

## **ADVICE FOR INVESTORS**

INVESTORS ARE STRONGLY ADVISED IN THEIR OWN INTEREST TO CAREFULLY READ THE CONTENTS OF THIS OFFER FOR SALE DOCUMENT, ESPECIALLY THE **RISK FACTORS GIVEN AT PARA 4.13** BEFORE MAKING ANY INVESTMENT DECISION

SUBMISSION OF FICTITIOUS AND MULTIPLE APPLICATIONS (MORE THAN ONE APPLICATIONS BY SAME PERSON) IS PROHIBITED AND SUCH APPLICATIONS' MONEY SHALL BE LIABLE TO CONFISCATION UNDER SECTION 18-A OF THE SECURITIES AND EXCHANGE ORDINANCE, 1969



## **Nishat Power Limited**

### **OFFER FOR SALE OF SHARES**

THE OFFER CONSISTS OF 22,500,000 ORDINARY SHARES (6.35% OF THE TOTAL PAID UP CAPITAL OF NISHAT POWER LIMITED) AT AN OFFER PRICE OF PKR10 PER SHARE AMOUNTING TO PKR225 MILLION ONLY OUT OF TOTAL PAID UP CAPITAL OF PKR3,540,885,000 DIVIDED INTO 354,088,500 ORDINARY SHARES OF PKR10 EACH

THIS IS NOT A PROSPECTUS BY NISHAT POWER LIMITED, BUT AN OFFER FOR SALE DOCUMENT BY NISHAT MILLS LIMITED, ONE OF THE MAJOR SPONSORS OF THE COMPANY, OUT OF THEIR SHAREHOLDING IN NISHAT POWER LIMITED

PUBLIC SUBSCRIPTION ON  
August 28, 2009, August 29, 2009 & August 31, 2009  
(During Banking Hours)

FINANCIAL ADVISOR & ARRANGER



**AKD SECURITIES LIMITED**

The Date of publication for this Offer for Sale Document is  
August 20, 2009

## GLOSSARY OF TECHNICAL TERMS

AEDB	Alternative Energy Development Board
AKDS	AKD Securities Limited
CDA	Central Depository Act, 1997
CDC/CDCPL	The Central Depository Company of Pakistan Limited
CDS	Central Depository System
CNIC	Computerized National Identity Card
Commission / SECP Company / NPL	Securities and Exchange Commission of Pakistan Nishat Power Limited
CPP	Captive Power Plant
CVT	Capital Value Tax
EURIBOR	EURO Interbank Offered Rate
Financial Advisor & Arranger	AKD Securities Limited
FDI	Foreign Direct Investment
FSA	Fuel Supply Agreement
GDP	Gross Domestic Product
GOP	Government of Pakistan
IA	Implementation Agreement
IPP	Independent Power Plant
ISE	Islamabad Stock Exchange
ITO	Income Tax Ordinance, 2001
KESC	Karachi Electric Supply Company Limited
KSE/Stock Exchange	Karachi Stock Exchange (Guarantee) Limited
LSE/Stock Exchange	Lahore Stock Exchange (Guarantee) Limited
LoS	Letter of Support
MW	Megawatt
NEPRA	The National Electric Power Regulatory Authority
NML or Offeror	Nishat Mills Limited
NPL or the Company	Nishat Power Limited
NTDCL	National Transmission and Dispatch Company Limited
O&M	Operation and Maintenance
Offer	Offer for Sale by way of Initial Public Offering of ordinary shares of Nishat Power Limited
OFSD	Offer for Sale Document
Ordinance	The Companies Ordinance, 1984
PEPCO	Pakistan Electric Power Company (Pvt.) Limited
PPA	Power Purchase Agreement
PPIB	Private Power and Infrastructure Board
RFO	Residual Fuel Oil
WAPDA	Water and Power Development Authority
WHT	Withholding Tax

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## PART 1

### 1. APPROVALS AND LISTING ON THE STOCK EXCHANGES

#### 1.1 APPROVAL OF THE SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Approval of the Securities & Exchange Commission of Pakistan (the “SECP” or the “Commission”) has been obtained for issue, circulation and publication of this Offer for Sale Document (“OFSD”) as required under section 62 read with section 57 of the Companies Ordinance, 1984 (“the Ordinance”)

**It must be distinctly understood that in giving this approval, the SECP does not take any responsibility for the financial soundness of any scheme stated herein or for the correctness of any of the statements made or opinions expressed with regards to them.**

**The SECP has not evaluated the quality of the Offer and its approval of the Offer should not be construed as any commitment of the same. The public/investors should conduct their own independent investigation and analysis regarding the quality of the Offer before subscribing.**

#### 1.2 CLEARANCE OF THE OFFER FOR SALE DOCUMENT BY THE KARACHI STOCK EXCHANGE (GUARANTEE) LIMITED & LAHORE STOCK EXCHANGE (GUARANTEE) LIMITED

**The OFSD has been cleared by the Karachi Stock Exchange (Guarantee) Limited (“KSE”) and the Lahore Stock Exchange (Guarantee) Limited (“LSE”), (collectively referred to as the “Stock Exchanges”), in accordance with the requirements under their respective Listing Regulations. While clearing this OFSD, the stock exchanges neither guarantee the correctness of the contents of the OFSD nor the viability of Nishat Power Limited (“NPL” or “the Company”).**

**The Stock Exchanges have not evaluated the quality of the Offer and its clearance of the OFSD should not be construed as any commitment in respect of the same. The public/investors should conduct their own independent investigation and analysis regarding the quality of the offer before subscribing.**

#### 1.3 FILING OF THE OFFER FOR SALE DOCUMENT AND OTHER DOCUMENTS WITH THE REGISTRAR OF COMPANIES

The Company has filed with the Registrar, Companies Registration Office, as required under Section 57(3) and (4) of the Companies Ordinance 1984, a copy of this OFSD signed on behalf of the Offeror, along with the following documents attached hereto:

- a) Letter dated Aug 04, 2009 from the Auditors of the Company, A.F. Ferguson & Co., consenting to the publication of their names in the OFSD, which contains in Part 5 certain statements and reports issued by them as experts (for which consent has not been withdrawn), as required under Section 57(5) of the Ordinance.
- b) Copies of Material Contracts and Agreements mentioned in Part 7 of this OFSD as required under Section 57(4) of the Ordinance.

- c) Written confirmations of the Legal Advisor to this Offer and Bankers to the Offer, mentioned in this OFSD consenting to act in their respective capacities, as required under Section 57(5) of the Ordinance.
- d) Consent of Directors and Chief Executive of the Company who have consented to their respective appointments being made and their having been named or described as such Directors and Chief Executive in this OFSD, as required under Section 57(3) of the Ordinance, read with sub-clause (1) of clause (4) of Section 1 of Part 1 of the Second Schedule to the Ordinance.

#### **1.4 LISTING AT KSE & LSE**

Application has been made to the KSE and the LSE for permission to deal in and for quotation of the shares of the Company.

In accordance with the “Regulation for Future Trading in Provisionally Listed Companies” of KSE and LSE, the Company shall stand provisionally listed for trading and for quotation of its shares on the Stock Exchanges, from the date of publication of this OFSD or any other date as may be specified by the Stock Exchanges.

If for any reason, the application(s) for formal listing is/are not accepted by the Stock Exchanges, the Offeror undertakes to publish immediately in the press a notice to that effect and thereafter to refund the application money to the applicants in pursuance of this OFSD, as required by the provisions of Section 72 of the Ordinance.

## PART 2

## 2. SHARE CAPITAL AND RELATED MATTERS

## 2.1 SHARE CAPITAL

SHARE CAPITAL	No. of Shares	Total (Pkr)
<b>Authorized Capital</b>		
Ordinary Shares of Pkr10 each	500,000,000	5,000,000,000
<b>Issued, Subscribed and Paid-up Capital</b>		
Issued for Cash	354,088,500	3,540,885,000
<b>Total</b>	<b>354,088,500</b>	<b>3,540,885,000</b>

The existing issued, subscribed & paid-up capital of the Company is held as follows:

**SPONSORS**

Nishat Mills Limited	223,788,498	2,237,884,980
Allied Bank Limited	30,000,000	300,000,000
National Bank of Pakistan	30,000,000	300,000,000
Mr. Mian Hassan Mansha	01	10
Mr. Khalid Qadeer Qureshi	01	10
<b>Sub-Total</b>	<b>283,788,500</b>	<b>2,837,885,000</b>

**OTHER SHAREHOLDERS AND FINANCIAL INSTITUTIONS**

Other Financial Institutions	67,445,000	674,450,000
Other Individuals	2,855,000	28,550,000
<b>Sub-Total</b>	<b>70,300,000</b>	<b>703,000,000</b>
<b>Total</b>	<b>354,088,500</b>	<b>3,540,885,000</b>

**PRESENT OFFER**

Present offer of 22.5 million ordinary shares to the general public by Nishat Mills Limited, one of the sponsors of Nishat Power Limited, at Pkr10 per share represents 10.05% of the NML's current shareholding in the Company and 6.35% of total paid up capital of the company.

GENERAL PUBLIC	22,500,000	225,000,000
<b>GRAND TOTAL</b>	<b>22,500,000</b>	<b>225,000,000</b>

**Note:**

- (i). The sponsors shall, at all times, retain at least twenty five percent (25%) of the capital of the Company.
- (ii). The shares allotted to sponsors in excess of twenty five percent (25%) shall not be saleable for a period of 6 months from the date of public subscription.
- (iii). The shares allotted to investors other than the sponsors shall not be saleable for a period of 6 months from the date of public subscription.

## 2.2 OPENING AND CLOSING OF THE SUBSCRIPTION LIST

**The subscription list will Insh'Allah open at the commencement of banking hours on August 28, 2009 and will close on August 31, 2009 at the close of banking hours.**

## 2.3 INVESTOR ELIGIBILITY

Eligible investors include Pakistani citizens residing in Pakistan, companies, bodies corporate or other legal entities incorporated or established in Pakistan (to the extent permitted by their constitutive documents and existing regulations as the case may be); provident/pension/gratuity funds/trusts (subject to the terms of their Trust Deed and existing regulations) and branches in Pakistan of companies and bodies corporate incorporated outside Pakistan.

## 2.4 OFFER PRICE, MINIMUM AMOUNT OF APPLICATION AND BASIS OF ALLOTMENT OF SHARES

The basis and conditions of allotment of shares to the general public shall be as follows:

- a) This offer is being made at a price of PkR10 per ordinary share but excluding the share transfer fee, which is to be paid by the applicants at the rate of five (05) paisa per share in the case of physical transfer and one (1) paisa per share in the case of transfer under book-entry system in the Central Depository Company of Pakistan Limited (“CDCPL”).
- b) Applications for shares must be made for 500 shares or in multiples of 500 shares only. Applications which are neither for 500 shares nor for multiples of 500 shares shall be rejected.
- c) The minimum amount of application for subscription of 500 ordinary shares in the case of physical transfer is PkR5,025/- and in case of transfer under the book entry system is PkR5,005/-.
- d) Application for shares below the total value of PkR5,025/- in case of physical transfer and PkR5,005/- in case of transfer under the book entry system shall not be entertained.
- e) **Submission of fictitious and multiple applications (more than one applications by same person) is prohibited and such applications' money shall be liable to confiscation under Section 18-A of the Securities and Exchange Ordinance, 1969.**
- f) If the shares to be offered to the general public are sufficient to accommodate all applications, all applications shall be accommodated.
- g) If the offer is oversubscribed in terms of number of applications and amount, the shares will be allotted by conducting computer balloting in the presence of the representative(s) of the stock exchanges in the following manner:
  - (i). If all applications for 500 shares can be accommodated, then all such applications shall be accommodated first. If all applications for 500 shares cannot be accommodated then balloting will be conducted among applications for 500 shares only.
  - (ii). If all applications for 500 shares have been accommodated and shares are still available for allotment, then all applications for 1,000 shares shall be

accommodated. If all applications for 1,000 shares cannot be accommodated then balloting will be conducted among applications for 1,000 shares only.

- (iii). If all applications for 500 shares and 1,000 shares have been accommodated and shares are still available for allotment, then all applications for 1,500 shares shall be accommodated. If all applications for 1,500 shares cannot be accommodated then balloting will be conducted among applications for 1,500 shares only.
- (iv). If all applications for 500 shares, 1,000 shares and 1,500 shares have been accommodated and shares are still available for allotment, then all applications for 2,000 shares shall be accommodated. If all applications for 2,000 shares cannot be accommodated then balloting will be conducted among applications for 2,000 shares only.
- (v). After the allotment in the above mentioned manner, the balance shares, if any, shall be allotted in the following manner:
  - 1. If the remaining shares are sufficient to accommodate each application for over 2,000 shares, then 2,000 shares shall be allotted to each applicant and the remaining shares shall be allotted on prorata basis.
  - 2. If the remaining shares are not sufficient to accommodate all the remaining applications for at least 2,000 shares, then balloting shall be conducted for allocation of 2,000 shares to the successful applicants.
- h) If the offer is oversubscribed in terms of amount only, then the allotment of shares shall be made on the following basis:
  - (i). First preference will be given to the applicants who applied for 500 shares;
  - (ii). Next preference will be given to the applicants who applied for 1,000 shares;
  - (iii). Next preference will be given to the applicants who applied for 1,500 shares; and then;
  - (iv). Next preference will be given to the applicants who applied for 2,000 shares;
  - (v). After allotment of the above, the balance shares, if any, shall be allotted on a pro-rata basis to the applicants who applied for more than 2,000 shares.
- i) Allotment of shares will be subject to scrutiny of the applications for subscription.
- j) Applications that do not meet the above requirements or which are incomplete will be rejected.

## **2.5 REFUND OF SUBSCRIPTION MONEY TO UNSUCCESSFUL APPLICANTS**

The Offeror shall take a decision within ten (10) days of the closure of subscription list as to which applications have been accepted or are successful and refund the money in cases of unaccepted or unsuccessful applications within ten (10) days of the date of such decision, as required under Section 71 of the Ordinance.

As per sub-section (2) of Section 71 of the Ordinance, if refund as required under Sub-section (1) of Section 71 of the Ordinance is not made within the time specified therein, the Offeror shall be liable to repay the money with surcharge at the rate of 1.5%, for every

month or part thereof from the expiration of the 15th day and, in addition, to a fine not exceeding PkR5,000/- and in case of continuing offense to a further fine not exceeding PkR100/- per day after the said 15th day of which the default continues. Provided that the Offeror shall not be liable if he/she proves that the default in making the refund was not due to any misconduct or negligence on his/her part.

