INDEPENDENT ADVISOR'S REPORT

ALPHA FIRE SERVICES PLC (AFS)

INDEPENDENT ADVISOR'S REPORT ON THE

MANDATORY OFFER MADE BY ATX PARTNERS (PRIVATE) LTD AND ARCASIA INVESTMENT & TRADING (PVD LTD (PRIVATE) LIMITED

TO THE SHAREHOLDERS OF ALPHA FIRE SERVICES PLC
(Company Registration No. PQ 00248999)

HNB Investment Bank (Pvt) Limited possesses the requisite expertise to perform a business valuation of this nature involving a company quoted under the Capital Goods sector (according to the GICS classification)

This report is dated 31th July 2025

The initial report was submitted for SEC approval on the 24st July 2025
and after corrections/amendments SEC approval was received on the 01st August 2025

REPORT PREPARED BY

HNB Investment Bank (Private) Limited

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HNB Investment Bank (Private) Limited has employed due care and consideration in generating all forecasts in this report and assures the correctness and accuracy of statements in relation to the assumptions employed.

In generating forecasts we have used the same accounting policies and Sri Lanka Accounting Standards (SLFRS/LKAS) hitherto followed by Alpha Fire Services PLC, as approved by the auditors of the company. We have prepared and hereby confirm the accuracy of our forecasts in relation to the policies and standards mentioned above.

We hereby give and have not withdrawn our consent to the publication of this report to the Board of Directors and Shareholders of Alpha Fire Services PLC.

HNB Investment Bank (Pvt) Ltd is not in the same group and does not have a significant interest in or financial connection with either offeror or offeree and the Company, its Board of Directors, senior management, employees or agents do not have any arrangements which would compromise its independence. Therefore, it is able to form an independent opinion and valuation of the mandatory offer of Alpha Fire Services PLC.

HNB Investment Bank (Private) Limited as Independent Advisors (IA) are of the opinion that based on the overall valuations on different equity valuation methodologies detailed in this report, the Shareholders of AFS should Not Accept the Offer.

Contents

1. INTRODUCTION

1.1. Background of the Assignment

ATX Partners (Pvt) Ltd and Arcasia Investment & Trading (Pvt) Ltd, acting in concert with JBJ Holdings (hereinafter collectively referred to as the "Offeror" or the "Purchasers"), acquired by way of a crossing transaction carried on 02nd June 2025 on the Colombo Stock Exchange, Twenty **Two Million One Hundred and Thirty Five Thousand and Seventy (22,135,070)** ordinary shares in Alpha Fire Services PLC (hereinafter referred to as the "Offeree" or "AFS") at a price of Sri Lankan Rupees Ten (LKR l0) per share.

Prior to the aforementioned transaction, Arcasia Investment and Trading (Private) Limited, held 687,303 ordinary shares in AFS, representing approximately 1.81% of the issued ordinary shares.

Pursuant to such acquisition effected on by way of trades carried out on 02nd June 2025, that has resulted in the Purchasers collectively holding **Sixty Decimal One Four Percentum (60.14%) of the issued ordinary shares – representing 22,822,373 shares - of AFS at a price of LKR10 per share.**

Details of Offeror's share purchases are in the manner set out below:

Sellers	Consideration Per Share (LKR)	No. of. Shares held	Percentage
Arcasia Investment and Trading (Pvt) Ltd	10.00	9,492,610	25.01%
ATX Partners (Pvt) Ltd	10.00	9,492,610	25.01%
J B J Holdings	10.00	3,149,850	8.30%
Total		**22,135,070**	**58.33%**

The Offeror, offers to acquire from the remaining shareholders of AFS, the balance Fifteen Million One Hundred and Twenty Seven Thousand Six Hundred and Twenty Seven (15,127,627) ordinary shares amounting to thirty nine decimal eight six (39.86%) of the issued and paid up ordinary shares of AFS, which are not already owned by the Offeror or the parties Acting in Concert with the Offeror at an Offer Price of Sri Lankan Rupees Ten (LKR 10) per Share ordinary share. The offer price of Rs. 10.00 per share is the highest price paid by the offeror during the last 12 months.

Source: *Mandatory Offer Document dated 14th July 2025*

1.2. Terms of Reference

Our terms of reference in respect to this assignment are to provide independent advice to the Board of Directors of AFS. Under Section 13(2) of the Company Takeovers and Mergers Code 1995 (as amended in 2003), the Board of Directors of AFS are required to obtain independent advice on the mandatory offer made by the Offeror to the remaining shareholders of the Company at the price of **Rs. 10.00 per share**.

1.3. Limitations

In carrying out this assignment, we have performed reasonable analysis and assessments that were possible and practical within the time available as at the date of this report. We have also obtained information that was considered relevant for this exercise from the management of AFS with reference to the current/future potential of the Company and performed a sensitivity analysis on the same. The value recommendations given in this report are valid as at the valuation date and a reasonable period of time therefrom. ***The use of these value recommendations will not be appropriate after the passage of a substantial time period (generally 6 months from the valuation date) and/or where material changes have taken place in the Company's operating environment.*** A factor to be considered when reading this report is that the valuations carried out have been done based on financial data released by AFS. Where the data provided was incomplete, we have used reasonable judgement and we take responsibility for the same.

