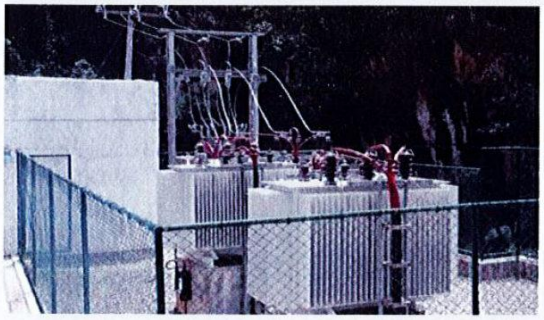
ANNEXURE 2 INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH SEPTEMBER 2026

Falcon Valley Hydro Limited









Interim Financial Statements

For the Quarter Ended 30th September 2026

Falcon Valley Hydro Limited
Statement of Financial Position

As at	30-Sep-26 (Unaudited) LKR	31-Mar-26 (Audited) LKR
ASSETS		
Non Current Assets		
Property, plant & equipment	126,374,036	135,090,369
Prepaid land lease	1,164,855	1,394,855
Total non current assets	**127,538,891**	**136,485,224**
Current Assets		
Inventories	8,773,230	10,282,924
Trade and other receivables	18,994,144	27,749,227
Prepaid land lease	452,380	452,380
Investment on fixed deposits	202,632,192	200,000,000
Cash and cash equivalents	25,133,760	16,894,123
Total current assets	**255,985,706**	**255,378,654**
Total assets	**383,524,597**	**391,863,878**
EQUITY AND LIABILITIES		
Equity attributable to the shareholders		
Stated capital	160,000,000	160,000,000
Retained earnings	204,115,017	209,958,053
Total equity	**364,115,017**	**369,958,053**
Non current liabilities		
Retirement benefit obligations	1,724,052	1,814,764
Deferred tax liability	11,502,918	12,514,259
Total non current liabilities	**13,226,970**	**14,329,023**
Current liabilities		
Trade and other payables	5,725,041	2,752,018
Income tax payable	419,421	3,642,754
Bank overdraft	38,148	1,182,030
Total current liabilities	**6,182,610**	**7,576,802**
Total liabilities	**19,409,580**	**21,905,825**
Total equity and liabilities	**383,524,597**	**391,863,878**
Net asset value per share	**22.76**	**23.12**

Note : The above figures are subject to audit.

I certify that the financial statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.

.....
Chief Financial Officer

The board of directors is responsible for the preparation and presentation of these financial statements in accordance with SLFRSs.

.....
Director

.....
Director

23-Oct-2026

Falcon Valley Hydro Limited
Statement of Profit or Loss and Other Comprehensive Income

	Quarter ended 30th September 2026 (Unaudited) LKR	2025 (Unaudited) LKR	Variance (%)	Six Months ended 30th September 2026 (Unaudited)	2025 (Unaudited)	Variance (%)
Revenue	**7,397,892**	**8,870,355**	-17%	**12,146,598**	**30,057,997**	-60%
Cost of sales	(9,840,024)	(9,048,694)	9%	(18,936,918)	(17,978,035)	5%
Gross (loss)/ profit	**(2,442,133)**	**(178,339)**		**(6,790,320)**	**12,079,962**	
Administrative expenses	(4,873,894)	(1,308,797)	272%	(8,190,325)	(4,700,174)	74%
Results from operating activities	**(7,316,027)**	**(1,487,136)**		**(14,980,645)**	**7,379,788**	
Finance income	5,225,761	3,552,398	47%	9,839,992	6,958,935	41%
Finance costs	-	-	0%	-	(1,489)	0%
Net finance income	**5,225,761**	**3,552,398**		**9,839,992**	**6,957,446**	
(Loss)/ profit before taxation	**(2,090,266)**	**2,065,262**		**(5,140,653)**	**14,337,234**	
Income tax expense	(514,222)	(1,489,041)	-65%	(702,383)	(4,305,756)	-84%
(Loss)/ profit for the period	**(2,604,488)**	**576,221**	-552%	**(5,843,036)**	**10,031,478**	-158%
Other comprehensive income, net of income tax						
Actuarial gain/(loss) on defined benefit plans	-	-	0%	-	-	0%
Related taxes on other comprehensive income reclassified to profit or loss	-	-	0%	-	-	0%
Other comprehensive (loss)/ income for the period, net of tax						
Total comprehensive (loss)/ income for the period	**(2,604,488)**	**576,221**	-552%	**(5,843,036)**	**10,031,478**	-552%
(Loss)/ profit attributable to :						
Equity holders of the parent company	(2,604,488)	576,221		(5,843,036)	10,031,478	
(Loss)/ profit for the period	**(2,604,488)**	**576,221**		**(5,843,036)**	**10,031,478**	
Total comprehensive (loss)/ income attributable to:						
Equity holders of the parent company	(2,604,488)	576,221		(5,843,036)	10,031,478	
Total comprehensive (loss)/ income for the period	**(2,604,488)**	**576,221**		**(5,843,036)**	**10,031,478**	
Basic (loss)/ earning per share	(0.16)	0.04		(0.37)	0.63	
Diluted (loss)/ earnings per share	(0.16)	0.04		(0.37)	0.63	
Dividend per share	-	-		-	-	

Figures in brackets indicate deductions.

Falcon Valley Hydro Limited
Statement of Changes in Equity

	Stated capital LKR	Retained earnings LKR	Total equity LKR
Balance as at 01st April 2025	**160,000,000**	**185,682,384**	**345,682,384**
Profit for the period	-	10,031,478	10,031,478
Balance as at 30th September 2025	**160,000,000**	**195,713,862**	**355,713,862**
Balance as at 01st October 2025	160,000,000	195,713,862	355,713,862
Profit for the period		14,244,191	14,244,191
Balance as at 31st March 2026	**160,000,000**	**209,958,053**	**369,958,053**
Balance as at 01st April 2026	**160,000,000**	**209,958,053**	**369,958,053**
Loss for the period	-	(5,843,036)	(5,843,036)
Balance as at 30th Sep 2026	**160,000,000**	**204,115,017**	**364,115,017**

Figures in brackets indicate deductions.

Falcon Valley Hydro Limited
Statement of Cash Flows

For the period ended 30th September	2026 (Unaudited) LKR	2025 (Unaudited) LKR
Cash flows generated from/ (used in) operational activities		
(Loss)/ profit before taxation	(5,140,653)	14,337,234
Adjustments for :		
Finance income	(9,839,992)	(6,958,935)
Depreciation charge	8,716,333	8,709,567
Charge for/ (reversal of) defined benefit obligation	104,288	96,546
Amortization of land lease	230,000	230,380
Operating profit before working capital changes	**(5,930,024)**	**16,414,792**
Changes in working capital		
Decrease/ (increase) in inventories	1,509,694	(187,405)
Decrease/ (increase) in trade and other receivables	8,755,083	5,457,840
Increase/ (decrease) in trade and other payables	2,973,023	1,304,454
	7,307,776	22,989,681
Income tax paid	(4,937,057)	(10,037,714)
Gratuity paid	(195,000)	-
Net cash flows from/ (used in) operating activities	**2,175,719**	**12,951,967**
Cash flows from/ (used in) investing activities		
Investment in fixed deposit	(2,632,192)	-
Interest received	9,839,992	6,958,935
Net cash flows generated from/ (used in) investing activities	**7,207,800**	**6,958,935**
Net increase/ (decrease) in cash and cash equivalents	**9,383,519**	**19,910,902**
Cash and cash equivalents at the beginning of the year	15,712,093	87,074,638
Cash and cash equivalents at the end of the year	**25,095,612**	**106,985,540**
Movement in cash and cash equivalents		
Components of cash and cash equivalents		
Cash and bank balances	25,133,760	107,437,950
Bank overdrafts	(38,148)	(452,410)
At the end of the period	**25,095,612**	**106,985,540**

Figures in brackets indicate deductions.
The amounts are provisional and subject to audit.

Falcon Valley Hydro Limited
Notes to the Interim Financial Statements

1. Basis for preparation

The condensed interim financial statements have been prepared in accordance with Sri Lanka Accounting Standards – LKAS 34 on Interim Financial Reporting. The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the audited financial statements of the Company for the year ended 31 March 2026, unless otherwise stated. Further, the provisions of the Companies Act No 7 of 2007 have been considered in preparing the interim financial statements. The figures in the presented financial statements are provisional and subject to audit unless otherwise stated.

2. Change of company name

During the period, the Company changed its name from Falcon Valley Hydro (Private) Limited to Falcon Valley Hydro Limited with effect from 17 August 2026, following the conversion of the Company from a private limited company to a limited company. The conversion was undertaken to facilitate the Company's intended listing on the Empower Board of the Colombo Stock Exchange. The change in name and legal status does not affect the Company's operations, assets, liabilities, shareholders' interests, or obligations. Accordingly, comparative information presented in these financial statements remains unchanged.

3. Seasonal or cyclical factors

The company's financial performance is influenced by seasonal rainfall patterns, as electricity generation from its mini hydropower plant depends on water availability. During the second quarter of 2026/27, electricity generation moderately decreased compared to the corresponding quarter of 2025/26 due to lower rainfall and reduced water inflows. This resulted in a corresponding decrease in revenue for the period.

4. Contingent liabilities and capital commitments

There are no pending litigations or claims against the Company as at the reporting date that require adjustments to or disclosure in the financial statements.

5. Events after the reporting date

Subsequent to the date of the reporting, no circumstances have arisen that would require adjustment to or disclosure in the interim financial statements.

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DIRECTORS
Gagan Bulathsinghala, Andrew Wijesuriya, Ruchit Kandage, Quek Wey Lon and Lee Foo Tuck

ANNEXURE 3

RESEARCH REPORT OF THE FINANCIAL ADVISOR & MANAGER TO THE INTRODUCTION AND SPONSOR JUSTIFYING THE REFERENCE PRICE

FALCON VALLEY HYDRO LIMITED

Falcon Valley Hydro Limited

RESEARCH REPORT

August 31, 2026

Research Report to the Board of Directors and Shareholders on the Valuation of Ordinary Voting Shares of Falcon Valley Hydro Limited

Prepared by

ATARAH

Atarah Capital (Private) Limited
Financial Advisor & Manager to the Introduction and Sponsor

Date: 31st August 2026

The Board of Directors,
Falcon Valley Hydro Limited
Level 04, Access Tower 1
Union Place
Colombo 02

Dear Sir/Madam,

Falcon Valley Hydro Limited – Research Report Prepared by the Financial Advisor & Manager to the Introduction and Sponsor, Justifying the Reference Price for the Equity Introduction

We are pleased to submit the Research Report prepared by us as required by CSE Listing Rules for the purpose of justifying the Reference Price of the Company's shares in connection with the listing of Ordinary Voting Shares by way of an Introduction.

Based on our research and valuation, the fair value of the Ordinary Voting Shares of the Company ranges from LKR 24.27 to LKR 55.29. As detailed in this report, the weighted average price per share based on the above value range is LKR 31.70. Accordingly, we recommend a per share value of LKR 31.00 as the Reference Price to list the shares. The detailed report is enclosed herewith for your reference.

We also confirm that the Research Report has been prepared in accordance with the disclosures specified in the 'Valuation/ Research Report - Guidance Note' issued by the CSE.

Thank you.

Yours Sincerely,

Sgd.

Atarah Capital (Pvt) Limited

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GLOSSARY OF TERMS

ACPL	Atarah Capital (Pvt) Limited
BOI	Board of Investment of Sri Lanka
CAGR	Compound Average Growth Rate
CAPEX	Capital Expenditure
CEB	Ceylon Electricity Board
CoE	Cost of Equity
CoS	Cost of Sales
CSE	Colombo Stock Exchange
DCF	Discounted Cash Flow
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation & Amortization
EPS	Earnings Per Share
ERP	Equity Risk Premium
EV	Enterprise Value
FCFE	Free Cash Flow to Equity
FCFF	Free Cash Flow to Firm
FVHP	Falcon Valley Hydro Limited
FY	Financial Year
GW	Gigawatt
GWh	Gigawatt-hour
IPP	Independent Power Producer
kWh	Kilowatt-hour
LKR	Sri Lankan Rupee
Mn	Million
MW	Megawatt
MSW	Municipal Solid Waste
NSO	National System Operator (Private) Limited
NAV	Net Asset Value
PAT	Profit After Tax
PBT	Profit Before Tax
P/BV	Price to Book Value
PER	Price to Earnings
PLF	Plant Load Factor
SPPA	Standardized Power Purchase Agreement
PPE	Property, Plant and Equipment
Rf	Risk-Free Rate
WACC	Weighted Average Cost of Capital

1. INTRODUCTION

1.1 Executive Summary

We, Atarah Capital (Pvt) Limited ("ACPL"), have conducted research and carried out the valuation of shares of Falcon Valley Hydro Limited ("FVHP" or the "Company") to arrive at an appropriate equity value for the shares. The Weighted Average Equity Value is LKR 507.14 million, equivalent to LKR 31.70 per share, and the valuation results are summarized below.