## **2.6 CREDIT AND DISPATCH OF SHARE CERTIFICATES**

On behalf of the Offeror, the Company will dispatch share certificates to successful applicants through their Banker to the Offer or by crediting the respective Central Depository System (“CDS”) accounts of the successful applicants within thirty (30) days of the close of public subscription, as per the Listing Regulations of the Stock Exchanges.

Shares will be transferred either in scrip-less form in the CDS of Central Depository Company of Pakistan Limited (“CDC”) or in the shape of physical scrips on the basis of option exercised by the successful applicants. Shares in the physical scrips shall be dispatched to the Bankers to the Offer within thirty (30) days from the date of close of subscription list, whereas scripless shares shall be directly credited through book entries in the respective accounts maintained with the Central Depository Company of Pakistan Limited (“CDCPL”).

The applicants who opt for receipt of shares in scrip-less form in CDS should fill in the relevant columns of the Application Form. In order to exercise the scrip-less option, the applicant(s) should have CDS account at the time of subscription.

If the Company makes a default in complying with the requirements of the Listing Regulations of the Stock Exchanges, it shall pay to the Stock Exchanges a penalty of PkR5000/- per day for every day during which the default continues. The KSE and LSE may also notify the fact of such default to the members of the Exchanges and also publish it on website of the Exchange.

## **2.7 TRANSFER OF SHARES**

### **2.7.1 Physical Scrips**

The Directors of the Company shall not refuse to transfer any fully paid share unless the transfer deed for any reason is defective or invalid under the provisions of Section 77 of the Companies Ordinance, 1984, provided that the Company shall within 30 days from which the instrument of transfer was lodged with it, notify the defect or invalidity to the transferee who shall, after the removal of such defect or invalidity be entitled to re-lodge the transfer deed with the Company.

### **2.7.2 Transfer under book entry system**

The shares maintained with the CDS in the book entry form shall be transferred in accordance with the provisions of the Central Depositories Act, 1997 and the Central Depository Company of Pakistan Limited Regulations.

## **2.8 SHARES ISSUED IN PRECEDING YEARS**

An aggregate of 354,088,500 fully paid ordinary shares of the face value of PkR10/- each have been issued during the preceding years. The details are as follows:

No. of shares	Issue Price (Pkr)	Amount (Pkr)	Consideration	Date of Issue
1,000,000	10	10,000,000	Cash	21-02-2007
24,000,000	10	240,000,000	Cash	13-02-2008
45,000,000	10	450,000,000	Cash	20-03-2008
10,000,000	10	100,000,000	Cash	09-05-2008
4,000,000	10	40,000,000	Cash	06-08-2008
4,000,000	10	40,000,000	Cash	20-08-2008
4,000,000	10	40,000,000	Cash	10-10-2008
2,500,000	10	25,000,000	Cash	24-10-2008
7,300,000	10	73,000,000	Cash	31-10-2008
4,000,000	10	40,000,000	Cash	26-11-2008
2,000,000	10	20,000,000	Cash	13-12-2008
13,450,000	10	134,500,000	Cash	26-12-2008
9,300,000	10	93,000,000	Cash	14-01-2009
15,500,000	10	155,000,000	Cash	22-01-2009
42,000,000	10	420,000,000	Cash	12-02-2009
5,200,000	10	52,000,000	Cash	28-02-2009
78,400,000	10	784,000,000	Cash	28-03-2009
18,500,000	10	185,000,000	Cash	27-05-2009
1,100,000	10	11,000,000	Cash	10-06-2009
3,050,000	10	30,500,000	Cash	13-07-2009
54,463,000	10	544,630,000	Cash	29-07-2009
5,325,500	10	53,255,000	Cash	04-08-2009
<b>354,088,500</b>		<b>3,540,885,000</b>		

There has been no other issue of shares during the preceding years other than those mentioned above.

## 2.9 PRINCIPAL PURPOSE OF THE OFFER FOR SALE

The purpose of this Offer is to list NPL on the stock exchanges and to broaden its ownership base.

## 2.10 INTEREST OF SHAREHOLDERS

None of the holders of the issued shares of the Company have any special or other interest in the property or profits of the Company other than as holders of the ordinary shares in the capital of the Company. However, Arif Habib Bank Limited is participating as one of the Bankers to the Offer for this offer for sale of shares of NPL and National Bank of Pakistan and Allied Bank Limited, the sponsors of the project, have also sanctioned debt for the project amounting to Pkr2,458,113,694 and Pkr3,277,781,581 respectively.

## 2.11 DIVIDEND POLICY

The rights in respect of capital and dividends attached to each share are and will be the same. The Company in its general meeting may declare dividends but no dividends shall exceed the amount recommended by the Directors. Dividend, if declared in the general meeting, shall be paid according to the terms of the provisions of the Ordinance.

The Directors may from time to time pay to the members such interim dividends as appear to the Directors to be justified by the profits of the Company. No dividends shall be paid

otherwise than out of the profits of the Company for the year or any other undistributed profits.

No unpaid dividends shall bear interest or mark-up against the Company. The dividends shall be paid within the period laid down in the Ordinance.

## **2.12 ELIGIBILITY FOR DIVIDEND**

The Company in this matter will follow the provisions of Section 92 (2) of the Companies Ordinance 1984 and the disinvested shares shall rank pari passu with the existing (undivested) shares in all matters including the right to such bonus or right issue and dividend as may be declared by the Company subsequent to the date of this OFSD.

## **2.13 DEDUCTION OF ZAKAT**

Income distribution will be subject to deduction of Zakat at source, pursuant to the provisions of Zakat and Ushr Ordinance, 1980. (XVIII of 1980) as may be applicable from time to time.

## **2.14 EXEMPTION FROM CAPITAL GAINS**

Capital gains derived from the sale of listed securities are not liable to income tax pursuant to Clause (110) of Part 1 of the Second Schedule of the Income Tax Ordinance, 2001. This exemption is presently available up to the income year ending June 30, 2010.

## **2.15 WITHHOLDING TAX ON DIVIDENDS**

Dividend distribution to shareholders will be subject to withholding tax at a reduced rate of 7.5% specified in Clause 20 of Part 2 of the Second Schedule to the Income Tax Ordinance, 2001..

## **2.16 EXEMPTION FROM INCOME TAX**

**Income of the Company derived from the electric power generation project is exempt from income tax under clause 132 of Part-I of the Second Schedule to the Income Tax Ordinance, 2001.**

## **2.17 GOVERNMENT LEVY AND TAXES**

### **Custom Duty and Sales Tax**

As per section 9.3 of the Implementation Agreement signed between NPL and the Government of Pakistan, the Company is entitled to import without restriction and exempt from Sales Tax, but subject to the payment of applicable customs duty, not to exceed five percent on value, determined under the Laws of Pakistan, of imported plant, machinery and equipment not manufactured locally and required for the design, construction, completion, operation and maintenance of the complex by the Import Policy Order S.R.O 775(I)/2006 dated July 31, 2006. Moreover, as per the condition laid down in SRO 549(I)/2008 dated June 11, 2008 , the plant and machinery being imported for setting up the power plant are chargeable to sales tax at zero rate.

### **Turnover Tax**

In the announcement of Federal Budget for the fiscal year 2009-2010, turnover tax on companies at the rate of 0.5% has been introduced; however this would not be applicable on the Company according to clause 7.2 (c) of the Policy for Power Generation Projects 2002.

### **2.18 DEFERRED TAXATION**

The profits and gains of the Company derived from electric power generation are exempt from tax under terms of clause 132 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 therefore no provision has been made in the accounts for deferred taxation.

### **2.19 FEDERAL EXCISE DUTY, CAPITAL VALUE TAX (“CVT”) & WITHHOLDING TAX ON SALE/PURCHASE OF SHARES**

- a) Following the announcement of the Federal Budget 2009-2010, the Federal government vide Finance Act 2009 has imposed 16% Federal Excise Duty (FED) on stock brokerage whereby value of excisable services for the purpose of levy of duty shall be the gross commission charged from clients in respect of purchase or sale of the shares in the Stock Exchanges. Moreover, it has also been proposed in the Federal Budget 2009-2010 that 0.02% Capital Value Tax (“CVT”) on transaction of shares of listed companies be *abolished*.
- b) 0.01% Withholding Tax will be charged on the sale of all shares, Modaraba certificates and instruments of redeemable capital as defined in the Ordinance.

### PART 3

## 3. COMMISSIONS, BROKERAGE AND OTHER EXPENSES

### 3.1 COMMISSION TO THE BANKERS TO THE OFFER

Commission at the rate of 0.20% of the amount collected on allotment in respect of successful applicants will be paid by the Company to the Bankers to this Offer for services to be rendered by them in connection with this Public Offer, plus out-of-pocket expenses, if any.

### 3.2 BROKERAGE

For this Offer, Brokerage shall be paid to the members of the Stock Exchanges at the rate of 1.0% of the value of shares actually sold through members of KSE, LSE and ISE. Brokerage will be paid by the Offeror.

### 3.3 EXPENSES OF THE OFFER

The expenses of this Offer for Sale are estimated not to exceed PkR8.2175 million of which the listing fees and CDC charges shall be borne by the Company while expenses to the Offer shall be borne by the Offeror.

<b>Expense</b>	<b>Rate</b>	<b>Amount (PkR)</b>
Commission to Bankers to the Offer	0.20%	450,000
Brokerage to Members of the Stock Exchange	1.00%	2,250,000
KSE Fees and Listing charges		1,585,000
LSE Fees and Listing charges		1,065,000
Printing, Publication and notice costs		1,200,000
CDC Fees, Deposits		67,500
Fresh Issue Fee		300,000
SECP Application and Processing Fee		100,000
Balloters, Transfer Agent & Share Registrar		600,000
Miscellaneous Cost		600,000
<b>TOTAL</b>		<b>8,217,500</b>

## PART 4

### 4. HISTORY AND PROSPECTS

#### 4.1 THE COMPANY

##### **Brief History**

Nishat Power Limited (“NPL” or “the Company”) is a public limited company incorporated on February 23, 2007. The certificate for commencement of business was obtained on July 26, 2007.

##### **Object of the Company**

The object of the Company is to build and operate a power generation plant for generation, distribution, sale and supply of electricity to National Transmission and Dispatch Company Limited (“NTDCL”) and perform all acts directly or indirectly related or incidental to run the affairs of the Company.

##### **The Project**

The Company was established with a vision of setting-up a state of the art brand new power generation project having a gross generation capacity of 200 MW and a net generation capacity of 195.26 MW. The plant is located in the vicinity of District Kasur near Lahore and is a Residual Furnace Oil (RFO) fired Independent Power Plant (“IPP”) on BOO (Build, Own & Operate) basis for power generation and its sale to National Transmission and Dispatch Company. NPL has entered into a 25 years Power Purchase Agreement (“PPA”) with WAPDA through NTDCL, the sole purchaser of power generated by NPL.

The project is a 200 MW RFO fired Reciprocating Engine Technology Combined Cycle power plant. The main components of the plant are eleven (11) proven Engine sets of type 18v46 manufactured by WARTSILA of Finland and eleven (11) generating sets, One (1) Heat Recovery Steam Turbine with generator.

As per the Power Purchase Agreement, the NTDCL has contracted to purchase the total net generation capacity of 195.26 MW produced by NPL for a period of 25 years at US cents 12.1253 per KWh. As the plant will operate on residual furnace oil, a Fuel Supply Agreement (“FSA”) has been signed between the Company and Shell Pakistan Limited for a period of ten years after the commencement of commercial production.

The entire plant, machinery and equipment required for the project has been procured from Wartsila Finland Oy. Whereas, Wartsila Pakistan (Private) limited has been appointed for the construction, erection, installation testing and commissioning of the entire project.

The total cost of the project including interest during the construction period is estimated to be PkR17.704 billion. Letter of Credit for the import of plant and machinery was opened in April, 2008 and so far all the major plant and machinery including preliminary equipment and basic technical items have been imported and transported to the project site. The

shipment of plant including engines, generators, cooling towers and boilers have also been completed. Further details of the project have been given in coming paragraph.

## 4.2 THE SPONSORS

Nishat Group of Companies is a premier business house of Pakistan. The Group has presence in all major sectors including Textiles, Cement, Banking, Insurance, Paper Products and Aviation. In addition of being one of the most recognized and respected business groups in the country, it has the distinction of being the leader in almost all sectors it has presence in. The Group is considered at par with multinationals operating locally in terms of quality of its products and services & management skills. The Group has added another feather to its hat by venturing into the thermal based power generation sector through establishment of Nishat Power Limited.

Through Nishat Mills Limited, the group currently holds 63.20% of Nishat Power Limited. After this Offer for Sale, the total holding of the group would reduce to 56.84% of the total paid up capital of the Company.

Following are the major Nishat Group Companies:

Company	Paid up Capital* (Mn)	Market Price*	Face Value* (PkR)	Sector	Market Cap** (PkR Mn)
MCB Bank Limited	6,911.04	155.03	10	Financial Institutions	107,142
Adamjee Insurance Limited	1,124.58	83.99	10	Insurance	9,445
Nishat Mills Limited	2,424.82	37.82	10	Textile	9,171
D.G Khan Cement Co. Limited	3,042.49	29.65	10	Cement	9,021
Security General Insurance Co. Ltd.	680.625	-	10	Insurance	Un-listed
Nishat Paper Products Co Limited	465.367	-	10	Paper & Board	Un-listed
Pakistan Aviators & Aviation (Pvt.) Limited	1.000	-	100	Aviation	Un-listed
Nishat Hotels and Properties Limited	0.500	-	10	Real Estate & Hospitality	Un-listed

\* As per June 30, 2009

\*\* Market capitalization as on June 30, 2009.

### Experience of the Sponsors in Power Generation

The Group has expertise in thermal power generation through managing various Captive Power Plants (“CPP”) at their various manufacturing plants having cumulative capacity of approximately 200 MW. Going forward the Group has plans to set-up power plants with generation capacity of more than 5,000 MW<sup>1</sup>.

<sup>1</sup> “Projects Beyond Finance,” *Euromoney*. October 08, 2008.

#### 4.3 LOCATION OF THE PLANT

The plant is located at Jambar Kalan, District Kasur near Lahore and is spread over a vast area of 34 Acres of freehold land. The location of the project has developed infrastructure with all the supporting facilities for smooth operations of the plant.

#### 4.4 CIVIL WORKS

Presently, civil construction is in progress at the project site. The work started on March 31, 2008. The total cost of the land acquired for the project amounts to PkR117.044 million whereas the civil work cost is estimated to be worth approximately PkR1.522 billion. Technical expertise have been provided by Wartsila Pakistan (Private) Limited who are responsible for the construction of the complex, erection, installation testing and commissioning of the entire plant. The civil work undertaken for the construction of the complex includes construction of main building, engine hall, administration building, store, workshop, piling, soil improvement, boundary walls and storage tanks. The total estimated covered area of the civil work is 583,610 ft<sup>2</sup> of which Sixty (60%) percent or approximately 350,166 ft<sup>2</sup> of the civil work has been completed and the expected completion date of the entire civil work including the road within the premises is September 30, 2009.

