

MINUTES OF 233RD MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	11 TH MARCH, 2013	

CONFIDENTIAL AND RESTRICTED

The 233rd Meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on Monday, 11th March, 2013 at 11.00 a.m. in the Board Room, State Life Building No.9, Dr. Ziauddin Ahmed Road, Karachi.

PRESENT:

- | | |
|----------------------------|-----------------|
| 1. Mr. Shahid Aziz Siddiqi | Chairman |
| 2. Mr. Husain Lawai | Director |
| 3. Mr. Farooq Hadi | Director |
| 4. Mr. Wazir Ali Khoja | Director |
| 5. Mr. Nihal Anwar | Director |
| 6. Mr. Furqan A. Shaikh | Director |
| Mr. Akbarali Hussain | Secretary Board |

LEAVE OF ABSENCE

- | | |
|--------------------------|----------|
| 1. Mr. Fazal Abbas Maken | Director |
| 2. Mr. Tufail Shaikh | Director |

2. The Secretary Board informed the Chairman that a copy of letter No.1(1)/PS-AS(IA)/2013 dated 5th March, 2013 written by Mr. Fazal Abbas Maken, Additional Secretary (IA) to Secretary, Ministry of Commerce, Islamabad in response to notice dated 21-02-2013 for 233rd Board meeting of State Life Insurance Corporation of Pakistan to be held on 11th March, 2013, has been received wherein it has been mentioned that since he has been nominated as Director in State Life Insurance Corporation of Pakistan in his capacity as Additional Secretary, Ministry of Commerce, he has ceased to hold the Directorship on his being posted in Prime Minister's Sectt(Public), Islamabad. In his U.O he has therefore requested that some other officer may please be nominated as Director on the Board of Directors of State Life Insurance Corporation of Pakistan in his place.

3. The following officers also attended the meeting at the time of presentation and discussion of the Items of their respective Divisions:

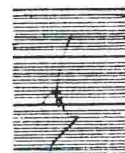
1. Mr. M. Aslam Hayat, Executive Director(P&GS)
2. Dr. Mrs. Ghazala Nafees, Divisional Head (P&GS)
3. Mr. Muhammad Rashid, Divisional Head (F&A)
4. Mr. Attaullah A. Rasheed, Divisional Head (Investment)
5. Mr. Nasimul Haque, Divisional Head (Real Estate)

4. The meeting started with recitation of verses from the Holy Quran by Mr. Furqan A. Shaikh, Director, State Life.

ITEM (1) CONFIRMATION OF MINUTES OF 232ND MEETING OF THE BOARD OF DIRECTORS.

5. The minutes of the 232nd meeting of the Board of Directors held on 4th February, 2013 were placed before the Board.

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	<p>6. Mr. Wazir Ali Khoja, Director proposed and Mr. Furqan A. Shaikh, Director seconded that the minutes of 232nd meeting of the Board of Directors be confirmed.</p> <p>7. Accordingly, it was resolved as under:-</p> <p>RESOLVED: "that the Minutes of 232nd meeting of Board of Directors held on 4th February, 2013 are confirmed."</p> <p>ITEM (2) IMPLEMENTATION REPORTS ON DECISION TAKEN IN 232ND MEETING OF BOARD HELD ON 4TH FEBRUARY, 2013.</p> <p>8. Implementation report of 232nd meeting of Board of Directors held on 4th February, 2013 were placed before the Board.</p> <p><u>Approval of Quarterly Accounts of State Life by Board of Directors before submission to SECP.</u></p> <p>9. DH(F&A) informed the Board that since the accounts are prepared in State Life manually and 22 days are required for finalization of commission for the previous month, it was not possible for F&A Division under the present scenario to submit the quarterly accounts for approval before the Board Audit Committee and the Board of Directors prior to its submission to SECP.</p> <p>10. The Board of Directors decided that DH(F&A) should get the quarterly and annual accounts reviewed by the Board Audit Committee and approved by the Board of Directors before its submission to SECP and to submit details and timeline for completion of each activity resulting in finalization of the above accounts at the next meeting of the Board Audit Committee for its review which was agreed to by the DH(F&A).</p> <p><u>Formal Inquiry Report to investigate and bring the facts on record and fix responsibility on the officials for not making any provision of Pension Liability in the Accounts of State Life.</u></p> <p>11. The Inquiry Report will be submitted by the Chairman to the Board of Directors at its next meeting.</p> <p><u>Tangible Fixed Assets, coding and physical verification and maintenance of fixed asset register.</u></p> <p>12. After discussion, the Board requested DH(P&GS) to submit a report on compliance of the directives of the Board Audit Committee on the above subject at the next meeting of the Board of Directors.</p> <p><u>Policy/SOPs for making provision and identification of contingent liabilities.</u></p> <p>13. After deliberations, the Board directed DH(F&A) to submit a detailed Memorandum in this respect to the Board Audit Committee at its next meeting for revisiting its recommendations earlier given to the Board of Directors which was considered and approved by the Board of Directors at its 232nd meeting held on 4th February, 2013.</p>		

Action:
Secretary
Board

Action:
Secretary
(BAC)
DH(F&A)

Action:
Chairman

Action:
Secretary
(BAC)
DH(P&GS)

Action:
Secretary
(BAC)
DH(F&A)

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	<p><u>Proposal of revision in guidelines and chart of delegation of financial powers.</u></p> <p>14. The Board was informed that as directed by the Board Audit Committee at its 47th meeting held on 31-01-2013, the draft guidelines and chart of delegation of financial powers relating to the Chairman, Executive Directors and Divisional Heads elaborating existing delegation of powers compared with proposed revision in delegation of powers has been submitted to the Secretary, Board Audit Committee which will be presented at the next meeting of the Board Audit Committee for framing of recommendation to the Board of Directors for approval. The delegation of powers of Regional Chiefs, Zonal Heads and other officers shall be decided/approved by the Chairman of the Corporation.</p> <p><u>Offer for subscription of Preference Shares of Silk Bank Limited.</u></p> <p>15. The above matter was extensively discussed and deliberated upon at the 28th meeting of REIC held on 8th March, 2013 and the minutes thereof together with recommendations was submitted to the Board of Directors for consideration and approval.</p> <p><u>Construction of State Life Building at Benazirabad(Nawabshah) and installation and updation of fire detecting system comprising of panel fire alarm/fire sprinklers in all State Life Buildings.</u></p> <p>16. The Board was informed that the appointment of Consultant for the above task is under process.</p> <p><u>Waseela-e-Sehet Health Insurance Project of Benazir Income Support Program</u></p> <p>17. The Board was informed that as directed, the media campaign would be launched in the project districts with the cooperation of BISP and the possibility of launching by State Life of Health Insurance on a commercial basis would be looked into by G&P Division.</p> <p><u>Revision of Pension Scheme for the officers of the Corporation.</u></p> <p>18. The revised Pension Scheme shall be placed in the next meeting of the Board of Directors.</p> <p>19. The implementation report was noted by the Board.</p> <p>ITEM (3) CONFIRMATION OF TERMS OF REFERENCE(TOR) FOR THE BOARD IT COMMITTEE PASSED THROUGH CIRCULATION. (ED(IT)'s Memorandum dated 27-02-2013)</p> <p>20. The Board of Directors at its 232nd meeting held on 4th February, 2013 considered a position paper on current status of automation of State Life in respect of implementation of pre-packaged software solution and after discussing the same at length resolved to approve constitution of Board IT Committee and directed IT Division to prepare the Terms of Reference of the IT Committee and to get it approved from the Members of the Board through circulation.</p>		
Action: Secretary (BAC) DH(F&A)			
Action: Secretary (REIC) DH(Inv) DH(LAD)			
Action: DH(RE)			
Action: DH(G&P)			
Action: DH(P&GS)			

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<p>21. Accordingly, ED(IT) submitted to the Corporate Affairs Division a Memorandum dated 27th February, 2013 regarding suggested Terms of Reference (TOR) for the Board IT Committee to be passed by Members of the Board through circulation. The Memorandum contents of which are given below was circulated to the Members of the Board who approved the same by putting signatures against their name on the Memorandum.</p> <p><u>Contents of the Memorandum approved through circulation</u></p> <p>22. ED(IT) submitted proposed TOR's as under:-</p> <p><u>Background</u></p> <p>23. State Life Insurance Corporation being the industry leader in insurance sector has been making extensive efforts for technology up-gradation to improve internal communication within and between offices; ensure & facilitate efficiency in business operations by providing better customer services and to provide instant access to strategic information which is essentially required for better decision making. For the purpose, exercise with a consultant firm M/S. BearingPoint was carried out to design new IT Strategy for State Life. The major components of IT Strategy are:</p> <p><u>Short Term</u></p> <ul style="list-style-type: none"> • Replace the legacy applications and to fulfill the information requirements of all functions of State Life • Acquisition and implementation of Pre-Packaged Software Solution for Core Insurance Business and Support Business Functions and customise it for implementation with time line, with capability to match present & future needs. • Review & improve IT infrastructure <p><u>Medium - Long Term</u></p> <ul style="list-style-type: none"> • Work Flow Management System / Office Automation • Electronic Document Management System • Preparation of Disaster Management/Recovery Site • Data Warehousing & Management Information / Decision Support System • Re-structuring of IT HR functions <p>24. To achieve above objectives, an agreement for implementation Pre-packaged ERP Suite having following modules related with Core Insurance Business & Support functions of SLIC was signed with M/S. Sidat Hyder Morshad Associates (SHMA) in February 2010:</p> <ul style="list-style-type: none"> i. iLAS – Individual Life Assurance System ii. GLAS – Group Life Assurance System iii. GL – General Ledger iv. iPAM – Investment Portfolio Management System 			

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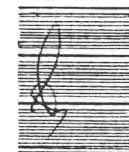
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	<p>v. HRMS, Pay Roll, Fixed Assets/Inventory & Procurement System</p> <p>vi. i-Estate – Real Estate Management</p> <p>vii. SHMA – Actuarial System</p> <p>viii. SHMA – Legal System</p> <p>ix. SHMA – Audit System</p> <p>25. Besides this, a wide range of activities have been started for enhancement of existing IT infrastructure which includes: procurement, installation & configuration of desktop PCs to increase the number of functional IT desks, establishment of Tier-2+ level Data Centre and to establish connectivity between Zonal/branch Offices and PO.</p> <p>26. The Board of Directors had in its 232nd meeting held on February 4, 2013 approved the formation of the Board IT Committee for monitoring process & progress of implementation activities of IT Strategy. The Board of Directors also directed IT Division to prepare Terms of Reference (TORs) of the Committee, and directed to get it approved from the members of the Board through circulation.</p> <p><u>Role of the Board IT Committee</u></p> <p>The role of the Committee is as follows:</p> <ul style="list-style-type: none"> • Outline & approve IT Strategy to commensurate with the needs of the company • Approve projects required to implement IT Strategy • Ensures IT Strategy is aligned with organizational strategy. • Approve or reject changes in the projects which may impact on timelines and budget. • Assess progress and report on IT Projects to the Board. • Provide advice and guidance on the issues faced/surfaced by project implementation team or other user divisions/departments. • Use influence and authority to assist the project implementation team in achieving its goals. <p><u>Committee Chair</u></p> <p>The Chairman State Life is the Prime Sponsor and will Chair the Committee. If the Prime Sponsor be unable to attend a meeting, senior most member of the committee will serve as Committee Chair.</p> <p><u>Secretary IT Committee</u></p> <p>The Project Director, DGM(IT) will act as Secretary of IT Committee.</p> <p><u>Responsibilities of the Secretary IT Committee</u></p> <p>The responsibilities of the Secretary Committee Chair are as follows:</p> <ul style="list-style-type: none"> • Arrange & Coordinate Board IT Committee meetings and circulate notice of the meeting to all committee members with approval of the chair well in advance. The meeting notice must show date, time and venue. 		

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	<ul style="list-style-type: none"> • Prepare/Set the agenda for each meeting and get its approval from the Chair before circulation to the members of IT Committee. • Ensure that agenda and supporting materials are delivered to members in advance of meetings. • Make the objectives of each meeting clear to members and explain the agenda at the beginning of each meeting. • Clarify and summarize the minutes of the previous meeting duly approved by the Chair and any objection or dissenting note by the members. • Keep the meetings moving by putting time limits on agenda items and keeping all meetings within the time limits agreed by the Committee. • Encourage broad participation from members in discussion. • Sum-up meeting with a summary of decisions and assignments/responsibilities. <p><u>Role of IT Committee Members</u></p> <p>Individual IT Committee members have the following responsibilities:</p> <ul style="list-style-type: none"> • Understand the goals, objectives, and desired outcomes of the SLIC's IT Strategy and projects in line with the strategy. • Understand and represent the interests of all stakeholders. • Take a genuine interest in the project's outcomes and overall success. • Act on opportunities to communicate positively about the projects related with IT Strategy. • Ensure that the management is making sensible financial decisions – especially in procurement and in responding to issues, risks and proposed project changes. • Check that the project is aligned with the organizational IT strategy as well as policies and directions of regulators. • Actively participate in meetings through attendance, discussion, and review of minutes, papers and related documents. • Support open discussion and debate, and encourage fellow Committee members to voice their insights. <p><u>General</u></p> <ul style="list-style-type: none"> • The decisions of the IT Committee will be considered recommendations of the IT Committee for consideration and approval by the Board of Directors. • This committee shall meet at least once every quarter to monitor progress of IT Strategy implementation and resolve strategic issues surfaced. 		

