

ICICI PRUDENTIAL LIFE INSURANCE COMPANY LIMITED

SECOND ANNUAL REPORT AND ACCOUNTS 2001-2002

Directors

K.V. Kamath, *Chairman*
 Danny Bardin
 John Caouette
 Lalita D. Gupte
 Kalpana Morparia
 M.P. Modi
 Mark Tucker
 Shikha Sharma, *Managing Director*
 Derek Stott (*Alternate Director to Mark Tucker*)
 S.P. Subhedar (*Alternate Director to Danny Bardin*)

Board Governance Committee

Danny Bardin, *Chairman*
 Lalita D. Gupte
 Shikha Sharma

Risk Management and Audit Committee

M.P. Modi, *Chairman*
 Danny Bardin
 Kalpana Morparia

Board Investment Committee

Lalita D. Gupte, *Chairperson*
 Danny Bardin
 Shikha Sharma

V. Rajagopalan

Sandeep Batra
 Puneet Nanda

Auditors

Bharat S. Raut & Co.
 Chartered Accountants

Registered Office

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

directors' report

to the members

We are pleased to present the Second Annual Report to the Members alongwith the audited Statement of Accounts for the financial year ended March 31, 2002.

OPERATIONAL REVIEW

Your Directors are pleased to inform you that in the 15 months since commencing operations, your Company has established its position as the leading private life insurer in India, and has issued over 100,000 policies by March 31, 2002.

A summary of the financial results for the year ended March 31, 2002 are as under :

Particulars	Rs. Million	
	Current Year (March 31, 2002)	Previous Period (March 31, 2001)
No. of new Policies (in '000)	98	6
Premium Income	1,163	59
Sum Assured in force		
- Basic Policy	15,394	1,007
- Total (Basic + Standalone Riders)	27,573	2,002
Annualized Premium		
- Regular	680	42
- Single	576	27
- Weighted (Regular + 10% of single)	738	45
Surplus/(Deficit) in Revenue/Profit and Loss Accounts before transfer from Shareholders fund:		
	Rs. Million	
Participating	(770)	(182)
Non-participating	(104)	(24)
Annuities	(175)	(0)
Linked	(15)	N.A.
Shareholders	191	2
Total	(873)	(204)

Keeping in mind the growing sophistication of the Indian consumer and in line with international trends, your Company has launched two market linked products which offer great flexibility and control in the hands of the consumers. These products were launched in the last quarter of the year under review and the funds under management in respect of these products at the year end were Rs. 75 million.

Your Company is also moving towards offering "solutions" rather than "products" and as a step in this direction has launched a retirement solutions product and a product for children "ICICI Pru SmartKid". These are in addition to the traditional endowment and term products.

Your Company has 10 products and 5 riders to cater to the needs of consumers at various life stages.

In its efforts to increase distribution and customer awareness, your Company has as on date expanded its branch network to 16 operational branches and has grown its advisor force to over 10,000. As the above channel is a key driver of your Company's growth, recruitment and extensive training of advisors is conducted on an ongoing basis. Your Company has also tied up with various banks to distribute products to their existing customer base, and with NGOs for distribution of its social sector product.

To service its growing policyholder base, your Company is using a national call centre to handle customer queries and generate leads. The Company has also developed expertise in investment and risk management that enables it to earn consistent and stable returns and fulfil its claims.

Your Company has also taken significant steps in reshaping life insurance through a series of initiatives. These include highlighting the affordability of life insurance, moving away from the regime of guaranteed returns, and demonstrating the holistic benefits of life insurance.

DIVIDEND

Since the Company has incurred a loss for the year, the Directors are unable to recommend any dividend for this financial year.

RURAL AND SOCIAL SECTOR OBLIGATIONS

The Company has achieved the rural and social sector obligations by writing 6940 policies pertaining to the rural sector. The Company has covered 7604 lives from economically vulnerable or backward classes of society.

INCREASE IN SHARE CAPITAL

Your Company issued 40,000,000 equity shares of Rs.10 each at par amounting to Rs. 400 million in the year under review. The issued, subscribed and paid-up equity share capital, accordingly, increased from 150,000,000 shares, during the previous period, to 190,000,000 shares in the year under review.

PUBLIC DEPOSITS

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

CORPORATE GOVERNANCE

Your Company is committed to achieving the highest standards of corporate governance. Towards this end, it continues to adopt the best practices in corporate governance. 25% of the Company's Board consist of independent Directors. The Board has also set up Committees to oversee the functions of the executive management, namely Board Investment Committee, Risk Management and Audit Committee and Board Governance Committee. The Risk Management and Audit Committee of the Company is chaired by an independent Director.

Your Company has also set up a Grievance Redressal Committee presided by an independent Member. This Committee is responsible for addressing all the policy related issues of customers.

DIRECTORS

Chanda Kochhar tendered her resignation from the Board with effect from June 7, 2001. The Board accepted, with regret, her resignation and placed on record its appreciation of the valuable services rendered by her during her tenure.

Kalpana Morparia was appointed as an additional Director during the year. Kalpana Morparia would retire at the ensuing Annual General Meeting, and being eligible, offers herself for re-appointment.

In accordance with the provisions of the Companies Act, 1956 K. V. Kamath, Lalita D. Gupte, Mark Tucker, Danny Bardin and John Caouette shall retire by rotation at the ensuing Annual General Meeting.

