, storm water drainage system has been delayed until the surfacing of the road.
	Construction of drains along the access road	Time to time, design levels of the road were changed. Hence, preparation of design levels of the drains have been delayed. Thereby, this work has been delayed until the road surfacing is finalized.
	Water supply line from Horana EPZ up to WIZ	Rigid Tyre Company has raised their land in high elevation. Hence, designed levels, path and pipe specials have been changed with the change of lay out plan of WIZ. Hence, this work couldn't be completed in year 2017.
KgEPZ	Reinstatement of road to 2 <sup>nd</sup> Gate from Galle Road	As per the actual situation arisen, the design, estimate & bidding documents had to be revised time to time considering the practical requirements.
	Reinstatement of internal road P <sub>11</sub> P <sub>12</sub> P <sub>13</sub> (710m) – Stage 1 & Culvert	Also, practical difficulties encountered during the implementation of works. Accordingly, it may not totally tally with the given time periods of the Action Plan. However, contracts were awarded for Reinstatement of Road to 2 <sup>nd</sup> Gate from Galle Road and Reinstatement of Internal Road P <sub>11</sub> -P <sub>12</sub> -P <sub>13</sub> (710 m) – Stage 1 & Culvert, on 01.11.2017 & 15.09.2017 respectively. During the construction period, expected/planned progress of those contracts couldn't be achieved due to the impact of bad weather conditions prevailed and delays caused by the contractor.
KgEPZ	Construction of sludge pump house	During the construction period, the following issues affected its progress during the implementation; <ul style="list-style-type: none"> <li>▪ Variations &amp; design changes encountered during the construction period.</li> <li>▪ A considerable time period for giving solutions for the variations &amp; design changes by the Consultant (NWS&amp;DB).</li> <li>▪ Non availability of some pipes in the market to be purchased by the Contractor.</li> <li>▪ Contractor's failures to achieve satisfactory progress as planned.</li> </ul>

Department/ Zone	Activity	Reasons
HEPZ	Asphalt concrete surfacing along P <sub>3</sub> - P <sub>7</sub> road	Estimate for Asphalt concrete surfacing along P <sub>3</sub> – P <sub>7</sub> road was submitted on 11.10.2017 and Actg. Executive Director (Technical Services) approved it on 20.10.2017. Then the paper advertisement was published on 11.11.2017 and 14.11.2017. Procurement Committee granted approval to award this contract on 28.02.2018. This work has been awarded in year 2018 accordingly.
	Construction of RCC drain from Lot 8A to Lot No. 33	Departmental estimate was forwarded to Technical Services Dept. of BOI on 20.07.2017 and it was approved on 01.08.2017. After bidding procedures, PC has granted the approval to award this contract. This has been awarded on 17.10.2017 and commenced the construction work on 30.10.2017. Hence, the whole work to be completed on 27.01.2018.
	Replacing Filter Media for 1000m <sup>3</sup> /day water treatment plant	BOI has requested from NWS&DB to inspect the treatment plant and submit the estimate and bidding document on 26.12.2016. NWS&DB has inspected the plant at several times and submitted the report on 06.04.2018. Hence, this work couldn't be implemented within year 2017.
SEPZ	Investigate and design for deflected & cracks appeared roof slab of equalization tank	Contract of emptying & cleaning of equalization tank has been awarded to NWS&DB for their estimated amount of Rs. 3,334,260/- on 12.05.2017. NWS&DB by their letter dated 23.03.2018 informed that the purchasing of some safety items, hiring of submersible sewerage pump and hiring of GI pipes are still in procurement process.
Information Technology Department	Introduce online payment facility in Visa Recommendation System and integrate with Immigration & Emigration Department's visa system	BOI has been working with Lankaclear, the service provider to provide a common e-payment platform integrating all the banks in Sri Lanka. Once the service is implemented, the online payment facility in visa recommendation system will be established. Integration with Immigration Department will be done once the development and implementation of software package is completed by the One Stop Shop Unit to communicate with Line Agencies at its second phase of development.
	Implement Internet Payment Gateway of Sampath Bank for online payments.	It had been planned to implement an internet payment gateway with Sampath Bank for on-line payments. Finance Department of BOI is in the process of signing the agreement with Sampath Bank to implement the solution. BOI has further been working with Lankaclear the service provider, for an improved alternative solution as it can provide the platform linking all the banks for payments.
Information Technology Department	Introduce e-services and automation for BOI services	BOI enterprises have been provided with e-services and process automation in FDI Data Submission System and the web portal developed for ID Card Issuance System.

Activities to be completed partly not completed in 2017 as scheduled  
(following activities are pertaining to Seethawaka EPZ)

Activity	Reasons
Construction of weir across the Kelani River (Consultancy Fee)	Weir design was completed & submitted by the NWS&DB in year 2013. However BOI needed modifications to suit the present circumstances.
Supply and installation of	Competitive bids had been invited as per the newspaper advertisements

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<b>Activity</b>	<b>Reasons</b>
magnetic flow meter for WTP	dated 25.05.2017 & 27.05.2017. Six parties had submitted the bids. However none of the parties had been selected. PC II at their meeting held on 20.09.2017 approved to recall the bids. Accordingly bids were recalled as per the newspaper advertisements dated 26.10.2017 & 28.10.2017. Bid closing was on 15.11.2017. PC II has granted approval at their meeting held on 19.03.2018 to award the contract.
Supply and installation of VSD (04 nos.) for flocculation tank mixtures – WTP	Competitive bids were invited as per the newspaper advertisements dated 13.07.2017 & 15.07.2017. Four parties had submitted the bids. However selected party had not submitted some documents required for evaluations. After obtaining the approval of PC II, relevant documents were collected by the procurement entity and scrutinized & recommended by the TEC and approved by the PC II at their meeting held on 08.01.2018 to award of the contract.
Augmentation/ Improvement of Waste Water Treatment Plant	Consultancy work has been assigned to the NWS&DB as per BOI letter dated 31.08.2015.
Supply and installation of electrically driven sludge recirculation pumps (03 Nos.)	Contract has been awarded to M/s Megatech (Pvt) Ltd as per the letter of acceptance dated 22.11.2017.
Supply and installation of electrically driven sludge feeding pump (01 No.), submersible duck foot pumps (02 Nos.), Supply of 100mm dia. submersible standby pump (01 No.)	TEC has submitted a bid evaluation report dated 01.11.2017 to the PC II – Head Office. PC II by the minute of item no. 354/2017 dated 09.11.2017 informed the TEC to submit a supplementary report to the PC II. TEC has submitted a supplementary report dated 22.11.2017 to PC II. Awaiting the PC approval to award the contract.
Supply and installation of electrically driven centrifugal pumps (03 Nos.) for No. 02 Lift station	Not attended in year 2017 & scheduled to attend in year 2018.
Construction of 160 m (approx.) length effluent disposal line – Phase I	Contract was awarded as per the BOI letter dated 19.10.2017.
Construction of Store Room & Record Room	Competitive bids were invited as per the newspaper advertisements dated 27.04.2017 & 29.04.2017. Two parties had submitted bids. However, none of the parties had been selected. PC II at the meeting held on 26.07.2017 approved to recall bids.
Rehabilitation of damaged perimeter fence (part of)	Accordingly, bids were recalled by the newspaper advertisements dated 26.10.2017 & 28.10.2017. Bid closing was on 16.11.2017. PC II has granted approval at their meeting held on 09.04.2018 for award of the contract.
Construction of shed (part) for sorting of solid waste	Contract awarded – 02.11.2017 Contract completed – 31.12.2017
Purchase of laboratory equipment	Quotations had been called for purchasing of 03 items (07nos). Two items (06 nos) were supplied and payments were made. The other item was supplied in February 2018, but it was observed that it was not the requested item. Therefore, the item was returned. Fresh quotations have to be obtained for purchasing the same.
Construction of new sanitary land filling site (part) at lot G2 – SEPZ	Contract awarded – 28.11.2017 Contract completed – 12.03.2018



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- 36 Activities with an allocation of Rs. 155.3 Mn

