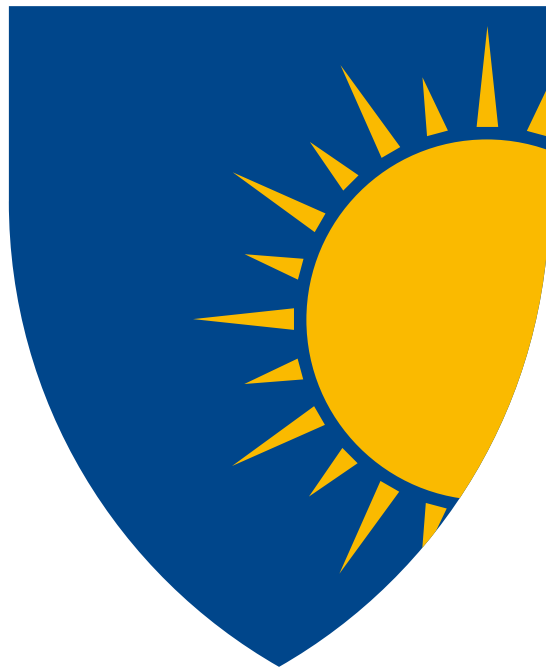


Eighth Annual Report 2007-2008



Royal Sundaram Alliance Insurance Company Limited

Board of Directors

P M Venkatasubramanian Chairman
S Viji
T T Srinivasaraghavan
A.Rangaswami
R Haresh
A V Rajwade
Srinivas Acharya
Paul Whittaker
Scott Pickering
Philip W Head
Antony Jacob
Ajay Bimbhet Managing Director

Audit Committee

P M Venkatasubramanian Chairman
Srinivas Acharya
Philip W Head
Ajay Bimbhet

Chief Financial Officer

V K Raman

Company Secretary

S R Balachandher

Auditors

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

Registered Office

21, Patullos Road
Chennai 600 002

Administrative / Corporate Office

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

Regional Offices

Chennai, Gurgaon, Kolkata & Mumbai.

Contents	Page
Directors' Report	3
Auditors' Report	9
Fire Insurance Revenue Account	11
Marine Insurance Revenue Account	12
Miscellaneous Insurance Revenue Account	13
Profit & Loss Account	14
Balance Sheet	15
Schedules	16
Significant Accounting Policies	29
Notes to Financial Statements	34
Management Report	48
Balance Sheet Abstract & Company's General Business Profile	51
Cash Flow Statement	52

Dear Members,

The Directors of your Company have pleasure in presenting the Eighth Annual Report on the Business and Operations, and the Audited Financial Statements of the Company for the year ended 31st March 2008.

Review of the Financial Performance for 2007/2008

The highlights of the Financial Results of the Company are:

(Rupees in lakhs)

	2007-08	2006-07
Gross Written Premium	69441	59820
Net Written Premium	53306	38955
Net Earned Premium	44583	33358
Net Incurred Claims	29815	20374
Net Commission – Outgo/(Income)	1624	(97)
Expenses of Management	17435	13637
Underwriting Profit /(Loss)	(4291)	(556)
Investment Income - Policyholders	3509	2296
General Insurance Results Profit /(Loss)	(782)	1740
Investment Income - Shareholders	1311	993
Other Income/(Outgo)	(52)	(15)
Profit Before Tax	477	2718
Provision for taxation	(6)	(600)
Profit After Tax	471	2118

Your Company achieved a Gross Written Premium of Rs.694.41 cr. for 2007/2008 (previous year Rs.598.20 cr.), registering a growth of 16%. In 2007-08, the non-life Insurance Market in India grew by about 13% and the market share of the private companies increased from 35% to 40%. During this period of market turbulence, your Company was able to retain its market share at 2.4% of the overall non-life business, as in the previous year.

The underwriting loss was Rs.42.91 cr. (loss Rs.5.56 cr). The underwriting results are to be viewed in the backdrop of the considerable drop in premium rates, consequent to de-tariffication in the fire, engineering and motor segments (contributing nearly 70% of the total portfolio of your Company) and the absorption of our share of Motor Third Party Pool losses.

After considering the investment income of Rs.48.20 cr. (Rs.32.89 cr) and providing for other outgoings and taxes, amounting to Rs.0.58 cr. (Rs.6.15 cr), the net profit for the year amounted to Rs.4.71 cr. (Rs.21.18 cr).

Together with the PAT for the year, the total reserves of the Company as on 31st March 2008 stood at Rs.7.15cr. (Rs.2.44 cr.)

Market Developments:

The year 2007/2008 witnessed the impact of 'free price regime' that came into effect from 1st January 2007. IRDA has further permitted full pricing freedom in all portfolios effective 1st January 2008 and this is expected to further impact market growth.

Effective 1st April 07, Motor Third Party Pool was created to deal with 'Third party risks' of Commercial Motor Vehicle Insurances. The share of the Pool results is apportioned amongst the non-life Insurers, who are members of the Pool, in proportion to their respective GWP. For the current Financial Year, your Company's profit was impacted to the tune of Rs.10.63 cr. on account of its share of the Pool losses.

Commercial Insurances

The Commercial Insurance Business, including Commercial Motor Business recorded a growth of 22%, resulting in a Gross Written Premium (including Reinsurance Inward Premium) of Rs.263.84 cr (Rs.209.48 cr).

The Commercial Business is reflective of the company's risk appetite and quality of risk selection. Your Company has been able to maintain a healthy retention ratio in Commercial Business despite the pressure of declining premium rates.

During the year, your Company has further strengthened business relationships with key International, National and Local Brokers.

Personal Insurances

The Personal Insurances Business segment witnessed a growth of 12.6%, with Gross Written Premium at Rs.430.57 cr. (Rs.391.10 cr). Despite a significant drop in premium rates, the Motor car Business grew by 12% and the number of policies grew by 26%, reflecting the company's capabilities to grow Motor Business aggressively.

The Retail Health growth was impacted by the slow down in the underlying business of the company's partner Banks. The Personal Accident and Health book grew by 10% and Home by 87%. The total number of retail policies (including Motor car) issued during 2007/08 exceeded 730,000.

The strong relationships built with several distribution partners including Banks and vehicle manufacturers over the years, have helped us to consolidate our Personal Insurance Business.

During the year, "Direct to Customer" channel was launched. This initiative is aimed at building a direct customer base and gain expertise in, and revenue through, direct sales. Though we made a modest beginning, the foundation has been laid to tap in future, the huge potential in this segment.

Royal Sundaram's website (www.royalsundaram.in) was redesigned during the year. The refreshed website not only carries a new look but also offers customers greater convenience and ease of use and all these with a safe and secure option to deal with the Company. The InstaBuy and InstaRenew online services were also introduced. Under the InstaBuy, in addition to Hospital Cash, customers will now be able to buy online, products like Personal Accident Insurance, Home Content Insurance and Home Shield Insurance. InstaRenew enables all existing customers to renew their personal policies on the net at the click of a button. The introduction of the Internet into our traditional marketing mix not only allows us to engage actively with our customers, but also helps us to enhance communication, and gain better customer insight.

Rural and Social Sector

Your Company continued to surpass its obligations in the Rural sector, achieving a premium of Rs.87.18 cr. as against the Regulatory requirement of Rs. 34.72 cr. In the Social sector, we have covered 67763 lives as against the Regulatory requirement of 30000 lives.

Your Company continues to seek opportunities to develop Rural and Social sector business by launching simple and affordable insurance covers and focussing on developing rural specific channels.

Claims

Your Company's focus continues to be on prompt, efficient and timely settlement of claims, striving all the time to improve Turn Around Times (TATs) in settlement of claims.

The Company is effectively using a combination of methods to achieve improved TAT in claims settlement. Simple and standard claims are settled on a fast-track mode. By constant training and empowerment of people, offering cashless facility through a wide network of offices and through clearly defined and well-documented claims procedures, the Company has ensured efficient and speedier settlement of claims reported.

Despite a 24% growth in volume of claims reported, the above initiatives have helped in the improvement of the Claims settlement ratio to 93%, from 88% in the previous year.

In 2007/08, your Company settled more than 1.48 lakh claims, 78% of which were settled within a month and 95%, within 90 days.

Investments

Your Company earned an investment income of Rs.48.20 cr. for the year ended 31st March 2008 as against Rs.32.89 cr in the previous year. The yield on daily average funds improved to 8.2% as compared to 6.9% in the previous year.

During the year, the Company commenced investments in Equities.

The Company's total investments crossed the Rs. 600 cr. mark for the first time, during the year. The Investment portfolio increased from Rs.502 cr. in 2006/2007 to Rs.621 cr. in 2007/2008, an increase of 24%.

Technology

Your Company continues to attach great importance to the creation of a robust technology infrastructure, to cater to the increasing demands of the market and ever-growing market penetration in the retail segment. Various e-initiatives like Motor online policy issuance and solutions for Personal Accident and Health have been implemented during the current year, thereby providing a solid platform for improved service levels and better controls. The revamped website and the implementation of the "Direct to Customer" portal are expected to enhance customer service and satisfaction. Several new technology initiatives are underway, as part of our ongoing efforts to improve service standards.

Outlook for 2008/2009

The market is expected to witness a further drop in premium rates with the entry of some more new players.

Your Company's strategy will revolve around strengthening portfolios and channels in order to achieve business growth and profitability.

People

Your Company has 863 employees, an addition of 202 people from the 661 employees at the end of the previous year. Your Company continues to believe in constant training and enhancement of the skills of its people. This initiative includes sponsoring our employees to attend Training Programmes conducted abroad, to further improve the domain expertise.

Your Company has a network of 48 branches spread across the Country, including the four Regional Offices at Chennai, Gurgaon, Mumbai & Kolkata.

Capital

During the year, your Company made a Rights Issue to its existing Shareholders in the ratio of 3:14, comprising of 3,00,00,000 (Three Crore) equity shares of Rs.10/- each aggregating Rs.30 cr (Thirty Crore). The issue was fully subscribed by all the Shareholders and allotment of shares was completed on 28th March 2008. The paid-up share capital of your Company post the above Rights Issue is at Rs.170 cr.

Dividend

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

Board of Directors

Your Directors record with profound regret the passing away of Mr G K Raman, the first Chairman of your Company, on 27th August 2007. Mr G K Raman had been associated with your Company right from its inception and had been instrumental in its development and growth. He had been a champion of the Road Transport and Insurance Industries throughout his career, which spanned over five decades. Your Directors place on record their deep sense of gratitude and appreciation for the excellent leadership and direction provided by Mr. G K Raman to the Company and the Board all these years. He had been a pillar of strength to your Company and the void created by his sudden demise is immeasurable.

Consequent to the demise of Mr G K Raman, your Board of Directors appointed Mr P M Venkatasubramanian, who has been a Director of your Company since March 2001, as the Chairman.

Mr P M Venkatasubramanian brings with him over four decades of rich experience in India's General Insurance Industry. He was the Managing Director of the General Insurance Corporation of India at the time of his retirement.

Mr. Antony Jacob who was the Managing Director of your Company till 12th September 2007, moved to Royal & SunAlliance Group as the Regional Director-Finance, Asia and Middle East Region. Your Directors place on record their appreciation for the valuable contribution made by Mr Antony Jacob to the growth of your Company.