Table 1.1 – Summary of Valuation Results

Valuation Technique	Equity Value (LKR Million)	Price Share (LKR)	(Discount)/ Premium to Reference price
Discounted Cash Flow (DCF)	388.39	24.27	(21.69%)
Forward P/E Multiple	479.63	29.98	(3.30%)
Trailing P/E Multiple	394.55	24.66	(20.45%)
P/BV Multiple	884.72	55.29	78.37%

Based on the above value range, Reference Price for the purpose of listing on the CSE is recommended at LKR 31.00 per share. The said reference price is recommended considering the weighted average price per share as more fully described under section 5.1 of this report.

We have adopted a blended DCF and Relative Valuation approach in determining fair value for the following reasons:

- FVHP operates its 2.4 MW mini hydropower plant under a Standardized Power Purchase Agreement with the National System Operator (Private) Limited (formerly known as Ceylon Electricity Board), extending up to 21st November 2032, under which electricity generated is sold at a fixed tariff of LKR 14.58 per KWh. This provides strong visibility over future contracted cash flows, making the Discounted Cash Flow (DCF) method a robust basis for valuation. Accordingly, considering the future contracted cash flows under the existing SPPA and the visibility on the remaining SPPA period, the DCF method has been given the highest individual weighting of 40% in arriving at the equity value (refer to Sections 5.1 and 5.2 for details).

- Unlike businesses operating in emerging or highly competitive segments, FVHP operates within Sri Lanka's established mini hydropower sector, where several comparable listed peers are available on the CSE (refer to section 5.3 for comparables). This enables the use of Relative Valuation techniques, namely Trailing PER, Forward PER and P/BV to meaningfully reflect market-based sentiment for the sector, and these have accordingly been given a combined weighting of 60% (refer section 5.1 & 5.3 for details), reflecting the valuation perspective of comparable listed utility sector peers on the CSE and the relevance of these market based valuation multiples to the Company (refer to Sections 5.1 and 5.3 for details).

- An asset-based valuation approach has not been separately applied, as the Company's property, plant and equipment, comprising civil works, plant & machinery and other operating assets tied to the hydro plant is better reflected through its ability to generate contracted cash flows under the existing SPPA rather than through asset values. The P/BV multiple has instead been used as one of the Relative Valuation methods to cross-check against listed peers with significant exposure to the mini hydropower sector (more than 30% hydro power generation of the total power generating capacity of each company).

1.2 Objective of the Research Report

ACPL has been engaged by the management of Falcon Valley Hydro Limited to determine the fair value of a share and advise the Company on the appropriate "Reference Price" for its shares proposed to be listed on the Colombo Stock Exchange. Accordingly, this Research Report has been prepared by ACPL to provide the said basis in determining the fair value of the Ordinary Voting Shares of FVHP in connection with its proposed listing, as required under the applicable CSE Listing Rules. Therefore, this report provides information pertaining to the industry in which FVHP operates and the basis adopted in determining the fair value of the Company's Ordinary Voting Shares.

2. COMPANY OVERVIEW AND HISTORICAL FINANCIAL PERFORMANCE

2.1 Company Profile

Falcon Valley Hydro Limited is a limited liability company incorporated in Sri Lanka under the Companies Act No. 07 of 2007. The principal business activity of the Company is the generation and supply of hydroelectricity to the national grid. FVHP currently operates the Falcon Valley mini-hydro power plant located within the Medadumbara Divisional Secretariat Division in the Kandy District. The plant is situated in a leased land where the Lessor is the Land Reform Commission, as well as spans to the Company's own land. The lease of the land on which the hydro power plant is situated will be force and effect until the year 2040 with the ability to renew upon expiry. In addition, the Company has entered into a lease agreement on 30th April 2010 with an individual to use the access road to the land which extends up to April 2031. The Company intends to continue the lease arrangement for the access road beyond April 2031 by renewing lease agreement.

The plant has an installed capacity of 2.4 MW and is fed by the Retiyagama Oya, which originates from the peaks/watersheds of the Knuckles Conservation Forest. Kandy District recorded an average annual rainfall of approximately 1,840 mm during the period 2005–2014[2](most recent rainfall data for this area are not publicly available), whereas the Knuckles mountain range tends to receive higher rainfall. As the Company operates a run of river hydropower plant, rainfall in the catchment area is an important factor affecting water availability for electricity generation.

The Company entered into a Standardized Power Purchase Agreement (SPPA) with the National System Operator (Private) Limited (formerly known as Ceylon Electricity Board) on 29 September 2010, which is valid for a period of 20 years from the date of commissioning of the plant, i.e., 22 November 2012. Following the transition of the relevant functions from the CEB as a part of its restructuring process, electricity generated by the Company is currently supplied to the NSO. As per the SPPA, the tariff rate is fixed over the agreement period.

The Company obtained BOI status by entering into an agreement dated 7 October 2010 with the Board of Investment of Sri Lanka (BOI) under Section 17 of the BOI Law No. 4 of 1978.

Please refer section 4 – Risk factors on the specific risks relating to operating a single plant.

[2] Source: University of Peradeniya (2018), *Variation of Annual and Seasonal Rainfall Patterns in Kandy District of Sri Lanka*. https://www.ijsrp.org/research-paper-0918/ijsrp-p8195.pdf - (accessed on 17th August 2026)

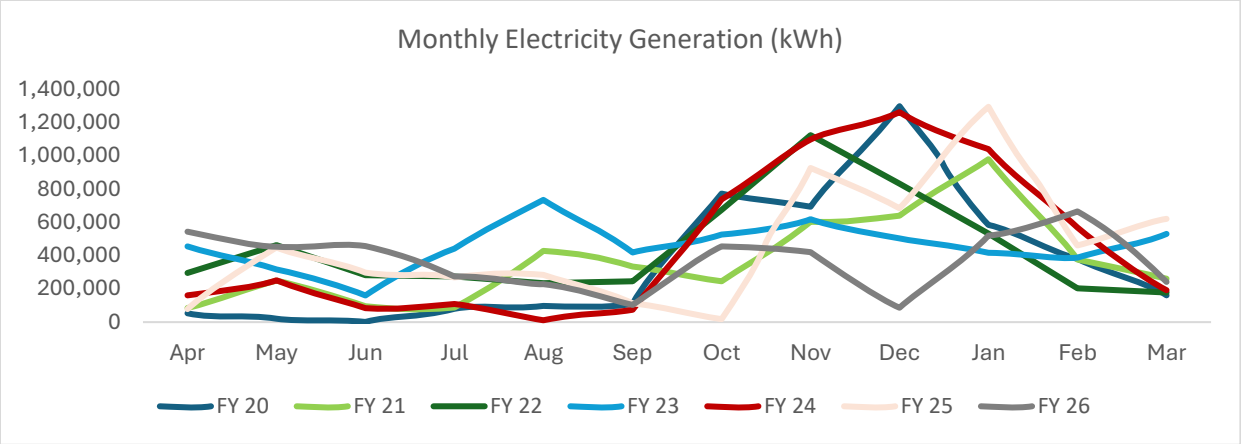
2.2 Summary of Historical Financial Information

Revenue

The Company generates revenue from the sale of electricity to the National System Operator (Private) Limited under the existing Standardised Power Purchase Agreement (SPPA). Under the agreement, electricity generated by the power plant is sold at a fixed tariff until November 2032. As a result, revenue mainly depends on the level of electricity generation.

Revenue from sale of electricity increased from LKR 77.8 million in FY2022 to LKR 81.0 million in FY2023 due to higher electricity generation and remained relatively stable at LKR 80.8 million in FY2024 and LKR 80.1 million in FY2025. In FY2025, the Company recognised LKR 30.7 million of interest income on long outstanding amounts due from NSO as a one-off item, increasing total revenue to LKR 110.8 million. This amount was not part of the Company's regular operating revenue.

Revenue declined to LKR 65.0 million in FY2026 due to the temporary shutdown of the power plant for approximately one month following Cyclone Ditwah. Electricity generation was also affected by occasional NSO grid curtailments during the year, resulting in lower revenue compared to previous years.



Source: *Company management information*

The chart above shows the monthly electricity generation pattern. Electricity generation varies throughout the year due to seasonal rainfall and water availability in the catchment area. It is observed that the period from April to September has a lower generation whereas the generation peaks from November to January, netting off the impact on revenues from low generating months.

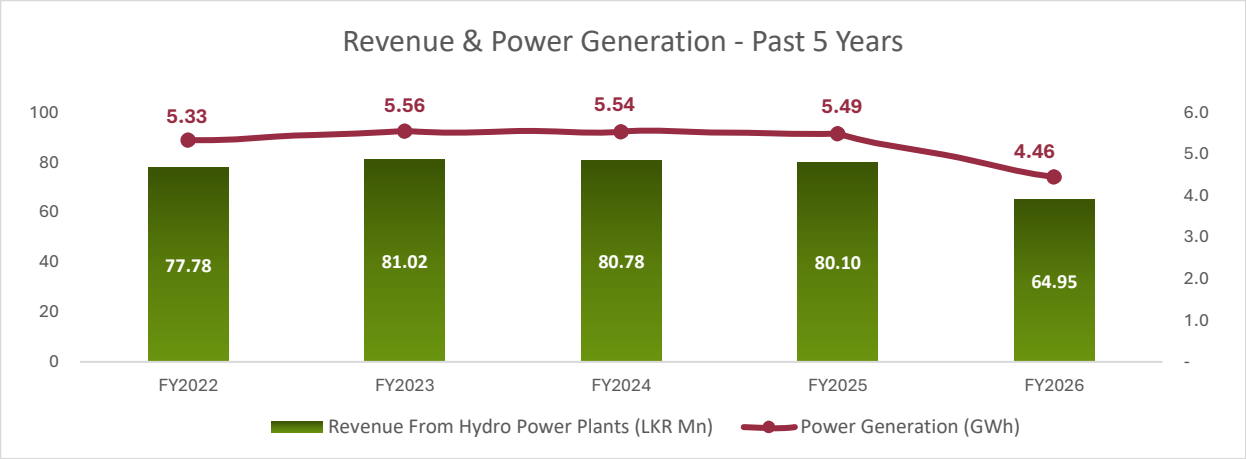
Table 2. 1 Historical Plant Load Factor (PLF)

	FY 2022A	FY 2023A	FY 2024A	FY 2025A	FY 2026A
Plant Load Factor (%)	*25.38%*	*26.43%*	*26.35%*	*26.13%*	*23.09%*

Source: *Company management information*

Note: *The FY2026 PLF is calculated based on 335 operating days, excluding approximately one-month plant shutdown period due to Cyclone Ditwah.*

The Company's Plant Load Factor remained relatively stable at 25%–27% during FY2022–FY2025. However, it declined in FY2026 due to a temporary shutdown following Cyclone Ditwah and occasional NSO grid curtailments.



Source: *Past Five Years' Audited Financial Statements and Management Information.*

The chart above presents the Company's historical revenue and electricity generation over the past five financial years (excluding the one-off LKR 30.7 Mn interest income from NSO in FY2025).

Cost of Sales

The Company's cost of sales mainly comprises of staff costs, depreciation, insurance, civil/plant & machinery maintenance, electricity charges and other operating expenses directly related to the operation of its hydro power plants.

Cost of sales increased from LKR 31.5 Mn in FY2022 to LKR 36.8 Mn in FY2024, mainly due to higher maintenance costs and the gradual increase in operating expenses.



Source: *Past Five Years' Audited Financial Statements.*

In FY2025, cost of sales increased to LKR 44.1 million mainly due to the increase in expenses for major civil maintenance work at the power plant. In contrast, cost of sales declined to LKR 35.9 Mn in FY2026, largely reflecting a reduction in maintenance costs which netted off against insurance compensation received on repairs made in the previous year (FY 2026).

Administrative Expenses

The Company's administrative expenses mainly comprise Land tax paid to National Land Reform Commission (which is subject to revision every five years in accordance with the agreement), professional fees, audit fees, and other general administrative expenses incurred in managing its day-to-day operations.

While these expenses remained relatively stable at around LKR 5.0 Mn between FY2022 and FY2024, it rose to LKR 6.4 Mn in FY2025, driven primarily by expenses incurred in evaluating new solar power project opportunities (feasibility studies etc). This upward trend accelerated in FY2026, with administrative expenses climbing further to LKR 8.3 Mn, mainly due to new project evaluation expenses and higher land tax that amounted to LKR 4.86 Mn in FY2026.

Net Finance Income

The Company's net finance income is driven primarily by interest generated from fixed deposits and bank balances, offset by minor overdraft interest within finance costs. In FY2022 and FY2023, the Company recorded net finance expenses of LKR 3.9 Mn and LKR 4.3 Mn, respectively. From FY2024 onwards, the company reported a net finance income that grew from LKR 2.9 Mn to LKR 10.9 Mn in FY2025 and reached LKR 14.5 Mn in FY2026. This improvement was propelled by higher interest yields on surplus cash allocations, coupled with negligible finance costs during the later years.

