NISHAT MILLS LIMITED

NISHAT

SECY/STOCKEXC/ 2011/2018

October 01, 2014

1) The General Manager,
Karachi Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road, KARACHI. **Fax No. (021) 111 573 329**

2) The Secretary,
Lahore Stock Exchange Ltd.
19-Khyaban-e-Aiwan-e-Iqbal, LAHORE. **Fax No. (042) 3638485**

3) The Secretary,
Islamabad Stock Exchange Ltd.
55-B, ISE Towers, Jinnah Avenue,
ISLAMABAD. **Fax No. (051) 111 473 329**

4) The Executive Director
Monitoring & Enforcement Division
Securities & Exchange Commission of Pakistan
8th Floor, NIC Building, Jinnah Avenue,
Blue Area, ISLAMABAD. **Fax No. (051) 9218592, 9204915**

SUB: NOTICE OF ANNUAL GENERAL MEETING

Dear Sir,

Further to our Letter No. SECY/STOCKEXC/1973 dated September 23, 2014, enclosed please find a copy of the Notice of Annual General Meeting of the shareholders of **Nishat Mills Limited** to be held on October 31, 2014 (Friday) at 10:30 a.m. for circulation amongst the members.

Thanking you

Yours sincerely,

KHALID MAHMOOD CHOHAN
COMPANY SECRETARY

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that Annual General Meeting of the Shareholders of Nishat Mills Limited ("the Company") will be held on October 31, 2014 (Friday) at 10:30 A.M. at Nishat Hotel, 9-A, Gulberg III, Mian Mahmood Ali Kasuri Road, Lahore to transact the following business:

1. To receive, consider and adopt the Audited Unconsolidated and Consolidated Financial Statements of the Company for the year ended June 30, 2014 together with the Directors' and Auditors' reports thereon.

2. To approve Final Cash Dividend @ 40% (i.e. Rs. 4/- Only Per Share)] for the year ended 30 June 2014, as recommended by the Board of Directors.

3. To appoint statutory Auditors for the year ending June 30, 2015 and fix their remuneration.

4. **Special Business:**

   To consider and if deemed fit, to pass the following resolutions as special resolutions under Section 208 of the Companies Ordinance, 1984, with or without modification(s), addition(s) or deletion(s):

   (A) **RESOLVED that** pursuant to the requirements of Section 208 of the Companies Ordinance, 1984, Nishat Mills Limited ("the Company") be and is hereby authorized to make long term equity investment of up to Rs. 4,875,000,000 (Rupees Four Billion Eight Hundred and Seventy Five million only) from time to time by way of acquisition of up to 487,500,000 (Four Hundred Eighty Seven million and Five Hundred Thousand ordinary shares) of the face value of Rs. 10 of Nishat Energy Limited, an associated company.

   FURTHER RESOLVED that the above said resolution of investment shall be valid for three (3) years and any two of the Chief Executive Officer and/or Chief Financial Officer and/or Company Secretary of the Company be and are hereby jointly empowered and authorized to undertake the decision of said investment of shares as and when deemed appropriate and necessary in the best interest of the Company and its shareholders.

   FURTHER RESOLVED that the Chief Executive Officer and/or Chief Financial Officer and/or Company Secretary of the Company be and are hereby singly authorized to take all steps and actions necessary, incidental and ancillary for the acquisition of shares of Nishat Energy Limited including execution of any and all documents and agreements as may be required in this regard and to do all acts, matters, deeds and things as may be necessary or expedient for the purpose of giving effect to the spirit and intent of the special resolution.

   FURTHER RESOLVED that any two of the Chief Executive Officer and/or Chief Financial Officer and/or Company Secretary of the Company be and are hereby authorized jointly to dispose of through any mode, a part or all of equity investments made by the Company from time to time in Nishat Energy Limited as and when deemed appropriate and necessary in the best interest of the Company and its shareholders.

