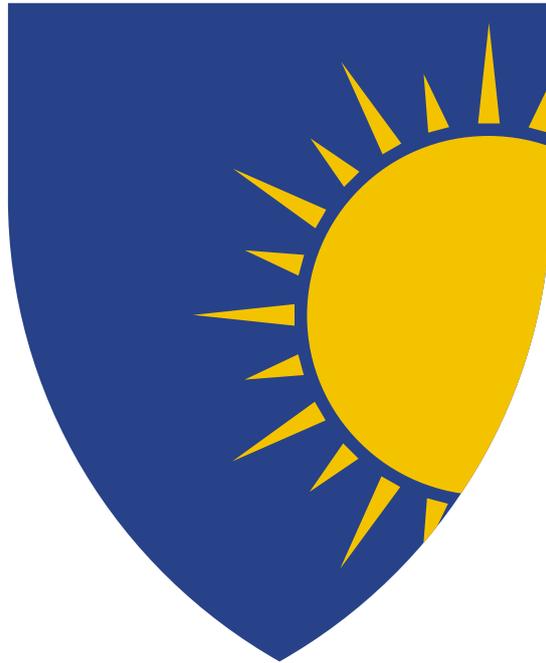


Sixth Annual Report 2005-2006



Royal Sundaram Alliance Insurance Company Limited

Board of Directors

G K Raman	Chairman
S Viji	Director
T T Srinivasaraghavan	Director
R Haresh	Director
A V Rajwade	Director
P M Venkatasubramanian	Director
A Rangaswami	Director
Simon Lee	Director
Andrew Kirkland	Director
Christopher Rash	Director
Philip W Head	Director
Antony Jacob	Managing Director

Audit Committee

P M Venkatasubramanian	Chairman
T T Srinivasaraghavan	Director
Philip W Head	Director
Antony Jacob	Managing Director

Chief Financial Officer

V K Raman

Company Secretary

S R Balachandher

Auditors

M/s. S R Batliboi & Co, Chartered Accountants
M/s. N C Rajagopal & Co, Chartered Accountants

Registered Office

21, Patullos Road
Chennai 600 002

Administrative / Corporate Office

“Sundaram Towers”
45 & 46 Whites Road
Chennai 600 014
Tel : 044-28517387 Fax : 044-28517376
Email : customer.services@in.royalsun.com

Regional Offices

Chennai, Gurgaon, Kolkata & Mumbai.

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Dear Members,

Your Directors have pleasure in presenting the Sixth Annual Report on the Business and Operations, together with the Audited Accounts of the Company for the year ended 31st March 2006.

Review of the Financial Performance for 2005-2006

The highlights of the Financial Results of the Company are as follows:

(Rupees in lakhs)

	2005-06	2004-05
Gross Written Premium	45864	33070
Net Written Premium	29688	20162
Net Earned Premium	24944	17328
Net Incurred Claims	16166	11371
Net Commission – Outgo/(Income)	(618)	(523)
Expenses of Management	10481	7281
Underwriting Profit /(Loss)	(1085)	(801)
Investment Income - Policyholders	1410	828
General Insurance Results Profit /(Loss)	325	27
Investment Income - Shareholders	703	520
Other Income/(Outgo)	(13)	(12)
Profit/(Loss) for the Year	1015	535
Provision for taxation	(152)	(34)
Profit After Tax	863	501

Business

Your Company achieved a Gross Written Premium of Rs. 458.64 cr for 2005-2006 (previous year Rs.330.70 cr.), registering a growth of 39%. The underwriting loss was Rs.10.85 cr (loss Rs.8.01 cr), after taking into account the impact of the Mumbai flood losses (Rs.7.40 cr). After considering the investment income of Rs.21.13 cr. and providing for other outgoings and taxes, amounting to Rs.1.65 cr, the net profit for the year amounted to Rs.8.63 cr (Rs.5.01 cr).

During the year 2005-2006, the non-life Insurance Market in India grew by 16% and the share of the market of private companies increased from 20% to 26%. During this period the market share of your Company grew to 2.2% of the overall non-life business.

Commercial Insurances

The Commercial Insurance Business recorded a growth of 26.7%, achieving a Gross Written Premium (including Reinsurance Inward Premium) of Rs.165.74 cr, which is reflective of our risk appetite and chosen segments of business.

This growth has been achieved through a focussed approach towards target clients, quality risk engineering, differentiated and tailor-made products, leveraging our relationship with the Indian and International Brokers, account underwriting and fast-track claims settlement. This year, your Company added a large number of well-known Companies to its corporate client list, in addition to increasing its share of existing clients' business. The share of Fire and Engineering in total Commercial Premium increased significantly during 2005-06.

Retail Insurances

The Retail Insurance Business also recorded a growth of 45%, achieving a Gross Written Premium (including Reinsurance Inward Premium) of Rs 292.90 cr.

The aggressive growth reflects our increasing expertise in managing the various channels in the Retail Insurance segment.

Motor insurance continues to be the dominant portfolio, contributing 70% of the Retail Gross Written Premium, followed by Health (13.6%) and Personal Accident (7.1%).

This growth was driven by the key distribution channels comprising of the Sundaram Finance Group of Companies, Distribution/Bank Partners and Dealers/Direct Sales Agents (DSAs). During the year, the Motor business grew substantially, driven largely by the Maruti relationship as well as the tie-ups forged with other Motor Manufacturers including General Motors and is expected to drive the future growth of the Retail Insurance Business. The Consumer Health and Personal Accident business and other components of non-Motor Retail grew on the strength of Distribution Partners – Citibank, Standard Chartered, SBI GE, ING Vysya and LVB and by the valuable contribution of our individual agency force.

The number of policies issued during the year was 5,10,878 as against 5,73,155 policies issued during the previous year. The reduction in the number of policies was on account of the decline in the Motor Cycle policies.

Rural and Social Sector

Your Company continued to surpass its obligations in the Rural and Social Sectors, achieving a premium of Rs 30.11cr as against the Regulatory requirement of Rs 22.93 cr and covering 38,048 lives compared with the Regulatory requirement of 20,000 lives.

During the year, the relationships that were forged with self-help groups, NGOs and regional banks, with significant presence in rural areas, have been further strengthened. Your Company continues to seek opportunities to develop rural and social sector business by launching simple and affordable insurance covers and focussing on developing rural specific channels.

Claims

Your company's focus continues to be on prompt, efficient and timely settlement of claims. The company has used a combination of methods to achieve significantly improved Turn Around Times (TATs) in claims settlement. Methods used to achieve this have included accelerating simple, standard claims, empowering people, the usage of branch networks and clearly defined and well-documented claims procedures. The claims notified, are monitored and reviewed at each stage of the process to ensure timely and efficient customer service.

Your Company's current year operations (2005-2006) have been impacted by the unprecedented floods in Mumbai which triggered a Catastrophic (CAT) event loss recovery from the Reinsurers. This in turn had an impact on your company's profits to the extent of Rs.7.40 cr.

Outlook for 2006-2007

Your Company will continue its conscious efforts to balance its portfolios and ensure efficiency. Your Company is also preparing itself to meet the challenges likely to arise out of the proposed Tariff abolition in early 2007. Specific organisational changes have been implemented to develop strategies for continued profitable growth in a 'differential' pricing environment. We will continue to offer value-added risk solutions to well managed clients, who value long-term relationships. Our objective is to improve our market share with strict discipline in underwriting and claims management.

We strongly believe that customer service excellence is an essential ingredient for future, profitable growth. Your Company continues to enjoy strong customer satisfaction ratings and will strive to maintain this position and set benchmarks for the Industry.

Your Company's Business Plan for 2006-2007 envisages that the Retail business comprising Motor, Health, Personal Accident and Home, will contribute nearly 67% of the total GWP, as against 64% contribution in 2005-2006.

Capital Infusion

Your Company based on the Business Plan and growth projections for 2006-2007, had infused an additional capital of Rs.10 cr. in March 2006. The additional equity capital was raised through a Rights issue of 1,00,00,000 equity shares of Rs.10/- each fully paid, aggregating Rs.10 cr. Consequently, the paid up equity capital of the Company increased from Rs.130 cr. to Rs.140 cr.

People

Your company has 550 Employees, an increase of 46 people from 504 employees at the end of the previous year. Our focus continues to be on training and enhancing the skills of our people. This included sponsoring some employees to attend international training programmes to improve their skills.

During the year, your Company won the first "RASBIC (Recruiting & Staffing Best-in-class) Award." This is modelled on the RASBIC-USA awards format and was conducted on an all-India basis. There were 140 nominations in various

categories and there were 10 winners including your Company which won the award in the “Most innovative recruiting & staffing programme” category. This award was won for the innovative recruitment process followed by your Company for its In-house Motor Surveyors.

Your Company has a network of 35 branches spread across the Country including the four Regional Offices at Chennai, Gurgaon, Mumbai and Kolkatta.

Investments

Your Company has earned an investment income of Rs 21.13 cr for the year ended 31st March 2006. The yield on daily average funds was 6.18%.

The Company continues to adopt a prudent investment policy with emphasis on optimising return, with minimum risk. Significant weighting of the assets has been made towards low risk, liquid investments, including Government Securities, Treasury Bills and other high quality debt instruments.

Dividend

Your Directors do not recommend any dividend on equity shares for the year under review.

Board of Directors

Mr.Srinivas Acharya, Director relinquished his office in December 2005. Your Board of Directors would like to place on record their sincere appreciation of the valuable contributions made by him during his tenure as a Director of your Company.

Mr.A.Rangaswami was appointed as an Additional Director in terms of Section 260 of the Companies Act, 1956, in December 2005 . He retires at the forthcoming Annual General Meeting and, being eligible, offers himself for appointment as Director, subject to retirement by rotation.

Messrs. A.V.Rajwade, P.M.Venkatasubramanian, S.Viji and Andrew Kirkland, Directors of your Company retire by rotation and, being eligible, offer themselves for re-appointment.

Audit Committee

Your Company's Audit Committee comprises of the following Directors:

P M Venkatasubramanian	Chairman
T T Srinivasaraghavan	Director
Philip W Head	Director
Antony Jacob	Managing Director

Meetings of the Board/Committees held during the year

Board	4
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Investment Committee	3
Executive Committee	3

Internal Audit

M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai, were appointed as Internal Auditors of the Company during the year.

Statutory Auditors

The joint auditors M/s. S.R.Batliboi & Co. and M/s. N C Rajagopal & Co., Chartered Accountants, Chennai, retire at the forthcoming Annual General Meeting.

M/s. N.C.Rajagopal & Co., being eligible, offers themselves, for reappointment.

M/s. S.R.Batliboi & Co., complete their term of office at the ensuing Annual General Meeting of the Company. In terms of the Guidelines issued by IRDA for Appointment of Statutory Auditors by Insurance Companies, M/s. S R Batliboi & Co., become ineligible for reappointment, having completed their term of 4 years as stipulated by the Guidelines. They are hence required to be replaced at the ensuing Annual General Meeting. In their place, we are proposing to consider the appointment of M/s. Brahmayya & Co., Chartered Accountants, Vijayawada, as the Statutory Auditors of the Company, subject to necessary approvals, if any.

Necessary Certificates under Section 224(1B) of the Companies Act, 1956 have been received from the Auditors.

Management Report

In accordance with Part IV, Schedule B of the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations 2002, the Management Report forms part of the financial statements.

Particulars of Employees Remuneration under Section 217 (2A) of the Companies Act, 1956

Particulars of Employees as per 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, are set out in the Annexure to this Directors' Report.

Particulars regarding Conservation of Energy or Technology Absorption

The Company has no activity relating to conservation of energy or technology absorption and hence, the provisions of section 217(1)(e) of the Companies Act, 1956 do not apply.

