

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Board of Investment of Sri Lanka (“the Board”) for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the income statement, comprehensive income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy 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 provisions of the National Audit Act No. 19 of 2018 and Finance Act No.38 of 1971. My Comments and Observations which I consider should be report to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Board as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Board’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board’s financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Board is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Board.

1.4 Audit Scope

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to

enable a continuous evaluation of the activities of the Board, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board;
- Whether the Board has performed according to its powers, functions and duties; and
- Whether the resources of the Board had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Accounts Receivable and Payable

1.5.1 Receivables

	Audit Issue	Management Comment	Recommendation
(a)	As at 31 December 2024 total dues including annual fee, ground rent, building rent from BOI approved enterprises were Rs.1,843,503,223. This represents an increase of 25 percent compared to the corresponding amount in the preceding year. Out of this, an amount of Rs.383,815,599 had remained outstanding over four years. The outstanding dues in ground rent from enterprises located in land of the Board was Rs.777,003,690 and out of that a sum of Rs.314,827,372 or 41 percent was attributable to a single enterprise. Further, ground rent, annual fee and building rent of Rs.292,308,353 had remained outstanding from 419 investors whose business operations have already been ceased.	The all dues collection procedures have been taken by the finance department and referred to monitoring department & legal department of the Board for further actions with regard to these outstanding. As there is no deposit against to settle these outstanding and action will be taken to write off the irrecoverable amounts of cancelled projects after taking all the procedures for collecting dues.	Actions should be taken to recover the outstanding balances.
(b)	During the year under review, a provisions for impairment of annual fee from BOI approved enterprises were to Rs.356,283,938 and out of that, a sum of Rs.350,318,468 had been recorded as capital losses. However, the Board had not taken action to recover these outstanding balances.	Noted.	Action should be taken to recover annual fee outstanding balances.
(c)	The outstanding miscellaneous income receivable was Rs.58,471,296 and out of that, a sum of Rs.37,412,573 receivable from a single enterprise had remained	The Director General (Corporate Affairs Division) of the Ministry of Finance has informed the Secretary to the Ministry of	Immediate action should be taken to recover balance due over five

outstanding over five years, without having recovered. Plantations and Community years.

Infrastructure, to instruct Janata Estate Development Board (JEDB) to take necessary steps to resolve this issue expeditiously. Also, as instructed by the Audit and Management Committee, when acquiring a land to settle debts, steps will be taken to ensure that a land is acquired to commensurate with the relevant value and can be used effectively for the activities of the Board of Investment of Sri Lanka.

1.5.2 Payables

Audit Issue	Management Comment	Recommendation
Accrued expenses as at 31 December 2024 amounted to Rs.154,723,217 and out of this, an amount of Rs.18,715,705 relating to Legal & professional charges had not been settled over two years.	Provision has been made for the legal & professional service charges based on the information of the legal department of the Board. But approval for the payment has not been granted to proceed the payment. This issue will be resolved during the financial year 2025 and relevant adjustments will be made based on the decision.	Accrued expenses should be settled within the proper period and provisions should be made with the approval of relevant authorities.

1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Section 23A of National Environment Act No. 47 of 1980	In accordance with provision of the Act, the Board should have to obtain a valid Environmental Protection License (EPL) for each zone having a Common Waste Water Treatment Plant (CWWTP). However, the Board had not renewed the EPL for eight zones.	Since 1992, Environmental Protection Licenses (EPLs) for industries located within the designated zones have been issued directly by the Board based on a mutually agreed arrangement with the Central Environmental Authority (CEA), without requiring CEA's	Licenses should be renewed on due date in accordance with the National Environment Act.

concurrence.

The CEA has now informed that their concurrence is required for the issuance of EPLs in these zones.

This matter was discussed and it was agreed to formalize the arrangement through a Memorandum of Understanding (MOU) between BOI and CEA.

Accordingly, the BOI shared a draft MOU with the CEA on 28 April 2025 and is currently awaiting their response.

