

2nd Annual Report

**You Save,
We Secure Peaceful Retirement**



LIC Pension Fund Ltd.

Board of Directors



Shri T. S. Vijayan
Chairman



Shri A. K. Dasgupta
Director



Shri Jagdish Capoor
Director



Shri Shailesh Haribhakti
Director



Shri M. N. Singh
Director



Dr. H. Sadhak
Director



Second Annual Report 2008-09





LIC Pension Fund Ltd.

Banker to the Company

HDFC Bank Ltd.

Statutory Auditors

M/s. Khandelwal Jain & Co.

Internal Auditors

M/s. Walker Chandiok Grant Thornton Pvt. Ltd.

Registered & Corporate Office

LIC Pension Fund Ltd.

"Yogakshema", East Wing, 7th Floor

Jeevan Bima Marg,

Mumbai 400 021.

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Website : www.licpensionfund.in

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LIC Pension Fund Ltd.

Second Annual Report 2008-09

DIRECTORS' REPORT

To the Members LIC Pension Fund Ltd., Mumbai.

Your Directors are pleased to present the Second Annual Report together with the audited accounts for the year ended 31st March, 2009.

Financial Results

Summary of your company's financial performance is given below:

(Amt. in Rupees)

	Particulars	Year ended 31 st March, 2009 (1.07.08 to 31.03.09)	Year ended 30 th June, 2008 (21.11.07 to 30.06.08)
1.	Interest on fixed deposit	12,334,720	4,485,928
2.	Management fees	193,040	45,869
	Total (1+2)	12,527,760	4,531,797
3.	Management expenses	7,986,440	4,727,798
4.	Profit/(Loss) before Tax	4,541,320	(196,001)
5.	Provision for Tax	1,482,607	279,788
6.	Profit/(Loss) after tax	3,058,713	(475,789)
7.	Net Fixed Assets	4,777,994	5,920,605
8.	Cash and Bank balance	154,898,916	150,000,000
9.	Net Current Assets	148,399,325	143,831,394
10.	Amount due to sponsor (LIC of India)	15,846,227	7,576,545
11.	Paid up Capital	150,000,000	150,000,000

Dividend

Presently, income from the company's core business of fund management is very less, hence no dividend is proposed.

Review of performance

The total income during the financial year has increased from Rs. 4,531,797/- to Rs. 12,527,760/-. There has been a profit of Rs. 3,058,713/- in the current financial year (1.07.08 to 31.03.09) as against loss of Rs. 475,789/- in the previous financial year (21.11.07 to 30.06.08). The Management fees on Assets under Management invested on behalf of NPS Trust was Rs.193,040/- in the current financial year (1.07.08 to 31.03.09).

Highlights of last Financial Year

Government of India has introduced New Pension System for Central Government employees. Accordingly employees of the Central Government (except the armed forces) who joined services on or after 1st January, 2004 are mandatorily covered under the NPS. Subsequently, 22 State Governments have also joined NPS.



PFRDA, the Regulator of New Pension System selected LIC of India as one of the Sponsors to form a Pension Fund Company for managing Pension Fund of Central Government employees. LIC Pension Fund Ltd. was incorporated under Companies Act, 1956 as a Public Limited Company on 21st November, 2007.

During the year 2008-09, PFRDA allocated funds of Central Government employees to the tune of Rs. 2,100/- crores approximately to different Fund Managers under New Pension System. LIC Pension Fund was allocated 5% of total fund and by the end of 31st March, 2009, we have received an amount of Rs. 101,61,46,516.35.

LIC Pension Fund received first amount of allocated funds from NPS Trust on 1st April 2008 and started its investment operation as per the PFRDA guidelines allowing Pension Funds to invest 85 per cent in debt instruments, 10% in Equity Mutual Fund/Corporate Debt and upto 5% in Equity.

Road Map for future

As per Investment Management Agreement (IMA) with PFRDA, the fund was reallocated for the year 2009-10 with effect from 1st May, 2009. There has been a substantial increase in the allocation of fund by NPS Trust to LIC Pension Fund. The position of allocation is shown as below:

Pension Fund Manager	% age share in 2008-09	% age share in 2009-10
LIC Pension Fund Ltd.	5%	29%
UTI Retirement Solutions Ltd.	40%	31%
SBI Pension Fund Pvt. Ltd.	55%	40%

The six fold rise of allocation of funds to LIC Pension Fund Ltd. of Central Government employees is due to its excellent overall performance.

At present 22 State Governments have joined NPS and allocation of funds of these States will begin in 2009-10 which will enhance the total corpus of pension fund substantially for LIC Pension Fund Ltd.

However, the fund management charges for the year 2009-10 is 0.0009% as against 0.03% for 2008-09. Besides, the fund management charges of 0.0009% for 2009-10 are inclusive of transaction cost whereas for 2008-09, transaction cost upto 0.10% of actual deal value was borne by NPS Trust.

Fixed Deposit

Your company has not accepted any fixed deposit, and as such, no amount of principal or interest was outstanding as on the balance sheet date.

Directors of the Company

As per article 87 of Articles of Association of your company, the following were the first directors of the company

Shri T. S. Vijayan	Chairman
Shri A. K. Dasgupta	Director
Shri Jagdish Capoor	Director
Shri Shailesh Haribhakti	Director
Shri M. N. Singh	Director
Dr. H. Sadhak	Director & CEO

In terms of Letter of Appointment issued by PFRDA to the sponsor (LIC of India) and in terms of provisions of article 88 of Articles of Association, at least 50% of the board of directors of your company was to be independent directors. As such Shri Shailesh Haribhakti, Shri Jagdish Capoor and Shri M. N. Singh were appointed as the independent directors who are not associates or not associated in any manner with LIC of India or any of its subsidiaries or NPS Trustees.

