



Fifth Annual Report 2004-05



Board of Directors

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

Audit Committee

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

Chief Financial Officer

V K Raman

Company Secretary

S R Balachandher

Auditors

M/s Brahmayya & Co, Chartered Accountants
M/s S R Batliboi & Co, Chartered Accountants

Registered Office

21, Patullos Road
Chennai 600 002

Administrative / Corporate Office

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

Regional Offices

Chennai, Gurgaon, Mumbai & Kolkata

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NOTICE OF THE ANNUAL GENERAL MEETING OF THE SHAREHOLDERS

NOTICE is hereby given that the Fifth Annual General Meeting of the Shareholders of Royal Sundaram Alliance Insurance Company Limited will be held on **Thursday, the 18th August 2005 at 1.30 p.m.** at its Corporate Office at “Sundaram Towers”, 45 & 46, Whites Road, Chennai 600 014, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Statement of Accounts for the year ended 31st March 2005 and to consider the Reports of the Directors and Auditors thereon.
2. To elect a Director in the place of Mr. G.K. Raman, who retires by rotation and being eligible, offers himself for re-election.
3. To elect a Director in the place of Mr. T.T. Srinivasaraghavan, who retires by rotation and being eligible, offers himself for re-election.
4. To elect a Director in the place of Mr. Antony Jacob, who retires by rotation and being eligible, offers himself for re-election.
5. To elect a Director in the place of Mr. R. Haresh, who retires by rotation and being eligible, offers himself for re-election.
6. To appoint auditors and fix their remuneration.
 - (i) M/s. S.R. Batliboi & Co., Chartered Accountants, Chennai, retire and are eligible for re-appointment.

With Special Notice under Section 225 of the Companies Act, 1956:

- (ii) To appoint M/s N C Rajagopalan & Co., Chartered Accountants, as the Statutory Auditor in the place of M/s. Brahmayya & Co., whose term of office expires, in terms of the Directions issued by the IRDA in February 2001 relating to Appointment of Auditors for Insurance Companies, at the conclusion of the ensuing Annual General Meeting of the Company.

SPECIAL BUSINESS

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution :

“RESOLVED that Mr.Christopher Rash, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956, and holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, in writing, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company liable for retirement by rotation, under the Articles of Association of the Company.”

8. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution :

“RESOLVED that Mr. Philip W Head, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956, and holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, in writing, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company liable for retirement by rotation, under the Articles of Association of the Company.”

By Order of the Board

Place: Chennai.
Date: May 10, 2005

S R Balachandher
Company Secretary

Notes:

- a) The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of items 6(ii), 7 and 8 set out above are annexed hereto.
- b) A member entitled to attend and vote is entitled to appoint a proxy and vote instead of himself and the proxy need not be a member.
- c) The proxy form duly stamped and executed, should be deposited at the Registered Office of the Company at least forty-eight hours before the time fixed for the commencement of the meeting.

Encl.: Proxy form.

Item No.6(ii)

M/s Brahmayya & Co., Chartered Accountants, Chennai, were appointed as the First Auditor of the Company in the year 2000. In terms of the Directions issued by the IRDA in February 2001 relating to Appointment of Auditors of Insurance Companies, M/s Brahmayya & Co., complete their term of 5 years, and are required to be replaced at the ensuing Annual General Meeting of the Company.

In their place, it is proposed to appoint M/s N C Rajagopalan & Co., Chartered Accountants, Chennai, as Statutory Auditors of the Company.

The appointment of M/s N C Rajagopalan & Co., will be subject to the provisions contained in Section 225 of the Companies Act, 1956 (appointment as auditor a person other than the retiring auditor) requiring special notice.

Necessary notice has been received from a member, proposing the appointment of M/s N C Rajagopalan & Co., as Auditors of the Company from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting.

The Board of Directors recommends the acceptance of the resolution.

Interest of Directors

None of the Directors is in any way concerned or interested in the above subject.

Special Business**Item No.7**

Mr. Christopher Rash was appointed as an Additional Director of the Company on 4th August 2004. Pursuant to Section 260 of the Companies Act, 1956 and in terms of Article 104 of the Articles of Association of the Company, he holds office up to the date of this Annual General Meeting of the Company and is eligible for reappointment.

Necessary notice has been received from a member along with a deposit of Rs.500/- proposing the candidature of Mr Christopher Rash for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

The Board of Directors considers that the appointment of Mr Christopher Rash as a Director will be in the interest of the Company and recommends the acceptance of the resolution for his appointment.

Interest of Directors

None of the Directors except Mr Christopher Rash is in any way concerned or interested in the above subject.

Item No.8

Mr. Philip W Head was appointed as an Additional Director of the Company on 30th March 2005. Pursuant to Section 260 of the Companies Act, 1956 and in terms of Article 104 of the Articles of Association of the Company, he holds office up to the date of this Annual General Meeting of the Company and is eligible for reappointment.

Necessary notice has been received from a member along with a deposit of Rs.500/- proposing the candidature of Mr.Philip W Head for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

The Board of Directors considers that the appointment of Mr Philip W Head as a Director will be in the interest of the Company and recommends the acceptance of the resolution for his appointment.

Interest of Directors

None of the Directors except Mr Philip W Head is in any way concerned or interested in the above subject.

By Order of the Board

Place: Chennai.

Date: May 10, 2005

S R Balachandher
Company Secretary

Dear Members,

Your Directors have pleasure in presenting the Fifth Annual Report on the business and operations, together with the audited accounts of your Company for the year ended 31st March 2005.

Financial Performance

The highlights of the financial results of your Company are as follows:

	(Rupees in lakhs)	
	2004-05	2003-04
Gross Written Premium	33070	25776
Net Written Premium	20162	15631
Net Earned Premium	17328	13223
Net Incurred Claims	11371	8961
Net Commission – Outgo/(Income)	(523)	(1250)
Expenses of Management	7281	6488
Underwriting Profit /(Loss)	(801)	(976)
Investment Income - Policyholders	828	962
General Insurance Results Profit /(Loss)	27	(14)
Investment Income - Shareholders	520	827
Other Income/(Outgo)	(12)	(12)
Profit/(Loss) for the Year	535	801
Provision for taxation	(34)	-
Profit After Tax	501	801

Business

Your Company achieved a Gross Written Premium of Rs.330.70 cr for 2004/2005 (previous year Rs.257.76 cr.), registering a growth of 28%. The underwriting loss was Rs. 8.01 cr (Rs.9.76 cr). After considering the investment income of Rs.13.48 cr. (Rs.17.89 cr) and providing for other out go and taxes, amounting to Rs.0.46 cr (Rs.0.12 cr), the net profit for the year amounted to Rs.5.01 cr (Rs.8.01 cr).

Commercial Insurances

The Commercial Insurances Business recorded a growth of 28%, achieving a Gross Written Premium (including Reinsurance Inward Premium) of Rs.132.1 crores.

The growth has been achieved through a focussed approach towards target clients, quality risk engineering, differentiated products, establishment of a dedicated Broker Team and leveraging our relationship with the Indian and International Brokers, account underwriting and fast-track claims settlement. This year, your Company added a large number of well-known companies to its corporate client list, in addition to increasing its share of existing clients' business.

In 2005/2006, your Company will continue its efforts to offer value added risk solutions to well managed clients, who value long-term relationships. Our objective is to improve our market share with strict discipline in underwriting and claims management.

Your Company expects the Broker distribution channel to play a key role in the development of its Commercial Insurance Business in future.

Retail Insurances

The Retail Insurances Business also recorded a growth of 28%, achieving a Gross Written Premium (including Reinsurance Inward Premium) of Rs.202.4 cr. Motor insurance continued to be the dominant portfolio, contributing 59% of the Retail Gross Written Premium, followed by Personal Accident (10%), Health (11%), Home (2%) and others (18%).

The growth was driven by the key distribution channels comprising of SF Group of Companies, Distribution/Bank Partners and Dealers/Direct Sales Agents (DSAs). During the year, the relationship forged with Motor car Manufacturers, particularly Maruti and General Motors, contributed substantially to our Motor book of Business and these relationships are expected to drive the future growth of the Personal Insurances Business. Your Company now has one of the strongest distribution platforms in the industry and with the inclusion of Small and Medium Enterprise (SME) products, efforts will be directed to increase performance of these channels.

Preparations are under way for a possible abolition of the Motor Insurance Tariff and specific organisational changes have been implemented to develop strategies for continued profitable growth in a 'differential' pricing environment.

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

Your Company recently carried out its inaugural Customer Management Assessment, using CMAT - an International tool and standards, adopted by many Fortune 500 companies. After a thorough assessment and rigorous scoring process, CMAT team has rated your Company in the upper quartile of all CMAT assessed companies and in the league of 'Best in Class' Internationally.

The People and Organization dimension score of 73%, places your Company in the top decile of all Companies assessed globally.

The assessment clearly recognised your Company's collective sponsorship of Customer Management Activity and its customer centric culture.

Rural and Social Sector

Your Company continued to surpass its obligations in the Rural and Social Sectors, achieving a premium of Rs.20 cr (against the Regulatory requirement of Rs.16.7 cr) and covered 27,288 lives (against the Regulatory requirement of 15,000 lives).