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- Resolution of each meeting will be circulated to all members and Secretary of the Board of Directors.

Membership

The Board of Directors in its 232nd meeting held on February 4, 2013 approved the formation of IT Committee for monitoring process & progress of newly evolved IT Strategy implementation.

List of members is as under:

S. No.	Name	Designation	Role
1.	Mr. Shahid Aziz Siddiqi	Chairman - SLIC	Chairman
2.	Mr. Farooq Hadi	Member BoD, SLIC	Member
3.	Mr. Nihal Anwar	Member BoD, SLIC	Member
4.	Mr. Furqan A. Shaikh	Member BoD, SLIC	Member
5.	Mr. Shoaib Mir	Executive Director (IT), SLIC	Member
6.	Mr. Saleem Khaliq	Divisional Head (IT), SLIC	Member
7.	Mr. Muhammad Ali	Project Director (IT), SLIC	Member/Secretary

The members mentioned at serial No.1,5,6 and 7 will automatically change as and when new official are posted. Any change in members stated at serial No. 2, 3 and 4 will subsequently decided by the Board.

Quorum

As per directives of the Board, minimum four (04) Committee members are required for completing the quorum.

Decision-making Process

- Unanimity: everyone agrees to a given course of action.
- Majority: a course of action requires support from more than 50% members who attend the meeting if there is quorum.

Frequency of Meetings


This committee shall meet at least once every quarter to monitor progress of IT Strategy implementation and resolve strategic issues surfaced.

Agenda, Minutes, and Decision Papers

A package will be provided to members at least seven business days (one week) in advance of IT Committee meeting. This package will include the following:

- Agenda for upcoming meeting.
- Minutes of previous meeting.
- A progress report of the project.
- Decision papers.
- Any other documents/information to be considered at the meeting.

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Action: DH(IT) Secretary (IT)	<p>27. Accordingly, the Board is requested to consider and if deemed fit to pass the following resolution through circulation by putting their signature against their name given below. Clause 3(xi) of State Life Insurance Corporation (general) Regulations, 1972 states that such resolution would be valid and effective as it had been passed at a meeting of the Board duly called and constituted. The resolution to be passed through circulation is as follows:</p> <p><u>RESOLVED:</u></p> <p>That "the Terms of Reference (TOR) as given above are hereby approved."</p> <p>28. The above resolution so passed shall be placed before the Board for confirmation at its next meeting.</p> <p>29. Accordingly, the resolution passed through circulation was placed before the Board for confirmation which resolved as under:</p> <p><u>RESOLVED:</u></p> <p>"that as per Regulation 3(11) of the State Life Insurance Corporation of Pakistan (General) Regulations, 1972, the above resolution approving the Terms of Reference (TOR) of the Board IT Committee passed by way of circulation by the Board of Directors is hereby confirmed."</p>		
	<p>ITEM (4) BONE MARROW TRANSPLANTATION OF MASTER MUHAMMAD DANIYAL S/O MR.MASHKOOR SHAH, MANAGER(PHS), PESHAWAR ZONE. (ED(P&GS)'s Memorandum dated 01-03-2013)</p> <p>30. Executive Director (P&GS) presented before the Board, a Memorandum dated 1st March, 2013 regarding bone marrow transplantation of Master Muhammad Daniyal S/o Mr. Maskhkoor Shah, Manager (PHS), Peshawar Zone.</p> <p>31. Master Muhammad Daniyal Shah (Patient) and Muhammad Hashir shan (Donor) sons of Mr. Mashkoor Shah, Manager (PHS), Peshawar Zone C.S.No. 307493, is a known case of Beta Thalassemia Major disease since birth. This disease is one of the type of thalassemia which are inherited autosomal recessive blood disorders. Thalassemia is caused by variant or missing genes that affect how the body makes hemoglobin. Hemoglobin is the protein in red blood cells that carries oxygen. People with thalassemia make less hemoglobin and fewer circulating red blood cells than normal, which results in mild to severe anemia at Annexure- A to the Memorandum.</p> <p>32. Master Daniyal Shah is 6½ years old under treatment of Dr. Pervaiz Ahmed Hematologist at Armed Forces Bone Marrow Transplant Centre (AFBMTTC), who has advised for bone marrow transplant which is the best treatment option available for the said disease and also advised to go for immediate procedure of bone marrow transplantation in order to avoid any chances of morbidity and mortality approximately the total cost involved is Rs. 1.5 million at Annexure-B to the Memorandum.</p>		

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	<p>33. Unfortunately there is no Medical cure for such patients in Medical Science, who are suffering from fatal Diseases like thalassemia major, except bone marrow/stem cell transplantation. This is the only treatment for sick child to survive a healthy life otherwise such children could hardly survive for about 10 to 15 years of age.</p> <p>34. As per SLIC Employees Rules and Regulations 1973 Para 8(F) cosmetic surgery, Plastic surgery and organ transplant is not allowed for our employees so the subject request is not entertainable at Annexure-C to the Memorandum.</p> <p>35. However, since the competent authority has allowed kidney transplant in following two cases and Bone Marrow transplant in one case after taking due approval of Executive committee and Board of Directors respectively:-</p> <ol style="list-style-type: none"> Mr. Shahbuddin, Jr. Office Assistant of Karachi Central Zone, in the year 1996 from Executive Committee (Annexure-D to the Memorandum) Mr. Benjamin Nathaniel, Naib Quasid (G&P) Lahore Central Zone in the year 2002 from Board of Directors.(Annexure-E to the Memorandum) Mr. Muhammad Aquil Manager (Mktg) Lahore Central Zone in the year 2010 from Board of Directors.(Annexure-F to the Memorandum) <p>36. Considering the above circumstances the request of Mr. Mashkoor Shah, Manager (PHS), Peshawar Zone for the treatment of his sons i.e. Muhammad Daniyal Shah (Patient) and Muhammad Hashir Shah (Donor) for Bone Marrow Transplant at AFBMT Rawalpindi with approximate cost of Rs. 1.5 million is placed before Board of Directors for decision.</p> <p>37. On a query from Mr. Farooq Hadi, Director, GM(P&GS) Dr.Ghazala Nafees, presented before the Board an extract from Wikipedia that Hematopoietic stem cell transplantation (HSCT) is the transplantation of multipotent hematopoietic stem cells, usually derived from bone marrow, peripheral blood, or umbilical cord blood. It is a medical procedure in the fields of hematology and oncology most often performed for patients for certain cancers of the blood or bone marrow such as multiple myeloma or leukemia.</p> <p>38. Accordingly, the Board resolved as under:</p> <p>RESOLVED:</p> <p>"that the proposal of ED(P&GS) Mr. Muhammad Aslam Hayat and CMO at the request of Mr. Mashkoor Shah, Manager(PHS), Peshawar Zone for the treatment of his sons i.e. Muhammad Daniyal Shah (Patient) and Muhammad Hashir Shah (Donor) for Bone Marrow Transplant at AFBMT, Rawalpindi with approximate cost of Rs. 1.5 million is hereby approved."</p> <p>"that the recommendation of ED(P&GS) that in supersession of para 8(F) State Life Employees (Service) Rules and Regulations 1973 which does not allow cosmetic surgery, plastic surgery and organ transplant, the Chairman State Life be hereby authorized to approve on the recommendation of Chief Medical Officer on a case to case basis, cases of medical/surgical/emergencies subject to post facto approval of the Board of Directors is hereby approved."</p>		

Action:
DH(P&GS)
DH(F&A)
Dept.
Head(Med)

Action:
DH(P&GS)
DH(F&A)
Dept.
Head(Med)

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<p>ITEM (5) CONSIDERATION AND APPROVAL OF DRAFT POLICY/SOPS FOR MAKING PROVISION AND IDENTIFICATION OF CONTINGENT LIABILITIES. (ED(F&A) Memorandum dated 15-02-2013)</p> <p>39. Executive Director (F&A) presented before the Board, a Memorandum dated 15th February, 2013 regarding Draft Policy/SOPs for making provision & identification of contingent liabilities.</p> <p>40. A Memorandum has been submitted to the Board Audit Committee regarding review of its recommendations given to the Board of Directors in 46th meeting in respect of policy for writing back of policyholders' unclaimed amount, which was approved by the Board of Directors in 232nd meeting held on 4th February, 2013.</p> <p>41. The draft Policy/SOPs for Making Provision & Identification of Contingent Liabilities was submitted to Board of Directors after making amendments to incorporate the recommendations of Board Audit Committee to the Board. Following recommendations were incorporated in the draft:</p> <ul style="list-style-type: none"> i) All receivable income/investment/loan and income be reviewed initially for six months upto 2014 and afterwards on quarterly basis ii) Provisioning of doubtful receivable be completed in one and half year instead of three years against such receivables. iii) Provisions regarding the receivables against rent be made on yearly basis. iv) Provision regarding the legal cases be made on the basis of legal opinion from Law Affairs Division and if necessary from outside lawyers in consultation with Law Affairs Division. v) Instead of Rs.20 million, court cases upto Rs.10 million or more to be identified, reviewed and reported to F&A Division by the Legal Affairs Division (LAD) for reporting as contingent liabilities. vi) Liability previously written back to be reinstated and paid to the claimant to the extent of claim be approved with the prior approval of ED (F&A)/Chairman, State Life as per financial authority assigned to above officers. <p>42. The Board approved the Policy/SOPs with the recommended changes in its 232nd held on 4th February, 2013. One of the significant amendments proposed by the BAC in the Policy/SOPs relates to writing back of policy claims (copy of Board's minutes attached as Annex "A" to the Memorandum). The BAC recommendation to the Board is as under:</p> <p>"Policy of treating unclaimed policy amount will continue to operate as per existing Rules. Current Policy stipulate payment of claims within five years of expiry of life policy after obtaining prior approval of ED (F&A) and Chairman of the company. Simultaneously, the amount of claim so paid will be debited to income account and credited to liability account."</p>			

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	<p>43. It is stated that the policy for writing back of policyholders' claims after three years instead of five years was adopted in 2004 vide Corporation's circular No.PHS/PO/CIR/06/2004 dated 9th February, 2004 (Annex "B" to the Memorandum) on the advice of statutory auditors in compliance of International Accounting Standards. The policy is being followed continuously in the Corporation since then. Another point for reconsideration is regarding the approving authority. The BAC has recommended to get the written back claim reinstated after approval of ED (F&A)/Chairman as per their financial authority. The practice is that when the policyholder/claimant approached the zonal office for payment of claim and the Claims Department is fully satisfied with the genuineness of the claim and claimant, the written back claim is reinstated and paid as per delegation of financial powers to officers in the zone. The third issue is accounting treatment of payment of reinstated claim which was previously written back. As per International Accounting Standards (IAS), reinstatement of claims (previously written back) cannot be made by debiting the Income, as IAS does not allow to reverse the income recorded in the previous period rather it states that the reinstatement should be recorded as expense in the year of reinstatement.</p> <p>44. It is, therefore, requested the members of Board Audit Committee to revisit their recommendations and reframe their recommendations regarding writing back of policy claims in the light and reasons mentioned in para 3 above. The rephrasing is proposed as under:</p> <ol style="list-style-type: none"> Policy claims which are outstanding for three or more years shall be written back, as per current policy i.e. by debiting to Claims Reserve Account and crediting Unclaimed Outstanding Maturity/Death Claim. In case a policyholder/claimant approaches the zonal office for payment of claim, which was previously written back, and the Claims Department is fully satisfied with the genuineness of the claim and claimant, the written back claim be reinstated and payment of reinstated policy claim be made as per delegation of financial powers by debiting to Unclaimed Outstanding Maturity/Death Claim and crediting to Claims Reserve Account. <p>45. After deliberations, the Board directed DH(F&A) to obtain the opinion of the external auditors and submit a Memorandum in this respect to the Board Audit Committee at its next meeting for revisiting its recommendations earlier given to the Board of Directors which was considered and approved by the Board of Directors at its 232nd meeting held on 4th February, 2013.</p> <p>TEM (6) WRITING OFF UNSETTLED AMOUNT OF RS.177,595/- DUE TO ROBBERY AT CASH COUNTER, SHAHDADPUR SECTOR, MIRPURKHAS ZONE. (ED(P&GS)'s Memorandum dated 26-02-2013)</p> <p>46. Executive Director (F&A) presented before the Board, a Memorandum dated 26th February, 2013 regarding writing off unsettled amount of Rs.177,595/- due to robbery at Cash Counter, Shahdampur Sector, Mirpurkhas Zone.</p>		

Action:
Secretary
(BAC)
DH(F&A)