Mr Christopher Rash and Mr Andrew Kirkland, Directors, relinquished their offices on 12th July 2007 and 2nd November 2007 respectively. Your Directors place on record their sincere appreciation of the valuable contributions made by them during their tenure as Directors of your Company.

Consequent to the above, Mr Ajay Bimbhet was Co-opted as a Director of your Company on 12th July 2007, to fill the vacancy created by the resignation of Mr Christopher Rash. Mr Ajay Bimbhet was later appointed as the Managing Director of your Company effective 13th September 2007. Pursuant to the provisions of Section 262, he retires at this forthcoming Annual General Meeting and being eligible, offers himself for reappointment as a Director, subject to retirement by rotation.

DIRECTORS' REPORT

Mr.Scott Pickering and Mr.Srinivas Acharya were appointed as Additional Directors in terms of Section 260 of the Companies Act, 1956, in November 2007. They retire at the forthcoming Annual General Meeting and being eligible, offer themselves for appointment as Directors, subject to retirement by rotation.

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

Audit Committee

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

P.M.Venkatasubramanian	Chairman
Srinivas Acharya	Director
Philip W.Head	Director
Ajay Bimbhet	Managing Director

Meetings of the Board/Committees held during the year:

Board Meetings	5
Audit Committee Meetings	4
Investment Committee Meetings	3
Executive Committee Meetings	6

Internal Audit

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

Statutory Auditors

M/s N.C.Rajagopal & Co., Chartered Accountants, Chennai and M/s Brahmayya & Co., Chartered Accountants, Vijayawada, the Joint Statutory Auditors of your Company, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

Management Report

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

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

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

Particulars regarding Conservation of Energy or Technology Absorption

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

DIRECTORS' REPORT

Foreign Exchange earnings and outgo

The Company had foreign exchange earnings equivalent to Rs 9.37 cr. and the outgo amounted to Rs. 19.62 cr. for the year ended 31st March 2008.

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 2008, the applicable accounting standards, principles and policies have been followed, along with a proper explanation relating to material departures if any;
- (ii) the Directors have adopted applicable accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the operating loss and of the net profit of the Company for the year ended 31st March 2008;
- (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 Company thanks the officials and members of IRDA for their continued guidance and co-operation and the Bankers, Distribution Partners, Agents and Brokers for their valuable support to the Company.

Your Company is also highly appreciative of the support and co-operation extended by all the Shareholders. Our sincere thanks are also due to all our customers for their continued patronage.

We thank all the employees of the Company for their continued commitment, teamwork and excellent contribution, during the year.

For and on behalf of the Board

Place: Chennai
Date: May 9, 2008

P.M.Venkatasubramanian
Chairman

AUDITORS' REPORT TO THE MEMBERS

1. We have audited the attached Balance Sheet of ROYAL SUNDARAM ALLIANCE INSURANCE COMPANY LIMITED ("the Company") as at 31st March 2008 and the Revenue Accounts, the Profit and Loss Account and the Receipts and Payments Account of the Company for the financial year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In accordance with the provisions of Section 11 of the Insurance Act, 1938 ("the Insurance Act") read with the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 ("the Regulations") and the provisions of sub-sections (1), (2) and (5) of Section 211 and sub section (5) of Section 227 of the Companies Act, 1956 ("the Companies Act"), the Balance Sheet, the Revenue Accounts and the Profit and Loss Account are not required to be, and are not, drawn up in accordance with Schedule VI to the Companies Act. The Balance Sheet, the Revenue Accounts and the Profit and Loss Account are, therefore, drawn up in conformity with the Regulations.
4. We report that:
 - i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them satisfactory.
 - ii. In our opinion, proper books of account as required by law have been maintained by the Company so far as appears from our examination of those books.
 - iii. The financial accounting system of the Company is centralised and therefore accounting returns are not required to be submitted by branches.
 - iv. The Balance Sheet, the Revenue Accounts, the Profit and Loss Account and the Receipts and Payments Account dealt with by this report are in agreement with the books of account.
 - v. The estimate of claims Incurred But Not Reported (IBNR) and claims Incurred But Not Enough Reported (IBNER) has been duly certified by the Company's appointed actuary. The appointed actuary has certified to the Company that the assumptions used for such estimate are appropriate and are in accordance with the requirements of the Insurance Regulatory and Development Authority ('IRDA') and Actuarial Society of India in concurrence with IRDA. We have relied on the appointed Actuary's certificate in this regard.
 - vi. On the basis of the written representations received from the directors, as on 31st March 2008, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2008 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

AUDITORS' REPORT TO THE MEMBERS

principles prescribed in the Regulations and orders or directions issued by IRDA in this behalf. The Balance Sheet, the Revenue Accounts, the Profit and Loss Account and the Receipts and Payments Account referred to in this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act.

- ii. Investments of the Company have been valued in accordance with the provisions of the Insurance Act and the Regulations.
 - iii. The said financial statements are prepared in accordance with the requirements of the Insurance Act, the Insurance Regulatory and Development Authority Act, 1999, the Regulations and the Companies Act to the extent applicable and in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2008
 - 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 2008 and there is no apparent mistake or material inconsistency therein with the financial statements.
 - ii. The Company has complied with the terms and conditions of registration stipulated by IRDA vide their letter dated 23rd October, 2000.
 - iii. We have verified the cash balances at the corporate office of the Company and investments of the Company.
 - iv. The Company is not a trustee of any trust.
 - v. No part of the assets of the policyholders' funds have been directly or indirectly applied in contravention of the provisions of the Insurance Act relating to the application and investment of policyholders' funds.
 - vi. All expenses of management in respect of Fire, Marine and Miscellaneous Insurance Business have been fully debited to the respective Revenue Accounts as expenses.

For N.C. Rajagopal & Co.
Chartered Accountants

For Brahmayya & Co
Chartered Accountants

V Anantharaman
Partner
Membership No: 11043

C Murali Krishna
Partner
Membership No: 20884

Place: Chennai

Date: May 9, 2008

REVENUE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008 (FIRE BUSINESS)

Form B - RA

Royal Sundaram Alliance Insurance Company Limited

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

(Rs '000)

Particulars	Schedule	31st March 2008	31st March 2007
1 Premiums earned (Net)	1A	214,364	292026
2 Profit/(Loss) on sale/redemption of Investments		881	528
3 Others		-	-
4 Interest, Dividend and Rent [Net of amortisation] [Gross Interest and Dividend Rs.34,026 thousand (Previous Year: Rs. 20,754 thousand)] (Refer note 16 of Schedule 17)		32933	17915
Total (A)		248,178	310,469
1 Claims Incurred (Net)	2A	92,922	54,156
2 Commission	3A	(66,003)	(164,193)
3 Operating Expenses related to Insurance Business	4	157,444	232,425
4 Premium Deficiency		-	-
Total (B)		184,363	122,388
Operating Profit/(Loss) from Fire Business C = (A-B)		63,815	188,081
Appropriations			
Transfer to Shareholders' Account		63,815	188,081
Transfer to Catastrophe Reserve		-	-
Transfer to Other Reserves		-	-
Total (C)		63,815	188,081
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 N.C.Rajagopal & Co.
Chartered Accountants

For Brahmayya & Co.
Chartered Accountants

PM Venkatasubramanian
Chairman

Ajay Bimbhet
Managing Director

V. Anantharaman
Partner
Membership No: 11043

C Murali Krishna
Partner
Membership No: 20884

AV Rajwade
Director

A Rangaswami
Director

Place: Chennai
Date : May 9, 2008

V K Raman
Chief Financial Officer

S R Balachandher
Company Secretary

REVENUE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008 (MARINE BUSINESS)

Form B - RA

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

(Rs '000)

Particulars	Schedule	31st March 2008	31st March 2007
1 Premiums earned (Net)	1B & 1C	45,303	82,321
2 Profit/(Loss) on sale/redemption of Investments		232	221
3 Others		-	-
4 Interest, Dividend and Rent [Net of amortisation] [Gross Interest Rs. 6,098 thousand (Previous Year: Rs. 8,688 thousand)] (Refer note 16 of Schedule 17)		5,810	7,499
Total (A)		51,345	90,041
1 Claims Incurred (Net)	2B & 2C	36,673	61,859
2 Commission	3B & 3C	(19,661)	(23,021)
3 Operating Expenses related to Insurance Business	4	29,913	31,764
4 Premium Deficiency		-	-
Total (B)		46,925	70,602
Operating Profit/(Loss) from Marine Business C = (A-B)		4,420	19,439
Appropriations			
Transfer to Shareholders' Account		4,420	19,439
Transfer to Catastrophe Reserve		-	-
Transfer to Other Reserves		-	-
Total (C)		4,420	19,439
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 N.C.Rajagopal & Co.
Chartered Accountants

For Brahmayya & Co.
Chartered Accountants

PM Venkatasubramanian
Chairman

Ajay Bimbhet
Managing Director

V. Anantharaman
Partner
Membership No: 11043

C Murali Krishna
Partner
Membership No: 20884

AV Rajwade
Director

A Rangaswami
Director

Place: Chennai
Date : May 9, 2008

V K Raman
Chief Financial Officer

S R Balachandher
Company Secretary

REVENUE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008 (MISCELLANEOUS BUSINESS)

Form B - RA

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

(Rs '000)

Particulars	Schedule	31st March 2008	31st March 2007
1 Premiums earned (Net)	1D	4,198,680	2,961,445
2 Profit/(Loss) on sale/redemption of Investments		11,314	5,819
3 Others - Transfer fee and Duplicate fee		1,148	300
4 Interest, Dividend and Rent [Net of amortisation] [Gross Interest Rs.312,566 thousand (Previous Year -- Rs. 228,894 thousand)] (Refer note 16 of Schedule 17)		298,534	197,580
Total (A)		4,509,676	3,165,144
1 Claims Incurred (Net)	2D	2,851,899	1,921,337
2 Commission	3D	248,105	177,533
3 Operating expenses related to Insurance Business	4	1,556,160	1,099,788
4 Premium Deficiency		-	-
Total (B)		4,656,164	3,198,658
Operating Profit/(Loss) from Miscellaneous Business C = (A-B)		(146,488)	(33,514)
Appropriations			
Transfer to Shareholders' Account		(146,488)	(33,514)
Transfer to Catastrophe Reserve		-	-
Transfer to Other Reserves		-	-
Total (C)		(146,488)	(33,514)
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 N.C.Rajagopal & Co.
Chartered Accountants

For Brahmayya & Co.
Chartered Accountants

PM Venkatasubramanian
Chairman

Ajay Bimbhet
Managing Director

V. Anantharaman
Partner
Membership No: 11043

C Murali Krishna
Partner
Membership No: 20884

AV Rajwade
Director

A Rangaswami
Director

Place: Chennai
Date : May 9, 2008

V K Raman
Chief Financial Officer

S R Balachandher
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

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 2008	31st March 2007
1 OPERATING PROFIT/(LOSS)			
a) Fire Insurance		63,815	188,081
b) Marine Insurance		4,420	19,439
c) Miscellaneous Insurance		(146,488)	(33,514)
2 INCOME FROM INVESTMENTS			
a) Interest, Dividend and Rent [Net of amortisation] [Gross Interest Rs. 131,733 thousand (Previous Year -- Rs. 111,613 thousand)] (Refer note 16 of Schedule 17)		125,515	96,343
b) Profit on sale of investments	5,015		2,865
Less : Loss on sale of investments	-	5,015	(28)
3 OTHER INCOME (Interest on Income Tax refund and Interest on Staff Loan)		607	74
Total (A)		<u>52,884</u>	<u>273,260</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 - Filing fees etc.		3,127	655
b) Bad debts written off		-	-
c) Exchange loss		2,060	795
Total (B)		<u>5,187</u>	<u>1,450</u>
Profit Before Tax	(A - B)	47,697	271,810
Provision for Taxation - Current [including Wealth Tax Rs.58 thousand tax (Previous Year -- Rs.19 thousand)] - Deferred - Fringe Benefit Tax		(76,058) 83035 (7,533)	(54,019) - (5,938)
Profit After Tax		<u>47,141</u>	<u>211,853</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		24,397	(187,456)
Balance carried forward to Balance Sheet		<u>71,538</u>	<u>24,397</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 N.C.Rajagopal & Co.
Chartered Accountants