Foreign Exchange earnings and outgo

Your Company had foreign exchange earnings equivalent to Rs. 44.05 cr. and the outgo amounted to Rs. 20.92 cr. for the year ended 31st March 2006.

Public Deposits

During the year under review, the Company has not accepted any deposits under Section 58-A of the Companies Act, 1956.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 and in accordance with the Insurance Act, 1938, with respect to Directors' Responsibility statement, it is hereby confirmed that:

- (i) in the preparation of the annual accounts for the financial year ended 31st March 2006, the applicable accounting standards, principles and policies have been followed, along with a proper explanation relating to material departures if any;
- (ii) the Directors have adopted applicable accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the operating profit and of the net profit of the Company for the year ended 31st March 2006;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the applicable provisions of the Insurance Act, 1938 (4 of 1938) / Companies Act, 1956 (1 of 1956), for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors have prepared the Financial Statements on a 'going concern' basis.
- (v) an Internal Audit system, commensurate with the size and nature of the business, exists and is operating effectively.

Acknowledgement

The Directors thank the officials and members of IRDA for their continued guidance and co-operation and the Bankers, Distribution Partners, Agents, Brokers and Customers for their valuable support to your Company. We are highly appreciative of the support and co-operation of all the Shareholders. Finally, we would like to thank all the employees of the company for their hard work and excellent contribution during the year.

For and on behalf of the Board

Place: Chennai

Date: 9th May 2006

G K Raman

Chairman

1. We have audited the attached Balance Sheet of ROYAL SUNDARAM ALLIANCE INSURANCE COMPANY LIMITED ("the Company") as at 31st March 2006 and the Revenue Accounts, the Profit and Loss Account and the Receipts and Payments Account of the company for the financial year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In accordance with the provisions of Section 11 of the Insurance Act, 1938 ("the Insurance Act") read with the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 ("the Regulations") and the provisions of sub-sections (1), (2) and (5) of Section 211 and sub section (5) of Section 227 of the Companies Act, 1956 ("the Companies Act"), the Balance Sheet, the Revenue Accounts and the Profit and Loss Account are not required to be, and are not, drawn up in accordance with Schedule VI to the Companies Act. The Balance Sheet, the Revenue Accounts and the Profit and Loss Account are, therefore, drawn up in conformity with the Regulations.
4. We report that:
 - i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them satisfactory.
 - ii. In our opinion, proper books of account as required by law have been maintained by the Company so far as appears from our examination of those books.
 - iii. The financial accounting system of the Company is centralised and therefore accounting returns are not required to be submitted by branches and other offices.
 - iv. The Balance Sheet, the Revenue Accounts, the Profit and Loss Account and the Receipts and Payments Account dealt with by this report are in agreement with the books of account.
 - v. The estimate of claims Incurred But Not Reported (IBNR) and claims Incurred But Not Enough Reported (IBNER) has been duly certified by the Company's appointed actuary. The appointed actuary has certified to the Company that the assumptions used for such estimate are appropriate and are in accordance with the requirements of the Insurance Regulatory and Development Authority ('IRDA') and Actuarial Society of India in concurrence with IRDA.
 - vi. On the basis of the written representations received from the directors, as on 31st March 2006, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2006 from being appointed as a director in terms of section 274(1)(g) of the Companies Act.

5. In our opinion and to the best of our information and according to the information and explanations given to us:
- i. The accounting policies selected by the Company are appropriate and are in compliance with the applicable accounting standards referred to in Section 211(3C) of the Companies Act and the accounting principles prescribed in the Regulations and orders or directions issued by IRDA in this behalf. The Balance Sheet, the Revenue Accounts, the Profit and Loss Account and the Receipts and Payments Account referred to in this report are in compliance with the accounting standards referred to in Section 211(3C) of the Companies Act.
 - ii. Investments of the Company have been valued in accordance with the provisions of the Insurance Act and the Regulations.
 - iii. The said financial statements are prepared in accordance with the requirements of the Insurance Act, the Insurance Regulatory and Development Authority Act, 1999, the Regulations and the Companies Act to the extent applicable and in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2006;
 - b) in the case of the Revenue Accounts, of the operating Profit/Loss for the financial year ended on that date;
 - c) in the case of the Profit and Loss Account, of the profit for the financial year ended on that date; and
 - d) in the case of the Receipts and Payments Account, of the receipts and payments for the financial year ended on that date.
6. Further, according to the information and explanations given to us and to the best of our knowledge and belief, we certify that:
- i. We have reviewed the management report attached to the financial statements for the financial year ended 31st March 2006 and there is no apparent mistake or material inconsistency with the financial statements.
 - ii. The Company has complied with the terms and conditions of registration stipulated by IRDA vide their letter dated 23rd October, 2000.
 - iii. We have verified the cash balances at the corporate office of the Company and investments of the Company.
 - iv. The Company is not a trustee of any trust.
 - v. No part of the assets of the policyholders' funds have been directly or indirectly applied in contravention of the provisions of the Insurance Act relating to the application and investment of policyholders' funds.
 - vi. All expenses of management in respect of Fire, Marine and Miscellaneous Insurance Business have been fully debited to the respective Revenue Accounts as expenses.

For **N C Rajagopal & Co.**
Chartered Accountants

R Vasudevan

Partner

Membership No: 200903

For **S R Batliboi & Co.**
Chartered Accountants

Mahendra Jain

Partner

Membership No: 205839

Place : Chennai

Dated: May 9, 2006

Form B - RA
Royal Sundaram Alliance Insurance Company Limited
Registration No. and Date of Registration with IRDA : 102/23.10.2000

(Rs '000)

Particulars	Schedule	31st March 2006	31st March 2005
1 Premiums earned (Net)	1A	234,038	190,928
2 Profit/(Loss) on sale/redemption of Investments		661	(152)
3 Others		-	-
4 Interest, Dividend and Rent [Net of amortisation] [Gross Interest Rs. 15,851 thousand (Previous Year: Rs. 10,540 thousand)] (Refer note 18 of Schedule 17)		12,689	8,026
Total (A)		<u>247,388</u>	<u>198,802</u>
1 Claims Incurred (Net)	2A	92,878	97,055
2 Commission	3A	(166,275)	(94,825)
3 Operating Expenses related to Insurance Business	4	205,474	122,327
4 Premium Deficiency		-	-
Total (B)		<u>132,077</u>	<u>124,557</u>
Operating Profit/(Loss) from Fire Business C = (A-B)		<u>115,311</u>	<u>74,245</u>
Appropriations			
Transfer to Shareholders' Account		115,311	74,245
Transfer to Catastrophe Reserve		-	-
Transfer to Other Reserves		-	-
Total (C)		<u>115,311</u>	<u>74,245</u>
Significant accounting policies	16		
Notes to financial statements	17		

As required by Section 40C (2) of the Insurance Act, 1938, we hereby certify that all expenses of management in respect of Fire Business have been fully debited in the Fire Business Revenue Account as expenses.

Per our report of even date attached

For and on behalf of the Board of Directors

For S R Batliboi & Co.
Chartered Accountants

For N C Rajagopal & Co.
Chartered Accountants

G K Raman
Chairman

Antony Jacob
Managing Director

Per Mahendra Jain
Partner
Membership No: 205839

R Vasudevan
Partner
Membership No: 200903

P M Venkatasubramanian
Director

A Rangaswami
Director

Place: Chennai
Date : May 9, 2006

V K Raman
Chief Financial Officer

S R Balachandher
Company Secretary

Form B - RA
Royal Sundaram Alliance Insurance Company Limited
Registration No. and Date of Registration with IRDA : 102/23.10.2000

(Rs '000)

Particulars	Schedule	31st March 2006	31st March 2005
1 Premiums earned (Net)	1B & 1C	110,127	83,812
2 Profit/(Loss) on sale/redemption of Investments		320	(71)
3 Others		-	-
4 Interest, Dividend and Rent [Net of amortisation] [Gross Interest Rs. 7,679 thousand (Previous Year: Rs. 4,886 thousand)] (Refer note 18 of Schedule 17)		6,147	3,721
Total (A)		<u>116,594</u>	<u>87,462</u>
1 Claims Incurred (Net)	2B & 2C	104,148	54,519
2 Commission	3B & 3C	4,263	1,890
3 Operating Expenses related to Insurance Business	4	30,582	31,668
4 Premium Deficiency		-	-
Total (B)		<u>138,993</u>	<u>88,077</u>
Operating Profit/(Loss) from Marine Business C = (A-B)		<u>(22,399)</u>	<u>(615)</u>
Appropriations			
Transfer to Shareholders' Account		(22,399)	(615)
Transfer to Catastrophe Reserve	-	-	-
Transfer to Other Reserves	-	-	-
Total (C)		<u>(22,399)</u>	<u>(615)</u>
Significant accounting policies	16		
Notes to financial statements	17		

As required by Section 40C(2) of the Insurance Act, 1938, we hereby certify that all expenses of management in respect of Marine Business have been fully debited in the Marine Business Revenue Account as expenses.

Per our report of even date attached

For and on behalf of the Board of Directors

For S R Batliboi & Co.
Chartered Accountants

For N C Rajagopal & Co.
Chartered Accountants

G K Raman
Chairman

Antony Jacob
Managing Director

Per Mahendra Jain
Partner
Membership No: 205839

R Vasudevan
Partner
Membership No: 200903

P M Venkatasubramanian
Director

A Rangaswami
Director

Place: Chennai
Date : May 9, 2006

V K Raman
Chief Financial Officer

S R Balachandher
Company Secretary

Form B - RA
Royal Sundaram Alliance Insurance Company Limited
Registration No. and Date of Registration with IRDA : 102/23.10.2000

(Rs '000)

Particulars	Schedule	31st March 2006	31st March 2005
1 Premiums earned (Net)	1D	2,150,238	1,458,050
2 Profit/(Loss) on sale/redemption of Investments		5,987	(1,374)
3 Others - Transfer fee and Duplicate fee		329	182
4 Interest, Dividend and Rent [Net of amortisation] [Gross Interest Rs.143,459 thousand (Previous Year -- Rs. 95,022 thousand)] (Refer note 18 of Schedule 17)		114,842	72,355
Total (A)		<u>2,271,396</u>	<u>1,529,213</u>
1 Claims Incurred (Net)	2D	1,419,568	985,480
2 Commission	3D	100,141	40,676
3 Operating expenses related to Insurance Business	4	812,064	574,033
4 Premium Deficiency		-	-
Total (B)		<u>2,331,773</u>	<u>1,600,189</u>
Operating Profit/(Loss) from Miscellaneous Business C = (A-B)		<u>(60,377)</u>	<u>(70,976)</u>
Appropriations			
Transfer to Shareholders' Account		(60,377)	(70,976)
Transfer to Catastrophe Reserve		-	-
Transfer to Other Reserves		-	-
Total (C)		<u>(60,377)</u>	<u>(70,976)</u>
Significant accounting policies	16		
Notes to financial statements	17		

As required by Section 40C(2) of the Insurance Act, 1938, we hereby certify that all expenses of management in respect of Miscellaneous Business have been fully debited in the Miscellaneous Business Revenue Account as expenses.