Action:
Secretary
(BAC)
DH(F&A)

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<p>47. On 1st October 2010, a dacoity took place at the Cash Counter of Shahdadpur Sector of Mirpurkhas Zone. An amount of Rs.533,836/- was looted in this incident on gun point.</p> <p>48. An enquiry committee was constituted vide P&GS Division order dated 10.11.2010 to probe into the matter and to detect the possibilities of involvement of officials of the Sector Office and the Zonal Office. Following responsible persons were interrogated by the inquiry committee:</p> <table><tr><td>a) Mr. Ramzan Ali</td><td>Office Assistant</td><td>Cashier at Shahdadpur</td></tr><tr><td>b) Mr. Ghayasuddin Ansari</td><td>Zonal Accountant</td><td>Mirpurkhas Zone</td></tr><tr><td>c) Mr. Masood Anwar Arain</td><td>Sector Head</td><td>Shahdadpur</td></tr></table> <p>49. During the inquiry, above officials had stated that the incident took place due to bad law & order situation, which was beyond their control. The inquiry committee found no involvement of any employee of the Sector or Zonal Office in the robbery.</p> <p>50. Claim was lodged with NICL against the robbed amount of Rs.533,836/- but NICL paid only Rs.356,241/- against the claim leaving an amount of Rs.177,595/- unsettled. The recovery of unsettled amount is not possible as the incident occurred due to law and order situation, no employee was involved in the robbery in any way and the robbers could not be identified. Therefore, unsettled amount of Rs.177,595/- is to be written off.</p> <p>51. Zonal Accountant, Mirpurkhas was directed to ascertain the reason for approval of claim less than the loss occurred, which was established and approved by the insurer. On enquiry of the Zone, NICL vide letter dated 7.2.2013 informed that at the time of incident, the cash was in excess than the sum assured, hence they had applied average clause as under:</p> <table><tr><td>(Sum assured X Loss)/Value at Risk</td><td>(500,000 X 533,836)/749,261 = 356,241</td></tr></table> <p>52. In view of the position explained above and clarification of the NICL, the matter is placed before the Board of Directors to consider the write off unsettled portion of claimed amount of Rs.177,595/- as per details shown below.</p> <table><tr><td>• Total loss occurred</td><td>...</td><td>Rs.533,836</td></tr><tr><td>• Less: Claim received from NICL</td><td>...</td><td>Rs.356,241</td></tr><tr><td>• Balance unsettled amount</td><td>...</td><td>Rs.177,595</td></tr></table> <p>53. Accordingly, the Board resolved as under:</p> <p>RESOLVED:</p> <p>"that the recommendation of ED(F&A), to write off the balance unsettled amount of Rs.177,595/- in respect of dacoity of Rs.533,836/-, at the Cash Counter, Shahdadpur Sector, Mirpurkhas Zone is hereby approved."</p>				a) Mr. Ramzan Ali	Office Assistant	Cashier at Shahdadpur	b) Mr. Ghayasuddin Ansari	Zonal Accountant	Mirpurkhas Zone	c) Mr. Masood Anwar Arain	Sector Head	Shahdadpur	(Sum assured X Loss)/Value at Risk	(500,000 X 533,836)/749,261 = 356,241	• Total loss occurred	...	Rs.533,836	• Less: Claim received from NICL	...	Rs.356,241	• Balance unsettled amount	...	Rs.177,595
a) Mr. Ramzan Ali	Office Assistant	Cashier at Shahdadpur																					
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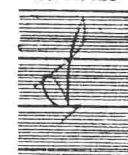
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<p>ITEM (7) POSITION PAPER ON CURRENT STATUS OF INVESTMENT BY STATE LIFE OF RS. 120 MILLION ON AN OFFER FOR SUBSCRIPTION OF PREFERENCE SHARES OF SILK BANK LIMITED TO FULFILL <u>MINIMUM CAPITAL REQUIREMENT OF THE BANK.</u> (DH(Investment)'s Memorandum dated 05-03-2013)</p> <p>54. Divisional Head (Investment) presented before the Board, a Position Paper on current status of investment by State Life of Rs.120 million on an offer for subscription of preference shares of Silk Bank Limited to fulfill minimum capital requirement of the bank.</p> <p>55. The Board of Directors in its 232nd meeting held on 4th February 2013 approved Rs.120 million for subscription of subject instrument and passed following resolution in this respect.</p> <p>Resolved:</p> <p>"that the minutes of 27th meeting of Real Estate and Investment Committee held on 11th January 2013 together with observations/recommendations are approved:-</p> <p style="text-align: center;">Offer for subscription of Preference shares of Silk Bank Limited</p> <p>"that the recommendation of REIC on the proposal of DH (Investment) to forward to the Board of Directors for consideration and further advice, the request of Silk bank for investment of Rs.500 million by State Life in Perpetual, Non-Cumulative, Convertible, Preference Shares (PNCPS) yielding 14% annualized holding period return to be issued under the tripartite agreement to be signed by Silk Bank (as issuer), Arif Habib Corporation Limited (as guarantor) and State Life (as investor) is hereby approved for consideration."</p> <p>"that as submitted by DH (Investment), after analyzing instruments in light of circular No.F.4.(1)/2002-BR-II and other circulars including SRO No.309(K)/70 and clauses-5 (b & c) of the Budget Wing of Finance Division of GoP, as well as the policies of Insurance Ordinance and Rules and projected profit after taxes, as suggested by Legal Affairs Division, investment by State Life of 5% of the total issue of Rs.2.4 billion of Perpetual, Non-Cumulative, Convertible, Preference Shares (PNCPS) yielding 14% annualized holding period return amounting to Rs.120 million at a price of Rs.2.50 per share to meet the Minimum Capital Requirement of SBP to be guaranteed by Arif Habib Corporation Ltd., as per indicative terms and conditions of the instrument and as per clauses 3 & 4 of the tripartite agreement titled as put option agreement to be signed by and amongst the issuer, Arif Habib Corporation Ltd., and identified investors in order to make the transaction effective on maturity is hereby approved. The preference shares are being issued to meet the unsubscribed amount of the 311% of right shares earlier issued to the ordinary share holders at a discounted price of Rs.2.50 per share against the face value of Rs.10 each. The life of the preference shares will be three years after which if the bank does not exercise the call option, the investor will have the choice either to sell the preference shares of Arif Habib Corporation Limited at the strike price of Rs.3.70 per share by exercising put option or opt</p>			


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	<p>to convert the same in common shares of Silk Bank at a ratio of 1:1."</p> <p>"that Chairman and Division Head (Investment) are hereby authorized to do all such act and execute agreement as is necessary to make the above investment."</p> <p>56. DH(Investment) submitted in his position paper on investment of Rs. 120 million in perpetual, non-cumulative, convertible preference shares issued of Silk Bank Limited, that in process of vetting the above mentioned agreements, Legal Affairs Division made following observations which are being reproduced for review of Board.</p> <p>"In view of the REIC memorandum reproduced below and the fact that no dividends have been paid for last five years as reflected at para 12 of the minutes of the 27th REIC meeting held on 11th January, 2013 totally endorse the view at para 21 of the minutes of the 27th REIC meeting and the L.A.D. is of considered opinion that preferential share purchase option is a nonviable one."</p> <p>57. DH(Investment) has mentioned in his position paper submitted to the Board that it is to be noted that admissibility of the subject instrument was addressed at para 3(a) along with detailed analysis of the instrument by the Investment Division in the context of risk and return, from paras 4(a) to (d) in the memorandum submitted by Investment Division before REIC in its 27th meeting held on 11th January 2013. The contents of the memorandum of DH(Investment) is given below at para-79.</p> <p>58. The matter was earlier placed before REIC in its 28th meeting held on 8th March 2013 to review the matter in the light of observation made by Legal Affairs Division with respect to admissibility of the subject investment.</p> <p>59. DH(LAD) was invited to the meeting of the 28th REIC to clarify the opinion of Legal Affairs Division. He explained that the legal aspect noted by the Division was concerning the admissibility of the investment in the light of SRO 309K para c(ii) in which it has been stated that in case of investment in Preference Share of any company, dividends on its ordinary shares have been paid for the three years immediately preceding the date of investment or for at least three out of the five years immediately preceding the date of investment. He also referred Ministry of Finance circular # F-4(1)/2002-BR.II dated 2nd July 2003 clause 5(b) which states that Public listed shares/units should have a total return comprising the dividend paid and appreciation in value, which exceeds the average six months Treasury Bill rate for the last three years. He expressed his views that the investment in this venture contradicts the above provisions and we are bound to stick to these provisions being public sector organizations.</p> <p>60. DH(Investment) submitted that the Board may like to consider the opinion of Legal Affairs Division in the context of its decision of subscription of Perpetual, Non-Cumulative, Convertible, Preference Shares issue of Silk Bank Ltd., made in 232nd meeting of the Board held on 4th February 2013.</p>		

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<p>61. The members of REIC at its 28th meeting considered the views of Legal Affair Division in the context of decision of subscription of Perpetual, Non-Cumulative, Convertible, Preference Shares issue of Silk Bank Ltd., made in 232nd meeting of the Board held on 4th February 2013.</p> <p>62. The Committee felt that the return offered by the Silk Bank of 14% on PNCPS over a period of three years or earlier subject to exercise of call/put option is quite viable in view of the prevailing low return on other investment opportunities available ranging between 9.50% to 11.00%. This is also strengthened by the specific performance guarantee by Arif Habib Corporation Limited which is itself double-A rated and paying dividends over the preceding years. The Committee find that the provision of MoF circular referred by DH(LAD) is applicable to the listed shares while this issue is non-listed. The Board has taken decision considering low risk on this investment keeping in view the active monitoring and supervision by SBP on the banking sector. The Committee considered the investment fully secured and resolved as under:-</p> <p>"that the REIC recommend to the Board to revisit the decision taken in 232nd meeting held on 4th February 2013 and reaffirm its previous approval for the placement of Rs. 120 million in PNCPS issued by Silk Bank. It was further resolved that the agreements will include specific clause with regard to merger/acquisition of bank and in such case ensuring the protection of Investment of the Corporation."</p> <p>63. Contents of Memorandum of DH(Investment) Division submitted to the Real Estate and Investment Committee at its 27th REIC meeting held on 11th January, 2013:-</p> <p>PKR 2,400 million Perpetual, Non-Cumulative, Convertible, Preference Shares issue of SILKBANK Limited.</p> <p>1. Investment Proposal:</p> <p>SILKBANK vide its letter dated 3rd December 2012 solicited State Life's interest for Private Placement of Perpetual, Non-Cumulative, Convertible, Preference Shares (PNCPS). (Annexure A to the memorandum)</p> <p>2. Transaction's descriptions:</p> <p>The instrument under consideration is a Perpetual, Non-Cumulative, Convertible, Preference Shares of SILKBANK. Total size of the issue is Rs.2,400 mn inclusive of a Green Shoe Option of Rs.1,000 mn represented by =960,000= units offered to investors at a price of Rs.2.50 per share.</p> <p>Once the units of PNCPS subscribed the bank may repurchase it, but not obliged to, from investors after one year from the date of issue by exercising Call Option either in full or part at any time after one year from the issue date at a price assures annualized yielding of 14% to investors.</p> <p>Life of the PNCPS share is three years. If the bank does not exercise the Call Option then investors will have choice either to sell it to Arif Habib Corporation Limited at the strike price of Rs.3.70 per share by exercising</p>			

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	<p>Put Option or may opt to convert the same into Common Shares of SILKBANK at a ratio of 1:1.</p> <p>Arif Habib Corporation Limited has been designated as Guarantor to the transaction as per Indicative Terms and Condition of the instrument and as per clauses 3 and 4 of the tripartite agreement, titled as Put Option Agreement, which to be signed by and amongst the Issuer, AHCL and Identified Investors in order to make the transaction effective.</p> <p>It is to be noted that the Put Option Agreement makes the bank free from any legal encumbrances of either buying units of PNCPS back from investors and or of becoming party to dispute incase AHCL defaulted on its obligation of buying PNCPS from the investors.</p> <p>The bank is issuing PNCPS to fulfill Minimum Capital Requirement as required by State Bank of Pakistan. As of 2012, paid up capital of the bank is Rs.5.47 bn, free of losses, whereby it required to be Rs.9 bn and Rs.10 bn by the end of year 2013 and 2014 respectively. The size of the proposed transaction is almost equal in value to unsubscribed right i.e. of Rs.2.4 bn. The bank had offered 311% right offers in 2009 at a discounted price of Rs.2.50 per share against the face value of Rs.10 each. As per director's reports of first half of 2010, the right offer was subscribed by total amount of Rs.4.4 bn out of total issue size of Rs.7 bn.</p> <p>The issuance of the subject instrument is in accordance with the clause 13 of Prudential Regulations for Corporate/Commercial Banking of State Bank of Pakistan dated January 31, 2011 which allows banks to issue such instruments bearing features of Call or Put Options and permits the proceed raised through sale of it treats as equity till maturity. Details of instrument can be at Indicative Terms and Conditions. (Annexure B & C to the memorandum)</p> <p>3. Investment Feasibility:</p> <p>Investment feasibility of the PNCPS has been analyzed from the perspective of Admissibility of the Investment Proposal as per governing rules and regulations for investment, Return on Investment, Financial strength of the Issuer in respect of honoring the transactional obligations and the Resource available to investors in case Arif Habib Corporation Limited defaulted to purchase PNCPS units from investors upon maturity of the same.</p> <p>a- Admissibility of the Investment Proposal:</p> <p>As per Sub clause (ii) of Clause (c) of S.R.O.309(K)/70 dated 21st March 1970 of Ministry of Commerce, accordingly Corporation may invest in Preference shares of only those companies which have paid dividend on its Common Shares for three years immediately preceding the date of investment or at-least three out of the five years immediately preceding the date of investment. Following is the payout profile of the SILKBANK over the period of last five years. (Annexure C to the memorandum)</p>		

