

Project Cover

Private and Confidential

17 June 2016



The Board of Directors,
Amana Takaful PLC
No 660 -1/1, Galle Road,
Colombo 03,
Sri Lanka.

17 June 2016.

Attn: Mr. Reyaz Jeffrey

Dear Sir,

Final Report Regarding the Valuation of Amana Takaful Life Limited

We enclose our final report with regard to the Valuation of Amana Takaful Life Limited ("ATLL") in respect to the listing of ATLL by way of an Initial Public Offering.

This report has been prepared on the basis of fieldwork carried out up to 16 June 2016. We have completed the work required to enable us to report fully in accordance with the terms of reference set out in our engagement letter dated 12 January 2016.

We have not undertaken to update our report for events and circumstances arising after that date. In carrying out our work, we have relied upon information provided by the Management of ATLL. We have not audited or carried out due diligence procedures on the information and therefore we make no representations as to its accuracy and completeness.

Our report is for your information only and should not be quoted or referred to, in whole or in part, without our prior written consent.

The terms of reference for this report, included as part of the Engagement Letter, have been agreed by you and we will not accept responsibility to any other party to whom the report may be shown or who may acquire a copy.

The report should be read in conjunction with the Engagement Letter, which has been attached as Appendix 6 to the report.

Yours faithfully,



KPMG

Terms of Engagement

- KPMG was appointed by Amana Takaful PLC ("ATL", "Client"), to act as financial advisor in relation to carrying out a Share Valuation of Amana Takaful Life Limited ("ATLL", "the Company") ("Project Cover", "Engagement").
- KPMG is to undertake a Share Valuation of 100% of the equity of ATLL as at 31 December 2015 ("Valuation Date"). The Share Valuation is to be used by the Management of ATLL in respect to the listing of the Company by way of an Initial Public Offering ("IPO").
- This memorandum is prepared only for Management decision making purposes, in relation to the IPO of ATLL. KPMG has given a range of values by providing an independent fair value range of the share, based on a number of methodologies. It will be the Management's prerogative to select a value for the respective purpose. KPMG will not be responsible for the ultimate selection of the value.
- This memorandum is addressed to the BOD of ATLL and is intended for their decision making purposes only. However, KPMG has agreed with the Client that this memorandum can be shared and communicated along with the Prospectus in connection to the IPO of ATLL. Nevertheless, this report cannot be communicated, in whole or in part, to any other third party without KPMG's prior written consent.
- This memorandum sets out the factual information and assumptions which are to form the basis of the Share Valuation. The Share Valuation has been prepared in accordance with KPMG's Letter of Engagement dated 12 January 2016, attached as Appendix 6.
- Any decision by ATLL regarding whether or not to proceed with the internal decisions shall rest solely with ATLL.
- This memorandum is prepared on the basis of the sources of information listed in Appendix 5. KPMG has not verified any of the information presented in this memorandum, and has relied upon the directors of ATLL to provide us with written representation that the information contained in this memorandum is materially accurate and complete, fair in the manner of its portrayal and therefore forms a reliable basis for the Share Valuation.
- This memorandum is based on information gathered or provided to KPMG which KPMG has not independently verified. KPMG, nor affiliated partnerships or bodies corporate bodies, nor the directors, shareholders, managers, partners, employees or agents of any of them, makes any representation or warranty, expressed or implied, as to the accuracy, reasonableness or completeness of the information contained in the report. All such parties and entities expressly disclaim any and all liability for or based on or relating to any such information contained herein, or errors or omissions from this memorandum or based on or relating to the use of this memorandum.
- Further, the Client agrees to indemnify and hold harmless KPMG, its directors, employees and agents from and against any and all costs, expenses, losses, claims, demands, actions, suits or proceedings paid, incurred or suffered by or made or initiated against them or any of them by any third party arising out of or in connection with this engagement, except to the extent that any such costs, expenses, claims, demands, actions, suits or proceedings arise from our wilful default. In any event, our liability would be restricted to a maximum of one time our fees as per our Letter of Engagement.
- This Valuation Report will be valid for a period of six months from 17 June 2016.

Disclaimer

- Due to the inherent uncertainties and unforeseen factors affecting a share valuation, KPMG does not accept responsibility or liability for any loss or damage which may arise as a result of any decisions made based on the contents of this report.
- We have made all inquiries that we believe are desirable and appropriate in order to arrive at the conclusion of a value range.
- It is the responsibility of the Company to decide the share price based on the value indications given in this report.

Glossary

ATL	Amana Takaful PLC
ATLL	Amana Takaful Life Limited
Bn	Billion
CAGR	Compound Annual Growth Rate
CBSL	Central Bank of Sri Lanka
Client	Amana Takaful PLC
Company	Amana Takaful Life Limited
EV	Embedded Value
GDP	Gross Domestic Product
GWP	Gross Written Premium
LKR	Sri Lankan Rupees
Management	Management of Amana Takaful Life Limited
Mn	Million
PBV	Price-Book-Value
RI	Residual Income
USD	United States Dollar
YoY	Year on Year

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Executive Summary

Executive Summary - Introduction

Transaction Background

- KPMG has been approached by Amana Takaful PLC (“ATL”) to carry out a Share Valuation of Amana Takaful Life Limited (“ATLL”, “the Company”) with respect to the listing of the Company by way of an Initial Public Offer (“IPO”).

ATL and ATLL Overview

- ATL was incorporated on 07 December 1998, offering both General and Family Takaful solutions in Sri Lanka. Since its inception, ATL has witnessed a significant growth in its customer base, establishing both a local and international presence, with a network of 28 branches across 7 provinces in Sri Lanka, and one in the Maldives.
- The vision of ATL is " To be a world-class Takaful service provider " through benchmarking the Company’s delivery of value to that of world class service providers in terms of products and services, whilst upholding the principles of Takaful. ATL also aims to ensure that the Company’s delivery will reach all stakeholders including customers, staff, shareholders, suppliers, regulators and the community at large.
- ATL is the only Takaful service provider in Sri Lanka and currently offers an array of Takaful solutions and caters to all market segments. ATL was listed on the Colombo Stock Exchange (“CSE”) in 2006. As at 24 March 2016 ATL had recorded a market capitalization of LKR1.8 Bn and a closing share price of LKR1.20.
- ATLL, a fully owned subsidiary of ATL commenced operations as a life insurance provider in 2015. The Company specializes in providing Shari’ah compliant life insurance related services.
- The Company completed the segregation of its long term (Life) and general insurance business on 01 January 2015 in the terms of section 53 of the Regulation of Insurance Industry (Amendment) Act, No 03 of 2011 by the transfers of the Family Takaful (Long term insurance) business of ATL to ATLL.

ATLL Product Overview

Adhyapana	This is a long term protection saving plan that helps policy holders to finance their child’s education and future whilst also providing health insurance cover for the policy holders and their children.
Platinum	This provides protection needs in terms of death, critical illness ,accidents and also includes a comprehensive hospitalisation cover for the policy holders and their families.
Surakshitha	A life cover affordably packaged to help policy holders reap the benefits of insurance for their families and to face unfortunate events.
Prosper	Sri Lanka’s first Shari’ah compliant unit linked insurance plan. This is mainly an investment policy coupled with a variable Takaful cover.
Group Life	This policy covers employees through a bundle of benefits in the event of death, disability, critical illness and funeral expenses.
Deergayu	A retirement plan, mainly aimed at building a retirement fund. In the event of death or critical illness, 110% of the premiums paid, are refunded.
MRTT	This is a mortgage reducing Takaful policy mainly sold via banks.

Source : Management, Company Website

Executive Summary - Valuation Summary

Valuation Methodologies

- The Share Valuation has been carried out utilizing audited and unaudited financial statements and based on the financial estimates given by the Management and based on the Company's business model.
- The following methodologies were used to carry out the Valuation of the Company,

Net Asset Value	<ul style="list-style-type: none"> ▪ No adjustments have been considered on the audited balance sheet provided as at 31 December 2015.
Market Multiple Methodology – Price to Book Value	<ul style="list-style-type: none"> ▪ A discount rate of 10% has been applied due to a lack of comparability for general/life businesses and for the size of the business. We have not factored a discount for a lack of marketability as ATLL will be listed in the near future. ▪ The multiples have been calculated on comparable companies and comparable transactions.
Residual Income Methodology	<ul style="list-style-type: none"> ▪ Projections provided by the Management have been utilized. ▪ A discount rate of 18.14% was used. ▪ The terminal growth rate assumed was 3%.
Embedded Value Based Valuation	<ul style="list-style-type: none"> ▪ In this methodology, we have used a scenario with an 18% discount rate, which is deemed to be a reasonable discount rate.

Valuation Summary				
Methodology	Total value in LKR '000		Value per share in LKR	
	Min	Max	Min	Max
Net Asset Value	515,594	515,594	1.03	1.03
Market Multiples Methodology Price to Book Value	596,154	735,494	1.19	1.47
Residual Income	950,338	1,083,971	1.90	2.17
Embedded Value Based Valuation	1,225,594	1,225,594	2.45	2.45

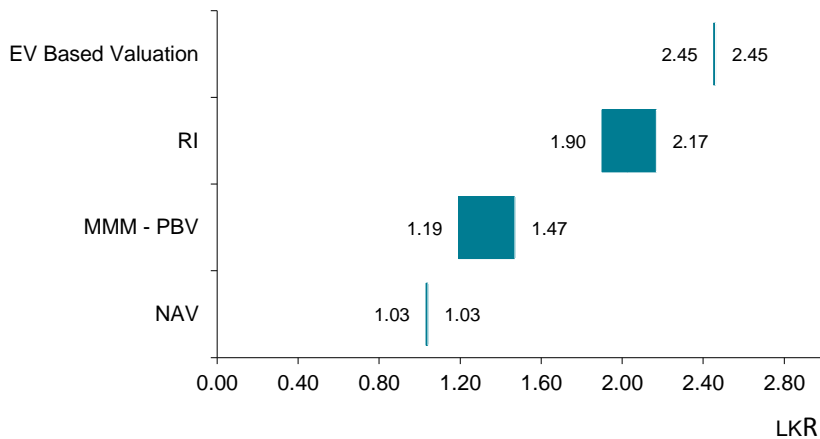
Source : Management, KPMG Analysis

Key points

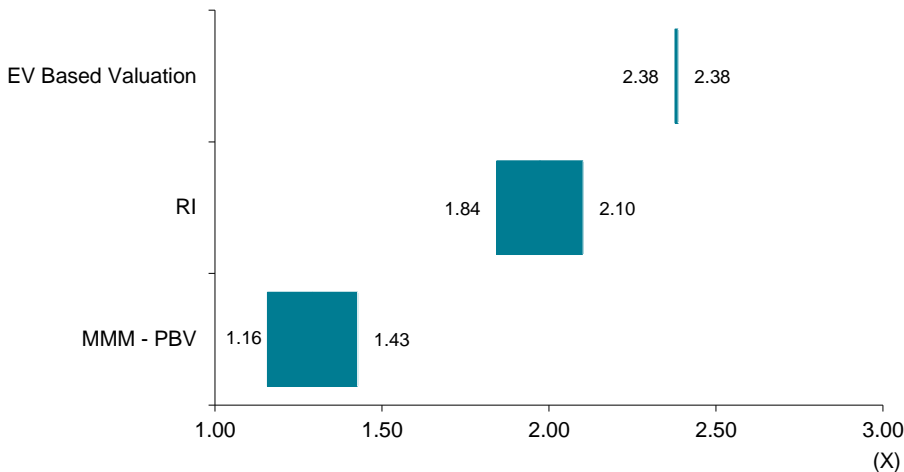
- The value range of ATLL as at 31 December 2015 was as follows:
 - As per the NAV methodology the value was LKR515.6 Mn.
 - As per the MMM-PBV method the value range was LKR596.2 Mn to LKR735.5 Mn.
 - As per the RI method the value was in the range of LKR950.3 Mn to LKR1,084.0 Mn.
 - As per the EV Based Valuation the value was LKR1,225.6 Mn.