Per our report of even date attached

For and on behalf of the Board of Directors

For S R Batliboi & Co.
Chartered Accountants

For N C Rajagopal & Co.
Chartered Accountants

G K Raman
Chairman

Antony Jacob
Managing Director

Per Mahendra Jain
Partner
Membership No: 205839

R Vasudevan
Partner
Membership No: 200903

P M Venkatasubramanian
Director

A Rangaswami
Director

Place: Chennai
Date : May 9, 2006

V K Raman
Chief Financial Officer

S R Balachandher
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

Form B - PL
Royal Sundaram Alliance Insurance Company Limited
 Registration No. and Date of Registration with IRDA : 102/23.10.2000

Particulars	Schedule	31st March 2006	31st March 2005
			(Rs '000)
1 OPERATING PROFIT/(LOSS)			
a) Fire Insurance		115,311	74,245
b) Marine Insurance		(22,399)	(615)
c) Miscellaneous Insurance		(60,377)	(70,976)
2 INCOME FROM INVESTMENTS			
a) Interest, Dividend and Rent [Net of amortisation] [Gross Interest Rs. 83,411 thousand (Previous Year -- Rs. 69,641 thousand)] (Refer note 18 of Schedule 17)		66,772	53,028
b) Profit on sale of investments	3,544		3,819
Less : Loss on sale of investments	(64)	3,480	(4,826) (1,007)
3 OTHER INCOME [includes gain on foreign exchange transactions Rs.354 thousand (Previous Year - gain on foreign exchange transactions Rs.263 thousand)]		242	316
Total (A)		<u>103,029</u>	<u>54,991</u>
4 PROVISION (Other than taxation)			
a) For diminution in the value of investments		-	-
b) For doubtful debts		-	-
c) Others		-	-
5 OTHER EXPENSES			
a) Expenses other than those related to Insurance business		537	487
b) Bad debts written off		-	-
c) Preliminary expenses written off		-	1,032
d) Filing fees		1,006	4
Total (B)		<u>1,543</u>	<u>1,523</u>
Profit Before Tax	(A - B)	101,486	53,468
Provision for Fringe Benefit Tax		(6,558)	-
Provision for current Taxation [including Wealth Tax Rs.39 thousand (Previous Year -- Rs.51 thousand)]		(8,589)	(3,368)
Profit after tax		<u>86,339</u>	<u>50,100</u>
Appropriations			
a) Interim dividends paid during the year		-	-
b) Proposed final dividend		-	-
c) Dividend distribution tax		-	-
d) Transfer to any Reserves or Other Accounts		-	-
Balance of Profit/(Loss) brought forward from last year		(273,795)	(323,895)
Balance carried forward to Balance Sheet		<u>(187,456)</u>	<u>(273,795)</u>
Significant accounting policies	16		
Notes to financial statements	17		

Per our report of even date attached

For and on behalf of the Board of Directors

 For **S R Batliboi & Co.**
Chartered Accountants

 For **N C Rajagopal & Co.**
Chartered Accountants

G K Raman
Chairman

Antony Jacob
Managing Director

 Per **Mahendra Jain**
Partner
Membership No: 205839

R Vasudevan
Partner
Membership No: 200903

P M Venkatasubramanian
Director

A Rangaswami
Director

 Place: Chennai
Date : May 9, 2006

V K Raman
Chief Financial Officer

S R Balachandher
Company Secretary

Form B - BS
Royal Sundaram Alliance Insurance Company Limited
 Registration No. and Date of Registration with IRDA : 102/23.10.2000

(Rs '000)

Particulars	Schedule	31st March 2006	31st March 2005
SOURCES OF FUNDS			
SHARE CAPITAL	5	1,400,000	1,300,000
RESERVES AND SURPLUS	6	-	-
FAIR VALUE CHANGE ACCOUNT		76	-
BORROWINGS	7	-	-
LIABILITY FOR LEASED VEHICLES (Secured by Leased Vehicles)		327	2,614
TOTAL		<u>1,400,403</u>	<u>1,302,614</u>
APPLICATION OF FUNDS			
INVESTMENTS	8	3,665,004	2,582,465
LOANS	9	-	-
FIXED ASSETS	10	130,682	136,037
CURRENT ASSETS			
Cash and Bank Balances	11	334,790	293,540
Advances and Other Assets	12	363,415	253,065
Sub - Total (A)		<u>698,205</u>	<u>546,605</u>
CURRENT LIABILITIES			
PROVISIONS	13	(1,720,591)	(1,151,811)
Sub - Total (B)	14	<u>(1,560,353)</u>	<u>(1,084,477)</u>
NET CURRENT ASSETS (C)=(A-B)		<u>(2,582,739)</u>	<u>(1,689,683)</u>
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	15	-	-
DEBIT BALANCE IN			
PROFIT AND LOSS ACCOUNT		187,456	273,795
TOTAL		<u>1,400,403</u>	<u>1,302,614</u>
Significant accounting policies	16		
Notes to financial statements	17		

Per our report of even date attached

For and on behalf of the Board of Directors

For S R Batliboi & Co.
Chartered Accountants

For N C Rajagopal & Co.
Chartered Accountants

G K Raman
Chairman

Antony Jacob
Managing Director

Per Mahendra Jain
Partner
Membership No: 205839

R Vasudevan
Partner
Membership No: 200903

P M Venkatasubramanian
Director

A Rangaswami
Director

Place: Chennai
Date : May 9, 2006

V K Raman
Chief Financial Officer

S R Balachandher
Company Secretary

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs '000)

SCHEDULE 1A
PREMIUM EARNED (NET) — FIRE BUSINESS

Particulars	31st March 2006	31st March 2005
Premium from direct business written	917,429	630,119
Add: Premium on reinsurance accepted	20,174	34,905
Less: Premium on reinsurance ceded	(658,365)	(425,728)
Net Premium	<u>279,238</u>	<u>239,296</u>
Adjustment for change in reserve for unexpired risks	(45,200)	(48,368)
Total Premium Earned (Net)	<u>234,038</u>	<u>190,928</u>

SCHEDULE 1B
PREMIUM EARNED (NET) -- MARINE CARGO BUSINESS

Particulars	31st March 2006	31st March 2005
Premium from direct business written	177,091	163,162
Add: Premium on reinsurance accepted	61	68
Less: Premium on reinsurance ceded	(52,560)	(67,805)
Net Premium	<u>124,592</u>	<u>95,425</u>
Adjustment for change in reserve for unexpired risks	(14,583)	(11,613)
Total Premium Earned (Net)	<u>110,009</u>	<u>83,812</u>

SCHEDULE 1C
PREMIUM EARNED (NET) -- MARINE HULL BUSINESS

Particulars	31st March 2006	31st March 2005
Premium from direct business written	5,804	4,799
Add: Premium on reinsurance accepted	-	-
Less: Premium on reinsurance ceded	(5,658)	(4,681)
Net Premium	<u>146</u>	<u>118</u>
Adjustment for change in reserve for unexpired risks	(28)	(118)
Total Premium Earned (Net)	<u>118</u>	<u>-</u>

SCHEDULE 1D
PREMIUM EARNED (NET) -- MISCELLANEOUS BUSINESS

Particulars	31st March 2006	31st March 2005
Premium from direct business written	3,486,050	2,508,915
Add: Premium on reinsurance accepted	1,908	4,814
Less: Premium on reinsurance ceded	(923,064)	(832,349)
Net Premium	<u>2,564,894</u>	<u>1,681,380</u>
Adjustment for change in reserve for unexpired risks	(414,656)	(223,330)
Total Premium Earned (Net)	<u>2,150,238</u>	<u>1,458,050</u>

All premium written, less reinsurance, is from business in India.

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs '000)

SCHEDULE 2A
CLAIMS INCURRED (NET) -- FIRE BUSINESS

Particulars	31st March 2006	31st March 2005
Claims paid		
Direct	716,931	263,193
Add: Reinsurance accepted	164	1,037
Less: Reinsurance ceded	<u>(627,471)</u>	<u>(191,139)</u>
Net Claims paid	89,624	73,091
Add: Claims outstanding at the end of the year	51,313	48,059
Less: Claims outstanding at the beginning	<u>(48,059)</u>	<u>(24,095)</u>
Total Claims Incurred	<u>92,878</u>	<u>97,055</u>

SCHEDULE 2B
CLAIMS INCURRED (NET) -- MARINE CARGO BUSINESS

Particulars	31st March 2006	31st March 2005
Claims paid		
Direct	98,458	82,375
Add: Reinsurance accepted	-	-
Less: Reinsurance ceded	<u>(29,763)</u>	<u>(31,779)</u>
Net Claims paid	68,695	50,596
Add: Claims outstanding at the end of the year	65,647	30,194
Less: Claims outstanding at the beginning	<u>(30,194)</u>	<u>(26,271)</u>
Total Claims Incurred	<u>104,148</u>	<u>54,519</u>

SCHEDULE 2C
CLAIMS INCURRED (NET) -- MARINE HULL BUSINESS

Particulars	31st March 2006	31st March 2005
Claims paid		
Direct	-	-
Add: Reinsurance accepted	-	-
Less: Reinsurance ceded	-	-
Net Claims paid	-	-
Add: Claims outstanding at the end of the year	-	-
Less: Claims outstanding at the beginning	-	-
Total Claims Incurred	-	-

SCHEDULE 2D
CLAIMS INCURRED (NET) -- MISCELLANEOUS BUSINESS

Particulars	31st March 2006	31st March 2005
Claims paid		
Direct	1,690,877	1,061,261
Add: Reinsurance accepted	13	2,392
Less: Reinsurance ceded	<u>(537,009)</u>	<u>(299,331)</u>
Net Claims paid	1,153,881	764,322
Add: Claims outstanding at the end of the year	971,558	705,871
Less: Claims outstanding at the beginning	<u>(705,871)</u>	<u>(484,713)</u>
Total Claims Incurred	<u>1,419,568</u>	<u>985,480</u>

All claims paid, less reinsurance, are to claimants in India.

(Rs '000)

SCHEDULE 3A
COMMISSION – FIRE BUSINESS

Particulars	31st March 2006	31st March 2005
Commission paid		
Direct	47,208	36,605
TOTAL	<u>47,208</u>	<u>36,605</u>
Add: Commission on Reinsurance Accepted	98	91
Less: Commission on Reinsurance Ceded	(213,581)	(131,521)
Net Commission	<u>(166,275)</u>	<u>(94,825)</u>
Break-up of the expenses (Gross) incurred to procure business:		
Agents	13,630	16,784
Brokers	20,868	18,696
Corporate Agency	11,963	909
Referral	747	216
Others	-	-
TOTAL	<u>47,208</u>	<u>36,605</u>

SCHEDULE 3B
COMMISSION – MARINE CARGO BUSINESS

Particulars	31st March 2006	31st March 2005
Commission paid		
Direct	14,190	15,751
TOTAL	<u>14,190</u>	<u>15,751</u>
Add: Commission on Reinsurance Accepted	2	-
Less: Commission on Reinsurance Ceded	(8,708)	(12,996)
Net Commission	<u>5,484</u>	<u>2,755</u>
Break-up of the expenses (Gross) incurred to procure business:		
Agents	5,081	6,528
Brokers	6,043	7,297
Corporate Agency	3,035	1,848
Referral	31	78
Others	-	-
TOTAL	<u>14,190</u>	<u>15,751</u>

(Rs '000)

SCHEDULE 3C
COMMISSION – MARINE HULL BUSINESS

Particulars	31st March 2006	31st March 2005
Commission paid	-	-
Direct	-	-
TOTAL	<u>-</u>	<u>-</u>
Add: Commission on Reinsurance Accepted	-	-
Less: Commission on Reinsurance Ceded	(1,221)	(865)
Net Commission	<u>(1,221)</u>	<u>(865)</u>
Break-up of the expenses (Gross) incurred to procure business :		
Agents	-	-
Brokers	-	-
Corporate Agency	-	-
Referral	-	-
Others	-	-
TOTAL	<u>-</u>	<u>-</u>

SCHEDULE 3D
COMMISSION -- MISCELLANEOUS BUSINESS

Particulars	31st March 2006	31st March 2005
Commission paid		
Direct	307,979	211,109
TOTAL	<u>307,979</u>	<u>211,109</u>
Add: Commission on Reinsurance Accepted	17	31
Less: Commission on Reinsurance Ceded	(207,855)	(170,464)
Net Commission	<u>100,141</u>	<u>40,676</u>
Break-up of the expenses (Gross) incurred to procure business :		
Agents	58,807	103,395
Brokers	19,984	8,125
Corporate Agency	210,058	87,603
Referral	19,130	11,986
Others	-	-
TOTAL	<u>307,979</u>	<u>211,109</u>

