

MINUTES OF 187TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	ISLAMABAD	14 TH SEPTEMBER' 2006	

CONFIDENTIAL AND RESTRICTED

The 187th Meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on 14th September 2006 at 11:00 a.m., in the Board Room, State Life Building No.9, 33-E, Jinnah Avenue, Blue Area, Islamabad.

PRESENT:

- | | |
|----------------------------|-----------------|
| 1. Mr. Kamal Afsar | Chairman |
| 2. Mr. Bashir Ahmed | Director |
| 3. Mr. Nasim Qureshi | Director |
| 4. Ch. Javaid Hussain | Director |
| 5. Syed Hur Riahhi Gardezi | Director |
| 6. Mr. Shahid Aziz Khan | Board Secretary |

- The meeting started with recitation from Holy Quran by the Board Secretary.
- The request for leave of absence of Director Air Marshal (Retd) Sharbat A. Changazi, and Director Mrs. Spenta Kandawalla, were granted by the Board.

ITEM (01) CONFIRMATION OF MINUTES OF 186TH MEETING OF THE BOARD OF DIRECTORS HELD ON 30-05-2006.

4. The minutes of the 186th Meeting of the Board of Directors held on 30th May, 2006, were placed before the Board. Syed Hur Riahhi Gardezi pointed out that in item-5 at page-4 in the first line of resolved portion word "approved" should be substituted by the word "approve". Similarly, he pointed out, that in item-8 at page-7, para-33 (iii) following sentence should be added "However regarding clause (ii), State Life never agreed to them." Likewise in item-9(I) at page-9 in para-44 in last line words "option-V" should be replaced by words "para-42". Moreover, in the same item at page-9 in the resolved portion the words "the proposal mentioned in para-42" should be incorporated instead of words "option-V". The Board accordingly corrected the minutes.

5. Ch. Javaid Hussain proposed and Syed Hur Riahhi Gardezi seconded that the minutes of 186th meeting held on 30th May, 2006 be confirmed with above corrections.

Accordingly, it was resolved as under:

RESOLVED:

"the Minutes of the 186th Meeting of the Board of Directors held on 30th May' 2006, are hereby confirmed with above corrections."

ITEM (02) MINUTES OF 16TH MEETING OF BOARD AUDIT COMMITTEE HELD ON 15TH MARCH, 2006.

6. The minutes of the 16th Board Audit Committee meeting held on 15th March, 2006, were noted by the Board.


ITEM (03) PRESENTATION OF BUSINESS FIGURES OF MARKETING, GROUP & PENSIONS, INVESTMENT AND REAL ESTATE DIVISIONS.

7. The business figures for Marketing/Gulf Zone, Group & Pensions, Investment and

Action:
Board
Secretary

Action:
Secretary
(BAC)

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Real Estate Divisions were presented before the Board. At this point, Mr. Muhammad Javed Khan, ED(B&A/Investment), Mr. Zafar Mahmood, ED(Marketing/G&P), Ms. Nargis Galoo, ED(P&GS/Law/Real Estate) and Syed Arshad Ali, ED(CID/PHS) joined the meeting by invitation. The business figures of Marketing, G&P, Investment and Real Estate were briefed by the respective Executive Directors and noted by the Board.

8. ED(Marketing/G&P) briefed the Board that at present the second year persistency was 75%, which was far below from the international standards. He requested the Board that the second year persistency may be increased from 75% to 80% for the promotion of Sales Manager to Area Manager and for Area Manager to continue in service of the Corporation.

After discussion, the Board resolved as under:

RESOLVED:

"the second year persistency is increased from 75% to 80% for promotion of Sales Manager to Area Manager and for Area Manager to continue in service of Corporation, is approved."

ITEM (04) REQUEST TO WRITE OFF/WRITE BACK OF AMOUNTS PAYABLE AND RECEIVABLE TO/FROM EMPLOYEES, AGENTS AND OTHER PERSON.

9. The Executive Director(B&A) presented before the Board, Memorandum No.04 dated 12th July, 2006 requesting to write off/write back of amounts payable and receivable to/from employees, agents and other person.

10. Statutory auditors have observed that many amounts were appearing in the books of accounts since long where no recovery was being made or no claimant has so far claimed for the amount payable to him. They recommended that the Management may take appropriate action to settle these balances. The cases where complete information was available and there was no chance of recovery/payment of amounts involved, were submitted to the Board of Directors with a request to allow to write off/write back. After obtaining the approval from the Board, these amounts were written back/written off.

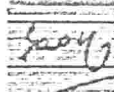
11. However, there were many other cases of payable and receivable where necessary details were required at that time. The information required has now been received and details of these balances is given in the following paras.

Deposit – Agents' Licence Fee:

12. Under the provisions of the repealed Insurance Act, 1938, it was mandatory for Agents/Employers' of Agents to obtain licence from the office of defunct Controller of Insurance for practicing life insurance. For this purpose, Licence Fee Stamps of prescribed value was to be affixed on the application for licence. To facilitate its field workers, State Life had arrangement of debiting desired licence fee to the commission account of the concerned field workers and place the amount in a separate account for payment to the office of the Controller of Insurance alongwith applications.

13. The promulgation of the Insurance Ordinance, 2000 changed the situation because under the provisions of this Ordinance, obtaining of licence and payment of fee is now not required. Now, it is mandatory for a field worker to get himself registered with an insurer. However, prior to promulgation of this ordinance, various zones of State Life had received deposits against agents licence fee and maintained imprest for agent licence fee stamps.