Executive Summary - Valuation Summary (Cont.)

Per Share Value Range



Implied PBV



Source : Management, CSE, KPMG Analysis

Key points

- The value per share of ATLL ranges from LKR 1.03 (NAV) to LKR 2.45 (EV based Valuation).
- The implied PBV multiple of ATLL based on the Share Valuation is in the range of 1.16x (PBV) to 2.38x (EV based Valuation) as at 31 December 2015.



Methodology and Approach

Methodology and Approach

Basis of Share Valuation

- This report values a 100% of the equity of ATLL as at 31 December 2015.

Share Valuation methodology

- Value is derived by applying one or more of the following Share Valuation methodologies:
 - Net assets based methodology
 - Market multiples methodology
 - Residual income methodology
 - Embedded value based valuation

<p>Net Assets Based Methodology</p>	<ul style="list-style-type: none"> ■ Under a net assets approach, the total value is based on the sum of net asset value plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet. ■ A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the “book” net asset value, to give a price to book multiple, which can then be compared to that of similar transactions or quoted companies. ■ A net asset methodology is most applicable for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). A net asset approach is also useful as a cross-check to assess the relative risks of businesses (e.g. relative levels of tangible asset backing).
<p>Market Multiples Methodology</p>	<ul style="list-style-type: none"> ■ An earnings based approach estimates a sustainable level of future earnings for a business (“maintainable earnings”) and applies an appropriate multiple to those earnings, capitalizing them into a value for the business. The earnings bases to which a multiple is commonly applied include Revenue, EBITDA, EBIT, PAT (P/E) and Equity (P/BV). ■ In considering the maintainable earnings of the business being valued, factors to be taken into account include whether the historical performance of the business reflects the expected level of future operating performance, particularly in cases of development, or when significant changes occur in the operating environment, or the underlying business is cyclical. ■ An earnings approach is typically used to provide a market cross-check to the conclusions reached under a theoretical DCF approach.
<p>Residual Income Methodology</p>	<ul style="list-style-type: none"> ■ Residual Income is an approach to equity valuation that formally accounts for the cost of equity capital. “Residual Income” is the excess income after accounting for the opportunity costs measured relative to the book value of shareholders’ equity. ■ Residual income is calculated by deducting an equity charge from the earnings during the year. The equity charge is calculated as the beginning book value multiplied by the cost of equity. ■ As per the Residual Income Methodology the intrinsic value of the Company is the current book value of the Company plus the present value of future residual income.
<p>Embedded Value Based Valuation</p>	<ul style="list-style-type: none"> ■ The Embedded Value based method captures the intrinsic value of a life insurance company. ■ Life insurance businesses are identified to be different from other financial services, where the business value of a life insurance company is a function of its: 1) Adjusted Net Asset Value, 2) Present Value of Profits from Life Policies in force, and 3) Present Value of Profits from Future Life insurance policies. ■ To carryout this valuation, information provided by the Chartered Actuaries contracted by ATLL to carry out the EV based valuation, will be used.

Methodology and Approach (Cont.)

Cost of Equity

Expected Return

- In theoretical terms, the cost of equity should reflect the average rate of return required by the equity holders.
- The built up cost of equity is analogous to the Capital Asset Pricing Model ("CAPM") in that the risk free interest rate as represented by the latest available treasury bond rate plus an equity risk premium attributed to the unsystematic risk specific to the Company is considered.

$$\text{Cost of Equity} = \text{Risk Free rate} + \text{Market risk premium} + \text{Alpha}$$

- As such, we have considered for the Share Valuation a risk free rate of 11.14% which is the latest ten year bond rate published by the CBSL as at 01 February 2016, a market risk premium of 5.00% and an alpha of 2.0% to account for financial and forecasting risk. Thus, for the purpose of this Share Valuation the required rate of return is 18.14%.



Key points

- The computed cost of equity is 18.14%.
- The required rate of return has been computed using a build up model where a risk premium and an alpha is considered over the risk free rate.



Share

Valuation and
Interpretation

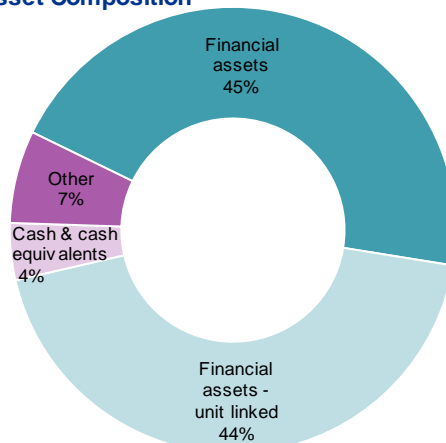
Net Asset Value Methodology

Net Asset Computation	
As at 31 December 2015	
LKR '000	
Total assets	2,403,951
Total liabilities	1,888,357
Net assets value	515,594
Net asset value per share	1.03

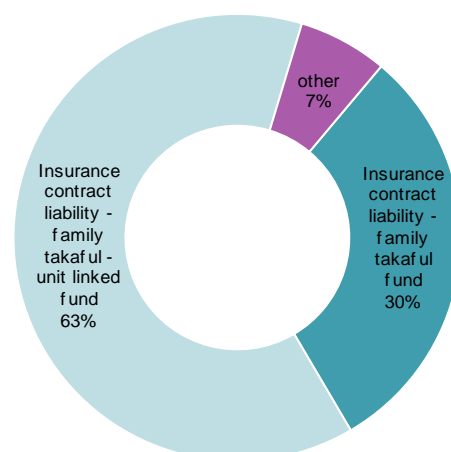
Assets	
As at 31 December 2015	
LKR '000	
Property, plant & equipment	14,932
Intangible assets	18,408
Financial assets	1,089,313
Financial assets - unit linked	1,054,183
Other assets - ULIP	37,972
Other assets	33,673
Retakaful (reinsurance) receivables	1,972
Contribution (premium) receivable	54,302
Cash and cash equivalents	99,197
Total assets	2,403,951

Liabilities	
As at 31 December 2015	
LKR '000	
Insurance contract liability - family takaf ul fund	574,711
Insurance contract liability - family takaf ul - unit linked fund	1,191,795
Other liabilities	77,856
Other liabilities - unit linked	39,437
Provision For retirement benefits	4,558
Total liabilities	1,888,357

Asset Composition



Liability Composition



- Audited financial statements were used for the Net Asset Value computation.

Source : Management, KPMG Analysis

Key points

- The value of ATLL as per NAV methodology was LKR515.6 Mn indicating a per share value of 1.03 as at 31 December 2015.

Market Multiples Methodology

Comparable Companies - Price to Book Value Methodology

- ATLL was valued using PBV multiple of comparable companies.
- Comparable companies were selected from the Insurance Sector of the Colombo Stock Exchange. Comparable companies were selected based on principle operational activity and asset size. The following companies were selected as comparable companies:
 - Ceylinco Insurance PLC
 - AIA Insurance Lanka PLC
 - HNB Assurance PLC
 - Janashakthi Insurance
 - Arpico Insurance PLC
- Asian Alliance Insurance PLC and Union Assurance PLC were excluded from the multiple calculations as they were considered as outliers.
- Amana Takaful PLC was excluded as ATLL is a subsidiary of ATL.
- A discount rate of 10% has been applied for a lack of comparability for general/life businesses and for the size of the business. We have not factored the discount for the lack of marketability as ATLL will get listed in the near future.
- The closing share prices as at 24 March 2016 were used in calculating multiples for comparable companies.
- Refer Appendix 2 for multiple calculations of comparable companies.

PBV - Comparable Companies	
As at 31 December 2015	
LKR '000	
Average PBV of insurance sector (x)	1.28
Discount for lack of comparability and size	10.0%
PBV multiple - Post discount (x)	1.16
Net assets value as at 31 December 2015	515,594
Value of ATLL	596,154
value of ATLL per share	1.19

Comparable Transactions - Price to Book Value Methodology

- The average PBV multiple of the comparable transactions is 1.59x. Refer Appendix 2 for the detailed calculation.
- The transaction multiples were applied on the net asset value of the Company.

PBV - Transaction Multiples	
As at 31 December 2015	
LKR '000	
Average PBV of transaction multiples	1.59
Discount for lack of comparability and size	10.0%
PBV multiple - Post discount (x)	1.43
Net assets value as at 31 December 2015	515,594
Value of ATLL	735,494
value of ATLL per share	1.47

Source : Management, CSE, KPMG Analysis

Key points

- The value of ATLL computed using the PBV of comparable companies and comparable transactions was in a range of LKR596.2 Mn to LKR735.5 Mn, indicating a per share value range of LKR 1.19 to LKR1.47.

Residual Income Methodology

Residual Income Methodology					
FYE31 December LKR '000	2016	2017	2018	2019	2020
Explicit period					
Beginning book value	515,594	545,297	640,046	800,013	1,032,938
Net profit	29,703	94,749	159,967	232,926	329,706
Forecast book value	545,297	640,046	800,013	1,032,938	1,362,645
Cost of equity	18.14%				
Equity charge	(93,529)	(98,917)	(116,104)	(145,122)	(187,375)
RI	(63,825)	(4,168)	43,863	87,803	142,331
Discount factor	0.8465	0.7165	0.6065	0.5133	0.4345
Discounted RI in explicit period	(54,025)	(2,986)	26,601	45,074	61,847
PV of RI in explicit period	76,510				
Terminal value					
Net profit	329,706				
Equity charge	(187,375)				
Terminal year RI	142,331				
Terminal growth rate	3.0%				
Terminal multiplier	6.80				
Terminal period RI	968,304				
Discounted terminal period RI	420,752				
Equity value					
Current book value	515,594				
Explicit period	76,510				
Terminal period	420,752				
Value of ATLL	1,012,856				
Value of ATLL per share	2.03				

Sensitivity Table in LKR '000						
		Cost of Equity				
		17.14%	17.64%	18.14%	18.64%	19.14%
Terminal Growth Rate	2.00%	1,084,123	1,031,735	982,955	937,448	894,920
	2.50%	1,102,412	1,047,997	997,428	950,338	906,405
	3.00%	1,121,996	1,065,370	1,012,856	964,051	918,602
	3.50%	1,143,015	1,083,971	1,029,338	978,671	931,580
	4.00%	1,165,633	1,103,936	1,046,986	994,289	945,414

- The beginning book value used was as at 31 December 2015.
- RI was discounted using a cost of equity of 18.14% which includes an equity risk premium of 5.00% based on empirical analysis, a risk free rate of 11.14% and an alpha factor of 2.00%.
- A terminal growth rate of 3.00% was used considering the stable long term growth of the insurance industry in Sri Lanka.
- The value based on RI methodology under different cost of equity and terminal growth levels has been depicted above.

Source : Management, KPMG Analysis

Key points

- The value of ATLL as at 31 December 2015 as per the RI methodology was LKR1,012.9 Mn indicating a per share value of LKR2.03.