2. ALPHA FIRE SERVICES PLC (AFS)

2.1. Background

Alpha Fire Services was established in 1989 in Bahrain by late Mr. Frank Ryde and subsequently the Sri Lankan branch AFS was established in the year 2003. AFS with a qualified and trained team of engineers and technical staff has a workshop located in Pannipitiya. The state of art facility is fully equipped to handle large scale fire protection, detection and suppression systems.

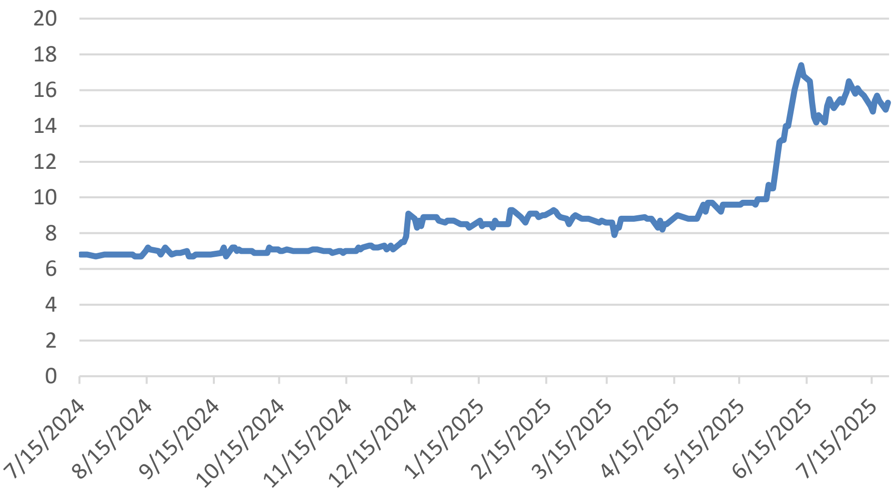
AFS is in the top tier with CIDA EM1 (ICTAD) status and ISO 9001:2015 certification and is a member of National Fire Protection Association (NFPA) – USA (Refer Table 4.3 of this Introductory Document).

Local competitor analysis of the fire safety equipment industry in Sri Lanka is not carried out as there is no publicly available information on the companies carrying out business in this sector as they are privately held companies with no public industry data.

2.2. Share Performance of AFS

Figure 2.1 shows the AFS share price movement over the last 12 months. Over the last 12 months AFS share price has fluctuated with the share price showing a significant increase from the 27th of May this year closing at Rs. 15.90 on 30th July 2025.

Figure 2.1 – Share Price Movement of AFS – Last 12 months



Source: *CSE*

2.3. Past Performance of AFS - Income Statements

For the year ended 31st Mar (Rs.)	**2023**	**2024**	**2025 Unaudited**
Revenue	289,663,882	326,569,040	416,270,509
Cost of Sales	(210,106,707)	(198,170,531)	(237,379,935)
Gross Profit	**79,557,175**	**128,398,509**	**178,890,574**
Other Income	859,970		
Administration expenses	(35,089,786)	(54,236,151)	(61,417,122)
Selling and Distribution Expenses	(17,763,511)	(25,959,400)	(39,330,505)
EBITDA	**27,563,848**	**48,202,958**	**78,142,947**
Depreciation	(2,230,307)	(4,307,632)	(4,609,795)
EBIT	**25,333,541**	**43,895,326**	**73,533,152**
Finance Income	2,649,685	4,677,036	3,556,186
Finance Cost	(12,778,380)	(13,623,022)	(14,025,829)
Profit/(Loss) Before Tax	**15,204,846**	**34,949,340**	**63,063,509**
Tax	(1,225,241)	(10,362,985)	(18,826,718)
Profit/(Loss) After Tax	**13,979,605**	**24,586,355**	**44,236,791**
Other Comprehensive Income		105,297	173,369
Total Comprehensive Income/(Loss) for the Year, Net of Tax	**13,979,605**	**24,691,652**	**44,410,160**

Source: *AFS Annual Reports (FY 2023) and (FY 2024); AFS Interim Financials (March 2025)*