K.V. Kamath, Lalita D. Gupte, Mark Tucker and Danny Bardin being eligible, offer themselves for re-appointment.

AUDITORS

The Statutory Auditors, Bharat S. Raut & Company, Chartered Accountants, retire at the ensuing Annual General Meeting and offer themselves for reappointment. The Company has obtained a certificate as required under Section 224 (1-B) of the Companies Act, 1956 to the effect that their reappointment, if made, would be in conformity with the limits specified in that Section.

PARTICULARS OF EMPLOYEES

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

ADDITIONAL INFORMATION

Information in accordance with the provisions of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are as follows :

Particulars	Current Year (March 31, 2002)	Previous Period (March 31, 2001)
Conservation of Energy	Not Applicable	Not Applicable
Technology Absorption	Not Applicable	Not Applicable
Foreign Exchange Earnings and Outgo		
– Earnings in Rupees million	1	1
– Outgo in Rupees million	14	16

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm that:

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

ACKNOWLEDGEMENTS

Your Board places on record its sincere appreciation for the faith and confidence reposed by its esteemed policyholders, shareholders, banks, financial institutions, ICICI group and Prudential group.

Your Board places on record its gratitude for the valuable advice, guidance and support received from time to time from the Insurance Regulatory and Development Authority, the Reserve Bank of India, the auditors and the statutory authorities.

Your Board places on record its appreciation of the contribution made by all the employees in ensuring the high levels of performance and growth that the Company has achieved during the year and looks forward to their continued involvement, commitment and dedication to enable it to reach greater heights in the life insurance industry.

For and on behalf of the Board

Mumbai
April 24, 2002

K.V. KAMATH
Chairman

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, 2002 the Shareholders' Profit and Loss Account and the related Policyholders' Revenue Account of the Company for the year ended on that date, annexed thereto.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting these amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report thereon as follows:

- We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit and have found them to be satisfactory;
- In our opinion, proper books of account as required by law have been maintained by the Company so far as appears from our examination of those books;
- The Balance Sheet, the Policyholders' Revenue Account, the Shareholders' Profit and Loss Account and the Cash Flow statement dealt with by this report are in agreement with the books of accounts;
- The Company's Appointed Actuary has certified the actuarial valuation of liabilities including to the effect that the assumptions for such valuation are in accordance with the regulations issued by the Insurance Regulatory and Development Authority ("IRDA") and the provisions of the Guidance Note-1 issued by the Actuarial Society of India; and
- On the basis of the written representations received from the Directors of the Company, as on March 31, 2002 and taken on record by the Board of Directors, no Director of the Company is disqualified as on March 31, 2002 from being appointed as Director under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

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

- The Balance Sheet, the Policyholders' Revenue Account and the Shareholders' Profit and Loss Account referred to in this report are in

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

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

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 and there is no apparent mistake or material inconsistencies with the financial statements;
- There are no terms and conditions specified in the certificate of registration number 105, dated November 24, 2000 received by the Company from the IRDA;
- We have verified the cash balances and investments by actual inspection or by production of certificates, as the case may be;
- The Company is not the trustee of any trust; and
- No part of the asset of the policyholders' funds have been directly or indirectly applied in contravention to the provisions of the Insurance Act, 1938 relating to the application and investments of the policyholders' funds.

For BHARAT S. RAUT & CO.
Chartered Accountants

AKEEL MASTER
Partner

Mumbai, April 24, 2002

balance sheet

profit and loss account

as at March 31, 2002

for the year ended March 31, 2002

	Schedule	(Rs. in '000s)	March 31, 2001		Schedule	(Rs. in '000s)	March 31, 2001
SOURCES OF FUNDS				Shareholders' Account (Non-technical Account)			
Shareholders' Funds:				Amount transferred to :			
Share Capital	1	1,900,000	1,500,000	Policyholders' Account (Technical) Participating		927,171	—
Profit and Loss Account - Credit Balance		—	2,259	Policyholders' Account (Technical) Non-Participating		124,697	—
		<u>1,900,000</u>	<u>1,502,259</u>	Policyholders' Account (Technical) Annuities Participating		175,169	—
Policyholders' Funds:				Policyholders' Account (Technical) Linked		14,769	—
Policy Liabilities				Total (A)		<u>1,241,806</u>	—
- Participating Business		580,079	23,170	Income from Investments :			
- Non-Participating Business		534,361	26,272	(a) Interest		107,292	61,330
- Annuities Participating		216,654	2	(b) Profit on sale of investments (net)		112,347	4,622
- Linked		935	—	Fees for professional services		1,011	1,000
Insurance Reserves				Other Income		58	—
- Participating Business		—	(182,712)	Total (B)		<u>220,708</u>	66,952
- Non-Participating Business		—	(23,862)	Operating Expenses :			
- Annuities Participating		—	(40)	Employees remuneration and welfare benefits		2,974	7,662
Liabilities for Linked Business		75,374	—	Rent, Rates and Taxes		5	5,983
		<u>1,407,403</u>	<u>(157,175)</u>	Travelling		341	2,876
Total		<u>3,307,403</u>	<u>1,345,084</u>	Legal and professional fees		6,057	1,504
APPLICATION OF FUNDS:				Sales Promotion		692	14,625
Investments				Others		861	1,506
Shareholders'	2	515,930	1,215,392	Depreciation		142	717
Policyholders'	2A	1,325,790	—	Preliminary Expenses		—	29,820
Asset held to cover linked business	2B	75,374	—	Total (C)		<u>11,072</u>	64,693
Fixed Assets	3	281,947	141,879	Profit / (Loss) before Tax		<u>(1,032,170)</u>	2,259
Deferred Tax Asset (Net)		102,346	—	Provision for Taxation (Current Year) - Deferred		(18,811)	—
Current Assets				Profit / (Loss) after Tax		<u>(1,050,981)</u>	2,259
Cash and Bank Balances	4	107,115	34,090	APPROPRIATIONS			
Advances and Other Assets	5	119,650	63,762	Balance at the beginning of the year		2,259	—
Less: Current Liabilities	6	273,996	110,039	Provision for Taxation (Previous Period) - Deferred		(4,525)	—
NET CURRENT ASSETS		<u>(47,231)</u>	<u>(12,187)</u>	Profit/(Loss) carried to Balance Sheet		<u>(1,053,247)</u>	2,259
Profit and Loss Account - Debit balance		1,053,247	—				
Total		<u>3,307,403</u>	<u>1,345,084</u>				
NOTES TO ACCOUNTS	11						

