

AUDITORS' REPORT

The Members of  
Agriculture Insurance Company of India Ltd.

1. We have audited the attached Balance Sheet of AGRICULTURE INSURANCE COMPANY OF INDIA LTD. as at 31<sup>st</sup> March 2006, the annexed Miscellaneous Insurance Revenue Account of Crop Insurance and Profit and Loss Account and Cash Flow Statement for the year ended on that date, in which are incorporated returns of seventeen Regional Offices audited by the other firms of Chartered Accountants. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. The Balance Sheet, the Profit and Loss Account and the Revenue account have been drawn in accordance with the provisions of Section 11(1) of the Insurance Act, 1938 read with the provisions of sub sections (1), (2) and (5) of Section 211 and sub section (5) of Section 227 of the Companies Act, 1956 and also as per the provisions of Insurance Regulatory and Development Authority (IRDA) Act, 1999.
3. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
4. We report that :
  - (i) ***The Company had been nominated as the Implementing Agency for National Agricultural Insurance Scheme by the Ministry of Agriculture from April 1, 2003 vide its letter ref. No. 13011/02/2003-Credit II dated October 22, 2003. Assets amounting to Rs.589,566 thousands and Liabilities amounting to Rs. 4,500,329 thousands of crop insurance business as given by GIC of India were accounted for by the Company without any formal agreement/ scheme of arrangement between the Companies and without obtaining approval from the Government of India. In view of the aforesaid, claims paid for the period prior to April 1, 2003 aggregating to Rs. 1271 thousands has been debited to the Revenue account and cannot be substantiated.***
  - (ii) ***Balance of amount due from GIC of India as at March 31, 2006, aggregating to Rs. 139,861 thousands is pending reconciliation. (Refer Note no 2.2 of 'Notes forming part of accounts' of Annexure II to the Balance Sheet).***

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- (iii) *Non compliance of Employees Provident Fund and Miscellaneous Provisions Act, 1952 to the extent that deduction has been made at the rate of 10% instead of 12% as prescribed by the Act and non deposit of the same with relevant authorities.*
- (iv) *Fixed Assets Register maintained by Head office is not as per statutory requirements.*
- (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and found them satisfactory;
- (b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of those books.
- (c) In our opinion, proper returns, audited, from other regional cells have been received and are adequate for the purpose of our audit.
- (d) The company's Balance Sheet, Revenue Account and Profit and Loss Account and Cash flow statement dealt with by this report are in agreement with the books of account and returns.
- (e) The actuarial valuations of liabilities, as at the year end, are duly certified by the Appointed Actuary. We have relied upon such certification for forming our opinion on the financial statement of the company.
- (f) As per General Circular No. 8/2002 dated 22/08/2002 of the Department of Company Affairs, the nominee directors appointed on the board of the company by public financial institutions, within the meaning of section 4A of the Companies Act, 1956 and Central Government are exempt from the applicability of the provisions of Section 274 (1) (g) of the Companies Act, 1956.
- (g) In our opinion, the Balance Sheet, Revenue Account and Profit & Loss Account comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956, to the extent applicable to the Company and are also in conformity with the accounting principles as prescribed in the IRDA Regulations.
- (h) In our opinion, the investments have been valued in accordance with the provisions of the Insurance Act, 1938 and the applicable IRDA Regulations, 2002.
- (i) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and notes thereon are prepared and give the information as required by the Insurance Act, 1938, the Insurance Regulatory and Development Authority Act, 1999 and the Companies Act, 1956 to the extent applicable and in the manner so required and *subject to paragraph:*
- 4.(i) to 4.(iv) the consequential effect on Revenue Account, Profit & Loss Account, Assets, Liabilities and Reserves and Surplus as on 31.03.2006 in respect of paragraph 4.(i) to 4.(iii) being unascertainable and***

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give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Balance Sheet of the state of affairs of the Company as at 31<sup>st</sup> March, 2006.
- (ii) in the case of the Revenue Account, of the surplus in Miscellaneous insurance business for the year ended on 31<sup>st</sup> March, 2006.
- (iii) in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on 31<sup>st</sup> March, 2006.
- (iv) in the case of Cash Flow Statement, of the cash flow for the year ended on 31<sup>st</sup> March, 2006.

5. Further, we certify that:

- (a) We have reviewed the management report and there is no apparent mistake or material inconsistency with the financial statements
- (b) As per information and explanations given by the management, the terms and conditions as laid down in Section 3(4) of the Insurance Act, 1938 regarding registration have been complied with.
- (c) To the best of our information and explanations given to us and representations made by the company, the company is not a trustee of any trust.
- (d) We have verified the cash and bank balances, investments on the following basis:

Cash: Physical verification and Branch Auditors report.

Bank Balance: Bank certificate and Branch Auditors report.

Investments: Custodian certificate and Management certificate.

- (e) To the best of our information and explanations given to us and on the basis of representations made by the company, no part of the assets of the policyholders' funds has been directly or indirectly applied in contravention of the provisions of the Insurance Act, 1938 relating to the application and investments of the policyholder's funds.

Place: New Delhi

Date: 29.08.2006

For J.P., KAPUR & UBERAI

CHARTERED ACCOUNTANTS

(VINAY JAIN)

PARTNER

M. No. 95187