

CONSOLIDATED FINANCIAL STATEMENTS OF ICICI SECURITIES LIMITED AND ITS SUBSIDIARIES

auditors' report

to the members of ICICI Securities Limited and Subsidiaries (Group)

We have audited the attached consolidated balance sheet of ICICI Securities Limited and its subsidiaries (ICICI Securities Group), as at March 31, 2005, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the ICICI Securities Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the 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.

We report that the consolidated financial statements have been prepared by the ICICI Securities Group's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated balance sheet, of the state of affairs of the ICICI Securities Group as at March 31, 2005;
- (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
- (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & CO.
Chartered Accountants

per VIREN H. MEHTA
Partner
Membership No.: 48749

Mumbai, April 21, 2005

balance sheet

profit and loss account

as at March 31, 2005

for the year ended March 31, 2005

	Schedule	(Rs. in '000s)	March 31, 2004		Schedule	(Rs. in '000s)	March 31, 2004
SOURCES OF FUNDS				Income from Operations			
1. Shareholders' Funds				(a) Income from Services	M	1,042,170	602,010
A. Share Capital	A	2,030,030	2,030,030	(b) Interest Income	N	996,040	1,134,110
B. Reserves & Surplus	B	2,550,840	2,212,840	(c) Profit on Securities (Net)	O	212,020	1,390,980
		4,580,870	4,242,870	(d) Other Income	P	48,030	484,200
						2,298,260	3,611,300
2. Loan Funds				Less: Operating Expenditure			
A. Secured Loans	C	2,951,110	175,000	(a) Financial Charges and			
B. Unsecured Loans	D	5,960,390	18,671,340	Operating Expenses	Q	693,760	750,850
		13,492,370	23,089,210			1,604,500	2,860,450
APPLICATION OF FUNDS				EXPENDITURE			
1. Fixed Assets	E			Less: Administrative Expenditure			
Gross Block		391,270	426,820	(a) Payments to and Provisions	R	286,750	315,420
Less: Accumulated depreciation /				for Employees			
amortisation		274,230	319,330	(b) Establishment Expenses	S	333,190	420,640
Net Block		117,040	107,490	(c) Depreciation		14,750	15,530
Capital Work-in-Progress		3,990	—			634,690	751,590
		121,030	107,490				
2. Investments	F	721,510	—	Profit before Taxation &			
3. Deferred Tax Asset		3,180	3,840	Extraordinary items		969,810	2,108,860
4. Current Assets,				Interest tax reversal of earlier years		—	108,700
Loans & Advances				Profit before Taxation		969,810	2,217,560
A. Current Assets -				Less: Provision for Taxation		333,110	573,000
(a) Interest Accrued	G	54,440	419,800	Deferred Tax Adjustment		660	(1,870)
(b) Securities held as				Profit After Taxation		636,040	1,646,430
Stock-in-Trade	H	8,890,610	22,292,320	Brought forward from previous years		455,290	265,390
(c) Sundry Debtors	I	675,740	329,440	Amount available for appropriations		1,091,330	1,911,820
(d) Cash & Bank Balances	J	2,879,290	465,170	Transfer to Special Reserve		112,800	287,800
B. Loans & Advances	K	1,094,470	267,780	Transfer to General Reserve		28,200	143,900
		13,594,550	23,774,510	Interim Dividend		263,900	908,440
Less: Current Liabilities &				Tax on Dividend		34,490	116,390
Provisions:	L			Balance carried to Balance Sheet		651,940	455,290
A. Current Liabilities		939,820	788,530				
B. Provisions		8,080	8,100	Earnings per share (Basic & Diluted)		3.13	8.11
NET CURRENT ASSETS		12,646,650	22,977,880				
		13,492,370	23,089,210	Notes to Accounts	T		
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The Schedules referred above and the notes to accounts form an integral part of the Accounts

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This is the Balance Sheet referred to in our report of even date.

This is the Profit and Loss Account referred to in our report of even date.

