

BOI

SRI LANKA

**Board of Investment of Sri Lanka
Ministry of Economic Development**

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Message from the Chairman

Reflecting on this year's performance of the Board of Investment, we truly have had a fruitful year, gaining momentum with our growth in Foreign Direct Investment. With many landmark events and promotional activities taking place, the number of high quality investors and key investment projects has been pouring into the country.

This year Sri Lanka has seen many State Leaders and key business delegations and high profile investors. The BOI has also joined hands with banking giants in Japan and the Seychelles Investment Board who would be assisting Sri Lanka in attracting investors to the country with their broad network around the region.



With the rising wave of the economy in Sri Lanka, FDI has reached up to US\$ 1,391 Mn in the year 2013. With the steady climb, the country's future development in all parts of the island looks promising. We are also currently exploring new areas and identifying strategically important locations to set up new export processing zones. We are also focusing more now on areas such as IT, Research and Development which have shown much potential.

After the completion of the Commonwealth Heads of Government Meeting (CHOGM) held in November 2013 in Colombo which attracted world leaders and investors from around the globe to the Business Forum, the preceding results have been overwhelming. BOI played a major role during this summit and we were the main organizers for the Commonwealth Business Forum (CBF). In fact the recent signing of the Memorandum of Understanding between the Seychelles Investment Board and the Board of Investment of Sri Lanka was an outcome of the CBF. Many investors still inquire and make attempts to realize some of the projects which we offered during the Forum. Needless to say, CBF certainly raised the profile of the BOI who plays a vital role in attracting foreign direct investment to the country.

BOI has also participated in many other promotional activities and some foreign missions such as Israel and Japan. With raising awareness on what our country has to offer and the result-oriented government policies we have been seeing more top investors coming in. In comparison to countries such as Myanmar which is also now a head-turner, Sri Lanka is not just about its strategic location and untapped resources but we also have the government policies in place to ensure the easy setting-up of a project.

With the guidance of H.E. the President and my Ministers & assistance of my staff, I have been able to steer the BOI in the right direction. I only hope to leave a clear path that the organization may follow in the future in order to take unstoppable Sri Lanka to greater heights.

Dr Lakshman Jayaweera
Chairman
Board of Investment of Sri Lanka

BOI Profile

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

The GCEC was changed to BOI in 1992 by an act passed in Parliament expanding its scope to cover the entirety of the country. Prior to that, its authority was confined to the specific areas demarcated in Export Processing Zones hitherto established in Katunayake, Biyagama and Koggala.

BOI has since evolved from an agency primarily responsible for the promotion, coordination and facilitation of foreign and local investment in the area of industrial exports, to its present role which includes the promotion, coordination and facilitation of investments into the services and infrastructure sectors as well.

Objectives

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

Role

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

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

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

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

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

VISION

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



MISSION

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

SRI LANKA

Board of Directors - 2013



Dr. Lakshman Jayaweera – Chairman



Mr. Channa Palansooriya – Member



Mr. Sanjeewa Wickramanayake – Member



Mr. Anura Jayasinghe - Member

Senior Officers of the BOI

Name	Designation
Dr. Lakshman Jayaweera	Chairman
Mr. E A J Edirisinghe	Actg. Director General
Executive Directors	
Dr. I N Samarappuli	Research & Policy Advocacy
Mr. S D De Silva	Infrastructure, Utility & Education Sector
Mr. D P Ariyasinghe	Unit established for Commonwealth Business Forum
Mr. S B F De Silva	Technical Services
Ms. P K Walgama	Legal
Mr. P J Panapitiya	Approvals & Special Projects
Mr. U Sirigampola	Zones
Ms. R M Weerakone	Apparel, Regional Programmes & Other Manufacturing Sector
Ms. N Weerasekera	Investor Services
Directors	
Mr. K P V D Fernando	Mega Projects
Mr. D S Samarasinghe	Media
Ms. C P Malalgoda	Research & Policy Advocacy
Mr. H M Jayasundara	Central Regional Office
Mr. U J Weerasinghe	North Western Regional Office
Ms. M A S Perera	Environment
Mr. M K Garusinghe	New Zones
Ms. N De Silva	Infrastructure, Utility & Education Sector
Mr. J P C Jayalath	Information Technology
Ms. S P De S Mutucumarana	Finance
Mr. A K Jayasinghe	Seethawaka Export Processing Zone
Ms. M S C Samarakoon	Legal - Public Private Partnership & Monitoring Unit
Mr. W A F Jayasiri	Industrial Relations
Mr. M K D Lawrance	Biyagama Export Processing Zone
Brig. D A Amunugama	Security
Mr. A K A Mahinda	Technical Services
Mr. J Gunasekera	Koggala Export Processing Zone
Mr. A R Karunaratne	Human Resources
Mr. R M U Senerath	Technical Administration
Mr. M Ramanayake	Investor Services - Zones
Mr. N N Kumaratunga	Apparel, Regional Programmes & Other Manufacturing Sector
Mr. W U K M A Wijayakulathilaka	Apparel, Regional Programmes & Other Manufacturing Sector

Overview

Key Events & Highlights

- BOI further enhanced FDI inflows to the country up to US\$ 1391.40 Mn as the highest ever level in its history.
- Imports and exports value of the BOI Company increased up to Rs. 622,453.24 Mn and Rs. 867,653.82 Mn respectively reporting its highest level.
- There are four iconic tourism projects with international standard have been facilitated by the BOI under the strategic development projects.
 - Shangril-La Hotels Lanka (Pvt) Ltd – Colombo
 - Shangril-La investment Lanka (Pvt) Ltd – Hambantota
 - Welcome hotels Lanka (Pvt) Ltd – Colombo
 - Sinolanka Hotel & Spa – Colombo with Hyatt Regencies



Sri Lanka : Investment Outlook - 2013

Highlights:

- Attracted the highest ever FDI of US\$ 1,391 Mn
- Made strong progress in the development of infrastructure changing landscape of the country
- Domestic investment inflow was US\$ 512 Mn (almost 37% of the FDI)

Foreign Direct Investment (FDI)

There is a strong relationship between foreign investments & economic growth of Sri Lanka. Larger inflows of FDI are needed for the country to achieve a sustainable targeted rate of economic growth. In the wake of impressive efforts, by the Board of Investment of Sri Lanka (BOI) it could reach a record of US\$ 1,391 Mn of FDI which is the highest ever FDI performance of the country.

The year in Brief

The total FDI US\$ 1,391 Mn received in 2013 were contributed by different sectors such as US\$ 360 Mn from Manufacturing sector, US\$ 236 Mn from Services sector, US\$ 787 Mn from Infrastructure sector and US\$ 8 Mn from Agriculture sector.

The remarkable achievement was made possible by the Government's strategies to attract quality investments, which include strengthening Sri Lanka's environment friendly business climate for existing industries to fill gaps throughout the economic value chain.

The domestic investment inflows in 2013 was US\$ 512 Mn, a sign of confidence of the local investors have in the country's ability to prosper its businesses. This is also in line with the Government's continued drive to actively promote domestic investments as outlined in the Mahinda Chintana – Vision for the Future.

Sri Lanka has now gained an enviable reputation as a global and regional hub for manufacturing and services, attracting investments that will accelerate the country's shift to high value-added, knowledge-intensive and innovation-based industries.

Investments in the Manufacturing Sector

Despite the challenging situation, Sri Lanka was still able to attract a considerable amount of investments into the manufacturing sector.

In 2013, a total of 65 manufacturing projects (Including expansions of existing Projects) were approved, involving investments of Rs. 155,186 Mn compared with 95,882 Mn in 2012. The total FDI received in 2012 to the Manufacturing sector was US\$ 360 Mn (26% of total FDI).

The country's manufacturing sector is going through a period of transformation and restructuring. As low value-added assembly becomes less important, industry players are expected to reduce their investments into low-value sectors and increase their activities in new high value-added activities that will open up new opportunities for growth. The creation of these new business strategies will support the market for high-skilled employment and spur the development of a high-income economy.

The Government continues to undertake various measures and initiatives to facilitate investors in the implementation of approved projects, especially to reduce up-front cost. BOI also continues to manage and monitor projects with the goal of assisting the state government in upgrading and improving basic infrastructure in existing industrial estates as well as developing new zones including Sooriyawewa Project. This has contributed to a high rate of implementation in approved projects.

Investments in the Services/Infrastructure Sector

The Government's effort is to advance the Services/Infrastructure sector to support Sri Lanka's economic growth. The sector is expected to expand its contribution to the economy during this decade. The Services/Infrastructure sector contributed Rs. 421,869 Mn. of approved (by 105 projects including expansions) investments into the economy in the year 2013. The total FDI received in the year 2013 to Services/Infrastructure sector was US\$ 1,023 Mn (73.5% of total FDI).

This sector comprises a broad range of services including hotels and tourism projects, mixed development projects, integrated resorts, support services, transport, energy, telecommunications, health services and educational services.

The increase in investments in the Services/Infrastructure sector reflects the positive responses received for supportive government policies and facilitation enhancing the level of competitiveness of the sector.

Investments in the Agriculture Sector

In 2013, the Agriculture sector attracted investments worth of Rs. 776 Mn for 2 projects. Foreign Direct investment received in the Agriculture sector amounted to US\$ 8 Mn (0.6% of total FDI). The Two projects attracted were for cultivation of fruit & vegetables and for fish farming in Trincomalee.

Considering global and regional macroeconomic and societal development, the Government has decided to undertake an environment friendly approach to promote private investments in the economy. BOI will assume a pivotal role in bridging the human capital need of individual potential investors and leverage new competitive advantages for Sri Lanka as it targets niche products, technologies and services to fill gaps throughout the economic value chain.

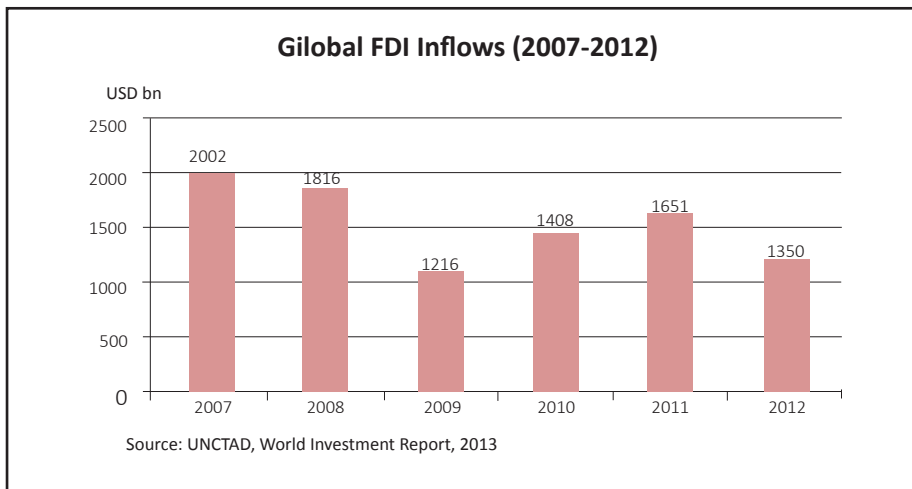
World Investment Scenario - 2012

FDI Inflows and Outflows

FDI Inflows

Global Foreign Direct Investment (FDI) inflows fell by 18% in 2012, down from revised US\$ 1,651 Bn in 2011 to US\$ 1,350 Bn. This decline occurred in contrast to the other key economic indicators such as GDP, international trade & employment which all registered positive growth at the global level during this period. Economic fragility and policy uncertainty in number of major economies gave rise to caution among investors.

Developing Economies have received 52% of the world FDI Inflows. Asia has received 58% of the total FDI received by the Developing Economies.



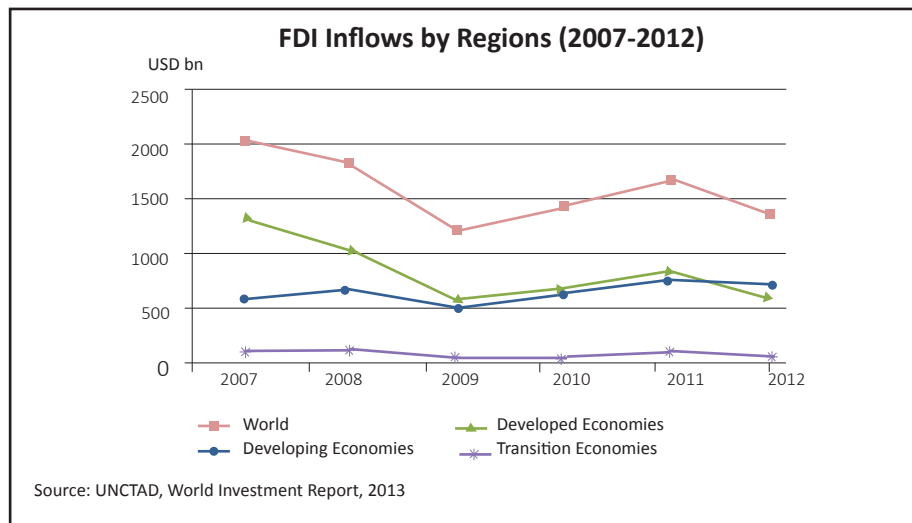
Global FDI Inflows fell by 18% in 2012 from US\$ 1,651 bn in 2011 to US\$ 1,350 bn

FDI Inflows by Regions

In 2012, for the first time ever, developing economies received more FDI than developed countries. FDI inflows to developing economies reached US\$ 702.8 Bn, a 4% decline compared to the highest ever recorded level of US\$ 735.2 Bn in 2011. Developed economies received only US\$ 560 Bn FDI inflows in 2012, with a drastic reduction of 32% from the US\$ 820 Bn recorded in the year 2011.

For the first time ever, Developing economies received more FDI than the Developed Economies.

Transition economies also received only US\$ 87.3 Bn FDI inflows in 2012, a 9% reduction from US\$ 96.2 Bn in 2011.



Developing economies have received 52% of the world FDI inflows where as the Developed economies have received 42.5 % and the transition economies have received 6.5%.

Among the developing regions, Asia has received 58% of the total FDI received by developing economies with the second highest recorded level of US\$ 406 Bn. There is a 7% decline from the highest ever recorded level of US\$ 436 Bn of FDI inflows to the Asia in 2011 mainly due to decreases across most sub regions and major economies including China, Hong Kong (China) India, the Republic of Korea, Saudi Arabia and Turkey.

Latin America and the Caribbean region has received US\$ 243 Bn, 35% of the total FDI received by developing economies, even though a 2% reduction from US\$ 249 Bn FDI inflows by the region in 2011.

African region has received 7% of the FDI inflows of developing economies, recording a value of US\$ 50 Bn as only sub region of developing economies with an increase of inflows by 5% compared to US\$ 47.5 Bn in 2011.

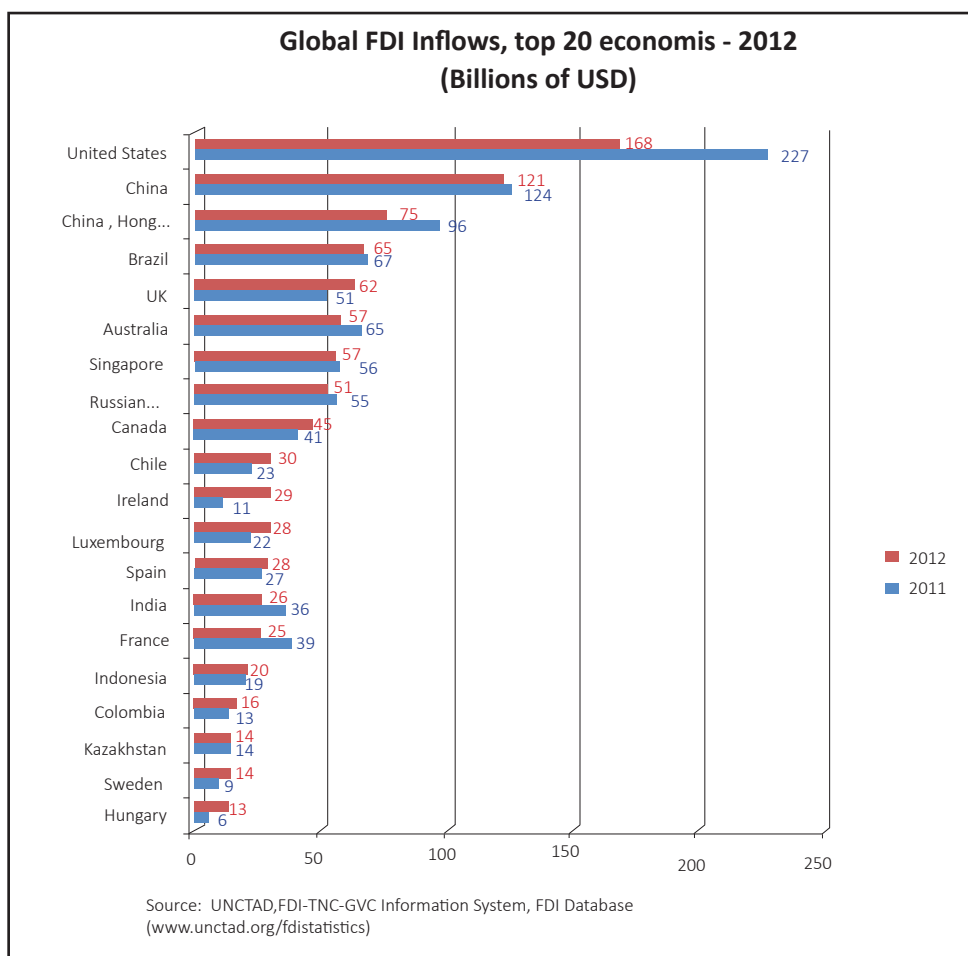
FDI inflows to developed economies declined dramatically in 2012 due to sharp decline in Europe and USA. In Europe, Belgium and Germany has shown sharp decline of FDI inflows. Belgium has accounted for much of the decline with a recorded drop of more than US\$ 100 bn. Germany also accounted for US\$ 42 Bn drop owing to large disinvestments.

Decline of FDI received by Europe and USA has contributed for sharp decline of FDI into Developed economies.

The decline of inflows to USA was mainly due to the fall of cross-border M&A sales.

The transition economies of South-East Europe and CIS countries also experienced a decline of FDI inflows mainly due to declining value of cross-border M&A, as a result of reduced investment from EU countries.

FDI Inflows by Country

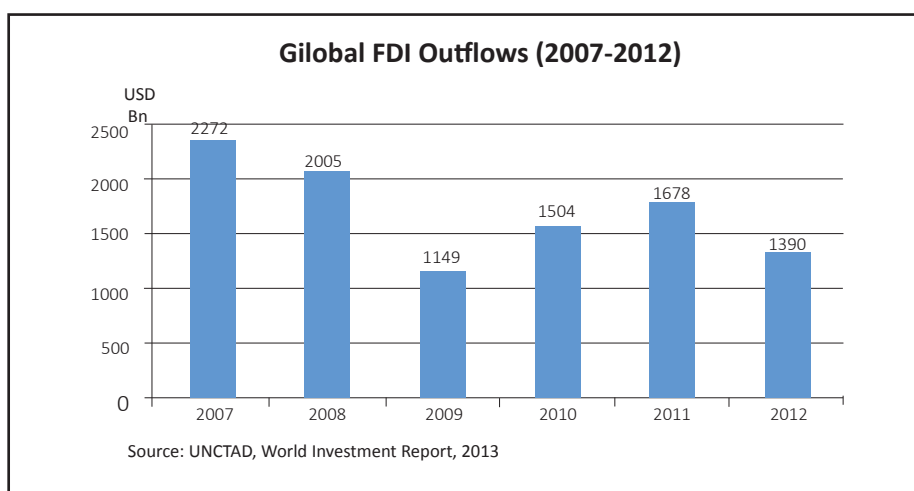


There are 7 developing economies among the top 20 FDI recipients the world

The global rankings of the largest recipients of FDI also reflect changing patterns of investment flows. Among the top 20 FDI recipient countries of the world there are 8 developing economies namely, China, Hong Kong China, Brazil, Singapore, Chile, India, Indonesia and Colombia as given in the above figure. Three of them are ranking among the top 5 countries.

FDI Outflows

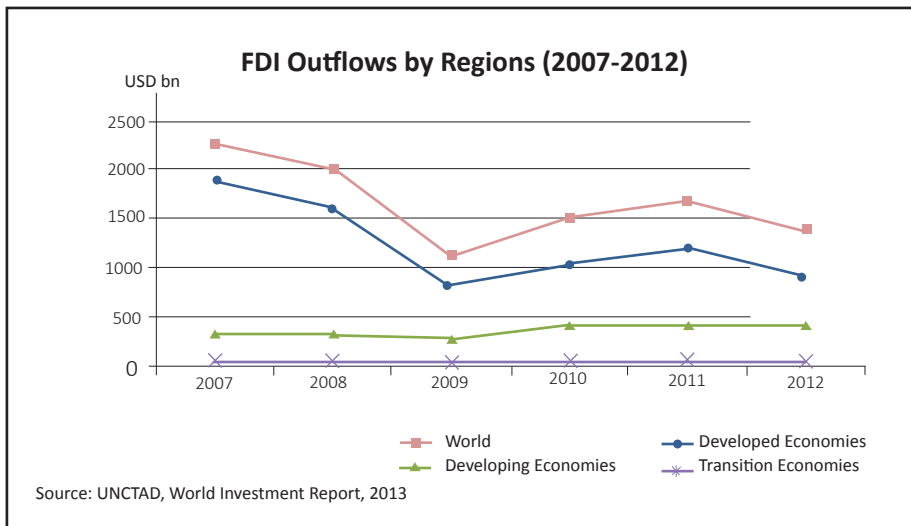
In the year 2012, Global outflows fell by 17% to US\$ 1,390 Bn from US\$ 1,678 Bn in 2011.



World FDI outflow declined by 17%, in 2012.

World FDI outflows fall close to the lowest level in the recent past, recorded in 2009.

FDI Outflows by Regions



Decline of FDI outflow from developed economies have mainly contributed for the decline in world FDI outflow in 2012.

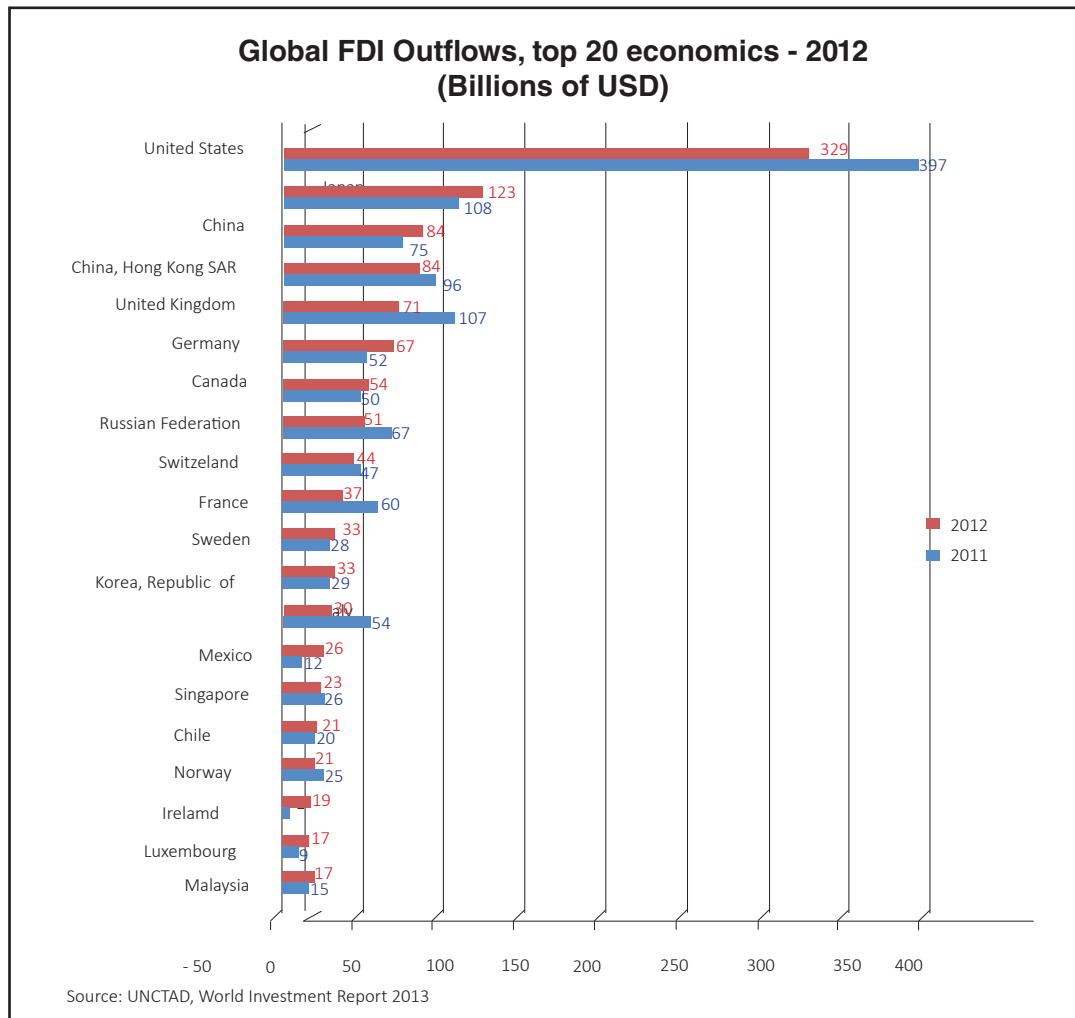
However, Developing economies have increased their FDI outflow by about 1%.

Developed economies found to be the main cause for the decline in world FDI outflows in 2012, even though 65% of the world FDI outflows come from the developed economies as US\$ 909 Bn. However, there was a 23% reduction in FDI outflows from developed economies in 2012 compared to outflows of US\$ 1,183 Bn in 2011.

In contrast, investors from developing economies continued their expansion abroad and FDI outflows from developing economies were recorded as US\$ 426 Bn in 2012, nearly 1% increase compared to the 2011 value of US\$ 422 Bn. The Asian region remained as the largest sources of FDI in developing world, accounting almost three quarters of the group's total. In 2012 FDI outflows from Asia (US\$ 308 Bn) remained almost unchanged from the FDI outflows of 2011 (US\$ 310 Bn). FDI outflows from the African region nearly tripled up to US\$ 14.2 Bn in 2012 compared to US\$ 5.3 Bn in 2011.

There is a sharp reduction in FDI outflows from Transition economies also in 2012, recorded about 24% decline from US\$ 72.88 Bn to 55.29 Bn. The decline mainly owed to fall in FDI outflows by Russian Investors. FDI outflows from CIS countries recorded a decline from US\$ 72.4 Bn in 2011 to US\$ 55.1 Bn in 2012.

FDI Outflows by Country



There are 7 developing Economies among the top 20 world investors in 2012

The global ranking of the largest FDI investors shows the continuing rise of developing and transition economies into the top 20 investors group. China, China Hong Kong, Republic of Korea, Mexico, Singapore, Chile and Malaysia are the developing Economies and Russian Federation is the transition economy remained in the top 20 Investors group. Out of which China and Hong Kong China are ranking among the five largest foreign investors in the world.

Investment Performance

Sector wise Project Details - 2013

Projects Approved & Agreement Signed in 2013

The total numbers of approvals granted in 2013 was 172 with a total estimated investment of US\$ 3,875 Mn (Rs. 500,238 Mn). The estimated total number of employment opportunities of approved projects in the year 2013 is over 31,000.

Table 1: Investment & Employment share of Approved projects in 2013 – by sector

Sector	No. of Projects	Share of Investment	Share of Employment
Services/Infrastructure	96	78%	53%
Shopping & Office Complexes	17	59%	24%
Hotels, Restaurant Services & Entertainment Complexes	23	5%	8%
Housing & Property Development	15	6%	4%
Other	41	8%	17%
Manufacturing	42	13.8%	30%
Agriculture	2	0.2%	1%
Expansions of Existing Projects	32	8%	16%
Total	172	100%	100%

Out of the total approved investment in the year 2013, the Services/Infrastructure sector accounts for the highest contribution (78%) followed by the Manufacturing sector (13.8%) and the Agriculture sector (0.2%). The balance 8% of the total approved investment is for the expansions of existing projects. Services/Infrastructure sector includes shopping & office complexes (59%), Housing & Property Development (6%), Hotels, Restaurant Services & Entertainment Complexes (5%), etc.

Out of the total estimated employment of the approved projects in 2013, 53% is expected to be created in the Services/Infrastructure sector while 30% is in the Manufacturing sector and 1% is in the Agriculture sector. Expansions of existing projects are expected to create 16% of the total estimated employment of approved projects.

The total number of projects signed agreements with BOI in 2013 accounted for 140, worth of US\$ 4,109 Mn (Rs. 530,468 Mn) estimated Investment, which shows a 31% increase (in Rupee terms) compared with the year 2012. These projects are expected to generate over 35,000 employment opportunities.

Projects Commenced Construction/Implementation in 2013

In the year 2013, a total of 80 new projects and 1 expansion project commenced implementation/construction. The total estimated investment of projects that commenced implementation was US\$ 735 Mn (Rs. 94,910 Mn) and the expected employment generation was over 11,500 nos.

Table 2: Top 10 projects (based on Est. Investment) commenced construction/implementation in 2013

Name of the Project	Business Activity	Est. Investment (Rs. Mn.)	Est. Employment (Nos)	Location
Indocean Developers (Pvt) Ltd.	Construct Houses	12,210	25	Colombo
Sooriyan Mining Company (Pvt) Ltd.	Mine & Primary Proc. Of Primary Minerals	5,505	16	Kandy
P H Resorts (Pvt) Ltd.	158 Roomed Five Star Hotel at Tangalle	5,285	289	Hambanthota
D.R. Hotels (Pvt) Ltd.	350 Roomed Three Star Hotel	4,200	415	Colombo
Nichilan Fishery (Pvt) Ltd.	Fishing Project	3,855	465	Gampaha
Nivasie Developers Malabe (Pvt) Ltd.	Mixed Development Project	3,565	50	Colombo
Imperial Builders (Pvt) Ltd.	Mixed Development Complex	3,034	235	Colombo
British Overseas (Private) Ltd.	Apartment Complex	2,679	210	Colombo
Fairway Skyhomes (Private) Limited.	Warehousing Complexes	2,348	25	Colombo
Global Star Logistics (Pvt) Ltd.		2,205	501	Gampaha

Projects Commenced Commercial Operation in 2013

During the year 2013, a total of 75 projects (72 new projects and 3 expansion projects) have commenced commercial operation. The Total estimated investment of these projects accounts for US\$ 505 Mn (Rs. 65,186), a 61% increase compared to the year 2012 and over 13,500 employment opportunities are expected to be created by these projects. Out of 75 projects that commenced commercial operation in 2013, 24 were in the Manufacturing sector, 39 projects were in the Services sector (including 14 Power Generation Plants and 13 Hotel Projects) and 12 projects were in Agro Processing sector.

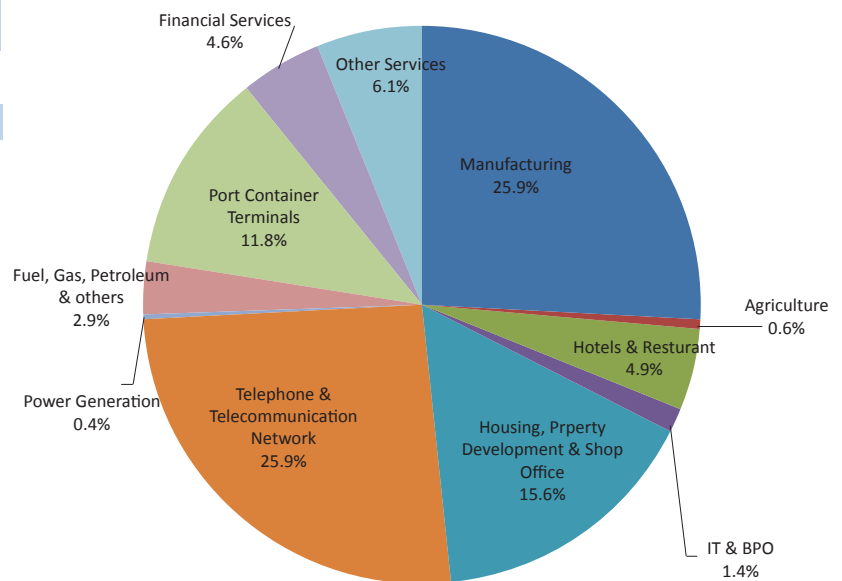
Foreign Direct Investment Attracted In 2013

2013 became the third consecutive year that the country received over US\$ 1 Bn FDI. The highest ever FDI recorded in this year, amounted to US\$ 1,391 Mn.

Out of total FDI in 2013, both Manufacturing & Telecommunication sectors have received the FDI of US\$ 360 Mn (26%) each, followed by the Housing, Property Development, Shopping & Office Complexes sector with US\$ 218 Mn (16%) and the FDI received for the Port Development amounts to US\$ 164 Mn (12%).

