

AMALGAMATION
OF
TRADE FINANCE AND INVESTMENTS PLC
INTO
COMMERCIAL CREDIT AND FINANCE PLC

WITH THE SURVIVING ENTITY BEING
COMMERCIAL CREDIT AND FINANCE PLC

AMALGAMATION
PROPOSAL

30th September 2020

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GLOSSARY

Amalgamation	The amalgamation of TFI into COCR
TFI	Trade Finance and Investments PLC
COCR	Commercial Credit and Finance PLC
COCR (N)	The amalgamated company consequent to the Amalgamation of TFI into COCR
Amalgamated Company	COCR (N)
Amalgamating Company	TFI
Companies Act	Companies Act No. 7 of 2007
Proposal	This Amalgamation Proposal for the Amalgamation of TFI into COCR dated 30 th September 2020
CBSL	Central Bank of Sri Lanka
CSE	Colombo Stock Exchange
EGM	Extraordinary General Meeting
ROC	Registrar of Companies
SEC	Securities and Exchange Commission of Sri Lanka
Solvency Test	Means the Solvency Test to be satisfied in terms of Section 57 of the Companies Act No.7 of 2007 read with the other provisions of the Companies Act No.7 of 2007

1. INTRODUCTION

1.1. Amalgamation Proposal

This Amalgamation Proposal (the “Proposal”) is dated 30th September 2020

This Proposal shall be lodged with the ROC in Sri Lanka in accordance with the provisions of Section 243 of the Companies Act, upon obtaining the approval of the Shareholders for the Amalgamation of Trade Finance and Investments PLC with Commercial Credit and Finance PLC.

The following documents will also be delivered along with this Proposal to the Registrar General of Companies:

1. Certificates signed by the Board of Directors of TFI and COCR in terms of Section 243(c) of the Companies Act No. 7 of 2007.
2. Certificates signed by the Board of Directors of TFI and COCR in terms of Section 241 (2) of the Companies Act No. 7 of 2007.
3. Consent obtained from each of the persons named in this Amalgamation Proposal as a Director of the Amalgamated Company, to act as a Director of the Amalgamated Company.
4. Consent obtained from the person named in this Amalgamation Proposal as the Secretary of the Amalgamated Company, to act as the Secretary of the Amalgamated Company.

The following consents have also been obtained in connection with this Proposal:

1. The written consent of the Auditors of TFI and COCR for inclusion of their name and their Reports/Financial Statements in this Proposal.
2. The written consent of the Legal Advisors for inclusion of their name in this Proposal.
3. Written consent of PricewaterhouseCoopers, Chartered Accountants for disclosing the Independent Valuation Report.

1.2. Responsibility for contents

This Proposal has been prepared by the Boards of Directors of TFI and COCR in consultation with their professional advisors. The Boards of Directors of TFI and COCR confirm that;

- i. this Proposal contains material information with regard to TFI and COCR and such information is true and accurate in all material respects and is not misleading in any material respect;
- ii. any opinions, predictions or intentions expressed in this Proposal on the part of TFI and COCR are honestly held or made and are not misleading in any material respect;
- iii. this Proposal does not knowingly omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and

- iv. all proper inquiries having been made to ascertain and to verify the foregoing information and the Directors of TFI and COCR accept responsibility for the information contained in this Proposal relating to their respective companies.

The Boards of Directors of TFI and COCR confirm and acknowledge that, based on all available information and to the best of their knowledge and belief, this Proposal constitutes a full and true disclosure of all material facts concerning the Amalgamation.

1.3. Changes

The delivery of this Proposal shall not under any circumstances, constitute a representation or create any implication or suggestion that there would be no material change in the affairs of TFI and COCR which require disclosure to the CSE or any other authority, from the date of the Proposal and up to the date of the Amalgamation.

IF YOU ARE IN ANY DOUBT REGARDING THE CONTENTS OF THIS DOCUMENT OR IF YOU REQUIRE ANY ADVICE IN THIS REGARD, YOU SHOULD CONSULT YOUR STOCK BROKER, LAWYER OR ANY OTHER PROFESSIONAL ADVISOR.

2. CORPORATE INFORMATION

2.1. Corporate Information of COCR and TFI

	Commercial Credit and Finance PLC	Trade Finance and Investments PLC
Legal Form	Public Limited Liability Company	Public Limited Liability Company
Registration Number	PB 269 PQ	PB 445 PQ
Place of Incorporation	Kandy, Sri Lanka	Colombo 02, Sri Lanka
Registered Office	No. 106, Yatinuwara Veediya, Kandy	No. 459, Union Place, Colombo 02
Website	www.cclk.lk	www.tfil.lk
Board of Directors of the Company	Mr. D. Soosaipillai Mr. R.S. Egodage Mr. P.S.R.C. Chitty Mrs. G.R. Egodage Mr. K. Vander Weele Mr. P. Fisher Mr. B.B Zschorsch Mr. L.L.S. Wickremasinghe Ms. T.M.L Paktsun	Mr. L.G.S. Perera Mr. R.S. Egodage Mr. I.G.S.K. Guneratne Mr. L.A.J.F. Morais Mr. D.A. Rodrigo Mr. G.B. Egodage
Company Secretary	Jacey and Company	Corporate Services (Private) Limited
Lawyers of the Company	M/S Julius & Creasy, Attorneys-at-Law	R.D.N. Lenora (LL.B Sri Lanka)
Company Auditors	M/S Ernst & Young, Chartered Accountants	M/S KPMG, Chartered Accountants
Bankers of the Company	Commercial Bank of Ceylon PLC Hatton National Bank PLC Nations Trust Bank PLC Sampath Bank PLC DFCC Bank PLC National Development Bank PLC Seylan Bank PLC Peoples Bank Cargills Bank Limited Pan Asia Banking Corporation PLC	Commercial Bank of Ceylon PLC Sampath Bank PLC Bank of Ceylon Cargills Bank Limited Peoples Bank Hatton National Bank PLC Seylan Bank PLC
Credit Ratings	ICRA Lanka Limited National (SL) BBB	ICRA Lanka Limited National (SL) BBB (-)
Legal Advisors to the Amalgamation	Nithya Partners	

2.2. Corporate Profiles

Commercial Credit and Finance PLC

Commercial Credit and Finance PLC was established on 4th October 1982 following its incorporation under the Companies Act No. 17 of 1982 as a Private Limited Liability Company in, Kandy, as Commercial Credit (Pvt) Ltd.

Subsequently, it was registered as a Public Limited Liability Company under the provisions of the above Act on 16th December 1989 as Commercial Credit Ltd. The Company was then re-registered under the Companies Act on 8th April 2008 and was registered as a finance company under the Finance Business Act No. 42 of 2011 on 6th August 2012.

When the shares of the Company were listed on the Diri Savi Board of the CSE on 1st June 2011, the Company's name underwent another change and became Commercial Credit PLC. In compliance with the provisions of the Finance Business Act No. 42 of 2011, the Company changed its name to Commercial Credit and Finance PLC with effect from 17th May 2012.

The Company was originally established with the prime focus on agricultural lending. From its inception, the Company inculcated a strong process and system driven culture reaping numerous benefits over the years. The Company underwent a change in its majority shareholdings in October 2009 resulting in a new management team. This dynamic team brought with it a new philosophy; a value driven culture that drives the Company towards greater success in the longer term thereby contributing to the meaningful development of the overall society.

The principal activities of the Company are the mobilization of deposits and providing leasing and hire purchases, gold loans, microfinance, term loans, revolving business loans, factoring and other financial services.

Trade Finance and Investments PLC

Trade Finance and Investments PLC is a Public Limited Liability Company incorporated in Sri Lanka on 5th January 1978, listed on the Diri Savi Board on the Colombo Stock Exchange on 27th October 2011, registered as a finance company under the Finance Business Act No.42 of 2011. The Company changed its name to Trade Finance and Investments PLC in terms of the Companies Act consequent to the Initial Public Offer on 5th January 2012.

Trade Finance and Investments PLC is a subsidiary of Commercial Credit and Finance PLC. The principal activities of the Company are the mobilization of deposits and providing finance leases, micro loans, revolving business loans, providing secured and unsecured loans and other financial services.

3. THE TERMS OF THE AMALGAMATION

3.1. Corporate Authorisations and Approvals

Pursuant to the requirement imposed and guidelines given by the CBSL in terms of the consolidation of the financial sector, TFI would be amalgamated into COCR in accordance with the provisions of the Companies Act.

CBSL has by way of letter dated 21st January 2020 approved the proposed Amalgamation of TFI into COCR which is attached hereto as Annexure 5.

The Board of Directors of COCR and of the Amalgamating Company have resolved on 23rd September 2020 to amalgamate the Amalgamating Company into COCR as a single entity. Accordingly, TFI would be amalgamated into COCR in accordance with the provisions of the Companies Act.

The Board of Directors of COCR and the Amalgamating Company have further resolved that, in their respective opinions, the Amalgamation is in the best interest of the respective companies and that they are satisfied that the Amalgamated Company [COCR (N)] will immediately after the Amalgamation satisfy the Solvency Test. The Directors of COCR and TFI who voted in favour of each resolution have also issued certificates to that effect and copies of such certificates are attached herewith marked Annexure 2.

CBSL has agreed in principle that even after the proposed Amalgamation the Amalgamated Company will continue to be licensed under the Finance Business Act No. 42 of 2011 to carry on finance business under the said Act.

The Amalgamation shall be effected subject to receiving the relevant corporate approvals and receiving approval from the Shareholders of each COCR and TFI by way of Special Resolutions at EGM of COCR and TFI in accordance with Section 241 (5) of the Companies Act.

The Amalgamation will be effected in a manner whereby TFI will be absorbed into COCR and Shareholders of TFI will be paid in the manner as mentioned in 3.2 in lieu of their shareholding in TFI as at the date of the Amalgamation.

In the opinion of the Board of Directors of COCR, the above payment in lieu of the shares in the Amalgamated Company to the holders of ordinary voting shares in TFI is fair and reasonable.

3.2. Share Purchase Consideration

The Amalgamation is proposed to take effect by way of a payment in cash by COCR to the minority Shareholders of the Amalgamating Company as per the independent valuation carried out by PricewaterhouseCoopers, Chartered Accountants (please see page 9 of the Independent Valuation Report annexed hereto as Annexure 6);

Name of the Company	Consideration
TFI	Rs 60.00 for every ordinary voting share held

For such purposes, "minority Shareholders" shall mean all the Shareholders of the Amalgamating Company other than COCR.

In accordance with section 240(3)(a) of the Companies Act, the shares held by COCR in the Amalgamating Company will be cancelled when the Amalgamation becomes effective without any payment or other consideration. On the basis of the above, the following shares held by COCR in the Amalgamating Company would be cancelled upon the Amalgamation becoming effective:

Name of Shareholder	% of Shares held by Shareholder in TFI	Number of Shares to be Cancelled
COCR	99.65%	56,602,573

3.3. New Shares of COCR

In view of the consideration being settled in cash there would be no new shares issued in COCR on the Amalgamation.

There are no payments to be made to any directors of either COCR or the Amalgamating Company in connection with the Amalgamation other than to Mr. P.S.R.C. Chitty who is a director of COCR and his wife Mrs. K. Samarakoon who will be paid for the shares which they hold in TFI in accordance with Section 3.2 above.

There are no payments to be made to any Shareholders of either COCR or the Amalgamating Company in connection with the Amalgamation other than as set out in Section 3.2 above.

Any Shareholder of either COCR or the Amalgamating Company who does not vote in favour of the aforesaid Special Resolution may require COCR (N) to purchase their shares in accordance with the provisions of Section 93 of the Companies Act.

3.4. The Effective Date

The Amalgamation will take effect on 31st December or such other date as may be determined by the ROC.

3.5. The Surviving Company (i.e. COCR (N))

The new entity consequent to the Amalgamation (i.e. COCR (N)) will continue to be named as “Commercial Credit and Finance PLC”.

The Registered Office of the Amalgamated Company [COCR (N)] shall be the current registered office of COCR i.e. 106 Yatinuwara Veediya, Kandy

The shareholding in COCR (N) immediately after the Amalgamation shall remain unchanged at 318,074,365 ordinary voting shares.

The members of the Board of COCR (N) immediately after the Amalgamation shall be as follows:

	Name of the Director	Residential Address
1	Mr. D. Soosaipillai	20B, Guilford Crescent, Colombo 07
2	Mr. R.S. Egodage	No.475/5, Elvitigala Mawatha, Colombo 05
3	Mr. P.S.R.C. Chitty	No.112/36, DM Colombage Mawatha, Nugegoda
4	Mrs. G.R. Egodage	No.475/5, Elvitigala Mawatha, Colombo 05
5	Mr. K. Vander Weele	445 East North Water Street, #2101, Chicago, IL 60611, USA
6	Mr. P. Fisher	4737 N Rockwell St, Chicago, IL 60625 USA
7	Mr. B.B Zschorsch	63 Soi 1 Thetsabannimitai, Ladyao, Chatuchak, Bangkok 10900, Thailand
8	Mr. L.L.S. Wickremasinghe	No.216/1, Honnanthara north, Kottawa Road, Piliyandala
9	Ms. T.M.L Paktsun	No.46/65, Robert Gunawardena Mawatha, Colombo 06

Immediately after the Amalgamation the Company Secretary of COCR (N) shall be Jacey and Company and their address is No. 9/5 Thambiah Avenue (Off Independence Avenue) Colombo 07

The Articles of Association of COCR (N) is set out in Annexure 3.

3.6. Management and Operation of COCR (N)

There are no additional specific regulatory approvals which are required for the completion of the Amalgamation as contemplated in this Proposal which are pending as at date. Furthermore, there are no additional arrangements which are necessary to carry out the operations and management of Amalgamated Company post Amalgamation.

4. RATIONALE FOR THE AMALGAMATION

Pursuant to the financial sector consolidation plan initiated by the CBSL in 2014, COCR acquired a majority control of TFI. Further to the request made by the CBSL to merge the entities in line with the consolidation plan, the board of directors of COCR and TFI have resolved to amalgamate TFI with COCR.

The following benefits are envisaged through the Amalgamation of the two entities:

- i) The Consolidated asset base of the Amalgamated Company based on balance sheets as at 31st March 2020 is Rs.90Bn. The Amalgamated Company will have a strong capital base with enhanced core capital ratios due to the Amalgamation which will provide the Amalgamated Company with a strong base for future growth and capital raising exercises.
- ii) TFI focuses mainly in financing the two wheel and three wheel segment. COCR also engages aggressively in financing these two markets. Thus the Amalgamated Company will have a clear market leadership in the two and three-wheeler lending segment in the country.
- iii) The Amalgamated Company will rationalize and consolidate the existing branch networks, to expand and fill in the network gaps within the COCR network to strengthen the combined branch network. The Amalgamated Company will be able to penetrate into the TFI's current geographical locations covered by TFI branch network and leverage on TFI's strengths, while introducing COCR's broader product portfolio in these locations.
- iv) The Amalgamation will enable rationalization of cost structures of the Amalgamated Company and generate cost savings through economies of scale and elimination of duplication of cost bases and personnel while increasing productivity within the Amalgamated Company, enabling the company to generate stronger returns to Shareholders in the long run.

5. SHAREHOLDING STRUCTURE – PRE AMALGAMATION

5.1. COCR Top 10 Shareholders

	Shareholder	Total Holding	Percentage
01	B G Investments (Pvt) Limited	132,530,096	41.67%
02	Group Lease Holdings Pte Ltd	95,390,500	29.99%
03	Lanka ORIX Finance Plc/B.G.Investments (Pvt) Ltd	26,700,000	8.39%
04	Creation Investments Sri Lanka, LLC	20,347,220	6.40%
05	Creation Investments SL1 LLC	7,216,294	2.27%
06	Dr. E. Fernando	6,500,000	2.04%
07	People's Leasing & Finance Plc /Ms.S.N.Egodage	5,093,438	1.60%
08	Ceylinco Life Insurance Limited Account No.1	4,014,843	1.26%
09	Mrs. H.H.J. Hewage	1,942,429	0.61%
10	Mr. S.B. Hemachandra	1,800,000	0.57%

5.2. TFI Top 10 Shareholders

	Shareholder	Total Holding	Percentage
1	Commercial Credit and Finance Plc	56,602,573	99.65
2	Mr. N.P.D.E.A.Samaranayake	75,414	0.13
3	Peoples Leasing & Finance PLC /Ms.S.N.Egodage	25,477	0.04
4	Mrs. C.A.D.S.Woodward	24,582	0.04
5	Mr. M.R.Ratnasabapathy	17,182	0.03
6	Mr. K.H.B.Haputhanthri	5,000	0.01
7	Mr. W.D.J.M.De Silva	3,974	0.01
8	Mr. C.R.Narangoda	3,846	0.01
9	Mr. P.P.Thevarajah	3,017	0.01
10	Mr. K.K.B.Madusanka	2,347	0.00

5.3. Stated Capital Pre and Post Amalgamation

Pre-Amalgamation,

Company	Number of Shares as at 30th September 2020	Stated Capital (Rs.)
COCR	318,074,365	Rs 2,150,640,315
TFI	56,800,400	Rs 247,001,000

Post-Amalgamation,

Company	Number of Shares as at 30th September 2020	Stated Capital (Rs.)
COCR (N)	318,074,365	Rs 2,150,640,315

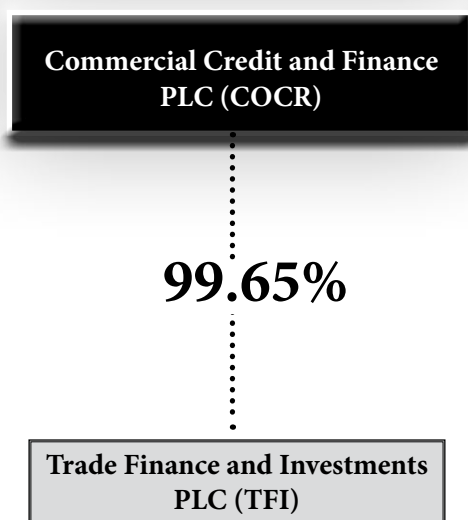
5.4. Approval of Debenture Holders

The following listed Debentures of COCR shall continue until redemption and approval from the trustee and/or the debenture holders are not required in respect of the Amalgamation.

