

ICICI DISTRIBUTION FINANCE PRIVATE LIMITED

8TH ANNUAL REPORT AND ACCOUNTS 2004-2005

Directors

Chanda Kochhar, *Chairperson*
V Vaidyanathan
Maninder Juneja
M. N. Gopinath, *Managing Director*

Company Secretary
Rajesh Chawathe

Auditors

S. R. Batliboi & Associates
Chartered Accountants

Registered Office

ICICI Bank Towers
Bandra-Kurla Complex
Mumbai - 400 051

directors' report

to the members

Your Directors have pleasure in presenting the Eighth Annual Report of the Company with the audited Statement of Accounts for the year ended March 31, 2005.

APPROPRIATIONS

The Profit and Loss Account shows profit before taxation of Rs.19.49 million (previous year Rs.60.05 million) after taking into account all expenses of Rs.30.09 million (previous year Rs.116.95 million) including depreciation on fixed assets. The net profit for the year is Rs.16.13 million (previous year Rs.33.55 million). This is primarily on account of complete migration of inventory funding business to ICICI Bank Limited during the fiscal 2004 and no new activity was pursued during the year under review.

After taking into account the balance of Rs.0.08 million (previous year Rs.61.49 million) brought forward from the previous year, the disposable profit is Rs.16.21 million (previous year Rs.95.04 million). Your Directors have not recommended any dividend for the year and have appropriated the disposable profit as follows:

	(Rupees Million)	
	<i>Fiscal 2004</i>	<i>Fiscal 2005</i>
Transfer to Reserve Fund created and maintained in terms of Section 45IC(1) of the Reserve Bank of India Act, 1934	6.71	3.23
Transfer to General Reserve	3.35	—
Leaving balance to be carried forward to next year	0.09	12.98

AMALGAMATION

The Board of Directors of the Company at its Meeting held on March 17, 2005, subject to the approval of the High Court of Bombay, approved the merger of the Company with ICICI Home Finance Company Limited (ICICI HFC), one of the subsidiaries of ICICI Bank Limited. Consequent to the above and your approval, the application for dispensation of convening of the meetings of the equity shareholders and creditors to consider the Scheme of Amalgamation was submitted in the High Court of Bombay. The High Court of Bombay, vide its order dated May 5, 2005, was pleased to dispense with the convening of meetings of the equity shareholders and creditors for the purpose of considering and approving the Scheme of Amalgamation. The petition for amalgamation of the Company and ICICI HFC has been filed before the High Court of Bombay and the same is pending disposal.

PUBLIC DEPOSITS

During the year under review, the Company has not accepted any deposit from the public.

DIRECTORS

In terms of the provisions of the Articles of Association of the Company, V Vaidyanathan would retire at the ensuing Annual General Meeting and, being eligible, offer himself for re-appointment.

AUDITORS

The Auditors, M/s. S. R. Batliboi & Associates, Chartered Accountants, Mumbai, will retire at the ensuing Annual General Meeting. The Board, at its Meeting held on April 26, 2005, has proposed their appointment as Auditors to audit the accounts of the Company for the financial year ending March 31, 2006. You are requested to consider their appointment.

FOREIGN EXCHANGE EARNING AND EXPENDITURE

There was no foreign exchange earning or outgo during this year under review.

PERSONNEL AND OTHER MATTERS

There are no employees within the purview of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

Since your Company does not own any manufacturing facility, the disclosure of information on other matters required to be disclosed in terms of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are not applicable and hence, have not been given.

AUDIT COMMITTEE

The Audit Committee consists of three Directors - Chanda Kochhar, V Vaidyanathan and M. N. Gopinath, and is chaired by Chanda Kochhar.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- they 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 profit or loss of the Company for that period;
- they 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
- the annual accounts have not been prepared on a going-concern basis.

ACKNOWLEDGEMENTS

Your Company is grateful to the Reserve Bank of India for its continued support and advice. The Company is also grateful to its clients and bankers for their continued support.

The Company would like to express its gratitude for the unstinted support and guidance received from ICICI Bank Limited, the parent organisation, and also from other group companies.