For Brahmayya & Co.
Chartered Accountants

PM Venkatasubramanian
Chairman

Ajay Bimbhet
Managing Director

V. Anantharaman
Partner
Membership No: 11043

C Murali Krishna
Partner
Membership No: 20884

AV Rajwade
Director

A Rangaswami
Director

Place: Chennai
Date : May 9, 2008

V K Raman
Chief Financial Officer

S R Balachandher
Company Secretary

BALANCE SHEET AS AT 31ST MARCH 2008

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 2008	31st March 2007
SOURCES OF FUNDS			
SHARE CAPITAL	5	1,700,000	1,400,000
RESERVES AND SURPLUS	6	71,538	24,397
FAIR VALUE CHANGE ACCOUNT		(9,589)	-
BORROWINGS	7	-	-
TOTAL		1,761,949	1,424,397
APPLICATION OF FUNDS			
INVESTMENTS	8	5,590,331	4,556,962
LOANS	9	-	-
FIXED ASSETS	10	191,424	146,260
Deferred Tax Assets - Net (Refer note 7(a) of Schedule 17)		83035	-
CURRENT ASSETS			
Cash and Bank Balances	11	922,937	605,806
Advances and Other Assets	12	1,028,826	482,655
Sub - Total (A)		1,951,763	1,088,461
CURRENT LIABILITIES			
PROVISIONS	14	2,990,936	2,118,640
Sub - Total (B)		6,054,604	4,367,286
NET CURRENT ASSETS (C)=(A-B)		(4,102,841)	(3,278,825)
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	15	-	-
DEBIT BALANCE IN PROFIT AND LOSS ACCOUNT			
		-	-
TOTAL		1,761,949	1,424,397
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 N.C.Rajagopal & Co.
Chartered Accountants

For Brahmayya & Co.
Chartered Accountants

PM Venkatasubramanian
Chairman

Ajay Bimbhet
Managing Director

V. Anantharaman
Partner
Membership No: 11043

C Murali Krishna
Partner
Membership No: 20884

AV Rajwade
Director

A Rangaswami
Director

Place: Chennai
Date : May 9, 2008

V K Raman
Chief Financial Officer

S R Balachandher
Company Secretary

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	(Rs '000)	
	31st March 2008	31st March 2007
SCHEDULE 1A		
PREMIUM EARNED (NET) — FIRE BUSINESS		
Premium from direct business written	688,708	983,948
Add: Premium on reinsurance accepted	14,525	20,847
Less: Premium on reinsurance ceded	(446,067)	(696,656)
Net Premium	<u>257,166</u>	<u>308,139</u>
Adjustment for change in reserve for unexpired risks	(42,802)	(16,113)
Total Premium Earned (Net)	<u>214,364</u>	<u>292,026</u>
SCHEDULE 1B		
PREMIUM EARNED (NET) -- MARINE CARGO BUSINESS		
Premium from direct business written	190,769	178,489
Add: Premium on reinsurance accepted	367	-
Less: Premium on reinsurance ceded	(140,584)	(138,728)
Net Premium	<u>50,552</u>	<u>39,761</u>
Adjustment for change in reserve for unexpired risks	(5,396)	42,415
Total Premium Earned (Net)	<u>45,156</u>	<u>82,176</u>
SCHEDULE 1C		
PREMIUM EARNED (NET) -- MARINE HULL BUSINESS		
Premium from direct business written	4,724	5,890
Add: Premium on reinsurance accepted	-	-
Less: Premium on reinsurance ceded	(3,905)	(5,743)
Net Premium	<u>819</u>	<u>147</u>
Adjustment for change in reserve for unexpired risks	(672)	(2)
Total Premium Earned (Net)	<u>147</u>	<u>145</u>
SCHEDULE 1D		
PREMIUM EARNED (NET) -- MISCELLANEOUS BUSINESS		
Premium from direct business written	6,059,910	4,813,639
Add: Premium on reinsurance accepted	518,882	2,961
Less: Premium on reinsurance ceded	(1,556,686)	(1,269,159)
Net Premium	<u>5,022,106</u>	<u>3,547,441</u>
Adjustment for change in reserve for unexpired risks	(823,426)	(585,996)
Total Premium Earned (Net)	<u>4,198,680</u>	<u>2,961,445</u>

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

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	(Rs '000)	
	31st March 2008	31st March 2007
SCHEDULE 2A		
CLAIMS INCURRED (NET) -- FIRE BUSINESS		
Claims paid		
Direct	296,295	339,581
Add: Reinsurance accepted	55	130
Less: Reinsurance ceded	<u>(218,273)</u>	<u>(283,577)</u>
Net Claims paid	78,077	56,134
Add: Claims outstanding at the end of the year	64,180	49,335
Less: Claims outstanding at the beginning	<u>(49,335)</u>	<u>(51,313)</u>
Total Claims Incurred	<u>92,922</u>	<u>54,156</u>
SCHEDULE 2B		
CLAIMS INCURRED (NET) -- MARINE CARGO BUSINESS		
Claims paid		
Direct	237,540	137,805
Add: Reinsurance accepted	-	-
Less: Reinsurance ceded	<u>(188,399)</u>	<u>(67,437)</u>
Net Claims paid	49,141	70,368
Add: Claims outstanding at the end of the year	44,670	57,138
Less: Claims outstanding at the beginning	<u>(57,138)</u>	<u>(65,647)</u>
Total Claims Incurred	<u>36,673</u>	<u>61,859</u>
SCHEDULE 2C		
CLAIMS INCURRED (NET) -- MARINE HULL BUSINESS		
Claims paid		
Direct	-	-
Add: Reinsurance accepted	-	-
Less: Reinsurance ceded	<u>-</u>	<u>-</u>
Net Claims paid	-	-
Add: Claims outstanding at the end of the year	-	-
Less: Claims outstanding at the beginning	<u>-</u>	<u>-</u>
Total Claims Incurred	<u>-</u>	<u>-</u>
SCHEDULE 2D		
CLAIMS INCURRED (NET) -- MISCELLANEOUS BUSINESS		
Claims paid		
Direct	2,741,954	2,165,601
Add: Reinsurance accepted	1,059	852
Less: Reinsurance ceded	<u>(568,016)</u>	<u>(531,011)</u>
Net Claims paid	2,174,997	1,635,442
Add: Claims outstanding at the end of the year	1,934,355	1,257,453
Less: Claims outstanding at the beginning	<u>(1,257,453)</u>	<u>(971,558)</u>
Total Claims Incurred	<u>2,851,899</u>	<u>1,921,337</u>

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

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	(Rs '000)	
	31st March 2008	31st March 2007
SCHEDULE 3A		
COMMISSION – FIRE BUSINESS		
Commission paid		
Direct	61,810	59,563
TOTAL	<u>61,810</u>	<u>59,563</u>
Add: Commission on Reinsurance Accepted	422	2,041
Less: Commission on Reinsurance Ceded	(128,235)	(225,797)
Net Commission	<u>(66,003)</u>	<u>(164,193)</u>
Break-up of the expenses (Gross) incurred to procure business:		
Agents	14,474	16,379
Brokers	40,298	36,715
Corporate Agency	7,038	6,469
Referral	-	-
Others	-	-
TOTAL	<u>61,810</u>	<u>59,563</u>
SCHEDULE 3B		
COMMISSION – MARINE CARGO BUSINESS		
Commission paid		
Direct	19,768	15,425
TOTAL	<u>19,768</u>	<u>15,425</u>
Add: Commission on Reinsurance Accepted	59	-
Less: Commission on Reinsurance Ceded	(38,640)	(37,213)
Net Commission	<u>(18,813)</u>	<u>(21,788)</u>
Break-up of the expenses (Gross) incurred to procure business:		
Agents	7,690	5,858
Brokers	11,242	7,678
Corporate Agency	836	1,889
Referral	-	-
Others	-	-
TOTAL	<u>19,768</u>	<u>15,425</u>

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs '000)

Particulars	31st March 2008	31st March 2007
SCHEDULE 3C		
COMMISSION – MARINE HULL BUSINESS		
Commission paid	-	-
Direct	-	-
TOTAL	-	-
Add: Commission on Reinsurance Accepted	-	-
Less: Commission on Reinsurance Ceded	(848)	(1233)
Net Commission	(848)	(1233)
Break-up of the expenses (Gross) incurred to procure business :		
Agents	-	-
Brokers	-	-
Corporate Agency	-	-
Referral	-	-
Others	-	-
TOTAL	-	-
SCHEDULE 3D		
COMMISSION -- MISCELLANEOUS BUSINESS		
Commission paid		
Direct	500,838	459,406
TOTAL	500,838	459,406
Add: Commission on Reinsurance Accepted	52071	107
Less: Commission on Reinsurance Ceded	(304,804)	(281,980)
Net Commission	248,105	177,533
Break-up of the expenses (Gross) incurred to procure business :		
Agents	49,474	148,943
Brokers	34,654	68,802
Corporate Agency	416,710	241,661
Referral	-	-
Others	-	-
TOTAL	500,838	459,406

Break up Schedule for All Business

(For the year ended 31st March 2008)

(Rs. '000)