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| (b) | Section 20A by the amendment to the Greater Colombo Economic Commission Act, No. 49 of 1992 | No power, duty or function under the National Environmental Act shall be exercised, performed or discharged by the Board without prior consultation with, and the required concurrence of, the Central Environmental Authority (CEA). However, the Board had not obtained the required concurrence of CEA before issuing the Environmental Protection Licenses relevant for 210 enterprises operating in 10 Zones/ Parks even as at 11 March 2025. | BOI obtained CEA concurrence for issuing EPL for all industries located in all zones except Katunayaka, Biyagama and Koggala. | Action should be taken in accordance with the Greater Colombo Economic Commission Act before issuing the environmental protection licenses. |
| (c) | Public Enterprises Circular 01/2021 dated 16 November 2021- Operational Manual for State Owned Enterprises | | | |
| (i) | Section 3.1 & 3.2 | Without obtaining the approval from the General Treasury, the Board had paid | Since 2020 this matter was referred to the approval of the Department of | According to the Circulars guidelines, approval of the |

allowances amounting to Rs.453,747,557 for the employees during the year under review. Management Services, treasury should be Secretary to the Treasury and Department of Public Enterprises, but remains unresolved.

Further, As per the letter No. PED/P/BOI/3/6 (i) dated 23 June 2025 by Director General, Department of Public Enterprise (PED) based on the subject – “Regularize the allowances, payments and employee benefit schemes of Board of Investment of Sri Lanka”, the Board was required to submit the final draft of the employee incentive scheme to PED for approval. However, the said documents had not been provided to PED even as at 01 October 2025.

Currently, the BOI is preparing a two-year action plan with the support of subject matter experts aimed at enhancing BOI’s performance. A key component of this plan is the introduction of metric based performance management and it will be submitted to the Board of Directors of the BOI for its approval. Once receiving the approval for the said two-year action plan, a comprehensive Performance Management System along with the performance based incentive scheme will be formulated.

(ii) Section 6.6

The financial statements of the Board for the year under review had been submitted to the Auditor General on 19 May 2025 with a delay of 79 days.

The financial statements of Actions should be the Board have been taken to submit the submitted on or before the financial statements on due date up to the year due date as per the 2022. This practice was circular. disrupted mainly due to the failure of the legacy of the IMAS system. The system disruption has been solved by establishing the Oracle system in June 2024. The backlog for the six months was entered into Oracle while continuing day today operations without delays. The reconciliation processes and reporting structures within the

Oracle system are still being developed. These reasons have directly impacted the preparation of the financial statements for the year 2024.

(d) Public Enterprises
Circular PED No.
01/2024 dated 28
February 2024

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| (i) Paragraph 5.1 | Funds of the Board should not be transferred to the employees' welfare societies or for other forms of welfare related activities, such as death donations, scholarships for children and similar purposes. However, contrary to that the Board had incurred a sum of Rs.5,205,120 as funeral assistance during the year 2024. | Funeral assistance is not provided by the Board itself, but through the Contributory Funeral Assistance Scheme, which collects contributions from all members who are permanent employees of the Board, and provides assistance upon the death of a member, their spouse, unmarried children, or the parents of the member or their spouse. | Funds of the Board should not transferred contrary to the said Circular. |
| (ii) Paragraph 12.1 | The board had incurred a sum of Rs.3,000,000 as media and special projects bureau at Sri Dalada Maligawa for the Kandy Asala Perahera, while having suspension of all forms of sponsorships, donations, Corporate Social Responsibility expenses, and non – business – related promotional expenditures. | The Board has granted the approval to donate Rs.3,000,000 to Sri Dalada Maligawa to be utilized for the Kandy Esala Pehara 2024 with concurrence of the Secretary to the President and upon the request of the State Minister of the Investment Promotion. Relevant approvals and request documents have been submitted. | Board should adhere with said Circular. |
| (e) Section 3.2 & 3.5 of National Procurement Agency's Guidelines August 2007 on | A Consultancy Organization shall be selected through a competitive process or the long list of consultants may be prepared. However, one | Consultant for Integrated Accounting System was selected based on the recommendation of the Board. Board | According to the National Procurement Guidelines, consultant should be selected through a procurement |