Planned to complete the preliminary stage of activities during 2017

Department/ Zone	Activity	Remarks
KEPZ	Construction of new sewage lift well at Phase II	This procurement has to be retendered and therefore awarding was delayed.
	Modification to old (existing) grit canal at WWT plant	Has to be retendered as no bids were received.
	Renovation and improvement to toilets at BOI buildings	Time constraints due to handling of large number of contracts for 40 <sup>th</sup> anniversary commemoration held at KEPZ. The activity will be done in 2018.
KEPZ	Protection of slope of effluent discharge canal adjacent to playground	This project has to be done in parallel with construction of multipurpose building at sports complex. This project was delayed due to the construction of multipurpose building was not finalized.
	Supplying and fixing of Fire Hydrants	Time constraints due to handling of large number of contracts for 40 <sup>th</sup> anniversary commemoration held at KEPZ. However contact was awarded in January 2018.
BEPZ	Earth works construction of a RCC drain between 3.0 to 5.5 km in Jeep Track - Block A	Initial plan was to complete the project during the year of 2017 and TEC recommended to award the contract. However, the Procurement Committee decided to re-tender the procurement and therefore the project was not completed in 2017 and postponed to complete in year 2018.
	Balance work for the Renovations of Fire and Security Building	These two (02) projects were included in to the Action Plan 2017 merely for the purpose of continuing in year 2018. Estimations were completed in year 2017.
	Balance work for the Renovations of Admin. Building and other BOI buildings	
	Supply, installation and commissioning of a CCTV camera system to cover the area of Block A & B	All activities were completed during year 2017 and TEC requested awarding of the contract. Procurement Committee approval was obtained to award the contract in February 2018 and the project is nearing completion. Please note that, during the bidding stage BOI had to change the scope of the work several times as per the instruction of IT Department, which lead for some delay.
Wagawatta Industrial Zone (WIZ)	Improvements to an existing building for use as BOI office	Most of the lands of WIZ have been allocated to Rigid Tyre Company. Existing building has also been allocated to Rigid Tyre Company. Hence, this improvement has been cancelled.
	Construction of security points	Estimate for construction of security points has been sent to the Technical Services Dept. on 26.09.2017 and still it has not been finalized.
	Construction of perimeter fence	Estimate for construction of perimeter fence has been sent to the Technical Services Dept. on 17.01.2017. It has been amended and approved on 21.09.2017. After following bidding procedures, PC has granted approval on 25.01.2018 to award this contract. This has been awarded on 02.02.2018. Hence, this work is implemented within 2018.
KgEPZ	Supply and installation of 25 hp & 150 mm dia. (suction & delivery	* Approval for the bidding document was granted at Procurement Committee meeting held on 29.08.2017. KgEPZ received minutes on 08.09.2017.

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<b>Department/ Zone</b>	<b>Activity</b>	<b>Remarks</b>
	type) centrifugal pumps – 04 nos.	<ul style="list-style-type: none"> <li>▪ Bid closing date was extended up to 20.10.2017.</li> <li>▪ Approval for tender awarding was granted by PC meeting conducted on 13.12.2017.</li> <li>▪ Contract was awarded on 08.01.2018.</li> <li>▪ As per the implementation of those activities, time periods given in pre-planned documents can be varied due to the actual practical situations / issues.</li> </ul>
	Construction of additional effluent pump house for sea out fall including installation of pumps	<ul style="list-style-type: none"> <li>▪ Revised Engineer's estimate to be obtained from NWS&amp;DB and tenders will be re-called according to the revised estimate.</li> </ul>
KIP	Balance work of construction of an access road to Lot Nos. 3 & 4.	This activity was unable to complete during the year 2017. Delay was due to practical issues arising from implementing the procurement procedures and unrealistic weather condition. Contract was awarded in 2017 and the work has been substantially completed on 08.03.2018.
	Balance work of improvements to roads, drains, walkways etc., including sand sealing.	This activity was unable to complete during the year 2017. Delayed due to practical issues arising from implementing the procurement procedures and unrealistic weather condition. Contract was awarded in 2017 and work substantially completed on 08.03.2018.
	Purchasing automatically on – off valve for distribution tank	This activity was unable to complete during the year 2017. Delayed due to practical issues arising from implementing the procurement procedures. Contract has been awarded in year 2017 and purchasing has been completed on 25.01.2018.
	Construction of a small scale treatment plant	This activity was unable to complete during the year 2017. Delayed due to practical issues arising from implementing the procurement procedures and unrealistic weather condition. Contract has been awarded in 2017 and work has been substantially completed on 08.03.2018.
	Maintenance work of water fountain	Bids were called in two occasions, whereas received only one bid in both occasions & bid prices were much higher and could not be able to justify. When this matter was brought up at a capital budget meeting, it was instructed not to proceed; hence the work was given up.
MEPZ	Supply of standby pump for water intake	This activity was unable to complete during the year 2017. The budget allocation in year 2017 was only for one pump. As it was observed the demand for water was too high, management decided to install two turbine pumps subsequently. Currently, the activity is in bidding stage and the bids will be closing on 17.05.2018.
	Supply & laying water supply lines up to Block B	Construction completed within year 2017.
	Design consultancy investigation & construction supervision of WWTP	NWS&DB has not undertaken this work due to their current workload; hence construction supervision is being directly done by BOI.
	Construction of maturation ponds, detention pond & drying bed	This activity was unable to complete during the year 2017 due to practical issues arising from implementing the procurement procedures. Contracts have been awarded before ending the year 2017.



Department/ Zone	Activity	Remarks
MEPZ	Design consultancy investigation & construction supervision of laying sewer collection network of Block A	Required to carry out the designs together with Block B by Actg. Executive Director (Technical Services) by the letter dated 27.04.2018.
	Fixing of lightning arrester system to Administration building	Expansion to the existing building was awarded on 13.05.2017 and completed on 02.02.2018. Arrangements made to fixing of lightning arrestors after the completion of expansion works.
	Construction of guard room and barrier for Block B at MEPZ	Construction Completed within year 2017.
MEPZ	Proposed extension to the existing BOI office building	These activities were unable to complete during the year 2017 but contract was awarded before ending the year 2017. Earlier management decided to have building in Block B for the office staff as Block B is to be developed. Subsequently management decided to have an office next to the zone management office for convenience.
	Construction of chain link fence along Block B boundary	After finalizing the proposed layout plan of Blok B of MEPZ, construction of chain link fence has been awarded on 27.02.2018 and the due date of completion is 26.08.2018.
WEPZ	Improvements to the Bus Stand	These activities were unable to complete during the year 2017 due to practical issues arising from implementing the procurement procedures. All contracts have been awarded before the end of year 2017 except Augmentation of Common Waste Water Treatment Plant. Augmentation of CWWTP has to be re-tendered as per the decision of Procurement Committee II on 28.06.2017.
	Balance work of access road to Lot Nos. 35 & 36	
	Purchasing of standby pumps for Waste Water Treatment Plant	
	Purchasing of air blower for Water Treatment Plant	
	Replacing of damaged sewer pipes	
	Expansion of existing office building (phase II)	Due to changes in design part (drawing and rearrangement of departmental estimate), it was delayed and decided to complete the work in 2018. Accordingly, funds were allocated for this job under Action Plan 2018. Now work has been completed.
	Air conditioning balance part of office building	Due to limitation of funds during year 2017, it was decided to complete work from the budget allocation in 2018. Accordingly, funds were allocated under Action Plan 2018. Contract has now been awarded to a contractor.
	Improvements to the Solid Waste disposal System	Management decided to cancel.



## 6.2 Environment and Social Responsibility

### (i) ▪ Apparel business in Seethawaka Export Processing Zone

This is engaged in manufacture of lead oxide and to qualify for the renewal of the Environmental Protection License (EPL) with the CEA concurrence, following reports are required.

- Performance assessment on extractor devices carried out by Industrial Technology Institute (ITI).

This has been submitted and ITI has proposed further improvements. These have been attended.

- Medical reports on employee health via Deputy Commissioner of Labour (Occupational Health) of Department of Labour.

These reports too have now been submitted.

- Factory working environment Lead levels by ITI.

Testing by Industrial Technology Institute (ITI) has been done on 01.08.2018 and the test reports are pending. If results reveal complying within the required limits, papers will be referred to CEA requesting concurrence for issuing the EPL.