Particulars	Fire Revenue Account						Marine Revenue Account						Miscellaneous Revenue Account												Grand Total	
	Hire		Marine Cargo		Marine Hull		Marine Total		Motor		Women's Compensation / Employers Liability		Public / Product Liability		Engineering		Personal Accident		Health Insurance		Others		Miscellaneous Total		Grand Total	
	31st March 2008	31st March 2007	31st March 2008	31st March 2007	31st March 2008	31st March 2007	31st March 2008	31st March 2007	31st March 2008	31st March 2007	31st March 2008	31st March 2007	31st March 2008	31st March 2007	31st March 2008	31st March 2007	31st March 2008	31st March 2007	31st March 2008	31st March 2007	31st March 2008	31st March 2007	31st March 2008	31st March 2007	31st March 2008	
Premium from direct business written	688,708	983,948	1,907,69	1,78,489	4,724	5,890	184,379	1,84,379	3,033,905	4,095,553	16,146	13,200	47,921	72,907	411,995	401,225	316,469	267,927	1,087,820	961,207	84,006	63,268	6,059,910	4,813,639	6,944,111	5,981,966
Add: Premium on reinsurance accepted	14,325	20,847	367	-	-	-	367	-	51,581	-	-	-	80	84	6,565	2,142	2	83	650	604	4	48	518,882	2,961	533,774	23,808
Less: Premium on reinsurance ceded	(446,067)	(696,656)	(140,584)	(138,728)	(3,905)	(5,743)	(144,471)	(144,471)	(955,647)	(640,779)	(3,376)	(3,326)	(25,157)	(54,142)	(317,605)	(297,135)	(56,480)	(62,367)	(163,245)	(192,362)	(35,176)	(19,048)	(1,556,686)	(1,209,159)	(2,147,242)	(2,110,286)
Net Premium	257,166	308,139	50,552	39,761	819	147	51,371	39,908	3,651,487	2,393,126	12,770	9,874	22,844	18,849	100,955	106,232	259,991	205,643	925,225	769,449	48,834	44,268	5,022,106	3,547,441	5,330,643	3,895,488
Adjustment for change in reserve for unexpired risks	(42,802)	(16,113)	(5,396)	42,415	(672)	(2)	(6,068)	42,413	(676,556)	(325,806)	(1,414)	(756)	(3,913)	(911)	(2,532)	(17,773)	(39,196)	(22,757)	(94,727)	(2,207,768)	(5,098)	2,755	(82,3426)	(585,996)	(872,296)	(559,696)
Total Premium Earned (Net)	214,364	292,026	45,156	82,176	147	145	45,303	82,321	2,974,931	2,067,320	11,356	9,138	18,931	17,938	98,433	88,459	220,795	182,886	830,498	546,681	43,736	47,023	4,198,680	2,961,445	4,458,347	3,335,792
Claims Incurred (Net)																										
Claims paid	296,295	339,581	237,540	137,805	-	-	237,540	137,805	2,120,914	1,703,370	4,753	2,520	13,359	13,601	114,778	64,633	64,535	68,767	395,630	280,455	39,985	32,255	2,741,954	2,165,601	3,275,789	2,642,987
Add: Reinsurance accepted	55	130	-	-	-	-	-	-	50	2	202	193	-	-	808	852	1,060	852	808	657	-	-	1,060	852	1,115	982
Less: Reinsurance ceded	(218,273)	(283,577)	(188,399)	(67,437)	-	-	(188,399)	(67,437)	(387,919)	(386,719)	(915)	(504)	(1,372)	(2,720)	(87,759)	(47,082)	(11,931)	(27,783)	(70,173)	(57,855)	(7,948)	(6,348)	(568,017)	(531,011)	(974,689)	(882,025)
Net Claims paid	78,077	56,134	49,141	70,368	-	-	49,141	70,368	1,732,995	1,316,651	3,838	2,016	(13)	10,881	27,069	17,553	52,806	41,177	326,265	223,257	32,037	23,907	2,174,997	1,635,442	2,302,215	1,761,944
Add: Claims remaining unpaid at the end of the year	64,180	49,335	44,670	57,138	-	-	44,670	57,138	1,540,219	987,663	3,828	3,549	4,380	4,362	37,058	27,604	174,815	118,796	129,164	83,509	44,991	31,970	1,934,355	1,257,453	2,043,205	1,363,926
Less: Claims remaining unpaid at the beginning of the year	(49,335)	(51,313)	(57,138)	(65,647)	-	-	(57,138)	(65,647)	(987,663)	(776,342)	(3,549)	(3,942)	(4,362)	(9,263)	(27,604)	(19,955)	(118,796)	(87,545)	(83,509)	(48,929)	(31,970)	(25,582)	(1,257,453)	(971,538)	(1,363,926)	(1,088,518)
Total Claims Incurred	92,922	54,156	36,673	61,859	-	-	36,673	61,859	2,285,551	1,527,972	4,117	1,623	(95)	5,980	36,523	25,202	108,825	72,428	371,920	257,837	45,058	30,295	2,851,899	1,921,337	2,981,994	2,037,352
Commissions																										
Commission paid	61,810	59,563	19,768	15,425	-	-	19,768	15,425	299,124	277,201	1,310	1,055	4,076	2,447	24,879	15,645	38,207	30,598	126,975	127,394	6,268	5,156	500,839	459,406	582,417	534,394
Direct	61,810	59,563	19,768	15,425	-	-	19,768	15,425	299,124	277,201	1,310	1,055	4,076	2,447	24,879	15,645	38,207	30,598	126,975	127,394	6,268	5,156	500,839	459,406	582,417	534,394
Add: Commission on reinsurance accepted	422	2,041	59	-	-	-	59	-	51,158	-	-	-	16	-	763	-	2	12	130	94	1	1	52,070	107	52,551	2,148
Less: Commission on reinsurance ceded	(128,235)	(225,797)	(38,640)	(37,213)	(848)	(1,233)	(39,488)	(38,446)	(145,959)	(121,357)	(490)	(528)	(3,988)	(7,034)	(96,074)	(86,619)	(12,125)	(13,564)	(40,811)	(48,090)	(5,357)	(4,768)	(304,804)	(281,980)	(472,527)	(546,223)
Net commission	(66,003)	(164,193)	(18,813)	(21,788)	(848)	(1,233)	(19,661)	(23,021)	204,323	155,844	820	527	104	(4,587)	(70,432)	(70,974)	26,084	17,026	86,294	79,308	912	389	248,105	177,533	162,441	(9,681)
Operating Expenses	(157,444)	(232,425)	(29,250)	(30,919)	(663)	(845)	(29,913)	(31,764)	(1,008,917)	(642,607)	(2,519)	(2,519)	(6,892)	(10,444)	(84,673)	(87,011)	(91,183)	(57,774)	(346,960)	(288,421)	(15,016)	(10,862)	(1,556,160)	(1,099,788)	(1,745,517)	(1,363,977)

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs '000)

Particulars	31st March 2008	31st March 2007
SCHEDULE 4		
OPERATING EXPENSES RELATED TO INSURANCE BUSINESS		
1 Employees' remuneration and welfare benefits	423,596	313,077
2 Travel, conveyance and vehicle running expenses	41,775	35,640
3 Training expenses	10,515	12,462
4 Rents, rates and taxes	86,413	69,577
5 Repairs and maintenance	17,917	14,645
6 Printing and stationery	41,571	31,351
7 Communication	51,791	39,336
8 Legal and professional charges	10,972	6,975
9 Auditors' fees and expenses		
a) as auditors	800	800
b) as adviser or in any other capacity, in respect of		
i) Taxation matters	200	200
ii) Insurance matters	-	-
iii) Management services	-	-
c) in any other capacity - certification	310	300
d) out of pocket expenses	100	150
10 Advertisement and publicity	87,122	129,807
11 Bank charges	13,186	13,795
12 Others		
- Data processing and outsourcing expenses	380,520	262,720
- Marketing and related expenses	379,948	291,649
- Software and Hardware maintenance charges	76,596	72,391
- Policy Stamp expenses	538	250
- Directors' sitting fees	585	240
- Miscellaneous expenses	37,453	24,416
13 Depreciation	76,708	41,535
14 Service tax on premium	4,901	2,661
	<u>1,743,517</u>	<u>1,363,977</u>
Allocation of expenses (per accounting policy 11, Schedule 16)		
Revenue Account – Fire Business	157,444	232,425
Revenue Account – Marine Business	29,913	31,764
Revenue Account – Miscellaneous Business	<u>1,556,160</u>	<u>1,099,788</u>
	<u>1,743,517</u>	<u>1,363,977</u>

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs '000)

Particulars	31st March 2008	31st March 2007
SCHEDULE 5		
SHARE CAPITAL		
1 Authorised Capital 200,000,000 (31st March 2007 - 150,000,000) Equity shares of Rs 10/- each	2,000,000	1,500,000
2 Issued Capital 170,000,000 (31st March 2007 - 140,000,000) equity shares of Rs 10/- each, fully paid up	1,700,000	1,400,000
3 Subscribed Capital 170,000,000 (31st March 2007 - 140,000,000) equity shares of Rs 10/- each, fully paid up	1,700,000	1,400,000
4 Called-up Capital 170,000,000 (31st March 2007 - 140,000,000) equity shares of Rs 10/- each, fully paid up 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)	1,700,000 - - - -	1,400,000 - - - -
Total	1,700,000	1,400,000

SCHEDULE 5A

SHARE CAPITAL

PATTERN OF SHAREHOLDING

[As certified by the Management]

Shareholder	31st March 2008		31st March 2007	
	Number of Shares	% of holding	Number of Shares	% of holding
Promoters				
Indian	125,800,000	74%	103,600,000	74%
Foreign	44,200,000	26%	36,400,000	26%
	170,000,000	100%	140,000,000	100%
Others	-	-	-	-
Total	170,000,000	100%	140,000,000	100%

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs '000)

Particulars	31st March 2008	31st March 2007
SCHEDULE 6		
RESERVES AND SURPLUS		
1 Capital Reserve	—	—
2 Capital Redemption Reserve	—	—
3 Share Premium	—	—
4 General Reserves	—	—
Less: Debit balance in Profit and Loss Account		
Less: Amount utilized for Buy-back		
5 Catastrophe Reserve	—	—
6 Other Reserves	—	—
7 Balance of Profit in Profit & Loss Account	71,538	24,397
Total	<u>71,538</u>	<u>24,397</u>
SCHEDULE 7		
BORROWINGS		
1 Debentures / Bonds	—	—
2 Banks	—	—
3 Financial Institutions	—	—
4 Others	—	—
Total	<u>—</u>	<u>—</u>

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

	(Rs '000)	
Particulars	31st March 2008	31st March 2007
SCHEDULE 8		
INVESTMENTS		
LONG TERM INVESTMENTS		
1 Government securities and Government guaranteed bonds including Treasury Bills*	992,111	498,449
2 Other Approved Securities	-	398,219
3 Other Investments		
a) Shares		
aa) Equity	57,807	-
bb) Preference	-	-
b) Mutual Funds	-	-
c) Derivative Instruments	-	-
d) Debentures / Bonds	696,766	546,434
e) Other Securities - Certificate of Deposit	-	44,273
f) Subsidiaries	-	-
g) Investment in Properties-Real Estate	-	-
4 Investments in Infrastructure and Social Sector	1,098,844	747,701
5 Other than Approved Investments	-	51,716
SHORT TERM INVESTMENTS		
1 Government securities and Government guaranteed bonds including Treasury Bills*	539,360	843,769
2 Other Approved Securities	696,429	-
3 Other Investments	-	-
a) Shares	-	-
aa) Equity	-	-
bb) Preference	-	-
b) Mutual Funds	-	-
c) Derivative Instruments	-	-
d) Debentures / Bonds	398,829	499,837
e) Other Securities - Commercial paper/Certificate of Deposit	460,740	375,054
f) Subsidiaries	-	-
g) Investment in Properties-Real Estate	-	-
4 Investments in Infrastructure and Social Sector	599,440	551,510
5 Other than Approved Investments	50,005	-
Total	<u>5,590,331</u>	<u>4,556,962</u>
Aggregate market value of quoted investments other than Equity Shares	5,072,924	4,038,756
Aggregate book value of unquoted investments other than Equity Shares	5,117,095	4,137,626
Historical cost of Equity Shares valued on fair value basis	67,396	-
Aggregate book value of unquoted investments	415,429	419,336
* Includes Government securities of book value Rs.107,024 thousand (31st March 2007 -- Rs.101,079 thousands), held under Section 7 of the Insurance Act, 1938.		

