

**ICICI LOMBARD GENERAL INSURANCE COMPANY LIMITED****1ST ANNUAL REPORT AND ACCOUNTS 2000-2001****Directors**

K. V. Kamath, *Chairman*  
Smt. Lalita D. Gupte  
Sanjiv Kerkar, *Managing Director & CEO*

**Auditors**

M/s. Bharat S Raut & Co.  
Chartered Accountants

**Registered Office**

ICICI Towers  
Bandra-Kurla Complex  
Mumbai - 400 051

## directors' report

### to the members

Your Directors have pleasure in presenting the First Annual Report of the Company with the audited Statement of Accounts for the period October 30, 2000 to March 31, 2001.

**APPROPRIATIONS**

The company has applied to the Insurance Regulatory and Development Authority (IRDA) to grant license for general insurance business. As commercial operations will commence only after the receipt of license, no income has been generated during the period ended March 31, 2001.

The Profit & Loss Account shows a deficit of Rs 12.66 million, after taking into account all expenses. In view of the above, the Directors do not recommend any dividend for the period ended March 31, 2001.

**BUSINESS STRATEGY**

Prior to the recent liberalization of the insurance sector, the general insurance industry in India consisted of five nationalized companies including the General Insurance Corporation of India (GIC). Subsequent to the opening up of the sector to private players, IRDA, the insurance regulator, has so far licensed five private companies to undertake general insurance business in the country. Your company has submitted its application for undertaking the general insurance business and is awaiting license from IRDA.

Pursuant to its strategy to provide a comprehensive range of financial products and services, ICICI Limited has entered into a joint venture agreement with Fairfax Financial Holdings Limited of Canada (Fairfax) & Lombard Canada Limited (Lombard), one of the oldest property and casualty insurance company in Canada, to launch general insurance business in India.

Lombard Canada Limited is the holding company of Lombard Insurance Companies. The Lombard group offers the full range of commercial and personal insurance products. The group relies heavily on technology to offer cost-effective solutions to customers in an industry, which is highly competitive.

Lombard is a subsidiary of US\$ 21 billion Fairfax Financial Holdings Limited - a Canada based financial services holding company engaged in property and casualty, life insurance, reinsurance, risk advisory services, investment management and insurance claims management, in Canada, USA and other parts of the world. The Group is a conglomerate of about 20 insurance and reinsurance companies spread over Canada, USA and parts of Asia and Europe.

As per the terms of the joint venture agreement, ICICI Limited would hold 74% of the equity of the newly formed company, while the joint venture partner would hold the balance 26%. The Company would have an initial capital Rs. 1.10 billion.

The Company will offer both commercial and personal lines of general insurance products to corporate and retail customers after the receipt of license from IRDA.

ICICI group's existing strong corporate relationships and rapidly increasing retail customer base, provide significant cross-selling opportunities, which coupled with a technology-enabled multi-channel distribution network is expected to provide the Company with the competitive advantage to create a niche for itself in the general insurance market.

The Board of Directors believe that the Company would be able, with the active participation of the two partners, to create an innovative and service oriented organization, which would use technology to deliver cost effective, and high quality products and services to customers.

**PUBLIC DEPOSITS**

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

**DIRECTORS**

S.H. Bhojani who was on the Board since November 20, 2000 tendered his resignation from the Board effective April 21, 2001. The Board accepted with regret the resignation of S.H. Bhojani and placed on record its appreciation of the valuable services rendered by him during his tenure.

Sanjiv Kerkar was nominated by ICICI Ltd. under Article 131 of the Articles of

Association of the Company as the Managing Director of the Company. The Board appointed Sanjiv Kerkar as the Managing Director of the Company for a period of five years effective November 20, 2000, subject to the approval of the Members in General Meeting.

In terms of the provisions of Section 256 of the Companies Act, 1956 read with Article 145 of the Articles of Association of the Company, K.V. Kamath, Lalita D. Gupte and Sanjiv Kerkar would retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

**AUDITORS**

The Auditors, M/s. Bharat S. Raut & Co., Chartered Accountants, Mumbai, will retire at the ensuing Annual General Meeting. The Board at its Meeting held on April 27, 2001 has proposed their appointment as Auditors to audit the accounts of the Company for the financial year ending March 31, 2002. You are requested to consider their appointment.

