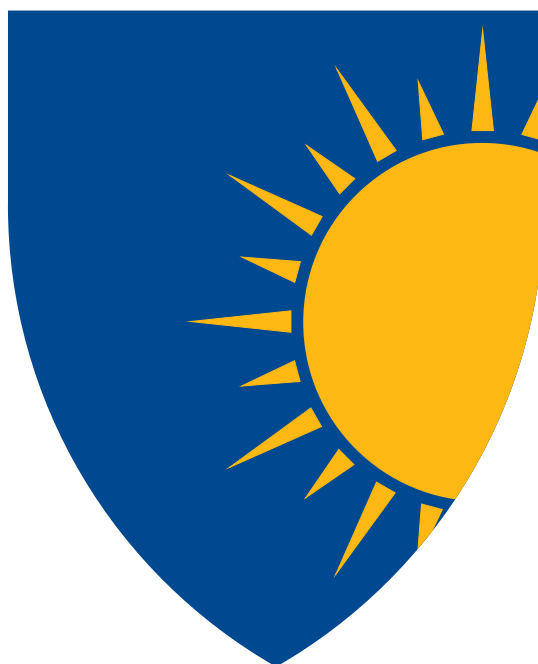


Royal Sundaram Alliance Insurance Company Limited



Seventh Annual Report 2006 - 2007



ROYAL SUNDARAM ALLIANCE INSURANCE COMPANY LIMITED

Board of Directors

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

Audit Committee

P.M. Venkatasubramanian	Chairman
T.T. Srinivasaraghavan	
Philip W. Head	
Antony Jacob	

Chief Financial Officer

V.K. Raman

Company Secretary

S.R. Balachandher

Auditors

M/s. N.C. Rajagopal & Co., Chartered Accountants, Chennai

M/s. Brahmayya & Co., Chartered Accountants, Vijayawada

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.royalsundaram.com

Regional Offices

Chennai, Gurgaon, Kolkata & Mumbai.

Royal Sundaram Alliance Insurance Company Limited

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DIRECTORS' REPORT

Dear Members,

The Directors of your Company have pleasure in presenting the Seventh Annual Report on the Business and Operations, and the Audited Financial Statements of the Company for the year ended 31st March 2007.

Review of the Financial Performance for 2006-2007

The highlights of the Financial Results of the Company are:

	(Rupees in lakhs)	
	2006-07	2005-06
Gross Written Premium	59820	45864
Net Written Premium	38955	29688
Net Earned Premium	33358	24944
Net Incurred Claims	20374	16166
Net Commission – Outgo/(Income)	(97)	(618)
Expenses of Management	13637	10481
Underwriting Profit /(Loss)	(556)	(1085)
Investment Income - Policyholders	2296	1410
General Insurance Results Profit /(Loss)	1740	325
Investment Income - Shareholders	993	703
Other Income/(Outgo)	(15)	(13)
Profit/(Loss) for the Year	2718	1015
Provision for taxation	(600)	(152)
Profit After Tax	2118	863

Business Performance:

The Company achieved a Gross Written Premium of Rs. 598.20 cr. for 2006/2007 (previous year Rs.458.64 cr.), registering an impressive growth rate of 30%. The underwriting loss was Rs.5.56 cr. (loss Rs.10.85 cr.). After considering the investment income of Rs.32.89 cr. and providing for other outgoings and taxes, amounting to Rs.6.14 cr., the net profit for the year amounted to Rs. 21.18 cr. (Rs.8.63 cr.), thus enabling your company to wipe off its accumulated loss of Rs.18.75 cr. at the end of the previous year.

In 2006-07, the non-life Insurance Market in India grew by 22.4% and the market share of the private companies increased from 26 % to 35%. During this period the market share of your Company also grew to 2.4 % of the overall non-life business, as compared to 2.2% in the previous year.

Market Developments :

IRDA announced the discontinuance of the tariff rates effective January 1, 2007. This meant that the non-life Insurers are 'free to price' Property and Motor portfolios, which account for nearly 70% of the total Industry portfolio, and are no longer bound by the erstwhile Tariff. The early days have witnessed a near 20% drop in Motor Own Damage rates and 40% drop in Fire and Engineering rates. The market practices, which were so far dictated by the tariffs, would now have to be evolved by the Industry, to ensure a healthy and profitable growth in a detariffed scenario. Pricing of products would henceforth depend on the experience of the respective Insurance Companies and also to a great extent, the Industry experience. Such a

Royal Sundaram Alliance Insurance Company Limited

DIRECTORS' REPORT (Contd.)

move would ensure price rationalisation and risk-based pricing, thereby benefiting the customers. Your Company is confident that this development will lead to a more mature non-life insurance market in our Country, in the near future.

The Motor Third Party rates were revised upward during the year, though not up to the expectation of the Insurers. Creation of a separate Pool to handle 'Third Party risks' of Commercial Motor vehicle Insurances, effective April 1, 2007, was announced. The surpluses/losses of the pool will be shared by the players in proportion to their GWP.

In view of the favourable experience in the Own Damage section of Commercial Motor Vehicles, your Company aims to develop this segment of business in a significant manner. Your Company's past experience in underwriting Commercial Motor Vehicles will enable it to take advantage of these developments.

Commercial Insurances

The Commercial Insurance Business recorded a growth of 16%, achieving a Gross Written Premium (including Reinsurance Inward Premium) of Rs.209.48 cr. (Rs.180.63 cr.).

Your Company further expanded its position in its chosen business segments, in keeping with its Risk appetite. The Company can take pride in the list of corporate clients insured, many of them in Fortune 500 category.

The Company has also developed very good business relationships with International, National and Local Brokers, resulting in a significant increase in business through this channel.

Personal Insurances

The Personal Insurances Business segment has also witnessed a growth of 39.6%, achieving a Gross Written Premium (including Reinsurance Inward Premium) of Rs.391.1 cr. (Rs.280.2 cr.).

The significant growth achieved by your Company is primarily attributable to the key alliances it had created in the past with several distribution partners like SBI-GE, Standard Chartered Bank, CitiBank and Motor Vehicle Manufacturers like Maruti Udyog and General Motors and with several NGOs like BASIX.

The distribution network across India has expanded to cover 175 cities and the contribution from distribution partners doubled in 2006-07 particularly in the individual health business. The Motor business volumes, from Manufacturer's tie up, grew by 86%.

Your company's strong relationships with bank partners and the vast opportunity in the 'Health' segment ensured that the Gross Written Premium in Individual Health business more than doubled during 2006-07.

Your Company also expanded its strategic tie-ups with major Motor vehicle dealers, Banks, Financial Institutions and Retail chains, to market its Home, Personal Accident and Health policies. These relationships are expected to benefit the Retail portfolio of your Company quite significantly in future.

Your Company has always been committed to providing 'best in class' service to all its valued customers. The Company achieved an index score of 82 (bench mark = 83) in the customer survey conducted through AC Nielsen and was also short-listed by Avaya for the Customer responsiveness award in Insurance - the only company in the non-life Insurance sector to be short-listed.

As a value added service, 'sms' alerts for Renewal of policy, and on status of claims have been implemented. Your Company has also introduced the 'Do not Call' registry to its customers to ensure that their privacy is not affected.

Rural and Social Sector

Your Company continued to surpass its obligations in the Rural and Social Sectors, achieving a premium of Rs.48.24 cr. as against the Regulatory requirement of Rs.30 cr. and covering 64,263 lives compared with the Regulatory requirement of 25,000 lives.

DIRECTORS' REPORT (Contd.)

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, striving all the time to improve Turn Around Times (TATs) in settlement of claims.

The company is effectively using a combination of methods to achieve significantly improved TATs in claims settlement. The Company has been accelerating simple, standard claims, (Fast track settlement) by educating and empowering people, offering cashless facility through a wide network of offices and through clearly defined and well-documented claims procedures. The claims reported are monitored at each stage of the process, so as to ensure speedier and efficient customer service.

In 2006-07, your company settled more than 1 lakh claims and 70% of the volumes were settled within a month. During the year, your Company had to cope with flash floods in Surat and Chennai, during the monsoon season.

The praise and appreciation from many of our Corporate and Individual customers is a testimony to our robust and efficient claim settlement process.

Technology

Your Company attaches great importance to the creation of a robust technology infrastructure, to cater to the increasing demands of the market. Various e-initiatives are being developed to enable increased customer service and satisfaction.

Outlook for 2007-2008

The various changes initiated by IRDA, viz., detariffication of the major product segments, creation of a separate Motor Third Party Risk Pool for Commercial Vehicles and revamping of the existing File & Use mechanism in respect of all products that fall with in the ambit of the detariffed category, are expected to pose several challenges to the existing players in terms of realigning their market strategy to protect their pricing and profitability.

Your Company is working on a clear-cut strategy to maintain and improve its market share, by investing significantly in technical rating of the risks, equipping people with appropriate skill sets, winning the confidence of customers through focussed and personalised services, exploring alternate channels of distribution and designing new products.