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	(Rs '000)	
	31st March 2008	31st March 2007
SCHEDULE 9		
LOANS		
1. SECURITY-WISE CLASSIFICATION		
Secured		
a) On mortgage of Property	-	-
aa) In India	-	-
bb) Outside India	-	-
b) On Shares, Bonds, Government Securities	-	-
c) Others	-	-
Unsecured		
Total	-	-
2. BORROWER-WISE CLASSIFICATION		
a) Central and State Governments	-	-
b) Banks and Financial Institutions	-	-
c) Subsidiaries	-	-
d) Industrial Undertakings	-	-
e) Others	-	-
Total	-	-
3. PERFORMANACE-WISE CLASSIFICATION		
a) Loans Classified as standard	-	-
aa) In India	-	-
bb) Outside India	-	-
b) Non-performance loans less provisions	-	-
aa) In India	-	-
bb) Outside India	-	-
Total	-	-
4. MATURITY-WISE CLASSIFICATION		
a) Short-Term	-	-
b) Long-Term	-	-
Total	-	-

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs '000)

SCHEDULE 10

Fixed Assets

PARTICULARS	COST/GROSS BLOCK			DEPRECIATION				NET BLOCK		
	Opening	Additions	Deductions	Closing	Upto 31st March 2007	For the year	On Sales adjustments	Upto 31st March 2008	As at 31st March 2008	As at 31st March 2007
Goodwill	-	-	-	-	-	-	-	-	-	-
Intangibles - Information Technology Software	84,955	21,192	-	106,147	41,481	22,932	-	64,413	41,734	43,474
Land-Freehold	-	-	-	-	-	-	-	-	-	-
Leasehold Property	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-
Furniture and Fittings	13,185	967	-	14,152	9,155	1,508	-	10,663	3,489	4,030
Improvements to Leased premises	77,242	22,344	-	99,586	39,013	12,975	-	51,988	47,598	38,229
Information Technology Equipment	163,034	60,065	10,943	212,156	135,991	32,161	10,810	157,342	54,814	27,043
Vehicles	6,601	6,971	1,449	12,123	3,243	2,272	566	4,949	7,174	3,358
Office Equipment	55,905	3,780	-	59,685	25,779	4,860	-	30,639	29,046	30,126
TOTAL	400,922	115,319	12,392	503,849	254,662	76,708	11,376	319,994	183,855	146,260
Work in progress	-	7,569	-	7,569	-	-	-	-	7,569	-
Grand Total	400,922	122,888	12,392	511,418	254,662	76,708	11,376	319,994	191,424	146,260
As at 31st March 2007	350,209	61,193	10,480	400,922	219,527	41,536	6,401	254,662	146,260	

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs '000)

Particulars	31st March 2008	31st March 2007
SCHEDULE 11		
CASH AND BANK BALANCES		
1 Cash (including cheques, drafts and stamps)	118,122	69,764
2 Bank Balances		
a) Deposit Accounts		
aa) Short-term (due within 12 months)*	505,140	382,165
bb) Others	-	-
b) Current Accounts	177,733	64,215
c) Others	-	-
3 Money at Call and Short Notice		
a) With Banks	-	-
b) With other Institutions	121,942	89,662
4 Others - With Primary Dealer	-	-
Total	<u>922,937</u>	<u>605,806</u>
<p>Included in Bank balances -- current accounts, are balances held outside India amounting to Rs.318 thousand (31st March 2007 - Rs.330 thousand) with a non-scheduled bank and the other bank balances are with scheduled banks.</p> <p>* Deposit includes Rs.7,411 thousand (Previous Year:Rs.5,904 thousand) pertaining to investment of Environmental Relief Fund.</p>		
SCHEDULE 12		
ADVANCES AND OTHER ASSETS		
ADVANCES		
1 Reserve deposits with ceding companies	-	-
2 Application money for investments	-	-
3 Prepayments	20,805	23,370
4 Advances to Directors/Officers	-	-
5 Advance tax paid and taxes deducted at source [Net of provision for tax amounting to Rs.83,591 thousand]	26,741	7,863
6 Others-Deposits for premises and advance rent	50,394	36,625
- Service Tax unutilised credit	42,236	49,915
- Other Advances	23,889	14,898
TOTAL (A)	<u>164,065</u>	<u>132,671</u>
OTHER ASSETS		
1 Income accrued on investments	193,607	137,100
2 Outstanding Premiums	-	-
3 Agents' Balances	-	-
4 Foreign Agencies Balances	-	-
5 Due from other entities carrying on insurance business (including reinsurers)	68,088	73,289
6 Due from subsidiaries / holding Company	-	-
7 Deposit with Reserve Bank of India [Pursuant to section 7 of the Insurance Act, 1938]	-	-
8 Others - Interest recoverable	15,580	6,004
- Balance with Terrorism Pool	158,087	133,591
- Balance with Motor Third Party Pool	429,399	-
TOTAL (B)	<u>864,761</u>	<u>349,984</u>
TOTAL (A+B)	<u>1,028,826</u>	<u>482,655</u>

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

	(Rs '000)	
Particulars	31st March 2008	31st March 2007
SCHEDULE 13		
CURRENT LIABILITIES		
1 Agents' Balances	81,492	72,784
2 Balances due to other insurance companies	96,017	316,346
3 Deposits held on re-insurance ceded	-	-
4 Premiums received in advance	116,051	133,033
5 Unallocated Premium	-	-
6 Sundry creditors	716,493	355,630
7 Due to subsidiaries / holding company	-	-
8 Claims Outstanding	2,043,205	1,363,927
9 Due to Officers / Directors	2,964	952
10 Others - Service Tax liability	-	70
- Environmental Relief Fund	7,446	5,904
Total	3,063,668	2,248,646
SCHEDULE 14		
PROVISIONS		
1 Reserve for Unexpired Risk	2,990,936	2,118,640
2 For taxation (less advance tax paid and taxes deducted at source)	-	-
3 For proposed dividends	-	-
4 For dividend distribution tax	-	-
5 Others	-	-
Total	2,990,936	2,118,640
SCHEDULE 15		
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)		
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') and amendments if any, the Insurance Act, 1938, the Insurance Regulatory and Development Authority Act, 1999, the Accounting Standards issued by the Institute of Chartered Accountants of India ('ICAI') and the requirements of the Companies Act, 1956 ('the Companies Act'), to the extent applicable.

The preparation of the financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amount of assets and liabilities as at the Balance Sheet date, reported amounts of revenues and expenses during the year and disclosure of contingent liabilities as at that date. The estimates and assumptions used in these financial statements are based upon the management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from those estimates, and any changes arising therefrom are accounted for prospectively.

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

2. Revenue recognition for insurance business

Premium (net of service tax) is recognised as income over the contract period or period of risk, as appropriate, after adjusting for unearned premium (unexpired risk) and premium deficiency, if any. Premium deficiency, if any, is recognised if the sum of expected claim costs, related expenses and maintenance costs exceed related reserve for unexpired risk.

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

3. Claims

- (a) Claims paid include claims settlement costs, comprising survey, legal and other directly attributable expenses.
- (b) Estimated liability for outstanding claims in respect of direct business is provided on the basis of claims reported till the end of the financial year.
- (c) Estimated liability for claims incurred but not reported ('IBNR') and claims incurred but not enough reported ('IBNER') is based on available statistical data and is as certified by the Appointed Actuary.
- (d) Salvage is accounted for, on realisable basis.

4. Reinsurance

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

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

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

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

5. Indian Market Terrorism Risk Insurance Pool

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

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

A reserve for unexpired risks is recorded at 100 per cent of the net premium retroceded to the Company from the Pool during the year.

6. Indian Motor Third Party Pool

The Company is a member of the Indian Motor Third Party Insurance Pool under which it collectively, mandatorily and automatically participates in a pooling arrangement to share all motor third party insurance business underwritten on or after 1st April 2007, in respect of commercial vehicles. The transactions of the company with the Pool are accounted for by the company in its financial statements based on the statements received from the Pool Administrator.

7. Investments

- (a) Investments are made in accordance with the Insurance Act, 1938 and the Insurance Regulatory & Development Authority (Investment) (Amendment) Regulations, 2001.
- (b) 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) Investments are recorded at cost including acquisition charges (such as brokerage, transfer stamps etc), if any, and exclude interest paid on purchase.
- (d) Investments though not so separately classified in the accounts, are identified on an aggregate basis with the Policyholders' and Shareholders' Funds on the same lines as Investment income, as stated in item 8 herein below.

SIGNIFICANT ACCOUNTING POLICIES

(e) Debt securities

- i. Debt securities, which include government securities are considered as 'held-to-maturity' and are measured at historical cost. The premium / discount, if any, on purchase of debt securities is amortised over the period to maturity based on their intrinsic yield. Acquisition charges such as brokerage, transfer stamps etc., are amortised in the year of acquisition.
- ii. The net realised gains or losses on debt securities are the differences between the net sale consideration and the amortized cost, which is computed on a weighted average basis..
- iii. The difference between the acquisition price and the maturity value of money market instruments is recognised as income in the Revenue Accounts or the profit and loss account, as the case may be, over the remaining term of these instruments on a yield to maturity basis.

(f) Equity securities that are traded in active markets

- i. Measured at each Balance Sheet date at the fair value, being the lower of the last quoted closing prices available on the Balance Sheet date on the National Stock Exchange or the Bombay Stock Exchange.
- ii. Any unrealised gains or losses arising due to changes in the fair value at each Balance Sheet date are accounted in "Fair Value Change – Equity Account" and carried to the Balance Sheet
- iii. Profit/loss on actual sale of a particular security shall include the accumulated fair value change thereof and is recycled to the Profit and Loss account.
- iv. At each Balance Sheet date the company assesses impairment if any in the value, by examining if the investee company has been making losses continuously for the last three years and also its net worth is eroded, and recognizes the resultant impairment as an expense in the Revenue/Profit and Loss account.

(g) Mutual funds – Liquid Funds / Gilts / Debt Funds

- i. Measured at each Balance Sheet date at the fair value, being the realisable Net Asset Value
- ii. Any unrealised gains or losses arising due to changes in the fair value at each Balance Sheet date are accounted in "Fair Value Change- Mutual Fund Account" and carried to the Balance Sheet
- iii. Profit/loss on actual sale of units of a particular mutual fund shall include the accumulated fair value change thereof and is recycled to the Profit and Loss account.
- iv. At each Balance Sheet date the company assesses impairment if any in the value, by examining if the realisable net asset value of each mutual fund is lower than the weighted average cost thereof, and recognizes such impairment as an expense in the Revenue/Profit and Loss account.

8. Investment income

- i. Investment income other than that from pool accounts (including profit/loss on sale of investments) 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 end of the year).

SIGNIFICANT ACCOUNTING POLICIES

- ii. 'Technical Funds' in relation to policyholders' funds are the aggregate of outstanding claims, estimates for IBNR (including IBNER) and reserve for unexpired risk excluding the technical funds relating to pool accounts. "Shareholders' Funds" are the aggregate of funds available to the Company's shareholders, i.e., net worth of the Company.
- iii. Investment income arising from pool accounts is allocated directly to respective Revenue Accounts

9. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation.

Depreciation :

Asset	Method of Depreciation	Rate of Depreciation
Information Technology Software	Straight Line Method	Equally over a period of three year
Furniture and Fittings	Written Down Value Method	18.1%
Improvements to leased premises	Straight Line Method	Equally over the maximum period of lease initially agreed upon
Information Technology Equipment	Written Down Value Method	60%
Vehicles (both owned and leased)	Straight Line Method	25% on 90% of the cost
Office Equipment	Written Down Value Method	13.91%
Assets costing less than Rs.5000 each	Written down to Re.1 in the year of acquisition	

10. Impairment of Assets other than investments

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

11. 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.