Embedded Value Based Valuation

Embedded Value Based Valuation	
In LKR '000	
Net asset value	515,594
In-force value	85,000
Embedded value	600,594
Value of future new business	1,012,000
Expense overrun	(380,000)
Cost of excess capital	(7,000)
Total fair market value	1,225,594
Value per share	2.45
Price to book value	2.38

- When deriving the value based on this methodology, we referred to the Final actuarial valuation report prepared by "Actuarial Partners".
- In this methodology, we have used a scenario with an 18% discount rate, which is deemed to be a reasonable discount rate.
- Please refer Appendix 03 for extracts from actuarial valuation report.

Source : Management, Appraisal Valuation Report, KPMG Analysis

Key points

- The fair value of ATLL as per the EV based valuation as at 31 December 2015 was LKR1,225.6 Mn, indicating a per share value of LKR2.45.



Appendices

Appendix 1 – Financial Statements and Analysis

Income Statement						
FYE 31 Dec LKR' 000	2015: Audited	2016 Projected	2017 Projected	2018 Projected	2019 Projected	2020 Projected
Gross written premium	928,294	1,406,394	2,039,422	2,578,264	3,191,722	3,940,622
Contribution (premium) ceded to retakaful companies	(18,482)	(24,612)	(35,690)	(45,120)	(55,855)	(68,961)
Net written contribution (premium)	909,812	1,381,782	2,003,732	2,533,144	3,135,866	3,871,661
Net change in reserve for unearned contribution (premium)	(1,748)	(7,032)	(10,197)	(12,891)	(15,959)	(19,703)
Net earned contribution (premium)	908,064	1,374,750	1,993,535	2,520,253	3,119,908	3,851,958
Other income						
Income from investments	121,364	227,741	320,795	466,933	646,087	878,884
Net income on government security	1,702	-	-	-	-	-
Other operating income	7,137	12,000	12,000	12,000	13,000	14,000
Total Revenue	1,038,268	1,614,491	2,326,329	2,999,185	3,778,995	4,744,842
Benefits, losses and expenses						
Takaful (insurance) claims	(207,572)	(365,662)	(530,250)	(670,349)	(813,889)	(1,024,562)
Acquisition cost	(97,322)	(182,831)	(265,125)	(335,174)	(414,924)	(512,281)
Change in family takaful contract liability	(482,827)	(712,673)	(1,039,168)	(1,363,379)	(1,750,294)	(2,194,817)
Other operating and administration expenses	(231,178)	(323,621)	(397,038)	(470,317)	(566,962)	(683,476)
Amortization	(875)	-	-	-	-	-
Total benefits, losses and expenses	(1,019,774)	(1,584,788)	(2,231,581)	(2,839,218)	(3,546,069)	(4,415,136)
Finance cost	(430)	-	-	-	-	-
Profit/(Loss) for the year	18,064	29,703	94,749	159,967	232,926	329,706

Source : Management

Appendix 1 – Financial Statements and Analysis

(Cont.)

Balance Sheet						
FYE 31 Dec	2015	2016	2017	2018	2019	2020
LKR' 000	Audited	Projected	Projected	Projected	Projected	Projected
Assets						
Property, plant & equipment	14,932	36,675	40,342	44,376	48,814	53,695
Intangible assets	18,408	-	-	-	-	-
Financial assets	1,089,313	1,298,999	1,402,413	1,378,978	1,498,852	1,504,979
Financial assets - unit linked	1,054,183	1,587,666	2,604,482	4,136,935	5,995,408	8,528,212
Other assets - ULIP	37,972	107,967	118,764	130,640	143,704	158,074
Other assets	33,673	52,022	54,623	57,354	60,222	63,233
Retakaful (reinsurance) receivables	1,972	-	-	-	-	-
Contribution (premium) receivable	54,302	-	-	-	-	-
Cash and cash equivalents	99,197	77,000	78,000	78,000	75,000	75,000
Total assets	2,403,951	3,160,328	4,298,624	5,826,284	7,822,000	10,383,193
Equity and liabilities						
Capital and reserves						
Stated capital	500,000	500,000	500,000	500,000	500,000	500,000
Reserves	2,071	2,169	2,169	2,169	2,169	2,169
Accumulated profits/(losses)	13,523	81,483	216,858	423,924	715,231	1,120,235
Total equity	515,594	583,652	719,027	926,094	1,217,401	1,622,405
Liabilities						
Insurance contract liability - family takaful fund	574,711	687,382	698,311	727,801	792,648	705,730
Insurance contract liability - family takaful - unit linked fund	1,191,795	1,767,555	2,793,244	4,124,204	5,812,752	8,115,896
Other liabilities	77,856	156,246	164,058	172,261	180,874	189,918
Other liabilities - unit linked	39,437	-	-	-	-	-
Provision for retirement benefits	4,558	1,646	1,728	1,814	1,905	2,000
Total liabilities	1,888,357	2,612,829	3,657,341	5,026,080	6,788,180	9,013,544
Total equity and liabilities	2,403,951	3,196,481	4,376,368	5,952,174	8,005,580	10,635,949

Source : Management

Appendix 1 – Financial Statements and Analysis

(Cont.)

Assumptions

- The composition of the GWP of the Company is depicted below,

Products Breakdown												
Values in LKR 'Mn	2011	2012	2013	2014	2015	CAGR	2016	2017	2018	2019	2020	CAGR
Regular Product	250	268	331	421	535		739	1,173	1,525	1,906	2,383	
<i>Growth</i>	<i>na</i>	7%	24%	27%	27%	21%	38%	59%	30%	25%	25%	35%
Prosper	59	86	189	223	341		425	531	638	765	918	
<i>Growth</i>	<i>na</i>	46%	118%	18%	53%	55%	24%	25%	20%	20%	20%	22%
Pension	na	na	na	na	3		42	90	125	176	228	
<i>Growth</i>	<i>na</i>	<i>na</i>	<i>na</i>	<i>na</i>	<i>na</i>	<i>na</i>	1148%	113%	40%	40%	30%	132%
Group Life	5	4	8	17	21		150	170	192	216	245	
<i>Growth</i>	<i>na</i>	-19%	101%	102%	26%	43%	597%	13%	13%	13%	13%	63%
Mortgage	4	6	12	18	27		51	76	99	128	167	
<i>Growth</i>	<i>na</i>	75%	84%	56%	51%	66%	87%	50%	30%	30%	30%	44%
Total	318	365	542	679	928		1,406	2,039	2,578	3,192	3,941	
<i>Growth</i>	<i>na</i>	15%	49%	25%	37%	31%	52%	45%	26%	24%	23%	34%

Projected Number of Agents						
	Existing	2016	2017	2018	2019	2020
Full time agents	329	575	775	975	1,175	1,375
<i>Growth</i>		75%	35%	26%	21%	17%
GWP per agent (LKR Mn)	2.82	2.45	2.63	2.64	2.72	2.87

- The following macro factors are expected to drive the overall demand for life insurance products in the industry:
 - Expanding middle class and increasing disposable income in the light of sustained single digit inflation.
 - Regional developments and key township developments are expected to drive employment and entrepreneurship opportunities, which will result in increased job opportunities and income.
- During the period 2011 to 2015 the Company recorded a CAGR of 31% for the life insurance business in comparison to the Industry which recorded a CAGR of 11% during the same period. The Company recorded a YoY growth of 37% in GWP in 2015, compared to the same in 2014, in comparison to the Industry growth of 20% during the same period. Therefore, it is reasonable to assume that the Company will continue to grow faster than the Industry in the foreseeable future.
- The Company expects to drive revenues during the forecast period mainly through the increase of Insurance Agents. The current GWP per Agent is LKR2.8 Mn and is expected to be in the range of LKR2.4 – LKR2.9Mn per Agent during the forecast period.
- The GWP is expected to increase by 52% YoY in FYE 2016, driven by the increase of agents of 75% during the same period. The expected number of Agents during the period under review is depicted in the above table.

Source : Management, CBSL, IBSL

Appendix 1 – Financial Statements and Analysis

(Cont.)

Assumptions

- The Regular Product and Prosper are expected to grow mainly through the addition of new Agents to the Company's workforce supported by the expected growth in broker activity. During the forecast period the Prosper Products are expected to show a slower growth as a result of demand shifting to Regular Products given the capital market volatility.
- Revenues from Pension products are expected to grow rapidly due to the increased number of agents and due to the push through Bancassurance channels. As this is a relatively new product, the high growth numbers are a reflection of a lower base. Additionally, Sri Lanka's rapidly ageing population is expected to increase the potential of the Pension product market. As per the United Nations, currently 14% of the Sri Lankan population is estimated to be over 60 years old and this number is expected to increase to 29% by 2050.
- The Group Life segment is expected to increase rapidly as a result of the increase in the number of Agents and increase in broker activity with a focus on SMEs. As per the Department of Census and Statistics, currently there are a little over 1 Mn Business Establishments in Sri Lanka and this number is expected to further increase as a result of various concessions provided.
- GWPs from Mortgages are expected to increase as a result of the current growth in the housing market and tie ups with banks. During 2015 total number of housing loans increased by 35% and this number is expected to further increase, according to the CBSL.

Source : Management, CBSL, IBSL

Appendix 1 – Financial Statements and Analysis

(Cont.)

Assumptions (Cont.)

Claims and Benefits Assumptions												
Values in LKR 'Mn	2011	2012	2013	2014	2015	Average	2016	2017	2018	2019	2020	Average
Net claims incurred	31	20	24	37	49		70	102	129	144	197	
As a % of GWP	10%	5%	4%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Growth		-36%	23%	54%	33%	18%	43%	45%	26%	11%	37%	33%
Part withdrawal	12	13	85	24	15		70	102	129	160	197	
As a % of GWP	4%	4%	16%	4%	2%	4%	5%	5%	5%	5%	5%	5%
Growth		5%	557%	-72%	-37%	113%	362%	45%	26%	24%	23%	96%
Policy surrender	32	42	62	64	130		141	204	258	319	394	
As a % of GWP	10%	12%	12%	9%	14%	11%	10%	10%	10%	10%	10%	10%
Growth		33%	49%	3%	103%	47%	8%	45%	26%	24%	23%	25%
Maturity	9	6	11	11	13		84	122	155	192	236	
As a % of GWP	3%	2%	2%	2%	1%	2%	6%	6%	6%	6%	6%	6%
Growth		-35%	83%	3%	22%	18%	532%	45%	26%	24%	23%	130%
Sales commission	17	16	9	6	5		14	20	26	32	39	
As a % of GWP	5%	5%	2%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Growth		-2%	-43%	-35%	-19%	-25%	187%	45%	26%	24%	23%	61%

- Outliers were excluded when calculating the averages as follows :
 - Net claims incurred 2011 was considered an outlier,
 - Part withdrawal 2017 was considered an outlier.
 - Sales commission in 2011 & 2012 were considered to be outliers.
- ATLL's policy is to maintain a sales commission of 1% of GWP.

Other Costs and Income												
	2011	2012	2013	2014	2015	Average	2016	2017	2018	2019	2020	Average
Investment income	11	51	51	65	46		123	172	244	339	462	
As a % of fund balance	3%	9%	7%	7%	4%	6%	7%	7%	7%	7%	7%	7%
Unik link appreciation	(1)	0	18	35	47		61	110	174	242	330	
As a % of unitized fund	-2%	0%	9%	16%	14%	13%	10%	10%	10%	10%	10%	10%
Direct expenses	16	41	40	33	64		84	122	155	192	236	
As a % of GWP	-5%	-11%	-7%	-5%	-7%	-6%	-6%	-6%	-6%	-6%	-6%	-6%
Retakaful insurance	7	3	11	15	18		25	36	45	56	69	
As a % of GWP	-2%	-1%	-2%	-2%	-2%	-2%	-2%	-2%	-2%	-2%	-2%	-2%
Net unearned premium	0	4	1	5	2		7	10	13	16	20	
As a % of GWP	0%	-1%	0%	-1%	-2%	-1%	-1%	-1%	-1%	-1%	-1%	-1%

- Outliers were excluded when calculating the averages as follows :
 - The Investment income, unit link appreciation and direct expenses for 2011 & 2012 were considered as outliers,

Source : Management

Appendix 1 – Financial Statements and Analysis

(Cont.)