People

Your Company has 661 Employees, an increase of 111 people from the 550 employees at the end of the previous year. Your Company continues to focus on training and enhancing the skills of our people. Many of the employees were sponsored to attend International Training Programmes to improve their skills.

Your Company has a network of 41 branches spread across the Country, including the four Regional Offices at Chennai, Gurgaon, Mumbai and Kolkatta.

Investments

Your Company earned an investment income of Rs 32.88 cr. for the year ended 31st March 2007 (Rs.21.13 cr) and the yield on daily average funds was 6.9% as compared to 6.18% in the previous year.

The Company's total investments crossed the Rs.500 cr. mark for the first time, during the year.

Royal Sundaram Alliance Insurance Company Limited

DIRECTORS' REPORT (Contd.)

Dividend

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

Board of Directors

Mr.Simon Lee, Director relinquished his office in November 2006. 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.Paul Whittaker was appointed as an Additional Director in terms of Section 260 of the Companies Act, 1956, in November 2006. He retires at the forthcoming Annual General Meeting and, being eligible, offers himself for appointment as Director, subject to retirement by rotation.

Messrs.G.K.Raman, T.T.Srinivasaraghavan, Antony Jacob and R.Haresh, Directors of your Company, retire by rotation and, being eligible, offer themselves for re-appointment.

Audit Committee

The 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	5
Audit Committee	3
Investment Committee	2
Executive Committee	5

Internal Audit

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

Statutory Auditors

M/s N.C.Rajagopal & Co., Chartered Accountants, Chennai and M/s Brahmayya & Co., Chartered Accountants, Vijayawada were appointed as the Joint Statutory Auditors of your Company.

Both the Joint Auditors retire at the forthcoming Annual General Meeting and being eligible, offer themselves, for reappointment.



DIRECTORS' REPORT (Contd.)

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 Section 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

The Company had foreign exchange earnings equivalent to Rs.11.42 cr. and the outgo amounted to Rs.25.13 cr. for the year ended 31st March 2007.

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 2007, 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 2007;
- (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.

Royal Sundaram Alliance Insurance Company Limited

DIRECTORS' REPORT *(Contd.)*

Acknowledgement

The Director's 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 the Company. We are highly appreciative of the support and co-operation of all the Shareholders and express our gratitude. The Directors also thank all the employees of the Company for their commitment, teamwork and excellent contribution during the year.

For and on behalf of the Board

Place: Chennai

Date: 10th May 2007

G K Raman

Chairman



AUDITORS' REPORT TO THE MEMBERS

1. We have audited the attached Balance Sheet of ROYAL SUNDARAM ALLIANCE INSURANCE COMPANY LIMITED ("the Company") as at 31st March 2007 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.
 - 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. We have relied on the appointed Actuary's certificate in this regard.
 - vi. On the basis of the written representations received from the directors, as on 31st March 2007, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2007 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

Royal Sundaram Alliance Insurance Company Limited

AUDITORS' REPORT TO THE MEMBERS (Contd.)

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 2007;
- 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 2007 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

V. Anantharaman
Partner
Membership No: 11043

For **Brahmayya & Co.**
Chartered Accountants

C. Murali Krishna
Partner
Membership No: 20884

Place: Chennai
Dated: 10th May, 2007

**REVENUE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007 (FIRE BUSINESS)**

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 2007	31st March 2006
1 Premiums Earned (Net)	1A	292,026	234,038
2 Profit/(Loss) on sale/redemption of Investments		528	661
3 Others		—	—
4 Interest, Dividend and Rent (Net of amortisation) [Gross Interest Rs. 20,754 thousand (Previous Year : Rs. 15,851 thousand)] (Refer note 18 of Schedule 17)		17,915	12,689
Total (A)		<u>310,469</u>	<u>247,388</u>
1 Claims Incurred (Net)	2A	54,156	92,878
2 Commission	3A	(164,193)	(166,275)
3 Operating Expenses related to Insurance Business	4	232,425	205,474
4 Premium Deficiency		—	—
Total (B)		<u>122,388</u>	<u>132,077</u>
Operating Profit/(Loss) from Fire Business C = (A-B)		<u>188,081</u>	<u>115,311</u>
Appropriations			
Transfer to Shareholders' Account		188,081	115,311
Transfer to Catastrophe Reserve		—	—
Transfer to Other Reserves		—	—
Total (C)		<u>188,081</u>	<u>115,311</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 N C Rajagopal & Co.
Chartered AccountantsV Anantharaman
Partner
Membership No: 11043Place: Chennai
Date : 10th May, 2007For Brahmaya & Co.
Chartered AccountantsC Murali Krishna
Partner
Membership No: 20884G K Raman
ChairmanP M Venkatasubramanian
DirectorV K Raman
Chief Financial Officer

For and on behalf of the Board of Directors

Antony Jacob
Managing DirectorA V Rajwade
DirectorS R Balachandher
Company Secretary

Royal Sundaram Alliance Insurance Company Limited

REVENUE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007 (MARINE BUSINESS)

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 2007	31st March 2006
1 Premiums Earned (Net)	1B & 1C	82,321	110,127
2 Profit/(Loss) on sale/redemption of Investments		221	320
3. Others		—	—
4 Interest, Dividend and Rent (Net of amortisation) [Gross Interest Rs. 8688 thousand (Previous Year : Rs. 7,679 thousand)] (Refer note 18 of Schedule 17)		7,499	6,147
Total (A)		<u>90,041</u>	<u>116,594</u>
1 Claims Incurred (Net)	2B & 2C	61,859	104,148
2 Commission	3B & 3C	(23,021)	4,263
3 Operating Expenses related to Insurance Business	4	31,764	30,582
4 Premium Deficiency		—	—
Total (B)		<u>70,602</u>	<u>138,993</u>
Operating Profit/(Loss) from Marine Business C = (A-B)		<u>19,439</u>	<u>(22,399)</u>
Appropriations			
Transfer to Shareholders' Account		19,439	(22,399)
Transfer to Catastrophe Reserve		—	—
Transfer to Other Reserves		—	—
Total (C)		<u>19,439</u>	<u>(22,399)</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 N C Rajagopal & Co.
Chartered Accountants

V Anantharaman
Partner
Membership No: 11043

Place: Chennai
Date : 10th May, 2007

For Brahmaya & Co.
Chartered Accountants

C Murali Krishna
Partner
Membership No: 20884

G K Raman
Chairman

P M Venkatasubramanian
Director

V K Raman
Chief Financial Officer

For and on behalf of the Board of Directors

Antony Jacob
Managing Director

A V Rajwade
Director

S R Balachandher
Company Secretary

**REVENUE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007 (MISCELLANEOUS BUSINESS)**

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 2007	31st March 2006
1 Premiums Earned (Net)	1D	2,961,445	2,150,238
2 Profit/(Loss) on sale/redemption of Investments		5,819	5,987
3 Others - Transfer fee and Duplicate fee		300	329
4 Interest, Dividend and Rent (Net of amortisation) [Gross Interest Rs. 228,894 thousand (Previous Year : Rs. 143,459 thousand)] (Refer note 18 of Schedule 17)		197,580	114,842
Total (A)		<u>3,165,144</u>	<u>2,271,396</u>
1 Claims Incurred (Net)	2D	1,921,337	1,419,568
2 Commission	3D	177,533	100,141
3 Operating Expenses related to Insurance Business	4	1,099,788	812,064
4 Premium Deficiency		—	—
Total (B)		<u>3,198,658</u>	<u>2,331,773</u>
Operating Profit/(Loss) from Miscellaneous Business C = (A-B)		<u>(33,514)</u>	<u>(60,377)</u>
Appropriations			
Transfer to Shareholders' Account		(33,514)	(60,377)
Transfer to Catastrophe Reserve		—	—
Transfer to Other Reserves		—	—
Total (C)		<u>(33,514)</u>	<u>(60,377)</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 N C Rajagopal & Co.
Chartered AccountantsV Anantharaman
Partner
Membership No: 11043Place: Chennai
Date : 10th May, 2007For Brahmaya & Co.
Chartered AccountantsC Murali Krishna
Partner
Membership No: 20884G K Raman
ChairmanP M Venkatasubramanian
DirectorV K Raman
Chief Financial Officer

For and on behalf of the Board of Directors

Antony Jacob
Managing DirectorA V Rajwade
DirectorS R Balachandher
Company Secretary

Royal Sundaram Alliance Insurance Company Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

Form B - PL

Royal Sundaram Alliance Insurance Company Limited

Registration No. and Date of Registration with IRDA : 102/23.10.2000

(Rs '000)

