

# ICICI PRUDENTIAL LIFE INSURANCE COMPANY LIMITED

## 5TH ANNUAL REPORT AND ACCOUNTS 2004-2005

### Directors

K. V Kamath, *Chairman*

Mark Norbom

Lalita D. Gupte

Kalpna Morparia

Chanda Kochhar

Kevin Holmgren

M. PModi

R. Narayanan

Shikha Sharma, *Managing Director*

### Risk Management & Audit Committee

M. PModi, *Chairman*

Kevin Holmgren

Kalpna Morparia

### Investment Committee

Lalita D. Gupte, *Chairperson*

Kevin Holmgren

Shikha Sharma

Puneet Nanda

Sandeep Batra

V Rajagopalan

### Governance Committee

Lalita D. Gupte

Kevin Holmgren

Shikha Sharma

### Registered Office

ICICI PruLife Towers,  
1089, Appasaheb Marathe Marg,  
Prabhadevi,  
Mumbai - 400 025.

### Grievance Redressal Committee

R. Narayanan, *Chairman*

Anita Pai

Sandeep Batra

V Rajagopalan

### Executive Committee

Shikha Sharma

Anita Pai

Dipan Bhattacharyya

Puneet Nanda

Sandeep Batra

Shubhro Mitra

V Rajagopalan

### Joint Auditors

BSR & Co.

(formerly Bharat S. Raut & Co.)

Chartered Accountants

S. R. Batliboi & Co.

Chartered Accountants

## directors' report

### to the members

Your Directors have pleasure in presenting the Fifth Annual Report of ICICI Prudential Life Insurance Company Limited (ICICI Prudential Life) with the audited statement of accounts for the year ended March 31, 2005.

### Operational Review & Outlook

The performance for fiscal 2005 is summarised below:

Particulars	(Rs. Billion)	Fiscal 2004	Fiscal 2005
No. of new Policies (in '000)		436	615
<b>Financials:</b>			
Premium Income		9.89	23.63
<i>of which</i>			
- New business premium (including Single Premium)		7.51	15.84
- Renewal Premium		2.38	7.79
Total Income		10.67	24.80
Sum Assured in force-			
- Basic Policy		111.77	197.03
- Total (Basic + Riders)		170.04	277.88
Retail Annualized Premium Equivalent (APE)		6.97	12.44
Funds under Management (FUM)		16.64	38.31
<i>of which</i> Group business FUM		0.07	1.20
Conservation Ratio <sup>#</sup>		90%	90%
Expense Ratio *		26%	17%
<b>Sales &amp; Distribution Strength:</b>			
<b>Geographical Spread:</b>			
- No. of Branches		70	107
- No. of Locations		54	74
No. of Advisors		32,700	56,600

<sup>#</sup> Conservation Ratio = Current year renewal premiums/(previous year new business regular premium + previous year's renewal premium)

\* Expense Ratio = All expenses (excluding commission and front line sales cost)/(Total income - 90% of single premium - 50% of limited pay premium)

The details of Surplus/(Deficit) in Revenue/Profit & Loss Accounts before transfer from Shareholders' funds are as under:

Particulars	(Rs. Billion)	Fiscal 2004	Fiscal 2005
Participating		(0.56)	0.32
Non-participating		(0.09)	0
Linked		(1.72)	(2.33)
Shareholders		0.15	0.22
Total @		<u>(2.22)</u>	<u>(2.08)</u>

@ Assuming credit to shareholders of 10% of surplus in participating funds.

The Company has succeeded in maintaining its high rate of growth even with a large base. For the financial year ended March 31, 2005, the Company received more than Rs. 15.84 bn of new business premium, which was more than double that of last year, for a total sum assured of Rs. 107.84 bn. Another significant highlight of the year has been the renewal premium stream of Rs. 7.79 bn reflecting the quality of the business. We believe that increasing renewal premiums alongwith declining expense ratio will be the key drivers of the Company's profitability. At the end of the financial year, the par assurances and par pensions business have started showing surpluses.

ICICI Prudential has continued to retain its position as the No. 1 private life insurer in the country, a position it has held since inception. This is reflected in the Company's healthy retail market share of 34% in terms of new business premium income amongst the private life insurers.

Having issued over 600,000 policies during the year, the total number of policies issued by the Company now stands at more than 1.3 million as at March 31, 2005.

The focus for the next few years will be to pursue profitability while continuing to build scale. An increasing renewal premium coupled with a declining expense ratio will be the key drivers towards a profitable growth.

### Dividend

In view of the loss, the Directors are unable to recommend any dividend.

### Customer service and reach

In order to give the customer convenience of access, multiple channels have been set up for servicing of customers. Both customers and advisors can walk into our network of 107 branches across 74 locations, call into our national call centre, or write emails and letters to us. In addition, we also reach customers proactively through calling, sending of emails and SMS. There has also been

# directors' report



Continued

significant focus on enabling the customer to self-service using our website, where the customer can now view most of his policy information and update certain personal data.

Over the past four years, the Company has implemented a Six Sigma program across all customer-facing processes. This has resulted in ongoing measurement and improvements in all elements of policy issuance and servicing which are important to customers, such as turnaround times and complaint resolution.

This combination of a robust service infrastructure, the Six Sigma approach and our Customer First philosophy will provide the foundation for building a world class service organization.

## New Business Initiatives

The Company launched several initiatives aimed at creating alternate distribution channels as well as expanding its horizon.

The Company launched on-line sale of its pensions policies (with zero death benefits), thus making available another channel of delivering the products. The entire process aims at empowering those customers who prefer to conduct on-line transactions at their convenience.

The Company has also identified certain cities with potential for providing insurance solutions to high-networth individuals. New offices have been opened for this HNI target audience, keeping in mind their specific needs.

## Products & Distribution

The continued success of the business is on the back of a strategy that drives both value and volume growth. The Company accomplished this by simultaneously expanding distribution to get closer to the customer and offering them products that meets their requirements.

Continuing innovation in product development has resulted in a wide range of flexible products that meet the needs of the customer at every stage in his life. Insurance is a necessary element of complete financial portfolio of any individual and to cater to the need, our range of 29 products span traditional and ULIP across the categories of protection, child, endowment, capital guarantee, pension and group solutions.

During the year under review, the Company launched a range of products to cater to the needs of customers wanting the advantage of linked plans with capital guarantee. The Company also upgraded its existing range of products in linked category, thereby giving more value to the customer.

The retail product mix during the year 2004-05 was as under:

Product type	Mix in terms of APE	
	Fiscal 2004	Fiscal 2005
Participating	12.4%	7.3%
Non-participating	0.7%	0.5%
Participating - Pensions	1.5%	0.5%
Linked	57.8%	71.0%
Linked - Capital Guarantee	1.3%	1.7%
Linked - Pension	26.3%	19.0%
Total	<u>100.0%</u>	<u>100.0%</u>

In Group business, the Company launched Leave Encashment Plan and group immediate annuity solution. It also introduced term product which can be availed by employers in lieu of the statutory Employees' Deposit Linked Insurance.

The Company has become 2<sup>nd</sup> largest insurer in private space in terms of funds received during FY2004-05 in the Group business segment, though the Company was a late entrant in the Group segment.

## Claims

We believe that efficient claims settlement is the ultimate service that we provide to our policyholders and have accordingly developed process to ensure that

payment of genuine claims happen at the earliest, but at the same time weeds out false claims to protect the interests of our policyholders.

During the year, the Company received over 1,100 claims for Rs. 115 million. Over 85% of the claims were settled within 8 days of receiving complete documentation.

## Corporate Governance

The Corporate Governance statement is given in Annexure I to this Report.

## Social Responsibility

The Company has issued more than 100,000 policies in rural areas, amounting to over 16% of total policies issued by the Company during the year under review. The Company also covered more than 20,000 lives falling within the norm of 'social' business.

The Company shared its achievement of one-million policy issuance landmark by gifting SmartKid policies to 50 under-privileged children. These policies will help in continuing education of these children.

## Directors

In accordance with the provisions of the Companies Act, 1956, read with the Articles of Association of the Company, Mahesh PModi and R. Narayanan will retire by rotation at the ensuing Annual General Meeting.

The above Directors are eligible for re-appointment.

Shikha Sharma was appointed as Managing Director of the Company for a period of 5 years effective July 25, 2000. Given her significant contribution in providing leadership to the Company and her role in its success, the Board at its meeting held on April 25, 2005, have decided to recommend her re-appointment for a period of 5 years effective July 25, 2005 subject to regulatory and shareholders' approvals.

## Human Resources & Employees Stock Option Scheme

The Company had over 5,100 employees as at March 31, 2005.

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 relevant particulars of the employees are set out in Annexure 2 to the Directors' Report.

The Company has introduced an Employees Stock Option Scheme-2005 which aims to enhance employee motivation by ushering in an 'owner-manager' culture, thereby enabling employees to participate in the long term growth and financial success of the Company.

## Increase in Share Capital

The parent organizations, ICICI Bank Limited and Prudential Plc, UK continue to support the strong growth by infusing further Rs. 250 mn as capital during the year. At Rs. 9.25 bn paid-up capital as at March 31, 2005 ICICI Prudential is the highest capitalized life insurance company in India, signifying the confidence of its shareholders.

## Public Deposits

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

## Auditors

The Joint Statutory Auditors, M/s. BSR & Co, Chartered Accountants and M/s. S. R. Batliboi & Co, Chartered Accountants, were re-appointed at the last Annual General Meeting to hold office upto the ensuing 15<sup>th</sup> Annual General Meeting.

IRDA mandates that one of the joint statutory auditors should not be re-appointed after completion of 4 years, and in respect of the other joint auditor, this period is fixed at 5 years. In view of this regulatory requirement, M/s. BSR & Co have become ineligible for re-appointment, and hence the Company now proposes to appoint a new Joint Statutory Auditor - M/s Haribhakti & Co, alongwith the other Joint Statutory Auditor M/s. S. R. Batliboi & Co.

The Company has obtained certificates as required under Section 224(1B) of the Companies Act, 1956 from the proposed auditors to the effect that appointment/re-appointment of joint statutory auditors, if made, would be in conformity with the limits specified in that Section.

You are requested to consider their appointment.

## Additional Information

In view of the nature of activity of the Company, the information relating to the conservation of energy and technology absorption, as required under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is not required to be given. Details about foreign exchange earnings and outgo required under above Rules are as under:

Particulars	(Rs. Million)	
	Fiscal 2004	Fiscal 2005
Foreign Exchange Earnings & Outgo		
- Earnings	1	1
- Outgo	35	57

## Directors' Responsibility Statement

Your Directors confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed;
2. the Directors 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 loss of the Company for that period;

3. the Directors 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. the Directors have prepared the annual accounts on a going concern basis.

## Acknowledgements

The Board places on record its sincere appreciation for the faith and confidence reposed by our esteemed policyholders, banks, ICICI Bank and Prudential group.

We would also like to express our gratitude for the valuable advice, guidance and support received from time to time from the Insurance Regulatory & Development Authority, the Reserve Bank of India, the auditors and the statutory authorities.

We would also like to place on record our appreciation for the contribution made by all the employees, advisors and Bancassurance and Alliance partners in the excellent performance of the Company and expect their continuing involvement, commitment and dedication.

For and on behalf of the Board

Mumbai, April 25, 2005

K.VKAMATH  
Chairman

# annexure 1 to directors' report



## Corporate Governance Statement

### a) Board of Directors

Composition: The Board of Directors of the Company comprises of 9 Directors – 4 have been nominated by ICICI Bank Limited, 2 have been nominated by Prudential Plc, 2 directors are Independent Directors and a Managing Director. The Chairman of the Board and all other Directors (except the Managing Director) are Non-Executive Directors.

Segregation between Chairman and Managing Director: There is a clear segregation of responsibility and authority between the Chairman and the Managing Director. The Board of Directors is responsible for overall Corporate Strategy and other Board related matters. The Managing Director oversees implementation of strategy, achievement of the business plan and day-to-day activities and operations related issues.

Executive and Independent Directors: The Board comprises of appropriate mix of Executive, Non-Executive and Independent Directors to maintain the professionalism and independence of the Board and to separate the functions of governance and management. The Independent Directors are eminent personalities with significant expertise in finance and insurance. None of the Directors are related to any other director or employee of the Company.

Meetings and Review: The Board meetings of the Company are scheduled well in advance. The agenda of meetings include formulation and review of strategy, annual operating business plans, and updates thereon, Investment Policy, regulatory reporting and Risk and audit review and issues. The information relating to above is supplied as part of agenda papers or tabled at the meeting.

The Board has complete access to any information within the Company and to any employee of the Company. The Board invites the senior management team at its meetings to provide additional insights.

During the year under review, the Board met 5 times.

### b) Board Committees

The Board has 3 committees, the details on which are as follows:

Risk Management and Audit Committee: This Committee is responsible for oversight of risk management, financial reporting and the internal control systems. Key terms of reference of this Committee include directing and overseeing the audit plan, review of financial statements, review of findings of internal and statutory auditors, recommend appointment of statutory auditors, and fix their remuneration, and review quarterly compliance certificate. The Committee is chaired by M. Modi – an Independent Director, and includes Kevin Holmgren and Kalpana Morparia. The Committee met 4 times during the year under review.

