

Case No. OGRA-10-12(52)/2018-WOP

IN THE MATTER OF
DETERMINATION OF MOGAS WHITE OIL PIPELINE TARIFF
FOR
PAK-ARAB PIPELINE COMPANY (PAPCO)

UNDER
OIL AND GAS REGULATORY AUTHORITY
ORDINANCE, 2002

DECISION
ON
June 21, 2018

Before:

Ms. Uzma Adil Khan, Chairperson

Mr. Noorul Haque, Member (Finance)

Dr. Abdullah Malik, Member (Oil)

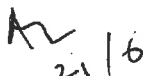


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1. BACKGROUND

- 1.1. The Authority on December 26, 2016, granted license to PAPCO under Rule 26(2) of Pakistan Oil (Refining, Blending, Transportation, Storage & Marketing) Rules, 2016, for operation of its existing White Oil Pipeline (WOP).
- 1.2. PAPCO owns 780 Km long 26" main pipeline (WOP) for transporting HSD from Karachi to Mahmoodkot, having current capacity of 08 MT extendable up to 12 MT. It is further connected to Mahmoodkot-Faisalabad-Machike (MFM) pipeline system. The tariffs for the transportation of HSD were agreed between Government of Pakistan and Government of Emirate of Abu Dhabi through Implementation Agreement dated July, 2001 at US\$/Ton 15.889 & US\$/Ton 10.068 from Karachi to Mahmoodkot and Shikarpur respectively for the 1st five years, based on the investment of US\$ 480,637 million. Accordingly, it has been used for pumping of HSD from Karachi to Mahmoodkot since its commissioning in the year 2005. The capacity utilization of WOP has continued to decline year on year, from around 4.80 MT in FY 2007-08 to 3.40 MT in FY 2013-14, due to decline in country's demand for HSD.
- 1.3. In the meantime, consumption of Mogas in the north of country has increased at faster pace and significant volumes of Mogas are being moved up-country by road. To utilize the available spare capacity of WOP, PAPCO considered pumping of Mogas along with HSD through WOP in batches. Accordingly, PAPCO engaged International Consultant M/s PENSPEN-UK to carryout techno-economic feasibility study titled WOP Optimal Utilization Study. The study concluded that Mogas can be pumped through WOP system after certain additions and modifications in the existing system and is commercially also viable.
- 1.4. PAPCO engaged M/s ENAR Petrotech as consultant to review and confirm the findings of M/s PENSPEN's WOP Optimal Utilization study and to estimate the costs of the proposed project. M/s ENAR Petrotech carried out FEED study for required equipment and facilities to be added to modify WOP stations to enable the batched transportation of Mogas & HSD via existing WOP system.
- 1.5. Based on the above study, PAPCO approached MoE for approval of the up-gradation of WOP pipeline for multiproduct and the determination of Mogas transportation tariff. MOE vide its letter No. PL-9(558)/2014 dated November 4, 2016, in the light of legal advice sought from Ministry of Law, Justice and Human Resource in the said matter, has advised OGRA to examine/analyze and determine/approve the subject tariff. Subsequently, PAPCO has submitted its petition to OGRA for determination of pipeline tariff for transportation of Mogas from Karachi to Mahmoodkot and Shikarpur.



- 1.6. Initially, PAPCO has submitted cost estimate (with +/- 15% accuracy) of the project at US\$ 217.60 million including Engineering, Procurement, Construction costs, duties, taxes and a contingency factor, based on M/s ENAR Petrotech technical study.
- 1.7. Subsequently, PAPCO has revised the project estimates and informed that almost 85% of the estimated project cost pertains to EPC work which has been awarded to M/s Descon Engineering Limited (DEL) on lump sum cost basis. Based on that, the total projected cost estimates of WOP project are now worth US\$ 134.20 million. PAPCO has intimated that the estimates have been revised downward based on the lowest bid from M/s DEL. PAPCO has intimated that the cost of KKLP allied project and SCADA have been excluded from the main project costs. In this respect, PAPCO has submitted that the SCADA system is already in place for the existing pipeline system, therefore, any up-gradation/ maintenance is logically being charged to the existing project. With respect to KKLP pipeline, the company has informed that it could not obtain the required approval from concerned authorities therefore, the same has also been excluded from the main project cost. PAPCO has further clarified that exclusion of KKLP shall not affect the operation and implementation of WOP upgradation project.

2. AUTHORITY'S JURISDICTION

- 2.1. In the light of advice of Ministry of Law, Justice & Human Resource, OGRA under Section 2(1)(xxxix), 7(1) and 6(2)(s) of OGRA Ordinance, 2002, as well as license condition No. 2(viii) of PAPCO's license, is empowered to determine / approve the tariffs for transportation of Mogas from WOP pipeline, subject to policy guidelines by Federal Government. Therefore, PAPCO's tariff proposal is being considered by OGRA for determination of the same in the light of criteria stipulated under the relevant provisions of OGRA Ordinance, 2002.

3. SALIENT FEATURES OF THE PIPELINE UPGRADATION PROJECT

- 3.1. The conceptual study of the project was conducted by an international consultant M/s PENSPEN-UK, which concluded that the existing pipeline could be used for multi-products transportation i.e. HSD & Mogas over the estimated construction period of 39 months with the help of additional supported infrastructure, that would be required to add with the existing WOP system for upgradation of the project. The salient features of the Mogas transportation project as stated by PAPCO are as follows:

- 3.1.1. Addition of substantial motor gasoline storage facility in the country.



- 3.1.2. Dedicated Mogas line from FOTCO Jetty to PAPCO WOTS-I, Port Qasim Station to avoid inter-mix.
 - 3.1.3. Provision for receiving surplus NRL, PRL & Byco Mogas at WOTS-I through pipeline connection from OMCs Terminals at Port Qasim.
 - 3.1.4. Provision for Mogas supply via Oil Marketing Companies (OMCs) pipelines to OMCs depots at Shikarpur and Mahmoodkot (MMK).
 - 3.1.5. Gantry facilities at Shikarpur and Mahmoodkot to deliver Mogas by tank lorries to improve availability to OMCs and improve logistics.
 - 3.1.6. Inter-mix Processing Facility at PAPCO WOTS- III Mahmoodkot Station to process HSD/Mogas-transmix generated in the WOP between Port Qasim and Mahmoodkot.
- 3.2. PAPCO has informed that the financial evaluation was carried out with the aim to assess the financial viability of the project based on technical parameters, cost estimation and expected volumetric data. Accordingly, the same has been done and after the financially feasible conclusion, it has been decided to go-ahead with the project and for this purpose, necessary FEED study was awarded to M/s ENAR Petrotech Private Limited.

4. KEY ADVANTAGES ENVISAGED BY PAPCO FROM WOP PROJECT

- 4.1. PAPCO has claimed that the project has significant advantages for the country and its energy sector in addition to injecting the investment of US\$ 134.20 million in infrastructure development. The key advantages are as under:
- 4.1.1. Reduction in cost of transporting Mogas by 66.33% as compared to road transportations tariff.
 - 4.1.2. Benefit to general public in terms of lower petroleum products prices.
 - 4.1.3. Reduction in major Health, Safety and Environment exposure for the country and the people along roads and highways.
 - 4.1.4. Reduction in foreign exchange outflow by reducing import of HSD, currently being used by tank lorries to transport Mogas to upcountry locations.
 - 4.1.5. Reduction in wear & tear and maintenance cost of cross-country roads.
 - 4.1.6. Increased Mogas storage facility and stocks for the country.
 - 4.1.7. Reduction in IFEM as well as increased efficiency in product movement to up-country.



4.1.8. Financial benefit to the Government of Pakistan via PARCO's shareholding in the existing WOP pipeline.

4.1.9. Utilization of existing pipeline capacity could be managed in a feasible way.

5. TARIFF PROPOSED BY PAPCO

- 5.1. PAPCO has proposed tariff for the WOP project based on study conducted by M/s ENAR Petrotech who confirmed the findings of M/s PENSPEN's WOP Optimal Utilization study. M/s ENAR Petrotech, based on its FEED study, suggested the required equipment and facilities to be added or modified at WOP stations to enable transportation of Mogas & HSD in batches via WOP system. PAPCO has submitted the revised project estimates of US\$ 134.20 million against the initial project estimates of US\$ 217.60 million. PAPCO has informed that the reduction in project cost is due to excluding the costs of KKL P and new SCADA from the main project owing the reasons already mentioned in Para 1.7 above. Further, it has also been informed that almost 85% of the estimated project cost comprise of EPC work, that has been firmed up and the EPC contract has been awarded to the lowest bidder i.e. M/s DEL on lump sum cost basis. The breakup of total revised project cost of US\$ 134.20 million is depicted under:

Overall project cost		
Particulars	Amount in PKR	Amount in USD
		PKR 104.6/USD
Total EPC Cost	11,793,824,577	112,751,669
Estimated Non- EPC works:		
Additional land , relocation of transmission	349,999,968	3,346,080
Owner's overhead (Project team cost)	589,999,961	5,640,535
5 % Contingency Factor	720,000,084	6,883,366
Financial Charges during construction period	583,495,410	5,578,350
Estimated CAPX Cost	14,037,320,000	134,200,000

- 5.2. PAPCO has informed that the project cost shall be met through debt financing with the consortium of Muslim Commercial Bank Limited and Meezan Bank Limited for local currency financing and from Standard Chartered Bank Pakistan Limited for foreign currency financing, on approximately seven-year financing tenure.
- 5.3. Volumes of the Mogas growth/ sales have been forecasted by PAPCO on the basis of total country's actual sale/ consumption of Mogas i.e. 4,732,381 M/Ton as given in OCAC's Oil Report for the FY-2014-15 and subsequent growth by 10% till year 2020 and



5% thereafter has been assumed. Based on the above assumptions, the volumes of Mogas available for WOP Pipeline have been forecasted as under:

Year	Country Demand	Unit M.Ton
		Volume available for WOP Pipeline
2018-19	6,928,000	1,618,000
2019-20	7,621,000	3,820,000
2020-21	8,002,000	4,141,000
2021-22	8,402,000	4,478,000
2022-23	8,823,000	4,832,000
2023-24	9,264,000	5,203,000
2024-25	9,727,000	5,419,000
2025-26	10,213,000	5,451,000
2026-27	10,724,000	5,484,000
2027-28	11,260,000	5,519,000
2028-29	11,823,000	5,555,000
2029-30	12,414,000	5,593,000

- 5.4. Based on the overall project cost estimates of US\$ 134.20 million and projected Mogas volumes available for supply through pipeline, PAPCO has requested for Mogas transportation tariffs at US\$ 9.486 /MT and US\$ 15.553/MT from Karachi to Shikarpur & Mahmoodkot respectively for the first five years, which are approximately 33.67% of road tariffs for petroleum products transportation prevailing for these sectors at the time of petition, as tabulated below:

Region	Road transportation Rate (Rs/KL)	Rate (Rs/Lt)	Rate (Rs/MT)	USD Conv Rate	Based on road transportation rates		
					Rate (USD/MT)	%age of Road Tariff	Proposed WOP MoGas Tariffs (USD/MT)
Karachi-Shikarpur	2168.45	2.16845	2946.924	104.6	28.1733	33.67%	9.486
Karachi-Mahmoodkot	3555.36	3.55536	4831.734	104.6	46.1925	33.67%	15.553

- 5.5. The tariffs proposed by PAPCO have also been projected to reduce each after five-year period, on similar lines as were adopted by GoP & Government of Emirate of Abu Dhabi through Implementation Agreement in WOP tariffs for HSD transportation from the said pipeline for Shikarpur & Mahmoodkot. Based on above assumptions, PAPCO has



proposed the tariffs for transportation Mogas from White Oil Pipeline for Shikarpur and Mahmoodkot sectors as under: -

PAPCO's Proposed Pipeline Tariffs for MoGas Transportation		
Sector	Karachi-Shikarpur	Karachi-Mahmoodkot
Period	US\$/Mton	US\$/Mton
1st Five year period	9.49	15.55
2nd Five year period	9.21	15.02
3rd Five year period	7.99	12.97
4th Five year period	6.49	10.20
5th Five year period	6.02	9.47

- 5.6. After tax IRR for the said project has been kept by PAPCO at 21.14% with a payback period of approximately 05 years and 02 Months.

6. DETERMINATION OF WOP-MOGAS TARIFF BY THE AUTHORITY:

- 6.1. The submissions by PAPCO have been examined in detail and it has been observed that the proposed project is capital cost intensive, which in majority comprise Procurement, Construction and Engineering related equipment i.e. process equipment, electrical, mechanical, instrumentals, civil, trans-mix facility, loading arms, gantries, etc.
- 6.2. The engineering and design of the project has been evaluated by a number of international and foreign experts/consultants including M/s PENSPEN, M/s ENAR Petrotech and M/s Black & Veatch. PAPCO has submitted that its consultants have reviewed the technical design and related installation feasibilities with due diligence and have also assessed the reasonability of the costs associated with project in terms of consistency, completeness and correctness of the assumptions and the basis used for the said project. Various correlations/simulations and technical assessments have been carried out by the consultants, based on which the project has been finalized by PAPCO and subsequently, EPC works have been awarded to the lowest bidder i.e. M/s DEL on lump sum cost basis.
- 6.3. The Authority observes that PAPCO 's proposed tariffs based on IRR of 21.14% for the project seems to be on higher side when compared with prevalent norms. Generally, tariffs for such capital intensive infrastructure projects aimed to providing services to masses, are based on mechanics of Weighted Average Cost of Capital model. Internationally as well as domestically, the energy sector projects are usually evaluated in terms of their feasibility based on returns on investment / capital structure comprising



equity and debt factors. Generally, an optimal capital structure of debt to equity at 70:30 is considered to be most feasible and rationale for investments and return purposes.

- 6.4. In view of above, WOP Mogas transportation tariff has been determined at a pre-tax market based rate of return on assets (net of depreciation), computed on basis of WACC Model on optimal capital structure of 70:30 (Debt to Equity) ratio, as per the following formula:

$$WACC = \{Re/(1-t)\} \times 30\% + Rd \times 70\%$$

- 6.5. Return on equity (Re) has been computed under Capital Asset Pricing Model while cost of debt (Rd) is computed on the basis of KIBOR. The formula along-with domestic indices used for computation of the same is elaborated as under;

(i) $Re = Rf + \text{Market Risk Premium (MRP)} \times \text{beta}$

a. Rf (Risk free rate of return) has been based on Pakistan Investment Bond (PIB) 10 years' average yield rate of 20 years PIBs which comes to 12.51%.

b. MRP (Market Risk Premium) has been based on 15 years' average returns of Pakistan Stock Exchange/KSE 100 index computed at 15.80%, the same is however reasonably capped at 11%.

c. b (beta) Value of Beta has been taken as 1.

(ii) Cost of Debt (Rd)

a. Rd has been computed at 8.25% based on one-year average of six monthly KIBOR i.e. 6.25% plus 2% spread.

- 6.6. Based on the above WACC has been reasonably worked out as 16.00%. Accordingly, return on assets @ 16% has been calculated on the Written Down Value (WDV) of the Assets/Capital Expenditure (CAPX) at the end of each year
- 6.7. Depreciation has been charged on straight line basis for 20 years for computation purpose.
- 6.8. The operating expenses seems to be reasonably projected by PAPCO and the same have been adopted.



- 6.9. Volumes of the sales/Mogas presented by PAPCO also appear to be reasonable in the light of annual demand pattern. Hence the same have been used for tariffs determination.
- 6.10. Pre-tax rate of return has been determined therefore taxes, levies, duties, surcharges, etc. are not part of tariff.
- 6.11. The Authority observes that dollar based tariffs for WOP for HSD transportation have been approved by Government of Pakistan through Implementation Agreement dated 19th July 2001. In line with the same, PAPCO has requested that tariff for Mogas transportation be notified in US dollar so as to ensure harmony in the operating parameters as well as recovery on the same pipeline. In light of the submission by PAPCO, the Authority considers that the instant case is peculiar and distinctive in terms of its dynamics with respect to its technical and financial design parameters as it is an upgradation of the already operational pipeline aimed to utilize the infrastructure at the maximum for benefit of whole country. In view of above, the Authority determines tariff for Mogas transportation through existing pipeline in US dollar so as to ensure consistency of tariffs for two products (MS & HSD) passing through the same pipeline.
- 6.12. On the basis of above, component wise breakup of total revenues and subsequently computation of weighted average tariff of US \$ 8.85/MT for the project for the period 2019 to 2036 is as under:

Year	Operating Cost	Depreciation	Other Operating Costs	Cost of Capital 16%	USD In Million	
					Total Revenue	Volume MMT
2019	6.09	6.71	0.48	10.20	23.48	1.62
2020	12.86	6.71	2.00	19.32	40.89	3.82
2021	14.85	6.71	2.29	18.25	42.10	4.14
2025	17.00	6.71	2.59	17.17	43.47	4.48
2023	19.31	6.71	2.89	16.10	45.00	4.83
2024	21.79	6.71	3.01	15.03	46.54	5.20
2025	23.67	6.71	3.20	13.95	47.53	5.42
2026	24.75	6.71	3.30	12.88	47.63	5.45
2027	25.88	6.71	3.25	11.81	47.65	5.48
2028	27.07	6.71	3.20	10.73	47.72	5.52
2029	28.31	6.71	2.40	9.66	47.08	5.56
2030	29.62	6.71	2.34	8.59	47.25	5.59
2031	30.98	6.71	2.27	7.51	47.48	5.63
2032	32.41	6.71	2.20	6.44	47.76	5.68
2033	33.75	6.71	2.14	5.37	47.97	5.72
2034	34.43	6.71	1.07	4.29	46.50	5.72
2035	35.11	6.71	1.03	3.22	46.07	5.72
2036	35.82	6.71	0.98	2.15	45.65	5.72
Total					808	91.30
Weighted Average Price USD Per M. Ton: Total Revenue/Volume						8.85





- 6.13. Weighted average tariff (US\$ 8.85 per MTon) as computed above has been segregated on the basis of approximate length of WOP in Kilometers from Karachi to Shikarpur and Karachi to Mahmoodkot. Based on the above assumptions, the tariff for Mogas transportation through WOP from Karachi to Shikarpur & Mahmoodkot over the life of the project (20 years), is determined as under:


Determination of WOP Mogas Tariff by OGRA					(USD/MT)
Sectors	Weighted Average Mogas Tariffs	Length of WOP (Km)	%age	OGRA's determined Mogas Tariff*	Proposed Mogas average Tariff by PAPCO
Karachi-Shikarpur	8.85	445	36%	6.43	7.84
Karachi- Mahmoodkot	8.85	780	64%	11.27	12.64
	17.70	1225	100%	17.70	20.48

* Payable in Pak Rs. to be converted at \$/Rupees rate prevailing on the date of payment

- 6.14. The projected after-tax IRR of the project has been determined at 13.68% on the basis of above proposed tariff.
- 6.15. In addition, the points (list of high impact activities) raised by M/s Black & Veatch on FEED documents during review to check the consistency, completeness and correctness to the extent of availability and applicability, needs to be addressed by PAPCO, EPC Contract- M/s DEL and M/s ENAR.