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

Claims

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

The year 2004/2005 was impacted by 7 major losses of which, 5 related to Fire losses. These losses accounted for the adverse results in Fire portfolio and resultant reduction in profits.

People

Your Company has 504 Full-Time Employees compared to 393 at the end of the previous year. Our focus continues to be on training and in enhancing the skills of our people. Some of them were also sponsored to attend International Training Programmes to hone their skills.

During the year, CII Southern Region conferred the "HR Excellence Award" on your Company and awarded a Commendation Certificate for its 'Strong Commitment to HR Excellence'.

The Company also qualified for the final round of the DMA Watson Wyatt HR Excellence Award.

Your Company has a network of 33 branches spread across the Country including the four Regional Offices at Chennai, Gurgaon, Mumbai and Kolkata.

Investments

Your Company has earned an investment income of Rs.13.3 cr for the year ended 31st March 2005. The yield on daily average funds was 5.2%.

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

Reduction in investment income is also a cause for reduction in profits.

Dividend

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

Board of Directors

Messrs. J M Brigg and Jeremy Riley, Directors relinquished their offices in August 2004. Mr Nigel Smith, who was appointed as a Director in August 2004, also relinquished his office in March 2005. Your Board of Directors place on record their sincere appreciation of the valuable contributions made by them, during their tenure as Directors of your Company.

Messrs. Christopher Rash and Philip W Head, who were appointed as Additional Directors in terms of Section 260 of the Companies Act, 1956, during the year, retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for appointment as Directors, liable to retire by rotation.

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

Audit Committee

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

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

Number of Meetings of the Board/Committees held during the year :

Board	5
Audit Committee	4
Investment Committee	5
Executive Committee	5

Internal Audit

M/s N C Rajagopalan & Company, Chartered Accountants, Chennai, continued as Internal Auditors of the Company.

Statutory Auditors

The joint auditors M/s Brahmayya & Co., and M/s S.R.Batliboi & Co., Chartered Accountants, Chennai, retire at the forthcoming Annual General Meeting. M/s S R Batliboi & Co., being eligible, offer themselves, for re-appointment.

M/s Brahmayya & Co., was appointed as the First Auditor of the Company in the year 2000. In terms of the Directive issued by the IRDA in February 2001 relating to Appointment of Auditors of Insurance Companies, M/s Brahmayya & Co., complete their term of 5 years, and are required to be replaced at the ensuing Annual General Meeting. In their place, it is proposed to appoint M/s N C Rajagopalan & Co., Chartered Accountants, Chennai, as Statutory Auditors of the Company.

The appointment of M/s N C Rajagopalan & Co, will be subject to the provisions contained in Section 225 of the Companies Act, 1956 (appointment as auditor a person other than the retiring auditor) requiring special notice.

Necessary notice has been received from a member, proposing the appointment of M/s N C Rajagopalan & Co., as Auditors of the Company from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting.

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

Management Report

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

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

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

Particulars regarding Conservation of Energy or Technology Absorption

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

Foreign Exchange earnings and outgo

The Company had foreign exchange earnings equivalent to Rs. 9.92 cr and the outgo amounted to Rs. 14.74 cr for the year ended 31st March 2005.

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 2005, 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 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 2005;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the applicable provisions of the Insurance Act, 1938 (4 of 1938) / Companies Act, 1956 (1 of 1956), for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors have prepared the Financial Statements on a 'going concern' basis.
- (v) an Internal Audit system, commensurate with the size and nature of the business, exists and is operating effectively.

Acknowledgement

Your Directors thank the officials and members of IRDA for their continued guidance and co-operation and the Bankers, Distribution Partners, Agents, Brokers and Customers for their support to your Company. The support and co-operation extended by all the Shareholders merit appreciation. The Directors also place on record, their deep sense of appreciation of the contribution made by the people of the Company.

For and on behalf of the Board

Place: Chennai
Date: May 10, 2005

G K Raman
Chairman

1. We have audited the attached Balance Sheet of ROYAL SUNDARAM ALLIANCE INSURANCE COMPANY LIMITED (“the Company”) as at 31st March 2005 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 subsection (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 purpose of our audit and have found them satisfactory.
 - ii. In our opinion, proper books of account as required by law have been maintained by the Company so far as appears from our examination of those books.
 - iii. The financial accounting system of the Company is centralised and therefore accounting returns are not required to be submitted by branches and other offices.
 - iv. The Balance Sheet, the Revenue Accounts, the Profit and Loss Account and the Receipts and Payments Account dealt with by this report are in agreement with the books of account.
 - v. The estimate of claims Incurred But Not Reported (IBNR) and claims Incurred But Not Enough Reported (IBNER) has been duly certified by the Company’s appointed actuary. The appointed actuary has certified to the Company that the assumptions used for such estimate are appropriate and are in accordance with the requirements of the Insurance Regulatory and Development Authority (‘IRDA’) and Actuarial Society of India in concurrence with IRDA.
 - vi. On the basis of the written representations received from the directors, as on 31st March 2005, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2005 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 the IRDA in this behalf. The Balance Sheet, the Revenue Accounts, the Profit and Loss Account and the Receipts and Payments Account referred to in this report are in compliance with the accounting standards referred to in Section 211(3C) of the Companies Act.
 - ii. Investments of the Company have been valued in accordance with the provisions of the Insurance Act and the Regulations.
 - iii. The said financial statements are prepared in accordance with the requirements of the Insurance Act, the Insurance Regulatory and Development Authority Act, 1999, the Regulations and the Companies Act to the extent applicable and in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2005;
 - 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 2005 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 has 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 Brahmaya & Co
Chartered Accountants

L Ravi Sankar
Partner
Membership No: 25929

For S R Batliboi & Co
Chartered Accountants

Mahendra Jain
Partner
Membership No: 205839

Place : Chennai
Dated: May 10, 2005

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 2005	31st March 2004
1 Premiums earned (Net)	1A	190,928	134,043
2 Profit/(Loss) on sale/redemption of Investments		(152)	3,352
3 Others		-	-
4 Interest, Dividend and Rent [Net of amortisation] [Gross Interest Rs.10,540 thousand (Previous Year: Rs. 7,497 thousand)] (Refer note 17 of Schedule 17)		8,026	6,029
Total (A)		<u>198,802</u>	<u>143,424</u>
1 Claims Incurred (Net)	2A	97,055	40,437
2 Commission	3A	(94,825)	(109,960)
3 Operating Expenses related to Insurance Business	4	122,327	120,666
4 Premium Deficiency		-	-
Total (B)		<u>124,557</u>	<u>51,143</u>
Operating Profit/(Loss) from Fire Business C = (A-B)		<u>74,245</u>	<u>92,281</u>
Appropriations			
Transfer to Shareholders' Account		74,245	92,281
Transfer to Catastrophe Reserve		-	-
Transfer to Other Reserves		-	-
Total (C)		<u>74,245</u>	<u>92,281</u>
Significant accounting policies	16		
Notes to financial statements	17		

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

Per our report of even date attached

For and on behalf of the Board of Directors

For **Brahmayya & Co**
Chartered Accountants

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

G K Raman
Chairman

Antony Jacob
Managing Director

L Ravi Sankar
Partner
Membership No:25929

per Mahendra Jain
Partner
Membership No: 205839

P M Venkatasubramanian
Director

A V Rajwade
Director

Place: Chennai
Date : May 10, 2005

V K Raman
Chief Financial Officer

S R Balachandher
Company Secretary

REVENUE ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005
(MARINE BUSINESS)

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

Particulars	Schedule	(Rs '000)	
		31st March 2005	31st March 2004
1 Premiums earned (Net)	1B & 1C	83,812	69,157
2 Profit/(Loss) on sale/redemption of Investments		(71)	1,762
3 Others		-	-
4 Interest, Dividend and Rent [Net of amortisation] [Gross Interest Rs. 4,886 thousand (Previous Year: Rs. 3,940 thousand)] (Refer note 17 of Schedule 17)		3,721	3,169
Total (A)		<u>87,462</u>	<u>74,088</u>
1 Claims Incurred (Net)	2B & 2C	<u>54,519</u>	<u>44,043</u>
2 Commission	3B & 3C	1,890	(6,973)
3 Operating Expenses related to Insurance Business	4	31,668	31,143
4 Premium Deficiency		-	-
Total (B)		<u>88,077</u>	<u>68,213</u>
Operating Profit/(Loss) from Marine Business C = (A-B)		<u>(615)</u>	<u>5,875</u>
Appropriations			
Transfer to Shareholders' Account		(615)	5,875
Transfer to Catastrophe Reserve		-	-
Transfer to Other Reserves		-	-
Total (C)		<u>(615)</u>	<u>5,875</u>
Significant accounting policies	16		
Notes to financial statements	17		

