ADVICE FOR INVESTORS

THE INVESTORS ARE STRONGLY ADVISED IN THEIR OWN INTEREST TO CAREFULLY READ THE CONTENTS OF THE PROSPECTUS **ESPECIALLY THE RISK FACTORS AT PARA 4.7** BEFORE MAKING ANY INVESTMENT DECISION.

PAKISTAN REFINERY LIMITED

PROSPECTUS

Public Offer of Rated, Listed and Secured Term Finance Certificates (TFC 1 and TFC 2) of total amount up to PKR 4,000 million Inclusive of Green Shoe Option of PKR 500 million (as per table given below)

	Type	Tenor	Amount Offered (PKR in million)	Green Shoe Amount (PKR in million)	Total (incl. Green Shoe) (PKR in million)	Fixed Return (%) per annum
1	TFC 1 (PRL Taraqqi TFC 1)	36 Months (3 years)	2,500	500	3,000	10.55%
2	TFC 2 (PRL Taraqqi TFC 2)	60 Months (5 Year)	1,000		1,000	10.75%
		Total	**3,500**	**500**	**4,000**	

Instrument Rating "A**" (**Single A**)**
Entity Rating "A- **" (**Single A Minus**)**
By The Pakistan Credit Rating Agency Limited ("PACRA")

Public Subscription (for both types of TFCs) between
August 16, 2013 – November 15, 2013 (Both Days Inclusive)
During Banking Hours

Date of Publication of this Prospectus is July 31, 2013

GLOSSARY

CAGR	Compounded Annual Growth Rate
CAPEX	Capital Expenditure
CDS	Central Depositary System
CDC	Central Depository Company of Pakistan Limited
Date of Investment	The date when investor's subscription money is received by any of the PRL's Bankers to the Issue
GoP	Government of Pakistan
HSE	Health, Safety and Environment
HSEQ	Health, Safety Environment and Quality
Interim Period	The period from the Date of Investment till the Issue Date
IPO	Initial Public Offering
Issue Date#	Tentatively, September 16, 2013 which will be the first day after the tentative interim profit payment [reference para 2.14.3]. This date may be changed, depending on the date when actual subscription is closed, and the revised Issue Date and profit payment dates as disclosed indicatively in para 2.14.3 will be announced to the general public via an advertisement in all the same newspapers where the abridged prospectus was published.
Issue	Issue of TFCs through this Prospectus
KIBOR	Karachi Interbank Offered Rate
KSE	Karachi Stock Exchange Limited
MD & CEO	Managing Director & Chief Executive Officer
MS	Motor Gasoline
Ordinance	Companies Ordinance, 1984
OUTSTANDING ISSUE PRICE	Face amount which is outstanding and payable to the TFC Holders in respect to the TFCs at any point of time subject to the conditions outlined in Section 2.14.2
PACRA	The Pakistan Credit Rating Agency Limited
PRL or the Company or the Issuer	Pakistan Refinery Limited
Put Option	The option to redeem, in full, the outstanding face value of the TFCs, which may be exercised by the TFC holders as per the conditions outlined in Section 2.14.2

SCB	Standard Chartered Bank (Pakistan) Limited
SECP	Securities and Exchange Commission of Pakistan
Trustee	Pak Oman Investment Company Limited
TFC	Term Finance Certificate and it includes TFC1 and TFC2
TFC 1	PRL Taraqqi TFC 1
TFC 2	PRL Taraqqi TFC 2
WHT	Withholding Tax

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Summary of the Issue

Issuer

Pakistan Refinery Limited “PRL” or the “Company”.

Purpose of the Issue

The proceeds of the Issue will be utilized to finance the working capital requirements of PRL and the Company’s CAPEX requirements relating to Value and Growth, Asset Integrity, HSE and Care & Maintenance (For details refer to para 2.11).

Total Issue Amount (TFC 1 and TFC 2)

Up to PKR 4,000 million (inclusive of a Green Shoe Option of up to PKR 500 million) as per table given below:

Tenor and amount offered

PKR Million	TFC 1	TFC 2	Total
Tenor	3 years	5 years	
Amount	2,500	1,000	**3,500**
Green Shoe Amount	500	Nil	**500**
Total Amount (incl. Green Shoe)	**3,000**	**1,000**	**4,000**

Profit Payment

	TFC 1	TFC 2
Profit Rate	10.55% per annum	10.75 % per annum
Payment Frequency	Quarterly	Quarterly

Profit Accrual

From the Date of Investment

Minimum Investment

PKR 10,000/-

Denomination of TFC

PKR 10,000/- or in multiples thereof

Subscription Period

3 months for both types of TFCs

Issue Schedule

Date of opening of subscription period	August 16, 2013
Date of closing of subscription period	November 15, 2013
Tentative Date of Interim Profit Payment	September 15, 2013
Tentative Issue Date	September 16, 2013
Profit Payments	Please refer to para 2.14
Principal Repayment/Redemption	Please refer to para 2.14
Maturity Date	Please refer to para 2.14

Allotment basis

First come first served basis

Holding of TFCs

TFCs may be held either in physical form or in book entry (scrip-less) form through CDS of CDC.

Put Option (Early Redemption)

The investors/TFC holders may ask the Company for early redemption subject to the conditions outlined in para 2.14.2.

Security	TFC1 and TFC 2 has been secured by way of: 1) the Hypothecation of Stocks and Book Debts; and 2) the Hypothecation of Fixed Assets located in Karachi (excluding any immovable properties). (collectively the **“Security”**) (For details refer to para 6.1)
Bankers to the Issue	Standard Chartered Bank (Pakistan) Limited Habib Bank Limited Askari Bank Limited Bank Al Falah Limited Bank Al Habib Limited Faysal Bank Limited Habib Metropolitan Bank Limited NIB Bank Limited Summit Bank Limited Sindh Bank Limited
Trustee	Pak Oman Investment Company Limited
Lead Advisor & Structuring Bank	Standard Chartered Bank (Pakistan) Limited
Registrar & Transfer Agent	FAMCO Associates (Pvt.) Ltd.
Entity Rating	“A- “ (Single A Minus) by PACRA (For details refer to para 5.5)
Instrument Rating	A (Single A) by PACRA (For details refer to para 5.5)
Risk Factors	For details refer to para 4.7
Listing	Karachi Stock Exchange Limited (“KSE”)
Pre-IPO	None
Underwriting	None

PART I

1. APPROVALS, CONSENTS AND LISTING ON THE STOCK EXCHANGE

1.1. APPROVAL OF THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Approval of the Securities and Exchange Commission of Pakistan as required under section 57(1) of the Companies Ordinance, 1984 ("**the Ordinance**") has been obtained for the issue, circulation and publication of this Prospectus.

DISCLAIMER

It must be distinctly understood that in giving this approval, the Securities and Exchange Commission of Pakistan ("SECP") does not take any responsibility for the financial soundness of Pakistan Refinery Limited ("PRL" or "the Company" or "the Issuer") and any of its schemes stated herein or for the correctness of any of the statements made or opinions expressed with regards to them by the Company in this Prospectus.

The SECP has not evaluated quality of the issue, and its approval for the issue, circulation and publication of this prospectus should not be construed as any commitment of the same. The public/ investors should conduct their own independent due diligence and analysis regarding the quality of the issue before investment in the TFCs being offered through this prospectus.

1.2. CLEARANCE OF THE PROSPECTUS BY THE KARACHI STOCK EXCHANGE

The Prospectus for the issue of rated, listed and secured Term Finance Certificates ("**TFCs**") has been cleared by the Karachi Stock Exchange Limited ("**KSE**") in accordance with the requirements under its Listing Regulations.

DISCLAIMER

- The publication of this document does not represent solicitation by the Stock Exchange.
- The contents of this document do not constitute an invitation to invest in TFCs or subscribe for any securities or other financial instrument by the Stock Exchange , nor should it or any part of it form the basis of, or be relied upon in any connection with any contract or commitment whatsoever of the Stock Exchange .
- It is clarified that information in this prospectus should not be construed as advice on any particular matter by the Stock Exchange and must not be treated as a substitute for specific advice.
- The Stock Exchange disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon this document to any one, arising from any reason, including, but not limited to, inaccuracies, incompleteness, and/ or mistakes, for decisions and/ or actions taken based on this document.
- The Stock Exchange neither take responsibility for the correctness of contents of this document nor the ability of the Company to fulfill its obligations thereunder.
- Advice from a suitably qualified professional should always be sought by investors in relation to any investment in securities.

1.3. FILING OF PROSPECTUS AND OTHER DOCUMENTS WITH THE REGISTRAR OF COMPANIES

The Company has delivered to the Registrar of Companies, Karachi as required under sections 57 (3) and (4) of the Companies Ordinance 1984, a copy of this Prospectus signed by all the Directors of the Company together with the following documents attached thereto:

a) A Letter dated 21st March 2013 from A. F. Ferguson & Co. Chartered Accountants consenting to the issue of the Prospectus, which contains in Part V certain statements and reports issued by them as experts (for which consent has not been withdrawn).

b) Copies of contracts mentioned in Part VIII of the Prospectus.

c) Written confirmations of the Auditors, Legal Advisors and Bankers to the Issue, mentioned in the Prospectus 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 to their respective appointments being made and their having been named or described as such Directors and Chief Executive in this Prospectus 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. The Company has filed written confirmations of such consents, as required under section 184 of the Ordinance.

1.4. LISTING ON THE STOCK EXCHANGE

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

If, for any reason, the application for listing is not accepted by the KSE, the Company undertakes to publish immediately in the press a notice to that effect and thereafter to refund the subscription money with profit at the rate of 10.55% and/or 10.75% (depending on investment in TFC 1 or TFC 2 respectively) and if any such money is not refunded within eight days after the Company becomes liable to refund it, the directors of the Company shall be liable to refund the money from the expiration of the said eighth day together with surcharge at the rate of 1.50% per month as required under the provisions of Section 72 of the Ordinance.

PART II

2. TERM FINANCE CERTIFICATES AND RELATED MATTERS

2.1. ISSUE OF LISTED TFCs TO THE GENERAL PUBLIC

The Total TFC Issues consist of PKR 4,000 million (inclusive of green shoe option of PKR 500 million in-case of TFC 1 only as detailed below) to be issued in the form of rated, listed and secured Term Finance Certificates ("TFCs") being the instrument of Redeemable Capital under section 120 of the Ordinance for the tenors of three (3) years and five (5) years for TFC 1 and TFC 2 respectively:

PKR Million	TFC 1	TFC 2	Total
Tenor	36 months(3 years)	60 months (5 years)	
Amount	2,500	1,000	**3,500**
Green Shoe Amount	500	Nil	**500**
Total (incl. Green Shoe Amount)	**3,000**	**1,000**	**4,000**

This is the first listed TFC Issue by Pakistan Refinery Limited. The TFCs will be offered to the general public under the brand name of "PRL Taraqqi TFC 1" (TFC 1) and "PRL Taraqqi TFC 2" (TFC 2), each set having an aggregate face value of PKR 10,000/- or in multiples thereof. **The minimum amount of application for the subscription of TFCs is PKR 10,000/-.** The TFC is structured to redeem as per para 2.14. The redemption value of the TFCs shall be specified on the TFC itself. For more details, please refer to para 2.14.

There is no pre-IPO placement; the entire amount (including the green shoe option amount) is available for subscription by the public including both individual and institutional investors for three (3) months from the date of commencement of public subscription. However, if the target amount i.e. PKR 4,000 million (inclusive of the green shoe option) is subscribed before the end of subscription date, subscription period will be closed immediately. Since there is no minimum subscription requirement, any amount subscribed up to the target amount of PKR 4,000 million (inclusive of the green shoe option) will be listed on the KSE.

Profit Rate

Profit on the TFCs will be paid on a quarterly basis for TFC 1 and TFC 2 at fixed rates of 10.55% p.a. (TFC1) and 10.75% p.a. (TFC2) in the following manner:

TFC	Tenor	Profit Payment Frequency	Profit Rate
TFC 1	3 years	Quarterly	10.55%
TFC 2	5 years	Quarterly	10.75%

The Profit Rates on TFC 1 and TFC 2 are higher than the latest offering of the 12 month T-Bill (8.97%)[1] on July 12, 2013. Further, the profit rates on TFC 1 and TFC 2 can be compared with latest offering of 3 years and 5 years Pakistan Investment Bonds (PIBs) on July 17, 2013 with cut off yields of 10.44%[2] and 10.90%[2] respectively. Moreover, apart from being tradable on the Exchange, the TFCs can also be redeemed directly from the Company anytime (see para 2.14.2).

2.2. SECURED TERM FINANCE CERTIFICATES

The TFC 1 and TFC 2 Issue has been secured by way of 1) the Hypothecation of Stocks and Book Debts; and 2) the Hypothecation of Fixed Assets located in Karachi (excluding any immovable properties) (collectively the **"Security"**).

For further details please refer to Part VI.

2.3. OPENING AND CLOSING OF SUBSCRIPTION LIST

THE SUBSCRIPTION LIST WILL OPEN FOR 3 MONTHS BOTH FOR TFC1 and TFC 2 AT THE COMMENCEMENT OF BANKING HOURS ON AUGUST 16, 2013 AND CLOSE AT THE END OF BANKING HOURS ON NOVEMBER 15, 2013 (BOTH DAYS INCLUSIVE).

[1] http://www.bloomberg.com
[2] http://www.reuters.com

2.4. INVESTOR ELIGIBILITY

Investors which include:

- Pakistani citizens resident in or outside Pakistan or Persons holding two nationalities including Pakistani nationality;
- Foreign Nationals whether living in or outside Pakistan;
- Companies, body corporates or other legal entities incorporated or established in or outside Pakistan (to the extent permitted by their constitutive documents and existing regulations, as the case may be);
- Mutual Funds, Provident/pension/gratuity funds/trusts, (subject to the terms of the Trust Deed and existing regulations); and
- Branches in Pakistan of companies and body corporates incorporated outside Pakistan.

ADDITIONAL INSTRUCTIONS FOR FOREIGN/NON-RESIDENT INVESTORS

1. In case of foreign investors who are not individuals, applications must be accompanied with a letter on applicant's letterhead stating the legal status of the applicant, place of incorporation and operations and line of business. A copy of memorandum of association or an equivalent document should also be enclosed, if available. Where applications are made by virtue of Power of Attorney, the same must be lodged with the application. Copies of these documents can be attested by the bank manager/officer in the country of applicant's residence.

2. Applicants may also subscribe using their Special Convertible Rupee Account (SCRA) as set out under the State Bank of Pakistan's Foreign Exchange Manual.

2.5. MINIMUM AMOUNT OF APPLICATIONS AND BASIS OF ALLOTMENT OF TFCs

a) The minimum amount of application for subscription of TFCs is PKR 10,000/-.

b) Applications for TFCs below the aggregate face value of PKR 10,000/- will not be entertained.

c) Applications for TFCs by the general public, including institutions and individuals, must be made for a minimum of the aggregate face value of PKR 10,000/-, or in multiples of PKR 10,000/- for amounts above PKR 10,000/-.

d) Allotment of TFCs will be made on **first come first served basis** and applications for subscription of TFCs will not be accepted once the target amount of PKR 3,000 million (inclusive of the green-shoe option of PKR 500 million) for TFC1 and PKR 1,000 million for TFC 2 is subscribed. **In case Bankers to the Issue on any given day accept subscriptions which result in the target amount (including the green shoe option amount) under each TFC 1 and TFC 2 being exceeded, then all applications in excess of the target amount (including the green shoe option amount) will be returned to the applicants along with profit at the rate of 10.55% and/or 10.75% (depending on investment in TFC 1 and/or TFC 2 respectively) per annum for the number of days for which such applicants are deprived of their money plus a further three (3) days profit at the same rates. Therefore, there will be no oversubscription. In order to ensure that allotment of TFCs is made to the applicants on first come first served basis, the Bankers to the Issue shall mark each Subscription Application with the date and time of its receipt. The applications not marked with date and time of receipt shall be accommodated after all the applications properly marked with date and time, have been accommodated.**

e) Allotment of TFCs shall be subject to scrutiny of applications for subscription.

2.6. REFUND OF MONEY TO UNSUCCESSFUL APPLICANTS

Since there will be no oversubscription, there will be no case of refund of money to unsuccessful applicants except in the case as mentioned in para 2.5 (c) above.

2.7. MINIMUM SUBSCRIPTION

There is no requirement of minimum subscription as the issue is not project specific but the proceeds of the issue will be utilized for meeting the permanent working capital requirements of the Company, and the Company's CAPEX requirements relating to Value and Growth, Asset Integrity, HSE and Care & Maintenance.

2.8. ISSUE, CREDIT AND DISPATCH OF TFCs

The Company shall credit or dispatch, as the case may be, TFCs within thirty (30) days from the Date of Investment. TFCs will be issued either in scripless form in the Central Depository System ("CDS") or in the shape of physical scrips on the basis of option exercised by the successful applicants. TFCs in physical form shall be delivered to the applicants through registered mail or courier service, whereas scripless TFCs shall be directly credited through book entries into the respective CDS accounts of allottees maintained with the Central Depository Company of Pakistan Limited ("CDC"). The TFCs issued directly for induction in the CDS, without the issuance of the physical certificates and the TFC scrips (with the terms and conditions), shall be subject to the terms and conditions for the issuance of the TFCs specified in Schedule E of the Trust Deed dated May 6, 2013 executed between the Company and the Trustee for the TFC Issue both for TFC 1 and TFC 2.

The applicants who opt for issuance of TFCs in scripless form in the CDS should fill in the relevant columns in the Application Form. In order to exercise the scripless option, the applicant must also have a CDS account at the time of subscription. In case where the CDS account is not mentioned or is not correct, physical TFC certificates will be issued.

If the company defaults on complying with the requirements of the Listing Regulations, it will pay to the KSE a penalty of PKR 5,000/- per day for the period during which the default continues. The KSE may also notify the fact of such default and the name of the Company by notice and also by publication in the Daily Quotation.

2.9. TRANSFER OF TFCs

2.9.1 Physical Scrips

TFCs shall be transferred in the manner as provided under the Companies Ordinance, 1984. Transfer of TFCs will be subject to payment of the applicable stamp duty levied by the Provincial Government. Stamp duty on initial issuance will be borne by the Company, while stamp duty on subsequent transfer will be on account of the TFC holders.

2.9.2 Transfer under Book Entry System

TFCs will be declared as eligible security through the CDS of CDC and will be eligible for transfer after the Issue Date. Stamp duty on initial issuance will be borne by the Company. TFCs, which are in the CDS, shall subsequently be transferred in accordance with the Central Depositories Act, 1997 and the Central Depository Company of Pakistan Limited Regulations. The transfer fee for all subsequent transfers shall be borne by the TFC holders.

2.10. TFCs ISSUED IN PRECEDING YEARS

The company has not issued any TFCs in the previous years.

2.11. PRINCIPAL PURPOSE FOR THE USE OF SUBSCRIPTION MONEY

The proposed facility will be utilized to finance the working capital requirements of the Company, and Company's CAPEX requirements relating to Value and Growth, Asset Integrity, HSE and Care & Maintenance. The refinery regularly undertakes projects including replacement of critical equipment like compressors, heat exchangers, storage tanks, pipelines, pumps & motors. Over the last 3 years PRL had invested on average around PKR 300 million annually in this regard but with focused approach the Company intends to replace the above mentioned critical equipments and assets over next three to four years which entails average spending of PKR 500 million annually.

Utilization – Term Finance Certificate Proceeds (PKR Million)		
	Without Green Shoe Option	With Green Shoe Option
Permanent working capital	2,500	3,000
Company's CAPEX requirements	1,000	1,000
Total	**3,500**	**4,000**

2.12. REGISTERED INSTRUMENT

TFCs will be in registered form and the Company shall maintain or cause to be maintained a register of TFC holders.

2.13. INTEREST OF TFC HOLDERS

There is no outstanding listed TFC issue of the Company as such the question of interest of TFC holders does not arise.

2.14. REDEMPTION OF TFCs

A register of TFC holders will be maintained or cause to be maintained by the Company. The register of TFC holders will be closed for a period of 7 days prior to the profit payment.

The Company will give a minimum of 14 days' notice to the Exchange prior to the Book Closure for Profit payments. Investors can redeem TFCs earlier than maturity by exercising Put option (see para 2.14.2) or the TFCs will redeem as per schedule detailed in para 2.14.1.

All payments will be made either through crossed cheque, pay order or direct bank deposit on the basis of option exercised by the applicant in the TFCs Subscription Application. In case of cheque or pay order, the instrument will be dispatched to the mailing address of the registered holder of the TFC.

For each of TFC 1 and TFC 2, PRL will transfer one-sixth (1/6th) of the outstanding TFC Final Principal Redemption Amount in the respective TFC1 / TFC 2 Redemption Account by or before the expiry of twenty five (25) calendar days from the Start Date of each month, for the last six (6) months of the respective TFCs Issue.
Provided, however, that PRL shall be entitled to the accrued profits earned on the TFC1 and TFC 2 Final Principal Redemption Amount and/or parts thereof transferred during the last six (6) months of the TFC Issue to the TFC Redemption Account, which accrued profits and/or any part thereof may be adjusted by PRL in any of the subsequent payments to be made by PRL in relation to the TFC Final Principal Redemption Amount to the TFC Redemption Account. TFC 1 Redemption Account and TFC 2 Redemption Account have a lien marked in favour of the Trustee for the benefit of the investors.

2.14.1. TFCs held till Maturity

For TFCs held until maturity, the TFC holders will not need to physically go to the counters of any specific bank in order to have the TFCs redeemed.

The terms of redemption of each TFC are as follows:

PKR million	TFC 1	TFC 2
Tenor	36 months	60 months
Profit Rate	10.55% p.a	10.75% p.a
Profit Payment	Quarterly	Quarterly
Principal Repayment (inclusive of Green shoe option)	PKR 3,000mn	PKR 1,000 mn

Redemption Schedule for TFC 1

The redemption schedule for TFC of an aggregate face value of PKR 10,000 based on **indicative rate of 10.55% per annum on 3 years investment** is set out in the table below:

Amount in PKR <u>(Indicative figures)</u>

Months	Principal Redemption	Indicative Profit @ 10.55%	Zakat @ 2.5%	Withholding Tax @ 10%	Total Payment	Principal Payment in %	Principal Amount Outstanding
0	-	346.85 *	-	34.68	312.16		10,000
3	-	263.75	-	26.38	237.38		10,000
6	-	263.75	-	26.38	237.38		10,000
9	-	263.75	-	26.38	237.38		10,000
12	-	263.75	-	26.38	237.38		10,000
15	-	263.75	-	26.38	237.38		10,000
18	-	263.75	-	26.38	237.38		10,000
21	-	263.75	-	26.38	237.38		10,000
24	-	263.75	-	26.38	237.38		10,000
27	-	263.75	-	26.38	237.38		10,000
30	-	263.75	-	26.38	237.38		10,000
33	-	263.75	-	26.38	237.38		10,000
36	10,000.00	263.75	250.00	26.38	9,987.38	100.00%	-
Total	**10,000.00**	**3,511.85**	**250.00**	**351.18**	**12,910.66**	**100.00%**	

Redemption Schedule for TFC 2

The redemption schedule for TFC of an aggregate face value of PKR 10,000 **based on indicative rate of 10.75% per annum on 5 years investment** is set out in the table below:

Amount in PKR (Indicative figures)

Months	Principal Redemption	Indicative Profit @ 10.75%	Zakat @ 2.5%	Withholding Tax @ 10%	Total Payment	Principal Payment in %	Principal Amount Outstanding
0	-	353.42 **	-	35.34	318.08	-	10,000.00
3	-	268.75	-	26.88	241.88	-	10,000.00
6	-	268.75	-	26.88	241.88	-	10,000.00
9	-	268.75	-	26.88	241.88	-	10,000.00
12	-	268.75	-	26.88	241.88	-	10,000.00
15	-	268.75	-	26.88	241.88	-	10,000.00
18	-	268.75	-	26.88	241.88	-	10,000.00
21	-	268.75	-	26.88	241.88	-	10,000.00
24	-	268.75	-	26.88	241.88	-	10,000.00
27	-	268.75	-	26.88	241.88	-	10,000.00
30	-	268.75	-	26.88	241.88	-	10,000.00
33	-	268.75	-	26.88	241.88	-	10,000.00
36	-	268.75	-	26.88	241.88	-	10,000.00
39	-	268.75	-	26.88	241.88	-	10,000.00
42	-	268.75	-	26.88	241.88	-	10,000.00
45	-	268.75	-	26.88	241.88	-	10,000.00
48	-	268.75	-	26.88	241.88	-	10,000.00
51	-	268.75	-	26.88	241.88	-	10,000.00
54	-	268.75	-	26.88	241.88	-	10,000.00
57	-	268.75	-	26.88	241.88	-	10,000.00
60	10,000.00	268.75	250.00	26.88	9,991.88	100.00%	0.00
Total	**10,000.00**	**5,728.42**	**250**	**572.84**	**14,905.58**	**100.00%**	

Notes:

- The above redemption schedules will also include interim profit payments of PKR 312.16 for TFC 1 at the rate of 10.55% p.a. and PKR 318.08 at the rate of 10.75% p.a. for TFC 2 respectively, net of withholding tax, for the period from the date of investment until the Issue Date. Interim profit period assumed for a period of 120 days and calculated as: [(10,000 x relevant TFC profit rate%) * 120 days / 365 days].
- The above redemption schedule includes deduction of Zakat and Withholding Tax. For applicability of these, please refer to para 2.16 and 2.18 below respectively.
- The above redemption may be subject to Income Tax. For its applicability, please refer to para 2.17.