 (Dr. Abdullah Malik)
 Member (Oil)


 (Noorul Haque)
 Member (Finance)


 (Uzma Adil Khan)
 Chairperson

Islamabad, June 21, 2018.

PAK ARAB PIPELINE COMPANY LIMITED
UPGRADATION OF WOP TO MULTIGRADE PRODUCT OPERATIONS PROJECT
Year wise phasing of CAPEX

Year	CAPEX in USD
2017	54,284,349
2018	65,509,310
2019	14,406,341
Total	<u>134,200,000</u>

Note: The above figures have been estimated in the light of planned activities of the project. Actual phasing may vary w.r.t. the actual progress at site



Ref: CEO 17/114

Date: November 28, 2017

Ms. Misbah Yaqub
Executive Director (F & A)
Oil & Gas Regulatory Authority
Islamabad.

Dear Madam,

RE: INFORMATION UPDATE-WOP TARIFF APPROVAL

This is with reference to your letter Ref: OGRA-10-12(52)/ 2017 dated November 21, 2017 requesting detail breakup of the revised WOPMP cost estimates.

We would like to take this opportunity to share that almost 85% of the estimated project cost pertains to engineering, procurement and construction (EPC) work that has been awarded to Descon Engineering Limited (DEL) on a lump sum cost basis. A detailed breakup of the revised estimates of total project cost is as under:

Particulars	Amount in PKR	Amount in USD
		@ PKR 104.60/USD
Total EPC Cost	11,793,824,550	112,751,669
Estimated Non EPC Works:		
Additional land, re-location of transmission lines etc.	350,000,000	3,346,080
Owner's overheads (project team cost)	590,000,000	5,640,535
Contingency factor (5% of total works)	720,000,000	6,883,365
Financial Charges during construction period	583,495,450	5,578,350
Estimated CAPEX in PKR	14,037,320,000	134,200,000

With this positive development and reduction in the project cost estimates, we look forward to receiving the approved tariffs for WOP MOGAS Project at earliest.

Thanking you,

Yours sincerely,



Shuja Uddin Ahmed
Shuja Uddin Ahmed
Chief Executive

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Financial Years	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Financial Year No.	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
OPEX:																		
Electricity Cost.	2,350,754	5,659,688	6,157,669	6,962,030	7,396,142	8,344,103	8,864,139	9,054,059	9,332,249	9,579,000	9,855,373	10,101,253	10,377,365	10,664,259	10,862,523	11,181,774	11,405,409	11,633,517
Cost of O&M	-	215,525	1,240,123	2,503,899	3,783,005	5,164,771	6,208,695	6,818,034	7,461,682	8,141,397	8,859,090	9,616,526	10,415,894	11,259,408	12,051,073	12,851,295	13,496,320	13,746,247
Labor cost of additional staff for WOP&M facilities per Year	878,236	891,901	705,637	710,749	734,144	768,827	783,804	779,080	794,682	810,335	826,786	843,201	860,167	877,371	894,518	911,073	931,073	949,894
Maintenance Cost	2,332,035	2,384,676	2,634,259	2,667,016	2,740,796	2,795,571	2,851,463	2,908,512	2,966,689	3,026,016	3,086,537	3,148,267	3,211,239	3,275,457	3,340,967	3,407,786	3,475,942	3,545,460
Spare and miscellaneous	379,805	387,401	395,149	403,052	411,113	419,336	427,722	436,277	445,002	453,902	462,990	472,240	481,685	491,319	501,145	511,168	521,391	531,818
Insurance	4,866,018	2,293,338	1,317,165	1,240,508	1,170,378	1,107,798	1,045,791	1,454,256	1,483,941	1,513,008	1,543,168	1,574,134	1,605,616	1,637,729	1,670,483	1,703,893	1,737,971	1,772,780
Depreciation cost per year	6,710,000	6,710,000	6,710,000	6,710,000	6,710,000	6,710,000	6,710,000	6,710,000	6,710,000	6,710,000	6,710,000	6,710,000	6,710,000	6,710,000	6,710,000	6,710,000	6,710,000	6,710,000
Additional security manpower and equipment required for WOP&M facilities	1,080,364	1,111,573	1,144,623	1,177,315	1,210,462	1,244,071	1,278,132	1,312,715	1,347,844	1,383,519	1,419,751	1,456,549	1,493,909	1,531,831	1,570,324	1,609,488	1,649,323	1,689,828
Additional HSE manpower required for WOP&M facilities	15,086,018	18,745,023	20,536,559	22,512,111	24,613,152	26,873,461	29,370,573	32,045,526	34,955,832	38,163,737	41,751,605	45,719,481	49,947,329	54,430,377	59,169,444	64,169,873	69,439,390	75,089,859
Total	74,187,11	792,300	941,059	1,133,486	1,340,510	1,563,134	1,791,595	1,843,092	1,946,016	2,074,729	2,339,445	2,630,481	2,948,152	3,291,788	3,744,016	4,208,895	4,694,874	5,211,571
Management Fee @ 15% of reimbursable expenses																		
GRAND TOTAL OPEX	15,802,206	19,505,322	21,499,617	23,645,597	25,951,762	28,438,693	30,306,188	31,888,608	33,321,848	34,708,446	36,051,049	37,352,408	38,613,481	39,843,365	41,048,460	42,230,745	43,401,361	44,561,361

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PAK ARAB PIPELINE COMPANY LIMITED
UPGRADATION OF WOP TO MULTIGRADE PRODUCT OPERATIONS PROJECT
Project Profit and Loss

Financial Years	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Financial Year No.	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
MOGAS Throughput/Deliveries (MT/yr):																		
Shikarpur	224	494	519	544	572	600	630	662	695	730	766	804	845	887	931	971	1015	1060
Mahmoodkot	1,894	3,106	3,623	3,933	4,260	4,603	4,969	5,351	5,749	6,164	6,596	7,044	7,508	7,987	8,481	8,990	9,514	10,053
Total	2,118	3,600	4,142	4,477	4,832	5,203	5,599	6,013	6,444	6,894	7,362	7,848	8,353	8,874	9,412	9,980	10,529	11,093
MOGAS Tariff:																		
Shikarpur	9,486	9,486	9,486	9,486	9,486	9,486	9,486	9,486	9,486	9,486	9,486	9,486	9,486	9,486	9,486	9,486	9,486	9,486
Mahmoodkot	15,553	15,553	15,553	15,553	15,553	15,553	15,553	15,553	15,553	15,553	15,553	15,553	15,553	15,553	15,553	15,553	15,553	15,553
Revenue:																		
Shikarpur	2,219	4,684	4,918	5,164	5,423	5,696	5,982	6,281	6,594	6,921	7,261	7,614	7,981	8,361	8,753	9,157	9,573	9,999
Mahmoodkot	21,681	51,735	56,340	61,276	66,453	71,879	77,556	83,486	89,671	96,111	102,804	109,751	116,953	124,411	132,131	140,113	148,357	156,866
Total Revenue	23,900	56,419	61,258	66,440	71,879	77,575	83,538	89,972	96,265	103,027	110,065	117,365	124,934	132,772	140,884	149,270	157,934	166,855
Operating Costs (from OPEX sheet):																		
Electricity Cost:																		
Cost of DGA	(2,351)	(5,660)	(6,258)	(6,902)	(7,596)	(8,344)	(9,146)	(9,994)	(10,889)	(11,832)	(12,824)	(13,866)	(14,958)	(16,099)	(17,290)	(18,531)	(19,822)	(21,163)
Labor cost of additional staff for WOPMP facilities per Year	(266)	(266)	(266)	(266)	(266)	(266)	(266)	(266)	(266)	(266)	(266)	(266)	(266)	(266)	(266)	(266)	(266)	(266)
Maintenance Cost	(678)	(678)	(678)	(678)	(678)	(678)	(678)	(678)	(678)	(678)	(678)	(678)	(678)	(678)	(678)	(678)	(678)	(678)
Spare and miscellaneous	(1,266)	(1,266)	(1,266)	(1,266)	(1,266)	(1,266)	(1,266)	(1,266)	(1,266)	(1,266)	(1,266)	(1,266)	(1,266)	(1,266)	(1,266)	(1,266)	(1,266)	(1,266)
Insurance	(897)	(897)	(897)	(897)	(897)	(897)	(897)	(897)	(897)	(897)	(897)	(897)	(897)	(897)	(897)	(897)	(897)	(897)
Additional security manpower and equipment required for	(333)	(333)	(333)	(333)	(333)	(333)	(333)	(333)	(333)	(333)	(333)	(333)	(333)	(333)	(333)	(333)	(333)	(333)
Additional HSE manpower required for WOPMP facilities	(545)	(545)	(545)	(545)	(545)	(545)	(545)	(545)	(545)	(545)	(545)	(545)	(545)	(545)	(545)	(545)	(545)	(545)
Additional OPEX for RPLP	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)
Land rental to PARCO	(82)	(82)	(82)	(82)	(82)	(82)	(82)	(82)	(82)	(82)	(82)	(82)	(82)	(82)	(82)	(82)	(82)	(82)
15% Management Fee on reimbursable expenses	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)
Subtotal:	(6,093)	(12,857)	(14,852)	(16,959)	(19,309)	(21,793)	(24,416)	(27,179)	(30,082)	(33,124)	(36,304)	(39,624)	(43,084)	(46,684)	(50,424)	(54,304)	(58,324)	(62,484)
Depreciation	(6,710)	(6,710)	(6,710)	(6,710)	(6,710)	(6,710)	(6,710)	(6,710)	(6,710)	(6,710)	(6,710)	(6,710)	(6,710)	(6,710)	(6,710)	(6,710)	(6,710)	(6,710)
Total Operating Costs:	(12,803)	(19,567)	(21,562)	(23,669)	(26,019)	(28,503)	(31,126)	(33,889)	(36,792)	(39,834)	(43,018)	(46,334)	(49,794)	(53,394)	(57,134)	(61,014)	(65,044)	(69,264)
Gross Profit	11,097	36,852	39,696	42,771	45,863	48,871	51,892	54,928	57,986	61,065	64,161	67,274	70,404	73,552	76,718	79,902	83,104	86,329
Other Operating Expenses:																		
Contribution to WWR (Workers' Welfare Fund)	(478)	(2,004)	(2,291)	(2,585)	(2,886)	(3,194)	(3,508)	(3,828)	(4,154)	(4,486)	(4,824)	(5,168)	(5,518)	(5,874)	(6,236)	(6,604)	(6,978)	(7,358)
Contribution to WPPF	(37)	(572)	(655)	(739)	(823)	(908)	(994)	(1,081)	(1,169)	(1,258)	(1,348)	(1,439)	(1,531)	(1,624)	(1,718)	(1,813)	(1,909)	(1,999)
Operating Profit/EBIT	10,582	34,276	36,750	39,447	42,257	45,169	48,184	51,219	54,262	57,319	60,395	63,486	66,592	69,712	72,844	75,988	79,144	82,312
Finance Cost:																		
Interest	(4,779)	(8,229)	(8,863)	(9,507)	(10,161)	(10,825)	(11,500)	(12,185)	(12,880)	(13,585)	(14,300)	(15,025)	(15,760)	(16,505)	(17,260)	(18,025)	(18,800)	(19,585)
Total Finance Cost	(4,779)	(8,229)	(8,863)	(9,507)	(10,161)	(10,825)	(11,500)	(12,185)	(12,880)	(13,585)	(14,300)	(15,025)	(15,760)	(16,505)	(17,260)	(18,025)	(18,800)	(19,585)
Profit Before Tax/EBT	5,803	26,047	27,887	29,940	32,096	34,344	36,684	39,034	41,382	43,734	46,089	48,461	50,832	53,207	55,587	57,968	60,344	62,727
Tax																		
Total Taxation	(1,065)	(7,985)	(8,131)	(8,285)	(8,439)	(8,593)	(8,747)	(8,901)	(9,055)	(9,209)	(9,363)	(9,517)	(9,671)	(9,825)	(9,979)	(10,133)	(10,287)	(10,441)
Net Profit After Tax	4,738	18,062	19,756	21,655	23,657	25,751	27,937	30,133	32,327	34,525	36,726	38,936	41,161	43,382	45,617	47,855	50,096	52,286

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PAK ARAB PIPELINE COMPANY LIMITED
UPGRADATION OF WOP TO MULTIGRADE PRODUCT OPERATIONS PROJECT
Project Balance Sheet:

USD	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Fixed Assets:														
Property, Plant & Equipment	54,284	119,794	134,199	134,199	134,199	134,199	134,199	134,299	134,199	134,199	134,199	134,199	134,199	134,199
Accumulated Depreciation:			(6,710)	(13,420)	(20,130)	(26,840)	(33,550)	(40,260)	(46,970)	(53,680)	(60,390)	(67,100)	(73,810)	(80,520)
Net Property, Plant & Equipment:	54,284	119,794	127,489	120,779	114,069	107,359	100,649	93,939	87,229	80,519	73,809	67,099	60,389	53,679
Current Assets:														
Stores and Spares			1,897	2,032	2,165	2,293	2,420	2,431	2,552	2,663	2,808	3,040	2,628	2,837
*Bank Balances & short-term Investments	(1,836)	(7,598)	3,567	15,563	21,453	22,514	20,499	16,954	14,266	10,828	24,140	36,962	48,890	50,264
	(1,836)	(7,598)	5,464	17,595	23,618	24,806	22,919	19,385	16,819	13,490	26,948	40,002	42,698	53,102
Total Assets	52,449	112,195	132,953	138,374	137,686	132,165	123,568	113,323	104,047	94,009	100,756	107,101	103,087	106,780
Liabilities:														
Current portion of Long-term loan			18,086	18,086	18,086	18,086	18,086	18,086	18,086	18,086	18,086	18,086	18,086	18,086
Long-Term financing	52,449	(14,405)	90,429	72,343	54,257	36,172	18,086	20,589	19,415	17,883	16,097	14,097	8,921	6,799
Tax Liability			1,906	9,891	19,024	22,461	21,943	20,589	19,415	17,883	16,097	14,097	8,921	6,799
Equity:														
Unappropriated Profit			4,446	19,968	28,233	37,361	47,368	56,563	66,547	76,126	84,659	93,004	94,166	99,981
Total Liabilities + Equity	52,449	112,195	132,953	138,374	137,686	132,165	123,568	113,323	104,047	94,009	100,756	107,101	103,087	106,780

134.20

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PAK ARAB PIPELINE COMPANY LIMITED
UPGRADATION OF WOP TO MULTIGRADE PRODUCT OPERATIONS PROJECT
MOGAS Volumes: Break-up and build-up

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
Country MOGAS Demand as per OCAC	A	6,928	7,621	8,002	8,402	8,823	9,264	9,727	10,213	10,724	11,260	11,823	12,414	13,035	13,687	14,371	15,090	15,844
Karachi Fed Area	B	(1,095)	(1,205)	(1,265)	(1,329)	(1,395)	(1,465)	(1,538)	(1,615)	(1,696)	(1,780)	(1,869)	(1,963)	(2,061)	(2,164)	(2,272)	(2,386)	(2,505)
Total Upcountry Demand	C=A+B	5,833	6,416	6,737	7,074	7,428	7,799	8,189	8,598	9,028	9,480	9,954	10,451	10,974	11,523	12,099	12,704	13,339
Northern Refineries Supplies	D	(1,596)	(1,596)	(1,596)	(1,596)	(1,596)	(1,596)	(1,596)	(1,596)	(1,596)	(1,596)	(1,596)	(1,596)	(1,596)	(1,750)	(1,750)	(1,750)	(1,750)
Volume available for Upcountry Movement	E=C+D	4,237	4,820	5,141	5,478	5,832	6,203	6,593	7,002	7,432	7,884	8,358	8,855	9,224	9,773	10,349	10,954	11,589
Less: Road Movement		(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Maximum Volumes available for Pipeline		3,237	3,820	4,141	4,478	4,832	5,203	5,593	6,002	6,432	6,884	7,358	7,855	8,224	8,773	9,349	9,954	10,589
Break-up for upcountry demand																		
Shikarpur	F	449	494	519	544	572	600	630	662	695	730	766	804	845	887	931	978	1,027
(1) Mahmood Kot	G	2,788	3,326	3,623	3,933	4,260	4,603	4,963	5,341	5,737	6,154	6,592	7,051	7,379	7,886	8,418	8,976	9,562
H=FMG		3,237	3,820	4,141	4,478	4,832	5,203	5,593	6,002	6,432	6,884	7,358	7,855	8,224	8,773	9,349	9,954	10,589
MFM CAPACITY	I	6,500	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
(2) Diesel throughput	J	3,746	3,836	3,927	4,020	4,115	4,211	4,211	4,211	4,211	4,211	4,211	4,211	4,211	4,211	4,211	4,211	4,211
Available for MFM	K	2,754	3,164	3,073	2,980	2,885	2,789	2,789	2,789	2,789	2,789	2,789	2,789	2,789	2,789	2,789	2,789	2,789
466																		
Handling at Mahmood Kot Split as follows:																		
Gantry / JIMCO For Road Movement	L	500	500	549	953	1,375	1,814	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
(3) MFM	M	2,288	2,826	3,073	2,980	2,885	2,789	2,789	2,789	2,789	2,789	2,789	2,789	2,789	2,789	2,789	2,789	2,789
Total	N=L+M	2,788	3,326	3,623	3,933	4,260	4,603	4,789	4,789	4,789	4,789	4,789	4,789	4,789	4,789	4,789	4,789	4,789
(4) Volumes used in Feasibility																		
Shikarpur	O=F	449	494	519	544	572	600	630	662	695	730	766	804	845	887	931	931	931
Shikarpur	P=N	2,788	3,326	3,623	3,933	4,260	4,603	4,789	4,789	4,789	4,789	4,789	4,789	4,789	4,789	4,789	4,789	4,789
Shikarpur	Q=O+P	3,237	3,820	4,141	4,478	4,832	5,203	5,419	5,451	5,484	5,519	5,555	5,593	5,634	5,676	5,720	5,720	5,720
HSD Throughput	R	4,140	4,277	4,416	4,559	4,704	4,852	5,003	5,157	5,314	5,475	5,638	5,805	5,975	6,148	6,279	6,279	6,279
Total Pipeline Utilisation	S=Q+R	7,377	8,097	8,557	9,037	9,536	10,055	10,422	10,608	10,798	10,993	11,193	11,398	11,608	11,824	12,000	12,000	12,000