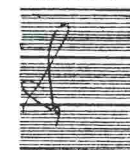
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<div>SILKBANK Limited.</div> <table><tr><td>Year</td><td>2007</td><td>2008</td><td>2009</td><td>2010</td><td>2011</td></tr><tr><td>Cash Div (Rs/Share)</td><td>0.00</td><td>0.00</td><td>0.00</td><td>0.00</td><td>0.00</td></tr><tr><td>Bonus Share (%)</td><td>0.00</td><td>0.00</td><td>0.00</td><td>0.00</td><td>0.00</td></tr></table> <div>b- Return on Investment:</div> <p>The instrument offers 14% Internal Rate of Return, which is in fact 14% Holding Period Yield. Return has been assured by embedding Put and Call Options.</p> <p>In case of exercising Call Option by the bank, this is exercisable at any time after one year from the Issue Date, at a price yielding 14% annualized holding period return. Otherwise, Investors may either sell PNCPS to AHCL at a price of Rs.3.70 per unit upon maturity.</p> <div>4. Risk Analysis:</div> <div>a- Exposure on Arif Habib Corporation Ltd., not on the bank:</div> <p>Clause 3 of the tripartite agreement absolves the bank from repurchasing of PNCPS at Rs.3.70 per units from the investors by designating AHCL as a Guarantor to do the same upon the maturity in compliance to Put Option by the investors.</p> <p>Short and Long Term Entity Rating of AHCL is AA (Double A), as assigned by JCR-VIS Credit Rating Agency, suggests stable outlook for the entity with respect to fulfilling its financial obligation. The rating is based on the financial strength AHCL derives from investments in key economic sectors including fertilizer, financial services, steel, cement, power and real estate, however, earning streams are largely dependent on few strong investees, which itself significantly concentrated in the fertilizer sector; with performance of one company having been adversely affected due to gas shortage.</p> <p>AHCL reported Net Profit of Rs.4,254 mn for the year ended 30th June 2012, this includes Rs.2,036 mn of gain on re-measurement of investment, which is an unrealized ones, thus reduced the Net profit by the same amount almost.</p> <p>It is the persistent negative cash flow since 2009, which happened to be around Rs.1,674 mn in 2012, raises concern about AHCL's ability of honouring its repurchase obligation as per tripartite agreement. Financial size of repurchase obligation has been estimated around Rs.3.552 billion.</p> <div>b- Bank's financial capability of redeeming Preference Shares under Call Option Scenario:</div> <p>In order to make banks financially capable of redeeming the Preference Shares, Clause 13 of Prudential Regulations for Corporate/Commercial Banking of State Bank of Pakistan dated January 31, 2011, require banks to establish Sinking Fund for the purpose. (Annexure C)</p>				Year	2007	2008	2009	2010	2011	Cash Div (Rs/Share)	0.00	0.00	0.00	0.00	0.00	Bonus Share (%)	0.00	0.00	0.00	0.00	0.00
Year	2007	2008	2009	2010	2011																
Cash Div (Rs/Share)	0.00	0.00	0.00	0.00	0.00																
Bonus Share (%)	0.00	0.00	0.00	0.00	0.00																


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<p><i>"In case the issuer is given an option to redeem the preference shares, as per agreed terms and conditions, the issuer will redeem the share only through a sinking fund created out of the profits of the company."</i></p> <p>Embedding of Call Option in transactional structure appears to make the clause applicable to the proposal under consideration. This requires banks to contribute Rs.1,184 annually to Sinking Fund for three years out of the profit. The following table provides an overview of bank's profitability up to nine months 2012 and during the last five years.</p> <table><tr><td>Year</td><td>E12</td><td>9m12</td><td>2011</td><td>2010</td><td>2009</td><td>2008</td><td>2007</td></tr><tr><td>PBT (Rs.mn)</td><td>(224)</td><td>(168)</td><td>1,359</td><td>(1,236)</td><td>(4,252)</td><td>(2,834)</td><td>(3,320)</td></tr><tr><td>PAT(Rs.mn)</td><td>(84)</td><td>(63)</td><td>695</td><td>(1,131)</td><td>(2,903)</td><td>(2,041)</td><td>(3,041)</td></tr></table> <p>Extrapolation of Profit Before and After Tax for the year 2012 and the precast Profit & Loss Accounts for the next five years i.e. from 2013 to 2017, on the basis of historical trend, of last five years from 2007 to 2011, suggests that the bank may not be able to contribute Rs.1,184 million to Sinking Fund in the year 2012 and not even after that. (Annexure D to the memorandum)</p> <p>c- Recourse in case of default:</p> <p>Redemption of the Instrument at maturity has been guaranteed by the Arif Habib Corporation. Tripartite agreement states that if investors do not choose to convert the Preference Shares into Common Share then they may redeem the same by selling PNCPs units to Arif Habib Corporation. This has been assured by Clause 3 of tripartite agreement amongst Issuer, AHCL and the Investor. Opinion of the Legal Affairs Division on the guarantee is as under:</p> <p><i>"That there is no mention of the word guarantee in the enclosed Put Option Agreement whereas it has been pointed out in the clause 4(a) that without the obligation of the Identified Investor. The question of guarantee and obligation being significant aspects of the transaction, it is significant for Investment Division to analyze the instrument in light of Circular No. F.4(1)/2002-BR-II and other circulars as well as the policies of Insurance Ordinance and Rules."</i></p> <p>Examination of investment proposal in light of S.F.C. 109(K)/70 and Clause 5 (b) & (c) of the Budget Wing of Finance Division of GoP exclude it from considerations by rendering the instrument as non admissible assets for investment. (Annexure E to the memorandum)</p> <p>In response to our request to bank to clarify how the guarantor will work in case AHCL refuses to purchase PNCPs units upon maturity of the instrument, we received reply from the bank along with the revised draft of Put Option Agreement containing amendments in clauses relevant to Guarantor's obligation towards repurchase of PNCPs from investors. Both the letter and the revised draft of Put</p>				Year	E12	9m12	2011	2010	2009	2008	2007	PBT (Rs.mn)	(224)	(168)	1,359	(1,236)	(4,252)	(2,834)	(3,320)	PAT(Rs.mn)	(84)	(63)	695	(1,131)	(2,903)	(2,041)	(3,041)
Year	E12	9m12	2011	2010	2009	2008	2007																				
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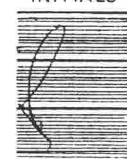


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<p>Option Agreement have been forwarded to Legal Affairs Division for vetting. Opinion of LAD on the amended clauses is as under: (Annexure F to the memorandum)</p> <p>"We have gone through the contents of the enclosed letter, it may please be noted that specific performance is a lengthy process in the Court of Law and takes decades for materializing."</p> <p>d- Continuity of Going Concern:</p> <p>As per Circular no. 7 of 2009 of SBP, Minimum Capital Requirements for bank is Rs.9 billion and Rs.10 billion, free of losses, by the end of June 2012 and 2013 respectively. As at 30th September 2012, Paid up Capital of the bank stood at Rs.5.47 billion, free of losses but including of proceeds from issuance of Right Shares at a rate of 311% of the paid up capital at discount.</p> <p>With no addition to Reserve from the current year's profitability, as the bank reported loss for the period ended 30th September 2012 and is expected to remain in loss in 2012, coupled with transfer of proceeds of Rs.2.4 billion from subscription of Preference Shares into Equity, the bank appears to remain in shortfall of MCR by an amount of Rs.1.13 billion. Even retention of 100% of projected Profit After Tax does not change position of the bank in this respect.</p> <table><tr><td></td><td>2013</td><td>(Rs.bn) 2014</td></tr><tr><td>Paid up capital free from losses</td><td>5.47</td><td>7.78</td></tr><tr><td>Plus: Expected contribution from profit</td><td>(0.08)</td><td>0.76</td></tr><tr><td>Plus: Contribution of Sinking Fund for PNCPS**</td><td>nil</td><td>(1.2)</td></tr><tr><td>Revised paid up capital free of losses</td><td>5.38</td><td>7.34</td></tr><tr><td>Proceeds from issuance of PNCPS</td><td>2.40</td><td>nil</td></tr><tr><td>MCR requirements</td><td>9.00</td><td>10.0</td></tr><tr><td>Shortfall to Minimum Capital Requirement</td><td>(1.22)</td><td>(2.66)</td></tr></table> <p>** Gross proceeds exclusive of Put Option Fee and other charges.</p> <p>Persistent shortfall in Paid up Capital may compel bank to merge with another ones in order to remain in the business. If this happens, may result in force majeure conversion of preference shares into common shares by the bank. Once the force majeure become effective, assurance to return on investment and guarantee to return of principal will cease to exist. In fact, market price of share of SILKBANK at that time will determine not only the valuation but also return on investment if any.</p> <p>64. DH(Investment) presented the clarification given by M/s. Silk Bank Limited vide its letter dated 7th March, 2013 which is reproduced below:-</p> <p>The Bank has the right to exercise the Call Option following the sale of the existing unsubscribed right shares. Currently there are 1 bn unsubscribed right shares at Rs 2.5 per share. The Bank can exercise the Call Option on the outstanding preference shares once it has sold an equal amount of common share capital i.e. the unsubscribed right shares. The amount received from the sale of the right shares will be paid to the preference</p>					2013	(Rs.bn) 2014	Paid up capital free from losses	5.47	7.78	Plus: Expected contribution from profit	(0.08)	0.76	Plus: Contribution of Sinking Fund for PNCPS**	nil	(1.2)	Revised paid up capital free of losses	5.38	7.34	Proceeds from issuance of PNCPS	2.40	nil	MCR requirements	9.00	10.0	Shortfall to Minimum Capital Requirement	(1.22)	(2.66)
	2013	(Rs.bn) 2014																									
Paid up capital free from losses	5.47	7.78																									
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Shortfall to Minimum Capital Requirement	(1.22)	(2.66)																									

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	<p>shareholders to the extent of the strike price at the time of the exercise of the Call Option. In this regard please refer to the following:</p> <p>Point 2 of the SBP approval for the PNCPS Issue:</p> <p><u>Quote</u></p> <p>The amount of capital raised through PNCPS will not deplete by any redemption/repayment on PNCPS. Any redemption/repayment on PNCPS should be backed by the issuance of, at least, equal amount (net of any discount) of common share capital.</p> <p><u>Unquote</u></p> <p>This means that bank's profitability and bank's performance is irrelevant in case if call is exercised. Money from right shares will be channeled to preference shares' investors through call.</p> <p>Clause 4 d of the Put Agreement</p> <p><u>Quote</u></p> <p>The Put Option shall exercisable by the Identified Investor upon the Strike Date in accordance with the terms hereof, provided that Silk bank has not exercised its call option (pursuant to the terms of issue of the Shares) to redeem the Shares on or prior to the expiry of the Tenor ("Call Option"). In the event that the Rights Shares are subscribed prior to the expiry of the Tenor by any person(s) (in a single or a series of transactions) such that the aggregate subscription monies raised by Silk bank pursuant to the issue of Rights Shares prior to the expiry of the Tenor equals or exceeds the Threshold Amount, then (a) the Call Option shall be automatically triggered and Silk bank will be obliged to redeem the Shares in accordance with their terms of issue, and (b) AHCL shall be immediately released from all its obligations under this Agreement and the Put Option shall thenceforth not be exercisable.</p> <p><u>Unquote</u></p> <p>Further, the above clause also restrict the bank that in case of right shares subscription call will become mandatory.</p> <p>Performance of the bank will only matter if you go for the conversion of preference shares into common and would like to avail upside potential of the bank. Your downside risk or guaranteed 14% return is covered either through right shares subscription or put agreement and undertaking by Arif Habib Corporation.</p> <p>Furthermore, there is slight difference in the commitment status which we gave you yesterday. Current commitments are as follows:</p>		

CHAIRMAN'S
INITIALS



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DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	11 TH MARCH, 2013	

S.No	Organization	Firm Commitment (in millions)	In-Principle (in millions)	Expected
1	Bank Al Falah	300		
2	Saudi Pak Industrial & Agri Inv. Comp.	250		
3	Sindh Bank Limited	250		
4	National Bank of Pakistan	200		
5	Habib Bank	150		
6	Faysal bank Limited	100		
7	Askari Bank	100		
8	PAIR Investment Company	100		
9	HNWI	106.2		
10	DG Khan Cement Co. Ltd	25		
11	UBL	25		
12	Lalpur Power Limited	20		
13	Treet Corporation	5		
14	Pak Kuwait Investments		200	
15	Pak-Reinsurance		100	
16	Statelife Insurance			120
17	EFU			50
18	High Net Worth Individuals			20
	Total	1631.2	300	190
	Grand Total		2121.2	

65. DH(Legal Affairs) and DH(Investment) were asked if they had any comments on the above subject to be given to the Board for their consideration to which they replied that they had put up their view point in detail and have no further comments.