(B) **RESOLVED** that pursuant to the requirements of Section 208 of the Companies Ordinance, 1984, the Company be and is hereby authorized to approach Bank(s)/Financial Institution(s) in Pakistan in order for such Bank(s)/Financial Institution(s) to issue guarantee(s) of up to a sum of Rs. 1,000,000,000/- (Rupees One Billion Only) in order to facilitate Nishat Energy Limited, an associated company, to obtain credit facilities from financial institution(s) and lender(s) of Nishat Energy Limited. The aforementioned guarantees can be issued from time to time as and when requested by Nishat Energy Limited. The Company shall charge Nishat Energy Limited a commission of 0.05% above the quarterly average bank guarantee commission paid by the Company to the guarantee issuing bank/financial institution on the outstanding guarantees.

FURTHER RESOLVED that the Company is authorized to give corporate guarantees and securities to the bank(s)/financial institution(s) in Pakistan against issuances of these guarantees to the lender(s) of Nishat Energy Limited.

FURTHER RESOLVED that the above said resolution shall be valid for three (3) years and any two of the Chief Executive Officer, and/or Chief Financial Officer and/or Company Secretary of the Company be and are hereby jointly empowered and authorized to undertake the decision of said issuance of bank guarantees as and when required by Nishat Energy Limited and to execute any and all documents and agreements as required in this respect.

By Order of the Board

(KHALID MAHMOOD CHOHAN)
COMPANY SECRETARY

Lahore
September 23, 2014

NOTES:

1. BOOK CLOSURE NOTICE:-

The Ordinary Shares Transfer Books of the Company will remain closed from **23-10-2014 to 31-10-2014 (both days inclusive)** for entitlement of 40% **Final Cash Dividend (i.e. Rs. 4/- Per Share)** and attending and voting at Annual General Meeting. Physical transfers/ CDS Transactions IDs received in order in all respect up to 1:00 p.m. on 22-10-2014 at Shares Department, Nishat House, 53-A, Lawrence Road, Lahore, will be considered in time for entitlement of 40% Final Cash Dividend and attending of meeting.

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2. A member eligible to attend and vote at this meeting may appoint another member his / her proxy to attend and vote instead of him/her. Proxies in order to be effective must reach the Company's registered office not less than 48 hours before the time for holding the meeting. Proxies of the Members through CDC shall be accompanied with attested copies of their Computerized National identity Card (CNIC). In case of corporate entity, the Board's Resolution/power of attorney with specimen signature shall be furnished along with proxy form to the Company. The shareholder through CDC are requested to bring original CNIC, Account Number and Participant Account Number to produce at the time of attending the meeting.

3. Shareholders are requested to immediately notify the change in address, if any.

4. **Submission of copy of CNIC (Mandatory):**

   The Securities and Exchange Commission of Pakistan (SECP) vide their S.R.O. 779 (i) 2011 dated August 18, 2011 has directed the company to print your number on your dividend warrants and if your CNIC number is not available in our records, your dividend warrant will not be issued / dispatched to you. In order to comply with this regulatory requirement, you are requested to kindly send photocopy of your CNIC to your Participant / Investor Account Services or to us (in case of physical shareholding) immediately to Company's Share Department, Nishat House, 53-A, Lawrence Road, Lahore,.

5. **Revision of Withholding Tax on dividend income under Section 150 of Finance Act 2014:**

   It is further being informed that pursuant to the provisions of Finance Act 2014, effective from July 1, 2014 a new criteria for withholding of tax on dividend income has been introduced by Federal Board of Revenue (FBR), as per this criteria, 'Filer' and 'Non-Filer' shareholders will pay tax on dividend income @ 10% and 15% respectively.

   You are therefore advised to check and ensure your Filer status from Active Tax Payer List (ATL) available at FBR website http://www.fbr.gov.pk/ as well as ensure that your CNIC / Passport number has been recorded by your Participant / Investor Account Services (in case your shareholding is in book entry form) or by Company's Share Department, Nishat House, 53-A, Lawrence Road, Lahore, (in case of physical shareholding). Corporate bodies (non-Individual shareholders) should ensure that their names and National Tax Numbers (NTN) are available in Active Tax Payer List at FBR website and recorded by Participant / Investor Account Services or by Company's Share Registrar (in case of physical shareholding).

