

Annexure-C

Transaction Structure of GoP Ijarah Sukuk (with Jinnah International Airport Karachi as the Underlying Asset - With PDSCL acting as the agent of the Certificate-holders)

The Asset

The Jinnah International Airport (“the Asset”) has been identified as the proposed asset for issuance of the new GoP Ijarah Sukuk (“Sukuk”). Valuation of the Asset shall be carried out by two PBA approved independent valuers, and the lower of the two valuations will be accepted as the sale price of the Asset.

Process Flow and Steps:

The Structure - Explanation

1. **State Bank of Pakistan (“SBP”)** will conduct an auction through which Certificate Holders/Investors (“Investors”) will be identified.
2. The Investors will execute the **Certificate Subscription Undertaking** in favor of Pakistan Domestic Sukuk Company Limited (“**PDSCL**”) which will record the commitments of the Investors for subscription to the Sukuk to be issued by PDSCL. Under the **Certificate Subscription Undertaking**, the Investors will appoint PDSCL as their agent (the “Agent”) for the purposes set out in the Certificate Subscription Undertaking.
3. PDSCL and SBP’s **Banking Services Corporation (SBP BSC)** will execute an **Agency Agreement** whereby **PDSCL** (as Agent of the Investors) will appoint SBP BSC as its agent (the “**Paying Agent**”) to collect subscription proceeds from the Investors, collect the rentals from GoP and distribute the same to the Investors, and act as Reference Agent and Registrar for the Investors.
4. A **Certificate Issuance Undertaking** will be executed by **PDSCL** and **GoP** in favor of the Investors, whereby PDSCL will undertake to issue the Sukuk to the Investors. Under the Certificate Issuance Undertaking, PDSCL will also accept its appointment as Agent of the Investors/ Certificate Holders. Subsequent to the auction for the Sukuk programme, the Investors will provide their funds to SBP BSC (Paying Agent) enabling it to pay (on behalf of the PDSCL as Agent of the Investors/ Certificate Holders) the purchase price of the purchased share/percentage of the Asset to GoP upon execution of Purchase Agreement. Each Suk/Certificate to be issued will represent an undivided share in the ownership of the Asset.
5. **PDSCL** (as Agent of the Investors/ Certificate Holders) will enter into a **Purchase Agreement** with **GoP** (acting through Ministry of Finance ‘MoF’) for purchase of an agreed percentage of the Asset at an agreed price (“Purchase Price”) equivalent to the Sukuk issue amount (being an amount subscribed/agreed under the Certificate Subscription Undertaking). The Paying Agent shall subsequently transfer the Purchase Price to the Seller’s (GoP) bank account.

