

ICICI LOMBARD GENERAL INSURANCE COMPANY LIMITED

6TH ANNUAL REPORT AND ACCOUNTS 2005-2006

Directors

K.V. Kamath, *Chairman*
R. Athappan
B. V. Bhargava
Dileep Choksi
James Dowd
Lalita D. Gupte
Kalpana Morparia
S. Mukherji
Chandran Ratnaswami
H.N. Sinor
Sandeep Bakhshi, *Managing Director & CEO*

Rajesh Saxena,
Company Secretary

Auditors

BSR & Co.
Chartered Accountants

Lodha & Co.
Chartered Accountants

Registered Office

ICICI Bank Towers
Bandra-Kurla Complex
Mumbai – 400 051

directors' report

to the members

Your Directors have pleasure in presenting the Sixth Annual Report of ICICI Lombard General Insurance Company Limited ("ICICI Lombard") with the audited statement of accounts for the financial year ended March 31, 2006.

INDUSTRY OVERVIEW

The Gross premium of the industry for the year ended March 31, 2006 was Rs.203.78 billion compared to Rs.175.30 billion in the previous year, showing a growth of around 16%. The market share of private sector insurance companies has grown to 27% compared to 20% in fiscal 2005. Among private players, ICICI Lombard is leading with a market share of 29.3% in the private sector and an overall market share of 7.8%.

FINANCIAL HIGHLIGHTS

	<i>Fiscal 2005</i>	Rs. in million Fiscal 2006
Number of policies sold	607,926	1,461,039
Gross written premium	8,851.7	15,919.9
Earned premium	2,156.1	5,276.8
Profit before tax	538.7	545.3
Profit after tax	483.5	503.1

APPROPRIATIONS

The profit after tax for the year ended March 31, 2006 was Rs.503.1 million. After taking into account the balance of brought forward profit of Rs.294.0 million, the profit available for appropriation is Rs.797.1 million. Reflecting the sound financial performance, the Board declared two interim dividends of 5% each in the months of June 2005 and March 2006 and have appropriated the disposable profit as follows:

	<i>Fiscal 2005</i>	Rs. in million Fiscal 2006
Dividend for the year (interim)		
– On equity shares	220.0	232.5
Dividend Distribution Tax	28.8	32.6
Leaving Balance to be carried forward to the next year	294.0	532.0

Your Directors have not recommended any final dividend for the year.

OPERATIONAL REVIEW

Company Performance

The gross written premium of ICICI Lombard increased by 80% to Rs.15,919.9 million in fiscal 2006. The profit after tax has increased to Rs.503.1 million, as against Rs.483.5 million during fiscal 2005. ICICI Lombard sold 1,461,039 policies during fiscal 2006, registering a growth of 140% over the 607,926 policies sold during fiscal 2005.

Information Technology

Technology continues to contribute towards the strategic growth of the organisation in terms of enabling business transactions and help manage scale and efficiency. The web based policy administration system supports issuance of pre-underwritten products by external intermediaries over the internet infrastructure. It has helped extend the distribution backbone to partners across multiple channels through the internet.

ICICI Lombard has undertaken multiple initiatives to strengthen the technology infrastructure and systems to provide sharp edge in its business. The new policy administration system, currently under implementation, is a web-based system that is built around robust technology platform and also has a product configurator which reduces time-to-market for product launching. This will enable ICICI Lombard to achieve objectives of scalability, flexibility, security, ease of use along with reduction in time-to-market.

ICICI Lombard has undertaken Enterprise Application Integration (EAI) project involving implementation of tools to integrate applications, processes and data seamlessly, enabling an enterprise to be transformed into a seamless Virtual Enterprise. This particular initiative will allow technology to address immediate business problems as well as help adapt to rapidly changing business conditions.

The future technology roadmap includes implementation of best-of-breed technologies as well as best practices like single customer view, enterprise portal, enterprise reporting, data-warehousing etc. to lay the groundwork for agile and flexible IT systems that can provide competitive advantage in the years ahead.

Customer Service

Customer satisfaction is the key to long-term organisational success. ICICI Lombard is committed to offer best and prompt service to its valued customers. It has settled 243,951 claims during the fiscal 2006 with a claim disposal ratio of about 95% as against 94% during the fiscal 2005. The average claim settlement time has remained at 25 days.

Fiscal 2006 witnessed many catastrophic events, both major and minor, like Mumbai floods, Jammu & Kashmir earthquake, Gujarat floods, Bangalore rains etc. In those moments of need, ICICI Lombard created rapid action teams of surveyors and customer service people for on-the-spot claim settlement in order to provide immediate relief to the sufferers. With focused efforts, it was able to handle and settle most of these claims in record response time.

Social Responsibility

ICICI Lombard has issued more than 2,00,000 policies in rural areas, amounting to over 15% of total policies issued by it during the year under review. It also covered more than 20,000 lives falling within the norms of social business.

directors' report



Continued

Reinsurance

The reinsurance program of ICICI Lombard is formulated in line with the guidelines laid down by Insurance Regulatory and Development Authority (IRDA), which aims at optimum retention of premium within the country and adequate risk coverage. ICICI Lombard has successfully completed its reinsurance placements for the year 2006-07. In order to mitigate the risk of single large loss and/or catastrophe, affecting its retentions, ICICI Lombard has also taken adequate excess of loss and catastrophe protection.

Employees

Employees are the most valuable assets of ICICI Lombard. The number of employees of ICICI Lombard has increased from 1249 in fiscal 2005 to 2283 in fiscal 2006. Over 95% of the employees of ICICI Lombard are professionally qualified. Special emphasis has been laid on training and development in order to update the knowledge and skills of staff.

Outlook

IRDA has initiated the step of taking the general insurance industry to a tariff free regime. A roadmap for the same has been provided by IRDA vide circular, dated September 23, 2005. As per the roadmap, tariffs for all classes of business would be discontinued from December 31, 2006 onwards. This move should help establish a robust risk based underwriting mechanism. In view of the ensuing de-tariffing, there would be price rationalisation and risk based pricing in the Indian non-life insurance industry whereby the customer would get the benefit of increased competition and wider coverage at competitive rates. The market practices, which were till recently taken care of by the tariffs, would have to be evolved by the industry to ensure the health of the industry as a whole. The pricing models of insurers would continuously evolve based on its own experience, the industry experience and the global best practices. This would lead to a more mature insurance market in the long term.

IRDA has framed the Micro Insurance Regulations for the provision of Micro insurance products to low income groups and has allowed packaging of both life and non life products to increase the insurance penetration in this segment by optimising the cost. In view of the same, ICICI Lombard is focusing on insurance of such identified groups through various initiatives with Central/State Government, NGOs, Self Help Groups, Micro Finance Institutions etc.

Capital

In order to enhance the risk retention capacity and to maintain healthy solvency ratio, ICICI Lombard made a rights issue of 25 million shares of Rs.10 each at a premium of Rs.30 per share, aggregating to Rs.1,000.0 million in March 2006, which was fully subscribed by the shareholders. The paid-up capital of ICICI Lombard as on March 31, 2006 was Rs.2,450.0 million, the highest amongst private sector general insurance companies.

IRDA has revised the guidelines in connection with computation of solvency margin vide circular 045/IRDA/F&A/Mar-06 dated March 31, 2006. As the circular was made effective retrospectively from April 1, 2005, the solvency margin of ICICI Lombard at March 31, 2006 was lower than the stipulated 1.5 times. As such the statutory auditors made a remark in their report for not complying with the solvency margin requirement. However, based on the representations made by various insurance companies, IRDA has, vide circulars 002/IRDA/F&A/Apr-06 dated April 21, 2006 and 008/IRDA/F&A/May-06 dated May 17, 2006, communicated that certain instructions contained in the circular dated March 31, 2006 will be applicable from FY2007 onwards. Accordingly, ICICI Lombard was in compliance with the solvency margin requirement at March 31, 2006.

PUBLIC DEPOSITS

During the year under review, ICICI Lombard has not accepted any deposit from the public.

DIRECTORS

The Board has approved the re-appointment of Sandeep Bakhshi, Managing Director & CEO, on the expiry of his current term, i.e. from March 19, 2007 till March 18, 2012. The appointment is subject to the approval of the members and IRDA.

In terms of the provisions of the Companies Act, 1956 and the Articles of Association of ICICI Lombard, H.N. Sinor, James Dowd and R. Athappan, would retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

AUDITORS

The Joint Statutory Auditors, BSR & Co. and Lodha & Co., Chartered Accountants, will retire at the ensuing Annual General Meeting. BSR & Co. would complete their tenure of five years as statutory auditor of ICICI Lombard at the conclusion of the ensuing Annual General Meeting. As per the IRDA guidelines for appointment of statutory auditors of insurance companies, an audit firm, which completes a tenure of five years, in respect of an insurance company, should not accept statutory audit assignment of that insurance company in the next two years. In view of the above, as recommended by the Audit Committee, the Board, at its Meeting held on April 24, 2006, has proposed the appointment of N.M. Rajji & Company, Chartered Accountants and Lodha & Co., Chartered Accountants, as Joint Statutory Auditors to audit the accounts of ICICI Lombard for the financial year ending March 31, 2007. You are requested to consider their appointment.

FOREIGN EXCHANGE EARNING AND EXPENDITURE

During fiscal 2006 expenditure in foreign currencies amounted to Rs.1,221.1 million and earnings in foreign currencies amounted to Rs.1,124.2 million.

PERSONNEL AND OTHER MATTERS

As required by the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report.

Since ICICI Lombard does not own any manufacturing facility, the disclosure of information on other matters required to be disclosed in terms of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are not applicable and hence not given.

AUDIT COMMITTEE

H.N. Sinor was inducted on the Audit Committee effective October 11, 2005. The Audit Committee consists of four Directors - S. Mukherji, James Dowd, Dileep Choksi and H.N. Sinor and is chaired by S. Mukherji.

EMPLOYEE STOCK OPTION SCHEME

In fiscal 2006, ICICI Lombard instituted an Employee Stock Option Scheme (ESOS) to enable the employees and directors of ICICI Lombard and its holding company to participate in the future growth and financial success of the Company. As per the ESOS, the maximum number of options granted to any employee / director in a year shall not, except with the approval of the Board, exceed 0.10% of ICICI Lombard's issued equity shares at the time of grant, and the aggregate of all such options is limited to 5% of ICICI Lombard's issued equity shares on the date of the grant.

Options granted vest in a graded manner over a four-year period, with 20%, 20%, 30% and 30% of the grants vesting each year, commencing not earlier than 12 months from the date of grant. Options can be exercised within 10 years from the date of grant or five years from the date of vesting, whichever is later.

On the basis of recommendation of the Board Governance Committee, the Board at its Meetings held on April 26, 2005 and April 24, 2006 approved a grant of 4.31 million options for fiscal 2005 and 4.30 million options for fiscal 2006 respectively to eligible employees and the Managing Director. Each option confers on the employee a right to apply for one equity share of face value of Rs.10 at Rs.35 for fiscal 2005 and at Rs.40 for fiscal 2006 respectively.

Particulars of options granted by ICICI Lombard up to May 19, 2006 are given below:

Options granted *	8,613,560
Options vested	1,034,502
Options exercised	546,040
Number of shares allotted pursuant to exercise of options	—
Options forfeited / lapsed	244,800
Extinguishment or modification of options	—
Amount realized by exercise of options (Rs.)	19,111,400
Total number of options in force	7,822,720

* includes 5,62,500 options granted to Sandeep Bakhshi, Managing Director & CEO.

DIRECTORS' RESPONSIBILITY STATEMENT

directors' report

Continued

The Directors confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. they have selected such 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 ICICI Lombard at the end of the financial year and of the profit or loss of ICICI Lombard for that period;
3. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of ICICI Lombard and for preventing and detecting fraud and other irregularities; and
4. they have prepared the annual accounts on a going concern basis.