6. **Dividend Mandate (Optional):**

   Under Section 250 of the Companies Ordinance, 1984 a shareholder may, if so desires, direct the Company to pay dividend through his/ her/its bank account. In pursuance of the directions given by the SECP vide Circular Number 18 of 2012 dated June 05, 2012, kindly authorize the company for direct credit of your cash dividend in your bank account (please note that giving bank mandate for dividend payments is optional, in case you do not wish to avail this facility please ignore this notice, dividend will be paid to you through dividend warrant at your registered address). If you want to avail the facility of direct credit of dividend amount in your bank account, please provide following information to Company's Share Department, Nishat House, 53-A, Lawrence Road, Lahore.

Bank Account Details of Shareholder	
Title of Bank Account	
Bank Account Number	
Bank's name	
Branch name and address	
Cell number of shareholder	
Landline number of shareholder, if any	

It is stated that the above-mentioned information is correct and in case of any change therein, I / we will immediately intimate to the company and the concerned share registrar.

____

Name, signature, folio # and CNIC number of shareholder

Notes:

(1) Those shareholders, who hold shares in book entry form in their CDS accounts, will provide the above dividend mandate information directly to their respective Participant / CDC Investor Account Services Department.

(2) If dividend mandate information has already been provided by you, ignore this request.

7. Transmission of Annual Financial Statements Through Email:

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan (SECP) vide SRO 787 (I)/2014 dated September 8, 2014, those shareholders who desire to receive Annual Financial Statements in future through email instead of receiving the same by Post are advised to give their formal consent along with their valid email address on a standard request form which is available at the Company's website i.e. www.nishatmillsltd.com and send the said form duly signed by the shareholder along with copy of his CNIC to the Company's Share Department, Nishat House, 53-A, Lawrence Road, Lahore. Please note that giving email address for receiving of Annual Financial Statements instead of receiving the same by post is optional, in case you do not wish to avail this facility please ignore this notice, Financial Statements will be sent to you at your registered address.

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984.

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on October 31, 2014.

(A) EQUITY INVESTMENT IN NISHAT ENERGY LIMITED

Nishat Energy Limited ("Nishat Energy") is a Special Purpose Vehicle (SPV) incorporated in May 2014, to set up a coal powered power project under the Power Policy 2002 as an Independent Power Producer (IPP). It is an associated company of Nishat Mills Limited.

The principal activity of Nishat Energy will be to build, own, operate and maintain a coal fired power station having gross capacity of 660 MW with net estimated generation capacity of approximately 600 MW with super critical technology using a boiler/turbine system and water-steam cycle equipment along with ancillary equipment i.e. cooling tower, cooling water pump, unit transformer and electric generator etc. The location will be in Rahim Yar Khan Punjab, Pakistan.

Punjab Power Development Board (PPDB) advertised for pre-qualification of sponsors for the development of Coal Power Projects having generation capacity of 600 MW. Six raw sites were identified by PPDB for the submission of proposals. The Consortium in the name Nishat Group Companies & Associates, participated in the pre-qualification and successfully got the Project Site at Rahim Yar Khan District to conduct the Feasibility Study. PPDB has awarded Letter of Interest to the Company on 23 May 2014.

Based on proposed plant capacity i.e., 660 MW and notional project cost i.e. US $ 1.5 Million / MW, the total project cost is estimated around US$ 990 Million. The Project financing is based on 80% Debt and 20% Equity. The equity will be apportioned in terms of Joint Venture Agreement to be executed among Consortium members. The Consortium members are Nishat Power Limited, Nishat Mills Limited, Lalpir Power Limited and Pakgen Power Limited.

After issuance of LOI, Nishat Energy will take about 09 months to complete the feasibility study, subject to any delay on the part of any Government department which would not be counted towards the delay in completion of Feasibility Study, since few parts of Feasibility Study would require proper feedback/response from Government departments, including but not limited to;

1. Environmental Impact Assessment with the help of EPA
2. Interconnection study is complete with timely feedback from NTDC.
3. Assistance from Pakistan Railway for providing necessary information/documents.