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PAK ARAB PIPELINE COMPANY LIMITED
UPGRADATION OF WOP TO MULTIGRADE PRODUCT OPERATIONS PROJECT
Project Cash Flow:

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
CASH FLOWS FROM OPERATING ACTIVITIES																		
Cash generated from Operations	✓ 15,344	41,423	43,983	46,627	49,354	49,838	50,732	49,855	49,034	48,128	37,936	36,379	35,464	34,449	33,528	20,232	18,666	18,011
Finance Costs Paid	(4,179)	(8,229)	(6,963)	(5,697)	(4,431)	(3,165)	(1,899)	(1,508)	(14,526)	(14,495)	(14,420)	(11,085)	(10,920)	(10,721)	(10,490)	(10,277)	(5,737)	(5,590)
Taxes Paid	-	-	-	(6,867)	(12,021)	(13,346)	(13,848)	(14,508)	(14,526)	(14,495)	(14,420)	(11,085)	(10,920)	(10,721)	(10,490)	(10,277)	(5,737)	(5,590)
Net Cash generated from operating activities	11,165	33,194	37,020	34,063	32,902	33,327	34,986	35,347	34,507	33,632	23,516	25,293	24,544	23,728	23,038	9,956	12,930	12,422
CASH FLOWS FROM INVESTING ACTIVITIES																		
Capital Expenditure	(14,405)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of short term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/Interest received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash used in investing activities	(14,405)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES																		
Drawdown/(Repayment) of long term financing	14,405	(18,086)	(10,086)	(18,086)	(18,086)	(18,086)	(18,086)	(18,086)	(21,195)	(20,810)	(20,408)	(15,099)	(14,640)	(14,161)	(13,660)	(13,209)	(6,205)	(5,889)
Dividend Paid	-	(3,113)	(13,044)	(14,917)	(16,831)	(18,787)	(19,587)	(20,700)	(21,195)	(20,810)	(20,408)	(15,099)	(14,640)	(14,161)	(13,660)	(13,209)	(6,205)	(5,889)
Net cash used in financing activities	14,405	(21,198)	(31,129)	(33,002)	(34,917)	(36,872)	(37,673)	(38,786)	(42,390)	(42,610)	(42,816)	(35,198)	(34,280)	(33,301)	(32,321)	(31,340)	(25,410)	(24,778)
Net Increase in cash and cash equivalents	11,165	11,996	5,890	1,061	(2,015)	(3,545)	(2,687)	(3,439)	(7,883)	(9,078)	(9,292)	(9,905)	(9,736)	(9,573)	(9,322)	(11,353)	(12,480)	(12,356)
Cash and cash equivalents at the beginning of the year	(7,598)	3,567	15,563	21,453	22,514	20,499	16,954	14,266	10,828	24,140	36,962	40,070	50,264	60,168	69,735	79,113	75,860	82,585
Cash and cash equivalents at the end of the year	3,567	15,563	21,453	22,514	20,499	16,954	14,266	10,828	24,140	36,962	40,070	50,264	60,168	69,735	79,113	75,860	82,585	89,118
CASH GENERATED FROM OPERATIONS																		
Profit Before Tax (PBT)	6,352	26,620	30,442	34,348	38,340	39,974	42,245	43,255	42,469	41,649	30,814	29,878	28,900	27,878	26,957	12,662	12,018	11,362
Adjustment for Non cash charges & other items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	6,710	6,710	6,710	6,710	6,710	6,710	6,710	6,710	6,710	6,710	6,710	6,710	6,710	6,710	6,710	6,710	6,710	6,710
Amortisation of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance Costs	4,179	8,229	6,963	5,697	4,431	3,165	1,899	-	-	-	-	-	-	-	-	-	-	-
Foreign Exchange Loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Working Capital Changes	(1,897)	(135)	(132)	(128)	(128)	(10)	(121)	(110)	(145)	(232)	412	(209)	(146)	(139)	(139)	860	(62)	(60)
Cash generated from Operations	15,344	41,423	43,983	46,627	49,354	49,838	50,732	49,855	49,034	48,128	37,936	36,379	35,464	34,449	33,528	20,232	18,666	18,011

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UPGRADATION OF WOP TO MULTIGRADE PRODUCT OPERATIONS PROJECT

Project IRR

Financial Years

Financial Year No.

Enter Code: 12000 of the

Capital Expenditure

Capitalized Interest C

Movement in Workers

Add: Profit Before Tax

Add: Depreciation
Add: Interest

Less: Cash Tax Outlay

Free Cash Flow of the

PAK ARAB PIPELINE COMPANY LIMITED

UPGRADATION OF WOP TO MULTIGRADE PRODUCT OPERATIONS PROJECT

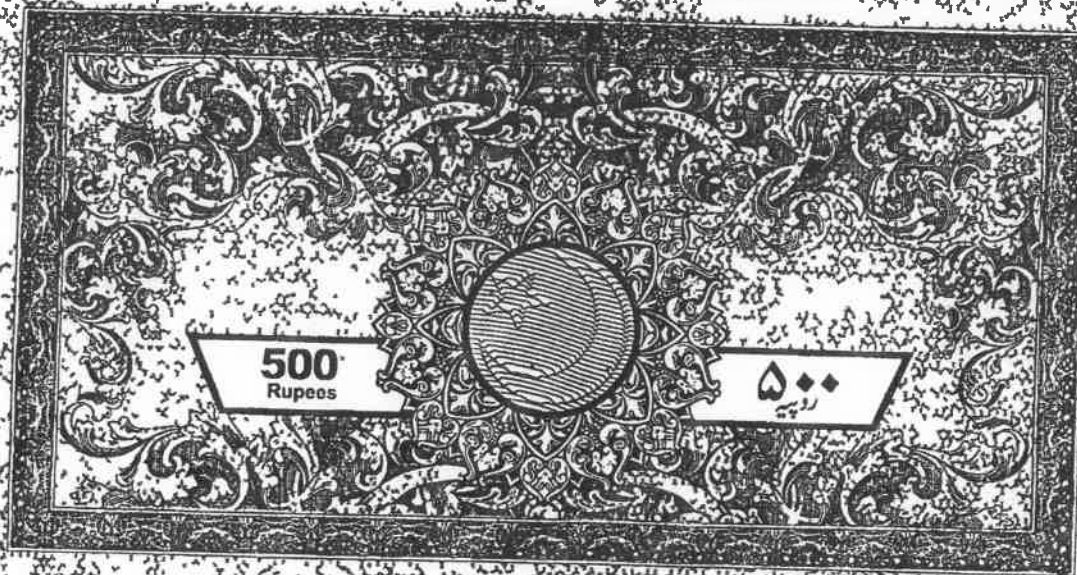
Year wise product volume detail

5 year period	1	2	3	4	5
Shikar Pur	9.486	9.206	7.987	6.486	6.018
MMK	15.553	15.017	12.971	10.195	9.465

Note: The above tariffs have been estimated @ 33.6% of Road transport tariffs for the respective routes

CONTRACT AGREEMENT

**ENGINEERING, PROCUREMENT,
CONSTRUCTION, INSTALLATION,
TESTING, COMMISSIONING,
START-UP AND HANDOVER OF
WHITE OIL PIPELINE MOGAS
PROJECT
(WOPMP)**



Contract No. 176-113-2017

AGREEMENT

THIS CONTRACT AGREEMENT ("Contract" or "Agreement") is made on the 21st day of April in the year 2017.

By and between

Pak-Arab Pipeline Company Limited, a Company incorporated under the laws of Islamic Republic of Pakistan having its registered office at House # 2-B, Nazimuddin Road, Sector No. F-8/1, Islamabad, Pakistan (hereinafter referred to as the "Company" or the "Owner" which expression shall include, where the context so permits, the successors-in-interest, legal representatives and assigns) of the First Part;

And

M/s. DESCON ENGINEERING LIMITED having its office at DESCON Headquarters, 18-Km, Ferozepur Road, Lahore-54760, Pakistan (hereinafter referred to as the "Contractor" which expression shall include, where the context so permits, the successors-in-interest, legal representatives and assigns) of the Second Part.

(The Owner and the Contractor shall hereinafter be collectively referred to as the "Parties" and individually as the "Party")

WHEREAS

The Owner being desirous of undertaking Engineering, Procurement, Construction, Installation, Testing, Commissioning, Start-up and Handover of White Oil Pipeline MoGas Project (WOPMP), invited offers.

The Owner after a competitive bidding has accepted the Bid of the Contractor for the execution and completion of such Works and has issued a Letter of Intent No. MAT/WOPMP/17/821 dated April 07, 2017 to award the Contract to the Contractor for the Works defined hereinafter and generally described in the Contract Documents.

AND WHEREAS the Contractor warrants that he has the necessary skills, resources, experience and is willing and able to perform the Works, has accepted the above Letter of Intent and has agreed to perform the Works on the terms and conditions appearing hereinafter and attached with the Agreement.

NOW THEREFORE in consideration of the mutual covenants hereinafter set forth in the Agreement the Parties agree as follows:



- a) The Contractor shall carry out the Works in accordance with the provisions of the Agreement; and The Owner shall make payments to the Contractor in accordance with the provisions of the Agreement.



ARTICLE 1 - CONTRACT DOCUMENTS

The Contract Documents which comprise the Contract between the Owner and the Contractor are attached hereto and made a part hereof and consist of the following:

- 1.1 This Agreement.
- 1.2 Exhibit to this Agreement
 - 1.2.1 Exhibit 1 Bid Price Summary and Price Breakdown
 - 1.2.2 Exhibit 2 Schedule of Unit Rates for additional work
 - 1.2.4 Exhibit 3 Master Schedule provided by Contractor and approved by Owner
- 1.3 Format of Bank Guarantee For Advance Payment Annexure-A
- 1.4 Format of Bank Guarantee for Performance and Liquidated Damages for delay Annexure-B
- 1.5 Form of Commitment (For No Escalation Price) Annexure -C
- 1.6 Letter of Discharge Annexure-D
- 1.7 Undertaking Annexure -E
- 1.8 Confidentiality Statement Annexure-F
- 1.9 Format of Power of Attorney Certificate Annexure-G
- 1.10 General Conditions of Contract Annexure-H
- 1.11 Bidders Proposal(Technical & Commercial) along with respective clarifications obtained and agreed by the Owner Annexure-I
- 1.12 Scope of Work & Specifications Annexure-J (included in Annexure-N)
- 1.13 Contract Schedule provided by Contractor and approved by Owner Annexure-K
- 1.14 Drawings Appendices Annexure-L (included in Annexure-N)
- 1.15 Any modifications, including approved change order(s), duly delivered after execution of this Agreement. Annexure-M
- 1.16 Complete Tender Document and its amendments / clarifications issued by the Owner Annexure-N
- 1.17 Overall Weight factors of Various / Components of Works Contract Annexure-O
- 1.18 Format of No Claim Certificate Annexure-P
- 1.19 Parent Company Guarantee (if applicable) Annexure-Q

The documents listed above constitute the Contract between the Owner and the Contractor and the term "Contract" shall include all such documents be construed accordingly.

It is the intent of the Contract Documents to describe the complete Works to be undertaken in accordance with the Contract Documents. The Contract Documents are complementary; what is called for by one is as binding as if called for by all. In the event of any conflict among the Contract Documents or between any of the Contract Documents and engineering Codes / Standards, Owner shall be referred for the correct interpretation and resolving the conflict before proceeding with the Works affected thereby. Any Work that may reasonably be inferred from the Contract Documents as being required to produce the intended results shall be performed whether or not it is specifically called for Works or materials described in words.

For the purpose of identification of the Contract Documents, this Agreement has been signed and all other Contract Documents have been initialed by both Parties. Owner shall furnish to Contractor one copy of Contract Documents for the execution of Works. Additional copies, if required, shall be arranged by the Contractor at its own Cost. All Contract Documents shall be kept in safe custody and shall not be accessible to any unauthorized persons.

The Contract together with all attachments, appendices, schedules, sections and annexes incorporated herein or by reference, constitutes the entire Agreement between the Owner and the Contractor and there are no terms and conditions or provisions either oral or written between the Parties hereto other than those contained herein. The Contract supersedes any and all prior oral or written representations, inducements or understandings of any kind or nature between the Parties hereto, relating to the Works.



The Owner and the Contractor, hereby, agree that any pre-contractual representation and warranties whether made orally or in writing shall be of no legal effect, whatsoever, with the result that neither Party shall be entitled to found any claim to damages in reliance thereon unless such representations and / or warranties are made part of the Contract in writing.

ARTICLE 2 – WORKS:

The basic and foremost obligation of the Contractor shall be to diligently, faithfully and completely comply with its obligations defined in the Contract from which no deviation is permissible. In order to fulfill this obligation, the Contractor hereby covenants to do all things and take all steps.

The Contractor shall arrange, at its own cost, all equipment, material, manpower, consumables, other material and resources etc and all that is necessary for the complete performance of all duties, obligations, coordination and other works, as may be required under the Contract or may be necessary for completing the works on schedule in accordance with the Contract and as described in Volume II (FEED Package), Scope of Work, BOQs, Tender and Bid Documents, pre-bid and post bid clarifications etc complete in all respect.

It shall be the entire responsibility of the Contractor to arrange for the supply of equipment, water, electricity etc, or any other utility as may be required for execution of the Work.

Any damage to the Owner's and or third party installation, pipelines, structures, building, equipment, facilities etc by the Contractor during execution of Works shall be repaired/restored to the original condition by the Contractor at his own cost with no liability to Owner.

The Contractor shall also be responsible for initiating, maintaining and supervising all safety precautions and programs, in connection with the Works. Contractor should take all necessary precautions for the safety of, and shall provide the necessary protection to prevent damage, injury or loss to:

- a) All persons engaged in the performance of or on the work and other persons who may be affected thereby.
- b) All the work, all materials, exposed pipeline and equipment.
- c) Other property at the Site or adjacent thereto including roadways, structures and utilities not designated for removal in the course of Works.

The Contractor shall be responsible to fulfill and shall accordingly provide for all requirements of applicable Owner Health Safety Security Environment policies and procedures. Contractor shall arrange and supply adequate number of fire extinguishers as approved by Owner safety officer, and coveralls, safety shoes, helmets, goggles, gloves, etc., at its own Cost at Site, for Contractor's / Sub-Contractor's manpower for safe execution of Works. Contractor's / Sub-Contractor's staff must be capable of operating the firefighting equipment.

Documentation including test and inspection certificates shall be provided to the Owner in a manner required by the Owner.

ARTICLE 3 - WORK COMPLETION TIME:

The Works will be completed within Seven Hundred and Thirty (730) Calendar days from the Commencement Date. However, Work Completion Time may be extended at the sole discretion of the Owner.

ARTICLE 4 A – CONTRACT PRICE:

1. The Owner shall pay to the Contractor for performance of the Works in accordance with the Contract Documents in current funds a total of the following based on Schedule of Prices as approved by the Owner and as contained in Contractor's proposal:

- (a) Lump Sum US\$ 37,748,334.00 (United States Dollars Thirty Seven Million Seven Hundred Forty Eight Thousand Three Hundred Thirty Four only) and

Lump Sum Pak Rs. 5,633,174,128.00 (Pak Rupees Five Billion Six Hundred Thirty Three Million One Hundred Seventy Four Thousand One Hundred Twenty Eight only),

- (b) Provisional Cost of two (02) years optional Spares

Lump Sum US\$ 867,284.00 (United States Dollars Eight Hundred Sixty Seven Thousand Two Hundred Eighty Four only) and

Lump Sum Pak Rs. 513,349.00 (Pak Rupees Five Hundred Thirteen Thousand Three Hundred Forty Nine only),



- (c) The Contract Price given in this Article covers all the expenses of the Contractor in home office and in Pakistan for complete Scope of Work which includes but not limited to the following:
- (i) Salaries, wages, premiums, insurances, overheads, profits, applicable Provincial and Federal taxes, rentals, materials, services, telex, telephone, travel, freight, security, custom clearance, port charges and other taxes etc.

Only Custom duties and taxes as per clause 19 of General Conditions of Contract on material not manufactured in Pakistan and imported by Contractor which will become permanent part of the project will be paid by the Owner. All other costs shall be on Contractor's account.

ARTICLE 4 B – APPLICATIONS FOR PAYMENT:

The Contractor shall submit Applications for payment in accordance with Article 13 of the General Conditions of Contract. Applications for payment will be reviewed by Owner as provided in the General Conditions.