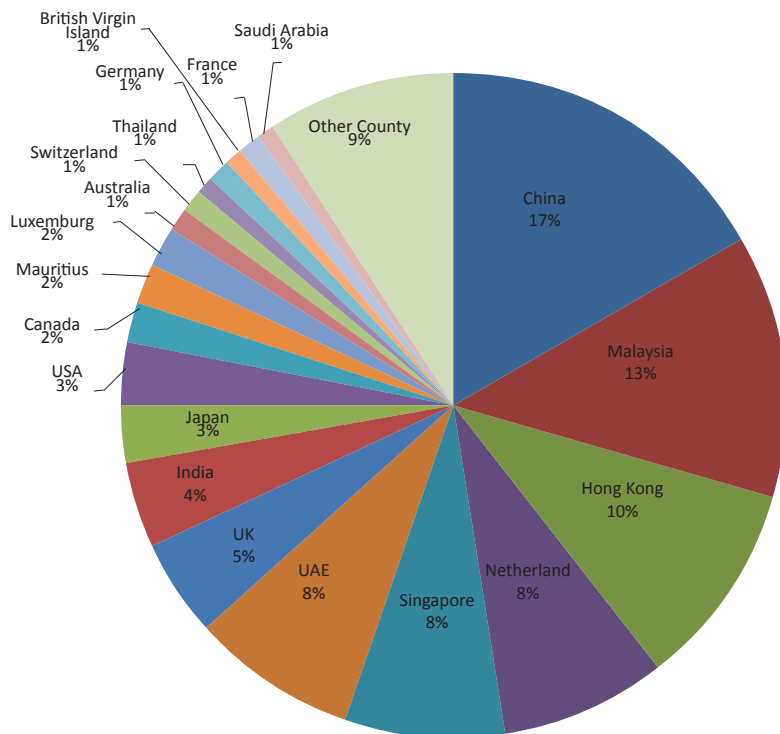
Sectoral Composition of FDI- 2013

Sector	FDI (US\$ Mn.)
Manufacturing	360
Agriculture	8
Services	
Telephone & Telecommunication Network	360
Housing, Property Development, Shopping & Office Complexes	218
Port Developments	164
Hotels & Restaurants	68
Financial Services	64
Fuel, Gas, Petroleum & others	40
IT & BPO	19
Power Generation	5
Other Services	85
Total	1,391



Major Sources of Foreign Direct Investment-2013

COUNTRY	FDI (US\$ Mn.)
China	240
Malaysia	176
Hong Kong	139
Netherland	118
Singapore	112
UAE	111
UK	70
India	51
Japan	38
USA	35
Canada	26
Mauritius	23
Luxembourg	21
Australia	18
Switzerland	18
Thailand	16
Germany	15
British Virgin Island	13
France	12
Saudi Arabia	10
Other Countries	129
Total	1,391



These twenty countries together accounted for US\$ 1262 Mn of FDI which is 91% of the total FDI received in the year 2013.

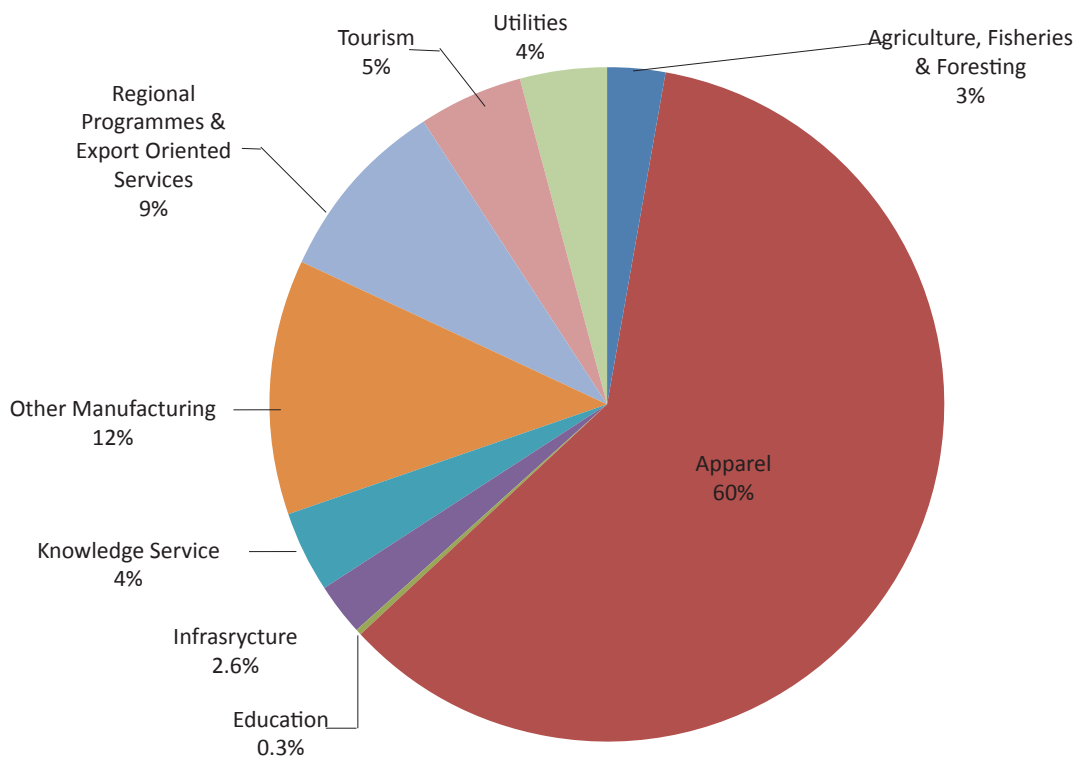
Realized Investment (Cumulative)

The realized cumulative total investment as at end of the year 2013 was Rs. 1,512 Bn, which showed an 18% increase compared to the previous year. Out of Rs. 1,512 Bn realized investment, 63% (Rs. 959 Bn) represented the foreign component and the balance 37% (Rs. 553 Bn) represented the domestic private investments.

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

Employment (Cumulative)

The cumulative employment of BOI projects as at December 2013 was recorded as 483,470.



60% of the total cumulative employment of BOI projects is contributed from the Textile & Apparel (including apparel trading houses) sector while 12% is from Other Manufacturing sectors and 9% is from the Regional Programmes & Export Oriented sector. Employment of all other 6 sectors (i.e. Agriculture, Education, Tourism, utilities, Infrastructure & Knowledge Services) accounts for 19% of the total cumulative employment of projects under BOI.

PERFORMANCE HIGHLIGHTS
Statistical Summary 2012 vs. 2013

Key Indicators -by Project Status	2012	2013*	2012/2013% Change
Projects Approved Under Sec 17 Of the BOI Law			
A. Application Received			
No of Applications			
New	267	199	-25
Expansions	43	38	-11
Total	310	237	-24
B. Approvals			
No. of Projects Approved			
New	193	140	-27
Expansions	45	32	-29
Total	238	172	-28
Estimated Investment			
- Foreign (Rs.Mn.)	467,505	285,083	-39
- Local (Rs.Mn)	235,660	215,155	-8
- Total (Rs.Mn.)	703,165	500,238	-29
Employment Capacity (Nos.)	56,290	31,164	-45
C. Agreement Signed			
No. of Agreements			
New	128	104	-18
Expansions	35	36	2
Total	163	140	-14
Estimated Investment			
- Foreign (Rs.Mn.)	273,008	318,560.098	16
- Local (Rs.Mn)	132,485	211,908	60
-Total (Rs.Mn.)	405,493	530,468	31
Employment Capacity (Nos.)	37,929	35,954	-5
D. Commenced Implementation			
No. of Projects			
New	110	80	-27
Expansions	5	1	-
Total	115	81	-30
Estimated Investment			
- Foreign (Rs.Mn.)	95778	34,726	-64
- Local (Rs.Mn)	80,483	60,184	-25
- Total (Rs.Mn.)	176,261	94,910	-46
Employment Capacity (Nos.)	19,018	11,557	-39

E. Commenced Commercial Operation

No. of Projects			
New	90	72	-20
Expansions	8	3	-63
Total	98	75	-23
Estimated Investment			
- Foreign (Rs.Mn.)	11,096	37,096	234
- Local (Rs.Mn)	29,304	28,080	-4
-Total (Rs.Mn.)	40,400	65,186	61
Employment (Est.) (Nos.)	20,434	13,782	-33

F. No. of Projects in Commercial Operation (as at end of December) **

Parent Projects	1598	1612	1
Expansions	173	188	9
200 GFP	113	116	3
Total	1,884	1,916	2

G. Foreign Direct Investment (Jan - Dec.)

(US \$ Mn.)	1,338	1,391	3
(Rs.Mn.)	170,729	179,592	5

H. Exports (Jan-December)

Total (US\$ Mn.)	6,125	6,606	8
Total (Rs. Mn.)	781,550	852,901	9

I. Imports (Jan-December)

Total (US \$ Mn.)	4,357	4,542	4
Total (Rs Mn.)	556,012	586,473	5

by Category - (Rs.Mn.)

Capital Goods	127087.932	129898.492	2
Raw Material	425419.736	456362.446	7
Other Materials	3504.277	212.389	-93

J. Employment (Cumulative) As at end of December

476,490	465,943	-2
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K. No of Projects***

Closed Projects	26	38	46
Projects Suspended	9	7	-22
Agreement Cancelled	79	120	51
Total	114	165	44

Projects Approved Under Sec 16 Of the BOI Law

A. Approvals

No. of projects Approved	33	36	9
Estimated Investment			
- Foreign (Rs.Mn.)	3,679	4,150	13
- Local (Rs.Mn)	348	230	-33
- Total (Rs.Mn.)	4,027	4,380	8
Employment Capacity (Nos.)	2,295	1,981	-14

B. Projects In Commercial Operation (Cumulative) **

No. of Projects	712	715	0.4
Estimated Investment			
- Foreign (Rs. Mn.)	19,841	21801.208	10
- Local (Rs. Mn.)	10,386	10,220	-2
- Total (Rs.Mn)	30228	32,021	6
Employment capacity (nos.)	33425	33,624	1

Exchange	2012	2013
Rate (US\$)	127.6	129.11

* Provisional

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

Estimated Investment/Employment - Including value of expansions

Source : Board of Investment of Sri Lanka (MIS-29 April 2014)

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

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

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

Departmental Performance

1. Director General's Secretariat

The activities of the office of the Director General are coordinated by the Director General's Secretariat.

The Secretariat is tasked with convening bi-monthly Meetings of the Board of Directors, the preparation and circulation of minutes to Board Members and dissemination of Board decisions to respective Departments. Thirteen Board Meetings were held during the year 2013. It is also responsible for convening bi-monthly Management Committee Meetings to discuss management issues and policy matters, and attend to associated documentation and ensure follow up action on decisions taken. Six Management Committee Meetings were held during 2013.

Another function carried out by this department is to co-ordinate various aspects of activities within the organization, external agencies and private sector organizations providing required assistance to Chairman/DG. It is also responsible to call for and collate information received from respective Departments for the publication of the Annual Report.

The Secretariat is also responsible for compiling information from internal departments and submitting timely responses to Parliamentary Questions, Parliamentary Consultative Committee Questions and other queries received from outside organizations. It also acts as the point of contact to liaise with the Ministry of Economic Development to coordinate on correspondence and meetings. It further engages in the drafting of Cabinet Memoranda, and policy papers/reports and to meet with investors to clear project related bottlenecks.

2. Investment Promotion and Facilitation Department

Sector Group 1 - (Tourism, Agriculture and IT/Knowledge Services)

Background

The prime objective of the Sector Group 1 (Investment Facilitation Centre) and its team as Investor Relationship Managers is to attract FDI and local investments, while providing all required facilities to investors from the inquiry/application stage and throughout the lifespan of the projects. The process will include from project evaluation to implementation to post-investment aftercare, thereby developing deep relationships with the stakeholder in their sector and acquiring wider sectoral knowledge. Once prospective investors decide to invest in a sector, the team will act as relationship managers for all investors in their sector.

Accordingly, Sector Group 1 was responsible for improving the BOI facilitation process and enhance quality of service provide to investors for Tourism and Leisure, Agriculture and IT/Knowledge Services projects. The team worked with line ministries in their respective sectors to identify investment priorities and to proactively promote investment opportunities while fast tracking project development activities related to tourism, agriculture and IT/knowledge services sectors.

Performance:

During the year under review the Sector Group 1 negotiated and facilitated with major companies/foreign delegations visiting Sri Lanka to explore investment prospects falling within the purview of the Group.

Status of Projects under Sec. 17 - 2013

Description	Tourism	Agriculture	IT/Knowledge Services	Total
New Applications received	32	17	8	57
Project approvals granted with expansions	25	12	8	45
Agreements signed	22	10	8	40
Commenced commercial Operation	14	5	6	25

New Strategic Development Projects- 2013:

Two Strategic Developments projects were identified and facilitated by the Sector Group I during the year 2013, as these two projects were likely to bring economic and social benefits, change the landscape of the country primarily through substantial inflow of foreign exchange to the country, substantial employment generation and enhancement of income earning opportunities.

Progress of existing SDP Projects :

There are four iconic tourism projects with international brands have been facilitated by the Sector during the year under the Strategic Development projects. i.e. Shangri-La Hotels Lanka (Pvt) Ltd/Colombo, Shangri-La Investment Lanka (Pvt) Ltd/Hambantota, Welcomhotels Lanka (Pvt) Ltd/Colombo under ITC brand and Sinolanka Hotel & Spa, Colombo with Hyatt Regencies. These large scale tourism projects are progressing in their implementation work and Shangri-La hotel project at Hambantota is expected to commence commercial operations by 2015.

Key projects facilitated by the Sector Group I during 2013 :

(1) Tourism:

- Minor International PCL, Thailand, one of the largest hospitality and leisure companies in the Asia Pacific Region invested in three major hospitality projects in collaboration with Hemas Holdings PLC, Sri Lanka, under BOI tourism category. A 158 luxury tourist resort project with an investment of US\$ 40.5 Mn at Tangalle, Hambantota and another two luxury resort projects in Kalutara and Ambalangoda, with an approx. investment of US\$ 45 Mn and room capacity of 206. These hotel projects will be operated under Anantara international brand and expected to start commercial operations in 2014 and 2015.
- RIU Hotels SA, a large hotel group based in Spain. Ranked 3rd largest in Spain and 31st in the world in terms of revenue and room strength, submitted a project proposal to set up a five star resort hotel in Ahungalla, in collaboration with Aitken Spence Hotels, Sri Lanka.
- The proposed venture will be a significant milestone for the tourism industry in Sri Lanka as the RIU Group is backed by TUI, the worlds' largest tour operator, which holds 49% equity in RIU. The project investment is over US \$ 100 Mn with 500 room capacity. A MOU has been signed by the relevant parties.
- LOLC Leisure Ltd has been implemented a mega BOI luxury resort project with an investment of US\$ 80 Mn in Beruwela. Project is expected to complete by 2015.
- Jetwing Group, one of the largest hotel chains in Sri Lanka, started another tourism /hospitality project under BOI to set up a four star luxury resort with 70 rooms and 28 service apartments with in an investment of US\$ 17 Mn at Ward Place, Colombo. Project expects to start its operations in 2014. Another 94 roomed hotel project proposal in Dambulla with an investment of US\$ 13 Mn has also submitted by the same company.
- Jetwing Hotels Ltd started another joint venture tourism project in Jaffna city, a 15 storey, 55 roomed hotel with an investment of approx. US\$ 8 Mn - a largest private sector tourism project under BOI in Jaffna city. Jetwing Yarl at Jaffna, is scheduled to open in January 2015. A 56 roomed another hotel project in Jaffna city with an investment of over US\$ 3 Mn has also come under BOI by a leading private sector company in Sri Lanka.

- Weligama Properties, a subsidiary of East West Group, Sri Lanka, stated constructions of a 200 roomed hotel project with an investment of US\$ 40 Mn under international Marriot brand. Project is to complete by 2014.
- Damro Group of Companies started construction for a US\$ 40 Mn luxury star class city hotel project with 270 rooms in Colombo 4. Project is expected to complete by 2015.
- Received a project application for 200 roomed five star hotel project to set up in Kandy, from a Taiwan investor, a 100% foreign investment approx. US\$ 35 Mn. Project related work is progressing and hotel is expected to complete by end 2015.
- Citrus Leisure PLC, a US\$ 24 Mn iconic luxury resort hotel project in Waskaduwa, Kaluthara, with 150 room capacity and large banquet hall facilities, facilitated by the sector. The Resort is expected to start operations in 2014.
- Fairway Holdings, Colombo engaged with another 196 roomed city hotel project in Colombo with an investment of US\$ 16 Mn. This project is to complete by 2015.
- Starwood Hotels & Resorts Worldwide Inc. and Switzerland's Movenpick Hotels & Resorts tourism projects were another two international hotel brands came under tourism sector during the year.
- A 80 roomed hotel project with an investment of US\$ 14 Mn at Talpe, Matara was also started constructions and the project is to complete by 2015.
- KDU Adventures started a 78 roomed hotel project with an investment of approx. US\$ 10 Mn in Tissamaharamaya. Project is expected to start operations in 2015.
- Another 100% Malaysian investment for a 12 roomed boutique hotel project at Balapitiya was under construction. Project is expected to start operations in early 2015.
- Wadduwa Resort (Pvt) Ltd, a 27 roomed hotel project with an investment of US\$ 4 Mn with a Japanese collaboration. Hotel will be commencing its commercial operations by end 2014.
- Thirteen number of new tourism/leisure projects facilitated by the Sector Group were added to the hospitality industry during the year, in addition to an expansion of a large existing luxury hotel project in Colombo.

(2) Agriculture Sector

- A 100% foreign investment project from China for deep sea fishing and fish processing for export approved with an investment of US\$ 41 Mn.
- A project approved to process and produce coconut milk and coconut water with an investment of US\$ 7 Mn to meet both local and global demand for health related products from Ceylon Biscuits Ltd.
- Ocean Pick (Pvt) Ltd, a project approved for aquaculture and farming fish with an investment of total of Rs. 640 Mn which was a novel scheme to rear fish for export/local market based in pens/fish farms in the sea at Trincomalee, using technology from Scotland.
- Senura Aquaculture Lanka (Pvt) Ltd in collaboration with an Israel Aquaculture company signed the agreement for a project to set up a State of the Art Fish farm in Chilaw with an investment of US\$ 11 Mn.
- Renuka Agri Foods submitted a project proposal to manufacture and export virgin coconut oil and other related products with an investment of US\$ 0.5Mn which is currently in progress.

(3) IT/Knowledge Services Sector

- Millennium IT Software (Pvt) Ltd (MIT), which is a member of the London Stock Exchange Group and is one of the world's foremost software development companies specializing in the development, implementation and support of capital market software has invested of US\$ 4 Mn to expand its operation in Sri Lanka. In addition to that MIT has now set up a subsidiary company in Canada and two branch offices in Hong Kong and Singapore which would provide services to securities companies which is benefited by Sri Lanka largely.
- Accenture BV (Pvt) Ltd, a global management consultancy technology and outsourcing company has signed agreement with BOI to set up a project to provide IT and IT enabled services, business processing and knowledge processing outsourcing, software development and integration in partnership with Brandix Ltd. The company plans to provide employment opportunities 2000 Sri Lankan youths in 2015 in IT field.
- Paycorp Group Australia, a company which having headquarters in Sydney currently a certified and trusted outsource services provides to financial institutions and large corporate in Australia and New Zealand signed an agreement with BOI to provide BPO/KPO services for offshore companies and develop software for export with an investment of US\$ 4 Mn.
- WSO2 (Pvt) Ltd, a company which provides a backbone the longest e-commerce auction site – ebay.com, for software developing in Sri Lanka expands its operations while signing a supplementary Agreement with BOI with an investment of US\$ 4 Mn.
- A new large international knowledge park being developed near to the Katunayake International Airport to provide ready to play facilities – to international/local IT/BPO companies with proposed investment of US\$ 9 Mn. by a leading Sri Lankan private sector investment company .
- CMA – CGM India, plans to start large BPO Centre in Sri Lanka under the BOI, in collaboration with Hayleys PLC group , Sri Lanka
- BOI IT Sector team was directly involved with ICTA (Information and Communication Technology Agency), and SLASSCOM (Sri Lanka Association for Software and Services Companies), an industry association developing IT, from the beginning as the General Council member in selecting and harnessing the independent report on IT sector published by the prestigious research company from Gartner. Sri Lanka's high profile in value added, knowledge and business processing outsource work contributed for the recognition of the country as the "Outsourcing Destination of the Year" by the London based National Outsourcing Association (NOA). This award will provide an impetus to attracting world class IT/BPO companies to Sri Lanka.

Promotional Activities of Sector Group I :

Outward missions:

- Investment promotion mission to Singapore and Malaysia in May 2013, organized in association with Sri Lanka High Commissions in Singapore and Malaysia which included investment seminars, presentations on "Investment Opportunities Available in Sri Lanka" followed by Q&A sessions and one-to-one business meetings in both countries.
- Participated and made a presentation on "Investment Opportunities in Sri Lanka" for the selected business community in Mumbai at the Investment, Trade and CEO Forum held in May 2013, India.
- Investment Promotion Mission to UAE, in June 2013 carried out with Ministerial delegation and addressed business forum, made presentations and attended to pre scheduled high level business meetings.
- Investment Promotion Luncheon meeting in Sydney, Australia in June 2013 with a view to building awareness for the conducive investment climate in Sri Lanka.

- Launched an awareness programme in July 2013, in Bangkok, on upcoming Commonwealth Business Forum in Sri Lanka which was held in November 2013.
- Ministerial delegation along with BOI senior officials participated Investment Promotion mission to Turkey, which included six major cities in Turkey from 28th August to 8th September 2013. Also, participated at the 82nd Izmir International Fair, Turkey, where Sri Lanka held Partner country status.
- 7th Annual Forum of Developing Country Investment Negotiators in November 2013 in Indonesia.
- Investment promotion mission to Malaysia in November 2013 carried out by senior officials of BOI.

Inward Missions

- Ghantoot Group, Abu Dhabi, UAE visited BOI in March 2013, to explore possibilities in the areas of tourism and Petroleum. BOI arranged site visits to Kuchchaweli and Investment Promotion Zone close to Trincomalee Harbour.
- Representatives of the Kingdom of Qatar led by Emir of Qatar Sheikh Bin Kalifa Al Thani on a two day official visit to Sri Lanka. Further, Qatari Diar Real Estate Investment Company delegation also visited BOI in March 2013, to explore the investment possibilities in tourism/leisure sector.
- Thai business delegation accompanied by the Prime Minister of Thailand visited Sri Lanka during May - June 2013. Business meetings and visits to Export Processing Zones organized with a view to explore the investment possibilities in different sectors.
- A senior team of Ghantoot Group from Abu Dhabi visited again to Sri Lanka in June 2013 to explore the possibility to invest for a five star hotel in Colombo city, subsequent to their visits in Eastern Province, Sri Lanka in early 2013.
- A business delegation from Ivory Coast, India visited in August, to see the possibilities to start joint ventures with potential investors in Sri Lanka
- Two delegations from Singapore who visited in September to explore the investment opportunities available especially in the areas of hospitality and infrastructure sectors. One delegation represented the IE Singapore, a corporate body set up by Singapore government for international investments.
- A delegation from the General Authority for Investment Promotion and Export Development from Oman in October to explore investment opportunities available especially in food based industry.
- EMKAY Group, Malaysia visited in November, to explore business opportunities in Sri Lanka, in tourism/leisure and infrastructure sectors.
- A Chinese delegation visited in November 2013 to explore the investment possibilities, particularly in the fisheries sector.
- BOI's participation at 11th Joint Economic Commission (JEC) between Sri Lanka and Pakistan in November 2013, Colombo, for strengthening bilateral trade, economic, culture, education and technical cooperation.
- BOI was a strategic partner at the Commonwealth Business Forum held in Colombo in November 2013. The Sector team was heavily involved in preparation of structured projects related to the three sectors. 50 structured projects were compiled and offered to investors during the CHOGM Business Forum.
- Actively involved in manning the special One-Stop-Shop Investor Centre and Reflection of Sri Lanka Exhibition set up for the Common Wealth Business Forum in November 2013.

Sector Group II : Infrastructure, Utilities, Education

The following major companies / teams visited Sri Lanka during 2013 to explore the investment prospects;

1. Infrastructure Sector

- **CHEC Port City Colombo (Pvt) Ltd**

M/s CHEC Port City Colombo (Pvt) Ltd has entered into an agreement with the BOI on 11th November 2013 for the development of Colombo Port City with an envisaged investment of US\$ 1,300 Mn under Strategic Development Act. This is a 100% foreign investment from M/s China Communication Construction Co. Ltd of China and under this project, an area of 233 ha of land next to the Colombo Port will be reclaimed and developed into a port city in order to meet the growing demand of land. The project will be implemented during a period of 08 years.

- **Waterfront properties (Pvt) Ltd**

Waterfront Properties (Pvt) Ltd has entered into an agreement with the BOI on 11th July 2013 under Strategic Development Act, in order to set up a mixed used project at Glennie St., Colombo 02. The envisaged investment of the project is US\$ 650 Mn and the total investment will be from M/s John Keells Holdings Plc of Sri Lanka.

- **AVIC International Hotels Lanka (Pvt) Ltd**

M/s AVIC International Hotels Lanka (Pvt) Ltd has entered into a supplementary agreement with the BOI under Strategic Development Act to undertake an apartment complex including 528 apartment units, a club house, commercial space and car parking facility at R A De Mel Mawatha, Colombo 03 with an envisaged investment of US\$ 250 Mn. The project will be a joint venture between AVIC International Engineering (Hong Kong) Limited and Nice View Investment Ltd of Hong Kong. The project is to be implemented within a period of 05 years.

Other landmark project proposals received during the year

- **Colombo City Centre Partners (Pvt) Ltd**

M/s Colombo City Centre Partners (Pvt) Ltd has entered into an agreement with the BOI to set up a mixed development project consisting of four star business hotel, integrated life style mall and 135 apartments units with an envisaged investment of US\$ 105 Mn at Sir James Pieris Mawatha Colombo 02.

- **Access Realities 2 (Pvt) Ltd**

M/s Access Realities 2 (Pvt) Ltd has signed an agreement with the BOI 04th April 2013 to set up a State-of-the-Art office complex as the "Second Stage development and expansion of the existing Access Tower" at 278, Union Place, Colombo 02 with an envisaged investment of US\$ 20 Mn.

- **C D C Infra (Pvt) Ltd**

M/s C D C Infra (Pvt) Ltd has entered in to an agreement with the BOI on 31st October 2013 to set up an apartment complex at Edmonton Road, Colombo 06 on Build and Transfer basis to NHDA with an investment of US\$ 55 Mn. The project envisages constructing of 570 apartment units in 2 towers.

- **The Singapore Dialysis Med Grp. (Pvt) Ltd**

M/s The Singapore Dialysis Med Grp. (Pvt) Ltd has entered into an agreement with the BOI to develop and operate a specialized hospital for kidney dialysis with an envisaged investment of US\$ 1.51 Mn. M/s Princep Dialysis Pte Ltd of Singapore is the investor of the project and the hospital will be located at 137/4, S De S Jayasinghe Mw, Kohuwala.

Major investment proposals which are in the pipe line

• Proposal to re-development and mixed development project at Slave Island, Colombo 02

M/s World-One (Sri Lanka) Projects Pte Ltd of Singapore has submitted a proposal for a re-development project of Slave Island and to set up a mixed use development project at Slave Island with an estimated cost of US\$ 424.7 Mn. Under this proposal approximately 03 Ac of land will be used for re-development of Slave Island to accommodate the existing residents with better living standards and amenities and another 5 Ac land will be developed into a mixed used project.

• Proposal to develop Ratmalana Airport

Mr. Chen Duo of China has submitted an application to the BOI for the development of Ratmalana Airport to meet the requirement for classification as a Code 4 Grade D Aerodrome capable of handling aircraft of the category of the Airbus A320 and to develop the airport surrounding to an Ariel city master plan with related and affiliated facilities. The proposed investment of the project is US\$ 100 Mn.

2. UTILITY SECTOR

- Trincomalee Power Company Ltd signed an Agreement with BOI on 7th October 2013 for the establishment of a Coal based power station of 2 x 250 mw capacity at Sampur Trincomalee for an estimated investment of US\$ 500 Mn under the strategic development Act. Trincomalee Power Company Ltd was a joint venture between NTPC Ltd of India and the Ceylon Electricity Board.

The launching of the above SDP project was possible due to the achievement of the following milestones during the previous years.

Milestones	Year / period
Memorandum of agreement for development of 2 x 250 Mw Coal based Power project between CEB and NTPC	29th December 2006
Finalization of site of Sampur – Trincomalee	January 2007
Signing of Joint Venture Agreement between CEB & NTPC	6th September 2011
In corporation of Trincomalee Power Company Ltd	26th September 2011

The following agreements will be signed after the finalization of the Environmental Impact Assessment Report (EIA) and the implementation of the project could be commenced accordingly.

- (a) Implementation Agreement
- (b) Coal Supply Agreement
- (c) Land Lease Agreement
- (d) Power Purchase Agreement with CEB

• Nala Dhanavi (Pvt) LTd

M/s. LTL Project (Pvt) Ltd was approved to set up a 4.8 Mw. Power plant at Erumbakuddal at Puttalam at an envisaged investment of Rs. 1594.6 Mn.

- **Sierra Power (Pvt) Ltd**

M/s. Sierra Power (Pvt) Ltd was approved to set up and operate 2.2 Mw. Mini Hydro Power Plant at Karapalagama, Walapanne at an envisaged investment of Rs. 647.4 Mn.

- **Kosgulana Hydro Co (Pvt) Ltd**

M/s. Kosgulana Hydro Co (Pvt) Ltd signed an agreement with BOI to set up an operate a 1.5 Mw. Mini Hydro Power Plant at Kosgulana, Ayagama at an envisaged investment of Rs. 462 Mn. This was a Japanese Sri Lanka joint venture project.

Major Investment Proposals received during the year

- **Petroleum Refinery at Trincomalee**

M/s. Som Petrol Ticaret A.S. of Istanbul, Turkey submitted a project proposal to set up a Petroleum refinery at Kappalurai, Trincomalee on a (BOOT) basis with an estimated investment of US\$ 1.665 Bn. Presently the proposal is awaiting the approval of the Ministry of Petroleum Resources and CPC for the BOI to follow up with the Investment Approval.

This was a direct follow up of the structured project proposals offered to prospective investors at the CBF.

- **State of the Art Security Infrastructure Facility for the Colombo Port.**

M/s. Visual Defence Services SA (Pvt) Ltd of South Africa submitted a project proposal to set up a state of the Art Security Infrastructure facility at the Port of Colombo with an estimated investment of US\$ 39 Mn. Presently the proposal is awaiting approval of Ministry of Defence and Urban Development and Sri Lanka Port Authority.

- **Project to set up a LPG Storage Terminal at Hambantota**

M/s. Laughs Holding Ltd submitted a project proposal to set up an operate a LPG storage terminal at Hambantota Port premises at an estimated investment of US\$ 13.34 Mn. Presently the proposal is awaiting the approval of the Ceylon Petroleum Corporation.

EDUCATION SECTOR

- **UCLAN Lanka (Pvt) Ltd**

M/s. Uclan Lanka (Pvt) Ltd is a pioneering investment approved by the BOI under the Strategic Development Act (SDP) to set up a branch campus of University of Central Lancashire (UCLAN) at Mirigama with an envisaged investment of US\$ 100 Mn.

This campus will strengthen Sri Lanka's long term vision of the knowledge hub. The project was launched by the British Foreign Secretary during the Commonwealth Heads of Government Meeting (CHOGM) in November 2013.

- **M/s. Raffles Asserts (Pvt) Ltd**

M/s. Raffles Asserts (Pvt) Ltd entered into agreement with BOI to set up a Higher Educational Institute at Negombo with an envisaged investment of US\$ 70 Mn. This is a 100% foreign owned subsidiary of Raffles Education Corporation Ltd, of Singapore which is the largest private education group in Asia Pacific.

Currently they are in the process of establishing a city campus which will be followed by the establishment of a main campus in Negombo. The proposed university will contribute to change the landscape of the area by establishing a State-of-the-Art University in Negombo.

• **M/s. Nagananda Institute for Buddhist Studies (Pvt) Ltd.**

M/s. Nagananda Institute for Buddhist Studies (Pvt) Ltd. A proposal was submitted to establish a Higher Education Institute in Buddhism to train local and foreign students who wants to study and gain knowledge in Buddhism, with an envisaged investment of US\$ 22.5 Mn and all the funds will be received as donations from foreign donors. It has been planned to set up this institute at Manelwatta Temple, Kelaniya in an extent of 20 acres of land.