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

As per our report of even date.

For BHARAT S. RAUT & CO.
Chartered Accountants

AKEEL MASTER
Partner

K.V. KAMATH
Chairman

M.P. MODI
Director

S.P. SUBHEDAR
Director

SHIKHA SHARMA
Managing Director

SANDEEP BATRA
Chief Financial Officer &
Company Secretary

V. RAJAGOPALAN
Appointed Actuary

Mumbai, April 24, 2002

revenue account



for the year ended March 31, 2002

(Rs. in '000s)

Policyholders' Account (Technical Account)

Particulars	Schedule	Participating	Non-participating	Annuities Par	Linked	Total
Premiums earned – net						
(a) Premium	7	380,548	483,421	223,662	76,122	1,163,753
(b) Reinsurance ceded		(216)	(89)	(6)	(30)	(341)
Income from Investments						
(a) Interest – Gross		—	16,997	—	—	16,997
(b) Profit on sale/redemption of investments (Net)		—	11,727	—	—	11,727
Miscellaneous Income		298	48	242	1,270	1,858
Total (A)		380,630	512,104	223,898	77,362	1,193,994
Commission						
Operating Expenses related to Insurance Business	8	104,964	13,121	25,159	1,474	144,718
Provision for Taxation (Current Year) - Deferred	9	567,886	104,053	157,211	19,325	848,475
Unrealised loss on Investments		(82,974)	(11,365)	—	(2,158)	(96,497)
		—	—	5	—	5
Total (B)		589,876	105,809	182,375	18,641	896,701
Benefits Paid (Net)	10	4,112	2,412	—	2	6,526
Liability against Life policies in force		556,910	508,089	216,652	935	1,282,586
Transfer to Linked Fund		—	—	—	72,553	72,553
Total (C)		561,022	510,501	216,652	73,490	1,361,665
SURPLUS/ (DEFICIT) (D) = (A)-(B)-(C)		(770,268)	(104,206)	(175,129)	(14,769)	(1,064,372)
APPROPRIATIONS						
Insurance reserve at the beginning of the year		(182,717)	(23,862)	(40)	—	(206,619)
Provision for Taxation (Previous Year) - Deferred		25,814	3,371	—	—	29,185
		(156,903)	(20,491)	(40)	—	(177,434)
Transfer from Shareholders' Account		927,171	124,697	175,169	14,769	1,241,806

for the period ended March 31, 2001

Policyholders' Account (Technical Account)

Particulars	Schedule	Participating	Non-participating	Annuities Par	Linked	Total
Premiums earned – net						
(a) Premium	7	30,241	29,461	10	—	59,712
(b) Reinsurance ceded		(2)	(2)	—	—	(4)
Income from Investments						
Total (A)		30,239	29,459	10	—	59,708
Commission	8	9,515	1,277	4	—	10,796
Operating Expenses related to Insurance Business	9	180,271	25,772	44	—	206,087
Benefits Paid (Net)	10	—	—	—	—	—
Total (B)		189,786	27,049	48	—	216,883
Provision for Tax		—	—	—	—	—
Total (C)		—	—	—	—	—
Liability against Life policies in force		23,170	26,272	2	—	49,444
Total (D)		23,170	26,272	2	—	49,444
SURPLUS/ (DEFICIT) (D) = (A)-(B)-(C)		(182,717)	(23,862)	(40)	—	(206,619)

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.

For BHARAT S. RAUT & CO.
Chartered Accountants

AKEEL MASTER
Partner

K.V. KAMATH
Chairman

M.P. MODI
Director

S.P. SUBHEDAR
Director

SHIKHA SHARMA
Managing Director

SANDEEP BATRA
Chief Financial Officer &
Company Secretary

V. RAJAGOPALAN
Appointed Actuary

Mumbai, April 24, 2002

schedules

forming part of the financial statements

(Rs. in '000s)

SCHEDULE – 1

SHARE CAPITAL

Authorised Capital

Equity Shares of Rs.10 each

2,300,000

1,500,000

Issued, Subscribed and Called-up Capital

Equity Shares of Rs.10 each

1,900,000

1,500,000

Total

1,900,000

1,500,000

Of the above issued share capital as of March 31, 2002, 140,599,993 shares (Previous Year : 110,999,993 shares) of Rs. 10 each are held by the holding company, ICICI Limited and 7 shares (Previous Year : 7 shares) of Rs. 10 each are held by ICICI Limited through its nominees.