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

Per our report of even date attached

For and on behalf of the Board of Directors

For **Brahmayya & Co**
Chartered Accountants

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

G K Raman
Chairman

Antony Jacob
Managing Director

L Ravi Sankar
Partner
Membership No:25929

per Mahendra Jain
Partner
Membership No: 205839

P M Venkatasubramanian
Director

A V Rajwade
Director

Place: Chennai
Date : May 10, 2005

V K Raman
Chief Financial Officer

S R Balachandher
Company Secretary

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

Particulars	Schedule	(Rs '000)	
		31st March 2005	31st March 2004
1 Premiums earned (Net)	1D	1,458,050	1,119,127
2 Profit/(Loss) on sale/redemption of Investments		(1,374)	29,177
3 Others - Transfer fee and Duplicate fee		332	220
4 Interest, Dividend and Rent [Net of amortisation] [Gross Interest Rs. 95,022 thousand (Previous Year: Rs. 65,263 thousand)] (Refer note 17 of Schedule 17)		72,355	52,481
Total (A)		<u>1,529,363</u>	<u>1,201,005</u>
1 Claims Incurred (Net)	2D	985,480	811,580
2 Commission	3D	40,676	(8,066)
3 Operating expenses related to Insurance Business	4	574,183	497,075
4 Premium Deficiency		-	-
Total (B)		<u>1,600,339</u>	<u>1,300,589</u>
Operating Profit/(Loss) from Miscellaneous Business C = (A-B)		<u>(70,976)</u>	<u>(99,584)</u>
Appropriations			
Transfer to Shareholders' Account		(70,976)	(99,584)
Transfer to Catastrophe Reserve		-	-
Transfer to Other Reserves		-	-
Total (C)		<u>(70,976)</u>	<u>(99,584)</u>
Significant accounting policies	16		
Notes to financial statements	17		

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

Per our report of even date attached

For and on behalf of the Board of Directors

For **Brahmayya & Co**
Chartered Accountants

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

G K Raman
Chairman

Antony Jacob
Managing Director

L Ravi Sankar
Partner
Membership No:25929

per Mahendra Jain
Partner
Membership No: 205839

P M Venkatasubramanian
Director

A V Rajwade
Director

Place: Chennai
Date : May 10, 2005

V K Raman
Chief Financial Officer

S R Balachandher
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

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 2005	31st March 2004
1 OPERATING PROFIT/(LOSS)			
a) Fire Insurance		74,245	92,281
b) Marine Insurance		(615)	5,875
c) Miscellaneous Insurance		(70,976)	(99,584)
2 INCOME FROM INVESTMENTS			
a) Interest, Dividend and Rent [Net of amortisation] [Gross Interest Rs. 69,641 thousand] (Previous Year: Rs. 66,143 thousand)] (Refer note 17 of Schedule 17)		53,028	53,189
b) Profit on sale of investments		3,819	29,586
Less: Loss on sale of investments		(4,826)	(15)
3 OTHER INCOME [includes gain on foreign exchange transactions Rs. 263 thousand (Previous Year: loss on foreign exchange transactions Rs.350 thousand)]		316	321
Total (A)		<u>54,991</u>	<u>81,653</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		487	503
b) Bad debts written off		-	-
c) Others – Preliminary expenses written off		1,032	1,032
– Filing fees		4	9
Total (B)		<u>1,523</u>	<u>1,544</u>
Profit Before Tax (Refer note 12 of Schedule 17) (A - B)		<u>53,468</u>	<u>80,109</u>
Provision for Taxation [including Wealth Tax Rs. 51 thousand (Previous Year: Rs.25 thousand)]		(3,368)	(25)
Profit after tax		<u>50,100</u>	<u>80,084</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		(323,895)	(403,979)
Balance carried forward to Balance Sheet		<u>(273,795)</u>	<u>(323,895)</u>
Significant accounting policies	16		
Notes to financial statements	17		

Per our report of even date attached

For and on behalf of the Board of Directors

For **Brahmayya & Co**
Chartered Accountants

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

G K Raman
Chairman

Antony Jacob
Managing Director

L Ravi Sankar
Partner
Membership No:25929

per Mahendra Jain
Partner
Membership No: 205839

P M Venkatasubramanian
Director

A V Rajwade
Director

Place: Chennai
Date : May 10, 2005

V K Raman
Chief Financial Officer

S R Balachandher
Company Secretary

BALANCE SHEET AS AT 31ST MARCH, 2005

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 2005	31st March 2004
SOURCES OF FUNDS			
SHARE CAPITAL	5	1,300,000	1,298,968
RESERVES AND SURPLUS	6	-	-
FAIR VALUE CHANGE ACCOUNT		-	-
BORROWINGS	7	-	-
LIABILITY FOR LEASED VEHICLES (Secured by Leased Vehicles)		2,614	6,046
TOTAL		1,302,614	1,305,014
APPLICATION OF FUNDS			
INVESTMENTS	8	2,582,465	2,060,477
LOANS	9	-	-
FIXED ASSETS	10	136,037	112,898
CURRENT ASSETS			
Cash and Bank Balances	11	292,111	222,412
Advances and Other Assets	12	254,494	177,459
Sub- Total (A)		546,605	399,871
CURRENT LIABILITIES			
PROVISIONS	13	(1,151,811)	(791,079)
Sub - Total (B)		(2,236,288)	(1,592,127)
NET CURRENT ASSETS (C)=(A-B)		(1,689,683)	(1,192,256)
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	15	-	-
DEBIT BALANCE IN			
PROFIT AND LOSS ACCOUNT		273,795	323,895
TOTAL		1,302,614	1,305,014
Significant accounting policies	16		
Notes to financial statements	17		

Per our report of even date attached

For and on behalf of the Board of Directors

For **Brahmayya & Co**
Chartered Accountants

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

G K Raman
Chairman

Antony Jacob
Managing Director

L Ravi Sankar
Partner
Membership No:25929

per Mahendra Jain
Partner
Membership No: 205839

P M Venkatasubramanian
Director

A V Rajwade
Director

Place: Chennai
Date : May 10, 2005

V K Raman
Chief Financial Officer

S R Balachandher
Company Secretary

(Rs '000)

SCHEDULE 1A

PREMIUM EARNED (NET) — FIRE BUSINESS	31st March 2005	31st March 2004
Particulars		
Premium from direct business written	630,119	505,285
Add: Premium on reinsurance accepted	34,905	36,081
Less: Premium on reinsurance ceded	(425,728)	(370,068)
Net Premium	239,296	171,298
Adjustment for change in reserve for unexpired risks	(48,368)	(37,255)
Total Premium Earned (Net)	190,928	134,043

SCHEDULE 1B

PREMIUM EARNED (NET) — MARINE CARGO BUSINESS	31st March 2005	31st March 2004
Particulars		
Premium from direct business written	163,162	133,833
Add: Premium on reinsurance accepted	68	—
Less: Premium on reinsurance ceded	(67,805)	(61,635)
Net Premium	95,425	72,198
Adjustment for change in reserve for unexpired risks	(11,613)	(3,041)
Total Premium Earned (Net)	83,812	69,157

SCHEDULE 1C

PREMIUM EARNED (NET) — MARINE HULL BUSINESS	31st March 2005	31st March 2004
Particulars		
Premium from direct business written	4,799	—
Add: Premium on reinsurance accepted	—	—
Less: Premium on reinsurance ceded	(4,681)	—
Net Premium	118	—
Adjustment for change in reserve for unexpired risks	(118)	—
Total Premium Earned (Net)	—	—

SCHEDULE 1D

PREMIUM EARNED (NET) — MISCELLANEOUS BUSINESS	31st March 2005	31st March 2004
Particulars		
Premium from direct business written	2,508,915	1,938,479
Add: Premium on reinsurance accepted	4,814	3,737
Less: Premium on reinsurance ceded	(832,349)	(622,597)
Net Premium	1,681,380	1,319,619
Adjustment for change in reserve for unexpired risks	(223,330)	(200,492)
Total Premium Earned (Net)	1,458,050	1,119,127

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

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs '000)

SCHEDULE 2A

CLAIMS INCURRED (NET) — FIRE BUSINESS	31st March 2005	31st March 2004
Particulars		
Claims paid		
Direct	263,193	99,018
Add: Reinsurance accepted	1,037	501
Less: Reinsurance ceded	(191,139)	(68,442)
Net Claims paid	<u>73,091</u>	<u>31,077</u>
Add: Claims outstanding at the end of the year	48,059	24,095
Less: Claims outstanding at the beginning	(24,095)	(14,735)
Total Claims Incurred	<u>97,055</u>	<u>40,437</u>

SCHEDULE 2B

CLAIMS INCURRED (NET) — MARINE CARGO BUSINESS	31st March 2005	31st March 2004
Particulars		
Claims paid		
Direct	82,375	57,495
Add: Reinsurance accepted	—	—
Less: Reinsurance ceded	(31,779)	(23,810)
Net Claims paid	<u>50,596</u>	<u>33,685</u>
Add: Claims outstanding at the end of the year	30,194	26,271
Less: Claims outstanding at the beginning	(26,271)	(15,913)
Total Claims Incurred	<u>54,519</u>	<u>44,043</u>

SCHEDULE 2C

CLAIMS INCURRED (NET) — MARINE HULL BUSINESS	31st March 2005	31st March 2004
Particulars		
Claims paid		
Direct	—	—
Add: Reinsurance accepted	—	—
Less: Reinsurance ceded	—	—
Net Claims paid	—	—
Add: Claims outstanding at the end of the year	—	—
Less: Claims outstanding at the beginning	—	—
Total Claims Incurred	—	—