Selection and firm had been appointed as approval on June 2013 to process.
 Engagement of a the consultant for Integrated select the E & Y or any
 Consultancy Firm Accounting Software other suitable qualified
 System in 2014 without consultant to supervise,
 following any procurement recommend, implement
 process. and train staff on the new
 system project

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.3,818,668,483 and the corresponding surplus in the preceding year amounted to Rs.4,101,719,525. Therefore, a decline amounting to Rs.283,051,042 of the financial result was observed. The main reason for the decline is decrease in finance income by Rs.812,243,302.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) According to Section 3(c) of the Board of Investment Act No. 4 of 1978, one of the key objectives of the Board is to encourage and promote foreign investment and as per to the project status report, a total of 2,707 agreements related to investment projects, both within and outside the Zones, had been in force from 01 January 1978 to 31 December 2024. Out of these total agreements, 556 projects with an estimated foreign investment value of US\$ 4,797.28 million had been expected as at 31 December 2024. However, information was not available within the Board to ensure whether these investments were actually received or not.	BOI collects realized investment (Foreign/Local) figures of its enterprises from various sources as follows: (i) FDI/Local Investment Survey conducted by Stat Unit of the Research Department. (ii) Share equity details via Bi-Annual Reports collected by the Monitoring Department. (iii) Capital Goods imports through import data of ASYWORLD system Therefore, availability of information on investments depends on the responses received from enterprises and the information is updated frequently.	Provide guidance and inform the terms of the agreement to the enterprises on reporting requirements and the importance of timely data submission, thereby improving overall data quality and inspect the financial statements of the enterprises.
(b) As at 31 December 2024, an amount of Rs.94,614,054 of 19 General Projects and Rs.228,956,908 of Special Projects had remained as capital working progress over three years, and the Board had not	General projects - Construction works are still in progress. After completion of this project, this amount can be capitalized. Special projects - Action will be	Action should be taken to complete the projects.

adequately monitored the current status of these projects.

taken to write-off or capitalize the amounts where necessary.

(c) The Board had entered into a Principal Agreement on 19 January 2012 with a company for the development and operation of a hotel project comprising 40 luxury villas, with a minimum committed investment of Rs.600,000,000. The project was to be carried out on a land parcel measuring 9.96 acres located within the Koggala Zone, under a lease period of 50 years commencing from 19 January 2012. Subsequently, a supplementary agreement was executed on 15 December 2014, revising the project scope to the construction and operation of a 55-room hotel. The project implementation period was accordingly extended up to 28 September 2015. However, despite a further extension granted until 31 March 2018, the project remained incomplete. As of 20 August 2025, the land and premises remain idle and unutilized, with no substantial progress observed on the proposed development.

The company has been communicated on 05 February 2025 regarding non-compliances and awaiting their reply for further action and also reviews of the legal department was requested regarding the termination of the agreement since part of the land and premises has been mortgaged.

Action should be taken to utilize the land and premises to generate income for the board.

(d) As per the Cabinet Decisions of 17 November 2020 and 06 April 2021, a dedicated Pharmaceutical Manufacturing Zone was to be developed in Arabokka to achieve objectives included establishing a world famous modernized pharmaceutical zone in Sri Lanka attracting private investments, generating 2,000 direct and 1,000 indirect jobs, establishing 40 pharmaceutical factories, and saving foreign exchange on imports. However, none of these objectives had been achieved due to a lack of investment by 30 October 2025 and a failure to carry out adequate promotional activities. Although 400 acres were to be initially developed for this Zone, only Rs.223.02 million had been spent by the BOI and Rs.197.2 million by other ministries, compared to the estimated project cost of Rs.2,560 million. It was

Out of the 952 acres vested to the BOI in the Arabokka area in 2020, 400 acres were originally designated for a Dedicated Pharmaceutical Zone, to be developed in two phases of 200 acres each. However, no pharmaceutical investments have been established. Subsequently, the BOI Board allocated 400 acres—including the entire 200 acres of Phase II and 200 acres from Phase I—to a single enterprise for establishing an export-oriented petroleum refinery and related processing facilities. An additional 100 acres from Phase I were also reserved for the same enterprise, leaving only 100 acres available for the Pharmaceutical Zone's

Actions should be taken to attract investments and to achieve the intended objectives of establishment of zones.

also noted that part of the expenditure (Rs.41.93 million) was incurred on the Heavy Industrial Zone instead of the pharmaceutical zone. Therefore, the BOI had failed to achieve the intended objectives and had not effectively utilized the zonal land to generate investment or economic benefits.