The Board was reconstituted at the first Annual General Meeting under Article 107 of the Company's Articles of Association appointing the aforesaid first directors of the Company.

Audit Committee

The audit committee of the company consists of three Directors namely

Shri Jagdish Capoor	Chairman
Shri A. K. Dasgupta	Member
Shri M. N. Singh	Member

Auditors

M/s. Khandelwal Jain & Co., Chartered Accountant have been appointed in the last AGM as auditors of the company for 2008-09. The same auditor is sought to be re-appointed as Auditors for 2009-10 and have confirmed their eligibility and willingness to accept the offer, if appointed.

Organizational Structure of LIC Pension Fund Ltd

Following PFRDA guidelines, LIC Pension Fund Ltd was set up as an independent company by LIC of India. The operation of LIC Pension fund is carried out at its own corporate office by its own officials by creating a fire wall in operation between LIC Pension Fund Ltd. and its sponsor, LIC of India. The organizational structure of the company has been designed keeping in view the requirement of a fund management company and the various guidelines of PFRDA and Investment Management Agreement signed with the NPS Trust.

The organization is steered by a Board of Directors. The CEO leads the company's executive functions with HODs supervising the departments of Investment Management, Finance & Accounts, Technology Support, Compliance & Risk Management, Administration & Customer Relations.

Directors' Responsibility Statement

Your directors confirm:

1. that in the preparation of annual accounts as directed by PFRDA, applicable accounting standards laid down by ICAI had been followed along with proper explanation relating to material departures. PFRDA is still in the process of finalizing the accounting guidelines for the pension managers.
2. that they had 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 profit or loss of the company for that period.
3. that they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. that they had prepared annual accounts on a going concern basis.



Employees Particulars

There is no employee in LIC Pension Fund Ltd , who is receiving remuneration exceeding the amount prescribed under section 217 (2A) of the Companies Act, 1956 read with the companies (Particulars of Employees) Rules, 1975.

Conservation of Energy, Technology absorption and Foreign Exchange Earnings and outgo

The company is engaged in business of investment management of Pension Assets and not carrying on any manufacturing activities. Further, company has not earned any foreign currency nor incurred any expenditure in foreign currency during the financial year. Hence, the particulars as prescribed under section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 are not applicable.

Acknowledgements

Your directors would like to place on record their appreciation of the support extended by Life Insurance Corporation of India the Sponsor of LIC Pension Fund Ltd., Pension Fund Regulatory and Development Authority (PFRDA), New Pension System Trust, Central Record Keeping Agency, Trustee bank, Custodian, Statutory Auditors M/s. Khandelwal Jain & Co., Internal Auditors M/s. Walker Chandiok Grant Thornton Pvt. Ltd., Brokers, various Government agencies and other stakeholders. Your directors would also like to place on record the contribution made by the officials at all levels for the success of your company during the year.

For and on behalf of the Board of Directors
of LIC Pension Fund Limited

Dr. H. Sadhak
Director

T. S. Vijayan
Chairman

Place : Mumbai

Dated : 20th June, 2009.

About LIC Pension Fund Limited

Life Insurance Corporation of India was selected as one of the Sponsors by PFRDA to sponsor a Company for managing Pension Funds of Central Government Employees (except the armed forces) who joined services on or after January 1, 2004. One of the conditions of selection was that LIC has to form a separate Company to manage the funds. Accordingly, LIC sponsored LIC Pension Fund Limited which has been incorporated by the Registrar of Companies, Maharashtra, Mumbai under Part IXA of the Companies Act, 1956 on 21st November, 2007 with a paid up capital of Rs. 10 crores. **LIC Pension Fund Limited is the first Company incorporated in India to manage Pension Funds under the New Pension System (NPS).**

Fund Management Infrastructure: The company has set up an IT infrastructure suitable for investment accounting and dealing. Net Asset Value (NAV) of funds, calculated on a daily basis.

Investment Management Policy: Investment Management Policy aims at attaining strategic objective of a Pension Fund. As per Investment Management Agreement signed between NPS Trust and LIC Pension Fund, the Company has adopted Investment Management Policy and constituted an Investment Committee to implement Investment Management Policy. Board of the Company has approved Investment Management Policy in its Board Meeting on 12.06.08 and reviewed the same periodically.

Investment Committee: The Board of the Company has formed an Investment Committee as per the Investment Agreement on 12.6.08. Investment decisions are taken by the Investment Committee as per the Investment Policy, getting real time information on equity and debt trade in the market from software packages maintaining database for listed companies and industrial and sectoral analysis.

Risk Management Policy: The Board of the Company approved Risk Management Policy and also reviewed the same at periodical intervals. Risk Management committee submits reports to the Board.

Risk Officer: The Board has also appointed a Risk Officer, who periodically submits Risk Report.

Compliance Officer: As required by IMA, Board has appointed a Compliance Officer and an alternate Compliance Officer.

Disaster Recovery & Contingency Plan: As a part of Risk Management process back up files are kept with LIC HFL and are updated on weekly basis.

Insurance Cover against Risk: As a part of Risk Management process all hard wares for IT have been insured.

Settlement of Death Claims: We received an intimation of death of two members of NPS during the year and claims were settled promptly by us.

Board Meeting: Since incorporation on 21st November, 2007, five Board Meetings have been held.

Audit Committee Meeting: One meeting of Audit Committee has been held.

Internal Audit: Internal Audit for all the Quarters finalized by our Internal Auditor M/s. Walker Chandiok & Co.

Finalisation of Accounts: The Final Accounts of the Company for the year 2008-09 has been finalised and approved by the Board.