2.14.2 Put Option (Early redemption)

All TFCs Investors have the option to pre-maturely redeem (either in full or in part) the outstanding TFCs or investment for TFC (if put option is exercised during subscription period) at any point from the Date of Investment, subject to the following service charges on the Outstanding Issue Price:

SERVICE CHARGES SCHEDULE	TENOR	
Early Redemption	**TFC 1 (36 Months)**	**TFC 2 (60 Months)**
Before the First (1st) Anniversary of the Issue Date	2.00%	3.00%
Before the Second (2nd) Anniversary of the Issue	1.50%	2.50%
Before the Third (3rd) Anniversary of the Issue Date	1.00%	2.00%
Before the Fourth (4th) Anniversary of the Issue Date		1.50%
Before the Fifth (5th) Anniversary of the Issue Date		1.00%

The investor will be required to provide written notice of 15 days and **in case of partial put option the amount to be redeemed should either be PKR 10,000/- or in multiples thereof.**

The outstanding amount (Outstanding Issue Price) equal to PKR 10,000/- may be redeemed in full only. Profit will be paid until the date the Company receives the redemption notice.

In case of TFCs held in physical form, TFC holders can exercise the Put Option by submitting **Redemption Notice** directly to the Company or to any of the branches of Standard Chartered Bank (Pakistan) Limited.

In case of TFCs held in CDS, TFC holders can exercise the Put Option as per the Central Depository Company of Pakistan Limited Regulations. The relevant regulations may be accessed through the website of the Central Depository Company of Pakistan Limited located at http://www.cdcpakistan.com.

TFCs applied for redemption will not be tradable in the secondary market. In case of physical certificates, the investor will have to surrender the certificates along with the redemption notice. TFCs held in CDS will be cancelled when the redemption notice is received by the Company.

By way of an example, the redemption schedule for TFC 1 of an aggregate face value of PKR 10,000 based on indicative profit rate of 10.55% per annum and redeemed at the end of 24 month from the Issue Date, i.e. before the Third (3rd) Anniversary of the Issue Date, is set out in the table below:

Amount in PKR (Indicative figures)

Months	Principal Redemption	Indicative Profit @ 10.55% per annum	Zakat @ 2.5%	Withholding Tax @ 10%	Total Payment	Principal Payment in %	Principal Amount Outstanding
0	-	346.85	-	34.68	312.16	-	10,000.00
3	-	263.75	-	26.38	237.38	-	10,000.00
6	-	263.75	-	26.38	237.38	-	10,000.00
9	-	263.75	-	26.38	237.38	-	10,000.00
12	-	263.75	-	26.38	237.38	-	10,000.00
15	-	263.75	-	26.38	237.38	-	10,000.00
18	-	263.75	-	26.38	237.38	-	10,000.00
21	-	263.75	-	26.38	237.38	-	10,000.00
24	9,800.00	263.75	245.00	26.38	9,792.38	98.00%	-
Total	**9,800.00**	**2,456.85**	**245.00**	**245.68**	**11,766.16**	**98.00%**	

Notes:

- The above redemption schedule will also include interim profit payment of PKR 312.16 at the rate of 10.55% p.a. for TFC 1, net of withholding tax, for the period from the date of investment until the Issue Date. Interim profit period assumed for a period of 120 days and calculated as: [(10,000 x 10.55%) * 120 days / 365 days].
- The above redemption schedule includes deduction of Zakat and Withholding Tax. For applicability of these, please refer to para 2.16 and 2.18 below respectively.
- The above redemption may be subject to Income Tax. For its applicability, please refer to para 2.17.
- **The above redemption schedule includes deduction of a service charge of 1.00% of the outstanding Issue Price of the TFC.**
- Profit will be paid to the TFC holder until the date the Company receives the redemption notice and will be computed on 365 day year basis.

PLEASE NOTE THAT THE ISSUER HAS NO CALL OPTION.

The Company has sufficient discretionary cash flows to service and repay upon any unexpected put option notice of up to the outstanding Total Issue Amount at any point during the tenor of each TFC1 and TFC2 subject to a notice period of 15 days as described above.

The Company shall maintain credit lines from various banks/financial institutions equivalent to the aggregate amount of not less than PKR 7,700 million during the entire tenor of both TFC1 and TFC2 and use it for redemption of TFC1 and TFC2 if the Company's own resources for redemption of the said TFC1 and TFC2 comes short.

2.14.3 Profit Payments

Profit will be paid at a fixed rate of 10.55%, and 10.75%, per annum, depending on investment in TFC 1 or TFC 2 respectively from the Date of Investment. To bring all TFCs at par an interim profit payment for the period from the Date of Investment until the Issue Date will be made to the TFC holder after the close of subscription period

In case the Put Option is exercised before the close of the subscription period, but after the allotment of TFCs, then the investor will be paid the profit from the Date of Investment until the date the Company receives the redemption notice and profit will be computed on 365 day year basis.

In case a request of put option exercise is received before allotment, it will only be entertained after allotment of the respective TFCs, where the 15 days notice period will commence from the date of allotment of TFCs, profit will be paid from the Date of Investment until the date of allotment of TFCs, and profit will be computed on a 365 day year basis.

From the Issue Date, all subsequent profits will be payable quarterly in arrears on the outstanding Principal amount. The following tables illustrate profit payment for TFC 1 and TFC 2:

TFC 1 (Indicative Dates)			
Profit Payment	**Profit Period**		**Profit Payment Date**
	From	**To**	
Interim	Interim Period (Date of Investment until the Issue Date)		Sep 15, 2013
First	Sep 16, 2013	Dec 15, 2013	Dec 15, 2013
Second	Dec 16, 2013	Mar 15, 2014	Mar 15, 2014
Third	Mar 16, 2014	Jun 15, 2014	Jun 15, 2014
Fourth	Jun 16, 2014	Sep 15, 2014	Sep 15, 2014
Fifth	Sep 16, 2014	Dec 15, 2014	Dec15, 2014
Sixth	Dec 16, 2014	Mar 15, 2015	Mar 15, 2015
Seventh	Mar 16, 2015	Jun 15, 2015	Jun 15, 2015
Eighth	Jun 16, 2015	Sep 15, 2015	Sep 15, 2015

Ninth	Sep 16, 2015	Dec 15, 2015	Dec 15, 2015
Tenth	Dec 16, 2015	Mar 15, 2016	Mar 15, 2016
Eleventh	Mar 16, 2016	Jun 15, 2016	Jun 15, 2016
Twelfth & final	Jun 16, 2016	Sep 15, 2016	Sep 15, 2016

TFC 2 (Indicative Dates)			
Profit Payment	**Profit Period**		**Profit Payment Date**
	From	**To**	
Interim	Interim Period (Date of Investment until the Issue Date)		Sep 15, 2013
First	Sep 16, 2013	Dec 15, 2013	Dec 15, 2013
Second	Dec 16, 2013	Mar 15, 2014	Mar 15, 2014
Third	Mar 16, 2014	Jun 15, 2014	Jun 15, 2014
Fourth	Jun 16, 2014	Sep 15, 2014	Sep 15, 2014
Fifth	Sep 16, 2014	Dec 15, 2014	Dec15, 2014
Sixth	Dec 16, 2014	Mar 15, 2015	Mar 15, 2015
Seventh	Mar 16, 2015	Jun 15, 2015	Jun 15, 2015
Eighth	Jun 16, 2015	Sep 15, 2015	Sep 15, 2015
Ninth	Sep 16, 2015	Dec 15, 2015	Dec 15, 2015
Tenth	Dec 16, 2015	Mar 15, 2016	Mar 15, 2016
Eleventh	Mar 16, 2016	Jun 15, 2016	Jun 15, 2016
Twelfth	Jun 16, 2016	Sep 15, 2016	Sep 15, 2016
Thirteenth	Sep 16, 2016	Dec 15, 2016	Dec 15, 2016
Fourteenth	Dec 16, 2016	Mar 15, 2017	Mar 15, 2017
Fifteenth	Mar 16, 2017	Jun 15, 2017	Jun 15, 2017
Sixteenth	Jun 16, 2017	Sep 15, 2017	Sep 15, 2017
Seventeenth	Sep 16, 2017	Dec 15, 2017	Dec 15, 2017
Eighteenth	Dec 16, 2017	Mar 15, 2018	Mar 15, 2018
Nineteenth	Mar 16, 2018	Jun 15, 2018	Jun 15, 2018
Twentieth & final	Jun 16, 2018	Sep 15, 2018	Sep 15, 2018

2.15. REDEMPTION RESERVE

No redemption reserve is being created for the redemption of TFCs. In view of the projected cash flows of the Company, secured nature of the TFCs and good credit rating i.e. "A" (Single A) of the TFCs by PACRA, PRL is expected to have adequate funds to meet its financial obligations arising from the issue of TFCs.

2.16. DEDUCTION OF ZAKAT

Zakat is deductible in case of TFCs held by Muslim citizens of Pakistan, except where a statutory declaration of exemption is filed, and in case of certain non-corporate entities such as Trusts, Funds (subject to being qualified for non-deduction of Zakat in terms of the Zakat and Ushr Ordinance, 1980) etc. Zakat shall be deducted at the time of redemption of the principal amount of the TFCs or on the market value based on the closing rate on the KSE on the first day of Ramzan, whichever is lower, at the rate of 2.50% on such dates as the concerned TFC becomes due for redemption in a Zakat year.

2.17. INCOME TAX

Any income derived from the Term Finance Certificates shall be subject to income tax as per the Income Tax Ordinance, 2001. According to this Ordinance, the tax shall be deducted @ 10% of the gross amount of profit paid as per the First Schedule, Part III, Division 1, Para (a), and shall be deemed to be the final discharge of tax liability on the profit arising to a tax payer other than a company, under subsection 3 of Section 151 of the Income Tax Ordinance, 2001.

2.18. DEDUCTION OF WITHHOLDING TAX

PRL is required to withhold tax, currently at the rate of 10%, (or the then prevailing rate), from profit payments to all investors except companies.

2.19. CAPITAL GAINS TAX

Any capital gains derived from the sale of Term Finance Certificates shall be subject to capital gains tax as per the Income Tax Ordinance, 2001.

2.20. WITHOLDING TAX ON SALE/PURCHASE OF TFCs

Pursuant to the provisions of Section 233A of the Income Tax Ordinance, 2001 the following charges are applicable on sale/purchase of securities:

- 0.01% Withholding Tax ("WHT") will be charged on purchase/sale of all shares, Modaraba certificates, and instruments of redeemable capital as defined in the Companies Ordinance, 1984.

2.21. MARKET MAKING

The TFCs will be listed on the Karachi Stock Exchange. XXX will act as Market Maker for the issue. The role of the market maker will be to offer bid & ask quotes for the TFCs for marketable or non-marketable lots respectively. Price will be determined by market maker in light of prevailing liquidity, interest rates and credit risk on the issuer.

Market maker will trade TFCs which are available for transfer with Central Depository System or physically in the form of printed certificates.

2.22. DISCLOSURE OF DEFERRED TAXATION

Deferred tax is accounted for, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax asset is recognized to the extent it is probable that future taxable profits will be available against which the temporary differences can be utilised.

The balance of deferred tax liability as at March 31, 2013 was PKR 20.531 million.

PART III

3. COMMISSIONS, BROKERAGE AND OTHER EXPENSES TO THE ISSUE

3.1. COMMISSION TO THE BANKERS TO THE ISSUE

An overall commission at an average rate of 1.5% of the amount collected, in respect of accepted applications will be paid to the Bankers to the issue for services to be rendered by them in connection with the public offer.

3.2. BROKERAGE

For the public offer, the Company will pay brokerage to the members of the KSE at the rate of 0.25% of the value of TFCs actually sold through them.

3.3. EXPENSES OF THE ISSUE

The initial expenses of the issue paid or payable by the Company inclusive of all commissions are estimated to be PKR 140,417,500*. The details of the expenses of the issue are as follows:

EXPENSES CATEGORY	RATE	AMOUNT IN PKR
Commission and Fee Expenses **		100,000,000
Brokerage to the members of Stock Exchange	0.25%	10,000,000
Stamp Duty – Sindh	0.05%	2,000,000
Rating Fee – Initial		1,750,000
Initial Listing Fee of the Karachi Stock Exchange		500,000
Processing Fee of the Securities & Exchange Commission of Pakistan		100,000
Annual Listing Fee of the Karachi Stock Exchange		100,000
CDC Fee		67,500
Trustee Fee		500,000
Auditor Fee		350,000
Market Maker Fee		2,000,000
Registrar Fee		50,000
Printing & Publication Expenses of Prospectus		500,000
Marketing		20,000,000
Legal Expenses		1,000,000
Out of Pocket Expenses		1,500,000
Total		**140,417,500**

*Represents maximum expenses related to the issue
**Includes a combined fee and commission package offered to Bankers to the Issue / Distributors whereby the amount shown above of PKR 100mn is the expected maximum that will be expensed by PRL in this category

PART IV

4. HISTORY AND PROSPECTS

4.1. BACKGROUND AND HISTORY

Pakistan Refinery Limited was incorporated in Pakistan as a public limited company in May 1960 and is quoted on Karachi and Lahore Stock Exchange. The Refinery is situated at the coastal belt of Karachi and its registered office is Korangi Creek Road, Karachi. The Company is engaged in refining of crude oil and sale of resultant petroleum products.

PRL was commissioned in 1962 in alliance with major foreign oil companies Burmah Oil California (USA), Texas Oil Corporation (USA), Shell Petroleum Corporation (U.K.) and Esso Standard Eastern Inc. (USA) as Pakistan's largest refinery at that time. Though the Refinery was originally designed to process Iranian Light Crude, it acquired the ability to process a variety of imported Crudes (mainly from Middle East) and indigenous crudes to produce various products i.e. Liquefied Petroleum Gas (LPG), Naphtha, Motor Gasoline (MS), Kerosene (Kero), Aviation Fuels (JP-1 / JP-8), High Speed Diesel (HSD) and Fuel Oil. All products are sold locally except for Naphtha which is exported.

The Refinery was initially designed to process 1.5 million M. Tons of crude oil per annum which was later extended to 2.2 million M. Tons per annum during construction stage. By 1967, after five years of commencement of business, PRL had already exceeded its design capacity and started production of LPG and High Octane Blending Component (HOBC). The Refinery has undertaken various renovation / upgradation measures subsequently which includes installation of Desalter Facility, LPG Unit, local crude decanting facility, Fuel Oil gantry, Effluent Treatment Plant, replacement of pneumatic controls with Distribution Control System in the Operations, refurbishment of furnaces and revamping of Platformer including increase in its capacity from 280 M. Tons / day to 500 M. Tons per day.

Shareholding Structure

As at March 31, 2013, the shareholding structure of the Company was as follows:

Shareholder category	No. of shares held	%
Shell Petroleum Co. Limited, UK	10,500,000	30.0%
Pakistan State Oil Company Limited	6,300,000	18.0%
Chevron Global Energy Inc., US	4,200,000	12.0%
National Bank of Pakistan	3,362,203	9.6%
Mutual funds	1,724,275	4.9%
Bank, DFIs, NBFIs, Insurance Companies, Modarabas	1,215,762	3.5%
Public sector companies and corporations	925,766	2.6%
Joint Stock Companies and Body Corporates	557,155	1.6%
Individuals	5,900,866	16.9%
Others	313,973	0.9%
Total	**35,000,000**	100.0%

4.2. PRINCIPAL BUSINESS

PRL, since inception, has been the manufacturer and supplier of petroleum products to the domestic market and Pakistan defense forces. It continues to serve the energy needs of the country with professional excellence and high degree of commitment. PRL takes pride in the competitive edge over other competitors in respect of efficiency, lower operating cost, high quality human resources, reliability and introduction of newer generation technologies.

PRL is a fuel refinery and includes topping refinery plus catalytic reforming and hydro treating unit.

4.3. REFINERY'S OPERATIONS

4.3.1. STORAGE AND HANDLING FACILITIES

The Refinery has its storage facilities at Korangi and the other at Keamari Terminal. Both locations are interlinked through crude oil and product lines of approximately 16 kilometers. These facilities have designated tanks for crude and finished products.

In addition Aviation Fuel (JP-1) is transported to Karachi Airport via separate 20 km pipeline. PRL also holds separate pipeline through which HSD is supplied to OMCs directly to PARCO cross-country pipeline for upcountry transfer.

4.3.2. HEALTH SAFETY ENVIRONMENT (HSE) AND PROCESS SAFETY

PRL is committed to the protection of environment and to ensure health and safety of its employees, customers, contractors and communities where it operates and practice quality in all its business activities so as to exceed customer expectations. It is also committed to comply with the applicable laws and requirements and work with the government and their stakeholders in their development and implementation. PRL has demonstrated its excellence as a first rate corporate citizen by serving the community and demonstrating total commitment to the cause of Health, Safety and Environment. PRL is proud to be the leader in integrated HSEQ Management System and have achieved a three year recertification on the ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 standards.

4.3.3. PRICING MECHANISM

Current pricing mechanism is strictly monitored by the Oil and Gas Regulatory Authority (OGRA). Based on the decisions of Economic Coordination Committee (ECC) of Federal Cabinet, the Government deregulated the pricing mechanism of MS and Aviations Fuels in 2011 and HSD in 2012. Under the revised pricing mechanism, the refineries are allowed to fix and announce ex-refinery prices based on import parity basis. This deregulated pricing mechanism is expected to have a favorable impact on refinery profitability.

4.4. INDUSTRY AND MARKET OUTLOOK

Out of total energy requirements of the country, petroleum products demand is about 22 million M. Tons per annum in 2010-11 85% of which is met through imports. The combined import bill of crude oil and refined petroleum products creates heavy burden on balance of payments. Transport sector is the biggest user of the petroleum products which accounts about 47 percent followed by power generation which uses about 41 percent, industrial sector has a share of 7 percent while remaining is shared by the residential and Government / defense sector.

Out of total energy demand of the country in 2009-10, 35% was met through petroleum products and as per the projections this ratio is expected to decrease to 25% by the year 2025-26 showing the affects of alternate energy sources. Overall energy demand is expected to increase at around 6% per annum.

(Source: Pakistan Energy Outlook 2010-11 to 2025-26 by Petroleum Institute of Pakistan and Pakistan Oil Report 2010-11 by Oil Companies Advisory Committee).

Market share information

During the year 2010-11 refineries in Pakistan processed 9.6 million M. Tons of crude oil per annum (imported crude: 6.7 million M. Tons per annum and indigenous crude: 2.9 million M. Tons per annum) against the total designed capacity of 13.9 million M. Tons per annum. PRL's share in installed capacity is 17% which remained at this level in 2011-12.
(Source: Pakistan Oil Report 2010-11 by Oil Companies Advisory Committee),

4.5. FINANCIAL OVERVIEW

Balance Sheet overview

Following is the summary of Company's balance sheet over last 5 years along with last half year ended as of December 31, 2012 and nine months ended as of March 31, 2013:

		Nine months ended March 31, 2013	Half year ended December 31, 2012	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008
Fixed assets	Rs/million	4,805.7	4,698.0	4,461.6	4,359.1	5,598.9	2,342.8	989.9
Current assets	Rs/million	22,851.2	17,443.4	29,650.7	20,530.3	25,163.5	29,153.9	22,686.9
Total assets	Rs/million	27,754.5	22,240.2	34,211.2	24,978.8	30,859.7	32,566.8	23,772.1
Non-Current liabilities	Rs/million	39.3	35.8	36.0	18.7	1.1	4.4	47.1
Current liabilities	Rs/million	25,827.1	20,038.7	33,263.4	22,383.2	28,510.9	30,383.1	16,919.1
Debt**	Rs/million	3,130.6	953.8	453.0	1,705.1	3,171.7	4,105.9	-
Share capital	Rs/million	350.0	350.0	350.0	350.0	350.0	350.0	350.0
Total equity (excluding surplus on revaluation)	Rs/million	(1,309.8)	(1,032.3)	(2,232.1)	(567.0)	(795.1)	2,179.3	6,805.9
Surplus on revaluation of fixed assets	Rs/million	3,197.9	3,197.9	3,143.9	3,143.9	3,143.9	-	-
Total Equity (including surplus on revaluation of fixed asets)	Rs/million	1,888.1	2,165.6	911.8	2,576.9	2,348.8	2,179.3	6,805.9
Key ratios:								
Current ratio	Ratio	0.88:1	0.87:1	0.89:1	0.92:1	0.88:1	0.96:1	1.34:1
Quick ratio	Ratio	0.35:1	0.42:1	0.63:1	0.45:1	0.57:1	0.60:1	0.72:1
Debt Equity Ratio (excluding surplus on revaluation)	Ratio	N/A*	N/A*	N/A*	N/A*	N/A*	35:65	100:0
Debt Equity Ratio (including surplus on revaluation)	Ratio	38:62	69:31	67:33	60:40	43:57	35:65	100:0
Break up value per share (excluding surplus on revaluation)	Rupees	(37.42)	(29.50)	(63.78)	(16.20)	(22.72)	62.27	194.45
Break up value per share (including surplus on revaluation)	Rupees	53.95	61.87	26.05	73.63	67.11	62.27	194.45
Market price per share:								
High during the period	Rupees	96.79	75.69	81.64	118.87	149.79	149.87	301.00
Low during the period	Rupees	56.25	56.25	52.21	50.02	74.01	48.61	133.85

* Due to negative equity, Debt Equity ratio is not calculated.

** Debt includes short term borrowings and running finance.

The Company changed its policy for freehold land from cost model to revaluation model in June 2010. As a consequence the cost of the land was revalued from Rs. 2.07 million to Rs. 3.146 billion in June 2010 and to Rs. 3.197 billion in July 2012. The revaluations were carried out by an independent valuer on the basis of market rates for similar sized land in near vicinity, keeping in view the condition that the land is freehold and is to be used for on oil refinery by the Company.

The Company has managed to maintain its current ratio over the last three years despite the challenging financial conditions through different liquidity strategies including sales against secured L/C's and advance payments.

As at March 31, 2013 the break-up value of PRL shares was Rs. 53.95 per share (June 30, 2012: Rs. 26.05 per share) including surplus on revaluation of fixed assets. Total equity of the Company (inclusive of surplus on revaluation of fixed assets) as at March 31, 2013 was Rs. 1.888 billion.