PATTERN OF SHAREHOLDING

[As certified by the Management]

Shareholder

Shareholder	March 31, 2002		March 31, 2001	
	Number of Shares	% of Holding	Number of Shares	% of Holding
Promoters				
Indian	140,600,000	74	<i>111,000,000</i>	<i>74</i>
Foreign	49,400,000	26	<i>39,000,000</i>	<i>26</i>
Total	190,000,000	100	<i>150,000,000</i>	<i>100</i>

SCHEDULE – 2

INVESTMENTS SHAREHOLDERS

Long Term Investments

Government securities and Government guaranteed Bonds including Treasury Bills
(Market Value Current Year : Rs. 346,259 thousands)
(Market Value Previous Year : Rs. 1,009,960 thousands)

327,887

975,030

Other Investments :

Debentures/ Bonds

(Market Value Current Year : Rs. 100,711 thousands)
(Market Value Previous Year : Rs. 54,500 thousands)

96,862

53,728

Investments in Infrastructure and Social Sector

(Market Value Current Year : Rs. 57,495 thousands)
(Market Value Previous Year : Rs. 189,615 thousands)

56,936

186,634

Short Term Investments

Other than Approved Investments :

Mutual Funds

(Market Value Current Year : Rs. 34,290 thousands)
(Market Value Previous Year : Nil)

34,245

—

Total

515,930

1,215,392

In India

515,930

1,215,392

TOTAL

515,930

1,215,392

SCHEDULE – 2A

INVESTMENTS-POLICYHOLDERS

	March 31, 2002				March 31, 2001	
	Participating	Non-participating	Annuities Par	Linked	Total	
LONG TERM INVESTMENTS						
Government securities and Government guaranteed Bonds including Treasury Bills (Market Value Rs. 896,178 thousands)	342,700	390,116	116,759	968	850,543	<i>—</i>
Other Investments :						
Debentures/ Bonds (Market Value Current Year : Rs. 52,000 thousands)	—	—	50,000	—	50,000	<i>—</i>
Investments in Infrastructure and Social Sector (Market Value Current Year : Rs. 327,416 thousands)	187,387	81,154	49,924	—	318,464	<i>—</i>
Other than Approved Investments :						
Debentures/ Bonds (Market Value Current Year : Rs. 109,940 thousands)	50,000	56,782	—	—	106,782	<i>—</i>
Total	580,087	528,052	216,683	968	1,325,790	<i>—</i>
In India	580,087	528,052	216,683	968	1,325,790	<i>—</i>
Total	580,087	528,052	216,683	968	1,325,790	<i>—</i>

schedules



forming part of the financial statements

Continued

(Rs. in '000s)

SCHEDULE – 2B

ASSETS HELD TO COVER LINKED BUSINESS

	March 31, 2002			March 31, 2001	
	Balanced	Income	Growth	Total	
LONG TERM INVESTMENTS					
Government securities and Government guaranteed Bonds including Treasury Bills (Historical Costs Current Year Rs. 23,721 thousands)	2,453	20,445	1,074	23,972	—
Other Investments :					
Equity Shares (Historical Costs Current Year Rs. 13,868 thousands)	3,332	—	10,175	13,507	—
Debentures/ Bonds (Historical Costs Current Year Rs. 8,201 thousands)	823	6,940	588	8,351	—
Investments in Infrastructure and Social Sector :					
Debentures/ Bonds (Historical Costs Current Year Rs. 21,270 thousands)	2,201	19,076	—	21,277	—
Net Current Assets	982	6,281	1,004	8,267	—
Total	9,791	52,742	12,841	75,374	—
In India	9,791	52,742	12,841	75,374	—
Total	9,791	52,742	12,841	75,374	—

SCHEDULE – 3

FIXED ASSETS

Particulars	Cost/ Gross Block			Depreciation			Net Block	
	Opening	Additions	Closing	Upto last Period	For the Year	To Date	As at 31 March, 2002	As at 31 March, 2001
Leasehold Improvement	25,676	81,965	107,641	387	9,264	9,651	97,990	25,289
Information Technology Equipment	16,954	27,102	44,056	2,372	10,816	13,188	30,868	14,582
Software	15,099	46,965	62,064	1,421	19,773	21,194	40,870	13,678
Networks	—	21,244	21,244	—	4,472	4,472	16,772	—
Office Equipment	27,828	83,202	111,030	2,761	25,869	28,630	82,400	25,067
Sub-total	85,557	260,478	346,035	6,941	70,194	77,135	268,900	78,616
Capital Work-in-Progress							13,047	63,263
Total							281,947	141,879
Previous Year	—	85,557	85,557	—	6,941	6,941	78,616	—

SCHEDULE – 4

CASH AND BANK BALANCES

	March 31, 2002	March 31, 2001
Cash (including cheques in hand)	73,229	19,081
Bank Balance		
(a) Deposit Account : Short-term (due within 12 months of the date of balance sheet)	15,105	15,009
(b) Current Account	101	—
Money at Call and Short Notice with banks #	18,680	—
Total	107,115	34,090
CASH and BANK BALANCES		
In India	107,115	34,090
Total	107,115	34,090

includes Rs. 6.4 million (Previous period Rs. Nil) investment of Non-Participating busines.