2.4. Past Performance of AFS – Balance Sheets

As at 31st Mar – Rs.	**2023**	**2024**	**2025 Unaudited**
Non-Current Assets			
Land	-	-	-
Property, Plant & Equipment	60,449,600	72,407,471	78,084,584
Term Deposits	29,086,992	30,435,966	32,550,942
Investment in subsidiary	-	-	10,000
	89,536,592	**102,843,437**	**110.645,526**
Current Assets			
Inventory	73,978,714	83,548,022	172,478,167
Trade and other receivables	78,893,320	95,405,151	72,226,995
Cash and Cash equivalents	6,742,585	13,826,017	20,319,152
Cash margin account	4,140,151	10,130,325	4,073,411
	163,755,070	**202,909,515**	**269,097,725**
Total Assets	**253,291,662**	**305,752,952**	**379,743,251**
Capital and Reserves			
Stated capital	25,569,560	76,429,460	76,429,460
Reserves	26,335,143	23,880,760	23,880,760
Retained earnings	22,481,253	45,073,288	83,790,948
Shareholder equity	**74,385,956**	**145,383,508**	**184,101,168**
Non Current Liabilities			
Employee Benefit Liability	3,553,750	4,640,418	5,664,948
Deferred tax	9,262,606	7,795,277	6,121,952
Bank borrowings	10,827,583	1,833,317	6,333,326
Lease liabilities	-	-	-
	23,643,939	**14,269,012**	**18,120,226**
Current Liabilities			
Trade and Other payables	55,418,797	55,482,406	62,516,025
Overdrafts	24,215,011	33,518,650	21,498,729
Amount due to related parties	12,598,136	1,381,414	1,021,414
Short term bank borrowings	29,840,616	33,196,850	68,401,092
Income tax payables	2,946,463	11,929,987	20,251,276
Bank borrowings	19,833,341	10,591,125	3,833,321
Lease liabilities	409,403	-	-
	155,261,767	**146,100,432**	**177,521,857**
Total Equity & Liabilities	**178,905,706**	**305,752,952**	**379,743,251**

Source: *AFS Annual Reports (FY 2023) and (FY 2024); AFS Interim Financials (March 2025)*

3. THE OFFERORS

3.1 Profile of ATX Partners (Pvt) Ltd

ATX Partners (Pvt) Ltd is a limited liability company incorporated in Sri Lanka on 01st February 2024 under the Companies Act bearing company number PV00293285 and having its registered office at Level 3, No.100/1, Elvitigala Mawatha, Colombo 08. The principal activities of ATX Partners (Pvt) Ltd are retail trade and related commercial operations.

3.2 Profile of Arcasia Investment & Trading (Pvt) Ltd

Arcasia Investment & Trading (Pvt) Ltd is a limited liability company incorporated in Sri Lanka on 24th August 2019 under the Companies Act, bearing company number PV00214802 and having its registered office at No. 37 1/1, Pedris Road, Colombo 03. The principal activities of Arcasia Investment & Trading (Pvt) Ltd include making and managing investments, engaging in trading operations and conducting related commercial activities.

The other Purchaser, JBJ Holdings is a limited liability company incorporated on 5th May 2021 under the laws of Cayman Islands bearing company number 375539 and having its registered office at McGrath Tonner Corporate Services Limited, Genesis Building, 5th Floor, Genesis Close, PO Box 446, Cayman Islands, KY1-1106. The principal activities of JBJ 1loldings include holding and managing investments.

Source: *Mandatory Offer Document dated 14th July 2025*

3.3 Intention of the Offeror

The Offer to the Shareholders of AFS is made pursuant to a statutory obligation on the Offerors to make a mandatory offer under Rule 31 (1) (a) of the Code, consequent to the acquisition by the Purchasers, by trade carried on 02nd June 2025, of fifty eight decimal three two seven percent (58.327%) of the Shares in AFS.

The Offerors' intention is to continue, in its ordinary course, the current business of AFS, which is the supply, installation, commissioning and maintenance of fire alarm systems, fire hydrant systems, fire hose reel systems, sprinkler systems, fire flex systems, fire suppression systems, fire doors, kitchen hood fire suppression systems, fire extinguishers and gas lines.

The Offerors do not intend to make any major changes to the business operations of AFS, including a redeployment of fixed assets (If any).

The Offerors intend that the recruitment and termination of employees of AFS will continue to form part of the duties and responsibilities of the management of AFS, following the Offer. The Offerors do not currently intend to terminate the services of any employees of AFS.

Source: *Mandatory Offer Document dated 14th July 2025*

4. VALUATION METHODOLOGY

As mentioned earlier, the purpose of this report is to determine the value of the shares of AFS and to make a recommendation on the offer made by the Offeror.

The *Fair Market Value* is the expected price at which the business would be transferred from a willing seller to a willing buyer. This assumes that both parties to the transaction are informed of all relevant factors as at the date of the transaction and are undertaking the transaction without undue pressure.

Valuation Methodologies	
Asset based Approach – Net Asset Value (NAV)	Estimates the intrinsic value of a common share as the value of the total assets of a company minus the value of its total liabilities
Market Approach - Price to Book Value Based Approach (P/BV)	Based on the estimated market value of assets (adjusted for physical, functional and economic depreciation) and the market value of liabilities
Market Approach – Price to Earnings Based Approach (P/E)	Based on the general market indicator of Price/Earnings in the Sri Lankan marketplace
Discounted Cash Flow Based Approach (DCF)	Based on the earnings/cash generating capacity of the assets under appraisal

4.1. Net Asset Value (NAV) Based Valuation

Net Asset based valuation focuses on a company's Net Asset Value (NAV), or the fair-market value of its total assets minus its total liabilities. NAV is also known as the book value of a company. NAV based valuation approach is most suitable when a business is non-operating or has been generating losses, and the company's focus is holding investments or real estate.

