



# ANNUAL REPORT 2012

**BOARD OF INVESTMENT OF SRI LANKA**  
**Ministry of Economic Development**



**BOI**  
**SRI LANKA**

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# Chairman's Message



When looking back at 2012, it can be said that this is a landmark year for the BOI. We achieved FDI inflows of US \$ 1.34 billion, which is the highest ever in the history of the Board and the second time that the billion dollar threshold was crossed. Hence there is hope that the dividends of peace are at last bearing fruit and that a new vibrant economy will emerge that will take the country to new heights.

What Sri Lanka now needs is to make FDI a major component of the economy, contributing at least 2% or more of the GDP.

The Thrust Sectors which were identified in 2010 such as the non-traditional goods for export, export orientated services, tourism and related services, infrastructure, higher education, value added strategic projects and the development of industrial estates and development of Special Economic Zones remain our strategic focus.

However, the emphasis will now be to promote projects that will strengthen Sri Lanka's capacity in the long term. I am therefore very pleased that in 2012, the University of Central Lancashire, Britain's 5th largest university, opted to set up a Campus at Mirigama. This will be an impetus for similar world class universities to set up branches in Colombo.

What the BOI also needs to do, is to promote projects that will bring in an R & D capacity to Sri Lanka. Hence, projects such as the Nanotechnology Park set up by Sri Lanka Institute of Nanotechnology (SLINTEC) together with the Ministry of Technology and Research, will create new avenues for employment which never existed before. They will offer opportunities for skilled people in Sri Lanka and arrest partially the current brain drain faced by the country.

Equally important to mention is a realization on the part of the Government that FDI needs to be further enhanced for the benefit of the population at large.

The BOI therefore took significant steps to improve the country's zonal infrastructure in 2012.

Last year work began on setting up the Mirijjawila Export Processing Zone (Mrijjawila EPZ), which will be a 228 Ha facility at Mirijjawila, Hambantota. When completed this Zone will benefit from its proximity to the Hambantota Port and Mattala Airport. It is ideal for vehicle assembly plants, logistics hubs and ship repair.

Work also began of the Sooriyawewa Investment Zone in 2012, which will accommodate an IT Park, Educational Institutes, Sport City, Residential areas and Mixed development.

Another significant project that was approved in 2012 is the Heavy Industry Zone at Sampoor, near Trincomalee. This zone will be operated by an investor who will be responsible for financing, designing, construction and maintenance of the operation of the Zone.

In addition to these new Zones, in 2012, the BOI continued to modify and upgrade the infrastructure facilities of the existing zones, investing a total of Rs. 721 million in that connection.

In 2012 the BOI's profile was raised through participation at major trade fairs. The organization manned a dedicated stall in the pavilion of the Ministry of Economic Development, at the Deyata Kirula National Exhibition which featured both information on investment and a job bank counter, to assist those seeking employment.

BOI also participated at the Jaffna International Trade Fair, which was the first Trade Fair in that town in three decades. Furthermore BOI participated in "Vidulka 2012", the country's premier exhibition on sustainable energy and more significantly at "Expo 2012" Sri Lanka's largest Trade Fair.

It would therefore be correct to state that the past year, 2012, did play an important part in promoting investment and in laying the foundations for a better and more investor friendly environment for 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 12 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.

## ***Our 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.

## ***Our 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

**“Ensure the wellbeing of all People of Sri Lanka through Economic Prosperity”**

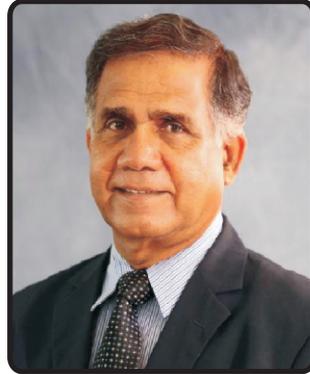


## MISSION

**“Secure Investments both Local and foreign to targeted sectors consistent with Governments Monetary and Fiscal targets for national development”**

**BOI**  
**SRI LANKA**

# Board of Directors 2012



**Mr. M M C Ferdinando**  
(Chairman / Director General)



**Mr. J D Bandaranayake**  
(Member)



**Mr. Eshana De Silva**  
(Member)



**Mr. Sanjeewa Wickramanayake**  
(Member)



**Mr. Anura Jayasinghe**  
(Member)

# Senior Officers of the BOI

Name	Designation
Mr. M M C Ferdinando	Chairman/Director General
Dr. I N Samarappuli	Executive Director (Research & Policy Advocacy)
Mr. Shivan D De Silva	Executive Director (Infrastructure, Utility & Education Sector)
Mr. D P Ariyasinghe	Executive Director (Tourism, IT/Knowledge Services & Agriculture Sector)
Mr. S B F De Silva	Executive Director (Technical Services)
Mr. W A H R Fernando	Executive Director (Engineering Approvals & Special Projects)
Ms. P K Walgama	Executive Director (Legal)
Mr. P J Panapitiya	Executive Director (Engineering Approvals & Special Projects)
Mr. U Sirigampola	Executive Director (Katunayake Export Processing Zone)
Ms. Y G Rajapaksha	Executive Director (Apparel, Regional Programmes & Other Manufacturing Sector)
Mr. E A J Edirisinghe	Executive Director (Human Resources & Administration)

## DIRECTORS OF THE BOI

Mr. K P V D Fernando	Director (Mega Projects)
Mr. D S Samarasinghe	Director (Media)
Ms. N Weerasekera	Director (Investor Services)
Ms. C P Malalgoda	Director (Research & Policy Advocacy)
Mr. H M Jayasundara	Director (Central Regional Office)
Mr. U J Weerasinghe	Director (North Western Regional Office)
Ms. M A S Perera	Director (Environment)
Mr. M K Garusinghe	Director (New Zones)
Ms. R M Weerakone	Director (Secretariat)
Ms. N De Silva	Director (Infrastructure, Utility & Education Sector)
Mr. J P C Jayalath	Director (Information Technology)
Ms. S P De S Mutucumarana	Director (Finance)
Mr. A K Jayasinghe	Director (Seethawaka Export Processing Zone)
Ms. M S C Samarakoon	Director (Legal - Public Private Partnership Unit)
Mr. W A F Jayasiri	Director (Industrial Relations)
Mr. M K D Lawrance	Director (Biyagama Export Processing Zone)
Brig. D A Amunugama	Director (Security)
Mr. A K A Mahinda	Director (Technical Services)
Mr. J Gunasekera	Director (Koggala Export Processing Zone)
Mr. A R Karunaratne	Director (Human Resources)
Mr. R M U Senerath	Director (Technical Administration)
Mr. M Ramanayake	Director (Investor Services - Zones)
Mr. N N Kumaratunga	Director (Apparel, Regional Programmes & Other Manufacturing Sector)
Mr. W U K M A Wijayakulathilaka	Director (Apparel, Regional Programmes & Other Manufacturing Sector)

# Overview

## Key Events & Highlights

- ★ BOI achieved FDI inflows of US\$ 1.34 Bn marking the highest ever level in its history.
- ★ The Biyagama Export Processing Zone was awarded the Bronze award (3rd place) in the Public Institute Category at the National Green Awards 2012, conducted by the Central Environmental Authority.
- ★ Sri Lanka Institute of Nanotechnology (SLINTEC) together with the Ministry of Technology and Research laid foundation for country's first Nanotech Park as a BOI project. The park creates opportunities for all businesses to develop new products through a collaborative innovation process with local as well as global companies.
- ★ BOI undertook preliminary work on the establishment of new investment zones at Sampoor, Mirijjawila, Sooriyawewa, Mulative to cater the growing investor demand for developed land plots to set up industries.
- ★ The BOI signed agreements with five projects under Strategic Development Projects Act, No. 14 of 2008 to set up operations in mixed development, High Residential Apartments, Shopping and Office Complexes as well as Multi-faceted Hotel Complexes, International University operate to Educational and Training Institutions and Research Organizations and a Heavy Industry Zone with an aggregate investment of US\$ 4,850 Mn.
- ★ BOI signed the first project to set up and operate a satellite system to provide telecommunication broadcast facilities to its customers with envisaged investment of Rs. 2.09 Bn.

# Sri Lanka Investment Outlook

## Highlights:

Sri Lanka reached FDI figure of over US\$ 1 billion in 2012 and broke its previous FDI records:

- Attracted the highest amount of investments ever recorded: US\$ 1,338 Mn.
- Made strong progress in the development of infrastructure changing landscape of the country.
- Domestic investment inflows increased to US\$ 608 Mn (almost 45% of FDIs).

## 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 Board of Investment of Sri Lanka (BOI), reached a record of US\$ 1,338 Mn of FDI, an increase of 26% as compared to US\$ 1,066 Mn recorded in 2011. As a result of Sri Lanka's solid investment performance last year, the country was able to reach highest ever FDI performance in 2012.

## The year in Brief

Sri Lanka attracted US\$ 1,338 Mn Foreign Direct Investments in 2012, more than any other year despite the uncertain global economic conditions. This constitutes investments approved in the manufacturing, Services/Infrastructure and Agriculture sectors. The total FDI US\$ 1,338 Mn in 2012 were contributed by US\$ 308 Mn from Manufacturing sector, US\$ 427 Mn from Services sector, US\$ 596 Mn from Infrastructure sector and US\$ 7 Mn, from Agriculture sector.

It is heartening to note that domestic investment inflows in 2012 increased by almost 42% compared to the year 2011, a sure sign of confidence local business have in the country's ability to prosper its investor. 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.

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.

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

The decline or stagnation in global FDI inflows as well as the increasingly competitive global environment posed challenges for Sri Lanka in 2012. Despite the challenging situation, Sri Lanka was still able to attract a considerable amount of investments into the manufacturing sector.

In 2012, a total of 100 manufacturing projects (Including expansions of existing Projects) were approved, involving investments of Rs. 95,882 Mn compared with Rs. 89,667 Mn for 77 projects in 2011. The total FDI received in 2012 to the Manufacturing sector was US\$ 308 Mn (23% 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-skill 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 upfront 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 to advance the Services/Infrastructure sector to support Sri Lanka's economic growth continued to bear fruit in 2012, and the sector is expected to expand its contribution to the economy during this decade. The Services/Infrastructure sector contributed Rs. 591,156 Mn of approved (by 125 projects including expansions) investments into the economy in the year 2012. The total FDI received in the year 2012 to Services/infrastructure sector was US\$ 1,023 Mn (76.5% of total FDI).

This sector comprises a broad range of services including hotels and tourism projects, mixed development projects, 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 2012, the Agriculture sector attracted investments worth of Rs. 9,369 Mn for 7 projects. Foreign Direct investment received in the Agriculture sector amounted to US\$ 7 Mn (0.5% of total FDI).

Out of the Rs. 9,369 Mn attracted for the Agriculture sector in the year 2012, 87% (Rs. 8,137 Mn) was from foreign sources. Two major projects were attracted for fisheries and dairy sub sectors with a total investment of Rs. 8,712 Mn. These two projects together accounted for 93% of the total investment attracted for the Agriculture sector.

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.

## Sri Lanka's Rankings

### **Doing Business Ranking 2012**

Out of 183 countries, Sri Lanka rose to **89th** position in 2012 from 102nd position in 2011 in global Doing Business Ranking published by the World Bank in collaboration with International Finance Corporation (IFC). This improvement in the business ranking is mainly due to the strengthening investor protections and reducing taxes on business. In the year 2012, Sri Lanka has made paying taxes less costly for businesses by abolishing the turnover tax and social security contribution and by reducing corporate income tax, value added tax and nation building tax rates.

### **World Bank Logistic Performance Index**

Sri Lanka's logistics sector's international ranking has improved from 137 to 81 in the World Bank logistic performance index of 2012.

Sri Lanka has made progress in this index due to the improvements it has made in areas such as customs, infrastructure, international shipments, logistics quality and competence, tracking, tracing and timeliness.

### **Tourism**

World leading UK Magazine "Conde Nast Traveller" has ranked Sri Lanka as "**3rd Most Hottest New Holiday Destination to Travel in 2012**".

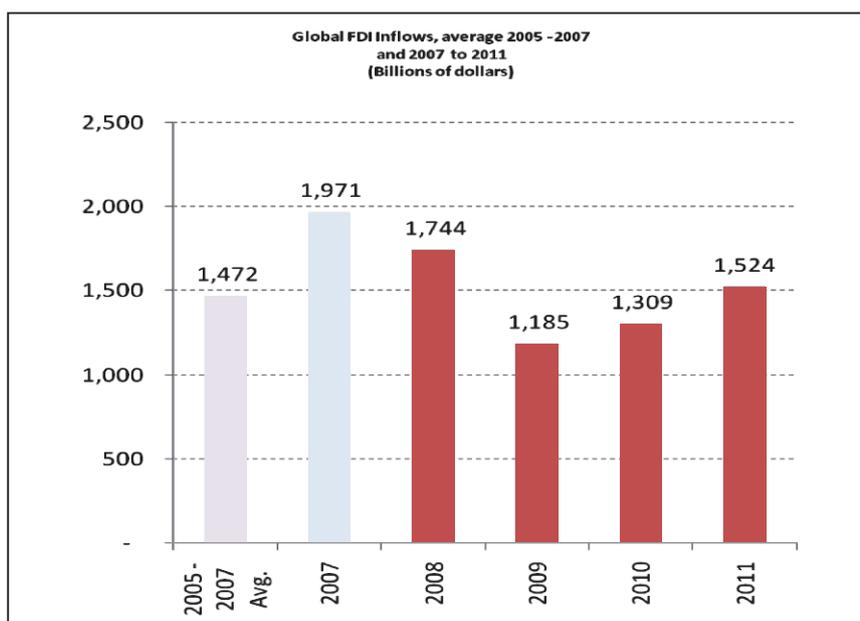
Among "Best of the World 2012" destinations, National Geographic Traveller magazine has named Sri Lanka among its **top six destinations** for world travellers in 2012, lauding the island nation's heritage sites, wildlife, lush landscapes and pristine beaches.

# World Investment Scenario 2011

## FDI Inflows & Outflows

Despite turmoil in the world economy in 2011, global foreign direct investment (FDI) flows increased by 16 per cent compared to 2010, by reaching US\$ 1,524 Bn and also exceeded the pre-crisis average FDI of US\$ 1,472 Bn by 4 per cent. However, the global inflows still remained some 23 per cent below the 2007 peak of US\$ 1,971 Bn.

FDI flows in 2011 is 16% higher than the 2010 flows, and marginally higher by 4% over the pre crisis average but remained 23% below the peak in 2007.



(Source: UNCTAD, World Investment Report, 2012)

### FDI INFLOWS

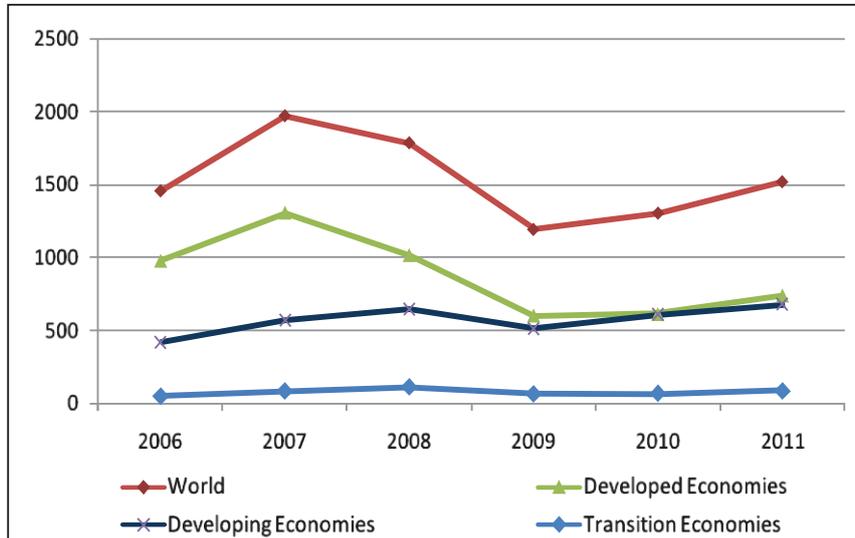
FDI Inflows to developing and transition economies increased by 12%, whereas Inflows to Developed economies increased by 21%.

- The rise of FDI inflows in 2011 was widespread; covering all three major groups of economies namely developed, developing and transition economies<sup>1</sup>, though the reasons for the increase differed across the globe.
- FDI flows to developing and transition economies saw a rise of 12 percent, reaching a record level of US\$ 777 Bn, mainly through a continuing increase in Greenfield projects. FDI inflows to developing economies increased from US\$ 617 Bn to US\$ 684 Bn in 2011 whereas Inflows to transition economies increased from US\$ 74 Bn to 92 Bn.
- FDI inflows to developed economies also increased strongly by 21 percent – the growth was due largely to cross-border M & As by foreign Trans National Companies.

1. South- East Europe and the Commonwealth of Independent States(CIS) countries

- FDI Inflows to developed economies reached to US\$ 748 Bn compared to 619 Bn in 2010.

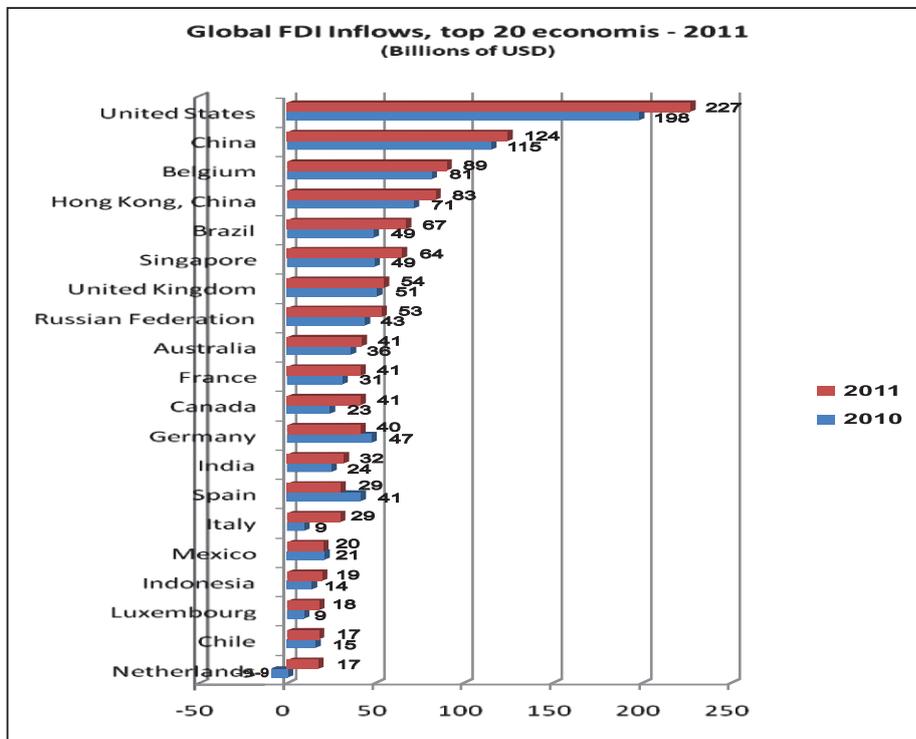
### FDI Inflows by Regions (2006 – 2011) – US\$ Billion



Developing Economies and transition economies together have absorbed US\$ 776 Bn, more than half of the world FDI, in 2011.

(Source: UNCTAD, World Investment Report, 2012)

- For the first time in the history developing economies together with transition economies surpassed 50 percent mark of the Global FDI inflows in 2010 and the same trend continued in 2011 as well.



Asia & Oceania attracted 65% of the total FDI of the developing economies.

Source: UNCTAD, based on annex table 1.1 of World Investment Report 2012 and the FDI /TNC database ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics))

- a) Ranked on the basis of the magnitude of 2011 FDI inflows Note: British Virgin Islands, which ranked 8th in 2011, is excluded from the list

United State has attracted US\$ 227 Bn, a 15% increase compared to 2010.

- Global rankings of the largest FDI recipients confirm the emergence of developing and transition economies as preferred host countries where 7 out of top 20 host economies belong to these groups.
- USA retained its position as the largest recipient of the FDI inflows whereas China also remained as the second highest foreign investment recipient in 2011 with US\$ 124 Bn FDI.
- However, Asian region is the most important FDI recipient of the developing economies that attracted 62% of the total FDI received by the developing economies. Asia and Oceania regions attracted US\$ 424 Bn.
- Latin America and Caribbean region has received US\$ 217 Bn of FDI inflows that accounts for 32% of the total FDI received by the developing economies.
- East Asia remained as the most important sub region for FDI in the Asia and Oceania region by receiving US\$ 219 Bn FDI, which accounted for 32% of the total FDI received by the developing economies and 52% of the Asian region Inflows.
- South East sub region is the next most important sub region attracted 17 % of the FDI inflows of developing economies with about 26% growth compared to 2010.
- FDI Inflows to ASEAN in 2011 were mainly to Singapore with US\$ 64 Bn (compared to US\$ 49 Bn in 2010), Indonesia with US\$ 19 Bn (compared to US\$ 14 Bn in 2010) and Malaysia with US\$ 12 Bn (compared to US\$ 9 Bn in 2010).
- In 2011, Thailand, Vietnam and Philippine recorded decline in FDI inflows by 2%, 7% and 3% respectively.

South Asia has attracted only 3% of the FDI inflows of the developing economies.

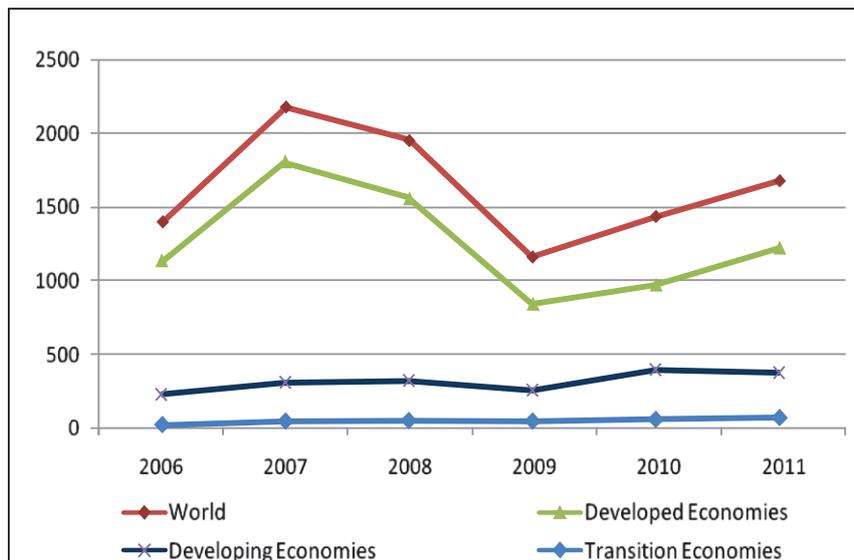
- A FDI inflow to South Asia has increased by 22% from US\$ 32 Bn in 2010 to US\$ 39 Bn in 2011. That account for 9% of the FDI inflows of the Asian Region.
- Significant growth of FDI inflows were recorded in India (US\$ 32 Bn compared to US\$ 24 Bn in 2010) Iran (US\$ 4.2 Bn compared to US\$ 3.6 Bn in 2010) and Bangladesh (US\$ 1.13 Bn compared to US\$ 0.9 Bn in 2010).
- India has attracted for 81 % of the FDI Inflows to South Asia followed by Iran and Pakistan by receiving 11% and 3% of the South Asian Inflows respectively.

## FDI OUT FLOWS

- A global FDI outflow in 2011 was recorded as US\$ 1,694 Bn with a 17% increase over to previous year. However still 23 percent below the 2007 peak level of US\$ 2,198 Bn.
- There was an uneven pattern of FDI outflows among regions.
- Developed economies contribute for US\$ 1,237 Bn, 73 percent of the world FDI outflows in 2011. FDI outflows of developed economies continued to increase with a 25 percent increase over 2010.

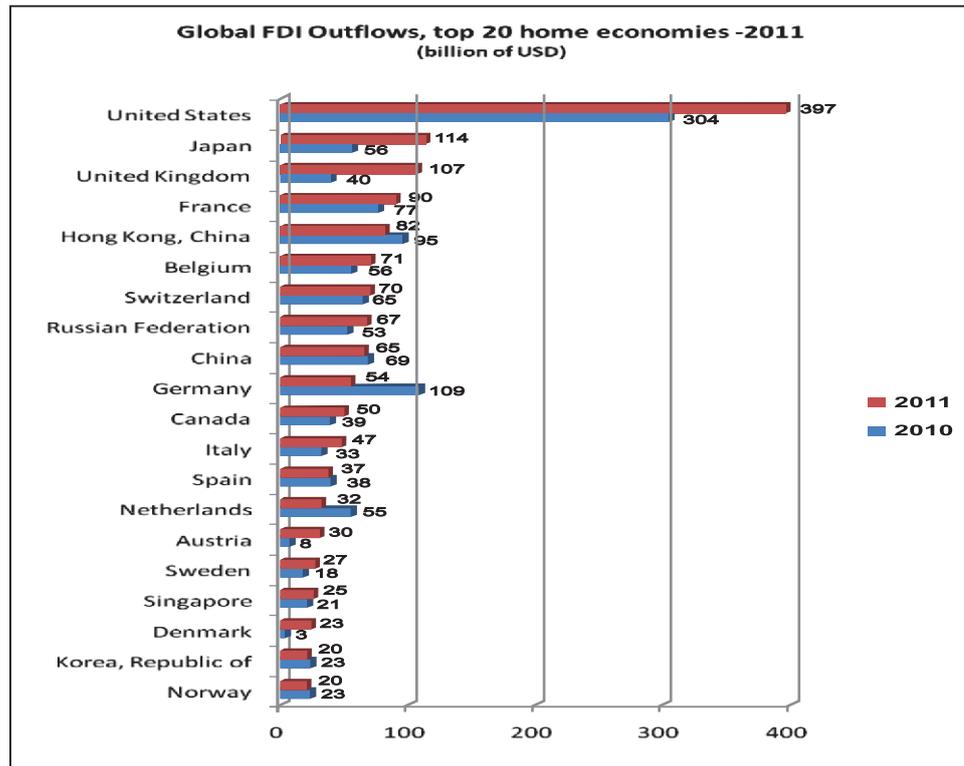
Developed economies take the largest share, 73% of World FDI Outflows.

### FDI Outflows by Region (2006 - 2011) US \$ Billion



(Source: UNCTD-World Investment Report, 2012)

- Outward FDI from developing economies reached US\$ 384 Bn in 2011, a 4 percent decline over 2010, whereas the growth of the FDI outflows of the transition economies was 19 percent reaching US\$ 73 billion.



Source: UNCTAD, based on annex table 1.1 and the FDI /TNC database ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics))

a) Ranked on the basis of the magnitude of 2010 FDI Outflows

Note: British Virgin Islands, which ranked 16th in 2010, is excluded from the list.