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS
Break up Schedule for All Business

(For the year ended 31st March 2006)

Particulars	Fire Revenue Account						Marine Revenue Account						Miscellaneous Revenue Account						Grand Total							
	Fire		Marine Cargo		Marine Hull		Marine Total		Motor		Workmen's Compensation / Employers Liability		Public / Product Liability		Engineering		Personal Accident		Health Insurance		Others		Miscellaneous Total			
	31st March 2006	31st March 2005	31st March 2006	31st March 2005	31st March 2006	31st March 2005	31st March 2006	31st March 2005	31st March 2006	31st March 2005	31st March 2006	31st March 2006	31st March 2005	31st March 2006	31st March 2005	31st March 2006	31st March 2005	31st March 2006	31st March 2005	31st March 2006	31st March 2005	31st March 2006	31st March 2005	31st March 2006		
Premium Earned (Net)	97,429	63,119	177,09	163,162	5,854	4,799	162,893	167,961	2,330,923	1,609,684	13,910	8,326	33,317	37,356	280,562	274,782	244,612	232,397	305,328	296,579	57,198	49,791	3,484,030	2,038,915	4,584,374	3,326,975
Add: Premium on reinsurance accepted	20,174	34,905	41	-	-	-	61	68	1	-	-	80	102	1,307	3,678	161	90	301	663	58	81	1,908	4,814	22,143	39,787	
Less: Premium on reinsurance ceded	(49,343)	(45,728)	(50,560)	(47,826)	(5,658)	(4,681)	(58,218)	(72,496)	(469,307)	(344,043)	(3,925)	(2,519)	(37,426)	(27,329)	(276,046)	(57,414)	(99,425)	(102,380)	(118,977)	(15,727)	(14,030)	(923,064)	(832,349)	(1,639,647)	(1,330,363)	
Net Premium	278,238	239,296	124,692	95,425	146	118	124,738	95,543	1,841,617	1,265,441	10,405	6,007	15,991	10,129	64,544	32,414	187,339	133,082	403,449	178,465	41,529	35,842	2,584,864	1,481,380	2,948,870	2,016,319
Adjustment for change in reserve for unexpired risks	(45,200)	(48,368)	(14,393)	(11,613)	(28)	(118)	(14,611)	(11,731)	(274,463)	(171,459)	(695)	(1,001)	(1,545)	(3,780)	(6,194)	(7,557)	(10,823)	4,642	(119,040)	(36,159)	(1,886)	(8,016)	(414,656)	(223,330)	(424,457)	(283,429)
Total Premium Earned (Net)	234,038	190,928	110,299	83,812	118	110,127	83,812	83,812	1,567,154	1,093,982	9,710	5,006	14,446	6,349	58,340	44,857	176,536	137,724	284,389	142,304	39,643	27,826	2,150,238	1,458,050	2,494,403	1,732,790
Claims Incurred (Net)																										
Claims paid	716,931	263,193	98,458	82,375	-	-	98,458	82,375	1,223,141	716,563	1,201	1,201	181	48	199,553	50,035	86,976	140,677	194,431	141,065	22,894	11,672	1,690,877	1,061,261	2,506,266	1,476,829
Add: Reinsurance accepted	164	1,037	-	-	-	-	-	-	-	-	-	-	-	13	9	-	54	-	2,300	-	29	-	13	2,392	177	3,409
Less: Reinsurance ceded	(427,471)	(191,139)	(29,763)	(31,779)	-	-	(29,763)	(31,779)	(296,145)	(143,313)	(340)	(240)	(36)	75	(144,830)	(40,702)	(31,686)	(55,270)	(59,370)	(57,346)	(4,802)	(2,535)	(537,009)	(299,331)	(1,194,243)	(522,246)
Net Claims paid	89,624	73,091	68,695	50,996	-	-	68,695	50,996	926,996	573,250	1,361	961	145	125	14,726	9,342	55,290	85,461	137,061	86,019	18,092	9,166	1,133,861	764,322	1,312,200	888,109
Add: Claims remaining unpaid at the end of the year	51,313	48,058	65,647	30,194	-	-	65,647	30,194	776,542	577,401	3,942	1,616	9,263	931	19,935	14,530	87,545	73,819	48,929	22,338	25,582	13,216	971,538	705,871	1,088,518	784,124
Less: Claims remaining unpaid at the beginning of the year	(48,058)	(34,095)	(30,194)	(26,271)	-	-	(30,194)	(26,271)	(577,401)	(365,841)	(1,616)	(535)	(931)	(1,026)	(14,530)	(10,754)	(75,819)	(87,140)	(22,338)	(14,459)	(13,216)	(4,538)	(705,871)	(484,713)	(784,124)	(535,079)
Total Claims Incurred	92,876	87,055	104,148	54,519	-	104,148	54,519	54,519	1,125,937	784,810	3,687	2,042	8,477	28	20,341	13,138	87,016	74,140	163,652	93,898	30,458	17,624	1,419,548	965,480	1,618,594	1,137,654
Commissions																										
Commission paid	47,208	36,605	14,190	15,731	-	-	14,190	15,731	220,128	132,122	862	616	1,716	719	13,663	3,787	23,286	19,055	47,766	31,317	5,588	3,513	307,979	211,109	389,377	263,465
Direct	47,208	36,605	14,190	15,731	-	-	14,190	15,731	220,128	132,122	862	616	1,716	719	13,663	3,787	23,286	19,055	47,766	31,317	5,588	3,513	307,979	211,109	389,377	263,465
Add: Commission on reinsurance accepted	98	91	2	-	-	-	2	-	1	-	-	-	2	3	2	2	4	2	8	22	1	1	17	31	117	122
Less: Commission on reinsurance ceded	(213,501)	(131,521)	(8,708)	(12,996)	(1,221)	(864)	(9,929)	(13,861)	(93,237)	(64,379)	(556)	(407)	(4,855)	(2,286)	(67,246)	(46,389)	(12,540)	(23,328)	(25,338)	(29,745)	(9,863)	(8,730)	(207,855)	(170,464)	(431,365)	(315,846)
Net commission	(166,275)	(84,825)	5,484	2,755	(1,221)	(865)	4,263	1,890	(127,891)	(87,744)	306	209	(3,137)	(1,564)	(53,601)	(42,600)	10,750	(4,251)	16,236	1,594	1,694	(234)	100,41	40,676	(61,871)	(52,259)

(Rs '000)

SCHEDULE 4
OPERATING EXPENSES RELATED TO INSURANCE BUSINESS

Particulars	31st March 2006	31st March 2005
1 Employees' remuneration and welfare benefits	264,203	236,912
2 Travel, conveyance and vehicle running expenses	28,956	30,550
3 Training expenses	6,525	4,401
4 Rents, rates and taxes	60,532	50,507
5 Repairs and maintenance	15,919	12,627
6 Printing and stationery	21,222	20,843
7 Communication	29,883	28,619
8 Legal and professional charges	5,478	9,322
9 Auditors' fees and expenses		
a) as auditors	650	650
b) as adviser or in any other capacity, in respect of		
i) Taxation matters	200	195
ii) Insurance matters	-	-
iii) Management services	-	-
c) in any other capacity - certification	163	322
d) out of pocket expenses	200	307
10 Advertisement and publicity	68,936	7,362
11 Bank charges	7,040	4,133
12 Others		
Data processing and outsourcing expenses	161,332	97,070
Marketing and related expenses	224,907	97,739
Software and Hardware maintenance charges	61,417	44,809
Policy Stamp expenses	322	389
Directors' sitting fees	100	375
Miscellaneous expenses	40,590	34,665
13 Depreciation	49,545	45,206
14 Service tax on premium	-	1,025
	<u>1,048,120</u>	<u>728,028</u>
Allocation of expenses (per accounting policy 8, Schedule 16)		
Revenue Account – Fire Business	205,474	122,327
Revenue Account – Marine Business	30,582	31,668
Revenue Account – Miscellaneous Business	812,064	574,033
	<u>1,048,120</u>	<u>728,028</u>

(Rs '000)

SCHEDULE 5
SHARE CAPITAL

Particulars	31st March 2006	31st March 2005
1 Authorised Capital		
150,000,000 (31st March 2005 - 130,000,000) Equity shares of Rs 10/- each	<u>1,500,000</u>	<u>1,300,000</u>
2 Issued Capital		
140,000,000 (31st March 2005 - 130,000,000) equity shares of Rs 10/- each, fully paid up	1,400,000	1,300,000
3 Subscribed Capital		
140,000,000 (31st March 2005 - 130,000,000) equity shares of Rs 10/- each, fully paid up	<u>1,400,000</u>	<u>1,300,000</u>
4 Called-up Capital		
140,000,000 (31st March 2005 - 130,000,000) equity shares of Rs 10/- each, fully paid up	1,400,000	1,300,000
Less: Calls unpaid	-	-
Add: Equity Shares forfeited (Amount originally paid-up)	-	-
Less: Par Value of Equity Shares bought back	-	-
Less: Preliminary Expenses (to the extent not written off)	-	-
Total	<u>1,400,000</u>	<u>1,300,000</u>

Out of the above, 78,367,693 Equity shares of Rs.10/- is held by Sundaram Finance Limited (Holding Company)

SCHEDULE 5A
SHARE CAPITAL
PATTERN OF SHAREHOLDING

[As certified by the Management]

Shareholder	31st March 2006		31st March 2005	
	Number of Shares	% of holding	Number of Shares	% of holding
Promoters				
Indian	103,600,000	74%	96,200,000	74%
Foreign	36,400,000	26%	33,800,000	26%
	<u>140,000,000</u>	<u>100%</u>	<u>130,000,000</u>	<u>100%</u>
Others	-	-	-	-
Total	<u>140,000,000</u>	<u>100%</u>	<u>130,000,000</u>	<u>100%</u>

(Rs '000)

SCHEDULE 6
RESERVES AND SURPLUS

Particulars	31st March 2006	31st March 2005
1 Capital Reserve	-	-
2 Capital Redemption Reserve	-	-
3 Share Premium	-	-
4 General Reserves	-	-
Less: Debit balance in Profit and Loss Account		
Less: Amount utilized for Buy-back		
5 Catastrophe Reserve	-	-
6 Other Reserves	-	-
7 Balance of Profit in Profit & Loss Account	-	-
Total	-	-
	-	-

SCHEDULE 7
BORROWINGS

Particulars	31st March 2006	31st March 2005
1 Debentures / Bonds	-	-
2 Banks	-	-
3 Financial Institutions	-	-
4 Others	-	-
Total	-	-
	-	-

(Rs '000)

SCHEDULE 8
INVESTMENTS

Particulars	31st March 2006	31st March 2005
LONG TERM INVESTMENTS		
1 Government securities and Government guaranteed bonds including Treasury Bills*	779,919	287,852
2 Other Approved Securities	150,782	101,166
3 Other Investments		
a) Shares		
aa) Equity	-	-
bb) Preference	-	-
b) Mutual Funds	-	-
c) Derivative Instruments	-	-
d) Debentures / Bonds	596,949	613,954
e) Other Securities	-	-
f) Subsidiaries	-	-
g) Investment in Properties-Real Estate	-	-
4 Investments in Infrastructure and Social Sector	800,052	665,080
5 Other than Approved Investments	-	165,380
SHORT TERM INVESTMENTS		
1 Government securities and Government guaranteed bonds including Treasury Bills*	543,255	600,051
2 Other Approved Securities	-	-
3 Other Investments		
a) Shares		
aa) Equity	-	-
bb) Preference	-	-
b) Mutual Funds	37,379	-
c) Derivative Instruments	-	-
d) Debentures / Bonds	303,791	148,982
e) Other Securities	48,179	-
f) Subsidiaries	-	-
g) Investment in Properties-Real Estate	-	-
4 Investments in Infrastructure and Social Sector	303,958	-
5 Other than Approved Investments	100,740	-
Total	<u>3,665,004</u>	<u>2,582,465</u>
Aggregate market value of quoted investments	3,557,937	2,521,354
Aggregate book value of unquoted investments	48,179	48,766

* Includes Government securities of book value Rs. 107,735 thousand (31st March 2005 -- Rs.114,066 thousand), held under Section 7 of the Insurance Act, 1938.

