Prudential ICICI Asset Management Company Limited

Financial Statements
together with Auditors' Report
for the year ended 31 March 2003

Prudential ICICI Asset Management Company Limited

Financial statements together with Auditors' Report

for the year ended 31 March 2003

Contents ***Page***

Auditors' Report	3 – 6
Balance Sheet	7
Profit and Loss account	8
Cash Flow Statement	9
Notes to financial statements	10 - 29

Auditors' Report

To the Members of
Prudential ICICI Asset Management Company Limited

We have audited the attached Balance Sheet of Prudential ICICI Asset Management Company Limited ('the Company') as at 31 March 2003 and also the Profit and Loss Account of the Company for the year ended 31 March 2003 annexed thereto and the Cash Flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

2. Further to our comments in the Annexure referred to above, 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 purpose of our audit;

   (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

   (c) the Balance Sheet and Profit and Loss account dealt with by this report are in agreement with the books of account;

   (d) in our opinion, the Balance Sheet and Profit and Loss Account comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

   (e) on the basis of the written representations received from the directors of the Company as at 31 March 2003, and taken on record by the Board of Directors, we report that no director is disqualified from being appointed as a director of the Company in terms of clause (g) of sub section (1) of Section 274 to the Companies Act, 1956;

(f) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of the Balance Sheet, the state of affairs of the Company at 31 March 2003;

(ii) in the case of the Profit and Loss Account, the profit for the year ended on that date; and

(iii) in case of the Cash Flow Statement, the cash flows for the year ended on that date.

For BSR & Co.
Chartered Accountants

Mumbai
Date : 16 April 2003

Russell I Parera
Partner

Prudential ICICI Asset Management Company Limited

Annexure to Auditors' Report - 31 March 2003

With reference to the Annexure referred to in paragraph 1 of the Auditors' Report to the Members of Prudential ICICI Asset Management Company Limited on the financial statements for the year ended 31 March, 2003 we report the following:

1. The Company has maintained proper records of fixed assets showing full particulars including quantitative details and situation. The Company physically verifies its fixed assets once every year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this policy, the Company has physically verified fixed assets during the year and no material discrepancies were identified on such verification.

2. The fixed assets of the Company have not been revalued during the year.

3. According to the information and explanations given to us, that there are no companies, firms or other parties required to be listed in the register maintained under Section 301 of the Companies Act, 1956. According to the information and explanations given to us, the Company has not taken/granted any loans, secured or unsecured from/to any companies under the same management as defined under section 370(1B) of the Companies Act, 1956.

4. The parties to whom loans or advances in the nature of loans were given by the Company are regular in repaying the principal amounts as stipulated and interest where applicable.

5. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of equipment and other assets.

6. According to the information and explanations given to us, the Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India ('RBI') and the provisions of Section 58A of the Companies Act, 1956, and the rules framed thereunder, apply.

7. In our opinion, the Company has an internal audit system, which is commensurate with its size and nature of business.

8. According to the information and explanations given to us, the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 has not been prescribed by the Central Government.

9. The Company has been regular in depositing Provident Fund dues with the appropriate authorities. We are further informed that the Employees State Insurance scheme is not applicable to the Company.

10. According to the information and explanations given to us, there were no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty which were outstanding at 31 March 2003, for a period of more than six months from the date they became payable

Prudential ICICI Asset Management Company Limited

Annexure to Auditors' Report - 31 March 2003

11. On the basis of our examination of the books of account carried out by us in accordance with generally accepted auditing practices, and according to the information and explanations given to us, no personal expenses of employees or directors have been charged to the profit and loss account other than those payable under contractual obligations or in accordance with generally accepted business practices.

12. The Company is not an "industrial company" within the meaning of the section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 and hence the clause (xx) of the paragraph 4(A) is not applicable to the Company.

13. In view of the nature of the Company's business, we report only in respect of those matters specified in paragraphs 4(A), 4(B), 4(C) and 4(D) of the Manufacturing and Other Companies (Auditor's report) Order, 1988 to the extent they are applicable.