#### 4.5 REGULATORY APPROVALS

The Government of Pakistan through the Private Power & Infrastructure Board (“**PPIB**”) had issued a Letter of Support (“**LoS**”) on July 06, 2007 for design, engineering, construction, insuring, commissioning, operation and maintenance of the project.

NPL has also been issued a Generation License by National Electric Power Regulatory Authority (“**NEPRA**”). Furthermore, an Implementation Agreement (“**IA**”) has also been signed with the Government of Pakistan (“**GoP**”) on September 15, 2007, which acts as a sovereign guarantee for the debt & equity investors of the project and guarantees the obligations of WAPDA under the PPA, and SBP under the Foreign Exchange Risk Insurance Scheme.

#### 4.6 PLANT AND MACHINERY

The plant & machinery has been manufactured by Wartsila Finland Oy and is being commissioned in collaboration with Wartsila Pakistan (Pvt.) Limited. It is a state of the art brand new 200 MW RFO fired power plant and has been procured at the most competitive rates from Wartsila Finland Oy, which is the sole supplier of plant & machinery. No machinery or equipment has been procured locally. The budgeted cost of the entire plant and machinery is approximately PkR12.483 billion. As of June 30, 2009, 99.73% of the plant and machinery have been imported and transported to the project site, more than 50% of which has already been installed. The machinery imported is sufficient to complete the commissioning of the plant and start of commercial production. **The remaining 0.27% of the machinery amounting to PkR36.273 million approximately comprises of small spare parts for the plant that is yet to be shipped. Commercial production can be commenced without arrival of the said parts.**

Payments for two Shipments are still outstanding which amounts to €0.546 million equivalent to PkR61.698 million approximately.

The shipment and details of the imported plant and machinery together with item wise prices in Euros and Pakistan Rupees is outlined in the following table:

Shipment No.	Description	Amount (Euro)	Amount (PkR)	Status (As at May 30 2009)
1st Shipment	Anchor Bolts, Plumbing Material	81,205	8,214,043	Shipped, Arrived at site, installed
2nd Shipment	Supplementary Anchor Bolts	33,402	3,542,814	Shipped, Arrived at site, installed
3rd Shipment	Building steel structure, base frame & aux equipment	375,703	39,131,326	Shipped, Arrived at site, installed
4th Shipment	Building steel structure & aux equipment, Break Bulk	3,847,876	408,478,774	Shipped, Arrived at site, installed
5th Shipment	Charge air filter, Oilwetter+Dry filt Lube oil separator Exh. gas silencer	3,552,344	372,741,944	Shipped, Arrived at site, installed
6th Shipment	Charge Air System, Exhaust gas system, Compressed Air Unit	4,201,185	418,568,046	Shipped, Arrived at site, installed
7th Shipment	Steam Drums, Cond. tank unit, Steam Heaters, FW Control Units, etc.	5,571,780	580,980,357	Shipped, Arrived at site, installed
8th Shipment	Ventilation Partial, Auxiliary Ventilation Units	463,047	48,692,146	Shipped, Arrived at site, installed
9thA Shipment	Gen 1-5, Boilers 1-11	8,839,416	884,241,684	Shipped, Arrived at site, installed
9thB Shipment	Wartsila Engine 1-5, Cooling tower	25,106,485	2,470,865,980	Shipped, Arrived at site, installed
10th Shipment	Light. Sys., LV-sg Cable lad., inst. Mat., Fire fighting eqp. - Wasasafe	2,313,471	232,523,380	Shipped, Arrived at site, installed

Shipment No.	Description	Amount (Euro)	Amount (PkR)	Status (As at May 30 2009)
11th Shipment	AC & ventilation mat. W46 EAM 1-C Steam, Pipe mat., Add. to all systems	5,705,401	563,242,598	Shipped, Arrived at site
12th Shipment	Ventilation Partial, Gen. Side Air Intake Units 18 m3/sec	676,218	67,734,423	Shipped, Arrived at site, installed
13th Shipment	Engine, Gen 6-11, step-up transformer	34,882,202	3,561,505,908	Shipped, Arrived at site
14th Shipment	Condenser	7,156,219	730,656,747	Shipped, Arrived at site, installed
15th Shipment	Black Start Unit, Lube/Fuel oil test kit, tools, cooler clean. Dev.	1,398,482	142,786,338	Shipped, Arrived at site, installed
16th Shipment	Commissioning Spare Parts, CT Current Trans., CVT Current Trans.	296,249	30,434,088	Shipped, Arrived at site, installed
17th Shipment	Generator Platform Structure	269,712	27,707,904	Shipped, Arrived at site
18th Shipment	Air, Switchyard equipment	62,600	6,430,988	Shipped, Arrived at site, installed
19th Shipment	Air, Switchyard equipment	215,900	22,565,640	Shipped, Arrived at site
20th Shipment	Steam turbine + gear box + gen.	11,514,641	868,203,931	Shipped, Arrived at site
21st Shipment	Gratings for AC platform	12,775	953,270	Shipped, Arrived at site, installed
22nd Shipment Air-Lahore	Air. Aux Eqp., Current Trans. Cap. Volt. Transformer	153,846	11,303,988	Shipped, Arrived at site

Shipment No.	Description	Amount (Euro)	Amount (Pkr)	Status (As at May 30, 2009)
23rd Shipment Air-Lahore	Air. Aux Eq., Current Trans. Cap. Volt. Transformer	159,146	11,693,411	Shipped, Arrived at site
24th Shipment	Aux equipment	Not paid	Not paid	To be shipped
25th Shipment	Safety Valves	21,917	1,598,549	Shipped, Arrived at site
26th Shipment	Cables and Auxiliary Equipment	Not paid	Not paid	To be shipped
<b>Total Cost of Plant &amp; Machinery</b>	-	<b>116,911,222</b>	<b>11,514,798,289</b>	-

*Note: 1. On June 19, 2009 €0.225 million (Pkr16.889 million approximately) has been paid with respect to shipment no. 24.*

*2. Shipment No. 22 and Shipment No. 23 have reached by Air at Lahore whereas all the other shipments have been imported through sea routes.*

*3. Shipment No.26 - Expected shipment date is 22nd Aug, 2009 & it amounts to €0.321 million (Pkr36.273 million approximately)*

*4. The amount in Pkr is the actual cost calculated on arrival of machinery.*

All these above plant and machinery have arrived at the project site and more than 50% of the implementation work has been completed so far. The plant has started trial production on August 13, 2009 whereas the expected date for the commencement of commercial production is September 30, 2009.

#### 4.7 PROJECT FINANCING

The proposed power plant has a cost of Pkr17.704 billion (seventeen billion and seven hundred and four million Only). The project has a debt to equity ratio of 80:20. As per the debt to equity ratio of the project, the total equity to be injected in the project amounts to Pkr3.540 billion whereas the total debt to be injected in the project amounts to Pkr14.163 billion. The entire financing requirement for the project has been secured.

The construction of the Project started on March 31, 2008 and the required commercial operation date of the project as per the PPA is December 31, 2009, however the project is expected to start commercial production by September 30, 2009.

#### 4.8 BUDGETED COST OF THE PROJECT AND MEANS OF FINANCING

The total budgeted cost of the project is estimated to be Pkr17.704 billion. The debt to equity ratio of the project is 80:20. As at May 30, 2009 the actual cost incurred amounts to

PkR14.259billion. A detailed break up of the budgeted cost and actual cost as at May 30, 2009 is given below along with the means of financing of the project.

Amount in PkR 000'				
Project Cost	Budgeted			Actual
Description	Local	Foreign	Total	As at May 30, 2009
Plant & Machinery	-	12,482,896	12,482,896	11,514,798
Land	120,157	-	120,157	117,044
Civil Works	1,521,827	-	1,521,827	1,014,948
Inland Clearing	577,277	-	577,277	408,151
Insurance	159,609	-	159,609	150,793
Mobilization for Operating & Maintenance	139,131	-	139,131	71,322
Pre-Operating Expense	130,376	-	130,376	85,551
Admin & Utilities	54,469	-	54,469	18,970
Interest Expense & Fee	2,518,684	-	2,518,684	877,750
<b>Total Project Cost</b>	<b>5,221,529</b>	<b>12,482,896</b>	<b>17,704,425</b>	<b>14,259,327</b>

Amount in PkR		
Means of Financing	Budgeted	Actual as at May 30, 2009
<b>Equity</b>		
<i>Sponsors</i>		
Nishat Mills Limited	2,237,884,980	1,921,199,980
National Bank Limited	300,000,000	240,150,000
Allied Bank Limited	591,737,390	531,887,390
Mr. Mian Hassan Mansha	10	10
Mr. Khalid Qadeer Qureshi	10	10
<i>Other Share Holders and Financial Institutions</i>		
Arif Habib Bank Limited	138,841,740	138,841,740
Pak Libya Holding Company (Pvt.) Ltd	69,420,870	69,420,870
Other Financial Institutions	174,450,000	-
Other Individuals	28,550,000	-
<b>Total Equity</b>	<b>3,540,885,000</b>	<b>2,901,500,000</b>
<b>Debt</b>		
National Bank of Pakistan	2,458,113,694	2,013,286,000
Habib Bank Limited	3,277,781,581	2,684,624,000
Allied Bank Limited	3,277,781,581	2,684,624,000
United Bank Limited	3,219,372,643	2,636,785,000
Faysal Bank Limited	1,930,490,501	1,581,144,000
<b>Total Debt</b>	<b>14,163,540,000</b>	<b>11,600,463,000</b>
<b>Total</b>	<b>17,704,425,000</b>	<b>14,501,963,000</b>

Note: 1. All the debt has been arranged from the above mentioned banks via single "Senior Facility Agreement". Under the agreement, all the banks have sanctioned a cumulative amount of PkR14.16354 billion for the project of NPL.

2. The Difference in the actual amount of Means of Financing raised and actual project cost incurred as on May 30, 2009 is due to the fact that certain payments were to be made for

*which the sanctioned facility had been utilized. The Company still holds the difference as cash surplus.*

An efficient management team has been hired for commissioning of the plant. So far all the costs are well within the budget and it is expected that the actual costs will not exceed the budgeted cost. However in case the expected cost exceeds the budgeted cost, the excess will be met by the sponsors.

#### 4.9 PROJECT IMPLEMENTATION SCHEDULE

<b>Project Implementation Schedule</b>	
Acquisition of land	Already acquired in December, 2007
Commencement date of civil works	Commenced on March 31, 2008
Expected date for completion of civil works	September 30, 2009
Expected date for completion of erection of plant and machinery	September 30, 2009
Commencement of trial commercial production	August 13, 2009
Expected date of commercial production	September 30, 2009
Percentage of plant and machinery shipped	99.73%
Percentage of shipment arrived at site	99.53%
Percentage of machinery installed	60%
Percentage of machinery ordered	100%

#### 4.10 SUMMARY OF MATERIAL CONTRACTS

##### **Power Purchase Agreement (“PPA”) with National Transmission and Dispatch Company Limited (“NTDCL”)**

The Power Purchase Agreement has been signed between National Transmission and Dispatch Company Limited (“NTDCL” or “the Power Purchaser”) and Nishat Power Limited on November 13, 2007, through which NPL has been granted a generation license and the sale and delivery of electric energy produced has been restricted to the power purchaser only. Under the PPA, it is the responsibility of NPL to generate power and supply electricity to NTDC. The supply of electricity should be up to the Net Generation Capacity of NPL.

The PPA shall continue in full force and effect for a period of 25 years commencing from the accomplishment of financial close of the Company.

The contract capacity of the plant is the net generation capacity of the plant which is 195.26 MW as per the PPA. The power purchaser shall take delivery and pay the Company for the dispatched and delivered net electrical output. The Power Purchaser is liable to pay for the capacity payments and energy payments on monthly basis on the premises of monthly available capacity. The Power Purchaser will also reimburse the Company for certain pass through items.

Major provisions of the PPA are as follows:

- a. The Company has proposed to the Power Purchaser that the Company will design, engineer, construct, insure, commission, operate and maintain an approximately 200 MW (gross) RFO fired electric power generation facility to be located on the site.
- b. The total contract capacity with NPL is 195.26 MW which is equivalent to the net generation of the plant. However the contract capacity can be revised upward to the initial tested capacity.
- c. As per the Power Purchase Agreement (“PPA”), the NTDCCL has contracted to purchase a total net generation capacity of 195.26MW produced by NPL for a period of 25 years at US cents 12.1253 per KWh.
- d. At any time after the financial close but prior to the occurrence of commercial operations date, the company may elect to reduce the contract capacity by an amount not to exceed ten percent (10%) in aggregate of the contract capacity.
- e. The GOP through the PPIB on July 6, 2007 issued a letter of support (“LoS”) to the Company for design, engineering, construction, insuring, commissioning, operation and maintenance of the plant. With the issuance of LoS, the Company has delivered or has caused to be delivered to the PPIB the Performance Guarantee.
- f. The Date on which notice from the PPIB of the occurrence of financial closing is received by the Power Purchaser, the PPA shall become effective in its entirety. The financial closing of the project was achieved on January 3, 2008. The Company has intimated the government of the financial closing and the same has been accepted by the government.
- g. The Company shall deliver the letter of credit to the Power Purchaser before notice of financial closing is received by the Power Purchaser from PPIB. If the Company’s letter of credit is not received by the Power Purchaser in a form which is reasonably acceptable to the Power Purchaser, by the date required for financial closing in the LoS, as such date may be extended by the GOP as per the LoS, the Power Purchaser may deliver written notice to the Company terminating the PPA.
- h. The PPA shall continue in full force and effect for a period of twenty five (25) years.
- i. An operating committee shall be formed comprising of six (6) members and each party shall designate three (3) members for the said committee. The committee shall develop procedures for holding of meetings, keeping minutes of meetings and appointment and operation of sub-committees. The chairmanship of the committee shall rotate each six (6) months between the parties.
- j. The Company shall sell the agreed net contract capacity to the Power Purchaser at the interconnection point and provide ancillary services to the Power Purchaser.
- k. The Company shall commence and proceed with the EPC works as soon as reasonably practicable following the financial closing. The Company shall ensure that the design of EPC works shall be carried out with all proper skill and care and in all material respects in accordance with the PPA, including the technical specifications, the laws of Pakistan, prudent utility practices and prudent electrical practices, so that the complex is reasonably expected to provide useful life of not less than twenty five (25) years.
- l. From and after the completion and commissioning of the Power Purchaser Interconnection Facilities, the Power Purchaser shall to the extent necessary to carry out any testing of the complex, including commissioning tests, transport to the complex electrical energy for start-ups.
- m. The Company may undertake scheduled outages only according to the schedule which has been proposed by the Company.
- n. On or before the financial closing, the Company shall provide reasonable evidence to the Power Purchaser that the Company has procured from a reliable supplier and transporter through one or more commercially reasonable fuel supply agreements, supplies of fuel and the capacity to process, transport, store and handle fuel for use at the complex.