SCHEDULE 2D

CLAIMS INCURRED (NET) — MISCELLANEOUS BUSINESS	31st March 2005	31st March 2004
Particulars		
Claims paid		
Direct	1,061,261	763,307
Add: Reinsurance accepted	2,392	1,124
Less: Reinsurance ceded	(299,331)	(197,242)
Net Claims paid	<u>764,322</u>	<u>567,189</u>
Add: Claims outstanding at the end of the year*	705,871	484,713
Less: Claims outstanding at the beginning	(484,713)	(240,322)
Total Claims Incurred	<u>985,480</u>	<u>811,580</u>

*Refer note 12 of Schedule 17

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

(Rs '000)

SCHEDULE 3A

COMMISSION — FIRE BUSINESS	31st March 2005	31st March 2004
Particulars		
Commission paid		
Direct	36,605	15,315
TOTAL	<u>36,605</u>	<u>15,315</u>
Add: Commission on Reinsurance Accepted	91	111
Less: Commission on Reinsurance Ceded	(131,521)	(125,386)
Net Commission	<u>(94,825)</u>	<u>(109,960)</u>
Break-up of the expenses (Gross) incurred to procure business :		
Agents	16,784	7,103
Brokers	18,696	6,847
Corporate Agency	909	289
Referral	216	1,076
Others	—	—
TOTAL	<u>36,605</u>	<u>15,315</u>

SCHEDULE 3B

COMMISSION — MARINE CARGO BUSINESS	31st March 2005	31st March 2004
Particulars		
Commission paid		
Direct	15,751	7,083
TOTAL	<u>15,751</u>	<u>7,083</u>
Add: Commission on Reinsurance Accepted	—	—
Less: Commission on Reinsurance Ceded	(12,996)	(14,056)
Net Commission	<u>2,755</u>	<u>(6,973)</u>
Break-up of the expenses (Gross) incurred to procure business :		
Agents	6,528	4,112
Brokers	7,297	2,344
Corporate Agency	1,848	436
Referral	78	191
Others	—	—
TOTAL	<u>15,751</u>	<u>7,083</u>

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs '000)

SCHEDULE 3C
COMMISSION — MARINE HULL BUSINESS
31st March 2005 31st March 2004
Particulars

Commission paid	—	—
Direct	—	—
TOTAL	<u>—</u>	<u>—</u>
Add: Commission on Reinsurance Accepted	—	—
Less: Commission on Reinsurance Ceded	(865)	—
Net Commission	<u>(865)</u>	<u>—</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
31st March 2005 31st March 2004
Particulars

Commission paid		
Direct	211,109	128,990
TOTAL	<u>211,109</u>	<u>128,990</u>
Add: Commission on Reinsurance Accepted	31	27
Less: Commission on Reinsurance Ceded	(170,464)	(137,083)
Net Commission	<u>40,676</u>	<u>(8,066)</u>
Break-up of the expenses (Gross) incurred to procure business :		
Agents	103,395	55,986
Brokers	8,125	4,259
Corporate Agency	87,603	61,259
Referral	11,986	7,486
Others	—	—
TOTAL	<u>211,109</u>	<u>128,990</u>

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

Break up Schedule for Miscellaneous Business

(Rs '000)

(for the year ended 31st March 2005)

Particulars	Motor		Workmen's Compensation / Employers' Liability		Public / Product Liability		Engineering		Personal Accident		Health Insurance		Others		Total	
	31st March 2005	31st March 2004	31st March 2005	31st March 2004	31st March 2005	31st March 2004	31st March 2005	31st March 2004	31st March 2005	31st March 2004	31st March 2005	31st March 2004	31st March 2005	31st March 2004	31st March 2005	
Premium Earned (Net)	1,609,484	1,311,900	8,526	5,488	37,356	26,263	274,782	190,998	232,397	205,974	296,579	161,153	49,791	36,633	2,508,915	1,938,479
Premium from direct business written	-	17	-	-	102	90	3,678	2,734	90	64	863	730	81	102	4,814	3,737
Add: Premium on reinsurance accepted	(344,043)	(280,455)	(2,519)	(1,691)	(27,329)	(20,669)	(226,046)	(151,625)	(99,405)	(91,783)	(118,977)	(64,753)	(14,030)	(11,621)	(832,349)	(622,597)
Less: Premium on reinsurance ceded	1,265,441	1,031,552	6,007	3,777	10,129	5,684	52,414	42,107	133,082	114,255	178,465	97,130	35,842	25,114	1,681,380	1,319,619
Net Premium	(171,459)	(150,180)	(1,001)	(643)	(3,780)	1,666	(7,557)	(9,879)	4,642	(13,194)	(36,159)	(23,244)	(8,016)	(5,018)	(223,330)	(200,492)
Adjustment for change in reserve for unexpired risks	1,093,982	881,372	5,006	3,134	6,349	7,350	44,857	32,228	137,724	101,061	142,306	73,886	27,826	20,096	1,458,050	1,119,127
Total Premium Earned (Net)	716,563	511,261	1,201	475	48	163	50,035	17,130	140,677	132,159	141,065	91,844	11,672	10,275	1,061,261	763,307
Claims Incurred (Net)	-	16	-	-	-	-	9	14	54	-	2,300	1,094	29	-	2,392	1,124
Claims paid	(143,313)	(102,255)	(240)	(183)	75	(33)	(40,702)	(9,428)	(55,270)	(45,294)	(57,946)	(37,175)	(2,535)	(2,934)	(299,331)	(197,242)
Less: Reinsurance ceded	573,250	409,022	961	292	123	130	9,942	7,716	85,461	88,925	86,019	55,763	9,166	7,341	764,322	567,189
Net Claims paid	577,401	365,841	1,616	535	931	1,026	14,550	10,794	75,819	87,140	22,338	14,459	13,216	4,958	705,871	484,713
Add: Claims remaining unpaid at the end of the year	(365,841)	(136,989)	(535)	(528)	(1,026)	(540)	(10,754)	(3,501)	(87,140)	(85,147)	(14,459)	(9,627)	(4,958)	(3,990)	(484,713)	(240,322)
Total Claims Incurred	784,810	637,874	2,042	299	28	616	13,138	14,969	74,140	88,918	93,898	60,595	17,424	8,309	985,480	811,580
Commissions	152,122	87,880	616	213	719	287	3,767	2,464	19,055	25,593	31,317	11,066	3,513	1,487	211,109	128,990
Commission paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Direct	152,122	87,880	616	213	719	287	3,767	2,464	19,055	25,593	31,317	11,066	3,513	1,487	211,109	128,990
TOTAL	1	-	-	-	3	2	2	3	2	2	22	18	1	2	31	27
Add: Commission on reinsurance accepted	(64,379)	(66,400)	(407)	(273)	(2,286)	(1,923)	(46,588)	(28,474)	(23,308)	(20,604)	(29,745)	(16,188)	(3,750)	(3,221)	(170,464)	(137,083)
Less: Commission on reinsurance ceded	87,744	21,480	209	(60)	(1,564)	(1,634)	(42,820)	(26,007)	(4,251)	4,991	1,594	(5,104)	(236)	(1,732)	40,676	(8,066)
Net commission																

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs '000)

SCHEDULE 4

OPERATING EXPENSES RELATED TO INSURANCE BUSINESS	31st March 2005	31st March 2004
Particulars		
1 Employees' remuneration and welfare benefits	232,197	199,820
2 Travel, conveyance and vehicle running expenses	29,833	33,265
3 Training expenses	4,401	5,292
4 Rents, rates and taxes	55,689	47,098
5 Repairs and maintenance	7,371	4,262
6 Printing and stationery	20,843	31,308
7 Communication	28,619	30,672
8 Legal and professional charges	9,039	5,879
9 Auditors' fees and expenses		
(a) as auditors	650	500
(b) as adviser or in any other capacity, in respect of		
(i) Taxation matters	195	150
(ii) Insurance matters	–	–
(iii) Management services	–	–
(c) in any other capacity - certification	322	320
(d) out of pocket expenses	307	510
10 Advertisement and publicity	8,362	14,020
11 Bank charges	4,134	3,141
12 Others		
Data processing and outsourcing expenses	97,924	114,675
Marketing and related expenses	79,242	11,533
Software and Hardware maintenance charges	44,809	35,731
Policy Stamp expenses	389	523
Directors' sitting fees	375	405
Miscellaneous expenses	57,246	63,200
13 Depreciation	45,206	45,157
14 Service tax on premium	1,025	1,423
	<u>728,178</u>	<u>648,884</u>
Allocation of expenses (per accounting policy 8, Schedule 16)		
Revenue Account — Fire Business	122,327	120,666
Revenue Account — Marine Business	31,668	31,143
Revenue Account — Miscellaneous Business	574,183	497,075
	<u>728,178</u>	<u>648,884</u>

(Rs '000)

