

ICICI PRUDENTIAL LIFE INSURANCE COMPANY LIMITED

6TH ANNUAL REPORT AND ACCOUNTS 2005-2006

Directors

K. V. Kamath, *Chairman*
Mark Norbom
Lalita D. Gupte
Kalpana Morparia
Chanda Kochhar
H. T. Phong
M. P. Modi
R. Narayanan
Keki Dadiseth
Shikha Sharma, *Managing Director*
N. S. Kannan, *Executive Director*
Sandeep Batra, *Chief Financial Officer & Company Secretary*

Risk Management & Audit Committee

M. P. Modi, *Chairman*
H. T. Phong
Kalpana Morparia

Investment Committee

Lalita D. Gupte, *Chairperson*
H. T. Phong
Shikha Sharma
N. S. Kannan
V. Rajagopalan
Sandeep Batra
Puneet Nanda

Governance Committee

Lalita D. Gupte
H. T. Phong
Shikha Sharma

Registered Office

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

Grievance Redressal Committee

R. Narayanan, *Chairman*
V. Rajagopalan
Sandeep Batra
Anita Pai

Executive Committee

Shikha Sharma
N. S. Kannan
V. Rajagopalan
Sandeep Batra
Anita Pai

Joint Auditors

S. R. Batliboi & Co.
Chartered Accountants
Haribhakti & Co.
Chartered Accountants

directors' report

to the members

Your Directors have pleasure in presenting the Sixth Annual Report of ICICI Prudential Life Insurance Company Limited (ICICI Prudential Life) with the audited statement of accounts for the year ended March 31, 2006.

OPERATIONAL REVIEW & OUTLOOK

The performance for fiscal 2006 is summarized below:

Particulars	Fiscal 2005	(Rs. bn) Fiscal 2006
No. of new Policies (in '000)	615	838
Financials:		
Premium Income	23.63	42.61
<i>of which</i>		
▪ New business premium (including Single Premium)	15.84	26.03
▪ Renewal Premium	7.79	16.58
Total Income	24.80	46.84
Sum Assured in force -		
▪ Basic Policy	197.03	339.48
▪ Total (Basic + Riders)	277.88	458.77
Annualized Premium Equivalent (APE)	12.56	21.63
Funds under Management (FUM)	38.31	88.21
Retail Conservation Ratio *	90%	90%
Expense Ratio *	17%	14%
Sales & Distribution Strength:		
Geographical Spread -		
▪ No. of Branches [†]	107	177
▪ No. of Locations [†]	74	132
No. of Advisors (in '000)	57	72

* Retail Conservation Ratio = Current year renewal premiums / (previous year's new business regular premium + previous year's renewal premium), excluding limited pay products

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

† Includes Representative Office

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

Particulars	Fiscal 2005	(Rs. bn) Fiscal 2006
Participating	0.32	0.02
Non-participating and Health	0	0.04
Linked	(2.33)	(2.27)
Shareholders (before Tax)	0.22	0.35
Total @	<u>(2.08)</u>	<u>(1.87)</u>

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

During the year ended March 31, 2006, the Company registered new business premium income of Rs. 26.03 bn showing an increase of 65% over the earlier year. The renewal premiums continue to grow in tandem with new business and stood at Rs. 16.57 bn for the year. The new business growth is reflected in more than 800,000 policy issuances during the year, thus crossing the 2 million policies mark as at March 31, 2006.

The Company continues to be a leader in private life insurance space on several parameters including new business premium and assets under management, and has an estimated **retail market share of 29.7%** (basis weighted new business premium income) amongst the private life insurers as at year end and an overall market share of more than 10%.

PRODUCTS

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

Considering the level of health spends in the country, health insurance has been identified as a strategic business segment. To tap this market, it has launched two products, 'HealthAssure' and 'HealthAssure Plus' - with unique features. In the current year, the Company has also launched 'Cancer Care', a product designed to meet financial requirements that may arise due to affliction by cancer.

To further penetrate into the retirement solutions segment, the Company introduced 'Golden years', a retirement plan. This product gives flexibility to the policyholders to structure benefits payout in sync with their financial requirements.

The Company also launched 'LifeLink Super' to tap into the single premium market.

directors' report



Continued

Group superannuation solutions are expected to pick up subsequent to rationalization of fringe benefit tax structure on employers' superannuation contributions.

RATING

Fitch Ratings, a premier Global rating agency, has assigned IFS AAA (ind) (Insurer Financial Strength Triple A ind) rating with stable Outlook to ICICI Prudential Life Insurance. The Company is the first life insurer in India to have been assigned an IFS rating. IFS rating provide an assessment of the financial strength of an insurance organization and its ability to meet policyholders' obligations. AAA is the category highest rating and insurers assigned this rating are viewed as possessing exceptionally strong capacity to meet policyholder and contract obligations.

The rating affirms the Company's inherent strength and continuing commitment to adopting best practices.

DIVIDEND

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

CLAIMS

We believe that efficient claim settlement is the ultimate service that we provide to our policyholders and have accordingly developed processes 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 settled over 1,800 mortality claims. The average time taken from the date of submission of the final requirement by the claimant to despatch of claim payment was 6 days.

GOVERNANCE

As a good corporate citizen reflecting the parentage of the shareholders, the Company continues to institutionalize its Governance framework, brief details of which are as follows:

a) BOARD OF DIRECTORS

The Board comprises 11 Directors, 4 have been nominated by ICICI Bank Limited, 2 have been nominated by Prudential plc, 3 Directors are Independent Directors and a Managing Director and a Whole Time Director. Except the Managing Director and the Whole Time Director, all Directors including the Chairman of the Board are Non-Executive Directors. 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. There is an 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 the fields of finance and insurance. None of the Directors are related to any other director or employee of the Company.

b) BOARD COMMITTEES

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

	Risk Management and Audit Committee	Investment Committee	Governance Committee
Scope & Term of Reference	Responsible for oversight of risk management, financial reporting and 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, recommendation for appointment of statutory auditors, fixing their remuneration, and review of quarterly compliance certificate	Recommend and review investment policy and changes thereto, review investments and oversee the risk management framework for investments	Nominating directors to the Board, fixing their remuneration and approving executive compensation program
Members	Mahesh P Modi (Chairman and Independent Director) Kalpana Morparia HT Phong	Lalita D. Gupte (Chairperson) HT Phong Shikha Sharma NS Kannan	Lalita D. Gupte HT Phong Shikha Sharma
No of times met during the year	4	4	3

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) INTERNAL AUDIT FRAMEWORK

The Company has in place a robust internal audit framework with a risk based audit approach. The internal audit covers both strategic processes as well as auditing of the transaction processing. Key audit observations and recommendations made are reported to the Board Risk Management and Audit Committee. Implementation of the recommendations is actively monitored.

e) RISK MANAGEMENT FRAMEWORK

Investment Risk - The Company has a prudent investment strategy to optimize risk adjusted returns. Its 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 84% of the policyholders' funds. 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 returns. The equity portfolio is benchmarked against BSE 100. In addition, there are exposure limits to companies, groups and industries.

directors' report

Continued

Operational Risks - The Management assesses and rates the various operational risks and prepares a mitigation plan. Internal Audit performs risk-based audit and reports the findings to the Audit Committee.

f) 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.

RURAL AND SOCIAL BUSINESS

More than 156,000 policies were issued in rural areas, being over 18% of total policy issuances. The Company also covered more than 162,000 lives falling within the norm of 'social' business.

DIRECTORS

During the year under review, HT Phong has been nominated as Director by Prudential in place of Kevin Holmgren. Consequently, HT Phong was appointed as an Additional Director of the Company on January 23, 2006.

The Board places on record its sincere appreciation for services and guidance provided by Kevin Holmgren during his tenure.

The Board also appointed NS Kannan and Keki Dadiseth as Additional Directors on July 30, 2005 and April 26, 2006 respectively. NS Kannan was also appointed as a Whole Time Director, designated as Executive Director with effect from August 1, 2005. Keki Dadiseth will be an Independent Director.

HT Phong, NS Kannan and Keki Dadiseth will hold their respective offices as Additional Directors till the ensuing Annual General Meeting and are proposed to be appointed as Directors at the ensuing Annual General Meeting. Notices have been received from a Member proposing them as Directors.

Kalpana Morparia and Chanda Kochhar will retire by rotation at the above Annual General Meeting and are eligible for re-appointment.

HUMAN RESOURCES

The Company had over 7,700 employees as at March 31, 2006.

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 to the Directors' Report.

INCREASE IN SHARE CAPITAL

The capital of the Company was increased by Rs. 2.6 bn contributed by the parent organizations, ICICI Bank Limited and Prudential plc, UK, taking the paid-up capital to Rs. 11.85 bn as at March 31, 2006. Keeping in view the future funds requirement, the authorised capital is proposed to be enhanced to Rs. 15 bn.

PUBLIC DEPOSITS

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

AUDITORS

S. R. Batliboi & Co. and Haribhakti & Co., Chartered Accountants were re-appointed / appointed as joint statutory auditors of the Company at the last Annual General Meeting.

Insurance Regulatory and Development Authority mandates that one of the joint statutory auditors should retire after completion of 4 years. In view of this requirement, S. R. Batliboi & Co. having completed 4 years, become in-eligible for re-appointment and hence the Company proposes to appoint new Joint

Statutory Auditor Walker, Chandok & Co. together with re-appointing Haribhakti & Co. as joint statutory auditors for FY 2006-2007.

The Company has obtained requisite certificates from the aforesaid auditors to the effect that their appointment / re-appointment, if made, would be in conformity with the regulations.

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. mn)	
	Fiscal 2005	Fiscal 2006
Foreign Exchange Earnings & Outgo		
- Earnings	1	1
- Outgo	57	106

DIRECTORS' RESPONSIBILITY STATEMENT

The 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 Company is grateful to the Insurance Regulatory & Development Authority, Government of India and Reserve Bank of India for their continued co-operation, support and advice.

The Company would also like to take this opportunity to express sincere thanks to its valued policyholders and customers for their continued patronage.

The Board expresses its gratitude for the valuable advice, guidance and support received from time to time from the auditors and the statutory authorities. The Directors express their deep sense of appreciation to all employees and distributors, who continue to display outstanding professionalism and commitment, enabling the organization to achieve market leadership in its business operations. Finally, the Directors wish to express their gratitude to ICICI Bank and Prudential for their continued trust and support.