FDI Outflows from UK and Japan has increased by 168% and 104% respectively.

- USA remained as the number one of the top 20 home economies of the world FDI outflows reaching at US\$ 397 Bn Japan has taken the second position with US\$ 114 Bn and United Kingdom has come to the third position with US\$ 107 Bn.
- Highest growth in FDI Outflows was recorded by UK in 2011 with 168% increased compared to US\$ 40 Bn in 2010.
- Japan also recorded with 104% increased compared to US\$ 56 Bn in 2010 and USA has achieved 31% growth compared to US\$ 304 Bn in the previous year.
- Outflows from the FDI sources Hong Kong (China) and China have reached historical high of US\$ 95 Bn and US\$ 69 Bn respectively in 2010 but recorded a decline of 14% and 6% of outflows in 2011.
- Transition economies further strengthened their global position as emerging source of FDI in 2011 by pushing their FDI outflow share into 4% to reach US\$ 73 Bn compared to US\$ 62 Bn in the previous year.
- UK, Austria, Denmark and Norway have entered into the top 20 home economies in 2011, by pushing down Australia, Luxembourg, Ireland and India in the global ranks.

# Investment Performance

## Status-wise Project Details

### ✧ Project Approved & Agreement Signed in 2012

The total numbers of approvals granted in 2012 was 232 – a 45% increase compared to the year 2011. The total estimated investment of the approvals granted was US\$ 5,458 Mn (Rs. 696,406 Mn) which is a 64% increase compared with the previous year. The estimated employment opportunities of approved projects in the year 2012 was 55,120 – a 13% increase compared with the previous year.

**Table 1: Investment & Employment share of Approved projects in 2012 – by sector**

Sector	No. of Projects	% Share of Investment	% share of Employment
<b>Services/Infrastructure</b>	<b>111</b>	<b>84%</b>	<b>53%</b>
Shopping & Office Complexes	16	25%	8%
Hotels, Restaurant Services & Entertainment Complexes	28	18%	14%
Industrial Estate Development (Heavy Industry Zone)	1	13%	9%
Housing & Property Development	14	7%	8%
Other	52	21%	13%
<b>Manufacturing</b>	<b>75</b>	<b>13%</b>	<b>32%</b>
<b>Agriculture</b>	<b>7</b>	<b>1%</b>	<b>2%</b>
<b>Expansions of Existing Projects</b>	<b>39</b>	<b>2%</b>	<b>13%</b>
<b>Total</b>	<b>232</b>	<b>100%</b>	<b>100%</b>

Out of the total approved investment in the year 2012, the Services/Infrastructure sector accounts for the highest contribution (84%) followed by the Manufacturing sector (13%) and the Agriculture sector (1%). The rest 2% of the total approved investment is for the expansions of existing projects. Services/ Infrastructure sector includes shopping & office complexes (25%), Hotels, Restaurant Services & Entertainment Complexes (18%), Heavy Industry Zone (13%), Housing & Property development (7%) etc.

Out of the total estimated employment of the approved projects in 2012, 53% is expected to create in the Services/Infrastructure sector while 32% is in the Manufacturing sector and 2% is in the Agriculture sector. Expansions of existing projects are expected to create 13% of the total estimated employment of approved projects.

The total number of projects signed agreements with BOI in 2012 accounted for 163, worth of US\$ 3178 Mn (Rs. 405,493 Mn) est. Investment which shows a 9% increase (in Rupee terms) compared with the year 2011. These projects are expected to generate over 38,000 employment opportunities.

## ✧ Projects Commenced Construction / Implementation in 2012

In the year 2012, a total of 105 new projects and 4 expansion projects commenced implementation/ construction. The total estimated investment of projects that commenced implementation was US\$ 1,065 Mn (Rs. 135,953 Mn) and the expected employment generation was 17,000 nos.

**Table 2: Top 10 projects (based on Est. Investment) commenced construction/ implementation in 2012**

Name of the Project	Business Activity	Est. Investment (Rs. Mn)	Est. Employment (Nos.)	Location
Shangri-La Hotels Lanka (Pvt) Ltd.	Luxury Hotel	44,880	432	Colombo
Shangri-La Investments Lanka (Pvt) Ltd.	Luxury Hotel	13,200	495	Hambantota
MAS Fabrics (Pvt) Ltd.	Footwear	10,519	1,419	Kegalle
House of Fashines Mega Mall (Pvt) Ltd.	Mega Shopping Mall	4,500	405	Colombo
Softlogic City Hotels (Pvt) Ltd	Five Star Hotel	3,754	269	Colombo
Varun Beverages Lanka (Pvt) Ltd.	Beverages	2,863	290	
Dabur Lanka (Pvt) Ltd.	Beverages	2,783	122	Gampaha
Vasan Healthcare Lanka (Pvt) Ltd.	Eye Hospital	2,775	700	Colombo
Supremesat (Pvt) Ltd.	Satellite System to Provide Telecommunication	2,090	68	Colombo
Mega Ten Bioenergy (Pvt) Ltd.	Dendro Power Plant	1,713	74	Monaragala

## Projects Commenced Commercial Operation in 2012

During the year 2012, a total of 80 projects (77 new projects and 3 expansion projects) have commenced commercial operation. The Total estimated investment of these projects accounts for US\$ 255 Mn (Rs. 32,563) and over 16,000 employment opportunities are expected to be created. Out of 80 projects that commenced commercial operation in 2012, 41 were in the Manufacturing sector, 37 projects were in the Services sector and 2 projects were in Agriculture sector. 37 Services sector projects include 14 hotels and 6 power generation plants.

## Foreign Direct Investment Attracted In 2012

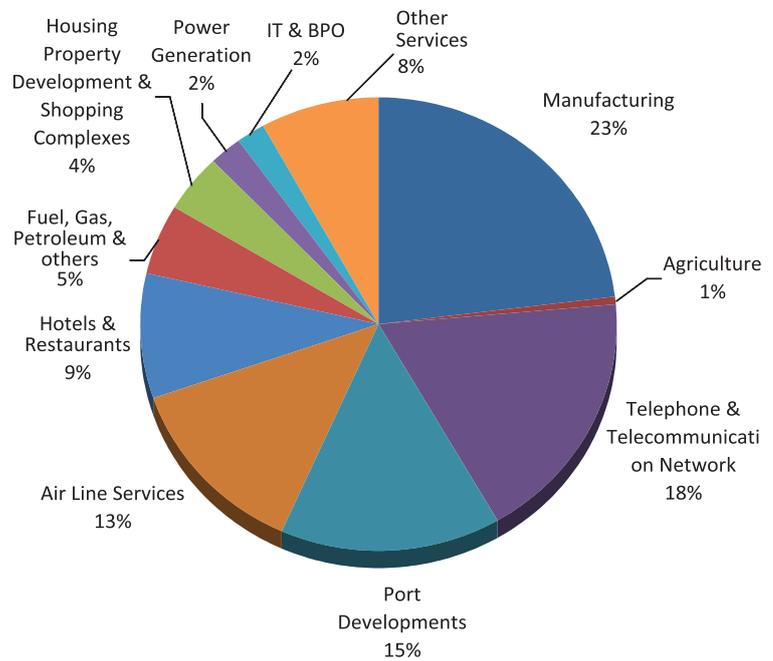
2012 became the second consecutive year that the country received over US\$ 1 billion Foreign Direct Investment. The highest ever FDI recorded in this year, amounted to US\$ 1,338 Mn – a 26% increase compared to the US\$ 1,066 Mn FDI received in 2011.

Out of total FDI in 2012, the Manufacturing sector has received the highest FDI amounts to US\$ 308 Mn (23%), followed by the Telephone & Telecommunication sector with US\$ 242 Mn (18%) and the FDI received for the Port development amounts to US\$ 202 Mn (15%).

Further, in the year 2012, Sri Lanka has received US\$ 175 Mn FDI (13%) for Air Line services and US\$ 117 Mn (9%) for Hotel Projects.

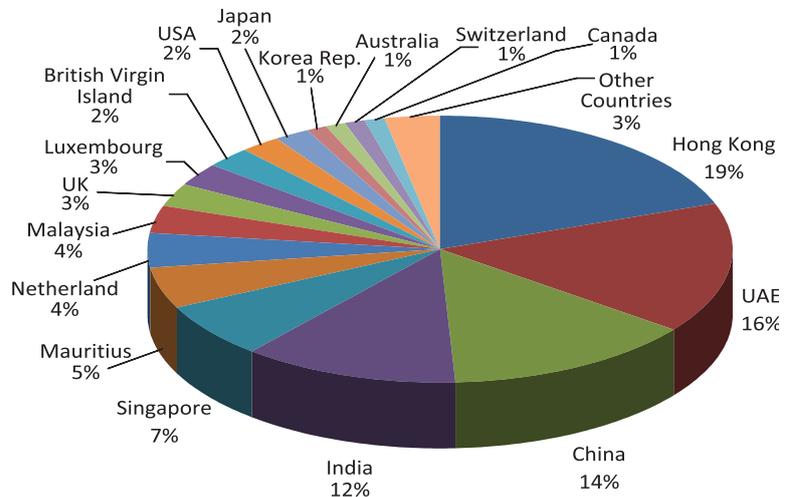
## Sectoral Composition of FDI- 2012

Sector	FDI (US\$ Mn)
Manufacturing	308
Agriculture	7
Services	
Telephone & Telecommunication Network	242
Port Developments	202
Air Line Services	175
Hotels & Restaurants	117
Fuel, Gas, Petroleum & others	66
Housing Property Development & Shopping Complexes	56
Power Generation	30
IT & BPO	26
Other Services	109
<b>Total</b>	<b>1,338</b>



## Major Sources of Foreign Direct Investment-2012

COUNTRY	FDI (US\$ Mn)
Hong Kong	259
UAE	214
China	185
India	160
Singapore	88
Mauritius	66
Netherland	56
Malaysia	47
UK	38
Luxembourg	37
British Virgin Island	33
USA	27
Japan	26
Korea Rep.	18
Australia	15
Switzerland	14
Canada	14
Other Countries	41
<b>Total</b>	<b>1,338</b>



Hong Kong was the largest source of FDI in 2012 with US\$ 259 Mn. This was followed by UAE (US\$ 214 Mn.), China (US\$ 185 Mn.), India (US\$ 160 Mn.), Singapore (US\$ 88 Mn.), Mauritius (US\$ 66 Mn.), Netherlands (US\$ 56 Mn.), Malaysia (US\$ 47 Mn.), UK (US\$ 38 Mn.), Luxembourg (US\$ 37 Mn), British Virgin islands (US\$ 33 Mn), USA (US\$ 27 Mn.) These twelve countries together accounted for 90% of the total FDI received in the year 2012.

### Realized Investment (Cumulative)

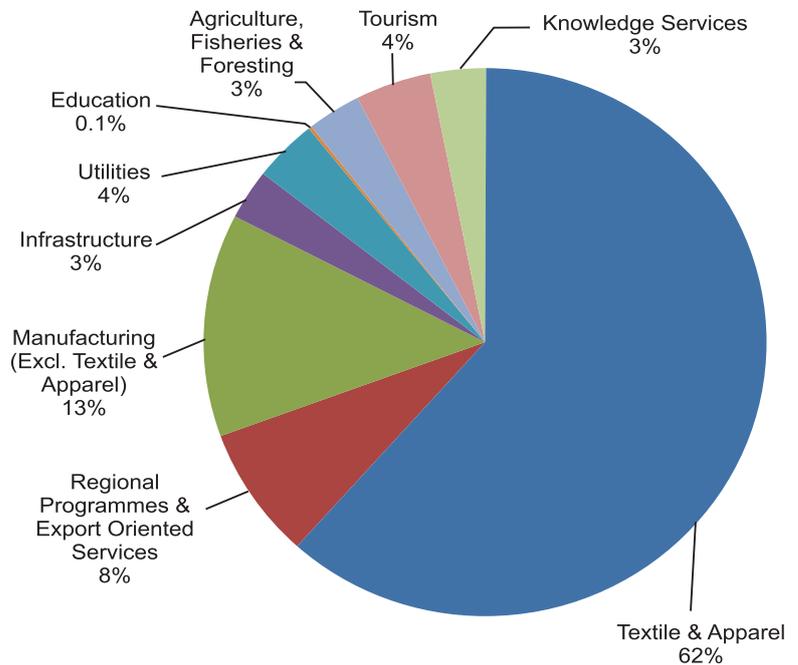
The realized cumulative total investment as at end of the year 2012 was Rs.1, 281 Bn., which showed a 24% increase compared to the previous year. Out of Rs.1, 281 Bn. realized investment, 65% (Rs. 828 Bn.) represented the foreign component and the balance 35% Rs. 453 Bn.) represented the domestic private investments.

The Infrastructure & Services sector accounted for 73% of the total realized cumulative investment and the balance 27% was from the Manufacturing sector including Apparel.

### Employment (Cumulative)

The cumulative employment of BOI projects as at December 2012 was recorded as 457,986. This is a 2% increase (around increase of 8,000 employment nos.) compared with the cumulative employment as at end of the year 2011. (i.e 450, 913).

62% of the total cumulative employment of BOI projects is from the Textile & Apparel sector while 13% is from Other Manufacturing sectors and 8% 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 17% of the total cumulative employment of projects under BOI.



# Departmental Performance

## 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. Twelve Board Meetings and One Special Board Meetings were held during the year 2012. 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. Twelve Management Committee Meetings were held during 2012.

In the year 2012, Director General's Secretariat has organized 06 One-Stop-Shop Meetings with coordination of officials at the Government Organizations to get the fast track approvals required by investors to implement their projects expeditiously. During the year 2012, Six One-Stop-Shop Meetings were held and Thirty Nine issues were discussed. Twelve matters could be resolved and some matters were withdrawn due to obtaining new location, termination etc., while others are being processed.

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.

## SECTOR GROUP 1

### (Tourism, Agriculture and IT/Knowledge Services)

Sector Group 1 consists of three main sectors, namely Tourism and Leisure, Agriculture and IT/Knowledge Services.

- a. The prime objective of this sectoral focus lead by Sector Teams is to provide all required facilities to investors from the inquiry/application stage throughout the lifespan of the project.

- b. The teams will work with line ministries/relevant agencies in their respective sector to identify investment priorities and to proactively promote investment opportunities. Once prospective investors decide to invest in a sector, these teams will act as relationship managers for all investors in their sector, from project evaluation to implementation to post-investment aftercare – thereby developing deep relationships with the stakeholders in their sector and acquiring a wider sectoral knowledge.

### Details of Project applications received from Jan – Dec 2012

Description	Tourism	Agriculture	IT/Knowledge Services	Total
New Applications received	47	20	07	74
Project approvals granted with expansion	28	13	07	48
Agreements signed	15	9	07	31
Started Operation	14	3	01	18

Samudra Beach  
Resorts (Pvt) Ltd,  
Hiddaruwa, Kosgoda



### Major Projects approved / negotiating under Strategic Development Projects Act:

#### 1. ITC Limited

Subsequent to the MOU signed with the BOI by ITC Limited, India, the project proposal for mix development project with an investment of US\$ 140 million submitted to BOI, be located on a part of the land belonged to the former Sri Lanka Army Headquarters, Colombo. The project includes a 300 roomed five star hotel with high-quality residencies, high end shopping mall and commercial outlets, and the project was approved under the SDP Act. In compliance with the SDP procedure, final approval for the project from Parliament was obtained in January 2013. The company incorporated in Sri Lanka for the project – Welcome Hotels Lanka (Pvt) Ltd is in the process of finalising their architectural drawings. Construction of the project will be commenced in June 2013.

## 2. Sinolanka Hotels & Spa (Pvt) Ltd

Sinolanka Hotels & Spa (Pvt) Ltd (revival of Hyatt Regency Hotel), with an investment of US\$ 158 Mn, a multi-faceted hotel complex in Colombo 3. The project was identified as a Strategic Development Project in consultation with relevant Ministries. The project is to build a 30 storied luxury city business hotel with all modern facilities consisting around 475 rooms, 90 service apartments, multiple restaurants, gym & spa facilities, sky lobby, banqueting & meeting room facilities etc. at Galle Road, Colombo 3. The proposed hotel will be managed by Hyatt Hotels & Resorts under the brand "Hyatt Regency - Colombo". The project is under implementation and be ready for commercial operations in September 2014.

**The following major companies/teams visited Sri Lanka during 2012 to explore the investment prospects falls within the purview of the Sector Group 1.**

### Tourism Sector

- 1 ITC Limited, India, the second largest hotel chain in India with over 100 hotels in 80 destinations in India, determined to select Sri Lanka as their first international destination for their five star hotel/mixed development project after a round of negotiations with BOI. Subsequently, a MOU was signed with the BOI in January 2012.
- 2 LOLC Leisure Ltd submitted a project proposal to set up a mega mixed development with an investment of US\$ 83 Mn at Beruwela. The project consists of a 500 room internationally branded fully integrated 5 star resort with service apartments, condominiums and shopping / entertainment complex. The project is to be completed in 3½ years.
- 3 MS & N Lifestyles, Dubai, UAE, submitted a project proposal to set up a Five star Wellness Resort with an investment of US\$ 31 million under the name of Newlife Resorts LLC at Hambantota, with a 100% foreign ownership. The project consists of 45 roomed luxury rooms and 10 villas with all modern facilities.
- 4 Minor International PCL, Thailand, one of the largest hospitality and leisure companies in the Asia Pacific Region, submitted a project proposal jointly with Peace Haven Resorts Ltd, a subsidiary of Hemas Holdings PLC to set up a 158 luxury tourist resort with an investment of US\$ 40.5 Mn at Tangalle, Hambantota.
- 5 Ani Villas International, USA, owners of a collection of luxury villa estates in development in some of the world's most exotic locations, submitted a project proposal to set up a 14 luxury villa resort with an investment of US\$ 8 million at Dickwella.
- 6 Jetwing Group, one of the largest hotel chains in Sri Lanka with 11 luxury hotels in the island, submitted another project application to set up a four star luxury resort of 70 rooms and 28 service apartments project with in an investment of US\$ 17 Mn at Ward Place, Colombo 7. Project is under construction and expected to be in operation in 2014.

- 7 Ferruform, a Swedish company and their local representative visited BOI to explore the possibilities to set up an international golf course with an investment of US\$ 30 Mn. Held discussions with SLTDA and BOI Tourism Sector team followed by site visits at Kuchchaveli, Passikudah and other locations in East coast.
- 8 Senior officials from The Peninsula Chittagong, Bangladesh, visited BOI in October 2012, subsequent to a number of discussions held. Site visits made particularly in the South Coastal areas to set up four star hotel and a recreational/entertainment centre with a possible investment of US\$ 10 million.
- 9 Junjin Purie International, South Korea
- 10 PT. Panorama Development Utama, Bali, Indonesia
- 11 Manjeera Hotels & Resorts, "Sarovar Group", Haderbad.
- 12 Citymax Hotel, Canada
- 13 Superlon Worldwide SDN. BHD

### **Agriculture Sector**

1. Pine Hill Streams Capital, LLC (USA), and his team visited to BOI to explore investment opportunities in Dairy Sector.
2. Nichilan Fishery (Pvt) Ltd, a fishing project with 100% foreign investment of US\$ 22 Mn and 500 employment at Dickowita.
3. Penfield Ltd, Hong Kong has submitted a bid for the acquisition of Kantale Sugar Industries.
4. Agstar Gains (Pvt) Ltd, a rice mill to be located at Anuradhapura with fixed investment of more than US\$ 2 Mn.
5. CIC Agri Businesses (Pvt) Ltd, a milk processing plant with an investment over US\$ 4 Mn to be operated in Dambulla.

### **IT/Knowledge Services Sector**

1. Business Payment Services (Pvt) Ltd, Australia, submitted a project proposal to provide BPO/KPO services for off-shore companies and develop software for export market with an investment of US\$ 4.4 Mn and 100 employment opportunities.

2. An investor from UK submitted an application to set up a project provide HR BPO services for export market with investment of US\$ 1.25 Mn with 200 employment opportunities.
3. Barclays Capital, UK, held discussions to set up an IT/BPO project for export market with over 500 employees.
4. Paycorp Payment Solutions (Pvt) Ltd, Australia, a leading provider of Enterprise payment processing solutions to Financial Institutions, corporate and industry specific vertical markets submitted a project proposal to operate a Knowledge Processing Outsourcing in Sri Lanka. With an investment of US\$ 4.4 Mn and will provide 100 employment opportunities.
5. SLK Global BPO Services (Pvt) Ltd, submitted application to set up a project to provide a BPO services and back office services for export market with an investment of US\$ 3 Mn and 500 employment opportunities.

#### **Overseas Promotional Missions engaged by the Department/ Sector Group 1**

No overseas missions planned and carried out by the Sector Group 1 during the year 2012.

#### **Inward delegations carried out by the Department**

1. 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 to sign a MOU between Qatari Holding Company and BOI and other MOUs with the Government of Sri Lanka.
2. The Federation of Malaysian Sri Lankan Organization (FOMSO) visited Sri Lanka/BOI in January 2012 to explore the possibilities of investment opportunities in Sri Lanka.
3. CII Business delegation which was comprised of 12 members, visited BOI during the period 27-30 March 2012. BOI made a presentation on investment opportunities available and had a discussions with a view to explore new business avenues such as manufacturing, auto electrical, IT, IT education, healthcare, Export-import of electronics, tourism & hospitality sector etc.
4. A delegation from Barclays Capital Holdings, UK, visited BOI along with Ministry of Finance and Planning, Sri Lanka, officials and had discussions to explore the possibility investing in IT/BPO sector in April 2012.
5. A delegation from Global Alliance, California, USA, visited BOI during April 2012 to explore business opportunities to set up a Global Operational Office in Sri Lanka.

6. A five member business delegation from Philippines Agriculture, Mining, Power & Energy, Tourism & leisure and Education sectors visited BOI during May 2012 to explore the investment opportunities in Sri Lanka.
7. A trade & investment delegation from National Chamber of Commerce & Industries of Malaysia visited BOI during the period 1st - 6th July 2012.
8. A high-powered visiting delegation from South Africa led by Deputy Minister of Economic Development, Ambassador of South Africa in Sri Lanka HE Geoff Doidge, ANC National Coordinator and 30 officials of the ANC and entrepreneurs from South Africa visited BOI in September 2012 with an interested in exploring the possibility of investment in Sri Lanka including joint ventures with Sri Lankan companies. The visiting South African delegation represented a wide range of sectors, including the construction industry, transportation, hospitality/tourism, engineering agriculture, IT and software development. Actg. Executive Director briefed the delegation on all aspects on investment in Sri Lanka including BOI's nine thrust sectors, BOI's Export Processing Zones including the Strategic Development Projects and particularly on the liberal business environment of the country.
9. A 13 member delegation from the Confederation of Indian Industry (CII) which included some of the leading industrialists in India visited BOI in November 2012. BOI briefed them on the opportunities that Sri Lanka offers investors as well as the country's rapidly improving business environment, thrust sectors for investment and incentives offered to investors. Discussions with the BOI centered on possibilities of the Indian companies investing in Sri Lanka's automobile manufacturing sector, IT industry, energy sector projects, real estate including the development of integrated business cities, air conditioning sector and beverages production .

### **Promotional Activities Sector Group 1**

1. A MOU signed with Qatari holding Company and BOI during the month of January on agreement on cooperation between Sri Lanka-BOI and Qatari in the field of investment.
2. Malaysian Investors Forum organized by BOI/Sector Group 1 in March 2012 with a view to make awareness of new investment incentives introduced by 2011 Budget for new investment ventures and existing companies. Malaysian Companies and other companies who have Malaysian collaborations in Sri Lanka, with other relevant chamber officials, key government officials including the Malaysian High Commissioner were present. Actg. Executive Director (Investment Promotion) made a presentation elaborating the central facilitation role played by the BOI followed by a Q&A session.
3. Sector Group 1 officials represented at Mega EXPO 2012 event held in March/April 2012. BOI communicated with a number of delegations prior to their visit to the exhibition and arranged a series of meetings with BOI particularly on sector basis. Delegations from Singapore, Malaysia, Canada and India visited BOI during the exhibition period

and BOI had the opportunity to brief them on the conducive investment climate emerged in Sri Lanka with favourable incentive structures.

4. A three day Conference (26th-28th April 2012) held in parallel with India INVESTRADE Investment and Trade Exhibition at BMICH, Sector Group 1, Indian country desk officers attended and made a presentation on "Investment Opportunities available in Sri Lanka". Over 50 Indian companies from Construction sector took part in this event and also participated B to B meetings with Indian counterparts and other visiting interested parties.
5. 'Powering Investments in Sri Lanka' SLBA Investor Series organized by the Singapore-Sri Lanka Business Association, Singapore in May 2012, attended and made a presentation by the Executive Director (Sector 1), who was in Singapore on a Scholarship, on an invitation made by the organizers. The presentation elaborated the conducive investment climate in Sri Lanka and the role of the BOI with a view to encourage to know among the community the flagships projects that are on-going in Sri Lanka and positive impact on the growth of the country.
6. Sri Lanka's potential as a major maritime and shipping hub in the South Asian Region was showcased at Ports, Trade and Logistics Conference held in July 2012 and Actg. Executive Director (Investment Promotion) attended as a key speaker at the session and highlighted the importance of BOI and the conducive environment created for investors in the post-war situation.
7. BOI/Sector Group 1 engaged in the arrangements in relation to presentation of Global Commerce Excellence Awards 2012, held in Dec 2012 and jointly organized by Shippers' Academy in Sri Lanka, Central Bank of Sri Lanka, Sri Lanka Ports Authority, Sri Lanka Airport and Aviation Authority and the Board of Investment of Sri Lanka. Main objective of this event is to recognize and reward the well performed companies particularly in the export oriented products and services at a public platform who have played an important role in the past as well as those who would play a significant role in the future. Most of recipients of the awards were BOI companies.
8. Investor friendly, Investment Guide along with nine sector brochures which contained comprehensive investment information prepared and published by Research & Policy Advocacy Dept with the assistance of Sector team members, to be given to prospective investors as a promotional tool.
9. Senior officials from the Tourism Sector regularly participated at the One-Stop-Shop-Unit Tourism Sector meeting at the Sri Lanka Tourism Development Authority, which is being set up for expedite and clear the bottlenecks of on-going tourism projects.
10. A.T. Kearney, a leading global management consulting firm, to benchmark Sri Lanka against other leading knowledge services locations launched their findings in March 2012: Competitive Benchmarking: Sri Lanka Knowledge Services Report, a comprehensive IT sector study, the Head of Department extensively engaged during 2011 as a resource person from BOI/IT Sector.

## SECTOR GROUP 2 (Infrastructure, Utilities, Education)

Sector Group II consist of three main sectors namely Infrastructure, Utilities & Education.