**FOREIGN EXCHANGE EARNING AND EXPENDITURE**

During 2000-2001, the company has incurred expenditure in foreign currencies amounting to Rs. 1.71 million on account of advertisement, foreign travel and training expenses.

**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 your Company 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.

**DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors confirm:

1. that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. that 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 the Company at the end of the financial year and of the profit or loss of the Company for that period;
3. that 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 the Company and for preventing and detecting fraud and other irregularities; and
4. that they have prepared the annual accounts on a going concern basis.

**ACKNOWLEDGEMENTS**

Your Company is grateful to the Insurance Regulatory and Development Authority for their support and advice.

The Company would like to express its gratitude for the unstinted support and guidance received from ICICI Ltd. and its group companies, Lombard Canada Ltd. and Fairfax Financial Holding Ltd.

The Directors would also like to place on record their appreciation for the commitment, hard work and team effort shown by the employees of the Company.

For and on behalf of the Board

K.V. KAMATH  
*Chairman*

Mumbai, April 27, 2001



# 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') at March 31, 2001 and the related Profit and Loss Account of the Company for the period ended on that date, annexed thereto and report thereon as follows:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. We further state that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit;
  - (b) In our opinion, proper books of account have been kept by the Company so far as it appears from our examination of those books;
  - (c) the balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet and Profit and Loss account comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent

applicable;

- (e) on the basis of the written representations received from the Directors of the Company as on March 31, 2001, and taken on record by the Board of Directors, we report that no director is disqualified from being appointed as director of the Company under clause (g) of sub section (1) of Section 274 to the Companies Act, 1956.
- (f) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view of:
  - (i) in the case of the Balance Sheet, the state of affairs of the Company at March 31, 2001; and
  - (ii) in the case of the Profit and Loss Account, the loss of the Company for the period ended on that date.

FOR BHARAT S RAUT & CO.  
*Chartered Accountants*

Mumbai,  
April 27, 2001

*Partner*

## annexure to the auditors' report

March 31, 2001

The Annexure referred to in paragraph 1 of the report of the auditors to the members of ICICI Lombard General Insurance Company Limited ('the Company') on the accounts for the period ended March 31, 2001. We report that:

1. The Company has maintained a fixed assets register giving full particulars, including quantitative details and location of fixed assets. Given that the Company currently has few fixed assets and in view of the start up nature of the Company's operations the management does not consider it necessary to carry out a physical verification and accordingly the fixed assets have not been physically verified.
2. None of the fixed assets of the Company have been revalued during the year.
3. According to the information and explanations given to us, the Company has not taken any loans secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and/or from companies under the same management as defined under Section 370 (1B) of the Companies Act, 1956.
4. According to the information and explanations given to us, the Company has not granted any loans to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and/or from companies under the same management as defined under Section 370 (1B) of the Companies Act, 1956.
5. The Company has not given any loans or advances in the nature of loans during the period to any parties.
6. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of equipment and other assets.
7. In our opinion and according to the information and explanations given to us, there have been no transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements which are required to be entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the period to Rs 50,000 or more.
8. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Section 58A of the Companies Act, 1956 and the rules framed thereunder apply.

9. According to the information and explanations given to us, the clause in respect of internal audit is not applicable to the Company since the Company's paid up capital did not exceed Rs. 25 lakhs as at the commencement of the financial period nor did the Company have an average annual turnover exceeding Rs. 2 crores for a period of three consecutive years immediately preceding the financial period.
10. We are informed that the Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956
11. The Company is in the process of applying to the relevant authorities for registration of Provident Fund. We have been informed that the Provident Fund dues will be deposited alongwith the application for registration. We have been informed that the provisions of Employees State Insurance Act are not applicable to the Company.
12. On the basis of our examination of the books of account, and according to the information and explanations given to us, no personal expenses have been charged to the statement of Profit and Loss other than those payable under contractual obligations or in accordance with generally accepted business practice.
13. According to the information and explanations given to us, there were no undisputed amounts payable in respect of income-tax, wealth tax, sales tax, custom duty and excise duty which were outstanding at March 31, 2001 for a period of more than six months from the date they became payable.
14. In our opinion, the Company is not a sick industrial company within the meaning of section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985.
15. The other clauses specified in paragraph 4(A), 4(B), 4(C) and 4(D) of the Manufacturing and Other Companies (Auditors' Report) Order, 1988 are not applicable to the Company as is evident from the financial statements of the Company.

