

ICICI LOMBARD GENERAL INSURANCE COMPANY LIMITED

2ND ANNUAL REPORT AND ACCOUNTS 2001-2002

Directors

K. V. Kamath, *Chairman*
B.V. Bhargava
Farid Gulmohamed
Lalita D. Gupte
Byron G. Messier
Kalpana Morparia
S. Mukherji
Chandran Ratnaswami
Sandeep Bakhshi, *Managing Director & CEO*

Auditors

Bharat S. Raut & 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 Second Annual Report of the Company with the audited Statement of Accounts for the year ended March 31, 2002.

APPROPRIATIONS

The Policyholders' Revenue Account shows a deficit of Rs 130.69 million and the Shareholders' Profit and Loss Account shows a deficit of Rs 92.81 million, after taking into account all expenses and brought forward loss. In view of the above, the Directors do not recommend any dividend for the period ended March 31, 2002.

OPERATIONAL REVIEW

Your Company was granted the Certificate of Registration for carrying out General Insurance business by the Insurance Regulatory and Development Authority (IRDA) on August 03, 2001. It commenced commercial operations on August 31, 2001. Your Company is now operational in 11 locations covering the important commercial centers across the country.

The Company has focussed on leveraging the ICICI group's corporate relationships and the results have been satisfactory. The Company is also planning alternate modes of distribution through agents, banks and self-help agencies for wider geographical presence and better market penetration.

The Company proposes to position itself in the retail space and has started offering motor insurance. The development of other retail products like home insurance, health insurance and travel related insurance products are in progress. These products are expected to be rolled out in the current year 2002-2003.

Keeping in line with the commitments to the social sector, the Company has covered 2902 lives from economically vulnerable or backward classes of the society.

The Company is enhancing its product offerings and would attempt to provide its customers quality service through customized solutions, efficient distribution channels, prompt claims settlement process and technology-based delivery.

AUDIT COMMITTEE

The Board at its Sixth Meeting held on September 18, 2001 had constituted an Audit Committee of Directors pursuant to the provisions of Section 292A of the Companies Act, 1956 comprising of K.V. Kamath, Lalita D. Gupte and Sanjiv Kerkar. In view of withdrawal of nomination of Sanjiv Kerkar and appointment of new Directors on the Board of the Company, the Audit Committee was reconstituted by appointing S. Mukherji, Byron G. Messier and Farid Gulmohamed in place of K.V. Kamath, Lalita D. Gupte and Sanjiv Kerkar respectively.

PUBLIC DEPOSITS

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

DIRECTORS

Sanjiv Kerkar was nominated by ICICI as the Managing Director of the Company. ICICI withdrew his nomination as the Managing Director and nominated Sandeep Bakhshi as the Managing Director in his place effective March 19, 2002. The Board appointed Sandeep Bakhshi as the Managing Director & CEO of the Company for a period of five years effective March 19, 2002, subject to the approval of the Insurance Regulatory and Development Authority, and Members in the forthcoming Annual General Meeting. The Board placed on record its appreciation of the valuable services rendered by Sanjiv Kerkar during his tenure as the Managing Director & CEO of the Company including his role in setting up the Company and obtaining licence from IRDA.

Kalpana Morparia and S. Mukherji were nominated by ICICI as Directors of the Company effective March 22, 2002.

The Board appointed Byron G. Messier and Chandran Ratnaswami, (both representatives of Lombard Canada Limited) and Farid Gulmohamed, as additional Directors of the Company effective March 22, 2002 and

B.V. Bhargava as an additional Director of the Company effective April 29, 2002. They would hold office upto the date of the ensuing Annual General Meeting of the Company but are eligible for appointment.

In terms of the provisions of the Articles of Association of the Company, Lalita D. Gupte, would retire at the ensuing Annual General Meeting and being eligible offers herself 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 29, 2002 has proposed their appointment as Auditors to audit the accounts of the Company for the financial year ending March 31, 2003. You are requested to consider their appointment.