For and on behalf of the Board

Mumbai, April 26, 2006

K.V. KAMATH
Chairman

auditors' report



to the members of ICICI Prudential Life Insurance Company Limited

1. We have audited the attached Balance Sheet of ICICI Prudential Life Insurance Company Limited ('the Company') as at March 31, 2006, 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.
2. 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.
3. 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.
4. We report that:
 - (a) 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;
 - (b) 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;
 - (c) 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;
 - (d) 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;
 - (e) 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, 2006 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;
 - (f) On the basis of the written representations received from the Directors of the Company, as on March 31, 2006 and taken on record by the Board of Directors, no Director of the Company is disqualified as on March 31, 2006 from being appointed as Director under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
5. In our opinion and to the best of our information and according to the explanations given to us, we further report that:
 - (a) 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;
 - (b) 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;
 - (c) 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
 - (d) 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, 2006;
 - (ii) in the case of the Revenue Account, of the surplus / deficit (before shareholders' contribution from Profit and Loss Account), 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.
6. 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:
 - (a) We have reviewed the management report attached to the financial statements for the year ended March 31, 2006 and there is no apparent mistake or material inconsistency with the financial statements; and
 - (b) 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, 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 S. R. BATLIBOI & CO.
Chartered Accountants
Per HEMAL R. SHAH
Partner
Membership No: 42650
Mumbai, April 26, 2006

For HARIBHAKTI & CO.
Chartered Accountants
HEMANT J. BHATT
Partner
Membership No: 36834
Mumbai, April 26, 2006

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, 2006, we certify that:

- (a) We have verified the cash balances, 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, 2006, the Company does not have reversions and life interests;
- (b) The Company is not a trustee of any trust; and
- (c) No part of the asset of the policyholders' funds have been directly or indirectly applied in contravention to the provisions of 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 S. R. BATLIBOI & CO.
Chartered Accountants

Per HEMAL R. SHAH
Partner
Membership No: 42650
Mumbai, April 26, 2006

For HARIBHAKTI & CO.
Chartered Accountants

HEMANT J. BHATT
Partner
Membership No: 36834
Mumbai, April 26, 2006

revenue account



for the year ended March 31, 2006

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 Life	Non-Participating	Participating Pension	Linked Life	Linked Pension	Linked Group	Health	Annuity Non-Participating	Total
Premiums earned - net										
(a) Premium	1	2,927,172	774,437	562,397	30,810,616	5,223,709	2,253,100	3,174	55,860	42,610,465
(b) Reinsurance ceded		(3,261)	(45,934)	(43)	(19,037)	(62)	—	(26)	—	(68,363)
Income from Investments										
(a) Interest, Dividend & Rent - Gross		322,458	84,819	113,747	1,045,727	353,529	107,135	—	1,912	2,029,327
(b) Profit on sale/redemption of investments		39,371	28,880	17,589	1,606,960	452,328	61,045	1	—	2,206,174
(c) Loss on sale/redemption of investments		(53,326)	(102)	(5,537)	(396,630)	(141,874)	(29,616)	—	—	(627,085)
(d) Unrealised gain/(loss)		—	—	—	8,537,936	1,847,685	127,927	—	—	10,513,548
(e) Transfer/Gain on revaluation/change in fair value		86,217	1,045	22,488	194	—	25	—	—	109,969
Other income										
Contribution from the Shareholders' a/c		—	—	—	2,216,106	—	87,638	400	2,511	2,306,655
Fees and Charges		230	749	3	3,740	—	—	—	—	4,722
TOTAL (A)		3,318,861	843,894	710,644	43,805,612	7,735,315	2,607,254	3,549	60,283	59,085,412
Commission	2	210,344	30,595	6,342	2,429,035	156,074	661	864	—	2,833,915
Operating Expenses related to Insurance Business	3	582,066	333,767	110,586	5,273,044	851,364	83,769	2,216	1,504	7,238,316
Provision for Taxation (Fringe Benefit Tax)		4,903	435	708	48,605	—	—	4	—	61,001
TOTAL (B)		797,313	364,797	117,636	7,750,684	1,013,784	84,430	3,084	1,504	10,133,232
Benefits Paid (Net)	4	188,224	82,728	29,488	1,326,311	327,172	151,954	—	510	2,106,387
Change in valuation of liability in respect of life policies		2,251,597	352,082	620,468	34,728,617	6,362,784	2,370,870	465	58,269	46,745,152
TOTAL (C)		2,439,821	434,810	649,956	36,054,928	6,689,956	2,522,824	465	58,779	48,851,539
SURPLUS/(DEFICIT) (D) =(A)-(B)-(C)		81,727	44,287	(56,948)	—	31,575	—	—	—	100,641
APPROPRIATIONS										
Transfer to Shareholders' a/c		—	44,287	—	—	31,575	—	—	—	75,862
Funds available for future appropriations		81,727	—	(56,948)	—	—	—	—	—	24,779
TOTAL (D)		81,727	44,287	(56,948)	—	31,575	—	—	—	100,641
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS	16									

for the year ended March 31, 2005

Policyholders' Account (Technical Account)

Particulars	Schedule	Participating Life	Non-Participating	Participating Pension	Linked Life	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 & Rent - Gross		211,556	77,421	82,813	394,844	164,351	26,923	957,908
(b) Profit on sale/redemption of investments		76,678	12,555	23,864	112,031	—	—	225,128
(c) Loss on sale/redemption of investments		(16,265)	(21)	(8,805)	—	(1,743)	(1,492)	(28,326)
(d) Transfer/Gain on revaluation/change in fair value		76,422	60	32,198	—	—	—	108,680
(e) Unrealised gain/(loss)		—	—	—	534,262	115,261	14,046	663,569
Other income								
Contribution from the Shareholders' a/c		—	3,630	—	1,665,951	630,917	32,976	2,333,474
Fees and Charges		292	592	30	175	(71)	—	1,018
TOTAL (A)		2,794,124	237,762	702,828	17,581,397	5,360,210	1,185,125	27,861,446
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	2,749,318	1,085,190	37,863	4,615,174
Provision for Taxation		—	—	—	—	—	—	—
TOTAL (B)		981,382	123,238	70,162	3,884,789	1,296,603	38,564	6,394,738
Benefits Paid (Net)	4	90,514	40,019	10,512	790,061	58,058	22,793	1,011,957
Change in valuation of liability in respect of life policies		1,618,115	74,505	408,780	12,906,548	4,005,549	1,123,768	20,137,265
TOTAL (C)		1,708,629	114,524	419,292	13,696,609	4,063,607	1,146,561	21,149,222
SURPLUS/ (DEFICIT) (D) =(A)-(B)-(C)		104,113	—	213,374	—	—	—	317,487
APPROPRIATIONS								
Transfer to Shareholders' a/c		—	—	—	—	—	—	—
Funds available for future appropriations		104,113	—	213,374	—	—	—	317,487
TOTAL (D)		104,113	—	213,374	—	—	—	317,487
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 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 S.R. BATLIBOI & CO.
Chartered Accountants
HEMAL R. SHAH
Partner
Membership No. 42650

For HARIBHAKTI & CO.
Chartered Accountants
HEMANT J. BHATT
Partner
Membership No. 36834

For and on behalf of the Board

K.V. KAMATH
Chairman
SHIKHA SHARMA
Managing Director

M.P. MODI
Director
SANDEEP BATRA
Chief Financial Officer
& Company Secretary

H.T. PHONG
Director
V. RAJAGOPALAN
Appointed Actuary

Place : Mumbai
Date : April 26, 2006

profit and loss account balance sheet

for the year ended March 31, 2006				as at March 31, 2006			
Form A-PL				Form A-BS			
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)			
Particulars	Schedule	March 31, 2006	March 31, 2005	Particulars	Schedule	March 31, 2006	March 31, 2005
Shareholders' Account				SOURCES OF FUNDS			
(Non-Technical Account)				SHAREHOLDERS' FUNDS			
Amounts transferred from Policyholders' Account (Technical Account)		75,862	—	SHARE CAPITAL	5	11,850,000	9,250,000
Income From Investments				Employees Stock Option Outstanding		52,363	—
(a) Interest, Dividend & Rent-(Gross)		165,786	96,303	Reserve and Surplus	6	—	—
(b) Profit on sale/redemption of investments		35,945	31,303	Credit/(Debit) Fair Value Change Account - Net		180,306	99
(c) Loss on sale/redemption of investments		(1,578)	(15,646)	SUB-TOTAL		12,082,669	9,250,099
(d) Transfer/Gain on revaluation/change in fair value		972	451	BORROWINGS	7	—	—
Fees for professional services		—	1,002	POLICYHOLDERS' FUNDS			
Other Income		2,252	53	Credit/(Debit) Fair Value Change Account - Net		1,246,696	207,389
TOTAL (A)		279,239	113,466	Policy Liabilities		11,224,766	7,935,302
Expense other than those directly related to the insurance business	3A	5,872	4,087	Insurance Reserves		—	—
Bad Debts written-off		—	—	Provision for linked liabilities		69,996,288	26,540,603
Amounts transferred to Policyholders' Account (Technical Account)		2,306,656	2,333,474	SUB-TOTAL		82,467,750	34,683,294
Provisions (other than taxation)				Funds for Future Appropriations			
(a) For diminution in value of investments (net)		—	—	– Linked (Refer note 3.23 of Schedule 16)		792,166	—
(b) Provision for doubtful debts		—	—	– Non Linked		342,265	317,487
(c) Others		—	—	TOTAL		95,684,850	44,250,880
TOTAL (B)		2,312,528	2,337,561	APPLICATION OF FUNDS			
Profit/(Loss) before Tax		(2,033,289)	(2,224,095)	Investments			
Provision for Taxation				– Shareholders'	8	4,484,730	3,209,483
– Deferred tax (Refer note 3.13 of Schedule 16)		154,500	107,885	– Policyholders'	8A	12,514,550	8,045,425
Profit/(Loss) after Tax		(1,878,789)	(2,116,210)	Asset held to cover linked liabilities	8B	70,788,454	26,540,603
APPROPRIATIONS				Loans	9	14,247	25,225
(a) Balance at the beginning of the year		(6,856,953)	(4,740,743)	Fixed Assets	10	610,535	630,124
(b) Funds for future appropriation - Linked (Refer note 3.23 of Schedule 16)		(792,166)	—	Deferred Tax Asset (Refer note 3.13 of Schedule 16)		262,384	107,885
(c) Interim dividends paid during the year		—	—	Current Assets			
(d) Proposed final dividend		—	—	– Cash and Bank Balances	11	2,458,976	1,995,868
(e) Dividend distribution tax		—	—	– Advances and Other Assets	12	1,121,070	714,360
(f) Transfer to reserves/other accounts		—	—	SUB-TOTAL (A)		3,580,046	2,710,228
Profit/(Loss) carried to Balance Sheet		(9,527,908)	(6,856,953)	Current Liabilities	13	5,934,917	3,790,890
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS	16			Provisions	14	163,087	84,156
Earnings per equity share (Refer note 3.22 of Schedule 16)				SUB-TOTAL (B)		6,098,004	3,875,046
Basic earnings per equity share (Rs.)		(1.82)	(2.76)	Net Current Assets (C) = (A) - (B)		(2,517,958)	(1,164,818)
Diluted earnings per equity share (Rs.)		(1.81)	(2.76)	MISCELLANEOUS EXPENDITURE			
Nominal value per equity share (Rs.)		10.00	10.00	(to the extent not written-off or adjusted)	15	—	—
Schedules referred to herein form an integrated part of the Shareholders' Account.				Debit Balance in Profit & Loss Account (Shareholders' Account)		9,527,908	6,856,953
				TOTAL		95,684,850	44,250,880
				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 S.R. BATLIBOI & CO.
Chartered Accountants