- o. The company shall on the site maintain an inventory RFO of thirty (30) days at full load.
- p. The Power Purchaser shall be responsible for the design, construction, financing, completion and commissioning of the Power Purchaser Interconnection facilities whereas the Company shall carry out the Company's interconnection works with proper skill and care in all material respects.
- q. The Company shall at its own expense install the metering system and back up metering system for determining Net Electrical Output for the Complex.
- r. Prior to synchronization of the complex with the grid system, the independent engineer (M/s KEMA Netherlands B.V.) shall deliver to the Company and the Power Purchaser the certificate of readiness for synchronization.
- s. From and after the commercial operations date, the Power Purchaser shall pay the Company the capacity payments for the available capacity for each month and energy payments for dispatched and delivered net electrical output for the relevant month.
- t. If the Company is in breach of its obligations to achieve the commercial operations date by the required time, then for each month thereafter until the commercial operations date is actually achieved, the Company shall pay the Power Purchaser as liquidated damages an amount equal to two and a half (\$2.50) dollars per kW of the contract capacity per month until achievement of commercial operations date.

#### **Equipment Supply Contract (“ESC”) with Wartsila Finland Oy**

The Equipment Supply Contract had been signed between Nishat Power Limited and Wartsila Finland Oy (“Supplier”) dated December 6, 2007. Under the agreement, the Company intends to procure equipment for an RFO fired engine combined cycle generating power plant, including generator sets, a steam turbine, transformers, switchyard and related fuel storage facilities for construction of 200 MW power plant and the supplier has accepted to honor the same and supply all the equipments in order to facilitate timely completion of the plant.

Major provisions of the ESC are as follows:

- a. The Supplier shall be responsible for the delivery of the equipment to the port of import no later than the scheduled delivery dates and should notify the Company of the arrival dates of the equipment at the port.
- b. The contract price shall be Euro One Hundred Seventeen Million Four Hundred Fifty Eight Thousand Only (€117,458,000/- or PkR12.482 billion approximately) and should be paid in accordance with the payment terms. The contract price does not include any taxes, duties or other charges and liabilities. Payment shall be made in accordance with the milestones achieved under the milestone payment schedule.
- c. Amounts not paid by either party to the other when due hereunder shall bear interest from the due date until the payment date at a rate per annum equal to 4.25% units over the rate of three (3) months EURIBOR published at the respective due date by the European Central Bank.
- d. All payments to the Supplier under this Agreement shall be made in Euros.
- e. In consideration of the preliminary work and the supplier's commitment for completion of the facility, the Company has already provided to the Supplier, a non-refundable commitment fee in the form of a commitment guarantee for an amount of Euro three million (€3,000,000/-) and further agrees to pay Euro ten million (€10,000,000) upon execution of ESC. These amounts have already been paid to the Supplier by the Company.
- f. The Company, its agents and representatives and the banks and financial institutions extending finance in respect of the project shall have the right, at its/their own cost and risk, to inspect the work and any item of equipment, design and engineering.

- g. The Supplier shall arrange customized training at the place of manufacturing of the generator sets, for such number of persons nominated by the owner and such training shall entirely be at the Supplier's cost.
- h. The Owner shall review and accept or reject the Supplier's proposed completion certificates, it being understood and agreed that a proposed completion certificate shall not be final until the same is countersigned in acceptance by the Company.
- i. If the facility does not achieve the minimum performance test standards during the performance test, the Supplier shall, after consultation with the Company and the Contractor, suggest corrective measures for the re-performance of the performance test until achievement of the minimum performance test standards.
- j. Final completion of facility shall occur when the facility has achieved commercial operations date, minimum performance test standards during performance tests and no component of the work shall remain to be delivered by the Supplier which is necessary for the facility to operate.

### **Construction Services Contract ("CSC") with Wartsila Pakistan (Pvt.) Limited**

The Construction Services Contract had been signed between Wartsila Pakistan (Pvt.) Limited and Nishat Power Limited dated December 6, 2007. As per the CSC, the Contractor, being provider of field engineering, construction, erection, start-up, testing and commissioning services for RFO fired engine power plant project, has been assigned to complete the facility.

The Contractor had the obligation to commence the work upon completion of certain conditions that have already been met by the Company and henceforth the construction work has started.

The Company will review and accept the Contractor's proposed completion certificates and the completion of work will be deemed final when the certificates are countersigned in acceptance by the Company.

Major provisions of the CSC are as follows:

- a. The Company shall comply and shall cause all of its employees and agents to comply with all the applicable governmental rules.
- b. The Contractor undertakes carrying out and arranging for customs clearance for all the equipment, the transportation of equipment from the port of import to the site, construction, installation, start-up, testing and commissioning of the facility in accordance with the design and engineering supplied by equipment vendor.
- c. The Contractor shall be responsible for the performance and completion of the work on or before the Guaranteed Completion Date.
- d. The Contractor shall provide the technical, professional and construction personnel and supervision and the services required and shall be responsible for completing the work in accordance with the terms of CSC.
- e. Considering the nature of work, certain surplus material will be purchased by the Contractor and/or delivered by equipment vendor.
- f. The contract price shall be US\$ 19,220,400 (or PkR1.514 billion approximately) in an amount equivalent to Pak Rupees calculated at the conversion rate prevailing on the date of invoice for a milestone payment at the average of TT buying and selling rate issued by the National Bank of Pakistan ("NBP").
- g. The contract price is inclusive of income tax @ 6%.
- h. Amounts not paid by either party to the other when due shall bear interest from the due date at a rate per annum equal to 4.25% units over the rate of three (3) months EURIBOR published at the respective due date by the European Central bank.

- i. Contractor shall commence the work after meeting certain conditions, all of which have been met.
- j. Contractor shall promptly correct any part of the work that is defective or not in accordance with the CSC.
- k. The owner shall review and accept or reject the Contractor's proposed completion certificates, it being understood and agreed that a proposed completion certificate shall not be final until the same is countersigned in acceptance by the Company.

### **Implementation Agreement (“IA”) with the GOP**

The Implementation Agreement had been signed between the Islamic Republic of Pakistan (“GOP”) and Nishat Power Limited on September 15, 2007. The GOP, through the Private Power and Infrastructure Board, issued to NPL a Letter of Support dated July 6, 2007 to design, insure, finance, acquire, construct, install, complete and Commission the complex and shall own, operate and maintain the complex in accordance with all the applicable laws and terms of IA.

The company may contract with EPC contractor for designing, construction and commissioning of the complex and O&M contractor for operation and maintenance of the complex. However, this in no way relieves the Company of any of its obligations or potential liability.

The salient features of the IA are as follows:

- a. If the financial closing does not occur in accordance with the requirements of the LoS, then upon termination of the LoS, the IA shall also terminate in its entirety.
- b. The Company shall design, insure, finance, acquire, construct, complete and commission the Complex and shall own, operate and maintain the complex in accordance with all applicable laws of Pakistan, the Company consents, the IA and the PPA.
- c. NPL has identified and purchased the site. The Company shall obtain adequate water supplies for the complex, make arrangements for the delivery to and receipt at port facilities in Pakistan of equipment and materials necessary for the construction of the complex and shall make arrangements for transport to the site of all such equipments and materials from the port.
- d. Upon request of the Company, GOP shall support and use all reasonable efforts to expedite consideration of Company's applications for the Company consents or re-issuances thereof filed.
- e. The Company shall obtain and maintain insurance from financially strong and internationally reputable insurance companies.
- f. During the term the Company shall not be subject to taxation in Pakistan on its profits and gains derived from the electric power generation under the PPA.
- g. Any change in Clause 132 of Part I of the second schedule of the income tax ordinance, 2001 shall not give rise to a breach or default of the GOP so long as such change results in a change in the tariff.
- h. Local investors will be taxed according to the applicable laws of Pakistan while foreign investors will be governed by the Bilateral Tax Treaties, if any. Where no such treaty exists with the respective countries, foreign investor shall be taxed in accordance with the applicable laws of Pakistan.
- i. The GOP encourages NPL to incorporate as much locally produced material, equipment and supplies as possible for the design, construction, completion, operation and maintenance of the complex.
- j. NPL shall be entitled to import prior to the commercial operations date without restriction and is exempt from sales tax but subject to payment of applicable customs duty not to exceed five (5%) percent on value.

- k. All plant and machinery imported for the complex will be cleared for release from customs and available for removal by NPL or its agents within fifteen (15) business days following delivery by NPL of written notice to the PPIB of a delay in the release by the customs of such plant and machinery.
- l. The Company shall be entitled to export any items of plant and machinery for the purpose of repair outside Pakistan and to re-import the same upon payment of applicable custom duties.
- m. The exchange and transfer abroad of all foreign currency related to the project shall be governed by the Laws of Pakistan.
- n. Neither the GOP nor any public sector entity shall take any discriminatory action which materially and adversely affects the project or performance of the Company's obligations.
- o. The GOP undertakes to the Company that neither it nor the Power Purchaser or any Public Sector Entity will expropriate, compulsorily acquire, nationalize, or otherwise compulsorily procure any Ordinary share capital or material assets of the Company.
- p. Within five (5) business days of receiving the notice in writing that the financing documents have been executed and all conditions precedent for initial availability of funds under financing documents have been satisfied and the delivery of company letter of credit in accordance with the terms of PPA has been made, the GOP shall execute and deliver to the Company the Guarantee.

#### **Fuel Supply Agreement (“FSA”) with Shell Pakistan Limited**

The Fuel Supply Agreement has been signed between Nishat Power Limited and Shell Pakistan Limited (“Fuel Supplier”) on January 10, 2008. The locked in FSA guarantees provision of fuel and diesel oil to the Company at the site under this agreement. The Company is bound to fulfill all the fuel requirements only through the fuel supplier.

As per the FSA, the fuel supplier shall be obliged to deliver to the Company at the site the entire quantity of fuel underlying such firm order, plus or minus ten (10) percent, and subject to a maximum of 1,100 tonnes of fuel per day and subject to available storage space at the Company's fuel storage facilities within fifteen (15) days after receiving such payment from the company, with any payment or adjustment to be accounted for in subsequent firm orders.

The Fuel Supplier shall have the flexibility to manage its supplies of Fuel to the Company in a manner that at any point in time the aggregate quantity of fuel supplied to the Company shall not exceed the Company's maximum fuel storage capacity at the site. The Company will provide at least sixty (60) days notice to fuel supplier of the initial delivery date.

The Fuel Supplier is also liable to maintain minimum of fifteen (15) days stock at full load of the contract capacity of the complex.

The price of fuel shall be set out in HSFO Price Notification applicable on the date of fuel supplier's relevant invoice as per guidelines approved by NEPRA, whereas price of diesel oil shall be determined by OGRA from time to time pursuant to the Petroleum Products (Development Surcharge) Ordinance, 1961.

The salient features of the FSA are as follows:

- a. The agreement shall commence and be in force immediately upon the date of financial closing and remain valid till ten years after the commercial operations date.
- b. NPL shall purchase all its requirements of Fuel and Diesel Oil for the Complex from the Fuel Supplier

- c. Upon placement of firm order by the Company, the fuel supplier shall be obliged to deliver at the site the entire quantity of fuel subject to maximum of 1,100 tons of fuel per day.
- d. Fuel and diesel oil delivered to the Company shall meet the relevant specification as defined in the FSA. Upon acceptance of delivery of fuel or diesel oil by NPL not meeting the relevant standards, the delivered fuel shall be considered as meeting the relevant specifications.
- e. Fuel storage tanks have a capacity equal to at least thirty (30) days of operation of the complex at one hundred (100%) percent of the contract capacity.
- f. The fuel supplier shall at its own cost design, construct, install and maintain to have in place all such facilities, equipments or arrangements as the fuel supplier deems necessary in order to be able to effect deliveries of Fuel and Diesel Oil at the delivery point.
- g. The Company may amend its firm order up to ten (10%) percent of the quantities of the applicable month forty five (45) days before the applicable month.
- h. The Fuel Supplier shall at all times from and after the commercial operations date maintain at its storage facilities in Karachi an inventory of fuel equivalent to a minimum of fifteen (15) days stock at full load of the contract capacity of the complex.
- i. The price payable by NPL for fuel delivery by the fuel supplier to the complex shall be that set out in the HSFO price notification applicable on the date of fuel supplier's relevant invoice as per the formula approved or revised by NEPRA.
- j. The price for diesel oil shall be as determined by OGRA from time to time pursuant to the Petroleum Products Ordinance.
- k. The fuel supplier may increase the gross margin on the basis of a directive from the GOP or OGRA and subject to NEPRA's approval.
- l. In case of failure by the fuel supplier prior or following the commercial operations date, the fuel supplier shall indemnify the company for any costs, damages, losses or penalties.

#### **Operation and Maintenance Agreement (“OMA”) with Wartsila Pakistan (Pvt.) Limited**

The Operation and Maintenance Agreement has been signed between Nishat Power Limited and Wartsila Pakistan (Pvt.) Limited (“Operator”) on July 24, 2009. Under this agreement, the NPL will construct and own the project and would be primarily responsible for the maintenance and operation of the project, however the Operator has been appointed in order to achieve smooth operations based on the first hand experience of the Operator and to facilitate NPL in achieving the desired milestones.

According to the agreement, the Operator will be responsible for breakdowns directly and solely due to operator's negligence, however all the other expenses will be borne by the Company. The agreement will remain in effect for a period of five (5) years.

The salient features of the OMA are as follows:

- a. The owner shall pay to the operator a mobilization fee amounting to PkR twenty six million five hundred thousand only (PkR 26,500,000/-) of which forty (40%) percent would be paid upon the effective date and the remaining by September 30, 2009.
- b. The OMA fee consists of fixed fee and variable fee which depends on the Net Energy Output generated in such month.
- c. The Company shall be responsible for all cost and expenses incurred as a result of breakdown and the Operator will be responsible for breakdowns directly and solely due to the Operator's negligence in performance of the work.
- d. In the event of operator breakdown, the Operator shall provide additional labor up to an aggregate amount not to exceed PkR four million only (PkR4,000,000/-).