Governance Committee: The terms of reference of this Committee include nominating directors to the Board, fixing their remuneration and approving executive compensation program. The Members of this Committee are Lalita D. Gupte, Kevin Holmgren and Shikha Sharma. The Committee met 2 times during the year under review.

Investment Committee: This Committee recommends and reviews investment policy and changes thereto, reviews investments and oversees the risk management framework for investments. The Committee is chaired by Lalita D. Gupte and the other members are Kevin Holmgren and Shikha Sharma. The Committee met 3 times during the year under review.

### c) Grievance Redressal Committee

The Grievance Redressal Committee is chaired by R. Narayanan – an independent Director, with 3 other members from senior management. The Committee's objective is to provide accessible machinery to the policyholders for settlement of their grievances. The Committee ensures

a fair and expeditious complaint handling system. It also provides feedback to management for systems review, where required.

### d) Whistle Blower Policy

The Company has a Whistle Blower Policy that is designed to provide its employees a channel for communicating any issues in the areas of breaches of the Code of conduct, legal violation and irregularities in accounting policies and procedures.

### e) Risk Management Framework

Investment Risk: Your Company believes that any sound investment policy should have following key elements – safety, return and compliance. The investment strategy is guided by prudent risk management techniques and effective asset-liability management principles.

The Company's Asset-Liability Management (ALM) framework is designed to cushion and mitigate the investment related risks of assets. The Assets under Management for the linked portfolio, in respect of which there is minimal asset-liability mismatch risk, amounts to over 77% of the policyholders' funds. Non-linked products are offered in both segments – non-participating and participating. The former are the single premium investment products and pure protection products. While the investment risk on protection products is minimal, it is the mortality risk that is dominant. For the participating products, the investment risk is high and is shared between the policyholders and the shareholders.

As part of ALM of non-linked portfolio, the Company has hedged the single premium non-participating portfolio by duration matching, rebalanced monthly. On the participating portfolio, the Company's asset allocation strategy, which includes investments in equities, is designed to achieve the twin objectives of managing base guarantees and maximizing bonus. The equity portfolio is benchmarked against BSE 100. In addition, there are strict exposure limits to companies, groups and industries.

Risk Management for Capital Guarantee products – Capital Guarantee has been provided for individual products and also for Group Gratuity and Superannuation products, for which the risk management framework is as follows:

- For the individual products, the guarantee is increased at the end of each year by a declared amount based on the investment performance during the year. The guarantee is effective only on death or maturity and not on surrendering the policy. The cost of providing the guarantee has been priced into the product. The asset portfolio will have to be managed keeping in view the expected liability flows from these products.
- On the Group Gratuity product, the guarantee is applicable on withdrawal of the scheme. The guarantee is to the extent of contributions made to the fund less any withdrawals from the fund. The cost of this guarantee is minimal as the guarantee is applicable only after three years and investments are in short term debt securities and money market instruments. The cost of providing the guarantee has been priced into the product.

Operational Risks - The Management assesses and rates the various operational risks and prepares a mitigating plan. This is also regularly reviewed by the Risk Management and Audit Committee.

### f) Transparency in Financial Reporting

As stated last year, the Company is unequivocal in its commitment to maintain transparency in financial reporting. The Company has voluntarily reported New Business Achieved Profits (NBAP) and its portfolio of unit linked business.

# auditors' report

to the members of ICICI Prudential Life Insurance Company Limited

We have audited the attached Balance Sheet of ICICI Prudential Life Insurance Company Limited ('the Company') as at March 31, 2005, and the related Revenue Account, 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 management of the Company. 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. These 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 Account, the Profit and Loss Account and the Receipts and Payments 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 ('the Regulations') read with Section 211 of the Companies Act, 1956.

We report that:

- 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;
- In our opinion and to the best of our information and according to the explanations given to us, proper books of account as required by law have been maintained by the Company so far as appears from our examination of those books;
- As the Company's financial accounting system is centralized, no returns for the purpose of our audit are prepared at the branches of the Company;
- The Balance Sheet, the Revenue Account, the 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 for life policies in force is the responsibility of the Company's Appointed Actuary ('the Appointed Actuary'). The actuarial valuation of liabilities for policies in force as at March 31, 2005 has been duly certified by the Appointed Actuary. The Appointed Actuary has also certified that, the assumptions for such valuation are in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority ('IRDA') and the Actuarial Society of India in concurrence with the IRDA. We have relied upon the Appointed Actuary's certificate in this regard;
- On the basis of the written representations received from the Directors of the Company, as on March 31, 2005 and taken on record by the Board of Directors, no Director of the Company is disqualified as on March 31, 2005 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 explanations given to us, we further report that:

- Investments of the Company have been valued in accordance with the provisions of the Insurance Act, 1938 and the Regulations and/or orders/directions issued by IRDA in this behalf;
- The accounting policies selected by the Company are appropriate and are in compliance with applicable accounting standards referred to under sub-section (3C) of section 211 of the Companies Act, 1956 and with accounting principles, as prescribed in the Regulations and/or orders/directions issued by IRDA in this behalf;
- The Balance Sheet, the Revenue Account, the Profit and Loss Account and the Receipts and Payments Account referred to in this report are in compliance with the accounting standards referred to under sub-section (3C) of section 211 of the Companies Act, 1956; and
- The Balance Sheet, the Revenue Account, the Profit and loss Account and the Receipts and Payments Account together with the notes thereon and attached thereto are prepared in accordance with the requirements of the Regulations, 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 give a true and fair view in conformity with accounting principles generally accepted in India as applicable to insurance companies:
  - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2005;
  - (ii) in the case of the Revenue Account, of the deficit (before shareholders' contribution from Profit and Loss account) and surplus, as the case may be, for the year ended on that date;
  - (iii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
  - (iv) in the case of the Receipts and Payments Account, of the receipts and the payments for the year ended on that date.

Further, on the basis of our 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, 2005 and there is no apparent mistake or material inconsistency with the financial statements; and
- Based on information and explanations received during the normal course of our audit and management representation and compliance certificates noted by the Risk Management and Audit Committee of the Company, 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.  
(formerly Bharat S Raut & Co)  
*Chartered Accountants*

AKEEL MASTER  
*Partner*  
Membership No. 046768  
*Mumbai, 25 April 2005*

For S. R. BATLIBOI & CO.  
*Chartered Accountants*

perHEMAL SHAH  
*Partner*  
Membership No. 42650  
*Mumbai, 25 April 2005*

## 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 account and other records maintained by ICICI Prudential Life Insurance Company Limited ('the Company') for the year ended March 31, 2005, we certify that:

- We have verified the cash balances at the year end, to the extent considered necessary, and securities relating to the Company's loans and investments by actual inspection or on the basis of certificates/confirmations received from the custodians and/or Depository Participants appointed by the Company, as the case may be. As at March 31, 2005, the Company does not have reversions and life interests;
- The Company is not a trustee of any trust; and
- No part of the assets of the policyholders' funds have been directly or indirectly applied in contravention of the provisions of the Insurance Act, 1938 relating to the application and investments of the policyholders' funds.

This certificate is issued to comply with Schedule C of 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.  
(formerly Bharat S Raut & Co)  
*Chartered Accountants*

AKEEL MASTER  
*Partner*  
Membership No. 046768  
*Mumbai, 25 April 2005*

For S. R. BATLIBOI & CO.  
*Chartered Accountants*

perHEMAL SHAH  
*Partner*  
Membership No. 42650  
*Mumbai, 25 April 2005*



# revenue account



for the year ended March 31, 2005

Form A-RA

Name of the Insurer: ICICI Prudential Life Insurance Company Limited

Registration No. and Date of Registration with the IRDA : Regn. No. 105 dated 24.11.2000

(Rs. in '000s)

Policyholders' Account (Technical Account)								
Particulars	Schedule	Participating	Non-Participating	Annuities Participating	Linked	Linked Pension	Linked Group	Total
Premiums earned-net								
(a) Premium	1	2,448,661	167,406	573,033	14,884,848	4,451,552	1,112,672	23,638,172
(b) Reinsurance ceded		(3,220)	(23,881)	(305)	(10,714)	(57)	—	(38,177)
Income from Investments								
(a) Interest & Dividend (Gross)		211,556	77,421	82,813	8,249	3,789	44	383,872
(b) Profit on sale/redemption of investments		76,678	12,555	23,864	10	—	—	113,107
(c) Loss on sale/redemption of investments		(16,265)	(21)	(8,805)	—	—	—	(25,091)
(d) Transfer/Gain on revaluation/change in fair value		76,422	60	32,198	—	—	—	108,680
Other income:								
Contribution from the Shareholders a/c		—	3,630	—	1,665,951	630,917	32,976	2,333,474
Linked Income		—	—	—	398,750	88,249	3,227	490,226
Fees and Charges		292	592	30	11,141	11,574	—	23,629
Total (A)		2,794,124	237,762	702,828	16,958,235	5,186,024	1,148,919	27,027,892
Commission	2	382,505	26,331	23,143	1,135,471	211,413	701	1,779,564
Operating Expenses related to Insurance Business	3	598,877	96,907	47,019	2,750,142	1,085,304	37,875	4,616,124
Provision for Taxation		—	—	—	—	—	—	—
Total (B)		981,382	123,238	70,162	3,885,613	1,296,717	38,576	6,395,688
Benefits Paid (Net)	4	90,514	40,019	10,512	33,834	4,082	646	179,607
Interim Bonus Paid		—	—	—	—	—	—	—
Change in valuation of liability in respect of life policies		1,618,115	74,505	408,780	98,064	45,223	1,977	2,246,664
Transfer to Linked Fund		—	—	—	12,940,724	3,840,002	1,107,720	17,888,446
Total (C)		1,708,629	114,524	419,292	13,072,622	3,889,307	1,110,343	20,314,717
SURPLUS/(DEFICIT) (D) = (A)-(B)-(C)		104,113	—	213,374	—	—	—	317,487
APPROPRIATIONS								
Insurance reserve at the beginning of the year		—	—	—	—	—	—	—
Transfer to Shareholders a/c		—	—	—	—	—	—	—
Funds available for future appropriations - Policyholders		93,702	—	192,037	—	—	—	285,739
Funds available for future appropriations - Shareholders		10,411	—	21,337	—	—	—	31,748
Total (D)		104,113	—	213,374	—	—	—	317,487
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS	16							

for the year ended March 31, 2004

Policyholders' Account (Technical Account)

Particulars	Schedule	Participating	Non-Participating	Annuities Participating	Linked	Linked Pension	Linked Group	Total
Premiums earned - net								
(a) Premium	1	1,796,424	119,902	525,753	4,958,194	2,420,905	71,580	9,892,758
(b) Reinsurance ceded		(1,634)	(13,629)	(198)	(3,597)	(17)	—	(19,075)
Income from Investments								
(a) Interest & Dividend (Gross)		134,699	73,767	50,953	3,047	3,074	27	265,567
(b) Profit on sale/redemption of investments		165,030	448	66,014	—	—	—	231,492
(c) Loss on sale/redemption of investments		(1,380)	(70)	(523)	—	—	—	(1,973)
(d) Transfer/Gain on revaluation/change in fair value		(10,273)	—	(1,265)	—	—	—	(11,538)
Other income:								
Contribution from the Shareholders a/c		464,766	93,396	92,378	1,273,134	425,064	19,008	2,367,746
Linked Income		—	—	—	126,176	40,247	197	166,620
Fees and Charges		323	64	38	1,434	489	—	2,348
Total (A)		2,547,955	273,878	733,150	6,358,388	2,889,762	90,812	12,893,945
Commission	2	277,801	14,532	29,394	475,825	158,596	50	956,198
Operating Expenses related to Insurance Business	3	531,314	60,833	76,246	1,534,464	650,745	19,162	2,872,764
Provision for Taxation		108,788	14,736	—	2,158	—	—	125,682
Total (B)		917,903	90,101	105,640	2,012,447	809,341	19,212	3,954,644
Benefits Paid (Net)	4	34,258	28,826	6,237	10,603	1,527	156	81,607
Interim Bonus Paid		—	—	—	—	—	—	—
Change in valuation of liability in respect of life policies		1,595,794	154,951	621,273	99,164	12,490	615	2,484,287
Transfer to Linked Fund		—	—	—	4,236,174	2,066,404	70,851	6,373,429
Total (C)		1,630,052	183,777	627,510	4,345,941	2,080,421	71,622	8,939,323
SURPLUS/(DEFICIT) (D) = (A)-(B)-(C)		—	—	—	—	—	(22)	(22)
APPROPRIATIONS								
Insurance reserve at the beginning of the year		—	—	—	—	—	22	22
Transfer to Shareholders a/c		—	—	—	—	—	—	—
Funds available for future appropriations — Policyholders		—	—	—	—	—	—	—
Funds available for future appropriations — Shareholders		—	—	—	—	—	—	—
Total (D)		—	—	—	—	—	—	—
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS	16							

As required by Section 40-B(4) of the Insurance Act, 1938 we certify that all expenses of Management in respect of life insurance business transacted in India by the Company have been fully debited to the Policyholders' Revenue Account as expenses.