Type of Debenture	Face Value	Interest Rate	Issue Date	Maturity Date	Amortised Cost (Rs.)
Rated, Guaranteed, Subordinated, Redeemable, Debentures (Type A)	2,000,000,000	10.40%	10-Dec-15	9-Dec-20	2,030,258,264
Rated, Guaranteed, Subordinated, Redeemable, Debentures (Type B)		6 months gross treasury bill rate+1.5%			

6. Holding Structure

6.1. Holding Structure Pre-Amalgamation



6.2. Holding Structure Post Amalgamation

Only COCR (N) would remain as a company.

7. PROFILE OF THE BOARD OF DIRECTORS OF COCR (N)

Mr. E. D. P. Soosaipillai

Chairman/ Independent Non-Executive Director

Mr. D Soosaipillai is a fellow of both the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka and is considered a pioneer in the leasing and financial services industry both in Sri Lanka and the Maldives. He has served on the boards of several leading specialised leasing companies in the capacity of Finance Director, Chief Executive Officer and Managing Director. He was appointed a Director of Commercial Credit and Finance PLC in January 2014. He functions as Chairman of the Board Audit Committee and a member of the Board Integrated Risk Management Committee. He chaired the Board Audit Committee of Trade Finance and Investments PLC, the subsidiary of Commercial Credit and Finance PLC during the period January to October 2015. He is an Independent Non-Executive Director on the Board of Hatton National Bank PLC and chairs the Board Integrated Risk Management Committee of the Bank and is a member of the Board Strategy & Investment Review Committee, the Board Procurement and Assets Disposal Committee and the Board Recoveries Committee of the Bank. He is an Independent Non-Executive Director on the Boards of Udapussellawa Plantations PLC and Hapugastenne Plantations PLC and chairs the Board Audit Committees of both these Plantation Companies. He is also a member of the Related Party Transaction Review Committee and the Remuneration Committee of these two Plantations Companies. Mr. Soosaipillai has over 30 years of experience in Financial Services and in Risk Management and Compliance, both at the operational and strategic levels. He was engaged by the World Bank as a Short-Term Consultant on a Payables Assessment assignment in the Maldives as part of a wider Public Finance Management Project in 2012. Mr. Soosaipillai also served as the Managing Director of the Maldives Finance Leasing Company (Private) Limited for more than 7 years and as the Chief Executive Officer of Ceylease Financial Services Limited, a subsidiary of the Bank of Ceylon.

Mr. R.S. Egodage

Chief Executive Officer/Executive Director

An industry veteran with a wealth of experience and achievements to his credit, Mr. Egodage is a skilled corporate strategist with a proven track record in guiding corporate entities towards record growth and success. His passion and innate talent for establishing pioneering and liberated corporate strategies has been validated by Commercial Credit's trailblazing success in just 18 months, growing from a relatively small market share to being within the top five registered finance companies in terms of Net Interest Income.

His success is due in part to the multi-disciplinary approach he brings to the table, gleaned through a diverse career in a range of industries, including Engineering, Manufacturing, Plantations and Finance. Prior to taking over the stewardship of Commercial Credit, Mr. Egodage has held several top level management positions in the finance industry. He was appointed as the Deputy Chief Executive Director of The Finance Company PLC in 2006. Holding overall responsibility for the company's operations, while serving on the Boards of several Group companies at the same time, he led The Finance Company to declare its highest ever profits in over 70 years of operation, in what is popularly referred to as the Billion Month.

Other positions Mr. Egodage has held in reputed listed companies include Deputy Manager – Corporate Finance of the Merchant Bank of Sri Lanka, where he was instrumental in restructuring the Plantations sector, General Manager – Finance Planning and Administration – Kotagala Plantations PLC and General Manager – Project and Planning, Agalawatte Plantations PLC – both positions where he held key responsibilities for the overall direction of the company. He also held key positions of responsibility in companies including Central Finance, Peoples Ventures and Ceylon Pencil Company. He currently serves on the Board of Directors of BG Investments (Pvt) Ltd. An avid sportsman and a firm believer in the wisdom of an organization with a bottom-heavy management strategy, Mr. Egodage places strong emphasis on employee participation and empowerment, as well as a liberated corporate culture. His continuing focus remains the Company's strategic direction and its expansion into new markets, whilst facilitating its continued growth and success.

Having acquired a BSc. Eng. (Hons) degree from the University of Peradeniya and initially embarking on a career in the engineering field, he then set his sights on a career in management, earning a MBA from the University of Colombo. He has since then gone on to earn numerous professional qualifications including FCMA, Dip.M(UK), ACIM and ASCMA. He is undoubtedly one of the most qualified CEO's in the Finance industry today.

Mr. R. C. Chitty
Chief Operating Officer/Executive Director

Mr. Rajiv Casie Chitty is a fellow member of the Association of Chartered Certified Accountants (ACCA), UK and an Associate Member of the Chartered Institute of Management Accountants (ACMA), UK and a Chartered Financial Analyst, USA. He obtained his Masters in Economics from the University of Colombo and won the Janashakthi Gold at the 2006 CIMA Pinnacle Awards. Mr. Casie Chitty is an Independent Non-Executive Director of ACL Cables PLC, Tangerine Beach Hotels PLC, Royal Palms Beach Hotels PLC, Ceylon Printers PLC and Office Equipment PLC. He is the former President of the ACCA Sri Lanka panel. Mr. Casie Chitty has over 26 years experience in the private sector of which 15 years has been at senior management level.

Mrs. G. R. Egodage
Executive Director

Mrs. Egodage joined Commercial Credit as an Executive Director following the Company's management takeover in 2009. She is presently a Director of B.G. Investments (Pvt) Limited and R.D.S. Bakers (Pvt) Limited. Mrs. Egodage began her career as an assistant lecturer at the Department of Chemistry, University of Peradeniya. As her career advanced she collaborated on many research projects before joining Ansell Lanka, where she served for a period of 4 years as a Process Chemist. From 1996 to 2005 she held the post of Assistant Director for Quality Control and Quality Assurance at the Coconut Development Authority.

Following this, Mrs. Egodage switched careers, putting her qualification in Business Administration to good use as she took up a position as the Managing Director of R.D.S. Bakers (Pvt) Limited. Here she quickly gained a reputation for skilled management ability and an adherence to the highest ethical standards, and was instrumental in developing the popular brand which R.D.S. Bakers is now synonymous with. She brings these same skills and dedication to her role as Executive Director of Commercial Credit and is an integral component of the Company success story. She holds a BSc. Special Degree with a Major in Chemistry from the University of Peradeniya and a Postgraduate Diploma in Business Administration from the Open University of Sri Lanka.

Mr. Ken Vander Weele
Non-Executive Director

Mr Ken Vander Weele is a co-founder and partner in Creation Investments Capital Management, LLC, a fund management company that manages several specialized private equity vehicles that invest in emerging market financial services companies serving poor clients.

From 2000 until 2009 Mr Vander Weele served as the President of the Investment Services Division at Opportunity International, a major microfinance network. Mr. Vander Weele was responsible for the development and oversight of all commercial MFIs within the Opportunity Network, garnering over \$1 billion in assets during his tenure. During this period, Mr Vander Weele was involved in forming three microfinance banks in Eastern Europe (Forus Bank-Russia, Opportunity Bank- Montenegro, and Opportunity Bank-Serbia), and Ken served as the board chair of each bank.

Between 1991 and 2000, Mr. Vander Weele held various positions within the Opportunity International Network, including Global COO, Regional Vice President for Eastern Europe and Interim CEO.

From 1975 to 1981, Mr. Vander Weele held various positions at Grant Thornton, CPAs, in their Madison, Boston, Chicago, and US National Office.

From 1981 to 1991, he was the Senior Vice President, CFO and a founding shareholder of Graphisphere Corporation, a graphic arts holding company with private equity shareholders, until it was sold to a strategic buyer.

Mr Vander Weele was also a founder and the board chair of the Microfinance Centre for Eastern Europe from 1998 until 2006 and the Balkan Financial Sector Equity Fund from 2005 to 2011.

Mr Vander Weele has a PhD in international economics from Oxford University, and a BBA in Accounting from the University of Wisconsin. Ken is also a CPA.

Mr. Patrick Fisher
Non-Executive Director

Mr. Patrick Fisher is the founder and managing partner of Creation Investments Capital Management, an impact investment fund manager and transaction advisory group. With over \$130 million in assets under management, Creation Investments focuses on private equity investments in financial services and microfinance serving the Bottom of the Economic Pyramid (BOP). Mr. Fisher has led investments or provided advisory services on transactions in over 25 countries in other industry verticals, including health care, affordable housing, agriculture, clean energy, and technology, as well as evaluating social ventures and impact investments in countless others. Mr. Fisher serves on the boards of GrupoFinclusion SAPI de CV SOFOM ENR, NOA Cooperatief U.A., and Commercial Credit and Finance PLC, among several others.

Mr. Fisher is also a partner of Promus Capital, a multi-family office and alternative investment manager with over \$1billion in assets under management. Promus investment strategies include proprietary private equity transactions, managed futures, core public securities, municipal bond trading, hedge funds, real estate, fund of funds, venture capital funds, and impact investments.

Prior to founding Creation Investments, Mr. Fisher spent the majority of his career working for JPMorgan Chase. His relevant work experience includes years of service in International Banking and Global Treasury and Trade Services, primarily covering Asia and Latin America. Mr. Fisher worked for the bank in China, specifically in Hong Kong and Beijing. In addition, Mr. Fisher has trading experience, working on Bank One's Chicago trading floor marketing interest rate, commodity, and foreign exchange derivatives. He received his credit training from American National Bank in Chicago. He has started numerous businesses and established three previous investment funds in real estate and private equity. He has served on the board of several domestic and international for-profit and not-for-profit organizations. Mr. Fisher is a graduate of the J.L. Kellogg School of Management at Northwestern University, where he received a Master of Business Administration degree. He earned his Bachelor of Arts, magna cum laude, at the University of Notre Dame. He is a member of Mensa and continues his studies in Spanish, Mandarin and Koine Greek.

Mr. B. B. Zschorsch
Non-Executive Director

Mr. Boris Zschorsch is the Group Deputy CFO of Group Lease Public Company Limited, one of the leading finance companies in ASEAN providing leasing and Microfinance services targeting rural and unbanked population in emerging markets. With a presence in Thailand, Cambodia, Laos, Myanmar and Indonesia, the Company is listed on the Stock Exchange of Thailand. Group Lease PCL acquired a 29.99% stake of Commercial Credit and Finance PLC through its holding subsidiary. Mr. Zschorsch joined Group Lease PCL in 2015 as a Financial Analyst working on due diligence assignments as well as financial analysis on the multi-national group level. He was then promoted to Group Deputy CFO in charge of the Group Consolidation in Thailand as well as involved in the operations of the subsidiary holding company. He took part in the rapid expansion of cross-country operations in the last few years. Mr. Zschorsch has been working

in Southeast Asia since January 2015 when he joined Price Water House Coopers Singapore, after having worked for the Professional Service Company in Luxembourg as an Audit Senior for more than 4 years. He is a graduate of J.W. Goethe University in Frankfurt, Germany, where he received the title Diploma - Kaufmann as well as of University Paris Dauphine IX, France where he received a Masters in Finance and Accounting.

Mr. Lasantha Wickremasinghe
Independent Non-executive Director

Mr. Lasantha Wickremasinghe, FCA is a fellow member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Association of Accounting Technicians of Sri Lanka (AAT). He is the immediate Past President of the Institute of Chartered Accountants of Sri Lanka. He is a partner at B R DE SILVA & COMPANY Chartered Accountants since 1997 and specialized in Audit, assurance Services, Forensic Investigations and Income Tax. He is a Member of the Board of Directors and Governance and Audit Committee of Confederation of Asia Pacific Accountants (CAPA), Member of Board of Management and Audit Committee, Chairman - Postgraduate Institute of Management, University of Sri Jayawardenepura (PIM), Member of the Board of Directors and the Audit Committee, Chairman of the Sri Lanka Accounting and Auditing Standards, Monitoring Board (SLAASMB) since 2016, Governing Council and Audit Committee, Member of the Sri Lanka Institute of Advanced Technological Education (SLIATE), Board of Management Member of the Api Wenuwen Api Fund. He was also a Consultant to the Audit Committee of Board of investment of Sri Lanka and the Treasurer of Sri Lanka Cricket. He has served as The Technical Advisor to the Chairperson of the SMP committee of the International Federation of Accountants (IFAC) 2016 to April 2019.

Ms. T. M. L. Paktsun
Independent Non-Executive Director

Tamara Paktsun is a Fellow of the Institute of Chartered Accountants of Sri Lanka (FCA Sri Lanka), a Fellow of the Chartered Association of Certified Accountants (FCCA UK) and is a senior finance professional with wide experience in the private sector, both in Sri Lanka and overseas.

She was appointed to the Board of Commercial Credit and Finance PLC in February 2020 and is a member of the Board Audit Committee and is also a member of the Board Integrated Risk Management Committee.

Ms. Paktsun was the Director Finance & Operations of PricewaterhouseCoopers Sri Lanka and Maldives for over 13 years and previously functioned as the Chief Financial Officer of Ceylease Financial Services Limited, the leasing subsidiary of the Bank of Ceylon until 2004.

8. OTHER INFORMATION

Properties and assets to be owned by COCR (N) as the Amalgamated Entity

COCR (N) shall succeed to the properties and assets owned by TFI pursuant to the Amalgamation.

Deposits Liabilities of TFI

COCR shall succeed to all the deposit liabilities of TFI pursuant to the Amalgamation and accordingly COCR (N) shall thereafter be liable to pay interest and repay the capital on such deposits.

Other Liabilities of TFI

COCR (N) shall succeed to all the liabilities of TFI upon completion of the Amalgamation and accordingly COCR (N) shall thereafter be liable to pay such liabilities.

Material Contracts

Neither COCR nor the Amalgamating Company have entered into any material contracts other than those contracts entered into in the normal course of business.

COCR (N) shall succeed to the rights and obligations of the Amalgamating Company under such contracts post Amalgamation.

Working Capital

The Directors of COCR and TFI are of the opinion that the working capital of COCR (N) post-Amalgamation will be sufficient for purposes of its normal activities.

Directors Remuneration

The total emoluments paid to the Directors of TFI for the Financial Year ended 31st March 2020 was Rs. 43,531,306. The total emoluments paid to the Directors of COCR for the Financial Year ended 31st March 2020 was Rs. 139,338,400.

It is estimated that the total emoluments of the Directors of COCR for the Financial Year ending on 31st March 2021 would be Rs. 10,589,832.

Directors Shareholding

Mr. P.S.R.C. Chitty who is a director of COCR and his wife Mrs. K. Samarakoon owns one (1) share each in TFI.

Material Interest of Directors

Other than the Directorships held by Directors of COCR and/or TFI Companies, the Directors of COCR and TFI have no material interest in the Proposal, whether in the capacity of directors or otherwise. No payments will be made to any Director of TFI or COCR in connection with the proposed Amalgamation other than to Mr. P.S.R.C. Chitty who is a Director of COCR and his wife Mrs. K. Samarakon who will be paid for the shares they holds in TFI in accordance with Section 3.2 above. Please see Annexure 4 for directors' statement under Section 241(3)(d) of the Companies Act.

Rights of the Shareholders

The Amalgamation shall be effected after receiving the relevant corporate approvals and receiving approval from the Shareholders of each of TFI and COCR by way of a Special Resolution at EGM of TFI and COCR in accordance with Section 241 (5) of the Companies Act. Any Shareholder of either TFI and COCR who does not vote in favour of the aforesaid Special Resolutions may require COCR (N) to purchase their shares in accordance with the provisions of Section 93 of the Companies Act. Please see Annexure 4 for directors' statement regarding rights of Shareholders

under Section 241(3)(c) of the Companies Act.

Director's Certifications

The certification of the Directors of each of COCR and the Amalgamating Company in relation to their responsibility for this Amalgamation Proposal is set out in Annexure 1 and the certification provided by such Directors in terms of Section 241(2) of the Companies Act is set out in Annexure 2.

Articles of Association of COCR

The Articles of Association of the Amalgamated Company [COCR (N)] is attached hereto marked Annexure 3 and it will remain the same unless amended by the Shareholders of COCR (N) after the Amalgamation.

Approval from the Central Bank of Sri Lanka.

Approval from the CBSL is attached hereto marked Annexure 5.

Annexures

The Annexures to this Amalgamation Proposal shall form part and parcel hereof.