SCHEDULE 5

SHARE CAPITAL

31st March 2005 31st March 2004

Particulars

1	Authorised Capital		
	130,000,000 (31st March, 2004: 130,000,000)		
	Equity shares of Rs 10/- each	<u>1,300,000</u>	<u>1,300,000</u>
2	Issued Capital		
	130,000,000 (31st March, 2004: 130,000,000)		
	equity shares of Rs 10/- each, fully paid up	1,300,000	1,300,000
3	Subscribed Capital		
	130,000,000 (31st March, 2004: 130,000,000)		
	equity shares of Rs 10/- each, fully paid up	<u>1,300,000</u>	<u>1,300,000</u>
4	Called-up Capital		
	130,000,000 (31st March, 2004: 130,000,000)		
	equity shares of Rs 10/- each, fully paid up	1,300,000	1,300,000
	Less: Calls unpaid	-	-
	Add: Equity Shares forfeited (Amount originally paid-up)	-	-
	Less: Par Value of Equity Shares bought back	-	-
	Less: Preliminary Expenses (to the extent not written off)	-	(1,032)
	Total	<u>1,300,000</u>	<u>1,298,968</u>

SCHEDULE 5A

SHARE CAPITAL

PATTERN OF SHAREHOLDING

[As certified by the Management]

Shareholder	31st March 2005		31st March 2004	
	Number of Shares	% of holding	Number of Shares	% of holding
Promoters				
Indian	96,200,000	74%	96,200,000	74%
Foreign	33,800,000	26%	33,800,000	26%
	<u>130,000,000</u>	<u>100%</u>	<u>130,000,000</u>	<u>100%</u>
Others	-	-	-	-
Total	<u>130,000,000</u>	<u>100%</u>	<u>130,000,000</u>	<u>100%</u>

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs '000)

SCHEDULE 6
RESERVES AND SURPLUS
31st March 2005 31st March 2004
Particulars

1	Capital Reserve	-	-
2	Capital Redemption Reserve	-	-
3	Share Premium	-	-
4	General Reserves	-	-
	Less: Debit balance in Profit and Loss Account		
	Less: Amount utilized for Buy-back		
5	Catastrophe Reserve	-	-
6	Other Reserves	-	-
7	Balance of Profit in Profit & Loss Account	-	-
	Total	<u>-</u>	<u>-</u>

SCHEDULE 7
BORROWINGS
31st March 2005 31st March 2004
Particulars

1	Debentures / Bonds	-	-
2	Banks	-	-
3	Financial Institutions	-	-
4	Others	-	-
	Total	<u>-</u>	<u>-</u>

(Rs '000)

SCHEDULE 8

INVESTMENTS

31st March 2005 31st March 2004

Particulars

LONG TERM INVESTMENTS

1	Government securities and Government guaranteed bonds including Treasury Bills *	287,852	428,391
2	Other Approved Securities	101,166	—
3	Other Investments		
	(a) Shares		
	(aa) Equity	—	—
	(bb) Preference	—	—
	(b) Mutual Funds	—	—
	(c) Derivative Instruments	—	—
	(d) Debentures / Bonds	613,954	522,788
	(e) Other Securities	—	—
	(f) Subsidiaries	—	—
	(g) Investment in Properties-Real Estate	—	—
4	Investments in Infrastructure and Social Sector	665,080	408,359
5	Other than Approved Investments	165,380	55,441

SHORT TERM INVESTMENTS

1	Government securities and Government guaranteed bonds including Treasury Bills	600,051	567,373
2	Other Approved Securities	—	27,765
3	Other Investments		
	(a) Shares		
	(aa) Equity	—	—
	(bb) Preference	—	—
	(b) Mutual Funds	—	—
	(c) Derivative Instruments	—	—
	(d) Debentures / Bonds	148,982	—
	(e) Other Securities	—	—
	(f) Subsidiaries	—	—
	(g) Investment in Properties-Real Estate	—	—
4	Investments in Infrastructure and Social Sector	—	50,360
5	Other than Approved Investments	—	—
	Total	2,582,465	2,060,477
	Aggregate market value of quoted investments	2,521,354	2,041,938
	Aggregate book value of unquoted investments	48,766	27,765

*Includes Government securities of book value Rs. 114,066 thousand (31st March, 2004: Rs. 85,443 thousand), held under Section 7 of the Insurance Act, 1938.

(Rs '000)

SCHEDULE 9
LOANS
31st March 2005 31st March 2004
Particulars
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	-	-
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2 BORROWER-WISE CLASSIFICATION

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

Total

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

Total	-	-
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4 MATURITY-WISE CLASSIFICATION

(a) Short-Term	-	-
(b) Long-Term	-	-

Total

Total	-	-
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(Rs '000)

SCHEDULE 10

Fixed Assets

PARTICULARS	COST/GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Opening	Additions	Deductions	Closing	Upto 31st March 2004	For the year	On sales/adjustments	Upto 31st March 2005	As at 31st March 2005	As at 31st March 2004
Goodwill	-	-	-	-	-	-	-	-	-	-
Intangibles-Information Technology Software	23,878	7,748	-	31,626	13,238	6,864	-	20,102	11,524	10,640
Land-Freehold	-	-	-	-	-	-	-	-	-	-
Leasehold Property	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-
Furniture and Fittings	61,543	16,274	974	76,843	21,102	10,536	380	31,258	45,585	40,441
Information Technology Equipment	109,787	23,014	-	132,801	82,969	20,944	-	103,913	28,888	26,818
Vehicles	5,956	4,956	1,658	9,254	1,996	1,363	618	2,741	6,513	3,960
Office Equipment	36,707	8,331	82	44,956	10,407	4,547	34	14,920	30,036	26,300
Others-Leased Vehicles	9,112	-	1,684	7,428	4,911	952	1,002	4,861	2,567	4,201
TOTAL	246,983	60,323	4,398	302,908	134,623	45,206	2,034	177,795	125,113	112,360
Work in progress	538	10,924	538	10,924	-	-	-	-	10,924	538
Grand Total	247,521	71,247	4,936	313,832	134,623	45,206	2,034	177,795	136,037	112,898
As at 31st March 2004	199,025	50,282	1,786	247,521	90,265	45,157	799	134,623	112,898	

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS
SCHEDULE 11

(Rs '000)

CASH AND BANK BALANCES
31st March 2005 **31st March 2004**
Particulars

1	Cash (including cheques, drafts and stamps)	74,384	30,791
2	Bank Balances		
	(a) Deposit Accounts		
	(aa) Short-term (due within 12 months)	127,815	–
	(bb) Others	–	–
	(b) Current Accounts	89,912	56,621
	(c) Others	–	–
3	Money at Call and Short Notice		
	(a) With Banks	–	–
	(b) With other Institutions	–	–
4	Others - With Primary Dealer	–	135,000
	Total	292,111	222,412

Included in Bank balances - current accounts, are balances with a non-scheduled bank outside India amounting to Rs.4,091 thousand (31st March, 2004: Rs.6,726 thousand). The other bank balances are with scheduled banks.

SCHEDULE 12
ADVANCES AND OTHER ASSETS
31st March 2005 **31st March 2004**
Particulars
ADVANCES

1	Reserve deposits with ceding companies	–	–
2	Application money for investments	–	–
3	Prepayments	11,971	12,948
4	Advances to Directors/Officers	–	70
5	Advance tax paid and taxes deducted at source [Net of provision for tax amounting to Rs.3317 thousand (31st March, 2004: Rs.NIL)]	1,227	284
6	Others-Deposits for premises and advance rent	26,011	23,038
7	Others [Includes Service Tax unutilised credit of Rs. 6,949 thousand (31st March, 2004: Rs. 69 thousand)]	16,521	13,639
	Total (A)	55,730	49,979

OTHER ASSETS

1	Income accrued on investments	60,420	42,333
2	Outstanding Premiums	–	–
3	Agents' Balances	–	–
4	Foreign Agencies Balances	–	–
5	Due from other entities carrying on insurance business (including reinsurers)	125,687	74,318
6	Due from subsidiaries / holding	–	–
7	Deposit with Reserve Bank of India [Pursuant to section 7 of the Insurance Act, 1938]	–	–
8	Others — Interest recoverable	12,657	10,829
	Total (B)	198,764	127,480
	Total (A+B)	254,494	177,459

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

SCHEDULE 13

(Rs '000)

CURRENT LIABILITIES

31st March 2005 31st March 2004

Particulars

1	Agents' Balances	34,041	9,260
2	Balances due to other insurance companies	108,095	118,465
3	Deposits held on re-insurance ceded	-	-
4	Premiums received in advance	48,359	19,882
5	Unallocated Premium	-	-
6	Sundry creditors	167,406	106,682
7	Due to subsidiaries / holding company	-	-
8	Claims Outstanding	784,124	535,079
9	Due to Officers / Directors	110	110
10	Others - Service Tax liability	9,676	1,601
	Total	1,151,811	791,079

SCHEDULE 14

PROVISIONS

31st March 2005 31st March 2004

Particulars

1	Reserve for Unexpired Risk	1,084,477	801,048
2	For taxation (less advance tax paid and taxes deducted at source)	-	-
3	For proposed dividends	-	-
4	For dividend distribution tax	-	-
5	Others	-	-
	Total	1,084,477	801,048

SCHEDULE 15

MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)

3st March 2005 31st March 2004

Particulars

1	Discount Allowed in issue of shares / debentures	-	-
2	Others	-	-
	Total	-	-

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'), 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. Reinsurance premium ceded on unearned premium 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.