ARTICLE 5 – INVOICING, METHOD AND SCHEDULE OF PAYMENT:

5.1 Invoicing:

- 5.1.1 The Contractor shall furnish commercial invoices to the Owner for progress and final payments. The Owner shall verify for payment of the invoices within 30 calendar days from the date of receipt.
- 5.1.2 In the event of any item in an invoice being disputed, the Owner shall advise the Contractor within 14 Calendar days from the date of receipt thereof, the grounds on which payment of the disputed portion has been withheld and verify for payment the undisputed portion of the invoice within 30 calendar days from the date of receipt. However, after the dispute has been resolved, Contractor shall send invoice to the Owner for the disputed items with its relative amounts which shall be verified for payment.
- 5.1.3 All invoices shall be subject to deduction of income tax and all applicable provincial and federal taxes at source.
- 5.1.4 5% Retention Money deducted from each invoice shall be released on completion and acceptance by PAPCO.

5.2 Payment Terms:

- 5.2.1 The payment for the foreign currency component of Bid Price shall be made in United States Dollars (US\$) or in Pak Rs. By the Owner through irrevocable Letter of Credits (L/C) established through a bank of Owner's choice.
- 5.2.2 Deleted.
- 5.2.3 Letter of Credit (L/C) shall be established in accordance with the requirements of State Bank of Pakistan, customs authorities and other concerned governmental organizations.
- 5.2.4 Payments for local currency component of Bid Price shall be made in Pak. Rupees (Pak Rs.) through account payee cheques issued in favour of the CONTRACTOR. All Payments shall be subject to deduction of all applicable provincial and federal tax (s) including withholding tax as per relevant laws/regulations.
- 5.2.5 All payments shall be made according to payment terms, milestones and invoicing procedure.



5.2.6 The payment schedule for various components of the Contract Price is outlined below table:

Table-A			
S.No.	Description	Procurement (Equipment and Material)	Services (engineering & construction)
1.	Mobilization Advance.	10% against bank guarantee (to be adjusted by deductions from progress payments)	10% against bank guarantee. guarantee (to be adjusted by deductions from progress payments)
2.	Progress Payment	<p>Imported-</p> <p>i) On approval of each Purchase Order (Un-priced) by PAPCO and accepted by Vendor/Supplier: 10% of the contract price of equipment/material included in the purchase order against a bank guarantee.</p> <p>ii) On shipment: 80% (bank guarantee under i) above to be released.</p> <p>iii) Delivery at site: 10%</p> <p>Local:</p> <p>On approval of purchase order (Un-priced) by PAPCO and accepted by Vendor/Supplier: 10% against bank guarantee (to be released on delivery at site)</p> <p>Delivery at Site: 90%</p>	On Milestone Completion: 100% (10% mobilization advance under above and 5% retention to be deducted from each progress payment) for both foreign and local currency components of contract price.
3.	Retention	<p>5% on imported</p> <p>5% on local</p>	5%
4.	Release of Retention	(i) 100% of Retention after issue of completion and acceptance certificate of work by PAPCO.	(i) 100% of Retention after issue of completion and acceptance certificate of work by PAPCO.
5.	Summary of Bank Guarantees:	10% (Shall be released after issuance of Final completion and acceptance Certificate of work by PAPCO).	10% (Shall be released after issuance of Final completion and acceptance Certificate of work by PAPCO).
	(ii) For Mobilization Advance.	10 % (To be reduced against recovery from progress payments)	10% (To be reduced against recovery from progress payments)



5.3 Method of Payment:

5.3.1 The Owner shall establish an irrevocable and confirmed Letter of Credit with the Contractor's designated Bank in favor of the Contractor in the amount of a total of US\$ 37,748,334.00 (United States Dollars Thirty Seven Million Seven Hundred Forty Eight Thousand Three Hundred Thirty Four only) within 60 days from the effective date of Agreement as defined in General Conditions of Contract Article 1.26.

Payments in Pak Rs. i.e. Rs. 5,633,174,128.00 (Pak Rupees Five Billion Six Hundred Thirty Three Million One Hundred Seventy Four Thousand One Hundred Twenty Eight only), shall be made through account payee cheques issued in favor of the Contractor. All payments shall be subject to deduction of all provincial and federal taxes including withholding tax as per relevant laws/regulations.

If optional item is carried out, then the same progress payment terms shall be applied as described for the main Work.

5.3.2 Contractor's invoices shall reflect proportionate reduction of the advance payment stipulated under 5.2.6 Table-A above.

5.4 Final Payment:

When all the Works have been completed in all respects and in accordance with the specifications the Contractor shall submit to Owner a proper statement of total sum claimed whether paid or unpaid. After verification, the Owner shall issue Completion and Acceptance Certificate of work and shall make final payment to the Contractor, after verification that work has been completed to Owner's satisfaction.

All payments are subject to deductions as per Contract and Law.

Before making final settlement, the Contractor will be required to submit an Undertaking and No Claim Certificate as per Annexure-E and Annexure- P respectively on stamp paper of appropriate amount.

ARTICLE 6- TAXES

All taxes, charge or levies attracted in connection with or in performance of the Works by the Contractor including toll tax, Federal / Provincial / Local Government taxes, levies, charges, surcharges, income tax applicable on personal income of Contractor's personnel / employees, servants, agents or on the income of the Contractor / Sub-Contractor, etc., shall be the sole responsibility and liability of Contractor / Sub-contractor and shall be solely to the account of Contractor / Sub-Contractor. All payments shall be subject to deduction of withholding tax at the applicable rate which shall be deposited in Government Treasury against Contractor's National Tax Number and copies of challans for the deposited amounts shall be provided to the Contractor. If the Contractor is entitled for any exemption from any tax or reduction in withholding tax, he shall submit a valid tax exemption certificate issued by relevant tax authority in Pakistan and submit it to the Owner.

ARTICLE 7- EFFECTIVE DATE

Effective Date shall be the date of signing of this Agreement as written above.

ARTICLE 8- COMMENCEMENT DATE

Commencement Date shall be the date notified by the Owner to the Contractor, through Notice to Proceed, on which the schedule time of Works will commence. The Works schedule and completion period shall be monitored and controlled with respect to Commencement Date.

ARTICLE 9- PERFORMANCE GUARANTEE

Within fifteen days of the date hereof, the Contractor shall at his own cost provide to the Owner, and an unconditional, irrevocable bank guarantee as per Annexure-B hereto in an amount equal to 10% of the total Contract Price (Separate for Local and Foreign components in Pak Rs. and US\$ respectively)



for the due and proper performance of the Contract. In case of an unconditional, irrevocable bank guarantee as per Annexure-Bit shall be from a first class scheduled bank (having ranking AA and above) operative in Pakistan acceptable to the Owner. The provision by the Contractor of such bank guarantee shall be a condition precedent to the release of Bid Bond submitted by the Contractor with his bid. The bank guarantee shall be maintained valid by the Contractor and held by the Owner until the expiry of the end of Defect Liability Period of twelve (12) calendar months, after which time it will be returned to the Contractor. In the event of an extension in Contract Time mutually agreed by the Owner and the Contractor, the validity period of Performance Guarantee shall be extended accordingly.

If the Contractor fails to submit the Performance Guarantee in the manner aforesaid and in the period specified, the Owner shall be entitled to forfeit the Bid Bond of the Contractor submitted with his Bid, without prejudice to their right to claim any further loss or damage which may result to them by reason of the aforesaid default of the Contractor as if a Contract is actually executed for purpose of such claim.

If the surety of Performance Guarantee furnished by the Contractor is declared bankrupt or becomes insolvent or its right to do business is terminated in Pakistan or revoked, the Contractor shall within five (5) calendar days thereafter substitute another Bank Guarantee and Surety, to the satisfaction of the Owner in accordance with the requirements of the Contract.

ARTICLE 10- INSURANCE

The Contractor at its own cost shall purchase and maintain the insurance policies in accordance with the clause 4.3 of General Conditions of the Contract. Copy of insurance policies shall be submitted to the Owner prior to mobilization at Site.

ARTICLE 11- LIQUIDATED DAMAGES FOR DELAY

The Contractor shall be responsible for completing all Works in accordance with approved project schedule within the specified Work Completion Time. If the Contractor fails to complete the Works within the Work Completion Time i.e. 730 calendar days from the Commencement Date, the Contractor will be liable for Liquidated Damages at the rate of 1% of the Contract price per week of delay up to a maximum of 10% of the total Contract Price, if the cause of delay can be attributed to the Contractor unless otherwise agreed by the Owner.

ARTICLE 12- DEFECT LIABILITY / CORRECTION PERIOD

For a period of twelve (12) calendar months after the acceptance and take-over of the completed Works by the Owner, the Contractor shall be liable for removing all / any defects at no cost to the Owner, which may occur due to defects, in Contractor's Works and or Services or for any other reason attributable to the Contractor. The Contractor shall not be responsible for preventive and normal maintenance for wear and tear or damage to Work caused by Force Majeure conditions specified in clause 16 of General conditions of Contract during the Defect Liability Period. Contractor shall be bound to respond within 3 days and start rectification work within 7 days of receiving a notification for repair from the Owner for major repair works. The repair works will be completed expeditiously within the Owner's approved time period. For minor works 3 days' time limit shall remain.

ARTICLE 13- CONFIDENTIALITY

The Contractor will keep and cause its employees to keep, any know-how, data or other information and document either provided by the Owner directly or indirectly or developed by the Contractor during the execution of the Works, strictly confidential in accordance with clause 15 of General Conditions of Contract. This obligation shall continue to be observed notwithstanding the expiration or termination of the Contract.

ARTICLE 14- TERMINATION

Both the Owner and the Contractor can terminate this Agreement in accordance with clause 14 of General Conditions of Contract attached to this Agreement.



ARTICLE 15- ARBITRATION

Any claim, dispute or difference of opinion arising out of or in any way connected with this Agreement between the Owner and the Contractor, if not amicably settled between the Parties themselves shall be referred to arbitration by appointing a sole arbitrator mutually acceptable to the Parties hereto, or to two arbitrators, one each to be appointed by two Parties, and the said arbitrators shall appoint an umpire before entering upon the reference under the Arbitration Act 1940 as modified from time to time and then being in force. If either Party fails to choose an arbitrator within thirty (30) calendar days of notice of commencement of arbitration, or if the two arbitrators fail to choose an umpire within thirty (30) calendar days of their appointment, the competent Court of Sindh at Karachi, Pakistan, shall upon the request of either Party, appoint the arbitrator or arbitrators to complete the Board. The venue of arbitration shall be at Karachi, Pakistan. Arbitrators shall make their awards within four months from the date of entering upon the reference or within such extended period as may be mutually agreed by the Parties hereto. The Parties hereto agree to be bound by the determination of the arbitration. The language of arbitration and the appropriate documentation shall be English. Judgment upon the award rendered may be entered in any court having jurisdiction, an application can be made to such court for a judicial acceptance of the award and order of Enforcement, as the case may be. The cost of arbitration shall be borne as determined by the arbitration award. Contractor shall carry out the Work and maintain progress during any arbitration proceedings, unless otherwise agreed by him and the Owner in writing.

ARTICLE 16- NOTICES

Notices under the Contract shall be issued and delivered to:

Notice to the Owner:

Chief Executive Officer
Pak-Arab Pipeline Company Limited
Corporate Headquarters
Korangi Creek Road
Karachi-75190 - Pakistan

Notice to the Contractor:

President EPC Division
DESCON Engineering Limited
DESCON Headquarters, 18-Km,
Ferozepur Road, Lahore-

All communications and notices between the parties that are made by virtue of this Agreement shall be in writing in English language and unless otherwise stated, may be made via registered air-mail/courier to the recipient at the address set forth above and shall be deemed to have been duly served three days after being deposited, postage paid with the relevant postal authority/courier service. Each party must notify the other of any change to its above address, failing which, any notice or communication sent by post shall be considered to have been duly served.

ARTICLE 17-DISCLOSURE

- 17.1 The Contractor hereby declares that it has not obtained or induced the procurement of any contract, right, interest, privilege or other obligation or benefit from Owner or any administrative subdivision or agency thereof or any other entity owned or controlled by Owner through any corrupt business practice.
- 17.2 Without limiting the generality of the foregoing, the Contractor represents and warrants that it has fully declared the brokerage, commission, fees, etc., paid or payable to anyone and not given or agreed to give and shall not give to anyone within or outside Pakistan either directly or indirectly through any natural or judicial person, including its affiliate, agent, associate, broker, consultant, director, promoter, shareholder, sponsor or subsidiary, any commission, gratification, bribe, finder's fee or kickback, whether described as consultation fee or otherwise, with the object of obtaining or including the procurement of a contract, right, interest, privilege or other obligation or benefit in whatsoever form from Owner except that which has been expressly declared pursuant hereto.
- 17.3 The Contractor certifies that it has made and will make full disclosure of all agreements and arrangements with all persons in respect of or related to the transaction with Owner and has



not taken any action or will not take any action to circumvent the above declaration, representation or warranty.

- 17.4 The Contractor accepts full responsibility and strict liability for making any false declaration, not making full disclosure, misrepresenting facts or taking any action likely to defeat the purpose of this declaration, representation and warranty. It agrees that any contract, right, interest, privilege or other obligation or benefit obtained or procured as aforesaid shall, without prejudice to any other right and remedies available to Owner under any law, contract or other instrument, be voidable at the option of Owner.
- 17.5 Notwithstanding any rights and remedies exercised by Owner in this regard, the Contractor agrees to indemnify Owner for any loss or damage incurred by Owner on account of its corrupt practices and further pay compensation to Owner in an amount equivalent to ten times the sum of any commission, gratification, bribe, finder's fee or kickback given by the Contractor as aforesaid for the purpose of obtaining or inducing the procurement of any contract, right, interest, privilege or other obligation or benefit in whatsoever form from Owner.

ARTICLE 18- MISCELLANEOUS

- 18.1 The Contractor shall not, without the prior written consent of the Owner assign, transfer or subcontract in whole or in part its interest or obligations under the Contract and specifically, the Contractor shall not assign any moneys due or to become due without the prior written consent of the Owner.
- 18.2 The Owner and the Contractor each binds itself, its partners, successors-in-interest, assigns and legal representatives to the other Party hereto in respect to all covenants, agreements and obligations contained in the Contract.
- 18.3 The Contract may be altered, amended or repeated only in writing and signed by authorized representatives of both Parties hereto.
- 18.4 The claims of either party for indemnification or breach of warranty under this Contract shall survive the termination or expiry of the Contract.
- 18.5 If any portion of this Agreement is held to be invalid or unenforceable, the validity of the remainder of the Agreement shall not be affected, and the rights and obligations of the Parties shall, to the extent legally permissible, be construed and enforced as if the Agreement did not contain the invalid provision.
- 18.6 DESCON Engineering Limited is an independent Contractor and this Agreement does not create an employer-employee or agency relationship between the Owner and the Contractor.
- 18.7 The Contract shall be governed in accordance with the laws of the Islamic Republic of Pakistan.
- 18.8 The failure of either party at any time to require performance by the other party of any provision hereof shall in no way affect the full right to require such performance at any time thereafter. The waiver by either party of a breach of any provision hereof shall not constitute a waiver of the provision itself. The failure of either party to exercise its right, provided under this Agreement shall not constitute a waiver of such right.
- 18.9 Custom duties and taxes payable at port in Pakistan on material and equipment imported for incorporation into project shall be on account of the Owner as per clause 19 of the General Conditions of Contract.
- 18.10. Contractor's maximum liability shall be as under:
- (a) In respect of the cost of making good loss or damage in accordance with clause 5.21.4 of the General Conditions of Contract it shall not exceed the cost of replacement of the project (including supply of material & equipment and execution of works) unless otherwise agreed.



- (b) In respect of loss or damage to property of the Owner and his affiliates in accordance with clause 5.21.8 of the General Conditions of Contract it shall not exceed the cost of full restoration of such property to its condition before such loss or damage occurred.

18.11 The Owner shall nominate an official of PAPCO to act as the Owner Representative for the purpose of the Contract. Name of the Owner Representative shall be notified to the Contractor with delegation of specific authority in writing by the Chief Executive Officer of PAPCO before the commencement date.

18.12 The Contractor shall nominate an official of his company to act as the Contractor Representative for the purposes of execution of project under the Contract. The Name of the Contractor Representative shall be notified, in writing by the signatory of this Contract Agreement on behalf of the Contractor before the commencement date. The nomination of Contractor Representative shall be subject to approval of the Owner, which shall be notified to the Contractor by the signatory of this Contract on behalf of Owner.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement the day and year first above written.