HEMAL R. SHAH
Partner
Membership No. 42650

Place : Mumbai
Date : April 26, 2006

For HARIBHAKTI & CO.
Chartered Accountants

HEMANT J. BHATT
Partner
Membership No. 36834

For and on behalf of the Board

K.V. KAMATH
Chairman

SHIKHA SHARMA
Managing Director

M.P. MODI
Director

SANDEEP BATRA
Chief Financial Officer
& Company Secretary

H.T. PHONG
Director

V. RAJAGOPALAN
Appointed Actuary

schedules



forming part of the financial statements

(Rs. in '000s)

SCHEDULE - 1 PREMIUM

Particulars	For the year ended March 31, 2006								Total
	Participating Life	Non-Participating	Participating Pension	Linked Life	Linked Pension	Linked Group	Health	Annuity Non-Participating	
First year premiums	695,873	105,713	9,786	19,029,121	1,177,465	1,913,450	3,174	—	22,934,582
Renewal Premiums	2,231,299	120,953	552,611	9,459,922	3,881,013	339,650	—	—	16,585,448
Single Premiums	—	547,771	—	2,321,573	165,231	—	—	55,860	3,090,435
Total Premium	2,927,172	774,437	562,397	30,810,616	5,223,709	2,253,100	3,174	55,860	42,610,465
Premium Income from business written :									
In India	2,927,172	774,437	562,397	30,810,616	5,223,709	2,253,100	3,174	55,860	42,610,465
TOTAL PREMIUM	2,927,172	774,437	562,397	30,810,616	5,223,709	2,253,100	3,174	55,860	42,610,465

Particulars	For the year ended March 31, 2005								Total
	Participating Life	Non-Participating	Participating Pension	Linked Life	Linked Pension	Linked Group	Health	Annuity Non-Participating	
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
Total Premium	2,448,661	167,406	573,033	14,884,848	4,451,552	1,112,672	—	—	23,638,172
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
Total Premium	2,448,661	167,406	573,033	14,884,848	4,451,552	1,112,672	—	—	23,638,172

SCHEDULE - 2 COMMISSION EXPENSES

Particulars	For the year ended March 31, 2006								Total
	Participating Life	Non-Participating	Participating Pension	Linked Life	Linked Pension	Linked Group	Health	Annuity Non-Participating	
Commission*									
Direct – First year premiums	147,064	21,070	576	2,085,034	91,229	661	864	—	2,346,498
– Renewal Premiums	63,280	9,525	5,766	309,603	63,562	—	—	—	451,736
– Single premiums	—	—	—	34,398	1,283	—	—	—	35,681
Total	210,344	30,595	6,342	2,429,035	156,074	661	864	—	2,833,915
Add: Commission on Re-insurance Accepted	—	—	—	—	—	—	—	—	—
Less: Commission on Re-insurance Ceded	—	—	—	—	—	—	—	—	—
NET COMMISSION	210,344	30,595	6,342	2,429,035	156,074	661	864	—	2,833,915
Break-up of the expenses (Gross) incurred to procure business									
Tied Agency	178,724	15,269	4,443	1,459,704	94,443	661	814	—	1,754,058
Corporate Agency	20,692	1,436	1,584	244,471	9,368	—	14	—	277,565
Brokers	1,927	272	20	21,766	804	—	8	—	24,797
Bancassurance	9,001	13,618	295	703,094	51,459	—	28	—	777,495
Total Commission	210,344	30,595	6,342	2,429,035	156,074	661	864	—	2,833,915

* Commission includes total referral payments

Particulars	For the year ended March 31, 2005								Total
	Participating Life	Non-Participating	Participating Pension	Linked Life	Linked Pension	Linked Group	Health	Annuity Non-Participating	
Commission									
Direct – First year premiums*	274,453	20,888	5,583	993,795	178,842	701	—	—	1,474,262
– Renewal Premiums	108,052	5,179	17,560	133,581	31,725	—	—	—	296,097
– Single premiums	—	264	—	8,095	846	—	—	—	9,205
Total	382,505	26,331	23,143	1,135,471	211,413	701	—	—	1,779,564
Add: Commission on Re-insurance Accepted	—	—	—	—	—	—	—	—	—
Less: Commission on Re-insurance Ceded	—	—	—	—	—	—	—	—	—
NET COMMISSION	382,505	26,331	23,143	1,135,471	211,413	701	—	—	1,779,564
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
Total Commission	382,505	26,331	23,143	1,135,471	211,413	701	—	—	1,779,564

* First year Commission includes total referral payments

schedules

forming part of the financial statements

Continued

(Rs. in '000s)

SCHEDULE - 3 OPERATING EXPENSES RELATED TO INSURANCE BUSINESS For the year ended March 31, 2006

Particulars	Participating Life	Non-Participating	Participating Pension	Linked Life	Linked Pension	Linked Group	Health	Annuity Non-Participating	Total
Employees' remuneration & welfare benefits	181,349	29,371	27,538	2,420,356	292,314	72,219	363	752	3,024,262
Travel, conveyance and vehicle running expenses	16,925	2,760	2,553	195,791	26,568	5,167	30	—	249,794
Rents, rates & taxes	78,807	20,388	23,043	199,211	111,003	14	98	—	432,564
Repairs	25,908	5,409	7,592	47,179	31,748	63	45	—	117,944
Printing & stationery	11,482	15,286	2,053	68,365	15,448	248	153	—	113,035
Communication expenses	67,967	30,103	17,349	217,544	92,714	712	219	—	426,608
Legal & professional charges	8,445	1,584	2,891	49,732	12,444	1,169	12	—	76,277
Medical fees	5,141	11,248	110	65,037	2,039	—	410	—	83,985
Auditors' fees:									
(a) as auditor	152	12	25	1,286	205	—	—	—	1,680
(b) as advisor or in any other capacity, in respect of									
Taxation matters	10	1	1	84	13	—	—	—	109
Advertisement and publicity	22,544	4,088	2,555	387,025	39,679	416	91	—	456,398
Interest & Bank Charges	12,024	14,369	619	62,520	13,503	769	165	—	103,969
Agents Training & Recruitment	48,044	8,614	5,622	653,800	72,634	12	78	—	788,804
Depreciation	24,124	5,819	6,910	89,016	34,006	—	30	—	159,905
Service tax on premium absorbed	1,740	278	38	8,653	(1,634)	(1)	—	—	9,074
Information Technology Cost	9,978	891	1,682	100,714	15,953	2	12	—	129,232
Administration Support Expenses	—	136,943	—	—	—	—	—	—	136,943
Others	67,426	46,603	10,005	706,731	92,727	2,979	510	752	927,733
TOTAL	582,066	333,767	110,586	5,273,044	851,364	83,769	2,216	1,504	7,238,316

For the year ended March 31, 2005

Particulars	Participating Life	Non-Participating	Participating Pension	Linked Life	Linked Pension	Linked Group	Health	Annuity Non-Participating	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									
Taxation matters	35	2	6	45	12	—	—	—	100
Advertisement and publicity	32,706	2,747	2,096	255,264	90,268	568	—	—	383,649
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
Information Technology Cost	5,070	339	1,022	22,486	8,577	60	—	—	37,554
Others	67,456	27,030	3,583	282,178	132,997	6,577	—	—	519,821
TOTAL	598,877	96,907	47,019	2,749,318	1,085,190	37,863	—	—	4,615,174

SCHEDULE - 3A SHAREHOLDERS' EXPENSES For the year ended March 31, 2006

Particulars	March 31, 2006	March 31, 2005
Employees' remuneration & welfare benefits	1,356	668
Travel, conveyance & vehicle running expenses	40	13
Legal and professional fees	2	364
Sales Promotion	—	10
Loss on sale/write off of Fixed Assets (Net)	—	—
Printing & stationery	1	1
Communication expenses	115	5
Interest & Bank Charges	2,475	1,402
Depreciation	8	31
Information Technology Cost	115	58
Others	1,760	1,535
TOTAL	5,872	4,087

schedules



forming part of the financial statements

Continued

(Rs. in '000s)