### ▪ Seethwaka Export Processing Zone

Main reasons;

- Upgrading of the common waste water treatment plant (CWWTP) is required.

Bids have now been called to augment the CWWTP and after selection of a suitable Bidder, augmentation requirements will be attended.

- Having a proper facility for solid waste management

Proposals have been called to dispose the solid waste in an environmentally friendly manner through competitive bidding process before the end of 2018.

### (ii) ▪ Solid waste

Dump yard has been in existence since the inception of the zone. Periodically soil coverage is carried out. Proposals have been called to dispose solid waste in an environmentally friendly manner through competitive bidding before the end of year 2018.

### ▪ Untreated waste water

A consultant is to be selected to augment the waste water treatment plant by November 2018 in order to increase the capacity to prevent such occurrences in future.

### 6.3 Procurement Plan

Action Plan for every year is prepared and approval of the Board of Directors of BOI is obtained. Therefore, Procurement Plan has not been forwarded to the Board of Directors of BOI for approval in previous years which is not a requirement as per Procurement Guidelines 2006 prepared by the National Procurement Agency.

Non-compliances as per Procurement Guidelines 2006;

- (i) Procurement activities envisaged at least for a period of three (03) years will be included in the Master Procurement Plan in future and work will be commenced from 3<sup>rd</sup> quarter of 2018.

- (ii) Master Procurement Plan prepared for 2017 had not been updated at intervals not exceeding six months. Instead, the quarterly performance reports have been prepared and forwarded to the Committee on Public Enterprises (COPE) including number of contracts awarded, value of contracts awarded and the forecast for next two quarters.

In addition, Master Procurement Plan is monitored through the progress meetings on Capital Budget.

- (iii) Procurement time schedule for all relevant procurement activities will be prepared in compliance with the section 4.2.2 (b) in future.

- (iv) Reasons for not including the procurement activities in the Master Procurement Plan

Division	Remarks
Head Office	Many BOI departments and zones sent their requests for procurements time to time, when the needs arisen. Some of the requirements arise suddenly due to failures, urgent requirements etc.; hence such type of needs are difficult to forecast at the initial stage.
KgEPZ	<ul style="list-style-type: none"> <li>We were compelled to deviate from the master procurement plan when it was vital to supply the items when requested during the year 2017. Supply was done subjected to necessary approval of the Director (Zone) and Regional Procurement Committee.</li> <li>Procurement plan was given at the beginning of the year depending on the requirement of supplies noted at that time. But deviation shall be expected as the requirement may differ with the time akin to changes in the circumstances.</li> <li>Further, the Head Office was noticed when fund transfers were required in order to transfer the funds among budget lines.</li> </ul>
HEPZ	<ul style="list-style-type: none"> <li>Design for replacing filter media, improvements to intake and augmentation of CWWTP (03 Nos. of Procurement Activities) have not been included to the Master Procurement Plan since these payments are consultancy payments.</li> <li>Payment for supply &amp; installation of 09 Nos. submersible pumps for intake well &amp; equalization tank (01 no. of Procurement Activity) has not been included as it is a retention payment.</li> <li>Supply &amp; installation of submersible pump &amp; motors for CWWTP (01 No. of</li> </ul>

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Division	Remarks
	Procurement Activity) has not been included since it has been awarded on 11.11.2016.
BEPZ	<ul style="list-style-type: none"> <li>11 projects were not included in the Master Procurement Plan - 2017 since those project were started during the year 2015 and 2016 and 03 of those were releasing of retention money.</li> <li>12 procurements (such as procurement of steel cutting machine, A/C machines, photocopy machines, refrigerator, computers, fax machine, office racks, visitor's chairs and fire equipment) were made using minor capital provisions as decided at the beginning of the year due to urgent requirements; hence those were not included in the Master Procurement Plan.</li> </ul>
PwEPZ	<ul style="list-style-type: none"> <li><u>Construction of access road and storm water drains to new block of land at PwEPZ</u> This contract has commenced on year 2016 and completed on the end of January 2017. Therefore this activity has not been included in Master Plan 2017, because Master Plan was finalized after approving action Plan 2017 in March.</li> <li><u>Replacing of existing damaged pantry cupboard</u> This activity was decided to do in mid of the year considering the condition of existing pantry cupboards. Therefore, it has not been included in the Master Plan 2017.</li> </ul>
MwEPZ	<ul style="list-style-type: none"> <li><u>Fabricating &amp; fixing of security barrier</u> At the complaints of investors to ease the traffic jam in the rush time security barrier has to be relocated as an urgent requirement.</li> <li><u>Purchasing of new cutter pump in collecting tank</u> With the unexpected break downs of pumps, new pump had to be purchased immediately to avert the risk of overflowing the waste water to the nearby stream.</li> <li><u>Fabricating &amp; fixing of small roof for collecting tank (S.T.P)</u> Due to the number of complaints made by the surrounding community regarding the bad smell spreading from waste water pumping tank, the sealed roof had to be fixed on the tank as an urgent requirement.</li> <li><u>Purchasing of water Meters</u> At the request of enterprises for new water connections, water meters had to be purchased.</li> <li><u>Purchasing of office furniture</u> Accommodations had to be provided due to deployment of several officers on promotions and other transfers in the mid of the year.</li> </ul>
KEPZ	<p>There are 37 items in the Action Plan 2017 approved by the Board for implementation of capital budget proposal at KEPZ. Procurement of 19 items were completed when preparing the Master Procurement Plan (i.e. procurement completed in 2016 or before). Therefore, the said 19 items were not included to the Master Procurement Plan.</p> <p>Also, the procurement activities which were carried out based on the requests made by the Depts./Units of KEPZ time to time throughout the year with the approval of relevant authorities and utilizing the Recurrent Budget and the Minor Capital Allocation of KEPZ for the Year 2017 too were not included in the Master Procurement Plan.</p>
SEPZ	Master Procurement Plan (MPP) 2017 was prepared based on the procurements (contracts) which were planned to commence in 2017 for infrastructure works of the zone. Therefore, the MPP 2017 does not cover the ongoing procurements which had been started before 2017.



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(v) Procurement activities which were not completed during 2017 as planned

<b>Zone</b>	<b>Activity as per Master Procurement Plan</b>	<b>Clarification</b>
Head Office	Supply & maintenance of hardware and software solution for processing of Board Papers and managing Board Minutes	Expected time of completion was changed due to the change of scope of the work.
KEPZ	Supply & installation of 06 borehole pumps for tube wells	Procurement activities commenced in 2016 and work completed in 2017.
	Supplying and installation of 800KVA generator for CWWTP	Sought instructions of consultant and contractor for augmentation of STP to determine optimum capacity of generator and due to delay of response, the procurement got delayed.
	Protection of slope of effluent discharge canal adjacent to playground	This project has to be done in parallel with the construction of multipurpose building at sports complex. Due to not finalizing of construction of multipurpose building this project was delayed.
	Supply & fixing of fire hydrants	Time constraints due to handling of large no of contracts for 40 <sup>th</sup> Anniversary Commemoration held at KEPZ. However contract was awarded January 2018.
BEPZ	Expansion of the existing capacity of the lift station at Block B	The design and consultancy of the above has been assigned to National Water Supply & Drainage Board (NWS&DB) and the entire project was delayed due to the delay on the part of the NWS&DB. It has been requested to take a final decision on this and consider an alternative option.
	Supply & installation and commissioning of CCTV camera system to cover the area of Blocks A and B	The scope of the above work had to be revised several times by studying a similar work carried out at KEPZ in consultation with relevant authorities. However, procurement process could be started at the latter part of 2017 and balance work can be completed early.
WEPZ	Improvement to the bus stand	These activities were unable to complete during the year 2017 due to practical issues arising from implementing the procurement procedures. All contracts have been awarded before the end of year 2017 except Augmentation of Common Waste Water Treatment Plant. Augmentation of CWWTP has to be re-tendered as per the decision of Procurement Committee II on 28.06.2017.
	Balance work of access road to Lot no. 35 and 36	
	Augmentation of CWWTP	
	Purchasing of standby pumps for CWWTP	
	Purchasing of air blower for water treatment plant	
	Replacing of balance damaged sewer pipes	
WEPZ	Improvements to the hostel building	Management decided to cancel.
	Improvements to the solid waste disposal system	