- e. In order to secure the Company's payment obligations, NPL prior to the COD, open and maintain an irrevocable confirmed standby letter of credit amounting to PkR forty five million only (PkR45,000,000/-).
- f. In order to secure the operators performance, the operator shall provide a performance guarantee amounting to PkR eighteen million only (PkR18,000,000/-).
- g. All spare parts of the facility shall be exclusively purchased by the owner.
- h. The term of agreement is five years from the commissioning date or last day of month in which the running hours of the first generating set reaches thirty five thousand (35,000) hours, whichever occurs first.
- i. The Operator guarantees an annual availability for the facility of ninety two (92%) percent. In case the facility fails to achieve annual availability, the operator shall be liable to issue a credit note to the company amounting to PkR three million five hundred thousand (PkR3,500,000/-) per year for each one percent under the guaranteed annual availability.
- j. The Operator guarantees a heat rate value of 7780 kJ/kWh with clean fuel. In the event heat rate as measured during the heat rate performance tests is higher than HRG Operator shall issue to the owner a credit note amounting to PkR six hundred forty thousand (PkR640,000/-) for each one tenth (0.1%) percent that the heat rate is higher than the HRG. However, in the event the heat rate as measured during heat rate performance test is lower than 7740 kJ/kWh with clean fuel, the company shall pay to operator the amount of PkR three hundred and twenty thousand only (PkR320,000/-) for each one tenth (0.1%) percent that the heat rate is lower than 7740/kj/kwh.
- k. The Operator guarantees a capacity value of 195,260 kW or the value achieved during the performance test under the construction services contract. In the event of not meeting the guaranteed capacity, the Operator will be liable to issue a credit note to the Company in an amount equal to PkR fifteen thousand (PkR15,000/-) for each one (1 KW) kilowatt.
- l. The Operator guarantees to the Company that it will operate and maintain the facility in such manner that the average lube oil consumption in a year shall not exceed 11.84 kg/running hour/generating set, including lube oil change. In the event the operator doesn't meet the guarantee, operator shall issue a credit note to the Company amounting to PkR six hundred and eighty only (PkR680/-). However in case the lube oil consumption is below 10.15 kg/running hour/generating set, the Operator shall be entitled to Lube oil bonus from owner in an amount equal to PkR three hundred and forty only (PkR340/-).
- m. During a given operating year, the performance liquidated damages shall be limited to and shall not exceed ten (10%) percent of the annual turnover.
- n. The Company's liability to pay performance bonuses shall be limited to and shall not exceed ten (10%) percent of the total annual turnover.
- o. The Company shall be responsible for all costs and expenses associated with the cleanup, removal and/or remediation of any and all hazardous substances.

### **Senior Financing Facility with the Financial Institutions**

Financing facility agreement was signed on December 19, 2007 between NPL and Financial institutions/lender; namely National Bank of Pakistan, Habib Bank Limited, Allied Bank Limited, United Bank Limited and Faysal Bank Limited. Habib Bank Limited was nominated as the *Agent* and *Monitoring* bank, whereas Faysal Bank Limited as the *Security Trustee*. Salient feature of the facilities are as below:

- a. The financing facility carries a mark-up rate of three (3) month KIBOR, ask side, plus 3% per annum with no floor or cap.
- b. NPL shall pay the financial institutions a commitment fee, on a quarterly basis, calculated at the rate of 0.10% per annum of the undrawn portion of sale price, commencing 3 months after the facility effective date.

- c. The Debt to Equity ratio at all times after disbursement shall be less than or equal to 80:20.
- d. No prepayment shall be permissible prior to second anniversary of the final completion.
- e. Prepayment shall not be less than and shall be in multiples of PkR250 million and should be made only on repayment date with at least (30) days prior notice.
- f. A prepayment penalty of 0.15% shall be levied on all amounts prepaid, and any amount prepaid can not be redrawn.
- g. At anytime before or after the facility effective date, the lender can sell-down (at its own cost and expense) in whole or in part any of its rights, benefits or obligations to any other financial institution(s) by notice in writing to NPL, at least thirty (30) business days prior to the proposed date to effect transfer/sell-down.
- h. The Company shall be entitled to a prompt payment bonus in accordance with a pre-determined mechanism.
- i. The Company shall make quarterly principal and interest payments.
- j. There is no restriction on dividend declaration under the agreement.

(Pkr )

<b>Debt</b>		
<b>Bank</b>	<b>Sanctioned</b>	<b>Utilized</b>
National Bank of Pakistan	2,458,113,694	2,013,286,000
Habib Bank Limited	3,277,781,581	2,684,624,000
Allied Bank Limited	3,277,781,581	2,684,624,000
United Bank Limited	3,219,372,643	2,636,785,000
Faysal Bank Limited	1,930,490,501	1,581,144,000
<b>Total Debt</b>	<b>14,163,540,000</b>	<b>11,600,463,000</b>

*Note: the Loans granted by all the financial institutions are secured against the entire plant and machinery of NPL.*

The Company had entered into financing agreements with lenders upto Pkr12,259,509,600 sanctioned under senior facility agreement to finance the project. Subsequently, the project cost has been revised and the debt commitment enhanced to Pkr14,163,540,000 through the term finance facility agreement dated July 24, 2009. On the basis of the revised plan, the company maintains the debt to equity ratio at 80:20.

#### 4.11 SECTOR REVIEW

The Power Sector in Pakistan is regulated by National Electric Power Regulatory Authority (NEPRA), Private Power and Infrastructure Board (PPIB) and in a sense a monopoly of two power utility giants, the Water and Power development Authority (WAPDA) and the Karachi Electric Supply Corporation (KESC).

WAPDA, which has been restructured into nine distribution, four generation and a transmission company, is responsible for powering the entire country except for the metropolitan city of Karachi, which is powered by the KESC. Pakistan Electric Power Company (Pvt.) Limited (PEPCO) is a distinct entity within WAPDA which is working as a holding company of WAPDA's newly formed fourteen companies. The aggregate installed generating capacity of Pakistan is 19,585 MW<sup>2</sup>.

In 1994, the door to private sector investors was opened by formation of Private Power and Infrastructure Board (PPIB). PPIB had been established with a view to facilitate private

<sup>2</sup> Pakistan Energy Yearbook - 2008

sector investors. So far PPIB has been able to successfully commission 17 power plants responsible for generating 5,952 MW of power<sup>3</sup>.

National Electric Power Regulatory Authority in its role of a regulator is responsible for a number of duties including licensing for generation, transmission and distribution of electric power, tariff determination and laying down rules and standards to regulate the conduct of power sector business. The power generating capacity of Pakistan has increased to 19,585 MW in 2008. The current power generation mix is thermal (66.7%), hydroelectric (29.90%) and nuclear power plants (3.4%)<sup>4</sup>. This drastic increase in power generation capacity is backed by the steep rise in the overall power consumption due to surge in demand from both rural and urban areas.

An essential role for the private sector has evolved over the years due to persistent shortage of power across the country. Currently, the private sector accounts for almost 40% of the total installed capacity.

#### 4.12 DEMAND & SUPPLY DYNAMICS – POWER SECTOR

The era of 1990s witnessed a sharp electricity supply-demand gap which was balanced out in the year 1997. From then onwards, it was expected that the gap would be reined in till 2009 but due to rapid growth since early 2000-2001, the sector maintained surplus capacity only until 2004. The exponential growth in demand for electricity due to rapid electrification of rural, urban and industrial sectors coupled with corporatization and improvement in the standard of living has pushed the surplus to deficit from 2004 onwards. The demand side has exceeded the supply side by 2,612 MW as of March 2009. The estimated growth in the demand for electricity is around 8% - 9% p.a. By 2010, the supply-demand deficit is expected to narrow down to 1,012 MW from an expected deficit of 2,599 MW during the summer 09<sup>5</sup>. It is further expected that the supply of electricity across the country is expected to neutralize the deficit by late 2010. This comes on an aggressive government stance to rein in the deficit through expansions and commissioning of new projects sanctioned by the PPIB. The upcoming projects range from 100 MW to 1,200 MW and are expected to add a total of 12,296 MW to the national grid by 2016<sup>6</sup>.

#### 4.13 RISK FACTORS

In making the investment decision, the investor may take into consideration the following risk factors:

- **Plant installation Risk - (Level: low)**

There might be hindrances in plant installation which can affect the timely installation of plant, thus hampering the plant to come online within the stipulate time frame.

⇒ **Mitigant**

Plant & machinery is in erection and installation phase as per schedule. The Company has a well-experienced project team in place for the erection and commissioning of the plant. Technical expertise has been provided by Wartsila which is the supplier of plant &

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<sup>3</sup> PPIB

<sup>4</sup> PPIB

<sup>5</sup> PPIB

<sup>6</sup> PPIB

machinery and also responsible for its installation. Wartsila has vast experience of setting up and operating power plants in Pakistan. **The 0.27% of the total plant & machinery, which is yet to be shipped, comprises of small spare parts. Commercial production can be commenced without arrival of the said parts. Thus, the project is expected to be commissioned in line with the implementation schedule. Until now, NPL has been able to meet all milestones within the stipulated time.**

▪ **Fuel Price risk - (Level: low)**

Variation in the fuel price might affect the profitability of the Company.

⇒ **Mitigant**

Under the terms of Power Purchase Agreement (PPA) with WAPDA, any variation in the fuel price is to be passed on to WAPDA so variation in fuel price does not pose any risk to the project profitability.

▪ **Off Take risk - (Level: low)**

Uncertainty of selling the power generated.

⇒ **Mitigant**

NPL has entered into a 25 years Power Purchase Agreement (PPA) with WAPDA, which guarantees purchase of power generated by NPL.

▪ **Financial Projection Risk - (Level: low)**

The Company has used various assumptions for financial projections which are subject to change depending on the industry, economic and political dynamics. This can seriously impact the actual future results of the Company.

⇒ **Mitigant**

NPL has used conservative assumptions. Since the power sector is a well regulated sector with standard parameters, the room for volatility relating to assumptions is remote.

▪ **Foreign Exchange Risk - (Level: Medium)**

Foreign exchange exposure may impact cost of plant & machinery and might also affect operational profitability.

⇒ **Mitigant**

NPL has already procured plant & machinery for the project. Operational cost involving foreign currency exposure is mitigated by indexing it to PkR/USD.

▪ **Performance and Operational risk - (Level: Medium)**

Under performance by NPL may subject it to penalty i.e. not ensuring minimum load factor under Power Purchase Agreement (PPA) Section No 2.9 entered with WAPDA.

⇒ **Mitigant**

The Company has procured state of the art plant & machinery from Wartsila and since it is also the O&M contractor, it is unlikely that NPL will not be able to deliver the minimum load factor capacity. NPL also has insurance coverage in place to cover against unforeseen circumstances i.e. business interruptions, machinery breakdown etc. Furthermore, Wartsila has a proven track record in Pakistan which further mitigates this risk.

▪ **Force Majeure/ Political risk - (Level: Medium)**

Force Majeure includes events that are beyond reasonable control of NPL.

⇒ **Mitigant**

Some of the events under Force Majeure are covered by insurance contract that provides cover against unforeseen circumstances i.e. business interruptions, machinery breakdown etc. Other events under Force Majeure are hedged through GOP and WAPDA guarantees.

▪ **Economic Slowdown Risk - (Level: Medium)**

Economic slowdown may affect profitability of the Company.

⇒ **Mitigant**

Keeping in view the disparity between demand and supply, it can be inferred that demand for power is relatively inelastic so even in the event of an economic slowdown, profitability of the Company is unlikely to be affected.

▪ **Regulatory Risk - (Level: Low)**

Regulatory Authorities may place stringent rules in order to control the sector.

⇒ **Mitigant**

The regulators are keenly approving the projects on a fast-track basis in order to minimize the electricity supply-demand gap prevailing in the sector. Therefore, it is unlikely that any stringent regulations will be applied on the sector.

**Note: It is stated that all material risk factors have been disclosed & nothing has been concealed in this respect.**

## PART 5

### 1. FINANCIAL INFORMATION

#### 5.1 Auditors report under section 53(1) read with clause 28 of section 2 part I of the Second Schedule to the Companies Ordinance, 1984, for the purpose of inclusion in the Offer for Sale Document of Nishat Power Limited

June 05, 2009

1842

The Board of Directors  
Nishat Power Limited  
Lahore

Gentlemen

#### **CERTIFICATE UNDER SECTION 53(1) READ WITH CLAUSE 28(1) OF SECTION 2 OF PART I OF SECOND SCHEDULE TO THE COMPANIES ORDINANCE, 1984**

We have audited the financial statements of Nishat Power Limited for the nine months ended March 31, 2009. However, the financial statements of Nishat Power Limited for the period February 23, 2007 to June 30, 2008 have been audited by another firm of chartered accountants.

In accordance with section 53(1) read with clause 28(1) of section 2 of Part I of Second Schedule to the Companies Ordinance, 1984, we have summarized:

- (a) The assets and liabilities of Nishat Power Limited as at March 31, 2009; and
- (b) Profit and loss accounts of Nishat Power Limited for the nine months ended March 31, 2009 and for the period February 23, 2007 to June 30, 2008 as follows:



**SUMMARY OF ASSETS AND LIABILITIES OF NISHAT POWER LIMITED AS AT MARCH 31, 2009**

	Rupees
<b>ASSETS AND LIABILITIES</b>	
<b>Non current assets</b>	
Property, plant and equipment	13,621,914,321
<b>Current assets</b>	
Advances, deposits, prepayments and other receivables	2,602,017
Cash and bank balances	3,907,709,800
	<u>3,910,311,817</u>
<b>Less: Current liabilities</b>	
Current portion of long term financing - secured	115,288,130
Trade and other payables	3,658,806,814
Accrued markup on long term financing	293,003,303
Provision for taxation	1,597,521
	<u>4,068,695,768</u>
	<u>(158,383,951)</u>
	<u>13,463,530,370</u>
<b>Represented by</b>	
Share capital and reserves	2,716,500,000
- Issued, subscribed and paid up capital	54,386,142
- Accumulated profit	<u>2,770,886,142</u>
Long term financing - secured	<u>10,692,644,228</u>
	<u>13,463,530,370</u>

**PROFIT AND LOSS ACCOUNT OF NISHAT POWER LIMITED  
FOR THE NINE MONTHS ENDED MARCH 31, 2009**

	Nine months to March 31, 2009	February 23, 2007 to June 30, 2008 Restated
	Rupees	Rupees
Other operating income	73,385,094	1,430,965
Administrative expenses	(4,068,292)	(10,128,152)
<b>Profit/(loss) before taxation</b>	<u>69,316,802</u>	<u>(8,697,187)</u>
Taxation	(2,217,898)	-
<b>Profit/(loss) for the period</b>	<u>67,098,904</u>	<u>(8,697,187)</u>
Earnings/(loss) per share - basic and diluted	<u>0.57</u>	<u>(0.48)</u>

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We further state that:

(a) No dividend has been paid by Nishat Power Limited since its date of incorporation i.e. February 23, 2007.