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Action:
ED(Mkt/
G&P)

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14. The statutory auditors, while auditing the accounts for the year 2004, had observed that huge amount of deposit against agents' licence fee was appearing in books of accounts of most of the zones and recommended that the management of State Life should take appropriate action to settle this amount. The matter was also discussed in meeting of the Board Audit Committee which decided to write off the amount after collecting necessary details from concerned Zones. Accordingly, detailed lists and reasons for non refund of this amount was called from all concerned zones. The lists have been received from all Zones except Quetta Zone where such record is not available. The amount relating to Quetta Zone is Rs.49,525/- while the total amount under this head, as per accounts for the year ended 31st December 2005, comes to Rs.5.299 million. The zone-wise breakup of this amount is appended in the Annex "A" to this Memorandum. The reasons for not settlement of these balances are that all the creditors have either de-registered, retired or terminated and their whereabouts is not known. Also, the amount per individual worker is quite petty. Much time has passed since these amount were recovered from field workers and it is now not possible to refund the amount to related field workers. There is also no chance in future to trace out these persons to refund the amount.

15. In view of above explanation, it is proposed that amount of Rs.5.299 million being deposit with State Life against agents licence fee may be written back so that the observation of statutory auditors may be settled.

Agents' Licence Fee Stamps

16. Imprest for Agents' Licence Fee Stamps were maintained by all zones of Individual Life. These stamps were issued against the amount deposited with State Life for this purpose. After, promulgation of Insurance Ordinance, 2000, these stamps became redundant as these were required to be used only for affixing on application for license to act as an agent or employer of agents. Also, these stamps are not refundable. The licence fee stamps worth Rs.0.525 million are lying un-used in various zones as per details given in Annex "B".

17. In view of above explanation, it is proposed that the amount of Rs.0.525 may be written off in respect of agents licence fee stamps.

Field workers Inactive Dr./Cr. balances – Rupee Business (Int'l):

18. In compliance with the directives of Board of Directors taken in its 180th meeting held on 4.12.2004, a net amount of Rs.148 million was written back being balances of inactive field workers. However, exercise in respect of Rupee Business (International) was not completed at that time. The statements of inactive credit and debit balances of Rupee Business portfolio have been finalized. The statement contains inactive credit balances for which no whereabouts is available and as such these amounts cannot be settled. The summary of amount receivable/payable from/to field workers is as follows:

Cadre	Debit Balance	Credit Balance
Sales Representatives	22,598	1,781,518
Sales Officers	48,556	400,473
Sales Managers	29,233	204,909
Total:-	100,387	2,386,900
Net Credit Balance		2,286,513

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19. It is submitted that most of the above amounts are as older than 10 years. It is not likeliness to settle these amount in future. It is therefore requested that permission may kindly be accorded to write off/write back amount of inactive debit/credit balances of field workers of Rupee business being Rs.0.100 million and Rs.2.387 million respectively. The net affect will be written back of Rs.2.287 million.

Various amounts receivable/Payable:

20. In Principal Office, there are many cases where no recovery/refund is made since long. Some cases are too old pertaining to pre-nationalized period. In cases where the amounts are receivable from employees on account of loan and advances, advance for expenses, excess telephone recovery, etc. the concerned employees have either expired, left the service or terminated and the amount remained uncovered because there is no balance payable to them. The cases relating to other persons are also old and now there is no know-how of them.

21. It is therefore proposed that the total amount receivable i.e. Rs.1.152 million may be treated as bad debt and allow to write off. The amount payable to others i.e. Rs.2.391 million may also be allowed to be written back. The net affect will be to write back Rs.1.239 million. Detailed lists are attached as Annex "C".

22. The summary of total amount requested for writing off/writing back is as follows:

(Rs. in Million)

Detail	Debit	Credit	Balance
Deposit against Agents Licence fee	-	(5.299)	(5.299)
Licence Fee Stamps	0.525	-	0.525
Agents balances (Re Business)	0.100	(2.387)	(2.287)
Various amounts receivable/payable (PO)	1.152	(2.391)	(1.239)
Net Credit balance to be written back	-	-	(8.300)

After thorough discussion, it was resolved as under:-

RESOLVED:

"the proposal of ED(B&A) contained in the memorandum No.04 dated 12th July, 2006, with the request to allow to write off/write back the amounts as per details given above, is approved."


ITEM (05) APPOINTMENT OF ADMINISTRATORS - STATE LIFE INSURANCE CORPORATION EMPLOYEES; CONTRIBUTORY PROVIDENT FUND.

23. Executive Director(B&A) presented before the Board, memorandum No.05 dated 17th July, 2006 for appointment of Administrators of State Life Insurance Corporation Employees Contributory Provident Fund.

24. The Regulation 4(1) of State Life Insurance Corporation Employees' Contributory Provident Fund provides that the Fund shall have 12 Administrators, who will be appointed by the Corporation. The said Regulation is reproduced below:

"4. Administration - (1) The fund shall be held by the Corporation and shall be administrated by a Committee of twelve persons, including a Chairman, appointed by the Corporation in such manner and for such term as it may

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ED(B&A)

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determine from time to time (hereinafter referred to as the Administrators). The management, custody, investment and control of the Fund shall vest in the Administrators."