Income Statement overview:

A summary of profit and loss account for last 5 years along with last half year ended December 31, 2012 and nine months ended March 31, 2013 is as follows:

		Nine months ended March 31, 2013	**Half year ended December 31, 2012**	**June 30, 2012**	**June 30, 2011**	**June 30, 2010**	**June 30, 2009**	**June 30, 2008**
Revenue (net)	Rs/million	96,164.8	66,372.8	127,174.8	96,450.5	76,658.3	76,861.1	95,564.0
Gross profit / (loss)	Rs/million	2,570.2	2,341.5	885.7	2,417.7	(630.9)	(3,013.1)	4,774.9
Operating profit / (loss)	Rs/million	2,254.9	2,096.2	847.6	937.5	(794.8)	(3,038.6)	3,843.2
Profit / (loss) before tax	Rs/million	1,459.3	1,566.9	(896.5)	734.1	(1,914.4)	(5,501.4)	3,254.6
Profit / (loss) after tax	Rs/million	919.4	1,197.5	(1,615.7)	223.9	(2,975.2)	(4,571.7)	2,110.7
Earnings / (loss) per share	Rupees	26.27	34.22	(46.16)	6.40	(85.01)	(130.62)	60.31
Key ratios:								
Gross profit margin	%	2.67%	3.53%	0.70%	2.51%	-0.82%	-3.92%	5.00%
Net profit margin	%	0.96%	1.80%	-1.27%	0.23%	-3.88%	-5.95%	2.21%
Cashflow from operations to sales	%	-0.12%	-0.46%	1.41%	1.70%	-3.69%	-1.82%	1.16%
Interest cover	Times	7.63	14.25	-	5.19	-	-	16.37

The refinery posted a net profit after tax of Rs. 919.4 million for the nine months period ended March 31, 2013. However, the profitability of the refinery has been affected in previous years mainly due to high volatility in international oil prices, significant exchange losses and application of minimum tax on turnover basis.

Sales revenue has increased by 17.2% YoY from 2007 to 2012. Sales revenue comprises of sales to local customers and also includes export sales which account for 10% of total revenue on an average basis.

4.6. EXPANSION AND UPGRADATION

4.6.1. ISOMERIZATION PROJECT

Currently the demand for Motor Gasoline ("MS") in the country is about 2.2 million M. Tons per annum and expected to grow by 7.0% per annum in foreseeable future. 40% of this demand is met through imports which creates additional burden on the country's balance of payments.

As part of its strategy to maximise its profitability on sustainable basis, the refinery intends to set up an Isomerisation unit to increase MS production by converting Light Naphtha which at present is exported. The Refinery has entered into license and engineering agreements for development of related Basic Engineering Design Package (BEDP). This project will cost approximately USD 30 million and will additionally convert about 80% of light Naphtha currently being produced by the Refinery (about 140,000 M. Tons per annum) into MS and will not only contribute positively to the profitability of the Company but will also reduce the burden of MS imports / import substitution.

4.6.2. REFINERY UPGRADE PROJECT

The Company is also actively reviewing different options to undertake conversion projects (i) to produce Euro II specs High Speed Diesel; and (ii) refinery upgradation through efficient and economical means.

Conversion project is associated with ‘bottom of the barrel’ processing to operate the refinery on a sustainable basis. The Company intends to improve the bottom of barrel processing of the refinery to achieve following objectives:

- Minimize fuel oil production
- Maximize middle distillate production
- Meet upcoming Sulphur specifications for Diesel

4.6.3. OTHER CAPITAL PROJECTS

Apart from the above major initiatives, the Refinery has also embarked on following projects to improve operational efficiencies and routine upgradation / modernization:

Major repair of storage tanks
Storage tanks play a vital role in handling petroleum products within the refinery. Further, they also serve as a strategic asset of the country by maintaining critical oil reserves. The Refinery has a long term plan for inspection and repairs of its storage tanks whereby condition of every tank is monitored on a regular basis and repairs are planned accordingly. From 2012-2015 the Refinery has plans to undertake major repairs / overhaul of tanks at a total cost of Rs. 850 million.

Replacement of critical refinery equipment
The Company has placed orders for replacement of critical refinery equipment including compressors at an estimated cost of Rs. 700 million.

LPG Plant
This project will improve operational efficiencies in the refinery particularly those related to production and supply of LPG. Further, another objective of this project is to increase HSE standards in handling LPG. Total cost of project is around Rs. 125 million.

Distillation tower revamp
This project on completion will result in increased HSD yields. Estimated cost of project is Rs. 100 million.

4.7. RISK FACTORS

BUSINESS RISKS

i. The Company is engaged in handling hydrocarbons which are susceptible to fire hazards.
ii. PRL imports crude oil from Middle East which is received at Karachi Port Trust (KPT) Oil Pier. Any incident during the voyage or berthing of vessel carrying Company’s crude oil may expose the Company’s operations and reputation. An incident may include oil leakage, oil spill in the channel or at the time of loading/unloading, ship colliding with berth or another vessel etc.
iii. Due to continuous operations, Company’s assets are constantly exposed to high temperatures and pressures that may result in breakdown of equipment.

iv. PRL operates under the regulatory framework of Ministry of Petroleum and Natural Resources which has recently issued a revised deadline (January 1, 2016) for the introduction of EURO II sulphur spec compliant Diesel to all refineries in Pakistan, else the refineries will not be allowed to sell non-compliant Diesel in Pakistan beyond the deadline. The refineries are also required to deposit profits, after distribution of allowable dividends, in Special Reserve in an ‘escrow account’ which will be used for up gradation projects only and will not be used to setoff losses.

Mitigants

PRL works on the principle that all hazards can be prevented through effective leadership and activity promoting a high standard of safety including process safety. As preventive measures, PRL conducts periodic audits and risk assessments of its activities, processes and products to provide assurance to improve HSEQ management system and loss control. PRL encourages its contractors working on its behalf to also apply HSEQ standards. Additionally, PRL has in place a comprehensive “Emergency Response Plan”, “Crisis Management Plan” and “Business Continuity Plan”. These plans outline measures to combat situations resulting from fire, marine incident and asset breakdown. On ground, the Refinery has an elaborate network equipped with detection (smoke detectors, fire alarms, etc) and fire fighting apparatus (fire hydrants and tenders, trained and well equipped fire fighting teams) at Keamari and Korangi installations.

PRL mandatorily only employs vessels duly approved by one of the oil majors for imports of crude oil in line with the international safety standards to minimize any marine incident. PRL also proactively interacts with KPT and Pakistan National Shipping Corporation (PNSC) in improving safety standards of their oil handling operations and vessels respectively. PRL also carry out shipping & marine business reviews and audits through international review / audit firms.

PRL has in place a comprehensive inspection plan for all critical equipment whereby inspection and maintenance is carried out on a periodic basis including planned turnaround activities. PRL has in place a long term investment plan to renovate, replace and upgrade its critical equipment consisting of storage tanks, intra-city pipelines, compressors, heat exchangers etc.

As part of its strategy to operate the refinery on sustainable basis, the refinery plans to set up an Isomerisation unit in the first phase of its upgradation plan. Simultaneously PRL is exploring various options to convert Furnace Oil into middle distillates (Diesel, Kerosene, Jet Fuels) and to hydro-desulphurize Diesel to EURO II sulphur standards. The revised policy framework to deposit profits in an escrow account is supposed to help the refinery in meeting its upgradation projects’ related commitments. PRL is, however, evaluating impacts of this on its cash flows and may engage authorities if there are any downsides in respect to the revised policy framework.

FINANCIAL RISKS

a. PRL is exposed to volatility in international oil refining margins that may affect the profitability.

   Mitigants

   The Government has recently deregulated the pricing mechanism of MS and Aviations Fuels in 2011 and HSD in 2012. Under the revised pricing mechanism, the refineries are allowed to fix and announce ex-refinery prices on import parity basis. This deregulated pricing mechanism has a favorable impact on refinery’s profitability. Further, with the upgradation of Refinery as discussed in 4.7 above the projects will change product slate thereby increasing the production of products expected to generate better margins to ensure sustainable refinery operations.

b. As at March 31, 2013 the Company has accumulated losses of Rs. 1.67 billion resulting in a net negative equity of Rs. 1.31 billion.

Mitigants

During the nine months ended March 31, 2013, the Company earned a profit after tax of Rs. 919 million. Further, the Refinery has plans to setup an Isomerisation Unit and other projects including refinery upgrade as discussed above. These projects will improve product yields and will increase the production of better margin products which will ensure sustainable refinery operations.

c. **PRL's audit reports in respect of its financial statements for the years ended June 30, 2010 through June 30, 2012 included an emphasis of matter paragraph referring to respective notes 2.1 of each of the financial statements (extracts of which notes have been included in Section 4 of the Auditor's report in para 5.1) in respect of existence of a material uncertainty that exist on account of accumulated loss, negative equity and current liabilities exceeding current assets, which may cast significant doubt on the Company's ability to continue as a going concern.**

Mitigants

Despite the negative equity situation since June 2010, PRL has not only continued uninterrupted refinery operations but has also incurred capital expenditure for maintenance and upgrade of existing facilities. Continued operations were possible due to the strong cashflow ability of company which provided assurance to all financial institutions that had provided running finances to PRL. These financial institutions continued to support PRL which was on the strength of PRL to repay all its liabilities whenever these became due. This strong cashflow ability of the company after being accepted has been mentioned by PACRA in both credit rating reports.

PRL's inherent strengths include sound foreign shareholding of 42% from Shell Petroleum, UK and Chevron Energy, USA along with Pakistan State Oil that holds 18% shares. PRL has long term sale contracts of 10 years with all the major oil marketing companies of Pakistan that assures surety of sale of products. In addition, the company also has the advantage of 'term contracts' with international crude suppliers like Abu Dhabi National Oil Company of UAE, which ensures uninterrupted supply of crude oil for refinery operations. To further add PRL utilises significant quantities of indigenous local crude and condensate which in turn means continuous operations of all the gas fields in the country. It is important to note that utilisation of indigenous crude in refining ensures continuous supply of gas from these operating fields.

PRL's strategic importance is also due to its connectivity with the oil supply chain network through pipelines. Theses pipelines take product from refinery premises to oil marketing companies and also carry aviation fuel to Jinnah International Airport, Karachi. Further, PRL is the preferred source of aviation fuel by Pakistan's defence forces.

On the strength of a structured business plan that encompasses (i) optimum utilisation of refining capacity; (ii) effective inventory management; and (iii) curtailment of expenses at all levels, PRL has earned a net profit after tax of Rs. 919 million during the current nine months period ended March 31, 2013, which has significantly brought down the negative equity from Rs. 2.23 billion as at June 30, 2012 to Rs. 1.31 billion as at March 31, 2013.

Further, the Company is progressing fast to set up an Isomerisation Plant, in compliance with the directives of the Government of Pakistan (GOP), at an estimated cost of USD 30 million which will double the production of Motor Gasoline (Petrol), a better margin product, from

12,000 MT per month to 24,000 MT per month and will increase the Refinery's future profitability.

GOP has recently announced an incentive package for refineries that if they set up refinery upgrade projects including diesel desulphurisation plants then an additional incentive of increasing the 'deemed duty' from 7.5% to 9% in the price of Diesel will be given to them. PRL has started feasibility work on this project also which will make the refinery self sustained after its commissioning.

EXCHANGE RATE RISK

Fluctuations in exchange rates may adversely affect the Company's profitability as the Company is not allowed under SBP Foreign Exchange Manual to hedge its oil imports. Further, any such hedging cost is not a pass through item in refinery product pricing.

Mitigants

As already discussed above, exchange fluctuation is partly covered in pricing mechanism and refinery up gradations are also expected to result in sufficient profitability to offset any adverse impact of Rupee devaluation.

INSTRUMENT RISKS

i. **Payment/Default Risk**

This risk is associated with the repayment capacity of PRL to service the principal (bullet) repayments and interest payments. Further, since the TFCs will be repaid through a bullet payment at maturity, payment risk is largely weighted on those particular repayment dates.

Mitigants

The periodic interest payments will be catered through a regular flow of receivables.

The bullet repayment risk will be mitigated by the principal repayment of TFC 1 and TFC 2 to be built up over two (2) quarters before respective maturities on a monthly basis. Please also refer to 2.14.2 for assurance of cash flow coverage of principal redemption.

Further, the Instrument has received rating of "A" (Single A) by PACRA which depicts low probability of default. Also PRL has never defaulted since inception.

ii. **Liquidity Risk**

By investing in the TFC the investor assumes the risk of not being able to sell the TFC without adversely affecting the price of the instrument.

Mitigants

The TFC's are to be listed on the KSE, which will act as provider of liquidity for TFC's during the life of the instrument by facilitating secondary market trades. In addition, the market maker (for detail please refer to para 2.21) would also provide liquidity for secondary trading of the Issue. Investors can also exercise the Put Option as explained in detail in para 2.14.2.

iii. **Interest Rate Risk / Reinvestment Risk**

Increase in market interest rates, and underlying inflation, may adversely affect the comparative return and/or the real (inflation adjusted) return for the investors.

Mitigants

The structure of the product is such that the investor can redeem the TFCs any time after the Date of Investment as explained in detail in para 2.14.2.

iv. **Price Risk**

The TFC issue will be listed on the KSE and the TFC holders will be able to sell or buy TFC's through the members of the KSE and through market maker subsequent to the listing of the issue. Price of TFC's will depend on the bond market behavior and the performance of the Company. Hence price may rise or fall and result in increase or decrease in the value of TFC's to any extent.

Mitigants

Structure of product is such that investor can redeem the TFC at any point after the Date of Investment as explained in detail in para 2.14.2.

v. **Changes in Tax Regime**

Any adverse change in the existing Tax regime for investment in TFCs, may affect the redemption and profit for the TFC investors.

vi. **Regulatory Risk**

Changes in the regulatory framework may have an effect on the profitability of PRL e.g. change in pricing mechanism (please refer to para 4.3.3)

DISCLAIMER
It is stated that all material risk factors with respect to this issue have been disclosed to the best of knowledge and belief and that nothing has been concealed in this respect.

PART V
FINANCIAL INFORMATION & CREDIT RATING REPORT

5.1 AUDITOR'S CERTIFICATE

The Board of Directors
Pakistan Refinery Limited
Korangi Creek Road
Karachi

21 March 2013

Our reference: B 0401

Dear Sirs

AUDITORS' REPORT UNDER SECTION 53(1) READ WITH CLAUSE 28 OF SECTION 2 OF PART I OF THE SECOND SCHEDULE TO THE COMPANIES ORDINANCE, 1984, FOR THE PURPOSE OF INCLUSION IN THE PROSPECTUS FOR TERM FINANCE CERTIFICATES BY PAKISTAN REFINERY LIMITED

We have, for the purpose of reporting under section 53(1) read with clause 28 of Section 2 of Part I of the Second Schedule to the Companies Ordinance, 1984, reviewed the audited financial statements of Pakistan Refinery Limited (the Company) for five years ended June 30, 2008 through June 30, 2012 for inclusion in the prospectus for proposed issue of Term Finance Certificates (TFCs) by the Company.

We, as the auditors of the Company, issued un-qualified audit opinions in respect of the financial statements of the Company for the years ended June 30, 2008, 2009, 2011 and 2012; whereas our audit opinion in respect of the financial statements of the Company for the year ended June 30, 2010 was qualified on a matter of recognising an amount of Rs 1.39 billion as capital work-in-progress relating to the costs incurred by the Company for the refinery up-gradation project (Cost on Up-gradation Project). This Cost on Up-gradation Project was subsequently written off by the Company in its financial statements for the year ended June 30, 2011.

Further, our audit reports to the members of the Company in respect of its financial statements for the years ended June 30, 2010 through June 30, 2012 included an emphasis of matter paragraph referring to respective notes 2.1 of each of the financial statements (extracts of which notes have been included in Section 4 of this report) in respect of existence of a material uncertainty that exist on account of accumulated loss, negative equity and current liabilities exceeding current assets, which may cast significant doubt on the Company's ability to continue as a going concern.

1. SUMMARY OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY AS AT JUNE 30, 2012

1.1 A summary of assets, liabilities and shareholders' equity of the Company as at June 30, 2012 as per its audited financial statements is as follows:

	Rupees in thousand
ASSETS	
Non-current assets	
Fixed assets	4,461,581
Intangible assets	-
Investment in associate	77,834
Long-term loans and advances	6,046
Long-term deposits	15,062
	4,560,523
Current assets	
Stores, spares and chemicals	257,868
Stock-in-trade	7,828,060
Trade debts	20,714,181
Loan and advances	32,897
Trade deposits and short-term prepayments	51,963
Other receivables	428,554
Taxation - payments less provision	30,491
Cash and bank balances	306,661
	29,650,675
	34,211,198
EQUITY	
Share capital	350,000
Reserves	1,947
Accumulated loss	(2,585,357)
Fair value reserve	1,265
	(2,232,145)
SURPLUS ON REVALUATION OF FIXED ASSETS	3,143,928
LIABILITIES	
Non-current liabilities	
Deferred taxation	20,205
Retirement benefit obligations	15,839
	36,044
Current liabilities	
Trade and other payables	32,129,273
Running finance under mark-up arrangements	453,019
Accrued mark-up	19,922
Payable to government - sales tax	661,157
	33,263,371
	34,211,198

1.2 CONTINGENCIES AND COMMITMENTS

Contingencies and commitments as at June 30, 2012 as reported in the audited financial statements of the Company for the year ended June 30, 2012 have been reproduced below:

1.2.1 Contingencies

a) Claims against the Company not acknowledged as debt amount to Rs. 3.02 billion as at June 30, 2012. These include Rs. 2.71 billion on account of late payment surcharge on purchase of crude oil.

b) Bank guarantees of Rs. 193 million were issued in favour of third parties.

c) The Company has raised claims aggregating Rs. 6.43 billion on certain Oil Marketing Companies (OMCs) under the respective sale and purchase of product agreements in respect of interest on late payments from them against trade receivables. These claims, however, have not been recognised in these financial statements as these have not been acknowledged by the OMCs.

1.2.2 Commitments

a) As at June 30, 2012 commitments outstanding for capital expenditure amounted to Rs. 501.12 million.

b) Commitments for rentals under ijarah arrangements amounted to Rs. 37.82 million payable as follows:

	Rupees in thousand
Not later than 1 year	12,181
Later than 1 year but not later than 5 years	25,640
	37,821

2. PROFIT AND LOSS ACCOUNT FOR THE YEARS ENDED JUNE 30, 2008 THROUGH JUNE 30, 2012

	Year ended June 30				
	2012	2011	2010	2009	2008
	---------------------------- Rupees in thousand				----------------------------
Net sales	127,174,808	96,450,545	76,658,272	76,861,057	95,564,006
Cost of sales	(126,289,125)	(94,032,891)	(77,289,144)	(79,874,195)	(90,789,072)
Gross profit / (loss)	885,683	2,417,654	(630,872)	(3,013,138)	4,774,934
Distribution cost	(160,161)	(164,585)	(126,394)	(120,841)	(129,400)
Administrative expenses	(207,945)	(177,153)	(162,373)	(164,668)	(698,143)
Other operating expenses	(620)	(1,448,262)	(420)	(3,127)	(252,177)
Other operating income	330,687	309,890	125,303	263,172	147,995
Operating profit	847,644	937,544	(794,756)	(3,038,602)	3,843,209
Finance cost	(1,754,884)	(212,009)	(1,134,272)	(2,477,467)	(613,313)
Share of income of associate	10,731	8,587	14,595	14,671	24,722
(Loss) / profit before taxation	(896,509)	734,122	(1,914,433)	(5,501,398)	3,254,618
Taxation	(719,208)	(510,166)	(1,060,782)	929,743	(1,143,874)
(Loss) / profit after taxation	(1,615,717)	223,956	(2,975,215)	(4,571,655)	2,110,744
Other comprehensive income					
Change in fair value of available for sale investments of associate	4,181	6,381	1,166	(7,550)	-
Deferred tax relating to fair value change of available for sale investments of associate	(1,098)	(2,233)	(408)	2,642	-
	3,083	4,148	758	(4,908)	-
Total comprehensive (loss) / income	(1,612,634)	228,104	(2,974,457)	(4,576,563)	2,110,744
(Loss) / earnings per share	(Rs. 46.16)	Rs. 6.40	(Rs. 85.01)	(Rs. 130.62)	Rs. 60.31

3. DIVIDENDS

3.1 Details of cash dividends and bonus share issues declared by the Company for the years ended June 30, 2008 through June 30, 2012 in respect of its ordinary shares are as follows:

	Year ended June 30,				
	2012	2011	2010	2009	2008
Cash dividend					
Rupees in thousand	-	52,500	-	-	50,000
Rate of dividend (Rupees per share)	-	1.50	-	-	1.42
Bonus shares issue					
Rupees in thousand	-	-	-	-	50,000
Number of shares (one bonus share for every six shares held)	-	-	-	-	5,000,000

3.2 No financial statements of the Company have been audited subsequent to the audit of the financial statements for the year ended June 30, 2012. However, we have reviewed the condensed interim financial information (un-audited) for the half year ended December 31, 2012, as stated in section 5 of this report.

4. SIGNIFICANT DISCLOSURES MADE IN THE NOTES TO THE PUBLISHED FINANCIAL STATEMENTS OF THE COMPANY FOR THE RELEVANT FINANCIAL YEARS

Significant disclosures made in the notes to the financial statements of the Company for the relevant years ended June 30, 2008 through June 30, 2012 are as follows:

4.1 Financial statements for the year ended June 30, 2012

4.1.1 Ability to continue as a going concern

As at June 30, 2012 the Company has accumulated loss of Rs. 2.59 billion resulting in net negative equity of Rs. 2.23 billion and its current liabilities exceed its current assets by Rs. 3.61 billion. These conditions indicate the existence of material uncertainty that may cast a doubt on the Company's ability to continue as a going concern and realise its assets and discharge its liabilities in the normal course of business. Based on estimated future cash flows and profitability, management believes that current loss situation and liquidity issues will be overcome in future. The changes in pricing mechanism made effective from June 01, 2011 are expected to have a favourable impact on Company's profitability. In addition, changes in the pricing mechanism of certain products as announced by the Government of Pakistan recently are expected to have additional positive impact on the future profitability of the Company. Accordingly, these financial statements are prepared on a going concern basis.

4.1.2 Special reserve

Under directive from the Ministry of Petroleum & Natural Resources' (Ministry of P&NR), any profit after taxation above 50% of the paid-up capital as on July 1, 2002 is required to be transferred to a "Special Reserve" to offset any future losses or to make investment for expansion or upgradation of the refineries, and is not available for distribution to shareholders. The formula under which deemed duty is built into the import parity based prices of some of the products, was introduced in order to enable certain refineries, including the Company, to operate on a self financing basis.

The Ministry of P&NR through its notification dated October 14, 2010 has directed refineries not to adjust the losses against Special Reserve. However, Company's legal counsel has advised that the notification is not applicable as the matter is sub-judice before the Supreme Court of Pakistan.

4.1.3 Deferred taxation

Deferred tax debit balance of Rs. 2.42 billion in relation to tax loss and deductible temporary differences has not been recognised as its recoverability is not expected.

4.2 Financial statements for the year ended June 30, 2011

4.2.1 Ability to continue as a going concern

As at June 30, 2011 the Company has accumulated losses of Rs. 917.14 million and its current liabilities exceed its current assets by Rs. 1.85 billion. These conditions indicate the existence of material uncertainty that may cast doubt on the Company's ability to continue as a going concern and realise its assets and discharge its liabilities in the normal course of business. During the year ended June 30, 2011 the Company has earned profit after taxation of Rs. 223.96 million. Further, during the year the pricing mechanism of certain products, effective from June 1, 2011, has been revised by the Government of Pakistan (GoP) which is expected to have a favourable impact on the Company's profitability and liquidity. Therefore, the Company expects to be able to realise its assets and discharge its liabilities in the normal course of business. Accordingly, these financial statements are prepared on a going concern basis.

4.2.2 Special reserve

Under directive from the Ministry of P&NR, any profit after taxation above 50% of the paid-up capital as on July 1, 2002 is required to be transferred to a "Special Reserve" to offset any future losses or to make investment for expansion or upgradation of the refineries, and is not available for distribution to shareholders. The formula under which deemed duty is built into the import parity based prices of some of the products, was introduced in order to enable certain refineries, including the Company, to operate on a self financing basis.

The Ministry of P&NR through its notification dated October 14, 2010 has directed refineries not to adjust the losses against Special Reserve. However, Company's legal counsel has advised that the notification is not applicable as the matter is sub-judice before the Supreme Court of Pakistan.

4.2.3 Deferred taxation

Deferred tax debit balance of Rs. 1.35 billion in relation to tax loss and deductible temporary differences has not been recognised as recoverability of this is not expected.

4.3 Financial statements for the year ended June 30, 2010

4.3.1 Ability to continue as a going concern

The Company has incurred a loss after taxation of Rs. 2.98 billion during the year ended June 30, 2010 and its accumulated losses are Rs. 1.14 billion as at June 30, 2010 resulting into negative equity of Rs. 795.1 million. Further, current liabilities have exceeded the current assets by Rs. 3.35 billion. Based on estimated future cash flows and profitability, management believes the current loss situation and liquidity issues will be overcome in future. Furthermore, discussions are underway with the Government of Pakistan for revision of the petroleum pricing mechanism favouring the industry which will further add to the profitability. Therefore, these financial statements are prepared on a going concern basis.