FOREIGN EXCHANGE EARNINGS AND EXPENDITURE

During 2001-2002, the Company has incurred expenditure in foreign currencies amounting to Rs. 2.72 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 that:

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- 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
- 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.

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

Your 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

Mumbai, April 29, 2002

K.V. KAMATH
Chairman

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, 2002, the Fire, Marine and Miscellaneous Insurance Revenue Accounts (collectively known as the 'Revenue Accounts') and the Profit and Loss Account for the year then ended and 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.

The Balance Sheet, the Revenue Accounts and the Profit and Loss Account have been drawn up in accordance with the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations 2002 read with Section 211 of the Companies Act, 1956.

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 about 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.

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 our audit and have found them to be satisfactory;
- In our opinion, proper books of account as required by law have been maintained by the Company so far as appears from our examination of those books;
- The Balance Sheet, Revenue Accounts and Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account and returns;
- The Company's actuary has certified the actuarial valuation of liabilities;
- On the basis of written representations received from the Directors of the Company as at March 31, 2002 and taken on record by the Board of Directors, no Director of the Company is disqualified as on March 31, 2002 from being appointed as Director under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

In our opinion and to the best of our information and according to the information and explanations given to us:

- The Balance Sheet, the Revenue Accounts and the Profit and Loss Account referred to in this report are in compliance with the Accounting

Standards referred to in Section 211(3C) of the Companies Act, 1956 to the extent applicable to the Company;

- Investments have been valued in accordance with the provisions of the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations 2002;
- The accounting policies selected by the Company are appropriate and in compliance with the applicable Accounting Standards and with the accounting principles, as prescribed in Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002; and
- The said accounts are prepared in accordance with the requirements of the Insurance Act, 1938, the Insurance Regulatory and Development Act, 1999 and the Companies Act, 1956 to the extent applicable in a manner so required, and give a true and fair view:
 - in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2002;
 - in the case of the Revenue accounts, of the loss for the year ended March 31, 2002;
 - in the case of the Profit and Loss Account, of the loss for the year ended March 31, 2002; and
 - in the case of the cash flow statement, of the receipts and payments for the year ended March 31, 2002.

According to the information and explanations given to us and the best of our knowledge and belief, we certify that:

- We have reviewed the management report and there is no apparent mistake or material inconsistencies with the financial statements;
- There are no terms and conditions specified in the certificate of registration number 115, dated August 3, 2001 received by the Company from the Insurance Regulatory and Development Authority;
- We have verified the investments by actual inspection or production of certificates, as the case may be; and
- The Company is not the trustee of any trust.