25. Due to retirement of two Administrators, M/s. Talib Ali and Latif A Chaudhry, upon attaining the age of superannuation, the Administrators of the Fund have resolved in their meeting held on 8th June, 2006 to recommend the names of Mr. Yahya Chamdia Deputy General Manager (Computer) and Mr. Manzoor Ahmed DGM/Divisional Head (Marketing) to the Management, for appointment as Administrators of the State Life Insurance Corporation Employees' Contributory Provident Fund in place of M/s. Talib Ali and Latif A Chaudhry. A copy of the resolution was attached.

26. The Board of Directors was requested to consider and approve the appointment of Mr. Yahya Chamdia Deputy General Manager (Computer) and Mr. Manzoor Ahmed DGM/Divisional Head (Marketing) as Administrators, State Life Employees' Contributory Provident Fund in place of M/s. Talib Ali and Latif A Chaudhry.

Accordingly, it was resolved as under:

RESOLVED:

"the proposal of ED(B&A) contained in the memorandum No.05 dated 17th July, 2006, for appointment of Mr. Yahya Chamdia, Deputy General Manager(Computer) and Mr. Manzoor Ahmed, DGM/Divisional Head(Marketing) as Administrators, State Life Employees' Contributory Provident Fund in place of M/s. Talib Ali and Latif A. Chaudhry, is approved."

Action:
ED(B&A)

ITEM (06) APPOINTMENT OF TRUSTEES – STATE LIFE INSURANCE CORPORATION EMPLOYEES' PENSION FUND.

27. Executive Director(B&A) presented before the Board, memorandum NO.06 dated 18th July, 2006 for appointment of Trustees of State Life Insurance Corporation Employees Pension Fund.

28. Due to retirement of M/s. Talib Ali and Latif A Chaudhry (Trustees) upon attaining the age of superannuation, the Trustees of the State Life Corporation Employees' Pension Fund have resolved in their meeting held on 8th June, 2006 to recommend the names of Mr. Sher Ali Khan, General Manager (IA&E) and Mr.Sajjad H. Karam Ali, D.G.M (B&A) to Management for appointment as Trustees of the State Life Insurance Corporation Employees' Pension Fund in place of M/s. Talib Ali and Latif A Chaudhry. A copy of the resolution was attached.

29. The Board of Directors was requested to consider and approve the appointment of Mr. Sher Ali Khan GM (IA&E) and Mr. Sajjad H. Karam Ali D.G.M. (B&A) as Trustees, State Life Employees' Pension Fund in place of M/s. Talib Ali and Latif A Chaudhry.

Accordingly, it was resolved as under:

RESOLVED:

"the proposal of ED(B&A) contained in the memorandum No.06 dated 18th July, 2006, for appointment of Mr. Sher Ali Khan, GM(IA&E) and Mr. Sajjad H. Karam Ali, DGM(B&A) as Trustees, State Life Employees' Pension Fund in place of M/s. Talib Ali and Latif A. Chaudhry, is approved."

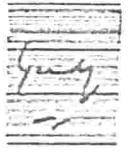
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ED(B&A)

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<p>ITEM (07) TANGIBLE FIXED ASSETS – CODING & PHYSICAL VERIFICATION.</p>			
<p>30. Executive Director(B&A) presented before the Board, memorandum No.07 dated 12th July, 2006 regarding tangible fixed assets for coding & physical verification of the tangible fixed assets .</p>			
<p>31. The Statutory Auditors have observed that the fixed assets register has not been maintained in the proper form and the Corporation does not have any practice of physical verification of fixed assets periodically. They recommended for maintenance of proper assets registers with specific items to be indicated against each item. The matter was discussed in 17th meeting of the Board Audit Committee (BAC) held on 18.5.2006</p>			
<p>32. It is stated that State Life maintains fixed assets registers in Principal Office and at all zones and most of the information suggested by the Statutory Auditors are available in it. All the fixed assets are coded and entered in the assets register before the payment is released. Depreciation is charged on assets every year at composite rate of depreciation on each class of assets. However, the Zones of State Life have scattered Area and Field Offices in thousands. It is not possible to charge depreciation individually and maintain value against each and every item in the assets register. Depreciation is charged on the class of assets on the basis of composite rate of depreciation. The chart of rate of depreciation being applied for various items of assets is appended in Annex "A".</p>			
<p>33. Most of the assets have completed their useful life and have been fully depreciated and are at book value of Re.1/-. It is not practically possible and viable for carrying out physical verification of those items which have book value of Re.1 and scattered throughout the country in Area and Field Offices. It is therefore suggested that all assets which are at value of Re.1 may be written off and the following system for recording the fixed assets register at each location may be maintained:-</p>			
<ul style="list-style-type: none"> i) Two separate assets registers, primary & secondary, may be created/maintained at all locations. ii) All assets purchased/acquired should initially be recorded in the primary register with its price as appearing in books of accounts alongwith other necessary details. iii) The primary register may be reviewed annually and assets whose book value become Re.1 after continuous depreciation, may be transferred to the secondary assets registers and amount from the books of accounts may be written off as a matter of policy. iv) The assets disposed off/sold out may be deleted from either of the registers. v) Annual/periodic physical verification may be made for assets which remain entered in the primary assets registers. vi) A permanent committee at each location of State Life to verify the physical existing of fixed assets and comparison with register may be formed which may consist of representatives from P&GS, Internal Audit, B&A and user department. 			

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34. ED(B&A) also informed the Board that the matter had already cleared by the Board Audit Committee and had been discussed with Appointed Actuary.