Profitability

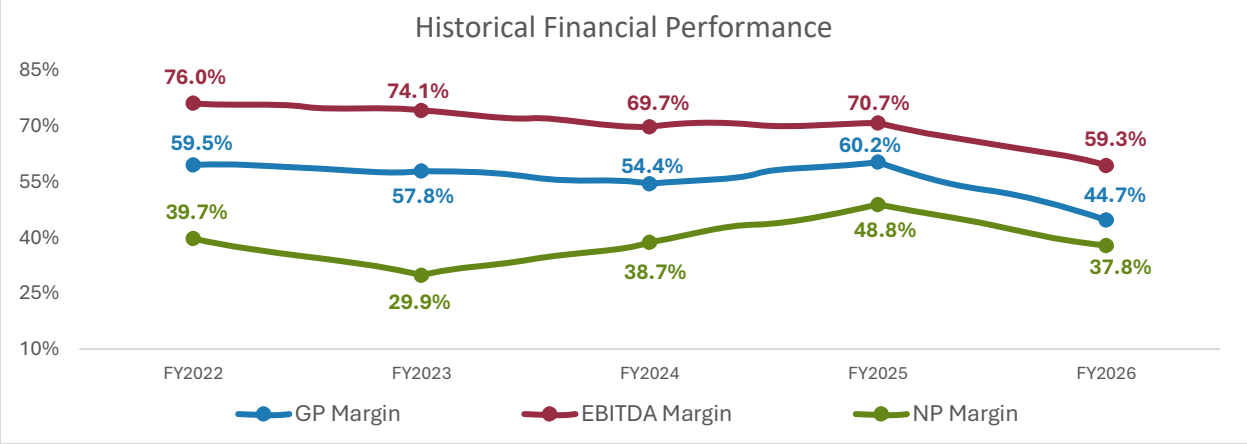
The Company maintained healthy profit margins throughout the historical period.

The gross profit margin was between 54%- 60% from FY2022 to FY2025 which dropped to 44.7% in FY2026 as Ditwah cyclone related generation outages lowered revenue.

The EBITDA margin also remained strong during the past 5-year period, rising slightly in FY2025 due to higher revenue though declined in FY2026 following the decrease in electricity generation.

The net profit margin varied over the historical period. It increased to 48.8% in FY2025, supported by higher operating profit and finance income, before closing at 37.8% in FY2026 due to lower revenue.

Overall, the Company remained profitable throughout the historical period, with changes in profit margins, reflecting the natural fluctuations in electricity generation and operating costs movements.



Source: *Past Five Years' Audited Financial Statements.*

Income Tax

The Company is liable for income tax at a concessionary rate of 20.0% of its business income under BOI agreement. Interest income is subject to the standard corporate income tax rate of 30.0%. Total tax expense comprises current income tax and deferred tax.

Financial Position

Falcon Valley's total assets increased from LKR 277.3 Mn in FY2022 to LKR 391.9 Mn in FY2026. This increase is due to the growth in current assets, through accumulation of surplus cash which is invested in fixed deposits. Meanwhile, non-current assets decreased over the period due to the annual depreciation of fixed assets, and no major additions were required on PPE.

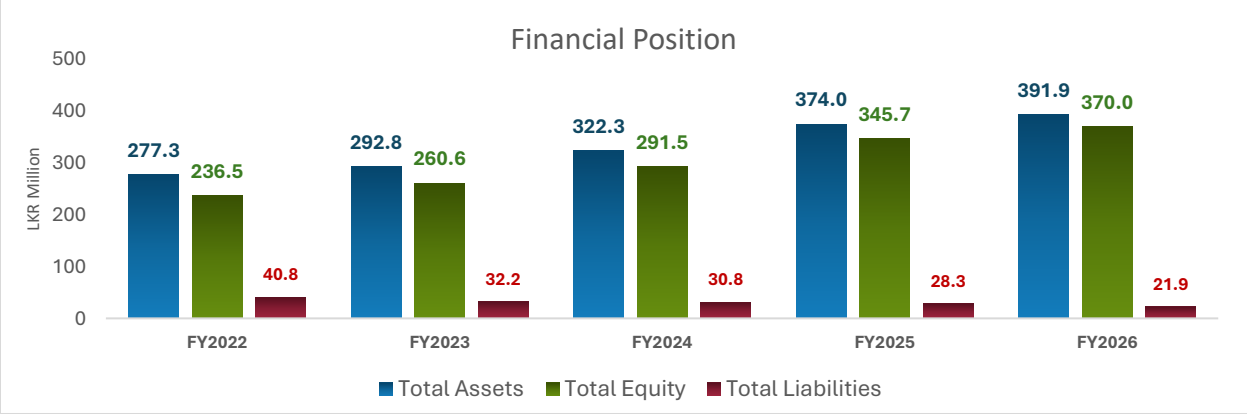
PPE remained the Company's largest asset throughout the historical period that comprises civil construction work, plants & machinery and other equipment. Trade receivables were a significant balance up to FY 2023 due to the long outstanding receivables from NSO where the payments were regularized thereafter.

The Company's equity increased steadily from LKR 236.5 Mn in FY2022 to LKR 370.0 Mn in FY2026, with the growth in retained earnings due to regular profits. Stated Capital remained unchanged at LKR 160 Mn throughout the period.

Total liabilities decreased from LKR 40.8 Mn in FY2022 to LKR 21.9 Mn in FY2026. The Company had no interest-bearing borrowings during the last five-year historical period. Liabilities mainly comprise deferred tax liability, retirement benefit obligations, trade and other payables, income tax payable.

The Company also maintained a strong liquidity position. The current ratio improved from 17.8x in FY2025 to 33.7x in FY2026, while the quick ratio increased from 17.0x to 32.4x as a result of increase in current assets and the reduction in current liabilities.

Overall, the Company maintained a strong financial position throughout the historical period, supported by a growing equity base, increasing investments in fixed deposits and the absence of interest-bearing borrowings.



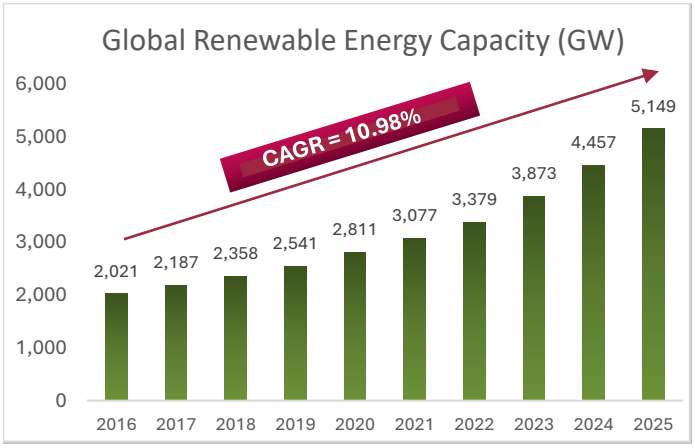
Source – *Past Five years Audited Financial Statements of the Company*

3. INDUSTRY OVERVIEW

3.1 Global Renewable Energy Industry

The global energy sector has increasingly been shifting towards renewable energy in recent years, driven by rising electricity demand, energy security, decarbonization efforts, and technological advancements.

By the end of 2025, global renewable energy capacity reached 5,149 GW, representing an increase of 692 GW during the year with a growth rate of 15.5%. Renewable energy accounted for 49.4% of global installed power generation capacity and represented 85.6% of all new power capacity additions during 2025. [3]



Source: International Renewable Energy Agency (IRENA), Renewable Capacity Statistics 2026.

Solar and wind power were the primary contributors to renewable energy capacity growth during 2025. Solar energy added 510 GW of new capacity, while wind energy added 159 GW. These additions reflected continued investment in renewable energy infrastructure across both developed and emerging markets.[3]

Hydropower remained an important component of the global renewable energy sector in 2025. Alongside solar and wind energy, hydropower continued to contribute to global renewable energy capacity and electricity generation, supporting the development of cleaner energy systems worldwide.

Global investment in renewable power projects is estimated at approximately USD 665 billion annually, including around USD 75 billion[4] invested in hydropower projects. Furthermore, total global energy investment is expected to reach USD 3.4 trillion in 2026, with approximately USD 2.2 trillion allocated to clean energy technologies and infrastructure, including renewable energy, electricity grids, energy storage, electrification, and energy efficiency projects.[5]

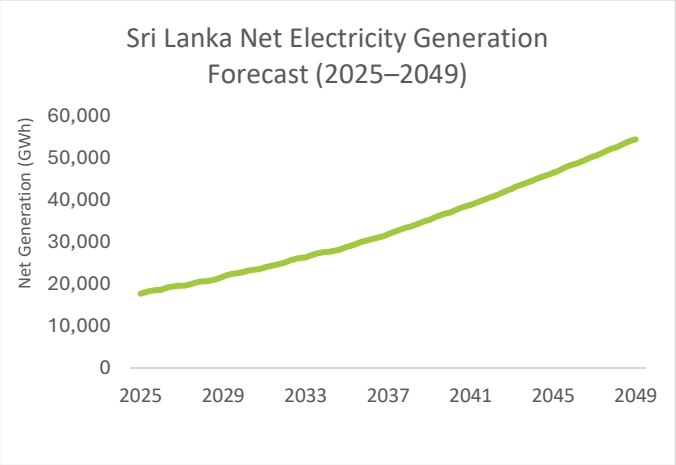
The growth in renewable energy capacity and investment highlights the increasing importance of renewable energy within the global power sector and supports the long-term development of renewable energy infrastructure worldwide.

[3] *International Renewable Energy Agency (IRENA), Renewable Capacity Statistics 2026.* (accessed on 17 August 2026)
[4] World Energy Investment 2026 (accessed on 17 August 2026)
[5] *International Energy Agency (IEA), World Energy Investment 2026.* (accessed on 17 August 2026)

3.2 Sri Lankan Power & Energy Sector

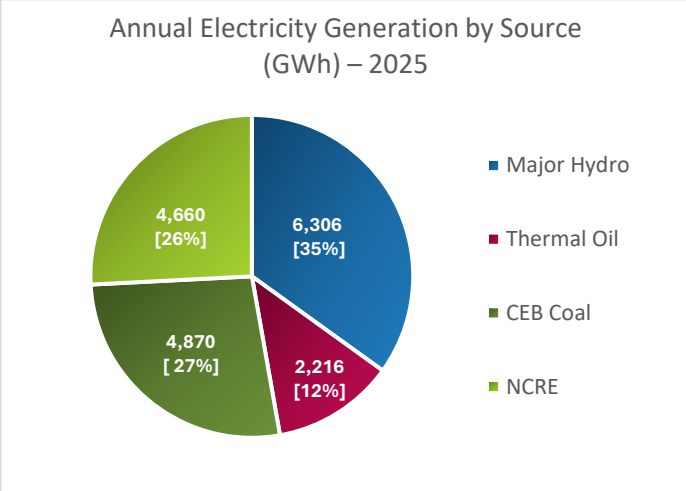
Sri Lanka's electricity sector plays a vital role in supporting economic activity and meeting the country's growing energy requirements. Electricity demand in the country has increased steadily over the years, driven by economic development, industrial and domestic utilization, and increasing electrification across the nation.

Sri Lanka has witnessed an average annual growth of approximately 3.8% in electricity demand during the past fifteen years. Based on the Ceylon Electricity Board's Base Demand Forecast 2025–2049, net electricity generation requirements are projected to increase from 17,725 GWh in 2025 to 54,546 GWh in 2049, representing an average annual growth rate of approximately 4.8%.[6]



Source: *Ceylon* Electricity Board (CEB), *Long Term Generation Expansion Plan 2025–2044*. Table E1 – *Base Demand Forecast 2025–2049*.

The island's electricity generation sector consists of hydropower, thermal power, solar, wind, and other renewable energy sources. In 2025, major hydropower sources accounted for 35% of total electricity generation, whilst NCRE sources contributed a further 26%. Coal and Thermal oil based generation accounted for 27% and 12% of total generation respectively, reflecting the continued importance of both renewable and conventional energy sources within Sri Lanka's electricity generation mix. As per PUCSL's classification, mini-hydropower plants are included under Non-Conventional Renewable Energy (NCRE) sources.



Source: *Public Utilities Commission of Sri Lanka (PUCSL), Renewable Generation Report – Quarter 4 2025, Annual Cumulative Generation by Source (GWh) as at*

Sri Lanka has set a target of generating 70% of its electricity from renewable energy sources by 2030 and achieving carbon neutrality in the power sector by 2050. To support these objectives, the country

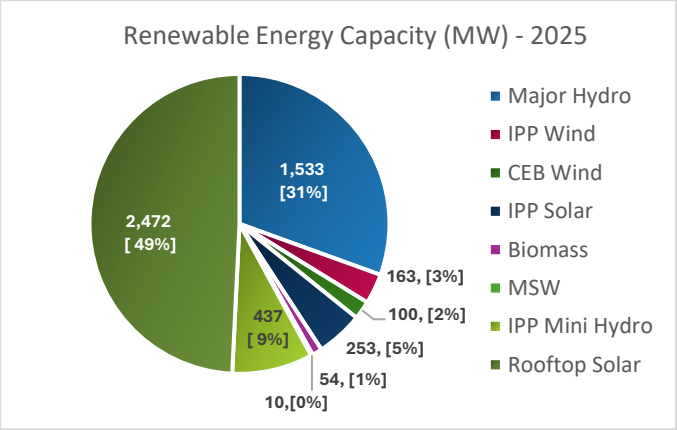
[6] *Ceylon Electricity Board (CEB), Long Term Generation Expansion Plan 2025–2044,Table E1: Base Demand Forecast 2025–2049* - (accessed on 17th August 2026)

continues to promote investments in renewable energy technologies, including solar, wind, mini-hydro and biomass combined with energy storage projects.[7]

The combination of growing electricity demand and increasing renewable energy adoption is expected to support the long-term development of Sri Lanka's power sector enabling low cost and eco-friendly power generation.