For and on behalf

PAK-ARAB PIPELINE COMPANY LIMITED

Signature:

Name:

Designation:

CNIC No.:

Shujauddin Ahmed

Chief Executive

42301-1730122-3



For and on behalf of

DESCON ENGINEERING LIMITED

Signature:

Name:

Designation:

CNIC No.:

Nasir Hameed

President, EPC Division

37405-8663195-5



WITNESS-1:

WITNESS-1:

Signature:

Name:

Designation:

CNIC No.:

S. Zakir Hussain Shah

Advisor PAPCO

42301-0908061-1

Signature:

Name:

Designation:

CNIC No.:

Syed Irfan Samdani

Head Operations, Oil & Gas BU

35202-4895865-7

WITNESS-2:

WITNESS-2:

Signature:

Name:

Designation:

CNIC No.:

Imran Ahmed

CFO PAPCO

42201-0795880-7

Signature:

Name:

Designation:

CNIC No.:

Aamer Hadi Khan

Head Business Development

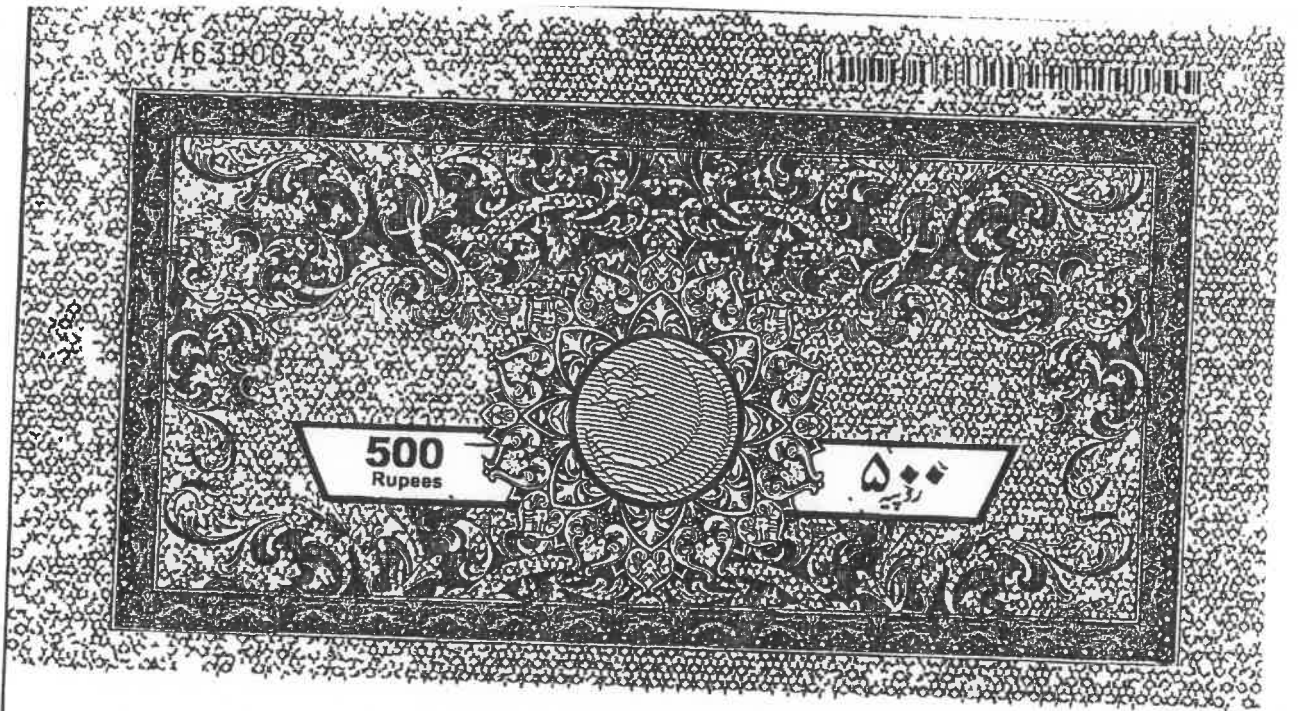
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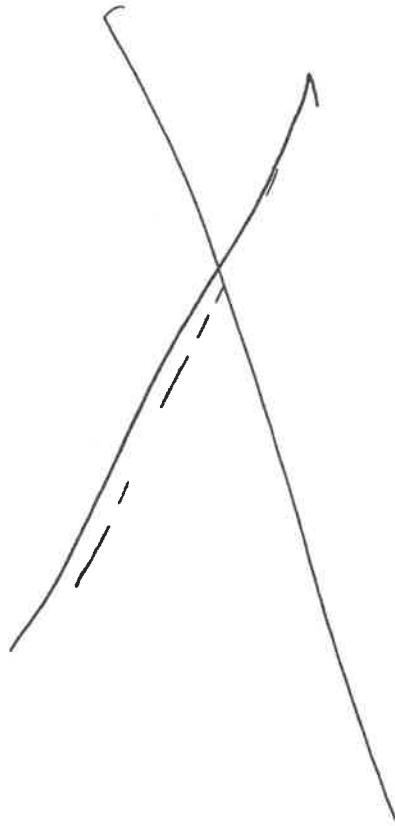
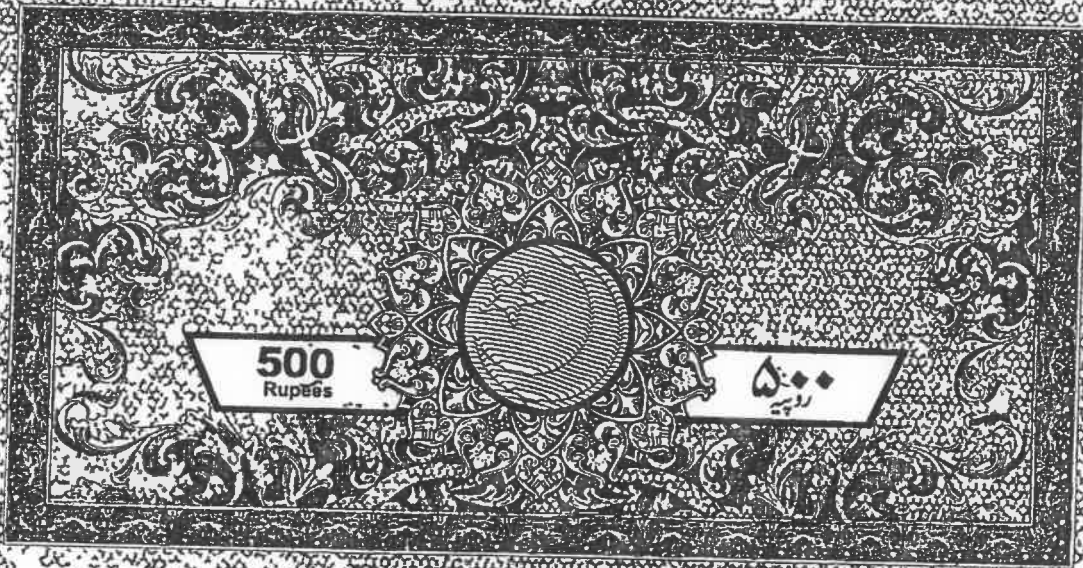
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A639004

REPUBLIC OF PAKISTAN



May 17, 2017

Mr. Shuja Uddin Ahmed
Chief Executive Officer
Pak-Arab Pipeline Company Limited
Corporate Headquarters
Korangi Creek Road, Karachi

Subject: Syndicated Term Finance Facility of upto PKR 11,800 mn for Pak-Arab Pipeline Company Limited ("PAPCO" or "the Company")

Dear Sir,

This is with reference to our proposal dated December 14, 2016 and our various subsequent discussions.

In this regard, MCB Bank Limited ("MCB") and Meezan Bank Limited ("MBL") (hereinafter referred to as the "Mandated Lead Advisors and Arrangers" or "MLAAs") are pleased to submit our indicative revised offer to arrange up to PKR 11,800 mn through Syndicated Term Finance Facility in a combination of Conventional and Islamic Facility with a sublimit of Syndicated LC Facility for the Project (hereinafter referred to as the "Transaction" or "Facility"). The proceeds of the Facility shall be utilized to partially finance the upgradation of existing Mogas pipeline and the construction of link line from the port at Kemari to Korangi (hereinafter referred to as the "Project").

The Facility is being proposed broadly on the indicative terms and conditions described in the attached indicative term sheet (this letter should be read in conjunction with the indicative term sheet, collectively referred to herein as the "Offer").

This offer can be treated as an Expression of Interest by the Mandated Lead Advisors and Arrangers to arrange the subject financing on a best effort basis. Please note that this offer is indicative in nature & for discussion purposes only and is subject to detailed due diligence and internal credit approvals of the MLAAs and other Financiers. The MLAAs have neither sought nor obtained the internal approvals that they require as a condition to any formal undertaking.

The terms and conditions as outlined, including the amount and tenor, have been quoted keeping in mind specific financing requirements of the Company, as well as the prevailing market conditions. If you wish, the MLAAs would welcome the opportunity to discuss any aspect of the Transaction in detail with you at your convenience. Furthermore, and as more fully described in the "Market Flex" section of the Indicative Term Sheet, the terms and conditions of this Proposal, including the amount, mark up rates, and fees, may be modified or supplemented by the MLAAs at their sole discretion at any time and from time to time during the course of its due diligence or as a result of changed market conditions or otherwise.

Kindly confirm your agreement and acceptance of the terms and conditions outlined in the attached term sheet by signing and affixing your Company's stamp on this letter, in the space provided below, as well as initialling the indicative term sheet attached as Annexure and returning it to the undersigned by May 31, 2017 after which the offer (if not so accepted or extended prior thereto) will expire. The validity of the term sheet is subject to no adverse market / economic conditions or else the offer/ terms and condition as outlined in attached Annexure may be revised.

By accepting the delivery of these proposal documents, you agree that these proposal documents are for your confidential use only and that neither their existence nor the terms hereof will be disclosed by you to any person other than your officers, directors, employees, accountants, legal counsel and other advisors, and then only on a



"need to know" basis in connection with the Transaction contemplated hereby and on a confidential basis (except that, notwithstanding the foregoing, you may make such public disclosures as you are required by law, in the opinion of your legal counsel). Your obligations hereunder with respect to confidentiality shall survive the expiration or termination of these proposal documents.

We look forward to working with you to a successful conclusion of these Transactions. Should you have any queries please do not hesitate to contact us.



For and on behalf of
MCB Bank Limited
Mr. Jawad Taj
Department Head-Project Finance,
Advisory and Syndications
Investment Banking
Phone: 021-32642067
Fax #: 021-32272818



For and on behalf of
Meezan Bank Limited
Mr. Urooj ul Hassan
EVP – Head of Investment Banking
Phone: 021-36406123
Fax #: 021-36406074

Enclosure: Annexure (Indicative Term Sheet)

Accepted For and On Behalf Of:



Pak Arab Pipeline Company Limited

Date:



ANNEXURE

INDICATIVE TERM SHEET SYNDICATED TERM FINANCE FACILITY OF PKR 11,800 MILLION FOR PAK ARAB PIPELINE COMPANY LIMITED

The terms and conditions set forth in this proposal document ("Offer") are intended for discussion purposes only and are subject, among other things, to the final expression of the terms of the Transaction(s) as set forth in definitive agreements and/or confirmations and internal credit approvals of the participating banks / financial institutions. This Proposal Document is neither an offer to sell nor the solicitation of an offer to enter into such transactions.

Structural Parameters

OBLIGOR	Pak Arab Pipeline Company Limited ("PAPCO" or the "Company")
MANDATED LEAD ADVISORS AND ARRANGERS	MCB Bank Limited ("MCB"); Meezan Bank Limited ("MBL"); Banks/Financial Institutions ("FIs") including but not limited to Mandated Lead Advisors and Arrangers
PURPOSE	The proceeds of the Facility shall be utilized to partially finance the upgradation of existing Mogas pipeline and the construction of link line from the port at Kemari to Korangi ("Project")
FACILITY AMOUNT	Up to PKR 11,800 Mn;
FACILITY/ TRANSACTION	Syndicated Term Finance Facility in a combination of Conventional and Islamic Facility ("Facility" or "Transaction"). The Facility would also include a Syndicated Letter of Credit Facility ("LC") for import of plant and machinery as a sublimit of the Syndicated Term Finance Facility. At any point in time, the non-funded exposure shall not exceed the Facility Amount.
TENOR	Mandated Lead Advisors And Arrangers shall have the first right of refusal to establish all LCs related to the Project. Option I: Up to five (5) years from Facility Effective Date inclusive of a Grace Period of two (2) years; Option II: Up to seven (7) years from Facility Effective Date inclusive of a Grace Period of two (2) years; Option III: Up to nine (9) years from Facility Effective Date inclusive of a Grace Period of two (2) years;
FACILITY EFFECTIVE DATE ("FED")	First Drawdown date but not later than forty five (45) days from the date of execution of the Facility Documents that would be specified in the Facility Documents, by which time legal documents and formalities would be completed and Conditions Precedent to Drawdown would be satisfied, deferred or waived. The Financiers, subject to any conditions as they may consider necessary, extend the Facility Effective Date.
GRACE PERIOD	Up to two (2) years from FED on principal portion only.
AVAILABILITY PERIOD	Up to twenty four (24) months from FED. Any amount undrawn on the expiry of the Availability Period will stand cancelled.
PROFIT/MARK-UP PAYMENTS	Quarterly in arrears. First mark-up/profit payment shall fall due at the end of first three (3) months from the date of first Drawdown and subsequently every three (3) months thereafter on the outstanding balance of the Facility. Mark-up/profit will be calculated on the basis of actual number of days elapsed in a year of 365 days



**PRINCIPAL REPAYMENTS /
REDEMPTION**

Option I: Principal shall be repaid/redeemed in twelve (12) equal quarterly instalments starting from 27th month from the date of first Drawdown;

Option II: Principal shall be repaid/redeemed in twenty (20) equal quarterly instalments starting from 27th month from the date of first Drawdown;

Option III: Principal shall be repaid/redeemed in twenty eight (28) equal quarterly instalments starting from 27th month from the date of first Drawdown;

The security structure will be finalized after the completion of the due diligence by the Financiers. However, the Facility is likely to be secured by, including but not limited to:

1. First pari passu Hypothecation charge over all present and future movable fixed assets (including pipeline) of the Company with 25% margin;
2. Additionally for Syndicated Letter of Credit Facility, Financiers shall have lien over LC documents.

SECURITY

For abundant clarity, please note that the security shall be shared pari passu between local currency and foreign currency financiers which shall be captured through a legal agreement. The detailed modus operandi shall be finalized after detailed legal due diligence.

PRICING

Pricing & Other Transactional Costs

Option I: Base Rate plus 4 bps pa, with a floor of 2.5% and cap of 25%;

Option II: Base Rate plus 6 bps pa, with a floor of 2.5% and cap of 25%;

Option III: Base Rate plus 9 bps pa, with a floor of 2.5% and cap of 25%;

BASE RATE

Please note that floor and cap will be applicable for Islamic Facility only.

Base Rate is defined as the average of the three (3) month Karachi Inter-Bank Offered Rate ("KIBOR") as published on Reuters page KIBOR. The Base Rate will be set one working day before the first Drawdown and subsequently one working day prior to the beginning of each quarterly period for which the profit is due at the end of the ensuing semi-annual period.

The Agreement is based on the premise that KIBOR rates continue to be a true representation of international banks' cost of funds and therefore continue to be a realistic benchmark for pricing facilities of this nature. Should for any reason any material adverse event occur which ceases or materially inhibits the ability of KIBOR rates to act as a benchmark, then the Financiers shall be entitled, as they deems fit, to substitute this mark-up/profit benchmark with another benchmark that is reflective of market conditions. The Financiers will provide at least 14 days written notice of this change of benchmark before it is deemed to become mutually applicable. In the event of a lack of acceptance on part of Obligor, the Financiers shall be entitled to terminate the Transaction and the Obligor shall prepay the entire outstanding Facility Amount with any accrued Profit and other charges and expenses. To be quoted later to Company to match the competitive terms.

LC COMMISSION

First LC Commission to be paid at the time of LC opening.



ARRANGEMENT & ADVISORY FEE	Arrangement and Advisory Fees ("Fees") to be charges flat on the Facility Amount as per the following options: 1. Option I: 4 bps 2. Option II: 6 bps 3. Option III: 7 bps Fees will be paid by the Company in the following manner: • 25% of this fee is payable on the acceptance of this term sheet (non-refundable); and • Remaining 75% to be paid on the signing of the Facility Documents MCB Bank Limited ("MCB") Meezan Bank Limited
FACILITY AGENT	
SHARIAH STRUCTURING ADVISOR	
SHARIAH STRUCTURING FEE	PKR 300,000/- which shall be payable one time by PAPCO upon signing of the Facility Documents
LC OPENING BANK	All LCs under the Project shall be opened by MCB Bank Limited ("MCB") and Meezan Bank Limited ("MBL") in a proportion as mutually agreed between them, subject to Company mandates MLAs for LC Facility as sublimit of the Facility;
ACCOUNT BANK	Meezan Bank Limited ("MBL")
TRANSACTION LEGAL COUNSEL	To be appointed by the MLAs in consultation with the Company.
LEGAL FEES	To be billed at actuals to the Company.
OUT OF POCKET EXPENSES	All expenses including but not limited to documentation charges, travelling, accommodation, appraisal and valuation fees, etc. shall be borne by the Company. Out of pocket expenses will be capped at PKR 100,000/-. Any out of pocket expense over and above the abovementioned cap will require prior consent of the Company.
Other Transaction Parameters	
OTHER PROFESSIONAL SERVICES	MLAs shall, in consultation with PAPCO, engage such other professional services as are required. All other professional service expenses/charges along with out of pocket expenses (if any) shall be borne by PAPCO and will be payable at actuals whether or not the transaction proceeds to signature. MLAs shall negotiate the engagement terms with the service providers accordingly.
INSURANCE / TAKAFUL	The Obligor shall insure and always keep insured all its assets (and all additions thereto) against all reasonable risks including (but not limited to) loss or damage by fire, explosion, and strike damage, terrorism, malicious damage, atmospheric damage, and impact damage, property damage with loss of profit policy, business interruption and political violence with a well reputed insurance/takaful company or companies, to produce the policies of such insurance/takaful to the Facility Agent, if required, to duly pay or cause to be paid the premiums and other sums of money payable in respect of such insurance/takaful and if required, to produce to the Facility Agent the receipts for the same within thirty (30) days of the same becoming due and to assign the policies of insurance/takaful in favor of the Facility Agent /Financiers (marked as co-loss payee) as the case may be for the Financiers to the extent of the amount from time to time due to the Financiers hereunder, and to cause the notice of the interest of the Financiers to be noted on the policies of insurance/takaful.
PREPAYMENT / EARLY PURCHASE OPTION	Partial or full prepayment/early purchase of the Facility will be allowed through Company's own sources, on instalment payment dates after giving a thirty (30) days prior notice to the Facility Agent which notice, once given, shall be irrevocable, in a minimum of PKR 500 million or multiples thereof.

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In case, the prepayment is made by the Company from its own sources, there will be no prepayment penalty. However, prepayment penalty of 0.25% will be applicable on the principal being prepaid if the prepayment is to be made through the proceeds of loan (short term and/or long term) to be obtained by the Company from any other bank/syndicate.

Prepayments shall be allowed after the expiry of the Grace Period and shall be applied in inverse order of the scheduled repayments/redemption amounts.