The International Buddhist University is named as Nagananda International Buddhist University (NIBU) under Nagananda Intitute for Buddhist Studies (Pvt) Ltd. The Nagananda International Buddhist University at Manelwatta, Kelaniya initiated by the Most Venerable Master Chin Kung, founder of the Pureland College of Buddhism in Australia was introduced to Sri Lanka by Venerable Dr. Bodagama Chandima NayakeThero, as a major contribution to the progress of Buddhism globally.

According to the information provided, the University when established will uphold the highest academic standards while widely disseminating its discoveries in Mahayana, Theravada and Tibetan tantric traditions.

Overall performance of the Sector Group II is summarized as follows:

Status	Infrastructure	Utility	Education
Application Received	48	12	5
Project Approved	40	18	4
Agreement Signed	25	7	2
Started Implementation	19	8	1
Started Commercial Operation		15	4

Promotional Activities of Sector Group II :

Outward Missions

• **Investment Promotion Mission to Germany from 24th February to 2nd March 2013**

The BOI conducted a successful investment promotion mission to Frankfurt, Germany targeting key business leaders in the German business community.

The highlight of the mission was a BOI presentation at German–Asia Pacific Business Forum held in Frankfurt on 25th February 2013, followed by one to one meetings. 25th & 26th with potential German companies.

BOI's participation at this programme was coordinated with the assistance of the Consulate General of the D S R of Sri Lanka in Frankfurt and the German Asia Pacific Business Circle.

Hon. Rishad Bathiudeen, Minister of Trade and Commerce made the key note address at the forum, H.E. the Ambassador for Sri Lanka in Berlin and Consul General for Sri Lanka in Frankfurt also addressed the forum. A business delegation led by the Ceylon Chamber of Commerce participated at this Programme.

The objective of the mission was to target German investors and address some of the mis -conceptions about the business and investment climate in Sri Lanka.

- Sri Lanka was upgraded to a representing Countries slought along side, the only Asian Nation to be picked for the year 2013, “Vietnam” where BOI participated in the panel discussion.

- One to One meetings conducted with potential German companies, Chambers including Swiss Asia Chamber of Commerce
- Discussion was held with H.E. Buddhi Athauda, Ambassador for Sri Lanka in the Netherlands regarding investment promotion activities with the participation of Sri Lanka Business delegation from the Ceylon Chamber of Commerce.
- BOI also participated in the Diplomatic Circle Networking sessions in Frankfurt, organized by the Ambassador for Sri Lanka in the Netherlands and Mr. Nihal Samarasinghe, Hon. Consul for Sri Lanka (Rheinland- Pfals) Germany.

As an outcome of the mission an inward delegation from German Asia Pacific Circle is scheduled to visit Sri Lanka in 2014. Several German / Swiss investors participated at the Commonwealth Business Forum in November 2013, and a delegation from the Netherlands visited Sri Lanka between 3rd – 8th September 2013, led by H.E. the Ambassador for Sri Lanka in the Netherlands.

BOI was represented by the Ms. Nilupul De Silva, Director (Promotion), coordinating investment promotion activities for Europe.

• **Investment Promotion Mission to Czech Republic – 27th – 31st March 2013**

On the invitation of Hon. Martin Kuba, Minister of Industry & Trade of the Czech Republic, Minister of Economic Development of Sri Lanka Hon. Basil Rajapaksa visited the Czech Republic from 27th to 31st March 2013. Minister of Environment and Renewable Energy of Sri Lanka, Hon. Susil Premajayantha also took part in the visit, along with leading local companies (exporters / travel trade) and senior officials from Ministry of Economic Development, Tourism Development Authority, EDB, BOI was represented by Ms. Nilupul De Silva, Director (Promotion).

The objective of this visit was to strengthen economic and political ties, cultural relations and cooperation in important areas. Especially the vast potential that exists for investment in Sri Lanka for Czech Republic was highlighted, during this visit.

- The opening of the first Sri Lanka – Czech Economic forum organized by the Confederation of Industry of the Czech Republic, at which both Ministers addressed. The Economic Forum was attended by 60 participants from the Czech Republic and 30 Sri Lankan companies.
- The two Ministers discussed prospects for enhanced trade and economic cooperation as well as opportunities for joint collaboration in the important sectors of economy of the two countries. It was highlighted that vast potential exists for investment in Sri Lanka for the Czech Republic in several areas such as:
 - Infrastructure
 - Energy
 - Water and Environment Protection
 - Food Processing
 - Sugar Industry
 - Leisure / Recreation and Hospitality
 - Higher Education
- BOI presentation on “Sri Lanka, Your Next Investment Destination” at the Economic Forum was followed by one to one meetings.

During the one to one meetings BOI received serious inquiries from prospective investors. Czech companies indicated keen interest in investing in Sri Lanka in identified areas and requested for more specific information on available projects (Structured projects). The visit also strengthened existing relations between Sri Lanka – Czech Republic.

The Hon. Minister's visit received good media coverage locally and internationally especially in the Czech Republic. Hence the visit was the launch of a major trade, investment, tourism promotion, initiative between Sri Lanka and Czech Republic which was carried out very effectively as a joint effort by the respective Government agencies and the leading companies in the private sector and concluded successfully.

• **Investment Promotion Mission to China in June 2013**

- Yunnan Provincial government fully sponsored 3 BOI officials to participate in an Investment Promotion Programme in Kunming and made necessary arrangements to organize a Business Forum in Kunming.
- One-to-One meetings organized by Yunnan Provincial Government.

The above programme in Kunming provided, the Board of Investment of Sri Lanka an opportunity for creating awareness and networking with an identified cross section of the Chinese business community in Yunnan Province to build up the image of Sri Lanka's potential as an attractive investment destination especially after the conflict.

As a result a delegation from Kunming Xinzhi Group (Leading Chinese Bookstore) visited Sri Lanka in August 2013 and has already established a company for distribution of Chinese and English books with a view to promote Chinese Language, culture and traditions.

A delegation from Yunnan Chun Ching Biological Engineering Company visited the Reflections Sri Lanka Exhibition held during the Commonwealth Business Forum.

A delegation from Yunnan Development Research Center, People's Government of Yunnan Province, led by the Prof. Kong Can, Vice Director, visited to Sri Lanka during 27th -28th Nov on a fact finding visit.

• **Investment Promotion Mission to Japan**

- BOI participated in two investor forums during the state visit of H.E. Mahinda Rajapaksa to Japan in March 2013. These forums were organized by Japan External Trade Representative Office (JETRO) and Japan Chamber of Commerce Industries (JCCI), which was followed by one to one meeting coordinated by United Nations Industrial Development Organization (UNIDO).
- As an outcome of this mission:
- A team from Kumon Asia Oceania Pte Ltd will visit Sri Lanka on 9th December 2013.
- Representatives from ACM Corporation visited Sri Lanka on 19th April 2013. They are interested in setting up a Hotel.
- Ms. Reiko Asawan, submitted an application to set up a hotel in Sigiriya area
- Delegation from Itochu Corporation visited Sri Lanka in May 2013 (re. Banana Cultivation).
- Marubeni Corporation visited Sri Lanka in May 2013 (re. power and water projects).
- Sumitomo Corporation met BOI Officials in June 2013.

BOI was represented by Mr. Shivan de Silva, Executive Director (Promotion & Mega Projects) and Mr. Dhammika Basnayake, Asst. Director (Promotion) & Desk officer for Japan.

- BOI also participated at an Investment Forum during the visit of Hon. Basil Rajapaksa, Minister of Economic Development to Japan. This forum was jointly organized by the JETRO and Sri Lanka Embassy in Tokyo.

The forum was followed by one to one meetings coordinated by JETRO and the Sri Lanka Embassy in Tokyo. The BOI was represented by Mr. Ranjan Sibera, Senior Deputy Director (Investment) during this forum.

As an out come of this mission organized by JETRO, Delegation from Mitsui & Co. Ltd visited Sri Lanka in July 2013 in order to have further discussion with Hon. Minister of Economic Development.

• **Investment Promotion Mission to Korea**

BOI participated in the Korea Overseas Investment Fair organized by Korea Overseas Trade Agency (KOTRA).in May 2013, followed by one to one meeting organized by KOTRA and the Sri Lanka Embassy in Korea

As an out come of this mission:

Hyundai Amco visited Sri Lanka in June 2013, signed MOU with Sri Lanka Gateway Industries, re. 500 Mw. Coal fired power plant.

And also Kolon Corporation visited Sri Lanka in June 2013, re Under- severed housing re- settlement.

BOI was represented by Mr. Shivan de Silva, Executive Director (Promotion & Mega Projects) an Mr. Kumaranatunga, Director (Investment)

Inward Missions

Country	Delegation	Dates	Remarks	Areas of Interest
Germany	6 member delegation	5th February	Organized by German Embassy in Colombo	Manufacturing
Estonia	12 member delegation from Estonia Chamber of Commerce & Industries	14th February	Coordinated by the European Chamber of Commerce	Manufacturing, Ware housing, logistics, IT and Tele Communication
Belgium	12 member delegation from Flanders Trader & Investment	29th May 2013	Coordinated by the European Chambers of Commerce	Infrastructure, Manufacturing, Tourism and Education
Netherlands	13 member delegation	3-8th September	Organized by the Embassy of Sri Lanka in the Hague	Agriculture, Dairy Development , Manufacturing of Jewellery, Power & energy
France	8 member delegation	11th September	Organized by French Trade Commission in Sri Lanka	Infrastructure Development, Public Private Partnership

Country	Delegation	Dates	Remarks	Areas of Interest
Switzerland	4 member delegation from Switzerland Global Enterprises	3 & 4th October	Organized by Embassy of Switzerland to Sri Lanka and Maldives	Manufacturing and general information on investment opportunities in Sri Lanka
	A team from Albion Co Ltd	5th -7th February	Organized by Mr. M G Sunil, Hon. Consul for Sri Lanka in Japan	Cosmetic products and related research
Japan	Team from the Mitsubishi Corporation	June	Follow up visit of previous mission organized by BOI	Infrastructure, and bunkering services
	A team from Rohto Co. Ltd	16th -18 July	-do -	Pharmaceuticals
	Delegation from Mitsui & Co. Ltd	23 to 24th July	-do -	Infrastructure
	Delegation from Sumitomo Corporation	August	-do -	Infrastructure, Renewable Energy
	31 member delegation representing leading Japanese companies, SMEs	14th – 17 October	organized by the Japan External Trade Organization (JETRO)	Infrastructure, Manufacturing electronic items, Auto parts, Cosmetics, Pharmaceutical, Food processing and Tourism.
			30th January	Organized a meeting By Mr M De Silva of Hayleys PLC. Met with ED (Promotion & Mega Projects)
China	A delegation from Power China			
	Delegation accompanied by China Development Bank Corporation	6th March	Met with ED (Promotion & Mega Projects)	Interested in Tourism related projects , Real Estate Development etc
	Delegation led by Mr. Zhou Hong, Chairman of the Board ,Wuhan Honghai Technology Co. Ltd	6th March	Delegation accompanied by China Development Bank Corporation	Manufacture of Air Conditioners , Real estate Development

Country	Delegation	Dates	Remarks	Areas of Interest
	Delegation from Hainan Provincial Bureau of Geology	19th – 20th March	Met with ED (Investment) Mrs. G Rajapaksha. Also arranged a meeting with GSMB and Lanka Mineral Sands (Pvt) Ltd	To explore the potential of mineral sands in Sri Lanka
	Delegation from Henan Province	3rd April	Accompanied by Mr D Bopitiya (Head of Overseas Operation, Shangqiu Economic Development Zone) was met by Hon. Minister of Investment Promotion	Interested to develop an Air Port, Steel factory Meld Steel, steel plates, Measuring tools ,Battery Operated Cycles ,Container Fabrication, Tourism, Luxury apartments / Township development etc.
	Delegation from Fonda Global Engineering	5th April	The delegation met with ED(Promotion & Mega Projects) The Senior officials of an Existing BOI company located at KEPZ for Skills development and training in construction industry	Real Estate Dev, Tourism, Golf Courses etc.
	15 member delegation from China National Garment Association (CNGA)	5th – 9th May	Organized by Sri Lanka Embassy in Beijing	Apparel Industry
	Delegation from China National Garment Association	7th May	Association met with Senior officials from BOI, EDB, JAAF	to discuss prospects of investments in the apparel sector and joint venture partnership
	Delegation from China Association for Public Companies	22nd May	A meeting was also arranged with the officials of the Colombo Stock Exchange	Investment in quoted companies

Country	Delegation	Dates	Remarks	Areas of Interest
	Delegation led by Mr. N B Wu, Suzhou Good Ark Electronics Co Ltd	30th May	Met with Chairman BOI and other senior officials	establish a semiconductor manufacturing plant in Sri Lanka
	Officials from Anhui Zhongling Elevator Co Ltd, Wuhu City of Anhui Province South Industrial Park	July	Meeting organized by Chinese Embassy in Sri Lanka	Manufacturing of Industrial Elevators for export market
	A delegation from China Yunnan Construction Engineering Group Co Ltd	30th July	Delegates accompanied by Ms. Stephanie Zhang	To establish a project office in Sri Lanka
	Delegation from China Council for the Promotion of International Trade, Tianjin Sub Council	8th October	Organized by an individual contact Mr. P Sinhalage	To understand the Investment Environment and foreign trade market in Sri Lanka
	A delegation from Yunnan Development Research Centre accompanied	24th October	Organized by Yunnan Business Representative Office in Colombo	Construction, Hotels , Trading , Fisheries Industry , Mining and Rubber Base products
	Delegation from Zhoushan Mingyu Aquatic Product Co Ltd	18th - 19th November	Arranged factory visit and meeting with Chairman – NAQDA for further discussions	Prawn Culture/ shrimp farming, feed manufacturing etc

Special Promotional Events

- **Commonwealth Business Forum**

Sector Group II actively participated in the arrangements to organize the Commonwealth Business Forum (CBF) from 12th -14th November 2013, and was a key member of the organizing committee of the Business Forum in connection with the 23rd Commonwealth Heads of Government Meeting (CHOGM) held in Sri Lanka from 15th - 17th November 2013.

CBF was the premier business event in the Commonwealth to bring together Heads of Governments, Ministers and top business leaders from Commonwealth / Non Commonwealth Countries. CBF was jointly organized by the Commonwealth Business Council (CBC) and the Sri Lanka Government where BOI played the leading role. CBF was inaugurated by His Excellency Mahinda Rajapaksa, the President of Sri Lanka and there were several renowned speakers present at the forum, bringing all different business interest into one location.

The CBF was a unique opportunity for the BOI to promote Sri Lanka as a destination for investment “Invest in Sri Lanka Centre”, where BOI maintained a large and attractive pavilion at the Forum venue – Cinnamon Grand Hotel, served as a business centre for potential investors to discuss prospects for investment with BOI officials. BOI with the assistance of the respective line agencies prepared 50 structured projects in the Government sector to be promoted during CBF.

- **Reflection of Sri Lanka and Exhibition**

Sector Group II participated in the trade exhibition, especially assisting with the net working session for buyers and sellers, with the theme “showcasing the best of Sri Lanka”, organized in parallel to the Commonwealth Business Forum (CBF) co-organized by the Ministry of Economic Development and the Ministry of Commerce, together with the Sri Lanka Export Development Board (EDB).

- **One Stop Shop Center at Sri Lanka Tourism Development Authority (SLTDA)**

Sector group II also participated along with 30 Government agencies at the One Stop Shop at SLTDA during CHOGM and CBF to assist potential investors.

Sector Group III :

During the year 2013, proposals for manufacturing non-traditional products for both export and local market, providing services for export market and entreport trading were considered for approval. Both new as well as expansion of existing projects were granted approvals based on the investment and other criteria stipulated in the following laws / regulations.

- i. Inland Revenue Act.
- ii. Strategic Development Project Act.
- iii. Finance Act related to Hub Operations.

Accordingly, proposals with a minimum investment of Rs. 50Mn were considered for approval.

The Overall Performance

Implementation stage of the sector

Status	Apparel	Regional & Services	Mfg.	Sector Total	Total BOI Projects	Sector's Status
Awaiting approval	2	5	20	27	46	59%
Approved & awaiting agreement	2		8	10	81	12%
Agreement Signed	9	13	28	50	125	40%
Awaiting Commercial Operation	6	37	28	71	250	28%
In commercial operation	430 *	215	383	1028 *	1736 *	59%
Total	449	270	467	1186	2238	53% **

* Including 135 projects Operating under 200GFP.

**Sector-3 contributes 53% (1186 projects) out of the total projects under the BOI

Total Exports (US\$ Mn)

Year	National		BOI value	BOI as a % of national value	BOI as a % of national value (Industrial)
	Total value	Industrial value			
2001	4,817	3,712	3,083	64%	83%
2002	4,699	3,634	3,123	66%	86%
2003	5,133	3,977	3,492	68%	88%
2004	5,757	4,518	3,858	67%	85%
2005	6,347	4,952	4,355	69%	88%
2006	6,883	5,385	4,699	68%	87%
2007	7,640	5,967	5,170	68%	87%
2008	8,111	6,159	5,330	66%	87%
2009	7,085	5,305	4,563	64%	86%
2010	8,570	6,154	5,175	60%	84%
2011	10,559	7,992	6,572	62%	82%
2012	9,774	7,371	6,125	63%	83%
2013	10,394	7,749	6,606	64%	85%

FDI contribution of the sector (US\$ Mn)

	Apparel	Regional & Services	Mfg.	Sector Total	Total FDI of the BOI
FDI	116.577	44.866	190.084	351.527	1391

Employment generation of the sector (Provisional)

	Apparel	Regional & Services	Mfg.	Sector total
Employment	3529	77	996	4602

Sector Based Performance

• Apparel Sector

By end of December 2013, the total number of projects in commercial operations was around 430. The total employment in the sector as at 31st December 2013 was 284,258 approximately. The major export income earner of the country is apparel. The apparel export income for the year 2013 was US\$ 4.5 bn. which is 43.4% of the total national exports and 38% of the Industrial exports. Export growth year on year basis is 11.5%

Performance of 2013

The status as at end of 2013 of the project applications submitted is given below.

Operational status	No. of projects	Investment (Rs. Mn)			Emp.
		Foreign	Local	Total	
In commercial operation	5	699.29	421.221	1120.506	1599
Awaiting commercial operation	1	264.67	-	264.670	723
Awaiting implementation	4	2135.21	395.158	2530.370	1044
Awaiting agreement	2	68.34	111.350	179.691	224
Awaiting approval	2	63.44	1595.077	1658.521	678
Total	14	3230.952	2522.806	5753.758	4268

Expansion in the Northern and Eastern Provinces

The BOI has taken steps to promote investments to Northern and Eastern provinces under the “Negenahira Novodaya” and “ Uthuru Wasanthaya” programmes. Details of the projects which signed supplementary agreements in the years 2011/2012 are given below.

Company Name	Estimated Investment (US\$ Mn)	Actual Emp. (Nos)	Location	Current status
Brandix Apparels Ltd	9.00	550	Batticaloa	Com. Operation
Mas Active (Pvt) Ltd	3.00	561	Kilinochchi	-do-
Fergasm Garment Ind. Ltd	2.30	383	Mannar	-do-
Timex Garments Ltd	2.30	418	Mannar	-do-
Omegaline (Pvt) Ltd	20.00	882	Vavuniya	-do-
Unichela (Pvt) Ltd	4.9	563	Kilinochchi	-do-
Total	41.5	3357		

• Regional Programmes and Export Services Sector

Operational status of the project proposals received in 2013	No. of projects	Investment (Rs. Mn)			Emp.
		Foreign	Local	Total	
In commercial operation	-	-	-	-	-
Awaiting commercial operation	-	-	-	-	-
Awaiting implementation	2	1010.790	1256.830	2267.620	137
Awaiting agreement	-	-	-	-	-
Awaiting approval	3	3998.950	138.395	4137.348	418
Total	5	5009.743	1395.225	6404.968	555

This sector comprises of projects approved under the following sub sectors;

- i. Export Oriented Services.
- ii. Regional Programms (300 EP and NEDP)
- iii. Projects for Hub Operations.

Sector FDI target for 2013 was US\$ 50.3 million. Realized FDI value was US\$ 44.866 million. Employment generation as at December 2013 is 43,679. Actual investment made in all projects in the sector by 2013 was around Rs 69,397.198 Mn.

Export Services & Regional Programms

There are about 70 projects in operation under the industry categories approved under export services, namely Regional Operating Headquarters, Management Consultancy, Sea Cargo Services, Printing & Publishing Services, Marine Services, Automobile Services and Other Services.

The number of approvals in force under the 300 Enterprises Programme (300 EP) as at 31st December 2013 was 168. 140 companies are in operation. The implementation period of the 300 EP was ended by 31st March 2012.

Total of 33 project approvals were in force under the Northern & Eastern Development Programme with an estimated investment of Rs. 8933.742 million and employment of 6595 (Awaiting implementation -02, Awaiting commercial operation-14, in operation-17)

• Hub Operations

Based on the criteria introduced under the Finance Act, BOI granted approval for the following activities under the Hub Operations.

- i. Entrepot trade involving an import, minor processing and re-export.
- ii. Off-shore business where goods can be procured from one country or manufactured in one country and shipped to another country without bringing the same into Sri Lanka.
- iii. Providing front end services to clients abroad.
- iv. Operations of Headquarters of leading buyers for management of the finance supply chain and billing operations.
- v. Logistic services such as bonded warehouse or in the case of operation of multi-country consolidation in Sri Lanka.

Status (as at 31/12/2013) of the proposals received under this sub sector were as follows.

Projects to be Approved	- 03
Agreements to be Signed	- 01
Agreements already Signed	- 04

Approved projects will be located at Mirijjawila Export Processing Zone and Katunayake Export Processing Zone. The total estimated investment is US\$ 44 Mn.

• Manufacturing Sector

Operational status	No. of projects	Investment (Rs. Mn)			Emp.
		Foreign	Local	Total	
In commercial operation	2	151.570	1320.660	1472.23	740
Awaiting commercial operation	4	642.82	872.852	1515.672	358
Awaiting implementation	18	20815.93	11202.084	32018.014	2508
Awaiting agreement	9	7416.606	4966.855	12383.461	1311
Awaiting approval	15	5547.303	6339.164	11886.467	1734
Total **	48	34574.229	24701.615	59275.844	6651

** Including Expansions

Forty eight (48) project proposals was received in year 2013 with total envisaged investment of Rs. 59.275 Billion. Out of the above Rs. 34.574 Billion will be Foreign Direct Investment. The total expected employment generation is 6651 nos. of persons. There are 18 projects Commenced Commercial Operation during this year.

The total forecasted FDI was US\$ 216.42 Mn. for the year 2013 out of which US\$ 190.084 Mn. amount was realized. This would be 87.83 % from the forecasted FDI. There are 55,654 employments have been generated from 345 projects as at December 2013.

A subsidiary of the Tokyo Cement Group located in Trincomalee M/s. Tokyo Eastern Cement Company Ltd. has signed an agreement with the BOI with an envisaged investment of US\$ 50 Mn. A land has been allocated and implementation will be started soon. The project is focusing to supply to the incoming demand of cement in the Eastern Province.

M/s. Prima Ceylon Ltd., the first company in the flour industry in the country is under implementation of expanding their capacity with an infusion of US\$ 35 Mn. to the country.

3. Research & Policy Advocacy Department

The Board of Investment of Sri Lanka has identified that the Advocating improvements in the investment climate is vital in attracting the anticipated volume of FDI into Sri Lanka. Thus the Research & Policy Advocacy Department (R&PA) of the BOI is mandated to propose and advocate improvements in relevant FDI policies and become a key catalysis in investment related policy reform process. In this context, the R & PA of BOI is responsible for undertaking policy research and suggest enhancements of various policies, laws and procedures and assist the government to improve the business environment of Sri Lanka thereby to attract much needed foreign and domestic investments.

Apart from that, the duties of the department include amongst others, conducting business research for niche market, identification and development of investment opportunity profiles, conducting country specific and sector specific research required for identification of priority sectors for investment, preparation of informative brochures, formulation of investment promotion strategies based on competitive and comparative advantage, compilation, analysis & dissemination of Investment related data and Identifying the issues that inhibit investment & suggesting remedial measures to overcome such issues.

Further, the R & PA Department gives suggestions to ensure incremental improvements in the investment environment (Rankings) by addressing legitimate policy concerns of investors (Based on competitive requirements and need of investors).It also involved in drafting / negotiating and carrying out research studies related to International Investment Agreements which includes; Bilateral Investment Treaties (BITs) for the promotion and protection of foreign investment and Free Trade Agreements (FTAs) and Comprehensive Economic Partnership Agreements (CEPAs) containing investment provisions and liaise closely with international organizations such as UNCTAD and WTO.

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

4. Investor Services Department

The investor Services Department facilitates after care service to investors registered under section 17 of the BOI law in the field of import & export. To provide the above services, this department has 05 Investor Services Centers located at 06th Floor, 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 Documents
- Verification of Cargo Imported & Exported
- Issue of Certificate of Origin for textile & apparel products exported to EU countries
- Approval for clearance of goods from bonded warehouses
- Approval for sub contracts, transfers and local sale
- Re-import & Re-export of items
- Liaising with government organizations in respect of issues faced by BOI enterprises

Automation of import & export operations

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

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

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

The BOI has initiated several programs to introduce paperless electronic trade (E-trade) for BOI enterprises in line with the “Sri Lanka Customs Paperless Export Clearance Initiates”. Once implemented, the BOI expects the number of documents in the export process to decrease from the current 12-16 documents, to 4-5 documents. Some of the initiatives under this programme include, warranting the Customs Declaration Form (CUSDEC) without the paper copy being submitted to export office.

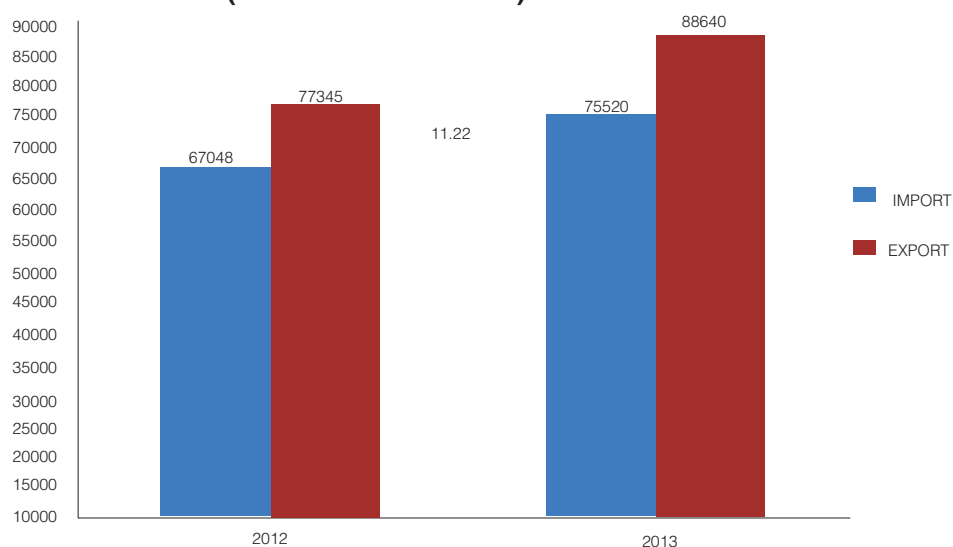
Finally, investors will benefit a “Single Window” (SW) facility which enables all parties involved in trade & transport to lodge all necessary trade – related documents and information to be submitted once at a single entry point to fulfill all trade and regulatory requirements.

Total Import TEUs consigned to BOI enterprises for the year 2013	75520 TEUs
Total Export TEUs consigned to BOI enterprises for the year 2013	88640 TEUs
Export Value for the year 2013	Rs. 867,653.82 Mn
Import value for the year 2013	Rs. 622,453.24 Mn

Containerized Cargo for BOI Enterprises (Imports/Exports)

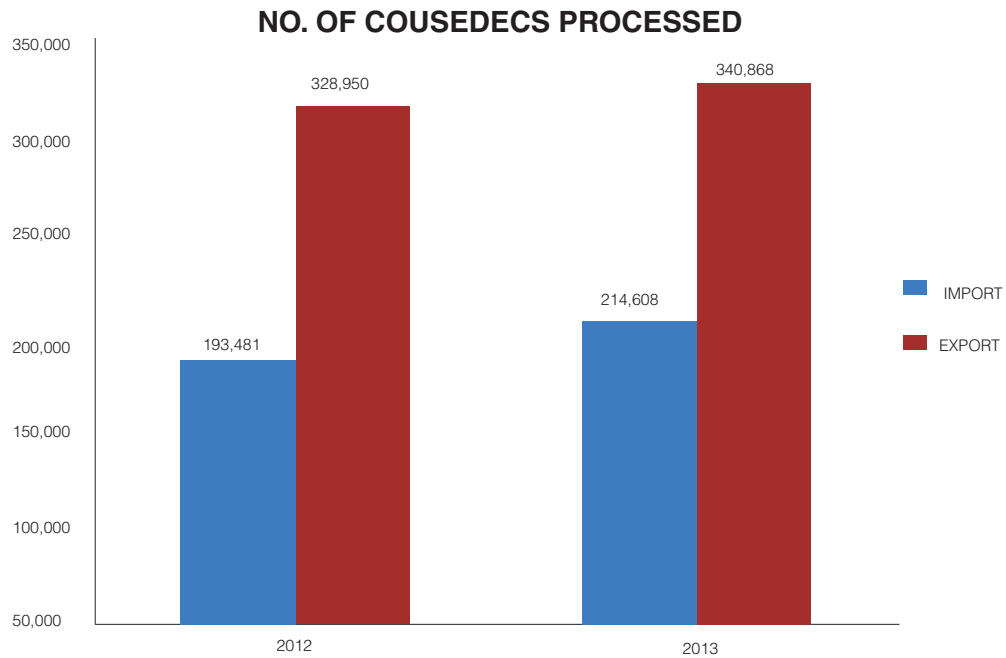
	2012	2013	DIFFERENCE	GROWTH (%)
Import	67,048	75,520	8,472	11.22
Export	77,345	88,640	11,295	12.74

CONTAINERIZED CARGO FOR BOI ENTERPRISES (IMPORTS/EXPORTS)



No. of CUSDECS processed

	2012	2013	DIFFERENCE	GROWTH (%)
Import	193,481	214,608	21,127	9.84
Export	328,950	340,868	11,918	3.50



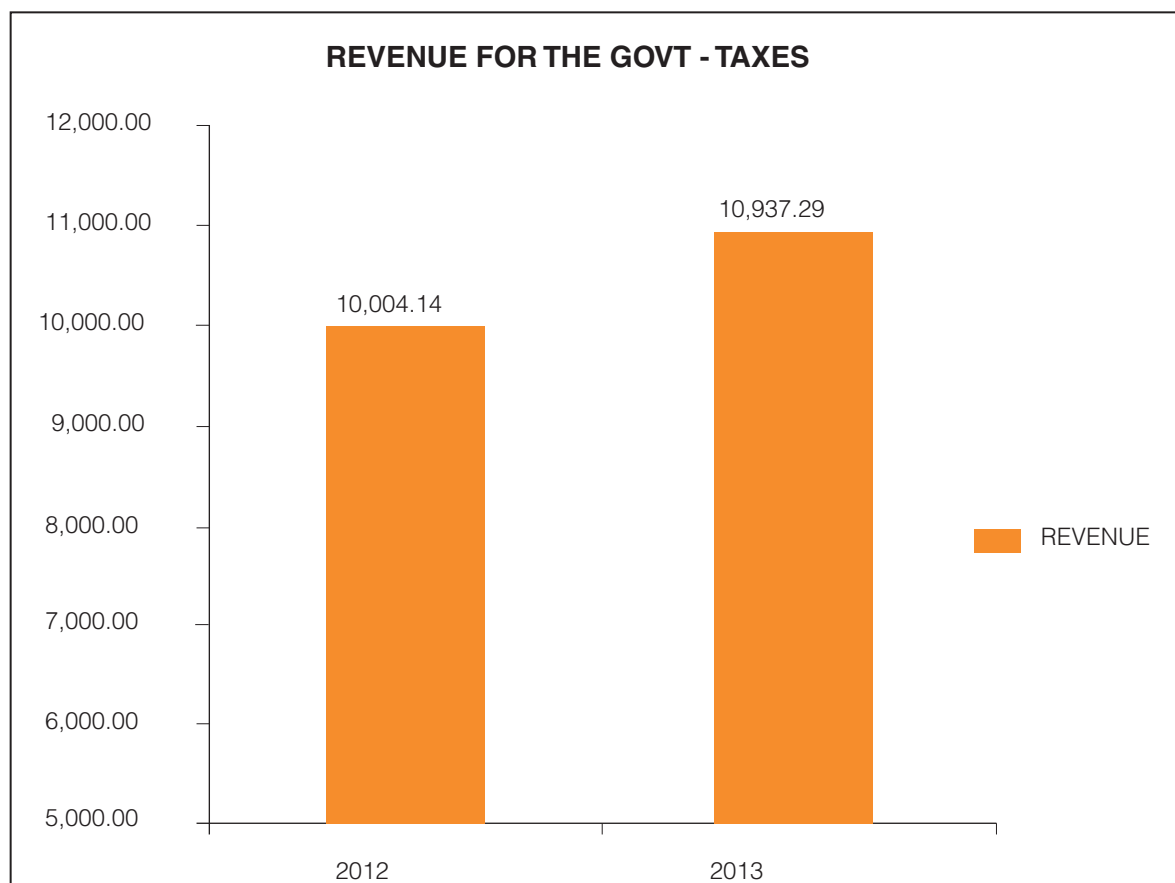
Value of imports & exports (Rs. Mn)

	2012	2013	DIFFERENCE	GROWTH (%)
Import	558,306.66	622,453.24	64,146.58	10.31
Export	761,111.06	867,653.82	106,542.76	12.28



Revenue for the Government (Taxes)

	2012	2013	DIFFERENCE	GROWTH (%)
REVENUE	10,004.14	10,937.29	933.15	8.53



5. Monitoring Unit

The Monitoring Unit of the BOI was established in the latter part of May 2013. Functions entrusted to the Unit are :

- To recover long outstanding dues.
- To assess the actual foreign direct investment and local investments committed by BOI Enterprises.