Schedules referred to herein form an integral part of the Policyholders' Revenue Account.

As per our report of even date attached

For BSR & CO.  
(Formerly Bharat S Raut & Co.)  
Chartered Accountants

For S.R. BATLIBOI & CO.  
Chartered Accountants

K.V KAMATH  
Chairman

KEVIN HOLMGREN  
Director

M.P MODI  
Director

AKEEL MASTER  
Partner  
Membership No. 46768

perHEMAL SHAH  
Partner  
Membership No. 42650

SHIKHA SHARMA  
Managing Director

SANDEEP BATRA  
Chief Financial Officer  
& Company Secretary

V RAJAGOPALAN  
Appointed Actuary

Mumbai, April 25, 2005

# profit and loss account balance sheet

for the year ended March 31, 2005

as at March 31, 2005

Form A-PL

Name of the Insurer: ICICI Prudential Life Insurance Company Limited

Registration No. and Date of Registration with the IRDA : Regn. No. 105 dated 24.11.2000

Form A-BS

(Rs. in '000s)

Particulars	Schedule	March 31, 2005	March 31, 2004	Particulars	Schedule	March 31, 2005	March 31, 2004
Shareholders' Account (Non-Technical Account)			(Rs. in '000s)	SOURCES OF FUNDS			
Income From Investments				SHAREHOLDERS' FUNDS:			
(a) Interest & Dividend (Gross)		96,303	97,455	SHARE CAPITAL	5	9,250,000	6,750,000
(b) Profit on sale/redemption of investments		31,303	47,713	Reserve And Surplus	6	—	—
(c) Loss on sale/redemption of investments		(15,646)	(1,772)	Credit/(Debit) Fair Value Change Account - Net		99	451
(d) Transfer/Gain on revaluation/ change in fair value		451	89	Sub-Total		<u>9,250,099</u>	<u>6,750,451</u>
Fees for professional services		1,002	1,098	BORROWINGS	7	—	—
Other Income		53	—	POLICYHOLDERS' FUNDS			
Total (A)		<u>113,466</u>	<u>144,583</u>	Credit/(Debit) Fair Value Change Account - Net		207,389	133,340
Expense other than those directly related to the insurance business	3A	4,087	15,856	Policy Liabilities			
Bad Debts written-off		—	—	- Participating Business		4,724,422	3,106,307
Amounts transferred to Policyholder's Account (Technical Account)				- Non-Participating Business		1,187,740	1,113,235
Participating Business		—	464,766	- Annuities Participating Business		1,687,259	1,278,479
Non-Participating Business		3,630	93,396	- Linked Business		229,363	131,299
Annuities Participating Business		—	92,378	- Linked Pension Business		103,521	58,298
Linked Business		1,665,951	1,273,134	- Linked Group Business		2,997	1,020
Linked Pension Business		630,917	425,064	Insurance Reserves		—	—
Linked Group Business		32,976	19,008	Provision for linked liabilities		<u>26,540,603</u>	<u>8,650,003</u>
Provisions (other than taxation)				Sub-Total		<u>34,683,294</u>	<u>14,471,981</u>
(a) For diminution in value of investments (net)		—	—	Funds for Future Appropriations			
(b) Provision for doubtful debts		—	—	- Policyholders		93,702	—
(c) Others		—	—	- Participating Business		192,037	—
Total (B)		<u>2,337,561</u>	<u>2,383,602</u>	- Annuities Participating Shareholders		31,748	—
Profit/(Loss) before Tax		(2,224,095)	(2,239,019)	Total		<u>44,250,880</u>	<u>21,222,432</u>
Provision for Taxation - Deferred (Refer note 3.13 of Schedule 16)		107,885	23,337	APPLICATION OF FUNDS			
Profit/(Loss) after Tax		(2,116,210)	(2,215,682)	Investments			
APPROPRIATIONS				- Shareholders'	8	3,209,483	2,185,302
(a) Balance at the beginning of the year		(4,740,743)	(2,525,061)	- Policyholders'	8A	8,045,425	5,744,915
(b) Interim dividends paid during the year		—	—	Assets held to cover linked liabilities	8B	26,540,603	8,650,003
(c) Proposed final dividend		—	—	Loans	9	25,225	21,619
(d) Dividend distribution on tax		—	—	Fixed Assets	10	630,124	548,131
(e) Transfer to reserves/other accounts		—	—	Deferred Tax Asset (Refer note 3.13 of Schedule 16)		107,885	—
Profit/(Loss) carried to Balance Sheet		(6,856,953)	(4,740,743)	Current Assets			
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS	16			Cash and Bank Balances	11	1,995,868	503,204
Schedules referred to herein form an integral part of the Shareholders' Account.				Advances and Other Assets	12	714,360	466,446
				Sub-Total (A)		<u>2,710,228</u>	<u>969,650</u>
				Current Liabilities	13	3,790,890	1,618,419
				Provisions	14	84,156	19,512
				Sub-Total (B)		<u>3,875,046</u>	<u>1,637,931</u>
				Net Current Assets (C) = (A-B)		<u>(1,164,818)</u>	<u>(668,281)</u>
				MISCELLANEOUS EXPENDITURE			
				(to the extent not written-off or adjusted)	15	—	—
				Debit Balance in Profit & Loss Account (Shareholders' Account)		6,856,953	4,740,743
				Total		<u>44,250,880</u>	<u>21,222,432</u>
				SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS	16		
				Schedules referred to herein form an integral part of the Balance Sheet.			

As per our report of even date attached

For BSR & CO.  
(Formerly Bharat S Raut & Co.)  
Chartered Accountants

For S.R. BATLIBOI & CO.  
Chartered Accountants

K.V KAMATH  
Chairman

KEVIN HOLMGREN  
Director

M.P. MODI  
Director

AKEEL MASTER  
Partner  
Membership No. 46768  
Mumbai, April 25, 2005

perHEMAL SHAH  
Partner  
Membership No. 42650

SHIKHA SHARMA  
Managing Director

SANDEEP BATRA  
Chief Financial Officer  
& Company Secretary

V RAJAGOPALAN  
Appointed Actuary

# schedules



forming part of the financial statements

(Rs. in '000s)

## SCHEDULE – 1 PREMIUM

Particulars	March 31, 2005						Total
	Participating	Non-Participating	Annuities Participating	Linked	Linked Pension	Linked Group	
First year Premiums	811,533	58,563	58,489	10,308,300	2,209,668	1,096,471	14,543,024
Renewal Premiums	1,637,128	87,637	514,544	3,457,195	2,082,042	16,201	7,794,747
Single Premiums	—	21,206	—	1,119,353	159,842	—	1,300,401
<b>Total Premium</b>	<b>2,448,661</b>	<b>167,406</b>	<b>573,033</b>	<b>14,884,848</b>	<b>4,451,552</b>	<b>1,112,672</b>	<b>23,638,172</b>
Premium Income from business written :							
In India	2,448,661	167,406	573,033	14,884,848	4,451,552	1,112,672	23,638,172
<b>Total Premium</b>	<b>2,448,661</b>	<b>167,406</b>	<b>573,033</b>	<b>14,884,848</b>	<b>4,451,552</b>	<b>1,112,672</b>	<b>23,638,172</b>

Particulars	March 31, 2004						Total
	Participating	Non-Participating	Annuities Participating	Linked	Linked Pension	Linked Group	
First year Premiums	802,169	45,635	110,151	3,535,310	1,726,356	71,559	6,291,180
Renewal Premiums	994,255	54,437	415,602	409,090	510,923	21	2,384,328
Single Premiums	—	19,830	—	1,013,794	183,626	—	1,217,250
<b>Total Premium</b>	<b>1,796,424</b>	<b>119,902</b>	<b>525,753</b>	<b>4,958,194</b>	<b>2,420,905</b>	<b>71,580</b>	<b>9,892,758</b>
Premium Income from business written :							
In India	1,796,424	119,902	525,753	4,958,194	2,420,905	71,580	9,892,758
<b>Total Premium</b>	<b>1,796,424</b>	<b>119,902</b>	<b>525,753</b>	<b>4,958,194</b>	<b>2,420,905</b>	<b>71,580</b>	<b>9,892,758</b>

## SCHEDULE – 2 COMMISSION EXPENSES

Particulars	March 31, 2005						Total
	Participating	Non-Participating	Annuities Participating	Linked	Linked Pension	Linked Group	
Commission							
Direct – First year Premiums*	274,453	20,888	5,583	993,795	178,842	629	1,474,190
– Renewal Premiums	108,052	5,179	17,560	133,581	31,725	—	296,097
– Single premiums	—	264	—	8,095	846	72	9,277
<b>Total (A)</b>	<b>382,505</b>	<b>26,331</b>	<b>23,143</b>	<b>1,135,471</b>	<b>211,413</b>	<b>701</b>	<b>1,779,564</b>
Add: Commission on Reinsurance Accepted	—	—	—	—	—	—	—
Less: Commission on Re-insurance Ceded	—	—	—	—	—	—	—
<b>Net Commission</b>	<b>382,505</b>	<b>26,331</b>	<b>23,143</b>	<b>1,135,471</b>	<b>211,413</b>	<b>701</b>	<b>1,779,564</b>
Break-up of the expenses (Gross) incurred to procure business							
Tied Agency	327,232	23,225	18,902	817,560	156,987	441	1,344,347
Corporate Agency	30,673	1,129	3,052	113,174	12,781	195	161,004
Brokers	2,674	386	36	22,546	2,203	65	27,910
Bancassurance	21,926	1,591	1,153	182,191	39,442	—	246,303
<b>Total Commission</b>	<b>382,505</b>	<b>26,331</b>	<b>23,143</b>	<b>1,135,471</b>	<b>211,413</b>	<b>701</b>	<b>1,779,564</b>

\* First year Commission includes total referral payments

Particulars	March 31, 2004						Total
	Participating	Non-Participating	Annuities Participating	Linked	Linked Pension	Linked Group	
Commission							
Direct – First year Premiums*	209,303	11,055	10,021	451,995	148,409	50	830,833
– Renewal Premiums	68,498	3,364	19,373	17,190	9,197	—	117,622
– Single premiums	—	113	—	6,640	990	—	7,743
<b>Total (A)</b>	<b>277,801</b>	<b>14,532</b>	<b>29,394</b>	<b>475,825</b>	<b>158,596</b>	<b>50</b>	<b>956,198</b>
Add: Commission on Reinsurance Accepted	—	—	—	—	—	—	—
Less: Commission on Re-insurance Ceded	—	—	—	—	—	—	—
<b>Net Commission</b>	<b>277,801</b>	<b>14,532</b>	<b>29,394</b>	<b>475,825</b>	<b>158,596</b>	<b>50</b>	<b>956,198</b>
Break-up of the expenses (Gross) incurred to procure business							
Tied Agency	238,677	12,523	23,810	382,440	118,739	50	776,239
Corporate Agency	28,559	1,236	4,076	39,083	11,548	—	84,502
Brokers	413	157	41	2,121	338	—	3,070
Bancassurance	10,152	616	1,467	52,181	27,971	—	92,387
<b>Total Commission</b>	<b>277,801</b>	<b>14,532</b>	<b>29,394</b>	<b>475,825</b>	<b>158,596</b>	<b>50</b>	<b>956,198</b>

\* First year Commission includes total referral payments



# schedules

forming part of the financial statements

Continued

(Rs. in '000s)

## SCHEDULE – 3 OPERATING EXPENSES For the year ended March 31, 2005

Particulars	Participating	Non-Participating	Annuities Participating	Linked	Linked Pension	Linked Group	Total
Employees' remuneration & welfare benefits	200,412	12,113	15,128	1,187,421	363,949	21,375	1,800,398
Travel, conveyance and vehicle running expenses	21,001	1,659	1,592	115,638	38,719	5,821	184,430
Rents, rates & taxes	55,122	5,695	2,195	91,857	88,241	-	243,110
Repairs	22,897	1,814	5,773	28,252	28,174	67	86,977
Printing & stationery	16,016	6,094	631	33,127	29,311	211	85,390
Communication expenses	60,095	19,255	2,952	129,637	108,559	596	321,094
Legal & professional charges	22,550	1,407	4,452	95,282	30,725	2,223	156,639
Medical fees	10,434	7,047	1,012	31,019	3,985	4	53,501
Auditors' fees :							
(a) as auditor	290	15	63	1,000	295	—	1,663
(b) as advisor or in any other capacity, in respect of							
(i) Taxation matters	35	2	6	45	12		100
Advertisement and publicity	37,945	3,113	2,443	298,295	103,765	568	446,129
Interest & Bank Charges	8,427	5,916	1,367	20,290	17,648	361	54,009
Agents Training & Recruitment	42,770	2,928	3,019	355,722	95,844	—	500,283
Depreciation	33,596	2,846	2,128	100,100	47,886	—	186,556
Others	67,287	27,003	4,258	262,457	128,191	6,649	495,845
Total	598,877	96,907	47,019	2,750,142	1,085,304	37,875	4,616,124