6. Pursuant to Purchase Agreement, the ownership of the purchased percentage/share in the Asset will be transferred to Investors/Certificate Holders while the registered title will be retained by **CAA** (on behalf of the Investors). CAA will execute a **Declaration of Trust** in favour of the Investors/Certificate Holders to the effect that the CAA is holding the registered title of the Asset in trust for the Investors/Certificate Holders to the extent of their undivided share in the ownership of the Asset. To deliver possession of the purchased share of the Asset to the Investors/Certificate Holders, a document shall be executed between GoP (acting through MoF) and PDSCL (as Agent of Investors/Certificate Holders) to evidence that the (constructive) possession has been delivered to the Investors/Certificate Holders which will prove that all risks and rewards of the Asset have been passed on to the Investors/Certificate Holders to the extent of their share in its ownership. Under the Declaration of Trust, CAA will delegate its duties and powers under the trust to PDSCL, with the exception of holding the registered title to the Trust Asset. SBP-BSC may also be made delegate for the specified purposes.
7. After getting the title (acceptable to Shariah), on behalf of the Investors, of the purchased share in the Asset through the Purchase Agreement, and obtaining its possession through the above mentioned mechanism, PDSCL (as Agent of the Investors/Certificate Holders) will enter into an **Ijarah Agreement** with GoP (as Lessee acting through MoF) wherein this purchased share of the Asset (the Leased Asset or Airport Land) will be leased to GoP for a fixed period (3 years), against agreed Rental in accordance with the terms and conditions as specified in the Ijarah Agreement. Under the terms and conditions of the Ijarah Agreement, GoP will be allowed to nominate any of its affiliates e.g. CAA to use, operate and maintain the Leased Asset as its nominee.
The **Lease Rentals** will comprise an amount equal to the product of
- (i) the Rental Rate for such rental period, plus the Margin (as agreed in the auction for the Sukuk),
 - (ii) the number of days in such rental period divided by 365, and
 - (iii) the face value of the Sukuk issue.
- All **routine maintenance** shall be carried out by the **Lessee** whereas all **major maintenance** shall be the responsibility of the **Lessor**. In case any major maintenance is required, the **Service Agent** would be under obligation to obtain prior permission from the Lessor to incur the necessary expenses for carrying out such major maintenance. It will subsequently submit the bill of the actual expenses, which shall be reimbursed by the Investors/Lessor to the Service Agent. This point would be properly incorporated in the Ijarah Agreement.
8. A **Service Agency Agreement** will be executed between PDSCL (as Agent of Investors/Certificate Holders) and GoP (acting through MoF) whereby GoP will be appointed as Service Agent to carry out Services related to the Leased Asset during the term of the lease in consideration for a nominal fee.
9. GoP (acting through MoF) will undertake to purchase (pursuant to a **Purchase Undertaking**) the Leased Asset at the Exercise Price at maturity or upon a Lease Event of Default and Termination. The **Exercise Price** shall be an amount equal to the initial Purchase Price plus any other amount due and payable by the Lessee (excluding any accrued and payable rental by the Lessee). Upon exercise of the Investors' right under the Purchase Undertaking at maturity or upon Lease Event of Default and Termination, a Sale Agreement shall be executed between PDSCL (as Agent of Investors/Certificate

Holders) and GoP (acting through MoF) to evidence the purchase of the Leased Assets by GoP from the Investors/ Certificate Holders. Consequently, the ownership of the Leased Asset shall be transferred from the Investors/ Certificate Holders to GoP while the registered / legal title and possession will be retained by CAA (on behalf of GoP).

10. **GoP** (acting through MoF) will undertake through a **Cost Undertaking** to pay all applicable fees and expenses and provide indemnities associated with the Sukuk issuance.

11. The **Islamic Banking Department of State Bank of Pakistan** shall be responsible for monitoring of: (i) proper execution and (ii) the legal documentation as per the approved Shariah Structure, to ensure Shariah compliance and seamless management throughout the tenor of the Sukuk and at the time of maturity of the Sukuk.

Each time there is an additional requirement of funds by the GoP, the above process will be repeated until the whole of the Asset is purchased by the Investors/Certificate Holders.

Note: As per the rules of Ijarah, all claims of ownership related expenses (including Major Maintenance and takaful expenses) during a Rental Period by the Service Agent shall be paid by the Agent or his appointed agent from the Rental income on behalf of Certificate Holders. In case the Expenses exceed the Rental in their respective Rental Periods, the Service Agent shall have the right to claim the unpaid Expenses immediately from the Agent. In case the Agent advises its inability to make such payment immediately, the Service Agent shall have the right to adjust the unpaid Expenses amount from the subsequent Rental that the Agent will receive on the rental payment date of the immediately following Rental Period.

Key Documentation

S. No.	Documents	Signatories
1	Certificate Subscription Undertaking	Please refer pt. 2
2	Certificate Issuance Undertaking	Please refer pt. 4
3	Purchase Agreement	Please refer pt. 5
4	Declaration of Trust	Please refer pt. 6
5	Agency Agreement	Please refer pt. 3
6	Ijarah Agreement	Please refer pt. 7
7	Service Agency Agreement	Please refer pt. 8
8	Purchase Undertaking	Please refer pt. 9
9	Cost Undertaking	Please refer pt. 10
10	Rules	Preamble