Recovering of long outstanding dues

The Monitoring Unit is planning and executing an effective system to recover long outstanding dues i.e. reviewing and analyzing relevant project files maintained by Finance and Legal departments and taking appropriate measures to recover dues, such as communication with enterprises in which Agreements are in force, following up and negotiating with them, liaising with the Legal Department in sending letters of demand and other legal steps to be taken to recover dues, liaising with other relevant departments and Zonal Offices to follow up on measures already taken by them and making an effort to recover outstanding dues.

Further, a suggestion has been made to the HR Department to recruit / obtain services of a Debt Collector to send to defaulted enterprises to recover dues and the HR Department is in the process of appointing a suitable person.

Assessing FDI & local investment

The Monitoring Unit conducts following surveys of BOI enterprises :

- i. Quarterly survey to assess the foreign direct investment which is brought in to the country and the additional local investments to identify the trends and industry sectors to which the investments are directed.
- ii. Annual survey on the operation of the BOI approved projects falling under section 16 of BOI Law.

In carrying out above tasks, the Monitoring Unit sends FDI and local investment survey letters and questionnaires quarterly to BOI enterprises in which Agreements are in force and collects and compiles FDI and local investments. In addition, the Unit prepares FDI data on various categorizations such as investment sector-wise, country-wise and project-wise and submits calculated FDI to the Central Bank, relevant departments of the BOI from time to time and enters FDI data in the Project Management Information System (MIS) in every three months.

Further, the Unit sends annual survey letters and questionnaires to BOI approved enterprises operate under Section 16 of the BOI Law and the said survey details are entered in to the MIS.

The Monitoring Unit also engages in the calculation of cumulative realized investment (foreign and local) annually and sends such information to the Central Bank and also enters in to the MIS.

Progress achieved

- During the short span of the Monitoring Unit i.e. the period from 01.06.2013 to 31.12.2013, the amount recovered from defaulted enterprises, being annual fees and ground rent due for the period of 2012 and before was approx.: Rs. 58.687 Million.
- We also wish to state that the BOI has achieved US\$ 1391.4 Million as FDI in 2013.

Forecast vs Actual FDI received in 2013

No.	Sector	FDI 4th Qtr. Original Forecast/Actual for (Oct.-Dec. 2013) (US\$ Mn.)		Total FDI Original Forecast/Actual (Jan-Dec. 2013) (US\$ Mn.)		By BOI Sector
		Original Forecast Oct.-Dec. 2013	Actual Collected during Oct.-Dec. 2013	Original Forecast Jan-Dec. 2013	Actual Collected during Jan -Dec. 2013	
1	Utilities	260.50	213.61	678.00	559.42	40%
2	Infrastructure	414.51	103.97	655.00	225.30	16%
3	Manufacturing	126.40	57.80	216.90	190.08	14%
4	Textile & Apparel	24.30	32.88	93.00	116.58	9%
5	Tourism	183.50	17.00	330.00	67.67	5%
6	Regional Development	22.50	8.35	50.30	44.87	3%
7	Agriculture	3.60	2.21	23.00	30.67	2%
8	Knowledge Services	9.70	6.55	27.00	19.02	1%
9	Education	20.34	0.71	54.00	15.02	1%
10	Section	16	6.00	78.30	122.77	9%
	Total	1,071.35	521.38	2,147.20	1391.40	100%

**FDI of BOI registered Enterprises (Minimum of US\$ 1.0 Mn.)
For the period January - December 2013 (Provisional)**

No.	Ref. No.	Name of Enterprise	Country / Countries	Excluding foreign loan (Non FCBU) (US Mn.)	Including foreign loan (Non FCBU) (US Mn.)
1	0971/94	DIALOG AXIATA PLC	Malaysia	36.30	171.50
2	4418/11	COLOMBO INTL. CONTAINER TERMINALS LTD.	China 140.00 Hongkong 16.270	16.27	156.27
3	0690/93	ETISALAT LANKA (PVT) LTD.	UAE	89.50	103.96
4	4650/13	WATERFRONT PROPERTIES (PVT) LTD.	Countries not identified	83.10	83.10
5	0085/80	LANKA ORIX LEASING COMPANY PLC.	Netherland 36.895 Switzerland 12.600 France 10.029 Luxemburg 5.000	-	64.52
6	4562/12	MAS FABRICS (PVT) LTD	Hongkong	-	46.00
7	0568/93	MOBITEL (PVT) LTD.	China	-	42.58
8	3875/08	CAIRN LANKA (PVT) LT	UK 38.345 Mauritius 0.400	38.75	38.75
9	4545/12	AVIC INTL. HOTELS LANKA LTD.	China	35.00	35.00
10	1743/98	HOLCIM LANKA LTD.	Switzerland 0.010 Singapore 5.650 Netherland 14.010 Maldives 3.000	14.02	22.67
11	0424/92	LOADSTAR (PVT) LTD.	Canada	22.29	22.29
12	4540/12	KRRISH TRANSWORKS COLOMBO (PVT) LTD	India	22.06	22.06
13	0300/92	HUTCHISON TELECOMMUNICATION LANKA P.L.	Hongkong	20.52	20.52
14	4054/09	UNILEVER SRI LANKA (PVT) LTD	Netherland	20.00	20.00
15	3602/07	SRI LANKA TELECOM PLC	Netherland	18.80	18.80
16	107/95	TOYOTA LANKA (PVT) LTD	Japan	18.21	18.21
17	4349/11	SHANGRI-LA INVESTMENT LANKA (PVT) LTD	Hongkong	15.80	15.80
18	0155/88	ANSELL LANKA (PVT) LTD.	Australia	14.00	14.00
19	2607/02	CHEMCEL (PVT) LTD	USA	13.22	13.22
20	4162/10	VARUN BEVERAGES LANKA (PVT) LTD.	Mauritius	-	13.00
21	4657/13	P H RESORTS (PVT) LTD.	Thailand	11.73	11.73
22	1720/12	COLOMBO CITY CENTRE PARTNERS (PVT) LTD	Singapore	11.70	11.70
23	4473/12	INOAC POLYMER LANKA (PVT) LTD	Singapore	11.49	11.49
24	1865/98	OMEGA LINE LTD.	Luxemburg	11.02	11.02
25	2373/01	PRIMA CEYLON LTD.	Singapore	10.50	10.50
26	1816/13	PYRAMID WILMAR PLANTATION (PVT) LTD	Singapore	10.50	10.50
27	0052/80	TRELLEBORG LANKA (PVT) LTD.	Netherland	10.06	10.06
28	1729/98	CEYLON STEEL CORPORATION LTD	British Virgin Island	10.00	10.00
29	4191/10	HOTEL SERVICES (CEYLON) PLC	Germany	-	10.00
30	3952/09	MAKOLA YATHAMA HOLDINGS (PVT) LTD.	Saudi Arabia	-	10.00
31	3174/05	MIREKA HOMES (PVT) LTD	Singapore	9.30	9.30
32	4139/10	NOR LANKA MANUFACTURING COLOMBO LTD.	Hongkong	8.90	8.90
33	1859/13	U C RAINBOW LANKA (PVT) LTD.	China	7.80	7.80
34	3506/07	TRELLEBORG TYRES LANKA (PVT) LTD.	Netherland	7.27	7.27
35	4614/13	Q.E.G LANKA (PVT) LTD	Singapore 0.775 Hongkong 6.226	0.78	7.00
36	0091/83	COLOMBO DOCKYARD PUBLIC LIMITED COMPANY	Japan	6.92	6.92
37	4520/12	SRI LANKA GATEWAY INDUSTRIES (PVT) LTD.	Singapore 5.060 UK 1.375	6.44	6.44

38	4573/12	KEPPEL C T DEVELOPMENTS (PVT) LTD.	Singapore	6.29	6.29
39	4610/13	RAFFLES ASSETS (PVT) LTD.,	Singapore	6.08	6.08
40	4306/10	NEW HOPE LANKA LTD	Singapore 5.584	5.87	5.87
			Bangladesh 0.283		
41	4404/11	INDOCEAN DEVELOPERS (PVT) LTD.	India	5.16	5.16
42	3199/05	DOLE LANKA (PVT) LTD.	Mauritius 1.479	4.99	4.99
			Hongkong 3.514		
43	3540/07	PLATINUM RELITY INVESTMENT (PVT) LTD	Mauritius	4.35	4.35
44	4645/13	YOSHIDASHA (PVT) LTD	Thailand	4.34	4.34
45	0188/90	TRELLEBORG WHEEL SYS. LANKA P. LTD.	Netherland	4.25	4.25
46	4689/13	MOHAR MARINE SERVICES (PVT) LTD.	Singapore	4.00	4.00
47	1508/97	ASIA PACIFIC BREWERY LANKA (PVT) LTD.	Belgium 2.00	3.90	3.90
			Singapore 1.90		
48	4503/12	WELCOM HOTELS LANKA (PVT) LTD.	India	3.90	3.90
49	3264/06	BENJI LTD.	Luxemburg	3.85	3.85
50	1274/11	ANANTARA KALUTARA PROJECT	Thailand	3.76	3.76
51	3173/05	W S O 2 LANKA (PVT) LTD.	USA	3.73	3.73
52	3110/05	MIREKA CAPITAL LAND (PVT) LTD	Singapore	3.40	3.40
53	4639/13	BLUE OCEAN FISHERY (PVT) LTD.	China	3.35	3.35
54	4348/11	SHANGRI-LA HOTELS LANKA (PVT) LTD	Hongkong	3.26	3.26
55	3487/07	A T G OCCUPATIONAL (PVT) LTD.	UK	3.20	3.20
56	4550/12	BUTANI CAPITAL LTD.	USA	3.11	3.11
57	4604/13	BEN CONSORTIUM & CONSTRUCTIONS (PVT) LTD	Canada	3.07	3.07
58	4587/12	SANTA DORA (PRIVATE) LIMITED	UK	3.00	3.00
59	0035/79	INDUSTRIAL CLOTHINGS LTD	UAE 0.696 Caymen		
			Island 2.204	2.90	2.90
60	4536/12	HAIRU NAVAL CRAFT ENGINEERING (PVT) LTD.	Comoros	2.85	2.85
61	4461/12	MICHELLE HOLDINGS (PVT) LTD.	Russia	2.80	2.80
62	1783/13	TREELAND INTL. HOLDINGS (PVT) LTD	China	2.80	2.80
63	4477/12	U T M T RESORT (PVT) LTD	Austria	2.80	2.80
64	4541/12	G.M. METAL PACKAGING LANKA (PVT) LTD.	Hongkong	2.75	2.75
65	2122/00	JAY JAY MILLS LANKA (PVT) LTD.	India	0.66	2.64
66	1701/98	BROOKY DIAMOND (PVT) LTD.	Belgium	2.62	2.62
67	0299/92	BODYLINE (PVT) LTD.	USA 1.305	2.61	2.61
			Hongkong 1.305		
68	1704/98	VIRTUSA (PVT) LTD.	Netherland	2.57	2.57
69	1239/11	SINO LANKA HOTEL HOLDINGS (PVT) LTD	Singapore	2.56	2.56
70	4099/09	TSUKASA KOBO COMPANY (PVT) LTD.	Japan	2.55	2.55
71	2860/04	PYRAMID LANKA (PVT) LTD.	Mauritius 1.499	2.37	2.37
			British V/I 0.875		
72	4500/12	LEOCH LANKA (PVT) LTD.	Singapore	2.36	2.36
73	4529/12	SNACKA-LANKA (PVT) LTD	India	0.20	2.33
74	1435/96	MILLENNIUM I.T. SOFTWARE (PVT) LTD.	UK	2.26	2.26
75	4627/13	MODERN PRINTING DESIGN LANKA LTD	Hongkong	2.26	2.26
76	0080/80	NESTLE LANKA PLC	Switzerland	2.26	2.26
77	1896/99	MILLENIUM INFORMATION TECH. LTD.	UK	2.25	2.25
78	4080/09	KAATSU-HIGHLY ADV. MEDICAL TECH. TRA.CEN	Japan	-	2.05
79	1157/94	OCEAN LANKA (PVT) LTD.	Hongkong	2.03	2.03
80	4488/12	PLANT LIPIDS LANKA (PVT) LTD.	India	2.03	2.03
81	4464/12	MAXIMS HOLDINGS (PVT) LTD.	Russia	2.02	2.02
82	4504/12	ANODS COCOA (PVT) LTD	Singapore	-	2.00
83	4763/99	INTERTEK LANKA (PVT) LTD	UK	1.90	1.90
84	0613/93	STRETCHLINE (PVT) LTD	Hongkong	1.90	1.90
85	4632/13	ANI VILLAS DICKWELLA (PVT) LTD	USA	1.86	1.86
86	2377/01	LINEA AQUA (PVT) LTD.	USA 0.930	1.86	1.86

			UK 0.930		
87	4564/12	VICTORIA HIGHER EDUCATION (PVT)LTD.	UAE	1.82	1.82
88	4544/12	FONDA GLOBAL ENG. LANKA (PVT) LTD.	Singapore	1.82	1.82
89	0970/10	DAI MEI SLK (PVT) LTD.	Japan	1.75	1.75
90	2140/00	AMERICAN & EFIRD LANKA (PVT) LTD.	USA	1.63	1.63
91	2831/03	EVEREST INDUSTRIAL LANKA (PVT) LTD	UAE	1.63	1.63
92	2022/99	QUANTUM CLOTHING LANKA (PVT) LTD.	UK	1.63	1.63
93	0245/91	KOGGALA GARMENTS (PVT) LTD.	Hongkong	1.61	1.61
94	4443/11	PEACOCK INVESTMENT (PVT) LTD.	UK	1.50	1.50
95	4321/10	FUTURE ENERGY (PVT) LTD	India	0.99	1.49
96	3466/07	SERENDIPOL (PVT) LTD	USA 0.161	0.19	1.49
			Germany 0.027		
			Netherland 1.300		
97	0131/87	UNITED TOBACCO PROC. (PVT) LTD.	Belgium	1.48	1.48
98	1459/96	ASIA POWER (PVT) LTD.	Denmark 0.209	1.44	1.44
			UK 0.489		
			Japan 0.745		
99	3156/05	JACOBI CARBONS LANKA (PVT) LTD.	Sweden	1.44	1.44
100	2024/99	INTERNATIONAL TRIMMINGS & LABLES LANKA (PVT) LTD	UK	1.37	1.37
101	2670/03	WINCON DEVELOPMENT CEYLON (PVT) LTD.	Malaysia	1.32	1.32
102	4387/11	BIO ENERGY SOLUTION (PVT) LTD.	Comoros	1.32	1.32
103	4147/10	HAMBANTOTA TRADING COMPANY (PVT) LTD	Australia	1.31	1.31
104	1928/99	SOUTH ASIA GATEWAY TERMINALS (PVT) LTD.	Netherland 0.854	1.31	1.31
			Taiwan 0.260		
105	2975/04	W.N.S GLOBAL SERVICES (PVT) LTD	Mauritius	1.30	1.30
106	3757/08	ATLANTIS DEVELOPMENT (PVT) LTD	India	-	1.29
107	1273/95	WORKWEAR LANKA (PVT) LTD.	Caymen Island	1.26	1.26
108	3367/06	PIRAMAL GALSS CEYLON (PVT) LTD	India	1.23	1.23
109	0133/87	COLANDIAM (PVT) LTD.	Belgium	1.19	1.19
110	4575/12	SUN BUILDING IND. (PVT) LTD.	Taiwan	1.18	1.18
111	4399/11	CRYSTAL MARTIN CENTRAL (PVT) LTD.	HongKong	1.17	1.17
112	4355/11	MULDAT HOTEL AND RESORT (PVT) LTD.	Hongkong	1.17	1.17
113	3218/05	SML DUALPLAST LANKA (PVT) LTD.	Singapore	1.12	1.12
114	2200/00	TEXTURED JERSEY LANKA PLC	China	1.12	1.12
115	2297/00	MERBOK MDF LANKA (PVT) LTD.	Malaysia	1.10	1.10
116	0002/78	SMART SHIRTS (LANKA) LTD.	China	1.09	1.09
117	4665/13	AITKEN SPENCE C.T INVESTMENTS (PVT) LTD.	USA	1.09	1.09
118	4512/12	TUNIP LANKA (PRIVATE) LIMITED	India	1.02	1.02
119	4592/13	JAIN INFRAPROJECTS (LANKA) LTD.	Singapore	1.00	1.00
120	1903/13	Z.P.M.C LANKA COMPANY (PVT) LTD.	China	1.00	1.00
121	1886/13	IMPORT EXPORT TRADING HOUSE	China	1.00	1.00
122	1880/13	LEOPARD MOTOR COMPANY (PVT) LTD.	China	1.00	1.00
123	1764/13	VECV LANKA (PVT) LTD.	India	1.00	1.00
		Total		802.71	1,304.60
		Other Enterprises (440) less than US\$ 1 Mn.		83.92	86.80
		Grand total		886.63	1,391.41

Total FDI Jan- Desember 2013 US\$ 1391.405 Mn (Including forign loan US\$ 504.779Mn)

6. Legal Department

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

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

During the period under review BOI has contracted 106 agreements under section 17 of the BOI Law for the establishment of new business ventures in Sri Lanka. This includes 08 projects under the Strategic Development Projects Act, No. 14 of 2008 as amended. These 07 projects are namely –

1. Trincomalee Power Company Limited.
2. Lake Leisure Holdings (Pvt) Ltd.
3. Waterfront Properties (Pvt) Ltd.
4. The Queensbury Leisure Ltd.
5. CHEC Port City Colombo (Pvt) Ltd.
6. Prosperity Place Lanka (Pvt) Ltd.
7. Avic International Hotels (Lanka) Ltd.

These 07 agreements signed could be considered as a great achievement as the Department was able to exceed its target set for the year under review.

Further, Parliament approval has obtained for four Strategic Development Projects namely –

1. WelcomHotels (Pvt) Ltd
2. Sri Lanka Gateway Industries (Pvt) Ltd.
3. Sinolanka Hotels & SPA (Pvt) Ltd.
4. Uclan Lanka (Pvt) Ltd.

In addition, 277 Supplementary Agreements were concluded with existing BOI projects, in relation to further investments, expansion of existing business, change of scope of business and relocation of projects, take over and revival of sick industries.

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

7. Technical Services Department

- The Technical Services Department is mainly responsible for the
 - Identification of sites for new investment zones/projects.
 - Planning and development of new investment zones.
 - Undertaking initial development work of new investment zones
 - o establishment of Zone Units for initial work and gradual handing over of
 - o functions to relevant Zone Directors under delegation of authority as done
 - o in other zones for management of operation of zones
 - Providing technical support for infrastructure development work carried out by the existing 12 Export Processing Zones as and when requested.
 - Providing technical support for operation and maintenance of water supply, sewerage and solid waste management schemes of existing 12 Export Processing Zones.
 - Providing assistance and technical inputs for special investment projects with regard to land matters and provision of infrastructure.
 - Overall control of Action Plans for infrastructure development.
 - Preparation of proposals, identification of sites, obtaining necessary approvals for the establishment of an integrated solid waste management project/industrial park and recycle of water in Zones.
 - Transfer of assets divested to the state under the Act no. 43 of 2011, back to the BOI in co-ordination of the Competent Authority.
 - Inspection & making recommendations on technical aspects for the industrial plants which have encountered environmental issues and conflicts in respect of public concerns.

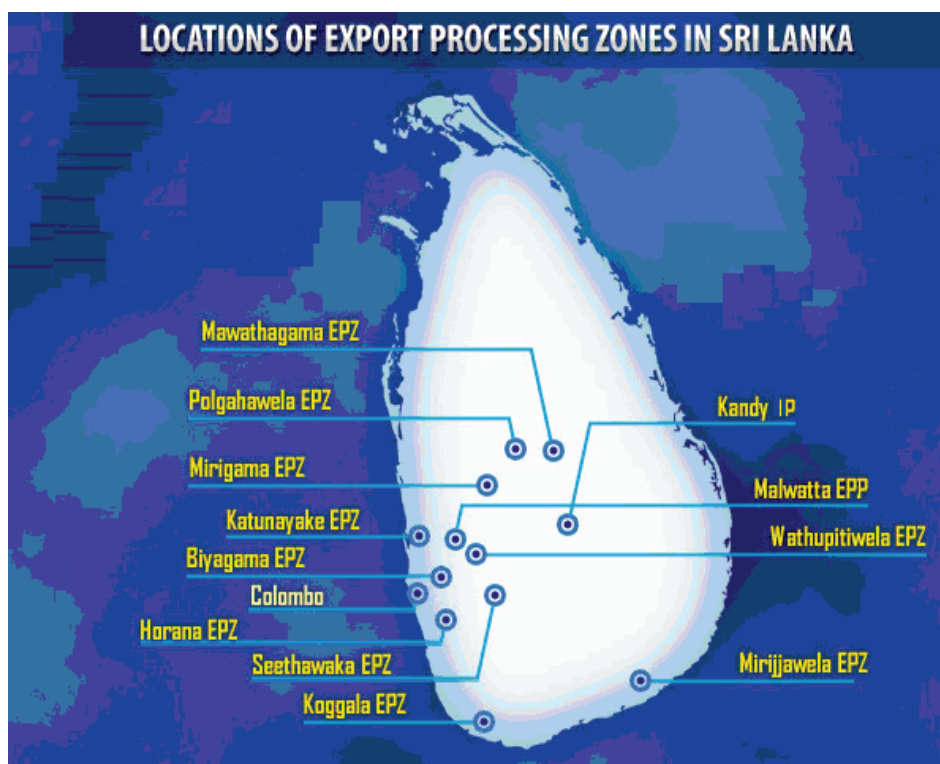
- Based on the decision of the Board to upgrade the existing Export Processing Zones of BOI as Model Industrial Zones to benchmark as international zones of other countries, in year 2013, a sum of Rs. 263 mn was incurred by the BOI in respect of mainly improvement and upgrading of existing infrastructure in the Export Processing Zones. A sum of Rs. 376 mn was incurred for the new zone development.

- While the BOI continued with the infrastructure development work of newly established Mirijjawila Export Processing Zone and Sooriyawewa Investment Zone at Hambantota, four additional blocks of land having an overall land extent of around 250 acres in the Hambantota District were transferred to the BOI for the purpose of development of an industrial park, commercial and residential complex, hospital based facilities and recreational and tourism project. Initial planning work and the obtaining necessary clearances were in progress during 2013.

Export Processing Zones/IP/EPP

Details of Export Processing Zones as at 31st December 2013

	KEPZ	BEPZ	KgEPZ	KIP	MwEPZ	PEPZ	MEPZ	HEPZ	SEPZ	MjEPZ	WEPZ	MalEPP
Distance from Colombo (Km)	31	24	131	135	106	77	65	54	47	234	42	32
Year established	1978	1985	1991	1995	2000	2000	1998	1999	1999	1999	1998	1998
Extent	Total – 528.93	450 A	227 A	205 A	53.15 A	50 A	260 A	381 A	431 A	228 H	123 A	32 A
Industrial -	288.59											
No. of Enterprises	90	59(Com. Operation)	22	21	07	05	10	13	30	03	18	04
Employment	39,397	21862	13058	7338	5200	3788	2850	L – 1727 F – 24	20,729	1559	9191	1500



KEPZ = Katunayake Export Processing Zone
BEPZ = Biyagama Export Processing Zone
KgEPZ = Koggala Export Processing Zone
KIP = Kandy Industrial Park
MwEPZ = Mawathagama Export Processing Zone
PEPZ = Polgahawela Export Processing Zone

MEPZ = Mirigama Export Processing Zone
HEPZ = Horana Export Processing Zone
SEPZ = Seethawaka Export Processing Zone
MjEPZ = Mirijawila Export Processing Zone
WEPZ = Wathupitiwala Export Processing Zone
MalEPP = Malwatta Export Processing Park

8. Environment Management Department

Summary of the core activities of the Department is as follows

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

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

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

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

A summary of the above functions is given below.

Function	No.
1. (a) No. of environmental clearances granted for projects	92
(b) No. of environmental clearances granted for expansions/relocations	19
2. No. of EPLL issued/renewed	*720
3. No. of ERR issued in respect of sites proposed for erection of telecommunication towers.	**216
4. No. of complaints attended concerning environmental issues and resolved	25
5. Environmental Monitoring	
(a). No. of effluent samples collected from industries.	1001
(b). No. of effluent samples collected from common sewage treatment plant.	
©. No. of water samples	152

* - Income Rs.6,228,000.00 from EPL fee

** - Income Rs.4,320,000.00 from ER fee

Total earnings = Rs.10,548,000.00

- In addition to above, compliance with the international conventions (related to environment) by BOI projects was ensured in consultation with the Ministry of Environment and Natural Resources and other relevant stakeholders. These Conventions are Basel Convention on the Transboundary Movement of Hazardous Waste, the Montreal Protocol on Ozone Layer Depleting Substances, the Stockholm Convention on Persistent Organic Pollutants, the Chemical Weapons Convention and the Convention against illicit traffic in narcotic drugs and psychotropic substances for which Sri Lanka is signatory.

Achievements

- Income nearly Rs 10.5 million by Environmental Protection Licenses (EPLL) and Environmental Recommendations (ERR) issuing functions.
- Assisted University of Central Lancashire (UCLAN) to prepare the Initial Environmental Examination Report (IEER) as required by the CEA, to set up a Higher Educational Institute in the Mirigama Export Processing Zone (MEPZ). The CEA accepted this IEER and therefore granted approval to this project in MEPZ
- Achieved the target set for year 2013 under the ISO 9001:2008 standard based quality management system. Under this, the set target was to ensure that 95% of the BOI projects are in possession of the Environmental Protection License (EPL). The target achieved was 97%.
- Evaluated the Environmental Impact Assessment Reports (EIARR) presently under preparation in respect of the proposed Mirijjawila Export Processing Zone and Suriyawewa Investment Promotion Zone by the Skills International (Pvt) Ltd. Corrections/improvements required in these reports were identified and informed this Consultant to upgrade these reports accordingly.
- Represented the following Technical Committees and actively contributed in its decision making processes.
 - Committee for deciding siting of high & medium polluting industries outside export processing zones and industrial parks chaired by the CEA.
 - Basel Technical Evaluation Committee chaired by the CEA.
 - United Nations Framework for Climate Change (UNFCCC) chaired by the Ministry of Environment and Renewable Energy.
 - Importation of industrial pesticides chaired by the Registrar of Pesticides
- Training programmes attended by the Officials of the Environment Department are as follows.

Local

- Certificate course in municipal solid waste management
- Environmentally sound management and disposal of Polychlorinated Biphenyl (PCB) wastes and contaminated equipment
- Chemical accident prevention and preparedness programme
- Environmental pollution control and measurements
- Preparation of greenhouse gas inventory

Foreign

- Thailand - Chemical accidents prevention and preparedness
- Malaysia - Attended the International Greentech & Eco products exhibition/conference and a study tour on integrated solid waste management

9. Engineering Approvals & Special Projects Department

Engineering Approvals & Special Projects Department consists of two sub divisions, namely;

- i) Engineering Approvals section
- ii) Lands section

Engineering Approvals section

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

Site approval is a pre-requisite for signing the BOI agreement for any project, which has been approved under Section 17 of BOI Law. After the Investment Dept approves the project proposal, Engineering Approvals Department and Environment Dept. inspect the site and evaluate its suitability for the future project. Simultaneously, comments and recommendations from other relevant state agencies and the respective local authority are taken into consideration and at the end of this brief assessment process, the letter of site approval is issued.

During the year 2013, Engineering Approvals section has inspected 217 sites and granted approvals for 158 Sites. 20 sites have been rejected. Investors have changed the sites in 39 cases, on various reasons.

Building plan approval is granted in order to ensure that the buildings of the future project satisfy all the relevant spatial and legal standards.

During the year 2013, Engineering Approvals Dept. has approved building plans of 181 projects.

Quantity Certification is connected with the importing of construction items on duty free basis for Section 17 BOI projects. At the time of importing such items, quantities are checked against the drawings and BOQQ of the building and when they are found to be within the limits of buildings' respective total requirements, recommendations are sent to the Investor Services Dept. enabling the items can be cleared with the duty concessions, entitled by the investor.

During the year 2013, Engineering Approvals section has issued 2369 Quantity Certificates.

Certificate of Conformity (CoC) ensures that the building is ready for commencing commercial operations. At the end of the construction phase on the request of the investor, Engineering Approvals Dept inspects the site to examine the building in detail. CoC is issued when it is found that the construction has been carried out as per the approved plans.

During the year 2012, this section has issued Certificates of Conformity for 40 projects.

Lands Section

Lands section is responsible for the following services.

- Identify state lands available for investment projects, and maintain a Land Bank with the relevant information for the benefit of the investors.
- Coordinate and follow up the land alienation process of state lands, for Section 17 BOI Projects
- Identify and proceed with acquiring state/private lands for setting up of BOI Investment Zones
- Assisting investors to find solutions to land matters.
- Handling the land issues of the BOI.

Progress made in 2013

- A research was conducted to identify lands for setting up of Investment Promotion Zones, Agriculture Zones and other BOI projects in the Northern Province.
- Blocks of lands with the total extent of 587 ha. In the Vavuniya District was gazetted for the purpose of getting released to BOI on long term lease basis.
- 14 locations were identified for the purpose of presenting to the investors who attended to the Commonwealth Investment Forum
- Action was taken to acquire 50 Acres of land situated in the Pasgoda Divisional Secretariat Division in the Matara District for the purpose of setting up an Industrial Park
- Action was taken initiated to vest 80 Acres of land called "Serapis Estate" owned by Sri Lanka State Plantations Corporation for the proposed expansion project of Polgahawela EPZ.
- Action was taken to obtain approval of the Board on 10.12.2013 to reactivate the vesting of 250 Acres of land at Puttlam in BOI.
- The following factories of former 50 & 200 GFP were re-activated under Revival of Closed Down Enterprises:
 - o Prime Collection (Pvt) Ltd (50 GFP) was leased out to DSL Lanka (Pvt) Ltd.
 - o Heenatigala Garments (Pvt) Ltd (200 GFP) was leased out to CIC Agri Businesses (Pvt) Ltd.
 - o P T K Enterprises (Pvt) Ltd (200GFP) was leased out to Brandix Intimates (Pvt) Ltd.
 - o Vino Lanka (Pvt) Ltd (200 GFP) was leased out to Rainbow Fashions (Pvt) Ltd.

10. Industrial Relations Department

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

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

The Industrial Relations Department achieved the following progress during the year 2013.

• **Maintaining Labour Standards**

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

In the year 2013, Labour Audits have been carried out in 1165 BOI Enterprises in Zones and outside Zones as well and remedial actions have been taken to rectify the shortcomings / lapses found at the above audits.

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

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

During the year 2013, Industrial Relations Department facilitated in formation and operation of 110 Employees' Councils.

The Facilitation Centres established at Katunayake, Biyagama and Koggala EPZs for the use of Trade Union officials to meet the zone workers freely and privately have been operated successfully by the respective IR Units.

In addition, 82 Awareness Programmes have been conducted during the year 2013 for Employees and Management Officials of the BOI Enterprises on various subjects such as Social Dialogue, General Awareness, Workplace Co-operation, Decent Work Practices and Health & Safety, etc in collaboration with relevant government agencies.

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

In maintaining industrial peace & harmony in the BOI Enterprises, IR Officers mediate in settling any industrial dispute occurred in BOI Enterprises. 13 industrial disputes / strikes were settled with the support of Labour Dept. officials during the year 2013.

• **Recruitment Assistance Scheme**

The BOI Job Bank Website (www.boijobbank.com) facilitates interaction between BOI Enterprises and youth who are seeking jobs. This service is provided free of charge to inform the general public about the job opportunities available in BOI enterprises.