By Order of the Board.

Sgd.

COMMERCIAL CREDIT AND FINANCE PLC

Jacey and Company

Company Secretary

By Order of the Board.

Sgd.

TRADE FINANCE AND INVESTMENTS PLC

Corporate Services (Private) Limited

Company Secretary

Annexure 1

CERTIFICATE OF THE DIRECTORS UNDER SECTION 243 (C) OF THE COMPANIES ACT NO. 7 OF 2007

We, the undersigned, who are named in the Amalgamation Proposal as Directors of Commercial Credit and Finance PLC, hereby declare and confirm that we have read the provisions of the Companies Act No. 7 of 2007 relating to the issue of the Amalgamation Proposal and that those provisions have been complied with. We further confirm that the provisions of the Articles of Association relating to the Amalgamation have been complied with.

Name of Director	Signature	Date
Mr. D Soosaipillai	Sgd	
Mr. R S Egodage	Sgd	
Mrs. G R Egodage	Sgd	
Mr. R Casie Chitty	Sgd	
Mr. L L S Wickramasinghe	Sgd	
Ms. Tamara Paktsun	Sgd	
Mr. P T Fisher	Sgd	
Mr. K D Vander Weele	Sgd	
Mr. B B Zschorsch	Sgd	

CERTIFICATE OF THE DIRECTORS UNDER SECTION 243 (C) OF THE COMPANIES ACT NO. 7 OF 2007

We, the undersigned, who are named in the Amalgamation Proposal as Directors of Trade Finance and Investments PLC, hereby declare and confirm that we have read the provisions of the Companies Act No. 7 of 2007 relating to the issue of the Amalgamation Proposal and that those provisions have been complied with. We further confirm that the provisions of the Articles of Association relating to the Amalgamation have been complied with.

Name of Director	Signature	Date
Mr. L.G.S. Perera	Sgd	
Mr. R.S. Egodage	Sgd	
Mr. I.G.S.K. Guneratne	Sgd	
Mr. L.A.J.F. Morais	Sgd	
Mr. D.A. Rodrigo	Sgd	
Mr. G.B. Egodage	Sgd	

Annexure II

Certificate of the Directors of Commercial Credit and Finance PLC under Section 241(2) of the Companies Act

The under-mentioned certification is being provided in connection with the proposed amalgamation of Trade Finance and Investments PLC (“**Amalgamating Company**”) into Commercial Credit and Finance PLC (**the “Amalgamation”**) in terms of Section 239 of the Companies Act No. 7 of 2007 into a single entity to be named Commercial Credit and Finance PLC (“**Amalgamated Company**”).

We have been provided with:

1. the board papers setting out the Amalgamation Proposal;
2. the pro forma balance sheet of Commercial Credit and Finance PLC as at 30th June 2020, prepared on the basis of the aforesaid Amalgamation having taken effect as at that date;
3. the assertion by the management of Commercial Credit and Finance PLC and the Amalgamating Company that there have been no material changes in the net asset position of Commercial Credit and Finance PLC and the Amalgamating Company from 30th June 2020, up to the date hereof.

We have taken into consideration *inter alia*:

1. the rationale for the Amalgamation, which has been set out in Part 4 of the Amalgamation Proposal and its commercial justification;
2. the fact that the stated capital of the Amalgamated Company has been disregarded as directed by Section 241(6) of the Companies Act No. 7 of 2007 and consequently is not a consideration in the computation of solvency.

Based on the above, we the undersigned, are of the opinion that the conditions set out in Sections 241(1)(a) and (b) are satisfied, namely:

- (a) that the amalgamation is in the best interests of Commercial Credit and Finance PLC and the Amalgamating Company; and
- (b) that the Amalgamated Company will satisfy the solvency test immediately after the Amalgamation becomes effective.

Name of Director	Signature	Date
Mr. D Soosaipillai	Sgd	
Mr. R S Egodage	Sgd	
Mrs. G R Egodage	Sgd	
Mr. R Casie Chitty	Sgd	
Mr. L L S Wickramasinghe	Sgd	
Ms. Tamara Paktsun	Sgd	
Mr. P T Fisher	Sgd	
Mr. K D Vander Weele	Sgd	
Mr. B B Zschorsch	Sgd	

Certificate of the Directors of Trade Finance and Investments PLC under Section 241(2) of the Companies Act

The under-mentioned certification is being provided in connection with the proposed amalgamation of Trade Finance and Investments PLC (**“Amalgamating Company”**) into Commercial Credit and Finance PLC (the **“Amalgamation”**) in terms of Section 239 of the Companies Act No. 7 of 2007 into a single entity to be named Commercial Credit and Finance PLC (**“Amalgamated Company”**).

We have been provided with:

1. the board papers setting out the Amalgamation Proposal;
2. the pro forma balance sheet of Commercial Credit and Finance PLC as at 30th June 2020, prepared on the basis of the aforesaid Amalgamation having taken effect as at that date;
3. the assertion by the management of Commercial Credit and Finance PLC and the Amalgamating Company that there have been no material changes in the net asset position of Commercial Credit and Finance PLC and the Amalgamating Company from 30th June 2020, up to the date hereof.

We have taken into consideration *inter alia*:

1. the rationale for the Amalgamation, which has been set out in Part 4 of the Amalgamation Proposal and its commercial justification;
2. the fact that the stated capital of the Amalgamated Company has been disregarded as directed by Section 241(6) of the Companies Act No. 7 of 2007 and consequently is not a consideration in the computation of solvency.

Based on the above, we the undersigned, are of the opinion that the conditions set out in Sections 241(1)(a) and (b) are satisfied, namely:

- (a) that the amalgamation is in the best interests of Commercial Credit and Finance PLC and the Amalgamating Company; and
- (b) that the Amalgamated Company will satisfy the solvency test immediately after the Amalgamation becomes effective.

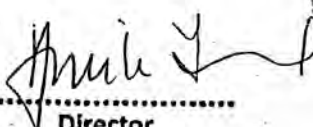
Name of Director	Signature	Date
Mr. L.G.S. Perera	Sgd	
Mr. R.S. Egodage	Sgd	
Mr. I.G.S.K. Guneratne	Sgd	
Mr. L.A.J.F. Morais	Sgd	
Mr. D.A. Rodrigo	Sgd	
Mr. G.B. Egodage	Sgd	

Annexure III

Certified True Copy


.....
Secretary
Jacey & Company
Secretaries

Certified True Copy


.....
Director
Jacey & Company
Secretaries

ARTICLES OF ASSOCIATION

OF

COMMERCIAL CREDIT AND FINANCE PLC

(As adopted by special resolution on the ...5.4.2011...)

PRELIMINARY

1. The model articles contained in the First Schedule to the Companies Act No.7 of 2007 shall not apply to the Company. The Company shall be governed by the Companies Act No.7 of 2007 and the regulations contained in these Articles but subject to repeal, alteration or addition by Special Resolution. Model Articles not to apply
2. In These Presents, if not inconsistent with the subject or context the words standing in the first column of the table next hereinafter contained shall bear the meaning set opposite to them respectively in the second column thereof: - Interpretation

WORDS

MEANINGS

The Company

Commercial Credit And Finance PLC

The Act

The Companies Act No. 7 of 2007, and terms which are defined in the Act, shall have the same meaning in these articles;

COMMERCIAL CREDIT LTD
105, Pailwara Vihar, Kandy

Chairman

These Presents	These Articles of Association as from time to time altered by Special Resolution;
Special Resolution	Has the meanings assigned thereto respectively by the Act;
The Board	The Directors for the time being of the Company including (where the context so admits or requires) Alternate Directors;
"Director" or "Directors"	Means a director or the directors (as the case may be) for the time being of the Company, including where the context so requires or admits alternate directors
"Registered Office"	Means the registered office for the time being of the Company.
"Presence or Present"	With regard to a shareholder at a meeting means presence or present personally or by proxy or by attorney duly authorized.
Office	The Registered Office of the Company;
Month	Calendar month;
Year	Calendar Year;
Working Day	A day other than Saturday, Sunday or a public holiday.

In These Presents, if not inconsistent with the subject or context, the words shall have the same meaning attributed to them in the Act.

The expressions 'the Secretary' or 'the Secretaries' shall include any individual, firm or company appointed by the Board to perform any of the duties of the Secretary.

Words importing the singular number only shall include the plural and vice versa, the words importing the masculine gender shall include the feminine gender, the words importing persons shall include Corporations and Companies.

The headings and marginal notes are inserted for convenience only and shall not affect the construction of These Presents.

COMMERCIAL CREDIT LTD
106, Yaliniwara Vidiya - Kandy.


.....
Chairman

3. The objects of the Company are –

Objects

- (1) To carry on finance business in conformity with the provisions of the Finance Companies Act, No. 78 of 1988 as amended from time to time and in conformity with provisions of all written laws for the time being in force and all regulations, directions, determinations, rules, orders or requirements made, given or imposed there under.
- (2) To carry on finance leasing business in conformity with the provisions of the Finance Leasing Act No 56 of 2000 as amended from time to time and in conformity with provisions of all written laws for the time being in force and all regulations, directions, determinations, rules, orders or requirements made, given or imposed there under.
- (3) To provide medium-term and long-term credit and other forms of assistance to industrial, agricultural, commercial and other enterprises and persons and to stimulate development of the capital markets of Sri Lanka;
- (4) To engage in the promotion of the industrial, agricultural, commercial and other development sectors of the economy of Sri Lanka;
- (5) To guarantee loans raised or to be raised by industrial, agricultural and commercial enterprises from approved credit institutions and also to guarantee obligations of any institutions arising out of the underwriting of capital issues of industrial, agricultural and commercial enterprises and other economic enterprises;
- (6) To participate in the equity of industrial, agricultural and commercial enterprises and to subscribe to, or to purchase or underwrite, the issue of stocks, shares, bonds or debentures of any such enterprises, and to sell and deal in such securities;
- (7) To grant loans and advances by way of re-finance of any loans or advances granted by approved credit institutions and other institutions approved by the Bank to industrial, agricultural and commercial enterprises, and for that purpose to fix the minimum and maximum periods of maturity of loans granted by such banks and institutions;
- (8) To act as trustees for the holders of or otherwise in relation to any debentures, bonds or debenture stock issued by any company, and generally to undertake and execute any trusts the undertaking whereof may seem calculated directly or indirectly to benefit the company;
- (9) To carry on the business of pawn brokering and to undertake, execute, negotiate and transact all description of business as

produce brokers, share, exchange, property and general brokers, auctioneers, commission and general agents with the consent of the relevant Authorities.

- (10) To carry on any other business which may be customarily carried out by finance companies in Sri Lanka and/or approved by the Central Bank of Sri Lanka

The objects set forth in any sub-clause of this clause shall not, except when the context expressly so requires, be in any way limited or restricted by reference to or inference from the terms of any other sub-clause, or by the name of the Company. None of such sub-clauses or the objects therein specified or the powers thereby conferred shall be deemed merely subsidiary or auxiliary to the objects mentioned in any other sub clause of this clause, but the Company shall have full power to exercise all or any of the powers conferred by any part of this clause in any part of the world and notwithstanding that the business, undertaking, property or acts proposed to be transacted, acquired, dealt with or performed do not fall within the objects of any other sub-clause of this clause.

SHARES

4. (1) Subject to articles 4(2) and 4(3), of these articles, the Board may issue such shares to such persons as it thinks fit in accordance with section 51 of the Act. Where the shares confer rights other than those specified in subsection (2) of section 49 of the Act, or impose any obligation on the holder, the Board must approve the terms of issue which set out the rights and obligations attached to the shares as required by subsection (2) of section 51 of the Act.
- (2) Before it issues shares, the Board must decide the consideration for which the shares will be issued. The consideration must be fair and reasonable to the Company and to all existing shareholders.
- (3) Where the Company issues shares which rank equally with or prior to existing shares, those shares must unless the Company determines otherwise by Special Resolution be offered to the holders of the existing shares in a manner which would, if accepted, maintain the relative voting and distribution rights of those shareholders. The offer must remain open for acceptance for a reasonable time. The company may at a time of making said offer request the holders of existing shares who desire an allotment of shares in excess of their respective proportions to state how many of the excess shares he or she desires should any of the existing holders of shares expressly decline to accept the whole of their respective proportions. The shares so declined may be allotted in such numbers as the Directors decide or may be allotted and issued to such other persons as the Directors consider appropriate. Provided however that an issue of Redeemable Preference Shares carrying a fixed or variable coupon shall not require an offer to be

Issue of shares

made to the holders of existing shares.

- (4) Subject to Article 4(1) the Board may issue any shares with any preferential rights or privileges or subject to any special terms or conditions with or without any special designation and from time to time to modify, commute, abrogate, or deal with any rights, privileges, terms conditions or designations for the time being attached to any class of shares in accordance with the provisions herewith.
 - (5) Nothing in These Presents contained shall preclude the Board from recognizing and acting on a renunciation of allotment of any share by the allottee thereof in favour of any other person.
 - (6) The rights attached to shares shall not, unless otherwise expressly provided by the terms of issue of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.
5. In the event of the Directors having issued any shares which are partly paid, the Directors may from time to time make calls upon the holders of such shares in respect of any money unpaid on their shares, subject to a period of not less than fourteen (14) days notice being given for payment. Calls on shares
 6. The Company may give financial assistance directly or indirectly for or in connection with the acquisition of own shares and in accordance with sections 70 and 71 of the Act. Financial assistance for the payment of shares
 7. (1) The Company may by Special Resolution reduce its stated capital to such amount as it thinks appropriate in accordance with section 59 of the Act. Reduction of stated capital
 - (2) The Company shall in accordance with Article 10 (vi) issue a share certificate for the number of shares consequent to such reduction in lieu of the share certificates held by the shareholder.
 - (3) The Company may agree to purchase or otherwise acquire its own shares with the approval of the Board. Purchase of shares by the Company
 - (4) Before the Company offers or agrees to purchase its own shares, the Board of the Company should resolve that –
 - (i) the acquisition is in the interests of the Company;
 - (ii) the terms of the offer or agreement and the consideration to be paid for the shares is in the opinion of the Company's auditors a fair value; and
 - (iii) it is not aware of any information that has not been disclosed to shareholders which is material to an assessment of the value of the shares, and as a result of which the terms of an offer or the

consideration offered for the shares are unfair to shareholders accepting the offer.

(5) Before the Company -

- (i) makes an offer to acquire shares other than in a manner which will if it is accepted in full, leave unaffected the relative voting and distribution rights of all shareholders; or
- (ii) agrees to acquire shares other than in a manner which leaves unaffected the relative voting and distribution rights of all shareholders;

the Board shall resolve that the making of the offer or entry into the agreement, as the case may be, is fair to those shareholders to whom the offer is not made or with whom no agreement is entered in to.

- (6) The share which may be so purchased shall be cancelled immediately upon purchase.

8. (1) The Company may issue shares which are redeemable,

Redeemable
shares

- (i) At the option of the Company;
- (ii) At the option of the holder of the share;
- (iii) On a date specified in these presents;

Redemption would be for a specified consideration by the Board at the time of issue or a consideration which is calculated on a formula or to be fixed by an independent financial advisor having such qualifications as the Board may think fit.

- (2) The Company may exercise the option referred to in 8(1)(i) above, only after the Board has resolved that the redemption is in the interests of the Company.
- (3) Where shares are redeemed in accordance with article 8(1)(ii) and the holder of the share gives proper notice to the Company requiring the Company to redeem the share,
 - (i) the Company should redeem the share on the date specified in the notice or if no date is specified, on the date of the receipt of the notice;
 - (ii) the share should be cancelled on the date of redemption; and
 - (iii) from the date of redemption the former shareholder will rank as an unsecured creditor of the Company for the sum payable on redemption.

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[Signature]

(4) Where shares are redeemed in accordance with article 8 (1) (iii) ;

- (i) the Company should redeem the shares on that date;
- (ii) the share is deemed to be cancelled on that date;

from the date specified in article 8 (1)(iii), the former shareholder ranks as an unsecured creditor of the Company for the sum payable on redemption.

9. (1) The Company may by Special Resolution and subject to the provisions of the Act,

Consolidation,
splitting and
capitalization

(i) consolidate or split (i.e. sub divide) all or any of its shares in issue in such proportions as it may seem fit, in a manner which would leave the relative voting and distribution rights of all shareholders substantially unaffected;

(ii) capitalize any part of the amounts for the time being standing to the credit of any of the Company's reserve accounts excluding the statutory and other reserves to be maintained under the Finance Companies Act No.78 of 1988 as amended and any Direction issued thereunder in a manner which would leave the relative voting and distribution rights of all shareholders substantially unaffected;

(2) The consolidation, split or capitalization shall take effect on such day as may be determined in the said resolution or by the Board.

(3) The Company shall within one month issue a share certificate for the number of shares consequent to such consolidation and split in lieu of the share certificates held by the shareholder.

(4) In the event of a shareholder becoming entitled to a fraction of a share, consequent to the consolidation, split or capitalization, the Directors shall have the power to sell such fractional entitlements.

SHARE REGISTER, SHARE CERTIFICATES AND TRANSFER AND TRANSMISSION OF SHARES

10. (i) The Company must maintain a share register, which complies with section 123 of the Act. The share register must be kept at the registered office of the Company or any other place in Sri Lanka, notice of which has been given to the Registrar in accordance with subsection (4) of section 124 of the Act.