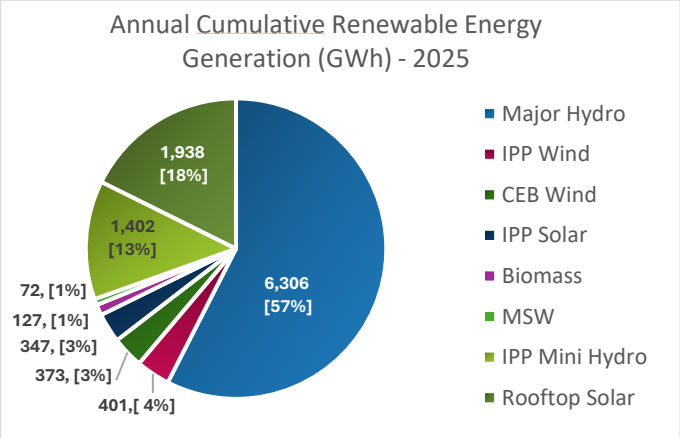
3.3 Sri Lankan Renewable Energy Industry

Renewable energy has become an increasingly important component of Sri Lanka's electricity sector, supporting the country's efforts to enhance energy security, reducing dependence on imported fossil fuels, and promote sustainable economic development. Sri Lanka possesses a diverse range of renewable energy resources, including hydropower, solar, wind, biomass, and municipal solid waste, which contribute to the national electricity generation mix.



Source: Public Utilities Commission of Sri Lanka (PUCSL), *Renewable Generation Report – Quarter 4 2025*, Renewable Energy Capacity (MW) as of 31 December 2025.

As at 31 December 2025, total renewable energy capacity stood at approximately 5,022 MW, accounting for approximately 70% of Sri Lanka's installed electricity generation capacity. Renewable energy sources also contributed approximately 61% of total electricity generation during 2025, reflecting the growing role of hydropower, solar, wind, biomass, and other renewable energy technologies within the country's electricity sector.[8]



Source: Public Utilities Commission of Sri Lanka (PUCSL), *Renewable Generation Report – Quarter 4 2025*, Annual Cumulative Renewable Generation (GWh), 1 January 2025 to 31 December 2025.

Hydropower continued to play a significant role within the renewable energy sector. During 2025, major hydropower plants generated 6,306 GWh of electricity, while mini-hydropower plants contributed a further 1,402 GWh. In addition, rooftop solar generation reached

[7] *Ministry of Energy, National Energy Policy and Strategies of Sri Lanka;* *Ceylon Electricity Board (CEB), Long Term Generation Expansion Plan 2025–2044* - (accessed on 17th August 2026)

[8] *Public Utilities Commission of Sri Lanka (PUCSL), Renewable Generation Report – Quarter 4 2025*, accessed on 17th August 2026)

1,938 GWh, highlighting the growing contribution of distributed renewable energy systems to the country's electricity supply.[9]

The continued expansion of renewable energy capacity, together with supportive government policies and investments from the private sector, would pave the way to reach set long term target of becoming a carbon neutral energy producing country by 2050.



Source: *Public Utilities Commission of Sri Lanka (PUCSL), Renewable Generation Report – Quarter 4, 2025 (data as at 31 December 2025).*

3.4 Sri Lankan Mini Hydropower Industry

Sri Lanka's mini hydropower sector comprises 212 mini hydropower projects[10] across the country. As at 31 December 2025, Sri Lanka's IPP mini hydropower sector had an installed capacity of 437 MW and generated 1,402 GWh of electricity during the year. IPP Mini hydropower accounted for approximately 9% of the country's renewable energy capacity and 13% of renewable electricity generation in 2025.[11]

In Sri Lanka, hydropower plants with capacities below 10 MW are classified as mini hydropower plants and are generally privately owned and operated as run of river plants. Major hydropower plants are generally larger-scale facilities. FVHP, with an installed capacity of 2.4 MW, falls within the mini hydropower category.[12]

Mini hydros generate electricity using natural water flows and are dependent on hydrological conditions, primarily on the rainfall patterns and water availability within the relevant catchment areas. Sri Lanka experiences four rainfall seasons comprising the South-West Monsoon (May–September), the First Inter-monsoon (October–November), the North-East Monsoon (December–February), and the Second Inter-monsoon (March–April). Approximately 55% of the country's annual precipitation is generated during the two monsoon periods. Rainfall distribution varies significantly across Sri Lanka, ranging from less than 1,000 mm annually in parts of the dry zone to more than 5,000 mm annually in certain locations within the Kegalle and Nuwara Eliya districts. Accordingly, rainfall patterns and water availability within the relevant catchment areas remain key determinants of river flows and electricity generation levels.[13]

[9] *Public Utilities Commission of Sri Lanka (PUCSL), Renewable Generation Report – Quarter 4 2025*, - (accessed on 17th August 2026)

[10] *Ceylon Electricity Board (CEB), Long Term Generation Expansion Plan 2025–2044* - (accessed on 17th August 2026)

[11] *Public Utilities Commission of Sri Lanka (PUCSL), Renewable Generation Report – Quarter 4 2025* - (accessed on 17th August 2026)

[12] *Ceylon Electricity Board (CEB), Long Term Generation Expansion Plan 2025–2044* - (accessed on 17th August 2026)

[13] Department of Census and Statistics, *Statistical Abstract of Sri Lanka 2019*, Chapter 1: Area and Climate, available at: https://www.statistics.gov.lk/abstract2019/CHAP1 - (accessed on 17th August 2026)

Technology benefits from proven operating performance, long asset lives, and comparatively low operating and maintenance costs once projects become operational are key benefits of mini hydros. The Sri Lankan mini hydropower industry comprises several privately owned Independent Power Producers,

which generate electricity and supply it to the national grid under SPPAs with the NSO. Revenue generation is therefore primarily linked to electricity generation levels and contractual tariff structures.

The sector continues to play an important role in Sri Lanka's renewable energy portfolio and contributes to the diversification of the country's electricity generation mix.

3.5 Comparable Listed Renewable Energy Companies – Hydropower Exposure

The Colombo Stock Exchange (CSE) includes several listed renewable energy companies with hydropower operations, reflecting the established nature of Sri Lanka's mini-hydropower industry. Most of these companies operate diversified renewable energy portfolios comprising hydropower, solar, wind and other renewable energy assets, while Lotus Hydro Power PLC operates exclusively in the hydropower segment. None of the selected companies operates an individual hydropower plant with an installed capacity exceeding 10 MW and therefore, their individual hydropower plants fall within the mini-hydropower category. The hydropower capacities presented in the table represent the combined installed capacity of multiple plants owned by each company. Falcon Valley Hydro Limited is also a pure hydropower company, with an installed capacity of 2.4 MW. The table below compares the installed hydropower capacity of Falcon Valley Hydro Limited with selected listed renewable energy companies in Sri Lanka, providing investors with an overview of the Company's position within the listed hydropower sector.

Table 3. 1 Hydropower Capacity of Selected Listed Renewable Energy Companies

Listed Renewable Energy Company	Hydropower Capacity (MW)
Vidullanka PLC	37.45
WindForce PLC	26.30
Resus Energy PLC	15.40
Vallibel Power Erathna PLC	21.75
Panasian Power PLC	9.80
Lotus Hydro Power PLC	4.90
Laugfs Power PLC	3.75
Falcon Valley Hydro Limited	**2.40**

Source: *Respective company annual reports (latest available); www.cse.lk (Accessed on 31/08/2026)*

Note: *Hydropower capacity is calculated by aggregating the installed capacities of individual hydropower plants disclosed in the respective Annual Reports of FY2025/26.*

3.6 Industry Outlook

Use of electricity as a source of energy is expected to increase steadily with industrialization, urbanization, and overall expansion of economic activities in the country. The demand for electricity is created from both domestic and commercial sector needs as well as rapid electrification of tools, machinery and equipment across sectors replacing fossil-based energy to run them. Heavy use of IT infrastructure and private infrastructure development also increases the need for electricity.

As such, investments in the energy sector would continue in the long run with an increasing focus on renewal energy projects. As the country has access to multiple natural energy sources such as hydro, solar, and wind, there are ample opportunities for developing cost-effective electricity generating infrastructure. This would also reduce the country's fuel bill to save foreign exchange outflows whilst upholding vision of becoming a carbon neutral generator in the future.

With these developments, mini hydropower remains an established component of Sri Lanka's renewable energy mix, supported by proven technology, long operating asset lives, and established power purchase arrangements with the NSO. Existing mini hydropower projects continue to contribute to renewable electricity generation and support the diversification of the country's energy mix.

Overall, the long-term fundamentals of Sri Lanka's renewable energy sector provide a supportive operating environment for established mini hydropower operators, including FVHP The possibility of extending the SPPAs after the expiry of first contract period is becoming important to maintain the energy supply as a country whilst also yielding continuous returns to the operators.

4. RISK FACTORS

The future performance of FVHP is subject to certain risks, some of which may be outside the control of the Company. If any of these risks materialize, they could adversely affect the Company's operations, financial performance and value. The key risks relevant to the Company are set out below.

Hydrological and Climate Risk

The Company's electricity generation depends on water availability and rainfall within the Retiyagama Oya catchment area. Rainfall in Sri Lanka is influenced by seasonal monsoons and climate conditions such as **El Nino**.

It is noteworthy to highlight the current El Niño conditions prevailing in Sri Lanka and many other countries, which could impact hydropower generation. El Niño conditions such as dry weather and excess rainfall may continue to influence normal rainfall patterns into early 2027, although the impact may vary according to location and prevailing weather conditions. Accordingly, changes in rainfall and water availability could affect the Company's electricity generation and revenue. Refer section 10 of the Introductory Document for the most recent information.

Natural Disaster Risk

The power plant is exposed to natural disasters and extreme weather conditions, including floods, cyclones and landslides. Such events could result in temporary shutdowns, damage to plant and civil infrastructure, and unplanned repair or maintenance costs. The impact of Cyclone Ditwah during FY2026, which resulted in a temporary operational disruption, demonstrates the Company's exposure to such events. The Company has insurance coverage for its machinery against risks of breakdown and other incidents such as fire and floods.

Inflation Risk

The Company is exposed to increases in employee costs, maintenance expenses, insurance, and other operating and administrative costs due to higher inflation from time to time. As the tariff rate under the existing SPPA is fixed, sustained cost increases above forecast levels may reduce operating margins and profitability.

Interest Rate Risk

The Company holds a significant portion of its funds in fixed deposits and earns interest income from these investments. A decline in market interest rates could reduce future interest income and profitability. Further, if the Company undertakes new projects requiring debt financing, an increase in borrowing costs could adversely affect the returns and profitability of such projects.

Renewal of SPPA

The Company's existing SPPA expires in November 2032. Any delay in renewal or changes to the agreement terms, such as a lower tariff upon renewal, could adversely affect future revenue and profitability. However, this risk does not affect the current valuation, as it is based only on the expected cash flows

under the existing SPPA up to its expiry in November 2032, and does not include cash flows from a probable renewal. It is the prudent practice to limit the cash forecasts to the explicit SPPA period to avoid any risks of overstating the valuation in the event renewal does not take place or risks of changes in tariff rates and additional costs.

Considering the renewal of SPPAs for similar mini-hydropower projects in Sri Lanka after their expiry and the Government's continued commitment to expanding renewable energy generation, there is a higher probability of renewal of the Company's SPPA. It also makes commercial sense for the NSO to renew an existing plant as the tariffs for such plants are generally lower than the tariff for new plant which is decided based on negotiations with NSO at the time of renewal.

Counterparty Risk

The Company sells all electricity generated by the power plant to NSO under the existing SPPA. Any delay in the settlement of receivables or failure by NSO to fulfil its contractual obligations could adversely affect FVHP's cash flows and liquidity.

Regulatory and Compliance Risk

The Company operates under a SPPA with NSO and benefits from concessions under its BOI agreement. Changes to the regulatory framework, government policies, or the terms of these agreements could adversely affect the Company's operations and profitability.

Single-Asset Concentration Risk

The Company operates a single 2.4 MW mini-hydro power plant comprising two generating units of 1.2 MW each. Any prolonged shutdown, total equipment failure, damage to the facility or other operational disruption could adversely impact on electricity generation and revenue. As the Company does not have multi-location generation facilities, it cannot fully offset any loss of electricity generation from this plant due to materialization of an aforesaid incident.

In addition to the renewal expectation of the current SPPA, the Company would seek to acquire suitable land to be used for new renewable energy project (hydro or solar power) and looking out for opportunities to acquire solar projects (1 MW–5 MW) which are already operational (refer section 6.9 of the Introductory Document for more details).

5. VALUATION RESULTS

5.1 Valuation Summary

The valuation of FVHP has been carried out using a combination of the Discounted Cash Flow method and relative valuation techniques, comprising Trailing P/E, Forward P/E and P/BV multiples. The relative valuation methods were applied with reference to selected listed utility sector peers on the CSE. Based on the assigned weightings to each valuation method, the analysis results in a Weighted Average Equity Value of LKR 507.14 million, equivalent to LKR 31.70 per share**,** as summarized in the table below. The basis and detailed workings of each valuation method are presented in the subsequent sections. Accordingly, LKR 31.00 per share is recommended as the Reference Price for listing on the CSE.