SCHEDULE – 5

ADVANCES AND OTHER ASSETS

	March 31, 2002	March 31, 2001
ADVANCES		
Prepayments	342	152
Advance tax paid and taxes deducted at source	746	404
Deposits	46,162	30,733
Rent and other advances	8,420	6,008
Other receivables	125	1,000
TOTAL (A)	55,795	38,297
OTHER ASSETS		
Income accrued on investments	51,132	23,926
Outstanding Premiums	11,723	539
Deposit with Reserve Bank of India [Pursuant to Section 7 of Insurance Act, 1938]	1,000	1,000
TOTAL (B)	63,855	25,465
TOTAL (A+B)	119,650	63,762

schedules

forming part of the financial statements

Continued

(Rs. in '000s)

March 31, 2002

March 31, 2001

SCHEDULE – 6

CURRENT LIABILITIES

Agents' Balances	655	5,159
Sundry Creditors	10,090	8,863
Expenses Payable	93,655	72,175
Due to Holding company	6,146	6,577
TDS Payable	6,706	5,187
Unarranged Overdraft	14,208	3,744
Premium and other Liabilities	137,061	8,321
Premium received in advance	4,756	13
Claims Outstanding	719	—
Total	273,996	110,039

	Participating	Non-participating	Annuities Par	Linked	Total
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SCHEDULE – 7

PREMIUM

For the year ended March 31, 2002

First year premiums	352,249	17,094	175,970	12,384	557,697
Renewal premiums	28,299	2,165	12	—	30,476
Single premiums	—	464,162	47,680	63,738	575,580
Total Premium	380,548	483,421	223,662	76,122	1,163,753

Premium Income from business written :

In India	380,548	483,421	223,662	76,122	1,163,753
Total Premium (Net)	380,548	483,421	223,662	76,122	1,163,753

For the period ended March 31, 2001

First year premiums	30,241	2,275	10	—	32,526
Single Premiums	—	27,186	—	—	27,186
Total Premium	30,241	29,461	10	—	59,712

Premium Income from business written :

In India	30,241	29,461	10	—	59,712
Total Premium (Net)	30,241	29,461	10	—	59,712

SCHEDULE – 8

COMMISSION EXPENSES

For the year ended March 31, 2002

Direct— First year premiums	102,862	5,522	24,304	1,263	133,951
– Renewal premiums	2,102	155	1	—	2,258
– Single premiums	—	7,444	854	211	8,509
Net Commission	104,964	13,121	25,159	1,474	144,718

For the period ended March 31, 2001

Direct— First year premiums	9,515	754	4	—	10,273
– Single premiums	—	523	—	—	523
Net Commission	9,515	1,277	4	—	10,796

SCHEDULE – 9

OPERATING EXPENSES

For the year ended March 31, 2002

Employees' remuneration and welfare benefits	159,288	30,015	45,212	5,508	240,023
Travel, conveyance and vehicle running expenses	18,354	3,538	4,543	483	26,918
Rents, rates and taxes	50,342	10,480	11,251	1,397	73,470
Repairs	11,172	2,342	2,527	308	16,349
Printing and stationery	10,109	2,037	2,176	301	14,623
Communication expenses	18,731	3,087	5,649	733	28,200
Legal and professional charges	20,087	3,572	6,111	726	30,496
Medical fees	7,113	1,659	2,769	186	11,727
Auditors' fees :					
(a) as auditor	450	47	270	23	790
Advertisement and publicity	139,256	23,280	36,712	4,664	203,912
Interest and bank charges	448	204	84	203	939
Others	41,531	8,055	12,129	1,613	63,328
Agents training and recruitment	44,696	7,606	13,657	1,689	67,648
Depreciation	46,309	8,131	14,121	1,491	70,052
Total	567,886	104,053	157,211	19,325	848,475

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	Participating	Non-participating	Annuities Par	Linked	Total
For the period ended March 31, 2001					
Employees' remuneration and welfare benefits	45,060	6,355	11	—	51,426
Travel, conveyance and vehicle running expenses	7,148	1,008	2	—	8,158
Rents, rates and taxes	26,277	3,706	7	—	29,990
Repairs	1,574	222	—	—	1,796
Printing and stationery	1,844	380	—	—	2,224
Communication expenses	1,677	264	—	—	1,941
Legal and professional charges	7,293	1,029	2	—	8,324
Medical fees	1,216	200	—	—	1,416
Auditors' fees :					
(a) as auditor	307	43	—	—	350
(b) in any other capacity	9	1	—	—	10
Advertisement and publicity	52,099	7,348	13	—	59,460
Interest and bank charges	52	9	—	—	61
Agents training and recruitment	24,503	3,392	6	—	27,901
Others	5,758	1,046	2	—	6,806
Depreciation	5,454	769	1	—	6,224
Total	180,271	25,772	44	—	206,087

SCHEDULE – 10

BENEFITS PAID [NET]

For the year ended March 31, 2002

1 Insurance Claims					
(a) Claims by Death	4,055	2,405	—	2	6,462
(b) Other benefits					
– Guaranteed Additions	57	7	—	—	64
Total	4,112	2,412	—	2	6,526
Benefits paid to claimants :					
1 In India	4,112	2,412	—	2	6,526
Total Benefits paid (Net)	4,112	2,412	—	2	6,526
For the period ended March 31, 2001					
1 Insurance Claims	—	—	—	—	—

SCHEDULE – 11

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

1. BACKGROUND

ICICI Prudential Life Insurance Company Limited ('the Company') was incorporated on July 20, 2000. The principal shareholders of the Company are ICICI Limited (74%) and Prudential Corporation Holdings Limited (26%). The Company is registered as a life insurer with the Insurance Regulatory and Development Authority ('IRDA').