## For the year ended March 31, 2004

Employees' remuneration & welfare benefits	185,848	13,196	27,067	581,528	239,045	14,142	1,060,826
Travel, conveyance and vehicle running expenses	18,163	1,297	2,427	52,052	19,211	2,907	96,057
Rents, rates & taxes	33,124	2,802	5,687	63,338	25,678	—	130,629
Repairs	10,929	956	1,732	21,969	8,646	61	44,293
Printing & stationery	10,894	2,913	1,595	20,367	15,140	139	51,048
Communication expenses	33,824	7,216	4,666	68,546	36,700	330	151,282
Legal & professional charges	19,718	1,801	2,812	36,252	13,467	304	74,354
Medical fees	11,376	4,420	1,857	18,873	3,611	—	40,137
Auditors' fees :							
(a) as auditor	142	8	10	516	407	—	1,083
(b) as advisor or in any other capacity, in respect of							
(i) Taxation matters	35	2	6	45	12		100
Advertisement and publicity	49,385	2,944	6,188	219,146	100,904	806	379,373
Interest & Bank Charges	3,758	1,981	904	6,307	5,102	12	18,064
Agents Training & Recruitment	52,553	3,690	6,557	207,331	82,955	1	353,087
Depreciation	42,728	3,222	7,098	92,661	33,708	13	179,430
Others	58,837	14,385	7,640	145,533	66,159	447	293,001
Total	531,314	60,833	76,246	1,534,464	650,745	19,162	2,872,764

## SCHEDULE – 3A

### SHAREHOLDER EXPENSES

	March 31, 2005	March 31, 2004
Employees remuneration & welfare benefits	668	2,334
Travel, conveyance & vehicle running expenses	13	70
Legal and professional fees	364	560
Sales Promotion	10	10,151
Loss on sale/write off of Fixed Assets (Net)	—	829
Printing & stationery	1	2
Communication expenses	5	5
Interest & Bank Charges	1,402	1,267
Depreciation	31	62
Others	1,593	576
Total	4,087	15,856

# schedules



forming part of the financial statements

Continued

(Rs. in '000s)

## SCHEDULE – 4 BENEFITS PAID (Net) For the year ended March 31, 2005

Particulars	Participating	Non-Participating	Annuities Participating	Linked	Linked Pension	Linked Group	Total
Insurance Claims							
(a) Claims by Death *	42,146	28,255	7,973	33,834	4,082	646	116,936
(b) Claims by Maturity	—	—	2,539	—	—	—	2,539
(c) Annuities / Pension payment	—	—	—	—	—	—	—
(d) Other benefits							
- Surrender	5,071	4,215	—	—	—	—	9,286
- Survival	43,297	13,137	—	—	—	—	56,434
Sub-Total (A)	90,514	45,607	10,512	33,834	4,082	646	185,195
Amount Ceded in reinsurance							
(a) Claims by Death *	—	(5,588)	—	—	—	—	(5,588)
(b) Claims by Maturity	—	—	—	—	—	—	—
(c) Annuities/Pension payment	—	—	—	—	—	—	—
(d) Other benefits							
- Surrender	—	—	—	—	—	—	—
- Survival	—	—	—	—	—	—	—
Sub-Total (B)	—	(5,588)	—	—	—	—	(5,588)
Total (A) + (B)	90,514	40,019	10,512	33,834	4,082	646	179,607
Benefits paid to claimants:							
In India	90,514	40,019	10,512	33,834	4,082	646	179,607
Total	90,514	40,019	10,512	33,834	4,082	646	179,607

## For the year ended March 31, 2004

Insurance Claims							
(a) Claims by Death *	29,328	12,026	6,237	10,603	1,527	156	59,877
(b) Claims by Maturity	—	—	—	—	—	—	—
(c) Annuities/Pension payment	—	—	—	—	—	—	—
(d) Other benefits							
- Surrender	160	3,916	—	—	—	—	4,076
- Survival	4,770	13,134	—	—	—	—	17,904
Sub-Total (A)	34,258	29,076	6,237	10,603	1,527	156	81,857
Amount Ceded in reinsurance							
(a) Claims by Death *	—	(250)	—	—	—	—	(250)
(b) Claims by Maturity	—	—	—	—	—	—	—
(c) Annuities/Pension payment	—	—	—	—	—	—	—
(d) Other benefits							
- Surrender	—	—	—	—	—	—	—
- Survival	—	—	—	—	—	—	—
Sub-Total (B)	—	(250)	—	—	—	—	(250)
Total (A) + (B)	34,258	28,826	6,237	10,603	1,527	156	81,607
Benefits paid to claimants:							
In India	34,258	28,826	6,237	10,603	1,527	156	81,607
Total	34,258	28,826	6,237	10,603	1,527	156	81,607

\* Claims by death includes accelerated benefits

## SCHEDULE – 5

March 31, 2005

March 31, 2004

### SHARE CAPITAL

#### Authorised Capital

Equity Shares of Rs. 10/- each

12,000,000

12,000,000

Issued, Subscribed & Called up Capital

Equity Shares of Rs. 10/- each Fully Paid Up

9,250,000

6,750,000

Total

9,250,000

6,750,000

Of the above issued share capital as of March 31, 2005, 684,500,000 shares (Previous year : 499,500,000 shares) of Rs 10/- each are held by the holding company, ICICI Bank Limited and its nominees.

# schedules

forming part of the financial statements

Continued

(Rs. in '000s)

## SCHEDULE – 5A PATTERN OF SHAREHOLDING [As certified by the Management]

Shareholder	March 31, 2005		March 31, 2004	
	Number of Shares	% of Holding	Number of Shares	% of Holding
Promoters				
Indian	684,500,000	74	499,500,000	74
Foreign	240,500,000	26	175,500,000	26
Total	<u>925,000,000</u>	<u>100</u>	<u>675,000,000</u>	<u>100</u>

## SCHEDULE – 6 RESERVES AND SURPLUS

Particulars	March 31, 2005	March 31, 2004
Capital Reserves	—	—
Capital Redemption Reserve	—	—
Share Premium	—	—
Revaluation Reserve	—	—
General Reserves	—	—
Less: Debit balance in Profit and Loss Account, if any	—	—
Less: Amount utilized for Buy-back	—	—
Catastrophe Reserve	—	—
Other Reserves	—	—
Balance of profit in Profit and Loss Account	—	—
Total	<u>—</u>	<u>—</u>

## SCHEDULE – 7 BORROWINGS

Particulars	March 31, 2005	March 31, 2004
Debtentures / Bonds	—	—
Banks	—	—
Financial Institutions	—	—
Others	—	—
Total	<u>—</u>	<u>—</u>

## SCHEDULE – 8 INVESTMENTS-SHAREHOLDERS'

Particulars	March 31, 2005	March 31, 2004
LONG TERM INVESTMENTS		
Government securities *	181,910	891,246
(Market value current year : Rs 173,340 thousands)		
(Market value previous year : Rs 897,584 thousands)		
Other Investments :		
Debtentures/Bonds	89,528	265,505
(Market value current year : Rs 89,747 thousands)		
(Market value previous year : Rs 268,534 thousands)		
Investments in Infrastructure and Social Sector		
Debtenture/Bonds	638,416	721,601
(Market value current year : Rs 632,683 thousands)		
(Market value previous year : Rs 734,325 thousands)		
Other than Approved Investments :		
Debtentures/Bonds	66,510	127,566
(Market value current year : Rs 66,536 thousands)		
(Market value previous year : Rs 133,027 thousands)		
SHORT TERM INVESTMENTS		
Government securities	1,408,300	—
(Market value current year : Rs 1,408,496 thousands)		
(Market value previous year : Rs nil)		
Investments in Infrastructure and Social Sector		
Debtenture/Bonds	119,425	—
(Market value current year : Rs 119,999 thousands)		
(Market value previous year : Rs nil)		
Other Investments :		
Money Market Instruments	149,192	2,677
(Market value current year : Rs 149,198 thousands)		
(Market value previous year : Rs 2,674 thousands)		
Certificate of Deposits	149,401	—
(Market value current year : Rs 149,401 thousands)		
(Market value previous year : Rs nil)		
Other than Approved Investments :		
Debtenture/Bonds	14,486	—
(Market value current year : Rs 14,492 thousands)		
(Market value previous year : Rs nil)		
Mutual Fund units at Fair value	392,315	176,707
(Historical cost current year : Rs 392,216 thousands)		
(Historical cost previous year : Rs 176,256 thousands)		
Total	<u>3,209,483</u>	<u>2,185,302</u>
In India	<u>3,209,483</u>	<u>2,185,302</u>
Total	<u>3,209,483</u>	<u>2,185,302</u>

\* Includes Rs 101,070 thousands of securities held under section 7 of Insurance Act, 1938 (Previous Year : Rs 45,204 thousands)(Refer Note 3.9 of Schedule 16)

# schedules



forming part of the financial statements

Continued

(Rs. in '000s)

## SCHEDULE – 8A INVESTMENTS—POLICYHOLDERS'

Particulars	March 31, 2005						Total
	Participating	Non-Participating	Annuities Participating	Linked	Linked Pension	Linked Group	
<b>LONG TERM INVESTMENTS</b>							
Government securities (Market value : Rs 4,871,648 thousands)	2,821,863	702,436	1,139,963	123,744	68,569	464	4,857,039
Other Investments :							
Equity Shares at fair value (Historical Cost : Rs 1,135,897 thousands)	941,191	—	369,096	—	—	—	1,310,287
Debentures/Bonds (Market value : Rs 189,019 thousands)	50,440	125,085	—	—	—	—	175,525
Long term fixed deposit (with holding company)	—	50,000	—	—	—	—	50,000
Investment Properties — Real Estate	92,763	—	92,759	—	—	—	185,522
Investment in Infrastructure and Social Sector :							
Equity Shares at fair value (Historical cost : Rs 54,993 thousands)	43,178	—	18,317	—	—	—	61,495
Debentures/Bonds (Market value : Rs 704,061 thousands)	612,915	70,037	—	25,197	—	—	708,149
Other than Approved Investments :							
Equity Shares at fair value (Historical cost : Rs 100,666 thousands)	125,993	—	—	—	—	—	125,993
Debentures/Bonds (Market value : Rs 154,062 thousands)	54,332	103,381	—	—	—	—	157,713
<b>SHORT TERM INVESTMENTS</b>							
Government securities (Market value : Rs 299,699 thousands)	75,423	11,753	78,721	97,816	33,874	2,020	299,607
Investment in Infrastructure and social sector :							
Debentures/Bonds (Market value : Rs 86,199 thousands)	—	68,697	—	17,655	—	—	86,352
Mutual Fund investment at fair value (Historical cost : Rs 26,572 thousands)	—	21,524	—	5,694	—	525	27,743
<b>Total</b>	<b>4,818,098</b>	<b>1,152,913</b>	<b>1,698,856</b>	<b>270,106</b>	<b>102,443</b>	<b>3,009</b>	<b>8,045,425</b>
In India	4,818,098	1,152,913	1,698,856	270,106	102,443	3,009	8,045,425
<b>Total</b>	<b>4,818,098</b>	<b>1,152,913</b>	<b>1,698,856</b>	<b>270,106</b>	<b>102,443</b>	<b>3,009</b>	<b>8,045,425</b>

Particulars	March 31, 2004						Total
	Participating	Non-Participating	Annuities Participating	Linked	Linked Pension	Linked Group	
<b>LONG TERM INVESTMENTS</b>							
Government securities (Market value : Rs. 4,304,129 thousands)	2,043,889	688,832	911,009	126,390	70,696	483	3,841,299
Other Investments :							
Equity Shares at fair value (Historical Cost : Rs. 790,202 thousands)	641,359	—	275,730	—	—	—	917,089
Debentures/Bonds (Market value : Rs. 176,382 thousands)	50,644	108,353	—	—	—	—	158,997
Long term fixed deposit (with holding company)	—	50,000	—	—	—	—	50,000
Investment Properties — Real Estate	95,423	—	95,419	—	—	—	190,842
Investment in Infrastructure and social sector :							
Equity Shares at fair value (Historical cost : Rs. 26,937 thousands)	21,471	—	11,240	—	—	—	32,711
Debentures/Bonds (Market value : Rs. 322,429 thousands)	214,020	93,027	—	—	—	—	307,047
Other than Approved Investments :							
Equity Shares at fair value (Historical cost : Rs. 18,677 thousands)	19,295	—	—	—	—	—	19,295
Debentures/Bonds (Market value : Rs. 200,482 thousands)	54,656	128,088	—	—	—	—	182,744
<b>SHORT TERM INVESTMENTS</b>							
Government securities	—	—	—	—	—	—	—
Investment in Infrastructure and social sector :							
Debentures/Bonds	—	—	—	—	—	—	—
Mutual Fund investment at fair value (Historical cost : Rs. 44,830 thousands)	20,300	21,891	—	2,100	—	600	44,891
<b>Total</b>	<b>3,161,057</b>	<b>1,090,191</b>	<b>1,293,398</b>	<b>128,490</b>	<b>70,696</b>	<b>1,083</b>	<b>5,744,915</b>
In India	3,161,057	1,090,191	1,293,398	128,490	70,696	1,083	5,744,915
<b>Total</b>	<b>3,161,057</b>	<b>1,090,191</b>	<b>1,293,398</b>	<b>128,490</b>	<b>70,696</b>	<b>1,083</b>	<b>5,744,915</b>