(Rs '000)

SCHEDULE 9
LOANS
Particulars
31st March 2006 31st March 2005
1. SECURITY-WISE CLASSIFICATION

Secured

- a) On mortgage of Property
 - aa) In India
 - bb) Outside India
- b) On Shares, Bonds, Government Securities
- c) Others

-	-
-	-
-	-
-	-
-	-

Unsecured

Total

-	-
-	-
-	-
-	-
-	-

2. BORROWER-WISE CLASSIFICATION

- a) Central and State Governments
 - b) Banks and Financial Institutions
 - c) Subsidiaries
 - d) Industrial Undertakings
 - e) Others
- Total

-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-

3. PERFORMANACE-WISE CLASSIFICATION

- a) Loans Classified as standard
 - aa) In India
 - bb) Outside India
 - b) Non-performance loans less provisions
 - aa) In India
 - bb) Outside India
- Total

-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-

4. MATURITY-WISE CLASSIFICATION

- a) Short-Term
 - b) Long-Term
- Total

-	-
-	-
-	-
-	-
-	-

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs '000)

SCHEDULE 10
Fixed Assets

PARTICULARS	COST/GROSS BLOCK				DEPRECIATION			NET BLOCK		
	Opening	Additions	Deductions	Closing	Upto 31st March 2005	For the year	On sales/adjustments	Upto 31st March 2006	As at 31st March 2006	As at 31st March 2005
Goodwill	-	-	-	-	-	-	-	-	-	-
Intangibles - Information Technology Software	31,626	18,944	-	50,570	20,102	9,561	-	29,663	20,907	11,524
Land-Freehold	-	-	-	-	-	-	-	-	-	-
Leasehold Property	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-
Furniture and Fittings	76,843	19,447	6,029	90,261	31,258	10,663	3278	38,643	51,618	45,585
Information Technology Equipment	132,801	9,344	-	142,145	103,913	20,912	-	124,825	17,320	28,888
Vehicles	9,254	901	773	9,382	2,741	2,016	394	4,363	5,019	6,513
Office Equipment	44,956	8,919	-	53,875	14,920	5,557	-	20,477	33,398	30,036
Others-Leased Vehicles	7,428	-	5,790	1,638	4,861	836	4,141	1,556	82	2,567
TOTAL	302,908	57,555	12,592	347,871	177,795	49,545	7,813	219,527	128,344	125,113
Work in progress	10,924	2,338	10,924	2,338	-	-	-	-	2,338	10,924
Grand Total	313,832	59,893	23,516	350,209	177,795	49,545	7,813	219,527	130,682	136,037
As at 31st March 2005	247,521	71,247	4,936	313,832	134,623	45,206	2,034	177,795	136,037	

(Rs '000)

SCHEDULE 11
CASH AND BANK BALANCES

Particulars	31st March 2006	31st March 2005
1 Cash (including cheques, drafts and stamps)	83,314	74,384
2 Bank Balances		
a) Deposit Accounts		
aa) Short-term (due within 12 months)*	149,900	129,244
bb) Others	-	-
b) Current Accounts	101,576	89,912
c) Others	-	-
3 Money at Call and Short Notice		
a) With Banks	-	-
b) With other Institutions	-	-
4 Others - With Primary Dealer	-	-
Total	<u>334,790</u>	<u>293,540</u>

Included in Bank balances -- current accounts, are balances with a non-scheduled bank outside India amounting to Rs.16,552 thousand (31st March 2005 - Rs.4,091 thousand). The other bank balances are with scheduled banks.

* Deposit includes Rs.3,300 thousand (Previous Year:Rs.1,429 thousand) pertaining to investment of Environmental Relief Fund.

SCHEDULE 12
ADVANCES AND OTHER ASSETS

Particulars	31st March 2006	31st March 2005
ADVANCES		
1 Reserve deposits with ceding companies	-	-
2 Application money for investments	-	-
3 Prepayments	10,433	11,971
4 Advances to Directors/Officers	-	-
5 Advance tax paid and taxes deducted at source [Net of provision for tax amounting to Rs.8,550 thousand (31st March 2005 -- Rs.3317 thousand)]	-	1,227
6 Others-Deposits for premises and advance rent	17,799	26,011
7 Others [Includes Service Tax unutilised credit of Rs.11163 thousand (31st March 2005 -- Rs. 6949 thousand)]	20,048	15,092
Total (A)	<u>48,280</u>	<u>54,301</u>
OTHER ASSETS		
1 Income accrued on investments	94,803	60,420
2 Outstanding Premiums	-	-
3 Agents' Balances	-	-
4 Foreign Agencies Balances	-	-
5 Due from other entities carrying on insurance business (including reinsurers)	192,253	125,687
6 Due from subsidiaries / holding Company	7,493	-
7 Deposit with Reserve Bank of India [Pursuant to section 7 of the Insurance Act, 1938]	-	-
8 Others -- Interest recoverable	20,586	12,657
Total (B)	<u>315,135</u>	<u>198,764</u>
Total (A+B)	<u>363,415</u>	<u>253,065</u>

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS
SCHEDULE 13

(Rs '000)

CURRENT LIABILITIES
Particulars

	31st March 2006	31st March 2005
1 Agents' Balances	43,279	34,041
2 Balances due to other insurance companies	195,975	108,095
3 Deposits held on re-insurance ceded	-	-
4 Premiums received in advance	99,461	48,359
5 Unallocated Premium	-	-
6 Sundry creditors	274,057	167,406
7 Due to subsidiaries / holding company	5,740	-
8 Claims Outstanding	1,088,518	784,124
9 Due to Officers / Directors	-	110
10 Others - Service Tax liability	13,561	9,676
Total	<u>1,720,591</u>	<u>1,151,811</u>

SCHEDULE 14
PROVISIONS
Particulars

	31st March 2006	31st March 2005
1 Reserve for Unexpired Risk	1,558,944	1,084,477
2 For taxation (less advance tax paid and taxes deducted at source)	1,409	-
3 For proposed dividends	-	-
4 For dividend distribution tax	-	-
5 Others	-	-
Total	<u>1,560,353</u>	<u>1,084,477</u>

SCHEDULE 15
MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

Particulars

	31st March 2006	31st March 2005
1 Discount Allowed in issue of shares / debentures	-	-
2 Others	-	-
Total	<u>-</u>	<u>-</u>

SCHEDULE 16**1. Basis of preparation of financial statements**

The financial statements are prepared under the historical cost convention, in accordance with the generally accepted accounting practices and accounting requirements prescribed by the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 ('the Accounting Regulations') and amendments if any, the Insurance Act, 1938, the Insurance Regulatory and Development Authority Act, 1999, the Accounting Standards issued by the Institute of Chartered Accountants of India ('ICAI') and the requirements of the Companies Act, 1956 ('the Companies Act'), to the extent applicable.

The Company follows the mercantile system of accounting and recognises items of income and expenditure on accrual basis.

2. Revenue recognition for insurance business

Premium (net of service tax) is recognised as income over the contract period or period of risk, as appropriate, after adjusting for unearned premium (unexpired risk) and premium deficiency, if any.

Premium deficiency, if any, is recognised if the sum of expected claim costs, related expenses and maintenance costs exceed related reserve for unexpired risk.

The reserve for unexpired risks represents the proportion of premium written relating to periods of insurance subsequent to the balance sheet date, calculated principally on a daily pro-rata basis subject to a minimum of 50 per cent of the net premium written during the year in the case of Fire, Marine Cargo and Miscellaneous business and 100 percent of net premium written during the year in the case of Marine Hull business.

3. Claims

a) Claims paid include claims settlement costs, comprising survey, legal and other directly attributable expenses.

b) Estimated liability for outstanding claims in respect of direct business is provided on the basis of claims reported till the end of the financial year.

c) Estimated liability for claims incurred but not reported ('IBNR') and claims incurred but not enough reported ('IBNER') is based on available statistical data and is as certified by the Appointed Actuary.

d) Salvage is accounted for, on realisable basis.

4. Reinsurance

Reinsurance premium ceded is accounted for in the year in which the risk commences and over the period of risk in accordance with the treaty arrangements with the reinsurers. Unearned premium on reinsurance ceded is carried forward to the period of risk and set off against related unearned premium.

Premium on excess of loss reinsurance cover is accounted as per the reinsurance arrangements.

Claims recoverable from reinsurers are accounted for in the same period as Claims.

Commission on reinsurance ceded is recognised as income during the year in which the reinsurance premium is ceded. Profit commission is accounted when due.

5. Terrorism Pool

The Company has subscribed to a pool created by Indian non life insurers for insurance of terrorism risk ('the Pool') from 1st April 2002, managed by General Insurance Corporation of India ('the Pool Manager'). In terms of the Pool agreement, the Company reinsures the entire terrorism risk underwritten by it with the Pool and the Pool Manager is required to protect the portfolio for common account and retrocede it back to all Pool members including the Pool Manager, in proportion to their accepted shares.

Accordingly, based on statements received from the Pool Manager up to the finalisation of financial statements, the Company combines its proportionate retrocession share of the Pool's income and expenses with similar items in its financial statements, on a line-by-line basis.

A reserve for unexpired risks is recorded at 100 per cent (Previous Year: 50%) of the net premium retroceded to the Company from the Pool during the year.

6. Investments and investment income

- a) Investments are made in accordance with the Insurance Act, 1938 and the Insurance Regulatory & Development Authority (Investment) (Amendment) Regulations, 2001.
- b) Investments are recorded at cost including acquisition charges (such as brokerage, transfer stamps etc), if any, and exclude interest paid on purchase. Investments maturing within or intended to be held for a period of less than twelve months are classified as 'Short term investments' while those maturing beyond or intended to be held for a period of twelve months or above are classified as 'Long term investments'.
- c) Debt securities, which include government securities are considered as 'held-to-maturity' and are measured at historical cost. The premium, if any, on purchase of debt securities is amortised over the period to maturity based on their intrinsic yield.
- d) Investment income is allocated to the respective Revenue accounts and the Profit and Loss Account based on the ratio of average "Technical Funds" and "Shareholders' Funds" respectively (average of funds at the beginning and at the end of the year).

'Technical Funds' in relation to policyholder funds are the aggregate of outstanding claims, estimates for IBNR, IBNER and reserve for unexpired risk. "Shareholders' Funds" are the aggregate of funds available to the Company's shareholders, i.e., networth of the Company.

- e) Fair value of investments is computed for quoted investments on the basis of the last available market price/yield-to-maturity valuation. All mutual fund investments are valued at realisable Net Asset Value and any unrealised gains or losses is accounted in "Fair Value Change Account" and carried forward to the Balance Sheet.

- f) The net realised gains or losses on debt securities are the differences between the net sale consideration and the amortized cost, which is computed on a weighted average basis. In case of mutual fund units, the profit or loss on actual sale of investment includes the accumulated changes in the fair value previously recognised under "Fair Value Change Account".

The difference between the acquisition price and the maturity value of treasury bills is recognised as income in the revenue account or the profit and loss account, as the case may be, over the remaining term of these instruments on a yield to maturity basis.