Particulars	Schedule	31st March 2007	31st March 2006
1 OPERATING PROFIT/(LOSS)			
a) Fire Insurance		188,081	115,311
b) Marine Insurance		19,439	(22,399)
c) Miscellaneous Insurance		(33,514)	(60,377)
2 INCOME FROM INVESTMENTS			
a) Interest, Dividend and Rent [Net of amortisation] [Gross Interest Rs. 111,613 thousand (Previous Year : Rs. 83,411 thousand)] (Refer note 18 of Schedule 17)		96,343	66,772
b) Profit on sale of investments		2,865	3,544
Less : Loss on sale of investments		(28)	(64)
3 OTHER INCOME		74	596
Total (A)		<u>273,260</u>	<u>103,383</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		655	1,543
b) Bad debts written off		—	—
c) Exchange loss		795	354
Total (B)		<u>1,450</u>	<u>1,897</u>
Profit Before Tax	(A - B)	<u>271,810</u>	<u>101,486</u>
Provision for Fringe Benefit Tax		(5,938)	(6,558)
Provision for current Taxation [including Wealth Tax Rs.19 thousand (Previous Year — Rs.39 thousand)]		(54,019)	(8,589)
Profit after tax		<u>211,853</u>	<u>86,339</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		<u>(187,456)</u>	<u>(273,795)</u>
Balance carried forward to Balance Sheet		<u>24,397</u>	<u>(187,456)</u>
Significant accounting policies	16		
Notes to financial statements	17		

Per our report of even date attached

For N C Rajagopal & Co.
Chartered Accountants

V Anantharaman
Partner
Membership No: 11043

Place: Chennai
Date : 10th May, 2007

For Brahmaya & Co.
Chartered Accountants

C Murali Krishna
Partner
Membership No: 20884

G K Raman
Chairman

P M Venkatasubramanian
Director

V K Raman
Chief Financial Officer

For and on behalf of the Board of Directors

Antony Jacob
Managing Director

A V Rajwade
Director

S R Balachandher
Company Secretary

**BALANCE SHEET AS AT 31ST MARCH, 2007**

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 2007	31st March 2006
SOURCES OF FUNDS			
SHARE CAPITAL	5	1,400,000	1,400,000
RESERVES AND SURPLUS	6	24,397	—
FAIR VALUE CHANGE ACCOUNT		—	76
BORROWINGS	7	—	—
LIABILITY FOR LEASED VEHICLES (Secured by Leased Vehicles)		—	327
TOTAL		<u>1,424,397</u>	<u>1,400,403</u>
APPLICATION OF FUNDS			
INVESTMENTS	8	4,646,624	3,665,004
LOANS	9	—	—
FIXED ASSETS	10	146,260	130,682
CURRENT ASSETS			
Cash and Bank Balances	11	516,144	334,790
Advances and Other Assets	12	<u>482,655</u>	<u>363,415</u>
Sub - Total (A)		<u>998,799</u>	<u>698,205</u>
CURRENT LIABILITIES	13	(2,248,646)	(1,720,591)
PROVISIONS	14	<u>(2,118,640)</u>	<u>(1,560,353)</u>
Sub - Total (B)		<u>(4,367,286)</u>	<u>(3,280,944)</u>
NET CURRENT ASSETS (C)=(A-B)		(3,368,487)	(2,582,739)
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	15	—	—
DEBIT BALANCE IN PROFIT AND LOSS ACCOUNT		—	187,456
TOTAL		<u>1,424,397</u>	<u>1,400,403</u>
Significant accounting policies	16		
Notes to financial statements	17		

Per our report of even date attached

For N C Rajagopal & Co.
Chartered AccountantsV Anantharaman
Partner
Membership No: 11043Place: Chennai
Date : 10th May, 2007For Brahmaya & Co.
Chartered AccountantsC Murali Krishna
Partner
Membership No: 20884G K Raman
ChairmanP M Venkatasubramanian
DirectorV K Raman
Chief Financial Officer

For and on behalf of the Board of Directors

Antony Jacob
Managing DirectorA V Rajwade
DirectorS R Balachandher
Company Secretary

Royal Sundaram Alliance Insurance Company Limited

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

	(Rs '000)	
Particulars	31st March 2007	31st March 2006
SCHEDULE 1A		
PREMIUM EARNED (NET) — FIRE BUSINESS		
Premium from direct business written	983,948	917,429
Add: Premium on reinsurance accepted	20,847	20,174
Less: Premium on reinsurance ceded	(696,656)	(658,365)
Net Premium	<u>308,139</u>	<u>279,238</u>
Adjustment for change in reserve for unexpired risks	(16,113)	(45,200)
Total Premium Earned (Net)	<u>292,026</u>	<u>234,038</u>
SCHEDULE 1B		
PREMIUM EARNED (NET) — MARINE CARGO BUSINESS		
Premium from direct business written	178,489	177,091
Add: Premium on reinsurance accepted	—	61
Less: Premium on reinsurance ceded	(138,728)	(52,560)
Net Premium	<u>39,761</u>	<u>124,592</u>
Adjustment for change in reserve for unexpired risks	42,415	(14,583)
Total Premium Earned (Net)	<u>82,176</u>	<u>110,009</u>
SCHEDULE 1C		
PREMIUM EARNED (NET) — MARINE HULL BUSINESS		
Premium from direct business written	5,890	5,804
Add: Premium on reinsurance accepted	—	—
Less: Premium on reinsurance ceded	(5,743)	(5,658)
Net Premium	<u>147</u>	<u>146</u>
Adjustment for change in reserve for unexpired risks	(2)	(28)
Total Premium Earned (Net)	<u>145</u>	<u>118</u>
SCHEDULE 1D		
PREMIUM EARNED (NET) — MISCELLANEOUS BUSINESS		
Premium from direct business written	4,813,639	3,486,050
Add: Premium on reinsurance accepted	2,961	1,908
Less: Premium on reinsurance ceded	(1,269,159)	(923,064)
Net Premium	<u>3,547,441</u>	<u>2,564,894</u>
Adjustment for change in reserve for unexpired risks	(585,996)	(414,656)
Total Premium Earned (Net)	<u>2,961,445</u>	<u>2,150,238</u>

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

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS**

(Rs '000)

Particulars	31st March 2007	31st March 2006
SCHEDULE 2A		
CLAIMS INCURRED (NET) — FIRE BUSINESS		
Claims paid		
Direct	339,581	716,931
Add: Reinsurance accepted	130	164
Less: Reinsurance ceded	<u>(283,577)</u>	<u>(627,471)</u>
Net Claims paid	56,134	89,624
Add: Claims outstanding at the end of the year	49,335	51,313
Less: Claims outstanding at the beginning	<u>(51,313)</u>	<u>(48,059)</u>
Total Claims Incurred	<u>54,156</u>	<u>92,878</u>
SCHEDULE 2B		
CLAIMS INCURRED (NET) — MARINE CARGO BUSINESS		
Claims paid		
Direct	137,805	98,458
Add: Reinsurance accepted	—	—
Less: Reinsurance ceded	<u>(67,437)</u>	<u>(29,763)</u>
Net Claims paid	70,368	68,695
Add: Claims outstanding at the end of the year	57,138	65,647
Less: Claims outstanding at the beginning	<u>(65,647)</u>	<u>(30,194)</u>
Total Claims Incurred	<u>61,859</u>	<u>104,148</u>
SCHEDULE 2C		
CLAIMS INCURRED (NET) — MARINE HULL BUSINESS		
Claims paid		
Direct	—	—
Add: Reinsurance accepted	—	—
Less: Reinsurance ceded	<u>—</u>	<u>—</u>
Net Claims paid	—	—
Add: Claims outstanding at the end of the year	—	—
Less: Claims outstanding at the beginning	<u>—</u>	<u>—</u>
Total Claims Incurred	<u>—</u>	<u>—</u>
SCHEDULE 2D		
CLAIMS INCURRED (NET) — MISCELLANEOUS BUSINESS		
Claims paid		
Direct	2,165,601	1,690,877
Add: Reinsurance accepted	852	13
Less: Reinsurance ceded	<u>(531,011)</u>	<u>(537,009)</u>
Net Claims paid	1,635,442	1,153,881
Add: Claims outstanding at the end of the year	1,257,453	971,558
Less: Claims outstanding at the beginning	<u>(971,558)</u>	<u>(705,871)</u>
Total Claims Incurred	<u>1,921,337</u>	<u>1,419,568</u>

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

Royal Sundaram Alliance Insurance Company Limited

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs '000)