4.2. Price to Book Value (P/BV) Based Valuation

The Net Asset Value (NAV) which is the Book Value, involves determining the fair market value of all assets and liabilities of the enterprise. P/BV approach is a multiple based valuation that determines the value of the shares based on its book value.

This approach is generally not favoured in the valuation of an enterprise as a going concern as it is difficult to establish the contribution of individual assets to the business and because it does not reflect the future earnings potential of the assets held. However, in certain exceptional circumstances the NAV method can be used. Namely, when the current returns of the entity do not adequately reflect the FMV (Future Market Value) of an enterprise's net assets or when there is no potential future operational purpose seen in the assets for the company owning them.

4.3. Price to Earnings (P/E) Based Valuation

The P/E ratio (price-to-earnings ratio) of a stock (also called its "P/E", or simply "multiple") is a measure of the price paid for a share relative to the annual net income or profit earned by the firm per share. The P/E tells you what the market is willing to pay for the company's earnings. If a stock has a P/E of 10(x), it means the market is willing to pay 10 times its earnings for the stock.

The disadvantage of using P/E based valuation is that when earnings are negative P/E valuation does not make economic sense. Also, P/E based valuation approach focuses on the short-term earnings potential and does not take into consideration the long term earnings growth. As such this approach will under value a company where there is significant potential for earnings growth due to capacity expansion, market growth etc.

4.4. Discounted Cash Flow Approach (DCF)

The Discounted Cash Flow (DCF) method is considered a theoretically sound valuation methodology for an ongoing business. In this approach, the value of a business entity is considered to be equivalent to the present value of the operating cash that could potentially be withdrawn from the entity without impairing its growth or operations. It is the amount an investor would pay for the right to receive such cash flows. Hence, this valuation approach is based on the premise that the value of an organisation is a function of the future cash flows generated by the business, discounted back to its present value by a risk adjusted cost of capital.

5. ASSUMPTIONS

In arriving at the value recommendations, financial forecasts have been independently prepared, based on the interim financials, budgets provided by the Company as well as based on a number of assumptions which are detailed below.

The assumptions have been arrived by analyzing historical financial statements as well as management information whilst taking into consideration factors such as the current operating environment, available resources, and products/services offered at present.

5.1 Key Assumptions for the Financial Forecast – Alpha Fire Services PLC:

Revenue and Growth Projections

AFS has demonstrated robust historical growth, averaging 21.4% over the three-year period from FY2023 to FY2025. This growth trajectory is primarily attributable to favorable industry dynamics and the Company's strategic business development initiatives.

For FY2026, the analysis projects AFS revenue to increase by 19.4% to LKR 497 million from LKR 416 million recorded in FY2025. This growth is underpinned by the Company's expanding order book and continued supportive market conditions. From FY2027 onwards, the forecast anticipates a moderation in growth rates, with revenues declining approximately 10% annually as market dynamics normalize and pent-up demand subsides following the post-economic recovery period.

	2023	2024	2025	2026F
Revenue Forecast				
Project Income	217,195,000	295,725,501	331,531,270	401,152,837
Services	43,194,845	30,843,539	54,213,409	62,345,420
Ex-Bond Sale	29,274,037	-	-	-
Sale of Goods	-	-	30,525,830	33,578,413
Total Revenue	**289,663,882**	**326,569,040**	**416,270,509**	**497,076,670**

Profitability Analysis

The Company has demonstrated significant margin expansion capability, with gross profit margins improving from 27.5% in FY2023 to 43.0% in FY2025. This improvement reflects AFS's strategic focus on securing higher-value mandates within its service portfolio. For the forecast period, the valuation assumes maintenance of the 43.0% gross margin, supported by management's continued emphasis on high-value engagements and value-added service offerings.

Administrative expenses are projected to grow in correlation with revenue expansion while incorporating prevailing inflation expectations for operational cost escalation.

Ratio Analysis	2023	2024	2025	2026F	2027F	2028F	2029F	2030F
Profitability								
Revenue Growth	23.9%	12.7%	27.5%	19.4%	10.0%	10.0%	10.0%	10.0%
COS/Revenue	-72.5%	-60.7%	-57.0%	-57.0%	-57.0%	-57.0%	-57.0%	-57.0%
GP margin	27.5%	39.3%	43.0%	43.0%	43.0%	43.0%	43.0%	43.0%
other income/ revenue	0.30%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Admin exp/ Revenue	-9.6%	-14.4%	-12.2%	-11.2%	-11.2%	-11.2%	-11.2%	-11.2%
Dist exp/ Revenue	-6.1%	-7.9%	-9.4%	-10.0%	-10.0%	-10.0%	-10.0%	-10.0%
Operating profit Margin	11.2%	15.6%	20.3%	20.2%	20.4%	20.6%	20.8%	20.9%
Net profit Margin	4.8%	7.5%	10.6%	13.2%	13.9%	14.5%	15.4%	16.0%
Effective Tax Rate	-8.1%	-29.7%	-29.9%	-30.0%	-30.0%	-30.0%	-30.0%	-30.0%

Working Capital Assumptions

Given AFS's strategic pivot toward higher-value project execution, the analysis anticipates elevated work-in-progress balances, resulting in proportionally higher inventory levels. Accordingly, the forecast assumes inventory as a percentage of cost of sales to remain at 70%, consistent with established historical patterns. Trade receivables and payables projections are similarly based on historical collection and payment cycles.