During the year 2013, 66,189 job seekers were registered with the Employment Services Units at EPZs out of

which 65,671 have been referred to the enterprises for recruitment interviews for placements.

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 year 2013, 24 such job fairs have been conducted island wide.

11. Information Technology Department

• Summary of Department's functions

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

• Projects completed in 2013

Enhancement of IT resources and infrastructure during year 2013

- Enhanced BOI LAN/WAN network by providing new 85 network connections (including zone offices) to provide IT services for BOI staff.
- Installed new fiber networks for the library of BEPZ, Permit office at KgEPZ, Investor Centre at level 27 and IS Dept. at level 6 with 125 data points.
- Procured and installed 80 numbers of personnel computers and 84 numbers of printers for BOI offices including zones.
- Procured and installed 14 numbers UPSs, 10 numbers of switches and network devices (NIC, media converters etc.)
- Conducted a network security assessment survey with assistance of SLCERT and measures have been taken to implement their recommendation to tighten the network security of the BOI network
- Implemented a new e-mail cluster server enabling BOI higher management to have an uninterrupted email service.

Developments and implementations of Software Applications

New Projects

- A software module in all projects monitoring center to capture project related information and monitor performance data.

- Investor Query Handling system to record investor's queries and the related actions in order to follow up queries more effectively.
- Implemented the Entry Permit web based system at KEPZ linking two gates and monthly permit office in order to receive requests through the web. This method will eliminate the use of papers and using faxes.
- Integrate the Local Sales with Prepaid A/C system and automate the service charges thro' Prepaid A/C.
- Developed and implemented a separate module for IS Department to collect service charges not related to CUSDECS through Prepaid A/C.
- Designed, developed and implemented a system to capture FDI actual values of BOI enterprises by sectors and projects basis.
- Re-developed and implemented the Imp/Exp data transfer programme in line with Asyworld new system.

Improvements of the existing system

- MIS : Incorporate BOI rates and FDI Statement to be viewed.
- Prepaid A/C : Enhanced the facility to collect cash and cheques through monitoring centers, payment adjustments through Debits/Credits advice/notes and ledger summary for declarants.
- IEMS : Integrated the facility to capture corporate guarantees for the future year and transfer them automatically when the New Year begun, restrict validation of CUSDECS with irrelevant office codes and facility to update Assign Registry for verification centers.
- On-Line data submission : The system was amended to enable the capturing employment data and reports facility by monitoring centre basis.
- Prepaid A/C web portals : Two web portals amended to enable the view facility for Internal Audit Department. Also, non CUSDECS related payments were separated from the payment details options.

12. Media & Publicity Unit

The Media Department of the BOI is responsible for external communications. The BOI took initiatives in 2013 to create awareness about investment opportunities in Sri Lanka, the country's business climate and the organization's successes through a variety of media addressed to different types of audiences.

In 2013, the BOI engaged in publicity campaigns using different types of media. Furthermore printed promotional materials were developed; advertisements were placed in publications, documentary films produced by the BOI to convey its message to a wide audience.

Special Events in 2013:

The following events were organized, coordinated and participated by the media department

- Commonwealth Business Forum (CBF)

In conjunction with the 23rd Commonwealth Heads of Government Meeting (CHOGAM) held in Sri Lanka from 15th-17th November 2013, a business forum and the Invest in Sri Lanka Center was organized by the BOI from 12th -14th November in Hotel Cinnamon Grand, Colombo. Sri Lanka hosted the Commonwealth Business Forum (CBF), which was Sri Lanka's largest-ever business conference.

CBF Sri Lanka was jointly organized by the Commonwealth Business Council (CBC) in London, and the Government of Sri Lanka, where the Board of Investment of Sri Lanka played the leading role. The forum attracted a large number of influential and key businessmen and leaders from around the world. This was a great milestone in the history of Sri Lanka which has made a significant impact on the nation's economic growth.

13. Administration Department

The Administration Department provides logistical support for the operations of the other departments. It provides optimum services to its client Departments and Export Processing Zones as well. The Department plays the facilitator role by providing, transport facility, material and infrastructure requirements in time.

The Administration Department consists of the following sub sections.

- 1 Stores & Supplies Unit
- 2 Transport Unit
- 3 Building Maintenance
- 4 General Administration
- 5 Mail Section

Achievements of the Year 2013

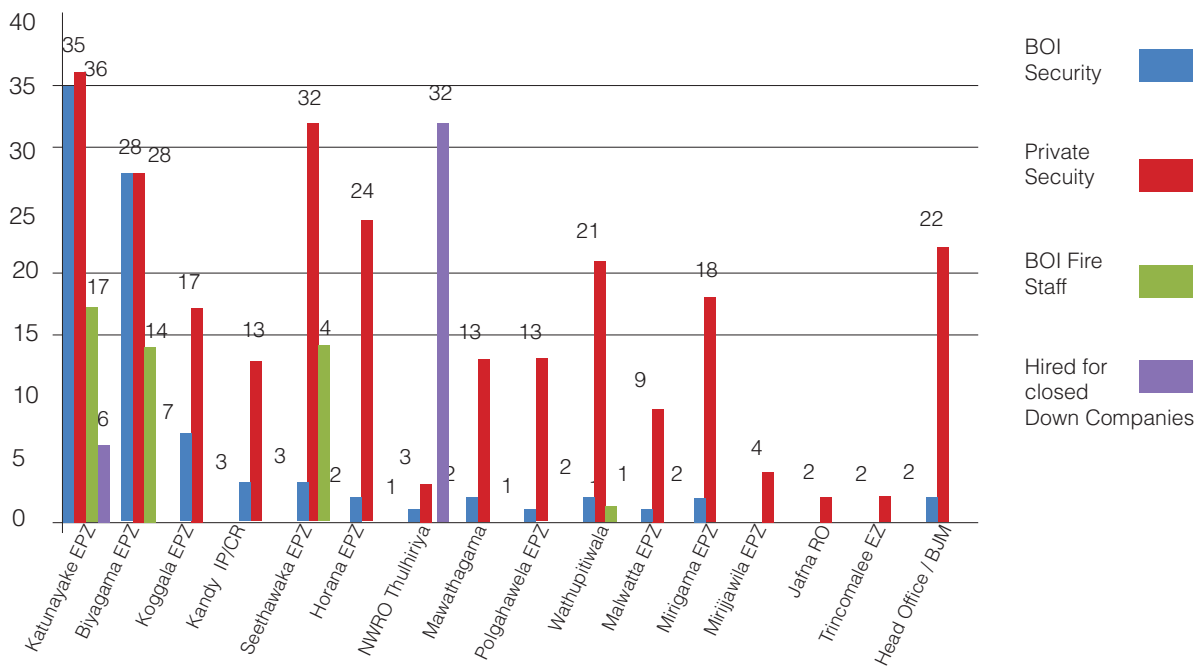
- The Administration Department has purchased brand new vehicles for the BOI vehicle fleet. Nine (09) cars and six (06) double cabs were purchased on finance lease basis
- 16 numbers of un-roadworthy vehicles were auctioned and the total income was Rs.14,115,000/=
- The refurbishment work at level 6 WTC was carried out and the Investor Services Department was relocated at Level 6 WTC
- The existing agreement with the Sri Lanka Telecom for the fixed telephone line system was extended for another 3year period
- The Stores and Supplies unit has contributed to procure goods and services required for the BOI with a value of Fifty Million Rupees

14. Security & Fire Department

2013 has been a year of significant progress in the Security & Fire areas of the Department and it is creditable how the staff has maintained the required standards in the security and safety of assets & human lives in their assigned areas. Although with many shortcomings mainly due to the actual BOI staff requirement not being available, operations have been carried out to the expected standards on the best efforts and commitment of the available staff.

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

**TOTAL STRENGTH AS AT DEC 31, 2013 - SECURITY & FIRE UNITS
-BOI & Hired Services**

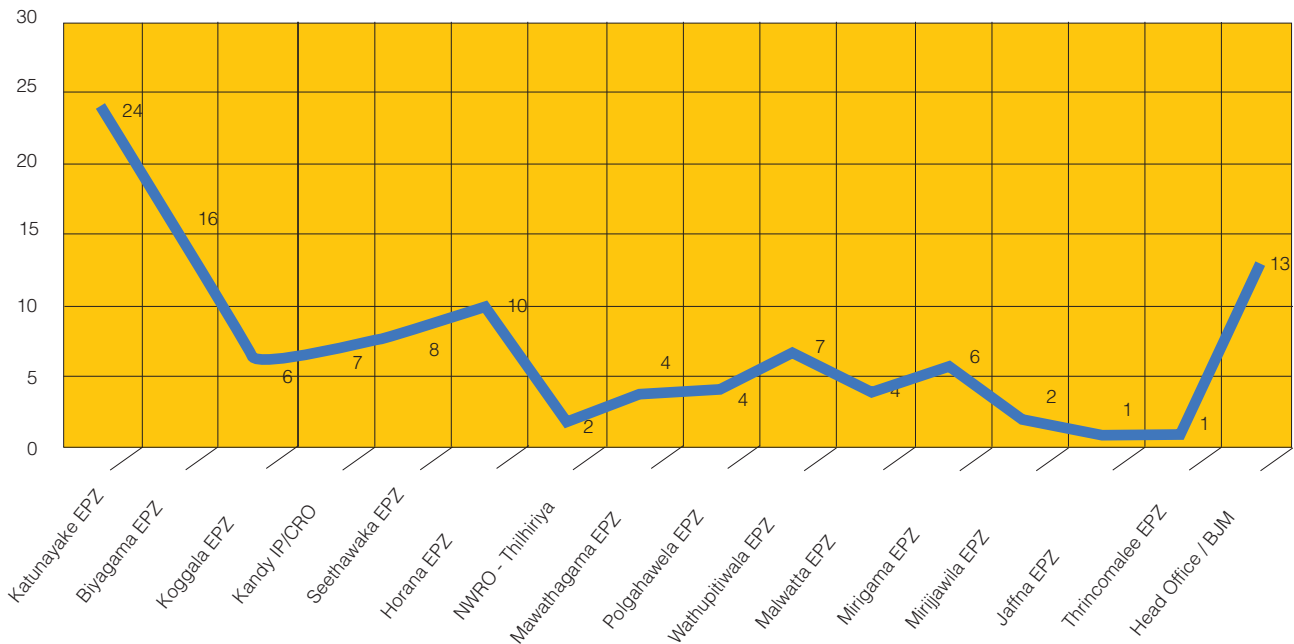


Total BOI Security Staff - 89
 Fire Staff - 46 } 135

Total Private Security Hired - 257
 Total Private Security for Closed downs - 38 } 295

The number of duty points as at December 2013 remains same as in the previous year

Number of Duty Points - Locationwise



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

Security

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

2013- Security Operations – Performance

AREA	no. of detections	income on gate passes (handled by security) (Rs)	other security related incidents	promotions / transfers / new/retirements
Katunayake EPZ	457	5,663,413.00	07	P=1, T=1, R=2, N=1
Biyagama EPZ	05	1,820,560.00	04	P=1
Koggala EPZ	01	1,628,320.00	02	-
Kandy IP / CRO	01	924,220.00	02	N=2
Seethawaka EPZ	01	4,505,500.00	-	N=1
Horana EPZ	02	8,079,475.00	01	-
NWRO-Thulhiriya	-	-	-	-
Mawathagama EPZ	20	806,600.00	02	-
Polgahawela EPZ	07	778,070.00	04	-
Wathupitiwala EPZ	03	4,573,175.00	-	-
Malwatta EPZ	-	989,705.00	-	-
Mirigama EPZ	08	955,200.00	-	-
Mirijawila EPZ	-	-	-	-
Jaffna RO	-	-	-	-
Trincomalee EZ	-	-	-	-
Head Office / BJM	-	-	-	-

Fire

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

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

2013 – FIRE OPERATIONS – PERFORMANCE

AREA	Evacuation Drills & Inspections	Fire Calls Attended	Other Programmes
Katunayake EPZ	94	17	35
Biyagama EPZ	64	38	51
Seethawaka EPZ	85	27	43

Other Significant Developments:

- Successful negotiations with the Embassy of Japan for a donation of fire fighting vehicles
- Portable Fire Pump TOHATSU commissioned on 24.07.2013 - KEPZ
- Fire vehicle 41-4081 was completely repaired and connected to engine/pump-KEPZ
- Fire Station Parking Bay at KEPZ was reconstructed for heavy fire vehicle parking.
- 04 new BOI recruitments i.e. 02 for Security Unit in Kandy and 01 for KEPZ; 01 for Fire Unit in SEPZ

15. Human Resources Management Department

Core activities of the Human Resources Department

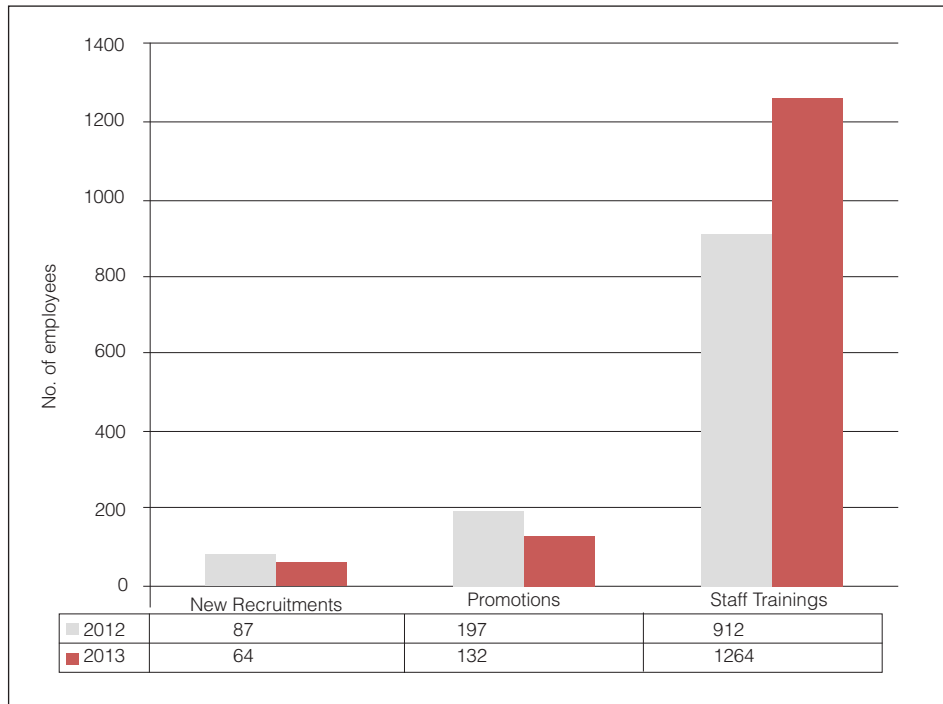
Human Resources Department is the key department which has the responsibility to manage the total human resources of the Board. Its main functions are ;

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

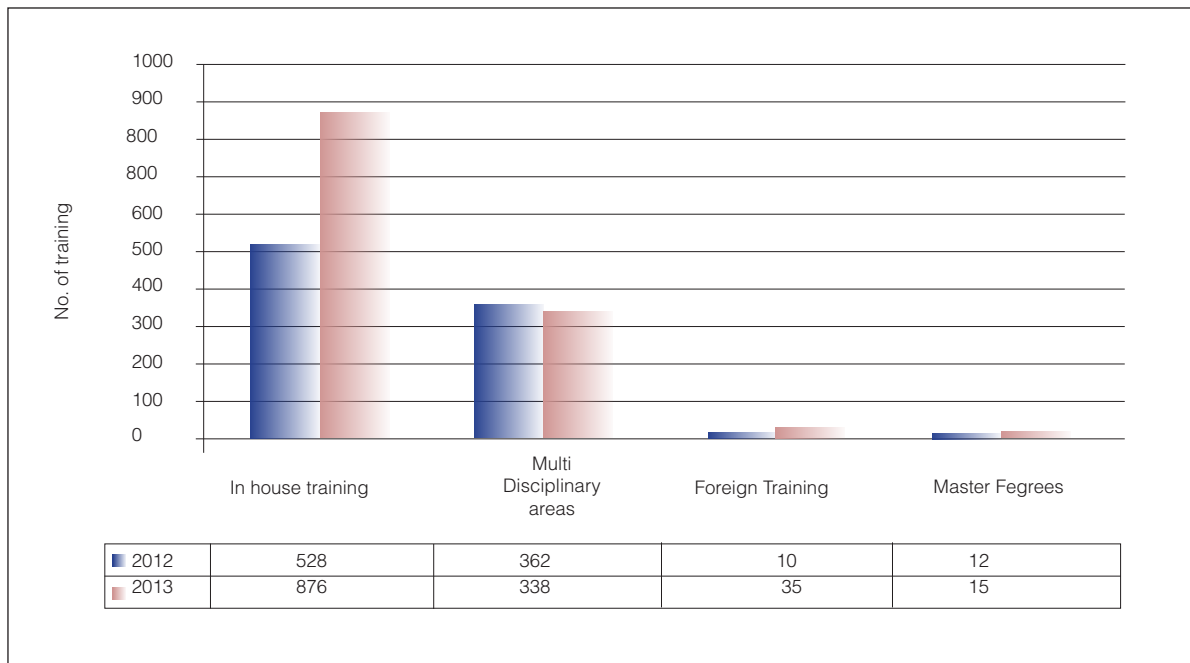
Achievements/Performance – 2013

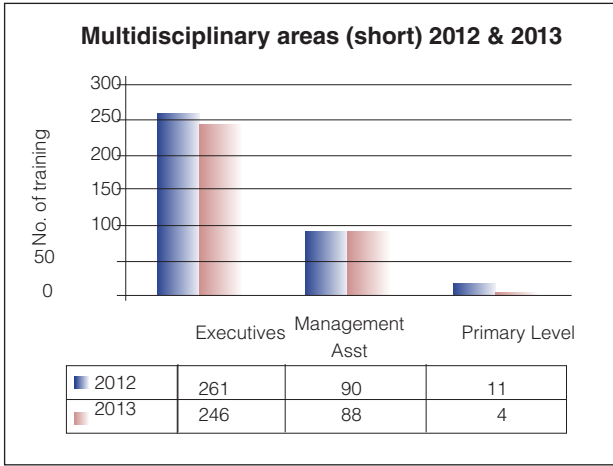
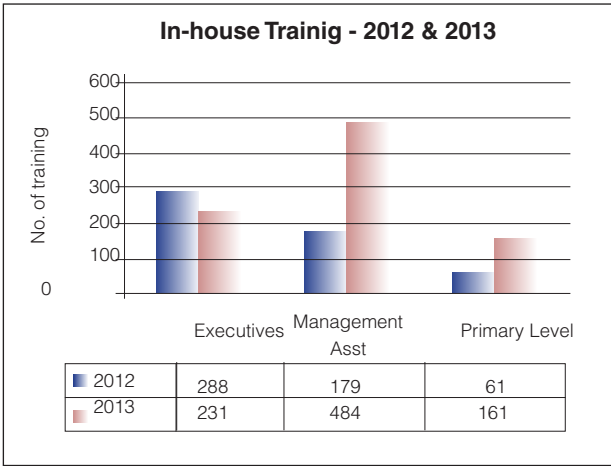
- Introduced performance based incentive scheme for the employees of the BOI.
- Performance Management module of HCM System (HCM - Human Capital Management) was initiated.
- Felicitated the employees of the BOI on the occasion of its 35th Anniversary in year 2013.
- Four (04) Executives, Twenty Four (24) Management Assistant category employees and Thirty Six (36) Primary Level employees were newly recruited to the Board's service.
- Nineteen (19) Contract employees and Three (03) Casual employees were absorbed into the permanent cadre.
- One Hundred & Twenty Three (123) Executives, Three (03) Management Assistant category employees and Six (06) Primary Level employees were promoted to higher grades.
- Fifteen (15) Officers were sponsored to follow Master Degree programmes and thirty five (35) foreign training opportunities were provided for the employees of the board. Further, eleven (11) in-house training programmes were conducted for 876 employees and 338 employees were given job related training programmes at outside training institutions.
- Forty Five (45) Trainees from recognized Universities & Vocational Training Institutes were provided On the Job Training in the fields of Finance & Accountancy, HRM, IT, Computer Applications, Stenography, Secretarial practice, Technical Training and Auditing

Comparison of Key Performance areas - 2012 & 2013



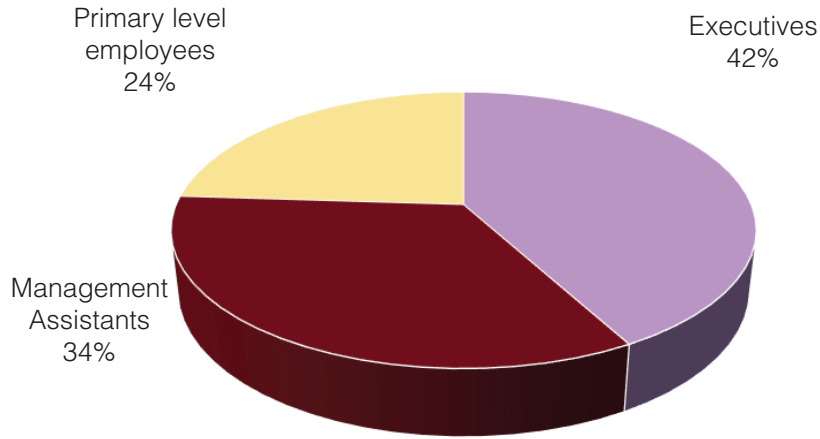
Comparison of training provided - 2012 & 2013





BOI Staff Summary - 2013

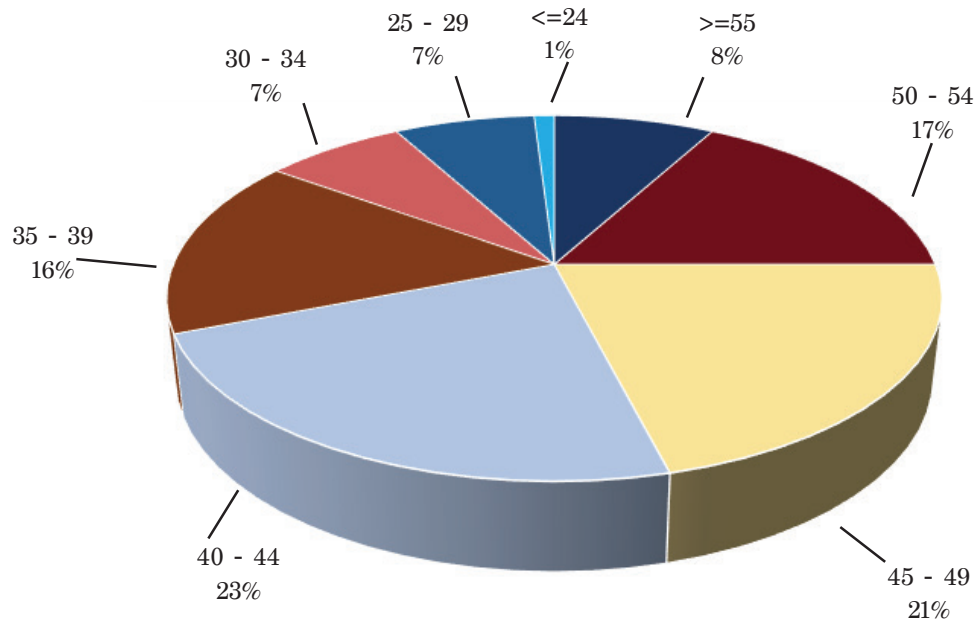
Executives	496
Management Assistants	406
Primary level employees	291
Total Staff Strength	1193



Workforce in Age Groups (As at 31.12.2013)

>=55	113	29	35	177
50-54	131	35	67	233
45-49	125	87	43	255
40-44	67	80	41	188
35-39	42	41	36	119
30-34	14	72	40	126
25-29	03	45	20	68
<=24	01	17	09	27
	496	406	291	1193

Comparison of BOI Staff by Age group



Age Analysis of BOI workforce - 013



Staff Location wise As at 31.12.2013

	Executives	Management Assistants	Primary level employees	Total Staff in the Location
WTC Office	228	133	91	452
CVT - Orugodawatta	23	13	5	41
ACT - Katunayake	11	8	6	25
Katunayake EPZ	81	80	44	205
Biyagama EPZ	64	65	43	172
Southern RO & Koggala EPZ	20	26	45	91
Wathupitiwala EPZ	13	6	8	27
Mirigama EPZ	5	5	3	13
Malwatta EPP	4	2	2	8
Seethawaka EPZ	13	26	16	55

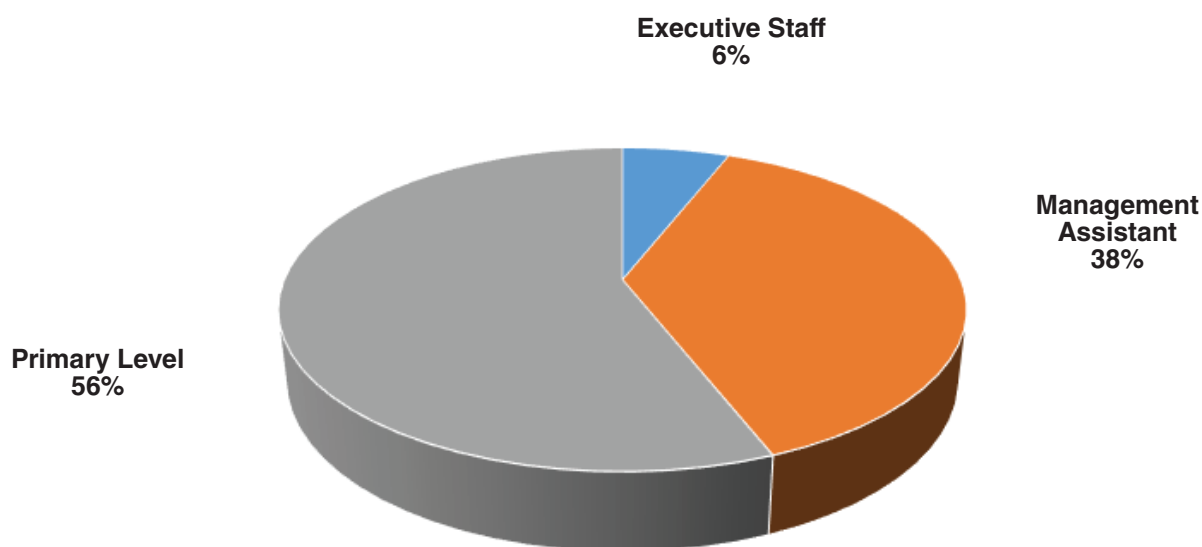
Gender wise analysis of BOI work force - 2013

Grade	Gender		Total
	Male	Female	
Chairman	1	0	1
Director General	1	0	1
Executive Director	6	3	9
Director	17	5	22
Senior Deputy Director	30	12	42
Deputy Director	73	39	112
Assistant Director	59	55	114
Junior Manager	104	91	195
Management Assistants	227	179	406
Primary Level employees	286	5	291
Total	804	389	1193

New Recruitments made during the year 2013

Designation	No.of employees Recruited
EXECUTIVE STAFF	
Assistant Director	01
Junior Manager category employees	03
TOTAL NEW RECRUITMENTS - EXECUTIVES	04
MANAGEMENT ASSISTANT STAFF	
Management Assistant	17
Technical Assistant	05
Draughtsman	01
Fireman	01
TOTAL NEW RECRUITMENTS - MANAGEMENT ASSTS.	24
PRIMARY LEVEL EMPLOYEES	
Security Guard	03
Driver	02
Office Aide/Labourer	31
TOTAL NEW RECRUITMENTS - PRIMARY LEVEL	36
TOTAL NO. OF NEW RECRUITMENTS IN 2013	64

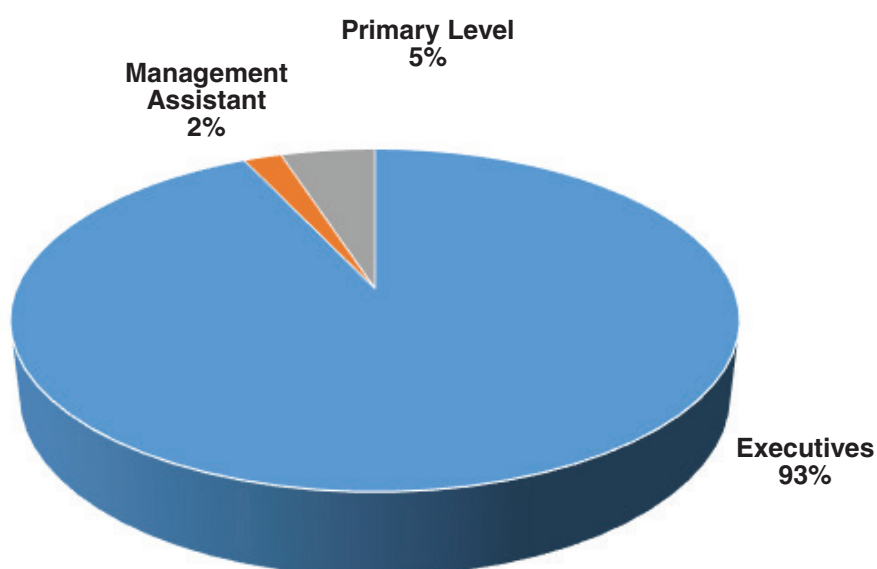
NEW RECRUITMENTS - 2013



Vertical job mobility (promotions) made during the year 2013

Grade	No. of employees promoted to the next higher grade
EXECUTIVE STAFF	
Director	02
Deputy Director	05
Assistant Director	07
Junior Manager category employees	109
TOTAL EXECUTIVE STAFF PROMOTIONS	123
MANAGEMENT ASSISTANT STAFF	
Management Assistant	03
TOTAL MANAGEMENT ASSISTANT STAFF PROMOTIONS	03
PRIMARY LEVEL EMPLOYEES	
Primary level employees	06
TOTAL PRIMARY LEVEL EMPLOYEES PROMOTIONS	06
TOTAL NO. OF PROMOTIONS IN 2013	132

PROMOTIONS - 2013



Summary of Staff Trainings given during the year 2013

	Executives	Management Assistants	Primary Level Employees	Total
Foreign Training Opportunities	35	-	-	35
Master Degree Programmes	15	-	-	15
Local Training (Soft Skills)	246	88	4	338
In-house Training Programmes	231	484	161	876
Total	527	572	165	1264

16. Internal Audit Department

During the year 2013 Internal Audit function provided a balanced assessment of the effectiveness of the control environment of the BOI covering Head-office and zones.

A formal and transparent process was followed to verify and safeguard the integrity of the systems, procedures, operational & financial activities of the organization. For this purpose, adequacy and effectiveness of the internal controls were periodically monitored and timely reported on any lapses or areas which required special / immediate attention.

Further, substantive tests of transactions and other relevant areas were carried out in accordance with the annual action plan of the internal audit for the year and made reports to the management with constructive suggestions facilitating future improvements of the systems in operation. Financial audits, performance audits, contract audits and routine audits were the main focused areas in 2013.

In addition to formal routine verifications, the internal audit was responsible for carrying out special investigations for protection of public interest / property and also for efficient and effective liaising with external parties.

Other value added process i.e. Internal Quality Audits of the ISO 9001:2008 International Standard Based Quality Management System of the BOI was also performed by the team of Internal Quality Auditors and completed one audit cycle in internal departments of the Head-office and other 11 operating locations of the BOI during the year 2013.

Financial Review 2013

Financial highlights	2013	2012	Change %
Revenue	2,721.81	2,226.37	22.25
Expenditure	2,493.38	2,088.77	(19.37)
Results from operating activities	228.43	137.60	66.01
Net Finance Income	85.12	130.49	(34.77)
Surplus before Taxation	313.55	268.09	16.96
Income Tax expenses	22.63	28.96	21.86
Surplus for the year	290.92	239.13	21.66
Finance Income	100.77	133.25	(24.38)
Government Levies	148.12	47.81	(209.78) (Rs. Mn.)

Financial Review

Surplus for the year 2013 is Rs. 290.92 M. Net surplus records a growth of 21.66 % from 2012 to 2013.