As a consortium member of Nishat Group Companies & Associates, Nishat Mills Limited will make an equity investment up to 25% in Nishat Energy Limited. Total amount of equity investment to be made by Nishat Mills Limited will be Rs. 4,875 million. Considering the attractive return on equity of 27.20% it will enhance the value of shareholders of Nishat Mills Limited. The consortium members shall collectively hold at least 51% of the total issued and paid up share capital of Nishat Energy Limited until the sixth anniversary of the successful commissioning of the project.

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Information for making equity investment in Nishat Energy Limited as required under Clause (a) of sub-regulation (1) of regulation 3 of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012.

Ref. No.	Requirement	Information
i	Name of associated company	Nishat Energy Limited
	Criteria of associated relationship	Shareholding
ii	Purpose	To participate in the coal based power projects through equity investment
	Benefits	To earn dividend income and prospective capital gain
	Period of investment	Long term investment
iii	Maximum amount of investment	Rs. 4,875 million (Rupees Four billion Eight Hundred and Seventy Five million Only)
iv	Maximum price/share	The price to be paid for the equity investment will be par value of Rs. 10/- per share since the project is a green field project and the price is less than the fair value determined by independent firm of Chartered Accountants.
v	Maximum number of shares to be acquired	487,500,000 shares
vi	Shareholding before investment	No. of shares: Nil
		Shareholding percentage: Nil
	Shareholding after investment	No. of shares: 487,500,000
		Shareholding percentage: 25%
vii	Requirement in case of investment in listed associated company	Not Applicable as Nishat Energy Limited is an unlisted Company.
viii	Fair market value of shares	The fair value of the share determined in terms of Regulation 6(1) is Rs. 57.82 per share based on discounted cash flows using "Free Cash Flow" to the Company at discount rate of 12%. Copy of fair valuation report issued by HBL Ijaz Tabussam & Co., Chartered

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		Accountants, is available at Registered Office of the Company and can be inspected in working hours up to 30 October 2014.
ix	Break-up value of shares	Rs. 10 per share
x	Earnings per share for the last three years	Not applicable.
xi	Sources of fund from which shares will be acquired	Surplus funds of the Company.
xii	Requirements if shares are intended to be acquired using borrowed funds	Not applicable.
xiii	Salient features of agreement(s) entered into with the associated company	A Joint Venture Agreement will be executed to invest in associated company.
xiv	Direct/Indirect interest of directors in the associated company	Shareholding of Associated Companies of the investing company in investee company is as follows: % Nishat Power Limited 25 Pakgen Power Limited 25 Lalpir Power Limited 25
xv	Any other important detail	None
xvi	Description of the project	Punjab Power Development Board (PPDB) advertised for pre qualification of sponsors for the development of Coal Power Projects having generation capacity of 600 MW. Six raw sites were identified by PPDB for the submission of proposals. Nishat Group Companies & Associates participated in the pre qualification and successfully got the Project Site at Rayim Yar Khan District to conduct the Feasibility Study. Nishat Group Companies has submitted a performance guarantee of US$ 660,000/- in favour of PPDB to show the commitment and agreed to complete

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	the Feasibility Study within stipulated time frame. For this purpose a special purpose vehicle namely, Nishat Energy Ltd., has been incorporated as per Companies Ordinance 1984 to develop, construct, own, operate and maintain power generation project ("the Project"). The Consortium would hold at least 51% equity in Nishat Energy for six year from Commercial operation date (COD).
Starting date of work	The Letter of Interest has been awarded bearing No PPDB/659/2014 dated May 23, 2014 and Feasibility Consultant yet to be appointed. The Project Company is required to conduct feasibility study till February 2015. Subsequently the Construction & Development Works will start based on Feasibility Study.
Completion of work	Based on Project Feasibility
Commercial operations date	To be decided subsequent to Feasibility Study
Expected time by which the project shall start paying return on investment	ROI will start right from COD.