Internal Control, Audit and Systems:

The Company has effective and adequate internal control system that ensures reliable financial reporting, safeguarding of assets, proper risk management, adherence to management policies & promotion of ethical conduct. These systems are regularly reviewed, modified and improved to confirm to changes in the business environment and processes. In addition, the company has appointed an Audit Committee with two independent directors, which regularly reviews the findings of external and internal auditors and the adequacy of internal control systems.

Human Resources & Industrial Relations:

The officials employed in the Company are well qualified in professional and managerial skills and having the requisite competence required for their tasks. The company's HR processes ensure the availability of a competent and motivated team of employees, who are encouraged to enrich and update their competency by attending regular training programmes both external and in-house. The industrial relations environment in the company continues to be cordial.

Corporate Governance:

Good Corporate Governance is an integral part of the philosophy of LIC Pension Fund Ltd. The driving force behind institutionalising the practice of good corporate governance are various proactive measures, initiatives and guidance by the Regulator, Board of Directors, Audit Committee, Risk Management Committee, Investment Management Committee and Purchases and Expenses Advisory Committee. Good Corporate Governance has always inspired us to practise operational transparency, information sharing, accountability and continuous dialogues with the regulator. The practice of good Corporate Governance has helped us to maintain a healthy industrial climate within the company and to achieve the mission of managing the pension fund under New Pension System (NPS) effectively, maximizing the return, withstanding the pressures of change in the external environment and to make LIC Pension Fund Ltd. a well managed dynamic company.

An overview of New Pension System and Market Potential

A. New Pension System (NPS):

Pension reform is a major initiative undertaken by the Government to provide income security after retirement. The NPS for Govt. employees has been operationalised in 2007-2008 with the appointment of Pension Fund Manager (PFM), Central Record keeping Agency (CRA) and other entities also. Central Govt. employees (except the armed forces), who joined services on or after 1st January, 2004 are mandatorily covered under the NPS. New Pension System is also available to all citizens of India from 1st May, 2009. Tier-I of the NPS constituting the non withdrawable Pension account is operational from that date and Tier II (withdrawable account) of the NPS account will become operational in about six months.

Basic features of NPS

Two Tier System: The NPS is a two tier Defined Contribution pension System.

Tier – I: Mandatory, non-withdrawable Pension Account, mandatory for the Central Government employees (except the armed forces) who have joined services on or after 1st January, 2004. The employees will contribute 10 per cent of salary and matching 10 per cent will be contributed by the Government to Tier-I Pension account of the employee.

Tier – II: Voluntary, withdrawable Savings Account. No contribution will be made by the Government under the Tier-II account.

Mandatory Annuitization: Under the NPS, an employee will be entitled to exit only at the time of retirement at the age of 60, however at least 40 per cent Pension wealth would be used for purchasing annuity from a life insurance company approved by the IRDA.

Tax Treatment: As per the present provision, NPS will attract EET i.e. Contribution and Accumulation will be accorded tax exemption, while there will be applicable tax at pay out stage.

PRAN: Under the NPS, each Member joining new system will be allotted a Personal Retirement Account Number called PRAN, which will be used by the members for various purposes.

Portability: Under NPS, employee's pension account is portable, when an employee switches jobs or schemes or fund manager.

Multiple Funds: NPS envisages multiple pension fund schemes with different weightages of securities Asset Classes.

Schemes under operation for Govt. employees: Though NPS envisages multiple investment schemes, presently there are two schemes with investment being broadly in Debt and Equity. However during the year 2008-2009 only Scheme I was operational.

Scheme I	: Government Securities and Bonds	: 85%
	Equity (Direct)	: 5%
	Equity-Linked Mutual Fund schemes and/or, Private Sector Debt.	: 10%
Scheme II	: Government Securities and Bonds	: 100%

Schemes under operation for all citizens: Investors under all citizens scheme can opt for Active Choice or Auto Choice.



Active Choice: Pension Fund Managers will manage 3 separate schemes, each investing in a different asset class. These assets classes are (i) Equity, (ii) Government securities and (iii) Credit risk bearing fixed income instruments. Investment in equity would be subject to a cap of 50 per cent. The fund managers will invest only in index funds that replicate either BSE sensitive index or NSE Nifty 50 index.

Auto Choice: In case the subscriber is unable/unwilling to exercise any choice as regards asset allocation, his/her contribution will be invested in accordance with the 'Auto choice' option. In this option the investment will be determined by a predefined portfolio.

Entities under NPS Architecture:

NPS is a well structured Defined Contribution Pension system with defined role of various entities.

Subscribers: Phase 1 – Central & Central Autonomous Organisations, Phase 2 – State Government UTs and Autonomous Organisations, Phase 3 – Voluntary Subscribers .

Pension Fund Regulatory and Development Authority (PFRDA): Development, Promotion & Regulation of Pension Funds, Appointment of various stakeholders, Monitoring Intermediaries, Protecting interest of Subscribers etc.

New Pension System (NPS) Trust: NPS Trust has been appointed by PFRDA. Trust is responsible for taking care of Funds under NPS. NPS Trust has appointed Trustee Bank and Custodian. NPS Trust has opened trust account with Trustee Bank which receives Funds from Govt./New Pension System Contributions Accounting Network (NPSCAN).

Central Record Keeping Agency (CRA): CRA undertakes Record Keeping, Administration and Customers service. National Securities Depository Ltd. (NSDL) has been appointed as the CRA for the NPS.

Pension Fund Managers (PFMs): Manage Investment of Retirement Savings of NPS. PFRDA has appointed three pension fund managers, namely LIC Pension Fund Ltd., SBI Pension Fund (Pvt.) Ltd. and UTI Retirement Solutions Ltd. for managing pension funds of Central and State Government.

Trustee Bank: NPS Trust has appointed Bank of India as the Trustee Bank.