Assumptions (Cont.)

- The table in the previous page depicts the following assumptions:
- The Company's investment income was assumed to be 7% of the opening fund balance in the respective year during the period under review. The Company expects this to be a reasonable estimate considering the risk free rate (10 year bond rate) of 14% as at 01 April 2015. The current long term profit rates provided by Islamic Windows within Financial Institutions are in the range of 8.2% - 9.7%.
- In addition to the assumptions illustrated in the above table, the Company expects management fees to be an average of 24% of the GWP during the forecasted period in comparison to 44% during the historical period. Further a management fee of 45% of investment income has been assumed during the forecasted period.
- The historical and forecasted overhead costs are as follows:

Overheads												
Values in LKR 'Mn	2011	2012	2013	2014	2015	CAGR	2016	2017	2018	2019	2020	CAGR
Staff cost	47	54	73	80	66		76	87	100	120	144	
As a % of GWP	15%	15%	13%	12%	7%		5%	4%	4%	4%	4%	
Growth	na	15%	36%	10%	-18%	9%	15%	15%	15%	20%	20%	17%
Establishment expenses	20	23	26	30	38		44	51	58	70	84	
As a % of GWP	6%	6%	5%	4%	4%		3%	2%	2%	2%	2%	
Growth	na	15%	11%	17%	28%	18%	15%	15%	15%	20%	20%	17%
Sales and marketing expenses	5	1	11	30	29		35	42	50	61	74	
As a % of GWP	2%	0%	2%	4%	3%		2%	2%	2%	2%	2%	
Growth	na	-75%	741%	173%	-4%	53%	20%	20%	20%	22%	22%	21%
Administration expenses	18	32	29	30	40		44	48	53	60	68	
As a % of GWP	6%	9%	5%	4%	4%		3%	2%	2%	2%	2%	
Growth	na	75%	-9%	2%	33%	21%	10%	10%	10%	13%	13%	11%
Depreciation	14	13	11	10	2		2	2	2	3	3	
As a % of GWP	4%	4%	2%	1%	0%		0%	0%	0%	0%	0%	
Growth	na	-2%	-18%	-8%	-81%	-39%	7%	7%	7%	7%	7%	7%
Finance expenses	1	0	0	1	1		1	1	2	2	2	
As a % of GWP	0%	0%	0%	0%	0%		0%	0%	0%	0%	0%	
Growth	na	-80%	127%	117%	31%	6%	5%	5%	5%	5%	5%	5%

- The Company expects the staff costs to increase by an average of 17% during the forecast period, driven by the addition of staff due to expansions of operations and wage increases. The establishment expenses are expected to grow at similar rates to its historical CAGR.
- The administration expenses and marketing expenses are expected to gradually fall as a percentage of GWP, primarily due to the scale advantages. However, these expenses are assumed to grow at CAGRs of 11% and 21% respectively with the expansion of the Company's operations.

Source : Management, IBSL

Appendix 1 – Financial Statements and Analysis

(Cont.)

Assumptions (Cont.)

ROE and ROA							Forecasted average
	2015	2016	2017	2018	2019	2020	
ROE	4%	5%	15%	21%	25%	27%	19%
ROA	1%	1%	2%	3%	3%	3%	2%

- As indicated above, during the forecast period the Company expects an average ROE and ROA of 19% and 2% respectively. The life insurance industry average ROE was 20% and ROA was 2% as at 30 September 2015, according to information published by IBSL.

Source : Management, IBSL



Appendix 1 – Financial Statements and Analysis

(Cont.)

Financial Statement Analysis

YoY Growth												
	2011	2012	2013	2014	2015	CAGR	2016	2017	2018	2019	2020	CAGR
Values in LKR 'Mn												
Growth ratios												
Gross written premium	318	365	542	679	928		1,406	2,039	2,578	3,192	3,941	
<i>Growth</i>	-	15%	49%	25%	37%	31%	52%	45%	26%	24%	23%	34%
Net earned contribution (premium)	311	361	531	664	910		1,375	1,994	2,520	3,120	3,852	
<i>Growth</i>	-	16%	47%	25%	37%	31%	51%	45%	26%	24%	23%	33%
Total revenue	-	-	-	-	1,038		1,614	2,326	2,999	3,779	4,745	
<i>Growth</i>	-	-	-	-	-	na	55%	44%	29%	26%	26%	36%
Net profit	-	-	-	-	18		30	95	160	233	330	
<i>Growth</i>	-	-	-	-	-	na	64%	219%	69%	46%	42%	79%
Financial assets	490	613	550	34	1,089		1,299	1,402	1,379	1,499	1,505	
<i>Growth</i>	-	25%	-10%	-94%	3067%	22%	19%	8%	-2%	9%	0%	7%
Financial assets - unit linked	91	124	351	50	1,054		1,588	2,604	4,137	5,995	8,528	
<i>Growth</i>	-	37%	182%	-86%	2007%	85%	51%	64%	59%	45%	42%	52%
Total assets	616	799	1,007	1,432	2,404		3,160	4,299	5,826	7,822	10,383	
<i>Growth</i>	-	30%	26%	42%	68%	41%	31%	36%	36%	34%	33%	34%
Insurance contract liability - family takaful fund	494	578	550	551	575		687	698	728	793	706	
<i>Growth</i>	-	17%	-5%	0%	4%	4%	20%	2%	4%	9%	-11%	4%
Insurance contract liability - family takaful - unit linked fund	50	138	381	731	1,192		1,768	2,793	4,124	5,813	8,116	
<i>Growth</i>	-	175%	175%	92%	63%	121%	48%	58%	48%	41%	40%	47%
Total liabilities	616	799	1,007	1,432	1,888		2,613	3,657	5,026	6,788	9,014	
<i>Growth</i>	-	30%	26%	42%	32%	32%	38%	40%	37%	35%	33%	37%

Source : Management, KPMG Analysis

Appendix 2 - Comparable Analysis

Comparable Companies

Comparable Company Information						
Name	Ticker	LTTM as of	MPS 24 March 2016 (LKR)	Number of shares Mn	Total GWP (LKR' Mn)	Annualized Earnings (LKR' Mn)
Ceylinco Insurance PLC	CINS-SL	31/12/2015	1,450.10	20	27,984	3,621
AIA Insurance Lanka PLC	CTCE-SL	31/12/2015	330.00	31	8,433	303
Asian Alliance Insurance PLC	AAIC-SL	31/12/2015	14.50	375	6,053	924
HNB Assurance PLC	HASU-SL	31/12/2015	57.00	50	5,447	197
Janashakthi Insurance PLC	JINS-SL	31/12/2015	16.30	545	10,664	951
Union Assurance PLC	UAL-SL	31/12/2015	154.70	59	6,964	1,067
Arpico Insurance PLC	AINS-SL	31/12/2015	12.00	66	483	31
Amana Takaful PLC	ATL-SL	31/12/2015	1.20	1,500	3,238	273

Comparable Company Information						
Name	Total Assets (LKR' Mn)	Total Equity (LKR 'Mn)	Market Cap (LKR' Mn)	PER Multiple	PBV Multiple	Comments
Ceylinco Insurance PLC	108,548	22,544	29,002	8.01	1.29	Life and non life insurance
AIA Insurance Lanka PLC	45,963	6,367	10,147	33.47	1.59	Life only since Oct 2015
Asian Alliance Insurance PLC	11,472	2,223	5,438	5.88	2.45	Life and non life insurance
HNB Assurance PLC	11,641	2,284	2,850	14.44	1.25	Life and non life insurance
Janashakthi Insurance PLC	31,668	8,235	8,875	9.34	1.08	Life and non life insurance
Union Assurance PLC	31,014	3,465	9,116	8.54	2.63	Life only since Dec 2014
Arpico Insurance PLC	1,181	653	795	25.35	1.22	Life insurance
Amana Takaful PLC	4,825	1,326	1,800	6.59	1.36	Life and non life insurance
Life and general insurance sector multiple					1.28	

Comparable Transactions

Comparable Transactions			
Date	Buyer	Seller	PBV (x)
31-Jul-14	Fairfax Asia Ltd	Union Assurance PLC (UAL) - General Business	1.50
30-Oct-15	Janashakthi PLC	AIA - General Business	1.67
Average			1.59

Source : Management, KPMG Analysis, CSE

Appendix 3 – Extracts from Actuarial Valuation Report

Appraisal Valuation Report of the Family Takaful Business of Amana Takaful Life Limited as at 31 December 2015

1

EXECUTIVE SUMMARY

INTRODUCTION

- 1.1 Actuarial Partners Consulting Sdn Bhd ("AP" or "Actuarial Partners") have been appointed by Amana Takaful Life Limited ("ATLL" or "the Company") to undertake a study on the fair market value (i.e. appraisal value) of its family takaful business, as at 31 December 2015.
- 1.2 The appraisal is for the purpose of meeting the Securities and Exchange Commission of Sri Lanka (SEC) compliance requirements for the Company to be listed on the Colombo Stock Exchange ("CSE").
- 1.3 Appraisal valuation consists of the sum of the following three components:
 - i. Net Asset Value ("NAV"): This is the excess of assets over liabilities.
 - ii. Value of In-force ("VIF"): This is the present value of future profits from the in-force business as at the valuation date.
 - iii. Value of Future New Business ("VNB"): This is the present value of future profits from the projected new business as at the valuation date.
- 1.4 The valuation date of the appraisal valuation is 31 December 2015.
- 1.5 The traditional embedded value methodology was adopted for the purpose of the valuation and the value of the business is calculated based on the projected surplus from the business which can be allocated to the shareholders. Further details on the methodology adopted are described in Section 4.
- 1.6 The assumptions adopted in the appraisal valuation are based on the historical experience analysis of ATLL. Where the experience is not credible, we have relied on the industry experience. Further details on the assumptions adopted are described in Section 5.

Actuarial Partners

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Source : Management, KPMG Analysis

Appendix 3 – Extracts from Actuarial Valuation Report (Cont.)

Appraisal Valuation Report of the Family Takaful Business of Amana Takaful Life Limited as at 31 December 2015

- 1.7 We have allowed for 10-years’ of new business contributions in determining the value of future new business. The management has provided the budgeted new business growth from January 2016 to December 2020 (i.e. five years of projected new business growth). The business plan was approved by the Board and revised downward by agreement between both parties.
- 1.8 We have considered the actual new business contributions collected as at 2015 relative to the 2016 projections, as shown in Appendix A11. In comparison to actual business, the new business plan is on the high side, hence we have provided a scenario of the appraisal value on lower new business growth in the sensitivity analysis.
- 1.9 However, we have also taken into account the historical trend between actual new business relative to budgeted new business. This is provided in Appendix A12. Except for 2015, ATLL has consistently outperformed its budgeted new business in the last four years.
- 1.10 Based on the above and as provided by ATLL, the new business growth assumptions, for the purpose of determining the value of future new business, are summarised below. We note that the growth rate for the next two years are on the high side as ATLL’s business is growing from a relatively small base. Aside from the first two years, past year’s growth rates by product lines have also been on a similar scale. Actual business plans by contribution is provided in Appendix A11.