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Zone	Activity as per Master Procurement Plan	Clarification
MEPZ	Supply of stand by pump for water intake	This activity was unable to complete during the year 2017. The budget allocation in year 2017 was only for one pump. As we observed the demand for water was too high, management decided to install two turbine pumps subsequently. Currently, the activity is in bidding stage and the bids will be closing on 17.05.2018.
	Construction of maturation ponds, detention pond & drying beds	This activity was unable to complete during the year 2017 due to practical issues arising from implementing the procurement procedures. Contracts have been Awarded before ending the year 2017.
	Proposed extension to the existing BOI office building	These activities are unable to complete during the year 2017 but contract has been Awarded before ending the year 2017. Earlier management decided to have building in Block B for the office staff as Block B is to be developed. Subsequently management decided to have an office next to the zone management office for convenience.
HEPZ	Supply and installation of standby generator for CWWTP	Departmental estimate has been submitted to the H/O on 21.09.2017. Actg. ED (T/S) has instructed to include the item for construction of a separate room on 09.10.2017. Hence, this work has been included in Action Plan 2018. This estimate has been submitted in year 2018. Hence, this work couldn't be implemented in year 2017.
SEPZ	Supply and installation of electrically driven sludge recirculation pumps - 03 nos.	Contract has been awarded to Megatech (Pvt) Ltd as per BOI's letter of acceptance dated 22.11.2017. Due date of Completion is on 03.04.2018.
	Supply & installation of electrically driven sludge feeding Pumps - 01 no., submersible duck foot pump - 02 nos., supply of 100mm dia submersible standby pump - 01 no.	TEC has submitted a bid evaluation report dated 01.11.2017 to the PC - II - H/O. As per PC - II by the minute of item no. 354/2017 dated 09.11.2017 informed to TEC to submit a supplementary report to the PC - II. TEC has submitted a supplementary report dated 22.11.2017 to PC-II. Awaiting the PC approval to award the contract.

### 6.4 Delayed Projects

Construction of Proposed Main Entrance Building at Seethawaka Export Processing Zone

- Initial concept of construction of proposed main entrance building had been formulated in year 2011 to accommodate general Security Office,



Office for Security Officer, Stores for security detections/documents, armoury, Changing Room for Security Guards (male & female), Toilet, Bathroom and Pantry. Total conceptual area is 91.5 m<sup>2</sup>.

- Design consultancy had awarded to General Manager, State Engineering Corporation Sri Lanka by BOI letter dated 09.08.2011.
- Schematic Design Drawing (Drw. No. 2011-144/A/01) had been submitted by SEC by their letter dated 03.11.2011 for BOI approvals.
- After scrutinizing the schematic drawing, BOI informed the requirement of some additions and changes of drawings to SEC.
- Accordingly, SEC had submitted revised schematic design drawing by their letter dated 12.01.2012 and the Preliminary Project Estimate by their letter dated 16.01.2012 to BOI.

	Rs.
▫ Allow for Preliminaries	500,000.00
▫ Allow for Construction of Entrance Building-	8,000,000.00
▫ Allow for External Works	700,000.00
<b>Total</b>	<b><u>9,200,000.00</u></b>

- After obtaining a series of clarifications, confirmations from SEC for the identified shortcomings of the construction activities, BOI, had accepted architectural concept design of Drawing No. (2011-144)/A/DS/EXT/13 by the letter dated 05.02.2014 and requested to proceed with the detailed design work.
- SEC had submitted a Preliminary Project Estimate dated 18.06.2014 as per the BOI approved Drawing No. (2011-144)/A/DS/EXT/13.

	Rs.
▫ Allow for Preliminaries	800,000.00
▫ Allow for Construction of Entrance Building-	18,000,000.00
▫ Allow for External Works	1,350,000.00
<b>Total</b>	<b><u>20,150,000.00</u></b>

- SEC had submitted draft bidding document and construction drawings to the BOI by their letter dated 02.04.2015.
- After finalizing the scope of the activities, Engineer's Estimate for the scope of the work had submitted by SEC through the letter dated 13.05.2016 and the total Floor Area is 400m<sup>2</sup>.

	Rs.
▫ Cost of Preliminaries	1,200,000.00
▫ Cost for Demolition	320,000.00
▫ Cost for Building Work	19,450,905.00
▫ Provisional Sum	100,000.00
<b>Basic Cost Estimate</b>	<b><u>21,070,905.00</u></b>

- As per the Board Paper No. 367/14, the Committee had noticed that some rates of the Engineer's Estimate prepared by SEC were comparatively higher than the present market rates and in the Preliminary Bill, the estimated cost of Rs. 1.2 Mn can be covered with Rs. 0.3 Mn.
- According to the Engineer's Estimate, the cost of the project after detailed design is Rs. 21,070,905/- (as per the submission by SEC); thereby there is no increase in the cost of project as mentioned in the query.
- The Board at its Meeting No. 367 held on 10.11.2017 has granted approval to implement the proposed designed Entrance Building at SEPZ

considering the present operational aspects of a customs bonded area and has granted a financial allocation of Rs. 16 Mn from the Capital Budget of year 2018.

Delay occurred due to the reasons mentioned above.

## 6.5 Budgetary Controls

Significant variances observed between budget and actual

Expenditure	Clarification
General expenses - Sundries	<b>Pl. Refer Annexure II</b>
Maintenance of Zones	According to Budget Rs. 135.81 Mn has been allocated to zone maintenance and it is included non-cash item of amortization of deferred zone development amounting to Rs. 38 Mn.
Entertainment	Expenditure has been controlled by the management.
Investment Promotion Expenses	-do-
General Expenses - Flower Arrangement	-do-
Periodical & Publication	-do-
Corporate Social Responsibility	-do-
Compensation paid on Legal Cases	It is very difficult to estimate due to uncertainty of expenditure
Expenses on Identity Cards	Budgeted under general expenditure
Container Key Locks	
Income Tax	Budgeted interest income has increased from Rs. 216.54 Mn to Rs. 336.92 Mn.
Stamp Duty	Due to increase of receipts & stamp duty of lease agreements.

BOI has used the Budgetary Control System as an effective instrument of Management control to achieve the Annual Budget.

## 6.6 Unresolved Audit Paragraphs

(a) (i & ii)

The Board of Investment (BOI) is mandated to attract investments with the investors' own capital when such investor is either local or foreign. In exceptional situations, the BOI could consider permitting an investor who has obtained the BOI land on lease to mortgage the leasehold rights to meet the financial needs of such party. As a matter of practice, the BOI does not promote investors to raise financial facilities through local Banks by mortgaging the BOI land leased to them.

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Our view is that there are sufficient controls in the Tripartite Agreement entered into among the investor, Bank and BOI in order to safeguard the rights of the BOI. Under the Banking Act, in a situation where the bank carries out Parate execution where there is a default by the investor to the Bank, the Bank is compelled to give notice to the BOI. In this connection the opinion received from the Attorney General's Department is attached herewith (**Annexure III**).

It should be noted that if the BOI had been aware of the performance of the enterprises it would have been possible to intervene and take any action to protect the interests of BOI prior to these Enterprises going into Liquidation.

These instances could have been prevented if a proper mechanism had been in place whereby the BOI could identify situation of Enterprises going into Liquidation based on their performance. As such the BOI could terminate the Principal Agreement entered into with the Enterprise based on non-compliance and follow the procedure laid down in the Tripartite Agreement.

- (iii) The land in question was primarily allocated to M/s Vidyodaya Ayurvedic Medical College (Pvt) Ltd, a BOI approved project on lease. The property was mortgaged to People's Bank by the company in 2008 without the consent of BOI. BOI has terminated the lease agreement on 11.08.2018. Now the leasehold right is with the People's Bank.

People's Bank has made a request to BOI to give them an opportunity to negotiate with a prospective investor to recover their dues by disposing of the said land. BOI informed the People's Bank that we have no objection for negotiating with a prospective investor, subject to following conditions;

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

This matter was taken up at the Screening Committee meeting held on 05.03.2018 and decided to;

- Resurvey and to obtain a valuation report for the land
- Advertise the said land for Request for Proposals (RFP) from potential investor

BOI is in the process of preparing a survey plan for this land.