For S.R. BATLIBOI & CO.
Chartered Accountants

Per VIREN H. MEHTA
Partner
Membership No.: 48749

Mumbai, April 21, 2005

ABHIJEET GUIN
Vice President & Head - Financials

ANDERSON POLLOCK
Company Secretary

For and on behalf of the Board

K. V KAMATH
Chairman

LALITA D. GUPTA
Director

SMUKHERJI
Managing Director & CEO

schedules

(Rs. in '000s) *March 31, 2004* (Rs. in '000s) *March 31, 2004*

SCHEDULE "A" - SHARE CAPITAL

Authorized :			
50,00,00,000 Equity Shares of Rs 10 each	<u>5,000,000</u>	<u>5,000,000</u>	
Issued :			
20,30,02,800 Equity Shares of Rs 10 each	<u>2,030,030</u>	<u>2,030,030</u>	
Subscribed & Paid Up :			
20,30,02,800 Equity Shares of Rs 10 each	<u>2,030,030</u>	<u>2,030,030</u>	

Notes :

Of the above, 20,28,33,200 (Previous year - 20,28,33,200) Equity Shares of Rs.10 each are held by ICICI Bank Limited. (the holding company) and its nominees.

SCHEDULE "B" - RESERVES AND SURPLUS

(Rs. in '000s)					
	<i>Balance as on April 1, 2004</i>	<i>Additions/Transfers during the Period</i>	<i>Deductions/Transfers during the Period</i>	<i>Balance as at March 31, 2005</i>	<i>Balance as at March 31, 2004</i>
Share Premium Account	112,800	—	—	112,800	112,800
General Reserve	635,840	28,200	—	664,040	635,840
Special Reserve (maintained under Section 45 IC of the RBI Act, 1935)	1,012,820	112,800	—	1,125,620	1,012,820
Translation Reserve	(3,910)	—	—	(3,560)	(3,910)
Profit and Loss Account	455,290	636,040	439,390	651,940	455,290
Total	<u>2,212,840</u>			<u>2,550,840</u>	<u>2,212,840</u>

SCHEDULE "C" - SECURED LOANS

	March 31, 2004	
	(Rs. in '000s)	2004
CBLO Borrowings (Secured by pledge of Government securities of Face Value Rs. 3,290,000 thousand)	2,951,110	—
Cash Credit facility	—	175,000
Total	<u>2,951,110</u>	<u>175,000</u>

SCHEDULE "D" - UNSECURED LOANS

Subordinated Bonds issued as Tier III Capital	250,000	250,000
Inter-Corporate Borrowings	1,425,000	105,000
Money at Call and Short Notice		
- From Banks	—	9,930,900
- From Others	—	1,712,300
Commercial Paper Borrowings	989,390	742,800
FCNRB Borrowing	229,000	309,340
4.30% Debentures 2004 (Redeemable at par by July 2004)	500,000	—
Floating Rate Debentures (Redeemable at par by June 2005)	1,885,500	—
6.00% Debentures 2005 (Redeemable at par by April 2005)	250,000	—
5.55% Debentures 2005 (Redeemable at par by April 2005)	431,500	—
4.65% Debentures 2004 (Redeemable at par by April 2004)	—	231,500
4.50% Debentures 2004 (Redeemable at par by April 2004)	—	422,500
4.30% Debentures 2004 (Redeemable at par by April 2004)	—	49,000
4.35% Debentures 2004 (Redeemable at par by May 2004)	—	142,500
4.60% Debentures 2004 (Redeemable at par by May 2004)	—	127,500
4.50% Debentures 2004 (Redeemable at par by May 2004)	—	80,500
Floating Rate Debentures (Redeemable at par by April 2004)	—	3,000,000
Floating Rate Debentures (Redeemable at par by May 2004)	—	111,000
Floating Rate Debentures (Redeemable at par by June 2004)	—	1,456,500
Total	<u>5,960,390</u>	<u>18,671,340</u>