Phase I. Frequent changes in land allocation and the absence of committed pharmaceutical investors have made coordinated infrastructure planning impractical, so BOI has funded development only based on initial needs and priority considerations.

- (e) Cabinet Decisions of 17 November 2020 and 06 April 2021 required the establishment of a Textile Manufacturing Zone at Eravur to achieve objectives such as increasing the competitiveness in textile manufacturing sector, ensuring obtaining raw material requirement in textile manufacturing sector, attracting private investment, generating 10,000 direct job opportunities and 3,000 indirect job opportunities, saving foreign exchange for textile importation and reducing expected import cost of textile – US\$ 1000 annually. However, as at 30 October 2025, only one investment had been made, and none of the key objectives had been achieved. No evidence was provided to show that adequate promotional activities were carried out to attract investors.
- Development works were delayed due to Covid-19 pandemic situation and in 2022 and 2023 due to temporary suspension of the implementation of projects carried out using local funds in relation to the control of public expenditure in accordance with the National Budget Circular No. 03/2022 dated 26 April 2022 & 04/2022 dated 08 August 2022 by the Ministry of Finance. Required services for the investor already mobilized in the zone have been provided. With the completion of the major activities scheduled to be implemented in 2026, infrastructure facilities will be available to commence and operate new investment projects in the balance area of the zone. Suitable investors required to be promoted to the zone to optimizing the utilization of the zone.
- Actions should be taken to attract investments and to achieve the intended objectives of establishment of zones.
- (f) No agreement with Paddy Marketing Board in Walpita Farm, Divulapitiya for the utilization of the land lot of 3 acres, had been presented to audit even as at 12 September 2025. Therefore, it is problematic to clarify whether there was an agreed Investment and it was made within the relevant time period. Further, even though the land has been currently utilizing by State Trading Corporation for the purpose of storage of Gun Power, no agreement between State Trading
- The Land Commissioner General by his letter dated 25.01.2011 has informed that a decision had been taken by the Presidential Secretariat to hand over an identified part of the Walpita land to the Paddy Marketing Board on long term lease basis. There are two warehouse buildings on the premises, one of which is currently leased to the State Trading Corporation (STC) for a period of
- Action should be taken to utilize the land and premises to generate income for the board.

Corporation, Paddy Marketing Board and BOI had been presented to Audit confirming the right to operate within the said land lot.

two years by the Paddy Marketing Board. The warehouse is used by the STC to store explosive materials, and a police post is located at the gate to ensure the security of these explosives.

(g) As per the Vesting Order of the Walpita Farm, it was mentioned that the land should be utilized for the purpose of which BOI operates. However, as per the agreement dated 08 January 2003 made with National Youth Services Council, land lot of 20 acres in extent approximately had been allocated for the purpose of setting up a youth center and it was observed that there was no intention of bringing foreign or local investment to Sri Lankan Economy aligning with the objectives of BOI. Further it was observed that the land include premises allocated to National Youth Council had not been fully utilized.

The National Youth Services Council was granted 20 acres and 17.72 perches by the BOI to establish a Youth Center on a 30 years lease basis, at a nominal ground rent of Rs.5,796 per annum for the entire land. The agreement was executed on 08th January 2003.

Actions should be taken to ensure that the land and premises are utilized in an economic and efficient manner.