## BOARD OF INVESTMENT OF SRI LANKA

- (b) (i) The amount receivable from Sri Lanka State Plantation Corporation (SLSPC) is Rs. 16.4 Mn 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.

Further, a letter was sent on 26<sup>th</sup> January 2018 to the Secretary, Ministry of Development Strategies & International Trade by Executive Director (Finance) of the BOI requesting to assist & intervene at Ministerial Level to resolve this issue.

- (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. Therefore, information related to motor vehicle and bungalow rent have been requested from SLSPC.

This issue was discussed at a meeting held with SLSPC officers and BOI on 04.07.2017.

- (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.

- (c) The BOI has filed a case in the Court of Appeal (CA/RI/08/16) and moved the Court to have the said order of the Commercial High Court ordering BOI to pay Rs. 102,138,350/- to M/s Million Garments (Pvt) Ltd, be set

## BOARD OF INVESTMENT OF SRI LANKA

aside and restore the BOI to the original status before the said order by the Commercial High Court.

The Court of Appeal after granting leave to proceed granted an interim order in favour of the BOI staying the operation of the order dated 18.12.2014 delivered by the Judge of the Commercial High Court and further proceedings of the case bearing no. HC (ARB) 1254/2002 until the hearing and final determination of the application (CA/RI/08/16). This case is fixed for inquiry on 05.07.2018 and the stay order extended till 07.07.2018.

- (d) Mr. R. A. Dharmadasa 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.

Mr. Dharmadasa filed action against the termination before the Labour Tribunal Colombo. The judgment was delivered on 25.07.2016. Hon. LT President has commented that the respondent Board has failed to prove the charges levelled against Mr. Dharmadasa and has concluded that the termination was unjust and unfair and has 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 30<sup>th</sup> August 2016 has 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 Western Province and the High Court judgement was delivered in favour of the BOI. Thereafter, Mr. Dharmadasa has filed a case against the High Court judgement before the Supreme Court and said Supreme Court case is pending at present.

- (e) The land extent of 818 Acres which was owned by BOI was transferred back to the state, as per the Extraordinary Gazette Notification No. 1913/19 which was published on 07.05.2015.

BOI, by the letter dated 27.01.2017 has requested the District Secretary of Trincomalee to allocate a suitable alternative land to BOI.

At the Investment Approval Facilitation Committee (IAFC) meeting held on 09.05.2017, BOI was instructed to not to proceed the survey work in view of possible objections expected from the politicians of the area.

- (f) Maliduwakanda Estate

The Board of Directors of BOI decided at its meeting on 06.07.2018 that leasing out of BOI owned land at Keragala to Higher Institute of



## BOARD OF INVESTMENT OF SRI LANKA

Technology (Guarantee) Limited (HITEC) and decided to get approval of the Cabinet of Ministers also for leasing the Keragala land to HITEC at a nominal rental of Rs. 100,000/- per annum initially for a period of five years and extendable thereafter on mutually agreed rental and allow them to sublet the land.

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

Funds for Commonwealth FDI Promotion - Noted

- (h) A suitable party has still not been selected since the bids received did not comply with the requirements; hence the Technical Evaluation Committee recommendation is to re-invite bids.
- (i) Key Performance Payment (KPP) scheme has been implemented as mentioned under item no. 2.4 (a) & (b) above, allocating a higher weight for performance of employees.

### 7. Systems and Controls

#### Control over Personnel Emoluments

Please refer reply for 2.4 above.

#### Collection of Dues from Enterprises

According to the present policy BOI raises invoices for Annual License Fee in respect of the Enterprises which are not in arrears of Annual Fees and not closed, cancelled or suspended.

We have taken many steps over the past several years to streamline and improve the collection of dues from Enterprises. The procedure followed is explained below;

- Ensure that invoices are sent to Investors by 01<sup>st</sup> January each year.
- As the Enterprises are under obligation to settle the Annual Fee / Ground Rent for a particular year by 10<sup>th</sup> January each year in terms of the agreement, the first reminder is sent during the 01<sup>st</sup> week of February giving them notice of suspension of services with effect from 01<sup>st</sup> March.
- In addition, a notice is displayed by 31<sup>st</sup> January at Head Office and Zone offices giving the deadline for payment of Annual Fee / Ground Rent.

- By 25<sup>th</sup> February, the Finance Department informs all departments to suspend services provided to Enterprises which are in default.
- A statement of outstanding balances as at end of each month is sent to Directors Accountants/ Managers at Zones and Regional Offices and they are instructed to follow up on the dues.
- 02<sup>nd</sup> & 3<sup>rd</sup> Reminders are sent by 30<sup>th</sup> June & 01<sup>st</sup> week of September each year respectively.
- Default interest is charged for settlement of dues after 10<sup>th</sup> January of the relevant year.
- At the beginning of each year, a list of Enterprises who have defaulted Annual Fee/Ground Rent in the preceding year is submitted to Monitoring Department of the BOI for termination of the Agreement.
- Prior to making arrangements for cancellation of projects a Letter of Non-compliance is sent by the Monitoring Department requesting the payment of dues
- Commencing from year 2012, the Legal Department is informed to take Legal Action in respect of the defaulters irrespective of the status of the Enterprise. Prior to that, Letters of Demand were sent only in respect of cancelled projects.

The average recovery rate of Ground rent and Annual Fee is 97% of invoiced value.

#### Procurement Planning

As per the formal procedures, tender approvals, calling bids etc., have to be followed. However, further steps will be taken to expedite capital works in the forthcoming year and avoid undue delays.

#### Accounting

Houses for sale in Wathupitiwala EPZ have been shown under the current assets as per the LKAS 2. It should be noted that these assets are held for sale in the form of inventory for selling purpose.

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MINISTRY OF DEVELOPMENT STRATEGIES & INTERNATIONAL TRADE

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30 வது மாடி, மேற்கு கோபுரம், உலக வர்த்தக மையம், கொழும்பு 01, இலங்கை.  
Level 30, West Tower, World Trade Centre, Colombo 01, Sri Lanka.

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எனது இல.  
My No.

MODSIT/ADM/4/18

ඔබේ අංකය  
உமது இல.  
Your No.

දිනය  
திகதி  
Date

2017.07.24

Director General,  
Board of Investment of Sri Lanka  
World Trade Center,  
Colombo 01.

Director General's Office

27 JUL 2017

15

Board of Investment of Sri Lanka


**40<sup>th</sup> Anniversary of the Open Economy – Exhibition (27-30 July) BOI Exhibit**

Ministry Procurement Committee are considering your procurement of services for the construction of sales outlets of Board of Investment of Sri Lanka enterprises and to design & contract BOI pavilion for 40<sup>th</sup> anniversary of the Open Economy – Exhibition, held at National Youth Service Council, Maharagama.

02. Ministry Procurement Committee has approval your procurement accordingly following prices condition.

01. M/s Gravitas Integrated Holding (PVT) Ltd  
(To design and construct BOI pavilion) - Cost - Rs. 7,405,000.00 (Excluded VAT)

02. M/s M.W. Ventures International (Pvt) Ltd  
(To construct 05 seals outlets for BOI enterprises) - Cost - Rs. 225,000.00

  
T.V.D. Damayanthi S. Karunarathne  
Additional Secretary  
For Secretary  
Ministry of Development Strategies and International Trade



Director General's Office

04 AUG 2017

D-2

Board of Investment of Sri Lanka

BOI  
SL



**CONFIDENTIAL**

TO: ✓ Director General  
ED (Inv Pro)  
ED (F)

**EXTRACT OF BOARD MINUTES**

Please find reproduced below extract of Board Minutes of Board Meeting held 28<sup>th</sup> July, 2017 for your information and compliance please.

Board Meeting No. : 362  
Date : 28<sup>th</sup> July, 2017  
Board Paper No. : 362/28  
Item No. : 5.7

**40<sup>TH</sup> ANNIVERSARY OF THE OPEN ECONOMY – EXHIBITION**  
**(27-31 JULY 2017) EXHIBIT (B P NO. 362/28)**

Board noted the contents of the paper which requested covering approval for the expenses mentioned therein and meet the timelines required as directed by Hon. Prime Minister's Office and as such the inability to follow the standard procurement process currently in place. The Board granted the approval for the above paper and to spend the funds as mentioned and requested Director General to obtain approval from the Ministry Procurement committee for the deviation from procurement policy.