SCHEDULE - 4
BENEFITS PAID [NET]
For the year ended March 31, 2006

Particulars	Participating Life	Non-Participating	Participating Pension	Linked Life	Linked Pension	Linked Group	Health	Annuity Non-Participating	Total
1 Insurance Claims									
(a) Claims by Death *	50,247	35,705	13,230	109,886	22,532	1,986	—	—	233,586
(b) Claims by Maturity	—	31,320	11,702	—	—	—	—	—	43,022
(c) Annuities / Pension payment	—	—	—	—	—	—	—	510	510
(d) Other benefits									
— Surrender	12,799	10,408	4,556	1,219,925	304,640	149,968	—	—	1,702,296
— Survival	125,178	13,013	—	—	—	—	—	—	138,191
Sub Total (A)	188,224	90,446	29,488	1,329,811	327,172	151,954	—	510	2,117,605
2 Amount Ceded in reinsurance									
(a) Claims by Death *	—	(7,718)	—	(3,500)	—	—	—	—	(11,218)
(b) Claims by Maturity	—	—	—	—	—	—	—	—	—
(c) Annuities / Pension payment	—	—	—	—	—	—	—	—	—
(d) Other benefits									
— Surrender	—	—	—	—	—	—	—	—	—
— Survival	—	—	—	—	—	—	—	—	—
Sub Total (B)	—	(7,718)	—	(3,500)	—	—	—	—	(11,218)
TOTAL (A) + (B)	188,224	82,728	29,488	1,326,311	327,172	151,954	—	510	2,106,387
Benefits paid to claimants:									
In India	188,224	82,728	29,488	1,326,311	327,172	151,954	—	510	2,106,387
TOTAL	188,224	82,728	29,488	1,326,311	327,172	151,954	—	510	2,106,387

* Claims by death includes accelerated benefits

For the year ended March 31, 2005

Particulars	Participating Life	Non-Participating	Participating Pension	Linked Life	Linked Pension	Linked Group	Health	Annuity Non-Participating	Total
1 Insurance Claims									
(a) Claims by Death *	42,146	28,255	7,973	43,990	9,833	646	—	—	132,843
(b) Claims by Maturity	—	—	2,539	—	—	—	—	—	2,539
(c) Annuities / Pension payment	—	—	—	—	—	—	—	—	—
(d) Other benefits									
— Surrender	5,071	4,215	—	746,071	48,225	22,148	—	—	825,730
— Survival	43,297	13,137	—	—	—	—	—	—	56,434
Sub Total (A)	90,514	45,607	10,512	790,061	58,058	22,794	—	—	1,017,546
2 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	790,061	58,058	22,794	—	—	1,011,958
Benefits paid to claimants:									
In India	90,514	40,019	10,512	790,061	58,058	22,794	—	—	1,011,958
Total	90,514	40,019	10,512	790,061	58,058	22,794	—	—	1,011,958

* Claims by death includes accelerated benefits

SCHEDULE - 5
SHARE CAPITAL

Particulars	March 31, 2006	March 31, 2005
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	11,850,000	9,250,000
TOTAL	11,850,000	9,250,000

Of the above share capital as of March 31, 2006, 876,900,000 shares (Previous Year : 684,500,000 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, 2006		March 31, 2005	
	Number of Shares	% of Holding	Number of Shares	% of Holding
Promoters				
Indian	876,900,000	74	684,500,000	74
Foreign	308,100,000	26	240,500,000	26
Total	1,185,000,000	100	925,000,000	100

SCHEDULE - 6

RESERVES AND SURPLUS

Particulars	March 31, 2006	March 31, 2005
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	—	—

SCHEDULE - 7

BORROWINGS

Particulars	March 31, 2006	March 31, 2005
Debentures / Bonds	—	—
Banks	—	—
Financial Institutions	—	—
Others	—	—
TOTAL	—	—

SCHEDULE - 8

INVESTMENTS-SHAREHOLDERS'

Particulars	March 31, 2006	March 31, 2005
LONG TERM INVESTMENTS		
Government securities *	345,035	181,910
(Market value current year : Rs. 332,995 thousands) (Market value previous year : Rs. 173,340 thousands)		
Other Investments :		
Equity	774,904	—
(Historical value current year : Rs. 612,401 thousands)		
Debentures/Bonds	101,719	89,528
(Market value current year : Rs. 99,160 thousands) (Market value previous year : Rs. 89,747 thousands)		
Investments in Infrastructure and Social Sector		
Equity	34,168	-
(Historical value current year : Rs. 28,201 thousands)		
Debenture/Bonds	515,053	638,416
(Market value current year : Rs. 502,393 thousands) (Market value previous year : Rs. 632,683 thousands)		
Other than Approved Investments :		
Equity	101,529	—
(Historical value current year : Rs. 89,694 thousands)		
Debentures/Bonds	51,280	66,510
(Market value current year : Rs. 49,833 thousands) (Market value previous year : Rs. 66,536 thousands)		
SHORT TERM INVESTMENTS		
Government securities	1,109,091	1,408,300
(Market value current year : Rs. 1,108,953 thousands) (Market value previous year : Rs. 1,408,496 thousands)		
Other Investments :		
Debentures/ Bonds	251,543	50,000
(Market value current year : Rs. 251,270 thousands) (Market value previous year : Rs. 50,008 thousands)		
Certificate of Deposit	239,175	149,401
(Market value current year : Rs. 239,174 thousands) (Market value previous year : Rs. 149,401 thousands)		
Commercial Papers	248,372	99,192
(Market value current year : Rs. 248,372 thousands) (Market value previous year : Rs. 99,190 thousands)		
Fixed Deposits	186,000	—
(Market value current year : Rs. 186,000 thousands)		
Investment in Infrastructure and social sector :		
Debentures/Bonds	479,724	119,425
(Market value : Rs. 477,859 thousands) (Market value previous year : Rs. 119,999 thousands)		
Other than Approved Investments :		
Debentures/Bonds	47,137	14,486
(Market value current year : Rs. 46,536 thousands) (Market value previous year Rs. 14,492 thousands)		
Mutual Fund units at Fair value	—	392,315
(Historical cost current year : Rs. Nil thousands) (Historical cost previous year : Rs. 392,216 thousands)		
TOTAL	4,484,730	3,209,483
In India	4,484,730	3,209,483
TOTAL	4,484,730	3,209,483

* Includes Rs 112,215 thousands of securities held under section 7 of Insurance Act, 1938 (Previous Year : Rs. 101,070 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, 2006								Total
	Participating Life	Non-Participating	Participating Pension	Linked Life	Linked Pension	Linked Group	Health	Annuity Non-Participating	
LONG TERM INVESTMENTS									
Government securities (Market value Rs. 6,215,024 thousands)	4,073,758	585,392	1,662,223	132,478	—	445	—	—	6,454,296
Other Investments :									
Equity Shares at fair value (Historical cost : Rs. 1,513,274 thousands)	1,929,596	—	706,311	—	—	—	—	—	2,635,907
Debentures/Bonds (Market value Rs. 152,926 thousands)	50,236	88,300	—	15,000	—	—	—	—	153,536
Long term fixed deposit (Market value : Rs. 250,100 thousands)	—	250,100	—	—	—	—	—	—	250,100
Investment Properties - Real Estate (Market value : Rs. 185,521 thousands)	92,763	—	92,758	—	—	—	—	—	185,521
Investment in Infrastructure and Social Sector :									
Equity Shares at fair value (Historical cost : Rs. 84,479 thousands)	107,595	—	32,997	—	—	—	—	—	140,592
Debentures/Bonds (Market value Rs. 952,875 thousands)	672,067	200,106	80,075	30,122	—	1,501	—	—	983,871
Other than Approved Investments :									
Equity Shares at fair value (Historical cost : Rs. 172,027 thousands)	239,978	—	—	—	—	—	—	—	239,978
Debentures/Bonds (Market value : Rs. 95,469 thousands)	54,007	49,981	—	—	—	—	—	—	103,988
Venture Fund (Market value : Rs. 150,000 thousands)	150,000	—	—	—	—	—	—	—	150,000
SHORT TERM INVESTMENTS									
Government securities (Market value : Rs. 7,73,538 thousands)	418,122	99,371	183,083	3,024	3,850	9,522	471	55,822	773,265
Other Investments :									
Debentures/Bonds (Market value : Rs. 59,779 thousands)	—	50,597	—	—	—	—	—	—	50,597
Certificate of Deposit (Market value : Rs. 49,848 thousands)	—	49,848	—	—	—	—	—	—	49,848
Fixed Deposits (Market value : Rs. 14,000 thousands)	—	10,000	—	4,000	—	—	—	—	14,000
Investment in Infrastructure and Social Sector :									
Debentures/Bonds (Market value : Rs. 295,336 thousands)	165,911	49,006	—	21,176	31,734	1,587	—	—	269,414
Other than Approved Investments :									
Debentures/Bonds (Market value : Rs. 59,500 thousands)	—	59,637	—	—	—	—	—	—	59,637
TOTAL	7,954,033	1,492,338	2,757,447	205,800	35,584	13,055	471	55,822	12,514,550
In India	7,954,033	1,492,338	2,757,447	205,800	35,584	13,055	471	55,822	12,514,550
TOTAL	7,954,033	1,492,338	2,757,447	205,800	35,584	13,055	471	55,822	12,514,550

Particulars	March 31, 2005							Total
	Participating Life	Non-Participating	Participating Pension	Linked Life	Linked Pension	Linked Group		
LONG TERM INVESTMENTS								
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
SHORT TERM INVESTMENTS								
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
TOTAL	4,818,098	1,152,913	1,698,856	270,106	102,443	3,009	—	8,045,425
In India	4,818,098	1,152,913	1,698,856	270,106	102,443	3,009	—	8,045,425
TOTAL	4,818,098	1,152,913	1,698,856	270,106	102,443	3,009	—	8,045,425

schedules

forming part of the financial statements

Continued

(Rs. in '000s)