NPS Custodian: NPS Trust has appointed Stock Holding Corporation of India Ltd. as the custodian for the New Pension System.

Annuity Service Providers (ASP): ASP will offer Annuity schemes to the Subscribers, receive Funds from CRA & pay Regular Monthly Annuity at the time of exit at retirement or earlier. The member has to purchase an annuity from one of the Life Insurance Companies regulated by IRDA.

Points of Presence (PoP): PoP shall perform the functions relating to registration of subscribers, undertaking Know Your Customer (KYC) verification, receiving contributions and instructions from subscribers and transmission of the same to designated NPS intermediaries.

B. New Pension System Potential

Majority of working population in India expects to have better quality of life or at least maintain the current living standards after retirement. This is the prime reason – why pension plans today account for around 39 per cent of insurance industry's total business. Life insurers' pension and annuity fund is forecasted to grow at a CAGR of around 39 per cent between 2008-09 and 2012-13. However, more potential lies under New Pension System (NPS) proposed by the Central Government.

The estimation of RNCOS (an industry research firm) shows that there are close to 80 Million Indian workers who have no social security and most of them can not afford pension plans offered by the Indian life insurers, particularly private life insurers. The minimum premium ranges from INR 15,000 to INR 18,000 per annum. However, this premium is much lower (Rs. 6,000/- annum) under the NPS. Thus, New Pension System is quite affordable and makes sense for a country like India, where income disparity is the major concern.

A study paper by the Federation of Indian Chambers of Commerce and Industry and accounting firm KPMG on pension reforms in India holds that after reforms, the pension system in India will push the market to around Rs. 4,06,400 crore in 2025 resulting in substantial economic gains as the mobilisation of assets would lead to effective investments in stock, bond and mortgage markets, leveraging the capital market, boosting corporate growth and government infrastructure.

Pension fund industry has a very bright future in India. Favorable savings pattern, growing life expectancy and government initiatives like pension reforms are making India as one of the potential prospects for investors looking for pension businesses, according to **“Indian Pension Fund Market Forecast to 2013”** new research paper by RNCOS, a Delhi-based market research and information analysis company with a global presence.



Macro Economic Outlook:

Gross Domestic Product (GDP): The overall growth of GDP at factor cost at constant prices in 2008-09, as per revised estimates released by the Central Statistical Organisation (CSO) was 6.7 per cent as against overall GDP growth rate of 9 per cent in 2007-2008. The deceleration of growth in 2008-09 was spread across all sectors except mining & quarrying and community, social and personal services. The growth in agriculture and allied activities decelerated from 4.9 per cent in 2007-08 to 1.6 per cent in 2008-09, and in manufacturing, growth rate declined from 8.2 per cent in 2007-08 to 2.4 per cent in 2008-09. However there has been an increase in growth in Community, social and personal services from 6.8 per cent in 2007-08 to 13.1 per cent in 2008-09.

Savings and Investment: Gross domestic savings as a percentage of GDP at current market price stood at 37.7 per cent in 2007-08 as compared to 35.7 per cent in 2006-07. Private sector savings dominated the total savings in 2007-08 and were at 33.2 per cent of GDP. Of this, the household sector savings was 24.3 per cent of GDP while the private corporate sector accounted for 8.8 per cent. Savings by the public sector was 4.5 per cent of GDP.

Financial Markets: The global financial crisis of 2008–2009 began in July 2007 when a loss of confidence by investors in the value of securitised mortgages in the United States resulted in a liquidity crisis that prompted a substantial injection of capital into financial markets by the United States Federal Reserve, Bank of England and the European Central Bank. In September 2008, the crisis deepened, as stock markets worldwide crashed and entered a period of high volatility, and a considerable number of banks, mortgage lenders and insurance companies failed in the following weeks. In the context of the high volatility that was witnessed in global financial markets in 2008-09, one notable aspect of the Indian markets was that all markets functioned normally, with occasional volatility for short periods. Indian Economy mostly remains resilient during year due to National economic policy.

Future Outlook: Number of economic initiatives including stimulus packages and Stabilisation measures taken by the Government would produce very positive impact on economic Growth and Financial market movement. While higher GDP Growth is expected in 2009-10, stability in financial market would encourage flow of domestic and foreign funds, which all provide a boost to the Stock market. Improved growth momentum in economy would increase further employment in the Government and unorganized sector, which will ultimately expand the scope of Pension Market. It is expected that flow of funds to NPS would increase substantially during 2009-10.

Financial Statements for the year 2008-2009



AUDITORS' REPORT

To

**The Members of
LIC Pension Fund Limited**

- 1) We have audited the attached Balance Sheet of LIC Pension Fund Limited as at 31st March, 2009 and also the Profit and Loss Account and the Cash Flow Statement for the period from 1st July, 2008 to 31st March, 2009 annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We have 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.
- 3) As required by the Companies (Auditor's Report) Order, 2003, and read with the amendments made by the Companies (Auditor's Report) (Amendment) Order 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks of the books and records as we considered appropriate and according to the information and explanations given to us during the course of audit, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent they are applicable to the Company.
- 4) 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 purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - (e) On the basis of written representations received from the directors, as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of 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 together with significant accounting policies and 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, of the state of affairs of the Company as at 31st March, 2009;
- (ii) in the case of the Profit and Loss account, of the profit of the Company for the period from 1st July, 2008 to 31st March, 2009; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the period from 1st July, 2008 to 31st March, 2009.

For **KHANDELWAL JAIN & CO.**

Chartered Accountants,

(PANKAJ JAIN)

Partner

Membership No. 048850

Place : Mumbai

Dated : 20th June, 2009.