12. Employee Benefits

- (a) Defined Contribution Plans- superannuation, Employee State Insurance and Provident Fund contributions are charged to the Profit and Loss account on accrual.
- (b) Defined Benefit Plans- Retirement gratuity liability is funded with an Insurance Company through contributions to an approved gratuity trust. Liability therefor at each Balance sheet date is arrived at by external actuarial valuation by the fund manager using the projected unit credit method. Differential liability therefor is recognized in the accounts each year.
- (c) Cost of the Company's accumulating Compensated Absence Plan (Non vesting) are valued and accounted for on accrual at each Balance Sheet date.
- (d) Actuarial gains/losses are recognized in the Revenue Accounts.

13. Income-tax

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

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

14. 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.

15. Provision for Contingencies

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

16. Earnings per share

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

SCHEDULE 17

1. The assets of the Company are free from encumbrances.

2. Contingent liabilities (Rs '000)

	31st March 2008	31st March 2007
Partly paid investments	Nil	Nil
Underwriting commitments relating to investment activities	Nil	Nil
Claims, other than those under policies, not acknowledged as debts	Nil	Nil
Guarantees given by or issued on behalf of the Company	Nil	Nil
Statutory demands/liabilities in dispute, not provided for	Nil	Nil
Reinsurance obligations, to the extent not provided for in the accounts	Nil	Nil

	31st March 2008	31st March 2007
Commitments made and outstanding for Loans and Investments	Nil	Nil
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	26,094	Nil

3. 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.

(Rs '000)

	31st March 2008	31st March 2007
Lease payments debited to the Profit and Loss Account	79,444	61,020
Future minimum lease payments		
Not later than one year	80,180	57,561
Later than 1 year but not later than 5 years	156,797	108,776
Later than 5 years	20,578	Nil

4. **Claims outstanding** (Rs '000)

	31st March 2008		31st March 2007	
	Nos.	Amount	Nos.	Amount
Claims outstanding for a period exceeding six months	5039	1,276,360	4368	968,476

NOTES TO FINANCIAL STATEMENTS

The claims were outstanding predominantly due to non-submission of essential documents by the insured and in respect of motor third party claims due to legal process involved.

As at the year end, there are no claims outstanding for a period exceeding six months from the date when settlement has been agreed.

5. Investments

(a)

(Rs '000)

	31st March 2008	31st March 2007
Contracts for sales where payments are overdue	Nil	Nil
Contracts for Purchases due for delivery on the Balance Sheet date (Since received)	50,048	Nil

(b)

	31st March 2008	31st March 2007
Non-performing investment	Nil	Nil

c) From the current financial year, the company is allocating investment income arising from pool accounts directly to the respective Revenue Accounts, while upto the previous year it was allocated to the Revenue Accounts and also to the Profit and Loss Account in the ratio of average "Shareholders' Funds" and "Technical Funds". Consequent to the said change, the effect in operating profit for the year is as follows:

(Rs '000)

Increase in operating profit of Fire Business	534
Increase in operating profit of Marine Business	141
Decrease in operating loss of Miscellaneous Business	6,852

However, there is no change in the profit for the year as per the Profit and Loss Account, consequent to the said change in the basis of allocation.

6. Employee Benefits

Disclosures as required under Accounting Standard 15 "Employee Benefits".

a) Assumptions

31st March 2008

Discount rate	8.0%
Salary Escalation	7.0%
Attrition rate	1-3%
Expected return on plan assets	8.0%
Mortality rate Table	LIC (1994-1996)

NOTES TO FINANCIAL STATEMENTS

b) Changes in present value of obligations (Rs '000)

	31st March 2008
Present value of obligations as at the beginning of the year	9,688
Interest cost	617
Current Service Cost	4,038
Benefits Paid	2,930
Actuarial loss on obligation	4,545
Present value of obligations as at the end of the year	15,958

c) Changes in the fair value of plan assets - LIC fund (Rs '000)

	31st March 2008
Fair value of plan assets at the beginning of the year	10,106
Expected return on plan assets	788
Contributions	3,733
Benefits paid	2,930
Actuarial gain on plan assets	48
Fair value of plan assets at the end of the year	11,745
Actual return on plan Assets	836

d) Actuarial Gain/Loss recognized (Rs '000)

	31st March 2008
Actuarial loss on obligation	4,545
Actuarial gain on plan assets	48
Total loss for the year	4,497
Actuarial loss recognised in the year	4,497

e) The amounts recognized in the Balance Sheet and Revenue Accounts (Rs '000)

	31st March 2008
Present value of obligations as at the end of the year	15,958
Fair value of plan assets as at the end of the year	11,745
Funded status	(4,213)
Net Liability recognised in the Balance Sheet	4,213

f) Expenses Recognised in Revenue Accounts (Rs '000)

	31st March 2008
Current Service cost	4,038
Interest Cost	617
Expected return on plan assets	788
Net Actuarial loss recognized in the year	4,497
Expenses to be recognised in Revenue Accounts	8,364

7. Taxation

a) Deferred Tax Assets

In accordance with the Company's Accounting Policy on Deferred Taxation, a Deferred Tax Asset of Rs.83,035,332 has been recognised in these accounts, considering the reasonable certainty regarding the availability of future profits.

(Rs '000)

	31st March 2008	31st March 2007
Asset on reserve for Unexpired risk	89,412	33,438
Less: Liability - Depreciation	(6,377)	(7,229)
Net Deferred Tax Asset	83,035	26,209

b) Provision for taxation for the year has been made taking into consideration the trends in the past assessments made by the tax authorities. However, while filing the Return of Income, the Company makes all claim for which, in its opinion, it is eligible. Adjustments, if any, necessary on account of the above will be made in the accounts in the year in which outcome is known.

8. Participation in Indian Terrorism Risk Insurance Pool

The Company has accounted for the retro cession for 4 Quarters upto December 2007 during the year.

(Rs '000)

	31st March 2008	31st March 2007
Due from the Pool Manager, beginning of the year	133,591	112,245
Premium on reinsurance accepted	15,373	16,078
Investment Income	12,963	8,780
Premium on reinsurance ceded	(2,616)	(2,308)
Claims paid on reinsurance accepted	(105)	(132)
Operating expenses related to insurance business	(1,690)	(1,591)
Profit Commission on XL	571	519
Due from the Pool Manager, end of the year	158,087	133,591
Claims outstanding, end of the year	(1,000)	(1,000)
Reserve for Unexpired risk, end of the year	(12,756)	(13,770)

9. Indian Motor Third Party Pool

The Company has, during the year, become a member of the Indian Motor Third Party Insurance Pool under which it collectively, mandatorily and automatically participates in a pooling arrangement to share in all motor third party insurance business underwritten in respect of commercial vehicles, on or after 1st April 2007, by any of the registered General Insurers in accordance with the directions of IRDA. In terms of the said Pool Agreement, the following transactions of the company with the said Pool have been accounted for in these accounts based on the statements upto 29th February 2008 furnished by the Pool Administrator.

(Rs '000)

	31st March 2008
Premium on reinsurance accepted	511,581
Reserve for unexpired risk	255,791
Claims incurred	312,064
Our share of Commission Outgo	51,158
Our share of Pool Manager's fee	12,790
Our share of other Income	686
Our share of investment Income	13,217
Profit / (Loss) from Pool	(106,319)

10. Solatium Fund

(Rs '000)

	31st March 2008	31st March 2007
Contribution to the Solatium Fund @ 0.1% of the Gross Written Premium of Motor Business	4,096	3,034

11. The Sector-wise Gross Written Premium

(Rs '000)

	31st March 2008		31st March 2007	
	Amount	%	Amount	%
Rural Sector	869,591	12.52	482,468	8.07
Social Sector [67,763 lives (2007 –64,263 lives)] Number of policies issued - 257 (2007 – 517)	2,275	0.03	3,129	0.05
Other Sectors	6,072,244	87.45	5,496,369	91.88
Total Gross Written Premium	6,944,110	100.00	5,981,966	100.00

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

12.

	31st March 2008	31st March 2007
Premium income recognised based on varying risk pattern	Nil	Nil

13. Risk retention / reinsurance

	31st March 2008	31st March 2007
Risk retained (%)	77	65
Risk reinsured (%)	23	35

14. Remuneration to Managing Director (as approved by IRDA)

(Rs '000)

	31st March 2008	31st March 2007
Salary	3,105	2,538
Allowances and perquisites	7,305	4,698
Total	10,410	7,236

15. Related Party Transactions

a) Particulars of related parties

I. JOINT VENTURE PROMOTERS

Sundaram Finance Limited

Royal & SunAlliance Insurance plc

II. KEY MANAGERIAL PERSONNEL

Mr.Antony Jacob (Managing Director) upto 12.09.2007

Mr.Ajay Bimbhet (Managing Director) from 13.09.2007

NOTES TO FINANCIAL STATEMENTS

b) Transaction with related parties and balances

(For the year ended 31st March 2008)

(Rs '000)

Nature of transaction	Joint Venture Promoters	Key Managerial Personnel
INCOME		
Insurance premium received		
Sundaram Finance Limited	854	-
Mr. Antony Jacob	-	9
Claims received on reinsurance		
Royal & SunAlliance Insurance Plc	22,202	-
Commission on reinsurance ceded Royal & SunAlliance Insurance Plc	14,806	-
EXPENSES		
Rent paid		
Sundaram Finance Limited	32,680	-
Payment for services received		
Sundaram Finance Limited	66,427	-
Agency commission paid		
Sundaram Finance Limited	58,541	-
Remuneration paid to Managing Director		
Mr. Antony Jacob	-	3,820
Mr. Ajay Bimbhet	-	6,590
Reinsurance Premium Paid		
Royal & SunAlliance Insurance Plc	42,720	-
Insurance claims paid		
Sundaram Finance Limited	16	-
Contribution received towards rights issue		
Sundaram Finance Limited	148,500	-
Royal & SunAlliance Insurance Plc	78,000	-
Receivable as at March 31, 2008		
Royal & SunAlliance Insurance Plc	40,062	-
Rent deposit		
Sundaram Finance Limited	7,493	-
Payable as at March 31, 2008		
Sundaram Finance Limited	12,259	-
Royal & SunAlliance Insurance Plc	26,863	-
Insurance deposit		
Sundaram Finance Limited	3,000	-
Share Capital		
Sundaram Finance Limited	841,500	-
Royal & SunAlliance Insurance Plc	442,000	-

NOTES TO FINANCIAL STATEMENTS

(Comparable figures for the year ended 31st March 2007)

(Rs '000)

Nature of transaction	Holding Company	Joint Venture Promoters	Key Managerial Personnel
INCOME			
Insurance premium received			
Sundaram Finance Limited	1,569	387	-
Mr. Antony Jacob			17
Claims received on reinsurance			
Royal & SunAlliance Insurance Plc	-	7,842	-
Commission on reinsurance ceded			
Royal & SunAlliance Insurance Plc	-	11,986	-
EXPENSES			
Rent paid			
Sundaram Finance Limited	14,446	14,446	-
Payment for services received			
Sundaram Finance Limited	23398	28285	-
Lease rentals paid			
Sundaram Finance Limited	76		
Agency commission paid			
Sundaram Finance Limited	12,249	8,842	-
Remuneration paid to Managing Director			
Mr. Antony Jacob	-	-	7,236
Reinsurance Premium Paid			
Royal & SunAlliance Insurance Plc	-	29,016	-
Receivable as at March 31, 2007			
Royal & SunAlliance Insurance Plc	-	24,864	-
Rent deposit			
Sundaram Finance Limited	-	7,493	-
Payable as at March 31, 2007			
Sundaram Finance Limited	-	18,738	-
Royal & SunAlliance Insurance Plc	-	21,414	-
Insurance deposit			
Sundaram Finance Limited	-	1,500	-
Share Capital			
Sundaram Finance Limited	-	693,000	-
Royal & SunAlliance Insurance Plc	-	364,000	-

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

(Rs '000)

Particulars	31st March 2008	31st March 2007
Revenue Account – Policyholders’ Funds		
Fire	1,093	2,839
Marine	288	1,189
Miscellaneous	14,032	31,314
Profit and Loss Account – Shareholders’ Funds	6,218	15,270
Total	21,631	50,612

17. Segment Reporting

The Company carries on non-life insurance business in India. The Company has provided primary segmental information, in Annexure 1, as required by Accounting Standard 17 – ‘Segment Reporting’ issued by ICAI, read with Accounting Regulations.