**SECRETARY TO THE BOARD**

03<sup>rd</sup> August 2017

TO : The Members of the Board

THROUGH : Chairman/Director General

FROM : Executive Director (Investment Promotion)

DATE : 26 July 26, 2017

SUBJECT : 40th Anniversary of the Open Economy - Exhibition (27 - 31 July, 2017) BOI Exhibit

**1. Purpose:**

The purpose of this Board Paper is to solicit approval for the utilization of funds from the year 2017 Promotion budget to meet the cost of the BOI exhibit at the Exhibition to commemorate the 40th Anniversary of the Open Economy to be held at the Maharakama Youth Center from 27 - 31 July, 2017.

**2. Background:**

The communication with regard to this event from the Office of the Honorable Prime Minister was directed to the BOI through the Ministry of Development Strategies & International Trade (MODSIT) on 18 July 2017 (Annexure 1). Subsequent to this, a meeting was held on 18 July, chaired by State Minister for International Trade, with Secretary MODSIT, Director General BOI and other senior officials of MODSIT and BOI, where it was decided that the BOI is to display an exhibit supporting the theme of "BOI's contribution to Sri Lankan Development" as well as to facilitate 15 BOI companies to display stalls and products for sale.

Given the significant time constraint related to executing this decision, approval of the Board of Directors was sought via email, with supporting documents, by means of a Memo raised by Director (Media & Publicity) through Executive Director (Investment Promotion)/Executive Director (Special Projects) and Director General to the Chairman.

**3. Proposal:**

It is proposed to obtain formal covering approval for the expenses related to this event, as the related timelines mentioned above made it impossible for the standard procurement process to be followed.

**4. Rationale:**

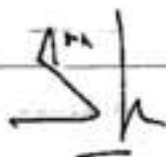
Given the urgency of the request and the fact that it originated from the Office of the Honorable Prime Minister, it was clarified to the Board of Directors (Annexure 2) that such deviation from the standard procurement process would be necessary if the BOI were to comply with the said request.

**5. Approval sought:**

Covering approval is sought for the following:

- i) To utilize funds from the year 2017 Promotion budget to meet the costs related to this event,
- ii) To assign commissioning of the BOI exhibit to M/s Gravitas Integrated Holdings PVT LTD.\*
- iii) To assign the installation of cubicles for BOI company stalls to M/s MW Ventures International PVT LTD.\*
- iv) To pay mobilization advances as requested by the above suppliers.

\* as per quotations appended



Executive Director (Investment Promotion)



## INTERNAL MEMO

To : Chairman  
Through : Director General  
Through : Executive Director (Investment Promotion)/Executive Director (Special Projects)  
From : Director (Media & Publicity)  
Date : 21 July 2017  
Subject : **40th Anniversary of the Open Economy - Exhibition (27 - 31 July, 2017) BOI Exhibit**

Attached herewith is the communication received from the Ministry of Development Strategies & International Trade (MODSIT) on 18 July 2017, regarding the above exhibition (Annexure 1).

Subsequently a meeting was held on 18 July, in this regard, chaired by State Minister for International Trade, with Secretary MODSIT, Director General BOI and other senior officials of MODSIT and BOI. At the said meeting it was decided that the BOI is to display an exhibit supporting the theme of "BOI's contribution to Sri Lankan Development" as well as to facilitate 15 BOI companies to display stalls and products for sale.

Given the extremely short deadline it was decided to obtain the services of M/s Gravitas Integrated Holdings PVT LTD, an agency the BOI has very satisfactory previous experience with. The hiring of cubicles was assigned to M/s MW Ventures International PVT LTD as they are the selected service provider for marquees and cubicles by the organizers of the event. Illustrations of the stall are attached for your perusal.

The attached quotations were obtained (Annexure 2, 3, 4, 5) following a presentation of their brief to State Minister for International Trade and senior officials of the BOI. The fees for design and creative artwork which have been discounted due to expected repetitive usage since this exhibit has been designed to be used at recurring events as informed by State Minister for International Trade.

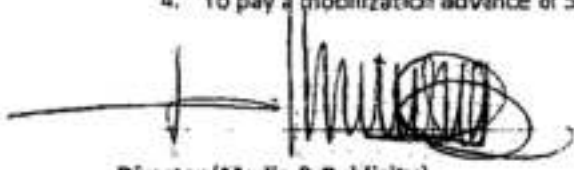
- |                                     |                  |
|-------------------------------------|------------------|
| 1. Design work:                     | Rs. 3,275,000/-* |
| 2. Fabricating & Installation:      | Rs. 2,770,000/-* |
| 3. Hiring of equipment:             | Rs. 1,230,000/-* |
| 4. Installation of 3m x 6m cubicles | Rs. 225,000/-    |

\*The above charges will be subject to NBT (2%) and VAT (15%)

The total cost estimated for this purpose inclusive of taxes and levies will be Rs. 8,758,575/-; It also recommended to make an allowance of 5% of this projected total (Rs. 437,928.75) as a contingency budget for this event.

Considering the time constraints mentioned above it will not be possible to follow the standard procurement process (Annexure 6) and therefore, approval is sought for the following, pending covering approval to be obtained at the Board Meeting to be held on 28 July 2017.

1. To utilize funds from the year 2017 Promotion budget to meet the costs related to this event.
2. To assign commissioning of the BOI exhibit at the above mentioned exhibition to M/s Gravitas Integrated Holdings PVT LTD as per quotations indicated as 1 - 3 above.
3. To assign the installation of cubicles for BOI company stalls to M/s MW Ventures International PVT LTD
4. To pay a mobilization advance of 50% of the quoted value as specified, on 24 July, 2017.



Director (Media & Publicity)



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**அபிவிருத்தி உபாய முறைகள் மற்றும் சர்வதேச வர்த்தக அமைச்சு**  
**MINISTRY OF DEVELOPMENT STRATEGIES & INTERNATIONAL TRADE**

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 30 වන மாடி, மேற்கு கோபுரம், உலக வர்த்தக மையம், கொழும்பு 01, இலங்கை.  
 Level 30, West Tower, World Trade Centre, Colombo 01, Sri Lanka.

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எனது இல.  
My No.

MDSIT/DEV/AD6/OE Annv 2017

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உமது இல.  
Your No.

දිනය  
திகதி  
Date

2017.07.25

Chairman,  
Board of Investments Sri Lanka

**40<sup>th</sup> Anniversary of the Open Economy**

In commemoration of 40 years of the Open Economy of Sri Lanka, the Government has planned to hold a series of exhibition to highlight the development of all the sectors of the economy owing to open economic policy initiatives introduced in 1977. (The letter no PMO/1/of Secretary to the Prime Minister dated 13.07.2017 is attached)

The first such exhibition is proposed to be held in National Youth Center, Maharagama from 27<sup>th</sup>-30<sup>th</sup> July 2017. Each Ministry/Department/Board/Corporation/State Owned Entities to provide a stall showcasing the progress made during the last 40 years.

Accordingly BOI also has to display the contribution made for the economy through investment promotion and to display how BOI has evolved since 1978. This is also an opportunity for BOI companies, to showcase the general public their international standard export quality products within the allowed limits.

Expenditure associated with this event be incurred within the 2017 Budget of BOI with the approval of the Board and please make necessary arrangements to expeditiously implement this.