Table EX1: New business growth assumption for ATLL

New business growth	Base (p.a.)
2013 – 2014(actual)	<ul style="list-style-type: none"> • Family Takaful = -23% • Unit-Linked Savings and Protection = 24% • Unit-Linked Investment Plan (ULIP Prosper) = 17% • Group Plans = 104% • Mortgage Reducing Term Takaful (MRTT) = 56%
2014 – 2015(actual)	<ul style="list-style-type: none"> • Family Takaful = -92% • Unit-Linked Savings and Protection = 21% • ULIP Prosper = 68% • Group Plans = 25% • MRTT = 50%

Source : Management, KPMG Analysis



Appendix 3 – Extracts from Actuarial Valuation Report (Cont.)

Appraisal Valuation Report of the Family Takaful Business of Amana Takaful Life Limited as at 31 December 2015

New business growth	Base (p.a.)
2015 – 2016	<ul style="list-style-type: none"> Family Takaful = -100% (No longer selling Family Takaful business) Unit-Linked Savings and Protection = 40% ULIP Prosper = 22% Unit-Linked Retirement (ULIP Retirement) = 481% Group Plans = 104% MRTT = 59%
2016 – 2017	<ul style="list-style-type: none"> Unit-Linked Savings and Protection = 32% ULIP Prosper = 20% ULIP Retirement = 62% Group Plans = 43% MRTT = 50%
2017 – 2018	<ul style="list-style-type: none"> Unit-Linked Savings and Protection = 28% ULIP Prosper = 17% ULIP Retirement = 45% Group Plans = 36% MRTT = 40%
2018 – 2019	<ul style="list-style-type: none"> Unit-Linked Savings and Protection = 26% ULIP Prosper = 15% ULIP Retirement = 39% Group Plans = 28% MRTT = 30%
2019 – 2020	<ul style="list-style-type: none"> Unit-Linked Savings and Protection = 23% ULIP Prosper = 13% ULIP Retirement = 35% Group Plans = 24% MRTT = 25%
2020 – 2025	<ul style="list-style-type: none"> Unit-Linked Savings and Protection = 20% ULIP Prosper = 10% ULIP Retirement = 20% Group Plans (2020 – 2021) = 18% Group Plans (2021 – 2025) = 19% MRTT = 20%

Actuarial Partners

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Source : Management, KPMG Analysis

Appendix 3 – Extracts from Actuarial Valuation Report (Cont.)

Appraisal Valuation Report of the Family Takaful Business of Amana Takaful Life Limited as at 31 December 2015

1.11 A summary of the estimated appraisal value of ATLL's family takaful business, based on the base assumptions, and the Company's business plan, using a range of risk discount rates, is shown below:

Table EX2: Range of Combined Fair Market Values for the Family Takaful Business of ATLL as at 31 December 2015

LKR Million	Discount Rate		
	12.00%	15.00%	18.00%
A. Net Asset Value	516	516	516
B. In-force Value	246	152	85
C. Embedded Value (C = A + B)	761	667	600
D. Value of Future New Business	1,642	1,273	1,012
E. Expense Overrun	(459)	(416)	(380)
F. Cost of Excess Capital	(1)	(4)	(7)
G. Total Fair Market Value (G = C + D + E + F)	1,344	1,520	1,225
Price to Book Value	3.77	2.95	2.38

1.12 The fair market value is estimated at LKR 1,520 million on the business plan provided. The range of fair value is affected by the rate of discount rate used with a lower discount rate giving a higher value of LKR 1,944 million and a higher discount rate a value of LKR 1,225 million.

1.13 The Fair Market Value has a significant component from the value of new business. From our analysis, the above Fair Market Value is highly sensitive to the new business growth assumption. If actual growth is lower than assumed, apart from the reduced profit of not achieving the projected growth, another dampening factor on the fair value is the longer period required to achieve the critical size necessary to counter the current expense overruns. We illustrate this in the following table:

Table EX3: Range of Fair Market Values for the Family Takaful Business as at 31 December 2015 on 15% base discount rate

LKR Million	% of 5 year New Business Target Achieved	
	90%	100%
A. Net Asset Value	516	516
B. In-force Value	152	152
C. Embedded Value (C = A + B)	667	667
D. Value of Future New Business	1,146	1,273
E. Expense Overrun*	(519)	(416)
F. Cost of Excess Capital	(4)	(4)
G. Total Fair Market Value (H = C + D + E + F)	1,290	1,520
Price to Book Value	2.50	2.95

Source : Management, KPMG Analysis

Appendix 3 – Extracts from Actuarial Valuation Report (Cont.)

Appraisal Valuation Report of the Family Takaful Business of Amana Takaful Life Limited as at 31 December 2015

Note: The target % is applied on the first 5 years of the new business plan, and thereafter a long term business growth is adopted for each product. We have also reduced the increase in expenses from year 3 in tandem with the reduced new business growth in the scenarios above.

- 1.14 Based on historical new business growth performance, we opine that a fair market value of ATLL as at 31st December 2015 is LKR1,290 million on a base discount rate of 15% per annum. This indicates a price to book value of 2.50 which is still on the high side of what we have witnessed in Sri Lanka (see 1.21 below), but is also reflective of the potential of growth for a company like ATLL. However, we also note the upside available on higher growth puts the fair value at LKR 1,520 million with a price to book value of 2.95.
- 1.15 The expense overruns in the table above are dependent on future new business growth. The figures are based on the best estimate new business growth assumptions and current marginal expense basis against company level budgeted expense.
- 1.16 The cost of excess capital represents the cost of holding capital available in the Company which is not utilised. This is due to the requirement of a minimum paid-up capital of LKR 500 million. As at year-end 2016, the total capital required for in-force business at capital adequacy ratio of 120% is estimated to be within LKR 476 million (based on 2015 average asset allocation) which is slightly below the minimum required capital of LKR 500 million. We estimate that the minimum capital will be utilized from the 2nd year onwards, on the basis that the Company achieves the assumed new business growth, and on the 2015 average asset allocation. However, we note that a substantial portion of the total capital required is currently due the asset concentration risk charges (of having exposure to inadmissible assets, in this case cash deposits exceeding the admissible limit) and these charges can be easily reduced should the need arise.
- 1.17 We have not taken into account in our appraisal value calculation the investment income earned on treasury bills of the Participant's Fund (excluding mortgage plan) due to Shariah compliance issues. This is consistent with the valuation methodology used in the Company's annual valuation report. We note in the past that the Company's practice (which is approved by their Shariah board) is to use the interest from treasury bills of the Participant's Fund to meet rider claims. Therefore, we note that there would be an upside value on the fair market value due to the investment income from treasury bills of the Participant's Fund. In 2015, this investment income totalled LKR 6 million.
- 1.18 We have also performed sensitivity testing on the appraisal value to determine the impact of variation from the best estimate assumptions. The key factors tested are:
- New business growth
 - Discount rate (shown in Table EX2)
 - Investment return on Operating Fund (OF)
 - Expense level
 - Lapse experience

Actuarial Partners

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Source : Management, KPMG Analysis

Appendix 3 – Extracts from Actuarial Valuation Report (Cont.)

Appraisal Valuation Report of the Family Takaful Business of Amana Takaful Life Limited as at 31 December 2015

- 1.19 As ATLL does not share in the underwriting profits from the risk funds, the appraisal value is less sensitive to the underwriting experience (i.e. mortality and morbidity). This will only be an issue if qard is extended to the risk funds which cannot be repaid. As at the end of the financial year, the risk funds in aggregate is in a solvent position.
- 1.20 Further details on the sensitivity tests and its impact on the appraisal value are described in Section 7.
- 1.21 We have also considered the calculated appraisal value relative to the historical transactions for insurance companies in Sri Lanka. It is noted that the best estimate appraisal value for ATLL shown in Table EX2 appears to be on the high side relative to recent transactions¹, at 2.38 to 3.77 times price-to-book value compared to the industry price-to-book value for insurance related transactions. This is because a large part of the appraisal value for the family takaful business of ATLL is driven by the value of future new business.

Table EX4: Comparison against historical transactions completed in Sri Lanka

Insurance Company	PBV Multiple
CeylInco Insurance PLC	1.73
AIA Insurance Lanka PLC	1.83
Asian Alliance Insurance PLC	3.18
HNB Assurance PLC	0.66
Janashakthi Insurance PLC	1.39
Union Assurance PLC	3.73
Arpico Insurance PLC	0.15
Amana Takaful PLC	1.37
Life and general Insurance sector multiple	1.65

Source: KPMG Valuation and Interpretation Market Multiples Methodology - PBV

- 1.22 To maximise the value of the family takaful business going forward, we recommend the following to ATLL. We note that ATLL's current business plans already reflects some of the recommendations below and hence are already on track.
- Since new business is a significant contributor to the appraisal value of the family takaful business, it is important to strive to maximise new business growth. Retaining and developing the agency force is important as they are one of the key drivers in achieving new business growth for the Company.
 - The sales of investment-linked business should be maximised, particularly regular contribution business, given its high profit margin and contribution towards meeting expenses.

¹ It is noted that there is limited information on life insurance transaction alone but we expect the market average for life insurance transactions to be higher relative to general insurers.

Source : Management, KPMG Analysis

Appendix 3 – Extracts from Actuarial Valuation Report (Cont.)

Appraisal Valuation Report of the Family Takaful Business of Amanah Takaful Life Limited as at 31 December 2015

- The sales of riders to investment-linked business should also be maximised given their material contribution to profits.
- Although new business growth is essential, the quality of sales is also important. We recommend for the Company to encourage quality sales to improve persistency. For example, we recommend a conservation strategy to be developed, to increase the persistency of the investment-linked given that they are highly sensitive to lapse risk in the first four years. It is noted that lapse rates for the Company have been improving but still on the high side reflecting the general industry experience
- We recommend that ATLL continue to control its expense levels to minimise expense overruns and in tandem with the topline efforts above to achieve critical size to support the current expense levels.
- We advise the Company to carry out re-pricing exercise when required, particularly if any products are observed to have more adverse experience compared to that assumed in pricing. For example, we note that the MRTT plans should be repriced given the difficulty in achieving the implied yield used in pricing.
- We recommend the Company to continue to monitor and optimise its retakaful arrangements. For instance, if the claims experience of a line of business becomes more credible and favourable compared to the retakaful rates, the Company should increase the retention of the business in order to maximise the value of the business.

1.23 This report should be read in its entirety to obtain a full understanding of the methodology and assumptions used in this valuation, as individual sections, if read in isolation may be misconstrued. This report is not to be used for any other purpose than the use intended, and may not be shared to any third party other than the SEC without our express written permission being given beforehand.

Actuarial Partners

7

Source : Management, KPMG Analysis

Appendix 3 – Extracts from Actuarial Valuation Report (Cont.)

6

SUMMARY OF RESULTS

6.1 This section summarises the results of the projection to estimate the appraisal value, for each of the following components:

- Net Asset Value (NAV).
- Present Value of In-force (VIF).
- Present Value of New Business (VNB).
- Present Value of Expense Overruns.
- Qard Repayment Adjustments.
- Cost of Excess Capital.

NET ASSET VALUE (NAV)

6.2 The NAV of ATLL's family takaful business, as at 31 December 2015 is calculated based on the statutory accounts as shown below.

Table 6.1: Net Asset Value of ATLL as at 31 December 2015

LKR million	ATLL Family Takaful Business
A. Total Assets	2,464
B. Total Liabilities	1,949
C. Net Asset Value (C = A - B)	516

Source : Management, KPMG Analysis

Appendix 3 – Extracts from Actuarial Valuation Report (Cont.)