Working Capital	2023	2024	2025	2026F	2027F	2028F	2029F	2030F
Inventory/COS	35.2%	42.2%	72.7%	70.0%	70.0%	70.0%	70.0%	70.0%
Receivables/Revenue	27.2%	29.2%	17.4%	21.0%	21.0%	21.0%	21.0%	21.0%
Payables/COS	26.4%	28.0%	26.3%	27.2%	27.2%	27.2%	27.2%	27.2%

Note:

Refer Annexure I for the forecasted financial statements of Alpha Fire Services PLC.

6. VALUE RECOMMENDATIONS

6.1. NAV Based Valuation

Based on the interim financials reported by the company, the Net Asset Value per share of AFS as at 31st Mar 2025 is valued at **Rs. 04.85** per share.

AFS' share is valued at Rs. 4.85 based on the latest interim NAV as at 31st March 2025, as such the Mandatory Offer price of Rs. 10.00 per share is at a 106% premium to the NAV based valuation.

6.2. P/BV Based Valuation

Comparable Peer P/BVs - as of 22nd July 2025

Capital Goods	Ticker	Closing MPS (Rs.)	31st March 2025 NAVPS	P/E (times)
ACL Cables	ACL	160.00	129.79	1.23
Central Industries	CIND	176.00	181.23	0.97
Kelani Cables	KCAB	627.50	607.17	1.03
Access Engineering	AEL	61.90	42.18	1.47
Avg Peer Sector P/BV				**1.18x**

Source: CSE, Quarterly management accounts

Based on AFS's latest unaudited NAV as of March 31, 2025:

Market P/BV Analysis: Using the market P/BV ratio of all CSE-listed companies as of July 22, 2025, and a market multiple of **1.28x,** AFS shares are valued at Rs. 6.21 per share.

Peer P/BV Analysis: Using the peer company P/BV multiple as of July 22, 2025, and a peer multiple of **1.18x**, AFS shares are valued at Rs. 5.71 per share.

Offer Assessment

The mandatory offer price of Rs. 10.00 represents:

- A **61% premium** to the market P/BV valuation of LKR 6.21 per share
- A **75% premium** to the peer P/BV valuation of LKR 5.71 per share

6.3. P/E Based Valuation

Comparable Peer P/Es - as of 22nd July 2025

Capital Goods	**Ticker**	**Closing MPS (Rs.)**	**Trailing 04 Qtr EPS (Rs.)**	**P/E (times)**
ACL Cables	ACL	160.00	19.81	8.08
Central Industries	CIND	176.00	22.64	7.77
Kelani Cables	KCAB	627.50	104.68	5.99
Access Engineering	AEL	61.90	5.96	10.39
Avg Peer Sector P/E				**8.06x**

Source: CSE, Quarterly management accounts

Using peer company multiples, AFS shares are valued at **Rs. 09.39** based on FYE March 2025 earnings and an average peer P/E ratio of **8.06x**.

However, based on the current market P/E multiple as of July 22, 2025, and using the latest unaudited earnings for March 31, 2025, and a market multiple of **8.94x**, AFS shares are valued at **Rs. 10.42**.

Offer Assessment

The mandatory offer price of **Rs. 10.00** represents:

- A **6% premium** to the peer P/E valuation of LKR 09.39 per share
- A **4% discount** to the market P/E valuation of LKR 10.42 per share

6.4. Discounted Cash Flow (DCF) Based Valuation

DCF Valuation – Based on "Free Cash flow to Firm" with 16.63% Weighted Average Cost of Capital and a terminal growth rate of 3%, net of debt and cash and short-term deposits, we arrive at a value of **LKR 10.77** per AFS share.

Sensitivity Analysis of AFS' price per share is provided below:

		WACC			
		15.00%	16.00%	17.00%	18.00%
Terminal Growth	**1%**	11.16	10.25	9.46	8.76
	2%	11.80	10.79	9.91	9.14
	3%	12.55	11.41	10.43	9.58
	4%	13.44	12.13	11.03	10.08

Note:

Specific assumptions

- Cost of Equity (Ke): 05-year T-bond rate of 09.41% (as at 12th June 2025 reported by CBSL) with a Risk premium assumed to be 8%.
- Pre Tax Cost of Debt (Kd): 10.51% - AWPR of 8.01% (as at 18th July 2025 reported by CBSL) plus 2.50% debt spread
- Tax Rate 30%
- Weight of Equity: 70.00%, Weight of Debt: 30.00% (Present and targeted capital structure)
- Terminal Growth rate 3%

The DCF Valuation has been carried out based on the assumptions/forecasts detailed in Section 05 and shown in Annexures I & II and the specific WACC and Terminal Growth rate assumptions detailed above which are considered to be reasonable.