SCHEDULE - 8B

ASSETS HELD TO COVER LINKED LIABILITIES

March 31, 2006

Particulars	Linked Funds	Linked Pension Funds	Linked Group Funds	Total
LONG TERM INVESTMENTS				
Government Securities at fair value (Historical cost : Rs. 2,306,143 thousands)	1,524,912	554,638	183,442	2,262,992
Other Investments				
Equity Shares at fair value (Historical cost : Rs. 26,473,742 thousands)	30,371,512	6,133,191	471,848	36,976,551
Debentures/Bonds at fair value (Historical cost : Rs. 4,208,241 thousands)	2,805,017	947,836	349,977	4,102,830
Investments in Infrastructure and Social Sector				
Equity Shares at fair value (Historical cost : Rs. 495,740 thousands)	598,262	122,704	10,430	731,396
Debentures/Bonds at fair value (Historical cost : Rs. 1,633,372 thousands)	1,104,336	384,689	107,157	1,596,182
Other than Approved Investments				
Equity Shares at fair value (Historical cost : Rs. 3,060,441 thousands)	3,280,790	709,911	65,768	4,056,469
Debentures/Bonds at fair value (Historical cost : Rs. 1,044,365 thousands)	675,394	216,661	117,868	1,009,923
SHORT TERM INVESTMENTS				
Government Securities (Historical cost : Rs. 2,904 thousands)	1,647	748	616	3,011
Other Investments :				
Debentures/Bonds (Historical cost : Rs. 2,045,331 thousands)	1,311,088	500,999	200,574	2,012,661
Certificate of Deposit (Historical cost : Rs. 2,381,215 thousands)	1,284,328	743,168	376,398	2,403,894
Commercial Papers (Historical cost : Rs. 2,916,737 thousands)	2,142,112	512,813	310,044	2,964,969
Fixed Deposits	4,408,946	1,451,585	565,269	6,425,800
Investments in Infrastructure and Social Sector				
Debentures/Bonds (Historical cost : Rs. 2,103,404 thousands)	1,241,222	588,195	258,262	2,087,679
Other than Approved Investments				
Debentures/Bonds (Historical cost : Rs. 1,841,464 thousands)	1,345,008	324,473	154,901	1,824,382
Mutual Fund investment at fair value (Historical cost : Rs. 620,000 thousands)	566,000	50,000	4,000	620,000
Net Current Assets	1,269,966	58,867	380,882	1,709,715
TOTAL	53,930,540	13,300,478	3,557,436	70,788,454
In India	53,930,540	13,300,478	3,557,436	70,788,454
TOTAL	53,930,540	13,300,478	3,557,436	70,788,454

March 31, 2005

Particulars	Linked Funds	Linked Pension Funds	Linked Group Funds	Total
LONG TERM INVESTMENTS				
Government Securities at fair value (Historical cost : Rs. 1,587,352 thousands)	1,019,350	477,583	84,099	1,581,032
Other Investments				
Equity Shares at fair value (Historical cost : Rs. 7,081,305 thousands)	5,925,216	1,907,627	121,722	7,954,565
Debentures/Bonds at fair value (Historical cost : Rs. 1,663,287 thousands)	1,100,227	459,770	84,237	1,644,234
Fixed Deposits	163,800	73,200	13,000	250,000
Investments in Infrastructure and Social Sector				
Equity Shares at fair value (Historical cost Rs. 11 thousands)	10	—	—	10
Debentures/Bonds at fair value (Historical cost : Rs. 1,763,604 thousands)	1,156,085	470,956	127,732	1,754,773
Other than Approved Investments				
Equity Shares at fair value (Historical cost : Rs. 861,232 thousands)	762,535	251,305	13,951	1,027,791
Debentures/Bonds at fair value (Historical cost : Rs. 1,216,800 thousands)	830,579	309,175	76,836	1,216,590
SHORT TERM INVESTMENTS				
Government Securities (Historical cost : Rs. 717,635 thousands)	458,690	153,642	100,685	713,017
Investments in Infrastructure and Social Sector				
Debentures/Bonds (Historical cost : Rs. 1,109,822 thousands)	701,297	330,465	75,050	1,106,812
Other Investments :				
Debentures/Bonds (Historical cost : Rs. 3,258,362 thousands)	2,117,728	989,382	164,898	3,272,008
Fixed Deposit/Certificate of Deposits	933,712	460,119	138,954	1,532,785
Other than Approved Investments				
Debentures/Bonds (Historical cost : Rs. 271,115 thousands)	158,584	82,160	20,123	260,867
Mutual Fund investment at fair value (Historical cost : Rs. 2,059,780 thousands)	1,522,390	487,961	53,127	2,063,478
Net Current Assets	1,780,003	255,606	127,032	2,162,641
Total	18,630,206	6,708,951	1,201,446	26,540,603
In India	18,630,206	6,708,951	1,201,446	26,540,603
Total	18,630,206	6,708,951	1,201,446	26,540,603

schedules



forming part of the financial statements

Continued

(Rs. in '000s)

SCHEDULE - 9

LOANS

Particulars

	March 31, 2006	March 31, 2005
1. SECURITY-WISE CLASSIFICATIONS		
<i>Secured:</i>		
(a) On mortgage of property:		
(aa) In India	13,368	15,834
(bb) Outside India	—	—
(b) On Shares, Bonds, Govt Securities, etc.	—	—
(c) Loans against policy	879	9,391
(d) Others	—	—
<i>Unsecured</i>	—	—
TOTAL	14,247	25,225
2. BORROWER-WISE CLASSIFICATION		
(a) Central and State Governments	—	—
(b) Banks and Financial Institutions	—	—
(c) Subsidiaries	—	—
(d) Companies	13,368	15,834
(e) Loans against policies	879	9,391
(f) Loans to employees	—	—
TOTAL	14,247	25,225

Particulars

3. PERFORMANCE-WISE CLASSIFICATION

	March 31, 2006	March 31, 2005
(a) Loans classified as standard:		
(aa) In India	14,247	25,225
(bb) Outside India	—	—
(b) Non-standard loans less provisions:		
(aa) In India	—	—
(bb) Outside India	—	—
TOTAL	14,247	25,225

4. MATURITY-WISE CLASSIFICATION

	March 31, 2006	March 31, 2005
(a) Short-Term	3,872	2,526
(b) Long-Term	10,375	22,699
TOTAL	14,247	25,225

SCHEDULE - 10

FIXED ASSETS

Particulars	Gross Block at Cost				Depreciation				Net Block	
	Opening Balance	Additions	Deductions	Closing Balance	Upto Previous year	For The Year	Deductions To Date	As at March 31, 2006	As at March 31, 2005	
Improvements to Leasehold Property	579,488	115,116	—	694,604	113,292	71,845	185,137	509,467	466,196	
Furniture and Fixtures	82,941	1,072	—	84,013	64,573	2,274	66,847	17,166	18,368	
Office Equipments	177,439	4,993	—	182,432	128,765	29,542	158,307	24,125	48,673	
Information Technology Equipments	161,125	2,351	—	163,476	115,253	35,475	150,728	12,748	45,872	
Software	72,100	22,983	—	95,083	55,854	15,204	71,058	24,025	16,246	
Networks	38,891	3,041	—	41,932	28,286	5,572	33,858	8,074	10,605	
TOTAL	1,111,984	149,556	—	1,261,540	506,023	159,912	665,935	595,605	605,960	
Capital Work in progress								14,930	24,164	
TOTAL								610,535	630,124	
PREVIOUS YEAR	914,210	264,396	(66,622)	1,111,984	378,274	186,587	(58,838)	506,023	605,960	

SCHEDULE - 11

CASH AND BANK BALANCES

Particulars	March 31, 2006	March 31, 2005
Cash (including cheques, drafts and stamps)	1,182,657	891,949
Bank Balance		
(a) Deposit Account :		
(aa) Short-term (due within 12 months of the date of balance sheet)	—	300,000
(bb) Others	—	—
(b) Current Accounts	1,276,319	803,919
Money at Call and Short Notice	—	—
Others	—	—
TOTAL	2,458,976	1,995,868
CASH & BANK BALANCES		
In India	2,455,984	1,995,868
Outside India	2,992	—
TOTAL	2,458,976	1,995,868

SCHEDULE - 13

CURRENT LIABILITIES

Particulars	March 31, 2006	March 31, 2005
Agents' Balances	268,490	51,675
Sundry creditors	81,875	18,988
Deposits	5,981	5,981
Expenses Payable	1,356,845	728,109
Reinsurance Premium Payable	24,475	13,117
Due to Holding company	226,627	59,459
TDS Payable	141,351	87,388
Claims Outstanding	27,990	28,596
Unallocated Premium (Suspense)	478,024	413,428
Premium received in advance	393,171	194,316
Outstanding Purchases (Investments)	105,104	141,177
Other liabilities	2,824,984	2,048,656
TOTAL	5,934,917	3,790,890

SCHEDULE - 14

PROVISIONS

Particulars	March 31, 2006	March 31, 2005
For taxation (less payments and taxes deducted at source)	—	—
For Proposed dividends	—	—
For dividend distribution tax	—	—
Others provisions	163,087	84,156
TOTAL	163,087	84,156

SCHEDULE - 15

MISCELLANEOUS EXPENDITURE

(To the extent not written-off or adjusted)

Particulars	March 31, 2006	March 31, 2005
Discount allowed in issue of shares / debentures	—	—
Others	—	—
TOTAL	—	—

SCHEDULE - 12

ADVANCES AND OTHER ASSETS

Particulars

	March 31, 2006	March 31, 2005
ADVANCES		
Prepayments	78,747	33,451
Advance tax paid and taxes deducted at source	91	98
Deposits	181,661	110,506
Other advances	89,806	45,532
Other receivables	103,883	53,819
TOTAL (A)	454,188	243,406
OTHER ASSETS		
Income accrued on investments/deposits	264,144	186,899
Outstanding Premiums	132,157	84,426
Deposit with Reserve Bank of India (refer to note 3.9 of Schedule 16)	—	—
Sundry Debtors (Investments)	105,455	147,531
Others	165,126	52,098
TOTAL (B)	666,882	470,954
TOTAL (A+B)	1,121,070	714,360

SCHEDULE - 16

Significant accounting policies and notes forming part of the accounts for the year ended March 31, 2006

1. Background

ICICI Prudential Life Insurance Company Limited ('the Company') a joint venture between ICICI Bank Limited and Prudential plc of UK was incorporated on July 20, 2000 as a company under the Companies Act, 1956 ('the Act'). The Company is licensed by the Insurance Regulatory and Development Authority ('IRDA') for carrying life insurance business in India.

The Company's life insurance business comprises individual life and pension and group life, superannuation & gratuity business, including participating, non-participating, annuities, pension, health and linked segments. 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. These products are distributed through Agents, banks and brokers.

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 accordance with accounting principles generally accepted in India, 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, various circulars issued by IRDA and the practices prevailing within the insurance industry in India.