For and on behalf of the Board

CHANDA KOCHHAR
Chairperson

Mumbai, June 4, 2005

auditors' report

to the members of ICICI Distribution Finance Private Limited

1. We have audited the attached Balance Sheet of ICICI Distribution Finance Private Limited as at March 31, 2005 and also the Profit and Loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. 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.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) 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.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. 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;
 - ii. 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;
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
- iv. In our opinion, the balance sheet, profit and loss account and 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;
- v. On the basis of the written representations received from the directors, as on March 31, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi. Attention is drawn to Note 1 of Schedule 16 relating to preparation of accounts on the basis that the Company is not a going concern.
- vii. In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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:
 - a. in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2005;
 - b. in the case of the profit and loss account, of the profit for the year ended on that date; and
 - c. in the case of cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

per HEMAL SHAH
Partner
Membership No.: 42650

Mumbai, April 26, 2005

annexure to the auditors' report

referred to in paragraph 3 of our report of even date

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As informed to us, no physical verification has been carried out during the year as the book value of the fixed assets is 'Nil'.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) The Company does not have any inventory. Hence, the provisions of clause 4(ii) (a), (b) and (c) of the Order are not applicable to the Company.
- (iii) (a) As informed, 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 Companies Act, 1956.
- (b) As informed, 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 Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) According to the information and explanations provided by the management, we are of the opinion that there are no contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- (ix) (a) Undisputed statutory dues including investor education and protection fund, income-tax, sales-tax, wealth-tax, service tax and cess have been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of investor education and protection fund, income-tax, wealth-tax, service tax, sales-tax, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of income tax, sales tax, wealth-tax, service tax, custom duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs)	Period to which the amount relates	Forum where dispute is pending
Tamil Nadu Government Sales Tax	Sales Tax dues	45,371,223	1999-2000	The Appellate Assistant Commissioner of Commercial Taxes, Nandanam Assessment Circle
Tamil Nadu Government Sales Tax	Sales Tax dues	22,798,003	2000-2001	The Appellate Assistant Commissioner of Commercial Taxes, Nandanam Assessment Circle
- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current year and immediately preceding financial year.

annexure to the auditors' report

- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution or banks.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow of the Company, we report that no funds raised on short term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no material fraud on or by the Company has been noticed or reported during the course of our audit.

For S. R. BATLIBOI & ASSOCIATES

Chartered Accountants

per HEMAL SHAH

Partner

Membership No.: 42650

Mumbai, April 26, 2005

balance sheet

profit and loss account

as at March 31, 2005

for the year ended March 31, 2005

	Schedule	Rupees	March 31, 2004		Schedule	Rupees	March 31, 2004
SOURCES OF FUNDS :				INCOME :			
Shareholders' Funds				Income from financial			
Share Capital	1	87,500,000	87,500,000	services and other sources	12	49,580,590	176,996,110
Reserves and Surplus	2	451,041,564	434,909,414				
		<u>538,541,564</u>	<u>522,409,414</u>	EXPENDITURE :			
		<u>538,541,564</u>	<u>522,409,414</u>	Employee Expenses	13	4,746,000	17,890,293
				Administrative Expenses	14	10,999,953	27,759,668
				Interest and Bank Charges	15	1,825,996	40,315,624
				Bad Debts		19,714,379	24,570,914
APPLICATION OF FUNDS :				Provision for Losses /			
Fixed Assets	3			(Excess provision written back)		(1,403,975)	(639,336)
Gross Block		21,179,899	21,179,899	Provision for Doubtful Debts /			
Less : Depreciation		<u>21,179,899</u>	<u>21,179,899</u>	(Excess provision written Back)		(6,096,025)	4,942,425
Net Block		—	—	Provision for Doubtful Advances		302,500	—
Investments	4	34,000	34,000	Depreciation		—	2,105,982
Current Assets,						<u>30,088,828</u>	<u>116,945,568</u>
Loans and Advances				Profit before Taxation		19,491,762	60,050,542
Stock on Hire	5	913,642	24,357,875	Less : Provisions for Taxation		4,500,000	26,500,000
Sundry Debtors	6	1,961,851	12,776,020			<u>14,991,762</u>	<u>33,550,542</u>
Cash and Bank Balances	7	523,531,816	434,954,802	Add : Excess Provision for Tax of			
Other Current Assets	8	4,166,463	3,833,339	earlier years written back		1,140,389	—
Loans and Advances	9	99,242,400	197,967,976	Profit after Taxation for the year		16,132,151	33,550,542
		<u>629,816,172</u>	<u>673,890,013</u>	Add : Balance brought forward			
Less :				from previous year		83,411	61,489,438
Current Liabilities and Provisions				Profit available for appropriation		<u>16,215,562</u>	<u>95,039,980</u>
Current Liabilities	10	17,556,319	20,266,285	APPROPRIATIONS :			
Provisions	11	73,752,289	131,248,314	Transfer to Reserve Fund under			
		91,308,608	151,514,599	Section 45IC(1) of the Reserve Bank of India Act 1934		3,226,430	6,710,108
Net Current Assets		<u>538,507,564</u>	<u>522,375,414</u>	Interim Dividend		—	75,250,000
		<u>538,541,564</u>	<u>522,409,414</u>	Tax on Dividend		—	9,641,406
				Transfer to General Reserve		—	3,355,054
NOTES TO ACCOUNTS	16					<u>3,226,430</u>	<u>94,956,569</u>
				Surplus carried to balance sheet		<u>12,989,132</u>	<u>83,411</u>
				Number of Equity shares			
				outstanding during the year			
				[Face Value of Rs. 10/- each]		8,750,000	10,188,827
				Basic and diluted earnings per share			
				(Rs.) (Refer Note 3 of Schedule 16)		1.84	3.29
				NOTES TO ACCOUNTS	16		

