

Annexure-D

**GOP IJARAH SUKUK (M3) - TRANSACTION FACT SHEET**

<b>Transaction Structure:</b>	The Sukuk is based on the mode of Ijarah whereby the Lessor/Investors, being owners of the Assets, receive rentals from the Lessee during the Sukuk tenure. Detailed transaction structure can be found at <a href="http://www.sbp.org.pk/dmmd/2014/C10-Annex-C.pdf">http://www.sbp.org.pk/dmmd/2014/C10-Annex-C.pdf</a> .
<b>Nature of Assets:</b>	Highway Land together with all structures, fixtures, construction and improvements thereon (M 3). The M-3 (“Highway Land”), a 52km long strip of motorway, is situated in Punjab and connects Faisalabad with M-2 near Pindi Bhattian.
<b>Lessor:</b>	An Investment Agent (acting on behalf of Sukuk investors)
<b>Lessee:</b>	Government of Pakistan (GOP)
<b>Paying Agent:</b>	SBP Banking Service Corporation (SBP BSC)
<b>Investment Agent:</b>	An Islamic Financial Institution
<b>Issuer &amp; Trustee</b>	Pakistan Domestic Sukuk Company Limited (PDSCL)
<b>Sukuk Tenure</b>	Three years
<b>Rental frequency</b>	Semi-annual

**Transaction Risks:**

As per the Shariah principles, Investors/Lessor, being owner of the Assets, bear the ownership related risks in an Ijarah transaction.

***Risk of major maintenance costs relating to the Assets being recoverable from the Investor/Lessor by deduction from the Exercise Price/Rental:***

The Assets will be purchased by the Investment Agent from the GOP on behalf of the Investors such that the ownership in the Assets will vest with the Investors/Lessors. As a result of the ownership of the Assets the actual expenses relating to major maintenance and structural repair, takaful and ownership taxes will be payable by the Investors/Lessors (through the Investment Agent) for each Rental Period.

### ***Mitigant***

The amount of the aforementioned expenses will be set off against the Supplementary Rental for each rental period. Under this mechanism Supplementary Rental will be payable in advance by GOP for each Rental Period; which will be held by SBP BSC for and on behalf of Investors. Any claims during the rental period for expenses made will be settled from this advance payment.

Actual expenses charged by the Service Agent in one Rental Period will become the amount of Supplementary Rental in immediately subsequent Rental Period.

### **Rate of Return Risk**

1. In case the actual expenses in any Rental Period are more than the corresponding Supplementary Rental, the Investors/Lessor shall be required to pay the differential /excess amount to GOP. However the amount will be recovered from the Rental due to the Investors/Lessor in that Rental period. This will result in a reduction in the Rental Amount payable to Investors for that period and possibly a further loss in the principal amount invested leading to a reduction in overall yield/return on the Sukuk Certificate.

Similarly if the actual expenses are less than the corresponding Supplementary Rental, the Investors will receive the excess amount thereby leading to an increase in overall yield/return on the Sukuk Certificate.

2. In case the actual expenses charged for the last Rental Period are higher than the Supplementary Rental, it will not be possible to adjust this amount in the next Rental Period as this will be the final Rental Period. The Investor/Lessor will have to bear the cost. However, if the actual expenses in any Rental Period are higher than the Supplementary Rental amount the Service Agent is only allowed to incur actual expenses worth no more than 150% of the Supplementary Rental amount without prior consent from the Investment Agent.
3. The Service Agent will be required to obtain prior permission, for incurring expenses exceeding the current Supplementary Rental by 50%, from the Investors/Lessor. In case the Lessor/Investors do not provide the permission, this will be a termination event.