- a) The prime objective of this sectoral focus led by the Sector Team is to provide all required facilities to investors from the inquiry / application stage throughout the lifespan of the project.
- b) The Teams will work with line ministries /relevant agencies in their respective sector to identify investment priorities and to proactively promote investment opportunities. Once prospective investors decide to invest in a sector, these teams will act as relationship managers for all investors in their sector, from project evaluation to implementation to post- investment aftercare – thereby developing deep relationships with the stakeholders in their sector and acquiring a wider sectoral knowledge.

### Details of Project applications received from (January – December 2012)

Description	Infrastructure	Utilities	Education	Total
New applications received	37	16	05	58
Project approvals granted with expansions	34	15	01	50
Agreements signed	24	09	02	35
Started implementation	13	18	02	33
Started Operation	03	05	04	12



Avic International - Catic

### Major projects approved /negotiating under Strategic Development Projects Act

1. A proposal was submitted by the University of Central Lancashire (UCLAN) to set up a Branch campus, on the land adjacent to the BOI Zone in Mirigama, with an investment of US\$ 100 Mn. UCLAN is committed to producing highly motivated skilled graduates for the global economy as a part of their global expansion plan. This branch campus will be established in Sri Lanka, to give UK standard higher education experience to the Sri Lankans offering undergraduate postgraduate degrees across four (04) faculties viz Science, Technology, Business Studies and Humanities. The curriculum will emphasize vocational objectives, relevance and employability. The proposed 120 Acre land owned by the BOI at Mirigama Export Processing Zone will be leased for 99 years to the University of Central Lancashire of UK. The project was approved under the SDP Act.

The construction is scheduled to commence in January 2013 and they are targeting to start operation and absorb first intake of 550 under graduates in September 2014.

The following major companies/ teams visited Sri Lanka during 2012 to explore the investment prospects.

### Education Sector

#### 1. M/s. Raffles Education Corporation Ltd

M/S RAFFLES Education Corporation Ltd. of Singapore submitted a project proposal to set up a Higher Education Institute at Negombo with an envisaged investment of US\$ 70 Mn.

***M/s Raffles Education Corporation Limited is one of the largest private education groups in Asia Pacific head quartered in Singapore. Currently the group has grown to operate 33 colleges in 30 cities across 13 countries. More than 21,300 students are enrolled in REC's tertiary programmers.***

The proposed project will be established to provide quality education to Sri Lankan students as well as international students from South Asian countries. The project intends to provide the following training modules for its students from Foundation Diploma to Bachelors and Masters Degrees in Business Administration, Hospitality and Tourism, Accountancy Psychology, Engineering and Technology

### Infrastructure Sector

#### 1. Krrish Transworks Colombo (Pvt) Ltd

The proposal was submitted to the BOI by Krrish Group of India, with an investment of US\$ 450 Mn. The proposed location is Transworks Square, Colombo 01, in extent of 4A 1R 6P. The Memorandum of Understanding between the UDA and the M/s Krrish Group was signed on 30/07/2012 to lease out the land to this company on 99 years lease basis. The project was considered under the Strategic Development Project Act No. 14 of 2008. This company has made 80% of the land value to the UDA for the cost of land. The company has already signed the Lease Agreement for the Heritage site which covers 30% of the land cost. This complex will consist of four towers of 70 storys' each. Three towers will be consisting of High-End Residential Apartments. The fourth tower will be consisting of Retail Shopping Complex, Office complex and a 07 star hotel for high-end customers. The heritage building will be renovated, keeping intact, its heritage character. The renovated complex will house a most classic hotel. A state of art Spa and a state-of-the-art Business Centre with ultra modern facilities and unobtrusive services will be established in this complex.

#### 2. Sri Lanka Gateway Industries (Pte) Ltd

A proposal received from Sri Lanka Gateway Industries (Pte) Ltd (SLGIPL) for the setting up of a Heavy Industry Zone in Sampur, Trincomalee, with an investment of US\$ 4 Bn. The proposal for the development, operation and managing of a Special Zone for Heavy Industries in

Sampur, Trincomalee, in an area having approximately 818 acres by providing necessary physical and social infrastructure including education and health facilities, modern settlements with leisure and recreation facilities, construct a Deep Water Jetty and Stock Pile Yard and other facilities such as internal roads, provision of power requirements, water supply sewerage and waste water treatment, conducive to attract and facilitate investment by the prospective investors within the Zone. The proposed Heavy Industrial Zone will change the economic landscape of the area, and by extension, the Country and hence, this project has been considered as a strategic development project under the Strategic Development Act No. 14 of 2008.

### **3. Avic International Hotels Lanka Ltd**

M/s Avic International Hotels Lanka Ltd signed an agreement with the BOI on 25.09.2012 to set up a mixed development project consists of 3 towers at Colombo 03 with an envisaged investment of US\$ 64.25 Mn.

### **4. G V R Lanka (Pvt) Ltd**

M/s G V R Lanka (Pvt) Ltd signed an Agreement with the BOI on 20.12.2012 to set up a mixed development project at Kandy with an envisaged investment of US\$ 34.7 Mn.

### **5. Havelock City (Pvt) Ltd**

Havelock City (Pvt) Ltd signed an Agreement with the BOI on 13.12.2012 to set up a mixed development project at Colombo 06 with an envisaged investment of US\$ 210 Mn.

### **6. Imperial Builders (Pvt) Ltd**

Imperial Builders (Pvt) Ltd signed an Agreement with the BOI on 10.10.2012 to set up a mixed development project at Slave Island, Colombo 02 with an envisaged investment of US\$ 25.6 Mn. This project to be operated as a part of Colombo City development. This project called as the "Redevelopment of the Slave Island".

Under this proposal, the company planned to construct apartment for 470 families and 136 Nos. of commercial units on a 3 Acres land.

### **7. Keppel C T Developments (Pvt) Ltd**

Keppel C T Developments (Pvt) Ltd signed an Agreement with the BOI on 30.11.2012 to construct an apartment complex at Colombo 13 with an envisaged investment of US\$ 65.58 Mn.

## Utilities Sector

### 1. Supreme Sat (Pvt) Ltd

M/s. Supreme Solutions (Pvt) Ltd signed an Agreement with BOI to set up and operate a satellite systems to provide telecommunication broadcast facilities to the customers at an envisage investment of Rs. 2.09 Bn. At the initial phase of the project the project company obtained leasehold possession of a part of the Chinese satellite which is already orbited and the lease has been financed through a loan obtained from a Chinese Bank.

They already signed a Supplementary Agreement with BOI during 2013 to construct an Earth Station at the Kandy Industrial Park.

### 2. Renewgen Environment Protection Kotte (Pvt) Ltd

Ms. Renewgen Environment Protection Kotte (Pvt) Ltd of India was approved to set up a 10 Mw waste to energy plant at Kaduwela at an envisaged investment of Rs. 3.56 Bn.

### 3. Kithulgala Hydro Power (Pvt) Ltd

Ms. Kithulgala Hydro Power (Pvt) Ltd signed an agreement to set up and operate a 7.3 Mw. Hydro Power Plant at Kithulgala at an envisaged investment of Rs 1.38 Bn.

### 4. Escas Owala (Pvt) Ltd

M/s. Escas Owala (Pvt) Ltd signed an agreement to set up and operate a 2.8 Mw Mini Hydro Power Plant at Matale at an envisaged investment of Rs. 860 Mn.

## **Overseas Promotional Missions Undertaken by the Sector Group 11**

1. The BOI organized an Investment Promotion Mission in Japan from 12th to 16th March 2012 with the collaboration of United Nations Industrial Development Organization (UNIDO) and Osaka Prefectural Government. UNIDO organized one-on-one meetings in Tokyo and Osaka Chamber of Commerce & Industries, and Osaka International Business Promotion Center of Osaka Prefectural Government organized Investment Forum on March 15, 2012

Objective of this mission was to identify potential investors and explain current business environment and benefits that BOI offers to them. After identifying potential investors, The BOI carried out follow up work to encourage potential investors to invest in Sri Lanka. Officer in charge of coordinating investment from Japan represented BOI at this programme.

2. Visit to China to participate in Seminar on China – South Asian Nations Investment Cooperation organized by the Ministry of Commerce of China and the Chinese Academy of International Trade & Economic Cooperation (CAITEC). Officer in charge of coordinating investment from China represented BOI at this programme.

**INWARD DELEGATIONS CARRIED OUT BY SECTOR GROUP 2 :**

1. A five member Chinese delegation from CG Solar Company visited in January 2012, to discuss an investment proposal for 100 MW Solar Power Project. The delegation was accompanied by Mr Zhang Chen Li a former Chinese Ambassador to Sri Lanka as advisor to the delegation. The delegation met with Hon Minister of Power & Energy, Minister of Industry & Commerce senior officials of the Sustainable Energy Authority and CEB.
2. A six member delegation from Power China to discuss available projects for investments. Keen interest was shown in investing in renewable energy projects and Dendro power plant.
3. A seven member delegation from the Petroleum and Chemical Industry Federation of China with a view to promote trade and investment opportunities in the field of Petroleum and Chemical Industry Products, in April 2012.
4. A 30 member (23 companies) delegation from China Weighing Instrument Association a member of the National Council of Light Industry visited in June 2012 to discuss the investment opportunities in the field of manufacturing weighing instruments. The delegation members met with local counterparts and related Government agencies for possible joint venture cooperation.
5. A Chinese delegation from YPIC International Energy Cooperation & Development Co Ltd, subsidiary company for Yunnan Provincial Energy Investment Group Co Ltd. visited to explore possibilities in investing in energy projects in Sri Lanka. They also submitted a Letter of Intent to Hon Minister of Power & Energy to undertake Mini Hydro Power Projects.
6. A six member Chinese delegation from Diya Investment & Management Group of China visited in Oct 2012, to explore investment prospects in the field of real estate development and Tourism. The visit was a follow up to a previous visit in 2009.
7. A twelve member Buddhist delegation led by Rev George Lin of Cambodia also comprising of leading members of the Business community visited in Nov 2012, to explore investment prospects and also to promote the Asian Buddhist Cultural Festival to be held in Sept 2013 in Sri Lanka.
8. A Group of Chinese delegation from Wuhan Dangai Science & Technology Industry Group Co Ltd. of China, representing leading investment companies from Wuhan Province visited in December, to explore investment possibilities in the fields of Pharmaceuticals, Livestock Development, Mining, Tourism related projects, Property Development etc. A comprehensive programme was arranged for the visiting delegation with SPMC, Secretary to the Ministry of Health, GSMB Tourism Promotion Bureau etc and field visits were also arranged. As a result the Humanwell Healthcare (Group) Co Ltd has submitted a proposal to SPMC to establish a pharmaceuticals manufacturing factory in Sri Lanka.

9. The BOI met 30 members Inward Delegation on 22nd November 2012, organized by the Colombo Office of the Japan External Trade Organization (JETRO).

The BOI made a presentation on Investment Opportunities in Sri Lanka, at the BMCIH on 6th December 2012, for high level Japanese Business Delegation, organized by the Japan Chamber of Commerce and Industry (JCCI). This event was held to coincide with the holding of the 17th Joint Meeting of the Sri Lanka – Japan and Japan – Sri Lanka Business Co-operation Committees.

10. 32 member delegation from Busan Chamber of Commerce March 2012 to explore investment opportunities in the manufacturing sector.
11. 17 member delegation from Ministry of Transport, Korea in April 2012 to discuss transport / Railway related projects.
12. 12 member delegation from INCHEON International Airport Corporation to discuss Aviation related projects with special interest regarding the International Airport at Mattala.
13. UK Business Mission to Sri Lanka March 2012

The Sri Lanka High Commission in UK coordinated the visit of the business delegation to Sri Lanka during Expo 2012. The delegation was led by Dr. Chris Nonis, High Commissioner, and comprised of companies in diversified areas of interest such as IT, Education, Tourism, Infrastructure development.

14. Belgium Business delegation to Sri Lanka March 2012

The delegation was organized by the Sri Lanka Embassy in Brussels , to visit Sri Lanka during the Expo 2012. The Belgian companies comprised of the following sectors:

Tourism, Real Estate, Value Addition for Tea, Coco products, Jewellery, Agriculture, IT, Infrastructure, Tourism, Cosmetics, Textile and Garments.

15. The Business Delegation from Italy in March 2102  
Organized by the Sri Lanka Embassy in Rome to coincide with Expo 2012. The delegation was mainly interested in textile/ garments and tourism

## **PROMOTIONAL ACTIVITIES - SECTOR GROUP 2**

- A. Sector Group II officials coordinated facilitation meetings with existing investors especially from Germany, Japan, Korea and EU. These forums were organized in close coordination with the respective Foreign Missions (German Embassy, Japanese Embassy) (JETRO) and European Chamber of Commerce.

- B. Sector Group II regularly participated at meetings with the following Business Councils under the purview of the Ceylon Chamber of Commerce. Sri Lanka / France, Italy / Sri Lanka, Council for Business with Britain. Benelux/ Sri Lanka, China / Sri Lanka, Japan / Sri Lanka, Japan / Sri Lanka, Korea / Sri Lanka.
- C. Sector Group II participated in the arrangements to organize the EXPO 2012 and was a key member of the organizing committee of the Business Forum. Dr. Sandro Veronesi, Chairman of Calzedonia, Italy, locally known as “Omega Line” made a presentation at the Business forum on the invitation of the BOI

### SECTOR GROUP 3

During the year 2012, proposals for manufacturing non-traditional products for both export and local market, providing services for export market and entrepot trading were considered for approval. Both new as well as expansion of existing projects were granted approval 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. 50 Mn were considered for approval. However, the final guidelines, regulations for operation of hub related activities are yet to be finalized.

### THE OVERALL PERFORMANCE OF THE SECTOR – 3 IS SUMMARIZED AS FOLLOWS:

#### Implementation stage of the sector

Status	Apparel	Regional & Services	Mfg.	Sector Total	Total BOI Projects	Sector's Status
Awaiting approval	02	04	19	23	59	39%
Approved & awaiting agreement	06	03	51	60	177	34%
Agreement Signed	05	24	42	71	126	56%
Awaiting Commercial Operation	02	27	29	58	99	59%
In commercial operation	465 *	228	382	1075 *	1733 *	62%
<b>Total</b>	<b>478</b>	<b>286</b>	<b>523</b>	<b>1287</b>	<b>2194</b>	<b>59% **</b>

\* Including 148 projects Operating under 200 GFP.

\*\*Sector-3 contributes 59% (1287 projects) out of the total projects under the BOI.

**Performance of the Sector -3**

<b>Total Exports (US\$ Mn)</b>					
<b>Year</b>	<b>National</b>		<b>BOI value</b>	<b>BOI as a % of national value</b>	<b>BOI as a % of national value (Industrial)</b>
	<b>Total value</b>	<b>Industrial value</b>			
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	6125	63%	83%

**FDI contribution of the sector (US\$ Mn)**

	<b>Apparel</b>	<b>Regional &amp; Services</b>	<b>Mfg.</b>	<b>Sector Total</b>	<b>Total FDI of the BOI</b>
FDI	74.17	39.46	182.181	295.811	1146.756

**SECTOR BASED PERFORMANCE****1) APPAREL SECTOR**

By end of December 2012, the total number of projects in commercial operations was around 465. The major export income earner of the country is apparel. The apparel export income for the year 2012 was US\$ Bn 3.9 which is 41% of the total national exports.

## Performance of 2012

The status as at end of 2012 of the project applications submitted is given below.

Operational status	No. of projects	Investment (Rs. Mn)			Emp.
		Foreign	Local	Total	
In commercial operation	-	-	-	-	-
Awaiting commercial operation	-	-	-	-	-
Awaiting implementation	05	327.500	1,370.096	1,697.596	4,373
Awaiting agreement	01	-	533.016	533.016	1,030
Awaiting approval	-	-	-	-	-
<b>Total</b>	<b>06</b>	<b>327.500</b>	<b>1903.112</b>	<b>2,230.612</b>	<b>5,403</b>

## 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. The factories are in the construction phase.

Company Name	Supp. Agreement	Investment (US\$ Mn)	Emp. (Nos)	Location	Current status
Brandix Apparels Ltd	31/03/2011	9.00	600	Baticallow	Under Imp.
Mas Active (Pvt) Ltd	21/07/2011	3.00	500	Kilinochchi	-do-
Fergasm Garment Ind. Ltd	15/09/2011	2.30	500	Mannar	-do-
Timex Garments Ltd	15/09/2011	2.30	500	Mannar	-do-
Omegaline (Pvt) Ltd	30/03/2011	20.00	990	Vavuniya	-do-
Unichela (Pvt) Ltd	12/01/2012	4.9	600	Kilinochchi	-do-
<b>Total</b>		<b>41.5</b>	<b>3690</b>		

## 2) REGIONAL PROGRAMMES AND EXPORT SERVICES SECTOR

Operational status	# of projects	Investment (Rs. Mn)			Emp.
		Foreign	Local	Total	
In commercial operation	-	-	-	-	-
Awaiting commercial operation	-	-	-	-	-
Awaiting implementation	01	5,368.00	8,540	5,376.540	136
Awaiting agreement	03	1,036.71	3,907.200	4,943.907	300
Awaiting approval	04	9,940.60	1,898.250	11,838.850	374
<b>Total</b>	<b>08</b>	<b>16,345.307</b>	<b>5,813.990</b>	<b>22,159.297</b>	<b>810</b>

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 2012 was US\$ 34.54 Mn. Realized FDI value is US\$ 39.88 Mn. Actual investment made in the all projects in the sector by 2012 is around Rs 57,307 Mn.

## Export Services & Regional Programms

There are about 60 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 2012 was 205. 162 companies are in operation. The implementation period of the 300 EP was ended by 31st March 2012.

Total of 30 project approvals were in force under Northern & Eastern Development Programme as at 31st December 2012 with an estimated investment of Rs. 8280.24 million and employment generation of 4378 (Awaiting implementation -02, Awaiting commercial operation-12, in operation-16)

## PROJECTS FOR HUB OPERATIONS

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

- i. Entrepot trade in involving import, minor processing and re-export.
- ii. Transshipment business where goods can be procured from one country without bringing the same into Sri Lanka.
- iii. Providing front end services to manufacturers abroad.
- iv. Headquarters operations of leading buyers for management of finance, supply chain and billing operations.
- v. Logistic services such as multi-country consolidation in Sri Lanka.

With the Enterprises of the Zone at Mirijjawila, the 05 proposals have been approved for manufacturing and entrepot trading & export services.

### 3) MANUFACTURING SECTOR

Operational status	# of projects	Investment (Rs. Mn)			Emp.
		Foreign	Local	Total	
In commercial operation	-	-	-	-	-
Awaiting commercial operation	18	9,116.520	7,809.840	16,926.360	3,094
Awaiting implementation	11	16,040.580	11,654.898	27,695.478	859
Awaiting agreement	14	6,612.940	5,948.678	12,561.618	2,123
Awaiting approval	19	33,943.670	3,034.956	36,978.626	2,522
<b>Total</b>	<b>62</b>	<b>65,713.710</b>	<b>28,448.372</b>	<b>94,162.082</b>	<b>8,598</b>



DABUR LANKA (PVT) LTD –  
Yakadagala Estate,  
Kotadeniyawa



There are sixty two (62) project proposals received in year 2012 with an envisaged investment of Rs. 94.20 Billion out of which Rs. 65.70 Billion will be from foreign sources with an expected employment generation of 8598. 17 projects commenced commercial operations during this year.

Some major projects have been approved with substantial investment to be operated at Hambanthota Port premises in 2012. Lanka Sugar Refinery Company Pvt Ltd is a fully owned Indian company with an envisaged investment of US\$ 220 million. Hambana Petrochemicals Ltd also an Indian owned company with an investment of US\$ 141.19 million to manufacture Polymer Resin.

Tokyo Eastern Cement Company Ltd has signed an agreement with BOI under the Import replacement category to setup a cement plant with an investment of US\$ 63.12 million. MAS Fabric Pvt Ltd which manufacture footwear components and provide the services to the footwear industry in collaboration with USA (NIKE Inc) an investment of US\$ 78.5 million at the MAS Fabric Park at Thulhiriya.

The total FDI target for year 2012 was US\$ 172.62 million out of which US\$ 182.181 million was realized. This was 52.27% increase, compared with the year 2011.

## Investor Services Department

Investor Services Department is responsible for permitting imports/exports of enterprises approved under section 17 of the BOI Law, as well as providing the investor related activities given below;

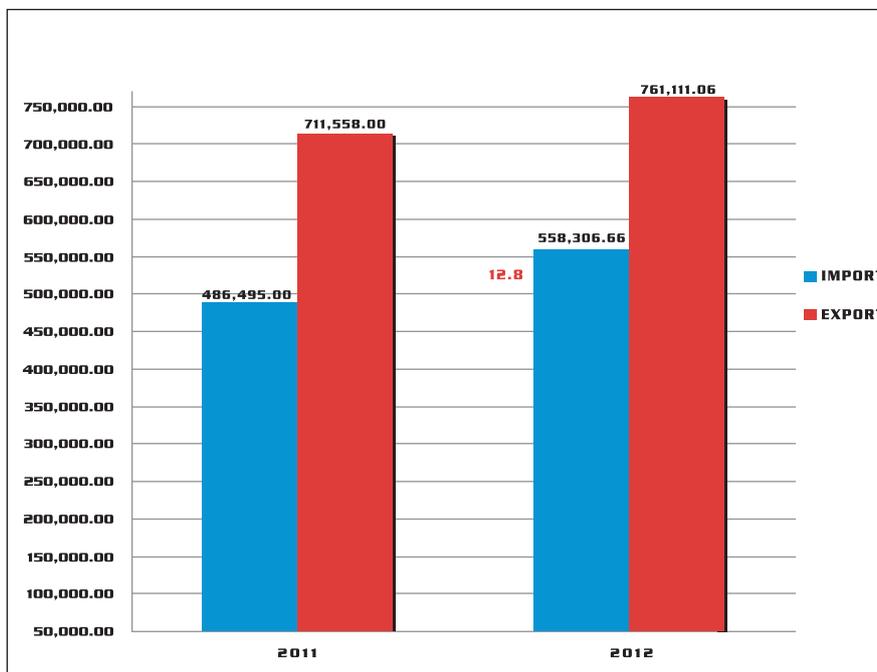
- Physical examination of import/export cargo.
- Monitoring subcontracts, transfers, re-imports and re-exports.
- Issuing of Certificates of Origin to EU countries on export of garments.

- Preparation of statistical data on import & export of BOI projects.
- Collection of government taxes on imports & exports.
- Recommendation for issue of expatriate visas (in respect of zone enterprises)

This Department has five documentation centres viz Colombo, Katunayake, Biyagama, Koggala & Pallekele where import & export CUSDECs are approved by BOI officials. There are, however, 12 verification centres island wide where import & export cargo of BOI enterprise are physically examined.

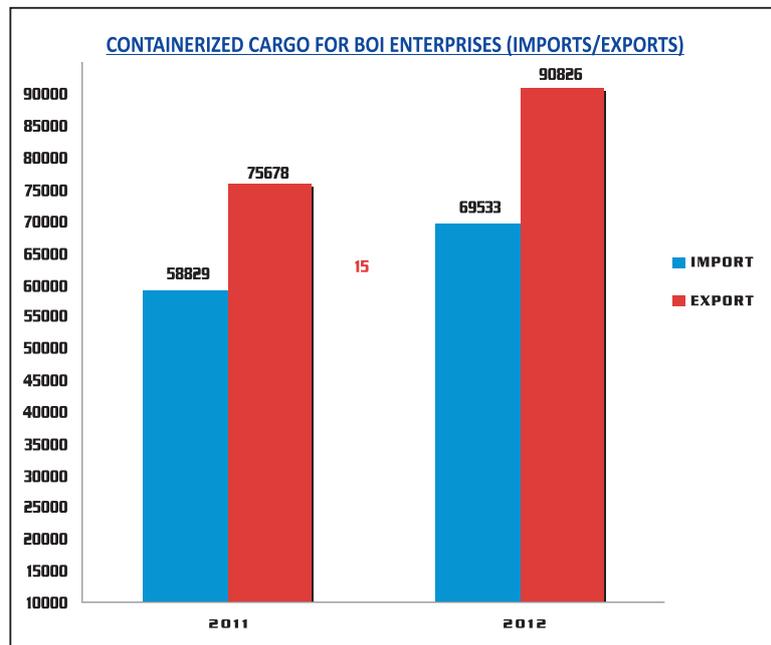
Investor Services Department with the assistance of Sri Lanka Customs implemented web based ASYCUDA WORLD, the new version of Customs Computer System at all Documentation and Verification Centres in 2012. With the implementation of the ASYCUDA WORLD computer system, BOI approved enterprises has embarked on submission of all imports and exports Customs Declarations (CUSDECs) to BOI electronically through DTI facility. In addition, payment of BOI service charges has been automated through a Pre-Paid Account under Import Export Monitoring System (IEMS). Finance Department of the BOI is in the process of implementing BOC e-Payment facility for Investors to make BOI service charges in due course.