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

Signatures to the Balance Sheet and Schedules 1 to 11 and 16

As per our Report of even date

For S. R. BATLIBOI & ASSOCIATES
Chartered Accountants

per HEMAL SHAH
Partner
Membership No.: 42650

Mumbai, April 26, 2005

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

Signatures to the Profit & Loss Account and Schedules 12 to 16

For and on behalf of the Board of Directors

M. N. GOPINATH
Managing Director

MANINDER JUNEJA
Director

RAJESH CHAWATHE
Company Secretary

schedules



forming part of the accounts

(Rupees)

	As at March 31, 2005	As at March 31, 2004
SCHEDULE 1		
SHARE CAPITAL		
Authorised		
12,500,000 Equity shares of Rs.10 each	125,000,000	125,000,000
Issued, Subscribed and Paid Up		
8,750,000 (Previous Year 11,643,465) Equity shares of Rs.10 each fully paid up	87,500,000	116,434,650
Less : Equity shares buy back		
28,93,465 Equity shares of Rs.10 each fully paid up	—	28,934,650
(All the above shares are held by ICICI Bank Limited and its nominee)	87,500,000	87,500,000
	87,500,000	87,500,000
SCHEDULE 2		
RESERVES AND SURPLUS		
Securities Premium Account		
Balance brought forward	344,625,440	512,880,430
Less: Transferred for buy back	—	168,254,990
	344,625,440	344,625,440
Reserve Fund under Section 45 IC(1) of the Reserve Bank of India Act, 1934		
Balance brought forward	36,312,852	29,602,744
Add: Transferred from Profit and Loss Account	3,226,430	6,710,108
	39,539,282	36,312,852
Capital Redemption Reserve		
Balance brought forward	28,934,650	—
Add: Transferred from General Reserve for buy back of shares	—	28,934,650
	28,934,650	28,934,650
General Reserve		
Balance brought forward	24,953,060	50,532,656
Add: Transferred from Profit and Loss Account	—	3,355,054
Less: Transferred to Capital Redemption Reserve	—	28,934,650
	24,953,060	24,953,060
Profit and Loss Account	12,989,132	83,411
	451,041,564	434,909,414

SCHEDULE 3 FIXED ASSETS

Rupees

Asset	GROSS BLOCK				DEPRECIATION						NET BLOCK	
	As at 01.04.2004	Additions	Deductions	As at 31.03.2005	Upto 01.04.2004		For the year	Deletions	Up to 31.03.2005		As at 31.03.2005	As at 31.03.2004
					Depreciation	Provision			Depreciation	Provision		
Computers	15,260,441	-	-	15,260,441	15,234,551	25,890	-	-	15,234,551	25,890	-	-
Office Equipments	2,284,241	-	-	2,284,241	1,937,426	346,815	-	-	-	1,937,426	346,815	-
Furniture & Fixtures	3,635,217	-	-	3,635,217	3,050,770	584,447	-	-	-	3,050,770	584,447	-
Grand Total	21,179,899	-	-	21,179,899	20,222,747	957,152	-	-	-	20,222,747	957,152	-
Previous year	18,604,000	4,250	11,000,391	21,179,899	27,093,652	-	-	2,105,982	8,976,887	20,952,732	-	-

schedules

forming part of the accounts

Continued

(Rupees)