66. Mr. Husain Lawai, Director stated that the above investment was very fruitful for State Life as it would give an annualized return of 14% and was guaranteed by M/s. Arif Habib Corporation which is a double rated company and paying dividends over the preceding years.

67. Accordingly, the Board resolved as under:

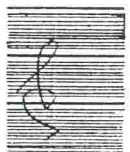
RESOLVED:

"that the recommendation of Real Estate and Investment Committee on the proposal of DH(Investment) to revisit the decision taken in 232nd meeting held on 4th February, 2013 is hereby approved and the approval of the Board on the recommendation of the Investment Division for placement of Rs. 120 million in perpetual, non-cumulative, convertible preference shares (PNCPS) issued by Silk Bank Limited yielding 14% annualized holding period return as per resolution and para-68 on page-3915 of the minutes is hereby reaffirmed."

"that the tripartite agreement to be executed and signed by authorized representatives of Silk Bank Limited (as issuer), Arif Habib Corporation Limited (as guarantor) and State Life (as investor) should include specific clause with regard to merger/acquisition of bank and all steps that are required to ensure the protection of investment of the Corporation."

Action:
Secretary
(REIC)
DH(Inv)
DH(Legal)

CHAIRMAN'S
INITIALS



MINUTES OF 233RD MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
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	<p>"that the above agreement before execution should be vetted by an advocate of repute in banking matters preferably M/s. Sultan A. Allana."</p> <p>"that Investment Division should release the fund only after ensuring the financial close of the transaction and after having received confirmation of receipt of the entire amount of Rs.2.4 billion less the amount of Rs. 120 million to be invested by State Life."</p> <p>"that the Chairman and DH(Investment) are hereby authorized to do all such acts, deeds and things that may be necessary or required to give effect to the resolution of the Board to make the above investment."</p> <p>ITEM (8) PROPOSAL FOR REVISION IN THE FINANCIAL POWERS OF GM(DH), RC/ZH ABOVE IN THE CHART OF DELEGATION OF FINANCIAL POWERS. (ED(F&A)'s Memorandum dated 21-02-2013)</p> <p>68. Executive Director (F&A) presented before the Board, a Memorandum dated 21st February, 2013 proposal for draft revision in "Guidelines and Chart of Delegation of Financial Powers.</p> <p>69. The draft revision in Guidelines and Chart of Delegation of Financial Powers was submitted to the Board Audit Committee (BAC) for consideration in its 47th meeting held on 31st January, 2013. The recommendations of the BAC were ratified by the Board of Directors in its 232nd meeting held on 4th February, 2013. The Board resolved as under:</p> <p>"that the Memorandum of revision in manual of delegation of financial powers to Chairman, Executive Directors and Divisional Heads and for authorizing the Chairman to approve powers to be delegated to the officers down the line in the hierarchy be resubmitted to the Board Audit Committee at its next meeting for consideration and framing of its recommendations to the Board of Directors for approval."</p> <p>70. In compliance, a chart indicating existing and proposed revised financial powers intended only to be delegated to General Managers/Divisional Heads/Regional Chief/Zonal Heads and above in hierarchy, was enclosed to the Memorandum forwarded to the Secretary, Board Audit Committee for submission of the same to the Members of the Board Audit Committee for their review and consideration and for recommending the same to the Board for approval. A copy of the Memorandum to the Board Audit Committee was also sent to the Corporate Affairs Division for consideration of the Members of the Board of Directors.</p> <p>71. Since the above matter has already been discussed in the 47th meeting of the Board Audit Committee held on 31-01-2013, the Memorandum should be first put up in the meeting of the Board Audit Committee for detailed scrutiny and onward submission to the Board with its recommendation.</p>		

Action:
Secretary
(BAC)
DH(F&A)

CHAIRMAN'S
INITIALS



MINUTES OF 233RD MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	11 TH MARCH, 2013	
	<p>ITEM (9) <u>ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.</u></p> <p>(I) <u>CONSIDERATION AND APPROVAL OF MINUTES OF 28TH MEETING OF REAL ESTATE AND INVESTMENT COMMITTEE HELD ON 8TH MARCH, 2013.</u></p> <p>72. Secretary, Real Estate and Investment Committee Mr. Attaullah A. Rasheed presented before the Board the minutes of the 28th meeting of Real Estate and Investment Committee held on 08-03-2013 for consideration and confirmation and approval of decisions/recommendations made by the Committee. A copy of the above minutes duly signed by the Chairman (REIC) are placed at Annexure-A to the Minutes.</p> <p>73. Accordingly, the Board resolved as under:</p> <p><u>RESOLVED:</u></p> <p>"that the minutes of 28th meeting of Real Estate and Investment Committee held on 08-03-2013 together with following observations/recommendations are approved:-</p> <p>Position paper on current status of Investment by State Life of Rs.120 million on an offer for subscription of Preference Shares of Silk Bank <u>Limited to fulfill minimum capital requirement of the bank</u></p> <p>74. A position paper has been submitted by DH(Investment) on the above subject which has been placed at Item No.7 of the agenda of 233rd meeting.</p> <p><u>Dues of State Life from Privatization Commission (PC) on account of Burma Oil Mills shares.</u></p> <p>"that the recommendation of the Real Estate and Investment Committee on the proposal of GM(Inv) to write off Rs. 4.061 million on account of Burma Oil Mills shares and also Rs. 0.277 million as differential amount on account of Kakakhel Industries, Metropolitan Steel and National Motors shares due from Privatization Commission is hereby approved. State Life has received a letter No. F.3(10 Accounts/PC/94-95 dated 10.01.2013 from Director General, Privatization Commission, Ministry of Privatization, Government of Pakistan in response to letter sent to Secretary, Privatization Commission on 07-11-2012, (on the directives of the PAC meeting held on 23-10-2012) stating that PC owes nothing to State Life Insurance Corporation of Pakistan in case of Burma Oil Mills."</p> <p><u>Legal case in respect of Decree Passed by the Sr. Civil Judge, Karachi in Civil Suit No. 301 of 1978(New Suit No. 2556/96), State Life Vs National Bank of Pakistan</u></p> <p>75. Eastern Insurance Company which on nationalization had vested in State Life had placed a sum of Rs.90,000 as fixed time deposit from 1972 to 1975 with Eastern Mercantile Bank which stood vested in National Bank of Pakistan on nationalization, but National Bank of Pakistan failed to pay to State Life a sum of Rs.113090 being the principal alongwith interest from 9-9-1976 to 31-1-1978.</p>		

Action:
Secretary
(REIC)


Action:
Secretary
(REIC)
DH(Inv)

Action:
Secretary
(REIC)
DH(Inv)
DH(F&A)

CHAIRMAN'S
INITIALS



MINUTES OF 233RD MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME						
MINUTE BOOK	KARACHI	11 TH MARCH, 2013							
<p>Action: Secretary (REIC) DH(Inv) DH(LAD) DH(F&A)</p>	<p>76. For recovery of the amount, State Life filed a civil suit no. 301 of 1978 (New civil suit no. 2556/96) against National Bank of Pakistan and the same of decreed in favor of State Life by the Honorable Court in 26.02.2002 for the sum of Rs. 113,090.00 (principal + interest) with further interest @ 12% p.a. with monthly rests from 01.02.1978 till payment.</p>								
	<p>77. The decree was conveyed to the then President National Bank of Pakistan vide our letter no. INV/Misc/201/02 dated 20.03.2002 and letter reference no. INV/Misc/311/02 dated 17.04.2002 for compliance; however National Bank of Pakistan filed an appeal in the Court of Additional Session Judge in Karachi on 12.04.2002. The said appeal of National Bank of Pakistan was dismissed by the Court</p>								
	<p>78. State Life has filed an execution application for the settlement of the decreed amount and as per latest calculation, the amount payable comes as follows:</p> <table border="0"> <tr> <td>Principal + Interest</td><td>Rs. 113,090.00</td></tr> <tr> <td>Mark Up @ 12.00 % p.a.</td><td>Rs. 5,971,874.00(02.1978 to 02.2013)</td></tr> <tr> <td>Total Payable to SLIC</td><td><u>Rs. 6,084,964.00</u> as of 28.02.2013</td></tr> </table>			Principal + Interest	Rs. 113,090.00	Mark Up @ 12.00 % p.a.	Rs. 5,971,874.00(02.1978 to 02.2013)	Total Payable to SLIC	<u>Rs. 6,084,964.00</u> as of 28.02.2013
	Principal + Interest	Rs. 113,090.00							
	Mark Up @ 12.00 % p.a.	Rs. 5,971,874.00(02.1978 to 02.2013)							
	Total Payable to SLIC	<u>Rs. 6,084,964.00</u> as of 28.02.2013							
	<p>79. Chairman, State Life vide letter dated 28.01.2013 addressed to President National Bank asked them to resolve the long outstanding issue between the two Government Institutions. In response, NBP conveyed their intentions vide letter # OPG/CS&GBW/TOPSW/1200 dated 22.02.2013 from Mr. Khalid Mehmood, EVP & Group Chief (A), National Bank of Pakistan, Operations Group, Head Office; Karachi willing to settle this issue. National Bank of Pakistan has offered Rs. 3,313,513.00 (Three Million Three Hundred Thirteen Thousand Five Hundred and Thirteen) towards the settlement of decree passed in civil suit no. 301 of 1978 (new suit no. 2556/96 as full and final settlement.</p>								
	<p>80. The members of the REIC considered the proposal of NBP for full and final settlement with them by accepting offer of Rs. 3.313 million against the total dues of Rs. 6.084 million.</p>								
	<p>81. The Board appreciated the efforts of the Chairman in settlement of the above issue.</p>								
	<p>82. After deliberations, the Board resolved as under:</p>								
<p>“that the recommendation of the Real Estate and Investment Committee on the proposal of GM(Inv) to accept the offer of NBP for payment of Rs. 3.313 million considered to be reasonable against the total dues of 6.084 million including Rs. 90,000 principal payment in order to settle the long outstanding issue with the bank and withdrawal of execution suit after receiving the offered payment by the Bank is hereby approved.”</p>									
<p>CHAIRMAN'S INITIALS</p> 									

CHAIRMAN'S
INITIALS



MINUTES OF 233RD MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	11 TH MARCH, 2013	
<p><u>Renting of Vacant spaces through Real Estate Tenancy Consultant.</u></p> <p>83. DH(RE) informed the Board that State Life owns around 2.4 million sq. ft. area in its 52 commercial buildings all over Pakistan. At present, marketing strategy is that the tenants approach State Life directly when they come to know about space available through the existing tenants, State Life's website and personal contacts. In addition to this, advertisement is also published in the newspapers on regular basis.</p> <p>84. At present, due to slump in the market 361,842sq. ft. area is vacant out of 1,507,674 sq. ft., in State Life Buildings in Karachi, being 24% of the total rentable area. This percentage is alarming and needs to be looked into. It is therefore suggested that approval may please be granted to allow renting through the Real Estate Property Consultants. The procedure will be that the Consultant will refer prospective tenants whose credentials will be verified by State Life and if all found in order, renting will be done at the rate feasible to State Life. As service charges, the Property Consultant will be allowed an amount equivalent to 20 days rent payable after receiving of the advance rent and security deposit from the tenants.</p> <p>85. Case was considered for recommendation to the Board of Directors for approval of renting of vacant spaces through Real Estate Consultants.</p> <p>86. The Board deliberated on the above recommendation and resolved as under:-</p> <p>"that the recommendation of the Real Estate and Investment Committee on the proposal of GM(RE) to hire services of Real Estate Property Consultants on payment of service charges equal to 20 days rent after completion of renting transaction including receiving of advance rent and security deposit is hereby approved in view of slump in the property market, there being 361,842 sq.ft. of vacated area out of a total available area for rent of 1,507,674 sq.ft. in State Life Building in Karachi. The procedure will be that the Consultant will refer prospective tenants whose credentials will be verified by State Life and if all found in order, renting will be done at the rate feasible to State Life."</p> <p><u>Freezing of Annual Increase in Rent</u></p> <p>87. State Life owns around 2.4 million sq. ft. area in its 52 commercial buildings all over Pakistan.</p> <p>88. As part of standard tenancy lease agreement the tenants have to increase the rent either by 10% per annum or 30% after three years. Most of the tenants have requested that the increment may either be partially charged or frozen for a period of time.</p>			

