

## REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

The Directors are pleased to present the audited financial statements for the year ended Dec. 31, 2014.

### COMPANY REVIEW

The Company was granted underwriting license on March 02, 2009 by the Securities & Exchange Commission of Pakistan (SECP) to carry on life insurance business in Pakistan.

The Company is a wholly owned subsidiary of Noor Sehat Health Systems, a Cayman based health care investment fund with it's management company based in the United States of America. Noor Sehat Health Systems is mandated to capitalize, operate and manage health insurance business in Pakistan. The Company's head office is based in Karachi having branch offices in Lahore and Islamabad.

### BUSINESS REVIEW

The Directors are pleased to report that the Company's innovative health insurance products in the Pakistani market based on the US HMO model with local adaptations have been very well received in the market and AsiaCare is strongly positioned to address the healthcare needs of the country.

During the year under review Company's reinsurance arrangement with Chaucer Syndicate Limited was renewed in the normal course of business. The reinsurance company has been awarded "A" rating by AM Best. The management believes that the reinsurance support coupled with a sound financial footing provides depth to the underwriting capacity enabling the Company to write complex risks.

During the year, the gross premium written was Rs.341.5 million as compared to last year's Rs.723.2 million. The reason for reduced business was the loss of couple of large clients due to Company strategy, apart from that the company was able to retain majority of our valuable corporate clients in 2014. The Company has made a profit after tax of Rs.14.09 million in the Shareholders' fund. However a loss of Rs.63.96 million has been incurred in the Statutory Fund because of the higher than expected claim ratios. We believe that having the combined strength of very well built innovative range of products, increasing demand for health insurance in the country and a dedicated professional management team, the Company will implement strategies which shall result in profitable growth.

The financial highlights of the performance of the Company for the year are tabulated below:

	Shareholder Fund	Statutory Fund	Aggregate 2014	2013	2012	2011	2010
Gross Premium		341,502	341,502	723,235	669,906	212,620	154,948
Gross Claim		270,548	270,548	679,218	593,522	178,482	153,158
Policy Acquisition Cost		17,867	17,867	29,643	19,877	5,016	6,334
Management Expenses	18,373	128,062	146,435	146,284	114,800	87,129	82,923
Investment Income	32,469	24,201	56,670	109,434	110,398	42,672	76,807
Profit /(Loss) before tax	14,094	(63,960)	(49,866)	15,038	8,966	(41,480)	(22,741)

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Policyholder Liabilities		126,687	126,687	114,817	153,665	111,903	87,146
EPS (In Rupees)	0.28		0.28	1.11	1.2	0.4	1.18

The Directors are confident that the insurance business of the Company will prove to be profitable in future years because of the very well built innovative range of products, increasing demand for health insurance in the country and professional management team.

There are no material changes or commitments after the balance sheet date which could have affected the financial position of the company on the balance sheet date.

The Board is also very pleased to report that after the balance sheet date, the IFS (Insurer Financial Strength) rating of Company has been improved to A- (Single A minus) by the credit rating agency.

#### AUDITORS

The present Auditors M/S Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants retire after completion of the present term. Being eligible, they have offered themselves for re-appointment. The Board on the recommendation of the Audit Committee has proposed their re-appointment as an external Auditor of the Company for the year 2015, subject to approval in Annual General Meeting of the Company.

#### RETIREMENT BENEFITS

The Company is maintaining an un-funded gratuity scheme. The provision for staff gratuity fund valued by the actuary as per audited financial statement as at December 31, 2014 is Rs.21.77 million.

#### COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance have been duly complied with. The Directors are pleased to confirm the following:

1. The financial statements, prepared by the Company, present fairly its state of affairs, the results of its operation, cash flows and changes in equity.
2. The Company has maintained proper books of accounts.
3. The Company has consistently followed appropriate accounting policies in preparation of the financial statements. Changes wherever made, have been adequately disclosed and accounting estimates are on the basis of prudent and reasonable judgment.
4. International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure thereof has been adequately disclosed.
5. The Company has implemented a sound system of internal control, which has been effectively monitored.
6. The fundamentals of the Company are strong and there is no doubt about its ability to continue as a going concern.

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7. There has been no material departure from the best practice of corporate governance.
8. There are no outstanding taxes and duties, other than those disclosed in the financial statements.

## **CORPORATE SOCIAL RESPONSIBILITY**

We define Corporate Social Responsibility (CSR) as our commitment to work as partners with all our stakeholders to effectively improve the quality of life of our workforce, their families and the local communities around our facilities.

AsiaCare believes that a responsible attitude toward society and the environment can make a business more competitive, more resilient to shocks, and more likely to attract and hold both consumers and the best employees.

The Board of Directors of your Company feels that social attitude is a significant part of its risk management and reputation strategy. In a world where brand value and reputation are increasingly seen as the Company's most valuable assets, responsible social attitude can build the loyalty and trust that ensure a bright sustainable future.