For BSR & Co.
Chartered Accountants

Mumbai
Date : 16 April 2003

Russell I Parera
Partner

Prudential ICICI Asset Management Company Limited

Balance Sheet

at 31 March

(Currency: Indian Rupees Thousand)

	Note	**2003**	2002
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	*3*	**185,211**	185,211
Reserves and surplus	*4*	**552,615**	515,652
		737,826	700,863
Loan Funds			
Secured Loans	*5*	**1,509**	2,299
		739,335	703,162
APPLICATION OF FUNDS			
Fixed assets	*6*		
Gross block		**145,249**	121,619
Less: Accumulated depreciation		**113,134**	91,202
Net block		**32,115**	30,417
Investments	*7*	**692,411**	543,612
Deferred tax asset	*25*	**19,940**	Nil
Current assets, loans and advances			
Sundry Debtors	*9*	**44,057**	50,356
Cash and bank balances	*8*	**9,192**	61,809
Loans and advances	*11*	**92,238**	78,378
Other current assets	*10*	**Nil**	6,552
		145,487	197,095
Current liabilities and provisions	*12*	**(151,234)**	(69,901)
Net current (liabilities)/assets		**(5,747)**	127,194
Miscellaneous expenditure (to the extent not written off or adjusted)	*13*	**616**	1,939
		739,335	703,162

The accompanying notes form an integral part of this balance sheet.

As per our report of even date
For BSR & Co.
Chartered Accountants

For and on behalf of the Board of Directors of Prudential ICICI Asset Management Company Limited

Russell I Parera
Partner

Mark Tucker
Chairman

Shailendra Bhandari
Managing Director

Mumbai
Date : 16 April 2003

P.H.Ravi Kumar
Director

Ranganath Athreya
Company Secretary

Prudential ICICI Asset Management Company Limited

Profit and Loss account

for the year ended 31 March

(Currency: Indian Rupees Thousand)

	Note	**2003**	2002
Income			
Management fees	*14*	**571,086**	552,180
Interest and discount	*15*	**6,977**	29,230
Dividend		**2,428**	26,776
Miscellaneous income	*16*	**39,248**	6,100
		619,739	614,286
Expenditure			
Employee costs	*17*	**137,050**	118,832
Administrative and other expenses	*18*	**270,208**	307,051
Depreciation	*6*	**23,391**	25,164
		430,649	451,047
Profit before taxation		**189,090**	163,239
Less: Provision for current taxation		**67,596**	48,950
Less: Deferred tax expense		**40**	Nil
Profit after taxation		**121,454**	114,289
Accumulated profit brought forward		**42,337**	787
Amount available for Appropriation		**163,791**	115,076
Final dividend proposed	*19*	**92,606**	Nil
Interim dividend paid		**Nil**	55,563
Tax on dividend		**11,865**	5,668
Transfer to general reserve		**12,145**	11,508
Balance profit carried forward		**47,175**	42,337
Earnings per Share of face value of Rs 10 each – Basic and Diluted (in Rs)		**6.56**	6.17

The accompanying notes form an integral part of this Profit and Loss account.

As per our report of even date
For BSR & Co.
Chartered Accountants

For and on behalf of the Board of Directors of Prudential ICICI Asset Management Company Limited

Russell I Parera
Partner

Mark Tucker
Chairman

Shailendra Bhandari
Managing Director

Mumbai
Date : 16 April 2003

P.H.Ravi Kumar
Director

Ranganath Athreya
Company Secretary

Prudential ICICI Asset Management Company Limited

Cash Flow Statement

for the year ended 31 March
(Currency: Indian Rupees Thousand)

		2003
Cash flows from Operating Activities		
Net profit before taxation		**189,090**
Adjustment for:		
Depreciation	23,391	
Interest income	(6,977)	
Investment income (dividend)	(2,428)	
Interest expense	330	
Amortisation of miscellaneous expenditure	1,323	
Profit on sale of investments (net)	(35,743)	
Loss on sale of fixed assets (net)	43	(20,061)
Operating profit before working capital changes		**169,029**
Decrease in sundry debtors	6,299	
Increase in loans and advances	(25,765)	
Decrease in current liabilities and provisions	(23,136)	
Cash generated from working capital changes	(42,602)	
Income tax paid net of income tax refunds	(53,545)	
Net cash from operating activities (A)		**72,882**
Cash Flow from investing activities		
Purchase of fixed assets	(25,362)	
Proceeds from sale of fixed assets	227	
Proceeds from maturity of fixed income securities	155,229	
Proceeds from maturity of fixed deposits	60,000	
Purchase of mutual fund units	(1,618,789)	
Proceeds from sale of mutual fund units	1,350,618	
Interest received	13,698	
Net cash used in investing activities (B)		**(64,379)**
Cash Flow from financing activities		
Repayment of secured loans	(790)	
Interest paid	(330)	
Net cash used in financing activities (C)		**(1,120)**
Net increase in cash and cash equivalents (A) + (B) + (C)		**7,383**
Cash and cash equivalents at beginning of year (refer note 20)		1,809
Cash and cash equivalents at end of year (refer note 20)		**9,192**

Prior year comparatives have not been being the first year of inclusion of the Cash Flow Statement in the financial statements of the Company.