SCHEDULE "E" - FIXED ASSETS

	Gross Block (at Cost)				Accumulated Depreciation			Net Block	
	April 1, 2004	Additions	Sale/Adj	Mar 31, 2005	Additions	Sale/Adj	Mar 31, 2005	Mar 31, 2005	Mar 31, 2004
TANGIBLE									
Freehold Land	57,230	—	—	57,230	—	—	—	57,230	57,230
Building	10,050	—	—	10,050	350	—	3,420	6,630	6,980
Plant & Machinery / Electrical Installation	6,380	1,020	3,900	3,500	320	2,720	1,700	1,800	2,280
Office Equipment	33,340	15,970	17,560	31,750	2,930	12,390	9,040	22,710	14,840
Computers	49,770	11,430	9,740	51,460	6,220	9,510	36,520	14,940	9,960
Furniture & Fixtures	20,790	230	18,410	2,610	690	13,700	1,290	1,320	6,490
Vehicles	2,840	1,070	—	3,910	840	—	1,150	2,760	2,530
BSE Membership Rights	10,000	—	—	10,000	1000	—	6,070	3,930	4,930
INTANGIBLE									
Software	4,890	5,870	—	10,760	2,400	—	5,040	5,720	2,250
Sub-Total	<u>195,290</u>	35,580	49,610	181,260	14,750	38,316	64,230	117,040	107,490
Assets Given on lease (Plant & Machinery)	210,000	—	—	210,000	—	—	210,000	—	—
Net Block	<u>405,290</u>	35,580	49,610	391,270	14,747	38,320	274,230	117,040	107,490
<i>Previous Year</i>	438,440	8,590	20,210	426,820	15,490	19,290	319,330	107,490	—

schedules

forming part of the Accounts

Continued

		(Rs. in '000s)	March 31, 2004	(Rs. in '000s)	March 31, 2004
SCHEDULE "F" - INVESTMENTS - LONG TERM (AT COST, QUOTED UNLESS OTHERWISE STATED)					
			(Rs. in '000s)		
Name of the Company	Quantity in Thousands	Face Value per unit (Rs.)	March 31, 2005	March 31, 2004	
Quoted					
Bonds					
HDFC 06/12/2005 ZCB	7,500 (Nil)	—	721,510	—	
Total			721,510	—	
Note :					
1. The aggregate cost and market value of the quoted Investments as at March 31, 2005 is Rs. 721,510 thousand million and Rs. 721,470 thousand million respectively (Previous year - Rs. Nil).					
SCHEDULE "G" - INTEREST ACCRUED					
			March 31, 2004		
			(Rs. in '000s)		
On Stock-in-Trade			32,770	415,200	
On Loans & Advances			21,670	4,600	
Total			54,440	419,800	
SCHEDULE "H" - SECURITIES HELD AS STOCK IN TRADE					
Government of India Securities & Deemed Government of India Securities					
			232,980	15,010,040	
Treasury Bills					
			6,679,220	195,580	
Bonds & Debentures					
			1,505,520	6,190,650	
Debentures (Unquoted)					
			123,850	138,150	
Equity					
			354,860	57,920	
Units					
			118,030	838,130	
Total			9,014,460	22,430,470	
Less: Provision against Non-performing Assets / Bad debts written off					
			123,850	138,150	
Grand Total			8,890,610	22,292,320	
Notes:					
Certain Debentures which have defaulted for payment on maturity date have been written off. However, the same have been continued to be disclosed as Stock-in-trade to reflect existence of the claim on the Issuer/ Seller.					
SCHEDULE "I" - SUNDRY DEBTORS (Unsecured)					
(A) Receivables outstanding for a period exceeding six months:					
Considered good					
			75,650	—	
Considered Doubtful					
			2,950	6,070	
(B) Receivables outstanding for a period not exceeding six months:					
Considered good					
			283,920	111,210	
Considered doubtful					
			—	1,960	
Trades executed but not settled					
			316,170	218,230	
			678,690	337,470	
Less: Provision for Doubtful Debts					
			2,950	8,030	
Total			675,740	329,440	
SCHEDULE "J" - CASH AND BANK BALANCES					
Cash & Cheques on hand					
			50	20	
In Current Accounts with Scheduled Banks					
			75,610	212,070	
In Current Accounts with Reserve Bank of India					
			61,910	21,080	
Fixed Deposits with Scheduled Banks					
			2,400,490	51,800	
			2,538,060	284,970	
Fixed Deposits with Scheduled Banks (Under Lien)					
			341,230	180,200	
(Under lien with Stock Exchanges Rs. 36,000 thousand, Previous year Rs. 91,000 thousand; Collateral security towards bank guarantees/ margins issued Rs. 305,230 thousand, Previous year Rs. 89,200 thousand)					
Total			2,879,290	465,170	
SCHEDULE "K" - LOANS AND ADVANCES (Unsecured and considered good unless otherwise stated)					
(A) Loans:					
CBLO Lendings					
			179,960	—	
Total (A)			179,960	—	
Advances:					
(Recoverable in cash or in kind or for value to be received)					
Security Deposit for Leased Premises					
			300	90	
Other Advances and Deposits					
			93,180	64,650	
Application Money for Securities					
			600,000	—	
Deposit with stock exchanges					
			21,640	136,440	
Advance Tax (net of Provisions)					
			199,390	66,600	
Total (B)			914,510	267,780	
Total			1,094,470	267,780	
SCHEDULE "L" - CURRENT LIABILITIES AND PROVISIONS					
(A) Current Liabilities					
Interest Accrued but not due					
			53,690	20,810	
Trades executed but not settled					
			300,280	389,310	
Sundry Creditors For Expenses					
			68,920	69,840	
Other Liabilities					
			516,470	308,170	
Unclaimed Dividends					
			460	400	
Total (A)			939,820	788,530	
(B) Provisions					
Retirement Benefits					
			8,080	8,100	
Total (B)			8,080	8,100	
SCHEDULE "M" - INCOME FROM SERVICES					
Issue Management Fees					
			184,510	69,830	
Financial Advisory Services					
			245,550	134,870	
Syndication Fees					
			109,790	53,800	
Underwriting Commission					
			6,190	10,980	
Brokerage & Commission					
			496,130	332,530	
Total			1,042,170	602,010	
SCHEDULE "N" - INTEREST INCOME:					
Interest on Securities Held as Stock in Trade					
			707,630	1,004,990	
Income on Discounted Instruments					
- Investments					
			340	—	
- Stock In Trade					
			154,330	39,950	
Interest on Repo and Call Lendings					
			48,600	37,790	
Interest on Deposits for Leased Premises					
			—	10,180	
Interest on Income Tax Refund					
			45,710	24,840	
Interest on Other Loans and Advances					
			39,430	16,360	
Total			996,040	1,134,110	