For BHARAT S RAUT & CO.
Chartered Accountants

Mumbai
April 29, 2002

AKEEL MASTER
Partner

balance sheet profit and loss account



as at March 31, 2002

for the year ended March 31, 2002

Schedule	(Rs. in '000s)	March 31, 2001	(Rs. in '000s)	March 31, 2001
SOURCES OF FUNDS				
Share Capital	5	<u>1,094,422</u>	<u>(7,129)</u>	
Total		<u><u>1,094,422</u></u>	<u><u>(7,129)</u></u>	
APPLICATION OF FUNDS				
Investments	6	<u>1,128,990</u>	—	
Fixed assets	7	<u>23,314</u>	<u>1,114</u>	
Deferred tax asset		<u>33,873</u>	—	
Current assets (A)				
Cash and bank balances	8	<u>125,792</u>	<u>7</u>	
Advances and other assets	9	<u>248,011</u>	<u>9,141</u>	
Sub-Total (A)		<u><u>373,803</u></u>	<u><u>9,148</u></u>	
Current liabilities	10	<u>411,343</u>	<u>30,052</u>	
Provision	11	<u>147,024</u>	—	
Sub-Total (B)		<u><u>558,367</u></u>	<u><u>30,052</u></u>	
Net current assets (C) = (A - B)		<u><u>(184,564)</u></u>	<u><u>(20,904)</u></u>	
Debit balance in profit and loss account		<u>92,809</u>	<u>12,661</u>	
Total		<u><u>1,094,422</u></u>	<u><u>(7,129)</u></u>	
1. Operating profit/(loss)				
(a) Fire insurance			<u>(571)</u>	—
(b) Marine insurance			<u>(3)</u>	—
(c) Miscellaneous insurance			<u>(130,120)</u>	—
2. Income from investments				
(a) Interest – Gross			<u>51,996</u>	—
(b) Profit on sale of investments			<u>643</u>	—
3. Interest other				
			<u>14</u>	—
Total (A)			<u><u>(78,041)</u></u>	—
4. Other expenses				
(a) Expenses other than those related to insurance business				
Employees' remunerations and welfare benefits			<u>12,595</u>	<u>4,503</u>
Travel, conveyance and vehicle running expenses			<u>3,065</u>	<u>1,297</u>
Training expenses			<u>1,574</u>	<u>1,204</u>
Rents, rates and taxes			<u>9,704</u>	<u>2,089</u>
Legal and professional charges			<u>2,196</u>	<u>1,093</u>
Others			<u>2,538</u>	<u>1,822</u>
(b) Preliminary expenses written off			<u>1,558</u>	<u>653</u>
Total (B)			<u><u>33,230</u></u>	<u><u>12,661</u></u>
Loss before tax			<u><u>111,271</u></u>	<u><u>12,661</u></u>
Provision for taxation:				
(a) Current tax expense			<u>(2,750)</u>	—
(b) Deferred tax income			<u>29,200</u>	—
Loss after tax			<u><u>84,821</u></u>	<u><u>12,661</u></u>
Balance of loss brought forward from previous period			<u>12,661</u>	—
Deferred tax of earlier year			<u>(4,673)</u>	—
Loss carried forward to balance sheet			<u><u>92,809</u></u>	<u><u>12,661</u></u>

Schedules referred to herein form an integral part of the Balance Sheet.

As per our report attached of even date

For BHARAT S. RAUT & CO.
Chartered Accountants

AKEEL MASTER
Partner

Mumbai
April 29, 2002

For and on behalf of the Board

K.V. KAMATH
Chairman

KALPANA MORPARIA
Director

SANDEEP BAKHSHI
Managing Director & CEO

LALITA D. GUPTA
Director

S. MUKHERJI
Director

RAKESH JAIN
Head Finance & Accounts

revenue accounts

for the period ended March 31, 2002

(Rs. in '000s)

Particulars	Schedule	Fire	Marine	Miscellaneous	Total
1. Premium earned (Net)	1	2,054	15	12,080	14,149
2. Profit on sale of Investments		4	0	47	51
3. Interest on investments – Gross		317	1	3,834	4,152
Total (A)		2,375	16	15,961	18,352
1. Claims incurred (Net)	2	1,232	10	16,640	17,882
2. Commission	3	(31,570)	(2)	(8,804)	(40,376)
3. Operating Expenses related to insurance business	4	33,284	11	86,745	120,040
4. Others – premium deficiency		—	—	51,500	51,500
Total (B)		2,946	19	146,081	149,046
Operating Profit/(Loss) (C) = (A - B)		(571)	(3)	(130,120)	(130,694)
APPROPRIATIONS					
Transfer to shareholders' account		(571)	(3)	(130,120)	(130,694)
Total (C)		(571)	(3)	(130,120)	(130,694)

Note : There being no commercial operations, corresponding previous period figures are nil.

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 account, all expenses of management, wherever incurred, whether directly or indirectly, have been fully debited in the Revenue Accounts as expense.