ANNEXURE TO THE AUDITORS' REPORT

(REFERRED TO IN PARAGRAPH (3) OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF LIC PENSION FUND LIMITED FOR THE PERIOD ENDED MARCH 31, 2009)

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- (b) The Company has physically verified the fixed assets in accordance with a programme of verification which in our opinion provides for physical verification of all fixed assets at reasonable intervals. We have been informed that no material discrepancies were noticed on such verification.
- (c) No substantial part of fixed assets of the Company has been disposed off during the period.
- ii. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- iii. In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for purchase of fixed assets and for rendering of services. During the course of our audit, we have not observed any major weakness in the internal control systems.
- iv. Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the Company has not entered into any contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956.
- v. In our opinion and according to the information and explanation given to us, the Company has not accepted any deposits attracting provisions of Section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 or any other relevant provisions of the Act.
- vi. In our opinion, the Company has an internal audit system which is commensurate with the size of the Company and the nature of its business.
- vii. We are informed that no cost records are required to be maintained by the Company under Section 209(1)(d) of the Companies Act, 1956.
- viii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, sales-tax, income-tax, wealth tax, service tax, excise duty, customs duty, cess and other material statutory dues as applicable with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of sales-tax, income-tax, wealth-tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.

- ix. As the Company is registered for a period less than five years, clause (x) of the Order is not applicable to the Company for the current year.
- x. The Company has not taken any loan from banks or financial institutions and the Company has not issued any debentures.
- xi. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xii. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
- xiii. The Company has not taken any term loans during the period.
- xiv. According to the information and explanations given to us and on examination of the Balance Sheet of the Company, we report that, on an overall basis, funds raised on short term basis have prima facie, not been used during the period for long term investment.
- xv. The Company has not made any preferential allotment of shares to the parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- xvi. The Company has not issued any debentures during the period and there were no debentures outstanding at the period end.
- xvii. The Company has not raised any money by public issue during the period.
- xviii. Based on the audit procedures performed and information and explanations given by the management, we report that no fraud on the company or by the company has been noticed or reported during the course of our audit.
- xix. The other clauses 4(ii), 4(xiii), 4(xiv), of Para 4 of the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditors' Report) (Amendment) Order 2004 are not applicable to the company.

For **KHANDELWAL JAIN & CO.**
Chartered Accountants,

(PANKAJ JAIN)
Partner

Membership No. 048850

Place : Mumbai

Dated : 20th June, 2009.

**BALANCE SHEET AS AT 31ST MARCH 2009**

	Schedules	Rs.	As at 31.03.2009 Rs.	As at 30.6.2008 Rs.
SOURCES OF FUNDS				
Shareholders Funds				
Share Capital	1		150,000,000	150,000,000
Reserves and Surplus	2		2,582,924	—
Deferred Tax Liability (Refer note no. 8 of schedule 12)			594,395	227,788
TOTAL			153,177,319	150,227,788
APPLICATION OF FUNDS				
Fixed Assets				
	3			
Gross Block		6,882,020		6,213,417
Less: Accumulated Depreciation		2,104,026		422,957
Net Block			4,777,994	5,790,460
Capital Work In Progress			—	130,145
Current Assets, Loans and Advances				
Sundry Debtors	4	68,628		45,869
Cash and Bank Balances	5	154,898,916		150,000,000
Other Current Assets	6	8,629,295		4,001,828
Loans & Advances	7	2,370,257		493,209
		165,967,096		154,540,906
Less: Current Liabilities and Provisions				
Current Liabilities	8	17,508,771		10,709,512
Provisions	9	59,000		—
		17,567,771		10,709,512
Net Current Assets			148,399,325	143,831,394
Profit & Loss A/c				475,789
TOTAL			153,177,319	150,227,788
Significant Accounting Policies and Notes To Accounts	12			

The Schedules referred to above form an integral part of this Balance Sheet

As per our Report of even date

For **KHANDELWAL JAIN & CO.**
Chartered Accountants

For and on behalf of the Board of Directors
of LIC Pension Fund Limited

(PANKAJ JAIN)

Partner
Membership No. 048850

CHAIRMAN DIRECTOR DIRECTOR DIRECTOR & CEO

Place : Mumbai.
Dated : June 20, 2009

DY. GENERAL MANAGER

COMPANY SECRETARY

PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 1ST JULY 2008 TO 31ST MARCH 2009

	Schedules	Period ended 31.3.2009 Rs.	Period ended 30.06.2008 Rs.
INCOME			
Management Fees		193,040	45,869
Interest on Fixed Deposits (Tax Deducted at Source Rs. 25,40,952/- Previous period Rs. 4,84,100/-)		12,334,720	4,485,928
		<u>12,527,760</u>	<u>4,531,797</u>
EXPENDITURE			
Operating, Administrative and Other Expenses	10	2,238,593	2,131,359
Employee Costs	11	4,066,778	2,173,482
Depreciation		1,681,069	422,957
		<u>7,986,440</u>	<u>4,727,798</u>
Profit/(Loss) before Tax		<u>4,541,320</u>	<u>(196,001)</u>
Less : Provision for Tax			
— Current tax		1,057,000	52,000
— Deferred tax		366,607	227,788
— Fringe benefit tax		42,000	—
— Fringe benefit tax relating to earlier period		17,000	—
		<u>1,482,607</u>	<u>279,788</u>
Profit/(Loss) after Tax		<u>3,058,713</u>	<u>(475,789)</u>
Add: Balance Brought forward from previous period		(475,789)	—
Appropriations		—	—
Balance Carried forward to Balance Sheet		<u>2,582,924</u>	<u>(475,789)</u>
EARNINGS PER SHARE (EPS)			
BASIC/DILUTED EARNINGS PER SHARE (Rs.)		0.20	(0.08)
(Refer Note No. 6 of Schedule 12)			
Significant Accounting Policies and Notes To Accounts	12		