5. Terrorism Pool

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

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

A reserve for unexpired risks is recorded at 50 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.
- b) Investments are recorded at cost including acquisition charges (such as brokerage, transfer stamps etc), if any, and exclude interest paid on purchase. Investments maturing within or intended to be held for a period of less than twelve months are classified as 'Short Term Investments' while those maturing beyond or intended to be held for a period of twelve months or above are classified as 'Long Term Investments'.
- c) Debt securities, which include government securities are considered as 'held-to-maturity' and are measured at historical cost. The premium, if any, on purchase of debt securities is amortised over the period to maturity based on their intrinsic yield.
- d) Investment income is allocated to the respective Revenue Accounts and the Profit and Loss Account based on the ratio of average 'Technical Funds' and "Shareholders' Funds" respectively (average of funds at the beginning and at the end of the year).

'Technical Funds' in relation to 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 amortised cost, which is computed on a weighted average basis. In case of mutual fund units, the profit or loss on actual sale of investment includes the accumulated changes in the fair value previously recognised under "Fair Value Change Account".

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

7. Fixed assets and depreciation

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

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

- c) Assets purchased costing less than Rs 5,000 individually, are written down to Re 1.

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

8. Operating expenses

- a) Operating expenses, in the nature of acquisition costs, are expensed as incurred.
- b) Operating expenses relating to insurance business are assigned to respective business segments as follows:
 - (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.

9. Retirement benefits

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

10. Income-tax

- a) Provision for current income-tax is made on accrual basis after taking credit for allowances and exemptions.
- b) Deferred tax asset/liability is determined at the effective tax rates on the balance sheet date.
Deferred tax liability, if any, is provided for. Deferred tax asset, if any, is recognised after considering the certainty of its realisation.

11. Preliminary expenses

Preliminary expenses are being written off in five equal annual instalments. The balance to the extent not written off, is disclosed as a deduction from share capital.

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, provisions are created in respect of obligations as a result of past events and it is probable that an outflow of resources will be required to settle the obligations, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

SCHEDULE 17

1. Royal Sundaram Alliance Insurance Company Limited ('the Company') was incorporated under the Companies Act, 1956 on 22nd August 2000. The Company received its Certificate of Registration from the Insurance Regulatory and Development Authority on 23rd October 2000 to transact General Insurance Business
2. The Company has no contingent liabilities in respect of the following as at 31st March, 2005
 - Partly paid investments;
 - Underwriting commitments relating to investment activities;
 - Claims, other than those under policies, not acknowledged as debts;
 - Guarantees given by or issued on behalf of the Company;
 - Statutory demands/liabilities in dispute, not provided for;
 - Reinsurance obligations.
3. The assets of the Company are free from encumbrances, other than 'Leased Vehicles' acquired on or after 1st April 2001, which have been capitalised in accordance with Accounting Standard 19 - 'Leases', issued by ICAI.
4. 'Leased Vehicles' not forming part of Fixed Assets (as explained in accounting policy 7, Schedule 16), have future committed rentals payable amounting to Rs.NIL (31st March, 2004: Rs.3,614 thousand). Further, in respect of 'Leased Vehicles' forming part of Fixed Assets, the Company has committed future lease payments aggregating to Rs.3,053 thousand (31st March, 2004: Rs.3,608 thousand) within the next 12 months and Rs.336 thousand (31st March, 2004: Rs.3,440 thousand) after 12 months but within 60 months.

(Rs '000)

	Future lease payments	Principal outstanding
Within next 12 months	Rs.3,053 (31st March, 2004: Rs.3,608)	Rs.2,291 (31st March, 2004: Rs.2,880)
After 12 months but within 60 months	Rs.336 (31st March, 2004: Rs.3,440)	Rs.323 (31st March, 2004: Rs.3,608)

5. Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payment for the non-cancellable period of the operating leases are recognized as an expense over the lease term. Lease payments debited to the profit and loss account during the year amounts to Rs.46,002 thousand (Previous Year: Rs.39,735 thousand).

(Rs '000)

Minimum Lease Payments	31 st March 2005	31 st March 2004
Not later than one year	39,329	39,369
Less than 1 year but not later than 5 years	19,451	39,705
Later than 5 years	–	–

6. There are no commitments made and outstanding for Loans and Investments. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is Rs.9,927 thousand (31st March, 2004: Rs.609 thousand).
7. As at 31st March, 2005, the Company had 2423 claims (31st March, 2004: 1439 claims) that remained outstanding for a period exceeding six months aggregating to Rs.559,868 thousand (31st March, 2004: Rs.231,449 thousand). The claims were outstanding due to non-submission of essential documents by the insured and in respect of motor third party claims due to legal process involved. As at the year end, there are no claims outstanding for a period exceeding six months from the date when settlement has been agreed.

8. There are no contracts in relation to investments, for purchases where deliveries are pending or sales where payments are overdue.

9. As at March 31, 2005, there is no non-performing investment.

10. Taxation

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

The Company, as a matter of prudence, has not created a deferred tax asset.

b) Wealth tax: The Company has made wealth tax provision of Rs.51 thousand (Previous Year: Rs.25 thousand).

11. Participation in Terrorism Pool

The Company has accounted for the retrocession for 4 Quarters upto December 2004 during the year.

(Rs '000)

	31st March 2005	31st March 2004
Due from the Pool Manager, beginning of the year	57,475	28,701
Premium on reinsurance accepted	34,865	31,665
Investment Income	6,207	596
Premium on reinsurance ceded	(2,942)	(2,021)
Claims paid on reinsurance accepted	(1,046)	(515)
Operating expenses related to insurance business	(1,043)	(951)
Due from the Pool Manager, end of the year	93,516	57,475
Claims outstanding, end of the year	(1,000)	(1,881)
Reserve for Unexpired risks, end of the year	(15,961)	(14,822)

12. Contribution to the Solatium Fund

The General Insurance Council at its Meeting held on May 6th 2005, revised the provision towards Solatium Fund by the new insurers from 1% to 0.1% of the Gross Written Premium on motor business since inception. The Company has accordingly revised the provision made in the earlier year and has created the provision at 0.1% since commencement of business upto March 31st 2005.

Consequently, the operating loss from Miscellaneous business (in the Revenue Account) for the year is lower by Rs.8,069 thousand and the profit for the year before tax (in the profit and loss account) is higher by a corresponding amount.

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

(Rs '000)

	31st March 2005		31st March 2004	
	Value	%	Value	%
Rural Sector	200,538	6.06	158,000	6.12
Social Sector [27288 lives (2004 – 66,903 lives)]				
Number of policies issued – 99 (2004 – 44)	938	0.03	2,800	0.12
Other Sectors	3,105,519	93.91	2,416,796	93.76
Total Business	3,306,995	100.00	2,577,596	100.00

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

14. Extent of risk retained and reinsured

	31 st March 2005	31 st March 2004
Risk retained (%)	60	61
Risk reinsured (%)	40	39

15. Managerial Remuneration

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

(Rs '000)

	31 st March 2005	31 st March 2004*
Salary	1,980	6,050
Allowances and perquisites	3,807	7,037
Total	5,787	13,087

*The figures in previous year relate to remuneration paid to both the Managing Director and Deputy Managing Director.

16. Related Party Disclosure

I. JOINT VENTURE PROMOTERS

Sundaram Finance Limited

Royal & SunAlliance Insurance plc

II. SUBSIDIARIES OF PROMOTER COMPANIES

Sundaram Home Finance Limited

Sundaram Asset Management Company Limited

Royal & SunAlliance IT Solutions (India) Private Limited

III. KEY MANAGERIAL PERSONNEL

Mr. Antony Jacob (Managing Director)

IV. RELATED PARTY TRANSACTIONS AND BALANCES:

For the year ended 31st March 2005

(Rs '000)

Nature of transaction	Joint venture promoters	Subsidiaries of Joint venture promoters	Key managerial personnel	Total
Income				
Insurance premium received				
Sundaram Home Finance Limited	–	3,244	–	3,244
Others	157	298	–	455
Claims received on reinsurance				
Royal & SunAlliance Insurance Plc	21,837	–	–	21,837
Commission on reinsurance ceded				
Royal & SunAlliance Insurance Plc	18,069	–	–	18,069

Expenses
Rent paid

Sundaram Finance Limited	20,777	–	–	20,777
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Payment for services received

Sundaram Finance Limited	25,093	–	–	25,093
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Others	–	4,810	–	4,810
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Lease rentals paid

Sundaram Finance Limited	7,585	–	–	7,585
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Agency commission paid

Sundaram Finance Limited	26,284	–	–	26,284
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**Remuneration paid to
Managing Director**

Mr. Antony Jacob	–	–	5,787	5,787
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Reinsurance Premium Paid

Royal & SunAlliance Insurance Plc	46,790	–	–	46,790
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Insurance claims paid

Sundaram Home Finance Limited	–	1,169	–	1,169
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Others	–	45	–	45
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Purchase of assets

Royal & SunAlliance Insurance Plc	6,000	–	–	6,000
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Others	–	242	–	242
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Deposits
Rent deposit

Sundaram Finance Limited	7,493	–	–	7,493
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Insurance deposit

Sundaram Finance Limited	1,500	–	–	1,500
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Others	–	628	–	628
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Receivable as at March 31, 2005

Royal & SunAlliance Insurance Plc	331	–	–	331
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Payable as at March 31, 2005

Sundaram Finance Limited	11,331	–	–	11,331
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There are no amounts written off/written back during the year, relating to the above transactions.

