

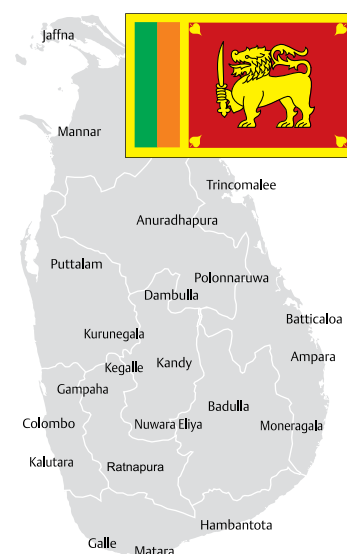
# COUNTRY INFORMATION

The Democratic Socialist Republic of Sri Lanka; was previously known as Ceylon. An island state situated in South Asia and is located about 31 kilometres (19.3 miles) off the southern coast of India. It is home to twenty million people (2008).

Sri Lanka is a strategic naval link between West Asia and South East Asia and has been a centre of Buddhist religion and culture from ancient times. Today, the country is a multi-religious and multi-ethnic nation, with more than a quarter of the population following faiths other than Buddhism. The Sinhala community forms the majority of the population, with Tamils, who are concentrated in the North and East of the island, forming the largest ethnic minority. Other communities include Moors, Burghers, Kaffirs and the Malays.

The coastal areas of the island were controlled by the Portuguese in the 16th century and by the Dutch in the 17th century. The island was ceded to the British in 1796, became a Crown colony in 1802, and was united under British rule by 1815. As Ceylon, it became independent in 1948.

Famous for the production and export of tea, coffee, coconuts and rubber, Sri Lanka boasts a progressive and modern industrial economy and the highest per capita income in South Asia. The natural beauty of Sri Lanka's tropical forests, beaches and landscape, as well as its rich cultural heritage, make it a world famous tourist destination.



## PHYSICAL FEATURES

Total area	65,610 Sq. K.M.
Land area	62,705 Sq. K.M.
Capital	Sri Jayawardhanapura
Commercial Capital	Colombo

	2008	2007	2006	2005	2004
<b>DEMOGRAPHICS</b>					
Mid-year population (mn persons)	20.2	20	19.8	19.7	19.5
Labour force (mn persons)	7.5	7.4	7.5	8.1	8.0
Labour force participation rate (%)	50.2	49.8	51.2	48.3	48.6
Unemployment rate (% of labour force)	5.2	6	6.5	7.7	8.3
<b>KEY ECONOMIC INDICATORS</b>					
GDP at Market Prices (Rs. bn)	4,312	3,540	2,898	2,423	2,070
GDP per capita (US \$)	2,014	1,617	1,421	1,241	1,062
GDP growth (%)	6.0	6.8	7.7	6.2	5.4
Colombo Consumers Price Index (2002=100) Annual average	22.6	15.8	10	11.0	9.0
Colombo Consumers Price Index (2002=100) Point to Point-end period	14.4	18.8	13.5	7.4	13.0
Fiscal deficit (% of GDP)	(7.7)	(7.7)	(8)	(8.4)	(7.9)
Current account balance (% of GDP)	(9.3)	(4.2)	(5.3)	(2.7)	(3.1)
External Assets (months of same year imports)	3.3	5.3	4.7	5.7	5.2
Overall debt service ratio (% of export of goods & services)	15.0	13	12.7	7.9	11.6
Total external debt & liabilities (% of GDP)	43.7	51.8	50.3	53.3	61.8
<b>INTEREST RATES</b>					
(percentage per annum at end-year)					
Treasury Bill rate					
91 days	17.33	21.3	12.76	10.10	7.25
364 days	19.12	19.96	12.96	10.37	7.65
Repurchase rate (overnight)	10.5	10.5	10	8.75	7.5
Reverse repurchase rate (overnight)	12	12	11.5	10.25	9
Commercial Banks					
Weighted average - prime lending rate (AWPLR)	18.5	17.95	15.19	12.2	10.2
Weighted average - deposit rate (AWDR)	11.63	10.31	7.6	6.2	5.3
<b>EXCHANGE RATES</b>					
Annual average Rs./US \$	108.33	110.62	103.96	100.5	101.19
End-year Rs./US \$	113.14	108.72	107.71	102.12	104.61
<b>CAPITAL MARKETS</b>					
All Share Price Index	1,503	2,541	2,722.4	1,922.2	1,506.9
Sensitive Price Index	1,631.3	3,291.9	3,711.8	2,451.1	2,073.7
Value of shares traded (Rs. mn)	101,454	104,985	105,154	114,599	59,052
Market capitalisation (Rs. bn)	488.8	820.7	834.8	584.0	382.1
Market capitalisation (% of GDP)	11	23	28	24	18