The Schedules referred to above form an integral part of this Profit & Loss Account

As per our Report of even date

For **KHANDELWAL JAIN & CO.**
Chartered Accountants

For and on behalf of the Board of Directors
of LIC Pension Fund Limited

(PANKAJ JAIN)

Partner
Membership No. 048850

CHAIRMAN DIRECTOR DIRECTOR DIRECTOR & CEO

Place : Mumbai.
Dated : June 20, 2009

DY. GENERAL MANAGER

COMPANY SECRETARY

**SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET**

	As at 31.3.2009 Rs.	As at 30.6.2008 Rs.
SCHEDULE 1		
SHARE CAPITAL		
Authorised		
25000000 Equity Shares of Rs. 10 each	250,000,000	250,000,000
Issued, Subscribed and Paid up Capital		
15000000 Equity Shares of Rs. 10 each fully paid up	150,000,000	150,000,000
TOTAL	150,000,000	150,000,000
Note:		
All the above shares are held by Life Insurance Corporation of India, and its nominees.		
SCHEDULE 2		
Reserves & Surplus		
Balance in Profit and Loss Account	2,582,924	—
SCHEDULE 4		
SUNDRY DEBTORS		
(Unsecured and Considered good)		
Debts outstanding for more than six months	—	—
Other Debts	68,628	45,869
TOTAL	68,628	45,869
SCHEDULE 5		
CASH & BANK BALANCE		
Balance with Scheduled Banks		
In Current Accounts	679,250	—
In Fixed Deposits	154,219,666	150,000,000
TOTAL	154,898,916	150,000,000
SCHEDULE 6		
OTHER CURRENT ASSETS		
Interest accrued on Fixed Deposits	8,629,295	4,001,828
TOTAL	8,629,295	4,001,828
SCHEDULE 7		
LOANS & ADVANCES		
T.D.S. (Net of Provision)	2,351,311	432,100
Prepaid Expenses	18,946	61,109
TOTAL	2,370,257	493,209

SCHDEDULE 3
FIXED ASSETS

HEAD OF ACCOUNT	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Opening balance as on 1.7.2008	Additions during the period	Deletions during the period	Total as on 31.03.09	Opening balance as on 1.7.2008	For the period ended 31.3.2009	On Assets Sold/ Adj	Upto 31.03.09	As on 31.03.09	As on 30.06.08
Furniture & Fixtures	—	195,008	—	195,008	—	185,613	—	185,613	9,395	—
Computers/ Microprocessors/ Printers	865,946	235,877	—	1,101,823	65,850	155,363	—	221,213	880,610	800,096
Software	5,347,471	10,500	—	5,357,971	357,107	1,332,109	—	1,689,216	3,668,755	4,990,364
Office Equipments	—	227,218	—	227,218	—	7,984	—	7,984	219,234	—
Total	6,213,417	668,603	—	6,882,020	422,957	1,681,069	—	2,104,026	4,777,994	5,790,460
Previous period	—	6,213,417	—	6,213,417	—	422,957	—	422,957	5,790,460	—



SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

	As at 31.3.2009 Rs.	As at 30.6.2008 Rs.
SCHEDULE 8		
CURRENT LIABILITIES		
Sundry Creditors		
Due to Micro, Small and Medium Enterprises	—	—
Due to Life Insurance Corporation of India (LIC)	15,846,227	7,576,545
Others	1,662,544	3,132,967
TOTAL	<u>17,508,771</u>	<u>10,709,512</u>
SCHEDULE 9		
PROVISIONS		
Provision for fringe benefit tax	59,000	—
TOTAL	<u>59,000</u>	<u>—</u>

SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT

	For the Period ended 31.3.2009 Rs.	For the Period ended 30.6.2008 Rs.
SCHEDULE 10		
OPERATING ADMINISTRATIVE AND OTHER EXPENSES		
Reuters Charges	1,057,785	291,903
Travelling Expenses	185,424	227,508
Telephone Charges	127,743	125,420
Motor Car expenses	74,606	49,860
Rent for Company car	254,381	—
Subscription Fees NSE STP	101	56,500
Directors Sitting Fees	45,000	45,000
Consultancy Charges	16,440	28,090
Repairs & Maintenance charges software/micros	52,342	11,675
Printing and Stationery	113,474	30,819
Internal Audit Fees	96,422	32,304
Auditors Remuneration (Refer Note 7 of Schedule 12)	82,725	19,663
Share Issue Expenses	—	1,201,010
Entertainment Expenses	27,465	—
Processing Fees	50,000	—
Transaction cost (Refer note 10 of Schedule 12)	4,968	—
Miscellaneous Expenses	49,717	11,608
TOTAL	2,238,593	2,131,359

SCHEDULE 11**EMPLOYEE COST**

(Refer Note 3 of Schedule 12)

Salary & Allowances	3,667,300	1,842,402
Co's Contribution to PF/Pension	259,478	122,885
Co's Contribution to Gratuity	140,000	81,739
Leave Travel Concession	—	126,455
TOTAL	4,066,778	2,173,482



SCHEDULE: 12

SIGNIFICANT ACCOUNTING POLICIES

(A) Basis of Accounting

The financial statements are prepared to comply in all material aspects with the applicable accounting principles in India, Accounting Standards notified under Section 211(3C) of the Companies Act, 1956, and the relevant provisions of the Companies Act, 1956.

(B) Revenue Recognition

- Revenue is recognized as and when there is reasonable certainty of ultimate realization.
- Income on investments is accounted for on accrual basis.

(C) Fixed Assets & Depreciation

- Fixed Assets are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is provided on the straight line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.
- Intangible assets are amortised over a period of three years, on the Straight Line Method.
- Additions to fixed assets whose value per item is less than Rs. 5,000/- is fully depreciated in the year of addition.