18. Summary of Financial Statements and Accounting Ratios

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

19. Previous Year figures have been reclassified / regrouped, wherever necessary, to conform with the current year’s classification. The details thereof are as under :

(Rs '000)

Particulars	31st March 2008		31st March 2007		Reason
	Grouping	Amount	Grouping	Amount	
Investment in Collateralised Borrowing and Lending Obligations	Schedule 11 Cash and Bank Balances – Money at Call and Short Notice with other institutions. [3(a)]	121,942	Schedule 8 Investments – Short Term Investments Other Securities [3(e)]	89,662	For better clarity and Compliance

Per our report of even date attached

For and on behalf of the Board of Directors

For N.C.Rajagopal & Co.
Chartered Accountants

For Brahmayya & Co.
Chartered Accountants

PM Venkatasubramanian
Chairman

Ajay Bimbhet
Managing Director

V. Anantharaman
Partner
Membership No: 11043

C Murali Krishna
Partner
Membership No: 20884

AV Rajwade
Director

A Rangaswami
Director

Place: Chennai
Date : May 9, 2008

V K Raman
Chief Financial Officer

S R Balachandher
Company Secretary

17. SEGMENT REPORTING

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

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

Operating expenses are attributed to the business segments in line with accounting policy 11 in Schedule 16.

Investments, Cash & Bank balances and other Assets are identified with the respective segments in the ratio of Shareholders and Technical Funds as defined in Policy 8 of Schedule 16

Fixed Assets, Due from Coinsurers and other liabilities are identified with the respective segments in the ratio of the Gross Written Premium

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 2008)

Particulars														(Rs '000)	
	Fire	Marine Cargo	Ma-rine Hull	Motor OD	Motor TP	Motor Total	Workmens Compensation / Employers Liability	Public / Product Liability	Engineering	Personal Accident	Health Insurance	Others	Investment of Share-holders funds	Total	
Gross Direct Premium	688,708	190,769	4,724	3,296,983	798,570	4,095,553	16,146	47,921	411,995	316,469	1,087,820	84,006	-	6,944,111	
Net Written Premium	257,165	50,552	819	2,771,979	879,508	3,651,487	12,770	22,844	100,955	259,991	925,225	48,834	-	5,330,642	
Premium earned (net)	214,364	45,156	147	2,371,833	603,098	297,4931	11,356	18,931	98,433	220,795	830,498	43,736	-	4,458,347	
Profit on sale / redemption of investments	881	230	2	6,556	1,667	8,222	28	47	265	739	1,819	194	5,015	17,442	
Others	-	-	-	1,148	1,148	1,148	-	-	-	-	-	-	607	1,755	
Interest (net of amortisation)	32,933	5,772	38	174,637	44,406	219,043	695	1181	8,728	18,487	45,534	4,866	125,515	462,792	
Total segmental revenue	248,178	51,158	187	2,554,174	649,171	3,203,344	12,079	20,159	107,426	240,021	877,851	48,796	131,137	4,940,336	
Claims incurred (net)	(92,922)	(36,673)	-	(1,477,641)	(807,910)	(2,285,551)	(4,117)	95	(36,523)	(108,825)	(371,920)	(45,058)	-	(2,981,494)	
Commission received / (paid), net	66,003	18,813	848	(221,684)	17,361	(204,323)	(820)	(104)	70,432	(26,084)	(86,294)	(912)	-	(162,441)	
Operating expenses related to insurance business	(157,444)	(29,250)	(663)	(812,194)	(196,723)	(1,008,917)	(2,519)	(6,892)	(84,673)	(91,183)	(346,960)	(15,016)	(5,187)	(1,748,704)	
Total segmental expenses	(184,363)	(47,110)	185	(2,511,519)	(987,272)	(3,498,791)	(7,456)	(6,901)	(50,764)	(226,092)	(805,174)	(60,986)	(5,187)	(4,892,639)	
Segmental (loss) / profit	63,815	4,048	372	42,655	(338,101)	(295,447)	4,623	13,258	56,662	13,929	72,677	(12,190)	125,950	47,697	
Other income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unallocated corporate expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Provision for taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	(556)	
Net profit for the year	63,815	4,048	372	42,655	(338,101)	(295,447)	4,623	13,258	56,662	13,929	72,677	(12,190)	125,950	47,697	
Segment Assets	507,310	99,264	782	2,768,159	1,099,881	3,868,040	11,697	20,644	150,000	306,935	767,505	80,803	2,003,573	7,816,553	
Segment Liabilities	422,516	97,981	1,513	2,209,727	1,911,060	4,120,787	12,066	23,994	153,164	329,480	809,757	83,346	-	6,054,604	
Capital Expenditure	12,188	3,376	84	58,346	14,132	72,478	286	848	7,291	5,600	19,251	1,486	-	122,888	
Amortisation of premium & discount	1,093	286	2	8,209	1,988	10,197	34	59	328	916	2,256	242	6,218	21,631	
Depreciation	7,608	2,107	52	36,421	8,821	45,242	178	529	4,551	3,496	12,017	928	-	76,708	
Non-Cash Expenditure other than depreciation and amortisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

Note : Aviation Segment Business for 2007-08 - NIL

ANNEXURE TO NOTES TO FINANCIAL STATEMENTS

(Rs '000)

(For the year ended 31st March 2007)

Particulars	Fire	Marine Cargo	Ma- rine Hull	Motor OD	Motor TP	Motor Total	Workmens Compensation / Employers Liability	Public / Product Liability	Engineering	Personal Accident	Health Insurance	Others	Investment of Share- holders funds	Total
Gross Direct Premium	983,948	178,489	5,890	2,662,542	371,363	3,033,905	13,200	72,907	401,225	267,927	961,207	63,268		5,981,966
Net Written Premium	308,139	39,761	147	2,099,482	293,644	2,393,126	9,874	18,849	106,232	205,643	769,449	44,268		3,895,488
Premium earned (net)	292,026	82,176	145	1,855,009	212,311	2,067,320	9,138	17,938	88,459	182,886	548,681	47,023		3,335,792
Profit on sale / redemption of investments	528	221		3,818	532	4,350	17	33	142	346	822	109	2,837	9,405
Others				300		300							74	374
Interest (net of amortisation)	17,915	7,488	11	129,618	18,079	147,697	572	1,105	4,825	11,747	27,902	3,732	96,343	319,337
Total segmental revenue	310,469	89,885	156	1,988,745	230,922	2,219,667	9,727	19,076	93,426	194,979	577,405	50,864	99,254	3,664,908
Claims incurred (net)	(54,156)	(61,859)		(1,105,403)	(422,569)	(1,527,972)	(1,623)	(5,980)	(25,202)	(72,428)	(257,837)	(30,295)		(2,037,352)
Commission received / (paid), net	164,193	21,788	1,233	(130,465)	(25,379)	(155,844)	(527)	4,587	70,974	(17,026)	(79,308)	(389)		9,681
Operating expenses related to insurance business	(232,425)	(30,919)	(845)	(563,949)	(78,658)	(642,607)	(2,669)	(10,444)	(87,011)	(57,774)	(288,421)	(10,862)	(1,450)	(1,365,427)
Total segmental expenses	(122,388)	(70,990)	388	(1,799,817)	(526,606)	(2,326,423)	(4,819)	(11,837)	(41,239)	(147,228)	(625,566)	(41,546)	(1,450)	(3,393,098)
Segmental (loss) / profit	188,081	18,895	544	188,928	(295,684)	(106,756)	4,908	7,239	52,187	47,751	(48,161)	9,318	97,804	271,810
Other income														
Unallocated corporate expenses														(59,957)
Provision for taxation														—211,853
Net profit for the year	408,221	113,438	369	1,947,828	271,677	2,219,505	8,651	18,442	100,784	177,500	433,536	55,584	2,255,653	—5,791,683
Segment Assets	411,411	103,417	1,018	1,700,265	1,038,261	2,738,526	9,953	23,904	137,757	227,385	651,675	62,240		4,367,286
Segment Liabilities	10,065	1,826	60	27,237	3,799	31,036	135	746	4,104	2,741	9,833	647		61,193
Capital Expenditure														
Amortisation of premium & discount	2,839	1,187	2	20,543	2,865	23,408	91	175	765	1,862	4,422	591	15,270	50,612
Depreciation	6,832	1,239	41	18,488	2,578	21,066	92	506	2,786	1,860	6,674	439		41,535
Non-Cash Expenditure other than depreciation and amortisation														

Note : Aviation Segment Business for 2006-07 - NIL

ANNEXURE TO NOTES TO FINANCIAL STATEMENTS

Annexure 2

Summary of Financial Statements

Rs. in Lakhs

Particulars	2007-08	2006-07	2005-06	2004-05	2003-04
OPERATING RESULTS					
1 Gross Premiums Written	69441.11	59819.70	45863.70	33070.00	25776.00
2 Net Premium Income#	53306.42	38954.88	29688.70	20162.20	15631.10
3 Income from investments (net)@	3497.04	2295.60	1406.50	825.00	959.70
4 Other income -Transfer fee etc	11.48	3.00	3.30	1.80	2.20
5 Total Income	56814.94	41253.48	31098.50	20989.00	16593.00
6 Commissions	762.47	(1228.80)	(1087.70)	(863.78)	(1384.48)
7 Brokerage	861.94	1132.00	469.00	341.18	134.50
8 Operating Expenses	17435.17	13639.80	10481.20	7280.30	6488.88
9 Claims, increase in Unexpired Risk Reserve and Other outgoes	38537.90	25970.48	20910.60	14204.80	11368.40
10 Operating Profit/loss	(782.54)	1740.00	325.40	26.50	(14.30)
NON OPERATING RESULT					
11 Total income shareholders' account	1259.50	978.05	689.50	508.14	815.40
12 Profit/(loss) before tax	476.97	2718.09	1014.90	534.64	801.10
13 Provision for tax	(5.56)	(599.57)	151.50	33.60	0.20
14 Profit/(loss) after tax	471.41	2118.51	863.40	501.04	800.90
MISCELLANEOUS					
15 Policyholders' Account					
Total funds	44525.30	34687.97	26345.70	15869.70	13361.30
Total investments	39832.51	32447.40	25098.60	15838.17	12692.30
Yield on investments	8.2%	6.9%	6.2%	5.2%	8.5%
16 Shareholders' Account					
Total funds	17619.47	14244.00	12125.50	10006.40	9750.70
Total investments	16070.80	14018.80	11551.50	9986.48	9262.50
Yield on investments	8.2%	6.9%	6.2%	5.2%	8.5%
17 Paid up equity capital	17000.00	14000.00	14000.00	13000.00	12989.70
18 Net worth	17619.47	14243.95	12125.40	10262.10	9750.70
19 Total assets	78166.11	57916.80	44938.90	32651.10	25732.50
20 Yield on total investments	8.2%	6.9%	6.2%	5.2%	8.5%
21 Earnings per share (Rs.)*	0.34	1.51	0.80	0.40	0.60
22 Book Value per share (Rs.)	10.36	10.17	8.65	7.90	7.50
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	471.41	2118.53	863.39	501.00	800.84
Weighted Average Number of Shares at the end of the year	140,327,869	140,000,000	130,027,397	130,000,000	130,000,000