PRESENT VALUE OF IN-FORCE BUSINESS (VIF)

6.3 The value of in-force business for family takaful is projected using base assumptions⁴ with a risk discount rate of 12%, 15%, 18% p.a., and the results are summarised in the table below.

Table 6.2: The value of in-force business as at 31 December 2015

LKR Million	Discount Rate		
	12.00%	15.00%	18.00%
A. Present Value of Future Profit (PVFP)	279	257	240
B. Cost of Capital	(33)	(105)	(155)
C. In-force value (C = A + B)	246	152	85

The VIF for each product type, projected using base assumptions with a risk discount rate of 15% p.a., are summarised in the table below:

Table 6.3: The VIF by product as at 31 December 2015

Risk Discount Rate		Present Value of Future Profits (PVFP) LKR Millions		
		12.00%	15.00%	18.00%
Family Takaful (Basic)	Savings and Protection	29	27	25
	Unit-Linked (Basic)			
	Savings and Protection	113	104	98
	Investment Plan	23	21	19
	Retirement	2	1	1
Group Fund	Rider - PA	12	11	10
	Rider - FR	1	1	1
	Rider - AFP	8	8	7
	Rider - CI	15	13	12
	Rider - WI	1	1	1
	Rider HB	75	69	65
	Group Plans	0	0	0
Mortgage	MRTT	1	1	0
Total PVFP		279	257	240
Less: Cost of Capital		(33)	(105)	(155)
Value of Business Inforce (PVFP less CoC)		246	152	85

6.4 The detailed projection results are shown in Appendix A14.

⁴ The base assumption is assuming that the new business growth assumption is based on 100% new business contribution target achieved.

Appendix 3 – Extracts from Actuarial Valuation Report (Cont.)

PRESENT VALUE OF NEW BUSINESS

- 6.5 The value of one-year of new business is determined using base assumptions with a risk discount rate of 12%, 15%, and 18% p.a.
- 6.6 The capitalisation factor is derived based on 10 years projection of new business growth, discounted at the respective risk discount rate with an additional risk margin of 3.0% p.a. (i.e. 15.0%, 18.0% and 21.0% respectively).

Table 6.4: Capitalisation factor based on a range of risk discount rate

	12.00%	15.00%	18.00%
Aggregate Capitalisation Factor	22.2	19.7	17.6

- 6.7 The capitalisation factor is then applied to one year of new business value, to determine the value of future new business as follows:

Table 6.5: The value of future new business as at 31 December 2015

LKR Million	Discount Rate		
	12.00%	15.00%	18.00%
A. One year of new business value	75	68	62
Less: Cost of Capital	(1)	(3)	(5)
B. One year of new business value less CoC	74	65	58
C. Capitalisation factor*	22.2	19.7	17.6
D. Value of Future New Business (D = B * C)	1,642	1,273	1,012

*This is the weighted average capitalisation factor from Table 6.4. Figures may not match due to rounding.

Appendix 3 – Extracts from Actuarial Valuation Report (Cont.)

6.8 The value of one year new business for each product type, projected using base assumptions with a risk discount rate of 15% p.a., are summarised in the table below:

Table 6.6: The one-year VNB by product as at 31 December 2015

Risk Discount Rate		Present Value of Future Profits (PVFP) LKR Millions		
		12.00%	15.00%	18.00%
Family Takaful (Basic)	Savings and Protection	-	-	-
Unit-Linked (Basic)	Savings and Protection	42	39	38
	Investment Plan	3	2	1
	Retirement	1	1	1
Group Fund	Rider - PA	2	2	2
	Rider - FR	0	0	0
	Rider - AFP	1	1	1
	Rider - CI	2	2	2
	Rider - WI	0	0	0
	Rider HB	22	20	19
	Group Plans	1	1	1
Mortgage	MRTT	(2)	(2)	(2)
Total PVFP		73	68	60
Total PVFP excluding MRTT		75	68	62
Less: Cost of Capital		(1)	(3)	(5)
Value of One Year New Business (PVFP less CoC)		74	65	58

Note: MRTT provided a negative profit margin which we have zeroised for this report

Appendix 3 – Extracts from Actuarial Valuation Report (Cont.)

Appraisal Valuation Report of the Family Takaful Business of Amana Takaful Life Limited as at 31 December 2015

6.9 The expected new business profitability derived from the cashflow projections, as a percentage of annualised contributions is summarised below:

Table 6.7: Expected new business profitability

Fund	Product	Present Value of Future Profits (PVFP) (LKR million)	PVFP % of first year Contribution	PVFP as % of PV of Future Contribution
Unit-Linked (Basic)	Savings and Protection	39	20.1%	10.2%
	Investment Plan	2	0.5%	0.5%
	Retirement	1	9.5%	5.1%
Group Fund	Rider - PA	2	64.3%	31.1%
	Rider - FR	0	65.5%	32.6%
	Rider - AFP	1	71.0%	32.1%
	Rider - CI	2	48.6%	23.3%
	Rider - WI	0	66.9%	35.1%
	Rider HB	20	78.3%	39.4%
	Group Plans	1	8.1%	9.3%
Mortgage	MRTT	(2)	-7.4%	-8.0%
Total before COC		66	10.8%	8.0%
Total excluding MRTT		68	11.6%	8.5%

6.10 In the derivation of value for one-year of new business, we have not included the loss making products (i.e. MRTT) as we have assumed ATLL should not be writing loss making products over the long term.

6.11 The detailed projection results are shown in Appendix A15.

Source : Management, KPMG Analysis

Appendix 3 – Extracts from Actuarial Valuation Report (Cont.)

PRESENT VALUE OF EXPENSE OVERRUNS

6.12 The present value of expense overruns is determined using base assumptions with a risk discount rate of 12% p.a., 15% p.a. and, 18% p.a.

Table 6.8: The present value of projected expense overruns as at 31 December 2014

LKR Million	Discount Rate		
	12.00%	15.00%	18.00%
A. Present value of expense overruns / (underruns)	459	416	380

6.13 Based on the best estimate assumptions described in Para 5.16 to 5.22, the expense overruns shown in the table above are expected to be eliminated after 10 (ten) years from the appraisal valuation date.

COST OF EXCESS CAPITAL

6.14 The cost of excess capital represents the cost of holding capital available in the Company which is not utilised. This is due to the requirement of a minimum paid-up capital of LKR 500 million. As at year-end 2016, the total capital required based on existing in-force business at 120% capital adequacy ratio is only LKR 476 million, which is slightly below the minimum capital requirement of LKR 500 million. We estimate that the minimum capital will be fully utilised from the 2nd year onwards, on the basis that the Company achieves the assumed new business growth.

Table 6.9: The cost of excess capital as at 31 December 2015

LKR Million	Discount Rate		
	12.00%	15.00%	18.00%
A. Cost of excess capital	(1)	(4)	(7)

Source : Management, KPMG Analysis

Appendix 3 – Extracts from Actuarial Valuation Report (Cont.)

Appraisal Valuation Report of the Family Takaful Business of Amana Takaful Life Limited as at 31 December 2015

APPRAISAL VALUE AS AT 31 DECEMBER 2015

6.15 To summarise, the fair market value of the family takaful business of ATLL as at 31st December 2015, including the Shareholders' fund's Net Asset Value and the variation of the value at different risk discount rates are summarised as below:

Table 6.10: Range of fair market value for family takaful business as at 31st December 2015

LKR Million	Discount Rate		
	12.00%	15.00%	18.00%
A. Net Asset Value	516	516	516
B. In-force Value	246	152	85
C. Embedded Value (C = A + B)	761	667	600
D. Value of 1 Year New Business	75	68	62
Unit-Linked Plans	74	67	61
Group Plans	1	1	1
MRTT	-	-	-
E. Cost of Capital for 1 Year New Business	(1)	(3)	(5)
F. Value of 1 Year New Business Less Cost of Capital (F = D + E)	74	65	58
G. Aggregate Capitalisation Factor	22.2	19.7	17.6
H. Value of Future New Business (H = F * G)	1,642	1,273	1,012
I. Expense Overrun	(459)	(418)	(380)
J. Cost of Excess Capital	(1)	(4)	(7)
K. Total Fair Market Value (K = C + H + I + J)	1,944	1,520	1,225
Price to Book Value	3.77	2.95	2.38

6.16 The fair market value is estimated at LKR 1,520 million on the business plan provided. The range of fair value is affected by the rate of discount rate used with a lower discount rate giving a higher value of LKR 1,944 million and a higher discount rate a value of LKR 1,225 million.

Source : Management, KPMG Analysis

Appendix 3 – Extracts from Actuarial Valuation Report (Cont.)

8

CONCLUSIONS

9.1 We have summarised the range of the appraisal value of ATLL's family business as at 31 December 2015, based on best estimate assumptions, in the table below. The variations of the value at the different discount rates are shown below.

Table 9.1: Range of Combined Fair Market Values for the Family Takaful Business as at 31 December 2015

LKR Million	Discount Rate		
	12.00%	15.00%	18.00%
A. Net Asset Value	516	516	516
B. In-force Value	246	152	85
C. Embedded Value (C = A + B)	761	667	600
D. Value of 1 Year New Business	75	68	62
Unit-Linked Plans	74	67	61
Group Plans	1	1	1
MRTT	-	-	-
E. Cost of Capital for 1 Year New Business	(1)	(3)	(5)
F. Value of 1 Year New Business Less Cost of Capital (F = D + E)	74	65	58
G. Aggregate Capitalisation Factor	22.2	19.7	17.6
H. Value of Future New Business (H = F * G)	1,642	1,273	1,012
I. Expense Overrun	(459)	(416)	(380)
J. Cost of Excess Capital	(1)	(4)	(7)
K. Total Fair Market Value (K = C + H + I + J)	1,944	1,520	1,225
Price to Book Value	3.77	2.95	2.38

Source : Management, KPMG Analysis

Appendix 3 – Extracts from Actuarial Valuation Report (Cont.)

9.2 The key factors driving the appraisal value are

- New business growth.
- Lapse experience.
- Expense level.

9.3 It is noted that a significant proportion of the appraisal value is due to value of future new business. Therefore we would like to highlight that the appraisal value is highly dependent on the ability of the Company to achieve the projected new business contribution targets. Based on a reduced assumption of new business contribution target of 90%, we opine that the fair market value of ATLL's family takaful business at a discount rate of 15% p.a. to be between LKR 1,290 million to LKR 1,520 million. This is summarised in the table below:

Table 9.2: Range of Fair Market Values for the Family Takaful Business as at 31 December 2015 on 15% base discount rate

LKR Million	Percentage of new business contribution target achieved	
	100%	90%
A. Net Asset Value	516	516
B. In-force Value	152	152
C. Embedded Value (C = A + B)	667	667
D. Value of Future New Business	1,273	1,146
E. Expense Overrun	(416)	(519)
F. Cost of Excess Capital	(4)	(4)
G. Total Fair Market Value (G = C + D + E+ F)	1,520	1,290
Price to Book Value	2.95	2.50

9.4 Based on historical growth performance, we opine a fair market value of ATLL as at 31st December 2015 of LKR1,290 million on a base discount rate of 15% per annum. This indicates a price to book value of 2.50 which is still on the high side of what we have witnessed in Sri Lanka, but is also reflective of the potential of growth for a company like ATLL. However, we also note the upside available on higher growth puts the fair value at LKR 1,520 million with a price to book value of 2.95.