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

The Company's life insurance business comprises of non-linked participating, non-linked non-participating, annuities and linked policies. Some of these policies have riders attached to them such as Accident and Disability Benefit, Level Term, Critical Illness 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 and on the accrual basis of accounting and complies with the accounting standards issued by the Institute of Chartered Accountants of India (to the extent applicable) and in accordance with generally accepted accounting principals and the provisions of the Insurance Act, 1938, Insurance Regulatory and Development Authority Act, 1999, and the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 ('the Regulations').

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements.

2.2 Revenue recognition

- Premium income is recognized as income when due;
- Interest income is accounted on an accrual basis; and
- Dividend income is recognised when the right to receive dividend is established.

2.3 Claims

Death claims are accounted on intimation. Maturity claims are accounted when due for payment.

2.4 Acquisition costs

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

2.5 Liability for life policies in force

Liabilities for life policies in force are determined actuarially by the appointed actuary on the basis of an annual review of the life insurance business as per the gross premium method. Actuarial policies and assumptions are given in note 3.2 below.

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2.6 Investments

Classification

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

Valuation - non-linked business

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

The realised gains or loss on the securities is the difference between the sale consideration and the amortized cost in the books of the Company as on the date of sale.

Valuation - Linked business

All investments relating to linked business are valued at fair value. The realized gains or losses on these securities is the difference between the sale consideration and the book cost in the books of the Company as on the date of sale. Unrealized gains and losses are recognised in the scheme's revenue account.

2.7 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Assets costing upto Rs. 20,000 (Rupees twenty thousand) are charged fully to expense as depreciation in the year of acquisition.

Depreciation is provided on Straight-Line Method (SLM) pro-rata from the date of acquisition with reference to management's assessment of the estimated useful life for each class of asset. Depreciation is provided at the following rates:

Asset	Depreciation rate
Leasehold improvements	Over the period of lease, subject to a maximum of 9 years.
Communication networks and servers	25 %
Computers and peripheral equipment	33.33 %
Software	33.33 %
Vehicles	20 %
Office Equipment	25 %

2.8 Staff benefits

- The company makes a contribution to the recognized provident fund at 12% of the basic salary of each employee;
- The Company has incorporated a trust, which in turn has taken a group policy to cover Company's liability towards gratuity. Company's contribution (actuarially determined at the year end) to the trust is charged to expenses; and
- Leave encashment liability is provided for as per the eligibility criteria of the Company's Rules.

2.9 Foreign exchange transactions

Transactions in foreign currency are accounted at the rate of exchange prevailing on the date of the transaction. Current assets and liabilities are translated at the year-end closing rates. The resulting exchange gain or loss is reflected in the profit and loss account / revenue account.

2.10 Taxation

Current taxes

The Company provides for income tax on estimated taxable income in accordance with the provisions of the Income-tax Act, 1961 applicable to Life Insurance Companies as of date. These provisions are not entirely clear for newly incorporated life insurance companies. In case a tax liability arises due to the modification of the provisions applicable to

life insurance companies, the same will have to be provided for in the year in which the liability is determined.

Deferred taxes

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

3 NOTES TO ACCOUNTS

Statutory disclosures as required by the Regulations

3.1 Contingent liabilities

	(Rs. in '000s)	
	March 31, 2002	March 31, 2001
Partly-paid up investments	Nil	Nil
Underwriting commitments outstanding	Nil	Nil
Claims, other than those under policies, not acknowledged as debts	Nil	Nil
Guarantees given by or on behalf of the Company	Nil	Nil
Statutory demands/liabilities in dispute, not provided for	Nil	Nil
Reinsurance obligations to the extent not provided for in accounts	Nil	Nil

3.2 Actuarial method and assumptions

The Company's life insurance business consists of policies under non-linked participating business, non-linked non-participating business and linked business. Some of these policies have riders attached to them such as Accident and Disability Benefit, Level Term, Income Benefit, Critical Illness and Major Surgical Assistance.

The linked business consists of three schemes, namely, Balanced Fund, Growth Fund and Income Fund.

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 allowance for adverse deviations. Interest rates used for valuation are in the range from 6.00% to 9.15% per annum. Mortality rates used are based on the published L.I.C. (1994 - 96) Ultimate Mortality Table adjusted to reflect expected experience and allowance 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 thereunder, Accident and Disability Benefit riders and One Year Renewable Group Term Insurance. The unit liability in respect of linked business has been valued on the basis of the Net Asset Value of the units, to the credit of policyholders, as on the valuation date.

3.3 Encumbrances on assets

The assets of the Company are free from all encumbrances.

3.4 Capital Commitments

The capital commitments made and outstanding at year-end for fixed assets amount to Rs.19.4 million (2001 : Rs.5.7 million).

3.5 Operating Lease commitments

The minimum amounts payable in future towards non-cancelable lease agreements is as follows:

	(Rs. in '000s)
Not later than one year	59,994
Later than one year not later than five years	180,954
Later than five years	110,936

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3.6 Claims

Claims settled and remaining unpaid for a period of more than six months at year end amount to Rs. Nil (2001: Rs Nil).

