

BOARD REPORT ON SCHEME OF ARRANGEMENT

Prepared pursuant to Section 282(2)(c) of the Companies Act, 2017

Date: May 22, 2025

1. INTRODUCTION

This report has been prepared and adopted by the Boards of Gatron (Industries) Limited (“Gatron”), in compliance with the requirements of Section 282(2)(c) of the Companies Act, 2017, in connection with the Scheme of Arrangement (the “Scheme”) dated May 22, 2025 among Nova Frontiers Limited and its shareholders, Gatron (Industries) Limited (“Gatron”) and its shareholder, and Ghani & Tayub (Private) Limited (“G&T”) and its shareholder. The Scheme proposes a capital restructuring and shareholding realignment among the said companies and their shareholders.

This report sets out the effect of the proposed compromise and arrangement on each class of shareholders, explains the share swap ratio, and identifies any special valuation difficulties encountered during the process.

2. OVERVIEW OF THE SCHEME

The Scheme aims at restructuring the capital of NFL and transferring the shareholding in Gatron directly to the shareholders of NFL and G&T. The key components are:

Cancellation of 4,047,669 shares of NFL held by its Outgoing Shareholders as identified in the Scheme.

In return, shares of Gatron, currently held by NFL shall be issued to the Outgoing Shareholders and G&T Shareholder based on swap ratio determined by an independent expert. For the purpose of determination of fair value for the entitlement of the Outgoing Shareholder, supplementary audited accounts of the companies for the period from July 1, 2024 to January 31, 2025 has been prepared. KPMG, Chartered Accountants was engaged to determine share swap ratio for issuance of shares of Gatron in lieu of the shares of NFL. KPMG, through its letter dated May 7, 2025 determined the share swap ratio of 6.56. Based on the aforesaid swap ratio a total of 26,552,709 shares of Gatron will be issued to the Outgoing Shareholders, allowing direct shareholding and voting in Gatron. Out of the aforesaid Gatron shares, the entitlement of G&T as an Outgoing Shareholders will be

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15,710,000 shares of Gatron, which shall be issued to G&T's shareholders in proportion to their shareholding in G&T.

Furthermore, balance 5,342,430 shares of Gatron as held by NFL shall be issued to the Remaining NFL Shareholders (excluding the Outgoing Shareholders) in proportion to the shareholding, allowing direct shareholding and voting in Gatron.

Consequently, 31,895,139 (26,552,709 plus 5,342,430) Gatron shares held by NFL shall be cancelled.

In addition to the G&T's entitlements as an Outgoing Shareholder, G&T also owns 3,240,774 Gatron prior to this Arrangement. These shares will be cancelled and in lieu of cancellation of these 3,240,774 shares of Gatron, 3,240,774 new shares of Gatron shall be issued to the G&T Shareholders in proportion to their shareholding in G&T by utilizing unappropriated profit / reserves and without any reduction in the capital of G&T.

The Scheme will eliminate intermediate holding structures, simplify corporate governance, and allow shareholders to directly benefit from potential value appreciation and liquidity in Gatron.

3. EFFECT ON EACH CLASS OF SHAREHOLDERS

A. NFL Shareholders

Outgoing Shareholders: Will surrender 4,047,669 shares in NFL and in exchange, receive 26,552,709 Gatron shares. Their indirect interest in Gatron (through NFL) becomes direct.

Remaining Shareholders: Will retain their shareholding in NFL (with exception of identified three directors of NFL, who will have a reduced shareholding in NFL) and receive direct allotment of remaining shares 5,342,430 shares of Gatron in proportion to their shareholding in NFL. This enhances shareholder control.

As the swap ratio has been determined by an independent expert, the Outgoing Shareholders as well as the Remaining Shareholders will get the proper value of their respective shareholding in NFL without there being any disadvantage for any group of shareholders.

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B. Gatron Shareholders

There will be no impact on the existing shareholders of Gatron. Their shareholding, both in terms of the number of shares and percentage, will remain unchanged. Gatron will only be issuing new shares which are equal in number of shares presently held by NFL and G&T as follows:

- (i) 26,552,709 new shares to Outgoing Shareholders of NFL and G&T Shareholders (on the basis of G&T's entitlement as an Outgoing Shareholder of NFL);
- (ii) 5,342,430 new shares to Remaining NFL Shareholders;
- (iii) 3,240,774 new shares to G&T shareholders.

The new shareholders of Gatron as result of the Scheme will have same voting and economic rights, however, new shareholders will now have direct shareholding and voting in Gatron. This will also result in improved liquidity for the new shareholders.

C. G&T Shareholders

3,240,774 shares of Gatron as currently held by G&T will be cancelled, and the same number of shares of Gatron will be issued directly to G&T Shareholders in proportion to their shareholding in G&T.

As an Outgoing Shareholder of NFL, G&T will also be entitled to 15,710,000 shares of Gatron in lieu of its 2,394,817 shares in NFL. The aforesaid Gatron shares will also be issued directly to G&T Shareholders in proportion to their shareholding in G&T.

As a result, G&T Shareholders will become direct shareholders of Gatron, improving liquidity.

4. SHARE SWAP RATIO

The share swap ratio was determined by KPMG Taseer Hadi & Co., Chartered Accountants, based on:

Supplementary audited financials of NFL and Gatron as of January 31, 2025.

Gatron's financial projections up to June 30, 2030.

While the detailed numerical formula is attached to the Scheme document, the guiding principle was fair value equivalence. Key financial indicators considered included:

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- ✓ Book value per share
- ✓ Earnings potential
- ✓ Projected cash flows
- ✓ Market comparable (in the case of Gatron, as a listed company)

The following equivalencies were concluded:

For every 1 NFL share surrendered, 6.56 shares of Gatron are issued (reflecting higher value per share of NFL due to its significant holding in Gatron).

G&T shareholders will receive Gatron shares equivalent to their existing proportional interest through G&T.

5. SPECIAL VALUATION CONSIDERATIONS

As such there were no challenges encountered in the valuation process, however during the valuation for the purpose of determination of share swap ratio, the following factors were specially taken into consideration by the chartered accountant firm:

Non-listed status of NFL: Required reliance on net asset value and income approach in the absence of market price of the share of NFL.

Forecasting future cash flows: Long-term projections for Gatron were used, and reasonable assumptions were applied considering macroeconomic conditions and industry trends.

Inter-company shareholding: Since NFL's value is substantially derived from its holding in Gatron, a layered valuation was required to avoid double-counting or inflated valuation.

The engagement of well reputed independent chartered accountant firm (i.e. KPMG) provided objectivity and independence, and the final ratio reflects a balanced view of risk and future benefit.

6. CONCLUSION

The Scheme achieves the following:

Simplifies corporate structure by eliminating intermediary holding layers.

Grants shareholders of NFL and G&T direct participation in Gatron, a listed company with better prospects for liquidity and capital appreciation.

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Ensures a fair and equitable treatment of all shareholders through an independent, valuation-backed share swap ratio.

Aligns corporate governance with shareholder interests by allowing direct representation in Gatron.

The Boards of all three applicant companies recommend the Scheme to their respective Shareholders for approval and support its sanction by the Hon'ble High Court of Balochistan, Quetta.

By order of the Board,

Gatron (Industries) Limited

May 22, 2025