SCHEDULE - 8B																(Rs. in '000s)	
ASSETS HELD TO COVER LINKED LIABILITIES																	
Particular	March 31, 2005																
	Linked Funds					Linked Pension Funds					Linked Group Funds					Total	
	Balance	Prote- ctor	am- miser	Cash Plus	Secure Plus Preserver*	Invest Shield*	Pension Balancer	Pension Protector/Maximiser	Secure Plus Pension	Pension Preserver*	Invest Shield Pension*	Group Income	Short Term Debt	Capital Guarantee Gratuity	Capital Growth Super-annuation		
LONG TERM INVESTMENTS																	
Government Securities	437,528	577,441	—	2,868	1,513	—	204,991	269,645	—	2,947	—	74,665	9,066	—	368	1,581,032	
at fair value																	
(Historical cost : Rs 1,587,352 thousands)																	
Other Investments	1,799,080	—	4,124,321	—	391	1,424	717,763	—	1,188,498	—	1,366	117,938	—	—	3,784	7,954,565	
Equity Shares at fair value																	
(Historical cost : Rs. 7,081,305 thousands)																	
Debentures/Bonds	417,438	678,568	—	2,058	1,907	256	161,362	297,140	—	1,012	256	64,374	8,480	10,799	584	1,644,234	
at fair value																	
(Historical cost : Rs 1,663,287 thousands)																	
Fixed Deposits	62,000	80,000	—	1,500	—	20,000	26,000	44,000	—	900	2,000	300	10,000	—	—	250,000	
Investments in Infrastructure and Social Sector																	
Equity Shares at fair value	—	—	—	—	10	—	—	—	—	—	—	—	—	—	—	10	
(Historical cost Rs 11 thousands)																	
Debentures/Bonds	601,910	512,831	—	9,690	5,852	25,179	181,609	282,330	—	3,746	2,639	632	94,661	9,624	22,812	635	1,754,773
at fair value																	
(Historical cost : Rs 1,763,604 thousands)																	
Other than Approved Investments																	
Equity Shares at fair value	211,488	—	550,899	—	—	148	88,410	—	162,749	—	146	13,487	—	—	464	1,027,791	
(Historical cost : Rs 861,232 thousands)																	
Debentures/Bonds	379,407	439,998	—	7,748	3,005	421	109,096	197,990	—	1,931	158	53,132	8,344	14,276	526	1,216,590	
at fair value																	
(Historical cost : Rs. 1,216,800 thousands)																	
SHORT TERM INVESTMENTS																	
Government Securities	288,408	162,836	—	5,534	1,403	509	68,390	84,386	—	866	—	67,336	6,014	24,776	2,220	339	713,017
(Historical cost : Rs. 717,635 thousands)																	
Investments in Infrastructure and Social Sector																	
Debentures/Bonds	298,002	396,263	—	520	520	5,992	132,163	196,783	—	520	999	47,037	7,280	20,733	—	1,106,812	
(Historical cost : Rs. 1,109,822 thousands)																	
Other Investments :																	
Debentures/Bonds	817,841	1,057,726	—	22,102	8,397	208,053	3,609	404,228	548,652	10,060	23,372	3,070	93,037	11,399	57,670	775	3,272,008
(Historical cost : Rs. 3,258,362 thousands)																	
Fixed Deposit / Certificate of Deposits	353,480	464,657	—	16,729	7,245	90,052	1,549	194,093	251,155	5,597	8,000	1,274	85,113	8,600	42,693	799	1,532,785
Other than Approved Investments																	
Debentures/ Bonds	55,006	102,740	—	471	367	—	27,429	54,260	—	471	—	13,530	837	5,714	—	42	260,867
(Historical cost : Rs. 271,115 thousands)																	
Mutual Fund Investment at fair value	507,818	427,893	585,278	—	400	1,001	175,037	157,749	155,175	—	—	46,072	6,660	95	125	175	2,063,478
(Historical cost : Rs 2,059,780 thousands)																	
Net Current Assets	547,087	742,547	408,939	2,801	2,787	74,609	1,233	101,590	119,848	1,689	318	557	2,613	27,016	3,033	2	2,162,641
Total	6,776,493	5,643,500	5,669,437	72,021	33,797	424,886	10,072	2,592,161	2,503,938	1,538,027	29,739	37,328	78,917	229,584	10,889	2	26,540,603
In India	6,776,493	5,643,500	5,669,437	72,021	33,797	424,886	10,072	2,592,161	2,503,938	1,538,027	29,739	37,328	78,917	229,584	10,889	2	26,540,603
Total	6,776,493	5,643,500	5,669,437	72,021	33,797	424,886	10,072	2,592,161	2,503,938	1,538,027	29,739	37,328	78,917	229,584	10,889	2	26,540,603

\* These schemes have been launched during the year hence previous year figures are Nil



# schedules

(Rs. in '000s)

SCHEDULE - 8B  
ASSETS HELD TO COVER LINKED LIABILITIES

March 31, 2004																
Particulars	Linked Funds Total			Linked Pension Funds					Linked Group Funds					Total		
	Balancer	Protector	Maxi- miser	Cash Plus	Secure Plus	Balancer	Protector	Maxi- miser	Secure Plus	Balanced Income	Short Term Debt	Capital Guarantee Gratuity	Capital Guarantee Superann- uation		Growth Superann- uation	
LONG TERM INVESTMENTS																
Government Securities at fair value (Historical cost : Rs.2,959,618 thousands)	509,057	1,466,928	—	4,768	3,139	277,406	709,169	—	4,576	9,663	3,724	196	132	2,166	156	2,991,080
Other investments																
Equity Shares at fair value (Historical cost : Rs. 2,045,985 thousands)	552,769	—	1,095,335	—	464	305,600	—	379,851	—	4,493	—	—	—	943	508	2,339,963
Debtentures/ Bonds at fair value (Historical cost : Rs.989,620 thousands)	125,651	570,060	—	1,968	1,513	44,944	223,301	—	962	4,373	2,064	110	140	—	80	975,166
Investments in Infrastructure and Social Sector																
Equity Shares at fair value (Historical cost : Rs.12 thousands)	—	—	—	—	13	—	—	—	—	—	—	—	—	—	—	13
Debtentures/ Bonds at fair value (Historical cost : Rs.1,069,814 thousands)	146,064	527,340	—	1,892	1,111	100,199	285,214	—	2,773	4,971	2,024	74	—	1,329	40	1,073,031
Other than Approved Investments																
Equity Shares at fair value (Historical cost : Rs.36,284 thousands)	9,145	—	20,824	—	—	4,026	—	6,145	—	274	—	—	—	—	28	40,442
Debtentures/ Bonds at fair value (Historical cost : Rs. 473,453 thousands)	73,015	231,104	—	612	204	50,250	119,202	—	713	—	102	—	41	405	—	475,648
SHORT TERM INVESTMENTS																
Certificate of Deposit	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other than Approved Investments																
Mutual Fund investment at fair value (Historical cost : Rs.247,938 thousands)	41,241	29,886	89,288	425	500	23,988	19,251	40,942	900	902	100	—	—	600	100	248,123
Net Current Assets																
	80,518	233,118	2,109	641	1,021	47,604	100,227	191	1,191	40,196	81	48	22	(440)	10	506,537
Total	1,537,460	3,058,436	1,207,556	10,306	7,965	854,017	1,456,364	427,129	11,115	64,872	8,095	428	335	5,003	922	8,650,003
In India																
	1,537,460	3,058,436	1,207,556	10,306	7,965	854,017	1,456,364	427,129	11,115	64,872	8,095	428	335	5,003	922	8,650,003
Total	1,537,460	3,058,436	1,207,556	10,306	7,965	854,017	1,456,364	427,129	11,115	64,872	8,095	428	335	5,003	922	8,650,003

# schedules

forming part of the financial statements

Continued

(Rs. in '000s)

## SCHEDULE - 9

### LOANS

Particulars	March 31, 2005	March 31, 2004	Particulars	March 31, 2005	March 31, 2004
1. SECURITYWISE CLASSIFICATION			(e) Loans against policies	9,391	3,510
Secured:			(f) Loans to employees	—	—
(a) On mortgage of property:			Total	25,225	21,619
(aa) In India	15,834	18,109	3. PERFORMANCE - WISE CLASSIFICATION		
(bb) Outside India	—	—	(a) Loans classified as standard:		
(b) On Shares, Bonds, Government Securities, etc.	—	—	(aa) In India	25,225	21,619
(c) Loans against policy	9,391	3,510	(bb) Outside India	—	—
(d) Others	—	—	(b) Non-standard loans less provisions:		
Unsecured	—	—	(aa) In India	—	—
Total	25,225	21,619	(bb) Outside India	—	—
2. BORROWER-WISE CLASSIFICATION			Total	25,225	21,619
(a) Central and State Governments	—	—	4. MATURITYWISE CLASSIFICATION		
(b) Banks and Financial Institutions	—	—	(a) Short-Term	2,526	2,290
(c) Subsidiaries	—	—	(b) Long-Term	22,699	19,329
(d) Companies	15,834	18,109	Total	25,225	21,619

## SCHEDULE - 10

### FIXED ASSETS

Particulars	Cost/ Gross Block				Depreciation				Net Block	
	Opening Balance	Additions	Deductions	Closing Balance	Upto Previous year	For The Year	Deductions	To Date	As at March 31, 2005	As at March 31, 2004
Leasehold Improvements	352,251	229,459	(2,222)	579,488	61,965	51,703	(376)	113,292	466,196	290,286
Information Technology Equipments	148,596	14,024	(1,495)	161,125	80,010	35,431	(188)	115,253	45,872	68,586
Intangible Assets - Software	126,672	6,574	(61,146)	72,100	82,576	30,346	(57,068)	55,854	16,246	44,096
Networks	34,975	3,916	—	38,891	18,912	9,078	296	28,286	10,605	16,062
Furniture & Fixtures	81,690	1,622	(371)	82,941	48,342	16,469	(238)	64,573	18,368	33,348
Office Equipment	170,026	8,801	(1,388)	177,439	86,469	43,560	(1,264)	128,765	48,673	83,558
Sub-Total	914,210	264,396	(66,622)	1,111,984	378,274	186,587	(58,838)	506,023	605,960	535,936
Capital Work in Progress									24,164	12,195
Total									630,124	548,131
Previous year	592,070	323,428	(1,288)	914,210	199,113	179,491	(331)	378,274	535,936	

## SCHEDULE - 11

### CASH AND BANK BALANCES

Particulars	March 31, 2005	March 31, 2004
Cash (including cheques, drafts and stamps)	891,949	275,482
Bank Balance		
(a) Deposit Account :		
(aa) Short-term (due within 12 months of the date of balance sheet)	300,000	44,900
(bb) Others	—	—
(b) Current Accounts	803,919	182,822
Money at Call and Short Notice	—	—
Others	—	—
Total	1,995,868	503,204
CASH & BANK BALANCES		
In India	1,995,868	503,204
Total	1,995,868	503,204

## SCHEDULE - 12

### ADVANCES AND OTHER ASSETS

Particulars	March 31, 2005	March 31, 2004
ADVANCES		
Prepayments	33,451	24,824
Advance tax paid and taxes deducted at source	98	335
Deposits	110,506	72,087
Other advances	45,532	52,333
Other receivables	53,819	28,213
Total (A)	243,406	177,792
OTHER ASSETS		
Income accrued on investments/deposits	186,899	148,778
Outstanding Premiums	84,426	61,287
Deposit with Reserve Bank of India (refer to note 3.9 of Schedule 16)	—	1,000
Sundry Debtors (Investments)	147,531	77,589
Others	52,098	—
Total (B)	470,954	288,654
Total (A+B)	714,360	466,446

# schedules



forming part of the financial statements

Continued

(Rs. in '000s)

## SCHEDULE – 13

### CURRENT LIABILITIES

Particulars	March 31, 2005	March 31, 2004
Agents' Balances	51,675	18,078
Sundry creditors	18,988	17,141
Deposits	5,981	5,981
Expenses Payable	728,109	587,013
Reinsurance Premium Payable	13,117	6,215
Due to Holding company	59,459	24,891
TDS Payable	87,388	37,412
Claims Outstanding	2,545	6,633
Premium & other Liabilities	2,439,075	694,767
Premium received in advance	194,316	108,237
Outstanding Purchases (Investments)	141,177	80,435
Claims - Pending Documentation	26,051	12,694
Other liabilities	23,009	18,922
<b>Total</b>	<b>3,790,890</b>	<b>1,618,419</b>

## SCHEDULE – 14

### PROVISIONS

Particulars	March 31, 2005	March 31, 2004
For taxation (less payments and taxes deducted at source)	—	—
For Proposed dividends	—	—
For dividend distribution tax	—	—
Others Provisions	84,156	19,512
<b>Total</b>	<b>84,156</b>	<b>19,512</b>

## SCHEDULE – 15

### MISCELLANEOUS EXPENDITURE

Particulars	March 31, 2005	March 31, 2004
(To the extent not written-off or adjusted)		
Discount allowed in issue of shares / debentures	—	—
Others	—	—
<b>Total</b>	<b>—</b>	<b>—</b>

## SCHEDULE – 16

Significant accounting policies and notes forming part of the accounts for the year ended March 31, 2005

### 1. Background :

ICICI Prudential Life Insurance Company Limited ('the Company') was incorporated on July 20, 2000 as a company under the Companies Act, 1956 ('the Act'). The Company is registered with the Insurance Regulatory and Development Authority ('IRDA') and is in the business of underwriting life insurance policies.