Chandanie Wijayawardhana,  
Secretary





## Proforma Invoice

Attention: Director Media & Publicity  
Media & Publicity Department  
Board of Investment of Sri Lanka  
Level 0, West Tower  
World Trade Centre  
Colombo 01

Proforma Invoice No : 24072017

Invoice Date : 21st July 2017

Job No : G0403 - A

Description	Amount
Creating concept and design for stall to 40' x 20' dimensions, planning floor space and all structures within, detailing all ambient elements such as lighting etc. As per our estimate no. G0403-A dated 21st July 2017	
Drawinging 8 non panels to 8' x 4' size based on master design with text and language variations for each	
Producing approx. 100 artworks to 4' x 2' size	
Sourcing and purchasing approx. 2500 images from local and international image banks for usage in panels. Any additional images will be charged extra.	
Lighting of nos. files for playback on the 40 nos LED TVs within the stall & providing video edited clips from Government film (for archival material)	3,175,000.00
NET (2%)	65,500.00
VAT (15%)	501,025.00
	<u>3,841,525.00</u>
Amount payable - 50% Advance to initiate production	1,920,762.50
Amount payable	<u>1,920,762.50</u>

Cheques should be drawn in favour of  
GRAVITAS INTEGRATED HOLDINGS (PVT) LTD

Note: 1. If there are any clarifications/queries regarding this invoice kindly notify the agency within 10 days.  
No queries will be entertained after this period.

2. These costs are for development of material & will not be billed if the stall is to be reproduced for another year.

GRAVITAS INTEGRATED HOLDINGS (PVT) LTD

*P. J. S.*  
Manager - Finance & Administration

## Proforma Invoice

Attention: Director Media & Publicity  
Media & Publicity Department,  
Board of Investment of Sri Lanka  
Level 8, West Tower,  
World Trade Centre,  
Colombo 01.

Proforma Invoice No : 24072017

Invoice Date : 21st July 2017

Job No : G 0403 PR - B

Description	Amount
Producing 20' x 12' entrance panel as per the visual. As per our estimate Nos. G 0501/A & B dated 21st July 2017.	
Producing 20' x 40' size platformed floor area with plywood & covering with carpet.	
Producing and fixing 8' x 4' with a depth of 1 foot, double sided panels covered with digital prints and facilities to mount 55" LED TVs vertically.	
Producing and installing 40' x 8' panels with digital prints (flex material) to be mounted on either side of the stall (inside).	
Producing and installing 20' x 8' panels with digitally printed flex material to be mounted on front and rear of the stall (inside).	
Producing and installing 8' x 4' podiums with a height of 2.5 feet for placing the 4 model buildings.	
Producing and installing 01 Nos Branded Counter with 02 Nos. Branded wall rack.	
Providing lighting solution for inside and outside of the stall with floor lighting for inside and (11) Par cans and Spot lights for outside.	
Providing VGA screen switching facilities and Switching facilities.	
Providing daily cleaning facilities and stand by technical personnel - 5 days	2,775,000.00
NET (2.5%)	55,400.00
VAT (15%)	421,800.00
	<u>3,246,200.00</u>
Amount payable - 50 % Advance to initiate production	1,624,600.00
Amount payable	<u>1,624,600.00</u>

Checks should be given in favour of  
**GRAVITAS INTEGRATED HOLDINGS (PVT) LTD.**

Note: If there are any clarifications or queries regarding the invoice kindly, notify the agency within 10 days.  
No queries will be entertained after this period.

GRAVITAS INTEGRATED HOLDINGS (PVT) LTD.

For Manager Finance &amp; Administration



Gravitas

Gravitas Integrated Holdings (Pvt) Ltd.  
79, C.W.W. Kannangara Mawatha,  
Colombo 07

ANNEXURE 4

## Proforma Invoice

Attention: Director Media & Publicity  
Media & Publicity Department  
Board of Investment of Sri Lanka  
Level 6, West Tower,  
World Trade Centre,  
Colombo 02.

Proforma Invoice No : 24072017

Invoice Date : 21st July 2017

Job No : G.D403 PR - C

Description	Amount
Hire and installation for 6 days 20' X 40' Polystyrene Double Flap awnings with covering for air conditioning facilities. As per our estimate no. G.D403-A & B dated 21st July 2017.	350,000.00
Hiring, fixing and maintaining 75 numbers 55" LED TVs to be mounted on the panels - 6 days	150,000.00
Hiring fixing and maintaining 60" LED TV with Stand - 6 days	80,000.00
Installing and maintaining Air conditioning facilities with 120,000 BTU and 62 Nos. 40 Cans for 6 days	250,000.00
Hiring & maintaining generator 750 KVA - inclusive of fuel & technical charges for 12 hrs per day usage	1,300,000.00
	1,730,000.00
NBT (2%)	24,600.00
VAT (15%)	259,500.00
	1,442,790.00
Amount payable: 50% Advance to initiate production	721,395.00
Amount payable	721,395.00

Cheques should be drawn in favor of  
GRAVITAS INTEGRATED HOLDINGS (PVT) LTD.

Note: If there are any clarifications or queries arising thereon, please kindly notify the agency within 10 days.  
No queries will be entertained after this period.

GRAVITAS INTEGRATED HOLDINGS (PVT) LTD.

*Pf*  
for Manager - Finance & Administration



M W Ventures International (Pvt) Ltd

## QUOTATION

To:  
Board of Investment Sri Lanka  
Level 28, West Tower, World Trade  
Center, Colombo 01.

Date: 7/23/2017

Description	Cost per unit SLR	Qty	Total SLR
Installation of Stall 3m x 6m Stall structure (Size of 2 Stalls) at the Maharagama Youth Centre. Inclusive of 2 Nos. Spotlights 2 Nos. Chair 1 Nos. Counter 2 Nos. 5A plug points  Period of 4 Days (26 <sup>th</sup> July - 30 <sup>th</sup> July)	15,000/-	15	225,000/-
Total			225,000/-

### TERMS OF CONTRACT AND OTHER COMMENTS

Advance payment of 75% required upon confirmation and the balance to be settled upon completion.

#### Special Note:

- We require a period of 2 days for installation prior to the requested date.
- Electrical supply will be required for the entire project.
- Necessary passes will be required for our staff to enter the premises.

Please draw your cheque in favor of "M W Ventures International (Pvt) Ltd.

Masaka Weerakoon  
CEO

Mobile No: +94 773 774 664

**Procurement Guidelines to be followed for values above Rs. 5 Million**

1. Approval of the Board of Directors authorizing allocation of funds for the activity.
2. Call for 5 sealed quotations from BOI registered suppliers OR suppliers listed in the rainbow pages.
3. Quotations received to be evaluated by a Technical Evaluation Committee.
4. Technical Evaluation Committee to recommend most suitable quotation to the Procurement Committee for the determination of the award.
5. The recommendation of the Procurement Committee to be approved by the Director General.

## Note 01-General Expenses

	Budget Line	Initial Allocation
Over time Offdays Pay - Custom Staff (CVT)	6	5,772,000
General Expenses	26	8,713,000
General Expenses - Flower Arrangement	27	450,000
Survey Charges	50	380,000
Medical Examination Fees	52	330,000
Paid for Interview & Recruitment Tests	53	825,000
Translation Fees	55	450,000
Professional Subscriptions	56	576,000
ISO 9001 : 2000 Consultancy Service	62	160,000
Outside Verification Charges for Custom Officers	70	1,200,000
		<u>18,856,000</u>



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My No.  
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Your No.

E/155/16/BOI

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Telephone Nos.  
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2433867  
2483769  
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Email  
administration@attorneygeneral.gov.lk

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ATTORNEY - GENERAL'S DEPARTMENT

02<sup>nd</sup> December 2016

Ms. S. Herath  
Senior Deputy Director (Legal)  
Board of Investment of Sri Lanka  
World Trade Center - West Tower,  
Echelon Square  
Colombo 01.

MORTGAGING THE LEASEHOLD RIGHTS OF THE BOI LANDS BY THE ENTERPRISES TO VARIOUS BANKS

1. I have considered the contents of your letter dated 03 October 2016 on the above subject together with clause 26 of the draft principal agreement and the format of the tripartite agreement among the Board of Investment (BOI); an enterprise; and, a bank in light of the provisions of the Recovery of Loans by Banks (Special Provisions) Act No 4 of 1990, as amended (the Act).
2. A bank within the meaning of Section 22 of the Act is mandatorily required to give notice to the public of a resolution under Section 4 of the Act for the sale of any property or 'property right' mortgaged to such bank as security for a loan by way of newspaper publications as prescribed by Section 8 of the Act. Notice of such resolution, in terms of Section 8, should also be individually addressed to the borrower; to every person registered with the bank under Section 2 of the Act; and, to the Land Commissioner if the property involves a lease from the State that includes a state organ such as the BOI.
3. Upon consideration of material, I am of the view that a tripartite agreement entered into among parties on the above format in order to facilitate a loan has the effect of adequately registering the address by BOI as required under Section 2 (1) (c) [of the Act] for the purposes of Section 8 of the Act.