Particulars	31st March 2007	31st March 2006
SCHEDULE 3A		
COMMISSION — FIRE BUSINESS		
Commission paid		
Direct	59,563	47,208
TOTAL	<u>59,563</u>	<u>47,208</u>
Add: Commission on Reinsurance Accepted	2,041	98
Less: Commission on Reinsurance Ceded	<u>(225,797)</u>	<u>(213,581)</u>
Net Commission	<u>(164,193)</u>	<u>(166,275)</u>
Break-up of the expenses (Gross) incurred to procure business :		
Agents	16,379	13,630
Brokers	36,715	20,868
Corporate Agency	6,469	11,963
Referral	—	747
Others	—	—
TOTAL	<u>59,563</u>	<u>47,208</u>
SCHEDULE 3B		
COMMISSION — MARINE CARGO BUSINESS		
Commission paid		
Direct	15,425	14,190
TOTAL	<u>15,425</u>	<u>14,190</u>
Add: Commission on Reinsurance Accepted	—	2
Less: Commission on Reinsurance Ceded	<u>(37,213)</u>	<u>(8,708)</u>
Net Commission	<u>(21,788)</u>	<u>5,484</u>
Break-up of the expenses (Gross) incurred to procure business :		
Agents	5,858	5,081
Brokers	7,678	6,043
Corporate Agency	1,889	3,035
Referral	—	31
Others	—	—
TOTAL	<u>15,425</u>	<u>14,190</u>

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS**

(Rs '000)

Particulars	31st March 2007	31st March 2006
SCHEDULE 3C		
COMMISSION — MARINE HULL BUSINESS		
Commission paid	—	—
Direct	—	—
TOTAL	<u>—</u>	<u>—</u>
Add: Commission on Reinsurance Accepted	—	—
Less: Commission on Reinsurance Ceded	(1,233)	(1,221)
Net Commission	<u>(1,233)</u>	<u>(1,221)</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		
Commission paid		
Direct	459,406	307,979
TOTAL	<u>459,406</u>	<u>307,979</u>
Add: Commission on Reinsurance Accepted	107	17
Less: Commission on Reinsurance Ceded	(281,980)	(207,855)
Net Commission	<u>177,533</u>	<u>100,141</u>
Break-up of the expenses (Gross) incurred to procure business :		
Agents	148,943	58,807
Brokers	68,802	19,984
Corporate Agency	241,661	210,058
Referral	—	19,130
Others	—	—
TOTAL	<u>459,406</u>	<u>307,979</u>

Break up Schedule for All Business

(For the year ended 31st March 2007)

(Rs. '000)

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		Grand Total			
	31st March 2007	31st March 2006	31st March 2007	31st March 2006	31st March 2007	31st March 2006	31st March 2007	31st March 2006	31st March 2007	31st March 2006	31st March 2007	31st March 2006	31st March 2007	31st March 2006	31st March 2007	31st March 2006	31st March 2007	31st March 2006	31st March 2007	31st March 2006	31st March 2007	31st March 2006	31st March 2007	31st March 2006	31st March 2007			
Premium Earned (Net)																												
Premium from direct business written	983,248	917,429	178,489	177,091	5,890	5,804	184,379	182,895	3,033,905	2,330,923	13,200	13,910	72,907	53,317	401,225	280,562	267,927	244,612	961,207	905,528	63,268	57,198	4,813,639	3,486,050	5,981,966	4,586,374		
Add: Premium on reinsurance accepted	20,847	20,174	-	61	-	-	-	61	-	-	-	-	84	80	2,142	1,307	83	161	604	301	48	58	2,961	1,908	23,808	22,143		
Less: Premium on reinsurance ceded	(696,656)	(688,865)	(138,728)	(52,660)	(5,743)	(5,668)	(144,471)	(58,318)	(640,779)	(489,307)	(3,316)	(3,505)	(54,142)	(37,406)	(297,135)	(217,325)	(62,867)	(57,144)	(192,862)	(102,380)	(19,048)	(15,727)	(1,389,159)	(923,064)	(2,102,286)	(1,639,647)		
Net Premium	308,139	279,238	39,761	124,592	147	146	39,908	124,738	2,393,126	1,841,617	9,874	10,405	18,849	15,991	106,232	64,544	205,643	187,359	769,449	403,449	44,268	41,529	3,547,441	2,564,894	3,895,488	2,968,870		
Adjustment for change in reserve for unexpired risks	(16,113)	(45,200)	42,415	(14,883)	(2)	(28)	42,413	(14,611)	(325,806)	(274,463)	(736)	(695)	(911)	(1,545)	(17,773)	(6,184)	(22,757)	(10,823)	(220,768)	(119,060)	2,755	(1,886)	(585,996)	(414,656)	(559,696)	(474,467)		
Total Premium Earned (Net)	292,026	234,038	82,176	110,009	145	118	82,321	110,127	2,067,320	1,567,154	9,138	9,710	17,938	14,446	88,459	58,360	182,886	176,536	548,681	284,389	47,023	39,643	2,961,445	2,150,238	3,335,792	2,494,403		
Claims Incurred (Net)																												
Claims paid	339,581	716,931	137,805	98,458	-	-	137,805	98,458	1,708,370	1,223,141	2,520	1,701	13,601	181	64,633	159,533	68,767	86,976	280,455	196,431	32,255	22,894	2,165,601	1,690,877	2,642,987	2,506,266		
Add: Reinsurance accepted	130	164	-	-	-	-	-	-	-	-	-	-	-	-	2	13	193	-	657	-	-	-	852	13	982	177		
Less: Reinsurance ceded	(28,577)	(627,471)	(67,437)	(29,763)	-	-	(67,437)	(29,763)	(386,719)	(296,145)	(594)	(340)	(2,720)	(36)	(47,082)	(144,630)	(27,783)	(31,686)	(57,855)	(59,370)	(8,348)	(4,802)	(531,011)	(537,009)	(882,025)	(1,194,243)		
Net Claims paid	56,134	89,624	70,368	68,695	-	-	70,368	68,695	1,316,651	926,996	2,016	1,361	10,881	145	17,553	14,936	41,177	55,290	223,257	137,061	23,907	18,092	1,635,442	1,153,881	1,761,944	1,312,200		
Add: Claims remaining unpaid at the end of the year	49,335	51,313	57,138	65,647	-	-	57,138	65,647	987,663	776,342	3,549	3,942	4,362	9,263	27,604	19,955	118,796	87,545	83,309	48,929	31,970	25,582	1,257,453	971,558	1,363,926	1,088,518		
Less: Claims remaining unpaid at the beginning of the year	(51,313)	(48,059)	(65,647)	(30,194)	-	-	(65,647)	(30,194)	(776,342)	(577,401)	(3,942)	(1,616)	(9,263)	(931)	(19,955)	(14,550)	(87,545)	(75,819)	(48,929)	(22,338)	(25,582)	(13,216)	(971,558)	(706,871)	(1,088,518)	(784,124)		
Total Claims Incurred	54,156	92,878	61,859	104,148	-	-	61,859	104,148	1,527,972	1,125,937	1,623	3,687	5,980	8,477	25,202	20,341	72,428	67,016	257,837	163,652	30,295	30,458	1,921,337	1,419,568	2,037,332	1,616,594		
Commissions																												
Commission paid	59,563	47,208	15,425	14,190	-	-	15,425	14,190	277,201	221,128	1,055	862	2,447	1,716	15,645	13,663	30,598	23,286	127,904	41,766	5,156	5,558	459,406	307,979	534,394	369,377		
Direct	59,563	47,208	15,425	14,190	-	-	15,425	14,190	277,201	221,128	1,055	862	2,447	1,716	15,645	13,663	30,598	23,286	127,904	41,766	5,156	5,558	459,406	307,979	534,394	369,377		
TOTAL	2,041	98	-	2	-	-	-	2	-	-	-	-	-	-	-	-	-	-	94	8	1	1	107	17	2,148	117		
Add: Commission on reinsurance accepted	(225,797)	(213,381)	(37,213)	(8,708)	-	-	(38,446)	(9,929)	(121,357)	(93,237)	(528)	(556)	(7,034)	(4,855)	(86,619)	(67,266)	(13,584)	(12,540)	(48,090)	(25,338)	(4,768)	(3,863)	(281,980)	(207,855)	(546,223)	(431,363)		
Less: Commission on reinsurance ceded	(164,193)	(166,275)	(21,788)	5,484	(1,233)	(1,221)	(23,021)	4,263	155,844	127,891	527	306	(4,587)	(3,137)	(70,974)	(53,601)	17,026	10,750	79,308	16,236	389	1,696	177,533	100,141	(9,681)	(61,877)		
Net commission																												

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS**

(Rs '000)

Particulars	31st March 2007	31st March 2006
SCHEDULE 4		
OPERATING EXPENSES RELATED TO INSURANCE BUSINESS		
1 Employees' remuneration and welfare benefits	313,077	264,203
2 Travel, conveyance and vehicle running expenses	35,640	28,956
3 Training expenses	12,462	6,525
4 Rents, rates and taxes	69,577	60,532
5 Repairs and maintenance	14,645	15,919
6 Printing and stationery	31,351	21,222
7 Communication	39,336	29,883
8 Legal and professional charges	6,975	5,478
9 Auditors' fees and expenses		
(a) as auditors	800	650
(b) as adviser or in any other capacity, in respect of		
(i) Taxation matters	200	200
(ii) Insurance matters	—	—
(iii) Management services	—	—
(c) in any other capacity - certification	300	163
(d) out of pocket expenses	150	200
10 Advertisement and publicity	129,807	68,936
11 Bank charges	13,795	7,040
12 Others		
- Data processing and outsourcing expenses	262,720	161,332
- Marketing and related expenses	291,649	224,907
- Software and Hardware maintenance charges	72,391	61,417
- Policy Stamp expenses	250	322
- Directors' sitting fees	240	100
- Miscellaneous expenses	24,416	40,590
13 Depreciation	41,535	49,545
14 Service tax on premium	2,661	—
	<u>1,363,977</u>	<u>1,048,120</u>
Allocation of expenses (per accounting policy 9, Schedule 16)		
Revenue Account -- Fire Business	232,425	205,474
Revenue Account -- Marine Business	31,764	30,582
Revenue Account -- Miscellaneous Business	1,099,788	812,064
	<u>1,363,977</u>	<u>1,048,120</u>