Action:
Secretary
(REIC)
DH(RE)
DH(F&A)

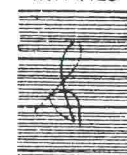
CHAIRMAN'S
INITIALS



MINUTES OF 233RD MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	11 TH MARCH, 2013	
<p>Action: Secretary (REIC) DH(RE) DH(F&A)</p>	<p>89. The Real Estate & Investment Committee recommended to the Board of Directors to authorize Chairman State Life to give approval for adjustment of rent, based on case to case basis subject to market conditions.</p> <p>"that the recommendation of REIC on the proposal of GM(RE) to authorize Chairman State Life to consider and approve adjustment of rent on cases to case basis based on market conditions is hereby approved."</p> <p><u>PURCHASE OF CAR PARKING SPACE AND OFFICE SPACE IN BUILDING ADJACENT TO STATE LIFE BUILDING NO: 11, KARACHI (INTERNATIONAL BUSINESS AND SHOPPING CENTRE).</u></p> <p>90. The above matter was discussed at length at the 231st meeting of the Board of Directors held on 18-12-2012 and extract at para-10 to 14 of the minutes of the above meeting is reproduced below:-</p> <p>91. ED(RE) informed the Board that the Management as directed by the Board at its 230th meeting, negotiated with the seller as to the amount of down payment and payment schedule in respect of the above project and it was agreed that a down payment of 6% i.e. Rs.76,038,480/- would be paid at the time of signing of the agreement in respect of purchase of 90,522 sq.ft. -- total area of 8th and 9th floor of International Business and Shopping Centre at Rs.14,000/- per sq.ft. and the balance amount would be paid in five installments of 22%, 22%, 15%, 20% and 15% of the purchase price on completion of 12th slab, 13th and 14th slab, 15th and 16th slab, on block masonry and plaster and on possession with expected dates of 15th February, 2013, 31st May, 2013, 31st August, 2013, 31st October, 2013 and 30th November, 2013 respectively.</p> <p>92. ED(RE) further informed the Board that the total price of the car parking floor at 6th floor of International Business and Shopping Centre with a covered area of 62,400 sq.ft. at Rs.5,000/- per sq.ft. amounting to Rs.312,000,000 would be paid at the time of signing of the agreement and immediately after physical hand over of the floor.</p> <p>93. The letter dated December 10, 2012 of Seller of the Project in respect of revised payment schedule for purchase of car parking floor and two office floors (8th and 9th floor) was placed before the Board for its review by ED(RE) and Secretary(REIC)/DH(Investment).</p> <p>94. The payment schedule will be as follows:-</p> <p>a) Gross area of 2nd Car Parking Floor at 6th Floor of IBSC. = 62,400 sq.ft.</p> <p>Total price of the Parking Floor of IBSC = Rs.312,000,000 (62,400 × Rs.5000/-)</p> <p>At the time of signing the agreement & Physical handover of The floor.</p>		

CHAIRMAN'S INITIALS



MINUTES OF 233RD MEETING OF THE BOARD OF DIRECTORS


DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	11 TH MARCH, 2013	
<p>i) Total area of 8th & 9th Office floors of IBSC. = Rs.90,522 sq.ft.</p> <p>ii) Total price of two Office floors of ISBC = Rs.1,267,308,000/- (90,522 x Rs.14000/-)</p> <p>1st payment(6%) = Rs.76,038,480/- At the time of signing of the agreement.</p> <p>2nd payment(22%) = Rs.278,807,760/- On the completion of 12th slab. Expected date 15th February, 2013.</p> <p>3rd payment(22%) = Rs.278,807,760/- On the completion of 13th and 14th slab. Expected date 31st May, 2013.</p> <p>4th payment(15%) = Rs.190,096,200/- On the completion of 15th and 16th slab. Expected date 31st August, 2013.</p> <p>5th payment(20%) = Rs.253,461,600/- On block masonry and plaster. Expected date 31st October, 2013.</p> <p>6th payment(15%) = Rs.190,096,200/- On possession. Expected date 30th November, 2013.</p> <p>95. After deliberations, the Board had resolved as under:</p> <p>RESOLVED:</p> <p>"that ED(RE), DH(RE) and DH(Investment) are authorized to get all the legal documents including the land ownership documents, agreement between the owner and the seller of the project, vetted by an independent lawyer before execution and signing of the agreement and payment there against.</p> <p>"that penalty clause and bonus clause for meeting the time line mentioned in the payment schedule given above be incorporated in the agreement to be signed for purchase of the office floors and car parking floor of the International Business and Shopping Centre, Karachi."</p> <p>96. Pursuant to the said resolution, Property documents were provided to M/s. MOHSIN TAYYABALY & CO. for verification. The advocates have rendered their opinion and have made the following notable observations to be considered and complied with before proceeding further:-</p> <p>i) Please note that the Park Lane Estates (Pvt.) Limited have mortgaged the Main Plot with Arif Habib Bank Limited (now Summit Bank Limited) for securing the certain finance facilities provided to Parthenon (Pvt.) Limited so the Main Plot is presently mortgaged with Summit Bank Limited.</p> <p>ii). Please further note that Park Lane Estates (Pvt.) Limited has entered into a joint venture agreement dated: 01.10.2009 ("JV</p>			

CHAIRMAN'S
INITIALS





MINUTES OF 233RD MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	11 TH MARCH, 2013	
	<p>Agreement") with Parthenon (Pvt.) Limited for development/construction of upto 15 floor on the Main Plot ("Project"). As per clause/Section 2.4 of the JV Agreement Park Land Estates (Pvt.) Limited cannot sell, transfer, sub-lease, mortgage, charge or encumber of the Main Plot and as per Clause/Section 2.5 of the JV Agreement a power of attorney was required to be executed and registered in respect of the Main Plot by Park Lane Estates (Pvt.) Limited (however, the copy of such power of attorney has not been provided to us).</p> <p>iii) We understand that the State Life Insurance Corporation of Pakistan intends to acquire the 8th and 9th Office Floors and 6th Parking Floor ("Said Premises") in the Project. In the presence of the JV Agreement between Park Lane Estates (Pvt.) Limited and Parthenon (Pvt.) Limited in respect of the Project, the State Life Insurance Corporation of Pakistan must implead both the parties of JV Agreement for signing of any contract regarding acquiring of the Said Premises</p> <p>iv). Needless to say that since the Main Plot is mortgaged, therefore, an NOC from the concern bank would be required before entering into any arrangement for acquiring of the Said Premises.</p> <p>v). It is pertinent to mention here that the Project is under construction and has not yet been completed. The 2nd extension of time for completion of project has been granted by the Executive Officer Karachi Cantonment letter dated: 07.10.2010 which is also going to be expired on 07.10.2013 and on expiry of this extension period of Cantonment Board shall have right to issue order for stop of the construction work including right to demolish the construction/erection/re-erection.</p> <p>vi). Furthermore, as per Building Bye-Laws of the Cantonment Board Karachi no person can occupy such building until and unless a permission for occupancy the building is obtained (Completion Certificate)</p> <p>vii). Copy of the Board Resolutions of both the Companies' executants to sign the said Agreement have also not been provided to the Lawyer."</p> <p>98. The Legal Affairs Division has opined as under:-</p> <p>"Legal Affairs Division is of view that admissibility of assets in terms of Section 32 of Insurance Ordinance read with Insurance Rules as well as SRO 309(K)/70 dated: 21.03.1970 as amended from time to time may be examined. It is also to be noted that the points raised by the Lawyer are significant and may cause problems to the Corporation."</p> <p>99. The matter was again referred to the advocates for verification of additional documents. The advocates vide letter dated: February 27, 2013 have opined as follows:</p> <p>i) The Parke Lane vide letter dated: 15th February 2013 has also applied to the Karachi Cantonment Board ("KCB") for the 3rd extension of time limit for completion of Project, however, no such approval from the</p>		

CHAIRMAN'S
INITIALS


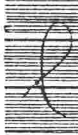
MINUTES OF 233RD MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	11 TH MARCH, 2013	
Action: Secretary (REIC) DH(RE) DH(Inv) DH(F&A) DH(LAD)	<p>insurance can be arranged to protect against damages that may occur due to any mishap. A fencing can be arranged on the floors where the construction work is being carried out. The builders may also be asked to obtain completion certificate in this regard from the Karachi Cantt Board. The possession of the four floors of the building have already been given. An NOC has already been obtained from Summit Bank and National Bank of Pakistan. DH(Legal Affairs) informed the Board that the legal view point in respect of purchase of the property have been submitted to the Board who may now consider the same and take necessary decision in the best interest of the Corporation.</p>		
	<p>102. Mr. Husain Lawai, Director mentioned that the views of the Legal Affairs Division and Real Estate Division have been noted and deliberated upon in the 28th meeting of the REIC held on 8th March, 2013 and decision has been taken by the Board after considering the receipt of NOCs from National Bank of Pakistan and Summit Bank Limited.</p>		
	<p>103. After deliberations and having heard the views of Legal Affairs Division and Real Estate Division, the Board reaffirmed its earlier decision of the purchase of the property and resolved as under:-</p>		
	<p>"that the recommendation of the REIC at its 28th meeting held on 8th March, 2013 for consideration of the Board that the points raised by M/s Mohsin Tayyab Ali & Co, Advocates vide their letter dated 27th February 2013 be conveyed to the vendor and issues be resolved keeping in view the clear title of property without any encumbrance, inclusion of penalty clause on failure to complete the construction in stipulated time and a tripartite agreement between land owner, developer and State Life are hereby approved. The above issues be got cleared by M/s. Mohsin Tayyab Ali & Co., Advocates before any effect is given to the resolution of the Board given below to make the above investment."</p> <p>"that DH(Investment), DH(Real Estate) and DH(Legal Affairs) should ensure a clean title to the property in favour of State Life without any encumbrance before release of payment and a timeline be incorporated in the agreement in respect of completion of project and possession of the property and protection of rights of the State Life be ensured and a penalty clause be made part of the agreement."</p> <p>"that the Chairman and DH(Investment) are hereby authorized to do all such acts, deeds and things that may be necessary or required to give effect to the resolution of the Board to make the above investment."</p>		
	<p>104. The meeting ended with vote of thanks to the chair.</p>		
		 (CHAIRMAN)	CHAIRMAN'S INITIALS 