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

As per our report attached of even date

For BHARAT S. RAUT & CO.
Chartered Accountants

AKEEL MASTER
Partner

Mumbai
April 29, 2002

For and on behalf of the Board

K.V. KAMATH
Chairman

KALPANA MORPARIA
Director

SANDEEP BAKHSHI
Managing Director & CEO

LALITA D. GUPTA
Director

S. MUKHERJI
Director

RAKESH JAIN
Head Finance & Accounts

schedules

forming part of the revenue accounts

SCHEDULE – 1

Premium Earned (net)

(Rs. in '000s)

Particulars	Fire	Marine Cargo	For the period ended March 31, 2002								Total
			Motor	Engin-eering	Works-men Compensation	Public Liability	Personal Accident	Health Insurance	Others	Total Miscellaneous	
Premium from direct business written	109,832	38	97,995	21,143	96	228	8,458	18,876	14,446	161,242	271,112
Less : premium on reinsurance ceded	96,833	8	22,853	17,401	22	53	6,434	3,775	14,060	64,598	161,439
Net premium	12,999	30	75,142	3,742	74	175	2,024	15,101	386	96,644	109,673
Adjustment for change in reserve for unexpired risks	10,945	15	66,679	3,087	64	144	2,054	12,249	287	84,564	95,524
Total premium earned (Net)	2,054	15	8,463	655	10	31	(30)	2,852	99	12,080	14,149

Note : There being no commercial operations, corresponding previous period figures are nil.

schedules



forming part of the revenue accounts

Continued

SCHEDULE - 2

Claims Incurred (net)

(Rs. in '000s)

Particulars	Fire	Marine Cargo	For the period ended March 31, 2002								Total
			Miscellaneous								
			Motor	Engineering	Workmen Compensation	Public Liability	Personal Accident	Health Insurance	Others	Total Miscellaneous	
Claims paid- direct	23	—	5,688	3	—	—	—	1,279	—	6,970	6,993
Less: reinsurance ceded	23	—	1,137	1	—	—	—	256	—	1,394	1,417
Net claims paid	—	—	4,551	2	—	—	—	1,023	—	5,576	5,576
Add claims outstanding at the end of the year	1,232	10	9,142	492	—	24	—	1,258	148	11,064	12,306
Total claims incurred	1,232	10	13,693	494	—	24	—	2,281	148	16,640	17,882

Note : There being no commercial operations, corresponding previous period figures are nil.

SCHEDULE - 3

Commission

(Rs. in '000s)

Particulars	Fire	Marine Cargo	For the period ended March 31, 2002								Total
			Miscellaneous								
			Motor	Engineering	Workmen Compensation	Public Liability	Personal Accident	Health Insurance	Others	Total Miscellaneous	
Commission paid-direct	—	—	4,699	—	—	—	—	—	—	4,699	4,699
Less: commission received on reinsurance ceded	31,570	2	4,900	4,235	1,981	11	1,362	944	70	13,503	45,075
Net commission	(31,570)	(2)	(201)	(4,235)	(1,981)	(11)	(1,362)	(944)	(70)	(8,804)	(40,376)

Note: There being no commercial operations, corresponding previous period figures are nil.

SCHEDULE - 4

Operating Expenses related to Insurance Business

(Rs. in '000s)