schedules

(Rs. in '000s) *March 31,
2004*

SCHEDULE "O" - PROFIT ON SECURITIES (NET)

Profit on Sale of Investments	—	68,720
Profit on Commercial Papers & Certificate of Deposits	1,040	—
Sale of Securities	736,144,930	695,059,620
Less: Purchases	<u>722,390,260</u>	<u>697,232,800</u>
	13,754,670	(2,173,180)
Add/Less: Increase / (Decrease) In Closing Stock	(13,414,900)	3,285,240
Profit on Stock In Trade	339,770	1,112,060
Net Gain/(Loss) from Derivatives	<u>(128,790)</u>	<u>210,200</u>
Total	<u><u>212,020</u></u>	<u><u>1,390,980</u></u>

SCHEDULE "P" - OTHER INCOME

Dividend Income from Mutual Funds / Companies	9,030	465,350
Recovery Against Bad Debts Written Off	8,380	18,060
Miscellaneous Income	30,620	790
Total	<u><u>48,030</u></u>	<u><u>484,200</u></u>

SCHEDULE "Q" - FINANCIAL CHARGES AND OPERATING EXPENSES

Interest on Fixed Loans And Debentures	299,850	269,610
Interest on Borrowings From Reserve Bank of India	1,570	1,460
Interest on Repo and Call Borrowings	201,830	359,730
Procurement Expenses	103,520	34,200
Guarantee Commission	3,130	890
Rating Agency Fees	3,000	3,150
Turnover Fees	660	20
Custodial and Depository Charges	31,800	25,120
Brokerage And Stamp Duty	49,180	47,380
Bank Charges	4,020	3,600
Doubtful Debts Written off / Provided	3,230	7,810
Less: Opening Provision	8,030	2,120
	(4,800)	5,690
Total	<u><u>693,760</u></u>	<u><u>750,850</u></u>