As at
March 31, 2005

As at
March 31, 2004

SCHEDULE 4

INVESTMENTS

Long Term - At Cost

Government and Trust Securities - Unquoted

6 years National Saving Certificates - Face value Rs. 34,000

(The above certificates have been pledged with Sales Tax Authorities)

34,000

34,000

34,000

34,000

SCHEDULE 5

STOCK ON HIRE

Stock on Hire under hire purchase agreements

{Net of Unmatured Finance Charges Rs. 63,703 (Previous year Rs. 2,198,535)

and Instalment received in Advance Rs. 141,784 (Previous year Rs. 512,826)}

(Secured by hypothecation of Two wheelers)

913,642

24,357,875

913,642

24,357,875

SCHEDULE 6

SUNDRY DEBTORS

(Secured by hypothecation of Two wheelers)

Outstanding for a period not exceeding six months

Considered Good

Considered Doubtful

1,961,851

12,776,020

846,025

2,250,000

2,807,876

15,026,020

Less : Provision for Doubtful Debts

846,025

2,250,000

1,961,851

12,776,020

SCHEDULE 7

CASH AND BANK BALANCES

Cash on Hand

Balances with Scheduled Banks

- In Current Accounts

- In Deposit Accounts

1,066

5,936

1,258,783

17,448,866

522,271,967

417,500,000

523,531,816

434,954,802

SCHEDULE 8

OTHER CURRENT ASSETS

Accrued Interest

4,166,463

3,833,339

4,166,463

3,833,339

SCHEDULE 9

LOANS AND ADVANCES

(Unsecured & considered good unless otherwise stated)

Consumer Finance

{Net of Unmatured Finance Charges Rs. 109,289 (Previous year Rs. 2,710,802)

and Instalment received in Advance Rs. 406,169 (Previous year Rs. 651,912)}

(Secured by hypothecation of Two wheelers)