Accordingly, it was resolved as under:

RESOLVED:

“the proposal of ED(B&A) as contained in the memorandum No.07 dated 12th July, 2006 for coding and physical verification of tangible fixed assets in terms of para-3 of the memorandum, is approved.”

Action:
ED(B&A)

ITEM (08) REQUEST FOR MAKING PROVISIONS RELATING TO STAFF BENEFITS.

35. Executive Director(B&A) presented before the Board, memorandum No.08 dated 16th August, 2006 regarding request for making the provisions relating to staff benefits.

36. Statutory auditors of the Corporation have been qualifying the accounts of the Corporation for many years on non-making of provisions in respect of staff benefits. The qualification has been repeated in the year 2005. The authorities of Securities & Exchange Commission of Pakistan have also advised State Life to take steps to remove the qualification. The head for which amount of provisions was not made are as follows:

- i) Compensated absences of employees
- ii) Post-retirement medical benefits of employees.

37. The reason for non making of these provisions in earlier years was that as per tax laws prevailing at that time, 100% amount of provisions was subject to tax. However, the position changed after the enactment of Finance Bill, 2004 which has amended the 4th Schedule of the Income Tax Ordinance, 2001. The amendment in 4th Schedule has provided that only 2.5% of the amount of provision is now subject to tax. Position for reduction of tax impact on add-back of provisions was submitted in 179th and 180th, 181st and 183rd meetings of Board of Directors, held on 7.8.2004, 4.12.2004, 28.2.2005 and 15.1.2006 respectively.

38. It is now submitted that in order to (i) avoid repetition of qualification of statutory auditors (ii) comply with the instructions of Securities & Exchange Commission of Pakistan to remove the qualification of statutory auditors and (iii) keeping in view the meagre tax impact on the amounts of provision, the following provisions may be allowed in the accounts for the year 2006.

- i) Rs.467 million as per statutory auditors report, 2005 against compensated absences of employees.
- ii) Rs.599 million as per statutory auditors report, 2005 against post-retirement medical benefits of employees.

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39. Income tax on the amount of these provisions will be as follows: -

(Rs. in Millions)

Nature of Provisions	Amount of provision	2.5% of the amount of provision	Income Tax @ 35% on 2.5% of provision
Liability for compensated absences as at 31-12-2005	467.000	11.576	4.085
Liability for Post-retirement Medical Benefits as at 31-12-2005	599.000	14.975	5.241

40. The matter was discussed in details and in principle it was approved. However, Board Audit Committee was asked to also examine this matter.

Accordingly, it was resolved as under:

RESOLVED:

“the proposal of the ED(B&A) contained in the memorandum No.08 dated 16th August, 2006 regarding making of provisions relating to staff benefits mentioned in para-3 of the memorandum, is approved in principle. However, Board Audit Committee was also asked to examine the matter.”

ITEM (09) PROGRESS REPORTS OF ON-GOING BUILDING PROJECTS.

41. Executive Director(RE) presented and explained before the Board, memorandum No.09 dated 25th August, 2006 regarding progress reports of on-going building projects.

42. The progress reports for State Life buildings were submitted herewith for the review of the Board of Directors, as under:

State Life Tower Project – Islamabad at Annex-I
State Life Building Project – Gujranwala at Annex-II

Accordingly, it was resolved as under:

RESOLVED:

“the Board noted the progress report and directed ED(RE) to expedite the mutation of Gujranwala plot on urgent basis.”

ITEM (10) SUITABLE PLOT FOR STATE LIFE AT QUETTA.

43. Executive Director(RE) presented before the Board, memorandum No.10 dated 25th August, 2006 regarding identification of a suitable plot for proposed State Life Building at Quetta.

44. The report of the committee constituted by the Board of Directors for identifying the plots at Quetta (Annex-I) was placed before Board of Directors in its 186th meeting held on 30 May 2006.

45. As per Board of Director's decision M/S NESPAK was requested to review and give their recommendation for purchase of suitable plot at Quetta. In response M/S NESPAK

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Action:
ED(B&A)/
Secretary
(BAC)

Action:
ED(RE)

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	<p>sent their report & recommendation vide their letter No. 2676/08/FA/01/2974 dated June 15, 2006 (Annex-II). The same is reproduced as under;</p> <p>“The plot close to Chiltan Housing Scheme on main Quetta to Chaman Road was found to be more suitable. It is a 367 ft. X 140 ft. (51380 Sft) plot with road on the south. The plot is earmarked as “COMMERCIAL” category.”</p> <p>“According to the property dealer the rate (Rs.1300/sft) quoted by owner is final and other expenditure incurred on transfer of the land ownership will have to be borne by the purchaser. Other property dealers quote rates in the subject area about Rs.1200/Sft to Rs. 1300/Sft.”</p> <p>46. As per prevailing State Life procedure to acquire property and for the sake of transparency it is required to obtain the offers through advertisement in newspapers. In this context M/S NESPAK vide their letter No.2676/08/AAS/01/459 dated August 21, 2006 provided the draft of advertisement of the said matter (Annex-III). The salient feature is reproduced as under;</p> <p>“1. Area of plot- preferably between 4500 square yards to 5500 square yards and must be free from all encumbrances with clear title/ownership documents.</p> <p>2. Location-Prime commercial area.</p> <p>3. Commercial plot with at least 200 feet wide front, facing main road on one or more sides.”</p> <p>47. During the course of discussion, Mr. Nasim Qureshi suggested that while going for the purchase of plot at Quetta, no deviation from laid down procedure and rules may be made. Mr. Bashir Ahmed and Ch. Javaid Hussain also supported this assertion. Mr. Bashir Ahmed opined that the prices quoted for the Quetta plot were apparently the prices prevailing in the market therefore, it would be fair and as per rules if the plot may be purchased through advertisement.</p> <p>Accordingly, it was resolved as under:</p> <p>RESOLVED: “the requirement of a suitable plot at Quetta is approved to be advertised in national daily newspapers.”</p> <p>ITEM (11) CHARGING OF HOUSE RENT ALLOWANCE FROM STATE LIFE EMPLOYEES AVAILING ACCOMMODATIONS IN RESIDENTIAL BUILDINGS.</p> <p>48. Executive Director(RE) presented and briefed before the Board, memorandum No.11 dated 25th August, 2006 for charging of house rent allowance from State Life employees availing accommodations in residential buildings.</p> <p>49. The Board of Directors in its 184th meeting held on 15.3.2006 approved proposal for charging of license fee equivalent to their house rent allowance without any rebate from State Life Employees availing accommodation in residential buildings through direct deduction from their monthly salaries.</p>		