In addition, Facility Documents will stipulate circumstances wherein prepayment will become mandatory.

FACILITY DOCUMENTS

The Facility Documents shall include but not be limited to the following:

1. Syndicated Term Finance Agreement;
2. Islamic Facility Agreements;
3. Syndicated LC Agreement;
4. Risk Participation Agreement;
5. Intercreditor Agreement;
6. Intercreditor Facility Agreement;
7. Security Documents;
8. Security Sharing Agreement

CO-OPTION

Any document as deemed appropriate by the Transaction Legal Counsel;
The MLAA's reserve the right to co-opt any financial institution(s) of their own choice in order to successfully close the mandate. The co-option would be at the expense of the MLAA's and would not affect the overall cost of the Transaction to the Company.

SELL DOWN

The Financiers may sell-down all or part of the Facility Amount to any other financial institution of their choice with credit rating of A (Single A) or above after signing of the Facility Documents without the Company's consent. In case, the Financier wants to sell down to a bank with a credit rating below A (Single A), Financier shall seek PAPCO's prior consent which shall not unreasonably withheld. The Company will execute all such documents as may be reasonably required and cooperate in all matters related to such sell-down. All costs, expenses and other charges will be on account of the concerned financial institution(s).

INFORMATION

The Company will supply to the Facility Agent / Financiers information including (but not limited to) all Project related agreements such as finalized EPC contract etc. ("Project Documents"), detailed technical /financial feasibility for the Project required to conduct due diligence for the purpose of obtaining internal approvals and marketing of the transaction. The financial projections shall include the projected balance sheet, profit and loss statement, financial ratios and shall also include a demand & supply analysis. The Company to also provide all other information required by the Mandated Lead Advisors and Arrangers to produce a detailed Information Memorandum for distribution to potential Financiers on a selective and confidential basis. The Company shall take responsibility for the accuracy and completeness of the information to be furnished in the Information Memorandum. Senior Management of the Company will be available for meetings with prospective Financiers to assist in the placement process, if required.

CONDITIONS PRECEDENT TO DRAWDOWN

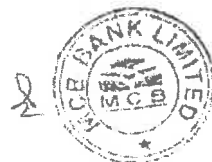
Conditions Precedent to Drawdown to be mutually agreed upon in the Facility Documents and shall include, including but not be limited to, the following:

1. All authorizations required by PAPCO in connection with the execution, delivery,



validity or enforceability of the Facility Documents, the granting of authority to an authorised officer or authorised officers to execute and deliver the Facility Documents or any other document or notice in connection therewith, and the performance of PAPCO of all of its obligations under the Facility Documents have been completed.

2. Provision of a certified true copy of a resolution passed by the Board of Directors of PAPCO at a meeting duly convened and held authorizing acceptance of the Facility on the terms and conditions set out in this term sheet.
3. All regulatory and corporate approvals, NOCs, consent, etc. for undertaking the Project and the Facility to be in place;
4. Creation and perfection of Security to the satisfaction of Financiers and the Transaction Legal Counsel.
5. Receipt of a legal opinion(s) from the Transaction Legal Counsel(s) (for Pakistan and any other Law), confirming inter alia the validity, enforceability and binding effect of the obligations of the Obligor under the Facility Documents, in form and substance acceptable to the Financiers;
6. Receipt of Latest Valuation Report of the existing fixed assets of the Company from a SBP approved valuator and acceptable to the Financiers
7. Full compliance by the Company with all applicable regulations including but not limited to SBP Prudential Regulations, all KYC (Know Your Customer) requirements, Securities & Exchange Commission of Pakistan ("SECP") and all other laws of Pakistan, otherwise waivers are in place.
8. Comprehensive insurance/takaful of all assets to be hypothecated as security shall be placed in favour of the Financiers/Facility Agent throughout the Facility tenor;
9. Company to provide detailed financial projections of the Company, for the entire Tenor of the Facility to the satisfaction of Financiers;
10. Company has provided all the Information for the Project enabling Financiers to carry out their due diligence and arrange their internal approvals for the Facility;
11. Company to provide a copy of Project documents including but not limited to duly executed Engineering Procurement and Construction ("EPC") contract with the relevant parties;
12. Receipt of tariff approval for the Project from Oil Gas Regulatory Authority ("OGRA") / Ministry of Oil, Gas, and Natural Resources, (or any other authority as applicable), (only applicable for Option I i.e. five (5) years Tenor of the Facility);
13. Receipt of approval from Defence Housing Authority/ Cantonment/ Karachi Development Authority ("KDA") (or any other authority as applicable) (if required) for the construction of Link Line from Kemari to Korangi;
14. Annual audited accounts of the Company for the year ended June 2016;
15. Evidence confirming Financial Close of the Project;
16. Submission of the documents including but not limited to the following to the Agent for circulation amongst the Financiers:
 - a. SECP certified Memorandum & Articles of Association of the Obligor;
 - b. SECP certified Certificate of Incorporation;
 - c. SECP Certified Form 29;
 - d. CNIC copies of all directors duly attested by the Company Secretary;
 - e. SECP certified Form A;
 - f. Company Secretary certified List of Authorized Signatories;
 - g. Company Secretary certified List of Directors;



- h. Duly filled, signed and stamped Borrowers Basic Fact Sheet;
 - i. Duly filled, signed and stamped Loan Application Form;
 - j. Duly filled, signed and stamped Undertaking for Appropriate Utilization of Funds;
17. CIB clearance to be obtained such that the Company and its group companies are not a defaulter of any Bank/DFI;
18. Any other conditions precedents that the MLAA's are advised as a result of legal/ insurance due-diligence.

In addition to above, Company will be required to provide the following documents/information for the establishment of LCs:

- 1. Company to provide certified true copies of duly executed contracts/ agreements executed in between the Company and equipment supplier;
- 2. LCs shall be retired/settled in accordance with the commercial terms of the supplier contracts and other related contracts;
- 3. All SBP approvals to be in place prior to the establishment of LCs (if required/ applicable);
- 4. Compliance with SBP regulations relating to import and local procurement of plant and machinery and margins on LC security;
- 5. LC Facility Agreement to be executed in between Company, LC Opening Banks and LC Participating Banks to incorporate the relevant LC terms and conditions;
- 6. Risk Sharing Agreement to be executed in between the LC Opening Banks and LC participating banks;
- 7. Bill of lading and other related documents;
- 8. Marine Insurance (upon shipment of equipment under each LC);
- 9. Performa Invoices / supplier Invoices (to the extent applicable);
- 10. Lien over LC documents;

Other L/C terms and conditions as deemed necessary by the MLAA's/ LC opening Bank;

OTHER TERMS AND CONDITIONS

- 1. The Facility will be arranged for the Obligor on a best efforts basis and is subject to the satisfactory due diligence, receipt of internal credit approvals of the Financiers under the Facility, and compliance with SBP Prudential Regulations;
- 2. The Company to submit un-audited half-yearly year accounts within 60 days of half year end, annual audited accounts within 90 days of the financial year-end.
- 3. Facility will be subject to execution of Transaction documentation acceptable to the MLAA's;
- 4. All levies, duties, surcharges, taxes etc. of whatsoever nature (related to the execution of Project Documents and Facility Documents), imposed by the Federal and/or Provincial Government have been paid by the Company (including stamp duties payable on Security/ Facility Documents). Any other regulatory or issuance costs will be borne by the Company;
- 5. The foreign and local currency financiers shall share security pari passu with each other. The foreign & local currency financier shall execute all necessary financing/ legal agreements as advised by Transaction Legal Counsel including, but not limited to, Intercreditor Agreement ("ICA").
- 6. Any other conditions that the MLAA's deem necessary.;



**FINANCIAL COVENANTS AND
OTHER COVENANTS**

Financial and other covenants to be finalized in the Facility Documents but will include a minimum of:

1. **Minimum Debt Service Coverage Ratio (DSCR)** not to fall below 1.25 during the Tenor of this Facility. {DSCR will be calculated as (Earnings before Interest, Taxes, Depreciation and Amortization- EBITDA) divided by (current maturity of all long term debt as mentioned in the accounts of last year including any lease liabilities and financial charges of current year)}
2. **Debt: Equity Ratio** not to exceed **70:30** at any time during the Tenor of this Facility. (Debt will be defined as all interest bearing short and long term debt including finance lease and current portion of all interest bearing long term debt.)
3. **Current ratio of 1:1** (including current portion of long term liabilities) is to be maintained by the Company.
4. Any other Financial Covenant as determined and required by the MLAA's shall be incorporated in Facility Documents;

During the currency of the Facility, Company shall be required to comply with the covenants including but not limited to the following:

1. The Company shall not declare any dividends during the entire Tenor of the Facility if the declaration and /or payment of dividends result in non-compliance of Financial Covenants, Event of Default and/ or Material Adverse Effect;
2. Maintenance of agreed insurance/takaful cover;
3. Maintain perfection of the existing Security coverage;
4. The Company to maintain minimum 51% shareholding by the Majority Sponsor (i.e. Pak Arab Refinery Limited) throughout the Tenor of the Facility. Any proposed change in ownership will require prior written approval of Financiers.
5. No merger, acquisition, amalgamation or consolidation of the Company
6. PAPCO shall not sell, transfer or dispose off any of its assets (other than the ordinary course of business);
7. The Company will not lend/ invest to the associated companies/ subsidiaries (except in ordinary course of business) during the Tenor of Facility without prior consent of Financiers;
8. All Project Documents to remain valid during the entire Tenor of the Facility;
9. The Obligor to provide the certificate from Pakistan Environmental Protection Agency (EPA) or relevant Provincial Environmental Protection Agency that the Project meets the environmental guidelines and occupational health and safety standards within six (6) months from the date of first drawdown. In any case, Company to ensure that EPA approval is in place prior to the commissioning of the Project;
10. Company to ensure compliance with the terms and condition of EPA, No Objection Certificate/Approval including, but not limited to, preparation and implementation of Environmental Management Plan and engagement of Independent Environment Monitoring agency/firm that will provide periodic monitoring reports;
11. Company to arrange entity rating from any credit rating Agency approved by Securities and Exchange Commission of Pakistan ("SECP") and /or State Bank of Pakistan ("SBP") no later than three (3) months from the date of first drawdown which will be maintained throughout the Tenor of the Facility;
12. Undertaking from PAPCO confirming that all cost overruns/ time overrun arising with respect to the Project will be financed by PAPCO's own sources;



13. Technical advisor /Company to conduct quarterly progress Report on the Project, at the expense of the Obligor, till final completion of the Project and/or commencement of commercial operations;
14. Company to provide the latest valuation report after the Commercial Operations Date ("COD") of the Project but not later than three months from the COD;

Please note that apart from the above, standard terms and conditions would be incorporated in the legal documentation

EVENTS OF DEFAULT

The Events of Default will be usual and customary for a transaction of this type, including, without limitation, the following:

1. Failure to make payments under any Financing Document;
2. Breach of provisions of any Financing Document (including but not limited to Financial Covenants, representation, warranty);
3. Termination, suspension, repudiation or revocation of a Financing Document or any Consents;
4. Illegality, invalidity or unenforceability of any Facility / Project Document or any Facility / Project Document ceases to be in full force or effect;
5. Invalidity of Financiers' security or material diminution in the value of any Security or secured property;
6. Abandonment or destruction of the whole or a material part of the secured or Project assets unless fully insured and the insurance/takaful proceeds are available to be applied in reinstatement.
7. Cross Default to be applicable in terms and with respect to the Facility;
8. No pending or litigation is in process, which may have a material adverse effect on the Company/Project;
9. Termination/ cessation of the Project
10. Any event or series of events occurs which individually or when taken into consideration with any other facts or circumstances then in existence has or results in a Material Adverse Effect.

Certain events of default will be subject to an appropriate remedy period. Exceptions and qualifications (including those relating to materiality and reasonableness) will be agreed and included where appropriate in final documentation.

**REPRESENTATIONS, COVENANTS
AND INDEMNITIES
TAXATION**

MLAAs and/or the Financiers would have the right to identify other reasonable events if required as a result of legal/technical/insurance due-diligence.

Facility Documents shall incorporate usual and appropriate indemnities, representations and covenants in favour of Financiers.

Under the terms of this Facility, payment of principal, profit, fees and all other amounts payable by the Company shall be made free and clear of taxes, withholding and duties of any nature whatsoever (other than taxes directly related to the Income of Financiers and MLAAs) to the end, the payment in each case to investors will be grossed up in the event any such deduction or withholding is required to be made from any such payment so that Financiers will receive the amount it would have received had no such deduction been made.

In the event, the Company is required by any applicable law, to deduct any tax from payments being made to the Financiers, the Company shall provide to the Financiers original copies of the tax challans, duly made out in their name, in respect of the tax



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MARKET OUT

so deducted, immediately after such challans are obtained by the Company.
The Company agrees that until the earlier to occur of (i) termination of the offer hereunder, or (ii) signing of all the Facility Documents, it will not syndicate or issue, attempt to syndicate or issue, announce or authorize the announcement of the syndication or issuance of, or engage in discussions concerning the syndication or issuance of, any debt facility (including the establishment of a series of bilateral arrangements) or debt securities (including any renewals thereof) in the commercial bank, investment bank, non-banking financial institution or capital markets, without the prior written consent of the MLAAs. Such consent shall not be unreasonably withheld.

MARKET FLEX

The Company also agrees that the MLAAs will act as the sole MLAAs for the Transaction and that no additional agents, co-agents or Mandated Lead Advisor and Arranger will be appointed or other titles conferred, without the consent of the MLAAs. The Company further agrees that the MLAAs may provide compensation in its sole discretion to any participating financial institutions from the fees it shall receive in terms of the above Facility without any additional cost or liability to the Company.
The Company hereby agrees that the MLAAs have the right at any time to change any or all of the terms, structure, tenor and pricing of the Facility, if such changes are necessary in the sole but reasonable judgement of the Mandated Lead Advisors and Arrangers to ensure a successful arrangement of the Facility. The Mandated Lead Advisors and Arrangers will consult with the Company for a period of up to five (5) business days about such changes. If the Company does not accept such changes after such period, the Mandated Lead Advisors and Arrangers will be entitled to terminate their offer hereunder.

MATERIAL ADVERSE EFFECT

Until the signing of the Facility Documents, the Mandated Lead Advisors and Arrangers reserve the right to terminate the Offer, if in their opinion (a) any material adverse change has occurred in any of the business conditions (financial or otherwise), operations, performance, properties or prospects of the Company (b) any circumstance, change or condition (including the continuation of any existing condition) in the Company, loan syndication, financial or capital markets generally that materially impair the arrangement of the Facility and (c) any material adverse change having occurred in the market for loans and debt securities of Pakistan.

After the signing of the Facility Documents and until the expiry of the Facility, Material Adverse Effect shall constitute any event that has a material adverse effect on the business, assets or financial condition of the Company or any other event, which affects the ability of the Company to perform its obligations under the Transaction Documents.

INDEMNIFICATION

The Company hereby indemnifies and agrees to hold harmless the MLAAs, Financiers, Facility Agent and each of their affiliates and each of its respective officers, directors, employees, agents, advisors and representatives (each an "Indemnity Party") from and against any and all claims, damages, losses, liabilities, costs and expenses (hereinafter collectively referred as "Claim"), joint or several, that may be incurred by or awarded against any Indemnified Party, in each case arising out of or in connection with or relating to the Offer or the Facility except to the extent such Claim has resulted from such Indemnified Party's gross negligence or wilful misconduct.

GOVERNING LAW

The Facility shall be subject to the laws of Islamic Republic of Pakistan and non-exclusive jurisdiction of the Pakistan Courts.

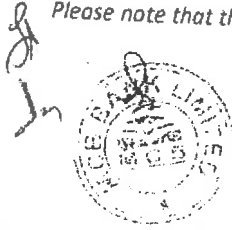
VALIDITY

The terms and conditions stated in this term sheet are valid for acceptance by the



Company up till **May 31, 2017**, which may be extended upon mutual consent. The validity of term sheet is subject to no adverse market / economic conditions or else the offer/ terms and conditions may be revised).

Please note that the above is not a comprehensive statement of all applicable terms and conditions.



Mandate Document or any Facility Document which is in each case finally judicially determined to have resulted directly from the gross negligence or wilful misconduct of that Indemnified Person; and

- (ii) Notwithstanding paragraph (i) above, no Indemnified Person shall be responsible or have any liability to the Borrower or any of its Affiliates or anyone else for consequential losses or damages

The Borrower represents to the Mandated Lead Arrangers and the Bookrunners that:

- (i) it is acting for its own account and it has made its own independent decisions to enter into the transaction contemplated in the Mandate Documents (the "Transaction") and as to whether the Transaction is appropriate or proper for it based upon its own judgement and upon advice from such advisers as it has deemed necessary;
- (ii) it is not relying on any communication (written or oral) from any or all of the Mandated Lead Arrangers or the Bookrunners as investment advice or as a recommendation to enter into the Transaction, it being understood that information and explanations related to the terms and conditions of the Transaction shall not be considered investment advice or a recommendation to enter into the Transaction. No communication (written or oral) received from any or all of the Mandated Lead Arrangers or Bookrunners shall be deemed to be an assurance or guarantee as to the expected results of the Transaction;
- (iii) it is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of the Transaction. It is also capable of assuming, and assumes, the risks of the Transaction; and
- (iv) The Mandated Lead Arranger is not acting as a fiduciary for or as an adviser to it in connection with the Transaction.

Agreed & Accepted by:

Signature:

Name:

Date:

For and on behalf of Pak-Arab Pipeline Company ("PAPCO").

23rd August 2017

Mr Shuja Uddin Ahmed
Chief Executive
Pak-Arab Pipeline Company Limited (PAPCO)
c/o Pak-Arab Refinery Limited
Corporate Headquarters, Korangi Creek Road
Karachi-75190, Pakistan

Subject: INDICATIVE FINANCING OFFER FOR THE TRANSPORTATION OF MOTOR GASOLINE (MOGAS) IN WHITE OIL PIPELINE (WOP) SYSTEM (THE PROJECT)

Dear Sir,

We refer to our offer dated 13th April 2017 and our subsequent discussions with you regarding the further developments in Project.