As per our report of even date
For BSR & Co.
Chartered Accountants

For and on behalf of the Board of Directors of Prudential ICICI Asset Management Company Limited

Russell I Parera
Partner

Mark Tucker
Chairman

Shailendra Bhandari
Managing Director

Mumbai
Date : 16 April 2003

P.H.Ravi Kumar
Director

Ranganath Athreya
Company Secretary

Prudential ICICI Asset Management Company Limited

Notes to financial statements

for the year ended 31 March 2003

(Currency: Indian rupees thousand)

1 Background

Prudential ICICI Asset Management Company Limited ('the Company') was incorporated on 22 June 1993. The Company is owned by Prudential Plc (55%) (through its wholly owned subsidiary Prudential Corporation Holdings Limited) and ICICI Bank Group (45%).

The Company's principal activity is to act as an investment manager to Prudential ICICI Mutual Fund ('the Fund'). The Company is registered with Securities and Exchange Board of India ('SEBI') under SEBI (Mutual Funds) Regulations, 1996. The Company manages the investment portfolios of the Fund and provides various administrative services to the Fund and Prudential ICICI Trust Limited as laid down in the Investment Management Agreement dated 3 September 1993. The Company commenced Portfolio Management Services ('PMS') under SEBI (Portfolio Managers) Regulations, 1993 in October 2000.

2 Summary of significant accounting policies

2.1 Basis of preparation

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting, and in accordance with Indian Generally Accepted Accounting Principles ('IGAAP'), the Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956 as adopted consistently by the Company.

The preparation of the financial statements in conformity with IGAAP requires that the management make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities as of the date of financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Any differences of actual to such estimates are prospectively made.

2.2 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Cost includes all expenses incidental to the acquisition of the fixed asset. Depreciation on fixed assets other than leasehold improvements and software development and licensing costs is provided on written down value method based on the economic lives of the assets as estimated by Management, which are as follows:

Furniture and fixtures	8 years
Office equipment	5 years
Computers	3 years
Vehicles	4 years

Depreciation rates used by the Company are higher than the rates specified in Schedule XIV of the Companies Act, 1956.

Leasehold improvements are amortised over the primary period of the lease on straight-line basis.

Assets individually costing less than Rs. five thousand are fully depreciated in the year of purchase/ acquisition.

Software development and licensing costs are depreciated over the useful life of the application up to a maximum of three years commencing from the month in which such software is first utilised.

The Company provides pro-rata depreciation from the day the asset is ready for use and for any asset sold, till the date of sale.

2.3 Revenue recognition

Management fees are recognised on an accrual basis in accordance with the terms of contract between the Company and Prudential ICICI Trust Limited/ Portfolio Management Scheme ('PMS') Clients and SEBI regulations.

Interest income is accounted on an accrual basis. Dividend income is recorded as on the record date of declaration.

The gains/ losses on sale of investments are included in the profit and loss account.

Premium or discount to the redemption value in case of fixed income securities is amortised on a straight-line basis over the period of acquisition to redemption.

2.4 Transactions in foreign currency

Transactions in foreign currency are accounted for at the rates prevailing at the date of the transaction. Current assets and liabilities are translated at the ruling rates of exchange at year-end and the resultant unrealised exchange gains or losses are reflected in the profit and loss account.

2.5 Retirement benefits

The Company expenses its contribution to the Statutory Provident Fund made at 12% of the basic salary of each employee. Benefits in respect of gratuity and superannuation schemes as applicable to employees of the Company are annually funded with the Life Insurance Corporation of India ('LIC'). The Profit and Loss account charge on an annual basis is based on an actuarial valuation determined by the LIC.

2.6 Investments

Long Term Investments are stated at carrying cost less diminution other than temporary in value.

Current Investments are valued at the lower of cost or net realisable value.

2.7 Miscellaneous expenditure

Advertising: Expenses incurred in respect of corporate advertisement are amortised over a period of three years commencing from the year in which such expenses are incurred.

Registration and Stamp Duty Expenses: Expenses incurred in respect of registration and Stamp Duty for premises taken on leases are amortised over the lease period.

2.8 Initial public offer expenses

Expenses relating to initial public offer for no load schemes are charged to profit and loss account in the year in which these are incurred. Similarly, expenses incurred by the Company for initial public offers for load schemes in excess of the entry load collected are also charged to the profit and loss account in the year in which such expenses are incurred.

2.9 Brokerage and incentives

Brokerage and incentives paid on the subscriptions raised during the initial offer period of the first three open ended schemes of the Fund offering benefits under Sections 54EA and 54EB of the Income tax Act, 1961 are charged to profit and loss account over the period of thirty six months and eighty four months respectively. The unamortised portion of the brokerage is carried forward as prepaid expense.