Table 5. 1 Summary of Valuation Results

Valuation Method	Value per Share (LKR)	Weight	Weighted Value (LKR)
Discounted Cash Flow (DCF)	24.27	40.0%	9.71
Forward P/E Multiple	29.98	20.0%	6.00
Trailing P/E Multiple	24.66	20.0%	4.93
P/BV Multiple	55.29	20.0%	11.06
Weighted Average Equity Value per Share		**100.0%**	**31.70**

Note: Value per share under each valuation method is stated up to 2 decimals calculated based on absolute figures used under each methodology.

5.2 Discounted Cash Flow Methodology

Table 5. 2 Discounted Cash Flow Valuation

For the financial year ended 31 March	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E	FY 2032E	8m - 2033E
LKR 000							
Revenue	**78,089**	**78,151**	**77,577**	**76,937**	**76,305**	**77,412**	**51,518**
EBIT	25,020	31,167	29,526	27,762	24,961	24,794	16,506
EBIT (1-T)	**20,016**	**24,934**	**23,621**	**22,210**	**19,968**	**19,836**	**13,205**
Depreciation & Amortization	17,863	17,884	17,902	17,916	17,526	17,522	10,253
Change in working capital	10,325	(550)	(100)	(99)	(65)	(413)	6,860
Capital expenditure	(156)	(156)	(155)	(154)	(153)	(155)	-
Free cash flow	**48,048**	**42,112**	**41,268**	**39,872**	**37,277**	**36,789**	**30,317**
Scrap Value							21,000
Cost of Equity (Ke)	**16.08%**	**16.08%**	**16.08%**	**16.08%**	**16.08%**	**16.08%**	**16.08%**
Discount factor	0.86	0.74	0.64	0.55	0.47	0.41	0.37
Discounted cashflow	**41,391**	**31,250**	**26,381**	**21,957**	**17,683**	**15,034**	**18,986**
Enterprise value	**172,682**						
Adjustments							
Add: Cash and cash equivalents	16,894						
Add: Fixed deposit	200,000						
Less: Bank Overdraft	1,182						
Equity value	**388,394**						
Number of shares (000)	**16,000**						
Value per Share (LKR)	**24.27**						

5.2.1 Cost of Equity Assumptions

Table 5. 3 Cost of Equity Calculation

Cost of Equity (Ke) %	
Risk Free Rate (Rf)*	11.45%
Market Risk Premium (MRP)	7.00%
Beta**	0.66
Cost of equity	**16.1%**

* Secondary market 8-year Treasury Bond yield – CBSL weekly Economic Indicators 3rd July 2026
Source:https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/statistics/wei/WEI_20260703_e.pdf

** The unlevered beta represents the median of the selected listed peer companies' betas against the ASPI, as reported by the CSE, after adjusting for their respective capital structures. Source: www.cse.lk (Accessed on 07/07/2026)

5.2.2 Other DCF Valuation Assumptions

- The DCF valuation covers the remaining period of the existing SPPA, which expires in November 2032. Based on industry practice and the continued support for renewable energy in Sri Lanka, there is a reasonable expectation that the SPPA may be renewed. However, the exact tariff rate, and the any capital expenditure required to upgrade the plant after expiry are subjective at this stage. Including cash flows beyond the current SPPA period would therefore require assumptions that cannot be reliably confirmed. Accordingly, the valuation is limited to November 2032 and no cash flows from a possible renewal have been included in the DCF valuation.

- The DCF valuation has been prepared considering annual average power generation forecasts, hence, not adjusted to include the latest interim financials of FY 2026/27. The DCF value per share setout herein is subject to the viability of the forecasts/assumptions made in section 7 of this Research Report.
- The scrap value at the end of the forecast period represents the current book value of the land owned by FVHP, as disclosed in the Audited Financial Statements for the year ended 31 March 2026.
- Since these plants and machinery are not purchased for a new project and these will be dismantled and disposed of for nominal value at such time, a scrap value has not been assigned for plant and machinery.

5.2.3 Sensitive Analysis

Sensitivity Analysis – DCF Equity Value to Changes in Forecast PLF

Table 5. 4 DCF Sensitivity Analysis – Changes in Plant Load Factor

Scenario	PLF Adjustment	Avg. Forecast PLF	Equity Value (LKR 000)	Value / Share (LKR)	Change vs. Base
PLF -10%	(10.0%)	15.25%	296,115	18.51	-23.8%
PLF -5%	(5.0%)	20.25%	342,254	21.39	-11.9%
PLF -2.5%	(2.5%)	22.75%	365,324	22.83	-5.9%
Base case	**-**	**25.25%**	**388,394**	**24.27**	**0.0%**
PLF +2.5%	2.5%	27.75%	411,464	25.72	5.9%
PLF +5%	5.0%	30.25%	434,534	27.16	11.9%
PLF +10%	10.0%	35.25%	480,674	30.04	23.8%

Note: *As shown in Table 5.4, the sensitivity analysis evaluates the impact of changes in the forecasted Plant Load Factor (PLF) on the Company's valuation derived using the DCF method. The PLF reflects changes in electricity generation arising from weather conditions, particularly rainfall and water availability. Higher rainfall and water availability support higher electricity generation and PLF, while lower rainfall or drought conditions reduce generation and PLF. The base case assumes PLF under normal rainfall conditions, whilst the scenario analysis illustrates the potential impact of changes in weather conditions on PLF by adjusting the forecast PLF by ±2.5%, ±5.0% and ±10.0%, with all other assumptions held constant.*

Sensitivity Analysis – DCF Equity Value to Changes in Cost of Equity

Table 5. 5 DCF Sensitivity Analysis – Changes in Cost of Equity

Cost of Equity	13.08%	14.08%	15.08%	16.08%	17.08%	18.08%	19.08%
Equity Value (LKR 000)	404,430	398,832	393,500	**388,394**	383,568	378,940	374,520

Note: *The Company's equity value has been derived using the DCF method. As the Company has no interest-bearing debt, the discount rate used in this sensitivity analysis represents the Cost of Equity. All other valuation assumptions are held constant.*

5.2.4 Illustrative SPPA Renewal Scenario

An illustrative valuation scenario has been prepared to assess the potential value of Falcon Valley Hydro Limited based on the assumption that the existing Standardized Power Purchase Agreement (SPPA) will be renewed for a further 20 years beyond November 2032. Accordingly, the scenario assumes the continuation of electricity generation and related cash flows throughout the renewal period based on the assumptions set out below.

As the renewal terms have not been confirmed, this scenario is presented for illustrative purposes only. The resulting valuation is disclosed separately as a possible scenario and has not been incorporated into the principal valuation or the recommended Reference Price.

Table 5. 6 Illustrative SPPA Renewal Scenario – Valuation Summary

Valuation output	SSPA Renewal scenario
Enterprise Value (LKR 000)	195,689
Adjustments	
Add: Cash and cash equivalents	16,893
Add: Fixed deposit	200,000
Less: Bank Overdraft	1,182
Equity Value (LKR 000)	411,400
Number of Shares (000)	16,000
Value per Share (LKR)	25.71

DCF Valuation Assumptions - Illustrative SPPA Renewal Scenario

- The existing SPPA is assumed to be renewed for a further 20 years from November 2032 with the tariff rate assumed to remain at the current rate of LKR 14.58 per kWh, as the exact tariff applicable under the renewed SPPA will be determined at such times.
- Revenue is forecasted based on the average Plant Load Factor (PLF) achieved during the preceding five financial years, consistent with the methodology used in the existing financial forecasts

(under section 7). The same approach is applied throughout the 20-year renewal period, assuming normal hydrological conditions and a tariff based on the renewal scenario assumptions.

- Cost of sales is forecast using the similar assumptions set out in Section 7. In addition, land lease expenses are treated as an expense (not as prepaid lease and amortized), as the terms and conditions of the renewed lease arrangement cannot be determined at this stage. Depreciation on new capital expenditure is also included in the cost of sales forecast.
- Administration expenses are forecast using the same structure and assumptions set out in Section7.
- The income tax rate is assumed to remain at 20%, based on the existing BOI agreement which does not specify an expiry date.
- Working capital is forecast using the same assumptions set out in Section 7.
- Capital expenditure is assumed at LKR 100 million over the renewal period (based on management's approximate estimates). This amount is allocated as LKR 25 million every five years, commencing at the end of Nov 2032. Depreciation on this additional capital expenditure at 20% is included in the cost of sales forecast, as mentioned above. Existing assets that would be fully depreciated at the current rates will continue to be carried as fully depreciated assets.
- Discount rate - A cost of equity of 16.1% is applied to the existing SPPA period (explicit forecast period) as disclosed in Table 5.3, while a discount rate of 17.1% is applied to the renewal period (implicit forecast period). The rates are based on the risk-free rate derived from the secondary market 10-year Treasury Bond yield published in the CBSL Weekly Economic Indicators dated 3 July 2026, a market risk premium of 8.0%, and the beta value disclosed in Table 5.3. The Company's capital structure is assumed to remain unchanged throughout the renewal period.

Tariff Sensitivity Analysis – SPPA Renewal Scenario

Assuming that the existing SPPA will be renewed for a further 20 years from November 2032, a tariff sensitivity analysis has been conducted to assess the impact of alternative tariff rates on the Company's valuation. The existing tariff of LKR 14.58 per kWh is maintained throughout the existing SPPA period, while the alternative tariff rates shown below apply only to the renewal period. The resulting equity value and value per share under each scenario are presented in Table 5.7. These scenarios are illustrative only, as the tariff applicable under the renewed SPPA has not yet been confirmed.

Table 5.7

Table 5. 7 Tariff Sensitivity Analysis – SPPA Renewal Scenario

Scenario	Assumed Tariff (LKR/kWh)	Equity Value (LKR 000)	Value per Share (LKR)
20% tariff reduction	11.66	388,983	24.31
10% tariff reduction	13.12	400,191	25.01
No tariff change	**14.58**	**411,400**	**25.71**
10% tariff increase	16.04	422,608	26.41

5.3 Relative Valuation

Peer companies for the comparison were selected considering their significant exposure to hydro-power generation. PER and P/BV figures are presented by rounding to nearest 2 decimals and calculated based on absolute figures.

5.3.1 Trailing PER Valuation

Table 5. 8 Trailing Price-to-Earnings (P/E) Valuation

	LKR Million
FY26 PAT Attributable to Shareholders of Falcon Valley	24.55
Peer Average PER	16.07
FY26 Target Value of Falcon Valley	394.55
Number of Shares (Millions)	16.00
Value per Share of Falcon Valley (LKR)	**24.66**

Source: www.cse.lk (Accessed on 31/08/2026)

5.3.2 Forward PER Valuation

Table 5. 9 Forward Price-to-Earnings (P/E) Valuation

	LKR Million
FY27E PAT Attributable to Shareholders of Falcon Valley*	34.65
Peer Average PER	16.07
FY27E Target Value of Falcon Valley	556.78
Discount rate %	16.08%
PV of Falcon Valley after discount	479.63
Number of Shares (Millions)	16.00
Value per Share of Falcon Valley (LKR)	**29.98**

Source: www.cse.lk (Accessed on 31/08/2026)

**Please refer to Section 8.1 – Forecasted Income Statement for the calculation of FY2027E PAT attributable to shareholders.*

5.3.3 PER of Listed Utilities Sector Peers in the CSE (Peer Comps)

Please refer to Section 3.5 & 6.2 – for the justification of the selected peer companies.

Table 5. 10 Price-to-Earnings (P/E) of Selected Listed Utilities Sector Peers

Listed Utilities Sector Peer	Market Cap. as at 30 June 2026 (LKR Mn)	*PAT to Shareholders for the Year Ended 31 March 2026 (LKR Mn)	PER
VIDULLANKA PLC (VLL.N)	21,076	1,490	14.14
VALLIBEL POWER ERATHNA PLC (VPEL.N)	11,505	1,267	9.08
RESUS ENERGY PLC (HPWR.N)	3,921	157	24.98
Peer Average PER			**16.07**

Source: www.cse.lk (Accessed on 31/08/2026)

*Peer entity earnings are based on the audited financial statements of 31st March 2026.

5.3.4 P/BV Valuation

Table 5. 11 Price-to-Book Value (P/BV) Valuation

	LKR Million
NAV of Falcon Valley as at 31 Mar 2026	369.96
Peer Average P/BV	2.39
FY26 Target Value of Falcon Valley	884.72
Number of Shares (Millions)	16.00
Value per Share of Falcon Valley (LKR)	**55.29**

Source: www.cse.lk (Accessed on 31/08/2026)

5.3.5 P/BV of Listed Utilities Sector Peers in the CSE (Peer Comps)

Please refer to Section 3.5 & 6.2 – for the justification of the selected peer companies.