4.3.2 Special reserve

The prices of refinery products are notified by the Oil & Gas Regulatory Authority (OGRA) which are primarily based on import parity pricing formula. However, in order to enable certain refineries including the Company to operate on a self financing basis, effective from July 1, 2002 the Government had introduced a tariff protection formula under which deemed duty is built into the import parity based prices of some of the products. Under this formula, any profit after taxation above 50% of the paid-up capital as it was on July 1, 2002, is required to be transferred to a "Special Reserve" to offset any future losses or to make investment for expansion or upgradation of the respective refineries. This amount is not available for distribution to shareholders.

The Ministry of P&NR through its directive further clarified that the refineries can distribute dividend out of net profit after tax up to a maximum of 50% of the paid-up share capital of the Company as at the date of applicability of the tariff protection formula i.e. July 1, 2002 and the remaining amount should be transferred to the Special Reserve.

4.3.3 Deferred taxation

Deferred tax debit balance of Rs. 1.56 billion in relation to tax loss and deductible temporary differences has not been recognised as recoverability of this is not expected.

4.4 Financial statements for the year ended June 30, 2009

4.4.1 Special reserve

The prices of refinery products are notified by the Oil & Gas Regulatory Authority (OGRA) which are primarily based on import parity pricing formula. However, in order to enable certain refineries including the Company to operate on a self financing basis, the Government effective from July 1, 2002 had introduced a tariff protection formula under which deemed duty is built into the import parity based prices of some of the products. Under this formula, any profit after taxation above 50% of the paid-up capital as it was on July 1, 2002 (Rs. 200 million), is required to be transferred to a "Special Reserve" to offset any future losses or to make investment for expansion or upgradation of the respective refineries. This amount is not available for distribution to shareholders.

The Ministry of P&NR through its directive further clarified that the refineries can distribute dividend out of net profit after tax up to a maximum of 50% of the paid-up share capital of the Company as at the date of applicability of the tariff protection formula i.e. July 1, 2002 and the remaining amount should be transferred to the Special Reserve.

4.4.2 Deferred taxation

Deferred tax debit balance of Rs. 1.82 billion in relation to tax loss has been recognised to the extent of Rs 1.06 billion which is expected to be realised in future.

4.5 Financial statements for the year ended June 30, 2008

4.5.1 Special reserve

The prices of refinery products are notified by the Oil & Gas Regulatory Authority (OGRA) which are primarily based on import parity pricing formula. However, in order to enable certain refineries including the Company to operate on a self financing basis, the Government effective from July 1, 2002 had introduced a tariff protection formula under which deemed duty is built into the import parity based prices of some of the products. Under this formula, any profit after taxation above 50% of the paid-up capital as it was on July 1, 2002 (Rs. 200 million), is required to be transferred to a "Special Reserve" to offset any future losses or to make investment for expansion or upgradation of the respective refineries. This amount is not available for distribution to shareholders.

The Ministry of P&NR through its directive further clarified that the refineries can distribute dividend out of net profit after tax up to a maximum of 50% of the paid-up share capital of the Company as at the date of applicability of the tariff protection formula i.e. July 1, 2002 and the remaining amount should be transferred to the Special Reserve.

5. CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2012

We have reviewed the condensed interim financial information (un-audited) of the Company for the half year ended December 31, 2012 in accordance with International Standard on Review Engagements 2410, ‘Review of Interim Financial Information Performed by the Independent Auditor of the Entity’; and have issued an un-qualified review conclusion in this respect. However, our review report to the members of the Company in respect of condensed interim financial information (un-audited) of the Company for the half year ended December 31, 2012 included an emphasis of matter paragraph referring to note 1.5 thereto (extracts of which note have been included in Section 5.4 of this report) in respect of existence of a material uncertainty that exist on account of accumulated loss, negative equity and current liabilities exceeding current assets, which may cast significant doubt on the Company’s ability to continue as a going concern.

A summary of the un-audited assets, liabilities and shareholders' equity of the Company as at December 31, 2012 and its un-audited condensed interim profit and loss account for the half year ended December 31, 2012 is given below:

5.1 Summary of un-audited assets, liabilities and shareholders' equity of the Company as at December 31, 2012

	Rupees in thousand
ASSETS	
Non-current assets	
Fixed assets	4,698,044
Investment in associate	79,601
Long-term loans and advances	4,091
Long-term deposits	15,088
	4,796,824
Current assets	
Stores, spares and chemicals	264,140
Stock-in-trade	8,644,548
Trade debts	8,133,885
Loan and advances	45,733
Trade deposits and short-term prepayments	42,884
Other receivables	6,159
Taxation - payments less provision	51,946
Cash and bank balances	254,117
	17,443,412
Total assets	22,240,236
EQUITY	
Share capital	350,000
Reserves	1,947
Accumulated loss	(1,387,819)
Fair value reserve	3,514
	(1,032,358)
SURPLUS ON REVALUATION OF FIXED ASSETS	3,197,928
LIABILITIES	
Non-current liabilities	
Deferred taxation	20,668
Retirement benefit obligations	15,251
	35,919
Current liabilities	
Trade and other payables	18,195,352
Accrued mark-up	8,795
Short-term borrowings	800,000
Running finance under mark-up arrangements	153,775
Payable to government - sales tax	880,825
	20,038,747
Total equity and liabilities	22,240,236

5.2 Un-audited condensed interim profit and loss account of the Company for the half year ended December 31, 2012

	Rupees in thousand
Sales	80,136,660
Sales tax, excise duty and petroleum levy	(13,763,844)
Net sales	66,372,816
Cost of sales	(64,031,258)
Gross profit	2,341,558
Distribution cost	(82,056)
Administrative expenses	(103,385)
Other operating expenses	(116,136)
Other income	56,191
Operating profit	2,096,172
Share of income of associate	4,670
Finance cost	(533,984)
Profit before taxation	1,566,858
Taxation - current	(369,657)
- deferred	337
	(369,320)
Profit after taxation	1,197,538
Other comprehensive income	
Change in fair value reserve on account of available for sale investments of associates	3,049
Deferred tax relating to component of other comprehensive income	(800)
	2,249
Total comprehensive income	1,199,787
Earnings per share	Rs. 34.22

5.3 CONTINGENCIES AND COMMITMENTS

Contingencies and commitments reported in the condensed interim financial information (un-audited) as at December 31, 2012 have been reproduced below:

5.3.1 Contingencies

a) Claims against the Company not acknowledged as debt amount to Rs. 3.19 billion. These include Rs. 2.85 billion on account of late payment surcharge on purchase of crude oil. The Company has raised similar claims aggregating to Rs. 6.85 billion relating to interest on late payments against trade receivables from certain Oil Marketing Companies.

b) Bank guarantees of Rs. 193 million were issued in favour of third parties.

5.3.2 Commitments

a) As at December 31, 2012 commitments outstanding for capital expenditure amounted to Rs. 1,047.58 million.

b) Outstanding letters of credit as at December 31, 2012 amounted to Rs. 12.72 billion.

c) Aggregate commitments in respect of ijarah arrangements of motor vehicles and equipments amounted to Rs. 35.53 million.

5.4 Significant disclosures made in the notes to the condensed interim financial information (un-audited) of the Company for the half year ended December 31, 2012

5.4.1 Ability to continue as a going concern

As at December 31, 2012 the Company has accumulated loss of Rs. 1.39 billion resulting in net negative equity of Rs. 1.03 billion and its current liabilities exceed its current assets by Rs. 2.60 billion. These conditions indicate the existence of material uncertainty that may cast a doubt on the Company's ability to continue as a going concern and realise its assets and discharge its liabilities in the normal course of business. Despite these conditions, during the half year ended December 31, 2012, the Company earned a profit after tax of Rs. 1.198 billion. Further, the Company also has plans to set up an Isomerisation Unit to convert Naphtha into Motor Gasoline as per the directives of the Government of Pakistan. Motor Gasoline is a better margin product than Naphtha and is thereby expected to increase the future profitability of the Company. Based on the above facts and projected profitability and cash flows, the Company expects to realise its assets and discharge its liabilities in the normal course of business. Accordingly, this condensed interim financial information is prepared on a going concern basis.

5.4.2 Special reserve

Under directive from the Ministry of P&NR, any profit after taxation above 50% of the paid-up capital as on July 1, 2002 is required to be transferred to a "Special Reserve" to offset any future losses or to make investment for expansion or upgradation of the refineries, and is not available for distribution to shareholders. The formula under which deemed duty is built into the import parity based prices of some of the products, was introduced in order to enable certain refineries, including the Company, to operate on a self financing basis. Transfer to Special Reserve is considered on annual basis.

The Ministry of P&NR through its notification dated October 14, 2010 has directed refineries not to adjust the losses against Special Reserve. However, Company's legal counsel has advised that the notification is not applicable as the matter is sub-judice before the Supreme Court of Pakistan.

Yours truly

sd/-

A. F. Ferguson & Co.

5.2. AUDITOR'S CERTIFICATE ON THE SUBSCRIBED AND PAID-UP CAPITAL

The Board of Directors
Pakistan Refinery Limited
Korangi Creek Road
Karachi

21 March 2013

Our reference: B 0402

Dear Sirs

AUDITORS' CERTIFICATE ON ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

As requested, we have verified from the books of account and records of Pakistan Refinery Limited that the issued, subscribed and paid-up share capital of the Company as at June 30, 2012 was Rs. 350 million comprising of the following:

Number of shares		Rupees in thousand
2,400,000	'A' ordinary shares of Rs. 10 each fully paid in cash	24,000
3,600,000	'B' ordinary shares of Rs. 10 each fully paid in cash	36,000
6,000,000		60,000
11,600,000	'A' ordinary shares of Rs. 10 each issued as fully paid bonus shares	116,000
17,400,000	'B' ordinary shares of Rs. 10 each issued as fully paid bonus shares	174,000
29,000,000		290,000
35,000,000		350,000

Yours truly

sd/-

A. F. Ferguson & Co.

5.3. AUDITOR'S CERTIFICATE FOR BREAK-UP VALUE OF SHARES

The Board of Directors
Pakistan Refinery Limited
Korangi Creek Road
Karachi

21 March 2013

Our reference: B 0403

Dear Sirs

AUDITORS' CERTIFICATE ON THE BREAK-UP VALUE OF SHARES

As requested, we confirm that the break-up value of the ordinary shares of Rs. 10 each of Pakistan Refinery Limited as at June 30, 2012 based on its audited financial statements for the year ended June 30, 2012 was as follows:

		Rupees in thousand
Share capital		350,000
Reserves		1,947
Accumulated loss		(2,585,357)
Fair value reserve		1,265
	(A)	(2,232,145)
Surplus on revaluation of fixed assets		3,143,928
	(B)	911,783
Number of ordinary shares in issue	(C)	35,000,000
Break-up value per share excluding surplus on revaluation of fixed assets	(A) / (C)	(Rs. 63.78)
Break-up value per share including surplus on revaluation of fixed assets	(B) / (C)	Rs. 26.05

Yours truly

sd/-

A. F. Ferguson & Co.

Management Note: Break up Value per Share as of March 31, 2013 is

Break up value per share (excluding surplus on revaluation)	Rupees	(37.42)
Break up value per share (including surplus on revaluation)	Rupees	53.95

5.4. UNAUDITED ACCOUNTS FOR THE NINE MONTHS ENDED MARCH 31, 2013

Condensed Interim Balance Sheet

as at March 31, 2013

	Note	Unaudited March 31, 2013	Audited June 30, 2012
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Fixed assets	2	4,805,674	4,461,581
Investment in associate		79,073	77,834
Long-term loans and advances		3,505	6,046
Long-term deposits		15,086	15,062
		4,903,338	4,560,523
Current assets			
Stores, spares and chemicals		273,849	257,868
Stock-in-trade	3	13,477,108	7,828,060
Trade debts		6,292,338	20,714,181
Loans and advances		62,769	32,897
Trade deposits and short-term prepayments		28,078	51,963
Other receivables		7,511	428,554
Taxation - payments less provision		-	30,491
Cash and bank balances		2,709,504	306,661
		22,851,157	29,650,675
		27,754,495	34,211,198
EQUITY			
Share capital		350,000	350,000
Reserves		1,947	1,947
Accumulated loss	1.5	(1,666,004)	(2,585,357)
Fair value reserve		4,234	1,265
		(1,309,823)	(2,232,145)
SURPLUS ON REVALUATION OF FIXED ASSETS	2.1	3,197,928	3,143,928
LIABILITIES			
Non-current liabilities			
Deferred taxation		20,531	20,205
Retirement benefit obligations		18,758	15,839
		39,289	36,044
Current liabilities			
Trade and other payables		21,371,649	32,129,273
Accrued mark-up		27,482	19,922
Short-term borrowings and running finance		3,130,640	453,019
Taxation - provision less payments		5,691	-
Payable to government - sales tax		1,291,639	661,157
		25,827,101	33,263,371
		25,866,390	33,299,415
Contingencies and commitments	4		
		27,754,495	34,211,198

The annexed notes 1 to 8 form an integral part of this condensed interim financial information.

Farooq Rahmatullah
Chairman

Aftab Husain
Managing Director & CEO

Condensed Interim Profit and Loss Account

for the nine months period ended March 31, 2013 (Unaudited)

	For the quarter		For the nine months period	
	January - March 2013	January - March 2012	July - March 2013	July - March 2012
	(Rupees in thousand)			
Sales	35,538,046	39,380,787	115,674,706	113,382,187
Less: Sales tax, excise duty and petroleum levy	(5,746,089)	(6,199,558)	(19,509,933)	(17,527,030)
	29,791,957	33,181,229	96,164,773	95,855,157
Cost of sales	(29,563,291)	(32,389,216)	(93,594,549)	(94,239,285)
Gross profit	228,666	792,013	2,570,224	1,615,872
Distribution cost	(46,247)	(38,351)	(128,303)	(120,743)
Administrative expenses	(50,999)	(49,283)	(154,384)	(143,022)
Other operating expenses	-	(32,974)	(108,163)	(35,019)
Other income	27,340	34,153	75,558	263,060
Operating profit	158,760	705,558	2,254,932	1,580,148
Share of income of associate	1,048	2,141	5,718	9,625
Finance costs	(267,385)	(272,807)	(801,369)	(1,132,960)
Profit / (loss) before taxation	(107,577)	434,892	1,459,281	456,813
Taxation - current	(171,002)	(171,528)	(540,659)	(521,394)
- deferred	394	(12,779)	731	(25,065)
	(170,608)	(184,307)	(539,928)	(546,459)
Profit / (loss) after taxation	(278,185)	250,585	919,353	(89,646)
Other comprehensive income				
Change in fair value reserve on account of available for sale investments of associate	977	3,398	4,026	3,712
Deferred tax relating to component of other comprehensive income	(257)	(892)	(1,057)	(974)
	720	2,506	2,969	2,738
Total comprehensive income / (loss)	(277,465)	253,091	922,322	(86,908)
Earnings / (loss) per share	(Rs 7.95)	Rs 7.16	Rs 26.27	(Rs 2.56)

The annexed notes 1 to 8 form an integral part of this condensed interim financial information.

Farooq Rahmatullah
Chairman

Aftab Husain
Managing Director & CEO

Condensed Interim Cash Flow Statement

for the nine months period ended March 31, 2013 (Unaudited)

	Note	March 31, 2013	March 31, 2012
		(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	5	891,629	2,024,654
Mark-up paid		(227,938)	(264,862)
Taxes paid		(504,477)	(482,342)
Payment for defined benefit plans		(41,824)	(25,301)
Decrease / (Increase) in long-term loans and advances		2,541	(1,103)
Increase in long term deposits		(24)	(1,262)
Net cash flow from operating activities		119,907	1,249,784
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(440,984)	(214,786)
Proceeds from disposal of fixed assets		2,321	5,410
Profit received on deposits		35,486	65,804
Dividend received		8,505	7,654
Net cash used in investing activities		(394,672)	(135,918)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(13)	(51,132)
Net (decrease) / increase in cash and cash equivalents		(274,778)	1,062,734
Cash and cash equivalents at the beginning of the period		(146,358)	(1,697,964)
Cash and cash equivalents at the end of the period	7	(421,136)	(635,230)

The annexed notes 1 to 8 form an integral part of this condensed interim financial information.

Farooq Rahmatullah
Chairman

Aftab Husain
Managing Director & CEO

5.5. CREDIT RATING REPORT BY 'PACRA'

The Pakistan Credit Rating Agency Limited

REFINERY

1. RATINGS
- High credit quality

	PRELIMINARY
Proposed, Listed TFCs	
TFC of PKR 3,000 mln (Including PKR500mln green shoe)	**A**
TFC of PKR 1,000mln	**A**

The ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

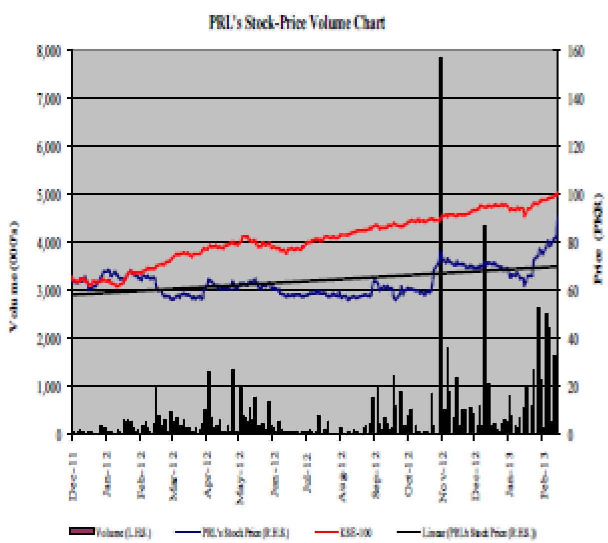
2. PROFILE
- Vast range of products
- Refining capacity of around 50,000bpd

2.1 Pakistan Refinery Limited's (PRL) foundation stone was laid in May, 1960. In October, 1962 the plant came into operation, two months ahead of schedule. The initial design capacity of the Refinery was to process 1 million tons of crude oil annually, but in during the construction phase it was decided to expand the capacity of the Refinery to 2.1 million tons per annum. The additional capacity came online in October 1962. However, since then the refinery has made no expansions in its refining capacity. PRL, since inception has been one of the principal producer and supplier of petroleum products to the domestic market.

2.2 PRL is a hydro-skimming refinery with a capacity of around 50,000 barrels per operating day. The process configuration constitutes desalting, crude distillation, plat-forming and LPG units. Though, designed to process Iranian Light, it has acquired the ability to process a variety of imported and indigenous crude oils to produce a wide range of energy products. Products of the company include the following: LPG, Motor Gasoline, Kerosene, Jet Fuel (JP-1 & JP-8), HSD, Furnace Oil, and Naphtha.

2.3 PRL was built in alliance with major foreign oil companies comprising Burmah Oil California, Texas Oil Corporation, Shell Petroleum Corporation, UK and Esso Standard Eastern Incorporated.

2.4 The company is listed on Karachi & Lahore Stock exchanges since 1960. PRL's stock has underperformed the KSE-100 index during the period under review owing to weakening of business dynamics.



2.5 PRL's refinery is situated at Korangi, while it has a Tank terminal to store products at the Keamari terminal. In addition to these facilities, there is a network of pipelines connecting the refinery and the terminal to different supply points. The refinery has an added advantage of being nearer to the coast, hence located at a preferential location for exporting demand deficient products i.e. Naphtha. Apart from using local crude, the refinery uses crude imported from Abu Dhabi, Saudi Arabia, and Iran. Initially designed to handle only Iranian Light Crude Oil, after gradual upgradation the refinery presently equipped to handle crude oil from the mentioned countries. The major customers of the refinery include all the major oil marketing companies operating in the country.

2.6 The company has independent long term supply agreement with Pakistan State Oil, Shell Pakistan Limited and Chevron Pakistan Limited. These agreements while ensuring sales of the company provide them ability to maneuver its production according to requirements of the buyers. The expiration date of the said agreements is as follows:

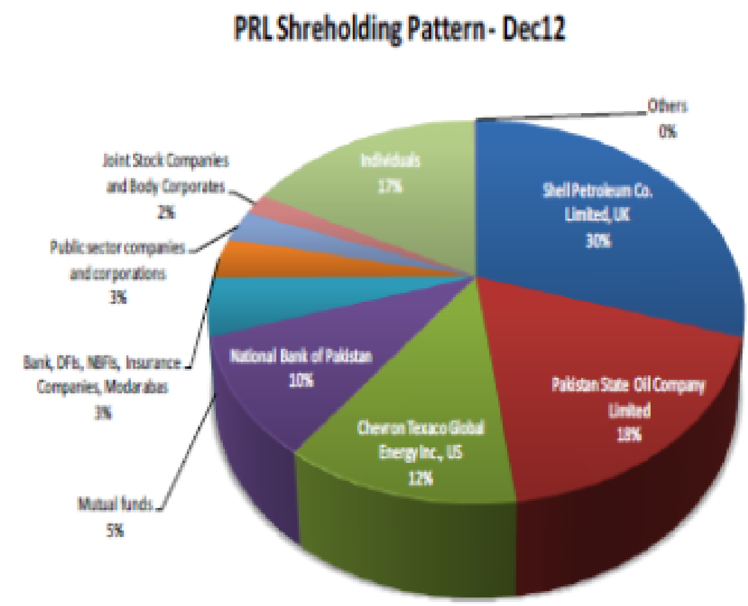
Oil Marketing Company	Expiration Date
Pakistan State Oil	December, 2015
Shell Pakistan Limited	July, 2016
Chevron Pakistan Limited	December, 2015

3. OWNERSHIP

- Experienced sponsors

3.1 Majority shareholding of the refinery is retained by the Associated Companies that were involved initially in setting up the refinery. These companies are: Shell Petroleum Company Limited, UK, Pakistan State Oil Company Limited, and Chevron Texaco Global Energy Incorporated. Together they own 60% shareholding of the company. The remaining sizable stake rests with National Bank of Pakistan (10%). Meanwhile, individuals hold 17% stake of the company.

3.2 Shell Petroleum Company Limited, UK (SPCL) is a subsidiary of Royal Dutch Shell PLC (RDS) – the ultimate parent of SPCL. SPCL acts as the holding company, managing and consolidating all the primary businesses (upstream, downstream and projects & technology) of the parent – RDS.



3.3 During 2012, Chevron, the US based parent company announced that it will be taking exit from retail markets of three countries namely Egypt, Australia and Pakistan. Meanwhile, the other major sponsors holds the first right of buying the stake (12%) being offloaded by Chevron Texaco Global Energy Incorporated. However, no material development has been done in this regard.

4. GOVERNANCE

- Representation of all major shareholders
- Providing strategic guidance

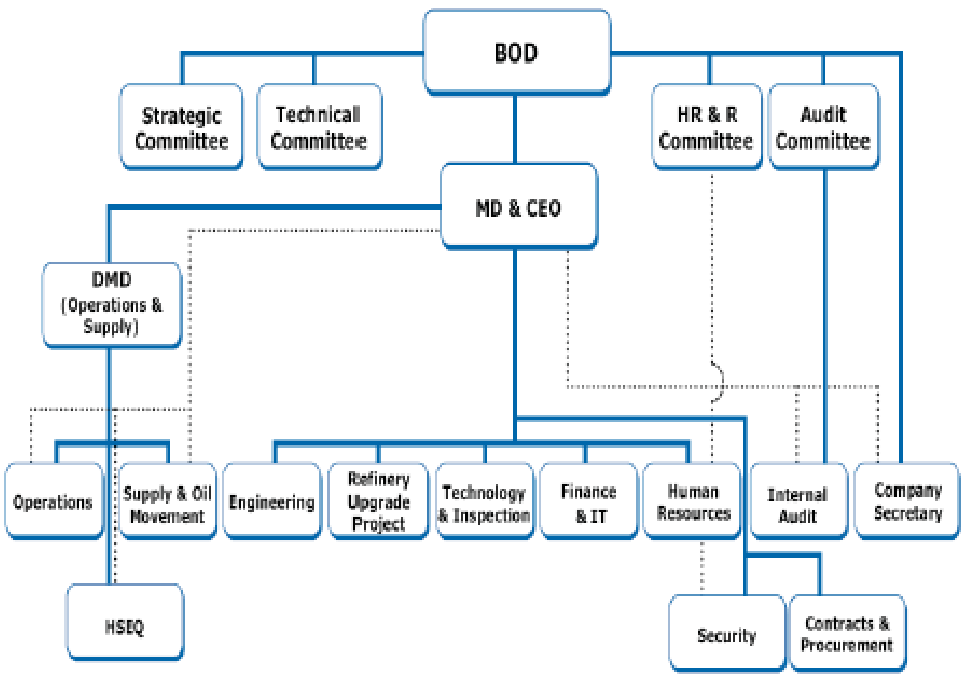
4.1 The eleven members BoD including the Managing Director, is composed of professionals with considerable foreign and local experience in the oil and gas sector. The board has three representatives from Shell, two from Pakistan State Oil, two from Chevron and three independent representatives. The BoD has four committee's namely a) Board Strategy Committee, b) Board Audit Committee, c) Human Resource and Remuneration Committee and d) Board Technical Committee. The TORs of all the committees are formally defined and they maintain a strong control environment over the organization. The detailed profile of the board members is attached as **Annexure I**.