2.2 Use of estimates

The preparation of 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 recognised prospectively.

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 is recognised as income 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 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.

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 accrued.

Profit or loss on sale of equity shares / mutual fund units includes the accumulated changes in the fair value previously recognised under "Fair Value Change Account".

2.3.4. Income earned on loans

Interest income on loans is recognised 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 lease term are classified as operating leases. Operating lease rentals are recognised as income when due.

2.4 Reinsurance premium

Reinsurance premium ceded is accounted for in accordance with the treaty or in-principle arrangement with the reinsurer. Profit commission on re-insurance ceded is netted off against premium ceded on reinsurance.

2.5 Benefits Paid (Including Claims)

Claims other than maturity claims are accounted for on receipt of intimation. Survival benefit claims are accounted when due. Reinsurance recoveries on claims are accounted for, in the same period as the related claims. Withdrawals under linked policies are accounted in the respective schemes when the associated units are cancelled.

2.6 Acquisition Costs

Acquisition costs representing costs incurred for acquisition of insurance contracts are expensed in the period in which they are incurred.

2.7 Actuarial Liability Valuation

Actuarial 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 using the gross premium method, in accordance with accepted actuarial practice, requirements of IRDA and the stipulations of 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 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 accrued interest.

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') (In case of securities not listed on NSE, the last quoted closing price on the Bombay Stock Exchange ('BSE') is used). 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.

schedules

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

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 (In case of securities not listed on NSE, the last quoted closing price on the BSE is used). Mutual fund units are valued at the previous day's net asset values.

Unrealised gains and losses are recognised in the respective fund's revenue account.

2.8.4. Transfer of investments

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

Inter fund transfer of investments between unit linked funds is done at 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 rate of depreciation is higher of the managements estimate based on useful life or the rates prescribed under the Act. Depreciation is provided using 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	4 years
Computers and peripheral equipments	3 years
Office Equipment	4 years
Furniture & Fixtures	4 years

2.10.2. Intangibles

Intangible assets comprising software are stated at cost less amortization. Significant improvements to software are capitalized. Software expenses are amortized using Straight Line Method over a period of 3 years from the date of being put to use.

2.10.3. Impairment of assets

Management periodically assesses, using external and internal sources, whether there is any 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 recognised 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's liability towards gratuity & leave encashment being defined benefit plans, 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.

Superannuation is a defined Contribution Plan. The Company has accrued for superannuation liability based on a percentage of basic salary payable to eligible employees for the period of service.

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 business is 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.

Other expenses (including depreciation and amortization), that are not directly identifiable, are allocated on either of the following bases:

- Number of policies;
- Weighted annualised 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

Tax expense comprises current income tax, deferred tax & fringe benefit tax. Current Income tax & fringe benefit tax comprises the amount of tax for the period determined in accordance with the Income-tax Act. Deferred tax charge or credit reflect 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 recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, when there is unabsorbed depreciation and carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation 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 realised.

2.16 Service tax un-utilized credit

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

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 vest in graded manner. The vested options may be exercised within a specified period. The Exercise Price of the option is diluted when there is a subsequent issue of shares at a price lower than the Grant Price. The Company has adopted Fair Value method of valuing the options and uses the option pricing model as per Black Scholes formula. The Fair Value of the options is amortised over the vesting period. Incremental fair value of options, arising from modification of exercise price if any, is amortized over the remainder of the vesting period.

2.18 Provisions & 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.

2.19 Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

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'):

3.1. Contingent liabilities

(Rs. '000)

Particulars	As at March 31, 2006	As at March 31, 2005
Partly-paid up investments	108,864	—
Underwriting commitments outstanding	—	—
Claims, other than those under policies, not acknowledged as debts	—	—

(Rs. '000)

Particulars	As at March 31, 2006	As at March 31, 2005
Guarantees given by or on behalf of the company	—	—
Statutory demands/liabilities in dispute, not provided for*	85,694	—
Reinsurance obligations to the extent not provided for in accounts	—	—
Others	—	—

* Company has received a Show Cause-Cum-Demand notice dated April 19, 2006 from Office of the Commissioner of Service Tax with respect to excess utilisation of Cenvat credit towards service tax liability.

3.2. Actuarial method and assumptions

The actuarial liability on both participating and non-participating policies is calculated using the gross premium method, using assumptions for interest, mortality, expense, and inflation, and in the case of participating policies, 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. No allowance is made for expected lapses or policies expected to convert to paid-ups.

The interest rates used for valuing the liabilities are in the range of 4.7% to 10% per annum (Previous year - 4 to 10% per annum).

Mortality rates used are based on the published L.I.C. (1994-1996) Ultimate Mortality Table, adjusted to reflect expected experience and allowances for adverse deviation. Expenses are provided for at long term expected renewal expense levels.

Unearned premium reserves are held for the unexpired portion of the risk for the general fund liabilities of linked business and riders thereunder and one year renewable group term insurance.

The unit liability in respect of linked business has been taken as the value of the units standing to the credit of policyholders, using the net asset value (NAV) prevailing at the valuation date. The adequacy of charges under unit-linked policies to meet future expenses has been tested and provision 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, 2006 (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. 25,426 thousands (Previous Year: Rs. 3,596 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, 2006 amount to Rs. 2,853 thousands (Previous Year: Rs. 2,512 thousands).

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 and executive director's remuneration included in employee remuneration & welfare benefits are as follows:

schedules



forming part of the financial statements

Continued

Particulars	(Rs. '000)	
	March 31, 2006	March 31, 2005
Salary, perquisites and bonus	19,262	13,956
Contribution to Provident Fund	768	475

Notes: 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. '000)	
	March 31, 2006	March 31, 2005
7.40% Govt. of India Securities *	100,050	101,070
12.32% Govt. of India Securities*	12,165	NIL

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

3.10. Values of unsettled contracts relating to investments are as follows:

Particulars	(Rs. '000)			
	March 31, 2006		March 31, 2005	
	Linked Business	Non-linked Business	Linked Business	Non-linked Business
Purchases where deliveries are pending	2,398,174	105,104	123,293	141,177
Sales where receipts are pending	473,442	105,455	52	147,531

3.11. Sector-wise percentage of business

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

Sector	March 31, 2006	March 31, 2005
Rural - Number of Policies	156,433	101,267
- Percentage of Policies	19%	16%
Social - Number of Policies	15	3
- Percentage of Policies	0.0018%	0.0005%
- Number of Lives	162,463	20,139
- Percentage of Group Lives	34%	18%
- Gross Premium (Rs. '000)	11,035	1,466
- Percentage of Premium	0.04%	0.01%
Total - Number of Policies	838,242	614,673
- Number of Group Lives	474,693	109,362
- Gross Premium (Rs. '000)	26,031,625	15,861,879

3.12. Risks retained and reinsured

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

Particulars	(Rs. '000)	
	March 31, 2006	March 31, 2005
Individual		
Risk retained	92%	92%
Risk reinsured	8%	8%
Group		
Risk retained	35%	58%
Risk reinsured	65%	42%

Other disclosures

3.13. Deferred taxes

Deferred tax assets and liabilities are determined as the tax effect of timing differences at the rates in force at the Balance Sheet date. 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 realisability.

Deferred Tax Asset as at March 31, 2006 of Rs. 262,384 thousands represents asset on carry forward unabsorbed losses (Previous Year: Rs. 107,885 thousands).

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:

Particulars	(Rs. '000)	
	March 31, 2006	March 31, 2005
Not later than one year	481,889	369,551
Later than one year but not later than five years	1,677,335	1,382,958
Later than five years	617,179	575,786

The total operating lease rentals charged to profit and loss account in the current year is Rs. 420,587 thousands (Previous year Rs. 288,172 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:

Particulars	(Rs. '000)	
	March 31, 2006	March 31, 2005
Not later than one year	Nil	Nil

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

Particulars	(Rs. '000)	
	March 31, 2006	March 31, 2005
Gross carrying amount	185,522	185,522
Accumulated depreciation and impairment loss	Nil	Nil
Depreciation/ Impairment loss (if any)	Nil	Nil

schedules

forming part of the financial statements

Continued

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
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 Services Limited ICICI Securities Limited ICICI Securities Inc. ICICI Securities Holding Inc. ICICI Investment Management Company Limited ICICI International Limited ICICI Bank UK Limited ICICI Bank Canada ICICI Bank Eurasia L.L.C. (formerly Investment Credit Bank Limited Liability Company) Prudential ICICI Asset Management Company Limited Prudential ICICI Trust Limited ICICI Property Trust
Key management personnel	Shikha Sharma, Managing Director N. S. Kannan, Executive Director (appointed on August 1, 2005)
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, 2006:

(Rs. '000)

Particulars	Holding Company	Fellow Subsidiaries	Substantial Interest	Key Management Personnel	Significant Influence
Income					
Premium Income	106,663	26,312	—	491	16,128
Interest Income	64,632	—	—	—	—
Expenses					
Establishment & Other Expenditure*	1,000,982	28,649	—	20,030	—
Provident Fund, Superannuation and Gratuity contribution	—	—	—	—	80,285
Claims	29,750	1,226	—	—	598
Others					
Share Capital issued during the year	1,924,000	—	676,000	—	—
Purchase of Securities	4,283,429	54,114,656	—	—	—
Sale of Securities	1,059,349	1,653,641	—	—	—

* Establishment & Other Expenditure includes expenses for sharing of common services and facilities, consultancy fees, insurance, business support and managerial remuneration. Expenses also include amount of brokerage paid to ICICI Securities Limited which is included in the cost of investments (For the year 2005-2006 Rs. 20,553 thousands).