SCHEDULE "R" - PAYMENTS TO AND PROVISIONS FOR EMPLOYEES

Salaries, Wages and Incentive	265,120	296,360
Contribution to Provident and other Funds	13,900	12,110
Staff Welfare Expenses	7,730	6,950
Total	<u><u>286,750</u></u>	<u><u>315,420</u></u>

SCHEDULE "S" - ESTABLISHMENT AND OTHER EXPENSES

Rent and Amenities	120,200	232,970
Insurance	2,510	3,060
Business Promotion, Travelling and Conveyance Expenses	74,860	75,350
Repairs, Maintenance And Upkeep	14,610	19,320
Rates and Taxes	1,490	1,160
Electricity Expenses	10,880	9,910
Profit / (loss) on Sale of Fixed Assets	11,240	370
Communication Expenses	14,790	16,660
Printing and Stationery	10,910	10,130
Subscription and Periodicals	24,600	21,840
Professional Fees	29,650	9,880
Advertisement Expenses	990	10
Auditors' Remuneration	2,430	1,900
Miscellaneous Expenses	14,030	18,080
Total	<u><u>333,190</u></u>	<u><u>420,640</u></u>

SCHEDULE "T" - NOTES FORMING PART OF THE ACCOUNTS AND ACCOUNTING POLICIES

1. Significant Accounting Policies:

- (i) **Method of Accounting**
The Financial statements are prepared under the historical cost convention on the accrual basis of accounting and in accordance with the accounting standards issued by the Institute of Chartered Accountants of India and referred to in Section 211 (3C) of the Companies Act, 1956.
- (ii) **Changes in Accounting Policies**
In the current year, the Company changed its method of accounting for interest rate swaps (IRS). Hitherto, mark-to-market gains on open IRS positions were not recognized. From the current year, the Company has started recognizing gains on all open IRS positions. However, there is no impact on the profits for the year ended March 31, 2005 since the Company does not have mark-to-market gains on open IRS positions as at March 31, 2005.
- (iii) **Basis of Consolidation**
The consolidated financial statements include results of ICICI Securities Limited and its subsidiaries which are more than 50% owned and controlled. As per requirement of Accounting Standard 21 the consolidation is on a line to line basis, all material inter-company accounts and transactions are eliminated at the time of consolidation.
- (iv) **Procedure of Consolidation**
The procedure for consolidation of Financial Statements is in accordance with Accounting Standard-21 "Consolidated Financial Statements". The list of wholly owned subsidiary companies is given below.
 - a. ICICI Brokerage Services Limited
 - b. ICICI Securities Holdings Inc.
 - c. ICICI Securities Inc

The Company does not have any associate/Joint venture companies.
- (v) **Revenue Recognition**
 - (a) Revenue from issue management, loan syndication, financial advisory services etc., is recognized based on the stage of completion of assignments and terms of agreement with the client.
 - (b) Gains and losses on dealing with securities are recognized on trade date.
 - (c) Interest income is accounted on an accrual basis except for Non Performing/Doubtful assets, interest in respect of which is recognized on cash basis considering prudential norms for income recognition issued by Reserve Bank of India (RBI) for Non-Banking Financial Companies.
 - (d) Brokerage income in relation to stock broking activity is recognized on the trade date of transaction. Amounts receivable from and payable to clients for broking transactions are disclosed separately as trades executed but not settled. Brokerage income in relation to public issues/ other securities is recognized based on mobilization and intimation received from clients/intermediaries.
- (vi) **Stock-in-trade**
 - (a) The securities acquired with the intention of holding for short-term and trading are classified as stock-in-trade.
 - (b) The securities held as stock-in-trade are valued at lower of cost arrived at on weighted average basis or market/ fair value, computed category-wise. In case of investments transferred to stock-in-trade, carrying amount on the date of transfer is considered as cost. Commission earned in respect of securities acquired upon devolvement is reduced from the cost of acquisition. Fair value of unquoted shares is taken at break-up value of shares as per the latest audited Balance Sheet of the concerned company. In case of debt instruments, fair value is worked out on the basis of yield to maturity rate selected considering quotes where available and credit profile of the issuer and market related spreads over the government securities
 - (c) Discounted instruments like Commercial paper/treasury bills/zero coupon instruments are valued at carrying cost. The difference between the acquisition cost and the redemption value of discounted instruments is apportioned on a straight line basis for the period of holding and recognized as Interest income.