(ii) Where shares are to be transferred, a form of transfer signed by the holder or by his legal representative shall be delivered to the Company. The transfer must be signed by the transferee if the share imposes any liability on its holder.

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- (iii) (a) The Board may resolve to refuse to register a transfer of a share within six weeks of receipt of the transfer, if any amount payable to the Company in respect of the share is due but unpaid. The Board shall decline to register any share in the name of more than three (03) persons as the joint holders (except in the case of executors, administrators or heirs of a deceased member). If the Board resolves to refuse to register a transfer for this reason, it must give notice of the refusal to the shareholder within one week of the date of the resolution.
- (b) The Directors may also decline to register a transfer of a share on which the company has a lien.
- (iv) Where a joint holder of a share dies, the remaining holders shall be treated by the Company as the holders of that share. Where the sole holder of a share dies, that shareholder's legal representative shall be the only person recognized by the Company as having any title to or interest in the share.
- (v) Any person who becomes entitled to a share as a consequence of the death, bankruptcy or insolvency or incapacity of a shareholder may be registered as the holder of that shareholder's shares upon making a request in writing to the Company to be so registered, accompanied by proof satisfactory to the Board of that entitlement. The Board may refuse to register a transfer under this article in the circumstances set out in article 10(iii).
- (vi) Where the Company issues shares or the transfer of any shares is entered on the share register, the Company must within one month complete and have ready for delivery a share certificate in respect of the shares.
- (vii) If a Share Certificate be defaced, lost or destroyed, it may be renewed on payment of such fee not exceeding Rs. 100/- and on such terms as to evidence and indemnity and the payment of out-of-pocket expenses of the Company in investigating evidence as the Directors' think fit.
- (viii) Notwithstanding anything to the contrary in these Articles, as long as the shares of the Company are quoted in the Colombo Stock Exchange or any other Licensed Stock Exchange,
 - (a) such shares shall be freely transferable and registration of the transfer of such listed shares shall not be subject to any restriction, save and except to the extent required for compliance with statutory requirements.
 - (b) The Board may register without assuming any liability therefore any transfer of shares which is in accordance with the rules and regulations in force for the time being and from time to time as

laid down by Securities and Exchange Commission of Sri Lanka, such Licensed Stock Exchange and any agency whose primary object is to act as central depository for such exchange.

MEETINGS OF SHAREHOLDERS

11. (1) Written notice of the time and place of a meeting of shareholders must be given to every shareholder entitled to receive notice of the meeting and to every director and the auditor of the Company - Notice of meetings
- (a) not less than fifteen (15) working day in the case of an Annual General Meeting;
 - (b) not less than fifteen (15) working days before the meeting, if it is intended to propose a resolution as a Special Resolution at the meeting;
 - (c) not less than ten (10) working days before the meeting, in any other case.
- (2) The notice must set out -
- (a) the nature of the business to be transacted at the meeting in sufficient detail to enable a shareholder to form a reasoned judgment in relation to it; and
 - (b) the text of any resolution to be submitted to the meeting.
- (3) An irregularity in a notice of a meeting is waived if all the shareholders entitled to attend and vote at the meeting attend the meeting without protest as to the irregularity, or if all such shareholders agree to the waiver in writing.
- (4) Notwithstanding the provisions of article 11(2) above, the following business transacted at an Annual General Meeting of the Company shall constitute routine business and shall not require notice thereof:
- (i) considering the annual report prepared in accordance with section 168 of the Act;
 - (ii) appointing auditors and fixing the remuneration of the auditors or determining the manner in which such remuneration is to be fixed;
 - (iii) electing directors in the place of those retiring by rotation or otherwise
- (5) If a meeting of shareholders is adjourned for less than thirty (30) days, it is not necessary to give notice of the time and place of the adjourned meeting, other than by announcement at the meeting which is adjourned.
12. A meeting of shareholders shall be held by a number of shareholders who constitute a quorum, being assembled together at the place, date and time Methods of holding meetings

COMMERCIAL CREDIT LTD

[Signature]

appointed for the meeting.

13. (1) Subject to article 13(3) below, no business may be transacted at a meeting of shareholders if a quorum is not present.

Quorum

- (2) A quorum for a meeting of shareholders is present if shareholders entitled to vote or their proxies are present which exceed five (5) in number.

- (3) If a quorum is not present within thirty (30) minutes after the time appointed for the meeting, the meeting is adjourned to the same day in the following week at the same time and place, or to such other date, time and place as the directors may appoint. If at the adjourned meeting, a quorum is not present within thirty minutes after the time appointed for the meeting, the shareholders present or their proxies shall be deemed to form a quorum.

14. (1) If the directors have elected a chairperson of the Board, and the chairperson of the Board is present at a meeting of shareholders, he or she must chair the meeting.

Chairperson

- (2) If no chairperson of the Board has been elected or if at any meeting of shareholders the chairperson of the Board is not present within fifteen minutes of the time appointed for the commencement of the meeting, the shareholders present may choose one of their numbers to be chairperson of the meeting.

15. (1) In the case of a meeting of shareholders unless a poll is demanded, voting at the meeting shall be by whichever of the following methods as determined by the chairperson of the meeting -

Voting at
meetings of
Shareholders

(a) voting by voice; or

(b) voting by show of hands.

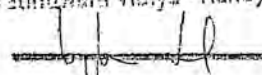
- (2) A declaration by the chairperson of the meeting that a resolution is carried by the requisite majority is conclusive evidence of that fact, unless a poll is demanded in accordance with article 15(3).

- (3) At a meeting of shareholders, a poll may be demanded by;

(a) not less than three (3) shareholders having the right to vote at the meeting; or

(b) a shareholder or shareholders representing not less than ten *per centum* of the total voting rights of all shareholders having the right to vote at the meeting.

- (4) A poll may be demanded either before or immediately after the vote is taken on a resolution.



- (5) If a poll is taken, votes must be counted according to the votes attached to the shares of each shareholder present and voting.
 - (6) The chairperson of a shareholders' meeting is not entitled to a casting vote.
 - (7) If a poll is duly demanded (and the demand be not withdrawn) it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the person presiding at the meeting may direct and the result of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The person presiding may (and if so requested shall) appoint a scrutiner and may adjourn the meeting to some place and time fixed by him for the purpose of taking and declaring the result of the poll.
 - (8) The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.
 - (9) No objection shall be made to the validity of any vote except at the meeting or poll at which such vote shall be tendered and every vote to which no objection shall be made at such meeting or poll shall be deemed valid for all purposes of such meetings or poll whatsoever.
16. (1) A shareholder entitled to vote may exercise the right to vote either by being present in person or by proxy. Proxies
- (2) A proxy for a shareholder is entitled to attend and be heard at a meeting of shareholders as if the proxy were the shareholder.
 - (3) A proxy must be appointed by notice in writing signed by the shareholder.
 - (4) No proxy is effective in relation to a meeting, unless a copy of the notice of appointment is given to the Company not less than forty-eight hours before the start of the meeting.
 - (5) An instrument appointing a proxy shall be in the following form or in a form as near thereto as circumstances admit: -

Commercial Credit And Finance PLC

I/We, of being a member/members of the above named Company hereby appoint of failing him of as my/our proxy to represent me/us and vote for me/us on my/our behalf at the annual/extraordinary, (as the case may be) general meeting of the Company to be held on the day of 20..... and at any adjournment thereof.

.....

Signed this day of 20.....

- (6) A body corporate which is a shareholder may appoint a representative to attend a meeting of shareholders or any class of shareholders on its behalf by resolution of its Directors or other governing body. Corporations may act by representatives
- (17) (1) The Board must ensure that minutes are kept of all proceedings at meetings of shareholders. Minutes
- (2) Minutes which have been signed as correct by the chairperson of the meeting are *prima facie* evidence of the proceedings.
- (18) (1) Shareholders entitled to do so may give notice of the resolution to the Company in accordance with section 142 of the Act and it shall be the duty of the Company to give notice of the resolution or circulate any statements, or both, as the case may be, in accordance with such section. The Company is not required to give notice of a resolution or circulate a statement in the circumstances set out in subsections (4) or (5) of section 142 of the Act. Shareholders Resolutions
- (2) The Company shall give shareholders notice of any resolution and circulate to shareholders any statement with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting upon receiving a requisition in writing of such number of shareholders as referred to in section 142 (1) of the Act.
- (19) Where two or more persons are registered as the holder of a share, the vote of the person named first in the share register and voting on a matter, shall be accepted to the exclusion of the votes of the other joint holders. Votes of joint holders
- (20) If a sum due to the Company in respect of a share has not been paid, that share may not be voted at a shareholders' meeting other than a meeting of an interest group unless there is provision to the contrary at the time of issue of shares to such shareholder. Loss of voting right if calls unpaid
- (21) (1) Subject to article 21(2) below, the Board must call an Annual General Meeting of the Company to be held - Annual General Meetings and extraordinary general meetings of shareholders
- (a) once in each calendar year;
- (b) not later than six (6) months after the balance sheet date of the Company; and
- (c) not later than fifteen (15) months after the previous Annual Meeting.

The meeting must be held on the date on which it is called to be held.

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- (2) An extraordinary meeting of shareholders entitled to vote on an issue may be called at any time by the Board, and must be called by the Board on the written request of shareholders holding shares, carrying not less than *ten percent* (10%) of votes which may be cast on that issue.
22. Where the Company proposes to take action which affects the rights attached to shares within the meaning of section 99 of the Act, the action may not be taken unless it is approved by a Special Resolution of each interest group, as defined in the Act. Voting in interest groups
23. (1) The shareholders who are entitled to receive notice of a meeting of shareholders for any purpose shall be – Shareholders entitled to attend and vote at meetings
- (a) if the Board fixes a date for the purpose, those shareholders whose names are registered in the share register on that date,
- (b) if the Board does not fix a date for the purpose, those shareholders whose names are registered in the share register at the close of business on the day immediately preceding the day on which the notice is given.
- (2) A date fixed under article 23(1) should not precede by more than thirty (30) working days, the date on which the meeting is to be held.
- (3) Before a meeting of shareholders, the Company may prepare a list of shareholders entitled to receive notice of the meeting arranged in alphabetical order, and showing the number of shares held by each shareholder –
- (a) if a date has been fixed under article 23(1)(a), not later than ten (10) working days after that date; or
- (b) if no such date has been fixed, at the close of business on the day immediately preceding the day on which the notice is given.
- (4) A person named in a list prepared under article 23 (3) is entitled to attend the meeting and vote in respect of the shares shown opposite his name in person or by proxy, except to the extent that –
- (a) that person has, since the date on which the shareholders entitled to receive notice of the meeting were determined, transferred any of his shares to some other person; and
- (b) the transferee of those shares has been registered as the holder of those shares, and has requested before the commencement of the meeting that his or her name be entered on the list prepared under article 23 (3).
- (5) A shareholder may examine a list prepared under article 23(3) during normal business hours, at the registered office of the Company.

DIRECTORS AND SECRETARY

- (1) The number of directors shall not be less than five (5) nor more than thirteen (13) in number.
- (2) The Directors shall have power at any time to appoint any person to be a director to fill a casual vacancy as an addition to the existing directors subject to the maximum number set out in article 24(1). Any Director so appointed shall hold office until the next following Annual General Meeting and shall be eligible for re-election and not be counted for article 24(6) below.
- (3) A director may be appointed or removed by ordinary resolution passed at a meeting called for the purpose. The shareholders may only vote on a resolution to appoint a director if –
 - (a) the resolution is for the appointment of one director, or
 - (b) the resolution is a single resolution for the appointment of two or more persons as directors, and a separate resolution that it be so voted on has first been passed without a vote being cast against it.
- (4) A director may resign by delivering a signed written notice of resignation to the registered office of the Company. Subject to section 208 of the Act, the notice is effective when it is received at the registered office or at any later time specified in the notice.
- (5) A director vacates office if he –
 - (a) resigns in accordance with article 24 (4);
 - (b) is removed from office in accordance with the provisions of the Act or these articles;
 - (c) becomes disqualified from being a director pursuant to section 202 of the Act ;
 - (d) dies;
 - (e) becomes disqualified from being a Director in terms of the provisions of the Finance Companies Act No 78 of 1988 as amended from time to time and any other law applicable to the company;
 - (f) ceases to be a Director pursuant to the provisions of the Finance Companies (Corporate Governance) Direction No 3 of 2008 or any other direction issued under the Finance Companies Act No.78 of 1988 or any other law applicable to the company

Appointment
and removal
of directors

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(g) be a lunatic or becomes of unsound mind.

(6) At each Annual General Meeting one third of the Directors for the time being subject to retirement by rotation shall retire from office. A Director retiring at a meeting shall retain office until the close of the meeting including any adjournment thereof.

(7) The directors to retire at each Annual General Meeting shall be those directors who, being subject to retirement by rotation, have been longest in office since their last election or appointment, but as between persons who became or were last re-elected directors on the same day the directors to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring director shall be eligible for re-election.

(8) The Company at the meeting at which a director retires in the manner aforesaid shall fill the vacated office by electing a person thereto, and in default the retiring director shall be deemed to have been re-elected unless:-

(i) at such meeting it is expressly resolved not to fill such vacated office, or a resolution for the re-election of such director is put to the meeting and lost; or

(ii) such director has given notice in writing to the Company that he is unwilling to be re-elected or is over the age of 70; or

(iii) the default is due to the contravention of the next following Article.

(9) The Board shall have the power to authorize the payment and the entering into of any contract referred to in Section 216(1) of the Act to remunerate, compensate or provide any benefit to a Director or Former Director as provided for in the said Section.

25. (1) Subject to article 25(4) which relates to major transactions, the business and affairs of the Company shall be managed by or under the direction or supervision of the Board. The Board shall have all the powers necessary for managing and for directing and supervising the management of the business and affairs of the Company.

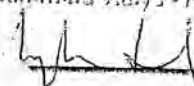
Power and
duties of
directors

(2) The Board may delegate to a committee of directors or to a director or employee any of its powers which it is permitted to delegate under section 186 of the Act.

(3) The directors have the duties set out in the Act, and in particular -

(a) each director must act in good faith and in what he believes to be the best interest of the Company;

(b) no director shall act or agree to the Company acting, in a manner that contravenes any provisions of the Act or these articles;



- (c) (i) shall not act in a manner which is reckless or grossly negligent;
- (ii) shall exercise the degree of skill and care that may reasonably be expected of a person of his knowledge and experience.
- (4) The Company shall not enter in any major transaction unless such transaction is -
 - (a) approved by Special Resolution ;
 - (b) contingent on approval by Special Resolution ;
 - (c) consented to in writing by all the shareholders of the Company; or
 - (d) a transaction which the Company is expressly authorised to enter into by a provision in its articles, which was included in it at the time the Company was incorporated.

However, the above shall not apply to

- (i) a transaction under which the Company gives or agrees to give a floating charge over all or any part of the property of the Company;
- (ii) a transaction entered in to by a receiver appointed pursuant to an instrument creating a floating charge over all or any part of the property of the Company;
- (iii) A transaction entered into by an administrator or liquidator of the Company.

A major transaction means -

- (a) the acquisition of or an agreement to acquire whether contingent or not, assets of a value which is greater than half the value of the assets of the Company before the acquisition;
- (b) the disposition of the agreement to dispose of, whether contingent or not, the whole or more than half by value of the assets of the Company;
- (c) a transaction which has or is likely to have the effect of the Company acquiring rights or interests or incurring obligations or liabilities of a value which is greater than half the value of the assets before acquisition; or
- (d) a transaction or a series of related transactions which have the purpose or effect of substantially altering the nature of

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the business carried on by the Company.

In this section the reference to "Assets" include property of any kind, whether corporeal or incorporeal.

(1) A director who is interested in a transaction to which the Company is a party must disclose that interest in accordance with section 192 of the Act.

Interested
directors

(2) Subject to article 26(3), a director of the Company is interested in a transaction to which the Company is a party, if the director –

(a) is a party to or will or may derive a material financial benefit from the transaction;

(b) has a material financial interest in another party to the transaction;

(c) is a director, officer or trustee of another party to, or person who will or may derive a material financial benefit from the transaction, not being a party or person that is –

(i) the Company's holding company, being a holding company of which the Company is a wholly-owned subsidiary;

(ii) a wholly-owned subsidiary of the Company; or

(iii) a wholly subsidiary of a holding company of which the Company is also a wholly-owned subsidiary;

(d) is the parent, child or spouse of another party to or person who will or may derive a material financial benefit from the transaction; or

(e) is otherwise directly or indirectly materially, interested in the transaction.

(3) A director of the Company is not interested in a transaction to which the Company is a party, if the transaction comprises only the giving by the Company of security to a third party which has no connection with the director, at the request of the third party, in respect of a debt or obligation of the Company for which the director or another person has personally assumed responsibility in whole or in part, under a guarantee, indemnity or by the deposit of a security.

(4) Article 24(2) does not apply to any remuneration or other benefit given to a director in accordance with section 216 of the Act, or, to any insurance or indemnity provided in accordance with section 218 of the Act.

(5) A director of the Company who is interested in a transaction entered

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into or to be entered into by the Company shall not —

- (a) vote on a matter relating to the transaction;
- (b) attend the meeting of directors at the time at which a matter relating to the transaction arises and be included among the directors present at the meeting for the purpose of a quorum;
- (c) sign a document relating to the transaction on behalf of the Company; and
- (d) do any other thing in his capacity as a director in relation to the transaction, as if he were not interested in the transaction.