(B) ISSUANCE OF GUARANTEES UP TO RS. 1 BILLION FROM BANKS AND FINANCIAL INSTITUTIONS OF NISHAT MILLS LIMITED TO THE LENDERS OF NISHAT ENERGY LIMITED

Nishat Energy Limited ("Nishat Energy") is a Special Purpose Vehicle (SPV) incorporated in May 2014, to set up a coal powered power project under the Power Policy 2002 as an Independent Power Producer (IPP). It is an associated company of Nishat Mills Limited.

The principal activity of Nishat Energy will be to build, own, operate and maintain a coal fired power station having gross capacity of 660 MW with net estimated generation capacity of approximately 600 MW with super critical technology using a boiler/turbine system and water-steam cycle equipment along with ancillary equipment i.e. cooling tower, cooling water pump,

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unit transformer and electric generator etc. The location will be in Rahim Yar Khan Punjab, Pakistan.

Punjab Power Development Board (PPDB) advertised for pre-qualification of sponsors for the development of Coal Power Projects having generation capacity of 600 MW. Six raw sites were identified by PPDB for the submission of proposals. The Consortium with the name Nishat Group Companies & Associates, participated in the pre-qualification and successfully got the Project Site at Rahim Yar Khan District to conduct the Feasibility Study. PPDB has awarded Letter of Interest to the Company on 23 May 2014.

Based on proposed plant capacity i.e. 660 MW and notional project cost i.e. US$ 1.5 Million / MW, the total project cost is estimated around US$ 990 Million. The Project financing is based on 80 % Debt and 20% Equity. The equity will be apportioned in terms of Joint Venture (JV) Agreement to be executed among Consortium members. The Consortium members are Nishat Power Limited, Nishat Mills Limited, Lalpir Power Limited and Pakgen Power Limited.

For debt financing, Nishat Energy will borrow from Banks and Financial institutions to meet its financing needs. Considering guaranteed profitability of the project in the presence of Power Purchase Agreement with Government which will start right from the Commercial Operations Date (COD), it will be an attractive proposition for Nishat Mills Limited to ensure that the project remains financially sound.

Hence, it is in the financial interests of Nishat Mills Limited to ensure smooth availability of credit facilities for Nishat Energy Limited from Banks / financial institutions. Some of the Banks / Financial institutions of Nishat Energy Limited will need guarantees from the Banks and Financial Institutions of Nishat Mills Limited to extend credit lines to the project. Hence, the management of the Nishat Mills Limited is proposing to extend bank guarantees amounting to Rs. 1 billion to the lenders of Nishat Energy Limited as and when needed.

Information required under Clause (b) of sub-regulation (1) of regulation 3 of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012

Ref. No.	Requirement	Information
i	Name of associated company	Nishat Energy Limited
	Criteria of associated relationship	Shareholding
ii	Amount of loans and advances	Bank guarantees up to Rs. 1 billion for credit facilities to be obtained by Nishat Energy Limited
iii	Purpose	To ensure smooth availability of credit facilities for Nishat Energy Limited from Banks / Financial Institutions.

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	Benefits	Successful establishment of the project by associated company will ensure future returns in the form of dividend income and prospective capital gain.
iv	Details of existing loans	None
v	Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements	Not applicable because the associated company has not started its operations.
vi	Average borrowing cost of the investing company	8.64% for the year ended 30 June 2014
vii	Rate of interest, mark up, profit, fees or commission etc. to be charged	The Company will charge Nishat Energy Limited a commission of 0.05% above the quarterly average bank guarantee commission paid by the Company to the guarantee issuing bank/financial institutions on the outstanding guarantees.
viii	Sources of funds from where loans or advances will be given	Not applicable
ix	Where loans or advances are being granted using borrowed funds; justification for granting loan or advance out of borrowed funds; detail of guarantees/assets pledged for obtaining such funds, if any; and repayment schedules of borrowing of the investing company.	Not applicable
x	Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any.	No security to be obtained as Nishat Energy Limited is an associated company.
xi	If the loans or advances carry conversion feature:	Not applicable
xii	Repayment schedule and terms of loans or advances to be given to the investee company.	Bank guarantees shall be settled within three years with payment of commission from Nishat Energy Limited on quarterly basis.
xiii	Salient feature of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment	Agreement for the arrangement of bank guarantees will be executed between Nishat Mills Limited and