3.7 Value of unsettled contracts

Value of contracts relating to investments of linked business at March 31, 2002 for:

- Purchases where deliveries are pending- Rs. 3.7 million (2001: Rs Nil); and
- Sales where payments are pending - Rs. 0.1 million (2001: Rs. Nil).

3.8 Allocation of expenses

Operating expenses relating to insurance business are allocated to specific business segments – non-linked participating, non-linked non-participating, annuities and unit linked on the basis of :

- Expenses which are directly identifiable to the business segments are allocated on actual basis; and
- Other expenses, which are not directly identifiable, are allocated on either of the following basis:
 - Number of policies;
 - Weighted annualised first year premium income;
 - Sum assured; and
 - Total premium income.

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

Managerial remuneration

The Company has made a provision for remuneration payable to the Managing Director based on the approval of the shareholders. In terms of Section 34A of the Insurance Act 1938, an application has been made to IRDA for approval of the remuneration.

The details of the remuneration included in employee cost are as follows:

	(Rs. in '000s)	
	March 31, 2002	March 31, 2001
Salary, perquisites and bonus	7,426	Nil
Provision for contribution to provident fund	67	Nil

- Contribution towards benefits in respect of gratuity are being funded on an overall Company basis annually and accordingly have not been considered in the above information.

3.9 Investments

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

3.10 Sector-wise percentage of business

- Sector-wise break-up of policies outstanding at year end is given below:

Sector	March 31, 2002	March 31, 2001
Rural	7.05 %	1.44%
Urban	92.95 %	98.56%

3.11 Allocation of investments and investment income

The investments are effected from the respective funds of the policyholders or shareholders and income thereon has been accounted accordingly. At the end of the year, the shareholders have transferred certain assets to the policyholders account to the extent required to cover the liabilities for life policies in force.

3.12 Risks retained and reinsured

- Extent of risk retained and reinsured is given below:

	March 31, 2002	March 31, 2001
Risk retained	96%	98%
Risk reinsured	4%	2%

3.13 Details of related parties and transactions with related parties

Related parties and nature of relationship:

Name of the related party	Nature of relationship
ICICI Securities and Finance Company Limited	Fellow Subsidiary
ICICI Brokerage Services Limited	Fellow Subsidiary
ICICI Capital Services Limited (subject to approval of merger with ICICI Bank)	Fellow Subsidiary
ICICI Personal Financial Services Limited (subject to approval of merger with ICICI Bank)	Fellow Subsidiary
ICICI Venture Funds Management Company Limited	Fellow Subsidiary
ICICI Infotech Services Limited	Under common control
ICICI Home Finance Company Limited	Fellow Subsidiary
ICICI Knowledge Park Limited	Under common control
ICICI WebTrade Limited	Fellow Subsidiary
ICICI Investment Management Company Limited	Fellow Subsidiary
ICICI Eco-Net Limited	Fellow Subsidiary
ICICI Trusteeship Services Limited	Fellow Subsidiary
ICICI Lombard General Insurance Company Limited	Fellow Subsidiary
ICICI Bank Limited	Under common control
ICICI Properties Private Limited	Under common control
ICICI Realty Private Limited	Under common control
ICICI Real Estate Company Private Limited	Under common control
ICICI Information Technology Fund	Under common control
ICICI Equity Fund – VCF	Under common control
ICICI Technology Incubator Fund	Under common control
ICICI Kinfra Limited	Under common control
ICICI Global Opportunities Fund Llc (dissolved w.e.f. 27-Mar-02)	Fellow Subsidiary
ICICI Infotech Pte Limited	Under common control
ICICI Infotech Inc.	Under common control
ICICI Securities Holding Inc.	Fellow Subsidiary
ICICI Securities Inc.	Fellow Subsidiary
ICICI West Bengal Infrastructure Devlep. Corp. Limited	Under common control
ICICI International Limited	Fellow Subsidiary
ICICI Eco-net Internet and Tech Fund	Under common control
ICICI Property Trust	Under common control
Prudential ICICI AMC Limited	Associate
Prudential ICICI Trust Limited	Associate
ICICI OneSource Limited	Under common control
Prudential Corporation Holdings Limited	Substantial Interest
Shikha Sharma	Managing Director

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Details of significant transactions with related parties

The following represents significant transactions between the Company and related parties.

(Rs. in '000s)

Name of the related party	Description	Total value of transactions during the year	Receivable/(payable) at March 31, 2002
ICICI Limited	ICICI Limited has set up a platform for the group for sharing of common services and facilities including technology. In addition, ICICI Limited has leased its premises to the Company.	40,599	(6,146)
Prudential Corporation Holding Limited	Fees for professional services rendered to Prudential Corporation Holding Limited.	1,011	
ICICI Eco-net Internet and Tech Fund	ICICI Eco-net Internet and Tech Fund Towards development of website.	1,000	
ICICI Bank	The Company has entered into an agreement of business support with ICICI Bank.	1,791	
ICICI Lombard General Insurance Company Limited	The Company has taken general insurance policies from ICICI Lombard General Insurance Company Limited as a cover for burglary, fire and fidelity.	364	
Shikha Sharma, <i>Managing Director</i>	Managerial Remuneration <i>*Excludes amount payable to ICICI Limited</i>	7,493	*(3,741)
ICICI Personal Financial Services Limited (ICICI PFS)	The Company is in use of the expertise and technology of ICICI PFS call centre.	3,355	(1,802)
ICICI Infotech	The Company is in use of the data centre and other common technology of ICICI Infotech Limited The Company has also appointed ICICI Infotech as consultant for development and implementation of software.	11,490	(2,968)
ICICI Securities and Finance Company Limited	Interest income from short term deposits and call money deposits placed with ICICI Securities and Finance Limited	668	
ICICI Home Finance Co. Limited	Identifying locations for setting up branches in various parts of India	1,621	