(6) A director of the Company who has information in his capacity as a director or employee of the Company which would not otherwise be available to him, must not disclose that information to any person or make use of or act on the information, except —

- (a) for the purposes of the Company;
- (b) as required by law; or
- (c) in accordance with article 26(7).

(7) A director of the Company may disclose, make use of or act on information if—

- (a) the director is first authorized to do so by the Board under article 26(8); and
- (b) particulars of the authorization are entered in the interests register.

(8) The Board may authorize a director to disclose, make use of or act on information, if it is satisfied that to do so will not be likely to prejudice the Company.

(9) A director must disclose all dealings in shares of the Company in which he has a relevant interest, in accordance with sections 198, 199 and 200 of the Act.

(10) The Board may approve;

- (a) the payment of any remuneration and/or the provision of other benefits by the Company to a Director for services as Director or for services rendered to the Company in any other capacity;
- (b) the payment by the Company to a Director or a former Director of compensation for loss of office,

(c) the entering into of a contract to do any of the above,

if the Board is satisfied that to do so is fair to the Company.

(11) The Company may by ordinary resolution also vote extra remuneration and / or other benefits to the Directors or to any Director as may be recommended by the Board for the performance of extra services to the Company.

(12) Nothing in these Articles shall prevent the payment to a Director of any further remuneration for services performed by him by virtue of any other office or position held by him in conjunction with his directorship.

27. A meeting of directors may determine its own procedure, to the extent that it is not governed by these articles.

Procedure at
meetings of
directors

28. (1) The directors may elect one of their numbers to be the chairperson of the Board and may determine the period for which the chairperson is to hold office.

Chairperson

(2) If no chairperson is elected or if at a meeting of the Board the chairperson is not present within five minutes after the time appointed for the commencement of the meeting, the directors present may choose one of their number to be chairperson of the meeting,

29. (1) A director or the secretary may convene a meeting of the Board by giving notice in accordance with this article.

Notice of
meeting

(2) Not less than seven (7) days notice of a meeting of the Board must be given to every director who is in Sri Lanka.

(3) An irregularity in the notice of a meeting is waived if all directors entitled to receive notice of the meeting attend the meeting without protest as to the irregularity or if all directors entitled to receive notice of the meeting agree to the waiver.

SPECIAL RESOLUTION PASSED ON 22ND AUGUST, 2014

"THAT Article 30 of the Articles of Association be and is hereby deleted and the following new Article numbered 30 be and is hereby substituted therefor:

30. The Directors may concurrently participate either in person or by telephone, radio, conference, television or similar equivalent communication or any other form of audio or audio-visual instantaneous communication by which all persons participating in the conference are able to hear and be heard by all other participants for the dispatch of business and adjourn and otherwise regulate the conference as they think fit. All provisions relating to the convening of a Meeting of the Directors, including the giving of Notice thereof and Agenda, the quorum for such conference meeting and the votes to be cast shall be the same as is applicable under these Presents or any Statute in relation to such Meetings.

A resolution passed by such conference Meeting shall notwithstanding that the Directors are not present together at one place at the time of the conference, be deemed to have been passed at a conference of the Directors held on the day and at the time at which the conference was held and shall be deemed to have been held at the registered office of the Company unless otherwise agreed, and all Directors and other persons including the Secretary participating at that conference shall be deemed for all purposes to be present at the conference. However, the Secretary shall mention in the minute relating to the meeting that the meeting was conducted using the aforesaid means of communication and shall also mention the director/directors that participated through the said means.

31. (1) A quorum for a meeting of the Board shall be five directors.

Quorum

(2) A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one half of the number of directors that constitute the quorum at such a meeting are non-executive directors after 31st December 2011.

32. (1) Every director has one vote.

Voting

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- (2) A resolution of the Board is passed if it is agreed to by all directors present without dissent or if a majority of the votes cast on it are in favour of it.
- 33 (1) The Board must ensure that minutes are kept of all proceedings at meetings of the Board. Minutes
- (2) Minutes which have been signed by the chairperson of the meeting at which the proceedings were held, or by the chairperson of the next succeeding meeting, shall be *prima facie* evidence of the proceedings.
- 34 (1) A resolution in writing signed or assented to by all directors entitled to receive notice of a board meeting, is as valid and effective as if it had been passed at a meeting of the Board duly convened and held. Unanimous resolution
- (2) Any such resolution may consist of several documents (including facsimile or other similar means of communication) in like form, each signed or assented to by one or more directors.
- (3) A copy of any such resolution must be entered in the minute book of board proceedings.
- 35 (1) The Board may from time to time appoint a director as Managing Director or a director or a non director as Chief Executive Officer for such period and on such terms as it thinks fit. Provided however the Board shall only appoint at any given time a Managing Director or a Chief Executive Officer but not both. Managing Director/Chief Executive Officer and other executive directors
- (2) Subject to the terms of a Managing Director's or Chief Executive Officer's appointment, the Board may at any time cancel an appointment of a director as Managing Director or the appointment of the Chief Executive Officer.
- (3) A director who holds office as Managing Director ceases to hold office as managing director, if he ceases to be a director of the Company.
- (4) The Managing Director or the Chief Executive Officer shall be paid such remuneration as may be agreed between him and the Board. His remuneration may be by way of salary, commission, participation in profits or any combination of these methods or any other method of fixing remuneration.
- (5) The Board may delegate to the Managing Director or Chief Executive Officer, subject to any conditions or restrictions, which they consider appropriate, any of their powers, which can be lawfully delegated. Any such delegation may at any time be withdrawn or varied by the Board. The delegation of a power of the Board to the Managing Director or Chief Executive Officer does not prevent the exercise of

the power by the Board, unless the terms of the delegation expressly provide otherwise.

(6) Any director who is employed by the Company shall be paid such remuneration as may be agreed to between him and the Board. His remuneration may be by way of salary, commission, participation in profits or any combination of these methods or any other methods of fixing remuneration.

(7) (i) Any director who is abroad or is about to go abroad may at any time by notice in writing left at the office appoint any person approved by the Board to be an alternate director of the Company to act in his place during the absence abroad and the following provisions of this Article shall apply to any person so appointed.

(ii) A person appointed to be an alternate director shall not in respect of such appointment be entitled to receive any remuneration from the Company nor be required to hold any share qualification but the Board may repay an alternate director who is not a director in his own right such reasonable expenses as he may incur in attending and returning from meetings of the Board which he is entitled to attend or as he may otherwise properly incur in or about the business of the Company or may pay such allowances as they may think proper in respect of these expenses.

(iii) An alternate director shall (on his giving an address for such notice to be served upon him) be entitled to receive notices of all meetings of the Board and to attend and vote as director at any such meeting at which the director appointing him is not personally present and generally to perform all the functions of his Appointer as a Director in the absence of such Appointer.

(iv) An alternate director may be appointed for a specified period or until the happening of a specified event but he shall *ipso facto* cease to be an alternate director in any of the following events, that is to say:

(a) upon the return to Sri Lanka of the director in whose place he was appointed as an alternate if the appointment was for the purpose of acting as director during the Appointer's absence abroad;

(b) if the director in whose place he was appointed an alternate ceases for any reason to be a director, provided that if any director retires by rotation but is re-elected at the meeting at which such retirement took effect, any appointment made by him pursuant to this Article which was in force immediately prior to his retirement shall continue to operate after his re-election as if he had not so retired;

(c) if the alternate director shall have a receiving order made against

him or compounds with his creditors or is adjudicated an insolvent;

(d) if the alternate director be lunatic or becomes of unsound mind;

(e) if the appointment of the alternate director is revoked by his Appointer by a notice in writing left at the office;

(f) if the Board resolve that the appointment of the alternate director be terminated; provided that such termination shall not take effect until the expiration of thirty (30) days after the date of the resolution of the Board;

(g) is disqualified by Statute or Directions issued thereunder;

(v) A director shall not vote on the question of the approval of an alternate director to act for him or on the question of the termination of the appointment of such an alternate director under sub-paragraph (f) of the last foregoing sub clause of this Article and if he does so his vote shall not be counted.

36 (1) The Company must at all times have a Secretary.

Secretary

(2) The Board may appoint the secretary for such term and on such conditions as it thinks fit. The remuneration of the secretary shall be determined to by the Board.

(3) The Board may remove the secretary.

(4) The secretary may not be —

(a) the sole director of the Company; or

(b) a corporation, the sole director of which is the sole director of the Company.

(5) Where the Act or these articles require something to be done by a director and the secretary, it is not satisfied by the same person doing that thing acting in both capacities.

DISTRIBUTION AND RESERVES

37. (1) The Company may make distributions to shareholders in accordance with section 56 of the Act Subject to article 37(2), every dividend must be approved by the Board and by an ordinary resolution of shareholders. The Board must be satisfied that the Company will immediately after the distribution, satisfy the solvency test. The directors who vote in favour of a dividend must sign a certificate of solvency to that effect.

Distributions

him (whether alone or jointly with any other person) to the Company in respect of such share or shares or otherwise howsoever.

- (8) No dividend shall bear interest against the Company.
- (9) The Directors may deduct from the dividend payable to any shareholder all sums of money due from him (whether alone or jointly with any other person) to the Company and notwithstanding that such sums shall not be payable until after the date when such dividend is payable.
- (10) Unless otherwise directed any dividend may be paid by cheque or warrant sent by post to the registered address of the shareholder entitled thereto or, in the case of joint-holders, to the registered address of the joint-holder whose name stands first on the register in respect of the joint-holding; but the Company shall not be liable or responsible for the loss of any such cheque or dividend warrant sent through the post.
- (11) All dividends unclaimed for one (1) year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for six (6) years after having been declared shall be forfeited and shall revert to the Company.
- (12) Every dividend payable in respect of any share held by several persons jointly may be paid to and an effectual receipt given by, any one of such persons.

ACCOUNTS AND AUDIT

- 38 (1) The Board must ensure that the Company keeps accounting records which
 - (a) correctly record and explain the Company's transactions;
 - (b) will at any time enable the financial position of the Company to be determined with reasonable accuracy;
 - (c) will enable the Board to prepare financial statements in accordance with the Act; and
 - (d) will enable the financial statements of the Company to be readily and properly audited.
- (2) The accounting records must comply with subsection (2) section 148 of the Act.
- (3) The Board shall ensure that within six months after the balance sheet date of the Company, financial statements which comply with section

Accounting records, financial statements, audit etc.

151 of the Act (and if applicable, group financial statements which comply with section 153 of the Act) are completed in relation to that balance sheet date and are dated and signed on behalf of the Board by two directors or if the Company has only one director, by that director.

- (4) At every Annual General Meeting, the Company must appoint an auditor for the following year in accordance with section 154 of the Act. An auditor who is appointed at an annual meeting is deemed to be reappointed at the following annual meeting, unless -

- (a) he is not qualified for re-appointment;
- (b) the Company resolves at that meeting to appoint another person in his place; or
- (c) the auditor has given notice to the Company that he does not wish to be re-appointed.

- (5) The Board must within six months after the balance sheet date of the Company, prepare an annual report on the affairs of the Company during the accounting period ending on that date which complies with section 168 of the Act. The Board must send a copy of the annual report to every shareholder not less than fifteen (15) working days before the date fixed for holding the annual meeting of shareholders.

LIQUIDATION AND REMOVAL FROM THE REGISTER

- | | | |
|-----|--|----------------------------------|
| 39. | The shareholders may resolve to wind up the Company voluntarily by Special Resolution. | Resolution to appoint liquidator |
| 40. | <p>(1) The surplus assets of the Company available for distribution to shareholders after all creditors of the Company have been paid, shall be distributed in proportion to the number of shares held by each shareholder, subject to the terms of issue of any shares.</p> <p>(2) The liquidator may with the approval of a Special Resolution, divide the surplus assets of the Company among the shareholders in kind. For this purpose he may set such value as he considers fair on any property to be divided, and may determine how the division will be carried out as between the shareholders or different classes of shareholders.</p> | Distribution of surplus assets |

MISCELLANEOUS

- | | | |
|-----|--|---------------------------------|
| 41. | (1) The Company must keep at its registered office or at some other place, notice of which has been given to the Registrar in accordance with subsection (4) of section 116 of the Act, the following documents :— | Documents to be kept by company |
|-----|--|---------------------------------|

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documents :—

- (a) the certificate of incorporation and the articles of the Company;
 - (b) minutes of all meetings and resolutions of shareholders within the last ten years;
 - (c) an interests register,
 - (d) minutes of all meetings and resolutions of directors and directors' committees within the last ten years;
 - (e) certificates given by directors under the Act within the last ten years;
 - (f) the register of directors and secretaries required to be kept under section 223 of the Act ;
 - (g) copies of all written communication to all shareholders or all holders of the same class of shares during the last ten years, including annual reports prepared under article 38(5);
 - (h) copies of all financial statements and group financial statements required to be completed under the Act for the last ten completed accounting periods of the Company;
 - (i) the copies of instruments creating or evidencing charges and the register of charges required to be kept under sections 109 and 110 of the Act ;
 - (j) the share register required to be kept under section 123 of the Act; and
 - (k) the accounting records required by section 148 of the Act for the current accounting period and for the last ten completed accounting periods of the Company.
- (2) The references in article 41 (1) to "ten years" and to "ten completed accounting periods" shall include such lesser periods as the Registrar may approve, by notice in writing to the Company.

42. (1) The directors of the Company are entitled to have access to the Company's records in accordance with section 118 of the Act.
- (2) A shareholder of the Company is entitled to inspect the following documents with written notice to the Company –
- (a) Minutes of all meetings and resolutions of shareholders
 - (b) Copies of written communications to all shareholders or to all holders of a class of shares during the preceding ten years,

Rights of
directors and
shareholders
to documents
etc.

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including annual reports, financial statements, and group financial statements.

- (c) Certificates issues by directors under the Act
- (d) The interests register of the Company

However,

- (a) The documents shall be available for inspection at the place at which the Company's records are kept between the hours of 9.00a.m and 4.00p.m on each working day during the inspection period.
- (b) A document of which the certified copy has been provided to the person or shareholder concerned without charge need not be made available for inspection.

The "inspection period" referred to above means the period commencing on the third working day after the day on which the notice of intention to inspect is served on the Company by the shareholder concerned and ending on the eighth working day after the day of service.

- (3) A shareholder is also entitled to require copies of or extracts from any document which he may inspect, within five working days of making a request in writing for the copy or extract, on payment of any reasonable copying and administration fee determined by the Company. The fee may be determined by any director or by the secretary, subject to any directions from the Board.

- 43. The Company may change its name by Special Resolution in accordance with section 8 of the Act.

Name of
company

- 44. (1) Where the Company is required to send any document to a shareholder or to give notice of any matter to a shareholder, it shall be sufficient for the Company to send the document or notice to the registered address of the shareholder by ordinary post. Any document or notice so sent is deemed to have been received by the shareholder within three working days of the posting of a properly addressed and prepaid letter containing the document or notice.

Notices

- (2) A shareholder whose registered address is outside Sri Lanka may give notice to the Company of an address in Sri Lanka to which all documents and notices are to be sent, and the Company shall treat that address as the registered address of the shareholder for all purposes. Provided however, that in the event of a shareholder not giving such notice to the Company, the Company shall treat the registered address of the shareholder outside Sri Lanka as his registered address.

- (3) A document may be sent or notice given by the Company to the joint

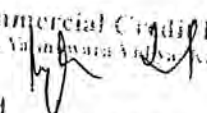
Commercial Credit PLC
106, Apthimawara Velipaya, Jaagody.


.....

holders of a share, by giving the notice to the holder first named on the share register in respect of the share.

- (4) Where a shareholder has died or has become bankrupt or insolvent, the Company may continue to send all notices and documents in respect of his shares addressed to him at his registered address, notwithstanding that some other person has by reason of the death, bankruptcy or insolvency, become entitled to those shares, or may send any notice or document to an address to which that other person requests the Company to send such notices.
 - (5) A copy of every notice or document sent to all shareholders must be sent to the auditor of the Company.
 - (6) Any notice required to be given by the Company to the members or any of them and not expressly provided for by These Presents shall be sufficiently given if given by advertisement. Where notice is given by an advertisement, such advertisement, shall be published in Sinhala, Tamil and English national daily newspapers.
45. (1) (i) The Company may, indemnify a director or employee of the Company, for any costs incurred by him in any proceeding – Insurance and indemnity
- (a) that relates to liability for any act or omission in his capacity as a director or employee;
 - (b) in which judgment is given in his favour or in which he is acquitted or which is discontinued or in which he is granted relief under section 526 of the Act.
- (ii) The Company may, indemnify a director or employee of the Company in respect of –
- (a) liability to pay any person other than the Company, for any act or omission in his capacity as a director or employee; or
 - (b) costs incurred by that director or employee in defending or settling any claim or proceeding relating to such liability not being criminal liability or in the case of a director, liability in respect of a breach of the duty specified in section 187 of the Act.
- (iii) The Company with the prior approval of the Board, effect insurance for a director or employee of the Company in respect of –
- (a) liability not being criminal liability, for any act or omission in his capacity as a director or employee;
 - (b) Costs incurred by that director or employee in defending or settling any claim or proceeding relating to such liability.