2.10 Pru points

The Company has accounted for the Pru points (included under administrative and other expenses) compiled by each agent on sales generated by them during the year on an accrual basis.

2.11 Long term incentive plan ('LTIP')

The Company allocates LTIP cost to the expenses of each accounting period between the date of grant and the exercise date. For the purposes of allocating, LTIP cost is estimated as of the end of each accounting period by multiplying the number of units awarded in the respective plan by the increase in price of the respective LTIP unit apportioned on a pro rata basis over the life of the plan.

2.12 Income tax

Provision for Income Tax is recognised on an annual basis under the taxes payable method, based on the estimated tax liability computed after taking credit for allowances and exemption in accordance with Indian Income Tax Act, 1961. In case of matters under appeal due to disallowance or otherwise, full provision is made when the said liabilities are accepted by the Company.

2.13 Deferred tax

Deferred taxation assets and liabilities are recognised for future tax consequences attributable to the differences between accounting profits and taxable income. Deferred Tax assets are only recognised if there is virtual certainty that they will be realised, and are reviewed for the appropriateness of their carrying value at each balance sheet date. Deferred Tax assets and liabilities are measured using the tax rates that have been enacted or substantively enacted by the Balance Sheet date.

2.14 Fund expenses

Some of the advertisement/brokerage expenses incurred on behalf of schemes of Prudential ICICI Mutual Fund are initially debited to the Profit and Loss Account/account receivable of the Company and the management recharges such expenses to the schemes subject to the provisions of SEBI (Mutual Fund) Regulations, 1996.

Notes to financial statements

for the year ended 31 March

(Currency: Indian rupees thousand)

3 Share capital

	2003	2002
Authorised share capital		
25,000,000 equity shares of Rs 10 each	**250,000**	250,000
Issued, subscribed and paid-up capital		
18,521,111 equity shares of Rs 10 each, fully paid up	**185,211**	185,211

Note: Of the above, 10,186,611 equity shares of Rs 10 each are held by Prudential Corporation Holdings Limited – the Holding Company.

4 Reserve and surplus

Share Premium	**459,719**	459,719
General Reserve		
Balance at the beginning of the year	**13,596**	2,088
Add: Recognition of net deferred tax asset (see note below)	***19,980**	Nil
Add: Transfer from profit and loss account	**12,145**	11,508
Balance at the end of the year	**45,721**	13,596
Surplus in Profit and Loss Account	**47,175**	42,337
Balance at the end of the year		
	552,615	515,652

Note: The Company adopted Accounting Standard 22 effective 1 April 2002. Consequently, the Company has adjusted the net deferred tax asset of Rs 19,980K on 1 April 2002 in the opening reserves.

5 Secured Loans

Secured loans represent loans taken by the Company for purchase of cars provided to its employees. The loans are secured by hypothecation of cars and are repayable in Equated Monthly Instalments over a period of three years.

Prudential ICICI Asset Management Company Limited

Notes to financial statements

for the year ended 31 March 2003

(Currency: Indian rupees thousand)

6 Fixed assets

	Leasehold improvements	Furniture and fixtures	Office equipments	Computers and Software	Vehicles	Total	Previous year
Cost							
At 1 April 2002	30,125	1,159	23,812	60,631	5,892	121,619	99,585
Additions	1,862	11	5,268	16,829	1,392	25,362	25,115
Deletions	-	-	(148)	-	(1,584)	(1,732)	(3,081)
At 31 March 2003	**31,987**	**1,170**	**28,932**	**77,460**	**5,700**	**145,249**	**121,619**
Accumulated Depreciation							
At 1 April 2002	26,716	630	15,939	43,814	4,103	91,202	68,486
Charge for the year	2,622	168	4,889	14,232	1,480	23,391	25,164
Deletions	-	-	(105)	-	(1,354)	(1,459)	(2,448)
At 31 March 2003	**29,338**	**798**	**20,723**	**58,046**	**4,229**	**113,134**	**91,202**
Net Book Value							
At 31 March 2003	**2,649**	**372**	**8,209**	**19,414**	**1,471**	**32,115**	**30,417**
At 31 March 2002	3,409	529	7,873	16,817	1,789	30,417	-

(Currency: Indian rupees thousand)