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



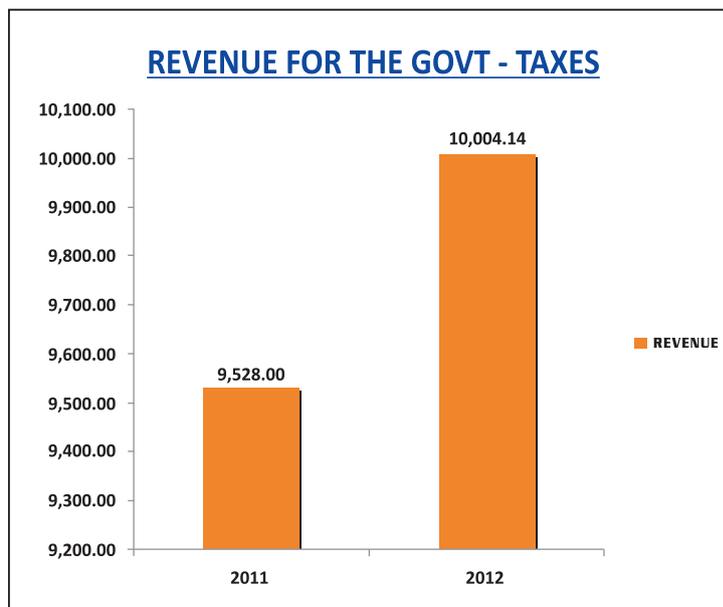
TYPE	2011	2012	DIFFERENCE	GROWTH (%)
IMPORT	486,495.00	558,306.66	71,811.66	12.86
EXPORT	711,558.00	761,111.06	49,553.06	6.51

## Containerized cargo for BOI Enterprises (Imports / Exports)

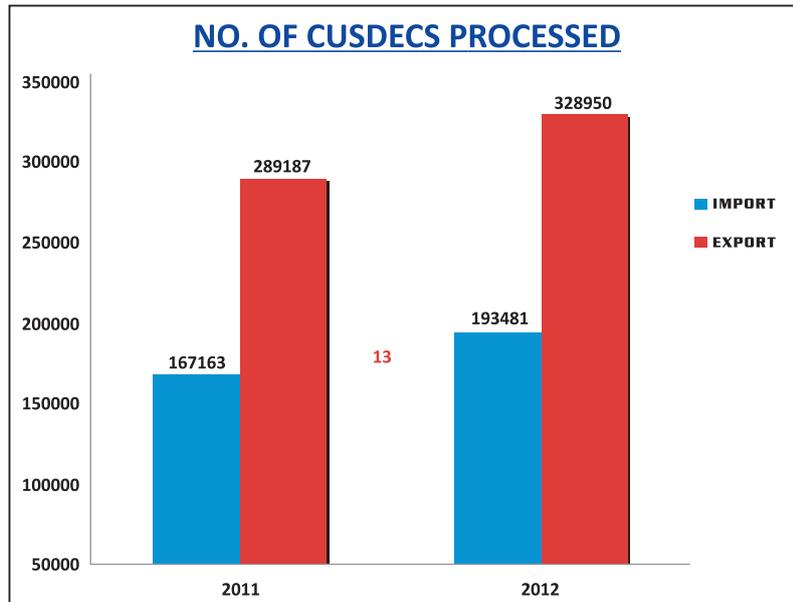


TYPE	2011	2012	DIFFERENCE	GROWTH (%)
IMPORT	58829	69533	10704	15.39
EXPORT	75678	90826	15148	16.68

## Revenue for the Govt. – Taxes



TYPE	2011	2012	DIFFERENCE	GROWTH (%)
REVENUE	9,528.00	10,004.14	476.14	4.76

**NO. OF CUSDECS PROCESSED**

TYPE	2011	2012	DIFFERENCE	GROWTH (%)
IMPORT	167163	193481	26318	13.60
EXPORT	289187	328950	39763	12.09

**Legal Support**

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 Projects Act; perusal and approval of Articles of Association of ventures permitted to establish projects in Sri Lanka.

During the period under review BOI has contracted 126 agreements under section 17 of the BOI Law for the establishment of new business ventures in Sri Lanka. This includes 05 projects under the Strategic Development Projects Act, No. 14 of 2008 as amended. These 05 projects are namely –

1. Sri Lanka Gateway Industries (Pvt) Ltd.
2. Welcomhotels (Pvt) Ltd.
3. Sinolanka Hotels & SPA (Pvt) Ltd.
4. Krrish Transworks Colombo (Pvt) Ltd.
5. Uclan Lanka (Pvt) Ltd.

These 126 agreements signed could be considered as a great achievement as the Department was able to exceed its target set for the year under review. In addition, 287 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.

## Technical Services Department

(1) The Technical Services Department is mainly responsible for the

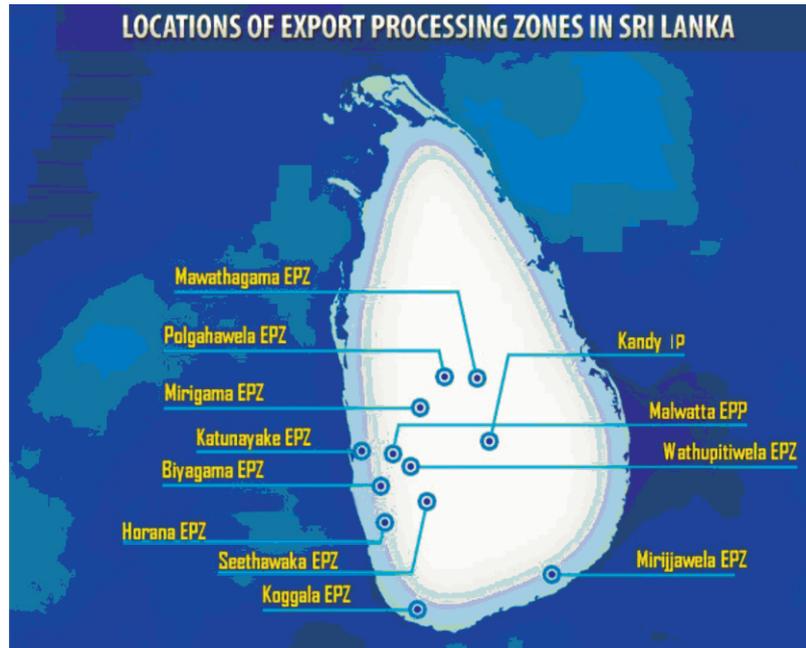
- (i) Identification of sites for new investment zones/projects
- (ii) Planning and development of new investment zones
- (iii) Undertaking initial development work of new investment zones Establishment of Zone Units for initial work and gradual handing over of functions to relevant zone Directors under delegation of authority as done in other zones for management of operation of zones.
- (iv) Providing technical support for infrastructure development work carried out by the existing 12 Export Processing Zones as and when requested.
- (v) Providing technical support for operate and maintenance of water supply, sewerage and solid waste management scheme of existing 12 investment zones.
- (vi) Providing assistance and technical inputs for special investment projects such as Higher Educational Institutes, Commercial Complexes, etc
- (vii) Handling Land matters
- (viii) Overall control of Action Plans for infrastructure development

(2) There are 12 Export Processing Zones (EPZZ) currently in operation at Katunayake, Biyagama, Koggala, Kandy, Seethawaka, Mirigama, Malwatta, Wathupitiwala, Horana, Polgahawela, Mawathagama and Mirijjawila.

As decided by the Board in 2010 upgrading of the existing Export Processing Zones of BOI as Model Industrial Zones to benchmark as international zones of other countries, is in progress and a total sum of Rs. 707Mn. was incurred for relevant improvements carried out in 2012.

During year 2012, the Technical Services Department in association with other relevant departments was involved in the preliminary work pertaining to the establishment of new investment zones at Sampoor, Mirijjawila, Sooriyawewa, Mulativu and Wagawatte at Horana.

## Export Processing Zones/IP/EPP



### Details of Export Processing Zones as at 31st December 2012

	KEPZ	BEPZ	KgEPZ	KIP	MwEPZ	PEPZ	MEPZ	HEPZ	SEPZ	MirjEPZ	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 Industrial 288.59	450 A	227 A	201 A	53.15 A	50 A	260 A	381 A	431 A	54 A	123 A	32 A
No. of enterprises	90	59 (Com. Operation)	22	21	07	05	18	13	30	03	17	05
Employment	39,397	21862	12443	6931	5200	3788	2650	L – 1727 F – 24	20,729	1463	8677	2540

**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

**MirjEPZ** = Mirijawila Export Processing Zone

**WEPZ** = Wathupitiwala Export Processing Zone

**MalEPP** = Malwatta Export Processing Park

## Environment Management

### 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	69
(b) No. of environmental clearances granted for expansions/relocations	17
2. No. of EPLL issued/renewed	*695
3. No. of ERR issued in respect of sites proposed for erection of telecommunication towers.	**363
4. No. of complaints attended	32
5. Environmental Monitoring	
(a) No. of effluent samples collected from industries.	} 1032
(b) No. of effluent samples collected from common sewage treatment plant.	
(c) No. of water samples	

\* Earned Rs.52,12,500.00 from EPL fee

\*\*Earned Rs.72,60,000.00 from ER fee

Total earnings = Rs.124,72,500.00

- 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**

- Earned nearly Rs. 12.5 million by Environmental Protection Licences (EPLL) and Environmental Recommendations (ERR) issuing functions.
- Obtained the environmental approval to set up the Investment Promotion Zone proposed in Puttlam from the Provincial Environmental Authority (PEA)/North Western Province (NWP) by following the Environmental Impact Assessment (EIA) procedure in terms of the Provincial Environmental Statute No. 12 of 1990.
- Achieved the target set for year 2012 under the ISO 9001:2008 standard based quality management system. Under this, the set target was to ensure that 90% of the BOI projects are in possession of the Environmental Protection Licence (EPL). The target achieved was 91.8%.

## **Engineering Approvals & Special Projects**

### **Role of the Department**

Engineering Approvals & Special Projects Dept functions as two sections and provides two basic services to Section 17 BOI projects. The two sections are;

1. Engineering Approvals Section
2. Lands and Facilitation Section

### **1. Engineering Approvals Section**

#### **1. A) Role of the Engineering Approvals Section**

To provide following four (4) key services to Section 17 BOI projects during the project implementation and construction phases of them.

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

❖ Location Approvals

Prior to signing the agreement, each proposed site is visited jointly with the Environmental Mgt Dept to ensure its suitability for the particular project and environmental impacts due to establishing the new activity at the particular location. When their compatibility is established, letter of site approval is issued enabling the Legal Dept of BOI to sign the Section 17 Agreement.

❖ Building Plan approvals

Building plan approval is issued when the plans of the proposed buildings meet all the standards required by relevant regulations. Investors can commence construction works once the building plan approval is granted.

❖ Quantity Certificates for Importing Construction Items

Section 17 projects can import certain construction items and materials on duty free basis. It is the role of the Engineering Approvals Dept to certify the required quantity of the particular items/materials for the project, whenever they are imported, after checking the quality of the current consignment with the previous imports and total requirement.

❖ Certificate of Conformity

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

**1. B) Progress made during 2012**

During the year 2012 this Dept has;

- ❖ issued 155 site approvals,
- ❖ granted 177 building plan approvals
- ❖ issued 1,483 duty free clearances and
- ❖ issued 21 CoCs.

## 2. Lands & Facilitation Section

### 2. A) Role of the Lands & Facilitation Section

- ❖ This section is geared to assist and facilitate investors who are interested in obtaining state owned lands for their projects. Further it is the duty of this Section to assist investors who have already established their projects in state lands to find solutions to problems encountered during the implementation. The functions of this section are as follows:
  - a) Identifying the relevant potential lands for BOI projects & EPZZ.
  - b) Guide and facilitate investors to obtain state lands for Section 17 BOI projects.
  - c) Coordinate with the relevant line state agencies to obtain the required infrastructure service facilities.
  - d) Maintaining a Land Bank with updated information on private and state lands that available for Section 17 BOI projects

### 2. B) Progress made during 2012, under this section are as follows:

- ❖ The state lands for the following projects in Northern & Eastern Provinces were handled by this Dept and manage to obtain the approvals to lease out them.
  - i) Omegaline (Pvt) Ltd – 22 Acres land from Vavuniya District given on long term lease basis to expand their garment factory project
  - ii) MAS Active (Pvt) Ltd – 14 Acres land from Kilinochchi District given on long term lease basis to expand their garment factory project
  - iii) MAS Intimate (Pvt) Ltd – 15 Acres of land from Kilinochchi District given on long term lease basis to expand their garment factory project
- ❖ Revival of the following closed down enterprises under 50 & 200 Garment Factory Programmes
  - i) Former Lanka Garments (Pvt) Ltd, Bibile was leased out to Interlock Fashion (Pvt) Ltd
  - ii) Formers Kings International (Pvt) Ltd. Watawala, Nuwara Eliya was leased out to J S Watawala (Pvt) Ltd

- iii) Former Shenton Garments (Pvt) Ltd, Vavuniya was leased out to Hirdaramani Fashions (Pvt) Ltd
- ❖ Tourism Related Activity Zone has been proposed to locate in Mulativu and in the process of identifying a suitable location for this purpose.
- ❖ Action has been taken to allocate a state land from Vavuniya to establish an Asbestos Roofing Manufacturing Plant to Rhino Industries (Pvt) Ltd.

## Industrial Relations

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 2012.

- **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 2012, Labour Audits have been carried out in 675 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 2012, Industrial Relations Department facilitated in formation and operation of 98 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, 80 Awareness Programmes have been conducted during the year 2012 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. 19 industrial disputes / strikes were settled with the support of Labour Dept. officials during the year 2012.

- **Recruitment Assistance Scheme**

The BOI Job Bank Website ([www.boijobbank.com](http://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 2012, 63,578 job seekers were registered with the Employment Services Units at EPZs out of which 61,903 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 2012, 19 such job fairs have been conducted island-wide.

- **Special Achievement**

The Generalized System of Preferences (US-GSP) Tax facility enjoyed by the Sri Lanka over the years was suspended by the Government of United States in 2010 on the petition filed by the AFL-CIO alleging shortcomings in worker rights specially in EPZs. However, consequent to the joint efforts taken by the Ministry of Labour and the BOI addressing the said issues, it was possible to get the above facility restored without any change by June 2012.

## Media & Publicity

The Media Department of the BOI is responsible for external communications. The BOI took initiatives in 2012 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 2012, the BOI engaged in publicity campaigns using different types of media. Furthermore printed promotional materials were developed, advertisement were placed in publications, documentary films produced by the BOI to convey its message to a wide audience.

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

### Media releases:

- A large number of Press releases were published in both languages and they were disseminated to both print and electronic media.
- Designing and printing a set of new promotional brochures which include "Guide to Invest", "Tax Incentives and FDI Policy" and sector specific brochures such as "Tourism and Leisure", "IT/ ITES", "Renewable Energy", "Infrastructure", "Manufacturing", "Agriculture", "Education.
- Development and placing of newspaper advertisements on special occasions.

### Participation at events:

- Participation at the DeyetaKirula National Exhibition held in Oyamaduwa, Anuradhapura. The BOI stall was set up at the Pavilion of the Ministry of Economic Development. BOI stall featured a photographic gallery of the important sectors of investment, a Job Bank counter, an Information desk on investment, and specially designed leaflets were disseminated among the general public who visited the stall.
- Designing and erecting of three large billboards at the entrance of Malwatta, Mirigama and Wathupitiwala EPZz. This project was in collaboration by the IR Department.
- Participated at Jaffna International Trade fair which the first international trade fair held in Jaffna in three decades. The trade fair was jointly organized by Lanka Exhibition & Conference services (Pvt) Ltd, Federation of Chambers of Commerce & Industry of Sri Lanka together with Chamber of Commerce and Industries of Yarlpanam. An Investor Seminar was conducted by the BOI at the Jaffna library as a parallel event.

- Participated at “Vidulka 2012”; the premier National Sustainable Energy exhibition which was held at the BMICH, Colombo.
- Participated at “Expo 2012 Trade Fair” organized by the Export Development Board at the BMICH, Colombo.
- Management of the BOI website: BOI website [www.investsrilanka.com](http://www.investsrilanka.com) total number of page views 125,470 in 2012.

## Administration

The Administration Department consists of the following sub units.

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

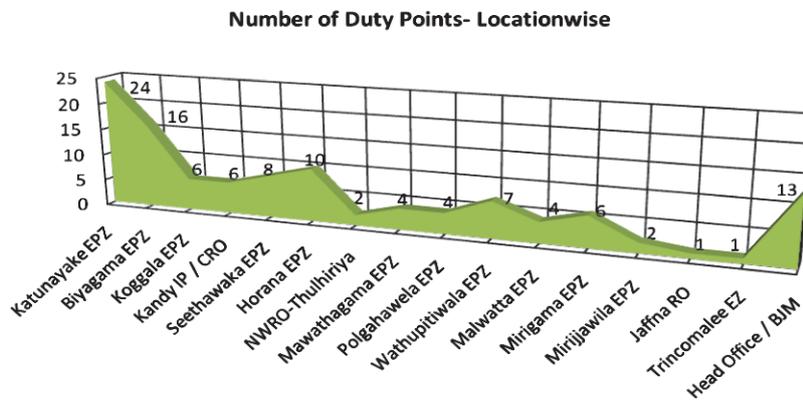
The Administration Department provides logistical support for the functioning of other departments and Export processing Zones of the BOI. The Department facilitates its client departments by providing transport and vehicle requirements, supply of material and office infrastructure requirements on time.

## Achievements for the Year 2012

- 1). Vehicle replacement plan was implemented to identify un-roadworthy vehicles and 15 numbers of un-roadworthy vehicles were disposed, total income was Rs.6.9 Million. Arrangements were made to purchase Brand New 09 Cars and 06 Double Cabs to fulfil the transport requirements of head office and zones.
- 2). BOI has entered in to an agreement with the Ministry of Justice to lease out Level -6 (floor) of the WTC Building to set up an International Arbitration Centre.
- 3). Stores and supplies unit has contributed by procuring 156 Nos. state of the art computers to the value of Rs. 19 Mn. The Supplies unit has fulfilled the annual stationary and consumables requirement of the organisation.

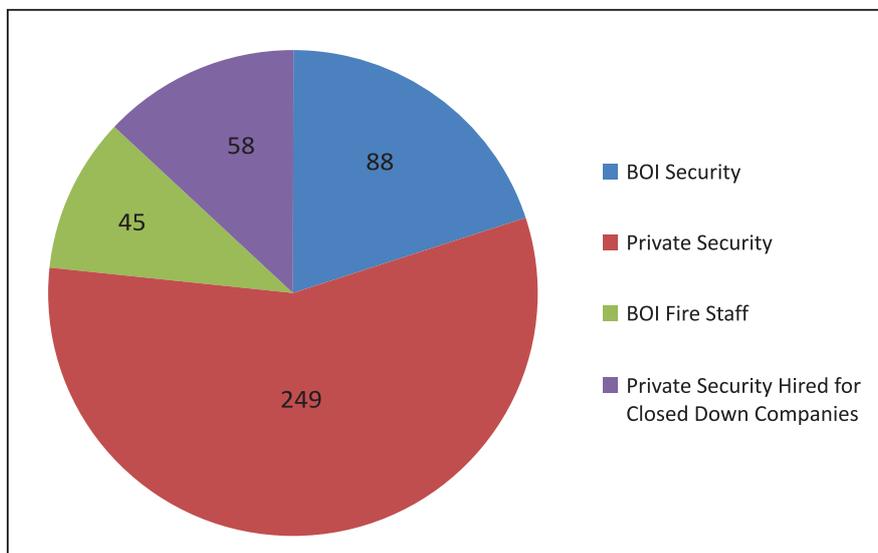
## Security & Fire

The Security & Fire Department of BOI has a vital role to play in the security & safety of property and human lives – BOI being the leading Investment/Business Arm in Sri Lanka, through which investors both foreign and local have established investment projects and business enterprises mainly within its Export Processing Zones and Industrial Parks. The security & fire staff located at all points in all these areas cannot afford to relax but be extremely vigilant and working round the clock, since quality of service has to be maintained at the highest levels and there cannot be any lapses on the part of the security & fire staff, nor loop holes in the system. It is creditable how the staff has maintained the required standards in the security and safety of assets & human lives in their assigned areas. The quality of service is within ISO Standards implemented by BOI and that of the factories within the zones.



The BOI Security & Fire Department is comprised of BOI recruited staff and hired security personnel from private security companies.

### Total Strength of the Security & Fire Unit -BOI & Hired Services-

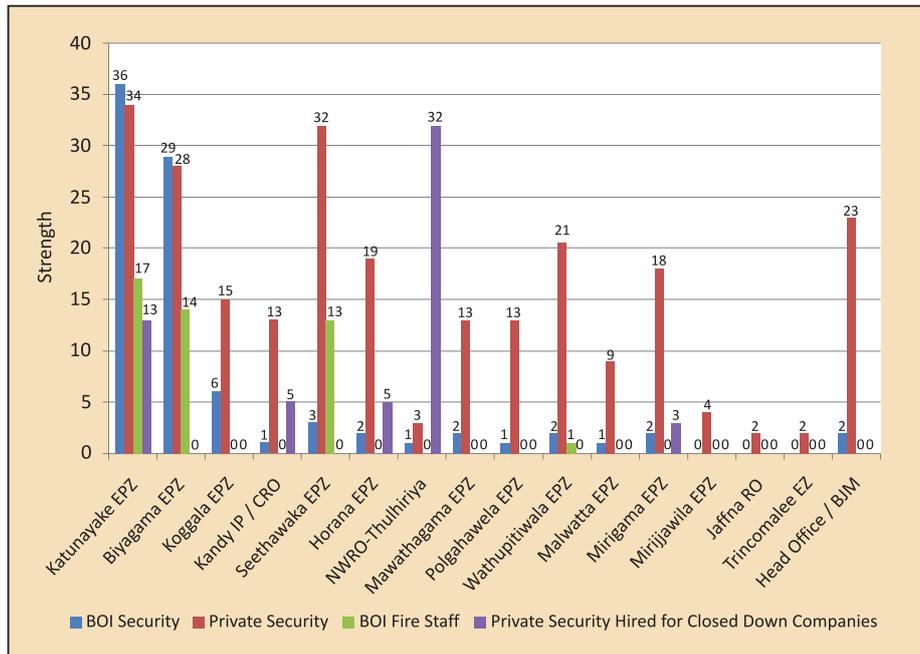


Other than security mobilization at locations, services also include skilled staff on mobile and foot patrol in all zones. The main tasks of the security & fire unit cover prevention of possible sabotage, subversive activities, thefts, illegal removal of duty free & other goods, illegal entries into the zones and manning all entrances and exit points.

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.

BOI Fire Units are based in Katunayake, Biyagama and Seethawaka Export Processing Zones. Frequent fire drills and emergency evacuation rehearsals are conducted in all Zones, Factories and Head Office. 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, in zones where there are no BOI fire units the assistance of the Municipal Council, closest Army or Navy Camps is sought.

**Area-wise Mobilization of Security / Fire Personnel (BOI & Hired)**



There had been many shortcomings in the year 2012 including a shortage of staff due to a considerable number having retired, resigned, or obtained the VRS. However, even within the limited resources, operations had been carried on at above-satisfactory levels. Security & Fire operations involve 24 hours of the day. In that, any unexpected operational or administrative issues that have cropped up after hours, have been well tackled by the staff, on their initiative, with the least or no directions at all from superiors. Thus, taking into consideration the largest zones, Katunayake, Biyagama, Seethawaka, Koggala & New Zones there have been no complaints from Heads of zones or senior officers against the security & fire staff, except on a few minor incidents.

The security staff in the zones is also responsible for issuing 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, which area is operational throughout the year. The total permit income in the year 2012 has reached a significant figure.

Frequent Factory Inspections have been carried out in all zones. There have been a considerable number of security detections of attempted thefts, misuse of expired entry permits, etc.

**Security Detections in 2012** – at a glance read as : 05 detections, 03 other incidents and 850 misused entry permits in KEPZ; 02 attempted thefts, 05 detections with 568 Expired Entry Permits in BEPZ; 900 Inner Boards/20 Garments in KgEPZ; 321 Garments/ 625 Expired Entry Permits - in SEPZ; 28 Oil Barrels in HEPZ; 03 in MEPZ, Misused Entry Permits on daily basis in MEPP; 03 in MwEPZ and 31 Thread cones / 15 Garments in PEPZ.

### Monthly Sessions

Monthly Meetings, Briefing, Training and Instruction Sessions have been held in all zones. In 2013 it is planned to avail the staff the opportunity of further developing their skills through the security & fire training institutions

There have been a few promotions granted to the security & fire staff in all categories, in 2012.

### BOI Fire Units –

The task of the Fire Units involve, responding to fire calls & emergency situations, fire risk assessments , fire drills & awareness to factory staff, training on fire equipment handling, issue of compliance certificates, fire certificates and evacuation certificates to enterprises. Fire equipment is checked on a daily basis for efficiency. Some of the fire vehicles are old and unserviceable and the fire equipment incomplete and inadequate. The fire staff also responds to emergency situations related to zone management.

### KEPZ

Fire Unit has attended to and successfully handled 27 fire calls, 04 special assignments and 73 sessions on training, evacuation & inspections (internal & external)

### BEPZ

Fire Unit has responded and successfully handled 23 internal / 09 external fire calls. Stand-by duties covered 08 areas (internal and external). Fire Training has been provided to 16 companies in the zone.

### SEPZ

Fire Unit has responded and successfully handled 65 fire calls, conducted 22 inspections, 33 fire training sessions, 17 emergency evacuation rehearsals and 42 standby & other duties.

It is noteworthy that, amidst shortcomings, the achievement in the year 2012 is commendable and can be attributed to the dedicated service of the Security & Fire staff with which they have performed their duties round the clock, the whole year round.

## Human Resources Management

### 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

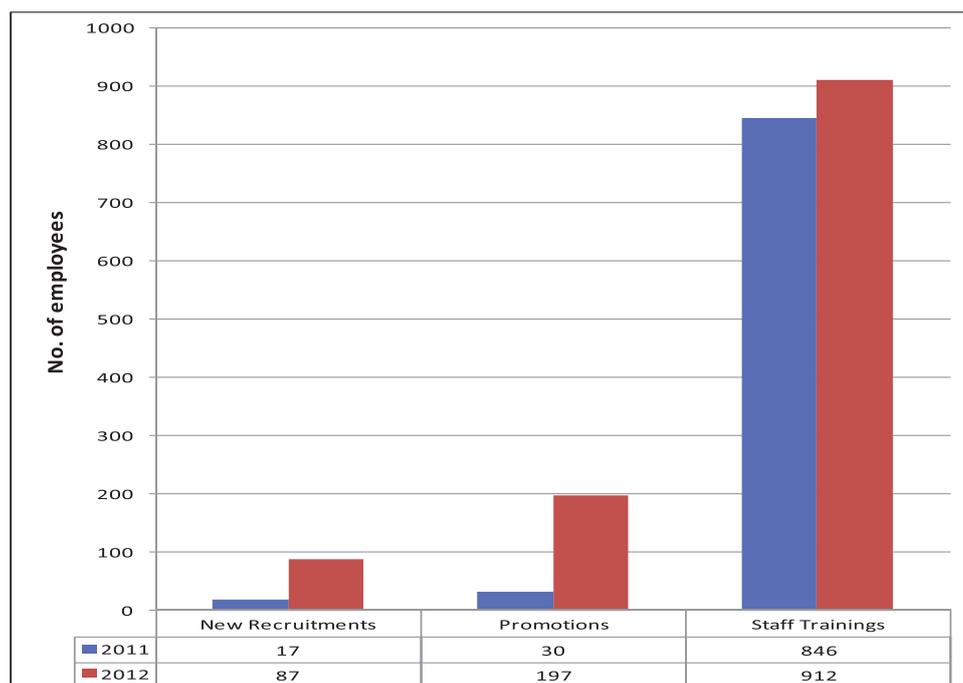
- Human Resource Planning
  - Assessment of present and future Human resource requirements.
  - Implementation of Recruitment and Selection processes to satisfy the above requirements.
- Performance Assessment
  - Performance of employees are reviewed and assessed annually.
  - Granting annual salary 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 – 2012

- Participated in the HRM Awards – 2012 conducted by the Association of Human Resource Professionals (HRP), in collaboration with AonHewitt India and was selected as a shortlisted institute under the category of Government/ Semi-Government Sector Organizations.
- Approval has been obtained for the new Scheme of Recruitment (SOR) of the BOI streamlining the processes of recruitments and promotions of the board.