7. Fixed assets and depreciation

- a) Fixed assets are stated at cost less accumulated depreciation.
- b) Depreciation on fixed assets, other than Information Technology Equipment, Information Technology Software and vehicles is provided at rates prescribed in Schedule XIV to the Companies Act and is based on the written down value method of depreciation.

Depreciation on Information Technology Equipment is provided at 60 per cent based on the written down value method. Depreciation on Information Technology Software is provided at 33.33 per cent on the straight line method of depreciation.

Depreciation on vehicles is provided at 25% on straight line method on 90% of the cost. (10% of the cost is taken as the residual value).

- c) Assets purchased costing less than Rs 5,000 individually, are written down to Re 1.
- d) In accordance with Accounting Standard 19 – 'Leases' issued by the ICAI, the Company has capitalised vehicles taken on finance lease on or after 1st April 2001 as Fixed Assets and depreciated over the lease period. Accounting for vehicles taken on finance lease prior to 1st April 2001 remains unchanged, i.e. lease rentals are expensed to 'Operating expenditure relating to insurance business'.
- e) In accordance with Accounting Standard 28 – 'Impairment of Assets' issued by ICAI, the carrying amounts of assets are reviewed, if there is any impairment indicator, at each balance sheet date in order to ascertain impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceed its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use.

8. Operating expenses

- a) Operating expenses, in the nature of acquisition costs, are expensed as incurred.
- b) Operating expenses relating to insurance business are assigned to respective business segments as follows:
- Expenses directly identifiable to the business segments are allocated on an actual basis.
 - Other expenses, which are not directly identifiable, are apportioned on the basis of the Gross written premium in each business segment during the year.

9. Retirement benefits

- a) Gratuity and Superannuation: The Company's liability towards gratuity is covered by a group policy with Life Insurance Corporation of India based on actuarial valuation. The Company's liability towards superannuation is covered by a group policy with Life Insurance Corporation of India.
- b) Provident Fund: The Company's liability towards provident fund is accrued and accounted for each month.

10. Income-tax

Tax expense comprises of current, deferred and fringe benefit tax. Current income-tax and fringe benefit tax are measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961. Deferred income-tax reflects the impact of current year timing difference between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognised only to the extent that there is a virtual certainty that sufficient future taxable income will be available against which, such deferred tax assets can be realised. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is a virtual certainty that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are reassessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which, such deferred tax assets can be realised.

11. Transactions in foreign exchange

- a) Transactions in foreign currency are recorded at the rate of exchange on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange at the year-end.
- b) Exchange differences arising on foreign currency transactions are recognised as income or expense in the year in which they arise.

12. Provision for Contingencies

In accordance with Accounting Standard 29 – 'Provisions, Contingent liabilities and Contingent assets' issued by ICAI, provisions are created in respect of obligations as a result of past events and it is probable that an outflow of resources will be required to settle the obligations, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

13. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

SCHEDULE 17

1. Royal Sundaram Alliance Insurance Company Limited ('the Company') was incorporated under the Companies Act, 1956 on 22nd August 2000. The Company received its Certificate of Registration from the Insurance Regulatory and Development Authority on 23rd October 2000 to transact General Insurance Business
2. The Company has no contingent liabilities in respect of the following as at 31st March, 2006
 - Partly paid investments;
 - Underwriting commitments relating to investment activities;
 - Claims, other than those under policies, not acknowledged as debts;
 - Guarantees given by or issued on behalf of the Company;
 - Statutory demands/liabilities in dispute, not provided for;
 - Reinsurance obligations.
3. The assets of the Company are free from encumbrances, other than 'Leased Vehicles' acquired on or after 1st April 2001, which have been capitalised in accordance with Accounting Standard 19 - 'Leases', issued by ICAI.
4. In respect of 'Leased Vehicles' forming part of Fixed Assets, the Company has committed future lease payments as detailed below.

(Rs '000)

	Future lease payments	Principal outstanding
Within next 12 months	Rs. 336 (31st March, 2005 : Rs.3,053)	Rs. 327 (31st March, 2005-Rs.2,287)
After 12 months but within 60 months	Rs. NIL (31st March, 2005- 336)	Rs. NIL (31st March, 2005-Rs.327)

5. Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payment for the non-cancellable period of the operating leases are recognized as an expense over the lease term. Lease payments debited to the profit and loss account during the year amounts to Rs.54,201,025 (Previous Year: Rs.46,002,383).

(Rs '000)

Minimum Lease Payments	31st March 2006	31st March 2005
Not later than one year	48,649	39,329
Later than 1 year but not later than 5 years	47,746	19,451
Later than 5 years	-	-

6. There are no commitments made and outstanding for Loans and Investments. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is Rs.2,348,223 (31st March 2005: Rs 9,927,000).

7. As at 31st March, 2006, the Company had 4032 claims (31st March, 2005: 2423 claims) that remained outstanding for a period exceeding six months aggregating to Rs.807,050,318 (31st March, 2005: Rs 559,867,803). The claims were outstanding due to non-submission of essential documents by the insured and in respect of motor third party claims due to legal process involved. As at the year end, there are no claims outstanding for a period exceeding six months from the date when settlement has been agreed.
8. There are no contracts in relation to investments, for purchases where deliveries are pending or sales where payments are overdue.
9. As at March 31, 2006, there is no non-performing investment.
10. During the year, the Company has changed its accounting policy on depreciation of vehicles (both owned and leased vehicles) (refer 7(b) of Schedule 16) from 25.89% Written Down Value method to 25% Straight Line method. Consequent to this change, the depreciation charge is higher by Rs.750,781. Accordingly the operating profit from Fire Business is lower by Rs.150,180, operating loss from Marine Business is higher by Rs.29,939, operating loss from Miscellaneous Business is higher by Rs.570,660 and the Profit and Loss Account for the year is lower by Rs.750,781 and debit balances in Profit and Loss Account is higher by the corresponding amount.
11. Taxation

- a) Income-tax: As per the provisions of Income-tax Act, 1961, the Company has made a provision for taxation of Rs.8,550,000 (Previous Year: Rs.3,317,000) towards Minimum Alternative Tax (MAT)

In line with the Accounting policy for Deferred Taxation, the accumulated net Deferred Tax Asset is Rs.57,244,000 as on 31st March 2006. The Company, as a matter of prudence, has not created a net Deferred tax asset.

The details of Net Deferred Tax Assets are as under:

	Amount in Rs.
Deferred Tax Assets	60,411,000
Less: Deferred Tax Liabilities	3,167,000
Net Deferred Tax Asset	57,244,000

- b) Wealth tax: The Company has made wealth tax provision of Rs.39,000 (Previous Year: Rs.51,000)
- c) Fringe Benefit tax: The Company has made a Provision for Fringe Benefit Tax of Rs.6,558,023 (Previous Year: NIL)

12. Participation in Terrorism Pool

The Company has accounted for the retro cession for 4 Quarters upto December 2005 during the year.

(Rs '000)

	31st March 2006	31st March 2005
Due from the Pool Manager, beginning of the year	93,516	57,475
Premium on reinsurance accepted	14,991	34,865
Investment Income	5,872	6,207
Premium on reinsurance ceded	(2,102)	(2,942)
Claims paid on reinsurance accepted	(176)	(1,046)
Operating expenses related to insurance business	(510)	(1,043)
Profit Commission on XL	654	-
Due from the Pool Manager, end of the year	1,12,245	93,516
Claims outstanding, end of the year	(1,000)	(1,000)
Reserve for Unexpired risks, end of the year	(12,890)	(15,961)

During the year, the Company has changed its accounting policy for creation of Unexpired Risk Reserve from 50% to 100% of the Net Premium retroceded to the Company from the Pool during the year. Due to the change, the surplus in the Fire Revenue Account is lower by Rs.5,910,881 and deficit in Miscellaneous Revenue Account is higher by Rs.534,000. Correspondingly the reserve for Unexpired Risk for Fire and Miscellaneous is more by Rs.5,910,881 and Rs.534,000 respectively.

13. Contribution to the Solatium Fund

In accordance with the requirements of the IRDA, the Company has provided 0.1% of the gross written premiums on its motor business during the year ended 31st March 2006 to the Solatium Fund.

14. The sector-wise gross written premium is as follows

(Rs '000)

	31st March 2006		31st March 2005	
	Value	%	Value	%
Rural Sector	301,128	6.57	200,538	6.06
Social Sector [38,048 lives (2005 - 27,288 lives)]				
Number of policies issued - 269 (2005 - 99)	1,557	0.03	938	0.03
Other Sectors	4,283,689	93.40	3,105,519	93.91
Total Business	4,586,374	100.00	3,306,995	100.00

The business written under rural / social sector is in excess of the stipulated target set out in the IRDA Regulations.

15. Extent of risk retained and reinsured

	31st March 2006	31st March 2005
Risk retained (%)	65	60
Risk reinsured (%)	35	40

16. Managerial Remuneration

Managerial Remuneration (as per applicable statutes) paid to the Managing Director is as follows:

	(Rs '000)	
	31st March 2006	31st March 2005
Salary	2,220	1,980
Allowances and perquisites	4,376	3,807
Total	6,596	5,787

17. Related Party Disclosure

I. HOLDING COMPANY (Promoter)
Sundaram Finance Limited

II. JOINT VENTURE PROMOTERS
Royal & SunAlliance Insurance plc

III. SUBSIDIARIES OF HOLDING COMPANY / JOINT VENTURE PROMOTERS
Sundaram Home Finance Limited
Sundaram Asset Management Company Limited
Royal & SunAlliance IT Solutions (India) Private Limited

IV. KEY MANAGERIAL PERSONNEL
Mr. Antony Jacob (Managing Director)

V. RELATED PARTY TRANSACTIONS AND BALANCES:
(For the year ended 31st March 2006)

(Rs '000)

Nature of transaction	Holding Company	Joint Venture Promoters	Subsidiaries of the holding Company/ Joint Venture Promoters	Key managerial personnel	Total
INCOME					
Insurance premium received					
Sundaram Home Finance Limited	-	-	5,639	-	5,639
Sundaram Finance Limited	1,282	-	-	-	1,282
Others	-	-	652	22	674
Claims received on reinsurance					
Royal & Sun Alliance Insurance Plc	-	95,843	-	-	95,843

(Rs '000)

Nature of transaction	Holding Company	Joint Venture Promoters	Subsidiaries of the holding Company/ Joint Venture Promoters	Key managerial personnel	Total
Commission on reinsurance ceded					
Royal & Sun Alliance Insurance Plc	-	40,960	-	-	40,960
Income from Training					
Royal & Sun Alliance Insurance Plc	-	97	-	-	97
EXPENSES					
Rent paid					
Sundaram Finance Limited	22,121	-	-	-	22,121
Others	-	-	18	-	18
Payment for services received					
Sundaram Finance Limited	38,093	-	-	-	38,093
Others	-	2,513	2,318	-	4,831
Lease rentals paid					
Sundaram Finance Limited	1,919	-	-	-	1,919
Agency commission paid					
Sundaram Finance Limited	24,496	-	-	-	24,496
Remuneration paid to Managing Director					
Mr. Antony Jacob	-	-	-	6,596	6,596
Reinsurance Premium Paid					
Royal & Sun Alliance Insurance Plc	-	106,677	-	-	106,677
Insurance claims paid					
Sundaram Home Finance Limited	-	-	6,675	-	6,675
Purchase of Assets					
Sundaram Finance Limited	1,350	-	-	-	1,350
Receivable as at March 31, 2006					
Royal & Sun Alliance Insurance Plc	-	1,221	-	-	1,221
Rent deposit					
Sundaram Finance Limited	7,493	-	-	-	7,493
Payable as at March 31, 2006					
Sundaram Finance Limited	4,567	-	-	-	4,567
Royal & Sun Alliance Insurance Plc	-	44,245	-	-	44,245
Others	-	-	125	-	125
Insurance deposit					
Sundaram Finance Limited	1,500	-	-	-	1,500
Sundaram Home Finance Limited	-	675	-	-	675

There are no amounts written off/written back during the year, relating to the above transactions.