4.2 The chairman of the board, Mr. Farooq Rahmatullah, is a law graduate from the University of Peshawar. He started his career with Burmah Shell Oil and Distribution Company and worked in different capacities, i.e. Chemicals, Human Resource, Marketing, Supply, Distribution, and Retail. After retiring from Shell in 2006, in the capacity of Managing Director, he was appointed as the chairman of Pakistan Refinery Limited. Apart from this, he had held other positions including, Director General of Civil Aviation Authority of Pakistan, Chairman LEADS Pakistan and membership of National Commission of Government Reforms.

5. Management Quality

- Experienced management team

5.1 PRL is principally engaged in refining of crude oil. Mr. Aftab Hussain was promoted as Managing Director & CEO of the company during Nov11. He was previously serving as Deputy Managing Director. The organizational architecture has been divided into following departments with direct reporting to the MD, 1) Engineering, 2) Refinery Upgradation Project, 3) Technology & Operations, 4) Finance & IT and 5) Human Resources. Meanwhile, the following departments report to the MD via Deputy Managing Director – Operations and Supply, including 1) Operations, 2) Supply & Oil Movement and 3) Health, Safety, Environment & Quality (HSEQ).



5.2 Mr. Aftab Husain, the Managing Director and CEO of PRL, is a Chemical Engineer by profession and has a master's degree in Public Administration (MPA). He has been associated with the company for over three decades. He worked in various professional and managerial capacities in engineering, planning and operations divisions. Ms. Seema Adil, Deputy Managing Director – Operations and Supply, has recently joined PRL and carries a broad experience of over three decades concerning Shell – Pakistan and Middle Eastern Oil & Gas industry. The CFO, Mr. Imran Ahmad Mirza, is a Fellow member of the Institute of Chartered Accountants of Pakistan with over 24 years of diversified experience. A brief profile of senior management is attached as **Annexure II**

6. SYSTEMS AND CONTROLS

- Low utilization levels
- SAP – as ERP solution
- Low operational flexibility

6.1 Pakistan's refining industry has an annual oil refining capacity of 13mln tons and consists of seven refineries. The country's crude oil processing capacity for FY13 is expected to increase from 284,000 bpd to 399,000 bpd, as Byco's refinery project has completed its test run and likely to add an enhanced capacity of 120,000 barrels per day to the domestic production. PRL, with a throughput capacity of 2.1mln tpa, contributes around 16% towards the country's refining capacity. During FY12, PRL's capacity utilization increased slightly inverse to some other players, the produced quantity remains well below the designed capacity largely on account of inter-corporate debt. During 1HFY13, similar trend continued concerning the capacity utilization of the company.

Company	Capacity (mlntpa)	Capacity Utilization (%)			
		FY12	FY11	FY10	FY09
PARCO	4.50	70.2	74.6	79.0	81.4
NRL	2.71	84.4	89.3	78.9	89.4
PRL	2.10	77.0	76.2	76.0	89.9
ARL	1.92	99.5	95.8	90.8	88.4
Bosicor	1.74	-	26.9	41.5	63.0
Dhodak	0.11	-	4.4	7.4	15.2
EnarPetrotech	0.11	-	86.3	93.3	93.3
	13.2		**64.8**	**66.7**	**74.4**

Source: Pakistan Energy Yearbook 2011

6.2 **Product Mix:** In terms of its product portfolio, PRL continues to maintain a reasonable market share. Moreover, it operates in a demand surplus industry. PRL, being a hydro skimming refinery, lacks the advanced technologies and complex operations such as downstream conversion units, required to diversify the product mix with value-added products. Hence, the product mix predominantly comprises of negative and low margin products i.e. Fuel Oil & Naphtha, respectively. Resultantly, the company relies on effective management of operations, in order to stay profitable. However, the management is contemplating modifications to harness better margins via altering the product mix

Product	1HFY13		FY12		FY11	
	MT	%	M.Tons	%	M.Tons	%
Naphtha	88,346	11.3%	178,462	11.14%	185,489	12.01%
Motor Gasoline	67,723	8.7%	138,492	8.64%	118,078	7.64%
Kerosene	836	0.1%	9,025	0.56%	4,940	0.32%
HSD	302,966	38.9%	601,298	37.53%	551,847	35.73%
Furnace Oil	246,386	31.6%	518,966	32.39%	530,193	34.32%
JP-1	53,972	6.9%	117,247	7.32%	104,596	6.77%
JP-8	15,216	2.0%	31,505	1.97%	43,837	2.84%
LPG	3,405	0.4%	7,128	0.44%	5,674	0.37%
Total	**778,850**	**100.0%**	**1,602,123**	**100.00%**	**1,544,654**	**100.00%**

6.3 In order to optimize its refining capacity and improve efficiency, the company is undertaking some important projects. This primarily includes installation of an Isomerization Unit (ISOM), which will augment existing product slate towards more profitable products. The project will enable the company to produce higher quantity of Motor Gasoline which has recently experienced uptick in demand in the wake of persistent non-availability of compressed natural gas in the country. Moreover, the production of Naphtha, mainly exported, will decline which is a low margin product for PRL. The management is in the final stages to award the contract and plans to initiate ISOM during FY13. The mentioned project will be completed by end-2014.

6.4 Going forward, the company plans to undertake a major up-gradation by installing a Hydro-desulfurization Unit in order to procure Euro II/III compliant High Speed Diesel. At the same time, the mentioned project would also include a conversion unit that would enable PRL to customize its product slate towards high margin products. In this regard, the company has completed the Basic Design Package, with an expense of PKR2bln (USD25mln). The management intends to pursue the project after deliberation with the sponsors concerning the funding arrangements. Though GoP has recently restructured its incentive structure, in order to enable refineries meet the stipulated time (end – Dec15). Given time constraints, the implementation of this initiative remains to be seen. The mentioned project has an estimated cost of USD400mln.

6.5 The refinery has employed sound systems and controls. The operational systems have improved over the years due to continuous improvements/ updating of the refining machinery. In this regard, PRL has also secured all ISO certifications. The management is also cognizant of the health and safety of its employees and the environment owing to the possible occupational hazards associated with this line of business.

6.6 PRL has also implemented SAP since 2000. The SAP software is licensed and undergoes regular up-gradations. The software has four modules: Finance, Material Management, HR and Plant maintenance. The software produces stringent reporting and helps the management in making informed decisions.

7. Business Risk

- Price taker on both ends
- Volatile trend in international oil prices
- GoP increased the deemed duty on HSD from 7.5% to 9%
- Volatility in gross refining margins

7.1 FY12 started-off with healthy gross refining margins (GRM). However, the crude prices experienced an upward push towards the end of CY12, weakening GRM. This could be attributed to a) fresh US sanctions on Iran and, b) Euro-zone crisis. However, easement in the crude prices (4QFY12) provided respite to the suppressed margins of the refining industry. During 1HFY13, expectations regarding economic recovery amidst bottom-out effect of crude oil price trend inched up the prices by ~3%[1]. Although current prices remain susceptible to multiple factors, any gradual adjustment - upward or downward - may not have significantly detrimental impact on the industry.

7.2 Raw Material Supply Risk: Of the refined crude oil, 15% is from local sources, while the remaining 85% is imported. Supply of imported crude oil plays a critical role in the company's operations. It, therefore, faces two risks (i) that the required quantity may not be available, or (ii) oil prices may dip suddenly causing the gross refining margins (GRM) to be squeezed. The supply risk is mitigated to a large extent by the company's agreements with foreign suppliers for crude-oil supply. Lately, owing to embargo on Iranian Crude Oil, in wake of international sanctions, PRL has started importing only Middle Eastern Crude Oils. However, in view of the current trend, the foreign exchange risk and fluctuation in international oil prices are the most dominating issues for refineries.

7.3 Pricing Risk: During FY11, the government de-regulated the prices of all petroleum products except diesel and kerosene oil, introducing a free market mechanism with effect from June 1, 2011. Under the new regime, refineries and OMCs have been allowed to determine the ex-refinery and ex-depot sale prices on monthly basis. Meanwhile, import price of Pakistan State Oil for previous month will act as benchmark for the ex-refinery prices of underlying products. In the case of HSD, which was de-regulated in October 2012, the price is calculated in accordance to import price parity and refineries are allowed a deemed duty (7.5%) embedded in ex-refinery price. During May12, the Economic Coordination Committee (ECC) in order to align domestic prices with international trends revised the monthly product pricing to be carried out on fortnightly basis. Further, the ECC re-initiated the previously shelved deregulation of Inland Freight Equalization Margin (IFEM) on oil products and aims to complete it in a phased manner. In this regard, the ECC approved in principle the removal of high octane

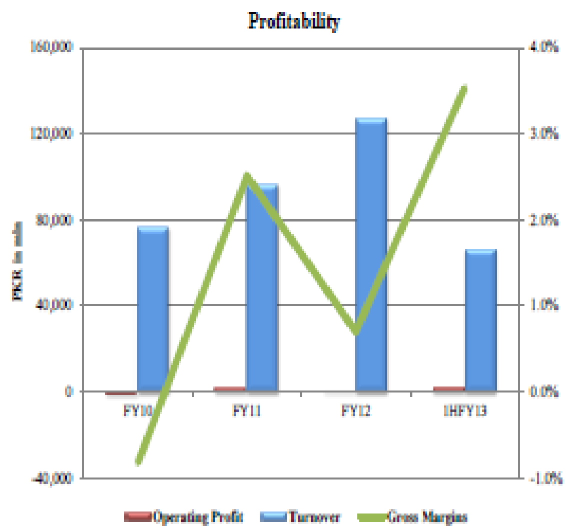
[1] CAGR of Average Monthly Price – Europe Brent Spot Price – EIA

blending component (HOBC) from IFEM regime. Consequently, the ex-depot price of HOBC would vary across the country. During 2013, the GoP has increased the previously allowed deemed duty on HSD from 7.5% to 9%, effective January 2016, in order to enable refineries to establish a desulfurization unit to comply with Euro II standards. This is expected to accrue sizable benefits to the domestic refineries operating in the country. Moreover, the ECC has revoked its decision for fortnightly prices and POL product prices are being announced on monthly basis.

7.4 Operational Flexibility: PRL remains exposed to the cyclical nature of the refining business and any rapid fluctuations in crude oil or petroleum product prices significantly impact profitability. PRL has lower ability to maneuver its product slate in comparison to peers. Moreover, the company is customized to procure maximum yield on Iranian Crude Oil. Though, the refinery has capability of operating on alternative crudes i.e. Middle Eastern Crudes, the product mix experiences fluctuations, thereby affecting the capacity utilization and margins of PRL.

7.5 Competition: Given the huge gap in refining capacity in the country, competitive pressure is expected to remain low, as most of PRL's competitors require substantial investment for modernization and expansion and face capacity constraints. In terms of refining capacity, PRL stands fourth behind Byco, PARCO and National Refinery Limited. PRL's location and established pipeline network remain additional advantages for export-oriented products.

7.6 Profitability: During FY12, the company's topline grew owing to slightly increased volumes and buoyant product prices on a comparative basis. However, the company's gross margins were trimmed to mere 0.70% (FY11: 2.51%) owing to company's little ability to maneuver its product mix, considering sizable proportion of residual fuel, exposing the company to consistent increase in feedstock prices. At the same time, the company incurred a sizable exchange loss of PKR1.34bln, on account of rapid rupee devaluation against USD. Resultantly, the company reported a net loss of PKR1.6bln at end – Jun12. Lately, the trend has been reversed, as the company recouped its profitability in 1HFY13. PRL's profitability was supplemented by stable crude price coupled with strong demand and stable currency, reinforcing the company's gross margins.

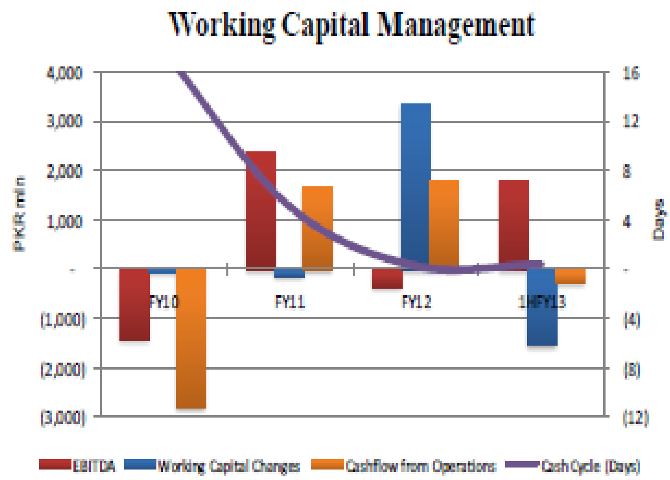


7.7 Inter Corporate Debt: PRL's exposure to the OMCs has made it part of the circular debt chain. In order to limit the impact of circular debt, PRL has reduced its reliance on Pakistan State Oil (PSO) by shifting the production towards other players having long-term supply agreement with PRL. PRL has outstanding receivables of PKR2.3bln from PSO and payables of PKR5.1bln to Oil & Gas Development Company Limited (OGDCL). Hence, the company has a net payable position of ~PKR3bln concerning circular debt.

8. Financial Risk

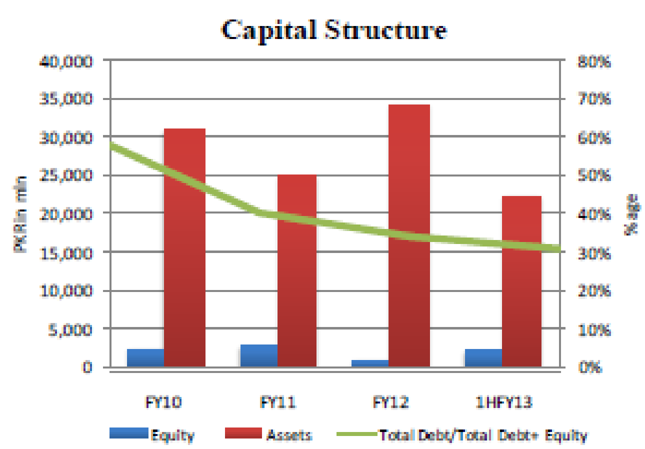
- Reliance on commercial credit from local E&P companies
- Low leveraged capital structure

8.1 Working Capital Management: PRL's working capital requirement emanate from its need to finance its inventory and circular debt, which usually results in net receivable position to the company. Therefore, to bridge the funding needs, PRL resorts to short-term borrowings while stretching its payables to local E&P companies, which comprise negligible portion in the overall crude procurement.



The company had short-term borrowings of PKR962mln at end 1HFY13 (FY12: PKR472mln). Meanwhile, the company invested in its working capital requirements from FCFO, resulting in negative net cash flow from operating activities. However, the company's current liabilities exceed its current assets creating a mismatch of PKR2.3bln at end – 1HFY13 (FY12: PKR3.6bln).

8.2 Capital Structure: The company has no long-term borrowings on its books. PRL resort to short-term borrowing to finance its inventories and other operating expenses on an on-going basis. The mentioned borrowings represent slight leveraging on the company's capital structure. During FY12, the company deleveraged its balance sheet on YoY basis. The borrowings were recouped in 1HFY13, though the absolute quantum remained lower in comparison to previous years (1HFY13: PKR962mln, FY12: PKR473mln, FY11: PKR1,727mln). However, PRL carries unfunded losses which amount twice as much as the company's equity base. Hence, the strengthening of the equity base enforcing the mandatory minimum requirement for the company to retain net profit after tax from refinery operations that is above 50% of the paid-up capital at that time in a special reserve remains imperative.



8.3 Going forward, the management plans to acquire debt in order to execute, a) restructuring of company's balance sheet and b) meet CAPEX requirements. The mentioned debt procurement, in turn, will exert pressure on the existing capital structure of the company. The debt would be procured partially through issuance of listed Term Finance Certificate(s) and borrowings from financial institutions. While a sizeable grace period would be availed, the principal repayments would be spread over a longer period. The induction of mentioned debt is expected to affect the coverages and financial profile of the company. Since this would be leveraged expansion, a robust framework for monitoring the related coverages would add sanctity to the control framework.

9. Instrument Structure

- Secured, Listed TFCs amounting to PKR 4,000mln
- Secured by the way of Hypothecation against assets and receivables
- No Call option available to the issuer
- Single principal payment upon maturity

9.1 PRL, for the purpose of meeting working capital requirements including CAPEX requirements, intends to issue two listed and secured TFCs of PKR 3,000mln (Including a green shoe of PKR500mln) and PKR 1,000mln for a period of 3 and 5 years, respectively. The total size of issues amount to PKR4,000mln.

9.2 The salient features of the TFCs are given as follows:

9.3 **Security:** The TFC Issues have been secured by way of a) Hypothecation of Stocks and Receivables and b) Hypothecation of Fixed Assets (excluding land and buildings) alongwith a certain margin. The company has emplaced the hypothecation in favour of the Trustee for the benefit of the Investors, by way of a first pari passu charge over the mentioned assets alongwith a certain margin. Meanwhile, the company shall not establish any charge on the charged assets, through the life of the instruments, without prior written approval of the Trustee.

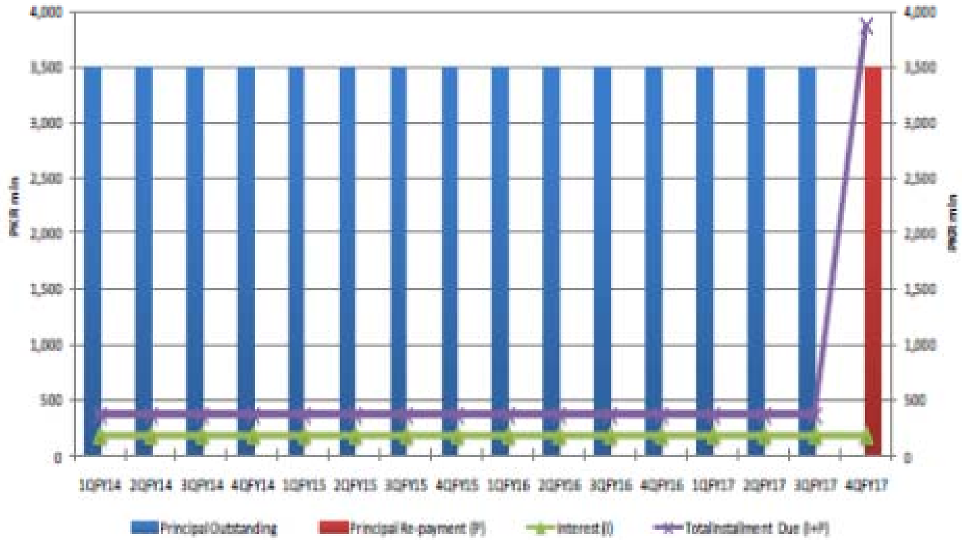
9.3.1 The rating draws its strength from underlying structure of the debt instruments, whereby, inter-alia, 1) the requisite funds to ensure timely redemption would be gradually retained/ built-up over a period of six months prior to the payment date and 2) PRL has strong fortnightly cashflows cycle, which alongwith the un-utilized portion of existing running finance lines provides cushion against exercise of put option.

Instrument	TFC 1
Tenor	36 months
Issue Amount (PKR mln)	3,000
Green shoe option	500
Profit Rate	Fixed Rate: 3 months Kibor +1.0%
Profit Payment	Quarterly
Principal Redemption (Bullet)	The principal will be repaid in one bullet payment with reserve being accumulated 6 months prior the maturity date
Purpose	To meet the working capital requirements including but not limited to company's CAPEX requirements.
Security	The TFC Issue has been secured by way of a) Hypothecation of Stocks and Receivables and b) Hypothecation of Fixed Assets alongwith a certain margin.
Put Option	Exercisable with a 15days notice, a service charge is applicable

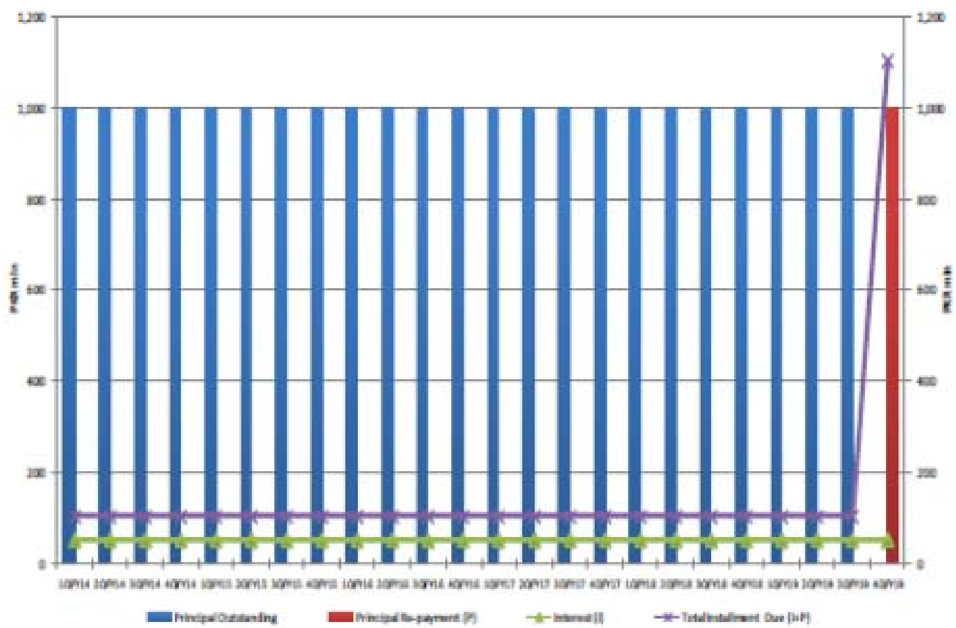
Instrument	TFC 2
Tenor	60 months
Issue Amount (PKR mln)	1,000
Green shoe option	-
Profit Rate	Fixed Rate: 3 months Kibor +1.20%
Profit Payment	Quarterly
Principal Redemption (Bullet)	The principal will be repaid in one bullet payment with reserve being accumulated 6 months prior the maturity date
Purpose	To meet the working capital requirements including but not limited to company's CAPEX requirements.
Security	The TFC Issue has been secured by way of a) Hypothecation of Stocks and Receivables and b) Hypothecation of Fixed Assets alongwith a certain margin.
Put Option	Exercisable with a 15days notice, a service charge is applicable

9.4 The repayment pattern of the TFCs is given below:

PRL - Term Finance I Waterfall



PRL - Term Finance II Waterfall



10. Assessment

- Volatility in gross refining margins
- Strong fortnightly cashflows

10.1 Price Risk: PRL remains a price taker on both the raw material and end-product sides. This inability to control prices at either end of the value addition chain is a key risk for the company exposing the company's GRMs to inherent high volatility in international prices of oil and related petroleum products. Presently the refining sector in Pakistan takes benefit from 7.5% of deemed duty which is embedded in ex-refinery price on sale of HSD. Any unfavorable change in the mentioned pricing regime would undermine the operational viability of the refining sector including PRL.