As at March 31, 2006:

(Rs. '000)

Particulars	Holding Company	Fellow Subsidiaries	Substantial Interest	Key Management Personnel	Significant Influence
Assets					
Long term fixed Deposits & Corporate Bonds / Deposits	572,975	120,000	—	—	—
Cash, Bank Balances and Deposits	4,426,448	—	—	—	—
Income accrued on investments	36,178	—	—	—	—
Other Assets	134	20,922	—	—	1,929
Liabilities					
Share Capital	8,769,000	—	3,081,000	—	—
Other Liabilities	226,652	—	—	—	6,128

schedules



forming part of the financial statements

Continued

For the year ended March 31, 2005:

(Rs. '000)

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	—	—
Purchase of Securities	1,199,659	4,508,787	—	—	—
Sale of Securities	525,447	841,409	—	—	—

* Establishment & Other Expenditure includes expenses for sharing of common services and facilities, consultancy fees, insurance, business support and managerial remuneration. Expenses also include amount of brokerage paid to ICICI Securities Limited which is included in the cost of investments (For the year 2004-2005 Rs. 7,556 thousands)

As at March 31, 2005:

(Rs. '000)

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	—	—
Others Liabilities	59,481	—	—	—	—

3.16. Segmental Reporting

Income and expenses directly attributable or allocable to the segments are recorded and disclosed under the respective segments 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 as disclosed in Note 2.14.

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

(Rs. '000)

Business Segments	Current Assets, Loans & Deferred Tax Asset		Current Liabilities & Provisions	
	March 31, 2006	March 31, 2005	March 31, 2006	March 31, 2005
Shareholders	3,415,332	2,412,808	5,955,837*	3,692,155*
Participating Life	205,144	295,439	78,210	154,487
Non-Participating	52,833	47,451	5,349	13,560
Participating Pension	75,874	45,066	41,580	562
Linked Life	81,227	31,495	16,715	13,557
Linked Pension	18,829	9,648	136	724
Linked Group	4,971	1,431	151	—
Health	20	—	26	—
Non Participating Annuity	2,447	—	—	—
TOTAL	3,856,677	2,843,338	6,098,004	3,875,045

* 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 tabled below:

(Rs. '000)

Business Segments	March 31, 2006	March 31, 2005
Shareholders	2,541	19,819
Participating Life	29,103	22,043
Non-Participating	13,363	15,254
Participating Pension	11,662	9,972
Linked Life	6,085	4,094
Linked Pension	2,035	2,122
Linked Group	32	33
TOTAL	64,821	73,337

(Rs. '000)

3.17. BALANCE SHEET OF LINKED BUSINESSES AS AT MARCH 31, 2006

Particulars	Linked Funds				Linked Pension Funds				Linked Group Fund				Total							
	Balancer	Protector	Maximiser	Preserver	Cash Plus Secure Plus	Invest Shield	Balancer	Protector	Maximiser	Secure Plus - Pension	Invest Shield - Pension	Preserver		Balanced	Income	Short Term Debt	Capital Guarantee Fund	Growth	Capital Guarantee Balance Fund*	Capital Guarantee Debt Fund*
SOURCES OF FUNDS																				
SHAREHOLDERS' FUNDS:																				
Policy holder contribution	13,041,103	6,385,737	21,315,620	932,449	268,765	77,459	225,276	3,863,669	2,916,944	3,514,750	49,404	52,457	2,285,736	62,645	742,934	14,895	183,899	2,068	100	56,086,129
Revenue Account	2,826,169	411,002	8,367,370	48,967	6,978	2,899	20,744	895,176	148,846	1,698,557	1,676	5,517	210,841	4,321	26,625	737	22,483	151	2	14,702,323
TOTAL	15,867,272	6,796,739	29,682,990	981,416	275,743	80,358	246,020	4,858,845	3,065,790	5,213,307	51,080	57,974	2,496,577	66,966	769,559	15,632	206,382	2,219	102	70,788,452
APPLICATION OF FUNDS																				
INVESTMENTS																				
Government Securities	855,020	621,775	—	—	24,194	7,861	17,709	258,809	287,657	—	4,685	4,255	170,085	6,490	—	—	7,416	60	7	2,266,003
Equities	6,054,865	—	28,126,177	—	—	594	88,928	1,859,520	—	5,090,844	—	16,341	435,136	—	—	—	112,476	435	—	41,764,416
Debentures & Bonds	3,997,654	3,720,193	460,000	118,972	101,746	33,781	59,719	1,285,955	1,539,860	97,550	21,578	14,497	818,374	35,798	286,535	8,418	39,161	428	25	12,633,657
Certificate of Deposit	473,463	366,653	—	351,279	52,520	12,690	27,823	384,090	321,473	—	10,297	7,321	242,371	7,007	105,524	52	20,995	429	20	2,403,895
Commercial Paper	1,275,677	475,888	119,412	203,174	35,055	8,063	24,843	239,632	251,441	—	3,238	4,689	222,454	5,321	69,353	2,671	9,702	517	26	2,964,969
Fixed Deposits	2,604,246	1,382,600	—	310,000	55,100	15,300	41,700	779,000	634,610	—	9,885	9,955	407,000	11,960	122,700	2,769	20,500	320	20	6,425,900
Mutual Fund	—	—	566,000	—	—	—	—	—	—	50,000	—	—	—	—	—	—	4,000	—	—	620,000
TOTAL	15,250,925	6,567,009	29,271,589	983,425	268,615	78,289	240,722	4,806,006	3,035,041	5,238,494	49,663	57,048	2,295,420	66,576	584,112	13,910	214,250	2,189	88	69,078,740
CURRENT ASSETS																				
Money at Call	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Bank Balances-in current account	4,959	2,638	462,488	131	466	106	289	2,884	903	64,523	59	65	2,396	37	1,281	63	272	13	1	543,644
Income accrued on investment	136,133	122,754	96	6,990	3,154	1,122	1,900	41,335	51,596	57	822	525	25,225	1,202	9,047	276	683	6	1	403,547
Dividend Receivable	985	—	4,600	—	—	—	22	152	—	774	—	5	40	—	—	—	20	—	—	6,598
Unit Collection account	514,485	149,466	1,442,878	40,448	7,105	2,374	5,000	75,735	42,677	92,353	1,275	867	220,842	(1,103)	175,588	1,399	6,142	10	1	2,777,555
Outstanding Sale Contracts	112,859	95,195	153,202	—	1,562	504	15,031	29,699	17,458	26,585	289	3,631	14,891	1,461	—	—	1,031	40	6	473,444
Other Assets	4	—	7	—	2	—	1	2	—	(1)	—	(1)	(2)	(1)	1	(2)	(1)	(1)	(1)	9
TOTAL	769,425	370,053	2,063,271	47,569	12,289	4,106	22,243	149,807	112,634	184,291	2,445	5,092	263,492	1,596	185,917	1,736	8,147	68	8	4,204,797
Less: CURRENT LIABILITIES & PROVISIONS																				
Outstanding purchase contract	129,213	132,774	1,809,835	46,945	4,894	1,958	16,705	90,409	78,311	202,012	979	4,109	58,733	1,112	—	—	15,897	34	4	2,398,171
Other current liabilities	23,865	7,549	42,035	653	267	79	240	6,559	3,574	7,466	49	57	3,602	94	470	14	318	4	—	96,912
NET CURRENT ASSETS	616,347	229,730	411,401	(2,009)	7,128	2,068	5,298	52,859	30,749	(25,187)	1,417	926	201,157	390	185,447	1,722	(7,866)	30	4	1,709,714
TOTAL	15,867,272	6,796,739	29,682,990	981,416	275,743	80,358	246,020	4,858,845	3,065,790	5,213,307	51,080	57,974	2,496,577	66,966	769,559	15,632	206,382	2,219	102	70,788,454

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

(Rs. '000)

3.18. REVENUE ACCOUNT FOR LINKED BUSINESS FOR THE YEAR ENDED MARCH 31, 2006

Particulars	Linked Funds				Linked Pension Funds				Linked Group Fund				Total							
	Balancer	Protector	Maximiser	Preserver	Cash Plus	Secure Plus	Invest Shield	Balancer	Protector	Maximiser	Shield-Pension	Invest Shield-Pension		Preserver	Balanced	Income	Short Term Debt	Capital Guarantee Fund	Capital Guarantee Debt Fund	
Income from Investments																				
Interest income	379,382	392,296	12,239	24,078	7,273	2,808	3,744	120,823	167,579	2,251	1,018	1,514	85,156	5,251	31,334	597	1,022	24	1	
Dividend income	55,939	—	153,684	—	—	7	220	18,160	—	33,667	—	84	3,368	—	—	—	209	1	—	—
Profit/(loss) on sale of investment	364,582	(30,188)	855,070	17,815	480	230	5,627	125,545	(16,835)	(202,959)	(23)	1,501	27,739	(479)	2,753	202	1,196	31	1	
Unrealised Gain/(loss)	1,808,804	(72,338)	6,781,343	8,046	(240)	(108)	12,429	551,621	(27,431)	1,319,927	(248)	3,270	113,016	(400)	(4,844)	(137)	20,175	116	1	
Miscellaneous Income	90	90	1	—	—	—	—	36	36	—	—	—	18	—	—	—	—	—	—	—
TOTAL (A)	2,608,777	289,860	7,802,337	49,599	7,513	2,937	22,020	816,185	123,349	1,558,804	1,750	5,873	209,297	4,372	29,243	662	25,602	172	3	13,558,897
Fund Management Expenses	99,012	22,037	135,951	5,867	1,748	630	1,245	31,320	7,474	29,365	426	377	25,807	1,251	5,478	142	1,059	21	1	369,537
Fund Administrative Expenses	94,814	61,479	108,120	—	—	—	—	25,934	30,747	19,810	—	—	—	—	—	—	—	—	—	—
TOTAL (B)	193,826	83,516	244,071	5,867	1,748	630	1,245	57,254	38,221	49,175	426	377	25,807	1,251	5,478	142	1,059	21	1	710,441
Net Income for the year (A - B)	2,414,951	206,344	7,558,266	44,072	5,765	2,307	20,775	758,931	85,128	1,509,629	1,324	5,547	183,490	3,121	23,765	520	21,543	151	2	12,848,456
Interim Bonus Paid	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Add: Revenue account at the beginning of the year	411,218	204,658	809,104	4,895	1,213	592	(31)	136,245	63,718	188,928	352	(30)	27,351	1,200	2,860	217	940	—	—	1,853,867
Revenue account at the end of the year	2,826,169	411,002	8,367,370	48,967	6,978	2,899	20,744	895,176	148,846	1,698,557	1,676	5,517	210,841	4,321	26,625	737	22,483	151	2	14,702,323

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

REVENUE ACCOUNT FOR LINKED BUSINESS FOR THE YEAR ENDED MARCH 31, 2005

(Rs. '000)