(For the year ended 31st March 2005)

(Rs '000)

Nature of transaction	Joint venture promoters	Subsidiaries of Joint venture promoters	Key managerial personnel	Total
INCOME				
Insurance premium received				
Sundaram Home Finance Limited	-	3,244	-	3,244
Others	157	298	-	455
Claims received on reinsurance				
Royal & Sun Alliance Insurance Plc	21,837	-	-	21,837
Commission on reinsurance ceded				
Royal & Sun Alliance Insurance Plc	18,069	-	-	18,069
EXPENSES				
Rent paid				
Sundaram Finance Limited	20,777	-	-	20,777
Payment for services received				
Sundaram Finance Limited	25,093	-	-	25,093
Others	-	4,810	-	4,810
Lease rentals paid				
Sundaram Finance Limited	7,585	-	-	7,585
Agency commission paid				
Sundaram Finance Limited	26,284	-	-	26,284
Remuneration paid to Managing Director				
Mr. Antony Jacob	-	-	5,787	5,787
Reinsurance Premium Paid				
Royal & Sun Alliance Insurance Plc	46,790	-	-	46,790
Insurance claims paid				
Sundaram Home Finance Limited	-	1,169	-	1,169
Others	-	45	-	45
Purchase of assets				
Royal & Sun Alliance Insurance Plc	6,000	-	-	6,000
Others	-	242	-	242
DEPOSITS				
Rent deposit				
Sundaram Finance Limited	7,493	-	-	7,493
Insurance deposit				
Sundaram Finance Limited	1,500	-	-	1,500
Others	-	628	-	628
Receivable as at March 31, 2005				
Royal & Sun Alliance Insurance Plc	1,867	-	-	1,867
Payable as at March 31, 2005				
Sundaram Finance Limited	11,331	-	-	11,331

There are no amounts written off/written back during the year, relating to the above transactions.

18. Interest earned on investments are shown net of amortisation of premium on securities. The details of amortisation of premium are as follows:

	(Rs '000)	
Particulars	31st March 2006	31st March 2005
Revenue Account		
Fire	3,162	2,514
Marine	1,532	1,165
Miscellaneous	28,617	22,667
Profit and Loss Account		
Shareholders	16,639	16,613
Total	49,950	42,959

19. Segment Reporting

The Company's business is organised on a national basis and caters to the non-life insurance business. Accordingly, the Company has provided primary segmental information, in Annexure I, as per Accounting Standard 17 – 'Segment Reporting' issued by ICAI, read with Accounting Regulations.

20. Summary of Financial Statements

A summary of financial statements as per the formats prescribed by the IRDA in its circular dated 29th April, 2003 is provided in Annexure 2.

21. Accounting Ratios

Accounting Ratios prescribed by the IRDA in its circular dated 29th April, 2003 are provided in Annexure 3.

22. Prior period amounts have been reclassified, wherever necessary, to conform with the current year's presentation.

G K Raman
Chairman

Antony Jacob
Managing Director

P M Venkatasubramanian
Director

A Rangaswami
Director

Place : Chennai
Date : May 9, 2006

V K Raman
Chief Financial Officer

S R Balachandher
Company Secretary

16. SEGMENT REPORTING

Annexure 1

The Company's business is organised on a National basis and caters to the non-life insurance business. Accordingly, the Company has provided primary segmental information, as per Accounting Standard 17 - 'Segment Reporting' issued by ICAI, read with the Accounting Regulations.

Segment revenues are either directly attributed to or, in the case of bundled products, allocated to the individual segments. There are no inter segment revenues.

Operating expenses are attributed to the business segments in line with accounting policy 8 in Schedule 16.

Since the business operations of the Company are entirely in India, the same is considered as one geographical segment.

(For the year ended 31st March 2006)

Particulars	(Rs. '000)											
	Fire	Marine Cargo	Marine Hull	Motor	Workmens Compensation / Employers Liability	Public / Product Liability	Engineering	Personal Accident	Health Insurance	Others	Investment of Shareholders funds	Total
Premium earned (net)	234,038	110,009	118	1,567,154	9,710	14,446	58,360	176,536	284,389	39,643	-	2,494,403
Profit on sale / redemption of investments	661	320	-	4,714	19	38	140	381	564	131	3,480	10,448
Others	-	-	-	329	-	-	-	-	-	-	242	571
Interest (net of amortisation)	12,689	6,139	8	90,431	367	726	2,683	7,306	10,817	2,512	66,772	200,450
Total segmental revenue	247,388	116,468	126	1,662,628	10,096	15,210	61,183	184,223	295,770	42,286	70,494	2,705,872
Claims incurred (net)	(92,878)	(104,148)	-	(1,125,937)	(3,687)	(8,477)	(20,341)	(67,016)	(163,652)	(30,458)	-	(1,616,594)
Commission received / (paid), net	166,275	(5,484)	1,221	(127,891)	(306)	3,137	53,601	(10,750)	(16,236)	(1,696)	-	61,871
Operating expenses related to insurance business	(205,474)	(29,772)	(810)	(519,812)	(2,308)	(8,074)	(68,661)	(65,813)	(136,776)	(10,620)	(1,543)	(1,049,663)
Total segmental expenses	(132,077)	(139,404)	411	(1,773,640)	(6,301)	(13,414)	(35,401)	(143,579)	(316,664)	(42,774)	(1,543)	(2,604,386)
Segmental (loss) / profit	115,311	(22,936)	537	(111,012)	3,795	1,796	25,782	40,644	(20,894)	(488)	68,951	101,486
Other income	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated corporate expenses	-	-	-	-	-	-	-	-	-	-	-	-
Provision for income and wealth tax	-	-	-	-	-	-	-	-	-	-	-	(15,147)
Net profit for the year												86,339

NOTES TO FINANCIAL STATEMENTS

Particulars	(Rs. '000)											
	Fire	Marine Cargo	Marine Hull	Motor	Workmens Compensation / Employers Liability	Public / Product Liability	Engineering	Personal Accident	Health Insurance	Others	Investment of Shareholders funds	Total
Premium earned (net)	190,928	83,812	-	1,093,982	5,006	6,349	44,857	137,724	142,306	27,826	-	1,732,790
Profit on sale / redemption of investments	(152)	(71)	-	(1,095)	(4)	(5)	(36)	(120)	(87)	(27)	(1,007)	(2,604)
Others	-	-	-	182	-	-	-	-	-	-	-	182
Interest (net of amortisation)	8,026	3,718	3	57,647	191	286	1,909	6,316	4,584	1,422	53,028	137,130
Total segmental revenue	198,802	87,459	3	1,150,716	5,193	6,630	46,730	143,920	146,803	29,221	52,021	1,867,498
Claims incurred (net)	(97,055)	(54,519)	-	(784,810)	(2,042)	(28)	(13,138)	(74,140)	(93,898)	(17,424)	-	(1,137,054)
Commission received / (paid), net	94,825	(2,755)	865	(87,743)	(209)	1,565	42,819	4,251	(1,594)	235	-	52,259
Operating expenses related to insurance business	(122,327)	(30,859)	(809)	(356,708)	(1,439)	(6,356)	(51,416)	(66,914)	(82,589)	(8,611)	-	(728,028)
Total segmental expenses	(124,557)	(88,133)	56	(1,229,261)	(3,690)	(4,819)	(21,735)	(136,803)	(178,081)	(25,800)	-	(1,812,823)
Segmental (loss) / profit	74,245	(674)	59	(78,545)	1,503	1,811	24,995	7,117	(31,278)	3,421	52,021	54,675
Other income	-	-	-	-	-	-	-	-	-	-	-	316
Unallocated corporate expenses	-	-	-	-	-	-	-	-	-	-	-	(1,523)
Provision for income and wealth tax	-	-	-	-	-	-	-	-	-	-	-	(3,368)
Net profit for the year												50,100

Annexure 2
Rs. in Lakhs
Summary of Financial Statements

Particulars	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
OPERATING RESULTS						
1 Gross Premiums Written	45,863.7	33,070.0	25,776.0	18,444.1	7,112.7	23.6
2 Net Premium Income#	29,688.7	20,162.2	15,631.1	10,917.3	3,674.3	18.6
3 Income from investments (net)@	1,406.5	825.0	959.7	731.1	143.3	-
4 Other income -Transfer fee etc	3.3	1.8	2.2	0.7	-	-
5 Total Income	31,098.5	20,989.0	16,593.0	11,649.1	3,817.6	18.6
6 Commissions	(1,087.7)	(863.8)	(1,384.5)	(1,346.9)	(615.3)	(1.2)
7 Brokerage	469.0	341.2	134.5	-	-	-
8 Operating Expenses	10,481.2	7,280.3	6,488.9	5,535.6	4,200.4	1,483.5
9 Claims, increase in Unexpired Risk Reserve and Other outgoes	20,910.6	14,204.8	11,368.4	9,126.7	3,530.1	10.8
10 Operating Profit/loss	325.4	26.5	(14.3)	(1,666.3)	(3,297.6)	(1,474.5)
Non Operating Result						
11 Total income shareholders' account	689.5	508.1	815.4	1,167.0	845.0	386.9
12 Profit/(loss) before tax	1,014.9	534.6	801.1	(499.3)	(2,452.7)	(1,087.6)
13 Provision for tax	151.5	33.6	0.2	0.2	-	-
14 Profit/(loss) after tax	863.4	501.0	800.9	(499.5)	(2,452.7)	(1,087.6)
MISCELLANEOUS						
15 Policyholders' Account						
Total funds	26,345.7	15,869.7	13,361.3	8,312.3	3,052.1	10.7
Total investments	25,098.6	15,838.2	12,692.3	8,232.9	2,970.1	-
Yield on investments	6.2%	5.2%	8.5%	12.8%	10.3%	-
16 Shareholders' Account						
Total funds	12,125.5	10,006.4	9,750.7	8,939.6	9,428.8	8,971.1
Total investments	11,551.5	9,986.5	9,262.5	8,854.1	9,175.6	8,198.4
Yield on investments	6.2%	5.2%	8.5%	12.8%	10.3%	10.5%
17 Paid up equity capital	14,000.0	13,000.0	12,989.7	12,979.4	12,969.0	10,058.7
18 Net worth	12,125.4	10,262.1	9,750.7	8,939.6	9,428.8	8,971.1
19 Total assets	44,938.9	32,651.1	25,732.5	20,470.6	14,704.1	9,502.4
20 Yield on total investments	6.2%	5.2%	8.5%	12.8%	10.3%	10.5%
21 Earnings per share (Rs.)*	0.8	0.4	0.6	(0.4)	(2.1)	(1.1)
22 Book Value per share (Rs.)	8.7	7.9	7.5	6.9	7.3	8.9
23 Total Dividend			-	-	-	-
24 Dividend per share (Rs.)			-	-	-	-
# Net of reinsurance						
@ Net of losses						
* EPS has been calculated in accordance with AS-20 Basic & Diluted (Face Value Rs.10/- each) Profit / (Loss) for the year	863.4	501.0	800.9	(499.5)	(2,452.7)	(1,087.6)
Weighted Average Number of Shares at the end of the year	130,027,397.0	130,000,000	130,000,000	130,000,000	115,698,630	101,000,000