4. I am, therefore, of the opinion that any failure by a bank to give notice, under the circumstances set-out in paragraph (2) or (3) above, to BOI of a resolution for sale of property under Section 8, constitutes a statutory breach under the Act. Such statutory breach will, in my opinion, have the legal effect of rendering a sale by a bank *ab initio* void.

5. The above conclusions are, however, reached whilst agreeing with your observation that the BOI should apprise itself of the sources and the relative strength of the investors to prevent instances of making investments using local sources prior to granting approval by the BOI as noted in the penultimate paragraph of your letter under reference. In the circumstances, specifying a time period by BOI for an enterprise to get permission to mortgage property rights, in my view, is undesirable.



Zuhri Zain  
Senior State Counsel



Priyanka Nawana  
Senior Deputy Solicitor General  
For Attorney General

## Audit Report - 2017

### Report of the Audit Committee

The Audit Committee was constituted in accordance with the provisions in the Public Finance Circular PF/PE3 of 19.11.1999.

Four Audit Committee meetings were held during the year 2017, of which the first two meetings comprised of following members;

1. Chairman - Mr. Buddhi Athauda (Member of the Board of Directors of BOI)
2. Member - Mr. M. C. Cooray (Member of the Board of Directors of BOI)
3. Member - Mr. M. A. Neeth Udesha (Member of the Board of Directors of BOI)

Due to a change in the management in the second half of the year, balance two Audit Committee meetings consisted of following members;

1. Chairman - Mr. Mangala Yapa (Member of the Board of Directors of BOI)
2. Member - Mr. Sagara Gunawardana (Member of the Board of Directors of BOI)
3. Member - Mr. Hemantha Wickramasinghe (Member of the Board of Directors of BOI)
4. Member - Mr. Ajit Gunawardene (Member of the Board of Directors of BOI)
5. Observer - Mr. C. Jayasooriya (Representative of Treasury)
6. Consultant - Mr. Lasantha Wickremasinghe (Voluntary Consultant to the Audit Committee)

Actg. Director (Internal Audit) acted as the Secretary / Convener to the Audit Committee.

Superintendent of Government Audit represented the Auditor General at the Audit Committee meetings as an observer.

The meetings of the Audit Committee facilitated dialogue among the Internal Auditor, representative of the Auditor General and the management of BOI on the outcomes of the examinations and evaluation of internal controls.

Compliance with scope and responsibilities of the Internal Audit was confirmed by the Committee through continuous coordination with the Internal Auditor and reviewing and approving the Annual Action Plan.

Audit Committee ensured protecting the independence of the Internal Audit by taking a policy decision prohibiting the staff of Internal Audit engaging in operational activities of the organization which impairs its independency.

Audit Committee focused on reviewing risk involved in the processes and the implementation of internal controls and preventive measures to mitigate the affiliated risk and for process improvements.

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

## Senior Officers of the BOI as at 31.12.2017

Name	Designation	Location
Mr. D R Ratnayaka	Chairman	World Trade Center
Mr. D P Ariyasinghe	Director General	World Trade Center

Executive Directors	Department	Location
<b>Name</b>		
Mr. P J Panapitiya	Engineering Approvals & Special Projects	World Trade Center
Ms. R M Weerakone	Project Monitoring	World Trade Center
Ms. C P Malalgoda	Research & Policy Advocacy	World Trade Center
Ms. S P DE S Mutucumarana	Finance	World Trade Center
Mr. S P K Wijayatilake	Investment Promotion	World Trade Center
Mr. K P V D Fernando	Investment Promotion	World Trade Center
Mr. A R Karunaratne	Security	World Trade Center
Mr. R M U Senerath	Project Implementation	World Trade Center
Mr. M Ramanayake	Investor Services	World Trade Center
Ms. M S R Peiris (Consultant)	Legal	World Trade Center

Acting Executive Directors	Department	Location
<b>Name</b>		
Mr. M K D Lawrance	Zone Management	Katunayake EPZ
Mr. A K A Mahinda	Technical Services	World Trade Center

Directors	Department	Location
<b>Name</b>		
Mr. D S Samarasinghe	Media & Publicity	World Trade Center
Mr. H M Jayasundara	Zone Management	North Western Regional Office
Ms. N De Silva	Investment Promotion	World Trade Center
Mr. J P C Jayalath	Information Technology	World Trade Center
Mr. A K Jayasinghe	Zone Management	Biyagama EPZ
Mr. N N Kumaratunga	Investment Appraisal	World Trade Center
Mr. W U K M A Wijayakulathilaka	Investment Appraisal	World Trade Center
Ms. H S Urugodawatte	Industrial Relations	Katunayake EPZ
Mr. G Dahanayake	Zone Management	Koggala EPZ
Mr. M J K Mohottala	Regional Development	Kandy Industrial Park
Ms. A S Beling	Environment Management	World Trade Center
Mr. T M D Thilakaratna	Zone Management	Wathupitiwala EPZ
Mr. W A G Jayathilake	Investment Appraisal	World Trade Center
Mr. A S K T R Sibera	Investment Appraisal	World Trade Center
Ms. P S P Pilapitiya	Engineering Approvals & Special Projects	World Trade Center
Ms. S A D D Suraweera	Finance	World Trade Center
Mr. A K Rajakaruna	Investor Services	World Trade Center
Ms. P N Samaraweera	Research & Policy Advocacy	World Trade Center
Mr. BRIG. D A Amunugama	Security	World Trade Center

Acting Directors	Department	Location
<b>Name</b>		
Mr. H M Keerthiratne	Human Resource Management	World Trade Center
Ms. D A S Amarakoon	Internal Audit	World Trade Center
Ms. N N Andrahennadi	Industrial Relations	World Trade Center

## 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 : info@boi.lk

### Katunayake Export Processing Zone

Katunayake.  
Tel : 011 2252364-5, 2252140, 2252038,  
4833737, 4833741, 4833774, 4833779,  
4833817, 4833819  
Fax : 011 2253207  
E-mail : kepz@boi.lk

### Biyagama Export Processing Zone

Walgama, Malwana.  
Tel : 011 2465206 - 09  
Fax : 011 2465227  
E-mail : bpz@boi.lk

### Horana Export Processing Zone

Boralugoda, Poruwadanda.  
Tel : 034 2269296, 2269752, 2258077  
Fax : 034 2255687, 2258029  
E-mail : hepz@boi.lk

### Mirigama Export Processing Zone

Mahayayawaththa, Loluwagoda, Mirigama.  
Tel : 033 2274657, 2276626, 2276393  
Fax : 033 2274657, 2276393  
E-mail : mepz@boi.lk

### Wathupitiwala Export Processing Zone

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

### Malwatta Export Processing Park

Thihariya, Nittambuwa.  
Tel : 033 2288826, 2296166, 2296620  
Fax : 033 2288826  
E-mail : mepp@boi.lk

### Seethawaka Export Processing Zone

Awissawella.  
Tel : 036 2231082  
Fax : 036 2231083  
E-mail : sip@boi.lk

### Koggala Export Processing Zone,

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

### Kandy Industrial park

Kengalle, Kandy.  
Tel : 081 2420019, 2420025, 2423992, 2423994  
Fax : 081 2420091, 2423995  
E-mail : kip@boi.lk

### North Western Regional Office

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

### Polgahawela Export Processing Zone

Kegalle Road, Polgahawela.  
Tel : 037 2244657, 2241526  
Fax : 037 2244657  
E-mail : pwepz@boi.lk

### Mawathagama Export Processing Zone

Dynevor Estate, Kandy Road, Mawathagama.  
Tel : 037 2298147  
Fax : 037 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, 2053421

### 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

### Mirijjawila Export Processing Zone

100 Feet Road, Mirijjawila,  
Hambanthota.  
Tel : 047 2258800  
Fax : 047 2258800

### Jaffna Regional Office

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