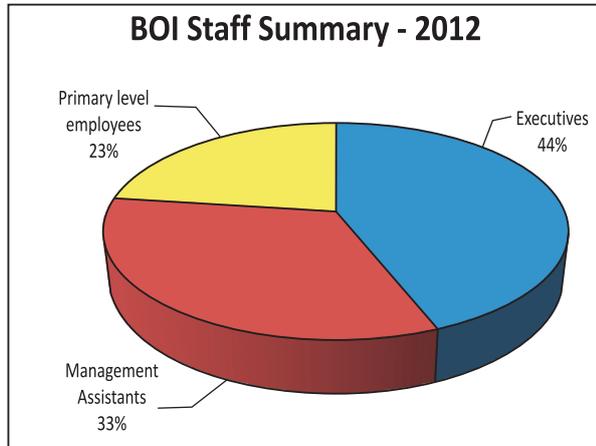
- Medical Claims Reimbursement System of the BOI was interconnected to Employee Benefit module of new HCM System (HCM – Human Capital Management) and all the medical claim reimbursements were started to process on-line through the HCM system.
- Seven (07) Executives, Forty Six (46) Management Assistant category employees and Thirty Four (34) Primary Level employees were newly recruited to the Board's service.
- Seven (07) Contract employees and Four (04) Casual employees were absorbed into the permanent cadre.
- One Hundred & Forty Five (145) Executives, Thirty Five (35) Management Assistant category employees and Seventeen (17) Primary Level employees were promoted to higher grades.
- Eleven (11) Officers were sponsored to follow Master Degree programmes and ten (10) foreign training opportunities were provided for the employees of the Board. Further, ten (10) in-house training programmes were conducted for 528 Officers in the Board and three (03) workshops on Personal Grooming, Business and Social Etiquette have been conducted for newly promoted Deputy Directors and all Assistant Directors of the BOI with a view to develop greater interpersonal & social grace skills. In addition, a three day Awareness Programme was conducted for Sixty Five (65) employees who were newly recruited to the board's service.
- Thirty Five (35) 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 - 2011 & 2012



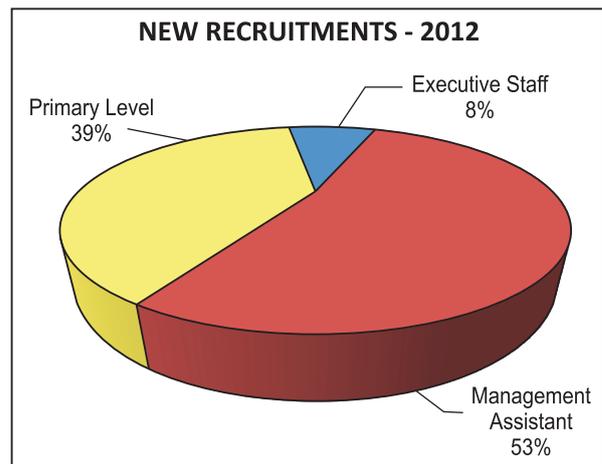
## Total Workforce

The total staff strength of the BOI as at 31st December 2012 stands at 1151



Executives	504
Management Assistants	384
Primary level employees	263
<b>Total Staff Strength</b>	<b>1151</b>

<b>New Recruitments made during the year 2012</b>	
Designation	No. of employees
<b>EXECUTIVE STAFF</b>	
Executive Director	01
Director	01
Assistant Director	02
Junior Manager category employees	03
<b>TOTAL NEW RECRUITMENTS - EXECUTIVES</b>	<b>07</b>
<b>MANAGEMENT ASSISTANT STAFF</b>	
Management Assistant	41
Computer Operator	03
Technical Assistant	02
<b>PRIMARY LEVEL EMPLOYEES</b>	
Driver	12
Carpenter	01
Mason	01
Office Aide/Labourer	20
<b>TOTAL NEW RECRUITMENTS - PRIMARY LEVEL</b>	<b>34</b>
<b>TOTAL NO. OF NEW RECRUITMENTS IN 2012</b>	<b>87</b>



<b>Summary of Staff Trainings given during the year 2012</b>				
	Executives	Management Assistant	Primary Level	Total
Foreign Training Opportunities	10	-	-	10
Master Degree Programmes	12	-	-	12
Local Training (Soft Skills)	261	90	11	362
In-house Training Programmes	288	179	61	528
<b>Total</b>	<b>571</b>	<b>269</b>	<b>72</b>	<b>912</b>



## Research & Policy Advocacy

The Research and Policy Advocacy Department of the Board of Investment of Sri Lanka undertakes research and policy analysis task in order to promote foreign and local investments in Sri Lanka and to improve the investor facilitation services of the BOI.

Main focus of attention on broad basis and key achievements made during the year 2012 are given below.

Benchmark analysis to study the competitiveness of the country among regional and global competitors, sector specific analysis to identify investment potential of different sectors of the local economy and country wise analysis in accordance with the government foreign collaborations in order to identify potential investors for the thrust sectors, were undertaken to promote investments and to provide necessary information for the investor facilitation.

During the year Research and Policy Advocacy Department was able to complete investment promotion brochures on “Guide to Invest in Sri Lanka, Tax Incentives & FDI Policy in Sri Lanka and seven sector brochures on Agriculture, Education, Manufacturing, Infrastructure, IT/Knowledge Services, Renewable Energy and Tourism.

In policy advocacy role it works in close collaboration with relevant national and international organizations. The department undertakes macro and sector specific policy analysis to formulate and submit policy papers for the Government authorities inviting their attention to the need for policy reforms. Contribution has done to promote trade and investment through the joint exercise undertaken with the Ministry of Foreign Affairs and the Department of Commerce mainly on areas of bilateral, regional investment treaties and other World Trade Organization (WTO) issues.

In the year 2012 the Research & Policy Advocacy Department involved in drafting and negotiating Bilateral Investment Promotion and Protection agreements and contributed to prepare the Model Bilateral Investment Promotion and Protection Agreement.

Research & Policy Department held the responsibility of providing BOI data and Information with the consent of the higher management of the organization to the Ministry & the Minister concern, the Parliament of Sri Lanka, Embassies and High Commissions in Sri Lanka, International Organizations, other government agencies, private sector organizations, local & foreign Investors, researchers, students and others seeking for such information.

Annually the department has to cater for nearly 1000 such requests and out of which there are about 10 agencies that the BOI has an obligatory commitment to provide specific information.

Research & Policy Advocacy Department emphasises the importance of its “Research Team”; placing the focus on outcomes rather than inputs; and leave no room for interference from the structure for good team working.

## Information Technology

### 1. Summary of Department's functions

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

### 2. Projects completed in 2012

#### 2.1 Enhancement of IT resources and infrastructure during year 2012.

- a. Enhanced BOI network by providing new 82 Nos. of network connections for BOI staff and provide them with IT services.
- b. Upgraded the bandwidth of 16 Nos. of data links to support the Asycuda world System implemented in all Investor Services Centers.
- c. Purchased and commissioned 06 Nos. of media converters for BOI networks and 30 Nos. of 1KVAUPSS for network switches, as replacements.
- d. Procured and commissioned 156 Nos. of high-end PCs, 156 Nos. of UPSS and 12 Nos. of Printers for Investor Services Department/Centers to implement Asycuda world System.
- e. Procured and commissioned 02 Nos. of high-end servers to implement the software applications developed and implemented by BOI IT Department to facilitate import/export services.

- f. Purchased and commissioned 60 Nos. of new PC, 12 Nos. of Laptops and 73 Nos. of Printers, as replacements.
- g. Increased the no of e-mail users up to 511 by creating 85 new user accounts.

## 2.2 Software developments and implementations in 2012

- a. Developed and implemented an Automated System in all Investor Service Centers to validate import/export CUSDECs, deduct the service charges from Customer Prepaid A/C and send the e-mail/SMS notifications automatically, to expedite customer service.
- b. Designed and developed a Prepaid Account Management System for BOI enterprises/ Freight Forwarders/ Clearing Agencies and implement the system in all IS centers and Finance Departments.
- c. Designed and developed Two Web Portals for BOI enterprises and Freight Forwarders/ Clearing Agencies to access the Prepaid A/C system.
- d. Incorporated the non-compliances of Sec. 16 projects into MIS and improved the system to meet the new requirements of users.
- e. Enhanced the Land Bank System to capture leased details and ownership.

## Internal Auditing

Internal Audit contributed to the management with assurance by evaluating and improving the effectiveness of governance, risk management and control processes and thereby strengthening internal control system within the organisation.

Accordingly, the audit scope encompassed the examination and evaluation of the adequacy and effectiveness of internal control systems and the quality of performance in carrying out operations of the organisation to ensure following through the routine audit examinations;

- effective and efficient operations in achieving organisational objectives
- reliability of financial data, management information and reports
- compliance with laws and regulations.

Having determined the priorities in consultation with the management, Internal Audit devoted more time to carry out special investigations during the year under review based on numerous allegations received, considering the high importance of such for management decisions.

Further, the Internal Audit allocated considerable portion of its time and resources for liaising with the Line Ministry, Public Enterprises Department, Auditor General, Committee on Public Enterprises and other authorities.

In addition to the general Internal Audit activities, the Department holds the responsibility to monitor and maintain the ISO 9001:2008 International Standard Based Quality Management System (QMS) which mainly focuses on ensuring the efficiency and effectiveness of processes of the organisation in terms of management audit aspect. Holding this responsibility, the Internal Audit conducted one Internal Quality Audit cycle in year 2012 across the entire organisation covering the departments of the main office in Colombo and those of eleven export processing zones i.e. Katunayake, Biyagama, Koggala, Pallekele, Malwatta, Wathupitiwala, Meerigama, Seethawake, Horana, Polgahawela and Mawathagama.

Independence was achieved through the organisational status of Internal Audit where it had direct access to, and freedom to report to the Top Management including the Chairman / Director General and the Audit Committee.

# Financial Review 2012

## Financial Review 2012

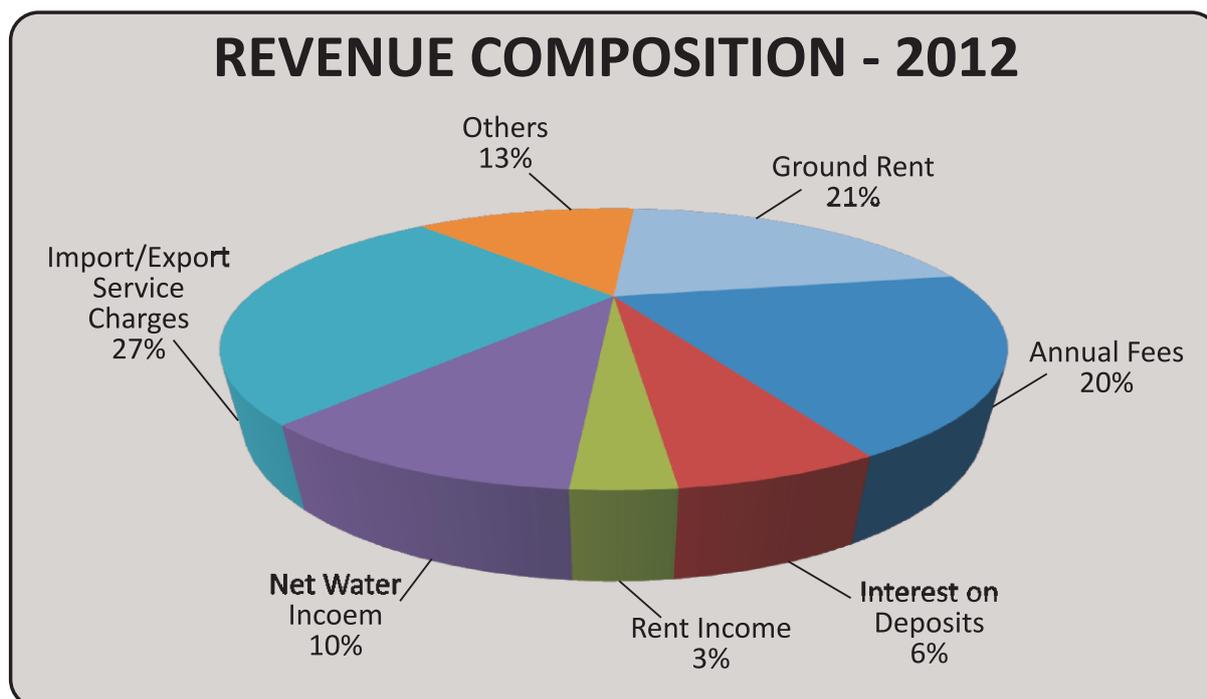
The BOI has adopted Sri Lanka Financial Reporting Standards (SLFRS) for the first time in year 2012 and the Statement of Financial Position, Income, Comprehensive Income, Changes in Equity, Cash Flow and Notes to the Financial Statements together with a summary of significant accounting policies of the Board have been prepared in accordance with SLFRS for the financial year ending 31st December 2012. In preparing these Financial Statements the opening statement of financial position was prepared as at 1st January 2011, the date of transition to SLFRS.

The Board achieved a net surplus growth of 240% after tax against previous year. The net surplus for the period under review is Rs. 229.08 M.

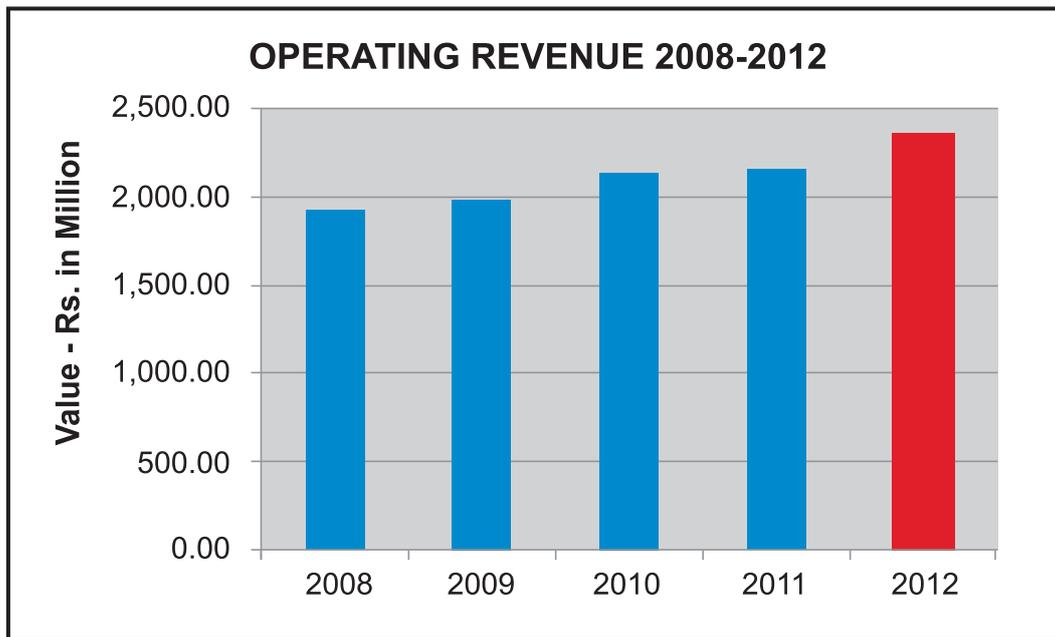
### Revenue

Revenue of the Board has increased by 10% over 2011 to Rs. 2,225.79 M Import/Export Service Charges being the major contributor to revenue has increased by Rs. 50.37 M from 2011 to 2012 & accounts for 27% of the total revenue. Income from Ground Rent has also increased to Rs. 496.80 M an increase of 16%. This growth is a result of increase in Ground Rent, new agreements signed and the currency depreciation.

Total investment income of the Board decreased to Rs. 113.09 M a 10% decrease against the corresponding period. This is mainly due to a drop in investment portfolio as Rs. 1,000 M was remitted to the General Treasury during the year 2012.

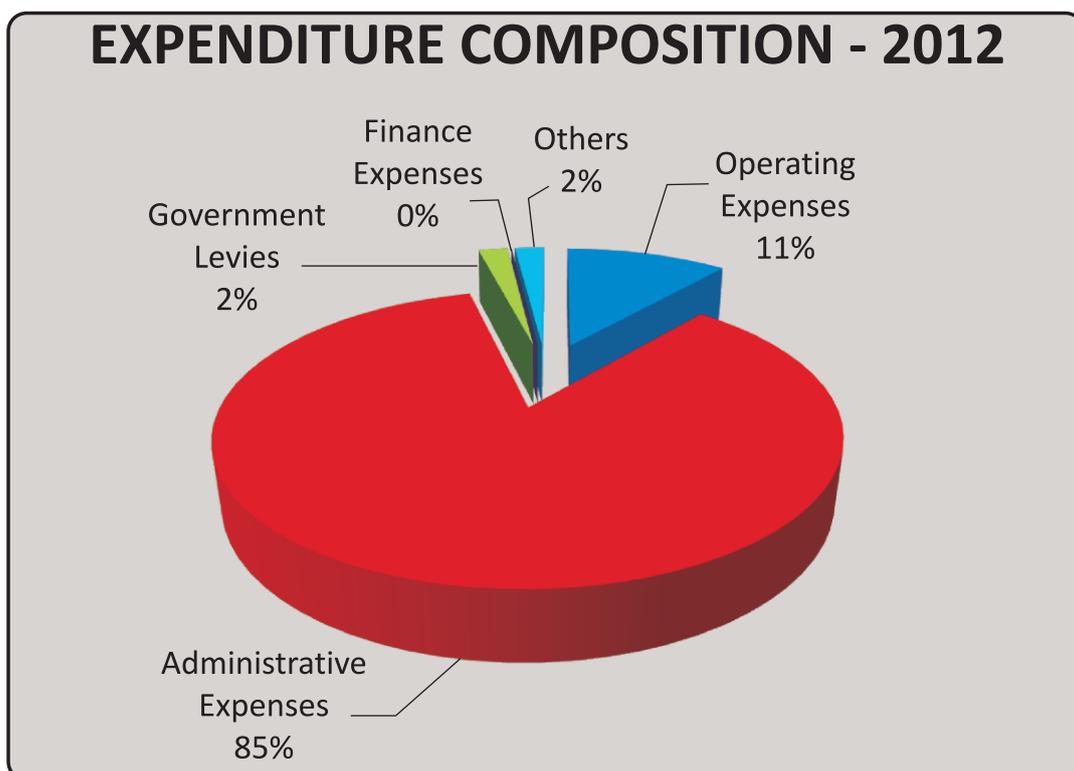


Operating Revenue has increased over the past 5 years from 2008 – 2012.

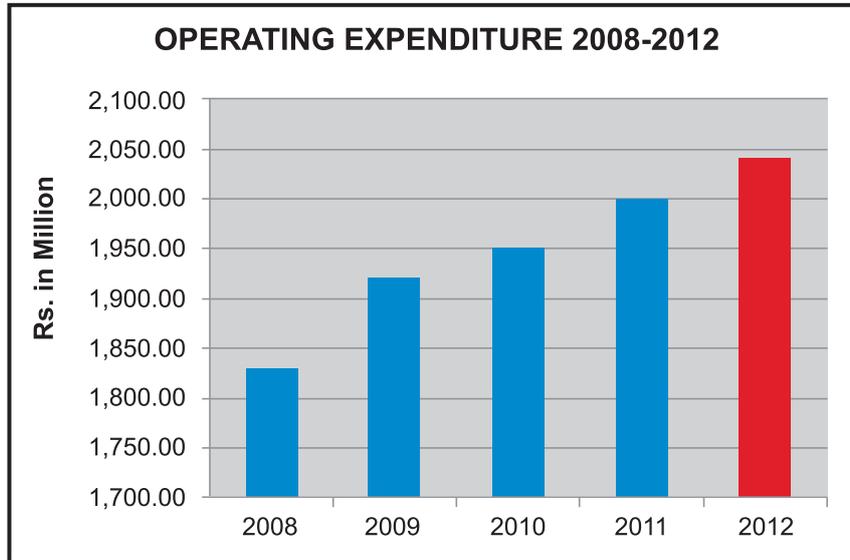


### Operating, Administration Expenses & Other Expenses

During the financial year, the operating administration and other expenses of the Board increased by 2% against previous year from Rs. 2,002.38 M to Rs. 2,040.96 M. This increase was mainly due to light & power cost, zone maintenance and depreciation.



Operating expenditure has increased over the past 5 years from 2008 – 2012.



### Government Levies & Finance Expenses

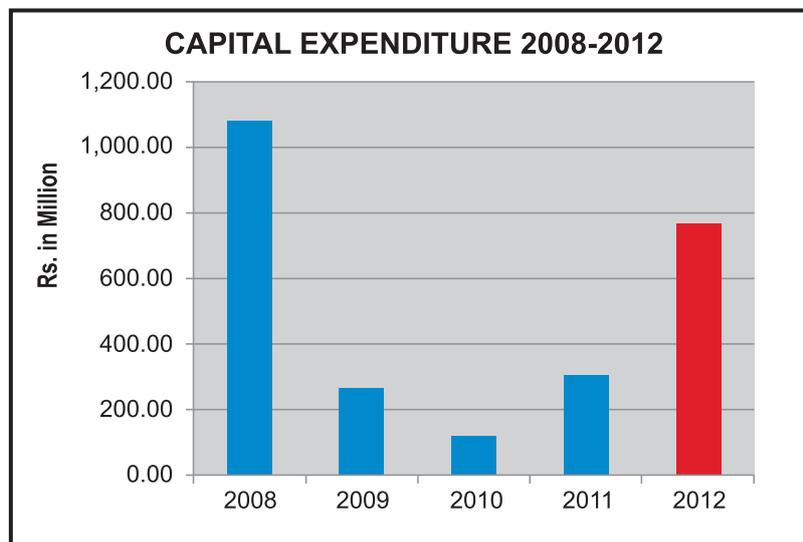
A marked increase of 83% in government levies is recorded mainly due to disallowed input VAT for the 2012. This is due to the VAT Act amendments where services provided by BOI to exporters and indirect exporters are exempted from VAT. Board paid Rs. 22.88 M as Value Added Tax and Rs. 28.96 M as Income Tax on interest income for the current year.

The increase in Finance Expenses is due to interest paid on new leases of motor vehicles during the year 2012.

### Capital Expenditure

Budgetary allocation for Capital Expenditure in year 2012 was Rs. 1,045.42 M & Capital Expenditure incurred in 2012 is Rs. 768.48 M which is 73.51% of the budget.

The BOI meets all its Recurrent and Capital Expenditure from internally generated funds.



## BOARD OF INVESTMENT OF SRI LANKA

### Income Statement For The Year Ended 31<sup>st</sup> December 2012

	As Per SLFRS/ LK AS 2012 Rs.	As Per SLFRS/ LK AS 2011 Rs.	As Per SLAS 2011 Rs.
<b>Revenue</b>	<b>2,226,369,460</b>	<b>2,004,951,097</b>	<b>2,004,951,097</b>
<b>Less ; Expenses</b>			
Operating Expenses	230,057,542	214,566,544	214,566,544
Administrative Expenses	1,779,948,800	1,731,708,618	1,734,278,586
Government Levies	47,814,539	26,126,211	26,126,211
Other Expenses	30,949,090	56,108,109	56,108,109
<b>Results from Operating Activities</b>	<b>137,599,489</b>	<b>(23,558,385)</b>	<b>(26,128,353)</b>
Finance Income	133,254,211	143,865,424	143,865,424
Finance Expenses	2,768,533	1,205,215	1,205,215
<b>Net Finance Income</b>	<b>130,485,678</b>	<b>142,660,209</b>	<b>142,660,209</b>
<b>Surplus Before Taxation</b>	<b>268,085,167</b>	<b>119,101,824</b>	<b>116,531,856</b>
Tax Expenses	28,960,401	32,935,760	32,935,760
<b>Surplus for the Year</b>	<b>239,124,766</b>	<b>86,166,064</b>	<b>83,596,096</b>

### Comprehensive Income Statement For The Year Ended 31<sup>st</sup> December 2012

	As Per SLFRS/ LKAS 2012 Rs.	As Per SLFRS/ LKAS 2011 Rs.	As Per SLAS 2011 Rs.
<b>Surplus for the Year</b>	<b>239,124,766</b>	<b>86,166,064</b>	<b>83,596,096</b>
<b>Other Comprehensive Income</b>			
Actuarial (Gain)/Loss on obligations	10,046,932	18,825,926	-
<b>Other Comprehensive Income</b>	<b>10,046,932</b>	<b>18,825,926</b>	<b>-</b>
<b>Total Comprehensive Income</b>	<b>229,077,834</b>	<b>67,340,138</b>	<b>83,596,096</b>

# BOARD OF INVESTMENT OF SRI LANKA

## Statement of Financial Position As At 31<sup>st</sup> December 2012

	As Per SLFRS/ LKAS 2012 Rs.	As Per SLFRS/ LKAS 2011 Rs.	As Per SLAS 2011 Rs.
<b>ASSETS</b>			
<b>Non- Current Assets</b>			
Property Plant and Equipment	5,314,583,197	5,400,796,718	22,129,212,413
Investment Property	16,728,415,696	16,728,415,696	-
Capital Work-in-Progress	882,006,867	337,193,501	337,193,501
Financial Assets	428,647,715	417,977,046	-
<b>Total Non- Current Assets</b>	<b>23,353,653,475</b>	<b>22,884,382,961</b>	<b>22,466,405,914</b>
<b>Current Assets</b>			
Inventories	14,135,711	12,507,390	12,507,390
Houses For Disposal	4,051,000	5,401,000	5,401,000
Financial Assets	147,908,417	125,737,074	537,597,974
Receivables from Enterprises	209,093,547	186,819,821	353,720,292
Payments in Advance and Other Receivables	76,666,466	117,474,511	170,990,033
Cash and Cash Equivalents	276,374,467	1,265,843,846	1,271,016,998
<b>Total Current Assets</b>	<b>728,229,608</b>	<b>1,713,783,642</b>	<b>2,351,233,687</b>
<b>Total Assets</b>	<b>24,081,883,083</b>	<b>24,598,166,603</b>	<b>24,817,639,601</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Accumulated Fund	6,528,728,331	7,362,128,981	7,457,162,441
Funds & Reserves	15,340,693,234	15,340,693,235	15,340,693,235
	<b>21,869,421,565</b>	<b>22,702,822,216</b>	<b>22,797,855,676</b>
Deferred Revenue	1,792,358,277	1,636,483,595	1,636,483,595
Deferred Expenditure	(440,993,614)	(437,594,339)	(437,594,339)
	<b>1,351,364,664</b>	<b>1,198,889,256</b>	<b>1,198,889,256</b>
<b>Total Equity</b>	<b>23,220,786,229</b>	<b>23,901,711,472</b>	<b>23,996,744,932</b>
<b>Non Current Liabilities</b>			
Retirement Benefit Obligations	200,458,966	176,006,875	300,446,413
Long Term Borrowings falling after one year	54,359,796	-	-
<b>Total Non Current Liabilities</b>	<b>254,818,762</b>	<b>176,006,875</b>	<b>300,446,413</b>
<b>Current Liabilities</b>			
Long Term Borrowings falling within one year	9,434,642	-	-
Accrued Expenses and Other Payables	589,761,254	512,974,438	512,974,438
Tax Payable	7,082,195	7,473,818	7,473,818
<b>Total Current Liabilities</b>	<b>606,278,091</b>	<b>520,448,256</b>	<b>520,448,256</b>
<b>Total Equity and Liabilities</b>	<b>24,081,883,083</b>	<b>24,598,166,603</b>	<b>24,817,639,601</b>

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 / DIRECTOR GENERAL  
BOARD OF INVESTMENT OF SRI LANKA



(Ms) S. P. de S. Mutucumarana  
DIRECTOR (FINANCE)  
BOARD OF INVESTMENT OF SRI LANKA

**BOARD OF INVESTMENT OF SRI LANKA****Cash Flow Statement  
For The Period Ended 31<sup>st</sup> December 2012**

	<b>2012</b>
<b>(All amounts Sri Lanka Rupees Million)</b>	<b><u>Rs.</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash generated from Operations (Note 27.1)	844.03
Income Tax Paid	(29.35)
Payment of Retirement Benefit Obligations	(13.16)
Adjustment in Respect of Previous year	(43.54)
<b>Net Cash Inflows/(Out Flows) from Operating Activities</b>	<b><u>757.98</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Income	132.11
Purchase of Fixed Assets	(106.65)
Proceeds of Sale of Fixed Assets	9.40
Fixed Deposits	(0.22)
Facilitation of Infrastructure for Mega Projects	(8.00)
Capital Work in Progress	(732.37)
Special Projects	(18.12)
Deferred Expenditure	(21.44)
<b>Net Cash Inflows/(Outflows) from Investing Activities</b>	<b><u>(745.30)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Funds Transfer to Treasury	(1,000.00)
Interest Paid	(2.15)
<b>Net Cash Inflows/(OutFlows) from Financing Activities</b>	<b><u>(1,002.15)</u></b>
Net Increase/ (Decrease) in Cash & Cash Equivalents	(989.47)
Cash & Cash Equivalents at beginning of the year	1,265.84
<b>Cash &amp; Cash Equivalents at end of the year</b>	<b>276.37</b>

## Notes to the Financial Statements

### 1. Reporting Entity

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

### 2. Basis of Preparation

#### 2.1 Statement of Compliance

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

#### 2.2 First-time adoption of SLFRS / LKAS

These financial statements are prepared in accordance with Sri Lanka Financial Reporting Standards (SLFRS) as defined by LKAS 1. They have been prepared under the historical cost convention.