Annexure 3
Ratios for Non-life Insurance Companies

Sl No	Performance Ratio	2005-06	2004-05
1	Gross premium growth rate (segment wise) (Gross premium for the current year divided by gross premium for the previous year)	Schedule 1	Schedule 1
2	Gross premium to shareholders' fund ratio: (Gross premium for the current year divided by the paid up capital plus free reserves)	3.78	3.22
3	Growth rate of shareholders' funds: (Shareholders' funds as at the current balance sheet date divided by the shareholders' funds at the previous balance sheet date)	18.2%	5.2%
4	Net retention ratio (segment wise) (Net premium divided by gross premium)	Schedule 2	Schedule 2
5	Net commission ratio (segment wise) (Commission net of reinsurance for a class of business divided by net premium)	Schedule 3	Schedule 3
6	Expenses of Management to gross direct premium ratio (Expenses of Management divided by the total gross direct premium)	22.9%	22.0%
7	Combined ratio: (Claims paid plus expenses divided by gross premium)	77.5%	64.6%
8	Technical reserves to net premium ratio (Reserve for unexpired risks plus premium deficiency reserve plus reserve for outstanding claims divided by net premium)	89.2%	91.9%
9	Underwriting balance ratio (segment wise) (Underwriting profit divided by net premium for the respective class of business)	Schedule 4	Schedule 4
10	Operating profit ratio (Underwriting profit plus investment income divided by net premium)	1.1%	0.1%
11	Liquid assets to liabilities ratio (Liquid assets of the insurer divided by the policy holders' liabilities)	10.2%	13.1%
12	Net earnings ratio (Profit after tax divided by net premium)	2.9%	2.5%
13	Return on networth (Profit after tax divided by net worth)	7.1%	4.9%
14	Reinsurance ratio (Risk reinsured divided by gross premium)	35.3%	40.2%

Accounting Ratios - Schedule 1
Gross premium growth rate

Segment	Growth (%)	
	2005-06	2004-05
Fire	46%	25%
Marine	9%	26%
Motor	45%	23%
Workmen's Compensation/ Employers Liability	63%	56%
Public/Product Liability	43%	42%
Engineering	2%	44%
Personal Accident	5%	13%
Health Insurance	70%	84%
Others	15%	36%
Total	39%	28%

Accounting Ratios - Schedule 3
Net commission ratio

Segment	% to NP	
	2005-06	2004-05
Fire	-60%	-40%
Marine	3%	3%
Motor	7%	7%
Workmen's Compensation/ Employers Liability	3%	3%
Public/Product Liability	-20%	-15%
Engineering	-83%	-82%
Personal Accident	6%	-3%
Health Insurance	4%	1%
Others	4%	-1%
Total	-2%	-3%

Accounting Ratios - Schedule 2
Net retention ratio

Segment	% to GP	
	2005-06	2004-05
Fire	30%	38%
Marine	68%	57%
Motor	79%	79%
Workmen's Compensation/ Employers Liability	75%	70%
Public/Product Liability	30%	27%
Engineering	23%	19%
Personal Accident	77%	57%
Health Insurance	80%	60%
Others	73%	72%
Total	65%	60%

Accounting Ratios - Schedule 4
Underwriting balance ratio

Segment	% to NP	
	2005-06	2004-05
Fire	37%	28%
Marine	-23%	-4%
Motor	-11%	-11%
Workmen's Compensation/ Employers Liability	33%	22%
Public/Product Liability	6%	15%
Engineering	36%	44%
Personal Accident	18%	1%
Health Insurance	-8%	-20%
Others	-8%	6%
Total	-4%	-4%

In accordance with Part IV Schedule B of the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations, 2002, the following Report is submitted by the Management:

1. We confirm that the validity of the Certificate of Registration granted by the Insurance Regulatory and Development Authority, to transact general insurance business, has been subsequently renewed and is valid till 31st March 2007. The licence is due for renewal on an annual basis as per the Insurance Regulatory and Development Authority (Registration of Indian Insurance Companies) Regulations, 2000.
2. We certify that all dues payable to the Statutory Authorities have been duly paid.
3. We confirm that the shareholding pattern during the year ended 31st March 2006 is in accordance with the statutory/ regulatory requirements.
4. We declare that the funds of the holders of policies issued in India have not been directly or indirectly invested outside India.
5. The Company has maintained the required solvency margins.
6. The values of all the assets have been reviewed on the date of the Balance Sheet and in our belief the assets set forth in the Balance Sheet are shown in the aggregate at amounts not exceeding their realisable or market value under the headings 'Investments', 'Interest, Dividends and Rents accruing but not due', 'Amounts due from other persons or Bodies carrying on insurance business', 'Cash' and the several items specified under 'Other Accounts', except debt securities which are shown at amortised cost.
7. The Company is exposed to a variety of risks such as quality of risks underwritten, fluctuations in the value of assets and higher expenses in the initial years of operation. The Company monitors these risks closely and effective remedial action is taken wherever required.

The Company through an appropriate reinsurance programme has kept its risk exposure at a level commensurate with its capacity.

8. The Company does not have operations in other countries and hence there is no country/currency fluctuation risks except balance in a bank account outside India.
9. The trend in average claim settlement time during the preceding 5 years is given hereunder: -

Particulars	2005-06	2004-05	2003-04	2002-03	2001-02
Claims settled within 30 days (in %)	69%	62%	55%	56%	57%
Average settlement time (number of days)	35	38	41	38	38
Motor Third Party settlement time (number of days)	381	343	225	*	*

* Few Motor Third Party claims were settled in the initial years and hence not relevant for the comparison.

10. Investments in Government Securities and other debt securities have been considered as 'held to maturity' and have been measured at historical cost subject to amortisation.

The market values of actively traded investments have been ascertained by reference to the quotations published for the last working day by the Stock Exchange/Fixed Income Money Market and Derivatives Association of India (FIMMDA). The market values of unquoted investments in debt securities including Government Securities have been ascertained on the basis of prevailing yield to maturity.

11. The Company has adopted a prudent investment policy with emphasis on optimising return with minimum risk. Significant weighting of the assets has been made towards low risk/liquid investments such as Government securities, Treasury bills and other good quality debt instruments. Fair value of investments is computed for quoted investments, on the basis of the last available market price/yield-to-maturity valuation.

The average yield on investments after considering the profit on sale and amortisation of costs of investments is 6.2%. All investments in our portfolio as at 31st March 2006 are performing investments.

12. Directors' Responsibility Statement:

- i) In the preparation of financial statements, the applicable Accounting Standards, principles and policies have been followed along with proper explanations relating to material departures, if any.
- ii) The Management has adopted accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the operating profit and of the net profit of the Company for the year ended 31st March 2006.
- iii) The Management has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the applicable provisions of the Insurance Act, 1938, (4 of 1938) / Companies Act, 1956, (1 of 1956), for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) The Management has prepared the financial statements on a going concern basis;
- v) The Management has ensured that an internal audit system commensurate with the size and nature of the business exists and is operating effectively.

13. The schedule of payments to individuals, firms, companies and organizations in which the directors of the company are interested have been included in Note No.17 of the Notes to Financial Statements in terms of IRDA letter dated 16th May 2002.

G K Raman
Chairman

Antony Jacob
Managing Director

P M Venkatasubramanian
Director

A Rangaswami
Director

Place : Chennai
Date : May 9, 2006

V K Raman
Chief Financial Officer

S R Balachandher
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Statement pursuant to Part IV of Schedule VI to the Companies Act, 1956)

1. Registration Details:

Registration No.	1	8	-	4	5	6	1	1
State Code							1	8
Balance Sheet Date	3	1	-	0	3	-	0	6

2. Capital raised during the year: (Amount in Rs. Thousands)

Public Issue						N	I	L
Rights Issue			1	0	0	0	0	0
Bonus Issue						N	I	L
Private Placement						N	I	L

3. Position of mobilisation and deployment of funds: (Amount in Rs. 000)

Total Liabilities		1	4	0	0	4	0	3
Total Assets		1	4	0	0	4	0	3

Source of Funds:

Paid-up Capital		1	4	0	0	0	0	0
Fair Value Change Account							7	6
Secured Loans						3	2	7
Unsecured Loans						N	I	L

Application of Funds:

Net Fixed Assets			1	3	0	6	8	2
Investments		3	6	6	5	0	0	4
Net Current Assets		(2	5	8	2	7	3	9)
Miscellaneous Expenditure						N	I	L
Accumulated Losses			1	8	7	4	5	6

4. Performance of Company: (Amount in Rs. 000)

Turnover		2	7	0	5	8	7	2
(Net Earned Premium, income from Investments and other incomes)								
Total Expenditure		2	6	0	4	3	8	6
Profit/(Loss) before Tax			1	0	1	4	8	6
Profit/(Loss) after Tax				8	6	3	3	9
Earnings per share (Rs.)					0	.	8	0
Dividend Rate (%)						N	I	L

5. Generic names of three principal products, services of the Company (As per monetary terms):

Item Code No.	N	A														
Product Description	G	E	N	E	R	A	L	I	N	S	U	R	A	N	C	E

G K Raman
Chairman

Antony Jacob
Managing Director

P M Venkatasubramanian
Director

A Rangaswami
Director

 Place : Chennai
Date : May 9, 2006

V K Raman
Chief Financial Officer

S R Balachandher
Company Secretary

RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

Particulars	March 31, 2006	March 31, 2005
Cash flows from operating activities		
Premium received from policyholders, including advance receipts	4,645,573	3,379,206
Other receipts	926	985
Payments to the re-insurers, net of commissions and claims	73,634	(549,008)
Payments to co-insurers, net of claims recovery	(47,630)	(5,199)
Payments of claims	(2,480,801)	(1,396,234)
Payments of commission and brokerage	(339,314)	(242,329)
Payments of other operating expenses	(925,310)	(651,134)
Preliminary and pre-operative expenses		
Deposits, advances and staff loans	247	(4,638)
Income taxes paid (Net)	(11,237)	(3,160)
Service tax paid	3,527	8,075
Other payments		
Cash flows before extraordinary items		
Cash flow from extraordinary operations		
Net cash flow from operating activities	<u>919,615</u>	<u>536,564</u>
Cash flows from investing activities		
Purchase of fixed assets	(60,748)	(53,445)
Proceeds from sale of fixed assets	983	912
Purchases of investments	(4,960,218)	(6,384,214)
Loans disbursed	(1,542)	(3,431)
Sales of investments	3,868,529	5,868,034
Repayments received		
Rents/Interests/Dividends received	206,876	156,627
Investments in money market instruments and in liquid mutual funds (Net)	(30,278)	(48,766)
Expenses related to investments	(1,613)	(1,263)
Net cash flow from investing activities	<u>(978,011)</u>	<u>(465,546)</u>
Cash flows from financing activities		
Proceeds from issuance of share capital	100,000	
Proceeds from borrowing		
Repayments of borrowing		
Interest/dividends paid		
Net cash flow from financing activities	100,000	
Effect of Foreign exchange rates on Cash and Cash Equivalents, net	<u>(354)</u>	<u>110</u>
Net increase in cash and cash equivalents:	41,250	71,128
Cash and Cash equivalents at the beginning of the year	293,540	222,412
Cash and cash equivalents at the end of the year	<u>334,790</u>	<u>293,540</u>

Per our report of even date attached

For and on behalf of the Board of Directors

 For **S R Batliboi & Co.**
Chartered Accountants

 For **N C Rajagopal & Co.**
Chartered Accountants

G K Raman
Chairman

Antony Jacob
Managing Director

Per Mahendra Jain
Partner
Membership No: 205839

R Vasudevan
Partner
Membership No: 200903

P M Venkatasubramanian
Director

A Rangaswami
Director

 Place: Chennai
Date : May 9, 2006

V K Raman
Chief Financial Officer

S R Balachandher
Company Secretary



Royal Sundaram

Royal Sundaram Alliance Insurance Company Limited

Corporate Office: "Sundaram Towers" 45 & 46, Whites Road, Chennai 600 014
Registered Office: 21, Patullos Road, Chennai 600 002