Royal Sundaram Alliance Insurance Company Limited

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs '000)

Particulars	31st March 2007	31st March 2006
SCHEDULE 5		
SHARE CAPITAL		
1 Authorised Capital 150,000,000 (31st March 2006 - 150,000,000) Equity shares of Rs 10/- each	<u>1,500,000</u>	<u>1,500,000</u>
2 Issued Capital 140,000,000 (31st March 2006 - 140,000,000) equity shares of Rs 10/- each, fully paid up	1,400,000	1,400,000
3 Subscribed Capital 140,000,000 (31st March 2006 - 140,000,000) equity shares of Rs 10/- each, fully paid up	<u>1,400,000</u>	<u>1,400,000</u>
4 Called-up Capital 140,000,000 (31st March 2006 - 140,000,000) equity shares of Rs 10/- each, fully paid up	1,400,000	1,400,000
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>1,400,000</u>

SCHEDULE 5A

SHARE CAPITAL

PATTERN OF SHAREHOLDING (As certified by the Management)

Shareholder	31st March 2007		31st March 2006	
	Number of Shares	% of holding	Number of Shares	% of holding
Promoters				
Indian	103,600,000	74%	103,600,000	74%
Foreign	36,400,000	26%	36,400,000	26%
	<u>140,000,000</u>	<u>100%</u>	<u>140,000,000</u>	<u>100%</u>
Others	—	—	—	—
Total	<u>140,000,000</u>	<u>100%</u>	<u>140,000,000</u>	<u>100%</u>



SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs '000)

Particulars	31st March 2007	31st March 2006
SCHEDULE 6		
RESERVES AND SURPLUS		
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	24,397	—
Total	<u>24,397</u>	<u>—</u>
SCHEDULE 7		
BORROWINGS		
1 Debentures / Bonds	—	—
2 Banks	—	—
3 Financial Institutions	—	—
4 Others	—	—
Total	<u>—</u>	<u>—</u>

Royal Sundaram Alliance Insurance Company Limited

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs '000)

Particulars	31st March 2007	31st March 2006
SCHEDULE 8		
INVESTMENTS		
LONG TERM INVESTMENTS		
1 Government securities and Government guaranteed bonds including Treasury Bills *	498,449	779,919
2 Other Approved Securities	398,219	150,782
3 Other Investments		
(a) Shares		
(aa) Equity	—	—
(bb) Preference	—	—
(b) Mutual Funds	—	—
(c) Derivative Instruments	—	—
(d) Debentures / Bonds	546,434	596,949
(e) Other Securities	44,273	—
(f) Subsidiaries	—	—
(g) Investment in Properties-Real Estate	—	—
4 Investments in Infrastructure and Social Sector	747,701	800,052
5 Other than Approved Investments	51,716	—
SHORT TERM INVESTMENTS		
1 Government securities and Government guaranteed bonds including Treasury Bills	843,769	543,255
2 Other Approved Securities	—	—
3 Other Investments		
(a) Shares		
(aa) Equity	—	—
(bb) Preference	—	—
(b) Mutual Funds	—	37,379
(c) Derivative Instruments	—	—
(d) Debentures / Bonds	499,837	303,791
(e) Other Securities	464,716	48,179
(f) Subsidiaries	—	—
(g) Investment in Properties-Real Estate	—	—
4 Investments in Infrastructure and Social Sector	551,510	303,958
5 Other than Approved Investments	—	100,740
Total	<u>4,646,624</u>	<u>3,665,004</u>
Aggregate market value of quoted investments	4,038,756	3,557,937
Aggregate book value of unquoted investments	508,998	48,179

*Includes Government securities of book value Rs.101,079 thousand (31st March 2006 -- Rs.107,735 thousand), held under Section 7 of the Insurance Act, 1938.



SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs '000)

Particulars	31st March 2007	31st March 2006
SCHEDULE 9		
LOANS		
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. PERFORMANCE-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	—	—

Royal Sundaram Alliance Insurance Company Limited

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 2006	For the Year	On sales adjustments	Upto 31st March 2007	As at 31st March 2007	As at 31st March 2006
Goodwill	—	—	—	—	—	—	—	—	—	—
Intangibles - Information Technology Software	50,570	34,385	—	84,955	29,663	11,818	—	41,481	43,474	20,907
Land-Freehold	—	—	—	—	—	—	—	—	—	—
Leasehold Property	—	—	—	—	—	—	—	—	—	—
Buildings	—	—	—	—	—	—	—	—	—	—
Furniture and Fittings	13,019	166	—	13,185	8,133	1,022	—	9,155	4,030	4,886
Improvements to Leased premises	77,242	—	—	77,242	30,510	8,503	—	39,013	38,229	46,732
Information Technology Equipment	142,145	22,465	1,576	163,034	124,825	12,740	1,574	135,991	27,043	17,320
Vehicles	9,382	1,887	4,668	6,601	4,363	1,932	3052	3,243	3,358	5,019
Leased Vehicles	1,638	—	1,638	—	1,556	82	1,638	—	—	82
Office Equipment	53,875	2,290	260	55,905	20,477	5,439	137	25,779	30,126	33,398
TOTAL	347,871	61,193	8,142	400,922	219,527	41,536	6,401	254,662	146,260	128,344
Work in progress	2,338	—	2,338	—	—	—	—	—	—	2,338
Grand Total	350,209	61,193	10,480	400,922	219,527	41,536	6,401	254,662	146,260	130,682
As at 31st March 2006	313,832	59,893	23,516	350,209	177,795	49,545	7,813	219,527	130,682	

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS**

(Rs '000)

Particulars	31st March 2007	31st March 2006
SCHEDULE 11		
CASH AND BANK BALANCES		
1 Cash (including cheques, drafts and stamps)	69,764	83,314
2 Bank Balances		
(a) Deposit Accounts		
(aa) Short-term (due within 12 months)*	382,165	149,900
(bb) Others	—	—
(b) Current Accounts	64,215	101,576
(c) Others	—	—
3 Money at Call and Short Notice		
(a) With Banks	—	—
(b) With other Institutions	—	—
4 Others - With Primary Dealer	—	—
Total	<u>516,144</u>	<u>334,790</u>
Included in Bank balances -- current accounts, are balances held outside India amounting to Rs.330 thousand (31st March 2006 - Rs.16,552 thousand) with a non-scheduled bank and the other bank balances are with scheduled banks.		
* Deposit includes Rs.5,904 thousand (Previous Year:Rs.3,300 thousand) pertaining to investment of Environmental Relief Fund.		
SCHEDULE 12		
ADVANCES AND OTHER ASSETS		
ADVANCES		
1 Reserve deposits with ceding companies	—	—
2 Application money for investments	—	—
3 Prepayments	23,370	10,433
4 Advances to Directors/Officers	—	—
5 Advance tax paid and taxes deducted at source [Net of provision for tax amounting to Rs.54,000 thousand]	7,863	—
6 Others-Deposits for premises and advance rent	36,625	17,799
7 Others [Includes Service Tax unutilised credit of Rs.49,915 thousand (31st March 2006 -- Rs. 11,163 thousand)]	64,813	20,048
Total (A)	<u>132,671</u>	<u>48,280</u>
OTHER ASSETS		
1 Income accrued on investments	137,100	94,803
2 Outstanding Premiums	—	—
3 Agents' Balances	—	—
4 Foreign Agencies Balances	—	—
5 Due from other entities carrying on insurance business (including reinsurers)	206,880	192,253
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	6,004	20,586
Total (B)	<u>349,984</u>	<u>315,135</u>
Total (A+B)	<u>482,655</u>	<u>363,415</u>

Royal Sundaram Alliance Insurance Company Limited

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs '000)

Particulars	31st March 2007	31st March 2006
SCHEDULE 13		
CURRENT LIABILITIES		
1 Agents' Balances	72,784	43,279
2 Balances due to other insurance companies	316,346	195,975
3 Deposits held on re-insurance ceded	—	—
4 Premiums received in advance	133,033	99,461
5 Unallocated Premium	—	—
6 Sundry creditors*	361,534	273,502
7 Due to subsidiaries / holding company	—	5,740
8 Claims Outstanding	1,363,927	1,088,518
9 Due to Officers / Directors	952	555
10 Others - Service Tax liability	70	13,561
Total	<u>2,248,646</u>	<u>1,720,591</u>

* Sundry creditors includes Rs.5,904 thousand (Previous Year:Rs.3,300 thousand)on account of liability towards Environmental Relief Fund

SCHEDULE 14

PROVISIONS

1 Reserve for Unexpired Risk	2,118,640	1,558,944
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>2,118,640</u>	<u>1,560,353</u>

SCHEDULE 15

MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

1 Discount Allowed in issue of shares / debentures	—	—
2 Others	—	—
Total	<u>—</u>	<u>—</u>



SIGNIFICANT ACCOUNTING POLICIES

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.