Table 5. 12 Price-to-Book Value (P/BV) of Selected Listed Utilities Sector Peers

Listed Utilities Sector Peer	Market Cap. (As at 30 June 2026)	*Equity Attributable to Shareholders as at 31 March 2026 (LKR Mn)	P/BV
VIDULLANKA PLC (VLL.N)	21,076	9,410	2.24
VALLIBEL POWER ERATHNA PLC (VPEL.N)	11,505	3,242	3.55
RESUS ENERGY PLC (HPWR.N)	3,921	2,569	1.53
LOTUS HYDRO POWER PLC	1,505	669	2.25
Peer Average P/BV			**2.39**

Source: www.cse.lk (Accessed on 31/08/2026)

*Peer entity equity values are based on the audited financial statements of 31st March 2026.

(Source: https://cdn.cse.lk/cmt/upload_report_file/kSjluJ4P0xJY01lG_30Jun2026104722GMT_1782816442519.pdf)

Note 2: Lotus Hydro Power PLC was excluded from the PER analysis as its comparatively high PER as at 30 June 2026 was considered an outlier, while remaining included in the P/BV analysis.

6. VALUATION METHODOLOGY

6.1 Discounted Cash Flow Methodology

The Discounted Cash Flow method used to estimate the value of the Company as at 31 March 2026, based on the future cash flows expected to be generated over the remaining period of the existing Power Purchase Agreement, which expires in November 2032.

The valuation is based on Free Cash Flow to Firm, which represents the cash flow generated from the Company's operations and available to providers of capital. FCFF has been calculated using the following formula:

FCFF = EBIT × (1 − Tax Rate) + Depreciation & Amortization − Capital Expenditure − Increase in Net Working Capital

The forecast for FCFF for each period is discounted to its present value as at 31 March 2026 using Cost of Equity.

As the Company is fully equity-funded and no borrowings or bank overdraft facilities are assumed during the forecast period, the discount rate reflects the Company's equity-based capital structure.

The forecast cash flows are discounted using the following formula:

$$EV = \sum_{t=1}^{n} \frac{FCFF_t}{(1+Ke)^t} + \frac{SV_n}{(1+Ke)^n}$$

Where:

EV = Enterprise Value
$FCFF_t$ = Free Cash Flow to Firm in period *t*
Ke = Cost of Equity
SV_n = Scrap value at the end of the forecast period, representing the current book value of the land as disclosed in the Audited Financial Statements for the year ended 31 March 2026.

t = Relevant discounting period
n = Final forecast period

As the valuation is limited to the remaining period of the existing SPPA, no terminal value or perpetual growth assumption has been applied beyond November 2032. Instead, the estimated scrap value of the relevant own land is included in the final forecast period, as explained in Section 5.2 (DCF Valuation).

The Enterprise Value derived under the DCF method is adjusted for relevant non-operating financial assets as at 31 Mar 2026 to arrive at the Equity Value of the Company.

6.2 Relative Valuation Methodology

The Relative Valuation method has been used to estimate the value of the Company by comparing it with selected listed Utilities sector companies. The selected peers are Vidullanka PLC (*VLL.N*), Vallibel Power Erathna PLC, Resus Energy PLC and Lotus Hydro Power PLC, which were selected based on their relatively significant exposure to hydropower generation (more than 30% hydro power generation of the total power generating capacity of each company) and relevance to the Company's operations. Certain other listed energy companies were excluded where their trading multiples were considered outliers, to avoid undue influence on the peer average.

The valuation is based on the average trading multiples of the selected peer companies using the Trailing Price-to-Earnings, Forward Price-to-Earnings and Price-to-Book Value methods.

6.2.1 Trailing PER Valuation

Under the Trailing PER method, the average PER multiple of the selected peers is applied to the Company's FY2026 profit after tax attributable to shareholders to estimate the equity value as at 31 March 2026.

Equity Value = FY2026 PAT Attributable to Shareholders × Peer Average PER Multiple

6.2.2 Forward PER Valuation

Under the Forward P/E method, the average PER multiple of the selected peers is applied to the Company's forecast FY2027 profit after tax attributable to shareholders. As the resulting value is based on FY2027 forecast earnings, **it is discounted to its present value as at 31 March 2026 using the applicable Ke.**

Forward Equity Value = FY2027 Forecast PAT Attributable to Shareholders × Peer Average PER Multiple

6.2.3 P/BV Valuation

Under the P/BV method, the average P/BV multiple of the selected peers is applied to the Company's Net Asset Value as at 31 March 2026 to estimate the equity value of the Company.

Equity Value = NAV as at 31 March 2026 × Peer Average P/BV Multiple

Note: *The peer trading multiples have been calculated based on the market capitalization of the selected peer companies as at 30 June 2026.*

7. ASSUMPTIONS USED IN FINANCIAL FORECASTS

The financial forecasts have been prepared for the remaining period of the existing Power Purchase Agreement, which expires in November 2032. The forecasts are based on the Company's historical financial and operating performance, existing contractual arrangements and management expectations. The key assumptions used in preparing the financial forecasts are set out below.

Revenue

Revenue is forecast based on the projected electricity generation of the power plant over the remaining term of the existing SPPA, which expires in November 2032. Electricity generation is projected using the historical generation profile of the power plant, assuming normal hydrological conditions and no significant changes in plant operating efficiency. Historically, the power plant has operated at a Plant Load Factor ranging from 23.09% to 26.43% during the period from FY2022 to FY2026. The forecast PLF reflects this historical operating pattern and is determined based on rolling five-year average for each forecast year. The power plant is assumed to continue operating at its existing installed capacity of 2.4 MW throughout the forecast period. In accordance with the existing SPPA, the electricity generated by the power plant is sold at a fixed tariff throughout the contractual period. Accordingly, the forecast assumes that the applicable tariff will remain unchanged, and all electricity generated will continue to be sold to NSO until the expiry of the SPPA. FY 2027 revenue shows a notable increase due to the lower revenue recorded in FY 2026 due to temporary closure of the plant during Ditwah cyclone period.

Table 7. 1 Historical and Forecast Revenue and Power Generation

	FY 2025A	FY 2026A	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E	FY 2032E	8m - 2033E
Revenue From Hydro power plants (LKR Mn)	80.10	64.95	78.09	78.15	77.58	76.94	76.31	77.41	51.52
Growth (%)	*-0.85%*	*-18.90%*	*20.22%*	*0.08%*	*-0.73%*	*-0.83%*	*-0.82%*	*1.45%*	*-33.45%*
Power Generation (GWh)	5.49	4.46	5.36	5.36	5.32	5.28	5.23	5.31	3.53
Installed Capacity (MW)	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
Plant Load Factor (%)	26.13%	23.09%*	25.48%	25.50%	25.31%	25.10%	24.89%	25.25%	25.21%

Note: *Power generation varies throughout a given year due to seasonal rainfall patterns. Based on the historical monthly generation data, power generation is generally lower from April to September, when rainfall and water availability are relatively lower, and tend to increase during the second half of the year. However, the revenue forecast is prepared on an annual basis using the five-year average PLF therefore, does not separately consider monthly or quarterly generation patterns. As such, any short-term impact of El-Nino or other temporary weather conditions were not considered in the forecast.*

** The FY2026 PLF is calculated based on 335 operating days, excluding the approximately one-month plant shutdown period due to Cyclone Ditwah.*

Cost of Sales

Cost of sales is forecast based on the historical operating cost structure of the power plant and management's expectations of future operating requirements. Salaries are projected based on an annual increment of 8.0% throughout the forecast period, being the average expected salary increment rate of the Company, while other employee-related costs are forecasted proportionate to the salaries. Depreciation is projected in accordance with the Company's depreciation policy and historical trends. Amortisation of the prepaid lease amount relates to the access road to the plant and is projected over the agreed period and is fully amortised by the beginning of FY2031. From FY2031 onwards, the related payment is forecasted as rent assuming the cost continues at the existing level. Maintenance expenses are management's best estimates considering historical trends, reflecting expected maintenance infrastructure upkeep over the forecast period. Insurance expenses and other cost items are projected based on historical expenditure patterns and adjusted for inflation where applicable, using an inflation of 7.0% for FY2027 and 5.0% per annum thereafter. FY 2026 cost of sales was low due to netting off of costs with an insurance claim, where FY 2027 cost is projected without such adjustment and other assumptions as set out above.

Table 7.2

Table 7. 2 Historical and Forecast Cost of Sales

	FY 2025A	FY 2026A	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E	FY 2032E	8m - 2033E
Cost of sales (LKR Mn)	44.10	35.95	39.09	40.10	41.17	42.29	43.49	44.76	29.75
Y-o-Y Change (%)	*19.%*	*-18.48%*	*8.74%*	*2.59%*	*2.66%*	*2.73%*	*2.83%*	*2.92%*	*-33.53%*
CoS Margin (%)	*55.06%*	*55.35%*	*50.06%*	*51.32%*	*53.07%*	*54.97%*	*56.99%*	*57.82%*	*57.75%*

Administration Expenses

Administration expenses are forecasted based on historical expenditure patterns and expected future requirements. Land tax, which accounts for approximately 70% of recurring administration expenses, is assumed to increase by 20% every five years in line with the applicable chargeability. Accordingly, a 20% increase was incorporated in FY 2031 where the next revision is due. Other recurring administrative expenses are generally forecast based on the latest available cost levels and historical expenditure patterns, with inflation-sensitive expenses adjusted using an inflation assumption of 7.0% for FY2027 and 5.0% per annum thereafter. The forecast for FY 2027 also consists of listing related expenses that result in higher administration expenses compared to the other forecast years which is not recurring in FY 2028 and thereafter. Continuing listing-related costs have also been included based on expected requirements during the forecast period.

Table 7. 3 Historical and Forecast Administrative Expenses

	FY 2025A	FY 2026A	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E	FY 2032E	8m - 2033E
Administrative expenses (LKR Mn)	6.38	8.34	13.98	6.88	6.88	6.88	7.85	7.86	5.26
Y-o-Y Change (%)	*17.31%*	*30.59%*	*67.70%*	*-50.78%*	*0.01%*	*0.01%*	*14.14%*	*0.01%*	*-33.05%*

Note: *Inflation-sensitive Cost of Sales and Administrative Expenses have been forecast using an annual inflation rate of 7.0% for FY2027, taking into consideration the June 2026 headline CCPI inflation rate, and 5.0% per annum thereafter, in line with the Central Bank of Sri Lanka's long-term 30 inflation target.*

Source: https://www.cbsl.gov.lk/en/monetary-policy-2026 (Accessed on 30/06/2026).

Depreciation & Amortization

Depreciation is forecasted in line with the Company's existing depreciation policy and the historical depreciation trends of each asset category. Depreciation is calculated using the straight-line method based on the cost of the respective depreciable assets and the applicable depreciation rates. Amortization of prepaid lease assets will continue in line with the existing amortization schedule over the forecast period, based on an annual amortization rate of 4.8%. The depreciation rates as per the audited financial statements are as follows:

Table 7. 4 Depreciation Rates of Property, Plant and Equipment

Civil constructions	5%
Plant and machinery	5%
Site equipment	20%
Furniture and fittings	25%
Office equipment	33.3%
Computer equipment	50%
Tools and utensils	100%

Net Finance Income

Net finance income is forecasted based on the assumption that excess cash generated during the forecast period will be invested in fixed deposits at an average interest rate of 8.8%, based on the Company's existing fixed deposit rates and assumed to continue at the same rate during the forecast period. Further, it is also assumed that the Company will not obtain any new borrowings or bank overdrafts during the forecast period. Accordingly, no interest expense has been assumed.

Table 7. 5 Historical and Forecast Net Finance Income

	FY 2025A	FY 2026A	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E	FY 2032E	8m - 2033E
Net finance income (LKR Mn)	10.86	14.46	18.22	24.32	29.78	35.35	41.11	47.00	35.51
Y-o-Y Change (%)	*269.66%*	*33.17%*	*26.05%*	*33.46%*	*22.46%*	*18.70%*	*16.29%*	*14.35%*	*-24.47%*

Taxation

Income tax has been forecasted using the tax rates applicable to the Company's different sources of income. Under the BOI agreement, income generated from the power plant is taxed at a concessionary rate of 20% as the BOI agreement does not specify an end date, whilst interest income is taxed at the standard corporate income tax rate of 30%.

The deferred tax liability is assumed to reduce to zero at the end of the forecast period, with the resulting reversal recognized in the statement of profit or loss. Current income tax expense for each financial year is recognized as income tax payable under current liabilities and is assumed to be settled in the following financial year.

Working Capital

Working capital balance is forecasted considering the Company's historical and latest trends. Inventories, which mainly comprise consumables and spare parts, are projected based on the average inventory as a percentage of cost of sales over the five-year period from FY2022 to FY2026. Trade and other receivables mainly comprise amounts due from NSO, advances and prepayments. Under the payment policy, trade receivables from NSO have a 45-day collection period. However, a 60-day collection period has been assumed for the forecast period, considering the possibility of payment delays from time to time as experienced in the past, which has been regularized now. Advances and prepayments are assumed to remain at the FY2026 level throughout the forecast period, as no significant changes are expected.

Trade and other payables mainly comprise accrued expenses, which are forecast at 5% of the combined cost of sales and administration expenses, based on the correlation observed during FY2025 and FY2026.