Revenue

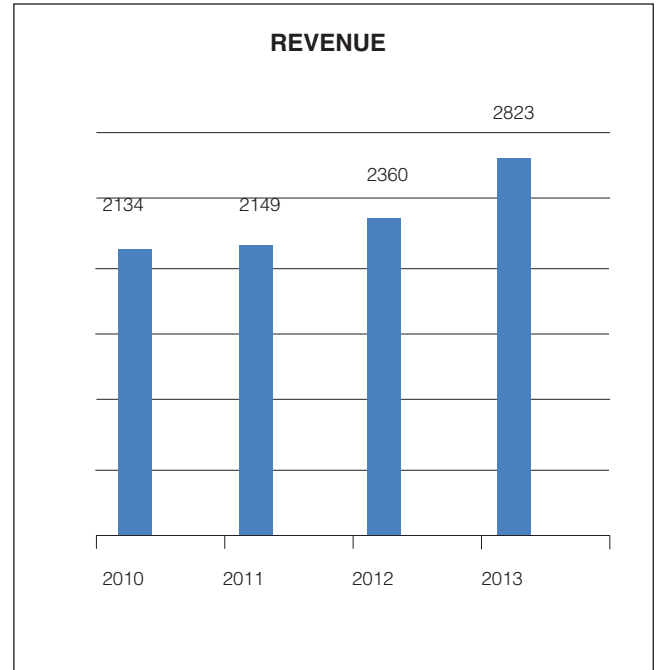
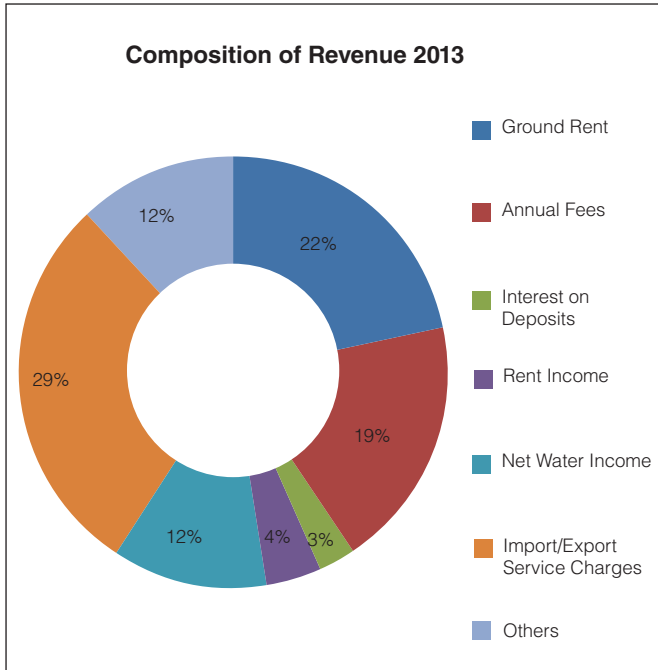
Total revenue increased to Rs. 2,822.58 M from Rs. 2,359.62 M recorded in the previous year. This is a growth of Rs. 462.96 M or 19.62% over the previous year.

Import/Export Service Charges being the major contribution to revenue has increased by Rs. 179.01 M to 809.69 M in year 2013. Ground Rent has increased by 22% from 2012 to 2013.

Total investment income of the Board has dropped by 30% from 2012 to 2013 due to the low rates of interest & also due to a drop in the investment portfolio.

Interest income for the year 2013 is Rs. 79.0 M.

Composition of Revenue

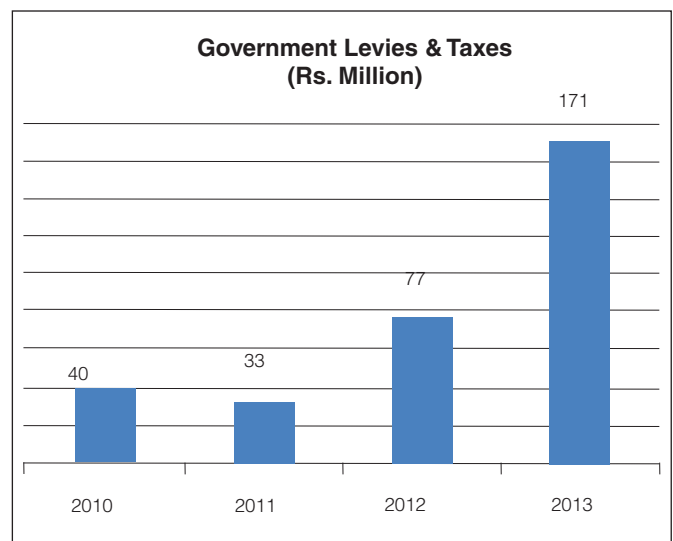
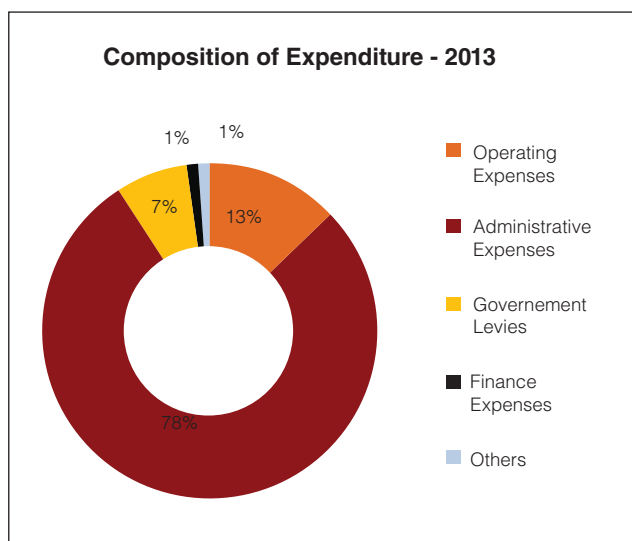


Expenditure

Total operating expenses including government levies and investment promotion expenses increased from Rs. 2,088.77 M in the previous year to Rs. 2,493.38 M in 2013 recording an increase of 19.37%.

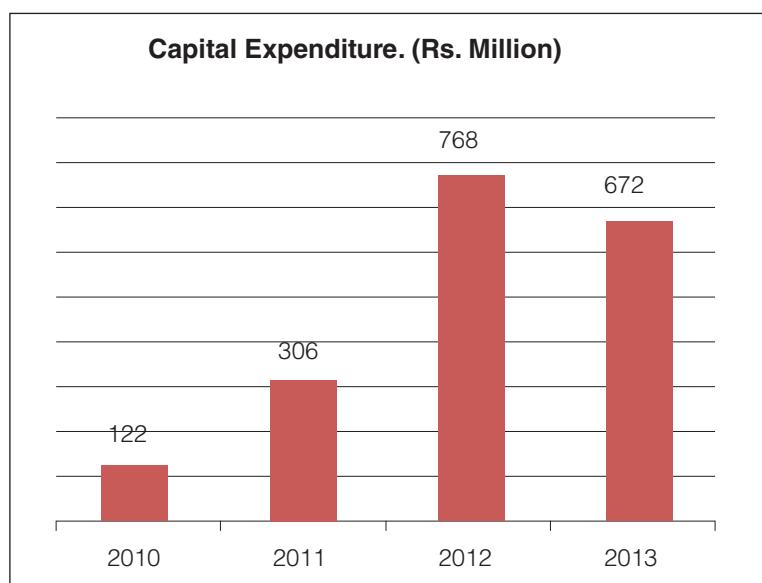
Investment promotion expenses increased by 378% to Rs. 116.56 M due to expenditure relating to Commonwealth Heads of Government Meeting.

Government levies and taxes amounting to Rs. 170.74 M was paid for the year under review in comparison to Rs. 76.77 M in the previous Year. This is mainly due to the absorption of disallowed input VAT in 2013.



Capital Expenditure

Capital Expenditure was Rs. 671.74 M for the year 2013 and BOI meets all its capital expenditure with internally generated funds.



Financial Reporting

BOI adopted SLFRS for the first time in 2012. Accordingly, all financial statements as at 31st December 2013 have been prepared in compliance with SLFRS/LKAS.

BOARD OF INVESTMENT OF SRI LANKA INCOME STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER

	Note	2013 Rs.	2012 Rs.
Revenue	4	2,721,805,586	2,226,369,460
Less ; Expenses			
Operating Expenses	6	337,008,595	230,057,542
Administrative Expenses	7	1,983,947,246	1,779,948,800
Government Levies	8	148,120,375	47,814,539
Other Expenses	9	24,300,318	30,949,090
Results from Operating Activities		228,429,052	137,599,489
Finance Income		100,765,279	133,254,211
Finance Expenses		15,646,075	2,768,533
-			
Net Finance Income	10	85,119,204	130,485,678
Surplus Before Taxation		313,548,256	268,085,167
Tax Expenses		22,627,258	28,960,401
Surplus for the Year		290,920,997	239,124,766

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

FOR THE YEAR ENDED 31ST DECEMBER

	Note	2013 Rs.	2012 Rs.
Surplus for the Year		290,920,997	239,124,766
Other Comprehensive Income			
IFRS Adjustments staff loan interest		20,237,830	-
Less : Defined benefit plan Actuarial Loss	21.1	6,283,354	10,046,932
Staff Cost on Staff Loan		20,237,830	-
Other Comprehensive Income		6,283,354	10,046,932
Total Comprehensive Income for the period		284,637,643	229,077,834

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

AS AT 31ST DECEMBER

	Note	2013 Rs.	2012 Rs.
ASSETS:			
Non-Current Assets			
Property Plant and Equipment		5,344,292,202	5,141,911,192
Investment Property	11	16,855,359,239	16,901,087,700
Capital Work-in-Progress	12	838,860,038	882,006,868
Financial Assets	13	430,811,757	428,647,715
Total Non- Current Assets	14	23,469,323,236	23,353,653,475
Current Assets			
Inventories		13,394,315	14,135,711
Houses For Disposal		2,551,000	4,051,000
Financial Assets		148,523,279	147,908,417
Receivables from Enterprises	15	170,968,291	209,093,547
Payments in Advance and Other Receivables	16	73,618,778	76,666,466
Cash and Cash Equivalents	17	811,476,128	276,374,467
Total Current Assets	18	1,220,531,792	728,229,608
Total Assets		24,689,855,028	24,081,883,083

EQUITY AND LIABILITIES

	Note	2013 Rs.	2012 Rs.
Equity			
Accumulated Fund		6,687,975,770	6,528,728,331
Funds & Reserves		15,340,693,234	15,340,693,234
		22,028,669,005	21,869,421,565
Deferred Revenue	20	2,094,695,897	1,792,358,277
Deferred Expenditure	19	(427,235,029)	(440,993,614)
		1,667,460,867	1,351,364,664
Total Equity		23,696,129,872	23,220,786,230
Non Current Liabilities			
Retirement Benefit Obligations	21	224,062,180	200,458,966
Long Term Borrowings falling after one year	22	54,912,130	54,359,796
Total Non Current Liabilities		278,974,310	254,818,762
Current Liabilities			
Long Term Borrowings falling within one year	22	14,393,354	9,434,642
Accrued Expenses and Other Payables	23	695,429,780	589,761,254
Tax Payable		4,927,712	7,082,195
Total Current Liabilities		714,750,846	606,278,091
Total Equity and Liabilities		4,689,855,028	24,081,883,083

"Notes to the Financial Statements" set out on pages 9 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.

Dr. Lakshman Jayaweera
CHAIRMAN

Mr. Channa Palansuriya
MEMBER (BOARD OF DIRECTORS)

Ms. S. P. de S. Mutucumarana
DIRECTOR (FINANCE)

**BOARD OF INVESTMENT OF SRI LANKA
STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED 31ST DECEMBER 2013

	Accumulated Fund Rs.	Revaluation Reserves Rs.	Total Equity Rs.
Balance as at 1st January 2012	7,362,128,981	15,340,693,235	22,702,822,216
Surplus for the year		-	-
	229,077,834		
Gain on Transferring of Motor Vehicle from Central Finance	1,840,000	-	-
Previous year adjustment	(43,544,675)	-	-
Fund transfers to Treasury	(1,000,000,000)	-	-
Transferring Expenses Relating to Land at Puttalam	(11,270,121)	-	-
Valuation of unaccounted Fixed Assets	-	-	-
Facilitation of Infrastructure for Mega Projects	(9,503,691)	-	-
Balance as at 31st December 2012	6,528,728,331	15,340,693,235	21,869,421,566
Surplus for the year	284,637,643	-	-
Previous year adjustment	(39,931,716)	-	-
Lands transfered	(84,006,960)	-	-
Valuation of unaccounted Fixed Assets	109,740	-	-
Facilitation of Infrastructure for Mega Projects	(1,561,266)	-	-
Balance as at 31st December 2013	6,687,975,770	15,340,693,235	22,028,669,005

"Notes to the Financial Statements" set out on pages 9 to 24 form an integral part of the Financial Statements

BOARD OF INVESTEMENT OF SRI LANKA
CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST DECEMBER 2013

	2013	2012
	Rs. (Mn.)	Rs. (Mn.)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations(Note A)	1,139.62	844.03
Income Tax Paid	(24.78)	(29.35)
Payment of Retirement Benefit Obligations	(13.58)	(13.16)
Adjustment in respect of previous year	(39.93)	(43.54)
Net cash inflow/(out flow from operating activities)	1,061.33	757.98
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	128.75	132.11
Purchase of fixed assets	(109.65)	(106.65)
Proceeds of sale of Fixed Assets	33.28	9.40
Fixed Deposits	(0.25)	(0.22)
Facilitation of Infrastructure for Mega Projects	(1.56)	(8.00)
Capital work in progress	(429.50)	(732.37)
Special Projects	(107.91)	(18.12)
Deffered expenditure	(24.35)	(21.44)
Net cash flows from investing activities	(511.19)	(745.30)
CASH FLOWS FROM FINANCING ACTIVITIES		
Funds Transfer to Treasury	-	(1,000.00)
Interest Paid	(15.03)	(2.15)
Net cash flows from financing activities	(15.03)	(1,002.15)
Net Increase/ (Decrease) in cash & cash equivalents	535.11	(989.47)
Cash & cash equivalents at beginning of the year	276.37	1265.84
Cash & cash equivalents at end of the year (Note B)	811.48	276.37
Note A		
Analysis of Cash & Cash equivalents	811.48	276.37
Bank & cash balances	-	-
Call Deposits	811.48	276.37

Notes to the Financial Statements

1. Reporting Entity

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

2. Basis of Preparation

2.1 Statement of Compliance

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

2.2 Use of Estimates, Judgments and Assumptions

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

2.3 Going Concern

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

2.4 Functional and Presentation Currency

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

3 Significant Accounting Policies

3.1 Financial Assets

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

(a) Classification

(i) Loans and Receivables

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

(ii) Held-to-Maturity Financial Assets

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

(b) Impairment

Financial Assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists the assets recoverable amount is estimated.

An impairment loss is recognized whenever the carrying amount of an assets or it's cash generating units exceed its recoverable amount. Impairment losses are recognized in the income statement.

(c) De-recognition

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

3.2 Property, Plant and Equipment

(a) Cost

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

(b) Depreciation

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

	2013	2012
Buildings & Structures	20 years	20 years
Plant and Machinery	10 years	10 years
Fixtures & Fittings	10 years	10 years
Office Furniture & Equipment	10 years	10 years
Computers	3 years	3 years
Motor Vehicles	5 years	5 years

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

(c) De-recognition

Items of property and equipment are de-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.

3.3 Investment Properties

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

3.4 Inventories

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

Notes to the Financial Statements (contd.)

3.5 Other Assets

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

(a) Advances, Deposits, Prepaid Expenditure

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

(b) Other Debtors

Other debtors are recognized at cost less impairment loss.

3.6 Cash and Cash Equivalents

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

Cash Flow Statement

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

3.7 Employee Benefits

(a) Defined Contribution Plans

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

(b) Defined benefit plans

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

3.8 Liabilities & Provision

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

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.

3.12 Contingent Liabilities

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

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

	2013	2012
	Rs.	Rs.
4 Revenue		
Ground Rent	605,761,845	496,804,372
Annual Fees	543,709,821	481,367,616
Import/Export Service Charges	809,683,033	630,670,498
Net Income from Supply of Water (Note 4.1)	334,629,422	244,275,699
Land Premium	60,781,696	51,176,386
Rent Income	113,566,109	64,745,835
License Fee Sec.-16 Enterprises	23,178,312	16,880,476
Sale of Entry Permits	103,282,627	99,023,233
Agreement/Processing Fees	40,589,957	55,225,752
Income from Housing & Other Projects	19,771,047	18,927,879
Miscellaneous Income	66,851,715	67,271,714
	2,721,805,586	2,226,369,460
4.1 Net Income from Supply of Water for Enterprises		
Income from Water Supply	1,061,917,400	896,273,415
Related Cost on Water Supply	(727,287,978)	(651,997,717)
Net Income from Supply of Water	334,629,422	244,275,699
5 Surplus from Operations		
Surplus from Operations is stated after charging/(crediting) all expenses including the followings.		
Operating Expenses (Note 6)	337,008,595	230,057,542
Administrative Expenses (Note 7)	1,983,947,246	1,779,948,800
Government Levies(Note 8)	148,120,375	47,814,539
Other Expenses (Note 9)	24,300,318	30,949,090
6 Operating Expenses		
Investment Promotion Expenses	116,561,220	24,392,640
Maintenance of Zones	107,053,825	100,914,008
Light & Power	58,037,179	53,057,564
Security Services	52,032,990	48,996,962
Welfare Expenses to Zone Employees	3,323,381	2,696,369
	337,008,595	230,057,542

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

	2013	2012
	Rs.	Rs.
7 Administrative Expenses		
Personnel Cost (Note 7.1)	1,005,801,591	884,659,431
Staff Welfare Expenses	178,788,674	175,896,231
Printing & Stationery	21,912,827	23,112,245
Maintenance of P/M Computer & Offi. Equip.	32,810,692	32,912,244
Building Maintenance	75,308,516	65,549,917
Transport Related Expenses	85,384,338	73,499,153
Office Rent & Verification Unit Rent	37,908,488	37,422,287
Press Notifications	2,298,152	1,612,401
Water Consumption	7,181,794	5,755,559
Communication Expenses	34,960,254	32,228,632
Municipality Rates	7,545,200	7,545,200
Staff Training	13,100,708	6,784,089
Legal & Professional Charges	7,778,874	6,581,677
Corporate Social Responsibility Expenses	2,000,000	-
Travelling & Subsistence	4,554,383	4,159,675
Audit Fees	1,500,000	1,000,000
Impairment on Debtors	63,810,680	53,532,349
Depreciation	401,302,075	367,697,712
	1,983,947,246	1,779,948,800
7.1 Personnel Cost		
Board Members Fee	384,000	330,000
Salaries & Wages - Executive Staff	290,835,260	269,728,208
Salaries & Wages - Clerical & Allied Staff	92,853,345	88,190,574
Salaries & Wages - Security Staff	40,332,018	38,323,577
Salaries & Wages - Minor Staff	74,454,572	70,075,140
Overtime	116,949,241	107,630,410
Leave Encashment	59,098,318	49,516,654
Bonus	55,810,744	16,092,500
Provision for Retirement Benefit Obligation	30,896,886	27,561,551
Contribution to Employee's Provident Fund	74,551,196	73,669,513
Contribution to Employee's Trust Fund	14,910,140	14,733,914
Other Staff Cost	153,486,392	113,821,263
Voluntary Retirement Scheme	1,239,480	14,986,127
	1,005,801,591	884,659,431

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

	2013	2012
	Rs.	Rs.
8 Government Levies		
Stamp Duty	518,885	1,235,920
Nation Building Tax	34,619,596	28,555,427
Economic Service Charges	9,436,774	-
Value Added Tax - Disallowed VAT Input	103,545,120	18,023,192
	148,120,375	47,814,539
9 Other Expenses		
Exchange Gain Losses	-	-
Expenses on Issuing Identity Cards	2,501,217	2,840,785
Sundry Expenses	15,710,909	13,808,073
Container Key Locks	1,050,600	1,656,424
Insurance	3,729,525	3,921,700
Environment Control Expenses	215,745	198,579
Compensation on legal cases	-	7,178,111
Entertainment	1,092,322	1,345,418
	24,300,318	30,949,090
10 Net Finance Income		
Finance Income		
Interest Income on Call Deposits/Others	79,000,907	113,090,071
Interest Income on Staff Loans	21,764,372	20,164,140
Total Finance Income	100,765,279	133,254,211
Finance Expenses		
Interest on Lease		
Bank Charges	15,025,375	2,151,497
Total Finance Expenses	620,700	617,036
	15,646,075	2,768,533
Net Finance Income	85,119,204	130,485,678

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER 2013**

	Land Rs	Buildings Rs	Structures Rs	Plant & Machinery Rs	Fixtures & Fittings Rs	Furniture, & Office Equipment Rs	Computers Rs	Motor Rs	Total 2013 Rs	Total 2012 Rs
11 Property, Plant and Equipment Freehold Assets at Cost										
Balance as at 01st January	155,209,000	1,737,176,264	4,327,324,255	42,937,788	369,349	98,553,666	112,938,816	162,480,384	6,636,989,521	6,703,434,668
Additions during the Year	-	4,686,000	-	5,097,420	75,750	13,753,073	18,772,884	4,108,500	46,493,626	43,269,632
Transferred from Capital Work in Progress	-	2,192,863	524,918,330	-	-	-	-	-	527,111,193	174,475,569
Disposal During the Year	-	-	-	199,500	-	898,580	1,164,500	17,325,000	19,587,580	12,351,900
Transferred to Investment Property	-	-	-	-	-	-	-	-	-	271,838,357
Balance as at 31st December	155,209,000	1,744,055,127	4,852,242,585	47,835,707	445,099	111,408,159	130,547,199	149,263,884	7,191,006,761	6,636,989,522
Depreciation										
Balance as at 01st January	-	299,754,643	1,015,152,331	15,448,192	38,281	26,063,068	64,055,727	139,789,302	1,560,301,544	1,302,637,951
Charge for the year	-	86,968,456	242,612,129	4,303,564	37,460	9,864,698	20,496,534	10,382,673	374,665,514	367,697,712
On Disposals	-	-	-	99,750	-	343,054	1,163,267	17,325,000	18,931,071	10,867,766
Dep.trf to Investment Property	-	-	-	-	-	-	-	-	-	99,166,353
Balance as at 31st December	-	386,723,099	1,257,764,460	19,652,006	75,741	35,584,712	83,388,994	132,846,975	1,916,035,988	1,560,301,544
Written Down Value of Freehold Assets										
As at 31st December	155,209,000	1,357,332,027	3,594,478,125	28,183,701	369,358	75,823,447	47,158,205	16,416,909	5,274,970,773	5,076,687,978
Leasehold Assets										
Balance as at 01st January	-	-	-	-	-	-	-	-	-	-
Additions during the Year	-	-	-	-	-	-	-	65,223,214	65,223,214	-
Disposal During the Year	-	-	-	-	-	-	-	17,142,857	17,142,857	65,223,214
Total Leasehold Assets	-	-	-	-	-	-	-	82,366,071	82,366,071	65,223,214
Depreciation	-	-	-	-	-	-	-	-	-	-
Balance as at 01st January	-	-	-	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-	-	13,044,643	13,044,643	-
On Disposals	-	-	-	-	-	-	-	-	-	-
Balance as at 31st December	-	-	-	-	-	-	-	13,044,643	13,044,643	-
Written Down Value of Leasedhold Assets										
As at 31st December	-	-	-	-	-	-	-	69,321,429	69,321,429	-
Written Down Value of Assets										
As at 31st December	155,209,000	1,357,332,027	3,594,478,125	28,183,701	369,358	75,823,447	47,158,205	85,738,337	5,344,292,202	5,141,911,192

As at 31 December 2013, Motor Vehicles acquired under Finance Leases amounted to Rs.82,366,071.45. They are mainly related to Property used in administrations. The liability relating to these assets are shown under in Note 22 " Finance Lease "

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

12 Investment Property	2013	2012
	Rs.	Rs.
Balance as at 1st January	17,000,254,053	16,728,415,696
Transferred from Property Plant & Equipment - Building	-	271,838,357
		-
Additions during the year	70,675,456	-
Disposals during the year	102,812,000	
Less -Accumulated Amortisation as at 31st December	112,758,271	99,166,353
Balance as at 31st December	16,855,359,239	16,901,087,700

Board has transferred lands worth of Rs.102,812,000.00 for public purposes to other government institutions and under Revival of Underperforming Enterprises or Underutilized Act No.43 of 2011.

13 Capital Work-in-Progress

General Projects

Balance as at 1st January	728,911,501	89,445,840
Additions the during the year	429,500,651	32,191,358
Capitalised during the year	(526,695,765)	(192,725,698)
Balance as at 31st December	631,716,386	728,911,501

Special Projects

Balance as at 1st January	153,095,367	147,747,661
Transfer to Township Development A/C	-	(1,500,000)
Capitalised - Land & Building	(53,859,753)	(11,270,121)
Additions during the year	107,908,038	18,117,827

Total Capital Work-in-Progress	838,860,038	882,006,867
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Advance payments on preliminary and development expenses on Special Projects which cannot be estimated and classified initially or as at Balance Sheet date have been shown under Capital work in progress until those projects are completed.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER 2013**

	2013	2012
	Rs.	Rs.
14 Non Current Financial Assets		
Staff Loans (Note 14.1)	403,368,949	398,562,292
Financial Assistance Programme (Note 14.2)	27,442,809	30,085,424
Financial Assetsharges	430,811,757	428,647,715

The part less than one year of other non current financial assets is included under other current financial assets for Rs.131,098,397.34

14.1 Staff Loan Measured at Effective Interest Rate

	2013
	Rs.
Staff Loans - Maturity part more than one year (Note 14.1)	403,368,949
Staff Loans - Maturity part less than one year (Note 15)	131,098,397
Prepaid Staff Expenses for staff loan	52,189,614
Less : IFRS Adjustements -Staff Loan	(52,189,614)
Total Financial Assets	534,467,346

	2013	2012
	Rs.	Rs.
14.2 Financial Assistance Programme		
Balance as at 1st January	90,792,606	106,254,656
Granted during the year		
Repaid during the year	(26,481,856)	(15,462,049)
Balance as at 31st December before Provision of Impairment	64,310,750	90,792,606
Less - Provision for Impairment	(25,092,321)	(34,512,724)
Balance as at 31st December after Provision for Impairment	39,218,429	56,279,883
Measured at amortized cost by maturity part less than one year	11,775,620	26,194,459
Measured at amortized cost by maturity part more than one year	27,442,809	30,085,424
Total of Financial Assistance Programme	39,218,429	56,279,883

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

	Maturity		
	31.12.2013 Rs.	Between 1 and 05 years	After 05 years
Staff Loans	403,368,949	276,037,410	127,331,539
Financial Assistance Programme	27,442,809	22,613,885	4,828,923
Total Non Current Financial Assets	430,811,757	298,651,295	132,160,462

	Maturity		
	31.12.2012 Rs.	Between 1 and 05 years	After 05 years
Staff Loans	398,562,292	261,819,177	136,743,114
Financial Assistance Programme	30,085,424	24,624,228	5,461,196
Total Non Current Financial Assets	428,647,716	286,443,405	142,204,310

	2013	2012
	Rs.	Rs.
15 Current Financial Assets		
Measured at amortized cost by maturity part less than one year		
Staff Loans	125,856,985	111,360,495
Staff Advance	5,241,413	4,957,538
Financial Assistance Programme (Note 14.1)		
Investment Held for Maturity	11,775,620	26,194,459
Fixed Deposit - State Mortgage & Investment Bank	5,629,262	5,375,925
Repurchase Agreements	-	-
Fixed Deposit	20,000	20,000
Financial Assets	48,523,279	147,908,417

	2012	2011
	Rs.	Rs.
16 Receivables from Enterprises		
Receivables from Enterprises	664,452,940	701,884,117
Less-Provision for Impairment on Debtors - (Note 16.1)	(493,484,649)	(492,790,570)
	170,968,291	209,093,547

16.1 Provision for Impairment on Debtors

Balance as at 1st January	492,790,570	437,041,560
Written off during the year	13,483,407	5,517,032
Provision made during the year	14,177,486	61,266,043
Balance as at 31st December	493,484,649	492,790,570

17 Payments in Advance and Other Receivables

Advance Payments	478,892	3,750,499
Advance Payments Foreign Travel	569,999	569,999
Sri Lanka Mission Abroad	848,998	344,086
Mobilization Advances	46,660,561	25,850,208
Prepaid Expenses	-	390,528
Interest Income - Receivables	6,910,098	34,894,233
Deposit Receivables	7,133,689	5,179,301
Other Receivables	131,274,290	66,891,763
Less-Provision for Impairment on Debtors - (Note 17.1)	(120,257,749)	(61,204,152)
	73,618,778	76,666,466

17.1 Provision for Impairment on Debtors - Other Receivables

Balance as at 1st January	61,204,152	100,754,722
Written off during the year	-	(40,128,270)
Provision made during the year	59,053,597	577,700
Balance as at 31st December	120,257,749	61,204,152

	2013	2012
	Rs.	Rs.

18 Favourable Cash & Cash Equivalents

Bank of Ceylon - Personal Branch	155,933,847	91,279,508
Bank of Ceylon - Personal Branch	5,524,895	6,751,195
Bank of Ceylon -Katunayake	27,278,178	4,048,286
Bank of Ceylon -Biyagama	19,526,031	20,003,064
Bank of Ceylon - Koggala	4,470,175	2,445,831
Bank of Ceylon - Digana	2,308,313	4,748,708
Bank of Ceylon -Avisawella	11,539,707	8,219,298
Bank of Ceylon -Ingiriya	2,183,146	3,190,407
Bank of Ceylon - Mirigama	647,756	512,334
Bank of Ceylon - Nittambuwa	6,095,290	1,208,578
Bank of Ceylon - Kurunagala	3,247,218	1,122,408
HSBC - Bambalapitiya	-	410,690
Gold Sovereign	44,800	44,800
Balance in Franking Machine	278,887	300,022
Temporary Surplus Fund - Bank of Ceylon	172,236,126	131,916,397
National Savings Bank - Staff Security Deposits	160,554	167,448
Repos	400,000,000	-
Call Deposit/Other Deposits	251	5,493
Cash in Hand	956	-
Total Cash and Cash Equivalents	811,476,128	276,374,467

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. Amortisation of Cost of zone development is recognized over the 20 years.

	2013	2012
	Rs.	Rs.
Balance as at 1st January	440,993,614	437,594,339
Expenditure Deferred during the year	24,345,688	39,694,657
Less - Current year expenditure	(38,104,272)	(36,295,383)
Balance as at 31st December	427,235,029	440,993,614

	2013	2012
	Rs.	Rs.

20 Deferred Revenue - Land Premium

Balance as at 1st January	1,792,358,277	1,636,483,595
Received during the year	352,768,594	204,470,869
Recognized Income through Income Statements	(50,430,975)	(48,596,187)
Balance as at 31st December (Note 20.1)	2,094,695,897	1,792,358,277

20.1 Deferred Revenue

	31.12.2013	Maturity		
		Within 01 year	Between 1 and 05 years	After 5 years
	Rs			
Land Premium	2,094,695,897	50,430,975	252,154,876	1,792,110,045
	2,094,695,897	50,430,975	252,154,876	1,792,110,045

	31.12.2012	Maturity	
		Within 01 year	Between 1 and 05 years
	Rs.		
Land Premium	1,636,483,595	43,651,626	218,258,128
	1,636,483,595	43,651,626	218,258,128

	2013	2012
	Rs.	Rs.

21.1 Expenses Recognized in the Income Statement.

Interest Cost	20,045,897	17,600,688
Current Service Cost	10,850,989	9,960,863
Actuarial (Gain)/Loss	6,283,354	10,046,932
Total Expenses Retirement Benefit Obligations	37,180,240	37,608,483

	2013	2012
	Rs.	Rs.
21 Retirement Benefit Obligations		
Total present value of obligations as at 1st January	200,458,965	176,006,875
Interest Cost	20,045,898	17,600,688
Current Service Cost	10,850,989	9,960,863
Actuarial (Gain)/Loss on obligations	6,283,354	10,046,932
Less - Payments made/payable during the year	(13,577,026)	(13,156,392)
Total present value of defined benefits obligations	224,062,180	200,458,966

21.1 Retirement Benefit Obligations (Contd.)

An independent actuarial valuation of the retirement benefit obligation was carried out as at 31st December 2013 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.

	2013	2012
(i) Discount Rate	10%	10%
(ii) Salary Increment Rate	Fixed	Fixed
(iii) Assumption regarding Future Mortality	A1967/70	A1967/70
(iv) Retirement Age	60 Years	60 Years

	2013	2012
	Rs.	Rs.