- alongwith un-utilized financing lines provide cushion against redemption risk
- Reserve built up six months prior to principal payment(s)
- Security structure has created a distinction between the TFCs and risks of issuer

10.2 Liquidity Risk: PRL's exposure to OMCs has made it a part of the inter-corporate debt prevailing in the energy chain of the country. The utilization of commercial credit by local E&P companies enabled PRL to manage the quenched liquidity arising due to inter-corporate debt. Additionally, the proposed structure of instruments is designed to ensure retention/build up of requisite cashflows over a period of six months (6 months) prior to the principal repayments to avoid pressure on any single month. The GoP is actively engaged in activities related to mop up the re-accumulated debt on quarterly basis. However, it remains a concern for the company and, if unresolved, could adversely impact its cash flows.

10.3 Redemption Risk: The option available to investors to pre-maturely redeem the outstanding TFCs or investment from TFCs by providing a written notice of 15 days could result in sizable redemptions exposing the company to significant pressure. However, PRL has strong fortnightly cashflows cycle, which alongwith the un-utilized portion of existing running finance lines provides cushion against exercise of put option thereby mitigating the redemption risk.

10.4 Interest Rate Risk: The issues carry fixed interest rate structure, entailing quarterly payment at a predefined rate based on prevailing interest rates in the country. Unanticipated movements in interest rates make the instruments susceptible to interest rate volatility. Considering an increase in interest rate would encourage the investors to exercise the put option available to them. However, the interest rate risk is mitigated by establishing an early redemption service charge, which phases out, throughout the life of the instruments. This is expected to limit the expected outflow of investment on account of interest rate movements over the medium term.

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1. RATINGS

- High credit quality

	Initial
Entity	
Long Term	A-
Short Term	A2

The ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

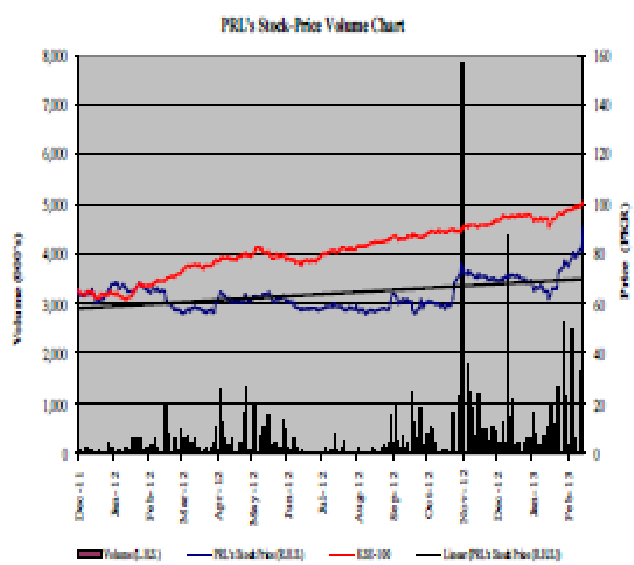
2. PROFILE

- Vast range of products
- Refining capacity of around 50,000bpd

2.1 Pakistan Refinery Limited's (PRL) foundation stone was laid in May, 1960. In October, 1962 the plant came into operation, two months ahead of schedule. The initial design capacity of the Refinery was to process 1 million tons of crude oil annually, but during the construction phase it was decided to expand the capacity of the Refinery to 2.1 million tons per annum. The additional capacity came online in October 1962. However, since then the refinery has made no expansions in its refining capacity. PRL, since inception has been one of the principal producer and supplier of petroleum products to the domestic market.

2.2 PRL is a hydro-skimming refinery with a capacity of around 50,000 barrels per operating day. The process configuration constitutes desalting, crude distillation, plat-forming and LPG units. Though, designed to process Iranian Light, it has acquired the ability to process a variety of imported and indigenous crude oils to produce a wide range of energy products. Products of the company include the following: LPG, Motor Gasoline, Kerosene, Jet Fuels (JP-1 & JP-8), HSD, Furnace Oil, and Naphtha.

2.3 PRL was built in alliance with major foreign oil companies comprising Burmah Oil California, Texas Oil Corporation, Shell Petroleum Corporation, UK and Esso Standard Eastern Incorporated.



2.4 The company is listed on Karachi & Lahore Stock exchanges since 1960. PRL's stock has underperformed the KSE-100 index during the period under review owing to weakening of business dynamics.

2.5 PRL's refinery is situated at Korangi, while it has a Tank terminal to store products at the Keamari terminal. In addition to these facilities, there is a network of pipelines connecting the refinery and the terminal to different supply points. The refinery has an added advantage of being nearer to the coast, hence located at a preferential location for exporting demand deficient products i.e. Naphtha. Apart from using local crude, the refinery uses crude imported from Abu Dhabi, Saudi Arabia, and Iran. Initially designed to handle only Iranian Light Crude Oil, after gradual upgradation the refinery presently equipped to handle crude oil from the mentioned countries. The major customers of the refinery include all the major oil marketing companies operating in the country.

2.6 The company has independent long term supply agreement with Pakistan State Oil, Shell Pakistan Limited and Chevron Pakistan Limited. These agreements while ensuring sales of the company provide them ability to maneuver its production according to requirements of the buyers. The expiration date of the said agreements is as follows:

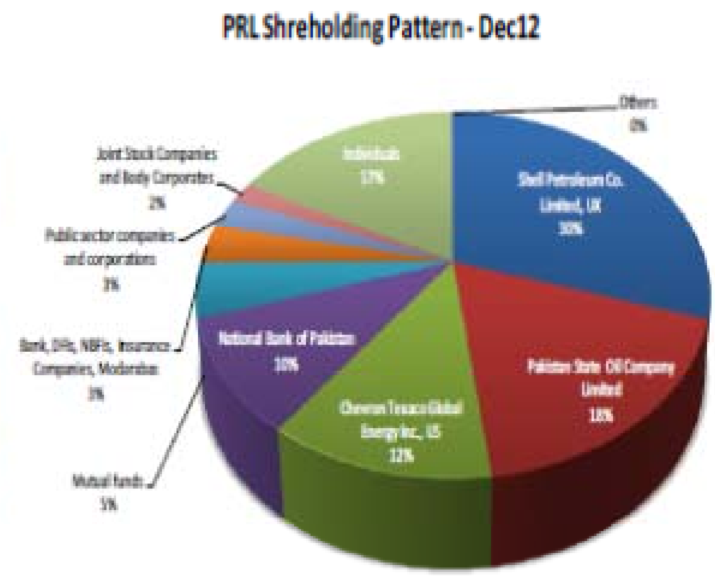
Oil Marketing Company	Expiration Date
Pakistan State Oil	December, 2015
Shell Pakistan Limited	July, 2016
Chevron Pakistan Limited	December, 2015

3. OWNERSHIP

- Experienced sponsors

3.1 Majority shareholding of the refinery is retained by the Associated Companies that were involved initially in setting up the refinery. These companies are: Shell Petroleum Company Limited, UK, Pakistan State Oil Company Limited, and Chevron Texaco Global Energy Incorporated. Together they own 60% shareholding of the company. The remaining sizable stake rests with National Bank of Pakistan (10%). Meanwhile, individuals hold 17% stake of the company.

3.2 Shell Petroleum Company Limited, UK (SPCL) is a subsidiary of Royal Dutch Shell PLC (RDS) – the ultimate parent of SPCL. SPCL acts as the holding company, managing and consolidating all the primary businesses (upstream, downstream and projects & technology) of the parent – RDS.



3.3 During 2012, Chevron, the US based parent company announced that it will be taking exit from retail markets of three countries namely Egypt, Australia and Pakistan. Meanwhile, the other major sponsors holds the first right of buying the stake (12%) being offloaded by Chevron Texaco Global Energy Incorporated. However, no material development has been done in this regard.

4. GOVERNANCE

- Representation of all major shareholders
- Providing strategic guidance

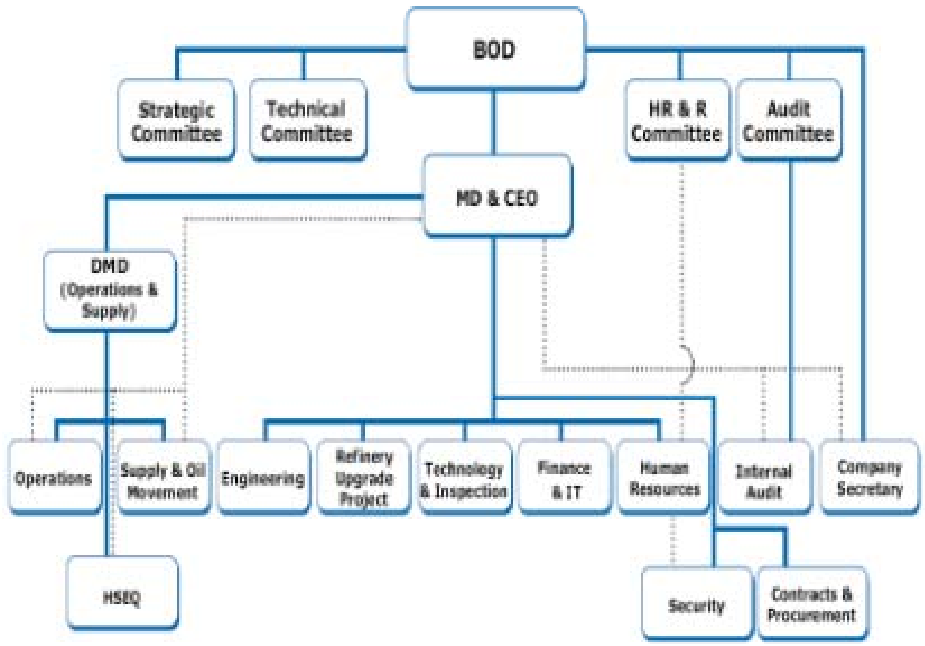
4.1 The eleven members BoD including the Managing Director, is composed of professionals with considerable foreign and local experience in the oil and gas sector. The board has three representatives from Shell, two from Pakistan State Oil, two from Chevron and three independent representatives. The BoD has four committee's namely a) Board Strategy Committee, b) Board Audit Committee, c) Human Resource and Remuneration Committee and d) Board Technical Committee. The TORs of all the committees are formally defined and they maintain a strong control environment over the organization. The detailed profile of the board members is attached as **Annexure I**.

4.2 The chairman of the board, Mr. Farooq Rahmatullah, is a law graduate from the University of Peshawar. He started his career with Burmah Shell Oil and Distribution Company and worked in different capacities, i.e. Chemicals, Human Resource, Marketing, Supply, Distribution, and Retail. After retiring from Shell in 2006, in the capacity of Managing Director, he was appointed as the chairman of Pakistan Refinery Limited. Apart from this, he has held other positions including, Director General of Civil Aviation Authority of Pakistan, Chairman LEADS Pakistan and membership of National Commission of Government Reforms.

5. MANAGEMENT QUALITY

- Experienced management team

5.1 PRL is principally engaged in refining of crude oil. Mr. Aftab Hussain was promoted as Managing Director & CEO of the company during Nov11. He was previously serving as Deputy Managing Director. The organizational architecture has been divided into following departments with direct reporting to the MD, 1) Engineering, 2) Refinery Upgradation Project, 3) Technology & Operations, 4) Finance & IT and 5) Human Resources. Meanwhile, the following departments report to the MD via Deputy Managing Director – Operations and Supply, including 1) Operations, 2) Supply & Oil Movement 3) Health, Safety, Environment & Quality (HSEQ).



5.2 Mr. Aftab Husain, the Managing Director and CEO of PRL, is a Chemical Engineer by profession and has a master's degree in Public Administration (MPA). He has been associated with the company for over three decades. He worked in various professional and managerial capacities in engineering, planning and operations divisions. Ms. Seema Adil, Deputy Managing Director – Operations and Supply, has recently joined PRL and carries a broad experience of over three decades concerning Shell – Pakistan and Middle Eastern Oil & Gas industry. The CFO, Mr. Imran Ahmad Mirza, is a Fellow member of the Institute of Chartered Accountants of Pakistan with over 24 years of diversified experience. A brief profile of senior management is attached as **Annexure II**

6. SYSTEMS AND CONTROLS

- Low utilization levels
- SAP – as ERP solution
- Low operational flexibility

6.1 Pakistan's refining industry has an annual oil refining capacity of 13mln tons and consists of seven refineries. The country's crude oil processing capacity for FY13 is expected to increase from 284,000 bpd to 399,000 bpd, as Byco's refinery project has completed its test run and likely to add an enhanced capacity of 120,000 barrels per day to the domestic production. PRL, with a throughput capacity of 2.1mln tpa, contributes around 16% towards the country's refining capacity. During FY12, PRL's capacity utilization increased slightly inverse to some other players, the produced quantity remains well below the designed capacity largely on account of inter-corporate debt. During 1HFY13, similar trend continued concerning the capacity utilization of the company.

Company	Capacity (mlntpa)	Capacity Utilization (%) FY12	FY11	FY10	FY09
PARCO	4.50	70.2	74.6	79.0	81.4
NRL	2.71	84.4	89.3	78.9	89.4
PRL	2.10	77.0	76.2	76.0	89.9
ARL	1.92	99.5	95.8	90.8	88.4
Bosicor	1.74	-	26.9	41.5	63.0
Dhodak	0.11	-	4.4	7.4	15.2
EnarPetrotech	0.11	-	86.3	93.3	93.3
	13.2		64.8	66.7	74.4

Source: Pakistan Energy Yearbook 2011

6.2 **Product Mix:** In terms of its product portfolio, PRL continues to maintain a reasonable market share. Moreover, it operates in a demand surplus industry. PRL, being a hydro skimming refinery, lacks the advanced technologies and complex operations such as downstream conversion units, required to diversify the product mix with value-added products. Hence, the product mix predominantly comprises of negative and low margin products i.e. Fuel Oil & Naphtha, respectively. Resultantly, the company relies on effective management of operations, in order to stay profitable. However, the management is contemplating modifications to harness better margins via altering the product mix

Product	1HFY13		FY12		FY11	
	MT	%	M.Tons	%	M.Tons	%
Naphtha	88,346	11.3%	178,462	11.14%	185,489	12.01%
Motor Gasoline	67,723	8.7%	138,492	8.64%	118,078	7.64%
Kerosene	836	0.1%	9,025	0.56%	4,940	0.32%
HSD	302,966	38.9%	601,298	37.53%	551,847	35.73%
Furnace Oil	246,386	31.6%	518,966	32.39%	530,193	34.32%
JP-1	53,972	6.9%	117,247	7.32%	104,596	6.77%
JP-8	15,216	2.0%	31,505	1.97%	43,837	2.84%
LPG	3,405	0.4%	7,128	0.44%	5,674	0.37%
Total	**778,850**	**100.0%**	**1,602,123**	**100.00%**	**1,544,654**	**100.00%**

6.3 In order to optimize its refining capacity and improve efficiency, the company is undertaking some important projects. This primarily includes installation of an Isomerization Unit (ISOM), which will augment existing product slate towards more profitable products. The project will enable the company to produce higher quantity of Motor Gasoline which has recently experienced uptick in demand in the wake of persistent non-availability of compressed natural gas in the country. Moreover, the production of Naphtha, mainly exported, will decline which is a low margin product for PRL. The management is in the final stages to award the contract and plans to initiate ISOM during FY13. The mentioned project will be completed by end-2014.

6.4 Going forward, the company plans to undertake a major up-gradation by installing a Hydro-desulfurization Unit in order to procure Euro II/III compliant High Speed Diesel. At the same time, the mentioned project would also include a conversion unit which would enable PRL to customize its product slate towards high margin products. In this regard, the company has completed the Basic Design Package, with an expense of PKR2bln (USD25mln). The management intends to pursue the project after deliberation with the sponsors concerning the funding arrangements. Though GoP has recently restructured its incentive structure, in order to enable refineries meet the stipulated time (end – Dec15). Given time constraints, the implementation of this initiative remains to be seen. The mentioned project has an estimated cost of USD400mln.

6.5 The refinery has employed sound systems and controls. The operational systems have improved over the years due to continuous improvements/ updating of the refining machinery. In this regard, PRL has also secured all ISO certifications. The management is also cognizant of the health and safety of its employees and the environment owing to the possible occupational hazards associated with this line of business.

6.6 PRL has also implemented SAP since 2000. The SAP software is licensed and undergoes regular up-gradations. The software has four modules: Finance, Material Management, HR and Plant maintenance. The software produces stringent reporting and helps the management in making informed decisions.

7. Business Risk

- Price taker on both ends
- Volatile trend in international oil prices
- GoP increased the deemed duty on HSD from 7.5% to 9%
- Volatility in gross refining margins

7.1 FY12 started-off with healthy gross refining margins (GRM). However, the crude prices experienced an upward push towards the end of CY12, weakening GRM. This could be attributed to a) fresh US sanctions on Iran and, b) Euro-zone crisis. However, easement in the crude prices (4QFY12) provided respite to the suppressed margins of the refining industry. During 1HFY13, expectations regarding economic recovery amidst bottom-out effect of crude oil price trend inched up the prices by ~3%[1]. Although current prices remain susceptible to multiple factors, any gradual adjustment - upward or downward - may not have significantly detrimental impact on the industry.

7.2 **Raw Material Supply Risk:** Of the refined crude oil, 15% is from local sources, while the remaining 85% is imported. Supply of imported crude oil plays a critical role in the company's operations. It, therefore, faces two risks (i) that the required quantity may not be available, or (ii) oil prices may dip suddenly causing the gross refining margins (GRM) to be squeezed. The supply risk is mitigated to a large extent by the company's agreements with foreign suppliers for crude-oil supply. Lately, owing to embargo on Iranian Crude Oil, in wake of international sanctions, PRL has started importing only Middle Eastern Crudes. However, in view of the current trend, the foreign exchange risk and fluctuation in international oil prices are the most dominating issues for refineries.

7.3 **Pricing Risk:** During FY11, the government de-regulated the prices of all petroleum products except diesel and kerosene oil, introducing a free market mechanism with effect from June 1, 2011. Under the new regime, refineries and OMCs have been allowed to determine the ex-refinery and ex-depot sale prices on monthly basis. Meanwhile, import price of Pakistan State Oil for previous month will act as benchmark for the ex-refinery prices of underlying products. In the case of HSD, deregulated in Oct12, the price is calculated in accordance to import price parity and refineries are allowed a deemed duty (7.5%) embedded in ex-refinery price. During May12, the Economic Coordination Committee (ECC) in order to align domestic prices with international trends revised the monthly product pricing to be carried out on fortnightly basis. Further, the ECC re-initiated the previously shelved deregulation of Inland Freight Equalization Margin (IFEM) on oil products and aims to complete it in a phased manner. In this regard, the ECC approved in principle the removal of high octane blending

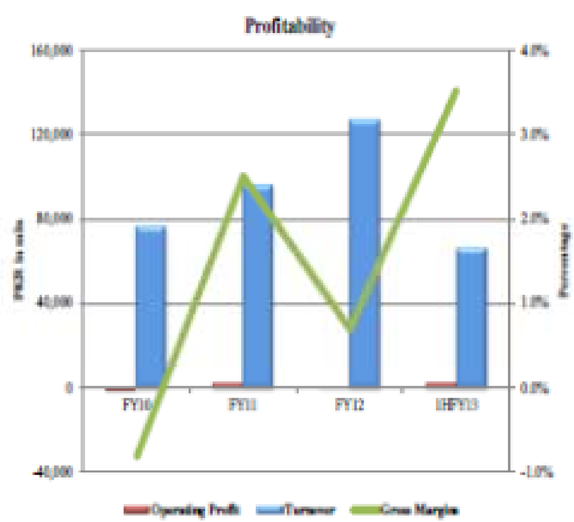
[1] CAGR of Average Monthly Price – Europe Brent Spot Price – EIA

component (HOBC) from IFEM regime. Consequently, the ex-depot price of HOBC would vary across the country. During 2013, the GoP has increased the previously allowed deemed duty on HSD from 7.5% to 9%, effective January 2016, in order to enable refineries to establish a desulfurization unit to comply with Euro II standards. This is expected to accrue sizable benefits to the domestic refineries operating in the country. Moreover, the ECC has revoked its decision for fortnightly prices and POL product prices are being announced on monthly basis.

7.4 Operational Flexibility: PRL remains exposed to the cyclical nature of the refining business and any rapid fluctuations in crude oil or petroleum product prices significantly impact profitability. PRL has lower ability to maneuver its product slate in comparison to peers. Moreover, the company is customized to procure maximum yield on Iranian Crude Oil. Though, the refinery has capability of operating on alternative crudes i.e. Middle Eastern Crude, the product mix experiences fluctuations, thereby affecting the capacity utilization and margins of PRL.

7.5 Competition: Given the huge gap in refining capacity in the country, competitive pressure is expected to remain low, as most of PRL's competitors require substantial investment for modernization and expansion and face capacity constraints. In terms of refining capacity, PRL stands fourth behind Byco, PARCO and National Refinery Limited. PRL's location and established pipeline network remain additional advantages for export-oriented products.

7.6 Profitability: During FY12, the company's topline grew owing to slightly increased volumes and buoyant product prices on a comparative basis. However, the company's gross margins were trimmed to mere 0.70% (FY11: 2.51%) owing to company's little ability to maneuver its product mix, considering sizable proportion of residual fuel, exposing the company to consistent increase in feedstock prices. At the same time, the company incurred a sizable exchange loss of PKR1.34bln, on account of rapid rupee devaluation against USD. Resultantly, the company reported a net loss of PKR1.6bln at end – Jun12. Lately, the trend has been reversed, as the company recouped its profitability in 1HFY13. PRL's profitability was supplemented by stable crude price coupled with strong demand and stable currency, reinforcing the company's gross margins.

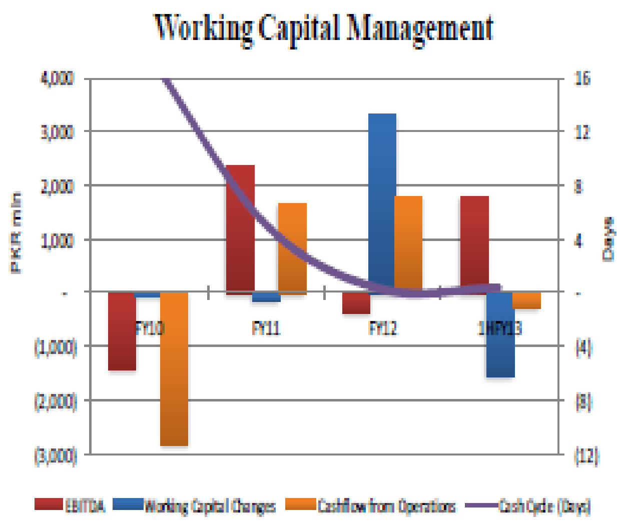


7.7 Inter Corporate Debt: PRL's exposure to the OMCs has made it part of the circular debt chain. In order to limit the impact of circular debt, PRL has reduced its reliance on Pakistan State Oil (PSO) by shifting the production towards other players having long-term supply agreement with PRL. PRL has outstanding receivables of PKR2.3bln from PSO and payables of PKR5.1bln to Oil & Gas Development Company Limited (OGDCL). Hence, the company has a net payable position of ~PKR3bln concerning inter-corporate debt.

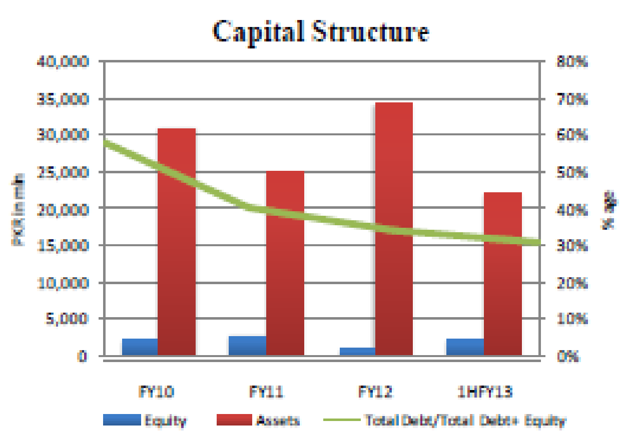
8. FINANCIAL RISK

- Reliance on commercial credit from local E&P companies
- Low leveraged capital structure

8.1 Working Capital Management: PRL's working capital requirement emanate from its need to finance its inventory and circular debt, which usually results in net receivable position to the company. Therefore, to bridge the funding needs, PRL resorts to short-term borrowings while stretching its payables to local E&P companies, which comprise negligible portion in the overall crude procurement. The company had short-term borrowings of PKR962mln at end 1HFY13 (FY12: PKR472mln). Meanwhile, the company invested in its working capital requirements from FCFO, resulting in negative net cash flow from operating activities. However, the company's current liabilities exceed its current assets creating a mismatch of PKR2.3bln at end – 1HFY13 (FY12: PKR3.6bln).