Particulars	Linked Funds				Linked Pension Funds				Linked Group Fund				Total							
	Balancer	Protector	Maximiser	Preserver	Cash Plus	Secure Plus	Invest Shield	Balancer	Protector	Maximiser	Secure Plus	Pension Preserver		Invest Shield-Pension	Balanced	Income	Short Term Debt	Capital Guarantee Fund	Capital Guarantee Debt Fund	
Income from Investments																				
Interest income	107,065	215,038	109	1,671	1,671	902	2,006	17	39,418	100,119	8	885	194	19,158	3,051	2,922	116	92	8	
Dividend income	19,987	—	39,791	—	—	9	—	—	8,718	—	11,224	—	—	1,491	—	—	—	41	—	
Profit/(loss) on sale of investment	41,606	(101,594)	169,795	(16)	(178)	(2,394)	14	8,856	(47,418)	36,989	(347)	182	15	(1,872)	(930)	849	128	255	78	
Unrealised Gain/(loss)	175,820	(42,805)	400,390	(197)	(53)	1,158	(51)	52,528	(20,015)	82,757	(81)	122	(50)	14,341	(542)	(387)	21	615	(2)	
Miscellaneous Income	54	6	73	—	—	—	—	31	31	26	—	—	—	1	11	—	—	—	—	
TOTAL (A)	344,532	70,645	610,158	1,458	680	5,558	(20)	109,551	32,686	130,884	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	4	96,678
Fund Administrative Expenses	35,779	44,584	29,624	—	—	—	—	13,452	20,313	7,615	—	—	—	—	—	—	—	—	—	—
TOTAL (B)	64,636	53,411	55,843	372	167	663	11	24,633	24,249	14,729	172	61	11	7,738	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	(31)	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	187,624	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	1,213	592	4,895	(31)	136,245	63,718	188,928	352	437	(30)	27,351	1,200	2,860	217	940	83	1,853,950

schedules



forming part of the financial statements

Continued

3.19. ASSETS HELD TO COVER POLICYHOLDERS' LIABILITY

The Policyholders' Liabilities other than linked fund aggregating Rs. 11,224,766 thousands as at March 31, 2006 are adequately backed by assets as at March 31, 2006 as shown below:

(Rs. '000)									
Description	Participating Life	Non-Participating	Participating Pension	Linked Life	Linked Pension	Linked Group	Health	Annuities Non-Participating	Total
Policyholders' Liabilities as per Balance Sheet [A]	6,976,019	1,539,822	2,307,727	270,312	54,277	17,875	465	58,269	11,224,766
Assets held to cover policyholders' liabilities									
Investments (As per Schedule-8A)	7,954,033	1,492,338	2,757,447	205,800	35,584	13,055	471	55,822	12,514,550
Fair Value Change Account	(919,108)	—	(327,588)	—	—	—	—	—	(1,246,696)
Net Investments	7,034,925	1,492,338	2,429,859	205,800	35,584	13,055	471	55,822	11,267,854
Current Assets and Loans (As per Note 3.16)	205,144	52,833	75,874	81,227	18,829	4,971	20	2,447	441,345
Less: Current Liabilities (As per Note 3.16)	(78,210)	(5,349)	(41,580)	(16,715)	(136)	(151)	(26)	—	(142,167)
Total Assets [B]	7,161,859	1,539,822	2,464,153	270,312	54,277	17,875	465	58,269	11,567,032

The Policyholders' liability for Linked funds aggregating to Rs. 70,788,454 thousands as at March 31, 2006 are adequately backed by assets as at March 31, 2006 as disclosed in Note 3.17.

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. '000)								
Description	Participating Life	Non-Participating	Participating Pension	Linked Life	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	
Fair Value Change Account	(157,925)	(952)	(48,293)	(194)	—	(25)	(207,389)	
Net Investments	4,660,173	1,151,961	1,650,563	269,912	102,443	2,984	7,838,036	
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]	4,801,125	1,185,852	1,695,067	287,850	111,367	4,415	8,085,676	

The Policyholders' 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.

3.20. Employee Stock Option Scheme ("ESOS")

There are presently two ESOS schemes in force by name Founder 2003-2004 and 2004-2005, salient features of which are as stated below:

Scheme	Founder 2003-2004	2004-2005
Date of allotment	March 28, 2005	April 25, 2005
No. of options granted	2,665,500	3,707,900
Graded Vesting Period:		
1st Year	50% of options granted	25% of options granted
2nd Year	25% of options granted	25% of options granted
3rd Year	25% of options granted	25% of options granted
4th Year	—	25% of options granted
Maximum term of options granted	Later of the tenth anniversary of the date of grant of options or the fifth anniversary of the date of vesting of options	
Mode of settlement	Equity	

Exercise price of options is subject to dilution formula and it depends on the capital base of the Company as at the date of exercise of the options. Exercise price of all the options outstanding as at March 31, 2006 for Founder (2003-2004) scheme and 2004-2005 scheme is Rs. 30 & Rs. 42 respectively.

schedules

forming part of the financial statements

Continued

A summary of status of Company's Employee Stock Option Scheme in terms of options granted, forfeited and exercised is given below:

Particulars	March 31, 2006	March 31, 2005
Outstanding at the beginning of the year	2,665,500	—
Add: Granted during the year	3,707,900	2,665,500
Less: Forfeited/lapsed during the year	800,800	—
Exercised during the year	—	—
Outstanding at the end of the year	5,572,600	2,665,500
Exercisable at the end of the period	1,143,750	—

The Company has computed the fair value of its options & has recognized a compensation cost of Rs. 52,363 thousands (Previous Year: Rs. Nil) as the Fair Value of the options as of the date of grant & the incremental Fair Value arising due to the dilution in the Exercise price of the options.

3.21 The amount of exchange differences (net)

Charged to the Revenue Account/Profit & Loss Account is Rs. 50 thousands (Previous Year: Rs. Nil)

3.22 Earnings per equity share:

(Rs. '000)

Particulars	March 31, 2006	March 31, 2005
I Net profit/(loss) as per profit and loss account available for equity shareholders' for both basic and diluted earnings per equity share of Rs. 10 each	(1,878,789)	(2,116,210)
II Weighted average number of equity shares for earnings per equity share		
(a) For basic earnings per equity share	1,032,750,000	766,666,667
(b) For diluted earnings per equity share		
No. of equity shares for basic earnings per equity share as per (II) (a)	1,032,750,000	766,666,667
Add: Weighted average outstanding employee stock options deemed to be issued for no consideration	2,511,498	2,577
No. of equity shares for diluted earnings per equity share	1,035,261,498	766,669,244
III Earnings per equity share		
Basic (in Rupees)	(1.82)	(2.76)
Diluted (in Rupees)	(1.81)	(2.76)

3.23 Lapse Reserve - Unit Linked

Pursuant to IRDA's notification dated March 29, 2006, the Appointed Actuary has determined an amount of Rs. 792,166 thousands as release of actuarial reserves on policies which have lapsed earlier. The Company has appropriated Rs. 792,166 thousands from the Shareholders' Account as Funds for Future Appropriation in accordance with the said notification. These funds for future appropriation are not available to Shareholders' as of March 31, 2006.

3.24 Linked Segment - Revenue (Policyholders' Technical) Account Disclosure

The Company has disclosed in the linked segment, by including in the revenue account items impacting the policyholder funds like Dividend Received and Fair Value Changes. In the previous year these were directly dealt with in the Balance Sheet. This disclosure does not have any impact on surplus/deficit shown in revenue account and on loss shown in the Shareholders Account.

3.25 Previous year comparatives

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

For and on behalf of the Board

K.V. KAMATH
Chairman

M.P. MODI
Director

H.T. PHONG
Director

SHIKHA SHARMA
Managing Director

SANDEEP BATRA
Chief Financial Officer
& Company Secretary

V. RAJAGOPALAN
Appointed Actuary

Place : Mumbai
Date : April 26, 2006

receipts & payments account



for the year ended March 31, 2006

(Rs. '000)

Particulars	March 31, 2006		March 31, 2005	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers :				
Premium & other receipts	48,632,476		26,843,893	
Fees from professional services	—	48,632,476	987	26,844,880
Cash paid towards Operating Activities :				
Expenses & Withdrawals	(16,738,967)		(9,991,761)	
Reinsurance premium ceded	(57,006)		102,919	
Advances & Deposits	(70,555)		(40,636)	
Loan Against Policies	8,512		(5,881)	
Taxes Paid	(58,600)	(16,916,616)	—	(9,935,359)
Net cash from operating activities		31,715,860		16,909,521
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of fixed assets	—		1,868	
Purchase of fixed assets	(139,923)	(139,923)	(277,246)	(275,378)
Purchase of Investments		(195,805,161)		(105,169,050)
Loan		2,466		2,274
Margin Money Receivable		27,629		23,529
Sale of Investments		160,860,226		86,328,948
Interest & Dividend received		2,034,660		925,148
Net cash from investing activities		(33,020,103)		(18,164,529)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of share capital		2,600,000		2,500,000
Net cash used in financing activities		2,600,000		2,500,000
Net increase in Cash and cash equivalents		1,295,757		1,244,992
Cash and cash equivalents at beginning of the year		1,706,863		461,871
Cash and cash equivalents at end of the year		3,002,620		1,706,863
Note:				
Cash & cash equivalents at the end of the year includes:				
- Cash (Including Cheques in hand & stamps in hand)		1,182,657		891,949
- Bank Balances & Money at call & short notice		1,819,963		814,914
(Including bank balance for linked business of Rs. 543,644 (Previous Year Rs. 10,994))		3,002,620		1,706,863

As per our report of even date attached

For S.R. BATLIBOI & CO.
Chartered Accountants

For HARIBHAKTI & CO.
Chartered Accountants

HEMAL R. SHAH
Partner
Membership No. 42650

HEMANT J. BHATT
Partner
Membership No. 36834

Place : Mumbai
Date : April 26, 2006

For and on behalf of the Board

K.V. KAMATH
Chairman

SHIKHA SHARMA
Managing Director

M.P. MODI
Director

SANDEEP BATRA
Chief Financial Officer
& Company Secretary

H.T. PHONG
Director

V. RAJAGOPALAN
Appointed Actuary