Advances recoverable in cash or in kind or for value to be received

Distribution Finance

Considered Good

Considered Doubtful

1,485,496

29,588,426

13,653,147

48,289

—

—

6,757,707

6,757,707

6,757,707

6,757,707

Less : Provision for Doubtful Distribution Finance

6,757,707

6,757,707

—

—

Advance payment of tax and tax deducted at source

Security Deposits

Considered Good

Considered Doubtful

83,883,157

167,296,469

220,600

1,034,792

302,500

—

523,100

1,034,792

Less : Provision for Doubtful Deposits

302,500

—

220,600

1,034,792

99,242,400

197,967,976

schedules

	(Rupees)	
	As at March 31, 2005	As at March 31, 2004
SCHEDULE 10		
CURRENT LIABILITIES		
Sundry Creditors {Includes Rs.12,026,231 (Previous year Nil) payable to Holding Company}	13,224,035	3,221,018
Other Liabilities {Includes Rs. Nil (Previous year Rs. 6,849,988 payable to Holding Company)}	2,285,874	11,442,067
Book Overdraft	—	291,591
Security Deposits	2,046,410	5,311,609
	<u>17,556,319</u>	<u>20,266,285</u>
SCHEDULE 11		
PROVISIONS		
Provision for Taxation	71,500,000	122,900,000
Provision for Losses	2,252,289	8,348,314
	<u>73,752,289</u>	<u>131,248,314</u>
	For the year ended March 31, 2005	For the year ended March 31, 2004
SCHEDULE 12		
INCOME FROM FINANCIAL SERVICES AND OTHER SOURCES		
Hire Purchase Income	5,538,610	29,936,520
Consumer Finance Interest Income	2,204,023	16,435,495
Discounting Charges	—	4,248,095
Other Interest		
- Distribution Finance	—	88,870,842
- Fixed Deposit with Banks	25,287,686	5,121,962
- Inter Corporate Deposits	—	766,573
(Tax deducted at source Rs. 57,70,623 (Previous year Rs. 25,453,989)		
- Income tax refund	11,673,500	—
Miscellaneous Income	4,876,771	31,616,623
	<u>49,580,590</u>	<u>176,996,110</u>
SCHEDULE 13		
EMPLOYEE EXPENSES		
Salary and Other Allowances	4,746,000	15,913,295
Contribution to Provident and Other Funds	—	1,554,665
Welfare Expenses	—	422,333
	<u>4,746,000</u>	<u>17,890,293</u>
SCHEDULE 14		
ADMINISTRATIVE EXPENSES		
Hire Purchase / Consumer Finance Expenses	250,059	1,308,691
Rent, Rates and Taxes	3,599,290	6,141,734
Office Expenses	3,087,999	2,758,275
Insurance Charges	—	308,696
Repairs and Maintenance	124,981	875,206
Communication Expenses	13,710	2,679,676
Travelling and Conveyance Expenses	44,146	2,918,320
Legal and Professional Fees	2,150,145	965,326
Auditors Remuneration :		
Audit Fees	165,300	700,715
Tax Audit Fees	55,100	54,000
Certification Fess	—	100,717
Out of Pocket Expenses	6,375	36,879
Loss on Sale of Fixed Assets	—	697,280
Miscellaneous Expenses	1,502,848	8,214,152
	<u>10,999,953</u>	<u>27,759,668</u>
SCHEDULE 15		
INTEREST AND BANK CHARGES		
Interest on Short Term Loans	—	4,955,906
Interest on Bank Overdraft	5,053	26,078,691
Interest - Others	296,605	829,024
Bank Charges	1,524,338	8,452,003
	<u>1,825,996</u>	<u>40,315,624</u>

SCHEDULE 16

NOTES TO ACCOUNTS

1. Basis of Preparation

On January 3, 2003 the then shareholders of the Company had signed a Share Purchase Agreement to transfer their entire shareholding in the Company to ICICI Bank Limited (the Bank) and accordingly on May 7, 2003, the transfer of shares was completed. Consequent to the transfer of shares, the Company has become a wholly owned subsidiary of the Bank. As per the approval of the Reserve Bank of India (RBI) dated March 31, 2003 received by the Bank for the acquisition of these shares, the Bank is required to initiate proceedings for the voluntary winding up of the Company after the business is transferred to the Bank's balance sheet. Hence the financial statements are not prepared on the going concern assumption.

Adjustments relating to the recoverability and the classification of recorded asset amount or to amounts that may be necessary on winding up of the Company have been made based on management's assessment of the same. All assets and liabilities have been stated at net realisable value.

The Board of Directors of the Company in their meeting held on March 17, 2005 have approved draft scheme of amalgamation of the Company into ICICI Home Finance Company Limited which is subject to the approval of shareholders and sanction of High Court, Mumbai.

2. Significant Accounting Policies

i. System of Accounting

The financial statements have been prepared under the historical cost convention, on accrual basis to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year. As stated above, the financial statements have not been prepared on the going concern assumption.

ii. Fixed Assets

Fixed assets are stated at lower of net realizable value and written down value.

iii. Depreciation

Depreciation on fixed assets is provided on Straight Line Method over the estimated useful life of the assets. Depreciation on assets acquired/disposed off during the year is provided pro-rata from/to the month of acquisition/disposal. Assets costing less than Rs. 5,000 are fully depreciated in the year of acquisition. The rate of depreciation based on the useful life of the assets is as under:

Asset	Rate of Depreciation (%)	Schedule XIV Rates
Computers	33.33%	16.21%
Furniture and Fixtures	20.00%	6.33%
Vehicles	20.00%	9.50%
Office Equipments	20.00%	4.75%

iv. Investments

Long-term investments are carried at cost of acquisition less provision for diminution in value, if any, other than of temporary nature.

v. Stock on hire

Stock on hire under hire purchase agreements is valued at the aggregate of future instalment receivable and is net of unmatured finance charges and instalments received in advance.

vi. Income recognition

- Income is accounted for on accrual basis except income relating to assets for which installments/ interest has remained overdue for more than six months. In such cases income is recognized only when it is received.
- Hire Purchase and Consumer Finance income is accounted for using the Internal Rate of Return (IRR) implicit in the contracts, so as to provide a constant periodic rate of return on the balance principal amount outstanding on those contracts.
- Delayed payment charges, in case of Consumer Finance / Hire Purchase are accounted for on receipt basis.
- Interest income is accounted for on time accrual basis.