22 Finance Lease

Balance as at 1st January	103,827,537	-
Finance Lease obtained during the year	28,230,300	107,407,809
Installments paid during the year	(26,657,187)	(3,580,272)
Balance as at 31st December	105,400,650	103,827,537
Less - Interest in suspense	(36,095,165)	(40,033,097)
Capital Payable	69,305,484	63,794,439
Long - Term Borrowings falling within one year	14,393,354	9,434,642
Long Term Borrowings falling after one year	54,912,130	54,359,796
Total Payable Finance Lease	69,305,484	63,794,439

23 Accrued Expenses and Other Payables

Sundry Creditors	65,257,876	56,508,018
Accrued Expenses	203,396,847	178,449,360
Staff Benevolent Fund (Note 23.1)	14,376,935	15,476,834
Receipts in Advance	216,201,116	156,450,096
Refundable Deposits	114,902,248	108,364,126
Land Reservation Fees	13,752,598	12,426,643

Deposit Payable	62,781,963	57,325,980
Central Environmental Authority	4,760,197	4,760,197
Total Operating and Other Payables	695,429,780	589,761,254

23.1 Staff Benevolent Fund

Balance as at 1st January	15,476,834	15,683,279
Staff Contribution during the year	2,375,396	1,300,520
Interest on Benevolent Fund	-	1,470,000
Utilization during the year	(3,475,294)	(2,976,965)
Balance as at 31st December	14,376,935	15,476,834

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER, 2013**

24 Related Party Disclosures

- 24.1** Dr. Lakshman Jayaweera , Chairman of Board of Investment of Sri Lanka has indicated that he has no related party transactions with BOI enterprises.
- 24.2 Mr. Sanjeewa Wickramanayake, Member of Board of Directors of the Board of Investment of Sri Lanka has a control and/or significant influence over the following BOI enterprises, with which business transactions were entered into with BOI for the period January 2013 to December 2013.
- a, E-W Information Systems Ltd
 - b, Ewis Peripherals (Pvt.) Ltd
 - c, Open Systems Integrators (Pvt.) Ltd
 - d, Toppan Forms (Colombo) Ltd
- 24.3** Mr. Channa Palansuriya, Member of the Board of Directors – BOI has a control and/or significant influence over the following BOI enterprises with which business transactions were entered into with the BOI for the period January 20013 to December 2013.
- 1. Tripartite Agreement with Board of Investment of Sri Lanka, National Development Bank PLC and Orit Apparels Lanka (Private) Ltd dated 30 October 2013.
 - 2. Agreement with Board of Investment of Sri Lanka and Style – Kraft Sportswear (Private) Ltd dated 30 October 2013.
- 24.4** Mr. Anura Jayasinghe, Member of Board of Directors of Board of Investment of Sri Lanka has indicated that he has no related party transactions with BOI enterprises.

25 Contingent Liabilities

- 25.1** The Board has signed an agreement with M/s. Merbok MDF Lanka (Pvt) Ltd., who has set up a manufacturing plant at Horana Export Processing Zone. According to the agreement, the BOI has committed to indemnify the Company for increases in Ceylon Electricity Board tariff increases over 6.9% compound annual rate. According to the award of the arbitration, a sum of Rs. 356,793,568.21 due up to September, 2007 plus related interest has been ordered and directed.

BOI has made an appeal to the High Court to set-aside the order of the International Arbitration.

- 25.2** BOI has signed an agreement with Asia Pacific Golf Course Limited on 21.06.2001 to set up project for the business to construct and operate international standard golf course, driving range, club houses, sports and leisure related activities and apartment blocks.

In pursuant of Supreme Court decision of October 2008, Acquits Law LLP – a Law Firm in Singapore acting on behalf of said firm has made a claim from BOI for Rs. 19,191,381,000.00. Arbitration proceedings has commenced in Singapore regarding above.

- 25.3** The list of pending litigations is attached and actual liability of such litigations cannot be ascertained accurately. (Annex 1)
- 25.4** A total of Rs. 507,650.00 is reflected under the other receivables as cash shortage at Biyagama Export Processing Zone. The Court case is still pending.



Audit Report

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





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கணக்காய்வாளர் தலைமை அறிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය } TC/G/BOI/01/2013
எனது இல. }
My No. }

ඔබේ අංකය }
உமது இல. }
Your No. }

දිනය } 30 January 2015
திகதி }
Date }

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 2013 in terms of Section 14(2) (c) of the Finance Act, No. 38 of 1971.

The audit of financial statements of the Board of Investment of Sri Lanka (BOI) for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 31 of the Greater Colombo Economic Commission Law, No.4 of 1978, as amended by Act, No. 49 of 1992. My comments and observations which I consider should be published with the annual report of the BOI in terms of Section (14)(2)(c) of the Finance Act, appear in this report. A detailed Report in terms of Section (13)(7)(a) of the Finance Act was furnished to the Board on 14 July 2014.

1:2 Management's Responsibility for the Financial Statements

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

1:3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with international 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 the financial position of the Board of Investment of Sri Lanka (BOI) as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1. Sri Lanka Accounting Standards (LKAS)

The following observations are made.

- (a) According to the Gazette Notification No. 1783/35 dated 09 November 2012 the ownership of the land to the extent of 228.8784 hectares identified in Hambanthota had been



transferred to the BOI as per the direction given by the H.E. President of Sri Lanka, for the use of purposes mentioned in the BOI Act. However, this land had not been valued and brought to accounts in terms of LKAS 16 even up to 31 December 2013.

- (b) According to the LKAS 18, fees for provision of continuing services should be recognized as revenue in the year in which the services are rendered. However, without rendering any services, an amount of Rs.3,301,942 relating to cancelled and suspended projects had been recognized as land premium revenue during the year under review. Therefore, the revenue for the year under review had been overstated by that amount. Further, such revenue amounting to Rs.179,547,196 had been included in the deferred revenue balance as well. Hence, the deferred revenue balance as at 31 December 2013 had been also overstated by the same amount.

2.2.2. Accounting Deficiencies

The following observations are made.

- (a) Completed constructions valued at Rs.202,530,307 had continuously been shown in the financial statements as work in progress instead of being transferred to the relevant assets account.
- (b) According to the Value Added Tax (VAT) return for the quarter ended 30 June 2013, the BOI had been defaulted the VAT amounting to Rs. 9,108,682 by way of understating the disallowable input VAT. Hence, the VAT payable as at 31 December 2013 and profit for the year under review had been understated and overstated respectively by such amount.
- (c) Ground rent amounting to Rs. 899,569 in respect of a land with extent of 1.62 acres occupied by 10 BOI enterprises at Katunayake Export Processing Zone had neither been invoiced nor taken into account during the year 2013. Hence the revenue had been understated by that amount.
- (d) A mobilization advance of Rs. 1,363,239 given for the supply and installation of borehole pumps at Katunayake Export Processing Zone had been settled at the completion of the project in February 2008. Nevertheless, it was shown as unsettled mobilization advance as at end of year under review.



- (e) Three funds received amounting to Rs.10,118,713 had erroneously been shown under sundry creditors as at 31 December 2013
- (f) The VAT returns for the year under review had been remitted to the Commissioner General of Inland Revenue without being included the VAT amounting to Rs.4,796,760 related to rent income receivable from the Ministry of Investment Promotion. Therefore the VAT payable shown in the financial statements had not been reconciled with the VAT return balance as at 31 December 2013.

2.2.3. Accounts Receivable and Payable

(a) Dues from BOI Enterprises

The details of amounts to be recovered from the BOI approved enterprises and provision for impairments and bad debts written off thereon as at end of the year under review as compared with proceeding four years are given below.

Description	2013	2012	2011	2010	2009
	Rs.	Rs.	Rs.	Rs.	Rs.
Amounts to be recovered from BOI Enterprises	664,452,940	701,884,118	623,861,381	631,911,594	593,483,063
Provision for impairments	493,484,649	492,790,570	437,041,560	249,452,238	227,775,883
Provision for impairment as a percentage of total dues	74	70	70	39	38
Bad debts written off during the year	13,483,407	5,517,032	73,113,266	8,306,417	9,279,995

The following observations are made in this regard.

- (i) Provision for impairment had rapidly increased during the last five years from 38 per cent in 2009 to 74 per cent in 2013 thus indicating that the follow up action on the recovery of those dues was at a very weak level.



(ii) Out of total provision for impairment of Rs. 493,484,649, a sum of Rs. 486,153,378 or around 99 per cent represented 100 per cent impairment made on dues from cancelled and closed down projects as at 31 December 2013.

(iii) A provision for impairment of Rs. 201,012,748 had been made for annual fees, which was 86 per cent of total annual fees of Rs. 233,160,357 receivable as at the end of the year under review.

(b) Other Debtors

The details of other debtors remained unrecovered for a long period and the provision for impairment thereon as at the balance sheet date as compared with three preceding years is given below.

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

The following observations are also made in this connection.

- (i) Impairment on other debtors represented 91.6 per cent of the total outstanding as at 31 December 2013, thus indicating that the follow up action on recovery of those outstanding balances had been at a weak level.
- (ii) A sum of Rs.1,604,200 receivable from a private company which was the auctioneer of Wathupitiwala housing units had remained outstanding for over 5 years and there was no any



evidence made available to prove the existence of an agreement between the company and the BOI.

(iii) A cash fraud of Rs. 507,650 and a stock shortage of Rs. 2,090 shown under the other debtors had remained unchanged for over ten years.

(iv) Out of the total amount of other debtors as at end of the year under review, 98 per cent or Rs. 128,982,001 represented dues from the Government Institutions.

The following observations are made in this regard.

- Other debtors included a sum of Rs.5,257,979 receivables from then Ministries such as Ministry of Rehabilitation and Tamil Affairs, Ministry of Enterprises Development, Industrial Policy and Investment Promotion and Ministry of Enterprise Development and Investment Promotion.
- According to the confirmations received from three Government Institutions, there were no any outstanding balances to be settled even though there was an amount of Rs.16,070,868 shown as receivable from such Institutions.
- The following differences were observed between the payable balances shown in the financial statements of the BOI and the financial statements of the respective Institutions. Details are given below.

Institution -----	Balance as at 31 December 2013 as per the financial statements of -----		Difference ----- Rs.
	BOI ----- Rs.	Relevant Institution ----- Rs.	
Janatha Estate Development Board (JEDB)	52,412,573	50,000,000	2,412,573
Ministry of Investment Promotion	55,115,000	Nil	55,115,000

- Instead of recovering the outstanding balances receivables from some Government Institutions, 100 per cent provisions for bad and doubtful debts had been made in the



accounts. Provision for impairment was Rs. 118,114,460 or 91.57 per cent of the total outstanding of Rs. 128,982,001 from Government Institutions.

2.2.4. Lack of Evidence for Audit

A sum of Rs. 5,931,949 had been identified as miscellaneous income during the year under review which included under sundry creditor balance and it could not be vouched satisfactorily due to unavailability of evidence such as confirmations, source documents, schedules etc.

2.2.5. Non-compliances with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed in audit.

Reference to Laws, Rules and Regulations etc.	Non – Compliances
(a). Inland Revenue Act No 10 of 2006 and Public Finance Circular No.PF/PE/6 of 31 January 2000	The Pay As You Earn Tax aggregating to Rs.161,120,804 had been paid out from the BOI funds for the period from 1997 to 2013 instead of being recovered from respective employees as per the Circular instructions.
(b). Public Administration Circular No. 13/2008 of 26 June 2008.	The employees of the BOI who had obtained monthly transport and fuel allowances had further obtained monthly driver's allowance of Rs.15,000 contrary to the Circular instructions. The BOI had paid a sum of Rs.12,302,871 for the above allowances during the year under review.



(c). Public Enterprises Circular No 95 of 14 June 1994, Management Services Circular No. 30 of 22 September 2006 and Management Services letter No. DMS/A2/BOI of 02 January 2007.

(i) The employees of the BOI had enjoyed with professional allowances or post graduate degree allowances (minimum of 5000 per month) as follows without obtaining the required approvals from the authorities concerned.

<u>Salary points</u>	<u>Percentage</u>
	e
JM category	10
MM category	15
HM category	20

The total of such allowances paid by the BOI during the year under review was Rs.2,392,917.

(ii) The employees of the BOI had enjoyed with both attendance incentive and encashment of unutilized medical leave together contrary to the provisions in the Circulars. In this manner, the following payments had been made during the year under review.

- Attendance incentives Rs. 125,845,273
- Leave encashment Rs. 59,098,318

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operation of the BOI for the year ended 31 December 2013 had resulted in a surplus of Rs.290,920,997 as compared with the corresponding surplus of Rs.239,124,766 for the preceding year thus showing an improvement of Rs.51,796,232 or 22 per cent in the financial results. The increases of rent income, income from supply of water and license fees were the main reasons for this improvement in the financial result for the year under review.

The BOI had earned an operating profit of Rs.228,429,052 in the year under review as compared with the corresponding operating profit of Rs.137,599,489 in the preceding year, thus showing an increase of Rs 90,829,563 or 66 per cent in operating profit.



3.2 Analytical Financial Review

3.2.1 Significant Accounting Ratios

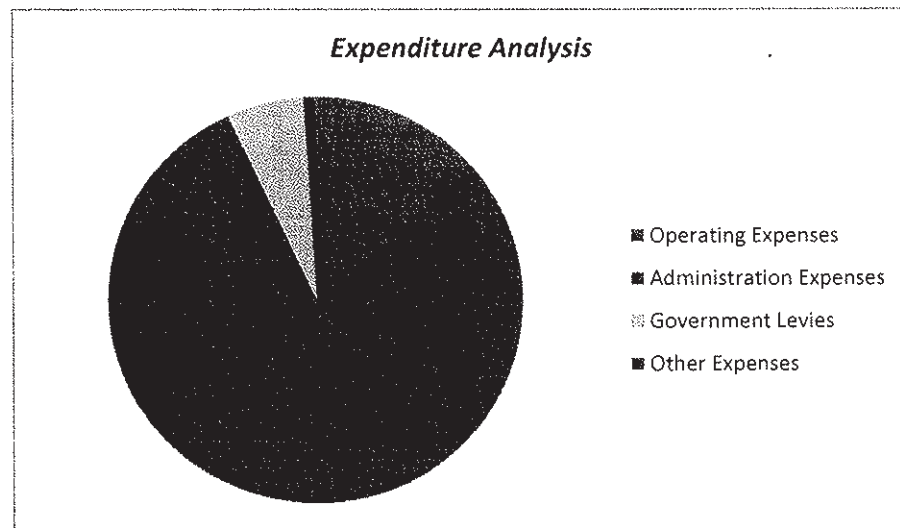
(a) According to the financial statements and information made available, the following table gives the some important accounting ratios of the BOI for the year under review as compared with the previous 2 years.

	2013	2012	2011
(i) <u>Profitability Ratio</u>	-----	-----	-----
	%	%	%
Net Profit Ratio	10.45	10.29	3.89
Return on Total Assets	1.15	0.95	0.33
(ii) <u>Operating Ratios</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Debtors turnover ratio – times	6.22	3.89	4.27
Debtors collection period - days	58	115	105

3.2.2. Analysis of Expenditure

(a) Out of total expenses incurred during the year under review, a sum of Rs.1,983,947,246 or 79.6 per cent represented the administration expenses and out of that 60 per cent related to staff expenses. The classification of total expenditure of the Board is depicted in the table and the chart given bellow.

Category of Expenses	Amount (Rs.)	Percentage
Operating Expenses	337,247,895	13.5
Administration Expenses	1,984,841,156	79.6
Government Levies	148,175,366	5.9
Other Expenses	24,300,318	1
Total	2,494,564,735	



3.2.3. Operation of Divisions and Profitability

Ten Export Processing Zones, two Industrial Parks and a Regional Office are functioning under the Board and the financial progress of such few Zones and Parks are given below.

- (i). Profit before tax of the Polgahawela Export Processing Zone had decreased by Rs.6.4 million or 34 per cent in the year under review as compared with the previous year.
- (ii). Two Export Processing Zones and an Export Processing Park had continuously incurred losses before tax since 2008 due to huge administration cost. Details are shown below.

	Losses incurred during the year					
	2013	2012	2011	2010	2009	2008
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
<u>Export Processing Zones</u>						
Wathupitiwala	2,969	7,766	15,743	13,703	12,787	11,872
Koggala	14,050	11,775	26,980	17,503	23,149	23,412
<u>Export Processing Park:</u>						
Malwatta	2,748	5,531	3,226	3,458	3,639	2,576



4. Operating Review

4.1 Performance

(a) Details of approved Projects under Section 17 of BOI Law and agreements entered during the year 2013 and four preceding years and the total number of Projects cancelled and closed down or suspended is given below.

Year	Number of projects Approved √*	Number of Agreements Signed √*	Number of Projects Commenced during the year √*	Number of Projects Cancelled √**	Number of Projects closed down √**	Number of Projects Suspended √**
2013	172	140	75	120	38	7
2012	238	163	98	79	26	9
2011	160	165	99	47	7	4
2010	364	270	144	124	28	10
2009	384	182	134	93	12	4
Total	1,318	920	550	463	111	34

√* Including Expansions of existing Projects.

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

The following observations are also made in this regard.

- (i) The number of approved Projects and the Projects entered with the agreements had decreased by 28 per cent and 14 per cent respectively in the year under review when compared with previous year.
- (ii) The number of Projects commenced the commercial activities had decreased from 134 in 2009 to 75 in 2013.
- (iii) The number of Projects cancelled and closed down had been increased by 50 per cent and 46 per cent respectively with compared to the previous year.



(b) Attracting the Foreign Direct Investments.

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

Sector	Value of Direct Investment				
	2013	2012	2011	2010	2009
	US \$ Mn	US \$ Mn	US \$ Mn.	US \$ Mn	US \$ Mn
Manufacturing	359.76	307.65	322.42	159.65	164.47
Agriculture	8.47	7.17	17.97	6.45	3.69
Services	1,023.17	1023.33	725.67	350.20	434.09
Total	<u>1,391.40</u>	<u>1,338.15</u>	<u>1,066.06</u>	<u>516.30</u>	<u>602.25</u>

The following observations are made in this connection.

- The investments attracted under the agricultural sector had decreased by 60 per cent and 53 per cent in the year 2012 and 2013 respectively as compared with 2011.
- Total foreign direct investments attracted had increased by 3 per cent as compared with the previous year.
- The foreign direct investments in the manufacturing sector had increased by 17 per cent in the year under review as compared with 2012.

(ii) The realized Foreign Direct Investments (FDIs) and Local Investments (LI) made through the BOI during the period from 2009 to 2013 are given below.

Year	Realized Foreign Direct Investments (FDI)	Realized Local Investments
	Rs. Mn.	Rs. Mn.
2013	958,958	553,063
2012	828,005	452,154
2011	655,513	368,587
2010	536,140	331,849
2009	495,506	278,762

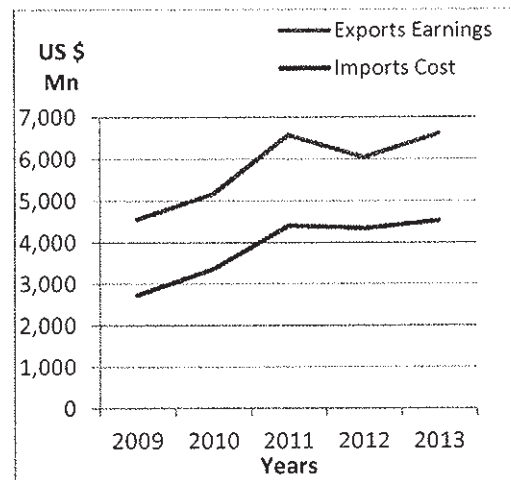


The realized Foreign Direct Investments (FDI) and Local Investments made during the year under review had increased by 16 per cent and 22 per cent respectively as compared with the previous year.

(c) Import Cost and Export Earnings

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

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



Trend of the import cost and export earnings

Even though the export earnings through BOI enterprises were decreased by 8 per cent in 2012, it was increased by 9 per cent in 2013. Further, the import cost incurred by BOI enterprises were decreased by 1 per cent in 2012 and it was increased by 4 per cent in 2013.

4.2 Management Inefficiencies

The following observations are made.

- (a) BOI had entered into a lease agreement with a private company on November 1996 for obtaining office space for the BOI and a sum of Rs. 2,637,240 had been paid to the company as initial deposit. Subsequently this office space had been handed over to the said company in June 2010. However the BOI had failed to recover the deposited amount even up to 31 December 2014.
- (b) Out of the total balance of Tender Deposits amounting to Rs. 2,025,485 as at the end of 2013, a sum of Rs. 940,335 or 46 per cent had represented the deposits held for more than three years.



However, proper action had not been taken by the BOI to settle these balances even up to end of 2013.

- (c) Out of the total retention money amounting to Rs.33,018,480, a sum of Rs 13,790,054 or 42 per cent had represented the amount held for more than three years without being settled.
- (d) The BOI had agreed with a Rubber manufacturing company situated at Horana Export Processing Zone, to reimburse the electricity tariff if the rates prevailed on 29 December 2000 will be increased over 6.9 per cent per annum. The following observations were made in this connection.
- (i) The BOI had not obtained an assessment report from related Government Institutions before granting the approval for the Project.
 - (ii) The company had claimed a sum of Rs. 356,793,568 due to increase of electricity tariffs during the period of June 2002 to September 2007 and Rs. 388,161,877 in respect of interest on delay in the payment of indemnity and the arbitration cost incurred by the company in terms of the final decision given by the International Court of Arbitration of the International Chamber of Commerce (ICC). The BOI made an appeal against the award given by the ICC at the Commercial High Court. Subsequently an award had given in favor of the BOI. The company had made an appeal against the award given in favor of the BOI. The two cases are handled by the Attorney General's Department.
 - (iii) The BOI had not obtained the assessment report from related Government Institutions on the availability of rubber wood in this area for consumption before granting approval for the project.
 - (iv) The BOI was unable to recover the ground rental, water bills, and bungalow rental etc due from the company due to pending court cases.
- (e) The Perth Estate was purchased by the BOI and a part of the estate had been handed over to a Sri Lanka State Plantation Corporation (SLSPC) for the management of five years period. The following observations are made in this connection.



- (i) The BOI had not received the related financial statements since 2006 from Sri Lanka State Plantation Corporation (SLSPC).
- (ii) The Corporation had not regularly remitted the profit to BOI as agreed except an amount of Rs. 10 million remitted during the year 2005. As per the financial statements submitted for the year 2006, the dues from the SLSPC pertaining to the Perth Estate was Rs. 16.47 million. However, the BOI had not clearly identified and recorded the correct amount receivable from the SLSPC even up to 31 December 2013.
- (iii) The matters pertaining to the Perth Estate contravening the conditions of the agreement, such as increasing the management fees by 15 per cent, unilateral utilization of revenue by the Perth Estate, investment of revenue amounting to Rs. 20 million generated from the Perth Estate in the name of the contractor, unauthorized transfer of motor vehicles and bungalow rental amounting to Rs. 12.42 million through the current account to the contractor etc. are yet to be resolved.

4.3 Idle and Underutilized Assets

A Land named Maliduwakanda Estate with an extent of 122 acre 01 rout 27.4 perches purchased by the BOI on 08 January 2003 at cost of Rs. 97,937,000 had not been utilized for any purpose up to the end of May 2014. According to the fixed asset register, the book value of this land as at 31 December 2013 was Rs.100,800,000.

4.4 Resources Given to Other Government Institution

Instances of irregular release of certain assets to other Government Institution by the Board were observed. Details are given bellow.

- (a) Contrary to the provisions of Letter No.CSA/P1/40 of 04 January 2006 issued by His Excellency the President, the Public Enterprise Circular No. 116 of 24 January 1997 and Section 8.3.9 of the Public Enterprises Circular No. PED/12 of 02 June 2003, two motor vehicles had been released to the then line Ministry during the year 2009. A sum of Rs. 2,751,809 had been incurred for repairs and maintenance of these motor vehicles up to the end of the year under review by the BOI. The amount reimbursable from the Ministry had neither been recovered nor brought to the accounts of the BOI as receivables.



- (b) A motor vehicle released to then line Ministry had met with an accident in July 2013 and the estimated cost of repair due to the damage caused was Rs. 1,412,687. Out of that a sum of Rs. 129,309 had to be borne by the BOI due to failure to recover this from the insurance company. No action what so ever had been taken by the BOI to recover the losses from the officer concerned or from then line Ministry.
- (c) Nine car parking passes had been provided by the BOI to the then line Ministry for utilizing the parking facilities available at the World Trade Centre (WTC) in free of charge. Further, the BOI had paid a sum of Rs. 1,489,500 to the WTC on behalf of this parking facilities provided for the period of 2007 to 2013.

4.5 Human Resource Management

The following observations are made.

- (a) Hundred and forty nine (149) vacancies in different categories of the staff, comprising 96 executive grade (including a post of Director Internal Audit) had been existed as at 31 December 2013 and no proper actions had been taken to fill these vacancies even by 31 December 2013. Details are as follows.

Description	Approved cadre	Actual Cadre			Number of Vacancies
		Permanent	Contract	Total	
Executive Staff	589	489	04	493	96
Clerical and Allied Staff }	378	336	13	349	29
General Service Staff }	332	288	20	308	24
Total	1299	1113	37	1150	149

- (b) Eighteen employees had been outsourced by the BOI from a private institution. Out of them fourteen employees were outsourced before 2010.
- (c) The BOI had released nine officers to the line Ministry and incurred a sum of Rs.6,390,185 as salaries and wages during the year under review in contrary to Section



8.3.9 and Section 9.4 of the Public Enterprises Circular No. PED/12 of 2 June 2003 on Public Enterprises Guidelines for Good Governance.

4.6 Identified Losses

The following observations are made.

- (a) The BOI had incurred a loss of Rs. 20,292,250 during the year under review by terminating three constructions works within short period of time due to public protest, poor performance, management decisions etc.
- (b) A land with the Carrying value of Rs. 95,822,000 owned by the BOI which was previously occupied by a BOI enterprise at Katunayake Export Processing Zone had liquidated in the year 2013 had been handed over to a state company on an outright basis for Rs.225,000,000. The market value of the land which had been valued by the Chief Value was Rs.135,000,000. Even though the BOI could have earned a profit of Rs.39,178,000 in this transaction, the BOI could not recognize it as a profit as a result of the provision in the Principal Agreement entered into between the BOI and the previous occupier. In this connection, the loss caused to the BOI was Rs.77,016,960.

4.7 Transaction of Contentions Nature

The BOI had planned to establish an Investment Promotion Zone at Sellakanda, Puttlam in 2009/2010 and incurred a sum of Rs. 11,270,120 as preliminary expenses. Subsequently it had been suspended and written off the entire cost incurred thereon in 2012. However, as per the information made available, the BOI had restarted the development activities in 2013.

5. Accountability and Good Governance

5.1 Corporate Plan

Out of the targets stated in the Corporate Plan for the period 2009 to 2013, the BOI had failed to achieve the following targets even by the end of the year 2013.

Details are shown below.

- (a) Although it was expected to identify and promote new investment promotion zones at Batticaloa and Ampara in 2009/2010, the BOI had not initiated any action to establish these Investment Promotion Zone even by 31 December 2013.



- (b) It was targeted to establish 300 new enterprises outside the Colombo and Gampaha Districts by 2009/2010, only 89 projects had been completed as at 31 December 2013.

5.2 Action plan

An action plan had not been prepared for the year under review.

5.3 Audit and Management Committee

According to Section 9.12 of the Public Enterprises Circular No. PED/12 of 2 June 2003, the Audit Committee should have met on a regular basis at least once in three months and should have submitted its observations to the Board of Directors with their recommendations for necessary actions. Even though the BOI had held four Audit Committee Meetings during the year 2013, the all meetings were held during last six months of the year, as such this has not used as an effective way to review observations continuously.

5.4 Budgetary Control

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

6. Systems and Controls

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

- (a) Accounting
- (b) Receivables and Payables.
- (c) Constructions.
- (d) Personal Management.
- (e) Vehicle Utilization.
- (f) Revenue Collection.

W.P.C. Wikremaratne

Acting Auditor General

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

Comments for the Observation the Report of the Auditor General

2.2.1 Sri Lanka Accounting Standards (LKAS)

(a) Ownership of 228.8784 hectares of land in Hambantota will be taken into books and final accounts for the year ended 2013 will be adjusted accordingly.

(b) Land premium revenue of cancelled and suspended projects - noted.

Deferred revenue - Land Premium is collected as an upfront payment and income is identified to the income statement according to the lease period. Land Premium balance relating to cancelled project would be adjusted in the Financial Statements commencing year 2014.

2.2.2 Accounting Deficiencies

(a) Please refer Annexure I.

(b) The input VAT disallowed for quarter ended 30 June 2013 was based on the assessment made by the Department of Inland Revenue.

(c) Out of 12.31 acres occupied by the enterprise, 10.16 acres have been invoiced and taken into accounts during the year 2013 and 0.53 acres have been given to enterprises on free of charge with several conditions. 1.62 acres of land would be invoiced once the lease agreements are signed.

(d) Mobilization advance of Rs. 1,363,239.00 has been fully recovered and was transferred to CWIP account in July 2014. This contract has not yet been completed.

(e) Funds shown under Sundry Creditors

Funds received from Commonwealth for FDI Promoter	-	Noted
Funds collected on Flood Victims	-	Noted
Tsunami 2004 Relief Fund	-	Noted

(f) Difference of VAT as per Statement of Financial Position and VAT Return amounting to Rs. 4,796,760.00 represents VAT payable on behalf of rent receivable from Ministry of Investment Promotion which was adjusted subsequently.

2.2.3 Accounts Receivable & Payable

(a) Dues from BOI Enterprises

(i) During the 1st half of the year 2014, Rs. 169 M has been recovered from total dues as at 31/12/2013 amounting to Rs. 664 Million.

Details are as follows.

Description	Dues as at 31/12/2013 (Rs.)	Balance as at 30/06/2014	Recovery during 01/01/2014 to 30/06/2014 (Rs.)
Ground Rent	83,069,010	74,753,945	8,315,065
Annual Fees	233,160,357	216,314,401	16,845,956
Water Bills	251,764,842	149,218,272	102,546,570
Office Rent	56,917,444	38,606,462	18,310,982
Electricity	3,938,242	280,341	3,657,901
Service Charges	1,078	1,078	-
Miscellaneous	88,839	33,790	55,049
Waste Water	10,493,288	29,369	10,463,919
Land Premium	20,977,388	12,955,757	8,021,631
Housing Projects	3,290,049	3,075,119	214,930
Solid Waste Disposal	752,401	130,723	621,678
TOTAL	664,452,938	495,399,257	169,053,681

In addition to that, due to first time adoption of accounting standards of Sri Lanka – 2011 (SLFRS & LKAS), it is required to provide 100% impairment on dues from Cancelled, Closed, Suspended Projects and likely bad debts over two years. Hence, provision for impairment on dues from enterprises increased from 2011.

BOI has taken following action to support & expedite the recovery of dues.

- Expediting the process of taking legal action in Court or sending to Mediation Board for amounts less than Rs. 250,000.00
- Commencing 2012, the Directors of Zones have been delegated authority to monitor the operations of the enterprises under their purview and take necessary action to improve debt recovery.
- Commencing 2013, established a separate Monitoring Unit.
- Commencing 2014, appointed three Debt Collectors.

However, it is pertinent to note that the recovery of Ground Rent and Annual Fee is 97% of invoiced value and recovery of Water & Rent is 98% (as at 30/06/2014) for 2011 to 2013.

	2011 Rs.	2012 Rs.	2013 Rs.
Revenue – Ground Rent & Annual Fee	849 M	978 M	1,149 M
Water & Rent)	883 M	961 M	1,175 M
Debtors – (Balance due from above Invoicing Value as at 30/06/2014)			
Ground Rent & Annual Fee	19 M	26 M	37 M
Water & Rent	15 M	16 M	22 M
Debt Recovery Ratio of Ground Rent & Annual Fee	98%	97%	97%
(% on invoiced value of Ground Rent & Annual Fee)			
Debt Recovery Ratio of Water & Rent	98%	98%	98%
(% on invoiced value of Water & Rent)			

Therefore, recovery level of dues is at higher level at present.

(ii) Accounting policy adopted by BOI for provision of impairment is to provide 100% for dues of Cancelled/ Closed/Suspended projects.

(iii) Out of the total provision of Rs. 201,012,748 for impairment of dues from Annual Fees, Rs. 171,601,098 is in respect of Annual Fees due from Cancelled, Closed & Suspended projects and Rs. 34,865,861 is in respect of Annual Fees for over two years by enterprises in operation.

(b) Other Debtors

(i) In compliance with first time adoption of SLFRS in 2011, it is required to provide 100% impairment on likely bad debts. Hence, provision for impairment on dues from other debtors increased from 2012.

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

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

(iii) Cash Fraud

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

Stock shortage

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

(iv) Government Institutions

- Ministry of Rehabilitation & Tamil Affairs – Rs 2,099,895.00

In the year 2003 the BOI had to release office space from the BOI building at No 14, Sir Baron Jayathilake Mawatha, Colombo 01 to Hon. Dr. Sarath Amunugama, the Minister of Rehabilitation & Tamil Affairs to establish his office. Thereafter Hon. Douglas Devananda became the Minister and occupied the premises. Subsequently, with the change of the Government, Hon. Dr. Jayalath Jayawardene had become the Minister and Board Decision had been taken by the BOI to charge a monthly rental of Rs 30.00 per sq.ft and also to recover monthly electricity bills from the Ministry. On the request of the Ministry, some used furniture of the BOI worth of Rs. 2,099,895.00 had also been handed over.