8.2 Capital Structure: The company has no long-term borrowings on its books. PRL resort to short-term borrowing to finance its inventories and other operating expenses on an on-going basis. The mentioned borrowings represent slight leveraging on the company's capital structure. During FY12, the company deleveraged its balance sheet on YoY basis. The borrowings were recouped in 1HFY13, though the absolute quantum remained lower in comparison to previous years (1HFY13: PKR962mln, FY12: PKR473mln, FY11: PKR1,727mln). However, PRL carries unfunded losses which amount twice as much as the company's equity base. Hence, the strengthening of the equity base enforcing the mandatory minimum requirement for the company to retain net profit after tax from refinery operations that is above 50% of the paid-up capital at that time in a special reserve remains imperative.



8.3 Going forward, the management plans to acquire debt in order to execute a) restructuring of company's balance sheet and b) meet CAPEX requirements. The mentioned debt procurement, in turn, will exert pressure on the existing capital structure of the company. The debt would be procured partially through issuance of listed Term Finance Certificate(s) and borrowings from financial institutions. While a sizeable grace period would be availed, the principal repayments would be spread over a longer period. The induction of mentioned debt is expected to affect the coverages and financial profile of the company. Since this would be leveraged expansion, a robust framework for monitoring the related coverages would add sanctity to the control framework.

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PART VI

6. TRUSTEE AND SECURITY

6.1. THE SECURITY

The TFC Issue has been secured by way of 1) the Hypothecation of Stocks and Book Debts; and 2) the Hypothecation of Fixed Assets located in Karachi (excluding immovable properties) (collectively the **"Security"**)

1. **Hypothecation of Stocks and Book Debts**

PRL has hypothecated the Hypothecated Assets and Hypothecated Receivables, in favour of the Trustee for the benefit of the Investors, by way of a first pari passu charge of an aggregate amount PKR 4,375,000,000 (PKR 3,275,000,000 for TFC 1 and PKR 1,100,000,000 for TFC 2 respectively) over the Hypothecated Assets and the Hypothecated Receivables of the Company. The term "Hypothecated Assets" and "Hypothecated Receivables" have been defined in the Letter of Hypothecation over Stocks and Book Debts as:

Hypothecated Assets comprising of Crude Oil and finished goods in stock and in-transit, now belonging to or at any time in future belonging to the Issuer, wherever situated, and any documents of title pertaining to the same such as warehouse receipts, truck receipts, invoices, receipts without any restriction;

Stocks as at December 31, 2012	PKR (in 000)
Crude Oil	4,606,280
Finished goods	4,038,268
Total Stocks as at December 31, 2012	8,644,548

Hypothecated Receivables comprising of all of the Issuer's present and future book debts from marketing companies, and defense, whether actual, accruing, contingent or otherwise, whether currently due or to become due to the Issuer at any time and from time to time in future, whether recorded in the books of the Issuer or not and whether disputed or under litigation, whether acknowledged, evidenced by any documents, instruments, agreements, pertaining thereto, without limitation, all securities pertaining thereto, negotiable instruments, Certificates of Investments/Deposits, Receipts and other chooses in actions, contractual benefits and claims.

Receivables as at December 31, 2012	PKR (in 000) 8,133,885
Total Stocks and Receivables as at December 31, 2012:	PKR 16,778,433/-

The Company, during the tenure of the TFCs, shall not establish any charge on the charged assets without prior written approval of the Trustee.

2. **Hypothecation of Fixed Assets**

PRL as the sole legal and beneficial owner has hypothecated the Hypothecated Fixed Assets, in favour of the Trustee for the benefit of the Investors, by way of a first pari passu charge of an aggregate amount of PKR 970,000,000 (PKR 725,000,000 for TFC 1 and PKR 245,000,000 for TFC 2) ("(**"Hypothecation"**).

The term "Hypothecated Assets" has been defined in the Letter of Hypothecation as all present fixed assets located at Karachi (excluding any immovable properties) comprising of processing plant, terminals, pipelines, utilities, equipment, furniture, vehicles and other automotive equipment located at Karachi.
:

Fixed assets as at December 31, 2012	PKR (in 000)
Processing plant	389,963
Terminals and pipelines	349,831
Utilities	128,780
Equipment and furniture	93,999
Vehicles and other automotive equipment	9,088
Total	971,661

6.2. THE TRUSTEE

In order to safeguard the interests of the TFC holders, Pak Oman Investment Company Limited ("Pak Oman") has been appointed to act as Trustee for the issue. The Issuer shall pay to Pak Oman a trustee fee of PKR 600,000/- per annum. The fee shall be payable at the beginning of each year commencing from the date of signing of the Trust Deed and on each subsequent anniversary thereof. The bankers to the Issue have been instructed to inform the Trustee on a daily basis of the subscriptions received for issuance of TFCs.

As per the terms of the Declarations of Trust executed between PRL and the Trustee, the Trustee will ensure the following:

- The terms and conditions of the Declarations of Trust and security documents creating the Security (the **"Security Documents"**) are adhered to; and

- The interests of the TFC holders are safeguarded by taking the actions that it deems necessary (as prescribed by the Declarations of Trust) in the event of any breach of terms and conditions of TFCs Instrument and the Declarations of Trust by PRL.

6.3. THE TRUST DEED

The Trust Deeds dated May 6, 2013("**Declarations of Trust**") executed between the Company and the Trustee specifies the rights and obligations of the Trustee. In the event of PRL defaulting on any of its obligations under the terms of the Declarations of Trust, the Trustee may enforce PRL's obligations in accordance with the terms of the Trust Deed. **The proceeds of any such enforcement shall be distributed to the TFC Holders at the time in proportion to the amounts owed to each TFC holder pursuant to the TFCs.**

6.4. EVENTS OF DEFAULT AND SECURITY ENFORCEMENT PROCEDURE

The event of default will be governed under Article 8 of the Declarations of Trust executed between the Company and the Trustee to the Issue. It is clarified, however, that in the event of default, the TFC holders acting through the Trustee shall be entitled to initiate legal proceedings against the Company for recovery of the outstanding amount payable under the TFCs in case the Company fails to cure the event of default in terms of the Declarations of Trust.

The Obligations shall become immediately due and payable, and the Security shall become immediately enforceable by a declaration of the Trustee, notified to the Issuer, upon the occurrence of an event of default in case the Company fails to cure the event of default in terms of the Declarations of Trust.

Under the Declarations of Trust, each of the following events constitutes an Event of Default:

(a) the failure of the Issuer to:

   (i) redeem any Coupon on its respective Redemption Date and to pay the Redemption Amount and / or any portion thereof on such Redemption Date; or

   (ii) pay any amounts payable by the Issuer under the Declarations of Trust and such failure continues for a period of seven (7) consecutive Business Days irrespective of whether or not a demand for the payment of the same has been made upon the Issuer;

(b) default by the Issuer in the performance or observance of or compliance with any of its other material obligations or undertakings under the TFCs Transaction Documents and such default (other than as specified in sub-clause (a) above) continues for a period of thirty (30) days from the date of receipt of notice by the Issuer from the TFCs Trustee in respect of the same;

(c) an event of default (howsoever described and / or defined) occurs under a TFCs Transaction Document and such event of default (other than as specified in sub-clause (a) above) continues for a period of thirty (30) days from the date of receipt of notice by the Issuer from the TFCs Trustee in respect of the same;

(d) any representation or warranty made or deemed to be made or repeated by the Issuer in or pursuant to the Declarations of Trust is found to be incorrect ;

(e) the Issuer enters assigns or enters into an arrangement for the benefit of its creditors in respect of any Financial Indebtedness, which has a Material Adverse Effect in the reasonable opinion of TFCs Trustee;

(f) the Issuer:

   (i) voluntarily or involuntarily becomes the subject of bankruptcy or insolvency proceedings except for proceedings which are frivolous in nature; and / or

   (ii) elects to become a party to or is subject to any proceedings or procedure under any law for the relief of financially distressed debtors, except for proceedings which are frivolous in nature; and / or

   (iii) admits in writing its inability to pay its debts as they mature, to the TFCs Trustee; and / or

   (iv) a receiver or an administrator is appointed for all or any part of its assets or business;

(g) a moratorium is declared in respect of any Financial Indebtedness of the Issuer;

(h) any corporate action, legal proceedings or other procedure or steps are taken in relation to the suspension of payments, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of the Issuer other than a solvent liquidation or reorganisation;

(i) the Issuer enters into or initiates steps for entering into a composition, compromise, assignment or arrangement with any of its creditor;

(j) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of the Issuer (if applicable) or any of its assets;

(k) enforcement of any Security Interest over substantial assets of the Issuer, which has a Material Adverse Effect in the reasonable opinion of the TFCs Trustee;

(l) any governmental agency nationalizes, acquires or expropriates (with or without compensation) any or all the assets of the Issuer including but not restricted to the Secured Properties;

(m) any other event or circumstance arising out of the Issuer's negligence or default which results in a Material Adverse Effect in the reasonable opinion of the TFCs Trustee;

(n) any Financial Indebtedness of the Issuer is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (howsoever described), which has a Material Adverse Effect in the reasonable opinion of the TFCs Trustee;

(o) any commitment for any Financial Indebtedness of the Issuer is cancelled or suspended by a creditor of the Issuer, as a result of an event of default (however described), which has a Material Adverse Effect in the reasonable opinion of the TFCs Trustee;

(p) it is or becomes unlawful for the Issuer to perform any of its material obligations under the Declarations of Trust;

(q) any obligation or obligations of the Issuer under the Declarations of Trust or any TFCs Transaction Document are not, or cease to be, legal, valid, binding or enforceable and the cessation individually or cumulatively has a Material Adverse Effect in the reasonable opinion of the TFCs Trustee;

(r) the Declaration of Trust and / or any TFCs Transaction Document ceases to be in full force and effect;

(s) the Issuer repudiates the Declaration of Trust or evidences an intention to repudiate such Declarations of Trust;

(t) any Security Document ceases to be in full force and effect or is declared to be void or is repudiated and the conditions resulting in the repudiation are not remedied and / or replacement Security Documents are not executed within a period of fifteen (15) days from the date on which the Security Documents become void and /or are repudiated;

(u) any court or arbitrator passes a final non-appealable judgment or arbitral award for payment, against the Issuer and the Issuer fails to effect such payment within sixty (60) days from the date on which the obligation to pay arises;

(v) the Issuer fails to comply with any law or regulation to which it may be subject and the same has a Material Adverse Effect in the reasonable opinion of the TFCs Trustee;

(w) the Issuer fails to comply with the covenants set out in the Declarations of Trust and such failure continues for a period of thirty (30) days from the date of receipt of a notice by the Issuer from the TFCs Trustee in respect of the same or from the date on which the Issuer has knowledge of the same, whichever is earlier;

(x) the Issuer suspends, ceases, or threatens to suspend or cease, to carry on all or a substantial part of its business or to change the nature of its business from that undertaken at the date of the Declarations of Trust;

(y) any event or series of events (whether related or not) occurs which would have a Material Adverse Effect in the reasonable opinion of the TFCs Trustee.

Note: It is confirmed that all events of default mentioned in the security documents have been disclosed in this prospectus in the same manner.

PART VII

7. MANAGEMENT OF THE COMPANY

7.1. BOARD OF DIRECTORS OF PAKISTAN REFINERY LIMITED

The Company's affairs are governed by the Board of Directors, which currently consists of Managing Director & CEO and 10 other Directors.

Name	Address	Directorships held in other Companies / Organisations
Farooq Rahmatullah Chairman	7 Khayaban-e-Shamsheer Phase V, DHA, Karachi	• Faysal Bank Limited • Hascol Petroleum Limited • Pakistan Stone Development Company •
Chang Sern Ee Director	6 Eastwood Terrace Singapore 486481	• Hyundai Shell Base Oil Company, South Korea • CNOOC Shell Petrochemical Company, China
Khawaja Nimr Majid Director	12, Runnymede, Block 5 Clifton, Karachi	• Bawany Sugar Mill • New Dadu Sugar Mills (Private) Limited • Tando Allayar Sugar (Private) Limited • Dadu Energy (Private) Limited
Mohammad Zubair Director	Chevron Pakistan Limited State Life Building No. 11 Abdullah Haroon Road, Karachi	• Chevron Pakistan Limited, Bahamas
Muhammad Azam Director	Directorate General Oil Ministry of Petroleum and Natural Resources 21-E, Huma Plaza, Blue Area Islamabad	• Pak Arab Refinery Limited • Total Parco Pakistan Limited
Muqtadar A. Quraishi Director	Chevron Pakistan Limited State Life Building No. 11 Abdullah Haroon Road, Karachi	• Chevron Pakistan Limited, Bahamas
Naeem Yahya Mir Director	PSO House, Khayaban-e-Iqbal, Clifton, P.O.Box 3983 Karachi 75600	• Pakistan State Oil • APL Pakistan (Private) Limited • Pak-Arab Pipeline Company Limited • Pak Grease Manufacturing Company (Private) Limited • Petroleum Institute of Pakistan

Omar Yaqoob Sheikh Director	Shell House 6 Ch. Khaliquzzaman Road Clifton, Karachi-75530	• Shell Pakistan Limited • Pak-Arab Pipeline Company Limited • Petroleum Institute of Pakistan
Rafi Haroon Basheer Director	Shell House, 6 Ch. Khaliquzzaman Road Clifton, Karachi-75530	• Shell Pakistan Limited • Pak-Arab Pipeline Company Limited
Saleem Butt Director	The Forum, Suite # 105, 106 1st Floor, Khayaban-e-Jami Clifton, Karachi	• Hascol Petroleum Limited • TRG Pakistan Limited • Sigma Motors Limited
Aftab Husain Director & CEO	P.O. Box 4612 Korangi Creek Road, Karachi-75190	• Pak Grease Manufacturing Company (Private) Limited • Petroleum Institute of Pakistan

7.2. PROFILE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Mr. Farooq Rahmatullah is a law graduate from University of Peshawar. He joined Burmah Shell Oil and Distribution Company in 1968 and worked in different capacities i.e. chemicals, human resources, marketing, supply, distribution, retail, etc. Transferred to Shell International London in 1994, he was appointed as a Manager in the Business Strategy Division and was involved in various portfolios covering over 140 countries. On his return in 1998, he was appointed as Head of Operations of Shell Pakistan and was looking after Middle East and South Asia (MESA). In 2001 he was appointed as Chairman of Shell Companies in Pakistan and Managing Director of Shell Pakistan Limited. He was one of the founding members of PAPCO (Pak Arab Pipeline Company Limited). He retired from Shell on June 30, 2006. He has also served as Director General of Civil Aviation Authority of Pakistan, Chairman of Oil and Gas Development Company Limited and Chairman of LEADS Pakistan. He has been Chairman of Pakistan Refinery Limited (PRL) since June, 2005. In addition to this, he is currently serving on the Boards of Directors of Faysal Bank Limited, Hascol Petroleum Limited, founding member of Pakistan Human Development Fund, director on the Board of Society for Sustainable Development, member of Resource Development Committee of Aga Khan University Hospital, member of National Commission of Government Reforms and member of Pakistan Stone Development Company.

7.3. PROFILE OF THE CHIEF EXECUTIVE OFFICER

Aftab Husain is a Chemical Engineer and MPA from IBA, Karachi. He has a career in oil refining with over 33 years of experience with PRL having led Operations, Technical and Commercial functions in the Refinery. He is considered a refining expert in the industry and has also served as the Refining Specialist for the National Integrated Energy Plan in the Energy Expert Group of the Economic Advisory Committee, Ministry of Finance. He is currently on the Energy Panel of Pakistan Economic Forum of Pakistan Business Council and OICCI Energy Committee. Mr. Husain was appointed to his current position on November 1, 2011.

7.4. PROFILE OF THE CHIEF FINANCIAL OFFICER

Imran Ahmad Mirza is a Fellow member of the Institute of Chartered Accountants of Pakistan with over 25 years of diversified experience. He had worked for M/s A. F. Ferguson & Co., Chartered Accountants (a member firm of PriceWaterhouseCoopers) in Audit & Business Assurance area. Before joining PRL he had worked for Pakistan State Oil Company Limited, PICIC, NIB Bank and IBL Group of companies in senior positions in finance, internal audit and corporate secretarial.

7.5. PROFILE OF THE COMPANY SECRETARY

Asim H. Akhund is the Company Secretary of Pakistan Refinery Limited. In addition to his company secretarial responsibilities, he also manages the legal affairs of the Company. He joined the Company in December 2012, prior to that he has held similar roles at Pak-Oman Investment Company Limited, Engro Eximp and Engro Foods Supply Chain (Private) Limited and Philip Morris (Pakistan) Limited. Prior to moving in-house he has been a practicing lawyer and holds LLM degree from Queen Mary, University of London.

7.6. INFORMATION IN RESPECT OF DIVIDEND PAYMENTS BY GROUP COMPANIES IN WHICH DIRECTORS OF THE ISSUERS ARE HOLDING DIRECTORSHIP

The Company is not part of any group of companies. However, the Company has received dividends from an associated company Pak Grease Manufacturing Company (Private) Limited in which the Company has 27.26% shareholding.

7.7. OVERDUE LOANS

The Company has no overdue loans (local and foreign currency).

7.8. POWERS OF DIRECTORS

The business of the Company shall be managed by the directors, who may pay all expenses incurred in setting up 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 the time being in force, or by the Articles of Association of the Company, required to be exercised by the Company in general meeting subject nevertheless to any regulation of the Articles of Association of the Company, to the provisions of the Companies Ordinance, 1984 and such regulations being not inconsistent with the aforesaid regulations or provisions as may be prescribed by the Company in general meeting but no regulation made by the Company in general meeting shall invalidate any prior act of the directors which would have been valid if that regulation had not been made.

7.9. NUMBER OF DIRECTORS

Pursuant to section 174 of the Companies Ordinance, 1984, the number of directors of a listed company should not be less than seven (7). At present, the Board of PRL consists of 11 Directors including the Managing Director & CEO.

7.10. QUALIFICATION OF DIRECTORS

In addition to the requirements of Section 187 of the Companies Ordinance, 1984, the Articles of Association of the Company have stipulated that the qualification of a director shall be his holding shares of the nominal value of Rs. 25,000 at least in his own name, but a director representing a member or members holding shares to the nominal value of Rs. 25,000 or more shall require no qualification.

7.11. REMUNERATION OF DIRECTORS

The remuneration of a director for performing extra services, including the holding of the office of the chairman, shall be determined by the directors, provided that for accepting or holding an office of profit under the Company, other than that of chief executive, or a legal or technical adviser of a banker, sanction of the Company in general meeting will be required. The remuneration to be paid to any director for attending the meeting of the Board or any committee of directors shall not exceed such amount for each meeting attended by him as is approved by the Board. A director shall also be paid reasonable travelling and other expenses incidental to his attendance at such meetings or incurred for any purpose in connection with the affairs of the Company.

7.12. AMOUNT OF BENEFITS TO PROMOTERS AND OFFICERS DURING THE LAST TWO YEARS

No benefit has been given or is intended to be given by the Company to the promoters. Officers of the Company are paid remuneration for services rendered by them as full time employees of the Company.

7.13. INTEREST OF DIRECTORS

The Directors may be deemed to be interested to the extent of fees payable to them for attending board meetings and honorarium paid to the Chairman of the Board of Directors. The Managing Director & CEO performing whole time services to the Company may also be deemed to be interested in the remuneration payable to him by the Company. The Directors may also be deemed to be interested to the extent of any shares held by each of them in Company and / or the TFCs applied for and allotted to them through the public issue. The Directors may also be deemed to be interested to the extent of sales to certain related parties in which they also have either a directorship or hold key management position.

7.14. 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 within the last two years.

7.15. ELECTION OF DIRECTORS

The Directors shall comply with the provisions of section 174 to 178, 180 and 184 of the Companies Ordinance, 1984 and the Conditions of the Consent Order attached to the Memorandum and Articles of Association of the Company relating to the election of Directors and matters ancillary thereto. The present Directors of the Company were elected / nominated effective June 6, 2011. The Board of Directors of the Company in exercise of powers vested in it through section 180(2) of the Companies Ordinance, 1984 has made appointment of directors in order to fill in the casual vacancies occurred from time to time for the remainder of the three year term.

7.16. BORROWING POWERS

The Company may from time to time borrow any money for the purposes of the Company from the members, from any other persons, firms, companies, corporations, government agencies, banks, development financial institutions, non-banking financial institutions, or any other lending agencies or entities, whether local or international, in such amounts, in such manner and upon such terms and conditions in all respects as the Board may determine and without affecting the generality of the foregoing, by the issue of bonds, debentures, or any mortgage or other security on the whole or any part of the property, assets, rights, book-debts, receivables and or the undertaking of the Company (both present and future).

7.17. VOTING RIGHTS

The TFCs shall not carry any voting rights in relation to the Company.

PART VIII

8. MISCELLANEOUS INFORMATION

8.1. REGISTERED OFFICE / HEAD OFFICE	P.O. Box 4612 Korangi Creek Road Karachi – 75190
8.2. AUDITORS	A. F. Ferguson & Co. State Life Building No 1-C I.I Chundrigar Road, P.O.Box 4716 Karachi-74000
8.3. LEGAL ADVISOR TO THE ISSUE	Haidermota & Co. Barristers at Law & Corporate Counsellors Karachi Office: D-79, Block 5, Clifton, Karachi 75600
8.4. REGISTRAR/TRANSFER AGENT	FAMCO Associates (Pvt) Ltd. State Life Building 1-A 1st Floor I.I. Chundrigar Road Karachi
8.5. BANKERS TO THE ISSUE	Standard Chartered Bank (Pakistan) Limited Habib Bank Limited Askari Bank Limited Bank Al Falah Limited Bank Al Habib Limited Faysal Bank Limited Habib Metropolitan Bank Limited NIB Bank Limited Summit Bank Limited Sindh Bank Limited
8.6. REDEMPTION BANKS (TO EXERCISE PUT OPTION)	Standard Chartered Bank (Pakistan) Limited (All branches)

8.7. MATERIAL CONTRACTS / DOCUMENTS

1. Declaration of Trust (TFC 1) dated May 6, 2013
2. Declaration of Trust (TFC 2) dated May 6, 2013
3. Entity Credit Rating Report by PACRA dated May 6, 2013
4. Instrument Credit Rating Report by PACRA dated May 6, 2013
5. Clearance letter dated May 10, 2013 from KSE
6. Approval letter dated July 19, 2013 from SECP
7. Letter of Hypothecation (Fixed Assets) dated May 10, 2013
8. Letter of Hypothecation of Stocks and Book Debts dated May 10, 2013
9. Letter of Lien and Set Off (TFC 1) dated May 10, 2013
10. Letter of Lien and Set Off (TFC 2) dated May 10, 2013

8.8. INSPECTION OF DOCUMENTS AND CONTRACTS

All the Balance Sheets and Profit & Loss Accounts, Copies of the Memorandum and the Articles of Association, the Auditor's Certificates, Trust Deed, the Deed of Hypothecation, Credit Rating Report, Clearance letter from KSE and approval letter from the Securities and Exchange Commission of Pakistan referred to in this Prospectus may be inspected during usual business hours on any working day at the registered office of the Company from the date of publication of this Prospectus until the closing of the subscription list.

8.9. LEGAL PROCEEDINGS

The Company is defending cases in respect of labour and tax claims. Based on the opinion of the Company's legal counsels, the management is confident that the outcome of these cases will be in favour of the Company. Accordingly, no provision has been made in respect of these claims in the financial statements for the period ended December 31, 2012.

8.10. INDEMNITY

As per the Article 93 of Company's Articles of Association, every director, manager, agent, auditor, secretary and other officer for the time being of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal, arising out of any action taken in carrying out the business of the Company in which judgment is given in his favour, or in which he is acquitted, or in connection with any application under Section 488 of the Ordinance in which relief is granted to him by Court.

8.11. CAPITALIZATION OF RESERVES

Year	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Stock Dividend	NIL	NIL	NIL	NIL	Rs. 50 million	Rs. 50 million	Rs. 50 million	NIL
No. of Shares	NA	NA	NA	NA	5 million	5 million	5 million	NA

8.12. REVALUATION OF FIXED ASSETS

During the period ended December 31, 2012, the freehold land where the refinery is situated was revalued. The revaluation was carried out by an independent valuer on the basis of market rates for similar sized land in near vicinity, keeping in view the condition that the freehold land is to be used for oil refinery.