		2003	2002
7	**Investments**		
	Long term investments		
	Non trade, Quoted		
	Bonds		
	Nil (Previous year 4000) 12.50% (99 Series) bonds of Rs. 5000 each in ICICI Limited	**Nil**	20,000
	Nil (Previous year 20) 14.35% (95 Series) bonds of Rs. 1,000,000 each in ICICI Limited	**Nil**	20,113
	Nil (Previous year 1) 13% Omni bonds of Rs. 10,000,000 each in Industrial Development Bank of India	**Nil**	10,081
	Nil (Previous year 2) 11.90% Omni bonds (Series 1) of Rs. 10,000,000 each in Industrial Development Bank of India	**Nil**	20,000
		Nil	70,194
	Non convertible debentures ('NCD')		
	Nil (Previous year 130) 12.60% NCD's of Rs.500,000 each in E I Dupont India Limited	**Nil**	65,035
	Nil (Previous year 200,000) 12.75% NCD's of Rs.100 each in Citicorp Maruti Finance Limited	**Nil**	20,000
		Nil	85,035

(All the above investments are listed but not traded)

Notes to financial statements

for the year ended 31 March

(Currency: Indian rupees thousand)

	2003	2002
Mutual Fund units		
Nil units (Previous year 11,078,570.306 units) in Prudential ICICI Income Plan Dividend option (purchased 1,735,776.278 units and redeemed 12,814,346.584 units during the year)	**Nil**	117,148
11,930,861.573 units (Previous year Nil) in Prudential ICICI Income Plan Growth option (purchased 21,915,081.476 units and redeemed 9,984,219.903 units during the year)	**213,935**	Nil
7,363,694.062 units (Previous year 14,011,489.05 units) in Prudential ICICI Fixed Maturity Plan (purchased 7,495,940.274 units and redeemed 14,143,736.162 during the year)	**80,200**	140,936
2,563,863.509 units (Previous year 6,606,997.646 units) in Prudential ICICI Short Term Plan Dividend Option (purchased 18,881,906.269 units and redeemed 22,925,040.406 units during the year)	**27,500**	66,299
27,307,927.090 units (Previous year Nil) in Prudential ICICI Short Term Plan Growth Option (purchased 64,230,145.325 units and redeemed 36,922,218.235 units during the year)	**303,532**	Nil
47,058 units (Previous year Nil) in Prudential ICICI Spice Plan (purchased 119,083 units and redeemed 72,025 units during the year)	**1,581**	Nil
	626,748	324,383
Trade, Unquoted		
Equity Shares		
1,890,756 equity shares of Rs 33.32 each in Way2Wealth Securities Limited	**63,000**	63,000
	689,748	**542,612**

(Currency: Indian rupees thousand)

	2003	2002
Current investments (valued at cost or net realisable value whichever is less)		
Quoted		
Mutual Fund Units		
113,275.918 units (Previous year 100,000 units) in Prudential ICICI Sweep Plan (Purchased 53,726.566 units and Redeemed 40,450.648 units during the year)	**1,147**	1,000
102,640.213 units (Previous year Nil) in Prudential ICICI Liquid Plan – Growth Option (Purchased 15,075,687.739 units and Redeemed 14,973,047.526 units during the year)	**1,516**	Nil
	2,663	1,000
	692,411	543,612
Aggregate value of Quoted Investments		
- *Listed but not traded*	**Nil**	155,229
- *Others (market value Rs.638,328 (Previous year Rs. 326,349))*	**629,411**	325,383
Aggregate value of unquoted Investments	**63,000**	63,000
	692,411	543,612

8 Cash and bank balances

Cash in hand	**594**	124
Balance with scheduled banks		
- in current accounts	**8,598**	1,685
- in fixed deposits	**Nil**	60,000
	9,192	61,809

(Currency: Indian rupees thousand)

		2003	2002
9	**Sundry debtors**		
	Management fees receivable from Mutual Funds (unsecured, considered good and less than six months):		
	ICICI Premier	**166**	537
	ICICI Premier Redeemed	**57**	77
	ICICI Power	**331**	321
	Prudential ICICI Growth Plan	**2,629**	3,285
	Prudential ICICI Income Plan	**13,854**	20,435
	Prudential ICICI Liquid Plan	**8,681**	10,143
	Prudential ICICI FMCG Plan	**374**	584
	Prudential ICICI Gilt Fund	**1,684**	3,383
	Prudential ICICI Tax Plan	**277**	776
	Prudential ICICI Balanced Fund	**1,559**	1,856
	Prudential ICICI Technology Fund	**1,244**	1,610
	Prudential ICICI Monthly Income Plan	**1,393**	1,269
	Prudential ICICI Fixed Maturity Plan	**635**	970
	Prudential ICICI Child Care Plan	**243**	158
	Prudential ICICI Short Term Plan	**4,248**	3,973
	Prudential ICICI Index Plan	**45**	47
	Prudential ICICI Sweep Plan	**88**	20
	Prudential ICICI Long Term Plan	**890**	29
	Prudential ICICI Flexible Income Plan	**2,090**	Nil
	Prudential ICICI Dynamic Plan	**197**	Nil
	Prudential ICICI Exchange Traded Fund	**68**	Nil
	Deutsche A/c PMS Clients	**3,304**	883
		44,057	50,356
10	**Other current assets**		
	Accrued interest:		
	- On deposits with banks	**Nil**	444
	- On bonds and debentures	**Nil**	6,108
		Nil	6,552