ICICI Lombard is grateful to the Insurance Regulatory and Development Authority, Tariff Advisory Committee, Reserve Bank of India and other regulatory authorities for their support and advice.

ICICI Lombard would like to express its gratitude for the unstinted support and guidance received from ICICI Bank and its group companies and Fairfax Financial Holdings Limited.

The Directors would also like to place on record their appreciation for the commitment and team effort shown by the employees of ICICI Lombard.

For and on behalf of the Board

K. V. KAMATH
Chairman

Mumbai, May 19, 2006

ACKNOWLEDGEMENTS

management report

In accordance with the provisions of the Insurance Regulatory & Development Authority (IRDA) (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 (the Regulation) the following Management Report is submitted:

1. The Certificate of Registration under Section 3 of the Insurance Act, 1938 was granted by IRDA on August 03, 2001. The Company has obtained renewal of registration certificate from IRDA for the financial year 2006-07 as required under Section 3A of the Insurance Act, 1938;
2. We certify that all the dues payable to the statutory authorities have been duly paid;
3. We confirm that the shareholding pattern and transfer of shares during the year are in accordance with statutory and regulatory requirements;
4. The management has not invested any funds of holders of policies in India, directly or indirectly as required by IRDA, outside India;
5. As part of the terms and condition of registration, the company agreed to maintain solvency ratio at 1.5 times in relation to the net written premium and net claim incurred at all times. The Company was in compliance with this requirement prior to the issuance of the revised guidelines on IRDA (Assets, Liabilities and Solvency Margin of Insurers) Regulations, 2000 vide circular no. 045/IRDA/F&A/Mar-06 dated March 31, 2006, applicable retrospectively from April 01, 2005. However, subsequently, on computing the solvency margin as per the aforementioned revised guidelines, the company's solvency margin as at March 31, 2006 was lower than 1.5 times. The management has initiated necessary measures to comply with the same;
6. We certify that the values of all the assets have been reviewed on the date of the Balance Sheet and that in our belief the assets set forth in the Balance Sheet are shown in aggregate at amounts not exceeding their realisable or market value under several headings- Investments, agents balances, outstanding premiums, amount due from others entities carrying on insurance business, interest and dividend accrued, cash and several items specified under other accounts except debt securities which are stated at amortised cost;
7. The entire gross risk exposure portfolio is a balanced one consisting of fire, engineering, hull, aviation, motor and casualty lines of business;

The exposure is spread over various sectors like power, textiles, heavy and light engineering, paper, services, fast moving consumer goods, auto components to name the major ones;

The business underwritten pertains to the various products filed by us with IRDA, as per the file and use procedure;

While the net retention has not exceeded Rs. 60 million (Previous year: Rs. 60 million) in any single risk, this has in fact been graded down to between Rs. 5 million to Rs. 60 million (Previous year: between Rs. 5 million to Rs.60 million) in most cases, on a case-to-case basis. The excess of loss treaties adequately protects the accumulation of the net retentions.

The strategy has been to assess and analyse each risk from all aspects and then underwrite them charging appropriate premium.

Further, before underwriting any major risks, a risk inspection is carried out, and only on being satisfied about the acceptability of risk, the same is accepted. Also, various loss prevention / risk-mitigating measures are suggested to the clients.

8. We confirm that there are no operations of the Company outside India;
9. a) Ageing analysis for claims outstanding as on

(Rs. in million)

	March 31, 2002	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006
More than six months	-	29.8	433.9	555.2	1,157.2
Others	12.3	241.0	572.7	1,068.3	3,728.8

- b) Average Claims settlement time

Period	No. of Days
2001-02	2 days
2002-03	25 days
2003-04	26 days
2004-05	25 days
2005-06	25 days

The above ageing does not include Motor Third party claims which have to be settled through MACT and other judicial bodies.

management report



Continued

10. We certify that the Investments made in debt securities have been valued at historical cost subject to amortisation of premium / discount. The same is in accordance with the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002.

For the purpose of comparison, the fair value of debt securities have been arrived on a Yield to maturity (YTM) basis by using the appropriate discount rates derived from the yield curve data provided by the Fixed Income and Money Market Dealers Association (FIMMDA) in respect of Government Securities and Crisil Bond Valuer in respect of other debt instruments.

Listed equity shares as at the balance sheet date are stated at fair value, being the lowest of last quoted closing price on the National Stock Exchange or The Stock Exchange, Mumbai.

Mutual fund investments are stated at fair value, being the closing net asset value as at balance sheet date.

In accordance with the Regulations, unrealised gain / loss arising due to changes in fair value of listed equity shares and mutual fund investments are not taken to profit and loss account but are taken to the Fair value change account. This balance in the fair value change account is not available for distribution, pending realisation.

11. Investments as on March 31, 2006 amount to Rs. 9,064.61 million (Previous year: Rs.4,640.92 million. Income from Investments amounted to Rs. 889.21million (Previous year: Rs. 513.68 million). Unrealised gains on the balance sheet date amounted to Rs. 466.17 million (Previous year: Rs. 128.23 million).

Investments other than deposits with the banks, loans and units of mutual fund are only in regularly traded instruments in the secondary markets. Of the investments held in other than government securities, Rs. 1712.52 million (Previous year: 673.05 million) is secured additionally by central government guarantees, 38.39% (Previous year 65.65%) is in AAA and equivalent rated securities and 2.74% (Previous

year 1.67%) is in AA+/P1 rated security and the balance in equity, deposits and Mutual funds.

All are performing investments with no arrears of any payments due. Investments are managed in consonance with the investment policy framed from time to time by the board, a conservative approach is adopted having regards to low risk tolerance level at the initial stage.

12. We also confirm :
- 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;
 - the management has adopted accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the operating profit and of the profit of the company for the year;
 - the management has taken proper and sufficient care for the maintenance of adequate accounts 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;
 - the management has prepared the financial statements on a going concern basis;
 - the management has ensured that an internal audit system commensurate with the size and nature of the business exists and is operating effectively.
13. For payments towards claims, commission paid, expenses and dividend paid, which have been made to individuals, firms, companies and organisations in which Directors of the insurer are interested, please refer to [Annexure 1](#).

For and on behalf of the Board

K.V. KAMATH
Chairman

LALITA D. GUPTA
Director

KALPANA MORPARIA
Director

S. MUKHERJI
Director

SANDEEP BAKHSHI
Managing Director & CEO

RAKESH JAIN
Head Finance & Accounts

RAJESH SAXENA
Company Secretary

Mumbai, April 24, 2006

Annexure 1

List of payments towards claims, commission paid, expenses and dividend paid to parties in which Directors are interested

The schedule of payments made to parties in which Directors are interested is shown as under: -

Name of the Company	(Rs. in '000s)	
	March 31, 2005	March 31, 2006
ICICI Bank Limited	622,774	1,917,399
ICICI Venture Funds Management Company Limited	1,156	930
ICICI Securities Limited	1,316	2,575
ICICI Prudential Life Insurance Company Limited	18,278	27,228
ICICI Home Finance Limited	5,454	77,128
ICICI Brokerage Services Limited	1,079	2,150

auditors' report

to the Members of ICICI Lombard General Insurance Company Limited

We have audited the attached balance sheet of ICICI Lombard General Insurance Company Limited ('the Company') as at March 31, 2006, the revenue accounts of fire, marine and miscellaneous insurance (collectively known as the 'Revenue accounts'), the profit and loss account and the receipts and payments account, for the 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.

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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The balance sheet, the revenue accounts, the profit and loss account and receipts and payments account, have been drawn up in accordance with the Insurance Act, 1938, Insurance Regulatory and Development Authority ('IRDA') (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 ('the Regulations') read with Section 211 of the Companies Act, 1956 ('the Act').

We report thereon as follows:

- We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of the audit and have found them to be satisfactory;
- As the Company's accounting system is centralized, no returns for the purposes of our audit are prepared at the branches and other offices of the Company;
- The balance sheet, the revenue accounts, profit and loss account and the receipts and payments account referred to in this report are in agreement with the books of account;
- The actuarial valuation of liabilities in respect of claims Incurred But Not Reported (IBNR) and those Incurred But Not Enough Reported (IBNER) at March 31, 2006 has been duly certified by the Appointed Actuary of the Company and relied upon by us. The Appointed Actuary has also certified that the assumptions considered by him for such valuation are in accordance with the guidelines and norms prescribed by the IRDA and the Actuarial Society of India in concurrence with the IRDA; and
- On the basis of the written representations received from the Directors of the Company, as on March 31, 2006 and taken on record by the Board of Directors, no Director of the Company is disqualified as on March 31, 2006 from being appointed as Director under clause (g) of sub-section (1) of Section 274 of the Act.

In our opinion and according to the information and explanations given to us, we further report that:

- Investments have been valued in accordance with the provisions of the Insurance Act, 1938, the Regulations and orders/directions issued by IRDA in this regard;
- The accounting policies selected by the Company are appropriate and are in compliance with the applicable Accounting Standards referred to under sub section 3C of Section 211 of the Act and with the accounting principles prescribed by the Regulations and orders/directions prescribed by IRDA in this regard;
- The balance sheet, the revenue accounts, the profit and loss account and the receipts and payment account referred to in this report comply with the accounting standards referred to under sub section 3C of Section 211 of the Act;
- Proper books of accounts as required by law have been maintained by the Company so far as appears from our examination of those books; and
- The balance sheet, revenue accounts, profit and loss account and receipts and payments account read together with the notes thereon are prepared in accordance with the requirements of the Insurance Act, 1938, the Insurance Regulatory and Development Act, 1999 and the Act to the extent applicable, and in a manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India as applicable to insurance companies:

- in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2006;
- in the case of the revenue accounts, of the surplus for the year ended on that date;
- in the case of the profit and loss account, of the profit for the year ended on that date; and
- in the case of the receipts and payments account, of the receipts and payments for the year ended on that date.

Further, on the basis of examination of books and records of the Company and according to the information and explanations given to us and to the best of our knowledge and belief, we certify that:

- We have reviewed the management report attached to the financial statements for the year ended March 31, 2006 and there are no apparent mistakes or material inconsistency with the financial statements; and
- As part of the terms and condition of registration, the company agreed to maintain solvency ratio at 1.5 times in relation to the net written premium and net claim incurred at all times. The Company was in compliance with this requirement prior to the issuance of the revised guidelines on IRDA (Assets, Liabilities and Solvency Margin of Insurers) Regulations, 2000 vide circular no. 045/IRDA/F&A/Mar-06 dated March 31, 2006, applicable retrospectively from April 01, 2005. However, subsequently, on computing the solvency margin as per the aforementioned revised guidelines, the company's solvency margin as at March 31, 2006 was lower than 1.5 times.

Based on the information and explanations received during the normal course of our audit and management representation by officers of the Company charged with compliance, other than the matter explained in the preceding paragraph, nothing has come to our attention which causes us to believe that the Company has not complied with the terms and conditions of registration.

For BSR & CO.
Chartered Accountants

AKEEL MASTER
Partner
Membership Number: 46768

Mumbai, April 24, 2006

For LODHA & CO.
Chartered Accountants

R.P. BARADIYA
Partner
Membership Number: 44101

Auditors' certificate

In accordance with the information and explanations given to us and to the best of our knowledge and belief and based on our examination of the books of accounts and records maintained by ICICI Lombard General Insurance Company Limited ('the Company') for the year ended March 31, 2006, we certify that:

- At year end no cash balance has been maintained by the Company. As regards the securities relating to the Company's investments, the same have been verified with the dematerialised statement/confirmation received from the custodian;
- The Company is not the trustee of any trust; and
- No part of the assets of the policyholders' fund has been directly or indirectly applied in contravention to the provisions of the Insurance Act, 1938 relating to the application and investment of the policyholders' funds.