Action:
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50. The above proposal was submitted to the Board of Directors with the intention that house rent allowance would be charged on the basic pay of employee. Recently it was brought into the notice that some of professional employees i.e. Actuarial Fellows (residing in State Life's residential accommodations) are getting special pay which also includes special pay in their basic pay, resulting thereby tremendous increase in house rent allowance and thus causing disparity in payment of license fee on account of inclusion of special pay in their basic pay, while the others employees are paying license fee only on their basic pay only.

51. In order to maintain equilibrium/parity in charging license fee from Actuarial Fellows occupying State Life's residential accommodations as licensee, it is proposed that license fee be charged from Actuarial Fellows equivalent to the house rent allowance only admissible on their basic pay (minus special pay).

Accordingly, it was resolved as under:

RESOLVED:

"the proposal of ED(RE) contained in the memorandum No.11 dated 25th August, 2006 for charging of house rent allowance excluding special pay of Actuarial Fellows, is approved."

Action:
ED(RE)

ITEM (12) LEGAL CASE PENDING BEFORE LAHORE HIGH COURT, LAHORE.

52. Executive Director(P&GS) presented before the Board, memorandum No.12 dated 30th August, 2006 regarding legal case pending before Lahore High Court, Lahore.

53. State Life revised Pay Scales of the officers of the Corporation with effect from 01-01-1998 with the prior approval of the Government (Annex - A) vide Notification No. P&GS/PC/203/99 dated 28th July, 1999 (Annex - B). The revision recommended by the Board of Directors varied from 35% to Executive Officers, gradually reducing for senior grades and finally to 17.5% for General Managers. Copy of the minutes of the 140th Board meeting held on 20th August 1998 is placed at annex - C. Although the Board did not decide any pay fixation formula but the letter signed by the then E. D (P&GS) to the Ministry of Commerce contained the following clause:

"7(IV) The pay fixation for all existing officers who have been in service, since or before 1.1.98 shall be made in accordance with the laid down procedure prescribed by the Pay & Pension Committee in the past i.e. at the stage equal to or if there is no stage at the stage next above the amount arrived at by allowing the relevant % increase in their existing basic pay as applicable to their designation/grade."

54. Finance Division approved the revision in pay scales of officers of State Life as requested and the approval was conveyed by the Ministry of Commerce vide letter No. 7(8)/97-Ins.I dated 03.07.1999 (Annex - A).

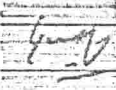
55. While making new pay scales, in some of the grades exact percentage increase as was approved by the Government was not given and the initial pay or the annual increment was less by one or two rupees or part thereof. The point was raised by the Officers Association at the time of the said pay fixation and therefore the management constituted a

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<p>Committee comprising of the then GM (P&GS/IA&E) as Convenor and DGM (B&A), DGM (System) and AGM (Law) as members. DGM (P&GS) was Secretary to this Committee. The Committee suggested (Annex - D) that the manner in which fixation as pointed out in the referred clause by the Officers Association be placed before the Board of Directors for consideration. However, the matter was never taken to the Board for unknown reasons.</p>			
<p>56. One of the retired Officers of State Life named Ghulam Yaqoob Malik approached FST and prayed that his salary was not fixed as approved by the Government and he may be paid the difference of salary. His application was allowed by the FST (Annex - E). Later on State Life appealed before the Supreme Court which was denied (Annex - F). Therefore he was allowed additional one grade increment with effect from 01-01-98 along with all consequential benefits.</p>			
<p>57. On the same ground another retired Officer Mr. Ishaq Javed got his salary re-fixed through FST. Being encouraged by these decisions another retired officer Mr. Muhammad Irshad filed a writ petition in the Lahore High Court that he had submitted a Representation to State Life that he should also be given the same treatment but his Representation has not been answered. The High Court disposed of the petition with the observation that the Petitioner may approach E.D. (P&GS) who shall decide his representation within a month. In the mean time Mr. Irshad filed a Contempt Petition before the Lahore high Court. During the hearing, State Life decided to give Mr. Irshad same benefit as was given to Mr. Yaqoob Malik and Mr. Ishaq Javed. The contempt petition was disposed of accordingly.</p>			
<p>58. Being encouraged by these decisions, 109 Officers mostly in service, initially submitted Representations to State Life and subsequently filed a combined writ petition before the Lahore High Court that their Representation are not being answered. The Lahore High Court decided their petition in the same manner as was done in the case of Mr. Irshad. E. D. (P&GS) was directed to decide the Representations within a month (Annex - G). Their Representations were decided in the manner that they were informed that their matter will be placed before the next meeting of the Board of Directors/Executive Committee. Though the High Court's order was complied with, these Officers, probably to put pressure on State Life, filed a contempt petition before the Lahore High Court.</p>			
<p>59. Around 29 other officers have also got similar decision from Lahore High Court for disposing off their representations within a month. Realizing that there will be many more Officers claiming this treatment which may result into huge financial impact, the issue was re-examined and it was found that grievance of these Officers can be addressed by revising the pay scales of 1998 in the manner that in each grade exact percentage increase as approved by the Government be allowed. In this way the financial impact would be reduced to few lacs of rupees only as State Life will be increasing the initial scales or annual grade increment of few grades by one or two rupees only. This was conveyed to our advocate who agreed that this should be incorporated in our para-wise comments to the contempt petition. Consequently para-wise comments (Annex - II), were filed before the Lahore high Court. The petition was heard on 04-07-2006 and was disposed of with the observation that it will be desirable if the proposed Board's Meeting is convened by the end of July or the first week of August. Copy of the Order of the Court placed as Annex - P.</p>			
<p>60. Now State Life has two options as under:</p>			