(D) Investments

- Long Term investments are considered as held till maturity and are valued at cost. Provision is made for diminution in the value of investments, if any, other than temporary in nature.
- Short Term investments are valued at cost or fair value whichever is lower.
- The cost of investments includes acquisition charges such as brokerage, etc. Front-end discount/incentive earned in respect of direct subscription are adjusted towards the cost of investments.

(E) Income Tax

- Income Tax expense for the period, comprising of current tax and deferred tax is included in determining the net profit for the period.
- A provision is made for the current tax based on tax liability computed in accordance with relevant tax rates and tax laws. A provision is made for deferred tax for all timing differences arising between taxable incomes and accounting income at tax rates enacted/substantively enacted by the Balance Sheet date.
- Deferred Tax Assets are recognized only if there is reasonable certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

NOTES TO ACCOUNTS

1. In the opinion of the Board, current assets, loans and advances are approximately of the value stated, if realized in the ordinary course of business.
2. Sundry Creditors include overdue amount of Rs. NIL (including interest of Rs. NIL) payable to Micro, Small and Medium enterprises.
3. Employee Cost represents the amount to be reimbursed by the Company to Life Insurance Corporation of India (LIC) in respect of employees posted to the Company.
4. The segment reporting disclosure as required by Accounting Standard-17 on "Segment Reporting" issued by the Institute of Chartered Accountants of India is not applicable, since the Company has a single reportable business segment of providing asset management services as per the Pension Fund Regulatory and Development Authority Regulations.
5. Related Party Disclosure.

Related Party disclosures as required by AS – 18 "Related Party Disclosures" are given below:

- (a) Name of Related Parties and Nature of Relationship where control exist:

Sr. No.	Related Party	Nature of Relationship
1.	Life Insurance Corporation of India	Promoter/Sponsor of the entity
2.	Dr. H. Sadhak	Key Management Personnel

- (b) Details of Transactions with related parties

(Amt. in Rs.)

Name of Related Party	Nature of Transaction	Current Period	Previous Period
Life Insurance Corporation of India	Reimbursement to be made for expenses on staff posted to the Company	40,66,778	21,73,481
	Reimbursement to be made for other expenses incurred	21,24,046	21,40,502
	Reimbursement to be made for purchase of fixed assets	20,78,858	32,62,562
	Total	82,69,682	75,76,545
Dr. H. Sadhak	Remuneration	4,72,647	3,43,577

Above mentioned related parties are identified by the management as per Accounting Standard (AS) – 18 "Related Party Disclosures" issued by the Institute of Chartered Accountants of India and relied upon by the auditors.

6. In accordance with Accounting Standard 20 "Earning per Share" issued by the Institute of Chartered Accountants of India, the required disclosure is given below.

Particulars	Period ended 31.03.2009	Period ended 30.06.2008
Net profit attributable to shareholder (Rs.)	30,58,713	(4,75,789)
Weighted average number of equity shares (No.)	1,50,00,000	61,65,919
Basic and Diluted earnings per share (in Rs.)	0.20	(0.08)
Face Value	10	10



7. Auditors Remuneration

Particulars	Current Period (Rs.)	Previous Period (Rs.)
Statutory Audit Fees	55,150	11,236
Tax Audit Fees	27,575	—
Other Certification Charges	—	8,427
Total	82,725	19,663

8. In accordance with the provisions of Accounting Standard-22 relating to “Accounting for Taxes on Income”, the break up of deferred tax assets/ (liabilities) is shown below.

(Amt. in Rs.)

Particulars	Deferred Tax as on 30.06.2008	During the Period	Deferred Tax as on 31.03.2009
Depreciation	(2,27,788)	(3,66,607)	(5,94,395)
Total	(2,27,788)	(3,66,607)	(5,94,395)

9. Management Fees (fees for Investment & Advisory services) is recognized at a specific rate of three basis points per annum (0.03%p.a.) of the monthly average assets under management as per the agreement entered into by the Company with New Pension System Trust.
10. As per the Agreement entered into by the Company with New Pension System trust the Company is eligible for reimbursement of transaction cost upto ten basis points of the actual deal value (0.10% of the actual deal value). All other costs are borne by the Company.
11. Figures of the previous period have been re-grouped, re-arranged wherever necessary, the current period consists of 9 months & previous period consists of 7 months and 10 days. Hence, current period figures are not comparable with those of previous period.
12. Information with regard to other matters specified in Clauses 3, 4C & 4D of Part II to Schedule VI of the Companies Act, 1956 are either nil or not applicable to the Company.

As per our Report of even date

For **KHANDELWAL JAIN & CO.**
Chartered Accountants

For and on behalf of the Board of Directors
of LIC Pension Fund Limited

(PANKAJ JAIN)

Partner
Membership No. 048850

CHAIRMAN DIRECTOR DIRECTOR DIRECTOR & CEO

Place : Mumbai.
Dated : June 20, 2009

DY. GENERAL MANAGER

COMPANY SECRETARY

Additional information as required under Part-IV of Schedule-VI to the Companies Act, 1956

Balance Sheet Abstract and Company's General Business Profile

1. Registratoin Details :	
Registration No.	U66020MH2007PLC176066
State Code	11
Balance Sheet Date	March 31, 2009
2. Capital raised during the Year :	
	(Rs. in thousand)
Public issue	—
Right issue	—
Bonus issue	—
Private placement	—
3. Position of mobilisation and deployment of funds :	
	(Rs. in thousand)
Total Liabilities	153,177
Total Assets	153,177
Source of funds :	
Paid-up Capital	150,000
Reserves & Surplus	2,583
Deferred Tax Liability	594
Secured Loans	—
Unsecured loans	—
Application of Funds :	
Net Fixed Assets	4,778
Investments	—
Net Current Assets	148,399
Misc. Expenditure	—
Accumulated Losses	—
4. Performance of Company :	
	(Rs. in thousand)
Turnover/Income	12,528
Total Expenditure	7,986
Profit/(Loss) before tax	4,541
Profit/(Loss) after tax	3,059
Earning per share	0.20
Dividend rate %	—
5. Generic Names of Principal Products/services of the Company :	
Item Code No.	N.A.
Product Description	N.A.