This certificate has been issued to comply with Schedule C of the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations 2002, ('the Accounting Regulations'), read with Regulation 3 of the Accounting Regulations and may not be suitable for any other purpose.

For BSR & CO.
Chartered Accountants

AKEEL MASTER
Partner
Membership Number: 46768

Mumbai, April 24, 2006

For LODHA & CO.
Chartered Accountants

R.P. BARADIYA
Partner
Membership Number: 44101

balance sheet profit and loss account



as at March 31, 2006

for the year ended March 31, 2006

Registration No. 115 dated August 03, 2001

Registration No. 115 dated August 03, 2001

Schedule	(Rs in '000s)	March 31, 2005	Schedule	(Rs in '000s)	March 31, 2005
SOURCES OF FUNDS			1. Operating profit/(loss)		
Share capital	5	2,450,000	(a) Fire Insurance	481,338	523,534
Reserves and Surplus	6	1,279,201	(b) Marine Insurance	(120,393)	(81,873)
Fair value change account		438,596	(c) Miscellaneous Insurance	(180,590)	(177,344)
Borrowings	7	—	2. Income from investments		
Total		4,167,797	(a) Interest, Dividend & Rent – Gross	146,817	116,568
		<u>2,560,578</u>	(b) Profit on sale/redemption of investments	225,564	169,429
			Less : loss on sale/redemption of investments	(3,982)	(9,846)
APPLICATION OF FUNDS			3. Other income		
Investments	8	9,064,609	(a) Interest income on tax refund	—	767
Loans	9	—	(b) Gain on sale of fixed assets	30	—
Fixed assets	10	472,987	Total (A)	548,784	541,235
Deferred Tax Asset					
(Refer note 5.2.10)		56,050	4. Provisions (Other than taxation)		
Current assets			(a) For diminution in the value of investments	—	—
Cash and Bank Balances	11	1,077,919	(b) For doubtful debts	—	—
Advances and Other Assets	12	5,719,302	(c) Others	—	—
Sub-Total (A)		6,797,221	5. Other expenses		
		<u>2,677,422</u>	(a) Expenses other than those related to Insurance Business		
Current liabilities	13	8,309,360	(i) Employees' remunerations and welfare benefits	2,970	1,915
Provisions	14	3,913,710	(ii) Directors' fees	420	340
Sub-Total (B)		12,223,070	(b) Bad debts written off	—	—
		<u>5,128,644</u>	(c) Loss on sale of fixed assets	126	262
Net current assets (C) = (A - B)		(5,425,849)	Total (B)	3,516	2,517
Miscellaneous expenditure					
(to the extent not written off or adjusted)	15	—	Profit Before Tax	545,268	538,718
Debit balance in profit and loss account		—	Provision for Taxation:		
Total		4,167,797	(a) Current tax	36,000	54,500
		<u>2,560,578</u>	(b) Deferred tax	(21,800)	750
			(c) Fringe benefit tax	28,000	—
			Profit After Tax	503,068	483,468
Significant accounting policies and notes to accounts	16		Appropriations		
The schedules referred to herein form an integral part of the Revenue Accounts.			(a) Interim dividends paid during the year	232,500	220,000
			(b) Proposed final dividend	—	—
			(c) Dividend distribution tax	32,608	28,751
			(d) Transfer of any reserves or other accounts	—	—
			Balance of Profit/(loss) brought forward from last year	294,041	59,324
			Balance carried forward to Balance Sheet	532,001	294,041
			Basic earnings per share of Rs 10 face value (refer note 5.2.9)	Rs 2.28	Rs 2.19
			Diluted earnings per share of Rs 10 face value (refer note 5.2.9)	Rs 2.27	Rs 2.19
			Significant accounting policies & notes to accounts	16	

As per our report attached of even date

For BSR & CO.
Chartered Accountants

AKEEL MASTER
Partner

Membership Number: 46768

For LODHA & CO.
Chartered Accountants

R. P. BARADIYA
Partner

Membership Number: 44101

For and on behalf of the Board

K.V. KAMATH
Chairman

KALPANA MORPARIA
Director

SANDEEP BAKHSI
Managing Director & CEO

RAJESH SAXENA
Company Secretary

LALITA D. GUPTA
Director

S. MUKHERJI
Director

RAKESH JAIN
Head Finance & Accounts

Mumbai, April 24, 2006

revenue accounts

for the year ended March 31, 2006

Registration No. 115 dated August 03, 2001

(Rs. in '000s)

Particulars	Schedule	Fire		Marine		Miscellaneous		Total	
		2005-06	<i>2004-05</i>	2005-06	<i>2004-05</i>	2005-06	<i>2004-05</i>	2005-06	<i>2004-05</i>
1. Premiums earned (net)	1	348,006	<i>361,648</i>	116,376	<i>159,068</i>	4,812,408	<i>1,635,347</i>	5,276,790	<i>2,156,063</i>
2. Profit on sale/redemption of investments		36,457	<i>28,537</i>	12,369	<i>12,548</i>	270,056	<i>104,689</i>	318,882	<i>145,774</i>
Less : loss on sale/redemption of investments		(644)	<i>(1,658)</i>	(218)	<i>(729)</i>	(4,768)	<i>(6,084)</i>	(5,630)	<i>(8,471)</i>
3. Others - Foreign exchange gain/(loss)		—	<i>(23)</i>	—	—	726	<i>(200)</i>	726	<i>(223)</i>
4. Interest, Dividend & Rent – Gross		23,729	<i>19,633</i>	8,051	<i>8,633</i>	175,777	<i>72,027</i>	207,557	<i>100,293</i>
Total (A)		407,548	<i>408,137</i>	136,578	<i>179,520</i>	5,254,199	<i>1,805,779</i>	5,798,325	<i>2,393,436</i>
1. Claims Incurred (net)	2	170,146	<i>144,460</i>	201,876	<i>210,682</i>	3,520,475	<i>1,192,480</i>	3,892,497	<i>1,547,622</i>
2. Commission (net)	3	(834,278)	<i>(739,494)</i>	(105,536)	<i>(80,310)</i>	(317,450)	<i>(72,912)</i>	(1,257,264)	<i>(892,716)</i>
3. Operating Expenses related to Insurance Business	4	590,342	<i>479,637</i>	160,631	<i>141,990</i>	2,231,764	<i>887,771</i>	2,982,737	<i>1,509,398</i>
4. Others – Premium Deficiency		—	—	—	<i>(10,969)</i>	—	<i>(24,216)</i>	—	<i>(35,185)</i>
Total (B)		(73,790)	<i>(115,397)</i>	256,971	<i>261,393</i>	5,434,789	<i>1,983,123</i>	5,617,970	<i>2,129,119</i>
Operating Profit/(Loss) C = (A - B)		481,338	<i>523,534</i>	(120,393)	<i>(81,873)</i>	(180,590)	<i>(177,344)</i>	180,355	<i>264,317</i>
APPROPRIATIONS									
Transfer to Shareholders' Account		481,338	<i>523,534</i>	(120,393)	<i>(81,873)</i>	(180,590)	<i>(177,344)</i>	180,355	<i>264,317</i>
Transfer to Catastrophe Reserve		—	—	—	—	—	—	—	—
Transfer to Other Reserves		—	—	—	—	—	—	—	—
Total (C)		481,338	<i>523,534</i>	(120,393)	<i>(81,873)</i>	(180,590)	<i>(177,344)</i>	180,355	<i>264,317</i>

Significant accounting policies and notes to accounts

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As required by Section 40C(2) of the Insurance Act, 1938, we certify that, to the best of our knowledge and according to the information and explanations given to us, and so far as appears from our examination of the Company's books of accounts, all expenses of management, wherever incurred, whether directly or indirectly, have been fully recognised in the Revenue Accounts as expense.

The schedules referred to herein form an integral part of the Revenue Accounts.

As per our report attached of even date

For BSR & CO.
Chartered Accountants

AKEEL MASTER
Partner
Membership Number: 46768

For LODHA & CO.
Chartered Accountants

R. P. BARADIYA
Partner
Membership Number: 44101

For and on behalf of the Board

K.V. KAMATH
Chairman

KALPANA MORPARIA
Director

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Managing Director & CEO

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Company Secretary

LALITA D. GUPTA
Director

S. MUKHERJI
Director

RAKESH JAIN
Head Finance & Accounts

Mumbai, April 24, 2006

schedules



forming part of the financial statements

Continued

Particulars	Fire		Marine			Miscellaneous									(Rs. in '000s)
			Marine- Cargo	Marine- Others	Marine- Total	Motor	Workmen Compensation	Public/ Product Liability	Engineering	Aviation	Personal Accident	Health Insurance	Others	Total Miscellaneous	
	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	
Premium from direct business written-net of service tax	3,084,709	421,359	435,714	857,073	4,544,437	42,524	176,314	854,474	165,983	754,028	2,246,455	3,102,583	11,886,798	15,828,580	
Add: Premium on reinsurance accepted	33,996	—	—	—	43,577	—	—	5,358	—	8,447	—	—	57,382	91,378	
Less: Premium on reinsurance ceded	2,762,004	351,795	425,656	777,451	965,784	9,037	195,437	694,218	166,239	504,691	449,291	2,057,085	5,041,782	8,581,237	
Net premium	356,701	69,564	10,058	79,622	3,622,230	33,487	(19,123)	165,614	(256)	257,784	1,797,164	1,045,498	6,902,398	7,338,721	
Adjustment for change in reserve for unexpired risks	8,695	(34,013)	(2,741)	(36,754)	1,396,947	660	(17,664)	(1,101)	5,697	34,868	409,909	260,674	2,089,990	2,061,931	
Total premium earned (Net)	348,006	103,577	12,799	116,376	2,225,283	32,827	(1,459)	166,715	(5,953)	222,916	1,387,255	784,824	4,812,408	5,276,790	

Particulars	Fire		Marine		Miscellaneous										Total
	Marine- Cargo	Marine- Others	Marine- Total	Motor	Workmen Compensation	Public/ Product Liability	Engineering	Aviation	Personal Accident	Health Insurance	Others	Miscellaneous			
	2004-05	2004-05	2004-05	2004-05	2004-05	2004-05	2004-05	2004-05	2004-05	2004-05	2004-05	2004-05			
Premium from direct business written-net of service tax	391,655	433,599	825,254	1,289,920	32,291	219,162	933,156	78,963	502,264	875,731	1,208,389	5,138,876	8,738,648		
Add Premium on reinsurance accepted	—	—	—	—	—	—	32,037	—	11,247	—	—	43,284	113,023		
Less: Premium on reinsurance ceded	246,751	412,205	658,956	288,795	7,295	209,389	759,098	80,256	331,957	175,095	714,930	2,566,815	5,642,779		
Net premium	144,904	21,394	166,298	1,000,125	24,996	9,773	206,095	(1,293)	181,554	700,636	493,459	2,615,345	3,208,892		
Adjustment for change in reserve for unexpired risks	4,536	2,694	7,230	537,589	2,814	5,085	19,592	(2,751)	51,620	241,785	124,264	979,998	1,052,829		
Total premium earned (Net)	140,368	18,700	159,068	462,536	22,182	4,688	186,503	1,458	129,934	458,851	369,195	1,635,347	2,156,063		

schedules

forming part of the financial statements

Continued

SCHEDULE - 2
Claims incurred (net)