In addition the following actions have been taken in the area of Corporate Social Responsibility:

- We pay competitive wages and offer employees various benefits, including professional development opportunities through internal training and payment of tuition for approved external programs;
- We are committed to providing a healthy, clean and safe working environment;
- Combined with the salaries and benefits, direct and indirect taxes that we pay annually, as well as other expenditure, our presence has a measurable positive economic impact not only in our communities but also on the country as a whole;
- We provide internships to students of different professional institutes to make them aware of professional environments;
- Reflecting our commitment to a cleaner world, we are attempting to create a paperless working environment, as far as possible;
- We conduct our business at all times in a fair, ethical, consistent and professional manner. We accept our responsibilities to be a responsible community neighbor, and will continue to support community affairs;
- We believe in step by step continual improvement of all activities that we are engaged in, including our administration, marketing, sales, design, service and distribution. We encourage cross-functional communication and co-operation to aid this;
- We provide high quality innovative products and services to our customer at very competitive rates;
- We offer micro and low cost health insurance on retail level to facilitate the deserving masses and offer quality health care solutions at a very reasonable low rate.

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- We participate with NGO's to contribute for welfare projects;
- We conduct free medical camps to facilitate poor and neglected rural areas;
- We are engaged to promote and adopted environment & energy conservative policies in our corporate culture.

## BOARD OF DIRECTORS

The Board is comprised of eight directors including the Chief Executive Officer. During the year 2014, six meetings of the Board of Directors were held and attended as follows. Leave of absence was granted by the Board, to the Directors who could not attend some of the board meetings.

Serial #	Name of Directors	Executive / Non Executive	Meeting Attended	Date of Appointment
1	Mr. Basheer Ahmed Chowdry	Non-Executive Director	6	30-Dec-13
2	Mr. Farooq Nazir	d/o	4	20-Nov-13
3	Mr. Muhammad Rashid Zahir	d/o	6	30-Dec-13
4	Mr. Farrukh Shauket Ansari	d/o	6	20-Nov-13
5	Mr. Adeel Kazi	d/o	5	30-Dec-13
6	Mr. Khurshed Abul Khair	d/o	6	30-Dec-13
7	Dr. Galina Bass	d/o	6	27-Apr-12
8	Dr. Mahmood Mehdi Kazmi	Executive Director / CEO	6	27-Apr-12

## BOARD AUDIT COMMITTEE

In Compliance of Corporate Governance and to ensure effective management the Board has established the Board Audit Committee and it comprises of the following non-executive Directors:

Mr. Farooq Nazir, Chairman  
 Mr. Farrukh Shauket Ansari  
 Mr. Muhammad Rashid Zahir

The Board Audit Committee reviewed the quarterly, half yearly and annual financial statements before submission to the Board of Directors. The Board Audit Committee discussed in detail with the external auditors on the various issues. They have also reviewed internal audit reports and their findings as required under the Code of Corporate Governance.

An independent Internal Audit function reporting to the Board Audit Committee reviews the financial and internal reporting process, the system of internal control, the management of risks and internal audit process.

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## CHANGE IN REMUNERATION OF CHIEF EXECUTIVE

The Board of Directors in their meeting held on March 15, 2014 approved the following revised remuneration package of Dr. M. Mehdi Kazmi, Chief Executive Officer & Managing Director of the Company

Monthly Salary	Rs.1,263,281 effective from January 2014
Others	Other benefits will remain the same

The Shareholders of the Company also granted the said approval in the Annual General Meeting held on April 26, 2014.

## PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding is attached with this report

### Holding Company

The Company is a subsidiary of Noor Sehat Healths System Limited registered in Cayman Islands having 99.99% shares of the Company.

## STATEMENT OF DIRECTORS UNDER INSURANCE ORDINANCE 2000

(As per the requirement of section 46(6) and section 52(2) of the Insurance Ordinance 2000)

### Section 46(6)

- a) In our opinion the annual statutory accounts of the Company set out in the forms attached to the statement have been drawn up in accordance with the Ordinance and any rule made there under;
- b) The Company has at all times in the year complied with the provision with the Ordinance and the rules made there under relating to paid-up capital, solvency and reinsurance arrangements; and
- c) As at December 31, 2014 the Company continues to be in compliance with the provisions of the Ordinance and the rules made there under relating to paid-up capital, solvency and reinsurance arrangements.

### Section 52(2)

- d) In our opinion the statutory fund of the Company compiles with the solvency requirements of the Insurance Ordinance, 2000.

## ACKNOWLEDGMENT

The Directors of the Company wish to express their profound gratitude to policyholders and shareholders who continue to repose their trust and confidence in the Company and assure them of best services and remain committed to do the utmost to ensure the best utilization of their investment in the Company.



We would also like to place on record our special thanks to the Securities & Exchange Commission of Pakistan for their professional attitude and guidance.

We would also like to thank the entire management team of the Company for their devotion and hard work. We take this opportunity to thank Reinsurers and the Bankers of the Company for the support given to AsiaCare Health & Life Insurance Company Limited.

**For and on behalf of the Board**

*M. Mehrez Khan*

Chief Executive Officer



Karachi, February 28, 2015