The mandatory offer price of LKR 10.00 is at a 7.2% discount to AFS' Discounted Cash Flow based value as ascertained above.

6.5. Valuation Summary

Methodologies	**Equity Value per share (Rs.)**	**Offer Price at a Premium/ (Discount)**
Net Asset Value – 31st Mar 2025 (Unaudited)	04.85	Premium
Market P/BV based valuation – 31st Mar 2025 NAV	06.21	Premium
Peer sector P/BV based valuation – 31st Mar 2025 NAV	05.71	Premium
Market P/E Based Valuation – FY2025 PAT	10.42	Discount
Peer P/E Based Valuation – 2025F PAT	9.39	Premium
Discounted Cashflow Based Valuation	10.77	Discount
Last Traded Market Price (30th July 2025)	15.90	Discount
Offer Price	10.00	

6.6. Independent Advisor's Recommendation

Our recommendation is based purely on the past financial performance, current situation of the Company and future expected performance of AFS based on our forecasts shown in Annexure I. Given the above valuations we are of the view that **shareholders should not accept the offer, since the offer price is at a discount to most of the valuation methods.**

With the last traded price exceeding all values derived from the valuation methods, we recommend that shareholders reject this offer.

It should be noted that the financial forecasts are mainly based on the assumptions that we have used and explained in detail in Section 5 of this report. Therefore, the shareholders should refer to Section 7 of this report related to risks of accepting or rejecting the Offer.

HNB Investment Bank (Pvt) Ltd is not in the same group and does not have a significant interest in or financial connection with either offeror or offeree and the Company, its Board of Directors, senior management, employees or agents do not have any arrangements which would compromise its independence. Therefore, it is able to form an independent opinion and valuation of the mandatory offer of Alpha Fire Services PLC.

7. RISK FACTORS TO THE EXISTING SHAREHOLDERS

7.1. If Shareholders Accept the Offer

The valuations carried out in this report are based on reported audited and interim financials of the Company, which is publicly available and information obtained from the management to carry out our financial forecast in this report. However, future business plans of the Company and Offeror can have a significant effect on the performance and position of AFS in the future. This could include possible expansion and rebranding/repositioning of the product. Information related to such activities are not available to us at present and therefore cannot be factored into the valuation. Therefore, market prices can move favourably or unfavourably due to this. Shareholders who accept the Offer may also lose out on investment gains, if AFS' financial performance improves subsequent to changes in business plans of the acquirer and related parties.

7.2. If Shareholders Reject the Offer

By not accepting the Offer shareholders may face the risk of low liquidity of AFS shares. The Public float immediately prior to the Mandatory Offer was 24.74% as at 31st March 2025. The public float as at end June 2025 was 22.55%. Subsequent to the Mandatory Offer if the majority of the remaining shareholders accept the offer, it will lead to low liquidity.

Information asymmetry is another risk facing the existing shareholders when deciding whether to accept the offer or not.

8. LIMITATIONS

All assumptions made in order to appraise this entity were based on information obtained from the audited and interim financials of AFS reported on the CSE as well as from the AFS board of directors/ management which were validated by us. Nothing has come to our attention to cause us to believe that the facts and data set forth in this report are incorrect. However, no responsibility is assumed for technical information furnished by the organization and these are believed to be reliable. Neither HNB Investment Bank (Private) Limited nor any of its employees has a financial interest in the entity being appraised. The fee for the preparation of this report is not contingent upon results reported. No investigations of the titles of the properties have been made and the directorate's claims to the properties have been assumed to be valid. No consideration has been given to liens or encumbrances, which may be against the properties.

This report is for the use of the Board of Directors and Shareholders of AFS for the purpose set out in Section 1.0 of this report and should not be used for any other purpose. Neither all nor part of the contents of this report shall be disseminated to the public, through advertising, public relation, news, sales or any other public media without prior approval of HNB Investment Bank (Private) Limited.

The estimates of future operations herein were prepared by HNB Investment Bank (Private) Limited based on the information made available by the company. The value recommendations made herein are valid as of the valuation date and a reasonable period of time thereafter, subject to there being no material changes to the operating environment of the Company. The information that was available was adequate to facilitate an informed view of the Offer and to form a reasonable basis for the opinion. **The use of the value recommendations in this report after the passage of six months from the valuation date is not recommended.**

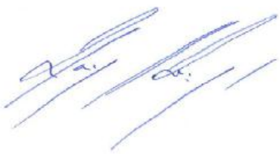
9. INDIVIDUALS MATERIALLY PARTICIPATING IN THE VALUATION ASSIGNMENT

- **Raafidh Markar –** *Senior Associate*

Raafidh Markar has over 9 years of experience in corporate finance and equity research, specializing in valuations, feasibility studies, market analysis, and corporate planning. Prior to joining HNBIB, he served as a Senior Analyst in Corporate Finance and Planning at Steradian Capital Investments (SCI). Before SCI, Raafidh held the position of Vice President at Lynear Wealth Management, managing a portfolio of companies and developing investment theses, financial forecasts, and investor presentations. Earlier in his career, Raafidh worked as an Analyst in PwC's advisory services team, gaining valuable experience in business valuations, feasibility studies, market entry analyses, and commercial due diligence. Raafidh holds a Bachelor of Science degree in Economics and Management from the University of London.