(Currency: Indian rupees thousand)

		2003	2002
11	**Loans and advances**		
	(Unless otherwise stated – unsecured and considered good)		
	Advances recoverable in cash or in kind or for value to be received	**27,072**	7,071
	Staff loans	**4,268**	4,888
	Prepaid expenses	**5,441**	3,566
	Sundry deposits	**45,687**	41,178
	Advance tax (net of provision)	**9,770**	21,675
		92,238	78,378
12	**Current liabilities and provisions**		
	Current liabilities		
	Sundry creditors	**14,880**	39,783
	Accrued expenses	**31,883**	30,118
		46,763	69,901
	Provisions		
	Provision for proposed dividend	**92,606**	Nil
	Provision for tax on proposed dividend	**11,865**	Nil
		104,471	Nil
		151,234	69,901

On the basis of information available with the Company, none of the sundry creditors are small-scale undertakings.

13	**Miscellaneous expenditure**		
	(to the extent not written off)		
	Opening balance	**1,939**	3,384
	Expenditure during the year	**Nil**	1,234
	Less: Annual amortisation	**1,323**	2,679
		616	1,939
14	**Management fees**		
	Fees from mutual fund operations	**560,910**	549,439
	Fees from PMS operations	**10,176**	2,741
		571,086	552,180

(Currency: Indian rupees thousand)

		2003	2002
15	**Interest and discount**		
	Interest on deposits (gross) (Includes tax deducted at source – Rs.1K; Previous year Rs. 28K)	**1,912**	7,050
	Interest on bonds and debentures (gross) (Includes tax deducted at source – Rs.9K; Previous year Nil)	**4,846**	21,959
	Others	**219**	221
		6,977	29,230
16	**Miscellaneous Income**		
	Profit on sale of investments (net)	**35,743**	4,636
	Profit on sale of fixed assets (net)	**Nil**	463
	Interest on income tax refund	**3,306**	876
	Others	**199**	125
		39,248	6,100
17	**Employee costs**		
	Salaries and allowances	**125,050**	107,589
	Contribution to provident and other funds	**7,407**	5,860
	Staff welfare	**4,593**	5,383
		137,050	118,832

(Currency: Indian rupees thousand)

		2003	2002
18	**Administrative and other expenses**		
	Rent	**33,647**	31,014
	Rates and taxes	**231**	1,356
	Electricity	**5,997**	5,506
	Repairs and maintenance	**6,750**	6,442
	Insurance	**3,867**	3,246
	Legal and professional fees	**11,988**	12,480
	Software	**5,953**	2,129
	Travelling and conveyance	**17,763**	14,597
	Brokerage and incentives	**58,945**	111,666
	Communication expenses	**24,647**	29,916
	Service tax	**16,346**	Nil
	Books, periodicals and subscriptions	**5,387**	4,465
	Training	**8,567**	6,847
	Printing and stationery	**4,793**	4,872
	Marketing advertisement and publicity	**42,571**	56,370
	Motor car expenses	**2,290**	1,923
	Auditors remuneration:		
	- Audit fees (including interim audits)	**872**	686
	- Tax matters	**148**	97
	- Other matters	**159**	111
	- Reimbursement of out of pocket expenses	**13**	45
	Loss on sale/ write off of fixed assets (net)	**43**	
	Directors sitting fees	**135**	120
	Recruitment and consultancy services	**750**	1,560
	Entertainment	**3,197**	2,017
	Amortisation of miscellaneous expenditure	**1,323**	2,678
	Miscellaneous expenses	**13,826**	6,908
		270,208	307,051

19 Dividend

During the year the Board of Directors of the Company have proposed a final dividend of 50%. During the previous year the Company paid an interim dividend of 30%. The amount transferred to general reserve is 10% of the profits for the year.