MINUTES OF 233RD MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME																		
MINUTE BOOK	KARACHI	11 TH MARCH, 2013																			
<p style="text-align: right;"><u>Annexure-A</u></p> <p style="text-align: center;"><u>MINUTES OF 28TH REIC MEETING HELD ON 8TH MARCH 2013</u></p> <p>1. 28th meeting of REIC was held on 8th March 2013(Friday) at 5.00p.m in the Board Room of State Life, Principal Office Karachi, attended by the following:</p> <table><tr><td>a. Mr. Shahid Aziz Siddiqi</td><td>-</td><td>Chairman</td></tr><tr><td>b. Mr. Husain Lawai</td><td>-</td><td>Director/Member</td></tr><tr><td>c. Mr. Wazir Ali Khoja</td><td>-</td><td>Director/Member</td></tr><tr><td>d. Mr. Nihal Anwar</td><td>-</td><td>Director/Member</td></tr><tr><td>e. Mr. Nasimul Haq</td><td>-</td><td>ED/GM(REIC) Member</td></tr><tr><td>f. Mr. Aftaulah A. Rashid</td><td>-</td><td>Secretary (REIC) Member</td></tr></table> <p>2. After recitation from the Holy Quran, the Chairman welcomed the participants and commenced the proceeding as follows:</p> <p><u>Discussion on Agenda Points</u></p> <p><u>Agenda # 1</u> <u>Confirmation of minutes of 27th meeting of REIC held on 11th January 2013</u></p> <p>3. Committee deliberated and confirmed the minutes of 27th meeting of REIC held on 11th January 2013.</p> <p><u>Agenda # 2</u> <u>Implementation report of 27th meeting of REIC</u></p> <p>4. Committee was satisfied with Compliance Report on minutes of 27th REIC meeting.</p> <p><u>Agenda # 3</u> <u>Position paper on current status of Investment by State Life of Rs.120 million on an offer for subscription of Preference Shares of Silk Bank Limited to fulfill minimum capital requirement of the bank</u></p> <p>5. The Board of Directors in its 232nd meeting held on 4th February 2013 approved Rs 120mn for subscription of subject instrument and resolved:</p> <p><i>"that the minutes of 27th meeting of Real Estate and Investment Committee held on 11th January 2013 together with observations/recommendations are approved:-</i></p> <p><i>"that the recommendation of REIC on the proposal of DH (Investment) to forward to the Board of Directors for consideration and further advice, the request of Silk bank for investment of Rs.500 million by State Life in Perpetual, Non-Cumulative, Convertible, Preference Shares (PNCPS) yielding 14% annualized holding period return to be issued under the tripartite agreement to be signed by Silk Bank (as issuer), Arif Habib Corporation Limited (as guarantor) and State Life (as investor) is hereby approved for consideration."</i></p>				a. Mr. Shahid Aziz Siddiqi	-	Chairman	b. Mr. Husain Lawai	-	Director/Member	c. Mr. Wazir Ali Khoja	-	Director/Member	d. Mr. Nihal Anwar	-	Director/Member	e. Mr. Nasimul Haq	-	ED/GM(REIC) Member	f. Mr. Aftaulah A. Rashid	-	Secretary (REIC) Member
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DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	11 TH MARCH, 2013	
<p><i>"that as submitted by DH (Investment), after analyzing instruments in light of circular No.F.4.(I)/2002-BR-II and other circulars including SRO No.309(K)/70 and clauses-5 (b & c) of the Budget Wing of Finance Division of GoP, as well as the policies of Insurance Ordinance and Rules and projected profit after taxes, as suggested by Legal Affairs Division, investment by State Life of 5% of the total issue of Rs.2.4 billion of Perpetual, Non-Cumulative, Convertible, Preference Shares (PNCPS) yielding 14% annualized holding period return amounting to Rs.120 million at a price of Rs.2.50 per share to meet the Minimum Capital Requirement of SBP to be guaranteed by Arif Habib Corporation Ltd., as per indicative terms and conditions of the instrument and as per clauses 3 & 4 of the tripartite agreement titled as put option agreement to be signed by and amongst the issuer, Arif Habib Corporation Ltd., and identified investors in order to make the transaction effective on maturity is hereby approved. The preference shares are being issued to meet the unsubscribed amount of the 311% of right shares earlier issued to the ordinary share holders at a discounted price of Rs.2.50 per share against the face value of Rs.10 each. The life of the preference shares will be three years after which if the bank does not exercise the call option, the investor will have the choice either to sell the preference shares to Arif Habib Corporation Limited at the strike price of Rs.3.70 per share by exercising put option or opt to convert the same in common shares of Silk Bank at a ratio of 1:1."</i></p> <p><i>"that Chairman and Division Head (Investment) are hereby authorized to do all such act and execute agreement as is necessary to make the above investment."</i></p> <p>6. In process of vetting the draft agreements received from Silk Bank. Legal Affairs Division made following observations which are being reproduced for review of Board.</p> <p><i>"In view of the REIC memorandum marked as unnexure E and the fact that no dividends have been paid for last five years as reflected at para 12 of the memorandum placed before the Board totally endorse the view at para 21 and the <u>L.A.D. is of considered opinion that preferential share purchase option is a nonviable one.</u>"</i></p> <p>7. It is to be noted that admissibility of the subject instrument was addressed at para 3(a) along with detailed analysis of the instrument in the context of risk and return, from paras 4(a) to (d) in the memorandum submitted before REIC in its 27th meeting held on 11th January 2013.</p> <p>8. DH(LAD) was invited to clarify the opinion of Legal Affairs Division. He explained that the legal aspect noted by the Division was concerning the admissibility of the investment in the light of SRO 309K para c(ii) in which it has been stated that in case of investment in Preference Share of any company, dividends on its ordinary shares have been paid for the three years immediately preceding the date of investment or for at least three out of the five years immediately preceding the date of investment. He also referred Ministry of Finance circular # F-4(1)/2002-BR.II dated 2nd July 2003 clause 5(b) which states that Public listed shares/units should have a total return comprising the dividend paid and appreciation in value, which exceeds the average six months Treasury Bill rate for the last three years. He expressed his views that the investment in this venture contradicts the above provisions and we are bound to stick to these provisions being</p>			

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DIRECTORS	HELD AT	ON	TIME																				
MINUTE BOOK	KARACHI	11 TH MARCH, 2013																					
<p>public sector organizations.</p> <p>9. The members of REIC considered the views of Legal Affair Division in the context of decision of subscription of Perpetual, Non-Cumulative, Convertible, Preference Shares issue of Silk Bank Ltd., made in 232nd meeting of the Board held on 4th February 2013</p> <p>10. Committee felt that the return offered by the Silk Bank of 14% on PNCPS over a period of three years or earlier subject to exercise of call-put option is quite viable in view of the prevailing low return on other investment opportunities available ranging between 9.50% to 11.00%. This is also strengthened by the specific performance guarantee by Arif Habib Corporation Limited which is itself double-A rated and paying dividends over the preceding years. The Committee find that the provision of MoF circular referred by DH (AD) is applicable to the listed shares while this issue is non-listed. The Board has taken decision considering low risk on this investment keeping in view the active monitoring and supervision by SBP on the banking sector. The Committee considered the investment fully secured.</p> <p><u>Resolved:</u></p> <p>11. "that the REIC recommend to the Board to revisit the decision taken in 231st meeting held on 4th February 2013 and reaffirm its previous approval for the placement of Rs. 120 million in PNCPS issued by Silk Bank. It was further resolved that the agreements will include specific clause with regard to merger/acquisition of bank and in such case ensuring the protection of Investment of the Corporation."</p> <p><u>Agenda 4:</u> <u>Dues of State Life from Privatization Commission (PC) on account of Burma Oil Mills shares.</u></p> <p>12. The Committee reviewed the memo submitted by DH (Investment) regarding audit para discussed at Public Account Committee year 2008-09.</p> <p>13. The accounts of the Corporation shows that dues amounting to Rs 9,563 million was outstanding against the Privatization Commission. The detail are as under:</p> <p style="text-align: right;">(Rs in millions)</p> <table><tr><th>S. No.</th><th>Outstanding Date</th><th>J.V. No.</th><th>Particular</th><th>Amount Outstanding as on 31.12.2007</th></tr><tr><td>a)</td><td>31-12-1999</td><td>6661</td><td>Amount receivable from PC</td><td>5,502</td></tr><tr><td>b)</td><td>31-12-2000</td><td>6659</td><td>Amount receivable from PC shares of BOM</td><td>4,061</td></tr><tr><td colspan="4">Total</td><td>9,563</td></tr></table> <p>14. In 1992, Government of Pakistan had decided to privatize the following units and as a consequence State Life handed over its holding in these companies to Privatization Commission on the bid price mentioned against each.</p>				S. No.	Outstanding Date	J.V. No.	Particular	Amount Outstanding as on 31.12.2007	a)	31-12-1999	6661	Amount receivable from PC	5,502	b)	31-12-2000	6659	Amount receivable from PC shares of BOM	4,061	Total				9,563
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DIRECTORS	HELD AT	ON	TIME															
MINUTE BOOK	KARACHI	11 TH MARCH, 2013																
	<table><tr><th><u>Name of Company</u></th><th><u>No. of Shares</u></th><th><u>Bid Price</u></th></tr><tr><td>Wazir Ali Industries</td><td>283,575</td><td>Rs. 65.00 per share</td></tr><tr><td>National Motors</td><td>251,032</td><td>Rs. 45.00 per share</td></tr><tr><td>Kakakhel Industries</td><td>58,930</td><td>Rs. 112.00 per share</td></tr><tr><td>Metropolitan Steel</td><td>1,546,943</td><td>Rs. 40.50 per share</td></tr></table>	<u>Name of Company</u>	<u>No. of Shares</u>	<u>Bid Price</u>	Wazir Ali Industries	283,575	Rs. 65.00 per share	National Motors	251,032	Rs. 45.00 per share	Kakakhel Industries	58,930	Rs. 112.00 per share	Metropolitan Steel	1,546,943	Rs. 40.50 per share		
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Kakakhel Industries	58,930	Rs. 112.00 per share																
Metropolitan Steel	1,546,943	Rs. 40.50 per share																
	<p>15. State Life had to receive a total amount of Rs 98,980,166/- against the shares handed over to Privatization Commission. Later on, Bid Prices were revised by the Privatization Commission from time to time in the light of Joint Audit of the above named companies carried out as per terms and conditions of the agreements with the buyers.</p> <p>16. State Life had also invested in 372,152 shares of Burma Oil Mills at an average cost of Rs. 10.91 per share. In August 1997, State Life had received a letter from Joint Secretary (Ind) Privatization Commission, Government of Pakistan asking State Life to intimate its holding in Burma Oil Mills as well its consent to the sale of these shares through Privatization. State Life thus gave its consent for disinvestment of Burma Oil Mills through Privatization Commission.</p> <p>17. State Life requested to Privatization Commission vide our letter dated 07.09.2001 for payment of sale proceeds of 372,152 shares of Burma Oil Mills, pointing them out that the investment in shares of BOM was made out of funds available in the life fund of the Corporation which is the exclusive property of the policyholders.</p> <p>18. State Life has received a letter dated 17.11.2001 from Privatization Commission wherein it has been stated that the shares of Burma Oil Mills were sold at the price of Rs. 20.123 million whereas mandatory expenditures on account of GHS to the ex-employees of the company amounted to Rs. 158.939 million and as per policy, payment to the investor/shareholders in all the cases, is made after deduction of the amounts paid on account of GHS/VSS and other expenses relating to the sale of the shares etc. State Life claimed its due from Privatization Commission.</p> <p>19. State Life received Rs. 5,224,516.00 (NBP Cheque No. 029224 dated 09.06.2010) from Privatization Commission on the account of as full and final payment.</p> <p>20. The balance of Rs. 4,061,008.00 remained on the account of Burma Oil Mills from PC. On the directives of the PAC meeting held on 23.10.2012, letter was send to Secretary, Privatization Commission on 7.11.2012.</p> <p>21. State Life has received a letter No. F.3(10 Accounts PC/94-95 dated 10.01.2013 from Director General, Privatization Commission, Ministry of Privatization, Government of Pakistan stating that PC owes nothing to State Life Insurance Corporation of Pakistan in case of Burma Oil Mills.</p> <p>22. In view of the reply of PC, the amount of Rs. 4,061,008.00 on account of Burma Oil Mills (BOM) & Rs. 277,532.00 differential amount (KakaKhel Industries, Metropolitan Steel and National Motors) was considered for write off.</p>																	

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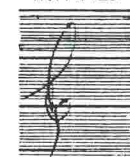
DIRECTORS	HELD AT	ON	TIME						
MINUTE BOOK	KARACHI	11 TH MARCH, 2013							
<p><u>Resolved:</u></p> <p>23. "The Committee agreed with the proposal of GM(Inv) to Write Off Rs. 4.061 million on account of Burma Oil Mills shares and also Rs. 0.277 million as differential amount on account of Kakakhel Industries, Metropolitan Steel and National Motors shares due from Privatization Commission and recommended to the Board for its approval."</p> <p><u>Agenda 5:</u></p> <p><u>Legal case in respect of Decree Passed by the Sr. Civil Judge, Karachi in Civil Suit No. 301 of 1978(New Suit No. 2556/96), State Life Vs National Bank of Pakistan</u></p> <p>24. Eastern Insurance Company placed a sum of Rs. 90,000 with the Eastern Mercantile Bank Limited, Lahore as Fixed Time Deposit from 1972 to 1975.</p> <p>25. After Nationalization, The Eastern Mercantile Bank stood vested in National Bank of Pakistan and The Eastern Insurance Company in State Life, with transfer of all assets and liabilities to the respective entities.</p> <p>26. As such the above liability was also transferred to National Bank of Pakistan to pay Rs. 113,090.00 to State Life being the principal along with interest from 09.09.1976 to 31.01.1978 but National Bank of Pakistan failed to pay the amount.</p> <p>27. For recovery of the amount, State Life filed a civil suit no. 301 of 1978 (New civil suit no. 2556/96) against National Bank of Pakistan and the same of decreed in favor of State Life by the Honorable Court in 26.02.2002 for the sum of Rs. 113,090.00 (principal + interest) with further interest @ 12% p.a. with monthly rests from 01.02.1978 till payment.</p> <p>28. The decree was conveyed to the then President National Bank of Pakistan vide our letter no. INV/Misc/201/02 dated 20.03.2002 and letter reference no. INV/Misc/311/02 dated 17.04.2002 for compliance; however National Bank of Pakistan filed an appeal in the Court of Additional Session Judge in Karachi on 12.04.2002. The said appeal of National Bank of Pakistan was dismissed by the Court.</p> <p>29. State Life has filed an execution application for the settlement of the decreed amount and as per latest calculation, the amount payable comes as follows:</p> <table><tr><td>Principal + Interest</td><td>Rs. 113,090.00</td></tr><tr><td>Mark Up @ 12.00 % p.a.</td><td>Rs. 5,971,874.00(02.1978 to 02.2013)</td></tr><tr><td>Total Payable to SLIC</td><td>Rs. 6,084,964.00 as of 28.02.2013</td></tr></table> <p>30. The books of accounts of the Corporation contains only principal amount of Rs. 90,000 and the interest accrued is in the memorandum record.</p> <p>31. Chairman, State Life vide letter dated 28.01.2013 addressed to President National Bank asked them to resolve the long outstanding issue between the two Government</p>				Principal + Interest	Rs. 113,090.00	Mark Up @ 12.00 % p.a.	Rs. 5,971,874.00(02.1978 to 02.2013)	Total Payable to SLIC	Rs. 6,084,964.00 as of 28.02.2013
Principal + Interest	Rs. 113,090.00								
Mark Up @ 12.00 % p.a.	Rs. 5,971,874.00(02.1978 to 02.2013)								
Total Payable to SLIC	Rs. 6,084,964.00 as of 28.02.2013								