FOR BHARAT S RAUT & CO.  
*Chartered Accountants*

Mumbai,  
April 27, 2001

*Partner*

# balance sheet

# profit & loss account

as at March 31, 2001

for the period ended March 31, 2001

	Schedule	Rupees		Schedule	Rupees
<b>SOURCES OF FUNDS</b>			<b>INCOME</b>		
<b>Shareholders' Funds</b>			Income from Operations		
Share Capital	A	7,000			Nil
		<u>7,000</u>	<b>EXPENDITURE</b>		
<b>APPLICATION OF FUNDS</b>			Employees' remuneration and welfare benefits		
<b>Fixed Assets</b>				E	4,320,756
Gross Block	B	1,150,895	Administrative Expenses		
Less: Depreciation		<u>37,050</u>	F		7,650,164
Net Block		<u>1,113,845</u>	Depreciation		
					37,050
<b>Current Assets, Loans and Advances</b>			Preliminary Expenses written off		
Less: Current Liabilities	D	30,051,815			<u>652,995</u>
Net Current Assets, Loans and Advances		<u>(20,903,815)</u>	<b>Loss before Taxation</b>		
					(12,660,965)
<b>Miscellaneous Expenditure</b>			Less: Provision for Taxation		
(to the extent not written off or adjusted)					Nil
Preliminary expenses		7,136,005	<b>Loss after Taxation</b>		
<b>Profit and Loss Account - Debit Balance</b>		<u>12,660,965</u>			(12,660,965)
		<u>7,000</u>	<b>APPROPRIATIONS</b>		
			Balance carried to Balance Sheet		
					(12,660,965)
			<b>NOTES TO ACCOUNTS</b>		
				G	<u>(12,660,965)</u>

## NOTES TO ACCOUNTS

G

The schedules referred to herein form an integral part of the Balance Sheet

The schedules referred to herein form an integral part of the Profit and loss Account

As per our report attached of even date

For and on behalf of the Board

FOR BHARAT S. RAUT & CO.  
Chartered Accountants

K . V. KAMATH  
Chairman

Partner

LALITA D. GUPTA  
Director

Mumbai  
April 27, 2001

SANJIV KERKAR  
Managing Director & CEO

## schedules

### forming part of the accounts

March 31, 2001  
Rupees

#### Schedule A SHARE CAPITAL

##### Authorized

110000000 Equity Shares of Rs.10/- each

1,100,000,000

##### Issued, Subscribed and Paid up

700 Equity Shares of Rs.10/- each

7,000

7,000

All the above Equity Shares are held by ICICI Limited (the holding Company) through its nominees.

#### Schedule B FIXED ASSETS

Description	Gross Block (at cost)		Accumulated Depreciation		Net Block
	Additions	As at March 31, 2001	For the period	As at March 31, 2001	As at March 31, 2001
Computers	1,043,311	1,043,311	36,401	36,401	1,006,910
Office Equipment	107,584	107,584	649	649	106,935
<b>Total</b>	1,150,895	1,150,895	37,050	37,050	1,113,845



# schedules



forming part of the accounts

March 31, 2001  
Rupees

March 31, 2001  
Rupees

## Schedule C

### CURRENT ASSETS, LOANS AND ADVANCES

Cash and bank Balances	
With Scheduled Bank in	
Current account	7,000
Sundry deposits	9,131,000
Advance against expenses	10,000
	<u>9,148,000</u>

Sundry deposits and advances are unsecured and considered good.

## Schedule D

### CURRENT LIABILITIES AND PROVISIONS

For expenses and services	2,093,564
Tax deducted at source	472,332
Other Liabilities	268,065
Current Account balance with Holding Company	27,217,854
	<u>30,051,815</u>

Of the above Rs. 481,480 /- are due to ICICI Infotech Ltd.