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MINUTES OF 187TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
AGENDA BOOK	ISLAMABAD	14 TH SEPTEMBER' 2006	
<p>(a) To re-fix the salaries of aggrieved Officers on the pattern as was done in the case of Mr. Ghulam Yaqoob Malik, Mr. Ishaq Javed and Mr. Muhammad Irshad.</p> <p style="text-align: center;">OR</p> <p>(b) As stated in para 3 of para-wise comments filed in the High Court (Annex- G).</p> <p>61. The financial impact of the first option is approx. Rs.76.80 million for around 739 officers (In service as well as retired, resigned etc.), while in the case of second option the impact would be of a few laes of rupees. A comparison of the approved Scales with those being suggested now is given in the Parawise replies submitted to the Court (Annex - G). However, in the case of second option another round of litigation may be expected. With the recent judgement of the Supreme Court regarding constitutionality of section 2A of Federal Service Tribunal Act, 1973, State Life would be better placed to defend these litigations.</p> <p>62. The matter was placed before the Board for consideration and approval of para 8 option (a) or (b) of the memorandum.</p> <p>63. During the course of discussion, Ch. Javaid Hussain opined that while going into litigation State Life may hire competent advocates to represent in the courts of law. Mr. Bashir Ahmed asserted that matter should be resolved through amicable way.</p> <p>Accordingly, it was resolved as under:</p> <p>RESOLVED: "the proposal contained in para-8 (b) of the memorandum No.12 dated 30th August 2006 is approved by the Board."</p> <p>ITEM (13) ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.</p> <p>(I) INVESTMENT IN LISTED TERM FINANCE CERTIFICATES OF ORIX LEASING PAKISTAN LIMITED.</p> <p>64. Executive Director(Investment) presented before the Board, memorandum No.13 dated 30th August, 2006 regarding investment in listed Term Finance Certificates of Orix Leasing Pakistan Limited. At this juncture of time, GM(Investment) also joined the meeting and briefed the Board on the silent feature of the memorandum. He also informed the Board that due to typographical errors in para-5 and para-9 the rate of return had been incorrectly typed as 10.82% which he requested the Board to be read as 12.41%.</p> <p>The Investment Proposal:</p> <p>65. Standard Chartered Bank and Orix Investment Bank have jointly been mandated by Orix Leasing Pakistan Limited to advise and arrange its Listed, Rated and Secured TFCs issue of Rs.4,000 million inclusive of Greenshoe Option of Rs.500 million. Standard Chartered Bank has approached State Life with a request to participate in the same (annexure-A).</p>			

Action:
ED(P&CS)

Action;
ED(Inv)