Ratios for Non-life Insurance Companies

Sl No	Performance Ratio	2007-08	2006-07
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)	3.92	4.20
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)	24%	17%
4	Net retention ratio (segment wise) (Net premium divided by gross premium)	Schedule 2	Schedule 2
5	Net commission ratio (segment wise) (Commission net of reinsurance for a class of business divided by net premium)	Schedule 3	Schedule 3
6	Expenses of Management to gross direct premium ratio (Expenses of Management divided by the total gross direct premium)	0.25	0.23
7	Combined ratio: (Claims paid plus expenses divided by gross premium)	0.72	0.67
8	Technical reserves to net premium ratio (Reserve for unexpired risks plus premium deficiency reserve plus reserve for outstanding claims divided by net premium)	0.94	0.89
9	Underwriting balance ratio (segment wise) (Underwriting profit divided by net premium for the respective class of business)	Schedule 4	Schedule 4
10	Operating profit ratio (Underwriting profit plus investment income divided by net premium)	-0.01	0.04
11	Liquid assets to liabilities ratio (Liquid assets of the insurer divided by the policy holders' liabilities)	1.29	1.48
12	Net earnings ratio (Profit after tax divided by net premium)	0.01	0.05
13	Return on networth (Profit after tax divided by net worth)	0.03	0.15
14	Reinsurance ratio (Risk reinsured divided by gross premium)	0.23	0.35

Accounting Ratios - Schedule 1

Gross premium growth rate

Segment	Growth (%)	
	2007-08	2006-07
Fire	-30%	7%
Marine	6%	1%
Motor	35%	30%
Workmen's Compensation/ Employers Liability	22%	-5%
Public/Product Liability	-34%	37%
Engineering	3%	43%
Personal Accident	18%	10%
Health Insurance	13%	90%
Others	33%	11%
Total	16%	30%

Accounting Ratios - Schedule 3

Net commission ratio

Segment	% to NP	
	2007-08	2006-07
Fire	-26%	-53%
Marine	-38%	-58%
Motor	6%	7%
Workmen's Compensation/ Employers Liability	6%	5%
Public/Product Liability	0%	-24%
Engineering	-70%	-67%
Personal Accident	10%	8%
Health Insurance	9%	10%
Others	2%	1%
Total	3%	0%

Accounting Ratios - Schedule 2

Net retention ratio

Segment	% to GP	
	2007-08	2006-07
Fire	37%	31%
Marine	26%	22%
Motor	89%	79%
Workmen's Compensation/ Employers Liability	79%	75%
Public/Product Liability	48%	26%
Engineering	25%	26%
Personal Accident	82%	77%
Health Insurance	85%	80%
Others	58%	70%
Total	77%	65%

Accounting Ratios - Schedule 4

Underwriting balance ratio

Segment	% to NP	
	2007-08	2006-07
Fire	12%	55%
Marine	-3%	29%
Motor	-14%	-11%
Workmen's Compensation/ Employers Liability	31%	44%
Public/Product Liability	53%	32%
Engineering	47%	44%
Personal Accident	-2%	17%
Health Insurance	3%	-10%
Others	-35%	12%
Total	-8%	-1%

MANAGEMENT REPORT

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

1. We confirm that the Certificate of Registration granted by the Insurance Regulatory and Development Authority, to transact general insurance business, continues to be valid. The fee for renewal of the Certificate of Registration has been paid for 2008/2009 and the Company has received the Certificate of Renewal of Registration.
2. We certify that all dues payable to the Statutory Authorities have been duly paid.
3. We confirm that the shareholding pattern during the year ended 31st March 2008 has been in accordance with the Statutory/Regulatory requirements.
4. We declare that the funds of the holders of policies issued in India have not been directly or indirectly invested outside India.
5. The Company has maintained the required solvency margins.
6. The values of all the assets have been reviewed on the date of the Balance Sheet and in our belief the assets set forth in the Balance Sheet are shown in the aggregate at amounts not exceeding their realisable or market value under the headings 'Investments', 'Interest, Dividends and Rents accruing but not due', 'Amounts due from other persons or Bodies carrying on insurance business', 'Cash' and the several items specified under 'Other Accounts', except debt securities which are shown at amortised cost.
7. The Company is exposed to a variety of risks such as quality of risks underwritten, fluctuations in the value of assets and higher expenses in the initial years of operation. The Company monitors these risks closely and effective remedial action is taken wherever required.

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

8. The Company does not have operations in other countries and hence there are no country/currency fluctuation risks.
9. The trend in average claim settlement time for various Segments are given hereunder: - (Rs '000)

Ageing as on 31st Mar 2008	Fire		Marine		Miscellaneous		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Upto 30 days	409	53,903	1930	139,423	217189	1,312,815	219528	1,506,141
31 days to 6 months	534	104,903	2777	57,868	56402	879,244	59713	1,042,015
6 Months to 1 Year	206	80,433	704	18,217	3483	179,845	4393	278,495
1 Year to 5 Years	73	54,284	263	10,864	3237	242,294	3573	307,442
5 Years and above					23	1,664	23	1,664

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 debt 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.

The market values of actively traded equity investments have been ascertained by reference to the lower of the last quoted closing prices available on the Balance Sheet date on the National Stock Exchange or the Bombay Stock Exchange.

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 8.2%. All investments in our portfolio as at 31st March 2008 are performing investments.

12. Directors' Responsibility Statement:

- i) In the preparation of financial statements, the applicable Accounting Standards, principles and policies have been followed along with proper explanations relating to material departures, if any.
- ii) The Management has adopted accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the operating loss and of the net profit of the Company for the year ended 31st March 2008.
- 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. Particulars of payment other than those arising in the normal course of the Company's Insurance business, made to individuals, firms, companies and organizations in whom / which the directors of the company are interested is as under. (Rs. '000)

Sl No.	Entity in which Director is interested	Name of the Director	Interested as	Amount	Nature of Payments
1	Sundaram Finance Ltd	S. Viji T.T. Srinivasaraghavan Srinivas Acharya A. Rangaswami G.K. Raman	Director Director Director Director Director	99107	Rent, Policy Processing Charges, Information Technology Consultancy
2	Sundaram BNP Paribas Home Finance Limited	S. Viji T.T. Srinivasaraghavan Srinivas Acharya G.K. Raman	Director Director Director Director	3	Rent
3	Sundaram BNP Paribas Asset Management Company Limited	T.T. Srinivasaraghavan	Director	675	Advisory Fee - Equity investments
4	Sundaram Infotech Services Ltd	T.T. Srinivasaraghavan Srinivas Acharya	Director Director	30980	Information Technology related services

For and on behalf of the Board of Directors

PM Venkatasubramanian
Chairman

Ajay Bimbhet
Managing Director

AV Rajwade
Director

A Rangaswami
Director

Place: Chennai
Date : May 9, 2008

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	8

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

Public Issue						N	I	L
Rights Issue			3	0	0	0	0	0
Bonus Issue						N	I	L
Private Placement						N	I	L

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

Total Liabilities		1	7	6	1	9	4	9
Total Assets		1	7	6	1	9	4	9

Source of Funds:

Paid-up Capital		1	7	0	0	0	0	0
Reserves and Surplus				7	1	5	3	8
Fair Value Change Account					(9	5	8	9)
Secured Loans						N	I	L
Unsecured Loans						N	I	L

Application of Funds:

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

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

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

For and on behalf of the Board of Directors

PM Venkatasubramanian
Chairman

Ajay Bimbhet
Managing Director

AV Rajwade
Director

A Rangaswami
Director

Place : Chennai
Date : May 9, 2008

VK Raman
Chief Financial Officer

SR Balachandher
Company Secretary

RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

(Rs. '000)

Particulars	March 31, 2008	March 31, 2007
Cash flows from operating activities		
Premium received from policyholders, including advance receipts	6,927,896	6,030,867
Other receipts	1,054	374
Payments to the re-insurers, net of commissions and claims	(923,278)	(577,181)
Payments to co-insurers, net of claims recovery	39,842	24,021
Payments of claims	(3,075,131)	(2,651,352)
Payments of commission and brokerage	(568,357)	(507,949)
Payments of other operating expenses	(1,603,373)	(1,273,405)
Preliminary and pre-operative expenses		
Deposits, advances and staff loans	83,478	(17,317)
Income taxes paid (Net)	(102,468)	(69,230)
Service tax paid	7,679	(13,489)
Other payments		
Cash flows before extraordinary items		
Cash flow from extraordinary operations		
Net cash flow from operating activities	787,342	945,339
Cash flows from investing activities		
Purchase of fixed assets	(114,178)	(58,727)
Proceeds from sale of fixed assets	1,126	1,353
Purchases of investments	(3,594,199)	(2,901,674)
Loans disbursed	-	(416)
Sales of investments	2,571,059	2,338,690
Repayments received		
Rents/Interests/Dividends received	409,598	328,277
Investments in money market instruments and in liquid mutual funds (Net)	(41,449)	(379,662)
Expenses related to investments	(2,164)	(2,164)
Net cash flow from investing activities	(770,207)	(674,323)
Cash flows from financing activities		
Proceeds from issuance of share capital	300,000	-
Proceeds from borrowing	-	-
Repayments of borrowing	-	-
Interest/dividends paid	-	-
Net cash flow from financing activities	300,000	-
Effect of Foreign exchange rates on Cash and Cash Equivalents, net	(4)	-
Net increase in cash and cash equivalents:	317,131	271,016
Cash and Cash equivalents at the beginning of the year	605,806	334,790
Cash and cash equivalents at the end of the year	922,937	605,806

Per our report of even date attached

For and on behalf of the Board of Directors

for N.C.Rajagopal & Co.
Chartered Accountants

for Brahmayya & Co.
Chartered Accountants

PM Venkatasubramanian
Chairman

Ajay Bimbhet
Managing Director

V. Anantharaman
Partner
Membership No:11043

C. Murali Krishna
Partner
Membership No:20884

AV Rajwade
Director

A Rangaswami
Director

Place : Chennai
Date : May 9, 2008

VK Raman
Chief Financial Officer

SR 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