vii. Income Taxes

Income tax expense is accrued in accordance with Accounting Standard 22 "Accounting for taxes on income" issued by the Institute of Chartered Accountants of India, which comprises both current and deferred taxes. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

In view of the transfer of the Company's shares to ICICI Bank Limited and impending winding up of the Company as required by the Reserve Bank of India (Refer Note (1) above), no deferred tax asset has been recognized.

viii. Earnings per equity share (EPS)

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per share, the net profit 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.

ix. Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

3. Contingent Liability (not provided for)

Disputed Sales Tax Demand Rs. 68,169,226

The above demands have been raised in Tamil Nadu for AY 1999-00 and 2000-01 in respect of taxable turnover including penalty thereof against which the company has preferred an appeal to the Appellate Asst. Commissioner of Commercial Taxes, Chennai and the matter is pending disposal.

In view of the Company's Management the assessment has been completed in an ad hoc manner as the Assessing Officer had failed to grant an opportunity to the assessee to represent the case. The Management is of the opinion that the demand will be nullified post the restoration of the matter to the assessing officer as the entire turnover is eligible for second sale exemption. Also the penalty is not sustainable, on merits as well as independently in view of the principles laid down by the Madras High Court which has held that no penalty can be levied on such turnovers merely because the claim for exemption is disallowed.

schedules

Income Tax matters in appeals Rs. 2,473,915

4. Earning per equity share (EPS):

	Current Year (Rupees)	Previous Year (Rupees)
Net Profit as per profit and loss account	16,132,151	33,550,442
Weighted average number of equity shares considered in calculating basic EPS	8,750,000	10,188,827
Weighted average number of equity shares considered in calculating diluted EPS	8,750,000	10,188,827
Basic earnings per share	1.84	3.29
Diluted earning per share	1.84	3.29

5. The Company was in the business of consumer financing and inventory funding in India. The risks and rewards from each of these services was similar. As the Company's business activity primarily falls within a single business and geographical segment, there are no additional disclosures to be provided in respect of primary segment under Accounting Standard 17 'Segment Reporting', other than those already provided in the financial statements

6. Related Party Transactions

- (a) Name and nature of relationship of the Related Party where control exists:

Holding Company	ICICI Bank Limited
Directors & Key Management Personnel	M.N. Gopinath (Managing Director)

- (b) Summary of transactions with related parties:

	Year ended March 31, 2005 Rupees	Year ended March 31, 2004 Rupees
<i>Holding Company</i>		
Corporate guarantees taken	54,535,381	—
Fixed Deposits placed	522,271,967	417,500,000
Interest Received on fixed deposits	22,575,357	5,121,962
Re-imbursment of Common Establishment Expenses:		
- Staff costs	4,746,000	9,027,076
- Rent	3,360,000	—
- Office expenses	3,036,800	—
- Professional fees	1,673,497	—
- Financial charges	507,099	—

	Year ended March 31, 2005 Rupees	Year ended March 31, 2004 Rupees
<i>Related Party Balances</i>		
On account of fixed Deposits & accrued interest and current account balance	527,235,421	431,714,088
Payable on account of Common Establishment Expenses	12,026,231	—

The Company being a Non Banking Finance Company, the transactions with related parties in the normal course of business have not been disclosed.

7. Managerial Remuneration

Particulars	Year ended March 31, 2005 Rupees	Year ended March 31, 2004 Rupees
Salary	—	555,002
Contribution to Provident & Other Funds	—	112,500
Perquisites	—	62,489
Total	—	729,991

8. Other Notes :

Other information as required under Schedule VI – Part II, to the Companies Act, 1956 is not applicable and hence not disclosed.