Zainal Abidin Mohd. Kassim
Fellow of the Institute and Faculty of Actuaries,UK



Aiza Yasmin Benyamin
Fellow of the Institute and Faculty of Actuaries,UK

Source : Management, KPMG Analysis

Appendix 4 - Country Overview

Country Overview

- Sri Lanka, officially the Democratic Socialist Republic of Sri Lanka, is an island country located in the Indian ocean off the Southern coast of the Indian subcontinent in South Asia.
- Sri Lanka was ranked 85th place out of 141 countries in the Global Innovation Index (GII) in 2015 in comparison to 105th during the last year. The index evaluates the innovation performance of countries and economies around the world, based on 79 indicators.

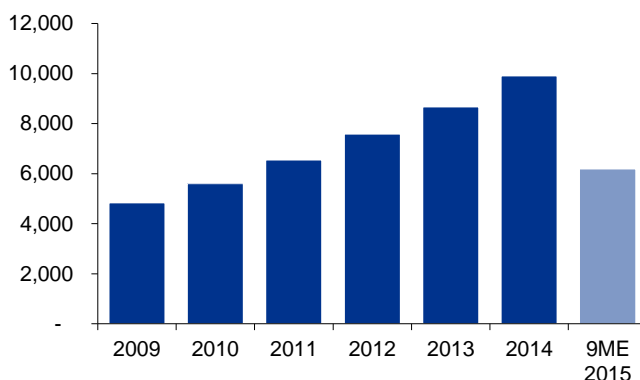
Gross Domestic Product

- In the first half of 2015 the economic growth was reported to be 5.6% as per the CBSL. The GDP per capita based on market prices increased to USD3,625 in 2014 from USD3,280 in 2013, and is projected to grow by 5.7% in 2015.
- In 2014, contributions to growth by the three major sectors of the economy in 2014 were 10.1% agriculture, 32.3% industry and 57.6% from the service sector.
- During the first half of 2015 the service sector grew by 7.1%, the agriculture sector grew by 3.3% and the Industry sector grew by 1.3% in value added terms

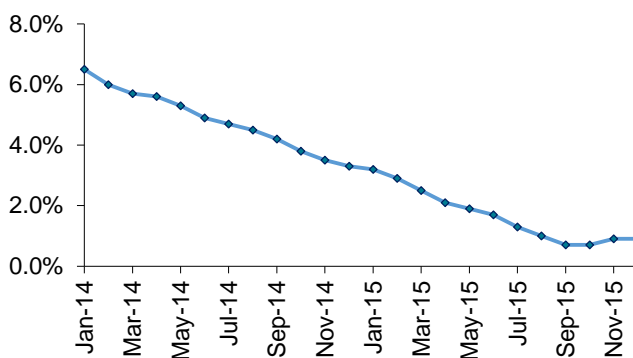
Inflation

- On an annual average basis in December 2015 inflation was reported to be 3.8%.
- Inflation has remained at single digit levels for the 7th consecutive year. The low inflation in 2015 could be attributed to prudent policies of the CBSL, improved domestic supply conditions and low international commodity prices.

GDP at constant market prices (LKR Bn)



Inflation Annual Average



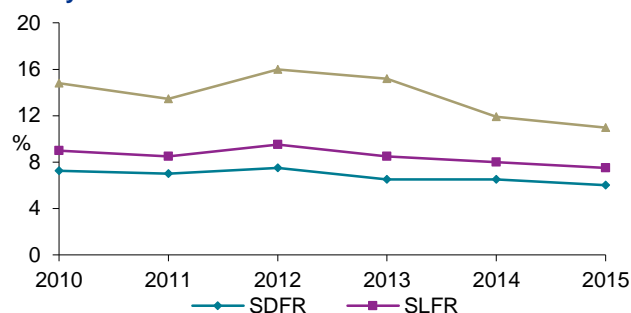
Source : CBSL

Appendix 4 – Country Overview (Cont.)

Interest Rates

- In order to ensure the stability of short term interest rates, the Standing Lending Facility Rate (SLFR) rate was reduced by 50 basis points to 8.00% in January 2014, while the Standing Deposit Facility Rate (SDFR) remained unchanged at 6.50%, during the year.
- The SLFR and SDFR were reduced by a further 50 basis points to 7.50% and 6.00% respectively in April 2015.

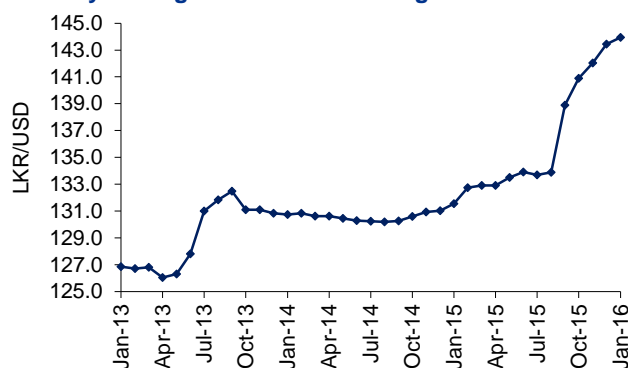
Policy Rates



Exchange Rate

- The Sri Lankan Rupee depreciated 9.4% to LKR143.94, against the US Dollar, 4.1% against the Great Britain Pound to LKR 207.69 and 2.3% against the Euro to LKR156.37 as at end January 2016 (Year on Year).
- The decision to allow supply and demand factors to determine the exchange rate in September 2015 was a significant cause of the spike in the rate during the latter part of the 2015.

Monthly Average LKR/ USD Exchange Rate



Exports and Imports

- Earnings from exports in the first 08 months of 2015 declined by 3.4% on a year on year basis and declined to USD7.1 Bn, reflecting weakening global demand.
- Expenditure on imports registered an increase of 7.9% YoY in 2014, led by imports of intermediate goods and consumer goods, particularly during the second half of the year. Import expenditure remained largely unchanged in the first 08 months of 2015 at USD12.6 Bn.

Unemployment Rates

- The unemployment rate increased marginally from 4.3% in the first half of 2014 to 4.6% in the corresponding period of 2015 largely due to an increase in female unemployment.

Source : CBSL

Appendix 4 – Economic Overview (Cont.)

Economic Outlook

		Actual		Projection		
		2014	2015	2016	2017	2018
Real sector and inflation						
Real GDP growth	%	7.4	7.0	7.5	8.0	8.0
Total investment	% of GDP	29.7	28.0	30.0	31.0	32.5
External sector						
Trade balance	% of GDP	-11.1	-7.8	-8.1	-7.6	-7.1
Current account balance	% of GDP	-2.7	-1.0	-1.4	-1.0	-1.0
Fiscal sector						
Current account balance	% of GDP	-1.3	-0.4	0.4	1.1	1.3
Overall balance	% of GDP	-6	-4.4	-4.2	-4.0	-3.8
Government debt	% of GDP	75.5	72.0	69.0	66.0	63.0
Monetary sector						
Broad money growth (M2b)	%	13.4	12.0	12.5	13.0	13.0
Private sector credit growth (in M2b)	%	8.8	15.5	15.0	15.0	15.0

- As per the CBSL annual report 2014 it is identified that Sri Lanka is expected to achieve a sustainable growth rate in the medium term, with the expectation of achieving a real growth rate of 7.0% in the medium term and an average growth rate of 7.8% during the period 2016-2018.
- The reasons for the expected moderate growth rate is identified as the slow down in public sector construction activity and conservative sentiment of private investors, particularly during the first quarter of the year.
- During the period under review the inflation rate is expected to remain at single digit levels. The annual consumer price inflation is expected to be 3.0% in 2015 and an approximate average of 4.0% during 2016-2018.
- Further the external sector is also expected to grow during the forecast period. Earnings from exports are expected to grow during 2015 and beyond, contributing towards external sector stability. However the growth in imports is expected to grow at a higher rate in comparison to 2015 reflecting a higher demand from consumers.
- CBSL report also states that inflows from service sector exports would continue to record a high growth in the medium term, particularly with the expected increase in revenue from improvements in earnings from tourism and telecommunications, computer and information services.

Source : CBSL

Appendix 5 – Sources of Information

- Audited accounts for 2015 and Management forecasts 2016 - 2020
- Colombo Stock Exchange
- Central Bank of Sri Lanka
- Appraisal Valuation Report

Source : Management, KPMG Analysis



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Appendix 6 – Engagement Letter



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Private and Confidential

12 January 2016

The Board of Directors
Amana Takaful PLC,
660 – 1/1, Galle Road,
Colombo 03,
Sri Lanka.

Attn: Mr. Reyaz Jeffrey

Dear Sir,

DEAL ADVISORY SERVICES – AMANA TAKAFUL PLC

We are writing in relation to the recent discussions between KPMG (“KPMG”) and Amana Takaful PLC (“ATL”) in connection with the proposed share valuation (“Engagement”) of Amana Takaful Life Limited (“ATLL”) in relation to listing of ATLL by way of an introduction, in this connection appointing KPMG to carry out the share valuation.

We are pleased to confirm that we are interested in assisting you as Financial Advisors in undertaking this engagement to provide you advisory services in connection with the Proposed Engagement.

This engagement letter (“this letter”) sets out below, our understanding of and the proposed terms of reference for this engagement. This letter also specifies the services we are to deliver, the engagement team we have assigned to you, how you will remunerate us and the other terms and conditions governing our relationship.

We request you to read this letter carefully and confirm your agreement with its terms by signing and returning to us the enclosed duplicate.

1. Background

We understand that ATL, having its Registered Office at 660 – 1/1, Galle Road, Colombo 03 has approached KPMG, to carryout share valuation of ATLL for the purpose of listing of ATLL by way of an introduction.

KPMG would determine a range of values by way of share valuation, which would be based on a number of methodologies. Based on this range of values, it will be your prerogative to select a price for the respective purpose.

ATL will provide the necessary financial statements, forecasts and assumptions to undertake the share valuation. KPMG will not take ownership of the projections; we will only assess the reasonability of the forecasts and assumptions considered in the preparation of the forecasted information.

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne ACA
R.H. Rajan ACA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyaratne ACA
R.M.D.B. Rajapakse ACA
M.S. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo ACA
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA



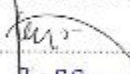
Appendix 6 - Engagement Letter (Cont.)



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Deal Advisory Services - Amana Takaful PLC

Acknowledgement

The terms and conditions of this engagement letter and attachments have been read and understood by the Board of Directors (Board)/ Audit Committee/me and I am authorised on behalf of the Board/Audit Committee/Management to agree to and accept them on behalf of Amana Takaful PLC.

Authorized signature: 

Name: Regaz Jeffrey

Designation: Chief Executive Officer

Date: 13.01.2016

Appendix 7 – Insurance Sector Credentials

- **Industry and Financial Analysis for a Potential Life Insurance Start-up**– The assignment involved conducting an analysis of the Life Insurance Industry in Sri Lanka and preparation of an Information Memorandum to source investor interest in to a company looking to establish a new Life Insurance business.
- **Services regarding Exit Options for an Insurance Company**– KPMG provided assistance to the client to evaluate possible exit options for shareholders of an insurance business.
- **Valuation of Insurance Company in the Maldives** –The assignment involved conducting a share valuation for a large insurance company operating in the Maldives. The engagement team used a variety of valuation techniques to arrive at a suitable valuation of the company.
- **Valuation of the Leader in Insurance in Sri Lanka** – The engagement involved providing financial business valuation services for the leader in the Sri Lankan Insurance industry for a share buyback. The Company was valued based on net asset methodology and the market multiples methodology.
- **Valuation of an Islamic Insurance Provider** -KPMG in Sri Lanka assisted the client entity on a share valuation of an Islamic insurance services provider in Sri Lanka using methods such as net asset basis, market multiple, and discounted cash flows.
- **Valuation of an Insurance Company which is a Subsidiary of a Leading Commercial Bank** – The assignment involved carrying out a share valuation for a subsidiary of a leading commercial bank in Sri Lanka for a rights issue.
- **Valuation of an Insurance Company with an International Brand Name** – KPMG in Sri Lanka carried out a share valuation of an insurance company with an international brand name for taxation purposes.
- **Valuation of an insurance Company which is into General Insurance**–. This engagement involved performing a share valuation of an insurance company which provides general insurance.