(Rs. in '000s)														
Particulars	Fire		Marine		Miscellaneous							Total		
	Marine- Cargo	Marine- Others	Marine- Total	Motor	Worksmen Compensation	Public/ Product Liability	Engineering	Aviation	Personal Accident	Health Insurance	Others	Miscellaneous	Total	
2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06
Claims paid – Direct	2,594,180	590,288	62,643	1,163,278	6,102	1,963	392,609	5,547	659,572	1,714,183	483,157	4,426,411	7,683,234	7,683,234
Add: Re-insurance accepted	98	—	—	11,134	—	—	—	—	10,263	—	—	21,387	21,485	21,485
Less: Re-insurance Ceded	2,446,836	423,128	68,981	492,109	1,221	1,796	315,711	5,344	467,251	341,982	219,044	1,631,138	4,570,083	4,570,083
Net Claims paid	147,442	167,160	3,374	895,623	4,881	167	76,898	203	202,574	1,372,201	264,113	2,816,660	3,134,636	3,134,636
Add: Claims Outstanding at the end of the year	67,937	88,654	24,759	568,269	1,564	386	45,253	534	134,743	206,826	105,870	1,063,445	1,244,795	1,244,795
Less: Claims Outstanding at the beginning of the year	45,233	69,551	12,520	145,363	925	1,214	61,532	208	31,759	67,593	51,036	359,630	486,934	486,934
Total claims incurred	170,146	186,263	15,613	1,318,529	5,520	(661)	60,619	529	305,568	1,511,434	318,947	3,520,475	3,892,497	3,892,497

Particulars	Fire		Marine		Miscellaneous										Total
	Marine- Cargo	Marine- Others	Marine- Total	Motor	Worksmen Compensation	Public/ Product Liability	Engineering	Aviation	Personal Accident	Health Insurance	Others	Miscellaneous			
2004-05	2004-05	2004-05	2004-05	2004-05	2004-05	2004-05	2004-05	2004-05	2004-05	2004-05	2004-05	2004-05	2004-05	2004-05	2004-05
Claims paid-Direct	619,450	394,462	427,469	208,202	8,435	1,280	286,332	4,501	170,412	615,327	279,520	1,574,209	2,621,128	2,621,128	
Add: Re-insurance accepted	—	—	—	—	—	—	—	—	15,968	—	—	15,968	15,968	15,968	
Less: Re-insurance Ceded	458,561	229,771	253,228	41,471	1,709	1,230	179,832	4,501	108,559	125,965	129,585	592,652	1,304,641	1,304,641	
Net Claims paid	160,889	164,691	174,241	166,731	6,726	50	106,500	—	77,811	489,562	149,935	997,315	1,332,445	1,332,445	
Add: Claims Outstanding at the end of the year	45,233	69,551	82,071	145,363	925	1,214	61,532	208	31,759	67,593	51,036	359,630	486,934	486,934	
Less: Claims Outstanding at the beginning of the year	61,662	42,936	45,630	32,944	424	598	42,666	308	9,588	34,960	42,987	164,465	271,757	271,757	
Total claims incurred	144,460	191,306	210,682	279,150	7,227	666	125,366	(100)	99,982	522,205	157,984	1,192,480	1,547,622	1,547,622	

schedules



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Continued

Particulars	Fire				Marine		Miscellaneous								(Rs. in '000s)	
			Marine- Cargo	Marine- Others	Marine- Total	Motor	Workmen Compensation	Public/ Product Liability	Engineering	Aviation	Personal Accident	Health Insurance	Others	Miscellaneous	Total	
	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	
Commission paid-Direct	105,534	36,979	13,990	50,969		373,090	2,904	6,716	44,468	2,013	72,321	177,635	323,385	1,002,532	1,159,035	
Add: Commission on Re-insurance Accepted	2,234	—	—	—		13,073	—	—	335	—	1,056	—	—	14,464	16,698	
Less: Commission on Re-insurance Ceded	942,046	90,424	66,081	156,505		181,777	1,701	30,665	203,374	9,712	129,183	112,323	665,711	1,334,446	2,432,997	
Net Commission	(834,278)	(53,445)	(52,091)	(105,536)		204,386	1,203	(23,949)	(158,571)	(7,699)	(55,806)	65,312	(342,326)	(317,450)	(1,257,264)	

(Rs. in '000s)

Particulars	Fire		Marine		Motor	Workmen Compensation	Public/ Product Liability	Engineering	Aviation	Personal Accident	Health Insurance	Others	Total	
	2004-05	2004-05	Marine- Cargo	Marine- Others									Miscellaneous	Total
Commission paid-Direct	31,621	16,406	15,105	33,511	102,718	1,725	27,760	16,793	402	45,906	45,934	159,301	400,539	465,671
Add: Commission on Re-insurance Accepted	278	—	—	—	—	—	—	2,014	—	1,009	—	—	3,023	3,301
Less: Commission on Re-insurance Ceded	771,393	54,462	59,359	113,821	51,554	1,292	23,152	153,176	8,815	89,796	45,527	103,162	476,474	1,361,688
Net Commission	(739,494)	(36,056)	(44,254)	(80,310)	51,164	433	4,608	(134,369)	(8,413)	(42,881)	407	56,139	(72,912)	(892,716)

(Rs. in '000s)

Particulars	2005-06	2004-05
Commission paid Direct:-		
Agents	212,127	83,518
Brokers	290,674	157,778
Corporate Agency	58,144	58,343
Referrals	598,090	166,032
Total (B)	1,159,035	465,671

schedules

forming part of the financial statements

Continued

Operating expenses related to insurance business															(Rs. in '000s)
Particulars	Fire		Marine		Marine-Total	Miscellaneous							Total		
	Marine-Cargo	Marine-Others	2005-06	2005-06		Motor	Workmen Compensation	Public/Product Liability	Engineering	Aviation	Personal Accident	Health Insurance		Others	Miscellaneous
2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	
Employees' remuneration & welfare benefits	233,980	31,962	33,050	65,012	344,702	3,226	13,374	64,813	12,590	57,194	170,397	235,336	901,632	1,200,624	
Travel, conveyance and vehicle running expenses	30,130	4,116	4,256	8,372	44,387	415	1,722	8,346	1,621	7,365	21,942	30,304	116,102	154,604	
Training expenses	1,809	247	255	502	2,665	25	103	501	97	442	1,317	1,819	6,969	9,280	
Rents, rates & taxes	117,124	15,999	16,544	32,543	172,549	1,615	6,695	32,444	6,302	28,630	85,296	117,803	451,334	601,001	
Repairs & Maintenance	12,412	1,695	1,753	3,448	18,286	171	709	3,438	668	3,034	9,039	12,484	47,829	63,689	
Printing & stationery	12,844	1,754	1,814	3,568	18,921	177	734	3,558	691	3,140	9,353	12,918	49,492	65,904	
Communication	31,076	4,245	4,390	8,635	45,782	428	1,776	8,608	1,672	7,596	22,632	31,256	119,750	159,461	
Legal & professional charges	92,219	10,580	10,940	21,520	118,123	1,068	4,427	21,454	4,168	18,932	56,404	77,900	302,476	416,215	
Auditors' fees, expenses etc	312	43	44	87	459	4	18	86	17	76	227	314	1,201	1,600	
(a) as auditor															
(b) as adviser or in any other capacity, in respect of															
(i) Taxation matters	29	4	4	8	43	—	2	8	2	7	21	29	112	149	
(ii) Insurance matters	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
(iii) Management services; and	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
(c) in any other capacity	55	7	8	15	80	1	3	15	3	13	40	55	210	280	
Advertisement and publicity	10,078	1,377	1,424	2,801	14,847	139	576	2,792	542	2,464	7,340	10,137	38,837	51,716	
Interest & Bank Charges	3,695	505	522	1,027	5,444	51	211	1,024	199	903	2,691	3,716	14,239	18,961	
Others	2,004	621	642	1,263	6,698	63	260	1,259	245	1,111	3,311	4,573	17,520	20,787	
(a) Miscellaneous expenses	24,332	3,324	3,437	6,761	35,846	335	1,391	6,740	1,309	5,948	17,720	24,473	93,762	124,855	
(b) Business & Sales Promotion	18,243	2,492	2,577	5,069	26,876	251	1,043	5,053	982	4,459	13,286	18,349	70,299	93,611	
Depreciation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Service tax on premium account	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Total	590,342	78,971	81,660	160,631	895,708	7,969	33,044	160,139	31,108	141,314	421,016	581,466	2,231,764	2,982,737	

Particulars		Fire		Marine		Miscellaneous							Total	
		Marine-Cargo	Marine-Others	Marine-Total	Motor	Workmen Compensation	Public/Product Liability	Engineering	Aviation	Personal Accident	Health Insurance	Others		
2004-05	2004-05	2004-05	2004-05	2004-05	2004-05	2004-05	2004-05	2004-05	2004-05	2004-05	2004-05	2004-05	2004-05	2004-05
Employees' remuneration & welfare benefits	231,393	32,664	36,162	68,826	107,495	2,693	18,278	77,825	6,595	41,889	73,036	100,779	428,580	728,799
Travel, conveyance and vehicle running expenses	38,803	5,477	6,064	11,541	18,026	452	3,065	13,051	1,104	7,024	12,248	16,900	71,870	122,214
Training expenses	3,713	524	580	1,104	1,725	43	293	1,249	106	672	1,172	1,617	6,877	11,694
Rents, rates & taxes	61,085	8,623	9,546	18,169	28,378	711	4,825	20,545	1,738	11,058	19,280	26,604	113,139	192,393
Repairs & Maintenance	12,618	1,216	1,347	2,563	4,003	101	681	2,898	244	1,560	2,721	3,754	15,962	27,143
Printing & stationery	12,362	1,745	1,932	3,677	5,743	144	976	4,159	352	2,238	3,902	5,384	22,897	38,936
Communication	30,581	4,317	4,779	9,096	14,207	356	2,416	10,285	870	5,536	9,652	13,319	56,641	96,318
Legal & professional charges	18,355	1,874	2,074	3,948	9,763	154	1,048	4,464	378	2,403	4,189	5,781	28,180	50,483
Auditors' fees, expenses etc	381	54	60	114	177	3	30	128	11	69	120	167	705	1,200
(a) as auditor	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(b) as adviser or in any other capacity, in respect of	48	7	7	14	23	1	4	16	1	9	15	21	90	152
(i) Taxation matters	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(ii) Insurance matters	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(iii) Management services; and	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(c) in any other capacity	16,666	2,353	2,605	4,958	7,742	194	1,316	5,605	474	3,017	5,260	7,259	30,867	52,491
Advertisement and publicity	1,293	183	202	385	603	15	102	435	37	234	408	564	2,398	4,076
Interest & Bank Charges	3,351	871	964	1,835	2,865	72	487	2,074	176	1,117	1,947	2,686	11,424	16,610
Others	33,723	4,760	5,270	10,030	15,666	392	2,664	11,342	960	6,105	10,644	14,687	62,460	106,213
(a) Miscellaneous expenses	19,265	2,719	3,011	5,730	8,949	224	1,522	6,479	549	3,487	6,080	8,391	35,681	60,676
(b) Business & Sales Promotion	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Depreciation	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Service tax on premium account	479,637	67,387	74,603	141,990	225,365	5,555	37,707	160,554	13,595	86,418	150,674	207,913	887,771	1,509,398
Total														

schedules



forming part of the financial statements

Continued

SCHEDULE – 5

Share capital

Particulars	(Rs in '000s)	
	As at March 31, 2006	As at March 31, 2005
Authorised Capital		
260,000,000 Equity Shares of Rs 10 each	2,600,000	2,200,000
Issued Capital		
245,000,000 Equity Shares of Rs 10 each	2,450,000	2,200,000
Subscribed Capital		
245,000,000 Equity Shares of Rs 10 each	2,450,000	2,200,000
Called up Capital		
245,000,000 Equity Shares of Rs 10 each	2,450,000	2,200,000
Less : Calls unpaid	—	—
Add : Equity Shares forfeited (Amount originally paid up)	—	—
Less : Par value of Equity Shares bought back	—	—
Less : (i) Preliminary Expenses to the extent not written off	—	—
(ii) Expenses including commission or brokerage on underwriting or subscription of shares	—	—
Total	2,450,000	2,200,000

Note:

Of the above, 181,300,000 (previous year : 162,800,000) shares are held by the holding company, ICICI Bank Limited and its nominees.