9. Previous year's figures are regrouped wherever necessary to confirm to current year's groupings.

For S R Batliboi & Associates
Chartered Accountants

per HEMAL SHAH
a Partner
Membership No.: 42650
Mumbai, April 26, 2005

For and on behalf of the Board of Directors

M. N. GOPINATH MANINDER JUNEJA
Managing Director Director

RAJESH CHAWATHE
Company Secretary

cash flow statement

for the year ended March 31, 2005

(Rupees)

Particulars	For the year ended March 31, 2005	For the year ended March 31, 2004
Cash flow from Operating Activities		
Net profit after tax	16,132,151	33,550,542
Adjustments for:		
Provision for Tax	4,500,000	26,500,000
Depreciation	—	2,105,982
Interest Paid	301,658	31,863,621
Provision for Unevaluated Losses/(Excess provision written Back)	(1,403,975)	(639,336)
Provision for loss on sale of fixed assets on migration	—	957,152
Provision for doubtful advances	302,500	—
Net Loss on sale of fixed assets	—	697,280
Provision for Doubtful Debts / (Excess provision written Back)	(6,096,025)	4,942,425
Operating profit before working capital changes	13,736,309	99,977,665
Decrease/(Increase) in sundry debtors	10,814,169	(8,365,557)
Decrease in stock on hire	23,444,233	159,577,268
Decrease/(Increase) in other current assets	1,070,851	32,255,403
Decrease/(Increase) in loans and advances	15,009,763	1,692,717,625
(Decrease)/Increase in sundry creditors	(2,709,966)	(148,660,563)
(Decrease)/Increase in provisions	(55,899,999)	(4,828,130)
Cash generated from operations	5,465,360	1,822,673,710
Income taxes paid / refund received	83,413,312	(27,935,611)
A. Net cash from operating activities	88,878,672	1,794,738,099
Cash flows from investing activities		
Purchase of fixed assets	—	(4,250)
Proceeds from sale of fixed assets	—	1,326,221
B. Net cash from investing activities	—	1,321,971
Cash flows from financing activities		
Repayment on reduction of share capital	—	(197,189,640)
Repayment of long-term borrowings	—	(1,061,173,868)
Interest paid	(301,658)	(31,863,621)
Dividends paid	—	(75,250,000)
Tax on dividend paid	—	(9,641,406)
C. Net cash used in financing activities	(301,658)	(1,375,118,535)
Net increase in cash and cash equivalents (A + B + C)	88,577,014	420,941,535
Cash and cash equivalents at the beginning of the year	434,954,802	14,013,267
Cash and cash equivalents at the end of the year	523,531,816	434,954,802
Note:		
Cash and cash equivalent consists of		
Cash in hand	1,066	5,936
Balances with Scheduled Banks		
In Current Accounts	1,258,783	17,448,866
In Deposit Accounts	522,271,967	417,500,000
Total	523,531,816	434,954,802

As per our Report of even date
For and on behalf of
S R Batliboi & Associates
Chartered Accountants

On behalf of the Board of Directors

per
HEMAL SHAH
a Partner
Membership No.: 42650

M. N. GOPINATH
Managing Director

MANINDER JUNEJA
Director

RAJESH CHAWATHE
Company Secretary

Mumbai, April 26, 2005

I. Registration details

Registration No.

1 0 3 2 7 9

State code

1 1

Balance sheet date

3 1

Date

0 3

Month

2 0 0 5

Year

II. Capital raised during the Period (Amount in Rs. '000)

Public Issue

N I L

Rights Issue

N I L

Bonus Issue

N I L

Private Placement

N I L

III. Position of mobilisation and Deployment of Funds (Amount Rs. '000)

Total Liabilities

5 3 8 5 4 2

Total Assets

5 3 8 5 4 2

Sources of Funds

Paid-up Capital

8 7 5 0 0

Reserves and Surplus

4 5 1 0 4 2

Secured Loans

N I L

Unsecured Loans

N I L

Application of Funds

Net Fixed Assets

N I L

Investments

3 4

Net Current Assets

5 3 8 5 0 8

Miscellaneous Expenditure

N I L

Accumulated Losses

N I L

IV. Performance of Company (Amount Rs. '000)

Turnover

4 9 5 8 1

Total Expenditure

3 0 0 8 9

Profit/ Loss Before Tax

+ 1 9 4 9 2

Profit/ Loss After Tax

1 6 1 3 2 + -

Earnings Per Share in Rs.

1 . 8 4

Dividend %

N I L

V. Generic names of principal products / services of Company

(As per Monetary Terms)

Item Code Number* (ITC Code)

N I L

Product Description

Financial Services

* Code No. for services rendered by the Company is not available in the publication of Indian Trade Classification for ITC Code products by Ministry of Commerce, General of Commercial Intelligence & Statistics, Calcutta 700 001