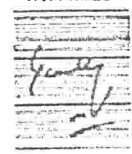
CHAIRMAN'S INITIALS



MINUTES OF 187TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME								
DATE BOOK	ISLAMABAD	14 TH SEPTEMBER' 2006									
<p><u>The Instrument:</u></p> <p>66. It is a Listed Term Finance Certificates with total size of Rs.4.0 billion which includes Greenshoe Option of Rs.500 million. Rate of Return on the instrument is Average Ask rate of 6 Months KIBOR + 1.5%, with no floor or cap. The is of 5 year tenure with profit payable semi-annually in arrear. Details of the subject TFCs are given in the Transaction Term Sheet attached as Annexure-B.</p> <p><u>About the Issuer (Company):</u></p> <p>67. Orix Leasing Pakistan was established in 1986 as a joint venture between Orix Corporation Japan and local investors. Now it is listed company on all Stock Exchanges of Pakistan with a equity base of Rs.1,958.14 million.</p> <p>68. Over the years Orix Leasing has developed a strong domestic presence with 28 branches situated in 25 cities. The company specializes in leasing to small and medium size enterprises. The existing product range comprises of finance lease for machinery and equipment, auto lease, consumer finance, micro finance, operating lease for hiring equipment on short term rental and point of sale network for diversified card based product including debit, credit, loyalty and smart card transactions.</p> <p>69. The company is in process of strategically positioning itself in areas previously untapped and has opened up nine new branches in smaller industrial and agricultural cities.</p> <p><u>Purpose of Issuing TFCs:</u></p> <p>70. The total amount of upto Rs.4.0 billion is to be used to finance new business volumes. The company has been experiencing approximately 14% compound annual growth rate in net investment in Lease Finance over the expects relatively a bit higher growth in lease portfolio due to its policy of geographical expansions to areas previously untapped.</p> <p><u>Return on Investment:</u></p> <p>71. Rate of return on the instrument is Average Ask rate of 6 months KIBOR + 1.5% with no floor or cap. Currently the KIBOR is 10.55% p.a. As the interest is payable semi annually therefore effective return comes to 12.41% p.a. Actual return might be more than 12.41% due to increase in T-bills rates.</p> <p><u>Debt Serving Capacity:</u></p> <p>a-Character:- Orix Leasing is rated by PACRA and enjoys Entity Credit Ratings of Double A+ for long term creditors and A+ for short term creditors. These are the highest credit ratings awarded to leasing company in Pakistan. (Consult annexure C for comparative analysis). In past State Life had subscribed two TFCs 1 & 2 worth of Rs.25 million each. On both the issues the company had been regular and prompt in fulfilling its debt obligation.</p> <p>b- Capacity:- As per NBIT's rules a leasing companies can borrow ten times to its equity. Analysis suggests that present capital structure of the company has sufficient cushion for additional borrowing.</p> <table data-bbox="259 1948 1315 2105"> <tr> <td>Total Equity (as on 30th June 2005)</td> <td>Rs. 1,958.14 million</td> </tr> <tr> <td>Total Borrowing Capacity: (10 times of equity)</td> <td>19,581.40 million</td> </tr> <tr> <td>Less: Total Long Term Liabilities</td> <td>8,640.04 million</td> </tr> <tr> <td>Capacity for additional borrowing</td> <td>Rs. 10,941.36 million</td> </tr> </table>				Total Equity (as on 30 th June 2005)	Rs. 1,958.14 million	Total Borrowing Capacity: (10 times of equity)	19,581.40 million	Less: Total Long Term Liabilities	8,640.04 million	Capacity for additional borrowing	Rs. 10,941.36 million
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CHAIRMAN'S INITIALS



MINUTES OF 187TH MEETING OF THE BOARD OF DIRECTORS

BOARD OF DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	ISLAMABAD	14 TH SEPTEMBER' 2006	
<p>The size of the current issue is Rs. 4,000 million including a Greenshoe Option of Rs.500 million.</p> <p>Time Interest Earned Ratio as on 30th June 2005 stood at 1.58 times. A conservative estimate of TIER under the assumption that there would be no growth in revenue after the resumption of loan covers to 1.33 times, still on higher side.</p>			

	Before new loan	After new loan
Time Interest Earned Ratio	1.58 times	1.33 times

A higher TIER suggests that the company has capability of meeting debt obligations through its core operations.

c-Security:- The issue is secured by the first charge over specific leased assets and associated lease receivable with 25% security margin.

Risks of Investing:

a-Default Risk:- The risk of default by the issuer is low, as issue is expected to get AA+ (Double A plus) rating which shows high credit quality of the issuer, strong protections and modest risk of default by the issuer in case of economic changes.

b-Reinvestment Risk:- The instrument has a call option which allows Orix Leasing to redeem the TFCs after a period of 12 months from the date of Issuance of TFCs on any redemption date(s) or partially on atleast 30 days prior notice to the Trustee, SECP, Stock Exchange and TFC holders. This poses risk of reinvestment at a unfavorable rate.

State Life's existing Exposure on the Company:


72. State Life had subscribed TFCs of Orix Leasing of Rs. 25 million in 30th July 2002 which matured on 30th July 2006. At present our exposure on the company stands nil. State Life total investment in TFCs stands at Rs. 407 million as of 30th June 2006 against of total investment of Rs.130,656 million in financial instruments.

Recommendations:


73. Investment grade of the instrument coupled with flexibility in return offers a good investment opportunity to Corporation. It is to be noted that indicative rating of the instrument is AA (Double A Plus) by PACRA with expected annualized return of 12.41% p.a. which is payable semi-annually. The principal to be retired under the two tier redemption mechanism i.e. 0.08% of the principal amount would be redeemed during first two years in four equal semi-annual installments in arrear and the remaining 99.92% of the principal amount would be redeemed during last three years in six equal semi-annual installments in arrear. In view of strong financial of the company, high credit rating and better return free from interest rate risk, State Life may consider subscribing the privately placed Term Finance Certificates of Orix Leasing Pakistan in the Pre-IPO by an amount of Rs.200 million. The tenure of the instrument is 5 years. This instrument is covered under S.R.O. 309(K)/70 dated 21.3.1970 (As amended by S.R.O. 1001(1)72 dated 30.10.72 and by S.R.O. 121 48(1)/76 dated 27.11.76).

74. Board was requested to consider above recommendations for investment in proposed issue of TFCs of Orix Leasing Pakistan Limited.