3.14 Balance Sheet of Linked Business at March 31, 2002

(Rs. in '000s)

Schedule	Balanced	Income	Growth	Total
Source of Funds				
Unit capital				
Units of Rs 10/- each	8,813	47,293	11,709	67,815
Unit Premium	531	3,052	834	4,417
Revenue Account	447	2,397	298	3,142
Total	9,791	52,742	12,841	75,374
Application of Funds				
Investments 2B				
Government Securities	2,453	20,445	1,074	23,972
Equities	3,332	—	10,175	13,507
Debentures and Bonds	3,024	26,016	588	29,628
	8,809	46,461	11,837	67,107
Current Assets				
Money at call	750	1,350	2,620	4,720
Bank balance – in current account	47	5	82	134
Income accrued on investments	143	1,279	56	1,478
Unit collection account	610	3,735	1,188	5,533
Other assets	42	—	230	272
	1,592	6,369	4,176	12,137
Current Liabilities				
Outstanding purchases	593	—	3,152	3,745
Other current liabilities	17	88	20	125
	610	88	3,172	3,870
Net current assets 2B	982	6,281	1,004	8,267
Total	9,791	52,742	12,841	75,374

3.15 Revenue Account for Linked Business for the year ended March 31, 2002

(Rs. in '000s)

	Balanced	Income	Growth	Total
INCOME				
Interest Income	157	983	141	1,281
Profit on Sale of Investment	395	1,382	485	2,262
Less: Loss on Sale of Investments	(23)	(95)	(27)	(145)
Unrealized Gains/(loss)	(41)	342	(255)	46
Total Income (A)	488	2,612	344	3,444
EXPENSES				
Fund Management Expenses	17	95	19	131
Fund Administrative Expenses	24	120	27	171
Total Expenses (B)	41	215	46	302
Net Income transferred to Revenue Account (A-B)	447	2,397	298	3,142

3.16 Previous period comparatives

Current year numbers represent a complete year of operations. Previous period numbers are only for 4 months and hence may not be comparable with the current year. Previous period figures have been regrouped, reclassified and recast wherever necessary to conform to current year presentation.

cash flow statement



for the year ended March 31, 2002

(Rs. in '000s)

	March 31, 2002	March 31, 2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Receipts from customers :		
Premium Income	1,152,569	59,161
Other Income	1,294	—
Fees from professional services	2,011	—
Premium and other receipts	<u>127,491</u>	<u>8,334</u>
	1,283,365	67,495
Cash paid towards Operating Activities :		
Expenses	(920,661)	(200,805)
Advances and Deposits	<u>(17,841)</u>	<u>(32,170)</u>
	(938,502)	(232,975)
<i>Net cash from operating activities :</i>	<u>344,863</u>	<u>(165,479)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(210,262)	(129,406)
Investment :		
G-Sec and Debentures	(645,642)	(1,212,120)
Equities	(10,034)	—
Mutual Funds	(34,245)	—
Fixed Deposit	—	(15,000)
Deposit with RBI	—	(1,000)
Call deposit	<u>(23,400)</u>	<u>—</u>
	(713,321)	(1,228,120)
Interest received	96,449	33,720
Profit on Sale of Investment	<u>126,191</u>	<u>4,622</u>
	222,639	38,342
<i>Net cash from investing activities :</i>	<u>(700,943)</u>	<u>(1,319,184)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	400,000	1,500,000
<i>Net cash used in financing activities:</i>	<u>400,000</u>	<u>1,500,000</u>
Net increase in Cash and cash equivalents	<u>43,920</u>	<u>15,337</u>
Cash and cash equivalents at beginning of the year	<u>15,337</u>	<u>—</u>
<i>Cash and cash equivalents at end of the year :</i>	<u>59,256</u>	<u>15,337</u>

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

1. Registration Details

Registration No. 1 2 7 8 3 7
 Balance Sheet Date 3 1 0 3 2 0 0 2 1 1
Date Month Year

2. Capital Raised during the year

(Amount in Rupees thousand)

Public Issue

Bonus Issue

Rights Issue

Private Placement

 4 0 0 0 0 0 0

3. Position of Mobilization and Deployment of Funds

(Amount in Rupees thousand)

Total Liabilities

Total Assets

Sources of Funds

Paid-up Capital

 1 9 0 0 0 0 0 0

Reserves and Surplus

Secured Loans

Unsecured Loans

Application of Funds

Net Fixed Assets

Investments

Net Current Assets

Miscellaneous Expenditure

Accumulated Losses

4. Performance of the Company

(Amount in Rupees thousand)

Total Turnover

Total Expenditure

Loss before Tax

Loss after Tax

Earnings per Share in Rupees

Dividend

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

Item Code No. (ITC code)

Product description

 Life Insurance

Notes:

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