Royal Sundaram Alliance Insurance Company Limited

SIGNIFICANT ACCOUNTING POLICIES (Contd.)

A reserve for unexpired risks is recorded at 100 per cent 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'. Debt securities, which include government securities are considered as 'held-to-maturity' and are measured at historical cost.
- (c) The premium / discount, if any, on purchase of debt securities is amortised over the period to maturity based on their intrinsic yield. Acquisition charges such as brokerage, transfer stamps etc., are amortised in the year of acquisition.
- (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 policyholders' 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 money market instruments is recognised as income in the revenue accounts 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

Fixed assets are stated at cost less accumulated depreciation.

Depreciation :

Asset	Method of Depreciation	Rate of Depreciation
Information Technology Software	Straight Line Method	1/3 each year
Furniture and Fittings	Written Down Value Method	18.10%
Improvements to leased premises	Straight Line Method	Equally over the maximum period of lease initially agreed upon
Information Technology Equipment	Written Down Value Method	60.00%
Vehicles (both owned and leased)	Straight Line Method	25% on 90% of the cost
Office Equipment	Written Down Value Method	13.91%
Assets costing less than Rs.5000 each	Written down to Re.1 in the year of acquisition	



SIGNIFICANT ACCOUNTING POLICIES (Contd.)

8. Impairment of Assets

The carrying amounts of assets are reviewed at each Balance Sheet date to ascertain impairment based on internal / external factors. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is higher of net selling price of the assets and their value in use.

9. 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:
 - (i) Expenses directly identifiable to the business segments are allocated on an actual basis.
 - (ii) Other expenses, which are not directly identifiable, are apportioned on the basis of the Gross written premium in each business segment during the year.

10. 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 incremental liability if any for each year is accounted for as per the demands received from Life Insurance Corporation. The Company's liability towards superannuation is covered by a group policy with Life Insurance Corporation of India and accounted on accrual.
- (b) Provident Fund: The Company's liability towards provident fund is accrued and accounted for each month.

11. Income-tax

Tax expense comprises 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 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. Other 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.

12. 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.

13. Provision for Contingencies

In accordance with Accounting Standard 29 – 'Provisions, Contingent liabilities and Contingent assets' issued by ICAI, to the extent applicable to the Company, 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 their 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.

14. 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.

Royal Sundaram Alliance Insurance Company Limited

NOTES TO FINANCIAL STATEMENTS

SCHEDULE 17

- 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
- The Company has no contingent liabilities in respect of the following as at 31st March, 2007
 - 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 to the extent not provided for in accounts.
- The assets of the Company are free from encumbrances.

- 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. 61,020,211 (Previous Year: Rs.54,201,025).

	(Rs '000)	
	31 st March 2007	31 st March 2006
Minimum Lease Payments		
Not later than one year	57,561	48,649
Later than 1 year but not later than 5 years	108,776	47,746
Later than 5 years	—	—

- Amortisation of Discount on Investments:
During the year, the Company has changed its policy on amortising the discount on acquisition of investments, by amortising it on the same lines as the premium on investments. Consequently, the profit for the year is higher by Rs.6,434,300/- The Company has also changed its policy for amortising the brokerage and other acquisition charges on investments, by amortising them fully in the year of acquisition. Consequently, the profit for the year is lower by Rs.215,250/-
- During the year, the Company has, as a measure of prudence, revalued the useful life of the improvements made in its leased premises and changed the method of depreciation thereon accordingly. Consequently, the depreciation on the said assets has been reworked out as required, resulting in a net higher charge for depreciation by Rs.43,850/- to the Profit and Loss Account under report.
- 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.NIL (31st March 2006 : Rs. 2,348,223).
- As at 31st March, 2007, the Company had 4368 claims (31st March, 2006 : 4032 claims) that remained outstanding for a period exceeding six months aggregating to Rs. 968,475,968 (31st March, 2006 : Rs.807,050,318. The claims were outstanding predominantly 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.
- There are no contracts in relation to investments, for purchases where deliveries are pending or sales where payments are overdue.
- As at March 31, 2007, there is no non-performing investment.
- In accordance with the Company's Accounting policy for Deferred Taxation, its accumulated net Deferred Tax Asset is Rs.26,209,243 as on 31st March 2007. The Company, as a matter of prudence, has not created a net Deferred tax asset.

**NOTES TO FINANCIAL STATEMENTS (Contd.)**

The details of Net Deferred Tax Assets are as under:

	Amount in Rs.	
	31 st March 2007	31 st March 2006
Deferred Tax Assets		
Change in unexpired risk reserve	33,437,921	22,886,093
Carried forward Depreciation loss	—	33,636,421
Carried Forward Business Loss	—	3,888,635
Less: Deferred Tax Liabilities		
Depreciation	7,228,678	3,167,000
Net Deferred Tax Asset	26,209,243	57,244,149

12. Participation in Terrorism Pool

The Company has accounted for the retro cession for 4 Quarters upto December 2006 during the year.

	(Rs '000)	
	31 st March 2007	31 st March 2006
Due from the Pool Manager, beginning of the year	1,12,245	93,516
Premium on reinsurance accepted	16,078	14,991
Investment Income	8,780	5,872
Premium on reinsurance ceded	(2,308)	(2,102)
Claims paid on reinsurance accepted	(132)	(176)
Operating expenses related to insurance business	(1,591)	(510)
Profit Commission on XL	519	654
Due from the Pool Manager, end of the year	1,33,591	1,12,245
Claims outstanding, end of the year	(1,000)	(1,000)
Reserve for Unexpired risks, end of the year	(13,770)	(12,890)

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 amounting to Rs.3,033,905 during the year ended 31st March 2007 to the Solatium Fund.

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

	(Rs '000)			
	31 st March 2007		31 st March 2006	
	Value	%	Value	%
Rural Sector	482,468	8.07	301,128	6.57
Social Sector [64,263 lives (2006 - 38,048 lives)] Number of policies issued - 517 (2006 - 269)	3,129	0.05	1,557	0.03
Other Sectors	5,496,369	91.88	4,283,689	93.40
Total Business	5,981,966	100.00	4,586,374	100.00

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

Royal Sundaram Alliance Insurance Company Limited

NOTES TO FINANCIAL STATEMENTS (Contd.)

15. Extent of risk retained and reinsured

	31 st March 2007	31 st March 2006
Risk retained (%)	65	65
Risk reinsured (%)	35	35

16. Managerial Remuneration

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

(Rs '000)

	31 st March 2007	31 st March 2006
Salary	2538	2220
Allowances and perquisites	4698	3775
Total	7236	5995

17. Related Party Disclosure

I. HOLDING COMPANY (Promoter)

Sundaram Finance Limited (till 23.11.2006)

II. JOINT VENTURE PROMOTERS

Sundaram Finance Limited (from 24.11.2006)

Royal & SunAlliance Insurance plc

III. SUBSIDIARIES OF HOLDING COMPANY / JOINT VENTURE PROMOTERS

Sundaram Home Finance Limited

Sundaram BNP Paribas Asset Management Company Limited

Sundaram Infotech Services Limited

IV. KEY MANAGERIAL PERSONNEL

Mr. Antony Jacob (Managing Director)

V. RELATED PARTY TRANSACTIONS AND BALANCES:

(For the year ended 31st March 2007)

(Rs '000)

Nature of transaction	Holding Company	Joint Venture Promoters	Subsidiary of the Holding Company/ Joint venture Promoters	Key managerial personnel	Total
INCOME					
Insurance premium received					
Sundaram Home Finance Limited	—	—	5,468	—	5,468
Sundaram Finance Limited	1,569	387	—	—	1,956
Others	-	-	976	17	993



NOTES TO FINANCIAL STATEMENTS (Contd.)