The Company's life insurance business comprises individual life and group business, including participating, non-participating, annuities, pension and linked policies. Some of these policies have riders attached to them such as Accident and Disability Benefit, Level Term, Critical Illness, Waiver of Premium and Major Surgical Assistance.

### 2. Summary of significant accounting policies

#### 2.1 Basis of preparation

The accompanying financial statements have been prepared under the historical cost convention, on the accrual basis of accounting, in compliance with the accounting standards ('AS') issued by the Institute of Chartered Accountants of India ('ICAI'), to the extent applicable, and in accordance with the provisions of the Insurance Act, 1938, Insurance Regulatory and Development Authority Act, 1999, and the regulations framed thereunder and the Act to the extent applicable and the practices prevailing within the insurance industry in India.

#### 2.2 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, liabilities, revenues and expenses and disclosure of contingent liabilities as on the date of the financial statements. The estimates and assumptions used in the

accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

### 2.3 Revenue recognition

#### 2.3.1 Premium income

Premium is recognised as income when due. Premium on lapsed policies is recognised as income when such policies are reinstated.

For linked business, premium income is recognized when the associated units are allotted.

#### 2.3.2 Income from Linked Fund

Income from Linked Funds which includes, Fund management charges, Administrative Charges, mortality charges, etc are recovered from the linked fund in accordance with terms and conditions of policy and are accounted on accrual basis.

#### 2.3.3 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 debt securities for other than linked business is the difference between the sale consideration and the amortised cost, which is computed on a weighted average basis, as on the date of sale. In case of listed equity shares / mutual fund units, the profit or loss on actual sale of investment includes the accumulated changes in the fair value previously recognised under "Fair Value Change Account".

Realised gain / loss on debt securities for linked business is the difference between the sale consideration and the book value, which is computed on weighted average basis, as on the date of sale. Sale consideration for the purpose of realised gain / loss is net of brokerage and taxes, if any, and excludes interest received on sales.

#### 2.3.4 Income earned on loans

Interest income on loans is recognized on an accrual basis.

#### 2.3.5 Income from operating Leases

Leases where the lessor, effectively retains substantially all the risks and benefits of ownership over the leased term, are classified as operating leases. Operating lease rentals are recognized as an income when due.

### 2.4 Reinsurance premium

Reinsurance premium ceded is accounted in accordance with the treaty or in-principle arrangement with the reinsurer.

### 2.5 Benefits Paid (Including Claims)

Claims other than maturity claims are accounted for on receipt of intimation. Maturity claims are accounted when due for payment. Reinsurance recoveries on such claims are accounted for, in the same period as the related claims. Withdrawals under linked policies are accounted in the respective schemes.

### 2.6 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.

### 2.7 Liability for life policies in force

Liability for life policies in force and for policies in respect of which premium has been discontinued but a liability exists, is determined by the Appointed Actuary on the basis of an annual review of the life insurance business, as per the gross premium method in accordance with accepted actuarial practice, requirements of the IRDA and the Actuarial Society of India. The linked policies sold by the Company carry two types of liabilities – unit liability representing the fund value of policies and non-unit liability for future expenses, meeting death claims, income taxes and cost of any guarantees. Actuarial policies and assumptions are given in note 3.2 below.

## 2.8 Investments

Investments are recorded at cost on the date of purchase, which includes brokerage and taxes, if any and excludes interest paid on purchases.

## 2.8.1 Classification

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

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

## 2.8.2 Valuation - shareholders' investments and non-linked policyholders' investments

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

Listed equity shares as at the balance sheet date are stated at fair value being the last quoted closing price on the National Stock Exchange ('NSE'). Mutual fund units as at the balance sheet date are valued at the previous day's net asset values. Equity shares awaiting listing are stated at historical cost subject to provision for diminution, if any, in the value of such investment determined separately for each individual investment.

Unrealised gains/ losses arising due to changes in the fair value of listed equity shares and mutual fund units are taken to "Fair Value Change Account" and carried forward in the balance sheet.

Investment in real estate is valued at historical cost, subject to provision for impairment, if any. Revaluation of investment in real estate is done at least once in every three years.

## 2.8.3 Valuation - linked business

Government securities issued by Government of India are valued at prices obtained from Credit Rating Information Services of India Ltd. ('CRISIL'). Government securities issued by various State Governments of India are valued at historical cost, subject to amortisation of premium or accretion of discount in the revenue account of linked funds over the period of maturity/holding on a straight-line basis. Debt securities other than Government securities are valued on the basis of CRISIL Bond Valuer.

Listed equity shares are valued at fair value, being the last quoted closing price on the NSE. Mutual fund units are valued at the previous day's net asset values.

Unrealized gains and losses are recognized in the respective fund's revenue account.

## 2.8.4 Transfer of investments

Transfer of investments from Shareholder's Fund to the Policyholder's Fund is at cost or market price; whichever is lower, except for Policyholder's fund where fund size does not exceed Rs. 50 crores. Such transfers are carried out at market price.

Prior to receipt of circular dated October 29, 2003 on "Transfer of funds by life insurance companies" issued by IRDA, such transfers were carried out at market value. The change in accounting policy did not have material impact on the financial statements for the financial year ended March 31, 2004.

Inter fund transfer of investments between unit linked funds is done at market price.

Until the previous year, transfer of debt securities was made at net amortised cost, in the current year as per circular issued by IRDA, such transfer of debt securities have been effected at lower of amortised cost and market price.

## 2.9 Loans

Loans are stated at historical cost, subject to provision for impairment, if any.

## 2.10 Fixed assets, Intangibles and Impairment

## 2.10.1 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. Assets costing upto Rs. 20,000 (Rupees twenty thousand) are fully depreciated in the year of acquisition. The rates of depreciation prescribed under the Act are considered as the minimum rates. If the management's estimate of the useful life of a fixed asset at the time of acquisition or of the remaining life on a subsequent review is shorter than that envisaged as per the Act, depreciation is provided at a higher rate based on Management's estimate of the useful life or remaining useful life. Pursuant to this policy, depreciation is provided on Straight - Line Method ('SLM') prorated from the date of acquisition / upto the date of sale, based on estimated useful life for each class of asset, as stated below:

Asset	Estimated useful life
Leasehold improvements	Renewable period of respective leases, subject to a maximum of 9 years.
Communication networks and servers	4years
Computers and peripheral equipments	3years
Office Equipment	4 years
Furniture & Fixtures	4years

## 2.10.2 Intangibles

Intangible assets comprising of software are stated at cost less amortization. Significant improvements to software are capitalized with the insignificant improvements being charged off as software expenses. Software expenses are amortized on Straight Line Method over a period of 3 years from the date of put to use, being the Management's estimate of the useful life of such intangibles.

## 2.10.3 Impairment of assets

Management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above.

## 2.11 Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term are classified as operating leases. Operating lease rentals are recognized as an expense, as applicable, over the lease period.

## 2.12 Staff benefits

The Company has incorporated a Provident Fund trust. The Company's contribution towards this fund, a defined contribution plan, is at the rate specified in the trust deed and is charged to the revenue account and profit & loss account.

The Company has incorporated a gratuity trust. The trust has taken a group policy from the Company to cover the liability towards gratuity. The Company's liability towards gratuity - a defined benefit plan, is accounted for on the basis of an independent actuarial valuation done at the year end and is charged to the revenue account and the profit & loss account.

The Company's liability towards leave encashment benefits is accounted for on the basis of an independent actuarial valuation done at the year end and is charged to the revenue account and the profit & loss account.

## 2.13 Foreign exchange transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing at the date of the transaction. Exchange differences arising on foreign currency transactions settled during the year are recognised in the revenue account and the profit and loss account. Current assets and liabilities in foreign currency, if any, are translated at the year-end closing rates. The resulting exchange gain or loss, if any, is reflected in the revenue account and the profit and loss account.

## 2.14 Segment Reporting Policies

The segmental information has been disclosed based on the primary segment identified under the IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations 2002 ('the Regulations').

There are no reportable geographical segments, since all policies are written in India.

### Allocation of expenses

Operating expenses relating to insurance business are allocated to specific business segments in the following manner, which is applied on a consistent basis.

Expenses that are directly identifiable to the segment are allocated on actual basis.

Depreciation and amortisation are allocated on weighted annualized first year premium income.

Other expenses, that are not directly identifiable, are allocated on either of the following basis:

- § Number of policies;
- § Weighted annualized first year premium income;
- § Sum assured;
- § Total premium income; and
- § Medical cases
- § Custody charges and other investment management expenses are allocated to policyholders and shareholders on the basis of funds under management.

The method of allocation has been decided based on the nature of the expense and its logical co-relation with various business segments.

## 2.15 Taxation

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between the accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. However, when there is unabsorbed depreciation and carried forward loss under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed as at each balance sheet date and are appropriately adjusted to reflect the amount that is reasonably or virtually certain to be realized.

## 2.16 Service tax un-utilized credit

Service tax on risk premium has been introduced effective September 10, 2004. Service tax paid on taxable services received is recognized as service tax unutilized credit for future set-off. Corresponding provision is created based on estimated realization of the un-utilized credit.

## 2.17 Employee Stock Option Scheme ("ESOS")

The Company has formulated an Employee Stock Option Scheme ("the Scheme"). The Scheme provides that eligible employees are granted options to acquire equity shares of the Company that vests in graded

manner. The options may be exercised within a specified period. The Company follows the intrinsic value method for computing the compensation cost, if any, for all options granted.

## 2.18 Contingencies

The Company creates a provision for claims (other than insurance claims), litigation, assessment, fines, penalties, etc when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability 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.

## 3. Notes to accounts

### Statutory disclosures

Statutory disclosures as required by the IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations 2002 ('the Regulations'):

Particulars	(Rs. in '000s)	
	As at March 31 2005	As at March 31 2004
Partly-paid up investments	—	—
Underwriting commitments outstanding	—	—
Claims, other than those under policies, not acknowledged as debts	—	—
Guarantees given by or on behalf of the Company	—	—
Statutory demands/liabilities in dispute, not provided for	—	—
Re-insurance obligations to the extent not provided for in accounts	—	—
Others	—	—

### 3.2 Actuarial method and assumptions

The actuarial valuation liability on both participating and non-participating policies is calculated using the gross premium method. The gross premium reserves are calculated using assumptions for interest, mortality, expense, and inflation and in the case of participating policies, the future bonuses together with allowance for taxation and allocation of profits to shareholders. These assumptions are determined as prudent estimates at the date of valuation with allowances for adverse deviations.

For the participating policies and non-participating term insurance policies, the interest rates used for valuation are in the range of 4% to 7% per annum (Previous year - 4% to 6% per annum). For non participating single premium investment policies which are maintained as a hedged portfolio, the interest rates used for valuation range from 4.7% to 10% per annum (Previous year - 4.7% to 10% per annum).

The valuation has been carried out without assuming lapses or policies becoming paid up. Mortality rates used are based on the published L.I.C. (1994-96) Ultimate Mortality Table, adjusted to reflect expected experience and allowances for adverse deviation. The method of unearned premium for the unexpired portion of the risk has been adopted for the general fund liabilities of linked business and riders there under, and one year renewable group term insurance.

The unit liability in respect of linked business has been valued on the basis of the units, to the credit of policyholders, as on the valuation date. The adequacy of charges under unit-linked policies to meet future expenses has been tested and provision has been made as appropriate. Provision has also been made for the cost of guarantee under unit-linked products that carry a guarantee.



## 3.3 Encumbrances of Assets

The assets of the Company are free from all encumbrances as at March 31, 2005. (Previous year: Rs. Nil).

## 3.4 Restructured Assets

There are no assets including loans subject to re-structuring (Previous year: Rs. Nil).

## 3.5 Commitments

Commitments made and outstanding for loans and investment is Rs. Nil (Previous year: Rs. Nil).

Estimated amount of contracts remaining to be executed on fixed assets to the extent not provided for (net of advance) is Rs. 3,596 thousands (Previous year Rs. 25,145 thousands).

## 3.6 Claims

Claims settled and remaining unpaid, pending receipt of succession certificates, for a period of more than six months as at March 31, 2005 amount to Rs. 2,512 thousands. (Previous year: Rs. Nil).

## 3.7 Investments

The investments are effected from the respective funds of the policyholders and shareholders and income thereon has been accounted accordingly.

## 3.8 Managerial remuneration

The details of the managing director's remuneration included in employee remuneration & welfare benefits are as follows:

Particulars	(Rs. in '000s)	
	March 31, 2005	March 31, 2004
Salary, perquisites and bonus	13,956	9,237
Contribution to Provident Fund	475	389

Note : Perquisites are based on actual payment.

Expenses towards gratuity and leave encashment provision are determined actuarially on an overall company basis annually and accordingly have not been considered in the above information.

The managerial remuneration is in accordance with the requirements of Section 34A of the Insurance Act, 1938 and as approved by IRDA.