Particulars	Fire	Marine Cargo	For the period ended March 31, 2002								Total
			Miscellaneous								
			Motor	Engineering	Workmen Compensation	Public Liability	Personal Accident	Health Insurance	Others	Total Miscellaneous	
Employees' remuneration and welfare benefits	15,055	5	18,665	2,898	13	32	1,160	2,587	1,980	27,335	42,395
Travel, conveyance and vehicle running expenses	3,541	1	5,118	682	3	7	272	609	466	7,157	10,699
Training expenses	1,178	—	2,567	227	1	2	91	202	155	3,245	4,423
Rents, rates and taxes	7,288	3	8,672	1,403	6	15	561	1,252	959	12,868	20,159
Repairs	759	1	734	146	1	2	58	130	100	1,171	1,931
Printing and stationery	254	—	723	49	—	1	19	44	33	869	1,123
Communication	1,364	—	2,142	263	1	3	105	234	179	2,927	4,291
Legal and professional charges	2,061	1	8,651	389	2	4	144	323	247	9,760	11,822
Auditors' fees, expenses etc.											
(a) as auditor	158	—	171	30	—	—	13	27	21	262	420
(b) in any other capacity	4	—	4	1	—	—	—	1	1	7	11
Advertisement and publicity	312	—	18,013	60	—	—	24	54	41	18,192	18,504
Interest and bank charges	471	—	1,287	90	1	1	36	81	62	1,558	2,029
Miscellaneous expenses	108	—	106	21	—	—	9	19	14	169	277
Depreciation	731	—	804	140	1	2	56	126	96	1,225	1,956
Total	33,284	11	67,657	6,399	29	69	2,548	5,689	4,354	86,745	120,040

Note: There being no commercial operations, corresponding previous period figures are nil.

schedules

forming part of the balance sheet

SCHEDULE – 5

Share Capital

Particulars	(Rs. in '000s)	
	As at March 31, 2002	As at March 31, 2001
Authorised capital 110,000,000 (Previous period: 110,000,000) equity shares of Rs. 10 each	1,100,000	1,100,000
Issued capital 110,000,000 (Previous period: 700) equity shares of Rs. 10 each	1,100,000	7
Subscribed capital 110,000,000 (Previous period: 700) equity shares of Rs. 10 each	1,100,000	7
Called up capital 110,000,000 (Previous period: 700) equity shares of Rs. 10 each	1,100,000	7
Less: Preliminary expenses	5,578	7,136
Total	<u>1,094,422</u>	<u>(7,129)</u>

Note:

Of the above issued share capital as of March 31, 2002, 81,399,300 shares (Previous period: Nil shares) of Rs. 10 each are held by the holding company, ICICI Limited and 700 shares (Previous period : 700 shares) of Rs. 10 each are held by ICICI Limited through its nominees.

SCHEDULE – 5A

Share Capital

Pattern of shareholding

[As certified by the management]

Shareholder	As at March 31, 2002		As at March 31, 2001	
	Number of Shares	% of Holding	Number of Shares	% of Holding
Promoters				
– Indian	81,400,000	74%	700	100%
– Foreign	28,600,000	26%	—	—
Total	110,000,000	100%	700	100%

SCHEDULE – 7

Fixed Assets

Particulars	(Rs. in '000s)									
	Cost/ Gross Block				Depreciation				Net Block	
	April 1, 2001	Additions	Deductions	March 31, 2002	April 1, 2001	For the Year	On Sales/ Adjust- ments	March 31, 2002	March 31, 2002	March 31, 2001
Information technology equipment	1,043	6,735	—	7,778	36	834	—	870	6,908	1,007
Computer software	—	16,477	—	16,477	—	1,257	—	1,257	15,220	—
Office equipment	108	570	—	678	1	19	—	20	658	107
Total	1,151	23,782	—	24,933	37	2,110	—	2,147	22,786	1,114
Work in progress									528	—
Grand total	1,151	23,782	—	24,933	37	2,110	—	2,147	23,314	1,114
Previous year	—	1,151	—	1,151	—	37	—	37	1,114	—

schedules



forming part of the balance sheet

Continued

SCHEDULE – 8

Cash and Bank Balances

Particulars	(Rs. in '000s)	
	As at March 31, 2002	As at March 31, 2001
Cheques in hand	32,223	—
Bank balances		
(a) Deposit accounts - short-term (due within 12 months)	30,000	—
(b) Current accounts	13,569	7
Money at call and short notice		
(a) With other institutions	50,000	—
Total	125,792	7

SCHEDULE – 9

Advances and Other Assets

Advances

Reserve deposits with reinsurance companies	9,196	—
Advance tax paid and taxes deducted at source (net of provisions for tax)	1,671	—
Others		
- Sundry deposit	6,056	
- Advances to employees	792	
	6,848	9,141
Total (A)	17,715	9,141