(b) Contingencies and commitments of the company as at March 31, 2009 were as follows:

(i) **Contingencies**

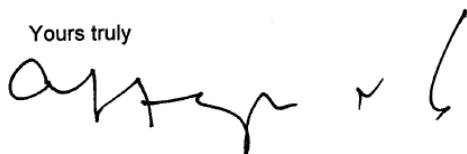
The company has issued an irrevocable letter of credit in favour of National Transmission and Despatch Company Limited for US\$ 5,369,650 (June 30, 2008: US\$ 5,369,650) equivalent to Rs 431,719,860 (June 30, 2008: Rs 366,210,130) as required under section 2.7 and 9.4(d) of the Power Purchase Agreement.

	<b>March 31, 2009 Rupees</b>	<b>June 30, 2008 Rupees</b>
(ii) <b>Commitments in respect of</b>		
Equipment supply contract with Wartsila Finland Oy for Euro 14,361,561 (June 30, 2008: Euro 88,012,295)	1,532,234,943	9,471,883,187
Construction services contract with Wartsila Pakistan (Private) Limited for US\$ 6,657,947 (June 30, 2008: US\$ 14,607,504)	535,298,903	995,939,623
Other contractors	24,988,625	57,791,080

(c) The company was incorporated on February 23, 2007, therefore, the company's financial statements have been prepared for the period February 23, 2007 to June 30, 2008 and for the nine months ended March 31, 2009.

(d) No financial statements have been reviewed or audited by us subsequent to the audit of the financial statements for the nine months ended March 31, 2009.

Yours truly



**A.F.Ferguson & Co.**  
Chartered Accountants

## 5.2 Share Break-up Value Certificate

June 05, 2009

1839

The Board of Directors  
Nishat Power Limited  
Lahore

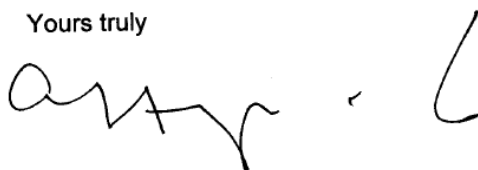
Gentlemen

### **CERTIFICATE ON BREAK-UP VALUE OF SHARES NISHAT POWER LIMITED**

Based on the audited financial statements for the nine months ended March 31, 2009, the break-up value of an ordinary share of Rs 10 each of Nishat Power Limited is Rs 10.2 as computed below:

Issued, subscribed and paid-up capital	2,716,500,000
Accumulated profit	54,386,142
Total shareholders' equity	<b>Rupees</b> <u>2,770,886,142</u>
Number of ordinary shares	<u>271,650,000</u>
<b>Break-up value per share</b>	<b>Rupees</b> <u>10.2</u>

Yours truly



**A.F.Ferguson & Co.**  
Chartered Accountants

## 5.3 Auditors Certificate on Issued, Subscribed, and Paid-up-capital of the Company

**A. F. FERGUSON & CO.**

A member firm of


**August 04, 2009****170**

The Board of Directors  
Nishat Power Limited  
Lahore

A. F. Ferguson & Co.  
Chartered Accountants  
505-509, 5th Floor, Alfalah Building  
P.O.Box 39, Shahrah-e-Quaid-e-Azam  
Lahore, Pakistan  
Telephone: (042) 6285078-85  
Fax: (042) 6285068  
E-mail : ferguson@brain.net.pk

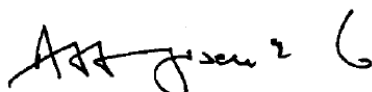
Gentlemen

**ISSUED, SUBSCRIBED AND PAID UP CAPITAL**

We have examined the books of account and other records of Nishat Power Limited (the company) and report that an amount of Rs 3,540,885,000 has been received by the company on account of issued, subscribed and paid up capital upto August 04, 2009. We further report that at least eighty percent of the said amount has been incurred on the project. The break up of this amount is as follows:

	Number of shares	Rupees
<b>Sponsors</b>		
Nishat Mills Limited	223,788,498	2,237,884,980
Mr Mian Hassan Mansha	1	10
Mr Khalid Qadeer Qureshi	1	10
National Bank of Pakistan	30,000,000	300,000,000
Allied Bank Limited	30,000,000	300,000,000
	<u>283,788,500</u>	<u>2,837,885,000</u>
<b>Others</b>		
Other institutions	67,445,000	674,450,000
Other individuals	2,855,000	28,550,000
	70,300,000	703,000,000
<b>Total</b>	<u><b>354,088,500</b></u>	<u><b>3,540,885,000</b></u>

Yours truly



#### 5.4 Management Note

The break up value of shares of NPL based on the audited accounts for nine months ended March 31, 2009 is PkR10.2.

However, the break up value of Nishat Power limited on the basis of the total paid up capital of PkR3.540 billion is given as follows:

Total Issued subscribed and paid up capital		3,540,885,000
Accumulated profit as on March 31, 2009		54,386,142
Total Shareholder's Equity	<b>Rupees</b>	<u>3,595,271,142</u>
Number of Ordinary Shares		<u>354,088,500</u>
<b>Break-up value per share</b>	<b>Rupees</b>	<u><u>10.153</u></u>

## PART 6

### 6 MANAGEMENT

#### 6.1 BOARD OF DIRECTORS OF THE COMPANY

Names of Directors	Designation	Nomination as director on other companies
Mian Hassan Mansha Address: 28-Main Gulberg, Lahore.	Director / Chief Executive Officer	Nishat Mills Ltd. Adamjee Insurance Company Limited Security General Insurance Company Ltd. Nishat Hotels and Properties Ltd. Pakistan Aviators and Aviation (Pvt.) Ltd.
Mian Raza Mansha Address: 28-Main Gulberg, Lahore	Director	D.G.Khan Cement Company Ltd. Sui Northern Gas Pipeline Ltd. MCB Bank Ltd. Nishat Paper Products Company Ltd. Nishat Hotels and Properties Ltd.
Mr. Khalid Qadeer Qureshi Address: 7-Main Gulberg, Lahore.	Director	Nishat Mills Ltd. D.G.Khan Cement Company Ltd. Adamjee Insurance Company Ltd. Nishat Paper Products Company Ltd.
Mr. Aftab Ahmad Khan Address: 53 - A, Lawrence Road, Lahore.	Director	MCB Bank Ltd. Nishat (Chunian) Ltd. Nishat Hotels & Properties Ltd. Nishat Paper Products Company Ltd. Nishat Chunian Power Ltd. National Investment Trust
Mr. Shahzad Ahmad Malik Address: H. No. 231-A, New Muslim Town, Lahore.	Director	Security General Insurance Company Ltd.
Mr. Shahzad Sadiq Nominee – Allied Bank Limited Address: 456-FF, Phase IV, DHA Lahore.	Director	Nil
Mr. Masood Karim Shaikh Nominee – National Bank of Pakistan Address: 94/II, Street No.6, Off Khayaban-e-Rahat, Phase VI, DHA, Karachi.	Director	Nil
Mr. Rizwan Hameed (In absence of Mr. Masood Karim Shaikh – Nominee NBP) Address: 26-R, Model Town Extension, Lahore.	Alternate Director	Nil

## 6.2 OVER DUE LOANS

There are no overdue loans (local or foreign currency) on the Company or its Directors.

### 6.2.1 CASH DIVIDEND PAID BY GROUP COMPANIES

Companies	2004	2005	2006	2007	2008
Adamjee Insurance Co. Limited	0.0%	30.0%	28.0%	30.0%	25.0%
D.G.Khan Cement Limited	15.0%	15.0%	15.0%	15.0%	0.0%
Nishat Mills Limited	20.0%	25.0%	15.0%	25.0%	25.0%
MCB Bank Limited	25.0%	42.5%	72.5%	125.0%	115.0%

### 6.2.2 BONUS SHARES ISSUED BY GROUP COMPANIES

Companies	2004	2005	2006	2007	2008
Adamjee Insurance Co. Limited	0.0%	0.0%	12.5%	0.0%	00.0%
D.G.Khan Cement Limited	10.0%	0.0%	10.0%	0.0%	0.0%
Nishat Mills Limited	0.0%	0.0%	10.0%	0.0%	0.0%
MCB Bank Limited	10.0%	20.0%	15.0%	0.0%	10.0%

## 6.3 MANAGEMENT PROFILE

Names	Designation	Professional Experience (in years)	Qualification
Mr. Hassan Mansha	Chief Executive Officer	10 Years	A-Levels
Mr. Tanvir Khalid	Chief Financial Officer	8 Years	B. Com, Chartered Accountant (ACA)
Mr. Muhammad Nawaz	General Manager	32 Years	BSc Electrical Engineering from UET Lahore
Mr. Khalid Chohan	Company Secretary	25 Years	Graduation in Commerce

### 6.3.1 Mr. Hassan Mansha, Chief Executive Officer

Hassan Mansha is presently a Director on the following companies: Nishat Mills Limited, Adamjee Insurance Co. Ltd., Security General Insurance Ltd., Nishat Hotels and Properties Limited.

### **6.3.2 Mr. Tanvir Khalid, Chief Financial Officer**

Tanvir Khalid has over 8 years of professional experience in Financial Management, Taxation, Corporate Laws and Accounts functions and is an associate member of the Institute of Chartered Accountants of Pakistan. In Mr. Khalid's prior work experience he worked with Gulistan Group of Companies and was in-charge of financial and corporate matters. Gulistan is establishing an identical 200MW power plant based on Wartsila engines, and Mr. Khalid was responsible for working on the tariff, financial feasibility, budgetary financial statements, negotiations with EPC and O&M contractors and dealing with government agencies.

### **6.3.3 Mr. Muhammad Nawaz, General Manager**

Mohammad Nawaz has 32 years of professional experience in operation, maintenance, design construction and commission of electrical and mechanical equipment in power stations and industries. Mr. Nawaz is heading the technical team of the project. His latest professional undertaking was at D.G.Khan Cement as Deputy General Manager of the Power Unit consisting of 4 x 5.96 MW diesel engines and 3 x 8.5 MW gas engines. His prior work experience includes the supervision of the Erection, Testing & commissioning of the WAPDA Muzaffargarh Thermal Power Station Project Phase – II, (2 x 210 MW + 1 x 320 MW with 220 KV Switchyard). Mr. Nawaz has also worked extensively with Shuwaikh Power & Water Production Station, Ministry of Electricity and Water Kuwait and at various power stations in Pakistan.

### **6.3.4 Mr. Khalid Chohan, Company Secretary**

Mr. Khalid Mahmood Chohan has 25 years of experience in Accounts, Taxation and particularly shares and corporate. He joined Nishat Group in 1982 and is presently working as Company Secretary of Nishat Mills Limited, D. G. Khan Cement Company Limited and other non-listed Group Companies.

## **6.4 PROFILE OF DIRECTORS**

### **6.4.1 Mr. Raza Mansha, Director**

Mr. Raza Mansha is presently the Chief Executive of D.G.Khan Cement Company Limited and Nishat Paper Products Co. Limited. He is also serving as a Director for MCB Bank Limited, Nishat Hotel and Properties Limited and Sui Northern Gas Pipe Lines Limited. Mr. Raza Mansha received his Bachelor of Arts degree from the University of Pennsylvania and has over 14 years of professional experience.

### **6.4.2 Mr. Aftab Ahmed Khan, Director**

Aftab Ahmed Khan is a director in MCB Bank Limited, Nishat (Chunian) Limited, Nishat Hotel and Properties Limited, Nishat Paper Products Co. Limited, Nishat Chunian Power Limited and National Investment Trust Limited.

He has been associated with the Nishat Group since 1993 and is currently serving as the Group Director for Finance and Accounts. Mr. Khan is a fellow member of the Institute of Chartered Accountants of Pakistan and has over 45 years of professional experience.

#### **6.4.3 Mr. Khalid Qadeer Qureshi, Director**

Mr. Qureshi is serving as a director of D.G.Khan Cement, Nishat Mills Limited and Pakistan Aviators & Aviation (Pvt.) Limited. Mr. Qureshi is also a fellow member of the Institute of Chartered Accountants of Pakistan and has over 40 years of professional experience.

#### **6.4.4 Mr. Shahzad Ahmad Malik**

Mr. Shahzad Ahmad Malik has been associated with Nishat Group since 1998. Before joining the Group, Mr. Malik served as a Deputy Director in the Pakistan Audit and Accounts Service (1987-1995), Government of Pakistan. He has a degree in Civil Engineering and later on did his MBA from the Lahore University of Management Sciences (LUMS) in 1997. He is also a Director in Security General Insurance Co. Limited.

#### **6.5 NUMBER OF DIRECTORS**

Pursuant to Section 174 of the Ordinance, the number of directors of the Company shall not be less than seven. At present, the Company's Board of Directors consists of seven directors including the chief executive.

#### **6.6 QUALIFICATION OF DIRECTORS**

A director must be a member unless he is a person representing the Government or an institution or authority that is a member, or is a whole time working director who is an employee of the Company, or a Chief Executive or a person representing a Creditor.

#### **6.7 REMUNERATION OF THE DIRECTORS**

Pursuant to clause no 88 of Articles of Association of the Company, any Director who serves on any committee or who devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration as the Directors may determine from time to time. The remuneration of a Director for attending meetings of the Board shall from time to time be determined by the Directors.

Pursuant to clause no 89 of Articles of Association of the Company, each Director of the Company may, in addition to any remuneration receivable by him, be reimbursed his reasonable travelling and hotel expenses incurred in attending meetings of the Directors or of the Company or otherwise whilst employed on the business of the Company

Pursuant to clause no 86 of Articles of Association of the Company, a Chief Executive of the Company shall receive such remuneration as the Directors may determine and it may be made a term of his appointment that he be paid a pension and/or gratuity and/or other benefits on retirement from his office.

## **6.8 BENEFITS TO THE PROMOTERS AND OFFICERS**

No benefit has been given or is intended to be given by the Company to the promoters and officers of the Company other than remuneration for services rendered by them as full time executives of the Company.

## **6.9 INTEREST OF DIRECTORS**

The directors may be deemed to be interested to the extent of fees payable to them for attending Board meetings. The Directors performing whole time service to the Company may also be deemed interested in the remuneration payable to them from the Company.

The Directors may also be deemed to be interested, to the extent of any shares held by each of them in the Company, the dividends to be declared on their shareholding in the Company.

## **6.10 INTEREST OF DIRECTORS IN PROPERTY ACQUIRED BY THE COMPANY**

None of the Directors of the Company had or has any interest in any property acquired by the Company or proposed to be acquired by the Company.