## 3.9 Investments

- All investments are performing investments.
- Investments under Section 7 of the Insurance Act, 1938 are as follows :

Particulars	(Rs. in '000s)	
	March 31, 2005	March 31, 2004
Balance with Reserve Bank of India	Nil	1,000
7.40% Govt. of India Securities *	101,070	45,204

\* This investment is held by the Custodian in Constituent Subsidiary General Ledger Account under intimation to IRDA.

## 3.10 Value of unsettled contracts relating to investments are as follows:

	(Rs. in '000s)			
	March 31, 2005		March 31, 2004	
	Linked Business	Non-Linked Business	Linked Business	Non-Linked Business
Purchases where deliveries are pending	123,293	141,177	134,766	80,435
Sales where receipts are pending	52	147,531	13,706	77,589

## 3.11 Sector-wise percentage of business

Sector-wise break-up of policies issued during the year are as follows:

Sector	March 31, 2005	March 31, 2004
Rural	16%	15%
Urban	84%	85%

## 3.12 Risks retained and reinsured

Extent of risk retained and reinsured based on sum assured, is as follows:

	March 31, 2005	March 31, 2004
Individual :		
Risk retained	92%	94%
Risk reinsured	8%	6%
Group :		
Risk retained	58%	54%
Risk reinsured	42%	46%

## Other disclosures

## 3.13 Deferred taxes

Deferred tax assets and liabilities are determined as the tax effect of timing differences at the substantially effected tax rates. The effect on deferred tax assets and liabilities of the change in tax rates is recognised in the profit and loss account in the year of change. Deferred tax asset are recognised subject to Management's consideration of prudence in respect of their realisabilities.

Deferred Tax Asset as at March 31, 2005 of Rs. 107,885 thousands represents asset on carry forward unabsorbed losses. (Previous year: Rs. Nil).

## 3.14 Operating lease commitments

The Company takes premises (both commercial and residential), office equipments, computers, servers & modular furniture on lease. Certain lease arrangements provide for cancellation by either party and also contain a clause for renewal of the lease agreement. Lease payments on cancelable and non-cancelable operating lease arrangements are charged to the revenue account and the Profit and Loss account; and the future minimum lease payments in respect of non-cancelable operating leases as at the balance sheet date are summarized below:

	(Rs. in '000s)	
	March 31, 2005	March 31, 2004
Not later than one year	369,551	156,133
Later than one year but not later than five years	1,382,958	346,507
Later than five years	575,786	30,879

The total operating lease rentals charged to profit and loss account in the current year is Rs. 288,172 thousands (Previous year Rs. 142,245 thousands).

The Company has leased out its Investment Property-Real Estate. The lease arrangement is non-cancelable for a period of 6 months from the date of agreement and also contains a clause for renewal/cancellation by either party. Lease rent receivables on cancelable and non-cancelable operating lease arrangements is credited to the revenue account and profit and loss account and the future minimum lease rentals receivable in respect of non-cancelable operating leases as at the balance sheet date are summarized below:

	(Rs. in '000s)	
	March 31, 2005	March 31, 2004
Not later than one year	Nil	11,961

Details of Gross carrying amount and accumulated depreciation relating to Leased property is summarized below:

	(Rs. in '000s)	
	March 31, 2005	March 31, 2004
Gross carrying amount	185,522	190,842
Accumulated depreciation and impairment loss	Nil	Nil
Depreciation/ Impairment loss (if any)	Nil	Nil

# schedules

## 3.15 Details of Related Parties and transactions with Related Parties

### Related Parties and nature of relationship

Nature of relationship	Name of the Related Party
Holding Company	ICICI Bank Limited
<i>Other Related Parties with whom transactions have taken place</i>	
Substantial Interest	Prudential Corporation Holdings Limited
Fellow Subsidiaries	ICICI Brokerage Services Limited ICICI Venture Funds Management Company Limited ICICI Home Finance Company Limited ICICI Lombard General Insurance Company Limited ICICI Trusteeship Company Limited
Key management personnel	Shikha Sharma, Managing Director
Significant influence	ICICI Prudential Life Insurance Company Limited Employees' Group Gratuity Cum Life Insurance Scheme ICICI Prudential Life Insurance Company Limited Employees' Provident Fund ICICI Prudential Life Insurance Company Limited Superannuation Scheme

The following represents significant transactions between the Company and Related Parties:

For the year ended March 31, 2005:

(Rs. in '000s)

Particulars	Holding Company	Fellow Subsidiaries	Substantial Interest	Key Management Personnel	Significant Influence
Income					
Premium Income	184,691	7,656	—	—	13,359
Interest Income	23,841	—	—	—	—
Reimbursement of expenses	—	—	6,825	—	—
Expenses					
Establishment & Other Expenditure*	422,047	22,143	—	14,431	—
Provident Fund, Superannuation and Gratuity contribution	—	—	—	—	46,266
Claims	4,397	453	—	—	1,163
Others					
Share Capital issued during the year	1,850,000	—	650,000	—	—

\* Establishment & Other Expenditure includes payments for sharing of common services and facilities, consultancy fees, insurance business support and managerial remuneration.

As at March 31, 2005

(Rs. in '000s)

Particulars	Holding Company	Fellow Subsidiaries	Substantial Interest	Key Management Personnel	Significant Influence
Assets					
Long term fixed Deposits	53,297	—	—	—	—
Cash, Bank Balances and Deposits	2,214,305	—	—	—	—
Income accrued on investments	22,366	—	—	—	—
Other Assets	134	19,914	—	—	—
Liabilities					
Share Capital	6,845,000	—	2,405,000	—	—
Other Liabilities	59,481	—	—	—	—

For the year ended March 31, 2004:

(Rs. in '000s)

Particulars	Holding Company	Fellow Subsidiaries	Substantial Interest	Key Management Personnel	Significant Influence
Income					
Premium Income	627	3,433	—	—	10,583
Interest Income	9,703	—	—	—	—
Reimbursement of expenses	—	—	7,858	—	—
Expenses					
*Establishment & Other Expenditure	165,754	11,065	—	9,626	—
Provident Fund, Superannuation and Gratuity contribution	—	—	—	—	10,191

\* Establishment & Other Expenditure includes payments for sharing of common services and facilities, consultancy fees, insurance business support and managerial remuneration.

(Rs. in '000s)

For the year ended March 31, 2004:

(Rs. in '000s)

Particulars	Holding Company	Fellow Subsidiaries	Substantial Interest	Key Management Personnel	Significant Influence
Assets					
Long Term Fixed Deposits	50,000	—	—	—	—
Cash, Bank Balances and Deposits	257,638	—	—	—	—
Income accrued on investments	7,059	—	—	—	—
Other Assets	—	24,679	1,282	—	—
Liabilities					
Share Capital	4,995,000	—	1,755,000	—	—
Other Liabilities	61,890	—	—	—	183

## 3.16 Segmental Reporting

Income and expenses directly attributable or allocable to the segments are recorded and disclosed under the respective segment in the Revenue account and Profit and Loss account.

Investments and policy liabilities are disclosed in the Balance Sheet under the respective segments. Fixed Assets are not identifiable to any particular business segment. Depreciation expense has been allocated based on the assumption that the "use" of the assets is proportional to the weighted annualized first year premium income.

Segment-wise information of current assets, loans and deferred tax asset and current liabilities & provisions to the extent identifiable are given below:

(Rs. in '000s)

Business Segments	Current Assets, Loans & Deferred Tax Asset		Current Liabilities & Provisions	
	March 31, 2005	March 31, 2004	March 31, 2005	March 31, 2004
Shareholders	472,650	174,291	2,012,840 *	483,779 *
Participating	295,439	115,988	154,487	92,250
Non-participating	47,451	34,212	13,560	6,861
Annuities Participating	45,066	40,306	562	4,462
Linked	31,495	10,655	13,557	7,929
Linked Pension	9,648	4,542	724	455
Linked Group	1,431	50	—	—
Non-Identifiable	1,940,158	611,225	1,679,315	1,042,195
<b>Total</b>	<b>2,843,338</b>	<b>991,269</b>	<b>1,637,931</b>	

\* Represents amounts subsequently transferred to the respective schemes under linked business

Segment-wise information of non-cash items being amortization of premium included in interest income on debt instruments is tab below:

(Rs. in '000s)

Business Segments	March 31, 2005	March 31, 2004
Shareholders	19,819	31,145
Participating	22,043	15,581
Non-participating	15,254	14,263
Annuities Par	9,972	7,415
Linked	4,094	1,289
Linked - Pension	2,122	1,809
Linked Group	33	19
<b>Total</b>	<b>73,337</b>	<b>71,521</b>

(Rs. in '000s)

(Rs. in '000s)

3.17 Balance Sheet of Linked Business as at March 31, 2005

Particulars	Linked Funds				Linked Pension Funds				Linked Group Gratuity				Linked Group Superannuation	Total						
	Balancer	Protector	Maximiser	Cash Plus	Secure Plus	Invest Shield*	Balancer	Protector	Maximiser	Secure Plus	Pension*	Invest Shield			Balanced	Income	Short Term	Capital Guarantee Fund		
SOURCES OF FUNDS																				
Shareholders' Funds:																				
Policyholder contribution	6,365,275	5,438,841	4,860,310	808	33,205,419	99,210	103	2,455,914	2,440,220	1,349,099	387	36,892	7,788,847	226,724	10,673	6,734	(80)	24,686,653		
Revenue Account	411,218	204,658	809,104	213	592	4,895	(31)	136,245	63,718	188,928	352	437	(30)	27,351	1,200	2,860	217	940	831,853,950	
Total	6,776,493	5,643,499	5,669,437	72,021	33,797	424,887	10,072	2,592,159	2,503,938	1,538,026	29,739	737,309	874,377	78,918	229,584	10,890	7,674	3	26,540,603	
APPLICATION OF FUNDS																				
Investments																				
Government Securities	725,936	740,276	—	8,402	2,916	—	509	273,381	354,030	—	3,813	—	—	142,002	15,080	24,776	220	706	—	2,294,047
Equities	2,010,568	—	4,675,220	—	401	1,572	—	806,173	—	1,351,246	—	—	—	131,425	—	—	—	4,248	—	8,982,365
Debentures & Bonds	1,836,238	2,267,451	—	24,650	13,584	56,400	99	639,080	1,102,536	—	10,694	6,138	1,220	298,841	39,813	86,522	283	889	—	6,387,938
Certificate of Deposit	54,755	68,457	—	3,979	895	9,052	99	72,143	54,755	—	597	—	99	27,363	—	6,093	199	99	—	298,585
Commercial Paper	733,365	920,675	—	17,930	464	182,824	309	376,808	474,619	—	7,045	20,872	2,895	66,931	6,152	45,483	1,479	486	—	2,867,346
Fixed Deposits	360,725	476,200	—	14,250	350	101,000	1,750	147,950	240,400	—	5,900	10,000	1,475	67,750	8,600	39,600	1,550	700	—	1,484,200
Mutual Fund	507,818	427,893	585,278	—	400,001	—	—	175,037	157,749	155,175	—	—	—	46,072	660	95	125	175	—	2,063,478
	6,229,405	4,900,952	5,260,498	220	31,010	350,278	838	2,490,572	2,384,089	1,506,421	28,049	37,010	7,201	780,384	76,305	202,569	7,856	7,303	—	24,377,959
CURRENT ASSETS																				
Bank Balances—In current account	2,134	223	4,089	26	41	24	60	1,740	67	2,134	14	10	39	270	55	3	15	47	103,994	
Income accrued on investments	78,733	103,483	—	1,082	622	2,018	69	28,726	49,654	—	476	209	57	14,512	323	3,849	104	34	—	285,953
Unit Collection account	499,218	644,491	465,305	760	2,127	72,774	1,100	86,858	72,882	57,297	1,226	122	456	80,385	320	23,293	2,922	304	—	2,012,840
Outstanding Sale Contracts	—	—	—	—	—	27	—	12	—	—	—	—	—	12	—	—	—	—	—	5
Other Assets	1,217	—	5,313	—	—	—	—	1,017	—	2,486	—	—	—	—	—	—	—	—	10,033	
	581,302	748,197	474,707	2,868	2,817	74,816	1,241	118,341	122,603	61,917	1,716	341	564	95,168	2,698	27,145	3,041	385	3	2,319,872
Less: Current Liabilities & Provisions																				
Outstanding purchase contract	24,690	—	57,284	—	—	—	—	13,318	—	28,001	—	—	—	—	—	—	—	—	—	123,293
Other current liabilities	9,524	5,650	8,484	67	30	206	7	3,436	2,754	2,311	26	22	22	7	1,175	85	130	8	14	33,935
Net Current Assets	547,088	742,547	408,939	2,801	2,787	74,610	1,234	101,587	119,849	31,605	1,690	319	557	93,993	2,613	27,015	3,033	371	3	2,162,644
Total	6,776,493	5,643,499	5,669,437	72,021	33,797	424,887	10,072	2,592,159	2,503,938	1,538,026	29,739	737,309	874,377	78,918	229,584	10,890	7,674	3	26,540,603	

\* These schemes have been launched during the year. Hence previous year figures are Nil.