For all periods up to and including the year ended 31 December 2011, the Board prepared its financial statements in accordance with local generally accepted accounting practice (SLAS). These financial statements of the Board for the year ended 31 December 2012 has been prepared in accordance with SLFRS.

Accordingly, the Board has prepared Financial Statements which comply with SLFRS applicable for periods ending on 31 December 2012, together with the comparative period data as at and for the year ended 31 December 2011, as described in the accounting policies. In preparing these financial statements, the Board's opening statement of financial position was prepared as at 1 January 2011, the Board's date of transition to SLFRS.

The presentation and classification of the financial statements of the previous period have been amended as required by SLFRS 1- First-time adoption of International Financial Reporting Standards.

### 2.3 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.

### 2.4 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.

### 2.5 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 1<sup>st</sup> 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.

	<b>2012</b>	<b>2011</b>
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)

### **3.5 Other Assets**

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

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

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

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

Other debtors are recognized at cost less impairment loss.

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

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

## Cash Flow Statement

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

### 3.7 Employee Benefits

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

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

#### (b) *Defined benefit plans*

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

### 3.8 Liabilities & Provision

Liabilities & Provisions are recognized in the balance sheet when there is a present legal /constructive obligation as a result of the past events the settlement & which is expected to result in an outflow of resources embodying economic benefits. Obligations payable at the demand of the creditor or within one year of balance sheet date are treated as current liabilities in the balance sheet. Liabilities payable after one year from the balance sheet are treated as non current liabilities in the balance sheet (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.

## Related Party Disclosures

Mr. M M C Ferdinando, Chairman/Director General of Board of Investment of Sri Lanka has indicated that he has no related party transactions with BOI enterprises.

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 2012 to December 2012.

#### (a) E-W Information Systems Ltd.,

- (b) Ewis Peripherals (Pvt.) Ltd.,
- (c) Open Systems Integrators (Pvt.) Ltd.,
- (d) Toppan Forms (Colombo) Ltd.,

Mr. Eshana de Silva, 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.

- (a) Melanka Power Moraketiya (Pvt.) Ltd.,
- (b) Vidul Madugeta (Pvt.) Ltd.,
- (c) Plumabago Lanka (Pvt.) Ltd.,

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.

### Contingent Liabilities

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.

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, Acquitas 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.

There are 66 cases pending & actual liability of such litigations cannot be ascertained accurately.

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 2012  
in terms of Section 14 (2) (C)  
of the Finance Act. No. 38 of 1971.**





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கணக்காய்வாளர் துறைமது அதிபதி திணைக்களம்  
**AUDITOR GENERAL'S DEPARTMENT**



මගේ අංකය  
எனது இ  
My No.

TC/G/BOI/FA/2012

ඔබේ අංකය

உமது இல  
Your No

දිනය

திகதி  
Date

22 November 2013

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 2012 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 2012 comprising the statement of financial position as at 31 December 2012 and the comprehensive income statement, statement of changes in equity and cash flows statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 31 of the Sri Lanka Board of Investment Act 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 issued to the Chairman of the BOI on 06 August 2013.

**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 (LKAS) 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. 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.

අංක 306/72 පොල්දූව පාර  
வந்தரமுத்தே, இலகால

இல. 306/72, பொல்துவ வீதி,  
பத்தரமுல்லை இலங்கை

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E-mail

The procedures selected depend on the auditor's judgment, 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 BOI'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 BOI 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 the financial statements. Sub - sections (3) and (4) of Section 13 of the Finance Act, give discretionary powers to the Auditor General to determine the scope and extent of the audit.

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

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

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

### **2. Comments on Financial Statements**

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#### **2.1 Qualified Opinion**

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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 2012 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**

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##### **2.2.1 Non-compliance with Sri Lanka Accounting Standards (SLAS)**

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###### **(a) LKAS 40**

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Buildings value of which can be measured reliably and held for future economic benefit had not been identified as an Investment property.

**(b) LKAS 39**

Even though the staff loans amounting to Rs. 509, 922,787 had been identified as a financial asset in the statement of financial position, it had not been measured at amortized cost by using the effective interest rate method as at 31 December 2012.

**2.2.2 Accounting Deficiencies**

Completed contracts valued at Rs.293, 829,237 had been shown in the accounts as work in progress as at 31 December 2012 instead of being transferred to the relevant assets accounts.

**2.2.3 Accounts Receivables and Payable****(a) Dues from Enterprises**

The details of dues from the BOI approved enterprises, provision for impairments and bad debts written off thereon, as at the balance sheet date as compared with proceeding four years are given below.

Description	2012	2011	2010	2009	2008
	Rs.	Rs.	Rs.	Rs.	Rs.
Dues to BOI from Enterprises	701,884,118	623,861,381	631,911,594	593,483,063	539,768,967
Provision for impairments	492,790,570	437,041,560	249,452,238	227,775,883	199,355,398
Provision for impairment as a percentage of total dues	70%	70%	39%	38%	37%
Bad debts written off during the year	5,517,032	73,113,266	8,306,417	9,279,995	8,994,408

Following observations are made in this regard.

- (i) Provision for impairment on dues from enterprises had rapidly increased during the last five years from 37% in 2008 to 70% in 2012 thus indicating poor recoverability of dues.

- (ii) Out of total provision for impairment of Rs. 492,790,570, a sum of Rs. 472,348,646 or 96% represented 100% impairment had been made on dues from cancelled and closed down projects as at 31 December 2012.
- (iii) A provision for impairment of Rs. 210,335,393 had been made for annual fees, which was 86% of total annual fees of Rs. 245,726,709.

**(b) Other Debtors**

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

Description	2012	2011	2010	2009
-----	-----	-----	-----	-----
	Rs.	Rs.	Rs.	Rs.
Other Debtors	66,891,763	61,204,152	103,810,214	102,967,791
Provision for for Doubtful Debts /impairment	61,204,152	7,688,630	48,234,339	48,171,157
Provision for Doubtful Debts/impairment as a Percentage of the total	91.5%	12%	46%	47%

Following observations are made in this connection.

- (i) Impairment on other debtors represented 91.5% thus indicating poor recoverability of dues.
- (ii) Out of the total amount of other debtors amounting to Rs. 66,891,763 as at end of the year, 87% or Rs. 58,441,942 represented dues from five Government Institutions whose outstanding for more than four years. However, proper action had not been taken by the BOI to collect dues from those Government Institutions.

## 2.2.4 Non-compliances with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed in audit.

Reference to laws, rules or regulations	Non – compliances
(a) Public Finance Circular No.PF/PE/6 dated 31 January 2000	The PAYE Tax amounting to Rs. 155,847,565 had been paid out of the BOI's fund for the period from 1997 to 2012 instead of recovering PAYE Tax from employees as per the circular instructions.
(b) Section 30 (2) of the Sri Lanka Board of Investment Act No.04 of 1978 and Section 10 (3) of the Finance Act No. 38 of 1971.	The BOI had maintained the Staff Benevolent Fund without obtaining the Finance Minister's approval with the concurrence of the line Minister in terms of the said act.
(c) The Public Enterprises Circular No. PED/10 dated 28 May 2003.	The BOI had calculated the compensation of employees those who had retired under the Voluntary Retirement Scheme (VRS) including all allowances such as 5% special allowance, cost of living, attendance incentive, acting, fuel, professional ,annual leave, drivers allowances etc contrary to the said circular.
(d) Public Administration Circular No. 14/2008 of 26 June 2008.	The employees of the BOI who had enjoyed monthly transport allowance of Rs. 30,000 together with fuel allowance had further enjoyed monthly driver's allowance of Rs.15, 000 contrary to the circular instructions.
(e) The paragraph 04 of Public Enterprises Circular No. PED/39 of 09 October 2006 and paragraph 03 of Public Administration Circular No.22/99 of 08 October 1999.	The ownership of leased hold vehicles had been transferred to thirteen officers at their retirement at residual values contrary to the circulars. As a result, a loss of Rs. 45,498,876 had occurred to the BOI up to transmission of ownership of the vehicles.

### 3. Financial Review

#### 3.1 Financial Results

According to the financial statements presented, the operations of the BOI for the year ended 31 December 2012 had resulted in a pretax net profit of Rs.268, 085,167 as compared with the corresponding pre-tax net profit of Rs.119, 101,824 for the preceding year, thus showing an increase of Rs.148,983,343 or 125 % in the financial results as compared with the preceding year.

Revenue of the BOI had increased by 11% due to increase of agreement processing fees, annual fees, ground rent and land premium during the year under review as compared with the preceding year.

Further, the BOI had earned an operating profit of Rs.137, 599,489 during the year under review, as against the operating loss of Rs.23,558,385 during the preceding year thus indicating an increase in operating profit by Rs 161,579,647 .

#### 3.2 Analytical Financial Review

(a) Significant data about the financial results for the year under review and the corresponding figures for the preceding year is given below.

	Year ended 31 December	
	2012	2011
	Rs.	Rs.
Operating Income	2,226,369,460	2,004,951,097
<u>Less: Operating Expenses</u>	(2,088,769,971)	(2,028,509,481)
Operating Surplus/ (Loss)	137,599,489	(23,558,385)
Net Finance Income	130,485,678	142,660,209
Surplus before Tax	268,085,167	119,101,824
<u>Less: Tax on Interest Income</u>	(28,960,401)	(32,935,760)
Surplus after Tax	239,124,766	86,166,064

Add: Other Comprehensive Income:

Actuarial Gain/(Loss) on obligation	(10,046,932)	18,825,926
Net Surplus for the year	<u>229,077,834</u>	<u>67,340,138</u>

(b) Financial review of the Export Processing Zones, Export Processing Parks, Industrial Parks, Regional Offices and New Economic Zones is given below.

Component	Revenue	Operating Expenses	Operating Profit	%	Profit After Tax	%
	Rs. (,000)	Rs. (,000)	Rs. (,000)		Rs. (,000)	
Head Office	588,477	894,683	(306,206)	-52%	(212,671)	-36%

Export Processing Zones:

Katunayake	512,710	392,814	119,896	23%	122,412	24%
Biyagama	344,928	272,768	72,160	21%	74,283	22%
Seethawake	280,027	129,389	150,638	54%	151,083	54%
Mirigama	31,155	37,940	(6,785)	-22%	(6,666)	-21%
Wathupitiwala	40,656	48,795	(8,139)	-20%	(7,873)	-19%
Horana	138,611	75,008	63,603	46%	63,743	46%
Mawathagama	33,667	24,007	9,660	29%	9,750	29%
Polgahawela	36,305	16,131	20,174	56%	20,222	56%
Koggala	91,129	104,071	(12,942)	-14%	(12,105)	-13%

Export Processing Parks:

Malwatta	12,992	18,601	(5,609)	-43%	(5,553)	-43%
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Industrial Parks:

Kandy	92,892	49,751	43,141	46%	43,876	47%
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Mirijjawila	2,394	1,915	479	20%	479	20%
<b><u>Regional Offices:</u></b>						
North Western	4,521	27,004	(22,483)	497%	(21,881)	484%
North Eastern	23,630	3,619	20,011	85%	20,024	85%
Total	<u>2,234,103</u>	<u>2,096,503</u>	<u>137,599</u>		<u>(1,821,304)</u>	

The BOI had carried out its functions through 9 Export Processing Zones (EPZ), one Export Processing Park (EPP), 2 Industrial Parks (IP) and 2 Regional Offices (RO). According to the above information following observations are made.

- (i) The operating profit from head office had drastically decreased in last three years and an operating loss had occurred in the year under review.

Year	Profit/ (Loss)
2009	55,205
2010	45,582
2011	12,735
2012	(306,206)

- (ii) 3 Export Processing Zones and the Export Processing Park had occurred losses continuously since 2007 to 2012 due to huge administration cost. Details are as follows.

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b><u>Export Processing Zones</u></b>						
Mirigama	(6,620)	(11,418)	(11,584)	(18,720)	(22,978)	(16,624)
Wathupitiwala	(7,766)	(15,743)	(13,703)	(12,787)	(11,872)	(18,214)
Koggala	(11,775)	(26,980)	(17,503)	(23,149)	(23,412)	(42,364)
<b><u>Export Processing Parks</u></b>						
Malwatta	(5,531)	(3,226)	(3,458)	(3,639)	(2,576)	(6,237)

### 3.3 Working Capital Management

(a) <u>Liquidity Ratio</u>		<u>2012</u>	<u>2011</u>	<u>Observation</u>
Current Ratio	- Actual	1.2	3.29	Huge reduction of current ratio and Sufficient working capital was not available.
	- Standard	2	2	
<b>(b) <u>Activity Ratios</u></b>				
Debtors turnover Ratio – times		3.17	3.27	Debt collection was not in a satisfactory level
Debtors turnover period - days		115	113	Poor debt collection.

## 4. Operating Review

### 4.1 Progress of the BOI Projects

Following observations are made.

- (a) Details of projects approved under Section 17 of Sri Lanka Board of Investment Act and signed agreements, the total number of cancelled and closed down or suspended projects and percentages (%) compared with agreement signed projects during the year 2012 and the 10 preceding years are given below.

	Agreement signed Projects <sup>√1</sup>	Cancelled Projects <sup>√2</sup>	Closed down and Suspended Projects <sup>√3</sup>	Total No. of Projects Cancelled, Closed down and Suspended
	-----	-----	-----	-----
2002	202	68	3	71
2003	272	55	3	58
2004	274	75	7	82
2005	208	121	8	129
2006	258	113	14	127
2007	310	119	18	137
2008	252	107	22	129
2009	182	93	33	126
2010	269	124	61	185
2011	165	47	20	67
2012	171	80	42	122
	-----	-----	-----	-----
Total	2,563	1002	231	1,233
	=====	=====	=====	=====

<sup>√1</sup> Including Agreement Cancelled/Closed down/Operation Suspended projects and Expansions

<sup>√2</sup> Agreement Cancelled after commercial operation commenced (Excluding cancellations of expansions)

<sup>√3</sup> Closed down/Suspended after commercial operation commenced (Excluding close down/suspended of expansions)

- (i) Number of cancelled, Closed down and Suspended Projects had been increased by 82% as compared with previous year.
- (ii) Number of agreement signed projects had been dropped up to 163 during the year under review and it was the minimum registration as compared with last 10 years.
- (iii) 123 projects or 53% had been closed down and suspended during the period 2010 to 2012.

(b) Foreign Direct Investments and Local Realized Investments made through the BOI during the period from 2006 to 2012 are given below.

Year	Foreign Direct Investments (FDI)	Local Realized Investments
-----	-----	-----
	US\$ Mn.	US\$ Mn.
2006	603	400
2007	734	490
2008	888	226
2009	601	151
2010	516	433
2011	1066	426
2012	1338	608

Foreign direct investments had been increased by 106 per cent in the year 2011 and 25 per cent in the year under review. Further, Local realized investments had been increased by Rs.182 mn in the year under review which was a 43% increase when compared with the previous year.

## 4.2 Management Inefficiencies

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The following observations are made.

- (a) The BOI had signed a lease agreement with a private company in respect of the level 12, of West tower of the World Trade Centre building on 04 November 1996 and had paid Rs. 2,637,240 as a deposit. Although such office space had handed over to the above company in June 2010, the BOI had not recovered such deposited amount until May 2013.

*The Chairman informed me that as a result of suddenly evacuating the then Ministers Office from the level 12, the lesser had forfeited the security deposit of Rs. 1,303,020 as it was not given the prior notice regarding evacuation.*

- (b) The BOI had paid compensation amounting to Rs.618,530 to the former Senior Manager (Internal Audit) in the year under review as per the final determination delivered by the Labour Tribunal for the case filed by him against the decision of non-extension of the service beyond the optional age of retirement of 58 years.
- (c) The management of the BOI had entered in to an agreement with a Malaysian Company to construct a housing scheme in the year 1998 in Wathupitiwala Export Processing Zone. Following observations are made in this regard.
- (i) Due to poor performance of the company, approval granted had been withdrawn and the scheme with 34 houses had been taken over by the BOI.
- (ii) Constructed houses had been awarded to another company for auction the houses. However, no any evidence was made available to audit to prove the existence of an agreement between auctioneer and the BOI.
- (iii) A sum of Rs. 1,604,200 had remained as receivable from that company for over 5years without being recovered.
- (iv) Twenty five housing units valued at Rs. 24,216,500 had been sold at a selling price of Rs. 19,772,192. As a result, a loss amounting to Rs.4, 444,308 had occurred to the BOI.
- (v) Two housing units had been allocated for the security personnel attached to the former Minister of the line ministry since 2006 under the installments basis.

- (d) The BOI had reimbursed overtime amounting to Rs. 3,771,885 made to customs officials deployed by the Sri Lanka Customs at two verification units of Central Verification Terminal (CVT), Orugodawatta and Air Cargo Village Unit (ACVU), Katunayake during the year 2012 without verifying the attendance records of customs officers attached for its correctness. According to the records submitted by the Department of Customs some of the officers had worked more than 600 hours per month.

*The Chairman informed me that the BOI had reimbursed overtime payments to Sri Lanka Customs merely according to the conditions stipulated in the Section 4.1 of the Memorandum of Understanding signed between the two institutions.*

- (e) Two companies had entered into an Agreement with the BOI on 22 December 2005 to set up and operate their business activities in Lot Nos.26 B and 26 B/1/B situated at Biyagama Export Processing Zone (BEPZ). The Following observations are made in this regard.
- (i) The BOI had informed to the above two companies to re-locate their projects in the land and premises at lot Nos.43 & 43 A in Block "A" which was previously occupied by the another company and had closed down at that time without stating any reason.
  - (ii) Subsequently the BOI had informed the above two companies to pay Rs.59 Mn. as a compensation for the value of the buildings constructed in the premises as claimed by the closed company.
  - (iii) Finally one company out of above two had ended up before arbitration and therefore the BOI had to pay a compensation of Rs.32, 719,097 in the year 2011 for the losses occurred due to termination of activities of the project.
  - (iv) Further BOI had decided to pay a sum of Rs.7,178,111 as a compensation to the second company for the losses occurred by them in the year under review.
- (f) The BOI had paid an advance of Rs.1, 301,584 to Horana Pradeshiya Sabha on 12 January 2010 to construct the proposed treated effluent pumping plant at Horana Export Processing Zone. But this project had been suspended due to protest regarding discharge of treated effluent to river Kalu Ganga upstream at Kandana. However this advance had not been recovered by the BOI until June 2013 and this amount had been shown as work in progress as at 31 December 2012.
- (g) The BOI had agreed with a Rubber manufacturing company situated at Horana Export Processing Zone, to reimburse the electricity tariff if the rates that prevailed on 29 December 2000 had increased over 6.9 per cent per annum. Following observations are made in this regard.

- (i) The company had claimed a sum of Rs. 356,793,568 in respect of increased rate of electricity tariffs during the period of June 2002 to September 2007 and a sum of 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 awarded by the International Court of Arbitration of the International Chamber of Commerce. The Court of Arbitration had given a verdict in favor of the Company and the matter is still under litigation.
  - (ii) The BOI had not obtained an assessment report from the Rubber Development Department and Rubber Research Institute for the availability of rubber wood in this area for consumption before granting the approval for the Project.
  - (iii) Due to pending the court cases, the BOI was unable to recover ground rental, water bills and bungalow rental etc. due from this company to BOI.
- (h) The Perth Estate was purchased by the BOI and part of the Estate had been handed over to the State Plantations Corporation for management for a period of five (5) years. The following observations are made in this regard.
- (i) The assets such as buildings, valuable trees, etc. in the Estate had not been recorded after the purchase.
  - (ii) The BOI had not received the accounts of the Institution since 2006 from the SLSPC.
  - (iii) The Corporation had not remitted the profits regularly to BOI except a sum of Rs.10 million made in the year 2005. As per the accounts submitted for the year 2006, amount due from the SLSPC pertaining to Perth Estate was Rs.16.47 Million. However the BOI was unable to identify and record the correct amount receivable as directed by the Committee on Public Enterprises held on 15 November 2011 and 14 November 2012.
  - (iv) Resolving matters pertaining to Perth Estate contrary to the conditions of the agreement such as increasing the management fees by 15 per cent, unilateral utilization of revenue of the Perth Estate, Investment of revenue amounting to Rs. 20 million generated from Perth Estate in fixed deposits 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 are in progress.

### 4.3. Assets Management

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(a) The BOI had purchased 04 condominium units in the West Tower of the World Trade Centre (WTC) at a cost of Rs. 530 million on 31 December 2007 and further 05 units in the same tower had later been purchased at a cost of Rs. 625 million on 05 March 2008 which the BOI had occupied since September 2000 on lease basis. Following observations are made in this regard.

(i) The level six, purchased at a cost of Rs.128 million, had been entirely evacuated with effect from 01 July 2011 to be rented out and remained idle up to 31 December 2012. However, as per the Chairman's comments, part of such floor area had been utilized for the office space of the Ministry of Investment Promotions in 2013 and other part will be utilized for relocating the Investor Service Department of the BOI.

*The Chairman informed me that after the establishment of newly formed Ministry of Investment Promotion, it was required to find an office space in the WTC building to setup the Ministry Office and therefore part of the level 06 was utilized for this purpose. Further BOI decided to relocate the Investor Services Department to the balance floor area of level 06 WTC.*

(ii) A floor area of 6,318 Ft<sup>2</sup> of the level 25 and floor area of 2,781 Ft<sup>2</sup> of the level 27 had been allocated for the Ministry of Economic Development, without entering into an agreement and without charging any rental for the usage.

### 4.4. Human Resource Management

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The BOI had not taken proper actions to fulfill the requirements in terms of Section 9.3 of the Public Enterprises Circular No. PED/12 of 2 June 2003 on Public Enterprises Guidelines for Good Governance for effective cadre management. Following observations are made in this regard.

(a) Hundred and ten (110) vacancies in different categories of the staff, including 73 of executive staff (including the key post of Director, Internal Audit) had not been filled even up to 31 December 2012. Details are as follows.

Description	No. of Employees in approved carder	Actual number of Employees			Vacancies
		Permanent	Contract	Total	
Executive Staff	575	497	5	502	73
Clerical and Allied Staff	354	330	4	334	20
General Service Staff	321	272	32	304	17
<b>Total</b>	<b>1250</b>	<b>1099</b>	<b>41</b>	<b>1140</b>	<b>110</b>

- (b) According to the Internal Circular of BOI, No ES/12/EST/188 dated 23 March 2011, VRS is formulated to employees who wish to retire prematurely provided their vacancies should not be filled or where their vacancies could be filled by another who could be released for the purpose. However, the BOI had released one officer who had been deployed in a main key post of Executive Director (Finance) without considering the above Circular provisions.

#### 4.4 Identified Losses

The BOI had initiated actions to vest 250 acres of land owned by the Forest Department located at Sellakanda , Puttlama to set up an investment zone in the year 2006 and had incurred Rs. 11,270,120 as preliminary expenses such as carrying out an Environmental impact assessment, Investigation of ground water, Pre structural design and drawings, Geotechnical Investigation, preparing survey plans etc. It was observed that the BOI had taken actions to suspend the vesting process of the land and to write off the above amount of preliminary expenses during the year 2012 with the Board approval.

## 5. Accountability and Good Governance

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### 5.1 Corporate Plan

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Out of the targets stated in the Corporate Plan for the period 2009 to 2013, the BOI had failed to achieve some of the targets set out. Following observations were made in this regard.

- (a) Although it was targeted to identify and promote new investment promotion zones at Batticaloa and Ampara in 2009/2010, the BOI had not initiated any action to establish any Investment Promotion Zones in those areas even up to 31 December 2012.
- (b) Out of 300 new enterprises targeted to setup outside Colombo and Gampaha districts by 2009/2010, only 163 projects had started operations (including 5 expansions) and 18 projects had been under implementation as at 31 December 2012.

### 5.2 Action plan

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

### 5.3 Audit Committee

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According to Section 9.12 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the Audit Committee should have met on a regular basis at least once in three months and should have submitted its observations to the Board of Directors with their recommendations for necessary actions. However, only one audit committee meeting had been held in the year 2012.

### 5.4 Budgetary Control

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

**6. Systems and Control**  
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Weaknesses in systems and controls observed during the course of audit were brought to the notice of the Chairman of the BOI by my detailed report issued in terms of Section 13(7)(a) of the Finance Act. Special attention is needed in respect of the following areas of control.