Table 7. 6 Historical and Forecast Working Capital Components

	FY 2025A	FY 2026A	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E	FY 2032E	8m - 2033E
Trade receivables - due from NSO (LKR Mn)	15.78	20.80	12.84	12.85	12.75	12.65	12.54	12.73	8.47
Total Trade and other receivables (LKR Mn)	22.27	27.75	18.54	18.55	18.45	18.35	18.24	18.42	14.16
Trade Receivable Days – NSO	61.24	102.78	60.00	60.00	60.00	60.00	60.00	60.00	60.00
Inventories (LKR Mn)	9.69	10.28	9.07	9.31	9.55	9.82	10.09	10.39	6.90
Inventory as % of CoS	*21.98%*	*28.60%*	*23.21%*	*23.21%*	*23.21%*	*23.21%*	*23.21%*	*23.21%*	*23.21%*
Trade Payables (LKR Mn)	0.15	0.004	-	-	-	-	-	-	-
Accrued expenses (LKR Mn)	2.35	2.74	2.65	2.40	2.46	2.57	2.63	2.41	1.75
Total trade and other payables (LKR Mn)	2.50	2.75	2.65	2.40	2.46	2.57	2.63	2.41	1.75

Capital Expenditure

Capital expenditure is forecasted based on the Company's past patterns and the expected requirements of the existing power plant. Maintenance CAPEX is assumed at 0.2% (management's estimate) of revenue from FY2027 to FY2032, as in the management's view there are no major investments required other than minor maintenance. No capital expenditure is assumed for the final eight-month period ending November 2032, considering the expiry of the existing SPPA.

Investment in Fixed Deposits

The fixed deposit balance is forecast based on the cash position at the beginning of each financial year. Cash equivalent to three months of the working capital requirement is assumed to be retained to meet operating and short-term cash needs. The remaining cash balance is assumed to be invested in fixed deposits. Cash generated during the financial year is not considered for the fixed deposit investment. Accordingly, the forecast fixed deposit balance reflects the cash available for investment after maintaining the required working capital cash balance.

Table 7. 7 Historical and Forecast Investment in Fixed Deposits

	FY 2025A	FY 2026A	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E	FY 2032E	8m - 2033E
Investment on fixed deposits (LKR Mn)	100.00	200.00	206.91	276.19	338.25	401.53	466.98	534.03	605.12
Y-o-Y Change (%)	*100%*	*100%*	*3.45%*	*33.48%*	*22.47%*	*18.71%*	*16.30%*	*14.36%*	*12.38%*

Note: *Working capital requirement is assumed to be equivalent to three months of the cash portion of Cost of Sales and Administrative Expenses, excluding non-cash items.*

Scrap Value*

The scrap value at the end of the forecast period represents the current book value of the freehold land as disclosed in the Audited Financial Statements for the year ended 31 March 2026. The land is not subject to depreciation.

*****Note: *The existing civil construction work, plant & machinery are expected to remain usable if the SPPA is renewed or extended. However, no residual value has been assigned to these assets in determining the scrap value.*

8. FORECASTED FINANCIAL STATEMENTS

8.1 Statement of Profit or Loss

Table 8. 1 Forecast Statement of Profit or Loss

For the financial year ended 31 March	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E	FY 2032E	8m - 2033E
LKR 000							
Revenue	78,089	78,151	77,577	76,937	76,305	77,412	51,518
Cost of sales	(39.090)	(40,103)	(41,170)	(42,293)	(43,490)	(44,762)	(29,752)
Gross profit	**38,999**	**38,047**	**36,407**	**34,644**	**32,815**	**32,650**	**21,766**
Other income	-	-	-	-	-	-	-
Administrative expenses	(13,979)	(6,880)	(6,881)	(6,882)	(7,855)	(7,856)	(5,260)
Profit from operating activities	**25,020**	**31,167**	**29,526**	**27,762**	**24,961**	**24,794**	**16,506**
Net finance income/(expenses)	18,221	24,317	29,779	35,348	41,107	47,007	35,506
Profit before tax	**43,241**	**55,484**	**59,305**	**63,110**	**66,067**	**71,802**	**52,012**
Income tax expenses	(8,593)	(11,651)	(12,962)	(14,280)	(15,447)	(17,184)	(12,701)
Profit/loss) for the year	**34,648**	**43,833**	**46,343**	**48,830**	**50,620**	**54,618**	**39,310**

8.2 Statement of Financial Position

Table 8. 2 Forecast Statement of Financial Position

For the financial year ended 31 March	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E	FY 2032E	8m - 2033E
LKR 000							
Assets							
Non-current assets							
Property, plant and equipment	117,835	100,560	83,265	65,956	48,620	31,253	21,000
Prepaid land lease	942	490	38	-	-	-	-
Total non-current assets	**118,777**	**101,050**	**83,303**	**65,956**	**48,620**	**31,253**	**21,000**
Current assets							
Inventories	9,072	9,307	9,555	9,815	10,093	10,388	6,905
Trade and other receivables	18,536	18,546	18,452	18,347	18,243	18,425	14,168
Prepaid land lease	452	452	452	38	-	-	-
Investment on fixed deposits	206,911	276,191	338,251	401,535	466,976	534,030	605,115
Short term investment		-	-	-	-	-	-
Cash and cash equivalents	76,555	69,598	71,099	73,895	75,828	80,369	59,349
Total Current assets	**311,526**	**374,095**	**437,809**	**503,630**	**571,140**	**643,212**	**685,537**
Total Assets	**430,304**	**475,144**	**521,112**	**569,586**	**619,760**	**674,465**	**706,537**
Equity and liabilities							
Equity							
Stated capital	160,000	160,000	160,000	160,000	160,000	160,000	160,000
Retained earnings	244,605	288,438	334,781	383,612	434,232	488,850	528,160
Total Equity	**404,605**	**448,438**	**494,781**	**543,612**	**594,232**	**648,850**	**688,160**
Non-current liabilities							
Interest bearing borrowings	-	-	-	-	-	-	-
Retirement benefit obligations	1,938	2,069	2,207	2,354	2,509	2,673	2,674
Deferred tax liabilities	10,637	8,760	6,883	5,006	3,129	1,251	-
Total non-current liabilities	**12,575**	**10,829**	**9,090**	**7,359**	**5,637**	**3,924**	**2,674**
Current liabilities							
Trade and other payables	2,653	2,349	2,402	2,459	2,567	2,631	1,750
Amount due to related parties	-	-	-	-	-	-	-
Income tax payable	10,470	13,529	14,839	16,157	17,324	19,061	13,953
Interest bearing borrowings	-	-	-	-	-	-	-
Bank overdraft	-	-	-	-	-	-	-
Total Current liabilities	**13,124**	**15,878**	**17,241**	**18,615**	**19,891**	**21,692**	**15,703**
Total Liabilities	**25,699**	**26,707**	**26,331**	**25,975**	**25,528**	**25,616**	**18,377**
Total Equity and liabilities	**430,304**	**475,144**	**521,112**	**569,586**	**619,760**	**674,465**	**706,537**

8.3 Statement of Cash Flow

Table 8. 3 Forecast Statement of Cash Flows

For the financial year ended 31 March	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E	FY 2032E	8m - 2033E
LKR 000							
Cash Generated from Operations							
Profit / (Loss) before tax	43,241	55,484	59,305	63,110	66,067	71,802	52,012
Adjustments for:							
Interest income	(18,221)	(24,317)	(29,779)	(35,348)	(41,107)	(47,007)	(35,506)
Finance cost	-	-	-	-	-	-	-
Depreciation	17,411	17,432	17,449	17,463	17,489	17,522	10,253
Profit on disposal of PPE	-	-	-	-	-	-	-
Provision for defined benefit obligation	357	380	405	431	458	487	345
Amortization of land lease	452	452	452	452	38	-	-
Operating profit before working capital changes	**43,241**	**49,431**	**47,833**	**46,109**	**42,945**	**42,804**	**27,104**
(Increase)/decrease in inventories	1,211	(235)	(248)	(260)	(278)	(295)	3,483
(Increase)/decrease in trade & other receivables	9,213	(10)	94	105	104	(182)	4,257
Increase / (decrease) in trade & other payables	(99)	(304)	53	56	108	64	(880)
Increase / (decrease) in amounts due to related party	-	-	-	-	-	-	-
Cash flow from operating activities	**53,566**	**48,882**	**47,733**	**46,010**	**42,880**	**42,390**	**33,964**
Finance cost paid	-	-	-	-	-	-	-
Gratuity paid	(234)	(250)	(267)	(284)	(303)	(323)	(344)
Income tax paid	(3,643)	(10,470)	(13,529)	(14,839)	(16,157)	(17,324)	(19,061)
Net cash flows from operating activities	**49,689**	**38,162**	**33,938**	**30,886**	**26,420**	**24,743**	**14,559**
Cash flow from investing activities							
Acquisition of property, plant & equipment	(156)	(156)	(155)	(154)	(153)	(155)	-
Interest received	18,221	24,317	29,779	35,348	41,107	47,007	35,506
Proceeds from disposal of PPE	-	-	-	-	-	-	-
Fixed deposit placed	(6,911)	(69,280)	(62,061)	(63,284)	(65,440)	(67,054)	(71,085)
Disposal of investment in fixed deposits	-	-	-	-	-	-	-
Net cash flow from investing activities	**11,154**	**(45,119)**	**(32,437)**	**(28,090)**	**(24,486)**	**(20,202)**	**(35,579)**
Cash flows from financing activities							
Interest bearing borrowing repaid	-	-	-	-	-	-	-
Net cash flows from financing activities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net increase / (decrease) in cash & cash equivalents	**60,843**	**(6,957)**	**1,501**	**2,796**	**1,933**	**4,541**	**(21,020)**
Cash & cash equivalents at beginning of year	**15,712**	**76,555**	**69,598**	**71,099**	**73,895**	**75,828**	**80,369**
Cash & cash equivalents at end of year	**76,555**	**69,598**	**71,099**	**73,895**	**75,828**	**80,369**	**59,349**

8.4 Ratio Analysis

Table 8. 4 Forecast Financial Ratio Analysis

	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E	FY 2032E	8m - 2033E
Gross Profit Margin (%)	49.9%	48.7%	46.9%	45.0%	43.0%	42.2%	42.2%
EBITDA Margin (%)	54.9%	62.8%	61.1%	59.4%	55.7%	54.7%	51.9%
Net Profit Margin (%)	44.4%	56.1%	59.7%	63.5%	66.3%	70.6%	76.3%
Return on Assets (ROA) (%)	8.1%	9.2%	8.9%	8.6%	8.2%	8.1%	5.6%
Return on Equity (ROE) (%)	8.6%	9.8%	9.4%	9.0%	8.5%	8.4%	5.7%
Current Ratio (x)	23.7	23.6	25.4	27.1	28.7	29.7	43.7
Earnings Per Share (EPS)	2.17	2.74	2.90	3.05	3.16	3.41	2.46
Book Value Per Share (BVPS)	25.29	28.03	30.92	33.98	37.14	40.55	43.01

9. THE TEAM

Rohan Seneviratne – Founder| Managing Director

A veteran in the Sri Lankan capital markets industry with three decades of experience across Regulatory Organizations (Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange) and market intermediary institutions (Securities Brokerage Firms and Unit Trusts) in his career. Rohan is a Director / Shareholder of ACPL, with corporate experience across multiple industries and institutions.

Rohan joined the capital markets industry in 1992 as a Management Trainee of the Colombo Stock Exchange. In 1994, he joined Lanka Securities (Pvt) Limited (a joint venture stockbroking firm between Bank of Ceylon and Merchant Bank of Sri Lanka) as an Investment Advisor and rose to the level of Director Sales in 2001. In 2003, he joined Lanka ORIX Securities (Pvt) Limited (former subsidiary of Lanka ORIX Leasing Company PLC) as an Executive Director. During his career in stockbroking, he has successfully structured many strategic transactions (listed and unlisted) and has offered investment advice to clients ranging from local retail investors to global foreign funds functioning in Frontier Markets sphere.

In 2008 Rohan joined the Global Service Delivery Centre of HSBC in Colombo, its Hedge Funds and Traditional Funds Administration division as Vice President Operations and subsequently rose to the level of VP / Country Head, HSBC Securities Services COE Colombo in 2011.

Rohan joined the capital markets regulator, Securities and Exchange Commission of Sri Lanka as Consultant - Special Projects in 2013. He was instrumental in development and implementation of the first ever USD denominated investment product in the Sri Lankan capital market (Dollar Bond Fund Unit Trusts) during his tenure at SEC.

Rohan is a Graduate / Passed Finalist of Association of Business Executives UK and also graduated with a master's degree in business administration from University of Wales in 2008.

Chandana Wijesundara – Head of Investment Banking

After completing a successful career spanning over 9 years at the Colombo Stock Exchange (CSE), Chandana joined Atarah Capital Partners in February 2020 and is currently serving in Atarah Capital (Pvt) Limited, a fully owned subsidiary of Atarah Capital Partners. His experience encompasses Corporate Finance / Investment Banking, complemented with vast experience on end-to-end process of public listing of securities gained whilst holding key responsibilities at the Listings Division of the CSE. He was a member of the regulatory teams that launched the Multi Currency Board and the Empower Board (for SME's) as listing platforms and has been involved in many other regulatory process implementations and revisions with ample exposure to capital market related practices, laws and regulations. He has been a key resource person representing CSE at various forums conducted to promote listing of securities amongst prospective issuers. He has been involved in many business valuations for capital raising via CSE as well as in the private equity space.