We understand that PAPCO intends to convert its existing white oil pipeline (which currently only transports diesel) to a multi-product pipeline capable of transporting both motor gasoline (MOGAS) as well as diesel. We also understand that this Project is expected to cost is reduced to approx. USD 139 M (equivalent) and that these funds will be raised through syndicated facilities.

Based on the information provided by you on this Project to date, SCB is pleased to confirm our interest in considering the proposed financing as a Mandated Lead Arranger.

As noted in your letters relating to the Project and our subsequent discussions, SCB would be prepared to consider a bilateral USD facility upto USD 25 M, which may be structured on an Islamic and/or a Conventional basis.

We therefore attach herewith, for your review and consideration, indicative term sheets for FCY Commercial Facility on bilateral/syndicated basis. A summary of the salient features of our indicative terms are tabulated below for your convenience.

Facility Amount	Upto USD 25M
Tenor (years from the Signing Date)	5
Availability Period (years from the Signing Date)	2
Repayment (equal quarterly instalments starting from the end of the Availability Period)	12
Margin over LIBOR	2.70%
Commitment Fee	30% of the Margin
Arrangement / Structuring Fee	1.50%

Kindly note that this letter has been provided at your request based on our preliminary understanding of the Project and without any formal internal approvals.

This letter is not intended to be a commitment or offer by us or any of our affiliates (together, the "SCB Group") to provide or arrange or underwrite any financing in connection with the Project. Nothing in this letter (including any act, omission or representation by or on our behalf) shall render any member of the SCB Group liable to you or any other person in any manner whatsoever.

Standard Chartered Bank (Pakistan) Limited
Main Branch
P.O. Box No. 5556, I.I. Chundrigar Road,
Karachi 74000, Pakistan

Tel (021) 3245 0000
UAN (021) 111 002 002

sc.com/pk

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Here for good

Incorporated in Pakistan with limited liability. The registered office of the company is situated at I.I. Chundrigar Road, Karachi.

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Any commitment and subsequent offer of finance from us will be subject to conditions customary for financings of this nature, including, without limitation, the completion of due diligence on the Project, loan and capital market conditions, the issuance of internal approvals, and the execution of financing documents in form and substance satisfactory to us.

You agree that (i) this letter only relates to the Project and (ii) the issuance of this letter and its contents are confidential and shall not be disclosed to any person or be reproduced, disseminated or quoted at any time and in any manner without our prior written consent.


This letter is given as of the date set out above. The SCB Group is under no obligation to update, revise or reaffirm statements made in this letter and subsequent developments or information may affect the statements set out in this letter.


This letter and any non-contractual obligations arising out of or in connection with it are governed by English law.

We look forward to working with you on the Project.

Yours faithfully,

For and on behalf of Standard Chartered Bank


Name: **Muhammad Rehan Khalid**
Title: **Director – Corporate & Institutional Banking**
Email: **Muhammad-Rehan.Khalid@sc.com**
Phone: **+9221-32450513**


Name: **Arslan Nayeem**
Title: **Managing Director - Head of Corporate & Institutional Banking**
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Communicated by Standard Chartered Bank, Dubai International Financial Centre branch ("SCB DIFC"). Standard Chartered Bank ("SCB") is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and PRA in the United Kingdom. SCB DIFC having its offices at Building 1, Gate Precinct, P.O. Box 999, Dubai, UAE is a branch of Standard Chartered Bank and is regulated by the Dubai Financial Services Authority ("DFSA"). This document is intended for use only by Professional Clients and is not directed at Retail Clients as defined by the DFSA Rulebook.

Standard Chartered Bank (Pakistan) Limited
Main Branch
P.O. Box No. 5556, I.I. Chundrigar Road,
Karachi 74000, Pakistan

Tel (021) 3245 0000
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Here for good

Incorporated in Pakistan with limited liability. The registered office of the company is situated at I.I. Chundrigar Road, Karachi.

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**INDICATIVE TERM SHEET
FOREIGN CURRENCY AMORTIZING TERM LOAN FACILITY**

Pak-Arab Pipeline Company ("PAPCO")

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This document is intended for use only by Professional Clients and is not directed at Retail Clients as defined by the DFSA Rulebook. In the DIFC we are authorized to provide financial services only to clients who qualify as Professional Clients and Market Counterparties and not to Retail Clients. As a Professional Client you will not be given the higher retail client protection and compensation rights and if you use your right to be classified as a Retail Client we will be unable to provide financial services and products to you as we do not hold the required license to undertake such activities.

This draft term sheet is intended for discussion purposes only. It does not constitute an offer or commitment of any kind to arrange or underwrite any form of financing or debt facilities and does not create any legally binding obligations on the Mandated Lead Arrangers (as defined below) or any of their affiliates. This is merely an indication of the financing terms and conditions which we believe may be available based on current market conditions. Any commitment to arrange, underwrite or participate in any financing would be subject, among other things, to (i) satisfaction with the results of any legal, tax, technical, business or any other due diligence, (ii) final credit and other requisite internal approval by the Mandated Lead Arrangers and compliance with their internal procedures, (iii) the Borrower (as defined below) obtaining all legal and regulatory approvals and authorizations from any relevant authorities in connection with the proposed financing and the transactions contemplated thereby, (iv) no material adverse change in the financial condition, assets and operations or otherwise of the Borrower (v) no material adverse change in the economic or political conditions in or affecting Pakistan or international money or capital markets affecting facilities of this type and (vi) execution of acceptable legal documentation evidencing the financing and satisfaction of conditions precedent referred to therein. These terms and conditions may be modified or supplemented in the Mandated Lead Arranger[s]' sole discretion at any time and from time to time during the course of its due diligence and internal approval process or as a result of market conditions or otherwise.

Neither the Mandated Lead Arrangers nor any of their affiliates or their directors, officers or employees owe any fiduciary or other duties to the Borrower or any other person and may be involved in other transactions and services with clients who may have conflicting interests with the Borrower or any other person.

This term sheet and its contents are intended for the exclusive use of the Borrower and shall not be disclosed by the Borrower to any person other than the Borrower's shareholders and legal and financial advisors for the purposes of the transaction contemplated herein unless the prior written consent of the Mandated Lead Arrangers is obtained. The Borrower can make disclosures required by law, but only to the extent necessary in the opinion of the Borrower's legal counsel.

PARTIES	
Borrower:	Pak-Arab Pipeline Company ("PAPCO")
Group:	Pak-Arab Refinery Limited, the Borrower and its subsidiaries;
Mandated Lead Arrangers:	Standard Chartered Bank ("SCB") and any other entity appointed by SCB
Lenders:	As selected by the Mandated Lead Arrangers in consultation with the Borrower.
Business Day:	A day (other than a Saturday or Sunday) on which banks are open for general business in Karachi and New York for USD payments.
Facility:	USD Amortizing Term Loan Facility to be structured on an Islamic and / or conventional basis as deemed necessary by the MLA in consultation with the Borrower.
Facility Amount:	Up to USD 25 Million.
Facility Final Maturity Date:	Up to 5 years (including 2 year grace period) from the date of the the First Drawdown.
Purpose:	To finance the foreign currency component of the cost associated with conversion of existing pipeline which transports diesel to a multiproduct transport pipeline and related expansion in storage facilities.

Facility Availability Period:	Up to 24 months from the date of the Facility Agreement
First Drawdown	Within 3 months from the date of the Facility Agreement
Utilisation:	Utilisation Requests for Loan must be received by 11:00a.m. ([Domicile of the USD Agent] time) 3 Business Days before the rate fixing day for the proposed loan.
Minimum amount of each Loan:	Facility Loans must be drawn in a minimum amount of USD 1 million or import payment/retirement amount (if any) whichever is lower.
Maximum number of Loans:	No more than 15 Facility Loans may be outstanding.
Repayment:	<p>The Facility Loans must be repaid in 12 approximately equal quarterly instalments, with the first repayment instalment on the date falling 27 months after the date of the Facility Agreement and the final repayment instalment on the Facility Final Maturity Date.</p> <p>All outstandings must be repaid by the Facility Final Maturity Date.</p>
Voluntary prepayment:	<p>Loans may be prepaid in whole or in part at any time after the Availability Period on 5 Business Days' prior written notice to the Facility Agent (but, if in part, by the lower of USD 1 million or the outstanding amount).</p> <p>Any prepayment shall be made with accrued interest on the amount prepaid and, subject to breakage costs if not made on the last day of an Interest Period, without penalty (unless otherwise agreed).</p> <p>Any amount prepaid shall not be redrawn and shall be applied against scheduled repayments in inverse chronological order.</p>

PRICING	
Arrangement Fee:	1.50% of Facility Amount payable on the earlier of the date of first Utilisation and the date falling 10 days after the date of the Facility Agreement.
Commitment Fee:	<p>30 per cent per annum of the Margin.</p> <p>The Commitment Fee is payable by the Borrower on the unused and uncanceled amount of the Facility for the applicable Availability Period.</p> <p>The accrued Commitment Fee is payable quarterly in arrears during the Availability Period, on the last day of the Availability Period and on the cancelled amount of the Facility at the time a full cancellation is effective.</p>
Margin:	2.70 per cent per annum.
Interest Periods for Loans:	Each interest period for a loan will be 3 months or any other period agreed between the Borrower and the Facility Agent (acting on the instructions of all the Lenders in relation to the Loan).
Interest on Loans:	<p>The aggregate of the applicable:</p> <ul style="list-style-type: none">(i) Margin;(ii) LIBOR (set by reference to Reuters or, if not available, on the basis of rates provided by agreed Reference Banks), and if any such rate is below zero then LIBOR or KIBOR (as applicable) will be deemed to be zero;

Payment of interest on Loans:	Interest is payable on the last day of each Interest Period (and, in the case of Interest Periods of longer than three months, on the dates falling at three monthly intervals after the first day of the Interest Period).
Default interest:	Interest on overdue amounts will be increased by 1 per cent per annum.

OTHER TERMS

Documentation:	The Facilities will be made available under a facility agreement based on the current recommended form of leveraged multicurrency syndicated facility agreement of the Loan Market Association ("LMA") and in form and substance satisfactory to the Finance Parties.
Mandatory prepayment and Cancellation:	<p>Prepayment and cancellation must be made in the following circumstances:</p> <ul style="list-style-type: none"> (i) Illegality If it becomes unlawful for a Lender to perform its obligations under a Finance Document and that Lender so requests; (ii) Change of shareholding If the shareholding structure of the Borrower changes in a way that Pak Arab Refinery Limited does not hold the majority shareholding : <ul style="list-style-type: none"> (a) none of Lenders is obliged to fund a Utilisation; and (b) any Lender may by not less than 30 days' notice cancel its commitments and require prepayment of its share of the Utilisations (iii) Insurance proceeds To the extent not applied to meet a third party claim or in reinstatement of the relevant asset or otherwise in amelioration of the loss (provided such loss is not a total loss) within, in each case, 90 days, all proceeds of any insurance claim (less reasonable expenses) shall be applied in prepayment of the Facilities.
Prepayment and cancellation or replacement of a single Lender:	The Borrower may prepay and cancel the commitment(s) of a Lender which makes a claim under the increased costs, tax gross-up and/or tax indemnity provisions. Alternatively, the Borrower may require the relevant Lender to transfer its commitment(s) and outstandings to a replacement Lender.
Voluntary cancellation:	The undrawn commitments may be cancelled by the Borrower at any time, without penalty, on 10 Business Days' written notice and, if in part, by the lower of USD 1 million or the outstanding amount.
Representations:	<p>The Borrower will make on the date of the Facility Agreement and, in the case of the Repeating Representations (as defined below), on the date of each Utilisation Request and the first day of each Interest Period representations in relation to itself and its subsidiaries that are usual for transactions of this type, including but not limited to:</p> <ul style="list-style-type: none"> (i) status; (ii) legal validity of the Finance Documents; (iii) binding obligations; (iv) non conflict with other obligations (no conflict with laws, constitutional documents or other documents); (v) power and authority; (vi) authorisations required for validity and admissibility in evidence in full

	force and effect*;
(vii)	authorisations and material licences necessary for the conduct of the business, trade and ordinary activities of the Group have been obtained and are in full force and effect;
(viii)	the effectiveness of submission to jurisdiction in connection with the Finance Documents and the choice of governing law of the Finance Documents;
(ix)	governing law and enforcement*;
(x)	no deduction of tax;
(xi)	no filing or stamp taxes or similar taxes payable in the jurisdiction of its incorporation;
(xii)	no default;
(xiii)	no misleading information*;
(xiv)	accuracy of latest financial statements and no material adverse change since original financial statements. Budgets and forecasts supplied under the Facility Agreement have been prepared in good faith on the basis of reasonable assumptions;
(xv)	pari passu ranking of obligations under the Finance Documents;
(xvi)	sanctions representation; ¹
(xvii)	no material litigation, arbitration or administrative proceedings pending or threatened;
(xviii)	no immunity in any legal proceedings*;
(xix)	accuracy of the information memorandum (non-repeating);
(xx)	Pak Arab Refinery Company Limited ("PARCO") holds 51% of the shareholding of the Borrower
(xxi)	centre of main interests and establishment;

Sanctions Representation:

No Obligor[s], nor any of their Subsidiaries or joint ventures, nor any of their respective directors, officers or employees nor, to the knowledge of the Obligor[s], any persons acting on any of their behalf:

- (a) is a Restricted Party; or
- (b) has received notice of or is aware of any claim, action, suit, proceeding or investigation against it with respect to Sanctions by any Sanctions Authority.

Definitions:

"Restricted Party" means a person that is: (i) listed on, or owned or controlled by a person listed on, or acting on behalf of a person listed on, any Sanctions List; (ii) located in, incorporated under the laws of, or owned or (directly or indirectly) controlled by, or acting on behalf of, a person located in or organized under the laws of a country or territory that is the target of country-wide or territory-wide Sanctions; or (iii) otherwise a target of Sanctions ("target of Sanctions" signifying a person with whom a US person or other national of a Sanctions Authority would be prohibited or restricted by law from engaging in trade, business or other activities).

"Sanctions" means the economic sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by: (i) the United States government; (ii) the United Nations; (iii) the European Union (iv) the United Kingdom; or (v) the respective governmental institutions and agencies of any of the foregoing, including, without limitation, the Office of Foreign Assets Control of the US Department of Treasury ("OFAC"), the United States Department of State, and Her Majesty's Treasury ("HMT"); (together "the Sanctions Authorities").

"Sanctions List" means the "Specially Designated Nationals and Blocked Persons" list maintained by OFAC, the Consolidated List of Financial Sanctions Targets and the Investment Ban List maintained by HMT, or any similar list maintained by, or public announcement of Sanctions designation made by, any of the Sanctions Authorities.

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	<p>(xxli) registration requirements and ranking of security;</p> <p>(xxlii) compliance with anti-bribery and corruption legislation;</p> <p>(xxiv) compliance with laws*;</p> <p>(xxv) confirmation that obligations under Finance Documents constitute private and commercial acts;</p> <p>(xxvi) environmental (i.e. no contamination, compliance with environmental law, regulations and good environmental standards);</p> <p>(xxvii) tax residency and the absence of tax arrears, claims and investigations other than as disclosed in the Financial Statements;</p> <p>(xxviii) title to assets;</p> <p>(xxix) insurance;</p> <p>(xxx) intellectual property;</p> <p>(xxxi) security and financial indebtedness* with existing lenders;</p> <p>(xxxii) business has been conducted in compliance with applicable anti-corruption laws and policies and procedures designed to promote and achieve compliance with such laws have been instituted and maintained;</p> <p>(xxxiii) insolvency; and</p> <p>(xxxiv) Group structure.</p> <p>The Repeating Representations shall be agreed between the parties separately.</p>
Information undertakings:	<p>The Borrower shall supply each of, but not limited to, the following</p> <p>(i) as soon as they become available, but in any event within 120 days of the end of its financial year its audited consolidated financial statements;</p> <p>(ii) as soon as they become available, but in any event within 90 days of the end of its financial half year, its unaudited half yearly consolidated financial statements;</p> <p>(iii) as soon as they become available, but in any event within 45 days of the end of its financial quarter, its unaudited quarterly consolidated financial statements</p> <p>(iv) all documents dispatched by the Borrower to its shareholders (or any class of them) or its creditors (or any class) generally at the same time as they are dispatched;</p> <p>(v) promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against it;</p> <p>(vi) promptly, such other information regarding its financial condition, business and operations as any Finance Party (through the Agent) may reasonably request;</p> <p>(vii) notification of any changes in its ownership/shareholding</p> <p>(viii) notification of any changes in its constitutive documents</p> <p>(ix) list of Material Companies;</p> <p>(x) updated Group structure chart;</p> <p>(xi) notification of default;</p>