For and on behalf of the Board of Directors
of LIC Pension Fund Limited

CHAIRMAN DIRECTOR DIRECTOR DIRECTOR & CEO

Place : Mumbai.
Dated : June 20, 2009

DY. GENERAL MANAGER

COMPANY SECRETARY

**Cash Flow Statement for the Period 1.07.2008 to 31.03.2009**

	Period ended 31st March, 2009 (Rs.)	Period ended 30th June, 2008 (Rs.)
(A) Cash Flow From Operating Activities		
Net Profit (Loss) Before Tax	4,541,320	(196,001)
Add: Adjustment for:		
Depreciation	1,681,069	422,957
Less: Adjustment for:		
Interest Received	12,334,720	(4,485,928)
Operating Profit Before Working Capital Changes	(6,112,331)	(4,258,972)
Adjustment for:		
Sundry Debtors	(22,759)	(45,869)
Loans & Advances	42,163	(61,109)
Current Liabilities	6,799,259	10,709,512
Cash generated from operations	706,332	6,343,562
Direct Taxes Paid	(2,976,211)	(484,100)
NET CASH FROM OPERATING ACTIVITIES : TOTAL (A)	(2,269,879)	5,859,462
(B) Cash Flow from investing Activities		
Purchase of Fixed Asset	(538,458)	(6,343,562)
Interest Received	7,707,253	484,100
NET CASH FROM/ (USED IN) INVESTING ACTIVITIES : TOTAL (B)	7,168,795	(5,859,462)
(C) Cash Flow From Financing Activities		
Proceeds from Issuance of Share Capital	—	150,000,000
Net Cash from Financing Activities : TOTAL (C)	—	150,000,000
Net Increase/Decrease in Cash TOTAL (A+B+C)	4,898,916	150,000,000
Cash and Cash Equivalent : Opening Balance	150,000,000	—
Closing Cash and Cash Equivalents : Closing Balance	154,898,916	150,000,000
Net Increase/(Decrease) in Cash and Cash Equivalent	(4,898,916)	(150,000,000)

NOTES

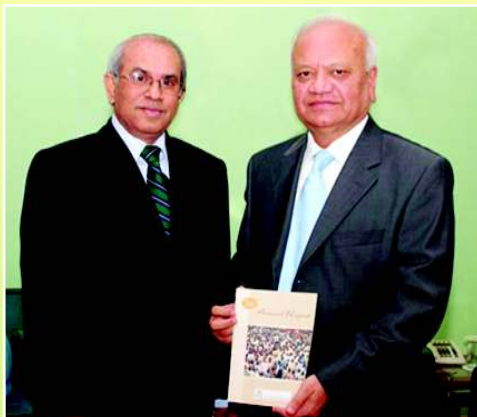
1. Above statements have been prepared in indirect method.
2. Cash and Cash equivalent includes Fixed Deposit with Banks .
3. The current period consists of 9 months & previous period consists of 7 months and 10 days.
Hence, current period figures are not comparable with those of previous period.

As per our Report of even date

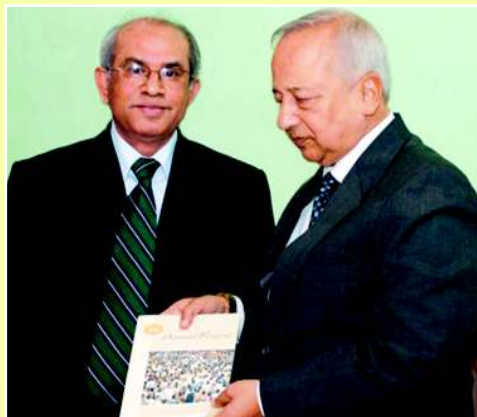
For **KHANDELWAL JAIN & CO.**
Chartered AccountantsFor and on behalf of the Board of Directors
of LIC Pension Fund Limited**(PANKAJ JAIN)**Partner
Membership No. 048850**CHAIRMAN DIRECTOR DIRECTOR DIRECTOR & CEO**Place : Mumbai.
Dated : June 20, 2009**DY. GENERAL MANAGER****COMPANY SECRETARY**

NOTES

**You Save,
We Secure Peaceful Retirement**



Dr. H. Sadhak, CEO (LIC Pension Fund Ltd.)
presenting the First Annual Report (2007-08) of
LIC Pension Fund Ltd. to Shri D. Swarup, Chairman,
PFRDA on 21st November 2008.



Dr. H. Sadhak, CEO (LIC Pension Fund Ltd.)
presenting the First Annual Report (2007-08) of
LIC Pension Fund Ltd. to Shri Yogendra Narain, Chairman,
New Pension System Trust on 21st November 2008.



Dr. H. Sadhak, CEO, LIC Pension Fund Ltd. making a presentation to the Trustees,
NPS Trust on the performance of the Company on 21st November 2008 at New Delhi.



Members of the Board and Shareholders of the Company

From left to right: Shri Thomas Mathew T., Shri Shaiesh V. Haribhakti, Shri Jagdish Capoor,
Dr. H. Sadhak, Shri T. S. Vijayan, Shri M. N. Singh, Shri D. K. Mehrotra,
Shri A. K. Dasgupta, Shri N. Mohanraj.



LIC Pension Fund Ltd.

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