Appendix 7 -Other Valuation Credentials

- **Valuation of Finance Company**– The assignment involved carrying out a valuation of a medium scale finance company which was considered for acquisition by a local development bank.
- **Valuation of Commercial Banking Entity**– KPMG in Sri Lanka carried out a valuation of a local commercial banking entity for consideration into a proposed divestment of the entity.
- **Valuation of Offshore Financial Services BPO** - The engagement involved carrying out a valuation of a large scale financial services BPO which operates as a captive offshore back office BPO for a multinational financial services sector entity.
- **Valuation of a Listed Commercial Bank** – KPMG carried out a valuation of a listed commercial bank in relation to an M&A transaction. A calculation of a share swap ratio was also completed and the report was submitted to Boards of both parties.
- **Valuation of Leasing Company** - The assignment involved conducting a share valuation for a well established leasing company with 10 branches and offering leasing, hire purchase, factoring and vehicle hiring services.
- **Valuation of a Higher Education Institution** – KPMG in Sri Lanka carried out a valuation of a higher education institution offering a range of international undergraduate and postgraduate courses.
- **Valuation of Large Diversified Company** – The assignment involved conducting a share valuation for a well established diversified company with 45 local and international subsidiaries.
- **Valuation of a Sugar Manufacturing Business**- This engagement involved performing a share valuation on a large scale sugar manufacturing factory using P/E Multiples and Discounted Cash Flow (DCF) methodologies in order to provide a fairness opinion of the Company.
- **Valuation of Shipping Agency** - The engagement involved providing financial business valuation services for a large Shipping company which has agencies for several leading international shipping lines. The scope of the assignment was to arrive at a suitable share valuation for the company which now counts over 2 decades in operation.
- **Valuation of Large Cement Company** – The assignment involved carrying out a valuation of a cement company for a multinational cement processing and distribution company which was considering an acquisition of the entity.

Appendix 8 – Engagement Team



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Name	Reyaz Mihular
Position	Managing Partner – KPMG Sri Lanka
Qualifications	<ul style="list-style-type: none"> ● Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA) ● Fellow Member of the Chartered Institute of Management Accountants – UK (FCMA)
Experience	<ul style="list-style-type: none"> ● Reyaz is the Managing Partner of KPMG in Sri Lanka. He leads a team comprising of over 900 professionals and associates. He counts over 30 years of experience in Audit and Advisory areas, having led engagements in business valuations, due diligences, restructuring, accounting advisory, infrastructure advisory, mergers & acquisitions and related service engagements. ● He previously served as the Regional Executive Officer of the KPMG Middle East & South Asia Regional Office where he was responsible for coordinating regional level strategy for KPMG member firms across 15 countries. He also served on KPMG’s Global Corporate Finance Board, as the Head of Advisory for the KPMG MESA region and presently continues to serve as the Head of IFRS for the KPMG MESA region. ● Reyaz has led engagement teams in due diligences and valuations for a vast number of cross border transactions covering both inbound investments to Sri Lanka and outbound investments by Sri Lankan companies. His experience in due diligences range from mass scale investments such as acquisitions of large state owned corporations and conglomerates to individual acquisitions of leisure properties and boutique hotels. He has also led a vast number of M&A Advisory engagements including functioning as the lead advisory in one of the single largest private placements raising over LKR3 Bn for the formation of a banking entity in Sri Lanka. ● His experience covers both buy side and sell side due diligences, independent reviews and advisory assistance throughout the various phases of the transaction process. ● Reyaz is a Past President of the Institute of Chartered Accountants of Sri Lanka and served a five year term on the International Board of the International Accounting Standards Committee (IASC). He was also actively involved in the development of a number of accounting standards.
Country Experience	UAE, Sri Lanka, United Kingdom, Maldives, Bangladesh, Pakistan.
Domain experience	Financial Services, Infrastructure & Government, IT, Industrial Markets, Energy, Manufacturing, Consumer Markets, Leisure, Maritime & Freight.

Appendix 8 – Engagement Team (Cont.)



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Name	Shiluka Goonewardene
Position	Principal – Deal Advisory, KPMG Sri Lanka.
Qualifications	<ul style="list-style-type: none"> Associate Member of the Institute of Chartered Accountants of Sri Lanka (ACA)
Experience	<ul style="list-style-type: none"> Shiluka is the Principal of the Financial Advisory Services division of KPMG in Sri Lanka. He counts over 20 years of experience in the spheres of Corporate Finance, Transaction Services, Mergers & Acquisitions and Real Estate Advisory Services and leads a team of 30 professionals and associates. Has served as the Engagement Partner / Director in numerous advisory engagements ranging from business valuations, financial due diligences, private placements, restructurings and mergers for companies in varied industries. Shiluka has recently led engagement teams in separate valuation engagements for three listed banking entities in Sri Lanka and a further series of valuations for leasing and financial services sector companies. Led engagement teams in the conduct of due diligences for an overseas acquisition of a financial services company in Sri Lanka, a due diligence for an inbound investment into a banking entity in Sri Lanka and advised on the structuring of capital in relation to the setting up of an Insurance company in Sri Lanka. Prior to rejoining KPMG, Shiluka served in the Mergers and Acquisitions Group of a multinational Fortune 500 company in the Middle East for a six year term where he was involved in a number of strategic acquisitions for the group. During his tenure with the group Shiluka was responsible for identifying viable business opportunities, evaluating and advising on due diligence, valuation and transaction structuring, presenting the financial aspects of the business case to the Executive Management and Board, and was also involvement in the negotiation and closing process of transactions. Shiluka has carried out transaction and corporate finance related assignments and projects in the United States, United Kingdom, Netherlands, China, Turkey, Algeria, Egypt, Sri Lanka, Bangladesh, Pakistan, Dubai, Iran, India and the Maldives. Led the team that advised in a number of privatizations and restructuring engagements for several key State institutions in Sri Lanka, served as a key resource person in an advisory assignment involving the entry strategy for a multinational oil corporation in its entry to the petroleum and gas market in Sri Lanka and also led the due diligence for the divestment of a multinational financial services entity. Serves as a Director of KPMG Sri Lanka’s company secretarial and registrar services arm which advises and assists quoted companies, multinationals, inbound investments and newly incorporate companies in corporate secretarial services including liaising with the Colombo Stock Exchange, Registrar of Companies, Department of Exchange Control and the Board of Investment on requisite areas.
Domain experience	Financial Services, Infrastructure & Government, Manufacturing, Industrial Markets, IT, Chemicals, Energy, Consumer Markets, Leisure, Maritime & Freight

Appendix 8 – Engagement Team (Cont.)



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Name	Ajantha Weerasekera
Position	Director – Deal Advisory, KPMG Sri Lanka.
Qualifications	<ul style="list-style-type: none"> • Masters in Finance, London Business School • Chartered Financial Analyst (CFA) • Associate Member of the Chartered Institute of Management Accountants, UK (ACMA) • BSc. Finance (First Class), University of Sri Jayewardenepura, Sri Lanka
Experience	<ul style="list-style-type: none"> • Ajantha counts over eight years of experience in financial services in Sri Lanka and abroad, and has a successfully led and assisted in a range of advisory engagements including valuations, corporate finance, and restructuring transactions. • Has served as the Engagement Director in numerous advisory engagements ranging from business valuations, company restructuring, mergers and acquisition transactions for companies in a variety of industries. • Ajantha currently serves as the Engagement Director in a business restructuring transaction related to large listed conglomerate in Sri Lanka, which also involves detailed legal due diligence studies, accounting and tax advisory services and other transaction services. • Ajantha has recently led teams in a valuation engagement for a large banking group in relation to a merger transaction between two large banking groups in Sri Lanka. • He has lead several valuation engagements in the Non Banking Financial Institutions (NBFIs) sector in Sri Lanka, in relation to the regulator lead Financial Sector Consolidation program. With regards to the same program, Ajantha currently serves as the Engagement Director on two restructuring engagements which involves preparing a business plan, valuations and providing transaction management services. • He also served as the Engagement Director in a large valuation transaction in the Beverages sector related to large conglomerates in Sri Lanka, which also involves intangible asset valuation, detailed financial due diligence, tax advisory services and accounting advisory services. • Ajantha also leads several Corporate Finance projects in the Maldives by liaising with the KPMG Male office. • Prior to rejoining KPMG, Ajantha led the Corporate Finance division and Margin Trading operations in a diversified financial services company. He successfully coordinated the full-acquisition of this diversified financial services company in 2013 and was instrumental in introducing the parties to the transaction. • Ajantha has led valuation teams that have carried out earnings and asset based valuations of a number of companies across global markets such as UK, Europe, China, Hong Kong, India, Malaysia, etc. The sectors covered includes Insurance, Oil and Gas, Banks, Leisure, Retail and REITs. • Experienced in leading teams to delegate responsibility, organize progress meetings to monitor performance with set milestones, prepare progress reports and deliver presentations while directly liaising with clients throughout the engagement process.
Domain experience	Banking & Finance, Insurance, Financial Services, Telecommunication, Leisure, Manufacturing, Retail, Consumer Goods, Food, Beverages and Tobacco

Appendix 8 – Engagement Team (Cont.)



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Name	Mohamed Shamlin Assen
Position	Manager – Deal Advisory, KPMG Sri Lanka.
Qualifications	<ul style="list-style-type: none"> • B.Sc. Accounting (Special) - University of Sri Jayewardenepura, Sri Lanka • Passed Finalist – Chartered Institute of Management Accountants (CIMA – UK)
Experience	<ul style="list-style-type: none"> • Shamlin Assen accounts over six years of experience in financial advisory services in KPMG Sri Lanka and has a successfully lead and assisted in a range of advisory engagements including valuations, corporate plans, business plans, and several M&A projects • Functioned as a team member for the valuation of a large listed conglomerate in Sri Lanka. 45 subsidiaries in several countries were valued using different valuation methodologies for the purpose of pre listing pricing analysis • Served as a team leader in the valuation of a foreign Branch of a leading commercial bank in Sri Lanka for a proposed listing of the Branch in a foreign stock exchange • Functioned in the role of senior team member/team leader in number of corporate finance engagements which involved historical financial statement analysis and commenting on the reasonability of projections provided by the client • Functioned as the team member/project manager in the process of the restructuring of a leading finance company • Served as project manager in carrying out intangible valuations such as brands, licenses and software • Assisted in carrying out several fair valuations of biological assets for IFRS compliance purposes • Served as a team member of M&A projects to find investors for a Islamic bank and a proposed hotel in Sri Lanka • Functioned as a team member in analyzing and valuing a leading hospital chain in Kuwait • Experience in leading teams to delegate responsibility, organize progress meetings to monitor performance with set milestones, prepare progress reports and deliver presentations while directly liaising with clients throughout the engagement process • Currently acts as the manager for several Mergers & Acquisition projects and coordinates several valuations.
Domain Experience	Property, Hotels and Tourism, Banking and Finance, Leasing, Investment Fund, Education, Telecommunication, Manufacturing, Plantations, Retail, FMCG, IT.



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