20 Cash and cash equivalents

Cash in hand	**594**	124
Balances in current accounts	**8,598**	1,685
	9,192	1,809

21 Operating leases

	Maturing in Less than a year	Maturing in 1 year to 5 years	Maturing in more than 5 years
Total future lease payments	1,955	33,647	Nil

The total lease payments recognized in the Profit and Loss account towards the above-referred leases amount to Rs 28,729K.

Generally the company takes premises on leases for tenure of 36 months. As per the term of the leases all maintenance charges and municipal levies are borne by the lessee. All lease agreements have a clause for renewing the lease for a similar tenure.

22 Segmental Reporting

The Company's operations predominantly relate to providing asset management services. It acts as an investment manager to schemes launched by Prudential ICICI Mutual Fund and also as part of asset management service provides portfolio management services to corporates and high networth individuals. Accordingly, the asset management business can be split into Mutual Funds and Portfolio Management Services as primary reporting segments.

Secondary segment reporting does not require separate disclosure as all activities of the Company are within India.

The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income and expenditure of individual segments. These are set out in the Note 2 to the financial statements.

Income and direct expenses in relation to segments are categorized based on items that can be individually identifiable to that segment. Certain expenses such as depreciation, staff costs, etc are not specifically allocable to specific segments as the underlying services are used interchangeably. The Company believes that it is not practical to provide segment disclosures relating to such items, and accordingly they are separately disclosed as "unallocable expenses" and directly charged against total income.

Fixed assets used in the company's business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments. Current assets and current liabilities to the extent directly identifiable to a segment have be categorized, others have been shown as "unallocable" in the total column. Other balance sheet items such as investments, secured loan and deferred tax asset are similarly not allocated to segments.

Prudential ICICI Asset Management Company Limited

Notes to financial statements

for the year ended 31 March

(Currency: Indian rupees thousand)

Primary segment information

	Mutual Fund		Portfolio Management		Total	
	2003	**2002**	**2003**	**2002**	**2003**	**2002**
Segment Revenue						
Management fees	**560,910**	549,439	**10,176**	2,741	**571,086**	552,180
Inter Segment revenue	**Nil**	Nil	**Nil**	Nil	**Nil**	Nil
Total Segment revenue	**560,910**	549,439	**10,176**	2,741	**571,086**	552,180
Identifiable operating expenses	**99,627**	167,970	**3,996**	923	**103,623**	168,893
Segmental operating income	**461,283**	381,469	**6,180**	1,818	**467,463**	383,287
Unallocable expense					**327,028**	282,156
Operating income					**140,435**	101,131
Other income net of other expenses					**48,653**	62,108
Net profit before taxation					**189,088**	163,239
Provision for income taxation					**67,596**	48,950
Deferred tax expense					**40**	Nil
Net profit after tax					**121,452**	114,289
Segment assets and liabilities						
Allocable current assets	**40,753**	49,473	**3,304**	883	**44,057**	50,356
Unallocable current assets					**260,030**	239889
Total current assets	**40,753**	49,473	**3,304**	883	**304,087**	290,245
Current liabilities and provisions	**45,395**	69,652	**1,370**	249	**46,765**	69,901
Unallocable current liabilities and provisions					**158,600**	93,150
Total current liabilties and provisions	**45,395**	69,652	**1,370**	249	**205,365**	163,051
Miscellanous expenditure	**616**	1,939			**616**	1,939

23 Related party information

a) Related parties where control exists but with which no transactions has taken place during the year.
Prudential Plc, England – Ultimate holding Company.

b) Other related parties with whom transactions have taken place during the year
Prudential Corporation Holdings Limited, England – Holding Company
ICICI Bank Limited (Previous year ICICI Limited now merged with ICICI Bank Limited) – Holds significant influence in the Company.
Prudential Corporation Asia Limited, Hong Kong – Fellow Subsidiary
Way2Wealth Securities Pvt. Ltd – Associate
Key management:
Mr. Shailendra Bhandari – Managing Director
Mr. B R Gupta – Director
Mr. N Ganga Ram – Director
Mr. Karna Singh Mehta – Director
Mr. Dadi Engineer – Director
Mr. Pradip Shah – Director
Mr. Dileep Madgavkar – Chief Investment Officer
Mr. Pankaj Razdan – Sr. Vice President - Sales and Marketing
Mr. Vasant Sanzgiri – Sr. Vice President - HR and Administration
Mr. Shahzad Madon – Vice President - Portfolio Management Services
Mr. Ranganath Athreya – Vice President – Compliance, Legal and Company Secretary
Mr. Kalyan Prasath – Vice President Information Technology
Mr. Mrugank Paranjape – Vice President Operations

c) An amount of Rs. 135K (Previous year Rs. 120K) has been paid to Directors as directors sitting fees.