SCHEDULE – 5A

Share Capital

Pattern of shareholding

[As certified by the management]

Shareholder	As at March 31, 2006		As at March 31, 2005	
	Number of Shares	% of Holding	Number of Shares	% of Holding
Promoters				
- Indian	181,300,000	74%	162,800,000	74%
- Foreign	63,700,000	26%	57,200,000	26%
Others	—	—	—	—
Total	245,000,000	100%	220,000,000	100%

SCHEDULE – 6

Reserves and Surplus

Particulars	(Rs in '000s)	
	As at March 31, 2006	As at March 31, 2005
Capital Reserve	—	—
Capital Redemption Reserve	—	—
Share Premium (refer note - 4.14)	747,200	—
General Reserves	—	—
Less: Debit balance in Profit and Loss Account	—	—
Less: Amount utilised for Buy-back	—	—
Catastrophe Reserve	—	—
Other Reserves	—	—
Balance of Profit in Profit and Loss Account	532,001	294,041
Total	1,279,201	294,041

SCHEDULE – 7

Borrowings

Particulars	(Rs in '000s)	
	As at March 31, 2006	As at March 31, 2005
Debentures/ Bonds	—	—
Banks	—	—
Financial Institutions	—	—
Others	—	—
Total	—	—

SCHEDULE – 8

Investments

Particulars	(Rs in '000s)	
	As at March 31, 2006	As at March 31, 2005
Long term investments		
Government securities and Government guaranteed bonds including Treasury Bills (note 3 below)	2,475,115	1,186,646
Other Approved Securities	—	—
Other Investments		
(a) Shares	—	—
(aa) Equity	—	—
(bb) Preference	—	—
(b) Mutual Funds	—	—
(c) Derivative Instruments	—	—
(d) Debentures/ Bonds	846,709	436,414
(f) Other Securities	—	—
(g) Subsidiaries	—	—
(h) Investment Properties-Real Estate	—	—
Investments in Infrastructure and Social Sector	802,191	619,313
Other than Approved Investments	33,255	40,489
Short term investments		
Government securities and Government guaranteed bonds including Treasury Bills	1,372,283	1,105,186
Other Approved Securities	—	—
Other Investments		
(a) Shares	1,948,080	644,990
(aa) Equity	—	—
(bb) Preference	—	—
(b) Mutual Funds	—	—
(c) Derivative Instruments	—	—
(d) Debentures/ Bonds	690,332	499,259
(e) Other Securities	—	—
(f) Subsidiaries	—	—
(g) Investment Properties-Real Estate	—	—
Investments in Infrastructure and Social Sector	502,764	64,033
Other than Approved Investments	393,880	44,589
Total investments	9,064,609	4,640,919

- Notes:**
- Aggregate book value of investments (other than listed equities) is Rs 7,026,236 thousand (previous year: Rs 3,978,844 thousand).
 - Aggregate market value of investments (other than listed equities) is Rs 7,053,815 thousand (previous year: Rs 4,040,539 thousand).
 - Includes investment of FRB GOI 2014 of Rs 100,000 thousand under Section 7 of Insurance Act, 1938 (previous year: FRB GOI 2014 of Rs 100,000 thousand and 7.4% GOI 2012 of Rs 10,000 thousand).

SCHEDULE – 9

Loans

Particulars	(Rs in '000s)	
	As at March 31, 2006	As at March 31, 2005
Security-wise Classification		
Secured		
(a) On mortgage of property	—	—
(aa) In India	—	—
(bb) Outside India	—	—
(b) On Shares, Bonds, Govt. Securities	—	—
(c) Others	—	—
Unsecured	—	—
Total	—	—
Borrower wise classification		
(a) Central and State Governments	—	—
(b) Banks and Financial Institutions	—	—
(c) Subsidiaries	—	—
(d) Industrial Undertakings	—	—
(e) Others	—	—
Total	—	—
Performance wise classification		
(a) Loans classified as standard	—	—
(aa) In India	—	—
(bb) Outside India	—	—
(b) Non-performing loans less provisions	—	—
(aa) In India	—	—
(bb) Outside India	—	—
Total	—	—
Maturity wise classification		
(a) Short Term	—	—
(b) Long Term	—	—
Total	—	—

Note:- There are no loans subject to restructuring (Previous year : Nil).

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SCHEDULE - 10

Fixed Assets

(Rs in '000s)

Particulars	Cost/ Gross Block				Depreciation				Net Block	
	April 1, 2005	Additions	Deductions	March 31, 2006	April 1, 2005	For the Year Ended	On Sales/ Adjust- ments	March 31, 2006	March 31, 2006	March 31, 2005
Goodwill	—	—	—	—	—	—	—	—	—	—
Intangibles – Computer Software	100,284	53,101	—	153,385	31,734	28,677	—	60,411	92,974	68,550
Land – Freehold	—	—	—	—	—	—	—	—	—	—
Leasehold Property	—	—	—	—	—	—	—	—	—	—
Buildings	4,271	—	—	4,271	169	70	—	239	4,032	4,102
Furniture & Fittings	121,367	83,942	1,353	203,956	15,216	15,363	228	30,351	173,605	106,151
Information Technology Equipment	141,371	65,994	895	206,470	38,571	43,646	767	81,450	125,020	102,800
Vehicles	1,956	202	—	2,158	208	201	—	409	1,749	1,748
Office Equipment	52,793	27,817	980	79,630	7,076	5,654	114	12,616	67,014	45,717
Others	—	—	—	—	—	—	—	—	—	—
Total	422,042	231,056	3,228	649,870	92,974	93,611	1,109	185,476	464,394	329,068
Work in Progress	—	—	—	—	—	—	—	—	8,593	7,563
Grand Total	422,042	231,056	3,228	649,870	92,974	93,611	1,109	185,476	472,987	336,631
Previous year	130,123	292,718	799	422,042	32,339	60,676	41	92,974	336,631	—

SCHEDULE – 11

Cash and Bank Balances

Particulars	As at March 31, 2006	(Rs in '000s) As at March 31, 2005
Cash (including cheques in hand and stamps)	331,931	86,738
Balances with scheduled banks :		
(a) Deposit Accounts		
(aa) Short-term (due within 12 months)	539,194	300,000
(bb) Others	—	—
(b) Current Accounts	206,794	113,320
(c) Others	—	—
Money at Call and Short Notice	—	—
(a) With Banks	—	—
(b) With other institutions	—	—
Others	—	—
Total	1,077,919	500,058

SCHEDULE - 12

Advances and other assets

Particulars	As at March 31, 2006	(Rs in '000s) As at March 31, 2005
Advances		
Reserve deposits with ceding companies	23,043	2,266
Application money for investments	—	—
Prepayments	24,590	25,062
Advances to Directors / Officers	—	—
Advance tax paid and taxes deducted at source (net of provisions for tax)	44,781	25,781
Others		
– Sundry Deposits	87,472	53,557
– Advance to Employees	948	3,481
	88,420	57,038
Total (A)	180,834	110,147
Other assets		
Income accrued on investments/deposits	170,425	81,817
Outstanding Premiums	14,267	228,137
Agents' Balances	—	—
Foreign Agencies' Balances	—	—
Due from other Entities carrying on Insurance business (net) (including reinsurers)	5,088,465	1,727,015
Due from subsidiaries/ holding	—	—
Deposit with Reserve Bank of India	—	—
[Pursuant to Section 7 of Insurance Act, 1938]		
Others		
– Inter Corporate Deposits	60,000	21,000
– Deposit with IRDA	231	131
– Service Tax unutilised credit	—	—
– Service Tax paid in advance	67,201	8,246
– Other receivables	137,879	871
	265,311	30,248
Total (B)	5,538,468	2,067,217
Total (A+B)	5,719,302	2,177,364

SCHEDULE – 13

Current Liabilities

Particulars	As at March 31, 2006	(Rs in '000s) As at March 31, 2005
Agents' Balances	—	—
Balances due to other insurance companies (net)	163,284	426,116
Deposits held on re-insurance ceded	63,579	66,479
Premiums received in advance	1,210,455	386,794
Unallocated Premium	609,032	246,473
Sundry Creditors	856,337	329,173
Due to holding company	174,701	32,033
Claims Outstanding	4,885,982	1,623,529
Due to Officers/ Directors	—	—
Others-		
a. Statutory Dues	86,605	24,695
b. Salary Payable	222	284
c. Collections –		
Environment Relief Fund	27,787	16,822
d. Unearned Commission	—	2,940
e. Book Overdraft	231,338	117,464
f. Service Tax Liability	—	4,609
g. Miscellaneous	38	145
	345,990	166,959
Total	8,309,360	3,277,556

SCHEDULE – 14

Provisions

Particulars	As at March 31, 2006	(Rs in '000s) As at March 31, 2005
Reserve for unexpired risk	3,890,560	1,828,629
Reserve for premium deficiency	—	—
For taxation (less advance tax paid and taxes deducted at source)	—	—
For proposed dividends	—	—
For dividend distribution tax	17,181	14,376
Others		
(a) Gratuity	5,969	8,083
	5,969	8,083
Total	3,913,710	1,851,088

SCHEDULE – 15

Miscellaneous Expenditure

(To the extent not written off or adjusted)

Particulars	As at March 31, 2006	(Rs in '000s) As at March 31, 2005
Discount Allowed in issue of shares/ debentures	—	—
Others	—	—
Total	—	—

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SCHEDULE: 16

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2006

1 Background

ICICI Lombard General Insurance Company Limited ('the Company') was incorporated on October 30, 2000. The Company obtained regulatory approval to undertake General Insurance business on August 3, 2001 from the Insurance Regulatory and Development Authority ('IRDA') and has also obtained its certificate of renewal of registration.

2 Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting, and comply with the applicable accounting standards issued by the Institute of Chartered Accountants of India ('ICAI'), and in accordance with the provisions of the Insurance Act, 1938, Insurance Regulatory and Development Authority Act, 1999, the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies Regulations), 2002 ('the Regulations') and orders / directions prescribed by the IRDA in this behalf, the Companies Act, 1956 to the extent applicable in the manner so required and current practices prevailing within the insurance industry in India.

3 Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as of the balance sheet date, reported amounts of revenues and expenses for the year and disclosure of contingent liabilities as of the balance sheet date. The estimates and assumptions used in these financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

4 Significant accounting policies

4.1 Revenue recognition

Premium income

Premium is recorded for the policy period at the commencement of risk and for installment cases, it is recorded on installment due dates. Premium earned is recognised as income over the period of risk or the contract period based on 1/365 method, whichever is appropriate on a gross basis net of service tax. Any subsequent revision to premium is recognised over the remaining period of risk or contract period.

Adjustments to premium income arising on cancellation of policies are recognised in the year in which it is cancelled.

Income from reinsurance business

Commission on reinsurance business is recognised as income in the year of ceding the risk.

Profit commission under reinsurance treaties, wherever applicable, is recognised as income in the year of final determination of profits and combined with commission on reinsurance ceded.

Income earned on investments

Interest income on investments is recognised on an accrual basis. Accretion of discount and amortisation of premium relating to debt securities is recognised over the holding/maturity period on a straight-line basis.

Dividend income is recognised when the right to receive dividend is established.