## **6.11 ELECTION OF DIRECTORS**

The Directors shall subject to the provision of Section 178 of the Ordinance fix the number of directors and the Directors shall be elected by the members of the Company in General Meeting in the following manner, namely:

- (a) each member shall have such number of votes as is equal to the product of the number of voting shares held by him and the number of Directors to be elected,
- (b) a member may give all his votes to a single candidate or divide them between more than one of the candidates in such manner as he may choose; and
- (c) the candidate who gets the highest number of votes shall be declared elected as Director and then the candidate who gets the next highest number shall be declared and so on until the total number of Directors to be elected has been so elected.

The present Directors of the Company were elected on 22.08.2008 for the period of three 3 years.

## **6.12 VOTING RIGHTS**

On a show of hands, every member present in person shall have one vote except for election of Directors in which case the provisions of Section 178 of the Ordinance shall apply. On a poll, every member shall have voting rights as laid down in Section 160 of the Ordinance.

## **6.13 AUDIT COMMITTEE / CONSTITUTION OF AUDIT COMMITTEE**

Audit Committee of the Board has been formed to comply with the Code of Corporate Governance which comprises of the following non-executives:

- Khalid Qadeer Qureshi
- Aftab Ahmad Khan
- Shahzad Ahmad Malik

#### **6.14 INTERNAL AUDIT**

The board has setup an effective internal audit function managed by suitable qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.

#### **6.15 BORROWING POWERS**

Subject to the provisions of the Ordinance the Board of Directors may from time to time borrow any money for the purposes of the Company from its members or from any other person, firms, companies, corporations, Government Agencies, institutions or the Directors may themselves lend moneys to the Company.

#### **6.16 POWERS OF DIRECTORS**

The business of the Company shall be managed by the Directors, who may pay all expenses incurred in promoting and registering the Company, and may exercise all such powers of the Company as are not by the Ordinance or any statutory modification thereof for time being in force, or by the Articles of Association, required to be exercised by the Company in General Meeting.

#### **6.17 INDEMNITY**

Section 185 of the Company's Article of Association reads as follows:

“Every Director, Managing Director, Chairman, Manager or Officer of the company or any person (whether an officer of the company or not) employed by the company as Auditor or Advisor, shall be indemnified out of the funds of the company against any liability incurred by him as such Director, Managing Director, Chairmen, Manager, Officer, Auditor, or Advisor in defending any proceedings, whether civil or criminal, in which judgment is given in connection with any application of a provision of the Ordinance in which relief is granted to him by court.”

#### **6.18 INVESTMENTS IN ASSOCIATED COMPANIES**

The Company has not made any investment in any of associated companies nor has any resolution been passed for investment in associated companies under Section 208 of the Ordinance.

#### **6.19 INVESTMENT IN SUBSIDIARIES**

The Company has not sponsored nor acquired any subsidiaries nor has any resolution been passed for sponsoring or acquiring any subsidiaries under Section 208 of the Ordinance.

## PART 7

### 7 MISCELLANEOUS INFORMATION

#### 7.1 REGISTERED OFFICE

53-A, Lawrance Road,  
Lahore, Pakistan  
UAN: 042-111-11-33-33

#### 7.2 HEAD OFFICE

7 – Main Gulberg.  
Lahore, Pakistan  
UAN: 042-111-33-22-00  
Phone: 042-571-6351  
Fax: 042-571-6349

#### 7.3 BANKERS TO THE OFFER

- Arif Habib Bank Limited
- Askari Bank Limited
- Bank AL Habib Limited
- Bank Alfalah Limited
- Faysal Bank Limited
- Habib Bank Limited
- MCB Bank Limited
- Meezan Bank Limited
- Soneri Bank Limited
- United Bank Limited

#### 7.4 BANKERS OF THE COMPANY

- Habib Bank Ltd
- United Bank Ltd
- Allied Bank Ltd
- National Bank of Pakistan
- Faysal Bank Ltd

#### 7.5 AUDITOR OF THE COMPANY

**A.F. Ferguson & Co.**  
Chartered Accountants

#### 7.6 LEGAL ADVISOR OF THE COMPANY

**Cornelius, Lane & Mufti**  
Advocates & Solicitors

#### 7.7 LEGAL ADVISOR TO THE OFFER

**Cornelius, Lane & Mufti**  
Advocates & Solicitors

## 7.8 ADVISOR & ARRANGER TO THE OFFER

### **AKD Securities Limited**

6<sup>th</sup> Floor, Continental Trade Centre,  
Block 8, Clifton, Karachi.  
Phone: (021) - 111-253-253  
Fax: (021) - 5867992  
www.akdsecurities.net

## 7.9 COMPUTER BALLOTTER AND SHARES REGISTRAR

### **Hameed Majeed Associates (Pvt.) Ltd**

Financial & Management Consultants  
H.M.House, 7-Bank Square  
Lahore, Pakistan  
Phone: 042-7235081-2  
Fax: 042-7358817

## 7.10 MATERIAL CONTRACTS / DOCUMENTS

Particulars	Parties	Date
Letter of Support	GOP through PPIB	July 6, 2007
Power Purchase Agreement	National Transmission & Dispatch Company	November 13, 2007
Equipment Supply Contract	Wartsila Finland Oy	December 6, 2007
Construction Services Contract	Wartsila Pakistan (Pvt.) Ltd	December 6, 2007
Implementation Agreement	GOP through PPIB	September 15, 2007
Common Term Agreement	HBL (Agent Bank)	December 19, 2007
	HBL (Monitoring Bank)	
	FBL (Security Trustee)	
Senior Facility Agreement	HBL	December 19, 2007
	FBL	
	NBP	
	ABL	
	UBL	
Term Finance Facility Agreement	Senior Lenders	July 24, 2009
Project Fund Agreement	NML	December 19, 2007
	ABL	
	NBP	
	HBL (Agent Bank)	
	HBL (Monitoring Bank)	
	FBL (Security Trustee)	
Murabaha Financing Agreement	HBL (Agent Bank)	December 19, 2007
	HBL (Monitoring Bank)	
	FBL (Security Trustee)	
	FBL (Senior Lenders)	
Fuel Supply Agreement	SHELL Pakistan Limited	January 10, 2008
Operation & Maintenance Agreement	Wartsila Pak. (Pvt.) Ltd	July 24, 2009

## **7.11 INSPECTION OF DOCUMENTS AND CONTRACTS**

Copies of the Memorandum and Articles of Association, the audited financial statements, the Auditor's Certificates, Information Memorandum, and copies of agreements referred to in this OFSD can be inspected during usual business hours on any working day at the registered office of the Company from the date of publication of this OFSD until the closing of the subscription list.

## **7.12 LEGAL PROCEEDINGS**

There are no legal proceeding pending against the Company involving financial implications and the Company has not initiated any legal proceedings against any party or person.

## **7.13 VENDORS**

The Company has no vendors in terms of Clause 12 of Part I of the Second Schedule to the Companies Ordinance, 1984.

## **7.14 MEMORANDUM OF ASSOCIATION**

The Memorandum of Association, inter alias, sets forth the objects for which the Company was incorporated and the business, which the Company is authorized to undertake. A copy of the Memorandum of Association is annexed to this OFSD and has been published with all issues thereof except those released as newspaper advertisement.

## **7.15 REVALUATION OF ASSETS**

The Company has not carried out any revaluation of assets in terms of Clause 22(2) of Section 1 of Part I of the Second Schedule to the Ordinance.

## **7.16 FINANCIAL YEAR OF THE COMPANY**

The financial year of the Company commences from 1<sup>st</sup> day of July and ends on the 30<sup>th</sup> day of June each year.

## PART 8

### 8.1 Application and Allotment Instructions

1. Name(s) and address (es) must be written in full, in block letters, in English and should not be abbreviated. ALL APPLICATIONS MUST BEAR THE SIGNATURE AND ADDRESS CORRESPONDING WITH THAT RECORDED WITH THE BANK IN THE APPLICANTS ACCOUNT. IN CASE OF DIFFERENCE OF SIGNATURE (S) WITH THE BANK AND ON NATIONAL IDENTITY CARD, BOTH THE SIGNATURES SHOULD BE AFFIXED ON THE APPLICATION FORM.
2. APPLICATION MUST BE MADE ON THE PRINTED FORM OF NISHAT MILLS LIMITED OR LEGIBLE PHOTOCOPY THEREOF.
3. The applicants opting for scrip less form of security are required to complete the relevant Sections of the application. In case of discrepancy between the information provided in the application form and the information already held by CDS, the Company reserves the right to issue the share certificates in physical form.
4. An attested copy of the National Identity Card should invariably be enclosed and the number indicated against the name(s) of the applicant(s). Copy of the National Identity Card can be attested by any Federal/Provincial Government Gazetted Officer, Councilor, Bank Manager, Oath Commissioner, and Head Master of the High School, etc. Original Identity Card, along with one attested photo copy, must be produced for verification, to the branch at the time of presenting an application. The attested photo copy will, after verification, be retained by the branch along with application.
5.
  - (I) Application for shares by the general public, including institutions and individuals, must be made for 500 shares or in multiples of 500 shares only. Applications, which are neither for 500 shares nor for multiple of 500 shares, shall be rejected.
  - (II) The minimum amount of application for subscription of shares is Rs. 5,000/- as specified in clause 17(a) below.
6.
  - (I) Subscription money must be paid by cheque drawn on applicant's own account or through bank draft.
  - (II) Only one application will be accepted against each account. In case of joint accounts, one application will be accepted in the name of each of the joint account holders. No application will be accepted in the name of the person shown as minor in the records of the bank.
7. Copies of the Prospectus and application forms can be obtained from the members of Karachi and Lahore Stock Exchanges, the Advisors to the Issue, the Bankers to the Issue and their branches and the Registered Office of Nishat Power Limited. The abridged prospectus of the Company along with the application form can also be downloaded from the website <http://www.akdtrade.net>, <http://www.akdsecurities.net>, & <http://www.nishatmills.com>
8. Remittance for the full amount must accompany each application and must be forwarded to any one of the Bankers to the Issue named in the Prospectus. Payments should be in the form of cheques or drafts drawn payable to one of the Bankers to the Issue account **“Offer for Sale of Shares of Nishat Power Limited”**, and crossed **“ACCOUNT PAYEE ONLY”** and must be drawn on a bank in the same town as the bank to which the application form has been sent.

9. Applications are not to be made by minors and persons of unsound mind. Applications made by companies and corporate bodies must be accompanied by a copy of their Memorandum and Articles of Association or an equivalent instrument. Where applications are made by virtue of Power of Attorney, the same must be lodged with the application.
10. Joint application from more than four persons will not be accepted. In case of joint application, each party must sign the application form and submit copies of their attested national identity cards. The share certificates will be dispatched to the person whose name appears first on the application form while in case of CDS, it will be credited to the respective CDS account and where any amount is refundable, in whole or in part, the same will be refunded by cheque by post, or through the bank where the application was lodged, to the person named first on the application form, without interest profit or return.
11. No receipt will be issued for the payments made with the application but an acknowledgement will be forwarded in due course either by issuance of share certificates in whole or in part or by return of money paid with the application lodged with them. The bankers to the issue will issue provisional acknowledgment for applications lodged with them. No interest or profit will be payable in respect of the refunded amount.
12. It would be permissible for a bank to refund subscription money to unsuccessful applicants having an account in that bank by crediting such account instead of remitting the same by cheque, pay order or bank draft. Applicants, therefore, should not fail to give their bank account numbers.
13. Allotment shall be made in the accordance with the instructions and subject to rules of the Securities And Exchange of Pakistan.
14. Application will be subject to pre ballot as well as post ballot scrutiny. Applications, which do not meet the above requirements, or applications, which are incomplete, will be rejected. Subscription money in respect of rejected applications shall not be refunded without the approval of Securities And Exchange Commission of Pakistan.
15. In case of application made to a banker or recognized Stock Exchange Member, the banker or recognized Stock Exchange Member, shall obtain the certificate from the applicant(s) in terms of paragraph 3 of the application form and forward the same in original to the company with the application.
16. Making of any false statement in the application or willfully embodying incorrect information therein will make the applicant or the bank liable to legal action.
17. The basis and conditions of allotment shall be as follows:
  - a) This offer is being made at a price of PkR10 per ordinary share but excluding the share transfer fee, which is to be paid by the applicants at the rate of five (05) paisa per share in the case of physical transfer and one (1) paisa per share in the case of transfer under book-entry system in the Central Depository Company of Pakistan Limited (“CDCPL”).
  - b) Application must be made for share of total value of Rs.5,025/- in case of physical transfer and Rs.5,005/- in case of transfer under the book entry system
  - c) **Submission of fictitious and multiple applications (more than one applications by a single applicant) is prohibited and such applicants’ money shall be liable to confiscation under section 18A of the Securities and Exchange Ordinance 1969**
  - d) Application for shares below the total value of Rs.5,025/- in case of physical transfer and Rs.5,005/- in case of transfer under the book entry system shall not be entertained

- e) Applications for shares must be made for 500 shares or in multiple of 500 shares only. Applications, which are neither for 500 shares nor for multiples for 500 shares, shall be rejected.
- f) If the shares to be issued to the general public are sufficient for the purpose, all applications shall be accommodated
- g) If the shares applied for by such applicants are in excess of the shares offered to them, the distribution shall be made by computer balloting, in the presence of the representative(s) of KSE & LSE in the following manner
  - (i) If all applications for 500 shares can be accommodated, then all such applications shall be accommodated first. If all applications for 500 shares cannot be accommodated then balloting will be conducted among applications for 500 shares only.
  - (ii) If all applications for 500 shares have been accommodated and shares are still available for allotment, then all applications for 1,000 shares shall be accommodated. If all applications for 1,000 shares cannot be accommodated then balloting will be conducted among applications for 1,000 shares only.
  - (iii) If all applications for 500 shares and 1,000 shares have been accommodated and shares are still available for allotment, then all applications for 1,500 shares shall be accommodated. If all applications for 1,500 shares cannot be accommodated then balloting will be conducted among applications for 1,500 shares only.
  - (iv) If all applications for 500 shares, 1,000 shares and 1,500 shares have been accommodated and shares are still available for allotment, then all applications for 2,000 shares shall be accommodated. If all applications for 2,000 shares cannot be accommodated then balloting will be conducted among applications for 2,000 shares only.
  - (v) After the allotment in the above mentioned manner, the balance shares, if any, shall be allotted in the following manner:
    - A.** If the remaining shares are sufficient to accommodate each application for over 2,000 shares, then 2,000 shares shall be allotted to each applicant and the remaining shares shall be allotted on prorate basis.
    - B.** If the remaining shares are not sufficient to accommodate all the remaining applications for over 2,000 shares, then balloting shall be conducted for allocation of 2,000 shares each to the successful applicants.
- h) If the offer is over subscribed in terms of amount only, then the allotment of shares shall be made on the following basis:
  - (i) First preference will be given to the applicants who applied for 500 shares;
  - (ii) Next preference will be given to the applicants who applied for 1,000 shares;
  - (iii) Next preference will be given to the applicants who applied for 1,500 shares; and then;
  - (iv) Next preferences will be given to the applicants who applied for 2,000 shares;

- i) After allotment of the above, the balance shares, if any, shall be allotted on a prorata basis to the applicants who applied for 2,000 and above shares.
- j) In case of under subscription of the issue under preferential allocation to employees of the Company the under-subscribed shares will be offered to general public if the public offer is oversubscribed.
- k) Allotment of shares will be subject to scrutiny of applications for the subscription applications, which do not meet the above requirements, or applications, which are incomplete, will be rejected.