- (2) The Company may indemnify every director and secretary of the Company for the time being against any costs incurred in the course of defending any proceeding that relates to any act or omission in his capacity as director, or secretary, in which judgment is given in his favour or in which, he is acquitted or which is discontinued.
- (3) The Company may indemnify a director or employee (excluding directors or employees of related Companies) in circumstances where article 45(1) does not apply, to the extent permitted by subsection (3) of section 218 of the Act, if the Board considers it appropriate to do so.
46. Notwithstanding anything to the contrary contained in the Articles of Association of the Company, so long as the Company is listed on the Colombo Stock Exchange, the Company shall comply with the Rules of the Colombo Stock Exchange and the Central Depository System, which shall be in force from time to time.
47. Notwithstanding anything else to the contrary, the provisions contained in the Finance Companies Act No 78 of 1988 and Directions and Rules issued there under including the Finance Companies (Corporate Governance) Directions No 3 of 2008 (as may be amended from time to time) shall supersede these Articles at all times and in the event of any inconsistency between the Finance Companies Act and Directions and Rules issued there under and any Article herein, the Finance Companies Act and Directions and Rules issued there under shall prevail.

Commercial Credit and Finance PLC
106, Valmiki Mawatha, Colombo 10.

3/10/2011
Chairman

Annexure IV

Amalgamation of Trade Finance and Investment PLC (“**TFI**”) into Commercial Credit and Finance PLC (“**COCR**”) with the surviving entity being Commercial Credit and Finance PLC (“**COCR(N)**”)

Dear Shareholder,

We hereby inform you in terms of Section 241(3)(c) and Section 241(3)(d) of the Companies Act No.7 of 2007 (“**the Act**”) that:

- a) Any Shareholder of COCR who does not vote in favour of the Special Resolution to be submitted to the Extraordinary General Meeting for the approval of the aforesaid Amalgamation may exercise their rights under Section 93 of the Act and require COCR (N) to purchase their shares in accordance with the said Section.
- b) Other than the directorships held by Directors of COCR, the Directors of COCR have no material interest in the Amalgamation Proposal, whether in the capacity of directors or otherwise and no payments will be made to any Director of COCR in connection with the proposed amalgamation other than to Mr. P.S.R.C. Chitty who is a Director of COCR and his wife Mrs. K.Samarakoon who will be paid for the shares they hold in TFI. The Board is over of the view that such shareholding is not of material interest since both of them hold one (1) share each in TFI

BY ORDER OF THE BOARD

Sgd
COMPANY SECRETARY
Jacey and Company

Amalgamation of Trade Finance and Investment PLC (“**TFI**”) into Commercial Credit and Finance PLC (“**COCR**”) with the surviving entity being Commercial Credit and Finance PLC (“**COCR(N)**”)

Dear Shareholder,

We hereby inform you in terms of Section 241(3)(c) and Section 241(3)(d) of the Companies Act No.7 of 2007 (“**the Act**”) that:

- a) Any Shareholder of TFI who does not vote in favour of the Special Resolution to be submitted to the Extraordinary General Meeting for the approval of the aforesaid Amalgamation may exercise their rights under Section 93 of the Act and require COCR (N) to purchase their shares in accordance with the said Section.
- b) Other than the directorships held by Directors of TFI, the Directors of TFI have no material interest in the Amalgamation Proposal, whether in the capacity of directors or otherwise and no payments will be made to any Director of TFI in connection with the proposed Amalgamation.

BY ORDER OF THE BOARD

Sgd

COMPANY SECRETARY

Corporate Services (Private) Limited

Annexure V



ශ්‍රී ලංකා මහ බැංකුව
இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

බැංකු කොටස මූල්‍ය ආයතන
අධිකරණ දෙපාර්තමේන්තුව

வங்கியல்லா நிதி நிறுவனங்கள்
மேற்பார்வைத் திணைக்களம்

Department of Supervision of
Non-Bank Financial Institutions

Ref: 24/03/005/0008/018

21st January 2020

Mr. Roshan S Egodage
Director/Chief Executive Officer
Commercial Credit and Finance PLC
No. 165, Kynsey Road
Borella

Dear Sir

Financial Sector Consolidation Programme

This refers to your letter dated 14th January 2020 on the above subject.

We wish to inform you that the Monetary Board at its Meeting No: 20/2014 dated 31.07.2014, had granted approval for Commercial Credit and Finance PLC (CCFP) to acquire entirety of voting shares of Trade Finance & Investments PLC (TFIP), subject to the condition of absorbing TFIP to CCFP by cancelling the Finance Business License issued to TFIP.

Accordingly, you are required to submit a board approved time bound action plan to complete the amalgamation process of your company with TFIP, as early as possible.

Yours faithfully

Actg. Director

8 වන මහල, අංක 30, ජනාධිපති මාවත,
කො. පො. 590, කොළඹ 01, ශ්‍රී ලංකාව

8 ஆம் மாடி, இல. 30, ஜனாதிபதி மாவத்தை,
அ. பெ. இல. 590, கொழும்பு 01, இலங்கை.

Level 8, No. 30, Janadhipathi Mawatha,
P.O. Box 590, Colombo 01, Sri Lanka.

☎ 94 11 2477500



☎ 94 11 2477738/2477697



✉ dsnbfi@cbsl.lk



www.cbsl.gov.lk

Annexure VI

Commercial Credit & Finance PLC

Value assessment of Trade Finance & Investments PLC
28 September 2020

Summary Report
Strictly private and confidential



Important message to any person not authorized to have access to this report.

Any person who is not an addressee of this report or who has not signed and returned to PricewaterhouseCoopers a no reliance access letter is not authorized to have access to this report.

Should any unauthorized person obtain access to and read this report, by reading this report such person accepts and agrees to the following terms:

1. The reader of this report understands that the work performed by PricewaterhouseCoopers was performed in accordance with instructions provided by our addressee client and was performed exclusively for our addressee client's sole benefit and use.
2. The reader of this report acknowledges that this report was prepared at the direction of our addressee client and may not include all procedures deemed necessary for the purposes of the reader.
3. The reader agrees that PricewaterhouseCoopers, its partners, principals, employees and agents neither owe nor accept any duty or responsibility to it, whether in contract or in tort (including without limitation, negligence and breach of statutory duty), and shall not be liable in respect of any loss, damage or expense of whatsoever nature which is caused by any use the reader may choose to make of this report, or which is otherwise consequent upon the gaining of access to the report by the reader. Further, the reader agrees that this report is not to be referred to or quoted, in whole or in part, in any prospectus, registration statement, offering circular, public filing, loan, other agreement or document and not to distribute the report without PricewaterhouseCoopers prior written consent.

This report contains 21 pages including the front cover page.

For any clarification or comment on the information contained in this document, please contact Mr Aruna Perera, Director – Corporate Finance and Valuation, at PwC, 100 Braybrooke Place, Colombo 2 or telephone +94 11 7719838.



Aruna Perera
Director – Corporate Finance and Valuation
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Company Number: PV 3498
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International Limited, each member firm of
which is a separate legal entity

Strictly private and confidential

PwC Commercial Credit & Finance PLC

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Board of Directors
Commercial Credit and Finance PLC
106, Yatinuwara Veediya,
Kandy, Sri Lanka.

28 September 2020

AP/CF/120/2020

Dear Sir/Madam,

Summary report on the fair value assessment of Trade Finance and Investments PLC

In accordance with your instructions as confirmed in our letter of engagement dated 29 January 2020 and subsequent request, we are pleased to present a summary report of our findings from the fair market value assessment (the "Valuation") of Trade Finance and Investments PLC ("TFIL", "Company" or the "Management"). For more details, please refer to our full report dated 14 September 2020 (AP/CF/114/2020). Our assessment of value has been as at 31 March 2020 ("Valuation Date").

We draw your attention to important comments regarding the scope and process of our work, set out immediately following this letter.

You may not make copies of this report available to other persons except as described in the Contract, and subject to the conditions described therein. We will not accept any duty of care (whether in contract, tort (including negligence) or otherwise) to any person other than you, except under the arrangements described in the Contract.

If you require any clarification or further information, please do not hesitate to contact the under signed on +94 11 4719 838.

Yours faithfully,

Aruna Perera

28 September 2020

Summary Report

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Scope and process

Scope of work	Trade Finance and Investments PLC (TFIL). Our engagement will be to assess the fair market value of the 100% interest in the ordinary equity shares of TFIL. Given that the entity is publicly listed, the assessment of value shall be on a marketable and non-controlling basis. Furthermore, the assessment of value shall be carried out as at 31 March 2020 ("Valuation Date"). We understand that our Value Analysis is being carried out for the internal management decision support purposes, along with possible use by Management to include as part of the documentation to be shared with regulators involved in the transaction. We have relied upon information provided by the Client and the Company.
Basis of valuation	We define fair market value as the price which might reasonably be expected to be obtained in money or money's worth, in a sale between a willing buyer and a willing seller, each of whom is deemed to be acting for self interest and gain and both of whom are equally well informed about the business and the markets in which it operates.
Valuation approaches	For valuation purposes, we have employed the residual income valuation method as the primary valuation approach. This approach estimates entity's value based on the future earnings/cash flows expected by implementing the planned business strategy. We have also employed the market approach, which estimates the value based on a comparison of the entity to comparable publicly traded companies in the same industry. After consideration of these approaches to value, appropriate marketing and controlling discounts and premiums, have been used as applicable to provide an estimate of the Fair Market Value on a marketable and non-controlling basis.
Limiting conditions	The responsibility for the accuracy of all the information provided to us rests solely with Management. PwC has not performed an audit or verification of any of the information pertaining to the Company provided to us for the valuation and accordingly does not express an opinion with regard to the information in this Report. In conducting our indicative valuation, we have accepted and relied on information provided and representations made by the Management in good faith. All information provided to us by the Management is presumed to be reliable, complete and accurate, and our valuation is necessarily subject to these limitations. No responsibility, whether legal or otherwise, is assumed on our part for their accuracy, and any future plans or projections cannot be guaranteed as being certain or achievable. The Management remains responsible for the corporate strategies and plans provided to us for consideration in arriving at our conclusions on value. Our value assessment is being carried out for the internal management decision support purposes, along with possible use by Management to include as part of the documentation to be shared with regulators involved in the transaction. We do not envisage that our report on equity value for the entity will be used for any financial reporting purposes. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing. In no event, regardless of whether consent has been provided, shall we assume any responsibility to any third party to which the report is disclosed or otherwise made available. Any adjustments to the forecasts to reflect the potential implications and impact of the coronavirus (COVID-19) on the performance, operations, and/or result of the Company under consideration were based on the expectations shared by the Client/Management of the Company. PwC is not responsible nor liable for the accuracy of such expectations, nor for any actions taken by readers of the report based on the information included herewith.

Scope and process (cont'd)

Limiting conditions

PwC expressly disclaims all liability for any loss or damage of whatsoever kind which may arise from any person acting on any information and opinions relating to the Company contained in this report. As such the information contained herein is not to be taken as constituting the giving of investment advice by PwC. The recipient is to rely on its own knowledge, investigation, judgement and assessment of the matters which are the subject of this report and satisfy itself as to the accuracy and completeness of such matters.

Our Services are provided as at the date of this report. Economic conditions, regulatory developments and market factors may result in the information contained in the document becoming quickly outdated and may require updating from time to time or before any major decisions are taken based on our report. In the absence of any material changes to the operating environment, our conclusions set out in this report may be held valid for a reasonable period of up to six (06) months from the date of this report.

The services have been performed on a best endeavour basis. PwC will not be responsible for any conclusions or decisions made based on the information available in this Report and the ultimate decision as to whether to proceed with any possible business opportunities will be yours (or of any party associated with you).

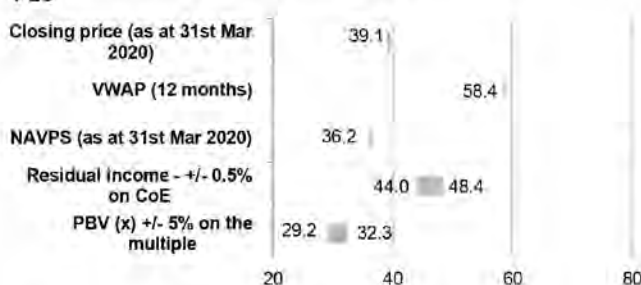
The valuation conclusions arrived at in many cases are by their very nature subjective and dependent on the exercise of individual judgement. Given the same set of facts and using the same assumptions, expert opinions may differ due to the number of separate judgement decisions which have to be made. The actual price achieved in an open market transaction may be higher or lower than our fair market value opinion depending upon the circumstances of the transaction (for example the competitive bidding environment), the nature of the business (for example the purchaser's perception of potential synergies), the negotiating ability, the motivation of buyers and sellers, etc. Accordingly, the results of our fair market valuation of the Company may not necessarily be the price at which any agreement may proceed. The final price is something on which all parties themselves have to agree upon.

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Executive summary

Incorporated in 1978, Trade Finance & Investments PLC (TFIL) is a licensed finance company engaged in providing finance leases, micro loans, revolving business loans, secured and unsecured loans, mobilization of deposits, and other financial services.

Valuation summary - Trade Finance and Investments PLC



Valuation summary

- We have used the residual income approach as our primary valuation approach, while Price-to-Book and the volume weighted average price (VWAP) methods were undertaken as secondary approaches to supplement the value assessment.
- We estimated the fair value of TFIL to be LKR 2.6bn (LKR 46.1 per share) using the residual income approach with an estimated cost of equity of 18.6% and terminal growth rate of 4.2%.

- Under the market approach, PBV multiples were applied to the net book value of the Company as at 31st Mar 2020. Based on a PBV multiple of 0.85x, the derived value of the share amounted to LKR 30.8 per share.
- Further, we also undertook a volume weighted price analysis (refer page 31). The 3-month VWAP stood at LKR 48.6, while the 12-month VWAP amounted to LKR 58.4.
- The value based on the residual income approach is based on the Management forecast, while the market approach was based on the PBV multiples of the selected peer companies.

Key considerations

- We have assessed the standalone value of TFIL as at 31st March 2020.
- Given the Valuation Date as at 31st March 2020, we have reviewed the Company's operations and financial performance over the past four financial years and relied on the financial forecast prepared for TFIL by its Management.
- The valuation of TFIL has been carried out assuming the entity shall continue as a going concern under same or broadly similar Management and be operated with enhanced reach to its customers.
- During FY21E, Management expects a reduction in impairment charges. However, given the current slowdown in the economy caused by the COVID-19 pandemic, we believe higher impairment charges might be required (refer page 30 for a sensitivity analysis).
- The estimated impact on the performance of the Company due to COVID-19 and the subsequent expectations on recovery was provided by the Management of TFIL.

Company overview

Incorporated in 1978, Trade Finance & Investments PLC (TFIL) is a licensed finance company engaged in providing finance leases, micro loans, revolving business loans, secured and unsecured loans, mobilization of deposits, and other financial services.

Trade Finance & Investments PLC is a Subsidiary of Commercial Credit & Finance PLC. The Ultimate Parent of the Company is BG Capital (Private) Limited, a company incorporated in Sri Lanka.



The Company is primarily involved in providing finance leases, specialized in two wheeler and three wheeler segments. 78% of the total leasing portfolio consists of two wheeler leases, whilst the remaining leases are for three wheelers.

TFIL operates through 6 branches and its head office is located in Union Place. The branches are located in Marawila, Negambo, Maligawatta, Jaffna, Kilinochchi and Batticaloa. As at 31st March 2020, total number of staff stood at 409.

- Along with its branch network, TFIL also operates through virtual clusters which consist of field staff, with each field staff member being attached to one of the branches which service all back office requirements.

Key highlights of TFIL (as at 31st March 2020)



* 99.65% as at 31st Mar 2020, with public shareholding of 0.35%

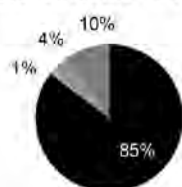
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Review of historic financial performance and assumptions

Interest income

Interest income grew c. 13% YoY in FY20 to LKR 2.9bn (+59% YoY growth in FY19). The slowdown in growth is mainly attributable to the negative impact of the Easter attacks which took place in April 2019. Interest income attributable to finance leases increased 15% YoY in FY20, while it contributed to 85% of total interest income. Average interest income yield (interest income/gross book value) increased to c. 25.1% in FY20 compared to c. 24.6% in FY19.

Composition of interest income - FY20



■ Finance Leases ■ Micro Finance ■ Others ■ Overdue Interest

Source: TFIL annual report

During the forecast period, Management expects to discontinue the micro lending segment from FY21E onwards and focus on leasing and pawning segments.

Between FY17 and FY20, interest income has recorded an average growth of c. 45% per annum. Due to the on-going impact of COVID-19 pandemic, the Management expects reduced leasing activity during the remainder of 2020. The estimated interest income comprises of interest income attributable to leases, pawning, investment income (on the investments held in government securities) and overdue interest.

Following assumptions were made by the Management of TFIL, when estimating the impact due to COVID-19,

- Expecting new leases to be granted from October 2020.
- 70% of their existing customers are expected to accept the moratorium.
- A moratorium of 3 months assumed for motor bikes.
- A moratorium of 6 months assumed for three-wheelers.
- 6.5% of interest charged during the moratorium period as allowed by CBSL.

Interest income is expected to reduce c. 35% in FY21 affected by the reduction in new lease volumes and effective interest rate driven by the moratorium in place.