Had there been no revaluation, the net book value of the land would have amounted to Rs 2.07 million. Net book value of freehold land as of December 31, 2012 is Rs 3.2 billion.

8.13. MEMORANDUM OF ASSOCIATION

The Memorandum of Association, inter alia, contains the objects for which the Company was incorporated and the business that the Company is authorized to undertake. A copy of the Memorandum of Association annexed to this Prospectus is being published with all issues hereof except those released as newspaper advertisement.

8.14. VENDORS

At present neither PRL has taken any steps for acquiring property nor there are any vendors in terms of Clause 12 of Section 1 of Part 1 of the Second Schedule of the Ordinance.

8.15. SUBSIDIARY COMPANIES

The company has no subsidiary companies.

8.16. INVESTMENT IN ASSOCIATED COMPANIES

The company has the following investments in Associated Companies as of December 31, 2012

Name of Company	PKR '000
Pak Grease Manufacturing Company (Private) Limited – 850,401 fully paid ordinary shares of Rs. 10 each	79,601

PART IX

9. APPLICATION AND ALLOTMENT INSTRUCTIONS

GENERAL INSTRUCTIONS

1) **Eligible investors includes:**

a) Pakistani citizens resident in or outside Pakistan or Persons holding two nationalities including Pakistani nationality;
b) Foreign Nationals whether living in or outside Pakistan;
c) Companies, bodies corporate or other legal entities incorporated or established in or outside Pakistan (to the extent permitted by their constitutive documents and existing regulations, as the case may be);
d) Mutual Funds, Provident/pension/gratuity funds/trusts, (subject to the terms of the Trust Deed and existing regulations); and
e) Branches in Pakistan of companies and bodies corporate incorporated outside Pakistan.

2) **APPLICATION MUST BE MADE ON THE COMMISSION'S APPROVED APPLICATION FORM OR A LEGIBLE PHOTOCOPY THEREOF ON A PAPER OF A4 SIZE WEIGHING ATLEAST 62 GM.**

3) **Copies of Prospectus and application forms can be obtained from the members of Karachi Stock Exchange Limited the Bankers to the Issue and their branches, and the registered office of Pakistan Refinery Limited. The Prospectus and the application forms can also be downloaded from the website (https://www.prl.com.pk).**

4) The applicants opting for scripless form of TFCs are required to complete the relevant sections of the application. In accordance with provisions of the Central Depositories Act, 1997 and the CDC Regulations, credit of such TFCs is allowed ONLY in the applicant's own CDC Account. In case of discrepancy between the information provided in the application form and the information already held by CDS, the Bank reserves the right to issue TFCs in physical form.

5) Name(s) and address(s) must be written in full block letters, in English and should not be abbreviated.

6) All applications must bear the name and signature of the applicant. In case of difference of signature with the bank and Computerized National Identity Card (CNIC) or National Identity Card for Overseas Pakistanis (NICOP) or Passport both the signatures should be affixed on the application form.

7) **APPLICATIONS MADE BY INDIVIDUAL INVESTORS**

i. In case of individual investors, an attested photocopy of CNIC (in case of RPs)//Passport (in case of NRPs and FIs) as the case may be, should be enclosed and the number of CNIC/Passport should be written against the name of the applicant. Copy of these documents can be attested by any Federal/Provincial Government Gazetted Officer, Councilor, Oath Commissioner or Head Master of High School or bank manager in the country of applicant's residence.

ii. Original CNIC/Passport, along with one attested photocopy, must be produced for verification to the banker to the issue at the time of presenting the application. The attested photocopy will, after verification, be retained by the bank branch along with the application.

8) **APPLICATIONS MADE BY INSTITUTIONAL INVESTORS**

i. Applications made by companies, corporate bodies, mutual funds, provident/pension/gratuity funds/trusts and other legal entities must be accompanied by an attested photocopy of their Memorandum and Articles of Association or equivalent instrument / document. Where applications are made by virtue of Power of Attorney, the same should also be submitted along with the application. Any Federal/Provincial Government Gazetted Officer, Councilor, Bank Manager, Oath Commissioner and Head Master of High School or bank manager in the country of applicant's residence can attest copies of such documents.

ii. Attested photocopies of the documents mentioned in 8(i) must be produced for verification to the banker to the issue and the applicant's banker (if different from the banker to the issue/offer) at the time of presenting the application. The attested copies, will after verification, be retained by the bank branch along with the application.

9) Joint application in the name of more than 2 persons will not be accepted. In case of joint application each applicant must sign the application form and submit attested copies of their CNICs/Passport. The TFCs 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 CDS account mentioned on the face of the form and where any amount is refundable, in whole or in part, the same will be refunded by cheque or other means by post, or through the bank where the application was submitted, to the person named first on the application form, without interest, profit or return. Please note that joint application will be considered as a single application for the purpose of allotment of TFCs.

10) The person to be nominated shall not be a person other than the following relatives of the member, namely, a spouse, father, mother, brother, sister and son or daughter, including a step or adopted child. The nominee must sign the application form and submit attested copies of their CNICs/passport.

11) Subscription money must be paid by cheque drawn on applicant's own bank account or pay order/bank draft payable to one of the Bankers to the Issue **"Pakistan Refinery Limited TFC1 Subscription Account"** or **"Pakistan Refinery Limited TFC2 Subscription Account", as applicable, and** crossed "A/C PAYEE ONLY".

12) The applicant should have at least one bank account with any of the commercial banks but not necessarily with the Bankers to the Issue. The applicants not having a bank account at all (non account holders) are not allowed to submit application for subscription of TFCs.

13) Applications are not to be made by minors and/or persons of unsound mind.

14) Applicants should ensure that the bank branch, to which the application is submitted, completes the relevant portion of the application form.

15) Applicants should retain the bottom portion of their application forms as provisional acknowledgement of submission of their applications. This should not be construed as an acceptance of the application or a guarantee that the applicant will be allotted the number of TFCs for which the application has been made.

16) Making of any false statements in the application or willfully embodying incorrect information therein shall make the application fictitious and the applicant or the bank shall be liable for legal action.

17) Bankers to the Issue are prohibited to recover any charges from the subscribers for collecting subscription applications. Hence, the applicants are advised not to pay any extra charges to the bankers to the issue.

18) For the applications made through pay order/ bank draft, it would be permissible for a banker to the issue to deduct the bank charges while making refund of subscription money to unsuccessful applicants through pay order/ bank draft individually for each application.

19) It would be permissible for a Banker to the Issue to refund subscription money to unsuccessful applicants having an account in its bank by crediting such account instead of remitting the same by cheque, pay order or bank draft. Applicants should, therefore, not fail to give their bank account numbers.

ADDITIONAL INSTRUCTIONS FOR FOREIGN/NON-RESIDENT INVESTORS

20) In case of foreign investors who are not individuals, applications must be accompanied with a letter on applicant's letterhead stating the legal status of the applicant, place of incorporation and operations and line of business. A copy of memorandum of association or an equivalent document should also be enclosed, if available. Where applications are made by virtue of Power of Attorney, the same must be lodged with the application. Copies of these documents can be attested by the bank manager in the country of applicant's residence.

21) Applicants may also subscribe using their Special Convertible Rupee Account (SCRA) as set out under the State Bank of Pakistan's Foreign Exchange Manual.

BASIS OF ALLOTMENT

1. The minimum amount of application for subscription of TFCs is PKR 10,000/-. Application for TFCs below the total value of PKR10,000/- shall not be entertained.

2. Application for TFCs must be made for a minimum of the aggregate face value of PKR 10,000/-, or in multiples of PKR 10,000/- for amounts above PKR 10,000/-Applications, which are neither for Rs 10,000/- nor in multiples of PKR 10,000/- for amounts above PKR 10,000/-, shall be rejected.

3. Allotment/Transfer of TFCs to successful applicants shall be made in accordance with the allotment criteria/ instructions disclosed in the Prospectus.

4. Allotment of TFCs shall be subject to scrutiny of applications in accordance with the criteria disclosed in the Prospectus and/or the instructions by the Securities & Exchange Commission of Pakistan.

5. **Applications, which do not meet the above requirements, or applications which are incomplete will be rejected. The applicants are, therefore, required to fill in all data fields in the Application Form.**

6. **The Company will dispatch TFCs to successful applicants or credit the respective CDS accounts of the successful applicants (as the case maybe). Therefore, applicants are advised to fill in accurate mailing address and CDS account details, if any.**

7. **BANKERS TO THE ISSUE**

Code	Name of Banks	Code	Name of Banks
01	Standard Chartered Bank (Pakistan) Limited	06	Faysal Bank Limited
02	Habib Bank Limited	07	Habib Metropolitan Bank Limited
03	Askari Bank Limited	08	NIB Bank Limited
04	Bank Al Falah Limited	09	Summit Bank Limited
05	Bank Al Habib Limited	10	Sindh Bank Limited

8. Occupation Code

Code	Occupation	Code	Occupation
01	Business	06	Professional
02	Business Executive	07	Student
03	Service	08	Agriculturist
04	Housewife	09	Industrialist
05	Household	10	Other

9. Nationality Code

Code	Name of Countries	Code	Name of Countries
001	U.S.A	006	Bangladesh
002	U.K	007	China
003	U.A.E	008	Bahrain
004	K.S.A	009	Other
005	Oman		

PART X

10. SIGNATORIES TO THE PROSPECTUS

Name	Signature
Farooq Rahmatullah	s/d
Chang Sern Ee	s/d
Khawaja Nimr Majid	s/d
Mohammad Zubair	s/d
Muhammad Azam	s/d
Muqtadar A. Quraishi	s/d
Naeem Yahya Mir	s/d
Omar Yaqoob Sheikh	s/d
Rafi Haroon Basheer	s/d
Saleem Butt	s/d
Aftab Husain	s/d

Witness 1:

Name: Imran Ahmed Mirza Signature: s/d

Place: Karachi

Witness 2: Asim H. Akhund

Name: Signature: s/d
Place: Karachi

PART XI

11. MEMORANDUM OF ASSOCIATION

THE COMPANIES ORDINANCE, 1984
COMPANY LIMITED BY SHARES
Memorandum of Association
OF

PAKISTAN REFINERY LIMITED

1. The name of the Company is "Pakistan Refinery Limited".

2. The registered office of the Company will be situated in Karachi in the Province of Sind.

3. The objects for which the Company is established are to construct, own and operate an oil refinery pursuant to an Agreement made the 28th day of November 1959 between the President of Pakistan of the first part and The Burmah Oil Company Limited, California Texas Oil Corporation, The Shell Petroleum Company Limited and StandardVacuum Oil Company of the second part and so far as may be conducive to the attainment of the said objects or convenient or advantageous in furtherance thereof to do all or any of the acts and things set out in the ensuing paragraphs of this clause, that is to say:-

   (1) to execute any such documents and to do any such acts and things as may be necessary to make the Company a party to the said Agreement;

   (2) to carry on in all its branches the business of importing, exporting, acquiring, buying, selling, dealing in, supplying, refining, distilling, treating, processing, manufacturing, storing, piping or otherwise transporting oil (whether mineral, animal or vegetable) and any products thereof;

   (3) to carry on all or any of the business of consignees and agents for sale of, dealers in, and refiners of petroleum and other oils and products and other kindred businesses wharfingers, merchants, carriers, shipowners and charterers, lightermen, barge owners, factors and brokers in all or any of their branches and to treat and turn to account in any manner whatsoever petroleum, other oils and products as aforesaid;

   (4) to own, purchase, acquire, lease, build, erect, install, establish, operate and maintain plants, laboratories, equipment, apparatus and other facilities for the purpose of distilling, refining and processing petroleum and preparing therefrom products and by-products of any kind and of producing substances necessary in connection with the distilling, refining and processing as aforesaid, or conveniently used and operated in connection therewith;

   (5) to construct and maintain pipelines for the transportation of liquids and gases, to transport such liquids and gases by means of such pipelines and to utilise and to sell and to supply liquids and gases to others; to store the same in tanks or otherwise and to lay, buy, lease, sell and operate such pipelines, tanks and other storage facilities;

   (6) to purchase, take on lease or in exchange, or otherwise acquire any lands and to layout, improve and prepare the same for building or commercial purposes; to sell, mortgage, or let the same; to construct, alter, repair, pull down, decorate, maintain, furnish, fit up and improve buildings; to layout, construct and pave roads, streets, alleys, paths and walks; to drain, improve and landscape grounds; and to advance money to, and enter into contracts

and arrangements of all kinds with builders, property owners, tenants and others;

(7) to clear, manage, farm, cultivate, irrigate and otherwise work or use any lands over which the Company has any rights and to dispose of or otherwise deal with any farm or other products of any such lands and to layout sites for and establish temporary or permanent camps, towns and villages on any such lands;

(8) to own, acquire, construct, establish, install, layout, improve, maintain, work, manage, operate, carry out or control, or aid in, contribute or subscribe to the construction, erection, maintenance and improvement or working of, any roads, ways, tramways, railways, aerodromes and landing fields, docks, wharves, piers, bridges, jetties, breakwaters, dredging facilities, moorings, harbour abutments, viaducts, aqueducts, canals, water courses, tanks, storage installations, refineries, pipes, pipelines, telegraphs, telephones, wireless, gas works, steams works, electric lighting and power works, power houses, hydroelectric plants, laboratories, factories, mills, foundries, workshops, machine shops, warehouses, shops, stores, fuel stores, hangers, garages, guard towers, machinery and other appliances, hotels, clubs, restaurants, lodging houses, baths, places of worships, hospitals, dispensaries, places of amusement, pleasure grounds, parks, gardens, reading rooms, dwelling houses, office and other buildings, works and conveniences which may be calculated, directly or indirectly, to advance the Company's interests and to contribute subsidies or otherwise assist or take part in, the construction, improvement, maintenance, working, management, carrying out of control thereof, and to take any lease or enter into any working agreement in respect thereof;

(9) to purchase, build, charter, affreight, hire and let out for hire, or for chartering and affreightment, and otherwise to obtain the possession of, and use, operate and dispose of, and employ or turn to account ships, lighters, barges, tugs, launches, boats and vessels of all kinds (including tank vessels), automobiles, lorries, motor trucks and tractors, airplanes, locomotives, wagons, tank cars, and other rolling stock, and otherwise to provide for and employ the same in the conveyance of petroleum and other minerals and movable property and merchandise of all kinds, and the transportation of personnel, employees, customers and visitors, and to purchase or otherwise to acquire any shares or interests in any ships or vessels, airplanes, railways, motor transportation, or in any companies, possessed of or interested in any ships, vessels, airplanes, railways and motor transportation;

(10) to purchase, acquire, take on lease or tenancy, sell, dispose of, mortgage or let any estate or interest in, and to take and acquire options over, any property, real or personal, or rights of any kind which may appear to be necessary or convenient for any business of the Company, and to develop, improve, turn to account, deal with, lease, mortgage, sell or otherwise dispose of the same in such manner as may be thought expedient;

(11) to apply for, obtain, own, register, renew, purchase, lease or otherwise to acquire, and to use, own, produce under manufacture, operate and introduce, and to sell, assign, grant, license, or otherwise dispose of patents, brevets d'invention, inventions, improvements, formulae and processes used in connection with or secured under letters patent of any government or country in the world, including licences, concessions and the like, conferring exclusive or non-exclusive or limited right to use any secret or other information as to any invention which may seem capable of being used for any of the purposes of the Company or the acquisition of which may seem directly or indirectly calculated to benefit the Company, and to use, exercise, develop, disclaim, alter or modify, grant licences in respect of, or otherwise turn to account the property, rights and information so acquired, also to acquire, use, register, assign and dispose of trademarks, trade names, registered or other designs, rights of copy-right, or other rights or privileges in relation to any business carried

on by the Company;

(12) to purchase or otherwise acquire and undertake, Wholly or in part for cash, shares, stock, debentures, debenture stock or other securities or otherwise howsoever, all or any part of the business or property and liabilities of any person, firm or company carrying on any business which this Company is authorised to carry on or possessed of property suitable for the purposes of this Company;

(13) to establish or promote or concur in establishing or promoting any company, association or firm whose objects shall include the acquisition of all or any of the assets or liabilities of this Company or the promotion of Which shall be considered likely to advance, directly or indirectly, the object of this Company or the interests of its members;

(14) to enter into partnership or any arrangement for sharing profits, union of interests, co-operation, joint venture, reciprocal concessions, or otherwise with any Company, association, firm or person carrying on or engaged in or about to carry on or engage in, any business or transaction which this Company is authorised to carry on or engage in, or any business or transaction capable of being conducted so as directly or indirectly to benefit the Company, and to lend money to, guarantee the contracts of, or otherwise assist any such company, association, firm or person, and to purchase, take, or otherwise acquire, shares and securities of any such company or association, firm or person, and to sell, hold, re-issue, with or without guarantee, or otherwise deal with the same;

(15) to lend money to any Company, association, firm or person, and guarantee or undertake the performance of the obligations of any Company, association, firm or person and the payment of dividends and interest on, and the repayment or payment of, capital paid up on or other moneys payable in respect of any stock, shares, debentures, debenture stock, securities and obligations of whatsoever nature of any company, association, firm or person in any case in which such loan, undertaking or guarantee may be considered likely, directly or indirectly to further the objects of this Company or the interest of its members;

(16) to advance, give credit, lend or deposit money, securities and property to or with any Company, association, firm or person, and on such terms as may seem expedient;

(17) to draw, make, accept, endorse, negotiate, execute and issue and to discount, buy, sell and deal in promissory notes, bills of lading and other negotiable or transferable instruments, including but not limited to, warrants, debentures, bills of lading, warehouse receipts and trust receipts;

(18) to receive from any person or persons or from any firm, association, partnership or corporate body, Whether a member or members, director or directors, employee or employees of the Company or otherwise, money or securities on deposit at interest or for safe custody or otherwise;

(19) to subscribe for, underwrite, purchase or otherwise acquire, and to hold, dispose of and deal in shares, stocks, bonds, debentures, debenture stocks and other obligations of any other Company, secured or unsecured;

(20) to invest any moneys of the Company not required for its general purposes in such investments (other than shares or stock in the Company) as may be thought proper, and to hold, sell or otherwise deal with such investments;

(21) to borrow, raise or secure the payment of money in such manner as the Company shall think fit, and in particular by the issue of debentures or debenture stock, perpetual or

otherwise, charged upon all or any of the Company's property, both present and future, including its uncalled capital, and to mortgage, pledge and hypothecate any part of its assets, rights or other interests as security therefor, and to purchase, redeem, pay for or discharge such securities;

(22) to own, hold, sell, exchange, let on rent or shares of profit or royalty or otherwise, grant licences, easements, options, servitudes and other rights over, and in any other manner deal with or dispose of, the undertaking, property, assets, rights, and effects of the Company or any part thereof for such consideration as may be thought fit, and in particular for stocks, shares, debentures, debenture stock or other obligations or securities of any other Company;

(23) to distribute among the members of the Company in specie any property of the Company;

(24) to remunerate the directors, officials, agents, employees and servants of the Company and others as the Company may think proper, and to formulate and carry into effect any plan for sharing the profits of the Company with such directors, officials, agents, employees and servants of the Company or any of them;

(25) to obtain any legislative, judicial, administrative or other Acts or authorisations of any government or authority competent in that behalf for enabling the Company to carry any of its objects into effect and for effecting any modification of the Company's constitution, or for any other purpose which may seem expedient, to take all necessary or proper steps with the authorities, supreme, national, local, municipal or otherwise, of any place in which the Company may have interest, and to carry on any negotiations or operations for the purpose of directly or indirectly, carrying out the objects of the Company or furthering the interests of its members, and to oppose any proceedings, applications, actions or steps taken by any governmental authority or body, or any Company, association, firm or person, which may seem calculated, directly or indirectly, to prejudice the interests of the Company or its members;

(26) to enter into any arrangements and contracts with any governments or authorities, supreme, municipal, local or otherwise, that may seem conducive to the Company's objects or anyone of them and to obtain from such government or authority any rights, privileges, options, concessions and licences which the Company may think desirable to obtain, and to carry out, exercise or comply with any such arrangements, agreements, rights, privileges, concessions and licences and to procure the Company to be registered or recognised in any part of the world;

(27) to establish and support or aid in the establishment and support of associations, institutions, funds, trusts and conveniences, calculated to benefit employees or ex-employees of the Company, or, the dependents or connections of such persons, and to grant pensions, gratuities and allowances and to make payments towards insurance and to subscribe or guarantee money for charitable or benevolent objects or for any exhibition or for any public, general or useful purpose which in the opinion of the directors is calculated to advance the interests of the Company or of its employees, and for the purpose of this paragraph the words "employees" and "ex-employees" shall include, respectively, present and former directors and other officers, agents, employees and servants;

(28) to manage, improve, develop, sell, exchange, lease, mortgage, pledge, hypothecate, assign, transfer, deliver, dispose of, turn to account or otherwise deal with all or any part of the property and assets, real and personal, corporeal or incorporeal, tangible or intangible, and any right, title, and interest of the Company therein, including rights, licences, privileges, concessions and franchises as may seem expedient;

(29) to remunerate any person or company for services rendered in placing or assisting to place or guaranteeing the placing of any of the shares in the Company's capital or any debenture or debenture stock or other securities of the Company or in or about the formation or promotion of the Company or the conduct of its business;

(30) to undertake, assist and participate in financial, commercial and industrial operations and undertakings in any part of the world, and both singly and in connection with other persons, firms, associations and companies and corporations;

(31) to amalgamate, consolidate, or merge, with a view to effecting a union of interests, 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 authorised to carry on;

(32) to apply to the proper authority or authorities and sue for a grant of licence or licences to lay down rails, pipes, or other materials in any public road, street or public place for the purpose of enabling the Company to carry on the business or objects for which it is formed and to build wharves or abutments in any port, harbour or public water for any such like purpose;

(33) to carry on any other business, whether manufacturing or otherwise, which may seem to the Company capable of being conveniently carried on in connection with any of the objects specified above or calculated directly or indirectly to enhance the value of or render profitable any of the Company's property or rights;

(34) to do all or any of the above things as principals, agents, contractors, trustees or otherwise, and either alone or in conjunction with others and to enter into contracts or other arrangements with any person or Company whereby all or any of the above things will be done for or on behalf of this Company, acting alone or in conjunction with others;

And it is hereby declared that the word "Company" in this clause except where used in reference to the company shall be deemed to include any partnership or other body of persons whether incorporated or not incorporated and whether domiciled in Pakistan or elsewhere and that the references in this clause to the Agreement made the 28th day of November 1959 between the President of Pakistan of the first part and The Burmah Oil Company Limited, California Texas Oil Corporation, The Shell Petroleum Company Limited and Standard Vacuum Oil Company of the second part includes a reference to such Agreement as from time to time amended or supplemented.

4. The liability of the members is limited.

5. The share capital of the company is Rupees one thousand million (Rs. 1,000 million) divided into one hundred million shares of Rupees ten (Rs. 10) each of which forty million shares shall be designated as "A" shares and sixty million shares shall be designated as "B" shares.

We, the several persons whose names and addresses are subscribed are desirous of being formed into a Company in pursuance of this memorandum of association, and we respectively agree to take the number of shares in the capital of the Company set opposite to our respective names.

Names	Address and descriptions of subscribers	Number of shares taken by each subscriber	Signature
Sd/- (Nicholas J.D. Williams)	Finlay House McLeod Road, Karachi. Solicitor.	One	
Sd/- (Shah Mohammad Hassan).	Finlay House McLeod Road, Karachi. Advocate.	One	
Sd/- B.H. Bevan-Petman	Finlay House McLeod Road, Karachi. Barrister-at-Law.	One	
Sd/- (Richard F. Spickernell).	Finlay House McLeod Road, Karachi. Solicitor.	One	
Sd/- (Edward Vaz).	Finlay House McLeod Road, Karachi. Service.	One	
Sd/- (Aftab Ahmad)	Finlay House McLeod Road, Karachi. Solicitor.	One	
Sd/- (Sadiq Hussain)	Finlay House McLeod Road, Karachi. Solicitor.	One	

Dated this 2nd day of May, 1960.

Witness to the above Signatures:

Name: Sd./- (Fakhruddin Tapal)

Address: Finlay House, McLeod Road, Karachi.
Designation: Barrister-at-Law