Source: Central Bank Annual Report 2008

# COUNTRY INFORMATION

## SECTORIAL COMPOSITION AND INCREASE IN GROSS DOMESTIC PRODUCT (GDP)

	As a Share of GDP (%)			Rate of Change (%)	
	2008	2007	2006	2008	2007
Agriculture Sector	12.1	11.90	10.30	7.50	3.40
Industrial Sector	28.4	28.50	29.70	5.90	7.60
Services Sector	59.5	59.60	60.00	5.60	7.10
Gross Domestic Product (GDP)	100.00	100.00	100.00	6.0	6.8

## KEY SOCIAL INDICATORS

### Population & Vital Statistics

Age distribution (%) (2008)	
0-14 years	26.6%
15-64 years	67.0%
65 years & over	6.4%
Population density (2008)	322 persons per sq. km.
Crude birth rate (2008)	18.8 per 1000
Crude death rate (2008)	5.8 per 1000
Rate of natural increase (2008)	13.0 per 1000
Infant mortality rate (2004)	12.0 per 1000 live births
Dependency ratio (2003)	49.3%
Average household size (2006/07)	4.1

### EXPECTATION OF LIFE AT BIRTH (2006)

Male	68.2 years
Female	75.8 years

### LITERACY RATE (2006)

Overall	90.8%
Male	92.7%
Female	89.1%

### HUMAN DEVELOPMENT INDEX (2006)

Ranking among 179 countries	104
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### EMPLOYMENT (2008)

Agriculture	32.7%
Industry	26.3%
Service	41.0%

### POVERTY

Population below US\$ 1 a day (1990 - 2005)	5.6%
Population below US\$ 2 a day (1990 - 2005)	41.6%

## PHYSICAL & SOCIAL INFRASTRUCTURE FACILITIES

	Unit	2008
<b>Water Supply &amp; Sanitation</b>		
Access to safe drinking water	per cent	78
Access to pipe borne water	per cent	34.5
<b>Electricity</b>		
Households with electricity	per cent	83
Per capita electricity consumption	kWh/person	416.4
<b>Communications</b>		
<b>Telephone Density</b>		
Fixed lines	per 100 persons	17.1
Including cellular phones	per 100 persons	71.9
Internet and e-mail	per 1,000 persons	11.6
<b>Public Health</b>		
Hospital beds	per 1,000 persons	3.3
Persons per doctor	Number	1,552
Nurses	per 10,000 persons	11.4
Government expenditure on health	per cent of GDP	1.7

Source: Central Bank Annual Report 2008

## COUNTRY INFORMATION

	Unit	2008
<b>General Education</b>		
School density (area covered by a school)	sq. km.	6.3
Pupil/teacher ratio (Government schools)	Number	19
Age specific enrolment ratio (Age 5-19 years)	per cent	71.5
<b>University Education</b>		
Pupil/teacher ratio	Number	15
Age specific enrolment ratio (Age 20-24 years)	per cent	3.8
<b>Progression to University from GCE (A/L)</b>		
Eligibility for university admission	per cent	58.5
Admission as a percentage of eligibility	per cent	16.5
Government expenditure on education	per cent of GDP	2.3
<b>Banking</b>		
Total number of commercial banks	Number	22
Domestic banks	Number	11
Foreign banks	Number	11
ATMs per	100,000 persons	8.4
Credit card issued	per 100,000 persons	4,538
<b>Banking Density</b>		
No. of bank branches	per 100,000 persons	10.2