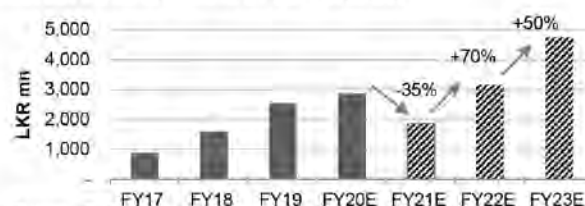
Followed by a dip in FY21E, the Management expects a recovery in FY22E and FY23E with 70% and 50% growth in interest income respectively. The average growth between FY21E and FY23E stands at 28%. The average interest yield of c. 21% expected in FY23E was employed to extrapolate the interest income until FY25E.

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PWC | Commercial Credit & Finance PLC

Summary Report

Interest income - Historic Vs. Forecast



Source: TFIL annual report, TFIL Management

Average interest income yield on gross loan portfolio in FY20 stood at 25.1% (excluding overdue interest) compared to 24.6% in FY19. This was mainly due to the increase in the average interest yield attributable to the lease portfolio. The average interest yield on the lease portfolio increased to 24.3% in FY20 compared to 22.9% in FY19.

During the forecast period, Management expects average interest yield to drop in FY21E to 20.4% due to the moratorium and increase thereafter to reach 21.1% in FY23E. However this remains relatively lower than the average interest yield received on its portfolio between FY16 and FY20 (average interest yield between FY16 and FY20 stood at c. 25%, excluding FY18, where the avg. interest yield stood at c. 20%).

The average interest income expected during FY23E (21% per annum), was used to extrapolate the interest income for the period FY24E-FY25E.

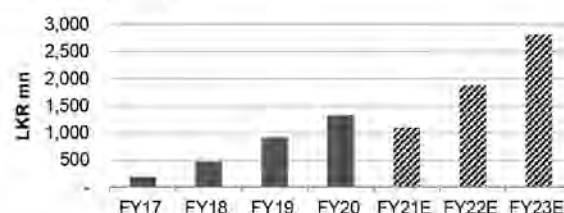
In addition, default charges collected averaged 9% of interest income between FY18 and FY20. During the forecast period, Management expected overdue interest to be 8% of interest income.

Interest expense

Interest expense increased c. 45% YoY to reach LKR 1.3bn in FY20 (+93% YoY during FY19). Interest expense mainly consist of the interest cost on customer deposits and bank borrowings. Higher dependency on bank borrowings to drive growth has lead to the increase in interest expense. During the forecast period, Management expects the interest expense to grow at an average rate of 34% per annum.

The composition of bank borrowings used for funding has increased to 80% in FY20 compared to 73% witnessed in FY19.

Interest expense



Source: TFIL annual report, TFIL Management

28 September 2020

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Review of historic financial performance and assumptions (cont.)

Interest expense on the fixed deposits are estimated based on a average rate of 14%. A higher rate was assumed by the Management compared to the existing FD rates offered as the tenure is usually more than 2 years. However, this appears to be higher than the current interest rates provided by TFIL (24-month FD rate provided by TFIL in June 2020 stood at c. 11%).

6-month AWPLR in Mar 2020 stood at 9.9%, while the AWFDL stood at 9.7%. An average rate of 16% was employed to estimate the interest expense on borrowings. The rates employed are higher than market rates as more than c. 70% of the borrowings are trust loans and includes management fees for trustees and fund brokering companies, thus increasing the effective interest cost.

Average interest rate amounted to c. 16% in FY20, compared to c. 12% recorded in FY19. Average interest rate between FY18-20 amounted to c. 12%.

An average interest rate of 17% has been assumed by the Management to forecast the expense for FY21E, while this is expected to reduce to 15% by FY23E (15% was continued to extrapolate the interest expense for FY24E and FY25E).

The loan to deposit (borrowing and deposits) ratio stood at 126% in FY20 and averaged at 129% between FY18 and FY20. This is expected to increase to 132% in FY21E and reduce to 111% by FY23E.

Net interest margin (NIM)

Net interest income (NII) declined 5% YoY in FY20 to LKR 1.5bn. NIM reported by the Company reduced to 16.1% in FY20 compared to 19.4% recorded in FY19.

Net interest income as a percentage of total assets (TA) of the Company reduced to 14% in FY20 compared to 16% recorded in FY19 (NII/TA of the LFC sector as at Dec 2019 stood at c. 6%). The drop in NIM during FY20 was mainly due to the increase in cost of borrowings.

Net interest margin as computed on total assets averaged c. 15% between FY18 and FY20, while Management expects this to average at 8% during the forecast period (FY21-FY23E).

Higher borrowing cost exerted through bank borrowings and the demand to maintain higher deposit rates to attract fixed deposits are expected to contribute towards lower net interest margins.

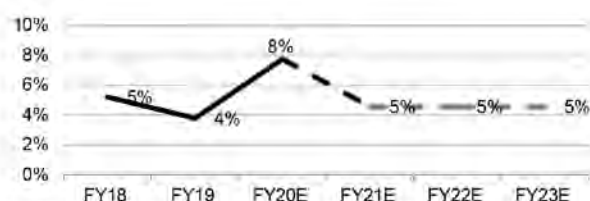
Other operating income

Other operating income mainly includes, insurance commission income, fees and commissions. A 132% YoY increase in other operating income was recorded in FY20 and this amounted to LKR 222mn. Collection of written off contracts and certain services costs (i.e. postal charges) charged from the customers contributed towards the growth recorded in FY20.

Operating income as a % of interest income averaged at c. 6% between FY18 and FY20, while Management expects this to average at 5% during the forecast period (5% was continued to extrapolate until FY25E).

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Other operating income as a % of interest income



Source: TFIL annual report, TFIL Management

Impairment

Impairment charges for FY20 increased 261% YoY to LKR 891mn as the recovery was affected by the Easter attacks and the disruptions during the fourth quarter by COVID-19.

Meanwhile, deterioration in the asset quality during FY20 was seen amid the slowdown in economic activity. The industry (Licensed Finance Companies (LFC) and Specialised Leasing Companies (SLC)) gross non-performing advances ratio as of December 2019 increased to 10.6% compared to 7.7% reported in December 2018. NPL ratio of TFIL increased to 8.5% in FY20 compared to 3.6% registered in FY19.

Total impairment charge as a % of total gross loans ranged between 1%-2% between FY17 and FY19, while this reached 6.7% during FY20. Management expects the impairment charges to reduce during FY21E on the back of reduced investments in new loans and Managements intention to improve the quality of the portfolio.

Total impairment charges as a percentage of gross loans are expected to reduce to 1.3% in FY21E and gradually increase to 2.7% by FY23E. Given the slowdown in the overall economic activity, we believe maintaining a low impairment expense will be a challenge. Refer page 30 for a sensitivity analysis reflecting a higher impairment cost.

Personnel expenses

Personnel expenses accounted for c. 39% of the total operating expenses in FY20 and recorded a decline of 9% YoY to LKR 220mn. The Company held back on the annual salary increments and expenses on foreign tours for staff were curtailed during FY20.

Personnel expense as a % of interest income ranged between 8%-10% between FY18-FY20 period. Management expects personnel expenses to average at 9% of interest income during the forecast period. Personnel expenses are expected to remain relatively flat during FY21E given the retrenchment efforts and increase thereafter.

As at 31st March 2020, the total number of staff stood at 409.

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Review of historic financial performance and assumptions (cont.)

Other operating expenses

Other operating expenses increased 22% YoY to LKR 345mn during FY20. This primarily consist of marketing expenses, depreciation and amortization, office rent and other administrative expenses. During FY20, this grew 133% YoY to LKR 220mn driven by a one off software maintenance expenditure.

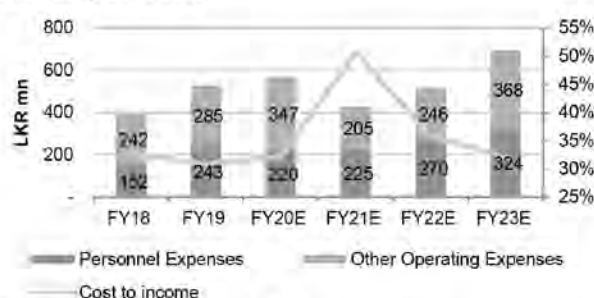
Other operating expenses are expected to reduce 41% in FY21E on the back of cost reduction measures (reduction in vehicle maintenance, fuel reimbursements, travelling expenses training expenses etc). Thereafter, Management expects other operating expense to grow at an average of 10% between FY21E-FY23E.

Additionally, higher marketing expenses to grow the pawning segment and to attract customer deposits were expected to contribute towards higher operating expenses during the forecast period

Cost to income ratio of TFIL (measured as total operating cost to total operating income excluding impairment cost) stood at 32% in FY20, while it ranged between 30%-33% between FY17 and FY19.

On the back of reduced operating income, the ratio is expected to reach 51% in FY21E and reach 32% by FY23E as the Company reach normal operating levels. The 5 year cost to income ratio average of 30.6% between FY16 and FY20 was employed to extrapolate the total operating expenses till FY25E. The selected peer companies had a cost to income ratio of c. 60%, ranging between 42%-90%.

Operating expenses



Source: TFIL annual report, TFIL Management

VAT, NBT and Income tax

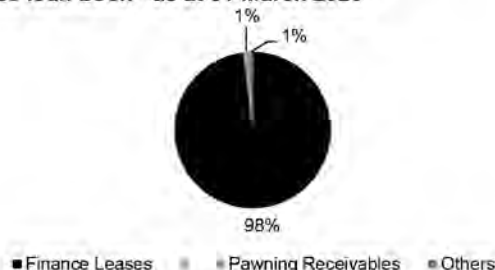
VAT and NBT as a % of operating profit stood at 17% during FY19, while 15% was employed during the forecast period. This appears reasonable given the removal of NBT (2%) on finance services with effect from December 2019.

An effective income tax rate of 24% was considered for the forecast period, which is the applicable corporate tax rate on financial services institutions as at the valuation date.

Loan Portfolio

Net loans and receivables from customers stood at LKR 9.5bn as at 31st March 2020, while total assets amounted to LKR 10.6bn.

Gross loan book - as at 31 March 2020



Source: TFIL annual report

Gross loan book value of TFIL grew 7% YoY in FY20 to LKR 10.3bn compared to 33% growth recorded in FY19. Management expects the loan book value to reduce in FY21E to reach LKR 8.4bn given the expected reduction in lending activity. Reduced lending (c. LKR 2.5bn LKR) together with higher capital collections (c. LKR 4.5bn) are expected to deplete the loan portfolio by around LKR 2bn in FY21E.

Lending activity is expected to commence from October 2020 onwards with a monthly average new lending amounting to LKR 425mn. Pre-Covid-19, monthly lending of TFIL amounted between LKR 350mn to LKR 450mn.

Subsequently, Management expects the loan book to record a growth of 65% (LKR 13.9bn) and 50% (LKR 20.7bn) in FY22E and FY23E respectively. During the forecast period, the average growth in loan book stood at c. 32%. Average loan book growth between FY17 and FY20 stood at c. 50%.

Despite the expected drop in the lease portfolio, Management expects a growth in the pawning portfolio (c. 90% growth in FY21E to LKR 250mn) as pawning will be introduced in their Negombo, Marawila and Kilinochchi branches.

In order to extrapolate the loan book until FY25E, the growth assumed by the company was tapered down to match the loan book growth achieved by LFC industry between 2015 and 2019. LFC industry recorded an average growth of 13% between 2015 and 2019.

Due to customers and banks

Approximately 80% of the external funding was obtained through bank borrowings, while fixed deposits accounted for the remaining 20% as at 31st March 2020.

Review of historic financial performance and assumptions (cont.)

Funding structure as at 31 March 2020



■ Bank Overdraft ■ Interest Bearing Loans and Borrowings ■ Fixed Deposits

Source: TFI, annual report

Interest bearing borrowings and Bank overdrafts grew 13% YoY (to LKR 6.5bn), while fixed deposit base fell 25% YoY in FY20 (to LKR 1.6bn). Funding through bank loans are mainly in the form of securitization and trust loans from commercial banks.

The fixed deposit base is expected to reduce further in FY21E, with nearly LKR 900mn expected to be withdrawn due to the declining interest rate environment. Management expects to improve its fixed deposit base thereafter in FY22E and FY23E. FD base is expected to reach LKR 2.2bn (+216% YoY from the lower base of LKR 704mn in FY21E) in FY22E and LKR 4.1bn in FY23E (+85% YoY).

In the absence of attracting enough deposits as expected, the Company might have to resort to other funding sources to support the expected loan book growth.

However, interest bearing borrowings continue to be the predominant funding source during the forecast period contributing to more than 80% of the funding. The loan balance is expected to reduce in FY21 by 13% to LKR 5.7bn due to higher repayments. There after its expected to increase 70% annually in FY22E and FY23E.

Loan borrowing and fixed deposit growth are tapered down similar to the loan book growth and a loan to deposit (borrowing and deposits) ratio of c. 111% was maintained as expected by the Management in FY23E.

The loan to deposit (borrowing and deposits) ratio stood at 126% in FY20. Its expected to increase in FY21E (c. 132%) and reach c. 111% by FY23E.

Capital adequacy

As at 31st March 2020, the Company met the minimum capital adequacy requirements with total capital ratio standing at 14.7% (13.1% in FY19), while the regulatory requirement was 10.5%. Total capital adequacy ratio of the LFC sector stood at 12.0% as at Dec 2019.

The liquid assets ratio stood at 40.7% in FY20 (31.3% in FY19).

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Valuation methodology

Definition of value

For the purpose of this report fair market value is defined as the price that would be negotiated at the Valuation Date in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length.

The valuation conclusions arrived at in many cases are by their very nature subjective and dependent on the exercise of individual judgment. Given the same set of facts and using the same assumptions, expert opinions may differ due to the number of separate judgment decisions which have to be made.

Valuation approach(es)

For valuation purposes, we have considered three overall approaches, i.e. The Residual Income approach, Price-Book Value Multiple approach and Net Asset based approach.

Approach	Description
Price to book value multiple approach	Ratio of a company's share price divided by net assets per share.
Residual income approach	Accounts for the cost of equity capital by measuring the excess returns over the opportunity costs measured relative to the book value of shareholders' equity.
Net asset based approach	The net asset position of the company as at the valuation date after any required adjustments.

Market value approach

Where a company has positive net assets as at the Valuation Date, the Price-Book value multiple was employed for the market approach.

For valuation purposes, capitalisation multiples have been derived by evaluating available valuation multiples for publicly traded companies in broadly similar lines of business in Sri Lanka.

Market multiples have been assessed as at 31 March 2020 based on the most recent results for peer companies as at such date.

For the purpose of this assignment, considering the minority public holding as at the valuation date, the valuation was carried out on a marketable, non-controlling basis.

Residual Income valuation model

The use of the residual income approach has been favoured where (a) residual income models look at the economic profitability of a firm rather than just its accounting profitability, (b) the company had recently undergone a significant restructuring process and accordingly, its most recent financials were not reflective of the likely future performance. In either case, the use of the residual income approach has also been limited to where the company's management has been able to provide reasonable financial projections for the business.

The residual income approach was based on the Management forecast prepared for TFIL for three years (FY21E-FY23E). This was extrapolated until FY25E to extend the forecasts to reflect a 5 year period. The valuation was carried out on a marketable, non-controlling basis. A downward adjustment of 20% was applied to account for the non-controllability.

Cost of Equity

When applying the Residual Income Approach, residual income expected to be generated by a business is discounted to its present value equivalent using a rate of return (cost of equity) that reflects the relative risk of the investment, as well as the time value.

We used the Capital Asset Pricing Model ("CAPM") to determine the required return on equity.

The CAPM formula:

$K_e = R_f + (\beta * MRP)$, where:

R_f = the risk-free rate of return;

β (beta) = the correlation coefficient of the return on a specific equity security to the return on the market portfolio; and

MRP = the market risk premium, which is the additional required return on the market portfolio in excess of the risk-free rate of return.

TFIL - Cost of equity 18.6%	Comments
Risk free rate - 1.1%	5-year Sri Lanka government bond rate as at 3 rd Feb 2020 (9.3%) adjusted for default rating spread (8.2%).
Market risk premium - 16.1%	Equity market risk premium (based on Moody's country rating of B2)
Beta - 1.1	Average beta of the peer companies

Valuation methodology (cont.)

Terminal value

The terminal value represents the present value of all residual income projected to be generated by the Company beyond the last year of the explicit projection period into perpetuity. A terminal growth rate of 4.2% was employed for the residual value approach. This was determined based on the real GDP forecast for the Sri Lankan economy as projected by IMF for 2021.

We have used the following residual formula to calculate the terminal value:

$$\text{Terminal Value} = (\text{Projected Maintainable residual income}) \times (1+g) / (k_e - g)$$

Where: k_e = Cost of equity

g = expected growth rate into perpetuity

Capitalisation multiple

Average peer multiples (PBV) were determined based on the listed finance companies in the CSE. The average excludes COCR and TFIL.

The details of all companies evaluated and the respective operating ratios and valuation multiples are presented in the Appendix (Page 34).

No individual companies in our benchmark group have been considered to be significantly more comparable than the rest when considering size and specific business operations. Peers engaged in similar business operations and within close range in terms of total asset value were selected for this assessment.

The market based approach is not directly comparable as the listed peer companies varies in terms of the scale of operations and differ with regards to the strategies followed.