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

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

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

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

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

Ministry of Enterprise Development & Investment Promotion, 27th Floor – Rs. 2,447,534.00

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

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

arrangements were made to request the present Ministry of Economic Development to settle the long outstanding dues to the BOI.

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

- Export Development Board

Present owner of the building has agreed and released aluminium partitions. Arrangements have already been made to remove and bring the aluminium partitions to our stores. Therefore, amount of Rs.412,576.00 can be adjusted from the total due amount. Accordingly, the amount for the old air conditioners would be Rs.216,864.00. At present this floor has already been rented out to a third party. Air conditioners are fastened and fixed to the building and not easy to remove.

Considering the damage to the building, removal cost and disturbances to the present occupants, removal process of air conditioners are not yet finalized. This issue is in negotiable level with present owner of the building and occupant to come for a favourable settlement with maximum benefit to the Board.

Ministry of Foreign Affairs

The Consular Affairs Division of Ministry of Foreign Affairs is housed in the 3rd, 4th, 5th 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 4th 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.

Competent Authority

These balances are expenses incurred in respect of assets acquired under Act No. 43 of 2011 and we have recovered these balances during 2014. This balance would be shown under Prepaid Expenditure on Underutilized Assets in 2013.

- Janatha Estate Development Board (JEDB)

BOI had informed the chairman of JEDB by the letter dated 30.05.2014 that a sum of Rs.30 Mn will be deducted from the due amount and JEDB by their letter dated 16.06.2014 had consented the same.

The sum of Rs.30Mn determined by the Government Chief Valuer is for the land owned by JEDB at Serapis section of Radella Estate which is to be allocated to BOI for the expansion of Polgahawela Export Processing Zone.

There are few land plots belong to JEDB to be allocated for BOI projects and the purchase price will be deducted from the balance due amount.

Ministry of Investment Promotion

Office rent amounting to Rs. 44,769,760 relates to rent receivable for the period March 2013 to December 2013 in respect of 6th, 25th and 27th floors at World Trade Centre as per the agreement signed on 26/04/2013 between Ministry of Investment Promotion & BOI. Rs.10,345,240 relate to payments made by BOI during 2013 on behalf of Ministry of Investment Promotion which is receivable as at 31/12/2013.

After the establishment of newly formed Ministry of Investment Promotion the BOI became the only Institution that is under the purview of the Ministry. Offices of the Ministry of Investment Promotion were established in the BOI owned floors of the WTC building.

Level 06- Ministry of Investment Promotion	-	2,875 sq.ft.
Level 25- Hon. Minister's Office	-	7,400 sq.ft.
Level 27- Hon. Deputy Minister's Office	-	3,800 sq.ft.

The Ministry had entered into a lease agreement with the BOI with effect from 01-03-2013. Finance Department of the BOI had raised Invoices for the rent payable to the BOI. However, the Ministry had informed that the budgetary allocation was not provided from the Treasury to pay the rent due to the BOI and this amount still

appears as outstanding.

- Please refer reply given for 2.2.3 (b) (i).

2.2.4 Lack of Evidence for Audit

(a)

Description	Amount (Rs.)	Remarks
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Promotion	48,040	This is mainly due to the over provision/payment made out of the provision. This will be transferred to other income and final accounts for the year ended 2013 will be adjusted accordingly.
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Advance Received from CEA	372,296	
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This is mainly due to the over provision/payment made out of the provision. Balance is remaining from 2008. This will be transferred to other income and final accounts for the year ended 2013 will be adjusted accordingly.

Withholding Tax	36,545	
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This is mainly due to the over provision/payment made out of the provision. Balance is remaining from 2005. This will be transferred to other income and final accounts for the year ended 2013 will be adjusted accordingly.

Defence Levy	381,335	This is mainly due to the over provision/payment made out of the provision. Balance is remaining from 2003. This will be transferred to other income and final accounts for the year ended 2013 will be adjusted accordingly.
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Textile Quota Board	4,914,266	
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This is mainly due to the over provision/payment made out of the provision. Balance is remaining from 2005. This will be transferred to other income and final accounts for the year ended 2013 will be adjusted accordingly.

Collection for settlement of dues to other agencies	101,145	
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This will be transferred to other income and final accounts for the year ended 2013 will be adjusted accordingly.

Sri Lanka Centre in Shanghai China	78,322	
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This will be transferred to other income and final accounts for the year ended 2013 will be adjusted accordingly.

2.2.5 Non-Compliance with Laws, Rules, Regulations & Management Decisions

(a) PAYE Tax

Action has been taken to deduct the tax from employees' monthly salary from November 2013.

(b) Driver Allowance

- The Board of Directors of the BOI at its 133rd meeting held on 14th January 2003 decided to make a payment of Rs. 15,000/- per month to officers who are assigned vehicles by the Board.

- Officers who obtain this allowance are not entitled for a driver from the BOI.

- This is financially and administratively cost beneficial to the BOI rather than employing a driver from the BOI.

(c) Payments to Employees without required Approvals

(i) Professional and Post Graduate Degree Allowance

- The BOI decided to give this benefit to its professionally qualified staff and the approval was granted by the Ministry of Policy Planning & Implementation by their letter No. E/5/GCEC/Misc dated 01st November 1991.
- Approval of the Board of Directors was granted at its 217th meeting held on 13.09.1991.
- According to the decision made at the 314th Board Meeting held on 26th March 2014, an amendment to the then paid professional allowance was done, so that the officers who possessed Post-graduate degree qualifications and Professional qualifications were eligible to receive two allowances, viz. Professional Allowance and Post-Graduate Degree Allowance.
- Subsequently, this amendment to the Professional Allowance was terminated by the Board at its 316th meeting held on 27.06.2014 and currently complying with the previously approved/paid professional allowance to eligible officers.

(ii) Attendance Incentive and Encashment of Unutilised Medical Leave

- Objective of the Attendance Incentive was to motivate employees to report for duty on time and to refrain them from taking leave.
- After implementation of this scheme, output of the staff had increased and the contribution of them has made possible for the BOI to contribute to the economic development.
- Approval had been granted by the Board of Directors at their 203rd meeting held on 06.11.1990.
- Approval of Her Excellency the President was obtained for the payment and the Department of Management Services was also informed of this payment.
- Following a directive given by the COPE, BOI has implemented a performance based incentive scheme with effect from November 2013 in lieu of the attendance incentive.

3. Financial Review

3.1 Financial Results

Noted.

3.2 Analytical Financial Review

3.2.1 Significant Accounting Ratios

- (a) (i) Profitability Ratio

Noted.

- (ii) Operating Ratios

Noted.

3.2.2 Analysis of Expenditure

- (a) Noted.

3.2.3 Operation of Divisions and Profitability

(i) As per the Income Statement for the year ended 31.12.2013, Polgahawela Export Processing Zone records an annual surplus of Rs. 13,765,847.00.

(ii) Although Wathupitiwala & Koggala Export Processing Zones and the Malwatta Export Processing Park incur losses due to high administration cost as well as the underutilization of land asset severely affect the revenue generation pertaining to direct income from lands and corresponding other incomes from prospective business operations. It is noted that the loss becoming reduced for last few years except for Koggala. The progress is due to disposal of remaining lands for new businesses and also due to specific cost cutting methods adopted by respective zones.

BOI is planning to dispose the remaining 14 acre land at Koggala for new investments to generate further income in terms of revenue from the lands and other revenue from the business operations such as entry permit fees, documentation & verification charges etc.

4. Operating Review

4.1 Performance

(a) Projects approved under Section 17 of BOI Law

(i) The key objective of the BOI is to attract more Foreign Direct Investment (FDI) to the country. Accordingly, the main focus of BOI during the year 2013 was to attract high value investment and not to the number of investment projects. The number of projects approved / agreements signed in a particular year does not reflect a clear picture of the value of the investment attracted to the country.

However, the total investment of the project agreements signed with BOI, has been increased by 41% compared with the previous year (see table 1).

Table 1 : Projects Agreement signed (2012 Vs. 2013)

Projects Agreement Signed	2012	2013	Change (%)
Number of Projects	163	143	
Investment			
Foreign	273,008	345,042	26%
Local	132,485	225,236	70%
Total	405,493	570,278	41%

(iii) During the year 2013, actions were taken to identify projects which were not implemented and held up for a long period of time. Agreements with such projects were cancelled accordingly. As a result, number of cancelled projects has been increased from 79 in 2012 to 120 in 2013.

(b) Attracting the Foreign Direct Investments

(i) FDI attracted during the period from 2009 to 2013

- An increasing trend of investment for the agriculture sector has been shown from 2009 to 2013 except in the year 2011. In this year, Dole Lanka (Pvt) Ltd has invested a large amount which has increased the investment value exceptionally.

- This indicates well performance of the BOI.
- This indicates well performance of the BOI.

(ii) This indicates well performance of the BOI.

(c) Import Cost and Export Earnings

- It is noted that as correctly mentioned in the above report, earnings from exports made by BOI exporters declined by 8% in 2012 and exports earnings were increased by 9% in 2013. It has been observed that above export decline was mainly due to the economic turbulence in the EU and USA market, prevailed in 2011 & 2012. Most of the BOI approved exporters did not receive their regular export orders from European & USA buyers due to the economic slow down in their countries. However, this situation was changed in 2013 and earning from industrial exports, which account for more than ¾ of total export earnings, increased by 9% as EU and USA market recorded a growth in importing garments from Sri Lanka.

- As mentioned in the report, expenditure on imports by BOI enterprises declined only by 1%. The main reason for above insignificant decline was due to the import of items by non-export oriented BOI enterprises. Although there was a negative growth of import of raw materials by approved exporters, non-export oriented BOI projects like Hotels, Housing Apartments and other Infrastructure projects have imported their project related capital items into Sri Lanka in 2013. There was a growth by 4% compared with 2012 due to the normal market condition.

However, determinants of export earnings and import performance are totally based on external factors which are fully out of BOI control.

4.2 Management Inefficiencies

(a) Office of the Hon. Minister of Enterprise Development (late Mr. Mano Wijerathne) was set up at Level 12 West Tower WTC building. The BOI had signed a lease agreement with Overseas Reality (Ceylon) PLC (ORCL) in respect of the level 12, West Tower of the World Trade Centre building on 04 November 1996 and had paid Rs. 2,637,240/- as initial deposit and subsequent renewal of deposits.

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

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

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

(b) The said balance of Rs. 940,335/- comprise of unclaimed tender deposits accumulated for a longer period. BOI will take suitable action with the approval of the Board of Directors to adjust these balances from the final accounts of year 2014 without carrying forward further.

(c) Retention Money:

- Construction of a building of Hiriyala Estate (Rs. 1,332,882.00)

Above project was completed by the National Engineering Research & Development Center. As per the documents obtained from the North Western Regional Office, the balance amount to be released is Rs. 663,517.35 (Exc. VAT). Necessary approvals will be taken, to release this payment.

- Supply and installation of treatment plant (Rs. 1,802,153.00).

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

The amount of Rs. 1,802,153.00 is the retention amount for the foreign component of the contract. The above

mentioned retention money has been paid to the contractor together with the final payment after completion of defects liability period and operation and maintenance period. As such there is no unsettled retention payment amounting to Rs. 1,802,153.00.

- Construction of retaining wall (Rs. 1,045,442.00)

Above retention money is related to a contract executed by the State Engineering Corporation at the proposed International Buddhist Center at Piliyandala. While the contract was in progress the land was owned by the BOI.

However, the ownership of the land was transferred later to the Ministry of Buddhasasana and Religious Affairs to continue the establishment of the International Buddhist Center. Thereafter the land has been transferred by the Ministry of Buddhasasana and Religious Affairs to Department of Wild Life Conservation.

Although the ownership of the land is not with the BOI now, the BOI is liable to settle the payment to State Engineering Corporation as per the contractual agreement. Since there are defects to be rectified by the contractor, the retention money would be released after rectification of defects.

- Kandy City Center (Rs. 1,649,553.00)

Arrangements are being made to release the retention money to the Developer, M/s Property Finance and Investments Kandy (Pvt) Ltd. The formal request is awaited.

- Supply and installation of Treatment Plant (Rs. 831,127.00).

The amount of Rs. 831,127.00 is the retention money corresponding to the local component of the contract described under 2nd item above. This retention money as well has been released under the final payment.

- Laying of balance Sewerage Collection System (Rs. 913,695.00)

Action has already been taken to use the above amount to recover payments outstanding from contractor namely Texone Technologies (Pvt) Ltd.

- Construction of Access Road (Rs. 451,794.00)

Above is the retention money payable to Hovael Construction (Pvt) Ltd for construction of access road to Polgahawela Export Processing Zone.

- Construction of IBC Stage III – Rs. 464,318.00

Above retention money is related to a contract executed by the State Engineering Corporation at the proposed International Buddhist Center at Piliyandala. While the contract was in progress the land was owned by the BOI.

However, the ownership of the land was transferred later to the Ministry of Buddhasasana and Religious Affairs to continue the establishment of the international Buddhist Center. Thereafter the land has been transferred by the Ministry of Buddhasasana and Religious Affairs to Department of wild Life Conservation.

Although the ownership of the land is not with the BOI now, the BOI is liable to settle the payment to State Engineering Corporation as per the contractual agreement. Since there are defects to be rectified by the Contractor, the retention money would be released after rectification of defects.

- Amount of retention related to 105 construction Contracts

Above comprises retention money related to contracts handled by following offices of BOI.

	Amount (Rs.)
• H/O	959,803.45
• Katunayake	470,899.32
• Biyagama	566,894.96
• Koggala	119,933.58
• Kandy	345,335.54
• MEPP	254,702.82

• MEPZ	180,911.87
• MWEPZ	1,502,957.11
• WEPZ	120,014.56
• PWEZ	160,312.61
• Koggala, Mirijjawila	20,983.00
• Seethawaka	112,808.33
• NWRO	214,623.00
• Pugoda	5,422.50
• HEPZ	282,970.97
Total	<u>5,318,573.63</u>

Arrangements will be made to release those retentions to the contractors.

(d) Rubber manufacturing company in Horana

(i) It is observed that this project proposal had been considered and approved at Director General's level without obtaining an assessment report from Rubber Development Authority.

(ii) In the ICC Arbitration, the rubber manufacturing company was awarded the order in favour of them. Accordingly BOI was liable to pay the amounts as per the award. BOI appealed against the award of Merbok at the Commercial High Court and the order was given in favour of BOI in case No. HCARB 1397/2007 and rejected the appeal in HCARB 1585/2008 (the company has filed to enforce the award).

The company has appealed against the order of BOI in case Nos. SC (HC) LA Application No. 55/2012 & S C (HC) LA Application No. 56/2012. The two cases are handled by the Attorney Generals' Department which are due to be supported on 10th September 2014.

(iii) Please refer reply given for 4.2 (d) (i) above.

(iv) Until the cases mentioned above will be over BOI is not in a position to recover the dues.

(e) Perth Estate handed over to SLSPC for management

(i) Sri Lanka State Plantations Corporation has not submitted the audited accounts of the Perth Estate for the period January to August 2007 yet although several requests were made by the BOI.

(ii) The correct amount receivable from SLSPC could be identified only on receipt of audited accounts of the Perth Estate for the period January to August 2007.

(iii) Negotiations are in progress.

4.3 Idle and Underutilized Assets

The land is available for an investment project. The land is being promoted for a project suitable to be located within the site.

4.4 Resources Given to Other Government Institution

(a) Vehicles are released on request of the Ministry time to time for the Investment and Promotion activities related to the BOI. BOI officials also travel with the Ministry officials for Investment Promotion activities as these tasks are related to the BOI. The Ministry of Economic Development/Ministry of Investment Promotion has not responded to reimburse the repair expenditure incurred for BOI vehicles.

(b) Efforts were made to recover the loss fully from Sri Lanka Insurance Corporation. However, the Insurance

has deducted Rs.129,309/- from the total estimate for depreciation and wear & tear of replaceable parts. Since the vehicle was restored to its original condition by the local dealer there was no considerable loss to the BOI. However, the Ministry will be informed to recover the balance amount of Rs.129,300/- to the BOI.

(c) Then Ministry of Enterprise Development & Investment Promotion had been requested to reimburse the vehicle parking charges incurred by the BOI on behalf of the Ministry. In spite of our repeated reminders, no response was received.

4.5 Human Resource Management

(a) • Number of vacancies should be corrected as 110.
• Vacancies should be filled by public advertisement as per the Scheme of Recruitment.
• Some of the vacancies could not be filled during the year 2013 due to the elections of Central, Northern and North Western Provincial Councils and subsequently Western & Southern Provincial Councils in 2014 though applications were called by public advertisement.
• 28 vacancies have been filled before 30.06.2014 and approval has been requested from the Department of Management Services for 47 vacancies.

(b) These are not BOI employees. They are hired through a Manpower Agency. Manpower Agency is the recruiting authority paying salaries, EPF & ETF under their account.

(c) • Assistant Director
This officer has been attached to office of the Hon. Minister of Economic Development to co-ordinate and facilitates the investors on BOI matters and to get relevant approvals from government agencies.

• Security Officer
Security officer is attached to the office of the Hon Minister of Economic Development. Arrangement will be made to get required approvals.

• Photographer
Photographer is not released to the Ministry. He is deployed at the Media Department of the BOI. He will be deployed to cover up the special events of the Ministry of Investment Promotion and the Hon. Minister.

• Receptionist
The person who looks after the BOI inventories is released to Hon. Minister's Office. One of the telephone exchanges belongs to BOI is deployed at Hon. Minister's Office and said employee is the responsible officer of that.

• Office Aide
This person is responsible for audio visual of Hon. Minister's Auditorium. He is deployed as and when required by the Hon. Minister's Office to safeguard and durability of such items.

• Drivers
Four drivers are not directly attached to the Hon. Minister's office. They are deployed as and when required by the Minister. Two have been permanently deployed. When they go on leave others are been deployed. However, Instructions were issued to re-call them.

4.6 Identified Losses

(a) • Contract for Supply and Installation of Fire Detection & Protection System was entrusted to a contractor for a sum of Rs. 8,914,920.00 (inclusive VAT), on 01st April, 2013.

While procuring material through Letters of Credit and locally by the Contractor to carry out work, the Management of BOI has decided to use the above building for a different purpose and thus work had to be suspended. Therefore, the contract was suspended on 03rd May, 2013.

At the time of suspension of work, the Contractor had been paid the mobilization advance of Rs. 1,782,984.00 (inclusive of VAT). As per Clause 34.3 of Conditions of Contract, BOI has to accept the work done and the material procured at the time of suspension of the contract.

After several discussions with the Contractor the Letters of Credit they have already opened for importing of material were cancelled. The material already delivered to site were jointly recorded. Material prices were negotiated and agreed. Accordingly a final payment report has been prepared and the Contractor was informed to refund BOI a sum of Rs. 723,343.23.

In terms of Contractor's undated letter received by BOI on 24th April, 2014 the payment has been settled to BOI through cheque dated 11th April, 2014 for a sum of Rs. 723,342.23.

- The objections raised in 2010, was regarding the discharge of treated effluent from the Horana Export Processing Zone (HEPZ) which is located at Poruwadanda. In view of the said objections laying of the pipe line from HEPZ was not done, though the road reinstatement charge had already been paid to Pradeshiya Sabawa.

The treated effluent pipe line covered in the Contract No. BOI/TS/WIZ/2013/33.03.002, which was terminated in year 2013 was implemented to discharge treated effluent at a second location which was down stream of the first location and also the NWS&DB intake at Horana.

It is to be noted here that the laying of the treated effluent pipe line in 2013 was commenced after obtaining approval of the Central Environmental Authority. However, the second contract to discharge treated effluent at a second location too met with objection from public compelling the BOI to terminate the contract.

- The contract for Augmentation of Common Waste Water Treatment Plant was awarded on 09.02.2012
Intended date of completion was 04.02.2013
Extended date of completion was 31.03.2013
Contract has been terminated on 19.04.2013

BOI has terminated the contract after 14 months not within 58 days, as stated in Audit Report.

(b) BOI by virtue of agreement bearing No. 434 dated 08th April 1993 has leased out Lot BIL in KEPZ containing in extent of seven acres (7A 0R 0P) to an enterprise for 99 years.

Clause (19) of the said agreement permits the enterprise to mortgage the rights and interests in the leasehold land and premises to any bank and/or credit institution approved by the Board.

The proviso to said clause (19) provides that the enterprise and the concerned bank to enter into a tripartite agreement with the Board. The purpose of entering into tripartite agreement is to ensure that in the event of sooner determination of the agreement and the lease of land by the Board the compensation, if any payable in respect of the buildings and improvements made on the BOI lands by the enterprise to be remitted direct to the bank for the discharge and/or reduction of any amount due to the concerned bank in respect of any mortgage. However, this is without prejudice to the Board's right to recover EPF/ETF and other statutory dues and dues to the Board arising out of the agreement or otherwise from the said payment of compensation.

At the discretion of the Board the enterprise mortgaged the said allotment of land to Commercial Bank of Ceylon Limited & Hatton National Bank PLC to obtain banking facilities. Further the agreement with the enterprise has been terminated by Board's letter dated 13th October 2008. According to the facts available at the legal Department the enterprise has been closed from year 2007 without doing any operational activity. Further BOI couldn't dispose this factory to a prospective investor because of these mortgages & arrears of dues for workers etc.

Considering the facts mentioned above, the BOI after negotiating with Hatton National Bank PLC decided to dispose the said property to Airport and Aviation Services (Sri Lanka) Limited by virtue of Deed of Transfer dated 29th August 2013 for the consideration of Rs. 225Mn.

- The carrying value of Rs. 95,822,000.00 as market value of Land (subject to current lease) of former enterprise given in the schedule on verification and Revaluation of land prepared by Ernst & Young was based on an assessment made on 08th March, 2010.

- However, as the Airport Aviation of Sri Lanka requested to obtain a valuation from the Valuation Department for the respective transaction, a valuation was obtained from Valuation Department on 26th September, 2011. The valuation received was as follows.

- Current Market value of the land - Rs. 135,000,000.00
- Value of the existing buildings - Rs. 90,000,000.00

- It is agreed that the mortgage rights to the former investor had been permitted under Clause 19 of the Principal Agreement.

- It is true that a profit of Rs. 39,178,000 (market value determined by the Valuation Department amounting to Rs.135,000,000.00 less market value subject to current lease amounting to Rs.95,822,000.00) would have been made by the BOI if the liability for the unexpired period of lease was Rs.95,822,000.00

- However, the actual amount of liability associated with the mortgage of the property as determined by the Liquidator was Rs.127,102,010.70.

- As the property was under the Liquidator (who was appointed by the Courts), and the determination was made by the Liquidator, the BOI had no provisions to deviate and limit the payment to Rs.95,822,000.00

- Therefore it was not possible for BOI to earn a profit of Rs.39,178,000.00.

- Although it is stated that the BOI has incurred a loss of Rs.77,016,960.00 (market value subject to current lease determined on 08th March, 2010 amounting to Rs. 95,822,000.00 less the actual profit earned by the BOI in the transaction amounting to Rs.18,805,040.14), BOI has not incurred a loss of Rs.77,016,960.00 due to the reasons mentioned above.

4.7 Transactions in Contentious Nature

To restart the implementation of the establishment of a new industrial zone in Puttalam, approval of the Board has been obtained as follows.

Board at its meeting held on 10.12.2013 granted approval as follows.

- Use land in extent 250 acres identified at Kallady, Puttalam to set up an Industrial zone by the Board.
- Request the Ministry of Investment Promotion to seek the approval of the Cabinet of Ministers for the transferring the land in extent of 250 acres to the BOI by the Land Commissioner on outright basis as a free grant on free of cost basis.

- Treat the expenditure amount of Rs. 11.5Mn. as part of the project cost.

- Release funds necessary for relocation of 26 families to the Divisional Secretary of Puttalam based on the estimate to be submitted by the Divisional Secretary.

- Promote the industrial zone for low water consuming industries.

The approval of the Cabinet of Ministers is awaited for land transfer to the BOI.

5. Accountability & Good Governance

5.1 Corporate Plan

(a) Although the Divisional Secretary consented initially for the release of a land for the establishment of a Zone, subsequently BOI was informed that the particular land had been reallocated for housing and other purposes.

The BOI studied the possibility of establishing an industrial zone in Batticaloa and for the same several sites were inspected and preliminary study was done.

Having studied in detail the available sites, suitability for the intended purposes and other implications, BOI has now identified a site at Earraur which is owned by the Land Reforms Commission.

Arrangements are being made to transfer the land to BOI for the purpose of establishment of an industrial zone.

(b) Number of projects that had been completed as at 31st December 2013 under 300 Enterprises Programme was 164.

However, this scheme is no longer in operation.

5.2 Action Plan

Action plan for year 2014 has been submitted.

5.3 Audit and Management Committee

Having noted the comments of the Auditor General, Management has planned to appoint another Member to the Audit Committee enabling to eliminate the difficulties of maintaining the quorum and to have regular meetings as per the Public Enterprises Guidelines.

5.4 Budgetary Control

We don't agree with the observation made with regard to the budgetary control system. Board approval has been taken for the additional requirements. This was mainly due to the expenditure incurred for the CHOGM. Further, BOI has used the Budget as an effective management tool.

6. Systems and Controls

(a) Accounting

Please refer reply given for 2.2.2 above.

(b) Receivables and Payables

Please refer reply given for 2.2.3 above in addition to below mentioned details.

Collection of dues from enterprises

The Board invoices all enterprises by the 1st January each year for Ground Rent and Annual Fees. According to the agreements, the Annual Fees and Ground Rent are payable before 10th of January each year. Every effort is made to collect dues from enterprises by dispatching reminders at regular intervals as follows.

- 1st Reminder is sent during the 1st week of February notifying suspension of services from 28th February if not settled by 28th February.

- Zone Officers are also informed giving the deadline for payment of Ground Rent and Annual Fees, as 28th February.
- By 2nd March, Finance Department of the BOI informs the relevant departments to suspend all services given to enterprises which have defaulted payment.
- Dues outstanding as at end of every day is indicated in the MIS system enable Directors/Accountants/Managers at Zone/Regional Offices to follow on dues.
- 2nd Reminder is sent by 30th June.
- Commencing 2011, 3rd Reminder is sent by 1st week of September.
- Commencing 1st October 2007, interest is charged on delayed settlement of dues. Accordingly, interest is charged after 10th January of the year.
- A list of enterprises who have defaulted Annual Fee/Ground Rent in the preceding year is submitted to relevant Investment Sector Group of the BOI for termination of Agreement.
- A statement of non-compliance/cancellation is sent by relevant Investment Sector Group before cancelling projects requesting for payment of dues.
- Legal Department is informed to take legal action to recover dues from cancelled projects.
- Commencing from 2012, Legal Department is informed to take legal action in respect of all defaulters irrespective of the status of enterprise. Before 2012, Letters of Demand were sent to the cancelled enterprises only.
- Expediting the process of taking legal action in Court or sending to Mediation Board in the amount less than Rs. 250,000.00.
- Commencing 2012, the Directors of Zone have been delegated authority to monitor the operations of the enterprises under their purview and take necessary action to improve debt recovery.
- Commencing 2013, a separate Monitoring Unit has been established to expedite recovery of dues.

Collection of dues from enterprises after setting up the Monitoring Unit (from 20/05/2013 up to 30/06/2014)

Description	Total Amount (Rs.)	
	Due as at 2012	Recovered as at 30/06/2014
Annual Fees	234,425,811/05	33,951,805/12
Ground Rent	92,785,052/87	36,163,334/22
Total	327,210,863/92	70,115,139/34

Procedure followed by the BOI to recover the outstanding balances

- Establishment of the Monitoring Unit

The Monitoring Unit was established in the latter part of May 2013, with a view to take action for collection of outstanding dues and following action has been taken by this Unit up to 30 June 2014;

- Reviewed and analyzed relevant project files maintained by Finance and Legal Departments and appropriate measures were taken to recover dues i.e. communicating with enterprises in which agreements are in force, negotiating with them and taking follow-up actions, liaising with Legal Department in sending Letters of Demand and other legal steps to recover dues, liaising with Finance, Investment Department and Zonal offices to follow-up on measures already taken by them, taken an effort to recover long outstanding dues.

- Three (03) Debt Collectors were appointed on 1st June 2014 from Mirijjawila, Seethawaka and Koggala EPZs to visit enterprises to collect dues.

- Actions taken by the Monitoring Unit

- Files received from Legal and Finance Departments were examined.

Legal files	-	553
Finance files	-	561
Total	-	1114

- Total amount recovered as at 30/6/2014
(from 131 enterprises) : Rs.70,115,139/34

- No. of enterprises agreed to pay in instalments and continuing payments :26 - Due amount is Rs.10,023,737/48 (Out of this Rs.6,223,299/46 has been paid which is included in Rs.70,115,139/34 above)

- No. of letters sent by Monitoring Unit to enterprises
In commercial operation and closed/suspended : 141

- No. of Letters of Demand sent by the Legal Dept.
during this period : 244

- No. of Court actions initiated by Legal Dept. : 28

- No. of enterprises visited by Debt Collectors : 15

- Monitoring Department is continuously taking follow-up actions to recover outstanding dues.

(c) Constructions

Please refer reply given for 2.2.2 (a) and 4.6 (a) above.

(d) Personnel Management

Please refer reply given for 4.5 above.

(e) Vehicle Utilisation

Please refer reply given for 4.4 above

(f) Revenue collection

Please refer reply given for 3.2.1 above.

Year	Description	Contractor	Amount (Rs.)	Comment
2008	Laying of sewage collection system and construction of lift stations and manholes at WEPZ	Texone Technologies (Pvt) Ltd	14,668,648.00	Although, shown separately, both represent the same contract. Final statement of account has been finalized and the Finance Department has been informed to capitalize the expenditure.
	Laying of balance sewage collection system	Texone Technologies (Pvt) Ltd	14,411,683.00	Arrangements made to capitalize the expenditure.
	Installation of bore hole pump	Mech Pump System (Pvt) Ltd	2,875,123.00	Arrangements made to capitalize the expenditure.
	Installation of bore hole pump	Kent Engineers	6,517,389.00	
			9,392,512.00	
2012	Construction of 156 m length approach road to the gate no.02	EHL Contractors & Builders	2,298,232.00	Arrangements made to capitalize the expenditure.
	Reimbursement of land development cost	Inoac Polymer Lanka Ltd	10,321,311.00	
			12,619,543.00	
2013 (Jan-Jun)	Construction of Electric fence around MIP	Sun Power System	1,417,000.00	Since the final payment was effected in 2014, arrangements have been made to capitalize.
	Supply and lay sewer collection network	Shakthi Civil Construction	37,221,159.00	Capitalizing will be effected after completion of pipe laying & construction of the culvert.
	Supply of 36 nos precast ducts Land development work	SD&CC	3,366,000.00	Construction work has been completed now and the papers sent for capitalizing.
	Land development work	Nithya Paper & Boards Ltd	6,470,641.00	Arrangements made already to capitalize this expenditure.
			48,474,800.00	
2013 (July-Dec)	Augmentation of sewage treatment plant	Engineering Consultants (Pvt) Ltd	3,972,650.00	The above is a design consultancy assignment. The approval of Cabinet of Ministers is pending for the award of Contract for construction work. Capitalizing will be done after the completion of construction work.
	Installation of 02 nos wet well pumps	Megatech (Pvt) Ltd	7,081,125.00	Arrangements made to capitalize the above.
	Improvement to the Internal road	Maganeguma	53,913,924.00	As this expenditure has been incurred for the improvement of access road of BEPZ which is outside the zone. It is not capitalized but considered as expenditure under township development.
	Upgrading of main gate	RS Construction	1,591,998.00	Since the final payment was effected in 2014, arrangements are being made to capitalize.
	Construction of perimeter fence	Chance Engineering(Pvt) Ltd	27,754,025.00	The due date of completion was 28.11.2013. Final payment of the above Contract is pending. Therefore the capitalizing will be done in 2014.
	Installation of Electrical network	SEC	1,648,202.00	The expenditure against above items are not capitalized but considered as deferred payments.
	Partitioning & carpeting IS –Level 6	Leema Creations	5,511,277.00	
	PABX system	Metropolitan Communication	1,489,920.00	
			102,963,121.00	

Report of the Audit Committee

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

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

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

The Group Officer of the Government Audit participated in the Audit Committee Meetings as an observer representing the Auditor General.

Four Audit Committee meetings were held during the financial year ended 31.12.2013.

The Audit Committee assured objectives of the internal audit by approving the annual action plan of the internal audit department which focused on identified areas of risk and key internal controls.

Also the Committee, having continuous coordination with the Internal Auditor, reviewed the assessment of risks and effectiveness of the internal control framework of the BOI using information drawn from the reports of the internal audit and necessary directives were given wherever deviations/violations were reported.

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

Directory of BOI Offices

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Mawathagama Export Processing Zone

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E-mail : mwepz@boi.lk

Central Verification Terminal

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

Air Cargo Verification Unit

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

BOI Special Economic Zone

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

BOI Mirijawila Industrial Park

Mirijawila, Hambantota
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