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DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	11 TH MARCH, 2013	
	<p>Institutions. In response, NBP conveyed their intentions vide letter # OPG/CS&GBW/TOPSW/1200 dated 22.02.2013 from Mr. Khalid Mehmood, EVP & Group Chief (A), National Bank of Pakistan, Operations Group, Head Office; Karachi willing to settle this issue. National Bank of Pakistan has offered Rs. 3,313,513.00 (Three Million Three Hundred Thirteen Thousand Five Hundred and Thirteen) towards the settlement of decree passed in civil suit no. 301 of 1978 (new suit no. 2556/96 as full and final settlement.</p> <p>32. The members of the REIC considered the proposal of NBP for full and final settlement with them by accepting offer of Rs. 3.313 million against the total dues of Rs. 6.084 million.</p> <p><u>Resolved:</u></p> <p>33. "that the offer of NBP for payment of Rs. 3.313 million considered reasonable and recommended to the Board for approval to accept the said payment against the total dues of 6.084 million including Rs. 90,000 principal payment in order to settle the long outstanding issue with the bank and withdrawal of execution suit after receiving the offered payment by the Bank."</p> <p><u>Agenda 6:</u></p> <p><u>Renting of Vacant spaces through Real Estate Tenancy Consultant.</u></p> <p>34. State Life owns around 2.4 million sq. ft. area in its 52 commercial buildings all over Pakistan. At present, marketing strategy is that the tenants approach State Life directly when they come to know about space available through the existing tenants, State Life's website and personal contacts. In addition to this, advertisement is also published in the newspapers on regular basis.</p> <p>35. At present, due to slump in the market 361,842sq. ft. area is vacant out of 1,507,674 sq. ft., in State Life Buildings in Karachi, being 24% of the total rentable area. This percentage is alarming and needs to be looked into. It is therefore suggested that approval may please be granted to allow renting through the Real Estate Property Consultants. The procedure will be that the Consultant will refer prospective tenants whose credentials will be verified by State Life and if all found in order, renting will be done at the rate feasible to State Life. As service charges, the Property Consultant will be allowed an amount equivalent to 20 days rent payable after receiving of the advance rent and security deposit from the tenants.</p> <p>36. Case was considered for recommendation to the Board of Directors for approval of renting of vacant spaces through Real Estate Consultants.</p> <p><u>Resolved:</u></p> <p>37. "that the REIC agreed with the proposal of GM(RE) to hire services of Real Estate Property Consultants on payment of service charges equal to 20 days rent after completion of renting transaction including receiving of advance rent and security deposit. Committee recommended the proposal to the Board of approval."</p>		

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DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	11 TH MARCH, 2013	
<p><u>Agenda 7:</u></p> <p><u>Freezing of Annual Increase in Rent</u></p> <p>38. State Life owns around 2.4 million sq. ft. area in its 52 commercial buildings all over Pakistan. Presently, due to slump in the market 361,842 sq. ft. area is vacant in Karachi buildings, being 24% of the total rentable area. This percentage is alarming and needs to be looked into.</p> <p>39. As part of standard tenancy lease agreement the tenants have to increase the rent either by 10% per annum or 30% after three years. As there is a crash in the market so most of the tenants plead that increment may either be partially charged or frozen for a period.</p> <p>40. The Committee considered for recommending to the Board of Directors to authorize Chairman State Life to give approval for freezing of rent, based on case to case basis.</p> <p><u>Resolved:</u></p> <p>41. "The Committee agreed with the proposal of GM(RE) to authorize Chairman State Life to consider and approve adjustment of rent on the basis of market conditions and recommended to the Board of its approval."</p> <p><u>Agenda 8:</u></p> <p><u>Any other matter with the permission of Chair</u></p> <p><u>8(a).PURCHASE OF CAR PARKING SPACE AND OFFICE SPACE IN BUILDING ADJACENT TO STATE LIFE BUILDING NO: 11, KARACHI (INTERNATIONAL BUSINESS AND SHOPPING CENTRE)</u></p> <p>42. In terms of the resolution passed by the Board of Directors in the 231st meeting held on 18.12.2012, relevant portion of the resolution is re-produced as under:-</p> <p><i>"That ED (RE), DH (RE) and DH (Investment) are authorized to get all the legal documents including the land ownership documents, agreement between the Owner and the Seller of the subject, vetted by an independent Lawyer before execution and signing of the agreement and payment there against."</i></p> <p>43. Pursuant to the said resolution, Property documents were provided to M/s. MDHSR. TAYYAB ALY & CO. for verification. The advocates have rendered their opinion and have made the following notable observations to be considered and complied with before proceeding further:-</p> <p>i) Please note that the Park Lane Estates (Pvt.) Limited have mortgaged the Main Plot with Arif Habib Bank Limited (now Summit Bank Limited) for securing the certain finance facilities provided to Parthenon (Pvt.) Limited so the Main Plot is presently mortgaged with Summit Bank Limited.</p> <p>ii) Please further note that Park Lane Estates (Pvt.) Limited has entered into a joint venture agreement dated, 01.10.2009 ("JV Agreement") with Parthenon (Pvt.) Limited for development/construction of upto 15 floor on the Main Plot ("Project"). As per clause/Section 2.4 of the JV Agreement Park Lane Estates (Pvt.) Limited cannot sell, transfer, sub-lease, mortgage, charge or encumber of the Main Plot and as per</p>			

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DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	11 TH MARCH, 2013	
<p>Clause/Section 2.5 of the JV Agreement a power of attorney was required to be executed and registered in respect of the Main Plot by Park Lane Estates (Pvt.) Limited (however, the copy of such power of attorney has not been provided to us).</p> <p>iii). We understand that the State Life Insurance Corporation of Pakistan intends to acquire the 8th and 9th Office Floors and 6th Parking Floor ("Said Premises") in the Project. In the presence of the JV Agreement between Park Lane Estates (Pvt.) Limited and Parthenon (Pvt.) Limited in respect of the Project, the State Life Insurance Corporation of Pakistan must implead both the parties of JV Agreement for signing of any contract regarding acquiring of the Said Premises.</p> <p>iv). Needless to say that since the Main Plot is mortgaged, therefore, an NOC from the concern bank would be required before entering into any arrangement for acquiring of the Said Premises.</p> <p>v). It is pertinent to mention here that the Project is under construction and has not yet been completed. The 2nd extension of time for completion of project has been granted by the Executive Officer Karachi Cantonment letter dated: 07.10.2010 which is also going to be expired on 07.10.2013 and <u>on expiry of this extension period of Cantonment Board shall have right to issue order for stop of the construction work including right to demolish the construction/erection/re-erection.</u></p> <p>vi). Furthermore, as per Building Bye-Laws of the Cantonment Board Karachi no person can occupy <u>such building until and unless a permission for occupancy the building is obtained (Completion Certificate).</u></p> <p>vii). Copy of the Board Resolutions of both the Companies' executives to sign the said Agreement have also not been provided to the Lawyer."</p> <p>44. The Legal Affairs Division has opined as under:-</p> <p><i>"Legal Affairs Division is of view that admissibility of assets in terms of Section 32 of Insurance Ordinance read with Insurance Rules as well as SRO 309(K) 70 dated: 21.03.1970 as amended from time to time may be examined. It is also to be noted that the points raised by the Lawyer are significant and may cause problems to the Corporation."</i></p> <p>45. The matter was again referred to the advocates for verification of additional documents. The advocates vide letter dated: February 27, 2013 have opined as follows:</p> <p>i) The Parke Lane vide letter dated: 15th February 2013 has also applied to the Karachi Cantonment Board ("KCB") for the 3rd extension of time limit for completion of Project. however, <u>no such approval from the KCB for 3rd extension of time for completed of the Project is provided to us. Normally only two extensions of the time for completion of a project is granted by the KCB so if the approval for the 3rd extension of time for completion of the Project is not granted by the KCB then the Park Lane may face the consequences mentioned in our earlier letter dated: February 7, 2013.</u></p> <p>ii) As per clause 2.4 of the Agreement Park Lane cannot sell, transfer, sub-lease, mortgage, charge or encumber the Project/Said Premises and as per clause 2.5 of the Agreement <u>a power of attorney is required to be executed and registered in respect of the Project by the Park Lane in favour of the Parthenon.</u> As per terms of the clause 2.5 of the Agreement the Park Lane executed a Power of Attorney dated: 15.10.2009 in favour of Parthenon and as per clause (ii) of the said Power of Attorney Parthenon is authorized to grant sub lease in respect of the Project/Said Premises, however, <u>the said Power of Attorney is not registered with the Sub Registrar of Assurance, therefore, entering into any sale arrangement in respect of the Said Premises only with Parthenon on the basis of said unregistered Power of Attorney is not advisable.</u></p> <p>iii) We have also arranged the Search Reports in respect of both companies i.e. Park Lane and Parthenon and found that the Project/Said Premises is mortgaged jointly in favour of the Bank and National Bank of Pakistan ("NBP") so that NOC for sale of the Said Premises to the State Life would also be required from the NBP. Original Search Reports are attached herewith for your record.</p> <p>iv) As mentioned in our earlier letter dated: February 27, 2013 <u>without obtaining completion certificate of the Project from the KCB, the State Life legally cannot occupy the Said Premises."</u></p>			

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DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	11 TH MARCH, 2013	

46. After due deliberations and hearing the point of view of Real Estate Division and Legal Affairs Division, the Committee resolved:

Resolved

47. "That the points raised by M/s Mohsin Tayyab Ali & Co, Advocates vide their letter dated 27th February, 2013 are to be conveyed to the vendor and issues be resolved keeping in view the clear title of property without any encumbrance, inclusion of penalty clause on failure to complete the construction in stipulated time and a tripartite agreement between land owner, developer and State Life and recommended the same to the Board for consideration."

8(b) STATE LIFE TOWER, ISLAMABAD - REVISION OF BUDGET

48. State Life Tower, Islamabad, was initially conceived to comprise 3 basements ground + 18 upper floors. The Board of Directors in its 152nd Meeting held on 11-08-2001 decided to construct the building in three phases. The first phase comprised of 3 basements ground + 4 floors. Later the Board decided to conclude the work on phase-I at the completion of structural works and call tenders for the balance structural works and finishing of the entire building.

49. Consequently, tenders were called and M/s. Vigorons were awarded the work for civil, electrical and plumbing works at Rs 571.58 million. M/s. Greaves Pakistan Limited were awarded the work for lift works at Rs 28 million.

50. Now, tender for Central Air conditioning / heating system of the entire building has been called and the Financial Bid opened. M/s. Greaves Pakistan Ltd. has stood the lowest with cost of Rs 288 million. (Scrutiny is in process)

51. The Board of Directors in its 210th Meeting held on 07-04-2010 had approved overall budget of Rs 1272 million (Copy at Annexure 'A') which now needs to be revised in light of the value of the tenders opened. The revised estimated cost of the project on completion is now Rs 1400.

Description		In Million (Rs.)
Base Cost (Based on Tendered Cost)		
Civil, Plumbing and Electrical works.		572.00
Air-Conditioning works.		288.00
Lift works		28.00
Total base cost	A	888.00
Contingencies @ 6% of Base Cost	6% of A	53.28
Additional unforeseen cost as per decision of 156 th Meeting of the Board of Directors	10% of A	88.80
Sub Total	B	1030.08
Amount already spent on Phase - I	C	237.62
Total	D	1267.70
Architectural Consultancy Charges as per agreement with M/s. Suhail & Pasha	4% of D	50.71
Management Consultancy Charges as per agreement with NESPAK	2-1/2% of D	31.70

CHAIRMAN'S
INITIALS



MINUTES OF 233RD MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	11 TH MARCH, 2013	

State Life expenses @ 1%	1% of D	12.67
Utility Connections		30.00
Grand Total		1392.78

52. The present progress at site is as follows :-

- Structural work has been completed.
- Finishing work has been started.
- Tile order has been placed.
- Aluminum design has been finalized.
- Letter of Award for mobilization has been issued to the Lift Contractor.
- Financial Bid for HVAC (Air-conditioning and Heating System) has been opened and is in process for approval.

53. Case is submitted for the perusal of Real Estate and Investment Committee to recommend to the Board of Directors the following :

- Additional budget of Rs 128 million making the total budget of Rs 1400 million for construction of State Life Tower Islamabad.
- Empower Chairman State Life to approve the award of HVAC works to the lowest bidder after completion of all formalities so that the work can be started at site immediately, without delay.

Resolved:

54. "that the REIC noted the delay in calling tenders and asked about the reasons of cost overrun. GM(RE) was advised to submit revised memo in this regard."

55. Meeting ended with a vote of thanks to the Chair.

Sd/-

Secretary REIC

Sd/-

Chairman

CHAIRMAN'S
INITIALS