- (a) Compliance with Laws, Rules and Regulations
- (b) Monitoring of Projects
- (c) Debt Collection
- (d) Personnel Management
- (e) Assets Management



H.A.S. Samaraweera  
Auditor General



**The Reply to 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 2012  
in terms of Section 14 (2) (C)  
of the Finance Act. No. 38 of 1971.**



## Comments for the Observations in the Report of the Auditor General

### Report of the Auditor General on the Financial Statement of the Board of Investment (BOI) of Sri Lanka for the year ended 31 December 2012 in terms of Section 14 (2) (c) of the Finance Act No. 38 of 1971

#### 2.2.1 Non-Compliance with Sri Lanka Accounting Standards (SLAS)

##### (a) LKAS 40

Noted for necessary action in year 2013.

##### (b) LKAS 39

Noted for necessary action in year 2013.

#### 2.2.2 Accounting Deficiencies

The following contracts have already been transferred to the relevant accounts on completion and receipt of relevant documents.

- SBJM building – BOI/TS/HO/2011/11-05.30 - Already transferred by JE DO84 in April '13

The delay in transferring to the relevant accounts was due to the fact that the Defects Liability Period of the Contract has been extended to 25.04.2014. In the meantime A & B forms have been issued to the Finance Department.

- Internal Roads – KEPZ & BEPZ – BOI/TS//KEPZ-BEPZ/11/01 - Already transferred by JE BO20 in Feb.'13

The delay in transferring to the relevant accounts was due to the fact that the Defects Liability Period should have been expired to transfer asset to the relevant account. As the defects Liability Period ended on 19.06.2013, the Finance Department has been informed accordingly.

- Exit Sign Boards and portable fire extinguishers –BOI/TS/HO/2011/22/05/035 - Already transferred by JE D083 in April '13

The delay in transferring to the relevant accounts was due to the fact that the retention money of the contract had to be released to the contractor prior to

transferring to the relevant account. Since the Defect Liability Period has ended on 23.07.2013, action has been taken to transfer to the relevant account.

- Maguruwila Road - HEPZ-BOI/TS/HEPZ/2011/05/01 - The final payment has only been effected in August '13 and it has been transferred by JE H001 in August '13.

The delay in transferring to the relevant accounts was due to the fact that the retention money of the contract had to be released to the contractor prior to transferring to the relevant account. Since the Defect Liability Period will be ended on 23.12.2013, action will be taken to transfer to the relevant account.

- Fixing Gypsum Boards and Glass Wool Insulation - Already transferred by JE E075 in May '13
- Laying of Sewage Collection / Lift stations/Manholes - WEPZ-BOI/TS/WEPZ/2006/01 - The final payment is pending to-date

The work under the above contract has been completed on 16.10.2007 and subsequently the system was commissioned. This system is now in continuous operation.

The final payment due to the contractor was not effected due to a dispute between the BOI and the contractor with regard to certain items of balance work. After having studied the implications to both the contractor and the BOI, the final accounts statement has been concluded and accordingly action is being taken now to transfer the assets to the relevant account.

### 2.2.3 Accounts Receivable & Payable

#### (a) Dues from Enterprises

- (i) Recovery of Annual Fee & Ground Rent was more than 95% (as at 31/07/2013) of invoiced value and recovery of water & rent more than 98% (as at 31/07/2013) for 2010 to 2012 as follows.

Ground Rent & Annual Fees

	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<b>(Rs.)</b>	<b>(Rs.)</b>	<b>(Rs.)</b>
Revenue	978 M	849 M	826 M
Debtors	80 M	27 M	29 M
Bal. as at 31.07.2013	45 M		
Debt Recovery Ratio	92%	97%	97%
	95.4% (as at 31/07/2013)		

Water & Rent

	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<b>(Rs.)</b>	<b>(Rs.)</b>	<b>(Rs.)</b>
Revenue	947 M	883 M	850 M
Debtors	138 M	15 M	9 M
Bal. as at 31.07.2013	18 M		
Debt Recovery Ratio	85%	98%	99%
	98% (as at 31/07/2013)		

Therefore, recovery level of debts is at a higher level although provision of impairment on dues increased last five (5) years from 37% in 2008 to 70% in 2012 as a result of application of new Sri Lanka Accounting Standards and expediting the process of cancelling projects.

- (ii) Accounting policy adopted by BOI for provision for impairment is to provide 100% for dues of cancelled/closed/suspended projects.
- (iii) Out of the total provision of Rs. 210,331,393 for impairment of Annual Fees Rs. 157,538,094/51 is in respect of Annual Fees due from cancelled, closed & suspended projects & Rs. 41,864,382/68 is in respect of Annual Fees for over two years by enterprises in operation.
- Further, BOI has been established the separate Monitoring Unit for accelerate debt collecting process and please refer the reply for item 6 (c) to review its progress.

(b) Other Debtors

(i) Noted.

(ii) Outstanding from Government Institutions;

Ministry of Rehabilitation & Tamil Affairs – Rs 2,099,895/-

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 a 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/- had also been handed over.

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

Despite the change of Ministry officials under different regimes within the period above referred to, the BOI in connection with the Line Ministry is taking continuous efforts to recover the balance due.

Ministry of Enterprise Development, Policy and Investment Promotion  
Outstanding Balance of Rs. 710,550/- not recovered by the BOI

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 there in. The value of the inventory handed over was Rs. 710,550/-. Although the Ministry of (PD&DS) has agreed to reimburse the value to the BOI, despite repeated requests made, the Rs.710,550/- is remaining unsettled to date.

Within the period the Ministry portfolio had changed number of times under different regimes and officers responsible for finalising the transaction in that period are no more in the present Ministry. However,

BOI with the guidance of the Line Ministry is taking continuous efforts to recover this amount.

Ministry of Enterprise Development Policy and Investment Promotion –  
27<sup>th</sup> floor Rs 2,411,822

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

In the year 2006, due to a cabinet reshuffle the name and the portfolio of the Ministry of AT&NED have 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 the BOI by the Ministries.

Janatha Estate Development Board – Hanthana Land

Chairman of the BOI by the letter No. EC/9/LA/Hantana dated 06.07.2012, has allowed JEDB a period of eighteen (18) months ending on 06.01.2014 to pay the due payment Rs. 52,383,573.27.

Export Development Board – Sale of Assets – NWRO (Rs. 629,440/-)

The outstanding balance pertaining to air-conditioners, venation blinds, floor carpets and aluminium partitions was Rs. 890,960/80 whereas the venation blinds and floor carpets have already been removed and books have been adjusted by Rs. 261,520/80. Removal process of the air-conditioners and aluminium partitions are at negotiation level with the present owner of the building (M/s Nation Lanka Finance PLC) and will finalize the matter before December 31,2013.

## 2.2.4 Non-Compliance with laws, Rules, Regulations & Management Decisions

### (a) PAYE Tax

The BOI has paid the PAYE tax on behalf of its employees with the approval of the Board of Directors until November 2012. On the instructions given by the Secretary, Ministry of Economic Development by the letter dated 12.11.2012, BOI has commenced deducting PAYE tax attributable to the salary of employees with effect from November 2012. Considering the circumstances arose with this matter, the Board of Directors granted approval to reimburse the PAYE tax that has been recovered from the monthly emoluments of the employees with effect from November 2012 and to seek the approval of the Cabinet. Accordingly, a Cabinet memorandum dated 04.06.2013 regarding the matter of PAYE tax was submitted by the Hon. Minister of Investment Promotion and necessary action will be taken by the BOI according to Decision of the Cabinet in due course.

### (b) Staff Benevolent Fund

Objective – Minimise the impact on financial commitment of the organisation at the time of giving five months salary loan to its staff with concessionary interest rates by covering a part of the interest using the fund.

Contribution – Fund consists of membership contributions and BOI initial contribution.

Approval – Board approval was granted on 10.10.1994 and Treasury approval was sought by our letters dated 29.08.2012. Hon. Minister's approval will be obtained before end of October 2013.

### (c) VRS Compensation calculation

Calculation of VRS payments were varied according to the employee categories as mentioned below.

- Permanent employees who were less than 55 years of age as at the closing date for the VRS scheme

In the calculation of payment of VRS compensation of the above employees, Cost of Living allowance and 5% special allowance were considered with the approval of the management of the BOI in addition to the consolidated salary as these two allowances being paid over a period of time and they were not granted on interim measures. Further, these allowances are considered as a part of the salary of an employee for the purpose of various payments internally in the BOI as well as the statutory payments such as EPF, ETF and the Gratuity payment.

- Permanent employees who were 55 years and above of age as at the closing date for the VRS scheme

It is stated in the Public Enterprises circular number PED 10 dated 28.05.2003 that the employees who are due to retire within next 05 years shall be entitled to the lower of the following:

- The aggregate of the emoluments that they would receive, had they been in the service.
- The compensation payable in accordance with this VRS.

According to the definitions given in the Chapter I of Establishment Code, Volume I, "Emoluments of an Officer" means the salary, duty allowance, personal allowance and any other allowances, not being in the nature of a re-imbursement. Therefore, the consideration of allowances mentioned in the query to calculate the aggregate of emolument for the service foregone did not violate the circular instructions of PED 10 dated 28.05.2003.

(d) Driver allowances paid to employees

- Objective* – Make a monthly payment to BOI officers who are eligible for assigned vehicles and does not deploy a Driver from the BOI. This payment was recommended as it is financially and administratively cost beneficial to the BOI to pay an allowance to the officers who are eligible for assigned vehicles in lieu of employing a driver by the board. The cost analysis of deploying a driver by the board is as follows;

**Fixed Costs - Per Month**

Basic Salary	12,670.00
Cost of Living Allowance	6,600.00
Budget Allowance (15%)	1,900.50
Special Allowance (5%)	633.50
Attendance Incentive (35% subject to min. of Rs. 6500.00)	6,500.00
Transport Subsidy - Average (Min. Rs. 480.00 - Max. Rs. 4500.00)	2,490.00
Overtime -Generally 50 hrs. per month (if calculated on the rate of 1.5)	3,959.37
EPF - Employer Contribution (15%)	3,270.60
ETF - Employer Contribution (3%)	654.12
	<u>38,678.09</u>

**Variable Costs**

They are entitled for following benefits

Uniform Expenditure - Annual (Shirts/Trousers/Tailoring cost/Shoes & Socks)	11,910.35
Reimbursement of Medical Expenses - Annual	63,500.00
Loan Facilities - One Month Salary Loan Five Months Salary Loan Additional Five Months Salary Loan Vehicle Loan Reimbursement of Housing loan interest by the Board Advances & Gift Vouchers in Festival Seasons	
Festival Advance	10,000.00
Special Advance	10,000.00
Gift Vouchers	5,000.00
Payment of Annual Bonus	15,000.00
Encashment of unutilized Vacation Leave/ Medical Leave Funeral Assistance benefits Life Insurance - Death & Disability Cover of Rs. 200,000.00 Travelling & Subsistence allowance for distance travelled is more than 7 miles and period over 06 hours.	

Approval – Board approval was granted on 14.01.2003  
National Council for Administration has been informed  
regarding this payment on 01.06.2005 with the  
recommendation of the Line Ministry.

- (e) Hire purchase or operating lease method was used by the public institutions to fulfill the vehicle requirements at the time where the government had curtailed the expenditure on purchase or import of vehicles and the reduced the budget on maintenance expenditure by a policy decision. As an alternative to the restrictions imposed by the government many public institutions obtained vehicles under the hirepurchase schemes where the ownership of vehicles and cost of maintenance was borne by the vehicle supplier.

In the year 2003, the management of the BOI has analysed the recurring expenditure on maintenance of old vehicle fleet and identified that the uneconomical vehicles created heavy burden on the budget. Considering the above facts the management has decided disposing the old vehicles and to hirepurchase required number of vehicles from Central Finance Company through a 5 year lease agreement.

The board of directors at its meeting held on 02/06/2003 had granted approval for the board paper titled "vehicle management scheme". The clause (F) states the officers who were eligible to receive vehicles and entitled for transfer of ownership at the end of the lease period by paying the residual value.

If the BOI had hired/rented vehicles instead of selecting hirepurchase method, the institution would have to pay more or less same amount of money as monthly hiring charges.

However all the transactions of vehicles pertaining to the hire purchase scheme was completed by the year 2012 and approval of the Board of Directors were granted for each transfer of vehicles.

The board paper dated 20<sup>th</sup> march 2001 "Transfer of ownership of assigned vehicles to the officers concerned at the retirement" has quoted the Public Administration Circular 5/90 and the amendments made thereto by the circular No. 22/99 dated 05<sup>th</sup> June 2000. These circulars provide guidelines for the transfer of ownership of vehicles used by the officers.

In the 2003, if the BOI did not implement the vehicle management scheme, the BOI would have to maintain the old and uneconomical vehicle fleet by spending huge amount of money or had to hire vehicles by paying monthly rental. In the above context there would not be a considerable saving of money if the hirepurchase scheme was not adopted as an alternative solution to fulfill the vehicle needs of the BOI.

However, BOI will not in any circumstance transfer ownership of vehicles to retiring officers in future.

### 3. Financial Review

#### 3.1 Financial Results

Noted

#### 3.2 Analytical Financial Review

- (a) No comments.
- (b) Financial Review of EPZZ, EPP, IPP, ROO & NEZZ
  - (i) Head Office

Head Office operates as a cost centre which serves all Export Processing Zones and Regional Offices. Hence, the operational cost of Head Office amounts to 42% of total operating costs of the BOI.

- (ii) Mirigama Export Processing Zone (MEPZ), Wathupitiwala Export Processing Zone (WEPZ), Malwatta Export Processing Parks (MEPP)

The original losses incurred is mainly due to heavy administration cost of staff salaries, staff welfare expenses etc. Due to small size of the Zones the amount of disposal lands for business activities and also the expected revenues are comparatively low, although the basic infrastructure & staff have to be maintained to support the industries. However, it is noted that the economic benefits of these 03 Zones in terms of employment generation, export earnings, foreign exchange earning etc. are not taken into account in the financial review and BOI Zones are not established to earn profit but with the intention of achieving broader national and economic objectives as mentioned. However, respective Zonal Heads have taken action to dispose remaining land property for new

investments and generate additional revenue in respect of WEPZ, MEPP & MEPZ.

#### Koggala Export Processing Zone (KgEPZ)

There are lot of lands to be disposed for new investments and accordingly, corresponding increase in the revenue is expected in time to come with an aggressive promotional campaign with specific industry sections & proposals already formulated.

### **3.3 Working Capital Management**

(a) & (b)

Noted.

## **4. Operating Review**

### **4.1 Progress of the BOI Projects**

(a) According to the records of MIS BOI, 2,555 (Current updated figure is 2,563) agreements have been signed during the period 2002 – 2012, whereas 1,233 projects have been cancelled, closed or suspended during the same period.

However, this 1,233 include projects which have signed agreements and commenced commercial operation even prior to the year 2002 (i.e. since 1978). Hence, Auditor General's statement referring that 48% of total agreement signed projects have been cancelled, closed or suspended is not correct and the percentages (5) indicated in the report compared to agreement signed projects do not provide a meaningful indicator to measure the performance.

- Out of the 2,563 projects agreement signed, only 373 projects have been cancelled, closed or suspended during the period 2002 – 2012.
- Accordingly, the percentage of cancelled, closed or suspended projects is 14.6% (i.e.  $373 * 100 / 2578$ ) and not 48%.

The 14.6% is an acceptable level when it comes to projects cancellation, closure or suspension.

- (b) Local realized investment for the year 2012 indicated in the report is not correct. It should be corrected as USD 608 Mn. As per our letter to Govt. Audit dated 22<sup>nd</sup> April 2013, which shows a 43% increase compared to the local realized investment in the year 2011 (i.e. 426). Accordingly, the report has to be corrected.

#### 4.2 Management Inefficiencies

- (a) The deposit of Rs. 1,303,020/- relates to the floor area of 2,413 sq.ft which was occupied by the Ministry of Enterprise Development & Investment Promotion.

In addition to the above, the Research Department of BOI (3,609 Sq.ft.) and the BII had occupied L-12 and made deposits of Rs.649,620/- and Rs. 684,600/- respectively.

Office of the Hon. Minister of Enterprise Development (late Mr. Mano Wijerathne) was set up at level 12 West Tower WTC building. BOI had entered in to a lease agreement with the Overseas Realty Ceylon PLC (Managing agent of the WTC building) on behalf of the Ministry of Enterprise Development and Investment Promotion. After the cabinet reshuffle in the April 2010 the Ministers Office was suddenly evacuated from the level 12. Therefore, according to the lease agreement Overseas Realty Ceylon PLC had forfeited the security deposit of Rs. 1,303,020/- as it was not given the prior notice regarding evacuation.

- (b) The procedure followed by the BOI with regard to the extension of service beyond the optional age of retirement of its employees was to grant service extensions from 57 years to 60 years of age at the discretion of the Board of Directors, if the work performance & conduct of employees have been satisfactory. Former Senior Manager (Internal Audit) has completed 57 years of age on 10.12.2008 and the Board of Directors granted him an extension of service by one (01) year with effect from 10.12.2008. He requested 2<sup>nd</sup> service extension for the period 10.12.2009 to 09.12.2010 by his letter dated 10.09.2009.

Meanwhile, a complaint was received regarding several allegations against him and the investigating officer who was appointed to conduct the preliminary investigation in this regard has stated in his report that there was a prima-facie case against the former Senior Manager (Internal Audit). The said report was presented to the Board of Directors at its meeting held on 11.12.2009 and it was decided to discuss the matter further and make a decision. Therefore, he was granted an extension of service of one (01) month with effect from 10.12.2009. The Board of Directors considered the investigation report at its meeting held on 08.01.2010 and decided not to grant an extension of service to Former Senior Manager (Internal Audit) in view of the findings of the preliminary investigation. Accordingly, he was retired from the service of the BOI with effect from 10.01.2010.

Former Senior Manager (Internal Audit) filed action against the above decision before the Labour Tribunal and the President of Labour Tribunal has ordered the BOI to pay a sum of Rs. 618,530/- (11 months consolidated salary) to Former Senior Manager (Internal Audit) in final determination of the case by commenting that the applicant has not been retired but terminated from the service by way of rejecting his service extension. Legal opinion was obtained from the Attorney General's Department in this regard and made the payment of Rs. 618,530/- as a final determination in lieu of reinstatement in service of former Senior Manager (Internal Audit).

(c) Housing scheme in WEPZ (i) – (v)

The sale of houses of the Wathupitiwala housing project was started in the year 2002. At the beginning, the houses were sold through a professional auctioneer and the process was failed, therefore the Wathupitiwala Zone office was entrusted to sale the balance housing units.

By now all the houses were sold and Rs 24,582,819/- has been collected by the BOI as the income from sales. Another Rs.3,000,000/- will be received as instalment payment (Housing units 7 & 13).

BOI has received this land free of charge as a special grant from Her Excellency the President.

Housing units were constructed by Perpetual Business Lanka (Pvt) Ltd. and the housing project was acquired by the BOI after paying Rs.19,450,000/- to Perpetual Business Lanka (Pvt) Ltd as the cost for construction of housing units.

Considering the above it is evident that BOI has covered all the expenses incurred on the housing project.

(d) BOI has to reimbursed overtime payments to Sri Lanka Customs merely according to their claims based on the conditions stipulated in the section 4.1 of Memorandum of Understanding signed between the two institutions and further clarifications given by the Sri Lanka Customs by their letter dated 16.08.2013.

(e) (i) – (iv)

One company entered into an agreement with the Board on 22<sup>nd</sup> December 2005 to set up/conduct and operate a Trading House to import connecting accessories and related essentials for re-export in Lot No. 26B/1/A containing in extent One Acre and Thirty Five Perches (A1-R0-P35) situated at Biyagama Export Processing Zone (BEPZ). Subsequently, BOI had informed the Enterprise to suspend its development activities in the aforesaid Lot No. 26B within BEPZ. Accordingly a Supplementary Agreement dated 6<sup>th</sup> March 2006 was signed allocating Lot No. 43 containing an extent of Two Acres (A2-R0-P0) at BEPZ for the project in lieu of the aforesaid Lot No. 26B.

At a later stage the previous lessee of the Lot No. 43 submitted a claim for the improvements made to the said Lot No. 43. The said claim resulted causing a dispute between the enterprise and BOI in settlement of the said claim to the previous lessee.

A sister company of the first company entered into an agreement with the Board on 22<sup>nd</sup> December 2005 to manufacture connecting accessories for export within Lot No. 43A which is adjoining to Lot No. 43 at BEPZ. The business activities of the sister company also came to a stand still at Lot No. 43 A which was partially improved due to the identical dispute of the settlement of the claim submitted by the previous lessee of the said Lot No. 43A.

Both Lot Nos. 43 and 43A were occupied previously by the said lessee and claimed the cost of buildings from the two new investors.

Thereafter the sister company referred the dispute for arbitration claiming compensation for damages. An Arbitral Award was granted on 22<sup>nd</sup> February 2011 against BOI to pay a sum of Rs. 32 Mn. The said payment of Rs. 32 Mn was settled by BOI.

Both those companies are fully owned subsidiaries of a company in Netherlands.

First company in terms of the letter dated 12<sup>th</sup> October 2011, made a claim to BOI indicating that the direct losses incurred to them as US\$ 760.75 and Rs. 23,548,314.00.

After having a series of discussions and negotiations between the representatives of the first company and BOI, both parties have finally agreed to a sum of Rs. 7,178,110.75 for the losses incurred to the company by BOI. The said amount represents the final work carried out, as certified by an Architect of Design Arcade, the Architects of the project, at the time of suspension of construction work. Company by letter dated 27<sup>th</sup> February 2012 accepted the final settlement amount of Rs. 7,178,110.75.

Following the instruction of the BOI to both investment companies to suspend work in the lands which were originally allocated (which were bare land) and after several negotiations, both companies agreed to set up their projects within Lot Nos. 43 and 43A at BEPZ. Both Lots were occupied earlier by the previous lessee and there were two buildings in place which were constructed by the said lessee.

By letter dated 13<sup>th</sup> February 2006, BOI issued a common letter to both enterprises, inter-alia, including the following statement, BOI giving a vital assurance which BOI failed to honour, subsequently. As a result this led to a dispute where the sister company ended up before Arbitration.

“Once the companies entered into leases with BOI, your companies will be assured of your use and occupation free of any liability to any Third Party.”

The Arbitral Award made in favour of the sister company has considered this as one of the deciding factors for their final determination.

In the light of the aforesaid Arbitral Award made in favour of the said sister company and in the event the first company proceeded with Arbitration against BOI could make a great impact in determining the amount of compensation which may be much higher than the agreed compensation amount of Rs. 7,178,110.75, it is reasonable for BOI to settle the above mentioned payment and conclude the matter.

After explaining the situation to the Board at its meeting held on 10<sup>th</sup> April 2012, Board granted approval to pay Rs. 7,178,110.75 to the first company as a full and final settlement of its claim in respect of the losses incurred due to the termination of activities of the project at BEPZ as a result of a dispute with the BOI.

Lot No. 26B and 26B/1/B initially allocated to the said two companies are land lots in the BEPZ service area located outside the zonal operation area. All necessary infrastructure had to be provided by the BOI with capital expenditure. Subsequent inspection by Executive Director (Zones) in January 2006, this decision was reviewed since there was a plan to develop this area to accommodate service facilities to the enterprises and the large population of factory workers as there was no alternative BOI land available for the purpose. Thus alternative land and factory premises were offered for locating the 02 enterprises. Therefore, BOI had a valid reason for shifting the 02 enterprises to the premises of previous lessee.

- (f) The amount of Rs. 1,301,584.23 was released to the Horana Pradeshiya Saba on 12.01.2010, as road reinstatement charges payable for laying of the treated effluent disposal line proposed to be laid from Horana EPZ upto the river Kaluganga. As the discharge location was upstream of the NWS&DB water intake at Kandana in Horana, there were subsequent objections for the laying of pipeline. As such the pipeline laying proposal was not implemented.

Action has been taken later to design the pipeline upto Wagawatte with a view to connect same to the proposed treated effluent line from the proposed Industrial Zone at Wagawatte. This proposed treated effluent line will be laid upto a point down stream of the NWS&DB water intake.

As such the Pradeshiya Saba, Horana has been requested to inform the road reinstatement cost of the new route and the funds released already is to be incurred for the new pipeline trace. If the new estimate varies from the amount of funds released, action will be taken either to recover the balance or release any additional funds to the Pradeshiya Saba.

- (g) (i) BOI suspended the services provided to the MDF Board manufacturing company, somewhere on 29<sup>th</sup> June 2006 as non-payment of water bills, ground rent and bungalow rent amounting to Rs. 54,802,152/44 at that time. For that, the said company went to ICC Arbitration No. 14521 – JB and accordingly in that Arbitration, the company got favourable Award. In that they have asked to hand over the physical possession of the 437 acres of land which BOI leased out to the company by Supplementary Agreement dated 3<sup>rd</sup> March 2003.

BOI filed an Application to set aside said Arbitral Award in the High Court of Colombo HC(Arb)2012/10/A. This case is still pending at High Court and next date will be 26<sup>th</sup> September 2013.

- (ii) 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.

The new investment approval system which is currently followed by BOI has tight controls to avoid any similar lapses as reported by the Auditor General and ensures obtaining necessary approvals from relevant authorities, agencies etc. prior to granting BOI approval for investment.

- (iii) Due to pending Court Cases BOI has not been able to recover the dues yet.

- (h) (i) As per the directive given at the Meeting held on 08.09.2006 to discuss the Perth Estate issues, Internal Audit – BOI had done a verification of Fixed Assets at Perth Estate, Horana during the year 2006.

- (ii) 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.
- (iii) 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.
- (iv) Negotiations are in progress.

### 4.3 Assets Management

#### (a) Condominium Units of WTC

- (i) The Ministry of Justice (MOJ) has obtained a cabinet approval to setup an International Arbitration Centre at level 06. However the refurbishment work was delayed for 2 years. Though the BOI has entered an agreement with the MOJ but they have paid the lease rental in the month of February 2013.

After the establishment of newly formed Ministry of Investment Promotion, it was required to find an office space in the WTC building to setup the Ministry Office and therefore part of the level 06 was utilized for this purpose.

Then the BOI has terminated the lease agreement signed with the Ministry of Justice and returned the rental paid to the BOI.

Presently Investor Services Department is located in a building at Sir Baron Jayathilake Mw; Colombo 01 which is more than 100 years old. It is necessary and essential to do a refurbishment for this building. As per the observation of the Civil Engineering Consultants, this building is needed to have a full scale refurbishment as soon as possible. In addition the maintenance cost to this building is very much high. (Considering expenditure the last few years)

Therefore BOI decided to relocate the Investor Services Department to the balance floor area of level 06 WTC.