Chandana also possesses hands on experience in Financial Reporting and Auditing where he carried out numerous tasks during statutory audits at Ernst & Young for over 3 years. Formally qualified with a Bachelor of Business Management (Finance) Special Degree (2nd Lower) from University of Kelaniya Sri Lanka, Chandana is also an Affiliate of Association of Chartered Certified Accountants (ACCA) UK.

Isuru Malshan Fonseka – Financial Analyst

Isuru has over two years of experience in equity research and corporate finance, with exposure to valuation of both listed and unlisted companies. His experience includes financial modelling, business valuation, investment analysis, industry and macroeconomic research as well as the preparation of investment memorandums and client presentations. Prior to joining Atarah Capital, Isuru worked as an Equity Research Analyst at a stockbroking firm, where he conducted fundamental analysis, financial forecasting, and valuations of listed companies, and prepared equity research reports and investment insights.

Isuru holds a bachelor’s degree in Finance (Special) with Second Class Upper Division from the University of Sri Jayewardenepura.

10. DISCLAIMER

The valuation model underlying this report has been prepared by ACPL based on an analysis of the audited financial statements of Falcon Valley Hydro Limited for FY2022 to FY2026, together with the future plans and forecast assumptions provided by the management of the Company. The financial forecasts are based on several assumptions made by the Company and by the preparer's judgements of significant subjectivity. Therefore, such information should not be considered as a guarantee or representation, expressed or implied, of the future achievements of the Company and are subject to change according to the Company's ability to execute its business plans and may vary depending on the macro-economic conditions prevailing time-to-time.

ACPL's independent verifications were limited to analysis of the historical financial statements of the Company, its present operational structure and the use of professional judgement as regards the assumptions disclosed under the section on 'Discounted Cash Flows'. Forecasted results and assumptions have been discussed with the management of FVHP and assumptions used have been compared with past trends and macro-economic factors to the extent of availability of such information. ACPL has made inquiries with the management on future plans in place to achieve the expected results.

ACPL assumes no responsibility over the omission of information furnished by the Company. The industry information included in this report is based on external information sources mentioned therein and ACPL has not independently verified such information.

Accordingly, the information and results should not be considered as a representation made by ACPL and does not by any means constitute a guarantee of the future achievements of the Company. ACPL does not accept any liability for a loss incurred by any person by acting or not acting based on the information presented in this Report. The recipients of this report are expected to make their own analysis and judgments considering the historical financial information and macro-economic factors that could affect the present and future operations of the Company.

The value recommendation provided in this report is valid for a period of 3 months from the date of the Introductory Document, provided no material changes are taking place in the Company's operating environment during the aforesaid period.

We also confirm that ACPL is neither a related party of Falcon Valley Hydro Limited as defined in Sri Lanka Accounting Standards, nor has a significant interest or financial connection with the Company.

Report Date: 31st August 2026

ANNEXURE 4

ACCOUNTANT'S REPORT AND FIVE-YEAR SUMMARY

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. 0. Box 186,
Colombo 00300, Sri Lanka.

Tel +94 - 11 542 6426
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Internet www.kpmg.com/lk

01 October 2026

Board of Directors
Falcon Valley Hydro Limited
Level 04, Access Tower 1
Union Place
Colombo 02

Dear Sirs / Mesdames,

Accountant's Report for inclusion in the Introductory Document of the Falcon Valley Hydro Limited

This report is made solely for the purpose of the Board of Directors of Falcon Valley Hydro Limited for inclusion in the Introductory Document to be issued in connection with the proposed introductory listing of 16,000,000 ordinary shares of the Company, on the Empower Board of the Colombo Stock Exchange, subject to obtaining all necessary regulatory and other approvals.

We have examined the Financial Statements of the Falcon Valley Hydro Limited ("the Company") for the years ended 31 March 2022 to 31 March 2026, and report as follows.

Responsibilities of the Directors and the Accountant

Directors' Responsibility

The Directors are responsible for the preparation of the Summary of Audited Financial Information and Related Disclosures for inclusion in Introductory Document.

Accountant's Responsibility

Our responsibility is to prepare the Accountant's Report for inclusion in the Introductory Document of Falcon Valley Hydro limited in connection with the proposed introductory listing of its ordinary shares on the Empower Board of the Colombo Stock Exchange.

We have derived the financial information presented in this report from the audited financial statements of the Company for the years ended 31 March 2022 to 31 March 2026. These financial statements were prepared in compliance with Sri Lanka Accounting Standards (SLFRSs/LKASs) and audited in accordance with Sri Lanka Auditing Standards (SLAuSs).

Our procedures were limited to verifying that the amounts included in the summary financial information agree with the corresponding amounts in the audited financial statements and ensuring that the presentation is consistent with the underlying financial statements. We have not performed any audit or review procedures beyond those necessary to confirm the accuracy of the extraction and presentation of the information. Details of the auditors of the underlying financial statements are set out in Section 2.2.

This is not an assurance engagement; therefore, we do not express an audit opinion or any assurance conclusion on the financial information.

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T.J.S. Rajakarier FCA
W.K.D.C. Abeyrathne FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
R. G. H. Raddella ACA
W.W.J.C. Perera FCA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA
H.U.S.T Dayananda FCA
Ms. S. Joseph FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA

Principals: S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R. Ziyard FCMA (UK), FCIT, K. Somasundaram ACMA(UK), Ms. D Corea Dharmaratne

KPMG

1. Incorporation

The Company is a limited Company incorporated and domiciled in Sri Lanka. The Company's registered office and principal place of business is located at Level 04, Access Tower 1, Union Place, Colombo 02, Sri Lanka.

The Company changed its name from Falcon Valley Hydro (Private) Limited to Falcon Valley Hydro Limited with effect from 17 August 2026.

The immediate parent of the Company is Blue Maven Asia Energy (Private) Limited and the ultimate parent is Khen Energy Limited.

The principal activity of the Company is the generation and supply of hydroelectric power.

2. Financial Information

2.1 Five Years Summary of Audited Financial Statements

A summary of Statement of Comprehensive Income and Statement of Financial Position of the Company for the years ended 31 March 2022 to 31 March 2026, based on the audited financial statements are set out in Annexure 1.

Summaries presented for Operating Results, Assets, Liabilities and Shareholders' funds for financial years ended 31 March 2022 to 31 March 2026 have been derived from the financial statements prepared in accordance with SLFRSs and LKASs.

2.2 Audit Reports

The financial statements of the Company for the years ended 31 March 2022 to 31 March 2025 were audited by T & D Associates and unmodified audit opinions were issued thereon on 28 April 2022, 27 April 2023, 25 April 2024, 25 April 2025, 19 May 2026. We audited the financial statements of the Company for the year ended 31 March 2026 and issued an unmodified audit opinion thereon on 19 May 2026.

2.3 Accounting Policies

The Financial Statements of the Company for the years ended 31 March 2022 to 31 March 2026 comply with Sri Lanka Accounting Standards. The accounting policies of the Company are stated in detail in the audited Financial Statements of Falcon Valley Hydro Limited for the year ended 31 March 2026.

The adoption of revised/ new accounting standards and a summary of related amendments to the accounting policies of the Company for the financial years ended 31 March 2022 to 31 March 2026 are given in Annexure 2.

2.4 Dividends

The Company did not declare any dividends on its ordinary shares for the financial years presented in this report.

KPMG

2.5 Events after Reporting Date

There have been no other material events occurring after the reporting date that require adjustments to or disclosure in the financial statements

3. Restriction on Use

This report is made solely for the purpose of the Board of Directors of Falcon Valley Hydro Limited to be used in the Introductory Document issued in connection with the proposed introductory listing of up to 16,000,000 ordinary shares of the Company on the Empower Board of the Colombo Stock Exchange, subject to obtaining all necessary regulatory and other approvals.

This report should not be used for any purpose other than the purpose stated above and should not be distributed to or used by any party other than the Company. Our report is not modified in respect of this matter.

Yours Faithfully,

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
01 October 2026

Accountant's Report for Introductory Listing - Falcon Valley Hydro Limited
Annexure 01
Five year summary
Statement of Comprehensive Income

For the year ended 31 March,	2026 LKR	2025 LKR	2024 LKR	2023 LKR	2022 LKR
Revenue	**64,954,327**	**110,834,670**	**80,780,913**	**81,015,927**	**77,783,804**
Cost of sales	(35,949,197)	(44,097,477)	(36,803,989)	(34,170,475)	(31,533,544)
Gross profit	**29,005,130**	**66,737,194**	**43,976,923**	**46,845,452**	**46,250,261**
Other income	1,120	170,000	-	-	-
Administrative expenses	(8,335,782)	(6,383,409)	(5,441,552)	(4,726,194)	(5,039,538)
Profit from operating activities	**20,670,468**	**60,523,785**	**38,535,372**	**42,119,258**	**41,210,722**
Net finance income	14,454,834	10,854,531	2,936,329	(4,348,637)	(3,926,649)
Profit before taxation	**35,125,302**	**71,378,317**	**41,471,701**	**37,770,620**	**37,284,073**
Income tax expense	(10,572,809)	(17,240,724)	(10,228,042)	(13,580,590)	(6,406,391)
Profit for the year	**24,552,493**	**54,137,593**	**31,243,659**	**24,190,031**	**30,877,682**
Other comprehensive income					
Actuarial (loss)/ gain from employee benefit obligation	(346,030)	103,729	(438,319)	(136,444)	614,500
Deferred tax on actuarial loss/ (gain)	69,206	(20,746)	87,664	27,289	(86,030)
Total comprehensive income for the year	**24,275,669**	**54,220,576**	**30,893,004**	**24,080,875**	**31,406,152**
Earning per share	**1.52**	**3.39**	**1.93**	**1.51**	**1.96**

Figures in brackets indicate deductions.

Accountant's Report for Introductory Listing - Falcon Valley Hydro Limited
Annexure 01
Five year summary
Statement of Financial Position

As at 31 March,	2026 LKR	2025 LKR	2024 LKR	2023 LKR	2022 LKR
ASSETS					
Non- current assets					
Property, plant and equipment	135,090,369	152,346,204	169,520,961	186,695,735	204,094,505
Pre Paid Land lease	1,394,855	1,847,235	2,299,615	2,751,995	3,204,375
Total non- current assets	**136,485,224**	**154,193,439**	**171,820,576**	**189,447,730**	**207,298,880**
Current assets					
Inventories	10,282,924	9,693,873	8,116,242	7,451,390	6,809,541
Trade and other receivables	27,749,227	22,269,485	16,076,298	93,517,241	62,470,919
Pre Paid Land Lease	452,380	452,380	452,380	452,380	452,380
Investment on fixed deposits	200,000,000	100,000,000	-	-	-
Cash and cash equivalents	16,894,123	87,385,553	125,827,154	1,895,273	221,748
Total current assets	**255,378,654**	**219,801,291**	**150,472,074**	**103,316,285**	**69,954,588**
Total assets	**391,863,878**	**373,994,730**	**322,292,650**	**292,764,016**	**277,253,469**
EQUITY AND LIABILITIES					
Equity attributable to the shareholders					
Stated capital	160,000,000	160,000,000	160,000,000	160,000,000	160,000,000
Retained earnings	209,958,053	185,682,384	131,461,808	100,568,802	76,487,926
Total equity	**369,958,053**	**345,682,384**	**291,461,808**	**260,568,802**	**236,487,926**
Non-current liabilities					
Retirement benefit obligations	1,814,764	1,361,951	1,343,141	812,387	587,692
Deferred tax liability	12,514,259	14,581,954	16,557,183	18,604,892	14,418,362
Total non- current liabilities	**14,329,023**	**15,943,905**	**17,900,324**	**19,417,279**	**15,006,054**
Current liabilities					
Trade and other payables	2,752,018	2,499,716	1,619,201	6,152,949	1,515,913
Income tax payable	3,642,754	7,057,810	4,709,122	3,936,647	2,002,215
Amount due to related parties	-	2,500,000	2,500,000	2,500,000	2,800,000
Bank overdraft	1,182,030	310,915	4,102,195	188,337	19,441,360
Total current liabilities	**7,576,802**	**12,368,441**	**12,930,518**	**12,777,933**	**25,759,489**
Total liabilities	**21,905,825**	**28,312,346**	**30,830,842**	**32,195,214**	**40,765,543**
Total equity and liabilities	391,863,878	373,994,730	322,292,650	292,764,016	277,253,469

Accountant's Report for Introductory Listing - Falcon Valley Hydro Limited
Annexure 02
The Adoption of revised/ new accounting standards and summary of related amendments to the Accounting Policies

Financial Year	Adoption of revised/ new accounting standards and related amendments to the accounting policies	Details
FY 2025/26	Material accounting policy information	Company adopted Disclosure of Accounting Policies (Amendments to LKAS 1 and SLFRS Practice Statement 2) from 1 April 2025. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements. Management reviewed the accounting policies and made updates to the information disclosed in Note 2 Material accounting policies (2024/2025: Significant accounting policies) in certain instances in line with the amendments.



Falcon Valley Hydro Limited

Level 4, Access Tower, 278, Union Place, Colombo 02