Accordingly, it was resolved as under:

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MINUTES OF 187TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME	
MINUTE BOOK	ISLAMABAD	14 TH SEPTEMBER' 2006		
Action: ED(Inv)	<p><u>RESOLVED:</u> “the proposal of ED(Investment) contained in memorandum No.13(I) dated 30th August, 2006 for investment of Rs.200 million in Term Finance Certificates of Orix Leasing Pakistan Limited, is approved.”</p> <p><u>ITEM (13) ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.</u></p> <p>(II) <u>SUPPLY, INSTALLATION, TESTING AND COMMISSIONING OF 400 KVA D.G. SET AT STATE LIFE BUILDING NO.12 (HASHOO CENTRE), KARACHI.</u></p> <p>75. Executive Director(RE) presented before the Board, memorandum No.13 dated 11-09-2006 for supply, installation, testing and commissioning of 400 KVA D.G. Set at State Life Building No.12 (Hashoo Centre), Karachi.</p> <p>76. Income Tax Department has acquired on rent space of 87,700 sq. ft. in State Life Building No.12 (Hashoo Centre), Karachi, on 01-07-2005. This renting was based on MOU which was signed between State Life and the Income Tax Department on June 14, 2005. According to the MOU, State Life has to provide DG Set to cope up with the electrical load of lighting and air-conditioning etc. The Board in its 183rd Meeting held on 15-11-2005 had approved the captioned job and budget of Rs. 6.75 million (Annexure “A”). Decision of the Board is reproduced as under:</p> <p>“That the proposal of Executive Director (Real Estate) contained in the Memorandum No.12 dated 6th October, 2005 for the installation of a DG Set of 400 KVA out put in State Life Building No.12 (Hashoo Centre), Karachi, for a total cost of Rs 6.75 million was approved.”</p> <p>77. M/s. NESPAK who are the Consultants of the subject job and are also responsible for technical as well as the financial consideration prepared the Tender Documents and Drawings, processed prequalification of Contractors and floated the tender. The tenders were opened with successful bidder at Rs 8,978,596/- (Rupees Eight Million Nine Hundred Seventy Eight Thousand Five Hundred Ninety Six only -- (Annexure “B”).</p> <p>78. M/s. NESPAK’s recommendation was also reviewed in the REIFC meeting (Annexure “C”). The observations and recommendations of REIFC are as under:-</p> <p>a) The approval in principle budgetary cost given by M/s. NESPAK for the Board of Rs 6.75 million which has been increased than M/s. NESPAK estimate of Rs. 8,822,775/- by the reason given by M/s. NESPAK such as the condition of load shedding all over the country and specially in Karachi has caused a very big demand of generators. The cost of generator did not escalate appreciably but the cables involving copper had multifold increase in their cost beside the inflation in cost of other relevant material.</p> <p>b) M/s. NESPAK after scrutiny of the tender etc., recommended to award of the said work to the successful bidder for an amount of Rs 8,978,596/- which is 1.77% higher than the M/s. NESPAK Engineer’s estimate.</p> <p>c) The Committee was of the opinion that M/s. NESPAK’s recommendation as processed by Electrical Department of Real Estate Division may be considered and approved.</p>			<p>CHAIRMAN'S INITIALS</p> 

MINUTES OF 187TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
AGENDA BOOK	ISLAMABAD	14 TH SEPTEMBER 2006	
	<p>79. The award of work has been approved by Divisional Head (Real Estate), in light of Clause 3.1(ii) of delegation of financial power in favour of successful bidder, however, the case is being placed before the Board of Directors for revision of estimated cost from Rs 6.75 million to Rs 8.98 million.</p> <p>80. The matter is placed before the Board of Directors for approval for revised cost of Rs 8.98 million and provision of additional budget in current financial year.</p> <p>81. Mr. Nasim Qureshi inquired that why this petty matter has been brought before the Board of Directors. Replying to this question, ED(RE) informed that previously the approval of installation of 400 KVA D.G. set had been accorded by the Board this is why this matter has been re-referred to this forum.</p> <p>Accordingly, it was resolved as under:</p> <p><u>RESOLVED:</u> "the proposal of ED(RE) contained in the memorandum No.13(II) dated 11-09-2006 for revision of estimated cost from Rs.6.75 million to Rs.8.98 million for supply, installation, testing and commissioning of 400 KVA D.G. Set at State Life Building No.12(Hashoo Centre), Karachi, is approved."</p> <p><u>ITEM (13) ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.</u></p> <p>(II) <u>MINUTES OF MEETING OF BOARD MEMEBERS HELD ON 04-09-2006.</u></p> <p>82. The following were present:</p> <ol style="list-style-type: none"> 1. Mr. Kamal Afsar, Chairman 2. Mr. Bashir Ahmed, Director 3. Mrs. Spenta Kandawalla, Director 4. Syed Hur Riahi Gardezi, Director 5. Mr. Shahid Aziz Khan, Board Secretary <p>83. At the outset Chairman asked the Board Secretary if the quorum is complete. The Board Secretary replied that Air Marshal (Retd) Sharbat A. Changazi had requested for leave of absence as he was out of country. Directors Ch. Javaid Hussain and Mr. Nasim Qureshi have also requested for leave of absence as they were unable to attend the meeting due to certain unforeseen circumstances. The Board Secretary informed that the quorum i.e. five Directors, was not complete as <u>only 04 Directors including the Chairman were present.</u></p> <p>84. All the Directors of the Board were consulted and it was agreed to hold the meeting on Thursday, 14th September, 2006 at 11.00 a.m. at Islamabad.</p> <p>85. The minutes of meeting of Board Members held on 04th September, 2006 were noted by the Board.</p>		<p>Action: ED(RE)</p> <p>Action: Board Secretary</p> <p>CHAIRMAN'S INITIALS</p> 