(Rs '000)

Nature of transaction	Holding Company	Joint Venture Promoters	Subsidiary of the Holding Company/ Joint venture Promoters	Key managerial personnel	Total
Claims received on reinsurance					
Royal & SunAlliance Insurance Plc	—	7,842	—	—	7,842
Commission on reinsurance ceded					
Royal & SunAlliance Insurance Plc	—	11,986	—	—	11,986
EXPENSES					
Rent paid					
Sundaram Finance Limited	14,446	14,446	—	—	28,892
Others	—	—	20	—	20
Payment for services received					
Sundaram Finance Limited	6,041	—	6,787	—	12,828
Others	—	1,632	41,701	—	43,334
Lease rentals paid					
Sundaram Finance Limited	76	—	—	—	76
Agency commission paid					
Sundaram Finance Limited	12,249	8,842	—	—	21,091
Remuneration paid to Managing Director					
Mr. Antony Jacob	—	—	—	7,236	7,236
Reinsurance Premium Paid					
Royal & SunAlliance Insurance Plc	—	29,016	—	—	29,016
Insurance claims paid					
Sundaram Home Finance Limited	—	—	4,312	—	4,312
Receivable as at March 31, 2007					
Royal & SunAlliance Insurance Plc	—	24,864	—	—	24,864
Rent deposit					
Sundaram Finance Limited	—	7,493	—	—	7,493
Payable as at March 31, 2007					
Sundaram Finance Limited	19	14,237	—	—	14,256
Royal & SunAlliance Insurance Plc	—	21,414	—	—	21,414
Others	—	—	6,194	—	6,194
Insurance deposit					
Sundaram Finance Limited	—	1,500	—	—	1,500
Sundaram Home Finance Limited	—	—	675	—	675
Share Capital					
Sundaram Finance Limited	—	693,000	—	—	693,000
Royal & SunAlliance Insurance Plc	—	364,000	—	—	364,000

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

Royal Sundaram Alliance Insurance Company Limited

NOTES TO FINANCIAL STATEMENTS (Contd.)

(Rs '000)

Nature of transaction	Holding Company	Joint Venture Promoters	Subsidiary 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 & SunAlliance Insurance Plc	—	95,843	—	—	95,843
Commission on reinsurance ceded					
Royal & SunAlliance Insurance Plc	—	40,960	—	—	40,960
Income from Training					
Royal & SunAlliance Insurance Plc	—	97	—	—	97
EXPENSES					
Rent paid					
Sundaram Finance Limited	22,121	—	—	—	22,121
Others	—	—	18	—	18
Payment for services					
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	—	—	—	5,995	5,995
Reinsurance Premium Paid					
Royal & SunAlliance 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 & SunAlliance Insurance Plc	—	1,221	—	—	1,221

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



NOTES TO FINANCIAL STATEMENTS (Contd.)

(Rs '000)

Nature of transaction	Holding Company	Joint Venture Promoters	Subsidiary of the Holding Company/ Joint venture Promoters	Key managerial personnel	Total
Rent deposit					
Sundaram Finance Limited	7,493	—	—	—	7,493
Payable as at March 31, 2006					
Sundaram Finance Limited	4,567	—	—	—	4,567
Royal & SunAlliance Insurance Plc	—	44,245	—	—	44,245
Others	—	—	125	—	125
Insurance deposit					
Sundaram Finance Limited	1,500	—	—	—	1,500
Sundaram Home Finance Limited	—	675	—	—	675
Others					
Share Capital					
Sundaram Finance Limited	693,000	—	—	—	693,000
Royal & SunAlliance Insurance Plc	—	364,000	—	—	364,000

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

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

(Rs '000)

Particulars	31 st March 2007	31 st March 2006
Revenue Account – Policyholders' Funds		
Fire	2,839	3,162
Marine	1,189	1,532
Miscellaneous	31,314	28,617
Profit and Loss Account – Shareholders' Funds		
	15,270	16,639
Total	50,612	49,950

Royal Sundaram Alliance Insurance Company Limited

NOTES TO FINANCIAL STATEMENTS (Contd.)

19. Segment Reporting

The Company carries on non-life insurance business in India. The Company has provided primary segmental information, in Annexure I, as required by Accounting Standard 17 – ‘Segment Reporting’ issued by ICAI, read with Accounting Regulations.

20. Summary of Financial Statements and Accounting Ratios

A summary of financial statements and Accounting Ratios as per the formats prescribed by the IRDA in its circular dated 29th April, 2003 is provided in Annexure 2 and Annexure 3

21. Previous Year figures have been reclassified / regrouped, wherever necessary, to conform with the current year’s classification.

Per our report of even date attached

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

V Anantharaman
Partner

Membership No: 11043

Place: Chennai

Date : 10th May, 2007

For **Brahmayya & Co.**
Chartered Accountants

C Murali Krishna
Partner

Membership No: 20884

G K Raman
Chairman

P M Venkatasubramanian
Director

V K Raman
Chief Financial Officer

Antony Jacob
Managing Director

A V Rajwade
Director

S R Balachandher
Company Secretary



ANNEXURE TO NOTES TO FINANCIAL STATEMENTS

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, 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 9 in Schedule 16. Since the business operations of the Company are entirely in India, the same is considered as one geographical segment.

Particulars	(Rs. '000)											Total
	Fire	Marine Cargo	Marine Hull	Motor	Workmen Compensation / Employees Liability	Public Product Liability	Engineering	Personal Accident	Health Insurance	Others	Investment of Shareholders Funds	
Premium earned (net)	292,026	82,176	145	2,067,320	9,138	17,938	88,459	182,886	548,681	47,023	—	3,335,792
Profit on sale / redemption of investments	528	221	—	4,350	17	33	142	346	822	109	2,837	9,405
Others	—	—	—	300	—	—	—	—	—	—	74	374
Interest (net of amortisation)	17,915	7,488	11	147,697	572	1105	4,825	11,747	27,902	3,732	96,343	319,337
Total segmental revenue	310,469	89,885	156	2,219,667	9,727	19,076	93,426	194,979	577,405	50,864	99,254	3,664,908
Claims incurred (net)	(54,156)	(61,859)	—	(1,527,972)	(1,623)	(5,980)	(25,202)	(72,428)	(257,837)	(30,295)	—	(2,037,352)
Commission received / (paid), net	164,193	21,788	1,233	(155,844)	(527)	4,587	70,974	(17,026)	(79,308)	(389)	—	9,681
Operating expenses related to insurance business	(232,425)	(30,919)	(845)	(642,607)	(2,669)	(10,444)	(87,011)	(57,774)	(288,421)	(10,862)	(1,450)	(1,365,427)
Total segmental expenses	(122,388)	(70,990)	388	(2,326,423)	(4,819)	(11,837)	(41,239)	(147,228)	(625,566)	(41,546)	(1,450)	(3,393,098)
Segmental (loss) / profit	188,081	18,895	544	(106,756)	4,908	7,239	52,187	47,751	(48,161)	9,318	97,804	271,810
Other income	—	—	—	—	—	—	—	—	—	—	—	—
Unallocated corporate expenses	—	—	—	—	—	—	—	—	—	—	—	—
Provision for income and wealth tax	—	—	—	—	—	—	—	—	—	—	—	(59,957)
Net profit for the year												211,853

Note: Aviation Segment Business for 2006-07 - NIL

Royal Sundaram Alliance Insurance Company Limited

ANNEXURE TO NOTES TO FINANCIAL STATEMENTS (Contd.)

Particulars	(Rs. '000)										Total	
	Fire	Marine Cargo	Marine Hull	Motor	Workmen Compensation / Employees Liability	Public Product Liability	Engineering	Personal Accident	Health Insurance	Others		Investment of Shareholders Funds
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	-	-	-	-	-	-	-	-	-	-	-	-
Net profit for the year												86,339
												(15,147)

(For the year ended 31st March 2006)

Note: Aviation Segment Business for 2005-06 - NIL



ANNEXURE TO NOTES TO FINANCIAL STATEMENTS (Contd.)