Other Assets

Income accrued on investments	28,057	—
Outstanding premiums	109,766	—
Due from other entities carrying on insurance business (including reinsurers)	91,443	—
Deposit with Reserve Bank of India [Pursuant to Section 7 of Insurance Act, 1938]	1,000	—
Others- deposit with IRDA	30	—
Total (B)	230,296	—
Total (A+B)	248,011	9,141

SCHEDULE – 10

Current Liabilities

Particulars	(Rs. in '000s)	
	As at March 31, 2002	As at March 31, 2001
Agents' balances	1,195	—
Balances due to other insurance companies	118,938	—
Premiums received in advance	196,870	—
Unallocated premium	592	—
Sundry creditors	35,162	268
Due to holding company	14,742	27,218
Claims outstanding	36,571	—
Others-		
a. Statutory dues	6,863	
b. Salary payable	52	
c. Miscellaneous	130	
d. Collections- environment relief fund	228	
	7,273	2,566
Total	411,343	30,052

SCHEDULE – 11

Provisions

Particulars	As at March 31, 2002
For unexpired risk	95,524
For premium deficiency	51,500
Total	147,024

Note: There being no commercial operations, corresponding previous period figures are nil.

SCHEDULE – 12

Significant accounting policies and notes forming part of the accounts for the year ended March 31, 2002

I. BACKGROUND

ICICI Lombard General Insurance Company Limited ("the Company") was incorporated on October 30, 2000. The principal shareholders of the Company are ICICI Limited (74%) and Lombard Canada Limited (subsidiary of Fairfax Financial Holdings Limited) (26%). The Company received the license on August 3, 2001 from the Insurance Regulatory and Development Authority ('IRDA') to undertake General Insurance business.

On April 11, 2002, ICICI Limited, the holding company, has got approval from the High Court for its proposed merger with ICICI Bank Limited effective March 30, 2002.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation of financial statements

The accompanying financial statements have been prepared under the historical cost convention and on the accrual basis of accounting and complies with the accounting standards issued by the Institute of Chartered Accountants of India (to the extent applicable) and in accordance with generally accepted accounting principles and the provisions of the Insurance Act, 1938, Insurance Regulatory and Development Authority Act, 1999, and the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 ('the Regulations').

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, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements.

2. Income recognition

- Premium income (net of service tax) is recognised over the contract period or the period of risk, whichever is appropriate.
- Interest income on investments is recognised on an accrual basis.

3. Premium deficiency

Premium Deficiency is recognised if the sum of expected claim costs, related expenses and maintenance costs exceeds related reserves for unexpired risks.

4. Acquisition Costs

Acquisition costs are costs that vary with, and are primarily related to, the acquisition of new and renewal insurance contracts. Such costs are expensed in the year in which they are incurred.

5. 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 following cases where depreciation is provided at a rate higher than those prescribed in the Schedule XIV.

- Depreciation on Data Processing Equipment is provided at a rate of 25 percent.
- Depreciation on Software Expenditure is provided at a rate of 20 percent. Software expenditure up to Rs 500,000 is charged fully to expense as depreciation cost in the year of acquisition.

6. Claims

Claims are accounted for on intimation. Claims incurred comprise the claims under policies and claims settlement costs. Provision is also made based on actuarial estimate for claims Incurred But Not Reported ('IBNR') and claims Incurred But Not Enough Reported (IBNER').

7. Investments

Classification

Investments have been classified as long term and short term based on their residual term to maturity. Short term investments are those maturing within twelve months from the balance sheet date. Investments with put or call options vesting within one year have also been classified as short term.

Valuation

All debt securities are considered as 'held to maturity' and accordingly stated at historical cost subject to amortisation of premium or accretion of discount on straight line basis over the period of holding.