3.2 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) According to the ground rent schedule provided by the Board, different ground rent per acre had been charged from enterprise for the year under review enterprise within same zone. Further, it was observed that Board had charged ground rent to certain enterprises in the export processing zones or industrial parks rates below the minimum levels as mentioned in Gazette Notification No;2260/77 dated 01 January 2022.	Gazette Rates of each zone are applicable for the purpose of minimum bidding rates of Annual Ground Rent for issuing new lands. All invoices are issued based on the agreement signed with the enterprises which were based on bidding values. Hence, Gazette Rates and Invoices Value could be varied. Further, as per the conditions stipulated in each agreement signed with the enterprise the Annual Ground Rent to be paid would vary. Also the period for revision of rates will be varying from 03 years to 5 years as per the conditions with the agreement for each enterprise.	Ground rent rates should be analyzed in accordance with the Gazette Notification or agreement.

- (b) Rent agreements had not been signed for thirty six buildings rented out by the Board during the year under review. Further, out of the buildings rented out, eight institutions were continued to occupy the buildings at Katunayaka Zone without valid extension of their rent agreements.
- It is noted that upon the issuance of a Letter of Award the tenant is legally responsible for occupying the premises and making the Monthly rental payment as the commencing date specified in the Letter of Award until the Legal Agreement is executed. Accordingly, Monthly invoices are issued by the Finance Dept. of KEPZ.
- Action should be taken to sign/renew the agreements in a timely manner.
- Every Letter of Award prior to the signing of agreements, submitted for approval of the Board and ratification for each.
- The dues were pending due to COVID-19 pandemic and economic crisis prevailed & approval of the Rate Committee also obtained to grant a relief for the tenants and majority of tenants have made more 75% out of their dues.
- However, actions are being taken either to recover the dues or acquire the premises back to the BOI custody.
- (c) According to the action plan for the year under review, the targeted amount for foreign direct investment was US\$.1,304.7 million, however, the actual investment realized amounted to US\$.612 million. Accordingly, the achievement of the target was 47 percent. Further, foreign direct investment, which was US\$.1,076 million in 2022, had decreased to US\$.612 million by 2024, indicating a reduction of 43 percent.
- The shortfall in foreign direct investment during 2024 was primarily due to the political uncertainty created by two national elections held in the same year. This environment of unpredictability discouraged investor confidence and slowed capital inflows, resulting in actual investments falling significantly below the targeted levels.
- Actions should be taken to promote foreign direct investments.
- (d) According to the project status report provided by the Board, it was observed that 63 enterprises had ceased their operations as at 31 December 2024, even though they are having valid agreements. The total realized investment from closed local and foreign enterprises were only US \$ 0.024 million and the
- Companies may close due to various reasons such as company requests, land disputes, or court cases etc. Further, some of the project agreements in the said list (63 enterprises) have been terminated. In addition, certain expansion units of some companies have closed while
- Actions should be taken to resolve the issues related to agreements and attract sustainable investments.

estimated employment from these enterprises were 13,285 and the actual number of employees as at 31 December 2024 were only 2,687. This indicates that the Board had failed to take adequate actions to resolve the issues related to these agreements and failed to attract sustainable investments which generate employment opportunities.

their main units continue to operate.

- (e) According to the progress report of the revised procurement plan 2024, only 86 activities had been completed out of the 184 activities planned. Accordingly, progress of the procurement plan execution was only 46 percent.
- 86 Nos. of procurements were completed within the year of 2024 out of the total procurement planned by Initial Procurement Plan and Revised Procurement Plan.
- The procurement plan should be implemented in a timely and efficient manner.

3.3 Idle or underutilized Property, Plant and Equipment

Audit Issue	Management Comment	Recommendation
<p>An amount of 1,833.69 acres of land within 13 BOI zones and parks had remained vacant. Additionally, 785.11 acres of non-zonal lands which located outside the zones and parks were also identified as vacant. Accordingly, it was observed that a total of 2,618.8 acres of land owned by the Board had remained unutilized as at 31 December for the year under review. Notably, a significant portion of these vacant lands particularly in Bingiriya Phase II, Sooriyawewa, and Hambantota zones have remained unutilized, without generating any income for the Board or contributing any economic value to the country. Accordingly, it was observed that the Board had failed to effectively manage its lands for the benefit of the country.</p>	<p>The Board continuously taking steps to promote the vacant lands among the investors.</p>	<p>Actions should be taken to promote vacant lands among the investors.</p>