#### 18. Bankers to the Offer

Code No.	Bank
01	Arif Habib Bank Limited
02	Askari Bank Limited
03	Bank AL Habib Limited
04	Bank Alfalah Limited
05	Faysal Bank Limited
06	Habib Bank Limited
07	MCB Bank Limited
08	Meezan Bank Limited
09	Soneri Bank Limited
10	United Bank Limited

#### 19. Code of Occupation

Code No.	Occupation	Code No.	Occupation
01	Business	06	Professional
02	Business Executive	07	Student
03	Service	08	Agriculturist
04	Housewife	09	Industrialist
05	Household	10	Others

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**PART 9**

**9 SIGNATORIES TO THE OFFER FOR SALE DOCUMENT**

1.           - Sd -            
**Mian Hassan Mansha**  
Designation: Director  
NIC No.: 35202-1479111-5  
Nishat Mills Limited
  
2.           - Sd -            
**Mr. Khalid Qadeer Qureshi**  
Designation: Director  
NIC No.: 35202-8191856-7  
Nishat Mills Limited
  
3.           - Sd -            
**Mr. Khalid Mahmood Chohan**  
Designation: Company Secretary  
NIC No.: 33100-0985638-5  
Nishat Mills Limited

Signed by the above in presence of witnesses:

          -Sd-            
**Syed Faraz Abdul Ghaffar**

          -Sd-            
**Umair A. Shaikh, ACCA**

Place: Lahore  
Date: May 15, 2009

**PART 10**

**MEMORANDUM OF ASSOCIATION**

*THE COMPANIES ORDINANCE, 1984*

-- : o : --

**(COMPANY LIMITED BY SHARES)**

-- : o : --

Memorandum of Association

of

**NISHAT POWER LIMITED**

- I. The name of the Company is "NISHAT POWER LIMITED".**
- II. The Registered Office of the Company will be situated in the Province of Punjab.**
- III. The objects for which the Company is established are to do all or any of the following:-**
  1. To design, finance, insure, build, establish, own, operate, maintain, manage electric power generating plants for the generation, supply & transmission of electric power and in relation thereto, to establish, fix, carry out and maintain without limitation, any ancillary works, cables, wires, meter, lines, interconnect facilities, grid stations, transmission facilities, civil, electrical and mechanical works.
  2. To carry out a feasibility study for and to carry on the business of power generation and in relation thereto, to generate, accumulate, transmit, distribute and sell electric power anywhere in Pakistan, to the public sector, including the Water and Power Development Authority, National Transmission and Dispatch Company, Government and Government bodies, and the private sector subject to any permission required under the Law.
  3. To manufacture, purchase, import or otherwise acquire, construct, own, process, operate and maintain buildings, apparatus, fixtures, fittings, plants, machinery, materials, and things as may be necessary, incidental to or convenient in connection with power generating plant for the generation of electric power and or in connection with supply, transmission and distribution of electric power.
  4. To enter into any agreement or agreements with any government or other authority, supreme, municipal, local or otherwise, that may seem conducive to all or any of the objects of the Company and/or to obtain from such government or authority including the State Bank of Pakistan or National Electric Power Regulatory Authority (NEPRA) any rights, concessions or privileges, licenses which the Company may think desirable to obtain and to carry out, exercise and comply with any such arrangements, rights, privileges, concessions and licenses.

5. To buy, sell, manufacture, repair, alter, improve, exchange or let out, import, export and deal in all works legally permitted, plant, machinery, engines, tanks, cylinders, valves, regulators, testing equipment, tools, utensils, appliances, cookers, stoves, heaters, apparatus, products, materials, substances, raw materials, chemicals, natural gas, liquefied petroleum gas, fuel oil, coal, lubricants, articles and things and to manufacture, experiment with, render marketable and deal in all products legally permitted, incidental to or obtained in the business carried on by the Company.
6. To purchase, take on lease or tenancy or in exchange, hire, take options over or otherwise acquire for any estate or interest whatsoever and to hold, develop, work, cultivate, deal with and turn to account concessions, grants, decrees, licenses, privileges, claims, options, leases, property, real or personal or rights or powers of any kind which may appear to be necessary or convenient for the business of the Company but not to act as a leasing company or property developer.
7. To sell, exchange, mortgage, let on royalty or tribute, grant licenses, easements, options and other rights over and in any manner deal with or dispose of the Company's property or any part thereof for such consideration as may be thought fit and in particular for stocks, shares or securities of any company but in any event not to act as an investment company or leasing company.
8. To establish laboratories and to employ and promote scientific research and invention, patronize such invention and enter into manufacture in collaboration with outside parties for transfer of technology from abroad and to promote transfer of technology from Pakistan abroad, and to carry on business in all other allied fields permissible by law.
9. To invest and deal with any moneys of the Company not immediately for the time being required for any of the purposes of the Company in such investments as may be thought proper and to hold, sell or otherwise deal with such investments but in any event not to act as an investment company.
10. For the purposes of the business of the Company only, to advance money upon such terms as the Company may approve, and to guarantee the obligations and contracts of customers and others but not to act as a banking company.
11. To apply for, purchase or otherwise acquire and protect, prolong and renew whether in Pakistan or elsewhere any patents, patent rights, brevets d'invention, trade marks, design licenses, protections, concessions and the like conferring any exclusive or non-exclusive or limited right to use any secret or other information as to any invention, process or privilege which may seem capable of being used for any of the purposes of the Company or the acquisition of which may seem calculated directly or indirectly to benefit the Company and to use, exercise, develop, manufacture under grant, licenses, privileges in respect of, or otherwise turn to account the property, rights and information so acquired and to carry on any business in any way connected therewith.
12. To get insured against losses, damages, risks, accidents and liabilities of all kinds which may affect the company whether in respect of its contracts, agreements, advances or securities or in respect of servants or employees of the company, or in respect of property belonging to or leased to or hired by the

company, either by setting apart funds of the company or by effecting such insurance and in later case to pay the premium thereon.

13. To train personnel and workers, in Pakistan and/or abroad, to obtain technical proficiency in various specialties connected with the business of the Company.
14. To undertake and execute any project the undertaking whereof may seem desirable, and either gratuitously or otherwise.
15. To procure the Company to be registered or recognized in any foreign country or place.
16. To acquire and undertake all or any part of the business, property, goodwill and liabilities of any person or company carrying on any business which the Company is authorized to carry on or possessed of property suitable for the purposes of the Company.
17. To adopt such means of making known the business and/or services of the Company as may seem expedient and in particular by advertising in the press, or in the other media or by way of participation in exhibitions.
18. For the purposes of the Company, to purchase, manage, acquire by lease, mortgage, dispose of, sell, exchange, turn to account any part of the property and rights of the Company.
19. To employ or appoint any persons, experts, consultants, advisers, contractors (including O&M contractors), brokers in connection with the business of the Company.
20. To pay for any property or rights acquired by the Company, either in cash or fully paid shares or by the issue of securities, or partly in one mode and partly in another and generally on such terms as may be determined.
21. Only in connection with the business of the Company to open and operate any current, overdraft, loan, fixed or savings bank accounts for the Company, and draw, make, accept, discount, endorse, execute and issue promissory notes, bills of exchange, bills of lading and other negotiable or transferable instruments or securities and to deposit money, securities or property with any persons, firm or company and on any terms with or without security and to advance money to the Company's executives, officers and employees/agents/customers and others having dealings with the company but in any event not to act as an investment, banking or finance company.
22. In connection with the business of the Company only, to give guarantees and indemnities for the payment of money or the performance of contracts or obligations by this Company but in any event not to act as an investment, banking or finance company.
23. In connection with the business of the Company only, to borrow and where required, to secure the payment of money in such manner as the Company shall think fit and in particular by the creation of mortgages and charges over the (present and future) property, assets and/or undertaking of the Company and/or by issue of debentures, participation term certificates, term finance certificates

and other securities charged upon all or any of the Company's property both present and future, and to purchase, redeem and pay off any such securities.

24. To lawfully raise moneys in such manner as the Company shall think fit and in particular by the issue of such securities, bonds and instruments payable to bearer or otherwise, and either permanent or redeemable or repayable convertible into shares and collaterally to secure the repayment of any such moneys so raised or any such securities or instruments of the Company by means of a trust deed or otherwise.
25. To take, or otherwise acquire, and hold shares in any other company having objects altogether or in part similar to those of this Company or carrying on any business capable of being conducted so as directly or indirectly to benefit this Company but in any event not to act as an investment company.
26. To issue all or any part of the original or enhanced share capital of the Company at par or at a premium or discount subject to any permission required under the law.
27. To enter into partnership or into any agreement or agreements for sharing profits, union of interests, cooperation, joint venture, reciprocal concession and/or facilities with any person or company whether or not having objects similar to those of this Company but in any event not to act as managing agents.
28. So far as is permissible in law, to offer stock option schemes to employees, to grant funds, donations, annuities, pensions, allowances, gratuities, bonuses to any employees or Directors or employees of the Company or any dependent thereof or to any charitable, religious, social, scientific, educational, industrial institutions or organization and to establish provident, gratuity and/or superannuation funds for the benefit of present or ex-employees or Directors or former directors of the Company.
29. To pay all or any costs charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company and to pay any development costs incurred (whether before or after the incorporation of the Company) by the sponsors of the Company in connection with any project of the Company.
30. To pay brokerage or commission to any person or persons in consideration of his/their subscribing, or agreeing to subscribe, whether absolutely or conditionally, for any shares or debentures of the Company, or for procuring or agreeing to procure subscriptions whether absolute or conditional for the same which brokerage or commission may be paid either in cash or shares of the Company, credited as fully paid up.
31. To distribute any of the Company's property among the members in specie.
32. To amalgamate, consolidate, or merge, either in whole or in part, with or into any other companies, associations, firms or persons carrying on any trade or business of a similar nature to that which this Company is authorized to carry on.
33. To resolve, settle disputes by negotiation, conciliation, mediation, arbitration, litigation or other means, judicial or extra judicial, and to enter in compromise

agreement with creditors, members and any other persons in respect of a difference or dispute with them and to exercise the power to sue and be sued and to initial or oppose all actions, steps, proceedings or application which may seem calculated directly or indirectly to benefit or prejudice, as the case may be, the interest of the Company or of its members.

34. To do all or any of the things herein in any part of the world either as principals, agents, contractors or otherwise, and either alone or in conjunction with others but in any event not to act as managing agents.
35. To provide engineering, construction, consultancy and design services and radio and other communication systems and services, and any facilities, equipment and installations whether related to such services and systems or otherwise.
36. To carry on any other business whether manufacturing or otherwise that may seem to the Company capable of being conveniently carried on in connection with the above objects or calculated directly or indirectly to enhance the value of or render profitable any of the Company's property or rights or which it may be advisable to undertake with a view to improving, developing, rendering or turning to account any property real or personal belonging to the Company or in which the Company may be interested and to do all or any of the above things either as principals, agents, contractors or otherwise, and either alone or in conjunction with others and either by or through agents, sub-contractors, trustees or otherwise, and to do all such things as are incidental or conducive to the attainment of the above objects but in any event not to act as managing agents.
37. To do all and everything necessary, suitable or proper or incidental or conducive to the accomplishment of any of the purposes or the attainment of any of the objects or the furtherance of any of the powers hereinbefore set forth, either alone or in association with other corporate bodies, firms or individuals or with any Government authority or public or quasi-public authority or any other authority, and to do every other act or thing incidental or appurtenant to or arising out of or connected with the business or powers of the Company or part thereof, provided the same be lawful.
38. It is expressly declared that all the powers expressed therein are to be cumulative but in no case unless the context expressly so requires is the generality of any one sub-clause to be narrowed or restricted by the name of the Company or by the particularity of expression in the same sub-clause or by the application of any rule of construction such as the ejusdem generis rule, and accordingly none of such sub-clauses or the objects therein specified or the power thereby conferred shall be deemed subsidiary or auxiliary merely to the objects mentioned in any other sub-clause of this clause, and the Company shall have full power to exercise all or any of the powers conferred by any part of this clause in any part of the world.
39. IT IS HEREBY UNDERTAKEN that the Company shall not engage in the banking business, business of a finance, investment, leasing or insurance company, or as a modaraba management company, or the business of land development or a managing agent or any unlawful business and that nothing in the objects clause shall be construed to entitle it to engage in such business.

40. AND it is hereby declared that the word “COMPANY” when used herein and when by the context it appears that it does not refer to the above-named Company shall be deemed to include any Government body, authority, partnership or other body of persons whether incorporated or not and whether registered or not or domiciled in Pakistan or elsewhere, and that the objects set forth of this clause shall both except when the same be in any way limited or restricted by reference to or inference from the terms of any other sub clause or by the name of the Company or by the nature or description of the property hereinafter stated to be acquired or by the juxtaposition of any two or more objects or by any objects being or being deemed a main or dominant object but each shall be deemed to be an independent object.
41. AND that none of such-clauses or the objects therein specified or the powers thereby conferred shall be or be deemed to be subsidiary or ancillary or ancillary merely to the objects mentioned in any of the other sub clause of this clause or any of them but the Company have full power to exercise all or any of the power conferred by any part of this clause in any part of the world, notwithstanding that the business undertaking property rights or acts proposed to be transacted, acquired, dealt with or performed do not fall within the objects of the earlier or any other sub-clauses of this clause or any of them.

**IV. The liability of the Members is limited.**

- V. The authorized capital of the Company is PkR5,000,000,000 divided into 500,000,000 shares of PkR10 each, with power of the Company, specifically, to increase the authorized share capital to include a further issue including of preference shares and generally, to increase or reduce the capital and to divide the shares in the capital for the time being into several classes in accordance with the provisions of the Companies Ordinance, 1984 and any rules made thereunder, and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company for the time being, and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of the Company in accordance with law .**