Key considerations

- We have assessed the standalone value of TFIL as at 31st March 2020.
- Given the Valuation Date as at 31st March 2020, we have reviewed the Company's operations and financial performance over the past four financial years and relied on the financial forecast prepared for TFIL by its Management.
- The forecast prepared by the Management was for the period of FY21E to FY23E. Based on the Management assumptions, the forecast was extrapolated for additional 2 years until FY25E.
- The valuation of TFIL has been carried out assuming the entity shall continue as a going concern under same or broadly similar Management and be operated with enhanced reach to its customers.
- During FY21E, Management expects a reduction in impairment charges. However, given the current slowdown in the economy caused by the COVID-19 pandemic, we believe higher impairment charges might be required (refer page 30 for a sensitivity analysis).
- The estimated impact on the performance of the Company due to COVID-19 and the subsequent expectation on recovery was provided by the Management of TFIL.

as at 31 st March 2020	PBV (X)
TFIL	1.08x
Comparable peer average (excl. TFIL)	0.85x

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Residual income approach summary

Residual income based valuation		0.50	1.50	2.50	3.50	4.50
in LKR 000	FY20	FY21E	FY22E	FY23E	FY24E	FY25E
Total income	3,091,144	1,951,624	3,317,761	4,976,641	6,564,265	7,552,362
Growth %	17%	-37%	70%	50%	32%	15%
Net operating income	1,088,704	741,913	1,123,228	1,605,212	2,117,299	2,436,009
Growth %	-28%	-32%	51%	43%	32%	15%
Operating expenses	(567,401)	(429,758)	(515,710)	(692,550)	(873,912)	(1,005,459)
Growth %	7%	-24%	20%	34%	26%	15%
CI ratio (after provision)	52%	58%	46%	43%	41%	41%
Operating Profit/(Loss) before VAT	521,303	312,155	607,518	912,662	1,243,387	1,430,550
Taxes as a % operating profit	31%	35%	35%	35%	35%	35%
Profit after taxation	358,428	201,652	392,457	589,580	803,228	924,135
Profit after tax and dividend*	358,428	131,991	256,881	385,907	525,749	604,889
NP margin %	12%	10%	12%	12%	12%	12%
Total assets	10,630,417					
Deposits placed by Customers	1,604,120					
Shareholder's equity	2,055,592					
Adjusted Shareholder's equity	2,055,592	2,187,583	2,444,463	2,830,370	3,356,119	3,961,008
Less: Capital charge on equity	18.6%	(381,826)	(406,343)	(454,059)	(525,741)	(623,399)
Residual income		(180,174)	(13,887)	135,521	277,487	300,736
Terminal residual income value at 4.2%						2,179,947
Discount factor	18.6%	(180,174)	(13,887)	135,521	277,487	2,480,683
		0.92	0.77	0.65	0.55	0.46
		(165,461)	(10,755)	88,516	152,850	1,152,398
PV of forecast residual income		1,217,549				
Add: NBV of TFIL as at 31 Mar 20		2,055,592				
Fair value of 100% interest in TFIL		3,273,141				
Non controlling discount (20%)		(654,628)				
Equity value (non controlling, marketable basis)		2,618,512				
Number of shares (in 000)	56,800					
Equity value per shares (based on Residual income approach)	46.1					
Market Price as at 31 March 2020	39.1					
NBVPs as at 31st March 2020	36.2					

*A dividend pay out of 35% was assumed for the forecast period which is the average dividend pay out between FY16 and FY19.

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Valuation (cont.)

Residual Income - Alternative Scenario

An alternative scenario was developed, to understand the impact from higher impairment charges. Based on the forecast provided by the Management of TFIL, the impairment charge is expected to decline. We believe higher impairment charges might be required given the current slowdown in the economy caused by the COVID-19 pandemic.

- Impairment charge as a % of total gross loans increased to 6.7% in FY20 (LKR 690mn). Management expects it to reduce to 1.3% in FY21E, with an impairment charge of LKR 106mn.
- The higher impairment charge of 6.7% was gradually tapered down in the scenario to reach the Management's expectation of 2.7% in FY23E (5.4% in FY21E and 4.0% in FY22E).
- Based on the higher impairment charge scenario, the equity value per share based on the residual income approach amounts to LKR 45.

LKR 000'	
PV of forecast residual income	1,158,038
Add: NBV of TFIL as at 31 Mar 20	2,055,592
Fair value of 100% interest in TFIL	3,213,630
Non controlling discount (20%)	(642,726)
Equity value (non controlling, marketable basis)	2,570,904

Number of shares (in 000)	56,800
Equity value per shares (based on Residual income approach)	45.3

Market valuation approach - Price to book value basis

Average peer multiples (PBV) were determined based on the listed finance companies in the CSE. The average excludes COCR and TFIL. The details of all companies evaluated and the respective operating ratios and valuation multiples are presented in the Appendix.

	-5% of PBV multiple	Base	+5% of PBV multiple
PBV multiple basis in LKR 000			
Reported net asset value - 31 Mar 20	2,055,592	2,055,592	2,055,592
PBV multiple (times)	0.81	0.85	0.89
Fair market value of 100% interest in TFIL (Non Controlling)	1,659,302	1,746,634	1,833,965
Number of shares (in 000)	56,800	56,800	56,800
Price per share	29.2	30.8	32.3

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Volume Weighted Average Price analysis

As at 20th March 2020, the share closed at LKR 39.1 (as the stock market was closed from 23rd March to 10th June 2020), while during the year it traded within a range of LKR 39.1 and LKR 78.5. The volume weighted average price as shown in the table above stood at LKR 43.2 for 1-month period, while it was LKR 58.4 for a period of 1 year ending 31st March 2020.

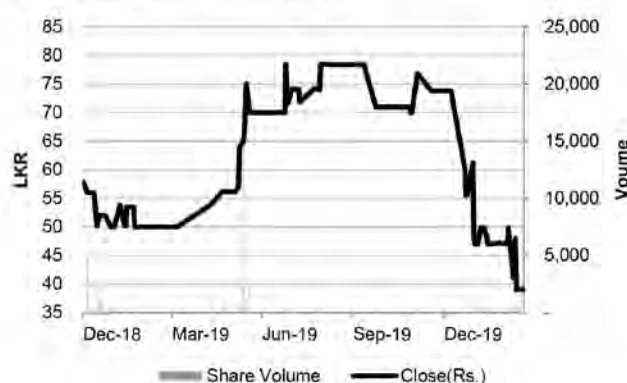
TFIL share is illiquid in the market as evident with low trading volumes, while the public holding of the share as at 31st March 2020 stood at 0.35%.

During the year under review, it is evident that the share price has moved upwards between June and Nov 2019 with low volume of shares being traded. The share fell during Feb – March 2020 period on the back of the downturn witnessed in the overall market due to the growing concerns over the impact of COVID-19.

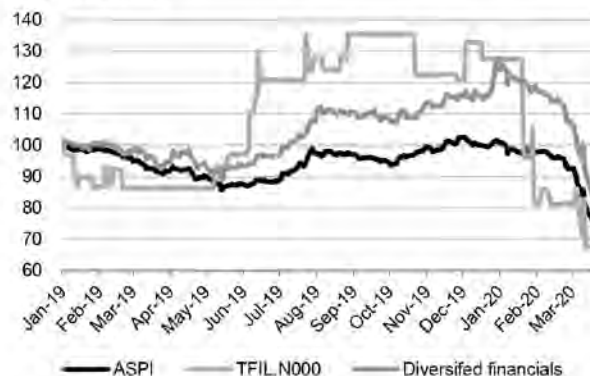
A total of 77,622 shares of TFIL traded during FY20, which was c. 0.14% of the total outstanding shares of TFIL during the financial year. Illiquidity of the share in the market makes VWAP a less reliable value approximation.

Lowest price between 1 Apr 2019 and 31 Mar 2020	39.1
Highest price between 1 Apr 2019 and 31 Mar 2020	78.5
Volume Weighted Average Prices (VWAP)	
a) 1 Month to 20 Mar 2020	43.2
b) 3 Month to 20 Mar 2020	48.6
c) 6 Month to 20 Mar 2020	49.5
d) 1 Year to 20 Mar 2020	58.4
Last traded price as at 31 Mar 2020	39.1

TFIL - Closing price and volumes



TFIL Vs. Indices



Appendices

Income statement (Historic Vs. forecast)

TFIL - Financial Year End - 31st March Income statement (in LKR 000)	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Gross Income	941,362	1,675,424	2,632,644	3,091,144	1,951,824	3,317,761	4,976,641
Interest Income	878,544	1,592,564	2,536,684	2,868,895	1,866,686	3,173,366	4,760,049
Interest expense	(185,049)	(475,476)	(917,303)	(1,329,734)	(1,103,538)	(1,876,014)	(2,814,021)
Net Interest Income	693,495	1,117,088	1,619,381	1,539,161	763,148	1,297,352	1,946,027
Net Other Operating Income	62,819	82,859	95,960	222,249	84,938	144,395	216,593
Total Operating Income	756,313	1,199,947	1,715,341	1,761,410	848,086	1,441,747	2,162,620
Impairment	(40,932)	(90,239)	(191,480)	(690,601)	(106,173)	(318,519)	(557,408)
Net Losses/Gains from Financial Instruments	-	-	(1,513)	17,896	-	-	-
Net Operating Income	715,382	1,109,708	1,522,348	1,088,704	741,913	1,123,228	1,605,212
Operating Expenses							
Personnel Expenses	(98,913)	(151,551)	(242,959)	(220,493)	(225,040)	(270,048)	(324,058)
Other Operating Expenses	(127,605)	(241,761)	(285,437)	(346,908)	(204,718)	(245,662)	(368,493)
Operating Profit before VAT & NBT	488,863	716,396	993,952	521,303	312,155	607,518	912,662
Tax on financial services	(67,116)	(123,051)	(172,964)	(118,011)	(46,823)	(91,128)	(136,899)
Debt Repayment Levy	-	-	(41,166)				
Profit before Income Tax Expense	421,747	593,345	779,822	403,293	265,332	516,390	775,763
Income Tax Expense	(97,054)	(175,449)	(156,309)	(44,865)	(63,680)	(123,934)	(186,183)
Profit for the Year	324,693	417,896	623,513	358,428	201,652	392,457	589,580

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Historic financial statements

TFIL - Financial Year End - 31st March	FY17	FY18	FY19	FY20
Balance Sheet (in LKR 000)				
Assets				
Cash and Cash Equivalents	95,604	50,946	591,483	353,891
Investment in Fixed Deposits				
Reverse Repurchase Agreements	-	91,609	125,371	137,263
Placements with Banks	10,619	13,622	13,337	64,716
Loans and Receivables to Customers	3,438,013	7,125,305	9,227,742	9,451,442
Available for sale financial assets	97,088	63,452	63,312	219,732
Property and Equipment	36,051	46,585	71,185	74,948
Intangible Assets	16,642	15,327	23,216	18,849
Deferred Tax Assets	11,092	7,459	181,126	184,600
Income Tax receivable	-	-	-	25,535
Other Assets	22,976	56,977	67,010	99,440
Total Assets	3,728,084	7,471,281	10,363,783	10,630,417
Liabilities				
Due to Banks	1,163,883	3,292,787	5,786,043	6,542,030
Due to Customers	900,046	1,918,937	2,131,348	1,604,120
Other Liabilities	312,655	653,918	542,563	395,105
Defined Benefit Obligation	11,159	10,562	13,675	23,007
Current Tax Liabilities	31,104	93,847	179,712	-
Deferred Tax Liabilities	2,896	3,105	3,628	-
Bank OD	-	-	-	10,563
Total Liabilities	2,421,742	5,973,154	8,656,969	8,574,825
Equity				
Stated Capital	247,001	247,001	247,001	247,001
Statutory Reserve Fund	114,103	134,998	166,173	184,095
Other Reserves	1,385	1,426	1,309	1,541
Retained Earnings	943,854	1,114,702	1,292,329	1,622,955
Total Equities	1,306,343	1,498,126	1,706,813	2,055,592
Total Equity and Liabilities	3,728,084	7,471,281	10,363,783	10,630,417

Historic financial statements

TFIL - Financial Year End - 31st March Cashflow statement (in LKR 000)	FY17	FY18	FY19	FY20
Cash flows from Operating Activities				
Interest Received	838,626	1,610,267	2,047,772	4,563,971
Interest Payments	(133,557)	(177,474)	(293,988)	(269,193)
Fees and Commission Receipts	60,890	46,452	96,876	222,386
Employees related Payments	(83,878)	(148,123)	(239,050)	(212,769)
Payment of Other Operating Expenses	(109,959)	(219,750)	(256,122)	(310,022)
Operating Profit before Changes in Operating Assets & Operating Liabilities	572,122	1,111,373	1,355,487	3,994,373
Change in Operating Assets				
Net Funds advanced to Customers	(1,003,270)	(3,265,137)	(2,185,001)	(2,591,129)
Gratuity Paid	(88)	(2,569)	(700)	2,499
Other Receivables	11,856	(34,002)	(57,832)	(57,832)
	(991,502)	(3,301,708)	(2,243,533)	(2,646,462)
Change in Operating Liabilities				
Deposit from Customers	(177,495)	1,006,236	205,218	(533,107)
Other Short Term Liabilities	18,518	(212,598)	(149,510)	(293,388)
	(158,977)	793,638	55,708	(826,495)
Income Tax Paid	(144,322)	(109,288)	(199,417)	(209,146)
Payment of VAT & NBT on Financial Services	(60,883)	(110,973)	(175,891)	(78,429)
Net Cash Flows used in Operating Activities	(783,562)	(1,616,958)	(1,207,645)	233,841
Cash Flows from Investing Activities				
Purchase of Property and Equipment and Intangible Assets	(33,729)	(31,512)	(66,503)	(41,031)
Net Investments with Banks	170,784	(3,002)	(14,147)	(11,503)
Proceeds from sale of Fair Value through OCI & Profit and Loss	29,054	33,956	2,885	(154,137)
Net Investments in Reverse Repurchase Agreements	-	(91,609)	-	-
Proceeds from sale of Available-for-Sale Financial Investments	47,641	-	-	-
Proceeds from sale of Property and Equipment	3,708	629	5,614	4,791
Net Cash Flows generated from Investing Activities	217,457	(91,539)	(72,152)	(201,880)
Cash Flows from Financing Activities				
Interest on Bank Overdraft and Bank Loans	(37,416)	(237,863)	-	-
Net movement in the Bank Borrowings	865,431	1,991,595	1,982,263	(153,273)
Dividends Paid	(112,025)	(227,202)	(56,800)	-
Net Cash Flows generated from Financing Activities	715,991	1,526,531	1,925,463	(153,273)
Net Increase / (Decrease) in Cash and Cash Equivalents during the Year	149,886	(181,966)	645,666	(121,312)
Cash and Cash Equivalents at the beginning of the Year	(167,504)	(17,619)	(199,585)	446,081
Cash and Cash Equivalents at the end of the Year	(17,619)	(199,585)	446,081	324,769

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Peer Companies

Company Name	Reporting Date	Market Price per share	No. of shares (Mn)	Market Capitalization (Mn)	Total Assets (mn)	BVPS (LKR)	Equity Beta (5 years)	P/B	NII / Total Assets	Cost to income ratio *
Trade Finance & Investments PLC	31.3.2020	39.10	57	2,221	10,498	36		1.08	15%	32%
Arpico Finance Company PLC	31.12.2019	125	7	930	13,649	264	0.30	0.47	10%	42%
Asia Asset Finance PLC	31.12.2019	5.50	124	683	14,726	18	1.33	0.30	9%	90%
Bimpuh Finance PLC	31.12.2019	14.30	108	1,541	8,105	8	1.29	1.81	8%	101%
Abans Finance PLC	31.3.2020	15.9	67	1,058.3	9,024	24	1.32	0.6	11%	51%
Associated Motor Finance Company PLC	31.12.2019	402.10	6	2,255	20,555	395	0.21	1.02	9%	50%
Orient finance PLC	31.12.2019	6.10	176	1,073	15,959	13	2.06	0.47	8%	63%
Average (excl. TFIL)							1.09	0.85	10%	67%

Company Name	Country	Description of Operations
Arpico Finance Company PLC	Sri Lanka	Arpico Finance Company is a Sri Lankan based finance company. The company's product portfolio includes fixed deposits, leasing, business loans, Islamic finance, personal loans and hire purchase.
Asia Asset Finance PLC	Sri Lanka	Asia Asset Finance PLC is a finance company. The Company is engaged in granting leases, hire purchase, mortgage loans, personal loans, group personnel loans, pledge loans, check and invoice discounting and mobilization of public deposits.
Bimpuh Finance PLC	Sri Lanka	Bimpuh Finance PLC is engaged in mobilization of savings and term deposits, micro financing, lease financing, hire purchase financing, consumer durables financing, vehicle trading, gold and personal loans, foreign currency exchange business and provision of other financial services authorized to be carried out by licensed finance companies.
Orient finance PLC	Sri Lanka	Established in 1981, The company is engaged in financial services which includes mobilization of Deposits, Savings Accounts, Leasing, Hire Purchase, Pledge Loans, Factoring, Margin Trading, Pawning, Working Capital and Corporate Financing etc.
Associated Motor Finance Company PLC	Sri Lanka	Incorporated in 1962, principle activities of AMF includes accepting public deposits, leasing, hire purchase, trading of real estate, importing and trading of private and commercial vehicles.