(Rs. in '000s)

Balance sheet of Linked Business as at March 31, 2004												(Rs. in '000s)
Particulars	Linked Funds			Linked Pension Funds			Linked Group Funds					Total
	Balancer Protector Maximiser	Cash Plus	Secure Plus	Balancer Protector	Maximiser	Secure Plus	Balanced Income	Short Term Debt	Capital Guarantee	Capital Guarantee Super-annuation	Growth Super-annuation	
SOURCES OF FUNDS												
Shareholders' Funds												
Policy holder contribution	1,406,138	2,871,012	952,767	10,179	7,886	802,690	1,401,083	354,456				893
Revenue Account	131,322	187,424	254,789	127	79	51,327	55,281	72,673				29
TOTAL	1,537,460	3,058,436	1,207,556	10,306,965		854,017	1,456,364	427,129	11,115	64,872	8,095	8,650,003
APPLICATION OF FUNDS												
Investments												
Government Securities	509,057	1,466,928	—	4,768	3,139	277,406	709,169	—				156
Equities	561,914	—	1,116,159	—	477	309,626	—	385,996				2,380
Debentures & Bonds	344,730	1,328,504	—	4,472	2,828	195,393	627,717	—				120
Certificate of Deposit	—	—	—	—	—	—	—	—				—
Mutual Fund	41,241	29,886	89,288	425	500	23,988	19,251	40,942				100
	1,456,942	2,825,318	1,205,447	9,665	6,944	806,413	1,356,137	426,938	9,924	24,676	8,014	8,143,466
Current Assets												
Money at call	—	—	—	—	—	—	—	—	—	—	—	—
Bank Balances — in current account	534	528	667	60	58	340	318	239		39	235	416
Income accrued on investment	22,067	73,880	—	249	170	12,405	36,019	—		249	431	86
Dividend Receivable	—	—	—	—	—	—	—	—		—	—	—
Unit Collection account	85,007	162,225	55,822	341	799	51,497	65,466	21,730		911	39,964	—
Outstanding Sale Contracts	3,023	—	7,568	—	—	1,073	—	2,014		28	—	13,706
Other Assets	1,150	—	3,307	—	—	455	—	994		10	—	5,916
	111,781	236,633	67,364	650	1,027	65,770	101,803	24,977	1,199	40,668	255	80
Less: Current Liabilities & Provisions												
Outstanding purchase contract	28,919	—	63,314	—	—	16,942	—	24,142		438	—	69
Other current liabilities	2,344	3,515	1,941	9	6	1,224	1,576	644	8	34	174	1
Net Current Assets	80,518	233,118	2,109	641	1,021	47,604	100,227	191	1,191	40,196	81	506,537
TOTAL	1,537,460	3,058,436	1,207,556	10,306,965	7,965	854,017	1,456,364	427,129	11,115	64,872	8,095	8,650,003

Balance sheet of Linked Business as at March 31, 2004



## 3.18 Revenue Account for Linked Business for the year ended March 31, 2005

(Rs. in '000s)

Particulars	Linked Funds				Linked Pension Funds				Linked Group Gratuity				Linked Group	Total					
	Balancer	ProtectoMaximiser	Cash Plus	SecurePreserver * Invest Shield*	Balancer	ProtectoMaximiser	Secure Plus Preserver*	Invest Shield Pension*	Balanced	Income	Short TermDebt	Capital Guarantee Fund	Superannuation Growth						
Income from Investments																			
Interest income	107,065	215,038	1091,671	902	2,006	17	39,418	100,119	8	865	194	16	19,158,051	2,922	116	92	8	492,775	
Divident income	19,987	—	39,791	9	—	—	8,718	—	11,224	—	—	—	1,491	—	—	41	—	81,261	
Profit/loss on sale of Investments	11,606	(101,594)	169,795	(16)	(178)	14	8,856	(47,418)	36,969	(347)	182	15	(1,872)	(930)	849	128	255	78	108,786
Unrealised Gain/loss	175,820	(42,805)	400,390	(197)	(53)	(51)	52,528	(20,015)	82,757	(81)	122	(50)	14,341	(542)	(387)	21	615	(2)	663,569
Miscellaneous Income	54	6	73	—	—	—	—	31	26	—	—	—	1	11	—	—	—	—	—
Total (A)	344,532	70,645	610,158	1,458	680	5,558	109,551	32,686	130,984	437	498	(19)	33,119	1,590	3,384	265	1,003	84	1,346,593
Fund Management Expenses	28,857	8,817	26,219	372	167	663	11	11,181	3,936	7,114	172	61	11	7,738	665	546	52	92	496,678
Fund Administrative Expenses	35,779	44,594	29,624	—	—	—	—	13,452	20,313	7,615	—	—	—	—	—	—	—	—	151,377
Total (B)	64,636	53,411	55,843	372	167	663	11	24,633	24,249	14,729	172	61	11,738	665	546	52	92	4	248,055
Net Income for the year (A-B)	279,896	17,234	554,315	1,086	513	4,895	84,918	8,437	116,255	265	437	(30)	25,381	925	2,838	213	911	80	1,098,538
Interim Bonus Paid																			—
Add : Revenue account at the beginning of the year	131,322	187,424	254,789	127	79	—	—	51,327	55,281	72,673	87	—	1,970	275	22	4	29	3	755,412
Revenue account at the end of the year	411,218	204,658	809,104	213	592	4,895	136,245	63,718	188,928	352	437	(30)	27,351	1,200	2,860	217	940	831	853,950

\* These schemes have been launched during the year. Hence previous year figures are Nil.

## schedules

forming part of the financial statements

Continued

(Rs. in '000s)

(Rs. in '000s)

## Revenue Account for Linked Business for the year ended March 31, 2004

Particulars	Linked Funds				Linked Pension Funds				Linked Group Funds						total	
	Balancer	Protecto	Maximiser	Cash Plus	Secure Plus	Balancer	Protector	Maximiser	Secure Plus	Balanced	Income	Short Term Debt	Capital Guarantee	Capital Guarantee Superannuation		
Income from Investments																
Interest Income	21,797	134,709	1,222	177	148	9,118	43,033		381	84	726	348	29	2	1	5
Dividend income	3,398	—	7,921	—	1	1,543	—	2,446	—	—	28	—	—	—	—	1
Profit/loss on sale of Investment	42,093	19,817	96,860	5	5	2	15,645	28,913	7	882	28	(1)	—	—	—	11
Unrealised Gain / Loss	73,570	22,684	160,830	(26)	(46)	27,650	9,626	44,964	10	568	(31)	(2)	2	2	16	339,817
Total (A)	140,858	177,210	266,833	156	105	55,956	58,410	76,704		101	2,204	345	26	4	3	33
Fund Management Expenses	5,031	4,690	4,932	29	26	2,092	1,483	1,431		14	234	70	4	—	—	4
Fund Administrative Expenses	6,755	24,597	6,546	—	—	2,819	7,815	1,920		—	—	—	—	—	—	5
Total (B)	11,786	29,287	11,478	29	26	4,911	9,298	3,351		14	234	70	4	—	—	4
Net Income for the year (A-B)	129,072	147,923	255,355	127	79	51,045	49,112	73,353		87	1,970	275	22	4	3	29
Add: Revenue account at the beginning of the year	2,250	39,501	566	—	—	282	6,169	(680)	—	—	—	—	—	—	—	46,956
Revenue account at the end of year	131,322	187,424	254,789	127	79	51,327	55,281	72,673		87	1,970	275	22	4	3	29

# schedules

forming part of the financial statements

(Rs. in '000s)

## 3.19 Assets held to cover Policyholders' Liability

The Policyholders' Liabilities other than linked fund aggregating Rs. 7,935,302 thousands as at March 31, 2005 are adequately backed by assets as at March 31, 2005 as shown below:

(Rs. in '000s)

Description	Participating	Non-Participating	Annuities Participating	Linked	Linked Pension	Linked Group	Total
Policyholders' Liabilities as per Balance Sheet [A]	4,724,422	1,187,740	1,687,259	229,363	103,521	2,997	7,935,302
Assets held to cover policyholders liabilities							
Investments (As per Schedule-8A)	4,818,098	1,152,913	1,698,856	270,106	102,443	3,009	8,045,425
Current Assets and Loans (As per Note 3.16)	295,439	47,451	45,066	31,495	9,648	1,431	430,530
Less: Current Liabilities (As per Note 3.16)	(154,487)	(13,560)	(562)	(13,557)	(724)	-	(182,890)
Total Assets [B]	4,959,050	1,186,805	1,743,359	288,044	111,368	4,440	8,293,065

The Policyholder's liability for Linked funds aggregating to Rs. 26,540,603 thousand as at March 31, 2005 are adequately backed by assets as at March 31, 2005 as disclosed in Note 3.17.

The Policyholders' Liabilities other than linked fund aggregating Rs. 5,688,638 thousands as at March 31, 2004 are adequately backed by assets as at March 31, 2004 as shown below:

(Rs. in '000s)

Description	Participating	Non-Participating	Annuities Participating	Linked	Linked Pension	Linked Group	Total
Policyholders' Liabilities as per Balance Sheet [A]	3,106,307	1,113,235	1,278,479	131,299	58,298	1,020	5,688,638
Assets held to cover policyholders' liabilities							
Investments (As per Schedule-8A)	3,161,057	1,090,191	1,293,398	128,490	70,696	1,083	5,744,915
Current Assets and Loans (As per Note 3.16)	115,988	34,212	40,306	10,655	4,542	50	205,753
Less: Current Liabilities (As per Note 3.16)	(92,250)	(6,861)	(4,462)	(7,929)	(455)	-	(111,957)
Total Assets [B]	3,184,795	1,117,542	1,329,242	131,216	74,783	1,133	5,838,711

The Policyholder's liability for Linked funds aggregating to Rs. 8,650,003 thousands as at March 31, 2004 are adequately backed by assets as at March 31, 2004 as disclosed in Note 3.17.

## 3.20 Employee Stock Option Scheme ("ESOS")

A summary of status of Company's Employee Stock Option Scheme is given below:

Particulars	March 31, 2005	March 31, 2004
Outstanding at the beginning of the year	—	—
Add: Granted during the year	<b>3,169,500</b>	—
Less: Forfeited /lapsed during the year	—	—
Exercised during the year	—	—
Outstanding at the end of the year	<b>3,169,500</b>	—

## 3.21 Previous year comparatives

Previous year figures have been regrouped and reclassified wherever necessary to conform to current year presentation.

K.V. KAMATH  
Chairman

KEVIN HOLMGREN  
Director

M.P. MODI  
Director

SHIKHA SHARMA  
Managing Director

SANDEEP BATRA  
Chief Financial Officer  
& Company Secretary

VRAJAGOPALAN  
Appointed Actuary

Mumbai, April 25, 2005

# receipts & payments account



for the year ended March 31, 2005

(Rs. in '000s)

	March 31, 2005		March 31, 2004	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Receipts from customers :				
Premium & other receipts	26,843,893		10,034,934	
Fees from professional services	987	26,844,880	1,098	10,036,032
Cash paid towards Operating Activities :				
Expenses & Withdrawals	(10,030,708)		(3,726,823)	
Reinsurance premium ceded	102,919		(15,059)	
Advances & Deposits	(2,571)		(60,552)	
Loan Against Policies	(5,881)	(9,936,241)	(3,489)	(3,805,923)
<i>Net cash from operating activities</i>		<u>16,908,639</u>		<u>6,230,108</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Sale of fixed assets	1,868		128	
Purchase of fixed assets	(276,365)	(274,497)	(314,351)	(314,223)
Purchase of Investments		(105,169,050)		(22,397,540)
Loan		2,274		(18,109)
Margin Money Receivable		23,529		(20,450)
Sale of Investments		86,328,948		13,702,422
Deposit Received on Lease Property		-		5,981
Interest & Dividend received		925,148		501,376
<i>Net cash from investing activities</i>		<u>(18,163,648)</u>		<u>(8,540,542)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of share capital		2,500,000		2,500,000
<i>Net cash used in financing activities</i>		<u>2,500,000</u>		<u>2,500,000</u>
<i>Net increase in Cash and cash equivalents</i>		<u>1,244,992</u>		<u>189,566</u>
Cash and cash equivalents at beginning of the year		461,871		272,305
<i>Cash and cash equivalents at end of the year</i>		<u>1,706,863</u>		<u>461,871</u>

Note:

Cash and cash equivalents at the end of the year includes :

— Cash (including Cheques in hand & stamps in hand)	891,949	248,572
— Bank Balance & money at call and short notice	814,914	213,299
	<u>1,706,863</u>	<u>461,871</u>

As per our report of even date attached

For BSR & CO.  
(Formerly Bharat S Raut & Co.)  
Chartered Accountants

For S.R. BATLIBOI & CO.  
Chartered Accountants

K.V KAMATH  
Chairman

KEVIN HOLMGREN  
Director

M.P. MODI  
Director

AKEEL MASTER  
Partner  
Membership No. 46768  
Mumbai, April 25, 2005

perHEMAL SHAH  
Partner  
Membership No. 42650

SHIKHA SHARMA  
Managing Director

SANDEEP BATRA  
Chief Financial Officer  
& Company Secretary

V RAJAGOPALAN  
Appointed Actuary