Realised gain/loss on securities, which is the difference between the sale consideration and the carrying value in the books of the Company is recognised on the trade date. In determining the realised gain/loss, cost of securities is arrived at on 'Weighted average cost' basis. However, in case of listed equity shares and mutual fund units the profit or loss on sale also includes the accumulated changes in the fair value previously recognised in the fair value change account in respect of the particular security, which is transferred to the profit and loss account on the trade date.

Sale consideration for the purpose of realised gain/loss is net of brokerage and taxes, if any, and excludes interest received on sale.

4.2 Premium received in advance

This represents premium received during the year, where the risk commences subsequent to the balance sheet date.

4.3 Reinsurance premium

Insurance premium on ceding of the risk is recognised in the year in which the risk commences. Any subsequent revision to premium ceded is recognised in the year of such revision. Adjustment to reinsurance premium arising on cancellation of policies is recognised in the year in which it is cancelled.

4.4 Reserve for unexpired risk

Reserve for unexpired risk is recognised net of reinsurance ceded and represents premium written that is attributable and to be allocated to succeeding accounting periods for risks to be borne by the Company under contractual obligations on a contract period basis or risk period basis, whichever is appropriate. It is calculated on a daily pro-rata basis subject to a minimum of 50% of the premium, written on policies during the twelve months preceding the balance sheet date for fire, marine cargo and miscellaneous business and 100% for marine hull business, on all unexpired policies at year end, in accordance with section 64 V(1)(iii)(b) of the Insurance Act, 1938.

4.5 Claims

Claims incurred comprise claims paid, estimated liability for outstanding claims made following a loss occurrence reported and estimated liability for claims Incurred But Not Reported ('IBNR') and claims Incurred But Not Enough Reported ('IBNER'). Further, claims incurred also include specific claim settlement costs such as survey/legal fees and other directly attributable costs.

Claims (net of amounts receivable from reinsurers/coinsurers) are recognised on the date of intimation based on estimates from surveyors/insured in the respective revenue accounts.

Estimated liability for outstanding claims at balance sheet date is recorded in the respective revenue accounts, net of claims recoverable from/payable to co-insurers/reinsurers and salvage to the extent there is certainty of realisation. Estimated liability for outstanding claims is determined by management on the basis of ultimate amounts likely to be paid on each claim based on past experience. These estimates are progressively revalidated on availability of further information.

IBNR represents that amount of claims that may have been incurred during the accounting period but have not been reported or claimed. The IBNR provision also includes provision, if any, required for claims IBNER. IBNR/ER liabilities are based on an actuarial estimate duly certified by the Appointed Actuary of the Company. The assumption used by the Appointed Actuary are disclosed in note 5.2.4.

4.6 Acquisition costs

Acquisition costs are those costs that vary with, and are primarily costs related to the acquisition of new and renewal of insurance contracts viz. commission, policy issue expenses, etc. These costs are expensed in the year in which they are incurred.

4.7 Premium deficiency

Premium deficiency is recognised when the sum of expected claim costs and related expenses exceed the reserve for unexpired risks and is computed at a business segment level.

4.8 Investments

Investments are recorded at cost on trade date and include brokerage, transfer charges, stamps etc, if any, and excludes interest accrued up to the date of purchase.

Classification

Investments maturing within twelve months from balance sheet date and investments made with the specific intention to dispose off within twelve months are classified as 'short term investments'.

Investments other than 'short term investments' are classified as 'long term investments'.

Valuation

In accordance with the Regulations, investments are valued as follows:

Debt securities

All debt securities including government securities are considered as 'held to maturity' and accordingly stated at historical cost subject to

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amortisation of premium or accretion of discount on a straight line basis over the holding/maturity period.

Equity shares

Listed equity shares as at the balance sheet date are stated at fair value, being the lowest of last quoted closing price on the National Stock Exchange or The Stock Exchange, Mumbai.

Mutual fund units

Mutual fund investments are stated at fair value, being the closing net asset value as at balance sheet date.

In accordance with the Regulations, unrealised gain / loss arising due to changes in fair value of listed equity shares and mutual fund investments are taken to the fair value change account. This balance in the fair value change account is not available for distribution, pending realisation.

4.9 Employee Stock Option Scheme ("ESOS")

The Company follows the intrinsic method for computing the compensation cost, for options granted under the scheme(s). The difference if any, between the intrinsic value and the grant price, being the compensation cost is amortised over the vesting period of the options.

4.10 Fixed assets and Intangibles

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Cost includes the purchase price and any cost directly attributable to bringing the asset to its working condition for its intended use.

Depreciation on assets purchased/disposed off during the year is provided on pro rata basis with reference to the month of additions / deductions.

Depreciation is provided on a straight-line basis, pro-rata for the period of use at the rates prescribed in Schedule XIV to the Companies Act, 1956 except in the case set out below where depreciation is provided at a rate higher than those prescribed under Schedule XIV to the Companies Act, 1956.

Depreciation on information technology equipment is provided @ 25 percent.

Intangibles

Intangible assets comprising computer software are stated at cost less amortisation. Computer software including improvements are amortised over a period of 5 years, being the management's estimate of the useful life of such intangibles.

All assets including intangibles individually costing less than Rs 5,000 are fully depreciated/amortised in the year in which acquired.

Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that any asset may be impaired. If any such indication exists, the carrying value of such assets is reduced to its recoverable amount and the impairment loss is recognised in the profit and loss account. If at the balance sheet date there is any indication that a previously assessed impairment loss no longer exists, then such loss is reversed and the asset is restated to that effect.

4.11 Retirement benefits

Provident fund

This is a defined contribution scheme and contributions payable to the Regional Provident Fund Authority is provided on the basis of specified percentage of salary and is charged to profit and loss account and revenue account(s).

Gratuity

Gratuity, which is a defined benefit scheme is provided on the basis of actuarial valuation at year end and is recognised in the profit and loss account and revenue account(s).

Basis of allocation

Retirement benefit expenses are allocated to profit and loss account and revenue account(s) on the basis as explained in paragraph 5.1.10.

4.12 Foreign currency transactions

Transactions denominated in foreign currencies are recorded at the rates prevailing on the date of the transaction. Foreign exchange denominated

current assets and liabilities, are translated at the rates prevalent at the date of the balance sheet. The resultant gains/losses are recognised in the profit and loss account and revenue account(s).

4.13 Taxation

Current tax

The Company provides for income tax on the basis of estimated taxable income for the current accounting period in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences between the accounting income as per the Company's financial statements and the taxable income for the year.

Deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future, however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets.

Deferred tax assets are reviewed as at each balance sheet date and appropriately adjusted to reflect the amount that is reasonably/virtually certain to be realised.

Fringe benefit tax

Provision for fringe benefit tax is made on the basis of expenses incurred on employees/other expenses as prescribed under the Income Tax Act, 1961.

4.14 Share issue expenses

Share issue expenses are adjusted against share premium account.

4.15 Contingencies

Contingent losses arising from claims other than insurance claims, litigation, assessment, fines, penalties, etc. are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

A disclosure for a contingent liability other than those under policies is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

5 Notes to accounts

5.1 Statutory disclosures as required by IRDA

5.1.1 Contingent liabilities

(Rs. in '000s)

Particulars	As at March 31, 2006	As at March 31, 2005
Partly-paid up investments	Nil	Nil
Claims, other than those under policies, not acknowledged as debts	Nil	Nil
Underwriting commitments outstanding	Nil	Nil
Guarantees given by or 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 accounts	Nil	Nil
Others	Nil	Nil

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5.1.2 The assets of the Company are free from all encumbrances.

5.1.3 Estimated amount of commitments pertaining to contracts remaining to be executed in respect of fixed assets (net of advances) is Rs 31,382 thousand (Previous year Rs 24,296 thousand).

5.1.4 Commitments in respect of loans and investments is Rs NIL (Previous year Rs NIL).

5.1.5 Claims

Claims, less reinsurance, paid to claimants in / outside India are as under:

(Rs. in '000s)		
Particulars	For the year ended March 31, 2006	For the year ended March 31, 2005
In India	3,134,636	1,332,445
Outside India	Nil	Nil

The Company does not have any liability relating to claims, where the claim payment period exceeds four years.

Ageing of claims is set out in the table below:

(Rs. in '000s)		
Particulars	As at March 31, 2006	As at March 31, 2005
More than six months	1,157,147	555,212
Others	3,728,835	1,068,317

Claims settled and remaining unpaid for more than six months is Rs. Nil (Previous year: Rs. Nil).

5.1.6 Premium

Premium, less reinsurance, written from business in/outside India is given below:

(Rs. in '000s)		
Particulars	For the year ended March 31, 2006	For the year ended, March 31, 2005
In India	7,337,734	3,208,892
Outside India	987	Nil

The Company has recognised 0.6 percent (previous year 0.2 percent) of the total premium earned from Miscellaneous – Engineering class of business based on varying risk pattern. The risk pattern is determined based on underwriting estimates, which are in turn based on project related information received from the customers, and these are relied upon by the Company.

Sector wise details of the policies issued/outstanding are given below:

Sector	For the year ended March 31, 2006				For the year ended March 31, 2005			
	GWP Rs. in 000's	No. of policies	No. of lives	% of GWP	GWP 000's	No. of policies	No. of lives	% of GWP
Rural	1,311,903	223,582	—	8.24	495,614	91,719	—	5.60
Social	2,437	11	171,302	0.02	1,993	3	140,063	0.02
Urban	14,605,619	1,237,446	—	91.74	8,354,063	516,204	—	94.38
Total	15,919,959	1,461,039	171,302	100.00	8,851,671	607,926	140,063	100.00

5.1.7 Extent of risks retained and reinsured is set out below (excluding excess of loss and catastrophe reinsurance):

Particulars	Basis	As at March 31, 2006		As at March 31, 2005	
		Retention	Ceded	Retention	Ceded
Fire	Total sum insured	13%	87%	16%	84%
Marine – Cargo	Value at risk	19%	81%	40%	60%
Marine – Hull	Value at risk	3%	97%	5%	95%
Miscellaneous – Engineering	Total sum insured	21%	79%	23%	77%
– Motor	Total sum insured	80%	20%	80%	20%
– Workmen Compensation	Value at risk	80%	20%	80%	20%
– Public Liability	Value at risk	(11%)	111%	4%	96%
– Personal Accident	Value at risk	36%	64%	37%	63%
– Health	Value at risk	80%	20%	80%	20%
– Others	Value at risk	34%	66%	42%	58%

5.1.8 In accordance with regulatory guidelines, there is no premium deficiency on an overall basis in the miscellaneous segment, although there is a premium deficiency of Rs.70,000 thousand (Previous year: Rs 30,000 thousand) under the health sub segment and Rs.45,000 thousand (Previous year: Rs NIL thousand) under the personal accident sub segment within the miscellaneous segment.

5.1.9 Investments

Value of contracts in relation to investments for:

- Purchases where deliveries are pending Rs 61,256 thousand (Previous year Rs 62,251 thousand); and
- Sales where payments are overdue Rs NIL (Previous year Rs NIL).

Historical cost of investments that are valued on fair value basis is Rs. 1,903,366 thousand (Previous year Rs 623,041 thousand).

All investments are made in accordance with the Insurance Act, 1938 and Insurance Regulatory and Development Authority (Investment) Regulations, 2000 and are performing investments.

The investments as at the year end have not been allocated into policy holders and share holders as the same are not earmarked separately.

The Company does not have any investment property as at March 31, 2006 (previous year: Rs NIL).

5.1.10 Allocation of income and expenses

Allocation of investment income

Investment income has been allocated between revenue account(s) and profit and loss account on the basis of the ratio of average policyholders funds to average shareholders funds respectively, average being the balance at the beginning of the year and at the end of the year.