d) Total remuneration paid to the Managing Director is as given in Note 28. Remuneration paid to other key management was Rs.23,658K (Previous year Rs.24,376K) in the year.

e) An amount of Rs. 1,826K (Previous year Rs. 3,394K) is receivable towards repayment of expenses incurred on behalf of Prudential Corporation Asia.

f) An amount of Rs. 6,354K (Previous year Rs.5,912K) was paid to ICICI Bank Limited. This includes Rs. 330K paid towards interest on Car loans and the balance towards usage of their network / facilities and reimbursement of expenses incurred on our behalf. Out of the above an amount of Rs.991K is payable to ICICI Bank Limited as at 31 March 2003.

g) The balance outstanding to ICICI Bank Limited towards Car Loans is Rs.1,509K (Previous year Rs. 2,299K).

h) An amount of Rs.2,192K (Previous year Rs. 4,785K) was received from ICICI Bank Limited towards interest on ICICI Bonds held by the Company.

i) An amount of Rs. 40,000K (Previous year Nil) was received from ICICI Bank Limited towards maturity of ICICI Bonds.

j) Of the total amount of personal loans outstanding from employees an amount of Rs. 163K (Previous year [163K]) is due from key management mentioned above.

k) An amount of Rs. 719K (Previous year Nil) was paid to Way2Wealth Securites limited towards sales promotion activites.

24 Earnings per share ('EPS')

EPS is computed in accordance with Accounting Standard 20 issued by the Institute of Chartered Accountants of India ('ICAI').

	2003	2002
Profit after taxation	**121,452**	114,248
Number of equity shares issued and paid (in units)	**18,521,111**	18,521,111
Basic and diluted EPS of face value Rs 10 each (In Rs)	**6.56**	6.17

25 Deferred taxation

	2003	2002
On account of timing differences in:		
Fixed asset	**11,317**	Nil
Miscelleanous expenditure	**(221)**	Nil
Employee compensation	**8,844**	Nil
Deferred tax asset (net)	**19,940**	Nil

26 Capital commitments

As at 31 March 2003, the Company had capital commitments amounting to Rs 200K (Previous year Rs. 2,200K) for which no provision has been made in the books.

27 Expenditure in foreign currency

	2003	2002
Training	**206**	402
Advertisements	**Nil**	576
Travelling	**1,154**	1,089
	1,360	2,067

28 Managerial remuneration

Remuneration to managing director:		
Salary	**7,899**	8,900
Company's contribution to provident fund	**517**	559
Perquisites (computed where necessary under Income Tax Rules, 1962)	**389**	463
	8,805	9,922

Provision for contribution to employee retirement/post retirement and other employee benefits which are based on actuarial valuation done on an overall Company basis are excluded above.

Computation of net profit in accordance with Section 349 of the Companies Act, 1956 has not been given since no commission is payable.

29 Disclosure under Part II of Schedule VI to the Companies Act, 1956

Disclosure under Part II of Schedule VI to the Companies Act, 1956, has been made to the extent applicable to the Company.

30 Prior year comparatives

Prior year comparatives have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

31 Balance sheet abstract and Company's general business profile

I. Registration Details

Registration No.	54135	State Code	55

Balance Sheet Date	31	03	2003

II. Capital raised during the Year

Public Issue	-	Rights Issue	-
Bonus Issue	-	Private Placement	-

III. Position of Mobilisation and Deployment of Funds

Total Liabilities	739,335	Total Assets	739,335
Source of Funds			
Paid-Up Capital	185,211	Reserves and Surplus	552,615
Secured Loans	1,509	Unsecured Loans	-
Application of Funds			
Net Fixed Assets	32,115	Investments	692,411
Net Current Assets	(5,747)	Miscellaneous Expenditure	616
Deferred Tax Asset	19,940	Accumulated Losses	-

Prudential ICICI Asset Management Company Limited

Notes to financial statements

for the year ended 31 March 2003

(Currency: Indian rupees thousand)

Balance sheet abstract and Company's general business profile *(Continued)*

IV. Performance of Company

Total turnover	619,739	Total expenditure	430,649
Profit before tax	189,090	Profit after tax	121,454
Earning per share in Rs (actuals)	6.56	Dividend rate (%)	50%

V. Generic names of three principal products/services of Company

Item code no (ITC code)	Not Applicable
Produce description	Asset Management Services

For and on behalf of the Board of Directors of Prudential ICICI Asset Management Company Limited

Mark Tucker
Chairman

Shailendra Bhandari
Managing Director

P.H.Ravi Kumar
Director

Ranganath Athreya
Company Secretary

Mumbai
Date: 16 April 2003