	<p>(xii) information required to satisfy all customer due diligence checks;</p> <p>(xiii) restriction on any change to auditors;</p> <p>(xiv) restriction on change of Accounting Reference Date/Financial Year-end; and</p> <p>(xv) any other information reasonably requested by the Agent on behalf of the Lenders.</p>
	<p>All financial reporting to be on the basis of applicable accounting principles consistently applied.</p> <p>On the introduction of or any change in law, a change in the status of the Borrower or a proposed assignment or transfer by a Lender, the Borrower shall promptly upon the request of the Facility Agent or any Lender supply such documentation and other evidence as is reasonably requested by the Facility Agent (for itself and on behalf of any Lender) or any Lender (or prospective new Lender) in order for the Facility Agent or such Lender (or prospective new Lender) to carry out and be satisfied with the results of all necessary "know your customer" or other checks in relation to the transactions contemplated in the Finance Documents.</p>
Financial covenants:	<p>The Borrower, (on a consolidated basis), shall at all times comply with the following financial covenants, without limitation:</p> <p>(i) Consolidated Tangible Net Worth: consolidated tangible net worth must not be at any time less than [TBD].</p> <p>(ii) Gearing: consolidated total borrowings must not exceed [TBD] per cent of consolidated tangible net worth at the end of each measurement period.</p> <p>(iii) Leverage: consolidated total borrowings must not exceed [TBD] times adjusted consolidated EBITDA at the end of each measurement period.</p> <p>(iv) Interest Cover: the ratio of consolidated EBITDA to consolidated finance costs must not be less than [TBD] to 1 at the end of each measurement period.</p> <p>(v) Any other financial covenant deemed necessary by the MLA</p> <p>The thresholds for these financial covenants shall be mutually agreed during the due diligence process.</p>
Undertakings:	<p>Undertakings usual for transactions of this type will be included in the Facility Agreement in respect of the Borrower including, but not limited to the following:</p> <p>(i) authorisations required to enable it to perform its obligations and to ensure legal validity of Finance Documents obtained and maintained in full force and effect;</p> <p>(ii) compliance with all applicable rules and regulations of with respect to the Facility;</p> <p>(iii) authorisations and material licences necessary for the conduct of the business, trade and ordinary activities of the Borrower;</p> <p>(iv) transactions to be on arm's length basis and for full market value;</p> <p>(v) access to books, records, accounts etc and to meet with management if a Default is continuing;</p>



	<ul style="list-style-type: none"> (vi) compliance with anti-bribery and corruption legislation; (vii) sanctions undertaking;² (viii) pari passu ranking of obligations under the Finance Documents with all other unsecured, unsubordinated obligations; (ix) compliance with laws and regulations; (x) restriction on disposals of any asset, shares or business, which is deemed material in nature and/or above USD 10 M.; (xi) restriction on acquisitions*; (xii) restriction on financial indebtedness*; (xiii) no merger; (xiv) compliance with applicable environmental laws and licences*; (xv) notification of any environmental claims; (xvi) compliance with anti-corruption laws; (xvii) maintenance of appropriate insurance*; (xviii) restrictions on loans and guarantees*; (xix) restrictions on changes of business; (xx) centre of main interests and establishment in its jurisdiction of incorporation; (xxi) restrictions on dividends and distributions, in the event of breach of financial covenants; (xxii) payment of taxes; (xxiii) maintenance of all consents and licences; (xxiv) subordination of all shareholder loans (if any) made to the Borrower; (xxv) restriction on transactions with affiliates; and (xxvi) restriction on issue or transfer of shares or debt of subsidiaries to third parties.
Events of Default:	<p>Events of Default usual for transactions of this nature will be included in the Facility Agreement in respect of the Borrower including, but not limited to:</p> <ul style="list-style-type: none"> (i) non-payment (with a three Business Day grace period for technical/administrative error or a three Business Day grace period if caused by a disruption event); (ii) breach of financial covenants or certain general undertakings; (iii) failure to comply with any other obligations subject to agreed remedy periods if capable of remedy; (iv) failure to comply with court judgment or arbitral award; (v) misrepresentation; (vi) cross default, subject to an agreed minimum amount; (vii) insolvency events; (viii) insolvency proceedings;

² **Sanctions Undertaking:** The Obligor[s] shall not, and shall not permit or authorize any other person to, directly or indirectly, use, lend, make payments of, contribute or otherwise make available, all or any part of the proceeds of any Loan or other transaction(s) contemplated by this Agreement to fund any trade, business or other activities: (i) involving or for the benefit of any Restricted Party, or (ii) in any other manner that would reasonably be expected to result in [any] Obligor or any Lender being in breach of any Sanctions (if and to the extent applicable to either of them) or becoming a Restricted Party

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	<ul style="list-style-type: none"> (ix) creditors' process; (x) the Borrower ceasing to carry on business; (xi) PARCO shareholding is reduced below 51%. (xii) unlawfulness, invalidity or ineffectiveness of any Finance Document; (xiii) repudiation or rescission of Finance Documents; (xiv) material adverse change in: the business, operations, assets, condition (financial or otherwise) or prospects of the Borrower, the ability of the Borrower to perform its obligations under any of the Finance Documents; the validity or enforceability of any Finance Document; any right or remedy of a Finance Party in respect of a Finance Document; or the effectiveness or ranking of any security interest granted or purported to be granted pursuant to any Finance Document*; (xv) cessation of business; (xvi) seizure, expropriation, nationalisation, intervention, restriction or other action by or on behalf of any governmental, regulatory or other authority; (xvii) litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes are commenced or threatened in relation to any Finance Document*; (xviii) enactment, amendment, introduction of any foreign exchange law that is likely to affect the Borrowers payment obligations or is prejudicial to the interests of the Finance Parties under the Finance Documents; (xix) termination, cancellation, restriction or modification (among other things) of any Material Licences; (xx) audit qualification and; (xxi) ability of the Borrower to conduct business is limited or curtailed by any seizure, expropriation, nationalisation, compulsory acquisition, intervention, restriction or other action by a governmental or regulatory authority;
Assignments and transfers by Lenders:	A Lender may assign any of its rights or transfer by novation any of its rights and obligations to any other bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets without the consent of the Borrower.
Security	<p>As customary for financings of this nature including but not limited to:</p> <ul style="list-style-type: none"> - first ranking pari passu charge over all the Fixed Assets of the Borrower - Assignment of any long term receivables if applicable <p>Any other security as may be required by the MLA</p>
Assigned Proceeds:	The sales receivables from the Client's selected customers, which would be secured in favour of the Lenders by way of Assignment of Receivables.
Conditions precedent to first Utilisation:	<p>These will include, without limitation, the following in form and substance satisfactory to the Facility Agent and must be completed to the satisfaction of the Facility Agent before the first Utilisation Request:</p> <ul style="list-style-type: none"> (i) copies of relevant constitutional documents and corporate authorisations; (ii) specimen signatures of authorised signatories;

	Borrower promptly on demand whether or not the Facility Agreement is signed. The amount shall be capped at USD 5,000/-
Disclosure:	<p>The Borrower hereby consents to Standard Chartered Bank (the "Bank"), its officers and agents disclosing information relating to me/us and my/our account(s) and/or dealing relationships with the Bank, including but not limited to details of my/our facilities, any security taken, transactions undertaken and balances and positions with the Bank to:</p> <ul style="list-style-type: none"> (i) any Bank Member and representatives in any jurisdiction (together with the Bank, the "Permitted Parties"); any of its Affiliates; (ii) professional advisors, insurers or insurance brokers and service providers of the Permitted Parties who are under a duty of confidentiality to the Permitted Parties; (iii) any actual or potential assignee, novatee, transferee, participant or sub-participant in relation to any of the Bank's rights and/or obligations under any agreement (or any agent or adviser of any of the foregoing); (iv) any rating agency, or direct or indirect provider of credit protection to any Permitted Party; and/or (v) as required by any law or Authority with jurisdiction over any of the Permitted Parties.
Confidentiality:	The terms set out in this Term Sheet are confidential and are intended for the exclusive use of the Borrower and shall not be disclosed by the Borrower to any person other than the Borrower's legal and financial advisors for the purposes of the proposed transaction unless the prior written consent of the Mandated Lead Arrangers is obtained.
Governing law:	The Facility Agreement and any non-contractual obligations arising out of or in connection with it are governed by the laws of England and where necessary the laws of Pakistan
Waiver of Immunity:	<p>The Borrower recognises and acknowledges that this Agreement constitutes a commercial transaction, and that its rights and obligations under this Agreement are of a commercial and not a governmental nature. The Borrower hereby irrevocably and unconditionally on behalf of itself and its assets waives and agrees not to claim, any and all immunities from jurisdiction, enforcement and any other purpose whatsoever. For the avoidance of doubt this waiver includes immunity from:</p> <ul style="list-style-type: none"> (i) any judicial or administrative proceeding, Expert determination, mediation, or arbitral proceeding commenced pursuant to this Agreement; (ii) any judicial, administrative, or other proceedings to aid an Expert determination, mediation, or arbitration proceeding commenced pursuant to this Agreement; and (iii) any effort to confirm, recognise, enforce or execute any decision, settlement, award, judgment, service of process, execution order, or attachment (including pre-judgment attachment) that results from an Expert determination, mediation, arbitration, or any judicial or administrative proceedings commenced pursuant to this Agreement.

	<ul style="list-style-type: none"> (iii) shareholder resolutions; (iv) a certificate of an authorised signatory of the Borrower: <ul style="list-style-type: none"> (a) confirming that no borrowing, guaranteeing or securing limit (as relevant) will be breached, and (b) certifying the copy conditions precedent documents; (v) each Finance Document/Transaction Document; (vi) legal opinions of Lenders Counsel (vii) evidence that the process agent for the Borrower has accepted appointment; (viii) original financial statements and financial information relating to the Borrower; (ix) evidence of payment of all fees, costs and expenses then due from the Borrower under the Finance Documents; (x) all security documents and any appropriate evidence and ancillary documentation in respect of any secured assets and/or security providers; (xi) satisfaction of due diligence and "know your customer" requirements; (xii) certified copies of material licences; (xiii) completed Utilisation Request; (xiv) additional conditions precedent relating to jurisdictions outside England and Wales as advised by Lenders Counsel; and
Conditions precedent to each Utilisation:	<p>Conditions precedent for subsequent Utilisations will include:</p> <ul style="list-style-type: none"> (i) accuracy of Repeating Representations; and (ii) no actual or potential default having occurred.
Taxes	<p>Stamp taxes, GST, VAT and any other similar consumption taxes are payable in connection with the Finance Documents are for the account of the Borrower.</p> <p>Subject to the usual exceptions, the Finance Parties will be reimbursed for increased costs associated with the introduction/change in/change in the interpretation of any law or regulation or compliance with any law or regulation (including any costs attributable to Basel II, III or their implementation).</p> <p>Stamp taxes, GST, VAT and any other similar consumption taxes payable in connection with the Finance Documents are for the account of the Borrower.</p>
Increased Costs:	<p>Subject to the usual exceptions, the Finance Parties will be reimbursed for increased costs associated with the introduction/change in/change in the interpretation of any law or regulation or compliance with any law or regulation (including any costs attributable to Basel III or its implementation).</p>
Miscellaneous provisions:	<p>The Facility Agreement will contain provisions relating to, among other things, default interest, market disruption, tax gross up, FATCA, increased costs, indemnities, mitigation by the Lenders, set-off and administration.</p>
Definitions:	<p>Terms defined in the current recommended form of multicurrency syndicated facility agreement of the LMA have the same meaning in this Term Sheet unless given a different meaning in this Term Sheet.</p>
Costs and expenses:	<p>All costs and expenses incurred by the Mandated Lead Arrangers in connection with the preparation, negotiation, printing and execution of the Finance Documents and any other document referred to in it shall be paid by the</p>

APPENDIX – MANDATE LETTER PROVISIONS

Nature of the Transaction:	<p>The transaction shall be arranged on a best efforts basis.</p> <p>The transaction is not underwritten and nothing in this or any other document constitutes a commitment by the Mandated Lead Arranger,</p>
Material Adverse Change:	<p>The obligations of each Mandated Lead Arranger and each Bookrunner under the Mandate Documents are subject to the absence, in its opinion, of any events or circumstances (including any material adverse change or the continuation of any circumstances) which, in its opinion, have adversely affected or could adversely affect:</p> <ul style="list-style-type: none">(i) the business, condition (financial or otherwise), operations, performance, assets or prospects of the Borrower since the date as at which the latest consolidated audited financial statements were prepared;(ii) the ability of the Borrower to perform its obligations under any Mandate Document or Facility Document; or(iii) the international or any relevant domestic syndicated loan, debt, bank, capital or equity market(s) which in the opinion of the relevant Bookrunner could prejudice Syndication. <p>during the period from the date of the Mandate Letter to the date of signing of the Facility Documents.</p>
Offer Period:	<p>If the Borrower does not accept the offer made by the Mandated Lead Arranger in the Mandate Letter before close of business in Karachi on 30th September 2017, such offer shall terminate on that date.</p>
Publicity:	<p>All publicity in connection with this transaction shall be managed by the Mandated Lead Arrangers in consultation with the Borrower. No announcements regarding the transaction or any roles as arranger, bookrunner, lender or agent shall be made without the prior written consent of the Borrower and each of the Mandated Lead Arrangers, and Bookrunners.</p>
Confidentiality:	<p>The Borrower acknowledges that the Mandate Documents are confidential and the Borrower shall not, without the prior written consent of each of the Mandated Lead Arrangers and the Bookrunners, disclose the Mandate Documents or their contents to any other person except:</p> <ul style="list-style-type: none">(i) as required by law or by any applicable governmental or other regulatory authority or by any applicable stock exchange; and(ii) to its employees or professional advisers for the purposes of the transaction who have been made aware of and agree to be bound by the obligations under this paragraph or are in any event subject to confidentiality obligations as a matter of law or professional practice. <p>The Mandated Lead Arrangers, the Bookrunners, the Security Agent, the Facility Agent (collectively, the "Arranging Parties") may disclose the Mandate Documents or their contents to any or all of the following:</p> <ul style="list-style-type: none">(i) any of its Affiliates and, to the extent not covered by the term "Affiliates" in this context, Standard Chartered PLC and its Affiliates (collectively, the "Bank Members");(ii) any Bank Member's service providers, professional advisers, insurers or insurance brokers who is under a duty of confidentiality to the discloser; and(iii) as required by law or any government, quasi-government, administrative,

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	regulatory or supervisory body or authority, court or tribunal with jurisdiction over any of the Arranging Parties and/or the Bank Members..
Conflicts:	<p>The Borrower and each Mandated Lead Arranger and Bookrunner acknowledge that:</p> <ul style="list-style-type: none"> (i) the Mandated Lead Arrangers or their Affiliates and the Bookrunners or their Affiliates may provide debt financing, equity capital or other services to other persons with whom the Borrower or its Affiliates may have conflicting interests in respect of the Facility/ies in this or other transactions; and (ii) the Mandated Lead Arrangers or their Affiliates and the Bookrunners or their Affiliates may act in more than one capacity in relation to this transaction and may have conflicting interests in respect of such different capacities. <p>The Mandated Lead Arrangers and Bookrunners shall not use confidential information obtained from the Borrower or its Affiliates for the purposes of the Facility/ies in connection with providing services to other persons or furnish such information to such other persons.</p> <p>The Borrower acknowledges that the Mandated Lead Arrangers, and Bookrunners have no obligation to use any information obtained from another source for the purposes of the Facility/ies or to furnish such information to the Borrower or its Affiliates.</p>
Indemnity:	<p>Whether or not the Facility Documents are signed, the Borrower shall within three Business Days of demand indemnify each Indemnified Person against any cost, expense, loss or liability (including without limitation legal fees) incurred by or awarded against that Indemnified Person in each case arising out of or in connection with any action, claim, investigation or proceeding commenced or threatened (including, without limitation, any action, claim, investigation or proceeding to preserve or enforce rights) in relation to:</p> <ul style="list-style-type: none"> (i) the use of the proceeds of the Facilities; (ii) any Mandate Document (including the Mandate Letter, the Term Sheet and any Fee Letter) or any Facility Document (including the Facility Agreement and related in form and substance satisfactory to the Mandated Lead Arrangers and Bookrunners); and/or (iii) the arranging of the Facilities. <p>For the purposes of this paragraph, "Indemnified Person" means each Mandated Lead Arranger, each Bookrunner, the Facility Agent, the Security Agent, each Lender, and in each case any of their respective Affiliates and each of their (or their respective Affiliates') respective directors, officers, employees and agents.</p> <p>No Mandated Lead Arranger or Bookrunner shall have any duty or obligation, whether as fiduciary for any Indemnified Person or otherwise, to recover any payment made or required to be made under the above indemnity provisions.</p>
Limitation of liability:	<p>The Borrower agrees that:</p> <ul style="list-style-type: none"> (i) no Indemnified Person shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Borrower or any of its Affiliates for or in connection with anything referred to in the indemnity section above except, following the Borrower's agreement to the Mandate Documents, for any such cost, expense, loss or liability incurred by the Borrower that results directly from any breach by that Indemnified Person of any

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Annex - (IV) IV

Oil Companies Advisory Council

Games & Consumption

MAKING TAN ON REPORT 2016-2015

Future Demand Projections



Annex-V V

**DOMESTIC MARKETS & MONETARY MANAGEMENT DEPARTMENT
STATE BANK OF PAKISTAN**

Pakistan Investment Bonds Auction Result

Auction for 3, 5, 10 and 20 year Pakistan Investment Bonds was held on December 13, 2017 with settlement date on December 14, 2017. The coupon rates for 3, 5, 10 and 20 year bonds are 7.00%, 7.75%, 8.75%, and 10.75% respectively. The bid summary and result is as under:

(Amount in PKR million)

Tenor	Face Value	Realized Amount	Accrued Interest	Total Realized Amount	Price Range (per Rs.100)
03 Years	3,500.000	3,512.425	112.459	3,624.884	100.75 - 99.11
05 Years	500.000	509.800	17.787	527.587	101.96
10 Years	2,124.000	2,204.927	85.308	2,290.235	104.42 - 103.78
20 Years	NO BID RECEIVED				
Total	6,124.000	6,227.152	215.554	6,442.706	

Out of the above bids, the accepted bids were as under:

(Amount in PKR million)

Tenor	Face Value	Realized Amount	Accrued Interest	Total Realized Amount	Cut-off Price	Cut-off Yield (YTM)	Weighted Average Yield %p.a.
03 Years	BIDS REJECTED						
05 Years	BIDS REJECTED						
10 Years	BIDS REJECTED						
20 Years	NO BID RECEIVED						
Total	-	-	-	-			

In addition to above, total acceptance including short selling and non competitive bids is as under:-

(Amount in PKR million)

Tenor	Price	Competitive Bids	Non Competitive Bids	Short Selling	Total Acceptance (Face Value)
03 Years	BIDS REJECTED				
05 Years	BIDS REJECTED				
10 Years	BIDS REJECTED				
20 Years	NO BID RECEIVED				
Total		-	-	-	-

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