(For the year ended 31st March 2004)

(Rs '000)

Nature of transaction	Joint venture promoters	Subsidiaries of Joint venture promoters	Key managerial personnel	Total
Income				
Insurance premium received				
Sundaram Finance Limited	948	–	–	948
Sundaram Home Finance Limited	–	2,486	–	2,486
Sundaram Asset Management Co. Ltd	–	691	–	691
Others	9	–	–	9
Claims received on reinsurance				
Royal & SunAlliance Insurance Plc	4,908	–	–	4,908
Commission on reinsurance ceded				
Royal & SunAlliance Insurance Plc	11,108	–	–	11,108
Expenses				
Rent paid				
Sundaram Finance Limited	18,563	–	–	18,563
Payment for services received				
Sundaram Finance Limited	17,995	–	–	17,995
Royal and SunAlliance IT Solutions (India) Private Limited	–	4,124	–	4,124
Others	–	19	–	19
Lease rentals paid				
Sundaram Finance Limited	8,707	–	–	8,707
Agency commission paid				
Sundaram Finance Limited	32,608	–	–	32,608
Others	1,588	–	–	1,588
Remuneration to Key managerial personnel				
Mr J M Brigg	–	–	8,501	8,501
Mr Antony Jacob	–	–	4,586	4,586
Reinsurance Premium Paid				
Royal & SunAlliance Insurance Plc	–	25,345	–	25,345
Insurance claims paid				
–	–	–	–	–
Purchase of assets				
Sundaram Home Finance Limited	–	692	–	692

Deposits
Rent deposit

Sundaram Finance Limited	7,493	–	–	7,493
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Insurance deposit

Sundaram Finance Limited	1,500	–	–	1,500
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Receivable as at March 31, 2004
Payable as at March 31, 2004

Sundaram Finance Limited	4,695	–	–	4,695
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There are no amounts written off/written back during the year, relating to the above transactions.

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

(Rs '000)

Particulars	31 st March 2005	31 st March 2004
Revenue Accounts:		
Fire	2,514	1,468
Marine	1,165	771
Miscellaneous	22,667	12,782
Profit and Loss Account:		
Shareholders	16,613	12,954
Total	42,959	27,975

18. Segment Reporting

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

19. Summary of Financial Statements

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

20. Accounting Ratios

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

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

G K Raman
Chairman

Antony Jacob
Managing Director

P M Venkatasubramanian
Director

A V Rajwade
Director

Place: Chennai
Date : May 10, 2005

V K Raman
Chief Financial Officer

S R Balachandher
Company Secretary

SEGMENT REPORTING

Annexure 1

The Company's business is organised on a national basis and caters to the non-life insurance business. Accordingly, the Company has provided primary segmental information, as per Accounting Standard 17 - 'Segment Reporting' issued by ICAI, read with the Accounting Regulations. Segment revenues are either directly attributed to or, in the case of bundled products, allocated to the individual segments. There are no inter segment revenues.

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

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

(For the year ended 31st March 2005)

(Rs. '000)

Particulars	Fire	Marine Cargo	Marine Hull	Motor	Workmens Compensation / Employers Liability	Public / Product Liability	Engineering	Personal Accident	Health Insurance	Others	Investment of Shareholders funds	Total
Premium earned (net)	190,928	83,812	-	1,093,982	5,006	6,349	44,857	137,724	142,306	27,826	-	1,732,790
Profit on sale/redemption of investments	(152)	(71)	-	(1,095)	(4)	(5)	(36)	(120)	(87)	(27)	(1,007)	(2,604)
Others	-	-	-	332	-	-	-	-	-	-	-	332
Interest (net of amortisation)	8,026	3,718	3	57,647	191	286	1,909	6,316	4,584	1,422	53,028	137,130
Total segmental revenue	198,802	87,459	3	1,150,866	5,193	6,630	46,730	143,920	146,803	29,221	52,021	1,867,648
Claims incurred (net)	(97,055)	(54,519)	-	(784,810)	(2,042)	(28)	(13,138)	(74,140)	(93,898)	(17,424)	-	(1,137,054)
Commission received/ (paid), net	94,825	(2,755)	865	(87,743)	(209)	1,565	42,819	4,251	(1,594)	235	-	52,259
Operating expenses related to insurance business	(122,327)	(30,859)	(809)	(356,858)	(1,439)	(6,356)	(51,416)	(66,914)	(82,589)	(8,611)	-	(728,178)
Total segmental expenses	(124,557)	(88,133)	56	(1,229,411)	(3,690)	(4,819)	(21,735)	(136,803)	(178,081)	(25,800)	-	(1,812,973)
Segmental (loss) / profit	74,245	(674)	59	(78,545)	1,503	1,811	24,995	7,117	(31,278)	3,421	52,021	54,675
Other income	-	-	-	-	-	-	-	-	-	-	-	316
Unallocated corporate expenses	-	-	-	-	-	-	-	-	-	-	-	(1,523)
Provision for income and wealth tax	-	-	-	-	-	-	-	-	-	-	-	(3,368)
Net profit for the year												50,100

NOTES TO FINANCIAL STATEMENTS

Particulars	(Rs. '000)											
	Fire	Marine Cargo	Marine Hull	Motor	Workmens Compensation / Employers Liability	Public / Product Liability	Engineering	Personal Accident	Health Insurance	Others	Investment of Shareholders funds	Total
Premium earned (net)	134,043	69,157	-	881,372	3,134	7,350	32,228	101,061	73,886	20,096	-	1,322,327
Profit on sale / redemption of investments	3,352	1,762	-	22,364	71	131	735	3,784	1,594	498	29,571	63862
Others	-	-	-	220	-	-	-	-	-	-	-	220
Interest (net of amortisation)	6,029	3,169	-	40,226	127	236	1,321	6,806	2,871	894	53,189	114,868
Total segmental revenue	143,424	74,088	-	944,182	3,332	7,717	34,284	111,651	78,351	21,488	82,760	1,501,277
Claims incurred (net)	(40,437)	(44,043)	-	(637,874)	(299)	(616)	(14,969)	(88,918)	(60,595)	(8,309)	-	(896,060)
Commission received / (paid), net	109,960	6,973	-	(21,481)	60	1,634	26,007	(4,991)	5,104	1,733	-	124,999
Operating expenses related to insurance business	(120,666)	(31,143)	-	(347,432)	(1,265)	(6,067)	(44,350)	(45,739)	(44,084)	(8,138)	-	(648,884)
Total segmental expenses	(51,143)	(68,213)	-	(1,006,787)	(1,504)	(5,049)	(33,312)	(139,648)	(99,575)	(14,714)	-	(1,419,945)
Segmental (loss) / profit	92,281	5,875	-	(62,605)	1,828	2,668	972	(27,997)	(21,224)	6,774	82,760	81,332
Other income	-	-	-	-	-	-	-	-	-	-	-	321
Unallocated corporate expenses	-	-	-	-	-	-	-	-	-	-	-	(1,544)
Provision for wealth tax	-	-	-	-	-	-	-	-	-	-	-	(25)
Net profit for the year												80,084

Summary of Financial Statements

S.No.	Particulars	2004-05	2003-04	2002-03	2001-02	2000-01
	OPERATING RESULTS					
1	Gross Premium Written	33,070.0	25,776.0	18,444.1	7,112.7	23.6
2	Net Premium Income#	20,162.2	15,631.1	10,917.3	3,674.3	18.6
3	Income from investments (net)@	825.0	959.7	731.1	143.3	-
4	Other income -Transfer fee etc	3.3	2.2	0.7	-	-
5	Total Income	20,990.5	16,593.0	11,649.1	3,817.6	18.6
6	Commissions	(863.8)	(1,384.5)	(1,346.9)	(615.3)	(1.2)
7	Brokerage	341.18	134.5	-	-	-
8	Operating Expenses	7,281.8	6,488.9	5,535.6	4,200.4	1,483.5
9	Claims, increase in Unexpired Risk Reserve and Other outgoes	14,204.8	11,368.4	9,126.7	3,530.1	10.8
10	Operating Profit/loss	26.5	(14.3)	(1,666.3)	(3,297.6)	(1,474.5)
	Non Operating Result					
11	Total income shareholders' account	508.1	815.4	1,167.0	845.0	386.9
12	Profit/(loss) before tax	534.6	801.1	(499.3)	(2,452.7)	(1,087.6)
13	Provision for tax	33.6	0.2	0.2	-	-
14	Profit/(loss) after tax	501.0	800.9	(499.5)	(2,452.7)	(1,087.6)
	MISCELLANEOUS					
15	Policyholders' Account					
	Total funds	15,869.7	13,361.3	8,312.3	3,052.1	10.7
	Total investments	15,838.2	12,692.3	8,232.9	2,970.1	-
	Yield on investments	5.2%	8.5%	12.8%	10.3%	-
16	Shareholders' Account					
	Total funds	10,006.4	9,750.7	8,939.6	9,428.8	8,971.1
	Total investments	9,986.5	9,262.5	8,854.1	9,175.6	8,198.4
	Yield on investments	5.2%	8.5%	12.8%	10.3%	10.5%
17	Paid up equity capital	13,000.0	12,989.7	12,979.4	12,969.0	10,058.7
18	Net worth	10,262.1	9,750.7	8,939.6	9,428.8	8,971.1
19	Total assets	32,651.1	25,732.5	20,470.6	14,704.1	9,502.4
20	Yield on total investments	5.2%	8.5%	12.8%	10.3%	10.5%
21	Earnings per share (Rs.)*	0.4	0.6	(0.4)	(2.1)	(1.1)
22	Book Value per share (Rs.)	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	501.0	800.9	(499.6)	(2,452.7)	(1,087.6)
	Weighted Average Number of Shares at the end of the year	130,000,000	130,000,000	130,000,000	115,698,630	101,000,000