8. Staff benefits

- The Company makes a contribution to the recognised provident fund at 12% of the basic salary of each employee;
- The Company recognises a liability towards gratuity on the basis of an actuarial valuation;
- Leave encashment liability is provided for on the basis of an actuarial valuation.

9. Taxation

Current tax

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

Deferred tax

Deferred tax assets and liabilities are determined as the tax effect of timing differences using the substantively enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the profit and loss account in the period of change. Deferred tax assets are recognized subject to management's consideration of prudence in respect of their realisability.

10. Foreign currency transactions

Transactions in foreign currency are accounted at the rate of exchange prevailing on the date of the transaction. The resulting exchange gain or loss is reflected in the profit and loss account / revenue account.

11. Miscellaneous expenditure

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

III. NOTES TO ACCOUNTS

Contingent liabilities

Particulars	March 31, 2002	March 31, 2001
Partly-paid up investments	Nil	Nil
Underwriting commitments outstanding	Nil	Nil
Claims, other than those under policies, not acknowledged as debts	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 the accounts	Nil	Nil

Encumbrances on assets

The assets of the Company are free from all encumbrances.

Commitments

The capital commitments made and outstanding at the year end for fixed assets amount to Rs. 3,900,000 (Previous year Rs. Nil).

Claims

- Claims, less reinsurance, paid to claimants
 - In India Rs. 5,576,210 (Previous year Rs. Nil)
 - Outside India Rs. Nil (Previous year Rs. Nil)

schedules



forming part of the accounts

Continued

- Claims outstanding include claims for Incurred But Not Reported ('IBNR') cases. These have been estimated by a qualified actuary appointed by the Company. In the absence of historical data, this being the Company's first year of operations, the qualified actuary has used suitable alternative methods for each product category.
- Claims outstanding for:
 - More than six months: Rs. Nil (Previous year Rs. Nil)
 - Others: Rs. 12,305,694 (Previous year Rs. Nil)
- Claims settled and remaining unpaid for more than six months: Rs. Nil (Previous year: Rs. Nil)

Premium

- Premium, less reinsurance, written from business:
 - In India: Rs. 109,673,332 (Previous year Rs. Nil)
 - Outside India: Rs. Nil (Previous year Rs. Nil)
- The Company has recognised 10 percent of the premium earned under Miscellaneous - Engineering class of business on varying risk pattern. The same is recognised on underwriting estimates based on project related information received from the customers.

Investments

- Value of contracts in relation to investments for:
 - Purchases where deliveries are pending Rs. Nil (Previous year: Nil);
 - Sales where payments are outstanding Rs. Nil (Previous year: Nil)
- All investments are made in accordance with the Insurance Act, 1938 and Insurance Regulatory and Development Authority (Investment) (Amendment) Regulations, 2001.
- All investments are performing investments.
- An amount of Rs. 227,660 (previous year Rs. Nil) collected towards Environment Relief Fund under Public Liability Policies has been disclosed under current liabilities and the same are invested in Government Securities.

Allocation of investment income

Investment income has been allocated between Revenue Account and Profit and Loss Account on the basis of the ratio of average policyholders funds comprising, reserves for unexpired risks, premium deficiency and outstanding claims to average shareholders funds, comprising share capital less accumulated losses and miscellaneous expenditure not written off.

Allocation of expenses

- Operating expenses relating to insurance business are allocated to specific classes of business on the basis of:
 - * Expenses that are directly identifiable to the business class are allocated on actual basis.
 - * Other expenses, that are not directly identifiable, are broadly allocated on either of the following basis:
 - Gross Premium
 - Number of employees.

The method of allocation has been decided based on the nature of the expense and its logical correlation with the classes of business.

Sector-wise percentage of business

Sector	March 31, 2002	March 31, 2001
Rural	0.83%	N.A
Urban	99.17%	N.A

Managerial remuneration

As per the terms of appointment, the Managing Directors drew their remuneration and other benefits from ICICI Limited, and hence no managerial remuneration is paid or payable to the Managing Directors.