(ii) Hon. Minister of Economic Development instructed to setup Deputy Ministers' Offices on BOI floors at WTC building and 02 Deputy Ministers (Hon. Lakshman Yapa Abewardana, Hon. Muttu Siwalingam) held their offices at level 25 & 27 respectively. BOI has sent invoices and lease agreements for the floor area occupied by the Ministry but they have not responded and still communicating to collect the balance due.

However after the establishment of Ministry of Investment Promotion BOI has signed lease agreements with the Ministry to rent out floor space occupied by the Ministry at level 25 & 27.

Arrangements are being made to sign lease agreements for the floor area occupied by the Deputy Minister of Economic Development (Hon. Muttu Siwalingam) at level 27.

#### 4.4 Human Resource Management

- (a) It is stated that there were 110 vacancies in different categories of staff as at 31.12.2012. However it should be noted that 49 vacancies created as at 31.12.2012 due to the Voluntary Retirement Scheme will not be filled. Further, 06 Casual employees and an employee on secondment basis were not considered in the audit query. In addition, there were 07 existing Executive Staff without cadre positions and these posts are being maintained as personal to them and will not be filled on the retirement of the officer. Further, there were 20 employees in Management Assistant category & Primary Level category in excess to the cadre and their positions will be regularized with the appropriate vacancies to be created in the cadre. Accordingly, actual number of vacancies as at 31.12.2012 is 81. However, 08 vacancies out of the above 81 were already filled in year 2013 and filling of further 25 vacancies are being processed. The remaining vacancies will be filled in due course on the necessity of filling those vacancies. Further, the process of filling of vacancies need a considerable time duration due to the requirement of getting the approval of Department of Management Services as well as the calling of applications both internally and externally through news paper advertisements as per the approved Scheme of Recruitment of the BOI.

- (b) There are no provisions to fill the vacancies created due to the retirements under the Voluntary Retirement Scheme. The positions suppressed according to the said scheme are as follows;

<u>Designation</u>	<u>No employees Retired under VRS</u>
Executive Director	1
Director	1
Senior Deputy Director	5
Deputy Director	1
Assistant Director	3
Executive Assistant	4
Engineer – Gr. E 1	1
Computer Operator – Gr. E 1	1
Secretary – Gr. E 1	1
Steno / Typist – Gr. E 1	4
Storekeeper – Gr. E 1	1
Security Officer	2
Security Supervisor	2
Security Guard	2
Management Assistant	8
Driver	4
Office Aide	5
Labourer	4
<b>Total</b>	<u>50</u> =====

Therefore, it was mentioned in the circular number EC/12/EST/188 dated 23.03.2011 that the Voluntary Retirement Scheme is offered to employees whose vacancies need not be filled or where there vacancies be filled by another who could be released for the purpose. Simultaneously a restructuring process has been launched to fall in line with the economic development strategy of the Government and as a result Investment, Promotion & Monitoring Departments were amalgamated and formed Sector Groups. As such the functions of several departments including the Finance Department were proposed to decentralize among the Zones. Therefore, former Chairman/Director General has granted approval for the request of former Executive Director (Finance) to retire under the Voluntary Retirement Scheme and empowered the Director (Finance) as the head of Finance Department.

#### 4.5 Identified Losses

The BOI has now decided to utilize the land in extent of 250 Acres which is coming under the purview of Divisional Secretary / Puttlam. The following two options are now under discussion with regard to the utilization of the said land.

- The land has been offered as a potential site for promoting an investment project in the Higher Educational sector under the forthcoming Commonwealth Business Forum.
- In the event a potential investor is not identified, for an investment project as mentioned above, the site is proposed to be considered for an Industrial Park considering the directives of the government to set up more Industrial Estates to accommodate industries in the light of the incident that took place in a factory in the Weliweriya area, recently.

### 5. Accountability & Good Governance

#### 5.1 Corporate Plan

Research Department of BOI was entrusted for preparing a corporate plan for the period 2013 – 2017.

#### 5.2 Action Plan

Action Plan for infrastructure Development undertaken under the purview of the Technical Services Dept. during the year under review was submitted to the Board of Directors and approval was obtained for implementation on 19.02.2013.

#### 5.3 Audit Committee

Action has been taken to hold Audit Committee meetings as stipulated in the Public Enterprises Circular No. PED/12.

#### 5.4 Budgetary Control

It is incorrect to say that the budget has not been made use of as an effective instrument of management control as it is one of the main KPI of BOI. We definitely make use the budget as a measure to control expenditure and achieve revenue targets.

### 6. Systems and Controls

#### (a) Compliance with Laws, Rules and Regulations

Pl. refer reply for 2.2.4 above

#### (b) Monitoring of Projects

Action has been taken by the BOI to closely monitor the projects by the project officers in the relevant sectors to prevent occurring issues identified and also recently set up a monitoring department to ensure project activities.

#### (c) Debt Collection

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

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

From 01.05.2013, a separate Monitoring Unit has been established to expedite recovery of dues and the progress of the same is mentioned below;

- **Annual Fees (AF)** - Total Outstanding amount payable to the BOI by Enterprises as Annual Fees from 1995 – 2011;

Status of Enterprise	No. of Enterprises	Amount (Rs)
Enterprises which are in commercial operation	344	79,112,717.84
Cancelled Enterprises	355	119,622,171.85
Total	699	198,734,889.69

- **Ground Rent (GR)** - Total Outstanding amount payable to the BOI by Enterprises as Ground Rent from 2011 and before;

No. of Enterprises	48
Due amount	Rs. 74,900,722.36

- **Current position of recovery of dues**

<b>Total number of defaulted enterprises</b>	<b>699 (AF)</b> <b>48 (GR)</b>	<b>198,734,889.69</b> <b>74,900,722.36</b>
<b>Total outstanding dues (2011 and before)</b>	<b>747</b>	<b>273,634,612.20</b>
<b>Prescribed dues</b> (defaults of Annual Fees between 1995 -2007 July)	216	95,653,636.11
<b>Dues which have not been prescribed</b>		
Annual Fees	Approx: 430	88,623,107.66
Ground rent	Approx: 53	74,900,722.36
Total of non-prescribed dues		163,523,830.02
<b>Action taken by the Legal Dept.</b>		
Total number of Letters of Demand sent (2008 - 2012)	262	
Settled (out of above 262)	91	
Total number of Letters of Demand sent (2008 - 31 August 2013)	388	
Number of returned LD (2008-Aug 2013)	Approx: 77	
Legal actions filed against defaulted enterprises in 2009	5	
Settled after instituting legal actions	2	
Legal actions filed on 20 <sup>th</sup> June 2013	4	
Legal actions ready to be instituted in June 2013 (according to Legal Dept of the BOI )	18	
Referred to Mediation Board (claims below Rs. 250,000/=)	46	

**Action Taken by the Monitoring Unit :**

With regard to above claims, Monitoring Unit is in the process of taking following steps:

- Liaising with the Legal Department in sending Letters of Demand and other legal steps to be taken to recover dues. Up to date, Monitoring Unit recommended Legal Department to institute legal action against 27 defaulted enterprises and to send Letters of Demand to further 19 enterprises.
- Categorised the dues sector-wise and zone-wise and submitted to respective sector officers and zones to follow up.
- Discuss with the Legal, Finance and Investment Sector Groups regarding responses received from defaulted enterprises, with a view to take appropriate actions.
- Sending letters to the Enterprises which are in commercial operations and follow up actions are being taken. Up to date, 52 letters have been sent. With regard to cancelled enterprises, Legal Department is in the process of sending letters of demand and if not paid, Legal Department institutes legal actions/ sends to Mediation Board when the due is below Rs. 250,000/-.

Instead of that, several meetings are going on at top management level in a progressive manner to appoint a private debt collection agency for further acceleration.

Payments received after setting up the Monitoring Unit;

- Payment of Rs. 18.8 Mn was made by 11 enterprises.
- Another 08 enterprises agreed to pay in instalment basis and without interest. Action is being taken to submit to the Board with regard to requests to waive off interest.

(d) **Personnel Management**

Please refer reply for 4.4 above

(e) **Assets Management**

Please refer reply for 4.3 above

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# 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. Eshana de Silva (Member of the Board of Directors of BOI)
2. Member - Mr. Sanjeewa Wickramanayake (Member of the Board of Directors of BOI)
3. Member - Mr. Anura Jayasinghe (Member of the Board of Directors of BOI)
4. Member - Mr. S. R. Attygalle (Treasury Representative)
5. Observer - Mr. G. L. R. Wasantha (Senior Accountant, Ministry of Economic Development)

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

Two observers participated in the Audit Committee Meetings viz. the Superintendent of Government Audit representing the Auditor General and a representative of the Ministry of Economic Development.

The Audit Committee had continuous coordination with the Internal Auditor in determining the scope, responsibilities and to ensure formulation of Audit Programme for the year under review.

Further, the Committee reviewed the Internal Audit Reports and Auditor General's Reports and directed on corrective and preventive measures and follow up actions for the matters highlighted in such reports.

The Audit Committee expressed its concern on the matters that would be reviewed by the Committee of Public Enterprises and directed on prior preparations for the same.

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



# Appendices

# Performance Highlights

## Statistical Summary 2011 vs. 2012

Key Indicators - by Project Status		2011	2012*	2011/2012 % Change
<b><u>Projects Approved Under Sec 17 Of the BOI Law</u></b>				
<b>A. <u>Application Received</u></b>				
No of Applications				
	New	176	263	49
	Expansions	43	36	-16
	<b>Total</b>	<b>219</b>	<b>299</b>	<b>37</b>
<b>B. <u>Approvals</u></b>				
No. of Projects Approved				
	New	121	193	60
	Expansions	39	39	0
	<b>Total</b>	<b>160</b>	<b>232</b>	<b>45</b>
Estimated Investment				
	- Foreign (Rs.Mn.)	277,655	467,107	68
	- Local (Rs.Mn)	147,215	229,299	56
	<b>-Total (Rs.Mn.)</b>	<b>424,870</b>	<b>696,406</b>	<b>64</b>
Employment Capacity (Nos.)		<b>48,868</b>	<b>55,120</b>	<b>13</b>
<b>C. <u>Agreement Signed</u></b>				
No. of Agreements				
	New	128	128	0
	Expansions	37	35	-5
	<b>Total</b>	<b>165</b>	<b>163</b>	<b>-1</b>
Estimated Investment				
	- Foreign (Rs.Mn.)	238,852	273,008	14
	- Local (Rs.Mn)	133,573	132,485	-1
	<b>-Total (Rs.Mn.)</b>	<b>372,425</b>	<b>405,493</b>	<b>9</b>
Employment Capacity (Nos.)		<b>45,056</b>	<b>37,929</b>	<b>-16</b>
<b>D. <u>Commenced Implementation</u></b>				
No. of Projects				
	New	93	105	13
	Expansions	0	4	-
	<b>Total</b>	<b>93</b>	<b>109</b>	<b>17</b>
Estimated Investment				
	- Foreign (Rs.Mn.)	105,886	88,976	-16
	- Local (Rs.Mn)	45,099	46,977	4
	<b>-Total (Rs.Mn.)</b>	<b>150,985</b>	<b>135,953</b>	<b>-10</b>
Employment Capacity (Nos.)		<b>16,235</b>	<b>17,176</b>	<b>6</b>
<b>E. <u>Commenced Commercial Operation</u></b>				
No. of Projects				
	New	91	77	-15
	Expansions	4	3	-25
	<b>Total</b>	<b>95</b>	<b>80</b>	<b>-16</b>
Estimated Investment				
	- Foreign (Rs.Mn.)	6,658	10,399	56
	- Local (Rs.Mn)	41,723	22,164	-47
	<b>-Total (Rs.Mn.)</b>	<b>48,381</b>	<b>32,563</b>	<b>-33</b>
Employment (Est.) (Nos.)		<b>17,303</b>	<b>16,876</b>	<b>-2</b>
<b>F. <u>No. of Projects in Commercial Operation (as at end of December) **</u></b>				
	Parent Projects	1,577	1598	1
	Expansions	163	173	6
	200 GFP	115	113	-2
	<b>Total</b>	<b>1,855</b>	<b>1,884</b>	<b>2</b>

<b>G. Foreign Direct Investment (Jan - Dec.)</b>				
	(US \$ Mn.)	1,066	1,338	26
	(Rs.Mn.)	117,868	170,733	45
<b>H. Exports (Jan-December)</b>				
	Total (US\$ Mn.)	6,571	6,125	-7
	Total (Rs. Mn.)	726,594	781,613	8
<b>I. Imports (Jan-December)</b>				
	Total (US \$ Mn.)	4,399	4,603	5
	Total (Rs Mn.)	486,414	587,409	21
	<i>by Category - (Rs.Mn.)</i>			
	Capital Goods	98,128	124,816	27
	Raw Material	382,663	453,669	19
	Other Materials	5,623	8,924	59
<b>J. Employment (Cumulative) As at end of Dec ember</b>		<b>450,913</b>	<b>457,986</b>	<b>2</b>
<b>K. No of Projects***</b>				
	Closed Projects	30	32	7
	Projects Suspended	5	9	80
	Agreement Cancelled	44	78	77
	<b>Total</b>	<b>79</b>	<b>119</b>	<b>51</b>
<b>Projects Approved Under Sec 16 Of the BOI Law</b>				
<b>A. Approvals</b>				
	No. of projects Approved	23	32	39
	Estimated Investment			
	- Foreign (Rs.Mn.)	2,517	3,644	45
	- Local (Rs.Mn)	1,136	348	-69
	-Total (Rs.Mn.)	3,653	3,992	9
	Employment Capacity (Nos.)	594	2,170	265
<b>B. Projects In Commercial Operation (Cumulative)**</b>				
	No. of Projects	771	712	-8
	Estimated Investment			
	- Foreign (Rs. Mn.)	9,421	19,841	2
	- Local (Rs. Mn.)	10,087	10,386	3
	- Total (Rs.Mn)	29,508	30,227	2
	Employment capacity (nos.)	37,029	33,425	-10

Exchange Rate (US\$)

2011	2012
110.57	127.60

\* Provisional

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

Estimated Investment/Employment - Including value of expansions

Source : Board of Investment of Sri Lanka (MIS- 9<sup>th</sup> Feb. 2013, 25<sup>th-28<sup>th</sup></sup> Mar 2013, 22nd May 2013)

\*\*

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 &amp; PA Dept. -BOI

## Summary of Approved Project in 2012 - by Sector \*

(Approved under Section 17 of the BOI Law)

Sector	No. of Projects	Estimated Investment (Rs.Mn.)			% of Share of Investment	Employment Capacity	% of share of Employment
		Foreign	Local	Total			
<b>Manufacturing - New Projects</b>	<b>75</b>	<b>57,234.46</b>	<b>31,411.25</b>	<b>88,645.72</b>	<b>12.73</b>	<b>17,718.00</b>	<b>32.14</b>
Non-Metallic Mineral Products	14	21,360.10	14,703.93	36,064.02	5.18	1,994.00	3.62
Food Product (Processing)	16	18,460.33	2,959.20	21,419.53	3.08	1,934.00	3.51
Footwear Products	2	6,110.40	4,471.17	10,581.57	1.52	1,514.00	2.75
Electronic & Electrical Goods	5	4,534.65	879.30	5,413.95	0.78	818.00	1.48
Medical & pharmaceutical products	2	1,906.40	1,937.60	,844.08	0.55	817.00	1.48
Other Manufactured Product (N.E.S)	4	694.79	1,459.74	2,154.52	0.31	360.00	0.65
Ind., Chemical, Petroleum, Coal & Plastic	4	1,166.40	418.86	1,585.26	0.23	2,218.00	4.02
Wearing Apparel	5	230.89	1,166.20	1,397.08	0.20	3,567.00	6.47
Fishing Boats	2	1,095.00	85.40	180.40	0.17	263.00	0.48
Transport Equipment	2	159.60	970.00	1,129.60	0.16	293.00	0.53
Textiles & Fabrics	2	327.50	736.92	1,064.42	0.15	2,246.00	4.07
Fabricated Metal Products	4	433.22	174.78	608.00	0.09	238.00	0.43
Wood Products	3	219.71	379.42	599.12	0.09	306.00	0.56
Garment Accessories	1	-	473.10	473.10	0.07	46.00	0.08
Leather Products	2	148.20	282.00	430.20	0.06	420.00	0.76
PVC Product	4	189.77	79.13	268.90	0.04	119.00	0.22
Beverages & Tobacco	1	104.52	104.52	209.04	0.03	382.00	0.69
Rubber Products	1	3.00	130.00	133.00	0.02	152.00	0.28
Coir Products	1	90.00	-	90.00	0.01	31.00	0.06
<b>Agriculture</b>	<b>7</b>	<b>8,136.73</b>	<b>1,231.81</b>	<b>9,368.54</b>	<b>1.35</b>	<b>987.00</b>	<b>1.79</b>
<b>Service/ Infrastructure - NEW Projects</b>	<b>111</b>	<b>399,582.53</b>	<b>182,413.14</b>	<b>581,995.67</b>	<b>83.57</b>	<b>29,280.00</b>	<b>53.12</b>
Shopping & Office Complex	16	137,947.19	37,105.66	175,052.85	25.14	4,641.00	8.42
Hotels, Restaurant Services & Entertainment Complexes	28	79,299.61	44,150.91	123,450.52	17.73	7,596.00	13.78
Industrial Estate Development	1	93,100.00	-	93,100.00	13.37	4,975.00	9.03
Housing & Property Development	14	26,983.97	19,754.52	46,738.49	6.71	4,439.00	8.05
Fuel/Gas/Petroleum & Others	1	-	36,682.50	36,682.50	5.27	1,402.00	2.54
Telephone & Communication Networks	2	14,828.20	18,511.80	33,340.00	4.79	98.00	0.18
Educational & Training Institutions & Research Organizations	6	21,829.80	387.00	22,216.80	3.19	1,674.00	3.04
Power Generation Plants	12	5,218.27	6,830.93	12,049.20	1.73	718.00	1.30
Factory & Building Construction	1	9,138.24	-	9,138.24	1.31	62.00	0.11
Other Services (N.E.S)	5	2,487.68	5,047.20	7,534.88	1.08	870.00	1.58
Hospital Services & Medical Centres	6	787.50	5,328.07	6,115.57	0.88	1,271.00	2.31
Ship repair & Ship Management	1	5,368.00	8.54	5,376.54	0.77	136.00	0.25
Container Services, Warehousing & Freight Forwarding	4	277.02	2,825.49	3,102.51	0.45	380.00	0.69
Leisure & Recreation Projects	2	1,498.50	1,535.28	3,033.78	0.44	116.00	0.21
Air Line Services	3	-	2,553.53	2,553.53	0.37	95.00	0.17
Audio Visual Services	2	-	1,438.84	1,438.84	0.21	158.00	0.29
Call Centers/BPO & Hosting Centers	4	772.95	56.91	829.85	0.12	422.00	0.77
IT Enabled & IT Related Services	3	45.60	195.97	241.57	0.03	227.00	0.41
<b>Sub-Total New Projects</b>	<b>193</b>	<b>464,953.72</b>	<b>215,056.20</b>	<b>680,009.92</b>	<b>97.65</b>	<b>47,985.00</b>	<b>87.06</b>
<b>Sub-Total Expansions of the existing Projects</b>	<b>39</b>	<b>2,153.74</b>	<b>14,242.72</b>	<b>16,396.46</b>	<b>2.35</b>	<b>7,135.00</b>	<b>12.94</b>
<b>Grand Total</b>	<b>232</b>	<b>467,107.46</b>	<b>229,298.92</b>	<b>696,406.38</b>	<b>100.00</b>	<b>55,120.00</b>	<b>100.00</b>

\* provisional

Note: Include Cancellations

Source: MIS BOI(22nd May 2013)

## Summary of Approved Project in 2012 - by Sector \*

(Approved under Section 16 of the BOI Law)

Sector	No. of Project	Estimated Investment (Rs.Mn.)			% of Share of Investment	Employment Capacity	% of share of Employment
		Foreign	Local	Total			
<b>Manufacturing - New Projects</b>	<b>6</b>	<b>782</b>	<b>16</b>	<b>798</b>	<b>19.98</b>	<b>1,129</b>	<b>52.03</b>
Beverages & Tobacco	1	275	-	275	6.89	500	23.04
Non Metallic Mineral Products	1	78	-	78	1.95	25	1.15
Jewellery & Lapidary	1	29	-	29	0.71	14	0.65
Electronic & Electrical Goods	1	280	-	280	7.01	300	13.82
Fabricated Metal Products	1	63	16	79	1.98	40	1.84
Wearing Apparel	1	57	-	57	1.43	250	11.52
<b>Agriculture - NEW Projects</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Agriculture	-	-	-	-	-	-	-
<b>Service/ Infrastructure - NEW Projects</b>	<b>26</b>	<b>2,862</b>	<b>332</b>	<b>3,195</b>	<b>80.02</b>	<b>1,041</b>	<b>47.97</b>
Educational & Training Institutions & Research Organizations	2	180	0	179.50	4.50	22	1.01
Exports/Imports Trading Houses - Buying Offices	2	432	105	537.06	13.45	55	2.53
Hotels, Restaurant Services & Entertainment Complexes	4	386	0	386.00	9.67	79	3.64
Housing & Property Development	1	85	0	84.50	2.12	12	0.55
Hospital Services & medical Centers	1	40	0	40.20	1.01	10	0.46
Investment Holding Companies	6	696	112	807.74	20.23	527	24.29
Software Development	1	30	89.62	119.49	2.99	6	0.28
Management Consultancy Firms	3	181	0	180.70	4.53	28	1.29
Textile Testing Services	1	239	0	239.45	6.00	26	1.20
Factory & Building Constructions	3	511	26	537.45	13.46	260	11.98
Restaurant & Guest Houses	1	44	0.00	43.80	1.10	6	0.28
Other Services	1	39	0.00	38.86	0.97	10	0.46
<b>Grand Total</b>	<b>32</b>	<b>3,644</b>	<b>348</b>	<b>3,992</b>	<b>100.00</b>	<b>2,170</b>	<b>100.00</b>

\* provisional

Note: Include Cancellations

Source: MIS BOI(23<sup>rd</sup> May 2013)



# Directory of BOI Offices

## Head Office (WTC Office)

Level 05, 06, 08, 09, 19, 24, 25 & 26  
West Tower, World Trade Centre  
P O Box 1768, Echelon Square  
Colombo 01, Sri Lanka  
Tel. : (+94 11) 2434403 – 5, 2435027, 2447531,  
2385972-6, 2346131 - 3  
Fax : (+94 11) 2447995, 2329795, 2430512, 24422407  
E-mail : infobo@boi.lk

## Head Office (SBJM Office)

No. 14, Sir Baron Jayatillake Mawatha,  
Colombo 01, Sri Lanka  
Tel. : (+94 11) 2435407-9, 2445779, 2331909,  
2331910 - 3, 2342404  
Fax : (+94 11) 2430625, 2399891  
E-mail : infobo@boi.lk

## Katunayake Export Processing Zone

Katunayake, Sri Lanka  
Tel. : (+94 11) 2252364-5, 2252140, 2252038, 4833737,  
4833741, 4833774, 4833779, 4833817, 4833819  
Fax : (+94 11) 2253207  
E-mail : kepz@boi.lk

## Biyagama Export Processing Zone

Biyagama, Malwana, Sri Lanka  
Tel. : (+94 11) 2465206-09  
Fax : (+94 11) 2465227  
E-mail : bepz@boi.lk

## Horana Export Processing Zone

Boralugoda, Poruwadanda, Sri Lanka  
Tel. : (+94 34) 2269296, 2269752, 2258077  
Fax : (+94 34) 2255687, 2258029  
E-mail : hepz@boi.lk

## Mirigama Export Processing Zone

Mahayawatta, Loluwagoda, Mirigama, Sri Lanka  
Tel. : (+94 33) 2274657, 2276626, 2276393  
Fax : (+94 33) 2274657, 2276393  
E-mail : mepz@boi.lk

## Wathupitiwala Export Processing Zone

Wathupitiwala, Sri Lanka  
Tel. : (+94 33) 2281381, 2281604  
Fax : (+94 33) 2282364  
E-mail : wepz@boi.lk

## Malwatta Export Processing Park

Thihariya, Nittambuwa, Sri Lanka  
Tel. : (+94 33) 2288826, 2296166, 2296620  
Fax : (+94 33) 2288826  
E-mail : mepp@boi.lk

## Seethawaka Export Processing Zone

Awissawella, Sri Lanka  
Tel. : (+94 36) 2231082  
Fax : (+94 36) 2231083  
E-mail : sip@boi.lk

## Southern Regional Office

**Koggala Export Processing Zone**  
Koggala, Habaraduwa, Sri Lanka  
Tel. : (+94 91) 2283425  
Fax : (+94 91) 2283370  
E-mail : kgepz@boi.lk

## Central Regional Office

**Kandy Industrial Park**, Kengalle, Sri Lanka  
Tel. : (+94 81) 2420019, 2420025, 2423992, 2423994  
Fax : (+94 81) 2420091, 2423995  
E-mail : kip@boi.lk

## North Western Regional Office

MAS Fabric Park,  
Kurunegala Road, Thulhiriya, Sri Lanka  
Tel. : (+94 37) 2277037, 2277038  
Fax : (+94 37) 2277036  
E-mail : nwro@boi.lk

## Polgahawela Export Processing Zone

Kegalle Road, Polgahawela, Sri Lanka  
Tel. : (+94 37) 2244657 / 41526  
Fax : (+94 37) 2244657  
E-mail : pwepz@boi.lk

## Mawathagama Export Processing Zone

Dynevor Estate, Mawathagama, Sri Lanka  
Tel. : (+94 37) 2298147  
Fax : (+94 37) 2296041  
E-mail : mwepz@boi.lk

## Central Verification Terminal

Ceylon Shipping Lines Yard  
No.70, Avissawella Road, Orugodawatte, Sri Lanka  
Tel. : (+94 11) 2547485, 4411591, 4978969  
Fax : (+94 11) 2547485, 4411592, 026-2233002

## Air Cargo Verification Unit

Bandaranayake International Airport  
Katunayake, Sri Lanka  
Tel. : (+94 11) 2252155, 4833834, 2265183  
Fax : (+94 11) 2252155

## BOI Special Economic Zone

Prime Factory Road, China Bay  
Trincomalee, Sri Lanka  
Tel. : (+94 26) 2233003  
Fax : (+94 26) 2233002

## BOI Mirijawila Industrial Park

Mirijawila, Hambantota, Sri Lanka  
Tel. : (+94 47) 2221596, 2258800

## Hambantota Regional Office

Room No.302, Administrative Complex,  
Ruhunu-Magampura, Siribopura,  
Hambanthota, Sri Lanka.  
Tel. : (+94 47) 2256800  
Fax : (+94 47) 2256800

## Jaffna Regional Office

NHDA Building, Chundukuli, Jaffna, Sri Lanka.  
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