Further, investment income across segments within the revenue account(s) has also been allocated on the basis of segment-wise policyholders funds.

Allocation of expenses

Operating expenses relating to insurance business are allocated to specific classes of business on the following basis:

- Expenses that are directly identifiable to a business class are allocated on actuals;
- Other expenses, that are not directly identifiable, are broadly allocated on the basis of gross written premium in each business class; and
- Depreciation expenditure has been allocated on the assessment that the use of assets is proportionate to gross written premium of the respective segments.

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5.1.11 Details of managerial remuneration paid as per the terms of appointment are as under:

Particulars	(Rs. in '000s)	
	For the year ended March 31, 2006	For the year ended March 31, 2005
Salaries and allowances	11,197	7,922
Contribution to provident and other funds	389	331
Perquisites	1,434	1,001

Expenses towards gratuity are determined actuarially on a Company basis annually and accordingly have not been considered in the above information. Stock options granted to the Managing Director under ESOS are set out in note 5.1.14

5.1.12 Summary of Financial Statements for the last four years:

Particulars	2005-06	2004-05	2003-04	2002-03	2001-02
Operating Result					
Gross premium written	15,919,959	8,851,671	4,912,240	2,070,357	271,112
Net premium income #	7,338,721	3,208,892	1,298,166	445,286	109,673
Income from Investments (net) @	520,809	237,597	88,374	32,842	4,203
Other income	726	(223)	1,104	1,519	—
Total income	7,860,256	3,446,266	1,387,644	479,647	113,876
Commissions (net of reinsurance commission)	(1,257,264)	(892,716)	(1,016,437)	(172,108)	(40,376)
Brokerage	—	—	—	—	—
Operating expenses	2,982,737	1,509,398	894,136	419,490	120,040
Claims, increase in Unexpired Risk Reserve & other outgoes	5,954,428	2,565,266	1,240,067	302,680	164,906
Operating Profit / loss	180,355	264,318	269,878	(70,415)	(130,694)
Non-Operating Result					
Total income under shareholder's account (net of expenses)	364,913	274,401	152,560	112,268	19,423
Profit / (loss) before tax	545,268	538,719	422,438	41,853	(111,271)
Provision for tax	42,200	55,250	104,600	8,873	(26,450)
Profit / (loss) after tax	503,068	483,469	317,838	32,980	(84,821)
Miscellaneous					
Policy holder's account:					
Total funds	5,135,354	2,405,407	1,242,299	375,130	159,354
Total investments	Not applicable as investments are not earmarked				
Yield on Investments					
Shareholder's account:					
Total funds	2,839,993	1,980,292	2,004,793	887,244	944,771
Total investments	Not applicable as investments are not earmarked				
Yield on Investments					
Paid up equity capital	2,450,000	2,200,000	2,200,000	1,100,000	1,100,000
Net worth	3,729,201	2,494,041	2,259,324	1,036,160	1,001,611
Total assets	16,390,867	7,689,222	5,491,484	2,797,007	1,559,980
Yield on total Investments	13%	13%	9%	13%	10%
Earnings per share (Rs)	2.28	2.20	1.82	0.30	—
Book value per share (Rs)	15.22	11.34	10.27	9.42	9.11
Total dividend	232,500	220,000	176,120	—	—
Dividend per share (Rs)	1.0	1.0	1.0	—	—

Net of Reinsurance

@ Net of Losses

5.1.13 Ratio Analysis:

Performance Ratio	Ratios as at March 31, 2006				Ratios as at March 31, 2005			
	Total	Fire	Marine	Misc	Total	Fire	Marine	Misc
Gross Premium Growth Rate	80%	10%	4%	130%	80%	17%	89%	153%
Gross Premium to average Shareholders Fund ratio	512%				372%			
Growth rate of Shareholders Funds:	50%				10%			
Net Retention Ratio	46%	11%	9%	58%	36%	15%	20%	50%
Net Commission Ratio	17%	234%	133%	5%	28%	173%	48%	3%
Expense ratio to GWP	19%				17%			
Combined ratio	67%				47%			
Technical ratio	120%				108%			
Underwriting balance ratio	(5%)	121%	(177%)	(8%)	1%	112%	(62%)	(13%)
Operating profit ratio	7%				17%			
Liquid asset to liability ratio	21%				21%			
Net earning ratio	7%				15%			
Return on Net worth	13%				20%			
Reinsurance Ratio	54%				64%			

5.1.14 Employee Stock Option Scheme (ESOS)

The Company has granted Founder ESOPs and Performance based ESOPs under the Employee Stock Scheme 2005 in compliance with the Securities and Exchange board of India (Employee stock option scheme and employee stock purchase scheme) guidelines, 1999 at a price of Rs. 35 based on an independent valuer's report. The salient features of the Scheme which are stated below:

Founder ESOPs:

Scheme	Others	Managing Director
Date of grant	April 26, 2005	April 26, 2005
No. of Options granted (in 000's)	854	63
Graded Vesting Period		
1st Year	50% of option	50% of option
2nd Year	50% of option	50% of option
Maximum term of option granted	Later of the tenth anniversary of the date of grant of options or fifth anniversary of the date of vesting	
Mode of settlement	Equity	

Performance ESOPs:

Scheme	Others	Managing Director
Date of grant	April 26, 2005	April 26, 2005
No. of Options granted (in 000's)	3,200	200
Graded Vesting Period		
1st Year	20% of option	20% of option
2nd Year	20% of option	20% of option
3rd Year	30% of option	30% of option
4th Year	30% of option	30% of option
Maximum term of option granted	Later of the tenth anniversary of the date of grant of options or Fifth anniversary of the date of vesting	
Mode of settlement	Equity	

The estimated fair value computed on the basis of Black Scholes pricing model, of each stock option granted for Founder ESOPs and Performance ESOP's is within the range of Rs 6.72 to Rs 11.95 per option. Accordingly, compensation cost for the year ended March 31, 2006 would have been higher by Rs 15,975 thousand and proforma profit after tax would have been Rs 492,416 thousand. On proforma basis the Company's basic and diluted earnings per share would have been Rs 2.23 and Rs 2.22

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Continued

respectively. The key assumptions used to estimate the fair value of options are:

Risk-free interest rate	6.32% - 6.53%
Expected life	4 - 7 years
Expected volatility*	10% - 19%
Expected dividend yield	1%

* Expected volatility is based on estimates of management in the absence of data on historical volatility as at the year end.

A summary of status of Company's Employee Stock Option Scheme in terms of option granted, forfeited and exercised to employees (other than Managing Director) is given below:

(in 000's)

Particulars	As at March 31, 2006	As at March 31, 2005
Outstanding at the beginning of the year	NIL	NIL
Add: Granted during the year	4,054	NIL
Less: Forfeited / lapsed during the year	224	NIL
Exercised during the year	NIL	NIL
Outstanding at the end of the year	3,830	NIL
Exercisable at the end of the year	NIL	NIL

A summary of status of Company's Employee Stock Option Scheme in terms of option granted, forfeited and exercised pertaining to Managing Director is given below:

(in 000's)

Particulars	As at March 31, 2006	As at March 31, 2005
Outstanding at the beginning of the year	NIL	NIL
Add: Granted during the year	263	NIL
Less: Forfeited during the year	NIL	NIL
Exercised during the year	NIL	NIL
Outstanding at the end of the year	263	NIL
Exercisable at the end of the year	NIL	NIL

5.2 Other disclosures

5.2.1 Contribution to terrorism pool

The Company in accordance with the requirements of IRDA has participated in contributing to the Terrorism Pool. This pool is managed by the General Insurance Corporation of India ('GIC'). Amounts collected as terrorism premium in accordance with the requirements of the Tariff Advisory Committee ('TAC') are ceded at 100% of the terrorism premium collected to the Terrorism Pool, subject to conditions and an overall limit of Rs 5 billion.

In accordance with the terms of the agreement, GIC retrocedes, to the Company, terrorism premium to the extent of the Company's share in the risk, which is recorded as reinsurance accepted. Such reinsurance accepted is recorded based on quarterly intimation/confirmation received from GIC. Accordingly, reinsurance accepted on account of the Terrorism Pool has been recorded only upto June 30, 2005 (previous year December 31, 2004) as per the last confirmation received and which has been carried forward to the subsequent accounting period as Unexpired Risk Reserve for subsequent risks, if any.

5.2.2 Contribution to solatium fund

In accordance with the requirements of the IRDA circular dated March 18, 2003 and based on recommendations made at the General Insurance Council meeting held on February 4, 2005, the Company has provided 0.10% of gross written premium on all motor policies towards contribution to the solatium fund.

5.2.3 Environment Relief Fund

An amount of Rs 27,787 thousand (Previous year Rs 16,822 thousand) collected towards Environment Relief fund under Public Liability policies has been disclosed under current liabilities and the same is invested in Government Securities.

5.2.4 Basis used by the Actuary for determining provision required for IBNR/IBNER

The liability for IBNR including IBNER for the year ending March 31, 2006 has been estimated by the Appointed Actuary in compliance with the guidelines issued by IRDA vide circular no. 11/IRDA/ACTL/IBNR/2005-06 and applicable provisions of the Guidance Note 21 issued by the Actuarial Society of India.

The Appointed Actuary has adopted the Chain Ladder Method to those lines of business where claims development in the past years are thought to be representative for the future claims development and adopted Bornheutter-Ferguson method to those lines of business where claims development in the past years are not thought to be representative for the future claims development.

In the previous year, the appointed actuary had arrived at the estimate for IBNR/IBNER based on Mukherjee Committee recommendations. Had the Company continued to provide liability for IBNR/IBNER using the earlier method, the transfer to shareholders' account, operating profit and profit before tax would have been higher by Rs. 217,796 thousand and the liability for IBNR/IBNER and claims outstanding would have been lower by Rs. 217,796 thousand.

5.2.5 Solvency Ratio

As part of the terms and condition of registration, the Company agreed to maintain solvency ratio at 1.5 times in relation to the net written premium and net claim incurred at all times. The Company was in compliance with this requirement prior to the issuance of the revised guidelines on IRDA (Assets, Liabilities and Solvency Margin of Insurers) Regulations, 2000 vide circular no. 045/IRDA/F&A/Mar-06 dated March 31, 2006, applicable retrospectively from April 01, 2005. However, subsequently, on computing the solvency margin as per the aforementioned revised guidelines, the company's solvency margin as at March 31, 2006 was lower than 1.5 times. The management has initiated necessary measures to comply with the same.

5.2.6 Leases

In respect of premises taken on operating lease, the lease agreements are generally mutually renewable/cancellable by the lessor/lessee.

5.2.7 Segmental reporting

Primary reportable segments

The Company's primary reportable segments are business segments, which have been identified in accordance with AS 17 - Segment Reporting read with the Regulations. The income and expenses attributable to the business segments are allocated as mentioned in paragraph 5.1.10 above.

Segmental Assets & Liabilities

Segment	Year	Current Liabilities			(Rs. in '000s)
		Unearned Commission	Claims Outstanding	Unallocated Premium	Current Assets
Fire	2005-06	—	1,886,759	—	12,868
	2004-05	1,231	732,115	—	23
Engineering	2005-06	—	361,066	—	—
	2004-05	1,695	240,734	—	176,784
Marine Cargo	2005-06	—	194,787	—	1,326
	2004-05	13	140,106	—	9,176
Marine Hull	2005-06	—	1,037,381	—	59
	2004-05	—	73,928	—	42,147
Motor	2005-06	—	680,559	—	1
	2004-05	—	188,894	—	—
Workmen Compensation	2005-06	—	1,613	—	—
	2004-05	—	990	—	—
Public / Product Liability	2005-06	—	465	—	—
	2004-05	—	2,589	—	—
Personal Accident	2005-06	—	208,258	—	—
	2004-05	—	72,566	—	1
Aviation	2005-06	—	47,807	—	—
	2004-05	—	1,658	—	—
Health	2005-06	—	238,120	—	8
	2004-05	—	68,108	—	—
Others	2005-06	—	229,167	—	4
	2004-05	—	101,841	—	6
Total Amount	2005-06	—	4,885,982	—	14,266
	2004-05	2,939	1,623,529	—	228,137

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Fixed assets, investments and other current assets and liabilities to the extent identifiable have been allocated to business segments. Unallocated premium is not identifiable to any business segment.