Extent of risks retained and reinsured

Extent of risk retained and reinsured is set out below:

	Basis	Retention	Ceded
Fire	Total Sum Insured	9%	91%
Marine – Cargo	Value at risk	80%	20%
Miscellaneous			
Engineering	Total Sum Insured	18%	82%
Motor	Total Sum Insured	80%	20%
Workmen			
Compensation	Value at risk	80%	20%
Public Liability	Value at risk	80%	20%
Personal Accident	Value at risk	13%	87%
Health	Value at risk	80%	20%
Others	Value at risk	44%	56%

IV. PREVIOUS YEAR FIGURES

As the date of incorporation of the Company was October 30, 2000 and the commercial operations had not commenced, the financial statements for the period ended March 31, 2001 were prepared under Schedule VI of the Companies Act, 1956. This being the first year of general insurance operations of the Company, previous period figures are not comparable with the current year. Previous period figures have been regrouped, rearranged and recasted wherever necessary to conform to current year presentation.

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

Mumbai
April 29, 2002

cash flow statement

for the year ended March 31, 2002

(Rs. in '000s)
For the year ended
March 31, 2002

Cash flow from operating activities		
Cash receipts from customers:		
– Premium (net of reinsurance premium paid)	273,531	
– Commission	12,871	
– Other receipts	2,277	288,679
	<u> </u>	
Cash paid towards operating activities		
– Claims paid (net of reinsurance claims recovered)	(6,969)	
– Commission paid	(3,504)	
– Expenses	(122,478)	(132,951)
	<u> </u>	
Net cash from operating activities		155,728
Cash flow from investing activities		
Purchase of fixed assets	(24,310)	(24,310)
	<u> </u>	
Investment:		
Purchase of securities	(1,405,384)	
Deposits	(80,000)	
Deposit with RBI	(1,000)	
Interest received (net of TDS)	31,860	
Proceeds from sale of investment	268,898	(1,185,626)
	<u> </u>	
Net cash from investing activities		(1,209,936)
Cash flow from financing activities		
Proceeds from issuance of share capital	1,099,993	
	<u> </u>	
Net cash used in financing activities		1,099,993
Net increase/(decrease) in cash and cash equivalents		45,785
Cash and cash equivalents at the beginning of the period		7
Cash and cash equivalents at end of the period		45,792

Note: Figures for the year ended March 31, 2001 comprises only of Share capital issued of Rs. 7000 and Cash and cash equivalents at the end of the year of Rs. 7000.

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	2
---	---	---	---

 Date Month Year

2. Capital raised during the year

(Amount in Rupees thousand)

Public Issue

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

Rights Issue

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

Bonus Issue

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

Private Placement

		1	0	9	9	9	9	3
--	--	---	---	---	---	---	---	---

3. Position of Mobilization and Deployment of Funds

(Amount in Rupees thousand)

Total Liabilities

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

Sources of Funds

Paid-up Capital

		1	0	9	4	4	2	2
--	--	---	---	---	---	---	---	---

Secured Loans

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

Application of Funds

Net Fixed Assets and WIP

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

Net Current Assets

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

Accumulated Losses

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

Total Assets

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

Reserves and Surplus

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

Unsecured Loans

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

Investments

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

Miscellaneous Expenditure

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

4. Performance of the Company

(Amount in Rupees thousand)

Turnover

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

Profit/(Loss) before Tax

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

Earnings per Share in Rupees

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

Total Expenditure

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

Profit / (Loss) after Tax

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

Dividend Rate %

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

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

KALPANA MORPARIA
Director

S. MUKHERJI
Director

SANDEEP BAKSHI
Managing Director & CEO

RAKESH JAIN
Head Finance & Accounts

Mumbai
April 29, 2002

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' and shareholders' funds. In view of the above, it is not possible to give the information required in Part 3 and Part 4 of this schedule.