## Schedule E

### EMPLOYEES' REMUNERATION AND WELFARE BENEFITS

Salaries and other employee benefits	4,088,399
Contribution to provident and other funds	140,273
Staff welfare expenses	92,084
	<u>4,320,756</u>

## Schedule F

### ADMINISTRATIVE EXPENSES

Rent, rates and taxes	2,089,041
Printing and stationery	16,202
Legal and Professional charges	1,092,863
Travelling and Conveyance expenses	1,297,090
Advertisement expenses	1,483,445
Recruitment expenses	208,961
Joining cost	182,171
Brokerage expenses	87,250
Training expenses	995,344
Communication expenses	64,068
Corporate office expenses	92,859
Books and Periodicals	3,450
Repairs and Maintenance	11,600
Postage and Courier	2,680
Miscellaneous expenses	3,140
Auditors' remuneration	
Audit fees	20,000

7,650,164

# notes

## annexed to and forming part of the financial statement for the period ended March 31, 2001

### I. Background

ICICI Lombard General Insurance Company Limited ('the Company') was incorporated on October 30, 2000. The Company has applied for license to the Insurance Regulatory and Development Authority (IRDA) for undertaking General Insurance business. The commercial operations of the Company will commence after the receipt of license.

### II. Summary of significant accounting policies.

#### 1. Basis of Preparation of financial statements

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting and in accordance with the provisions of the Companies Act, 1956 and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India, to the extent applicable.

#### 2. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. 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 of the Data Processing equipment where depreciation is provided at a rate of 25 percent.

#### 3. Retirement and Other Benefits

The Company makes contribution towards Provident Fund @ 12% basic. The Company is in the process of setting up the retirement benefit plans for its employees. As on March 31, 2001, as per actuarial estimate there is no requirement for the provision of Gratuity as none of the employees have attained the qualifying period.

#### 4. Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing as on the date of the transaction. Foreign exchange current assets and current liabilities are translated at the year end exchange rates. The resultant exchange gain or loss is recorded in the Profit and Loss Account.

#### 5. Miscellaneous Expenditure

Preliminary expenses are amortised over a period of 5 years from the date of incorporation.

### III. Notes to Accounts

#### 1. Expenditure in foreign currency:

	Amount in Rs.
Advertisement	1,483,445
Travelling	195,700
Training	26,401

#### 2. Managerial Remuneration

Remuneration to Managing Director – Rs. Nil.

#### 3. Quantitative Details

The Company has not commenced operations and hence it is not possible to give quantitative details of sales and certain information as required under paragraphs 3, 4C and 4D of Part II of Schedule VI of the Companies Act, 1956.

#### 4. There are no outstandings to any small scale industries as on March 31, 2001

#### 5. This being the first period after incorporation, no comparative figures are available.

As per our report attached of even date

FOR BHARAT S. RAUT & CO.  
Chartered Accountants

Partner

Mumbai  
April 27, 2001

For and on behalf of the Board

K . V. KAMATH  
Chairman

LALITA D. GUPTE  
Director

SANJIV KERKAR  
Managing Director & CEO

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

**1. Registration Details**

Registration No. 1 1 - 1 2 9 4 0 8

State Code 1 1

Balance Sheet Date 3 1 0 3 2 0 0 1  
Date Month Year

**2. Capital raised during the year**

(Amount in Rupees)

Public Issue

Nil

Bonus Issue

Nil

Rights Issue

Nil

Private Placement

7 0 0 0

**3. Position of Mobilization and Deployment of Funds**

(Amount in Rupees)

Total Liabilities

3 0 0 5 8 8 1 5

Total Assets

3 0 0 5 8 8 1 5

**Sources of Funds**

Paid-up Capital

7 0 0 0

Reserves and Surplus

Nil

Secured Loans

Nil

Unsecured Loans

Nil

**Application of Funds**

Net Fixed Assets & WIP

1 1 1 3 8 4 5

Investments

Nil

Net Current Assets

(2 0 9 0 3 8 1 5)

Miscellaneous Expenditure

7 1 3 6 0 0 5

Accumulated Losses

(1 2 6 6 0 9 6 5)

**4. Performance of the Company**

(Amount in Rupees)

Turnover

Nil

Total Expenditure

1 2 6 6 0 9 6 5

Profit/(Loss) before Tax

(1 2 6 6 0 9 6 5)

Profit / (Loss) after Tax

(1 2 6 6 0 9 6 5)

Earnings per Share in Rupees

Nil

Dividend Rate %

Nil

**5. Generic Names of three Principal Products/Services of the Company**

(as per monetary terms)

Product Description : General Insurance

Item Code No. : Not Applicable

For and on behalf of the Board

K.V. KAMATH  
Chairman

LALITA D. GUPTA  
Director

SANJIV KERKAR  
Managing Director & CEO

Mumbai, April 27, 2001