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		Nishat Energy Limited before extending the bank guarantees on the basis of the terms and conditions as approved by the shareholders.
xiv	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associates company or associated undertaking or the transaction under consideration:	Shareholding of Associated Companies of the investing company in investee company is as follows: Nishat Power Limited 25% Pakgen Power Limited 25% Lalpir Power Limited 25%
xv	Any other important details necessary for the members to understand the transaction:	None
Xvi	Description of the project	Punjab Power Development Board (PPDB) advertised for pre-qualification of sponsors for the development of Coal Power Projects having generation capacity of 600 MW. Six raw sites were identified by PPDB for the submission of proposals. Nishat Group Companies & Associates participated in the pre-qualification and successfully got the Project Site at Rahim Yar Khan District to conduct the Feasibility Study. Nishat Group Companies has submitted a performance guarantee of US$ 660,000/- in favour of PPDB to show the commitment and agreed to complete the Feasibility Study within stipulated Time Frame. For this purpose a special purpose vehicle namely, Nishat Energy Limited has been incorporated as per Companies Ordinance 1984 to develop, construct, own, operate and maintain power generation project ("the Project"). The Consortium would hold at least

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	51% equity in Nishat Energy for six years from Commercial Operations Date (COD).
Starting date of work	The Letter of Interest has been awarded bearing No PPDB/659/2014 dated May 23, 2014 and Feasibility Consultant yet to be appointed. The Project Company is required to conduct feasibility study till February 2015. Subsequently the Construction & Development Works will start based on Feasibility Study.
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Statement Under Rule 4(2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012

Name of Investee Company	MCB Bank Limited	Nishat Hotels and Properties Limited	Nishat Power Limited
Total Investment Approved:	Equity investment of Rupees 2.593 billion was approved by members in EOGM held on March 31, 2014 for the period of three (3) years.	Equity investment of Rupees 1 billion was approved by members in EOGM held on March 31, 2014 for the period of three (3) years.	Investment of Rupees 1.5 billion by way of loans and advances was approved by members in EOGM held on March 31, 2014 for the period of three (3) years.
Amount of Investment Made to date:	Investment of Rupees 75.453 million has been made against this approval to date.	Nil	Nil
Reasons for not having made complete investment so far where resolution required it to be implemented in specified time:	Partial investment has been made in investee company. Further investment will be made depending on market conditions at appropriate time.	Commercial operations of the investee company have not yet started. Nishat Mills Limited will make equity investment at a suitable time after considering the macro economic conditions of the country.	No loan has been extended after the approval because funds request has not yet been made by the investee company.
Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company:	At the time of approval, as per then available latest financial statements for the year ended 31 December 2013, the basic Earnings per Share was Rs.21.24 and Break-up Value per Share was Rs.96.13. As per Latest available financial statements for the half year ended 30 June 2014, the Basic Earnings per share is Rs.10.54 and Break-up Value per Share is Rs.91.68.	At the time of approval, as per then available latest financial statements for the year ended 30 June 2013, the basic Loss per Share was Re.0.03 and Break-up Value per Share was Rs.10.04. As per Latest available financial statements for the year ended 30 June 2014, the basic loss per share is Re.0.06 and Break-up Value per Share is Rs.9.96.	At the time of approval, as per then available latest financial statements for the year ended 30 June 2013, the basic Earnings per Share was Rs.7.74 and Break-up Value per Share was Rs.26.00. As per Latest available financial statements for the year ended 30 June 2014, the Basic Earnings per share is Rs.8.24 and Break-up Value per Share is Rs.29.24.

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