10. DISCLAIMER

This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources, believed to be reliable. Opinions and estimates given constitute a judgment as of the date of the material and are subject to change without notice. This report is not intended as an offer or solicitation for the purchase or sale of any financial instrument. **The recipients of this report must make their own independent decision regarding any securities, investments or financial instruments mentioned herein**. This report is for the use of the intended recipient only. Access, disclosure, copying, distribution or reliance on any of it by anyone else is prohibited and may be a criminal offence.



Ray Abeywardena
Managing Director
HNB Investment Bank (Pvt) Ltd.

ANNEXURE I – FORECASTED FINANCIALS (2018/19F TO 2022/23F) – ALPHA FIRE SERVICES PLC

Income Statements

Alpha Fire Services (Pvt) Limited Rs.	2023	2024	2025 UA	**2026F**	**2027F**	**2028F**	**2029F**	**2030F**
Revenue	289,663,882	326,569,040	416,270,509	497,076,670	546,784,337	601,462,771	661,609,048	727,769,953
Cost of Sales	(210,106,707)	(198,170,531)	(237,379,935)	(283,459,974)	(311,805,971)	(342,986,568)	(377,285,225)	(415,013,748)
Gross Profit	**79,557,175**	**128,398,509**	**178,890,574**	**213,616,696**	**234,978,366**	**258,476,202**	**284,323,823**	**312,756,205**
Other operating Income	859,970			-	-	-	-	-
Administration expenses	(35,089,786)	(54,236,151)	(61,417,122)	(55,881,082)	(61,469,190)	(67,616,110)	(74,377,720)	(81,815,493)
Selling and Distribution Expenses	(17,763,511)	(25,959,400)	(39,330,505)	(49,707,667)	(54,678,434)	(60,146,277)	(66,160,905)	(72,776,995)
EBITDA	**27,563,848**	**48,202,958**	**78,142,947**	**108,027,947**	**118,830,742**	**130,713,816**	**143,785,197**	**158,163,717**
Depreciation	(2,230,307)	(4,307,632)	(4,609,795)	(7,571,113)	(7,115,373)	(6,740,415)	(6,431,920)	(6,178,107)
EBIT	**25,333,541**	**43,895,326**	**73,533,152**	**100,456,834**	**111,715,368**	**123,973,400**	**137,353,277**	**151,985,610**
Finance Income	2,649,685	4,677,036	3,556,186	3,740,056	8,142,017	10,812,916	16,518,193	23,087,178
Finance cost	(12,778,380)	(13,623,022)	(14,025,829)	(10,578,012)	(11,193,891)	(10,022,387)	(8,755,102)	(9,184,854)
Profit before tax	**15,204,846**	**34,949,340**	**63,063,509**	**93,618,878**	**108,663,494**	**124,763,929**	**145,116,368**	**165,887,934**
Taxation	(1,225,241)	(10,362,985)	(18,826,718)	(28,085,663)	(32,599,048)	(37,429,179)	(43,534,910)	(49,766,380)
Profit/(Loss) After Tax	**13,979,605**	**24,586,355**	**44,236,791**	**65,533,214**	**76,064,446**	**87,334,751**	**101,581,458**	**116,121,553**

Balance Sheets

Rs.	2026F	2027F	2028F	2029F	2030F
Assets					
Non-Current Assets					
Land	54,532,000	54,532,000	54,532,000	54,532,000	54,532,000
Property, Plant & Equipment	35,142,295	33,026,922	31,286,506	29,854,586	28,676,479
Investment in Subsidiaries	10,000	10,000	10,000	10,000	10,000
Other Investments (Inv in FDs)	53,429,372	116,314,523	154,470,229	235,974,191	329,816,827
	143,113,668	**203,883,444**	**240,298,735**	**320,370,777**	**413,035,306**
Current Assets					
Inventory	198,421,982	218,264,180	240,090,598	264,099,658	290,509,623
Trade and other receivables	104,282,378	114,710,616	126,181,678	138,799,845	152,679,830
Cash Margin A/C	4,073,411	4,073,411	4,073,411	4,073,411	4,073,411
Cash and Cash Equivalents	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
	316,777,771	**347,048,207**	**380,345,687**	**416,972,914**	**457,262,864**
Total Assets	**459,891,439**	**550,931,651**	**620,644,422**	**737,343,691**	**870,298,170**
Equity & Liabilities					
Capital and Reserves					
Stated capital	76,429,460	76,429,460	76,429,460	76,429,460	76,429,460
Revaluation Reserves	23,880,760	23,880,760	23,880,760	23,880,760	23,880,760
Retained earnings	149,324,162	225,388,608	312,723,359	414,304,816	530,426,370
Shareholder equity	**249,634,382**	**325,698,828**	**413,033,579**	**514,615,036**	**630,736,590**
Non-Current Liabilities					
Deferred tax liabilities	6,121,952	6,121,952	6,121,952	6,121,952	6,121,952
Interest Bearing Borrowings	8,133,318	6,099,988	4,066,659	2,033,329	-
Retirement Benefit Obligation	7,172,379	8,830,554	10,654,546	12,660,937	14,867,968
	21,427,649	**21,052,494**	**20,843,157**	**20,816,219**	**20,989,920**
Current Liabilities					
Trade and Other payables	76,975,026	84,672,528	93,139,781	102,453,759	112,699,135
Interest Bearing Borrowings	2,033,329	2,033,329	2,033,329	2,033,329	2,033,329
Short Term Borrowings	-	-	-	-	-
Amount due to related parties	76,534,193	84,187,612	58,307,717	64,138,488	70,552,337
Taxes payable	13,035,583	13,035,583	13,035,583	13,035,583	13,035,583
Bank Overdraft	-	-	-	-	-
	188,829,407	**204,180,329**	**186,767,686**	**201,912,436**	**218,571,661**
Total Equity & Liabilities	**459,891,439**	**550,931,651**	**620,644,422**	**737,343,691**	**870,298,170**