Secondary reportable segments

There are no reportable geographical segments since the Company provides services to customers in the Indian market only and does not distinguish any reportable regions within India.

5.2.8

Related party

Related parties, nature of relationship and description of transactions.

Name of the related Party	Nature of relationship
ICICI Bank Ltd.	Holding Company
ICICI Venture Funds Management Company Ltd.	Fellow subsidiary
ICICI Securities and Finance Company Ltd.	Fellow Subsidiary
ICICI Prudential Life Insurance Company Ltd.	Fellow Subsidiary
ICICI Home Finance Company Ltd.	Fellow Subsidiary
ICICI Brokerage Services Ltd.	Fellow Subsidiary
Prudential ICICI Asset Management Co Ltd	Fellow Subsidiary
ICICI Bank U K Ltd	Fellow Subsidiary
Key Management Personnel (with whom transactions have taken place)	K.V. Kamath, Chairman Lalita D. Gupte, Director S. Mukherji, Director Sandeep Bakhshi, Managing Director & CEO

Details of transactions with related parties for the year ended March 31, 2006 are given below:

(Rs. in '000s)

Particulars	With Holding company	With ICICI Home Finance Co Ltd (Fellow subsidiary)	With ICICI Securities Co. Ltd (Fellow subsidiary)	With ICICI Prudential Life Insurance Co Ltd (Fellow subsidiary)	With Fellow sub-sidiaries	With Key Management Personnel
Premium income	702,354 (491,255)	40,354 (25,524)	2,256 (2,144)	26,433 (21,688)	14,523 (1,541)	156 (1,143)
Income from interest & dividend	9,390 (5,675)	— (—)	— (—)	— (—)	— (—)	— (—)
Issue of Share Capital including premium	740,000 (—)	— (—)	— (—)	— (—)	— (—)	— (—)
Purchase of fixed assets	— (1,741)	— (—)	— (—)	— (—)	— (—)	— (—)
Sale of fixed assets	1,900 (—)	— (—)	— (—)	— (—)	— (—)	— (—)
Claim payments	601,389 (200,623)	77,128 (5,159)	2,575 (961)	15,647 (6,736)	3880 (7,149)	—
Commission / Brokerage payouts	585,136 (113,752)	— (—)	— (—)	— (—)	1,845 (868)	— (—)
Investment						
– Purchases	303,511 (—)	— (—)	1,366,831 (—)	100,088 (—)	— (—)	— (—)
– Sales	— (—)	— (—)	398,623 (—)	— (—)	— (—)	— (—)
Salary to deputed staff	1,561 (7,085)	— (—)	— (—)	— (—)	— (—)	— (—)
Establishment & other expenditure	557,263 (168,805)	— (—)	— (—)	— (—)	— (—)	13,020 (9,254)
Dividend paid	172,050 (162,800)	— (—)	— (—)	— (—)	— (—)	— (—)

Figures in brackets represent previous year figures.

Balances with related parties at March 31, 2006, are as under:

(Rs. in '000s)

Particulars	With Holding company	With ICICI Home Finance Co Ltd (Fellow sub-sidiary)	With ICICI Securities Co Ltd (Fellow sub-sidiary)	With ICICI Prudential Life Insurance Co Ltd (Fellow sub-sidiary)	With Fellow sub-sidiaries	With Key Management Personnel
Assets						
Fixed assets	1,306 (1,741)	— (—)	— (—)	— (—)	— (—)	— (—)
Cash & Bank Balances	273,919 (295,011)	— (—)	— (—)	— (—)	— (—)	— (—)
Income accrued on investments	1,251 (850)	— (—)	— (—)	— (—)	— (—)	— (—)
Liabilities						
Capital	1,813,000 (1,628,000)	— (—)	— (—)	— (—)	— (—)	— (—)
Premium received in advance	172,651 (22,220)	— (—)	— (—)	2,381 (2,189)	6,380 (2,189)	— (—)
Others liabilities/ Payables	209,876 (32,033)	10,534 (—)	55 (—)	1,306 (—)	1,711 (—)	— (—)

Figures in brackets represent previous year figures

5.2.9

Details of earning per share for the year ended March 31, 2006

(in 000's)

Particulars	As at March 31, 2006	As at March 31, 2005
Profit available to equity shareholders	503,068	483,468
Weighted average number of equity shares		
Number of shares at the beginning of the year	220,000	220,000
Share issued during the year	25,000	NIL
Total number of equity shares outstanding at the end of the year	245,000	220,000
Equity shares outstanding for 358 days	220,000	220,000
Equity shares outstanding for 7 days	245,000	220,000
Weighted average number of equity shares outstanding during the year	220,479	220,000
Add : Effect of dilutive issues of options	487	NIL
Diluted weighted average number of equity shares outstanding during the year	220,966	220,000
Nominal value of equity share – Rs.	10	10
Basic earning per share – Rs.	2.28	2.19
Diluted earning per share – Rs.	2.27	2.19

5.2.10 *Deferred taxes*

The major components of temporary differences that account for deferred tax assets are as under:

(in 000's)

Particulars	Deferred tax asset as at March 31, 2006	Deferred tax asset as at March 31, 2005
Timing differences on account of:		
Reserve for Unexpired Risks	56,050	34,250
Total	56,050	34,250
Net deferred tax asset/(liability)	56,050	34,250
Deferred tax expense/(income) recognised in the Profit and loss account	(21,800)	750

5.2.11 Prior year figures have been regrouped, reclassified wherever necessary, to conform to current year classifications.

For and on behalf of the Board

K.V. KAMATH
Chairman

LALITA D. GUPTA
Director

KALPANA MORPARIA
Director

S. MUKHERJI
Director

SANDEEP BAKHSI
Managing Director & CEO

RAKESH JAIN
Head Finance & Accounts

RAJESH SAXENA
Company Secretary

Mumbai, April 24, 2006

receipts & payment account

for the year ended March 31, 2006

		Year ended March 31, 2006	(Rs. in '000) Year ended March 31, 2005
CASH FLOW FROM OPERATING ACTIVITIES			
– Premium received from policyholders, including advance receipt	18,693,304		8,661,612
– Premium received from coinsurer	1,798,891		1,711,663
– Other receipts	—		767
– Payment to Reinsurance net of commissions & claims	(2,705,723)		(3,069,495)
– Payment to Coinsurance net of claims recovery	(1,096,306)		(758,457)
– Payments of Claims	(8,328,760)		(2,997,318)
– Payments of Commission and brokerage	(1,092,566)		(485,401)
– Payments of other operating expenses	(2,811,466)		(1,223,494)
– Preliminary and pre-operative expenses	—		—
– Deposits, advances & staff loans	506,762		119,743
– Income tax paid (Net)	(84,415)		(133,292)
– Service Taxes Paid	(1,417,057)		(706,752)
– Other payments	—		—
– Cash flows before extraordinary items		3,462,664	1,119,576
– Cash flows from extraordinary items		—	—
Net cash from operating activities		3,462,664	1,119,576
CASH FLOW FROM INVESTING ACTIVITIES			
– Purchase of fixed assets (including Capital Advances)	(232,086)		(291,467)
– Proceeds from sale of fixed assets	2,025	(230,061)	496
– Purchases of investments	(7,720,345)		(1,964,647)
– Loans disbursed	—		—
– Sales of investments	4,957,516		1,707,793
– Repayments received	—		—
– Rent/Interest/Dividends received	269,303		194,814
– Investments in money mkt instruments and liquid Mutual fund (Net)	(893,158)		(636,923)
– Expenses related to Investments	(2,954)	(3,389,638)	(1,915)
Net cash from investing activities		(3,619,699)	(991,849)
CASH FLOW FROM FINANCING ACTIVITIES			
– Proceeds from Issuance of Share Capital (net of share issue expenses)	997,200		—
– Proceeds from Borrowing	—		—
– Interim Dividends Paid (including Dividend Tax)	(262,303)		(256,941)
Net cash flow from financing activities		734,897	(256,941)
Effect of foreign exchange rates on cash and cash equivalents, net		—	—
Net increase/(decrease) in cash and cash equivalents		577,862	(129,214)
Cash and cash equivalents at the beginning of the period		500,057	629,271
Cash and cash equivalents at end of the period*		1,077,919	500,057

* Cash and cash equivalents at end of the period March 31, 2006 includes short term deposits of Rs. 539,194 thousand (Previous year Rs. 300,000 thousand), balances with banks in current account Rs. 206,794 thousand (Previous Year Rs. 113,320 thousand) and cheques in hand Rs. 331,931 thousand (Previous year Rs. 86,738 thousand)

As per our report attached of even date

For BSR & CO.
Chartered Accountants

AKEEL MASTER
Partner
Membership Number: 46768

For LODHA & CO.
Chartered Accountants

R. P. BARADIYA
Partner
Membership Number: 44101

For and on behalf of the Board

K.V. KAMATH
Chairman

KALPANA MORPARIA
Director

SANDEEP BAKHSHI
Managing Director & CEO

RAJESH SAXENA
Company Secretary

LALITA D. GUPTA
Director

S. MUKHERJI
Director

RAKESH JAIN
Head Finance & Accounts

Mumbai, April 24, 2006

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Statement Pursuant to Part IV of Schedule VI to the Companies Act, 1956 Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration Number

1	1	-	1	2	9	4	0	8
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 State Code

1	1
---	---

Balance Sheet Date

3	1
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0	3
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2	0	0	6
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Date Month Year

II. Capital Raised during the Year (Amount in Rs. Thousand)

Public Issue

						N	I	L
--	--	--	--	--	--	---	---	---

 Rights Issue

				2	5	0	0	0	0
--	--	--	--	---	---	---	---	---	---

Bonus Issue

						N	I	L
--	--	--	--	--	--	---	---	---

 Private Placement

						N	I	L
--	--	--	--	--	--	---	---	---

III. Position of Mobilisation and Deployment of Funds

(Amount in Rs. Thousand)

Total Liabilities

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

 Total Assets

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

Sources of Funds

Paid-up Capital

			2	4	5	0	0	0	0
--	--	--	---	---	---	---	---	---	---

 Reserves and Surplus

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

Secured Loans

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

 Unsecured Loans

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

Application of Funds

Net Fixed Assets & WIP

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 Investments

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

Net Current Assets

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 Miscellaneous Expenditure

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Accumulated Losses

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IV. Performance of Company (Amount in Rs. Thousand)

Turnover

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

 Total Expenditure

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

Profit/Loss Before Tax

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 Profit/Loss After Tax

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Earning Per Share in Rs.

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 Dividend Rate %

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V. Generic Names of Principal Products/Services of the Company

(as per monetary terms)

Product Description

	G	E	N	E	R	A	L		I	N	S	U	R	A	N	C	E
--	---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---	---

Item Code No.

					N	.	A
--	--	--	--	--	---	---	---

Note:

The Company being a general insurance company, the accounts of the company are not required to be made in accordance with Schedule VI. Further, the Insurance Act, 1938, requires the accounts of the company to be split between policyholders' & shareholders' funds. In view of the above, it is not possible to give the information required in Para III and Para IV of the above statement.