Annexure 2

Summary of Financial Statements

Rs. in Lakhs

Sl. No.	Particulars	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
	OPERATING RESULTS							
1	Gross Premiums Written	59819.7	45,863.7	33,070.0	25,776.0	18,444.1	7,112.7	23.6
2	Net Premium Income#	38954.9	29,688.7	20,162.2	15,631.1	10,917.3	3,674.3	18.6
3	Income from investments (net)@	2295.6	1,406.5	825.0	959.7	731.1	143.3	—
4	Other income -Transfer fee etc	3.0	3.3	1.8	2.2	0.7	—	—
5	Total Income	41253.5	31,098.5	20,989.0	16,593.0	11,649.1	3,817.6	18.6
6	Commissions	(1,228.8)	(1,087.7)	(863.8)	(1,384.5)	(1,346.9)	(615.3)	(1.2)
7	Brokerage	1132.0	469.0	341.18	134.5	—	—	—
8	Operating Expenses	13639.8	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	25970.5	20,910.6	14,204.8	11,368.4	9,126.7	3,530.1	10.8
10	Operating Profit/loss	1740.0	325.4	26.5	(14.3)	(1,666.3)	(3,297.6)	(1,474.5)
	Non Operating Result							
11	Total income shareholders' account	978.0	689.5	508.1	815.4	1,167.0	845.0	386.9
12	Profit/(loss) before tax	2718.1	1,014.9	534.6	801.1	(499.3)	(2,452.7)	(1,087.6)
13	Provision for tax	(599.6)	151.5	33.6	0.2	0.2	—	—
14	Profit/(loss) after tax	2118.5	863.4	501.0	800.9	(499.5)	(2,452.7)	(1,087.6)
	MISCELLANEOUS							
15	Policyholders' Account							
	Total funds	34688.0	26,345.7	15,869.7	13,361.3	8,312.3	3,052.1	10.7
	Total investments	32447.4	25,098.6	15,838.2	12,692.3	8,232.9	2,970.1	—
	Yield on investments	6.9%	6.2%	5.2%	8.5%	12.8%	10.3%	—
16	Shareholders' Account							
	Total funds	14244.0	12,125.5	10,006.4	9,750.7	8,939.6	9,428.8	8,971.1
	Total investments	14018.8	11,551.5	9,986.5	9,262.5	8,854.1	9,175.6	8,198.4
	Yield on investments	6.9%	6.2%	5.2%	8.5%	12.8%	10.3%	10.5%
17	Paid up equity capital	14000.0	14,000.0	13,000.0	12,989.7	12,979.4	12,969.0	10,058.7
18	Net worth	14244.0	12,125.4	10,262.1	9,750.7	8,939.6	9,428.8	8,971.1
19	Total assets	57916.8	44,938.9	32,651.1	25,732.5	20,470.6	14,704.1	9,502.4
20	Yield on total investments	6.9%	6.2%	5.2%	8.5%	12.8%	10.3%	10.5%
21	Earnings per share (Rs.)*	1.5	0.8	0.4	0.6	(0.4)	(2.1)	(1.1)
22	Book Value per share (Rs.)	10.2	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	2118.5	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	140,000,000	130,027,397.0	130,000,000	130,000,000	130,000,000	115,698,630	101,000,000

Royal Sundaram Alliance Insurance Company Limited

ANNEXURE TO NOTES TO FINANCIAL STATEMENTS (Contd.)

Annexure 3

Ratios for Non-life Insurance Companies

Sl No	Performance Ratio	2006-07	2005-06
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)	4.20	3.78
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)	0.17	0.18
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)	0.23	0.23
7	Combined ratio: (Claims paid plus expenses divided by gross premium)	0.67	0.78
8	Technical reserves to net premium ratio (Reserve for unexpired risks plus premium deficiency reserve plus reserve for outstanding claims divided by net premium)	0.89	0.89
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)	0.04	0.01
11	Liquid assets to liabilities ratio (Liquid assets of the insurer divided by the policy holders' liabilities)	0.15	0.10
12	Net earnings ratio (Profit after tax divided by net premium)	0.05	0.03
13	Return on networth (Profit after tax divided by net worth)	0.15	0.07
14	Reinsurance ratio (Risk reinsured divided by gross premium)	0.35	0.35



ANNEXURE TO NOTES TO FINANCIAL STATEMENTS (Contd.)

Accounting Ratios - Schedule 1

Gross premium growth rate

Segment	Growth (%)	
	2006-07	2005-06
Fire	7%	46%
Marine	1%	9%
Motor	30%	45%
Workmen's Compensation / Employers Liability	-5%	63%
Public / Product Liability	37%	43%
Engineering	43%	2%
Personal Accident	10%	5%
Health Insurance	90%	70%
Others	11%	15%
Total	30%	39%

Accounting Ratios - Schedule 3

Net commission ratio

Segment	% to NP	
	2006-07	2005-06
Fire	-53%	-60%
Marine	-58%	3%
Motor	7%	7%
Workmen's Compensation / Employers Liability	5%	3%
Public / Product Liability	-24%	-20%
Engineering	-67%	-83%
Personal Accident	8%	6%
Health Insurance	10%	4%
Others	1%	4%
Total	0%	-2%

Accounting Ratios - Schedule 2

Net retention ratio

Segment	% to GP	
	2006-07	2005-06
Fire	31%	30%
Marine	22%	68%
Motor	79%	79%
Workmen's Compensation / Employers Liability	75%	75%
Public/Product Liability	26%	30%
Engineering	26%	23%
Personal Accident	77%	77%
Health Insurance	80%	80%
Others	70%	73%
Total	65%	65%

Accounting Ratios - Schedule 4

Underwriting balance ratio

Segment	% to NP	
	2006-07	2005-06
Fire	55%	37%
Marine	29%	-23%
Motor	-11%	-11%
Workmen's Compensation / Employers Liability	44%	33%
Public/Product Liability	32%	6%
Engineering	44%	36%
Personal Accident	17%	18%
Health Insurance	-10%	-8%
Others	12%	-8%
Total	-1%	-4%

Royal Sundaram Alliance Insurance Company Limited

MANAGEMENT REPORT

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 Certificate of Registration granted by the Insurance Regulatory and Development Authority to transact general insurance business, continues to be valid. The fee for renewal of the Certificate of Registration has been paid for 2007/2008 and the Company has received the Certificate of Renewal of Registration.
2. We certify that all dues payable to the Statutory Authorities have been duly paid.
3. We confirm that the shareholding pattern and transfer of shares made during the year ended 31st March 2007 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 are 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	2006-07	2005-06	2004-05	2003-04	2002-03
Claims settled within 30 days (in %)	71%	69%	62%	55%	56%
Average settlement time (number of days)	32	35	38	41	38
Motor Third Party settlement time (number of days)	446	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.



MANAGEMENT REPORT (Contd.)

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 6.9%. All investments in our portfolio as at 31st March 2007 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 2007.
 - 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 V Rajwade
Director

V K Raman
Chief Financial Officer

S R Balachandher
Company Secretary

Place: Chennai
Date : 10th May, 2007

Royal Sundaram Alliance Insurance Company Limited

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	7

2. Capital raised during the year: (Amount in Rs. 000)

Public Issue						N	I	L
Rights Issue						N	I	L
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	2	4	3	9	7
Total Assets		1	4	2	4	3	9	7

Source of Funds:

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

Application of Funds:

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

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

Turnover		3	6	6	4	9	0	8
(Net Earned Premium, income from Investments and other incomes)								
Total Expenditure		3	3	9	3	0	9	8
Profit before Tax			2	7	1	8	1	0
Profit after Tax			2	1	1	8	5	3
Earnings per share (Rs.)					1	.	5	1
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 V Rajwade
Director

V K Raman
Chief Financial Officer

S R Balachandher
Company Secretary

Place: Chennai
Date : 10th May, 2007



RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2007

Particulars	(Rs. '000)	
	31st March 2007	31st March 2006
Cash flows from operating activities		
Premium received from policyholders, including advance receipts	6,030,867	4,645,573
Other receipts	374	926
Payments to the re-insurers, net of commissions and claims	(577,181)	73,634
Payments to co-insurers, net of claims recovery	24,021	(47,630)
Payments of claims	(2,651,352)	(2,480,801)
Payments of commission and brokerage	(507,949)	(339,314)
Payments of other operating expenses	(1,272,610)	(925,310)
Preliminary and pre-operative expenses		
Deposits, advances and staff loans	(17,317)	247
Income taxes paid (Net)	(69,230)	(11,237)
Service tax paid	(13,489)	3,527
Other payments		
Cash flows before extraordinary items		
Cash flow from extraordinary operations		
Net cash flow from operating activities	<u>946,134</u>	<u>919,615</u>
Cash flows from investing activities		
Purchase of fixed assets	(58,727)	(60,748)
Proceeds from sale of fixed assets	1,353	983
Purchases of investments	(2,901,674)	(4,960,218)
Loans disbursed	(416)	(1,542)
Sales of investments	2,338,690	3,868,529
Repayments received		
Rents/Interests/Dividends received	328,277	206,876
Investments in money market instruments and in liquid mutual funds (Net)	(469,324)	(30,278)
Expenses related to investments	(2,164)	(1,613)
Net cash flow from investing activities	<u>(763,985)</u>	<u>(978,011)</u>

Royal Sundaram Alliance Insurance Company Limited

RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2007 (Contd.)

Particulars	31st March 2007	31st March 2006
		(Rs. '000)
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>(795)</u>	<u>(354)</u>
Net increase in cash and cash equivalents:	181,354	41,250
Cash and Cash equivalents at the beginning of the year	334,790	293,540
Cash and cash equivalents at the end of the year	<u>516,144</u>	<u>334,790</u>

Per our report of even date attached

For N C Rajagopal & Co.
Chartered Accountants

V Anantharaman
Partner
Membership No: 11043

Place: Chennai
Date : 10th May, 2007

For Brahmayya & Co.
Chartered Accountants

C Murali Krishna
Partner
Membership No: 20884

G K Raman
Chairman

P M Venkatasubramanian
Director

V K Raman
Chief Financial Officer

For and on behalf of the Board of Directors

Antony Jacob
Managing Director

A V Rajwade
Director

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