Cashflow Statements

Rs.	2026F	2027F	2028F	2029F	2030F
Cashflow from operating activities					
PBT	91,781,119	105,019,766	118,790,238	136,375,535	153,920,975
Depreciation & Amortization	7,571,113	7,115,373	6,740,415	6,431,920	6,178,107
Gratuity Provision	1,507,431	1,658,175	1,823,992	2,006,391	2,207,030
Finance Cost	10,954,281	11,193,891	10,022,387	8,755,102	9,184,854
	111,813,944	**124,987,205**	**137,377,032**	**153,568,949**	**171,490,967**
Adjustments					
(Inc)/Dec in trade and other receivables	(32,055,383)	(10,428,238)	(11,471,062)	(12,618,168)	(13,879,985)
(Inc)/ Dec in inventory	(25,943,815)	(19,842,198)	(21,826,418)	(24,009,060)	(26,409,966)
Inc/ (dec) in trade and other payables	14,459,001	7,697,503	8,467,253	9,313,978	10,245,376
(Inc)/ Dec in dues from related parties	12,014,169	-	-	-	-
Other	2,033,329	-	-	-	-
Net Change in Working Capital	**(29,492,699)**	**(22,572,933)**	**(24,830,227)**	**(27,313,249)**	**(30,044,574)**
Interest paid	(10,954,281)	(11,193,891)	(10,022,387)	(8,755,102)	(9,184,854)
Taxes Paid	(27,534,336)	(31,505,930)	(35,637,071)	(40,912,661)	(46,176,293)
Cash from operations	**43,832,629**	**59,714,451**	**66,887,347**	**76,587,937**	**86,085,246**
Cashflow from investing activities					
(Purchase)/sale of PPE	(19,160,824)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
Cash from investing	**(19,160,824)**	**(5,000,000)**	**(5,000,000)**	**(5,000,000)**	**(5,000,000)**
Cashflow from Financing activities					
Issue/ (repay) loans, leases	6,099,772	5,620,090	(27,913,225)	3,797,442	4,380,519
Dividends paid					
Cash from financing	**6,099,772**	**5,620,090**	**(27,913,225)**	**3,797,442**	**4,380,519**
Net inc/(dec) in cash	**32,058,007**	**62,885,150**	**38,155,706**	**81,503,962**	**93,842,636**

ANNEXURE II – DISCOUNTED CASH FLOW BASED VALUATION

DCF Valuation							
		2026F	**2027F**	**2028F**	**2029F**	**2030F**	**Terminal Value**
EBIT*(1-T)		70,319,784	78,200,758	86,781,380	96,147,294	106,389,927	
Add:							
Working Capital exp		(29,492,699)	(22,572,933)	(24,830,227)	(27,313,249)	(30,044,574)	
Depreciation		7,571,113	7,115,373	6,740,415	6,431,920	6,178,106	
Deduct							
Fixed Capital Expenditure		(19,160,824)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	
FCFF		**29,237,374**	**57,743,198**	**63,691,569**	**70,265,965**	**77,523,460**	**585,657,751**
Terminal Growth Rate	3.0%						
WACC-Explicit	16.63%						
Months to year end							
Counter		1.0	2.0	3.0	4.0	5.0	
DCF		0.8574	0.7351	0.6303	0.5404	0.4633	0.4663
PV		**25,067,604**	**42,447,268**	**40,142,583**	**37,970,196**	**35,917,445**	**271,341,476**

DCF firm value	452,886,572
Add:	
Cash & ST investments	24,392,563
Investments in FDs	32,550,942
	509,830,077
Deduct: Debt (Long term and Short Term)	(101,087,882)
DCF equity value	**408,742,195**
No of shares- post Ri	**37,950,000**
Price per share (Rs)	**10.77**