Annexure 3
Ratios for Non-life Insurance Companies

S.No.	Performance Ratio	2004-05	2003-04
1	Gross premium growth rate (segment wise) (Gross premium for the current year divided by gross premium for the previous year)	Schedule 1	Schedule 1
2	Gross premium to shareholders' fund ratio: (Gross premium for the current year divided by the paid up capital plus free reserves)	3.2	2.6
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)	5.2%	9.1%
4	Net retention ratio (segment wise) (Net premium divided by gross premium)	Schedule 2	Schedule 2
5	Net commission ratio (segment wise) (Commission net of reinsurance for a class of business divided by net premium)	Schedule 3	Schedule 3
6	Expenses of Management to gross direct premium ratio (Expenses of Management divided by the total gross direct premium)	22.0%	25.2%
7	Combined ratio: (Claims paid plus expenses divided by gross premium)	64.6%	60.9%
8	Technical reserves to net premium ratio (Reserve for unexpired risks plus premium deficiency reserve plus reserve for outstanding claims divided by net premium)	91.9%	85.5%
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)	0.1%	-0.1%
11	Liquid assets to liabilities ratio (Liquid assets of the insurer divided by the policy holders' liabilities)	13.1%	14.0%
12	Net earnings ratio (Profit after tax divided by net premium)	2.5%	5.1%
13	Return on networth (Profit after tax divided by net worth)	4.9%	8.2%
14	Reinsurance ratio (Risk reinsured divided by gross premium)	40.2%	39.0%

Accounting Ratios - Schedule 1**Gross premium growth rate**

Segment	Growth (%)	
	2004-05	2003-04
Fire	25%	29%
Marine	26%	3%
Motor	23%	52%
Workmen's Compensation/ Employers Liability	56%	57%
Public/Product Liability	42%	116%
Engineering	44%	44%
Personal Accident	13%	17%
Health Insurance	84%	66%
Others	36%	-9%
Total	28%	40%

Accounting Ratios - Schedule 3**Net commission ratio**

Segment	% to NP	
	2004-05	2003-04
Fire	-40%	-64%
Marine	3%	-10%
Motor	7%	2%
Workmen's Compensation/ Employers Liability	3%	-2%
Public/Product Liability	-15%	-29%
Engineering	-82%	-62%
Personal Accident	-3%	4%
Health Insurance	1%	-5%
Others	-1%	-7%
Total	-3%	-8%

Accounting Ratios - Schedule 2**Net retention ratio**

Segment	% to GP	
	2004-05	2003-04
Fire	38%	34%
Marine	57%	54%
Motor	79%	79%
Workmen's Compensation/ Employers Liability	70%	69%
Public/Product Liability	27%	22%
Engineering	19%	22%
Personal Accident	57%	55%
Health Insurance	60%	60%
Others	72%	69%
Total	60%	61%

Accounting Ratios - Schedule 4**Underwriting balance ratio**

Segment	% to NP	
	2004-05	2003-04
Fire	28%	48%
Marine	-4%	1%
Motor	-11%	-12%
Workmen's Compensation/ Employers Liability	22%	43%
Public/Product Liability	15%	40%
Engineering	44%	-3%
Personal Accident	1%	-34%
Health Insurance	-20%	-26%
Others	6%	21%
Total	-4%	-6%

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

1. We confirm that the validity of the Certificate of Registration granted by the Insurance Regulatory and Development Authority, to transact general insurance business, has been subsequently renewed and is valid till 31st March 2006. The licence is due for renewal on an annual basis as per the Insurance Regulatory and Development Authority (Registration of Indian Insurance Companies) Regulations, 2000.
2. We certify that all dues payable to the Statutory Authorities have been duly paid.
3. We confirm that the shareholding pattern during the year ended 31st March 2005 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', 'Agents balances', 'Interest, Dividends and Rents accruing but not due', 'Amounts due from other persons or Bodies carrying on insurance business', 'Cash' and the several items specified under 'Other Accounts', except debt securities which are shown at amortised cost.
7. The Company is exposed to a variety of risks such as quality of risks underwritten, fluctuations in the value of assets and higher expenses in the initial years of operation. The Company monitors these risks closely and effective remedial action is taken wherever required.

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

8. The Company does not have operations in other countries and hence there is no country/currency fluctuation risks except balance in a bank account outside India.
9. 62% (Previous Year: 55%) of the claims reported were settled within 30 days from the date of reporting. The average settlement time for claims (other than Motor Third Party) is 38 days (Previous Year: 41 days) from the date of reporting. Payment of Motor Third Party claims, whose settlement involves long drawn legal process, has an average period of 343 days (Previous Year: 225 days).
10. Investments in Government Securities and other debt securities have been considered as 'held to maturity' and have been measured at historical cost subject to amortisation.

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

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

The average yield on investments after considering the profit on sale and amortisation of costs of investments is 5.2%. All investments in our portfolio as at 31st March 2005 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 applicable 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 2005.

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.16 of the Notes to Financial Statements (Schedule 17), in terms of IRDA letter dated 16th May 2002.

GK Raman
Chairman

Antony Jacob
Managing Director

PM Venkatasubramanian
Director

AV Rajwade
Director

Place: Chennai
Date : May 10, 2005

VK Raman
Chief Financial Officer

SR Balachandher
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

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

1. Registration Details:

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

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

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. Thousands)

Total Liabilities		1	3	0	2	6	1	4
Total Assets		1	3	0	2	6	1	4

Source of Funds:

Paid-up Capital		1	3	0	0	0	0	0
Reserves and Surplus						N	I	L
Secured Loans					2	6	1	4
Unsecured Loans						N	I	L

Application of Funds:

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

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

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

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

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

GK Raman
Chairman

Antony Jacob
Managing Director

PM Venkatasubramanian
Director

AV Rajwade
Director

 Place: Chennai
Date : May 10, 2005

VK Raman
Chief Financial Officer

SR Balachandher
Company Secretary

RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005

Particulars	March 31, 2005	March 31, 2004
Cash flows from operating activities		
Premium received from policyholders, including advance receipts	3,379,206	2,592,194
Other receipts	985	892
Payments to the re-insurers, net of commissions and claims	(549,008)	(537,414)
Payments to co-insurers, net of claims recovery	(5,199)	21,308
Payments of claims	(1,396,234)	(945,096)
Payments of commission and brokerage	(242,329)	(153,075)
Payments of other operating expenses	(651,134)	(607,093)
Preliminary and pre-operative expenses		
Deposits, advances and staff loans	(6,067)	7,007
Income taxes paid (Net)	(3,160)	
Service tax paid	8,075	(5,917)
Other payments		
Cash flows before extraordinary items		
Cash flow from extraordinary operations		
Net cash flow from operating activities	535,135	372,806
Cash flows from investing activities		
Purchase of fixed assets	(53,445)	(51,508)
Proceeds from sale of fixed assets	912	32
Purchases of investments	(6,384,214)	(4,937,278)
Loans disbursed	(3,431)	(2,471)
Sales of investments	5,868,034	4,326,300
Repayments received		
Rents/Interests/Dividends received	156,627	173,967
Investments in money market instruments and in liquid mutual funds (Net)	(48,766)	
Expenses related to investments	(1,263)	(1,052)
Net cash flow from investing activities	(465,546)	(492,010)
Cash flows from financing activities		
Proceeds from issuance of share capital		
Proceeds from borrowing		
Repayments of borrowing		
Interest/dividends paid		
Net cash flow from financing activities		
Effect of Foreign exchange rates on Cash and Cash Equivalents, net	110	(350)
Net increase (decrease) in cash and cash equivalents:	69,699	(119,554)
Cash and Cash equivalents at the beginning of the year	222,412	341,966
Cash and cash equivalents at the end of the year	292,111	222,412

Per our report of even date attached

For and on behalf of the Board of Directors

For **Brahmayya & Co**
Chartered Accountants

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

G K Raman
Chairman

Antony Jacob
Managing Director

L Ravi Sankar
Partner
Membership No:25929

per Mahendra Jain
Partner
Membership No: 205839

P M Venkatasubramanian
Director

A V Rajwade
Director

Place: Chennai
Date : May 10, 2005

V K Raman
Chief Financial Officer

S R Balachandher
Company Secretary



Royal Sundaram

Royal Sundaram Alliance Insurance Company Limited

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