### KEY EXTERNAL

- The Global financial crisis triggered by the Sub-Prime mortgage lending in the United States, resulted in a liquidity crisis in other markets. It also led to a sudden withdrawal of a large part of the investment in Treasury bills & bonds by foreign investors in Sri Lanka. The surplus in the balance of payments which reached US\$ 218 mn in July' 2009 turned into a deficit of US\$ 1.2 bn by end 2008 and the external official reserves declined by about 50% to US\$ 1.75 bn.

The Central Bank took several measures to counter this decline in the official reserves in 2009.

- Negotiated with three countries for currency SWAP arrangements. Under this US\$ 200 mn has been received.
  - Promotion of investments in Treasury Bills and Bonds among the Sri Lankan diaspora.
  - The introduction of 20% bonus interest on interest earned on NRFC/RFC accounts.
  - Entered into negotiations with the International Monetary Fund (IMF) for a stand-by arrangement facility of US\$ 1.9 bn.
- An Economic Stimulus Package with an estimated cost of Rs. 16 bn was introduced by the Government with a view of easing the impact on the economy from the global financial crisis.

The Following are some of the measures introduced during the year which affected the Group:

- A 100% margin requirement was imposed on the total invoiced value of the goods which will be imported against advance payment terms, by the importer at the time of effecting the remittance.
- Banks were also requested to obtain a deposit of not less than 100% of the value of forward contracts for the sale of foreign exchange.
- The margin deposit requirement against the opening of Letters of Credit (LCs) on importation of motor vehicles was increased to 200% from 100%. However this requirement was subsequently withdrawn during the ensuing year.

Source: Central Bank Annual Report 2008

## COUNTRY INFORMATION

### THE FOLLOWING PROPOSALS WERE MADE DURING THE GOVERNMENT'S BUDGET PRESENTED ON 6TH OF NOVEMBER 2008 WHICH AFFECTS THE GROUP AND ITS EMPLOYEES:

- Nation Building Levy of 1% was imposed on the turnover on imports, manufacturing or services other than on banking and financial sector. This rate was subsequently increased to 3% during the ensuing year.
- Standard VAT rate was reduced from 15% to 12%.
- VAT threshold was increased to Rs. 650, 000 per taxable period or Rs. 2.5 mn per annum.
- The claimability of input tax credit in relation to VAT paid at 20% will be restricted to 10%.
- Revising personal income tax rates are as follows:
  1. Up to Rs. 300,000 - Nil
  2. Next Rs. 400,000 - 5%
  3. Next Rs. 400,000 - 10%
  4. Next Rs. 400,000 - 15%
  5. Next Rs. 500,000 - 20%
  6. Next Rs. 500,000 - 25%
  7. Next Rs. 500,000 - 30%
  8. Balance - 35%
- Claim of input tax credit on custom declaration related to import of goods:

The present period of one year for the claim of input tax credit on customs declarations related to importation of goods will be extended for a period of two years;
- Increasing the annual maximum ESC liability of Rs. 60 mn for large businesses to Rs. 120 mn;
- The grace period of 36 months applicable to commence ESC liability will be removed;
- Port and Airport Development Levy Rate of the levy is increased from 3% to 5%;
- Social Responsibility Levy will be amended effective from 1st April 2008, for application of Social Responsibility Levy in relation to income tax payable by companies under the respective provisions of the Inland Revenue Act.
- Revising Withholding tax rates on interest on deposit are as follows.
  1. Up to Rs. 300,000 Nil
  2. Rs. 300,001- Rs. 1,000,000 - 2.5%
  3. Rs. 1,000,001 and above 10%

Source: Central Bank of Sri Lanka Annual Reports /Budget proposal highlights-Ministry of Finance & Planning.