- (d) Units of mutual fund are valued at lower of cost and net asset value.
- (vii) Investments
- (a) The securities acquired with the intention of holding till maturity or for a longer period are classified as investments.
- (b) Investments are carried at cost arrived at on weighted average basis. Commissions earned in respect of securities acquired upon devolvement are reduced from the cost of acquisition. Appropriate provision is made for other than temporary diminution in the value of investments.
- (viii) Repurchase and Resale Transactions (Repo)
- Repo transactions are treated as purchase and sale of the securities as per RBI guidelines and accordingly disclosed in the financial statements. The difference between purchase and sale consideration is treated as interest income or expenditure, as the case may be, over the period of the contract.
- The difference between the sale price of the security offered under repo and its book value are shown under current assets / liabilities in the Balance Sheet, as the case may be. In case, the sale price is lower than the book value the same is provided as loss on security. In case, the sale price is higher than the book value, the differential gain is not recognised. Securities under repo/ reverse repo are marked to market.
- (ix) Fixed Assets and Depreciation
- (a) Fixed assets are stated at historical cost less accumulated depreciation and impairment loss, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for intended use.
- (b) Depreciation on fixed assets is provided on written down value method at the rate and in the manner prescribed in Schedule XIV of the Companies Act, 1956.
- (c) The Carrying amounts are reviewed at each Balance Sheet date when required to assess whether they are recorded in excess of their recoverable amounts and when carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.
- (d) Membership Rights of Stock Exchanges is treated as an asset and the value paid to acquire such rights is amortised over a period of 10 years.
- (x) Deferred Tax
- Tax expense comprises both current and deferred taxes. Current income - tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. 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. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.
- (xi) Provision for doubtful Loans and Advances
- The policy of provisioning against Non Performing Loans and Advances has been decided by the management considering prudential norms prescribed by the Reserve Bank of India for Non Banking Financial Companies except that amounts recovered subsequent to the Balance Sheet date have not been considered for provisioning. As per the policy adopted, the provision against sub standard assets are fixed on a conservative basis, taking into account management's perception of the higher risk associated with the business of the Company. Certain Non Performing Loans and Advances are considered as loss assets and full provision has been made against such assets.
- (xii) Foreign Currency Transactions
- Expenses and income are recorded at the exchange rate prevailing on the date of transaction. Assets and Liabilities at the Balance Sheet date are restated at the exchange rate prevailing on the Balance Sheet date. Exchange differences arising on settlement of the transaction and on account of restatement of assets and liabilities are dealt with in the Profit and Loss Account.
- (xiii) Retirement Benefits
- Retirement benefits to employees comprise of gratuity and provident fund. The Company's employees are covered under the Employees' Gratuity Scheme & contribution is made to the Life Insurance Corporation of India (LIC). The provision for gratuity has been made as per the actuarial valuation at the year end. Contributions for provident fund is accounted on accrual basis and deposited with a Provident Fund Commissioner.
- (xiii) Derivatives Transactions
- (a) All open positions are marked to market.
- (b) Gains are recognized only on settlement/ expiry of the derivative instruments except for Interest Rate derivatives where even mark-to-market gains are recognized.
- (c) Receivables / payables on open position are disclosed as current assets / current liabilities, as the case may be.
- (xiv) Earnings Per Share
- Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period.
- (xv) 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.
2. Deferred Tax
- The break-up of deferred tax assets into major components as on the Balance Sheet date is as follows:
- | | (Rs. in '000s) | |
|-------------------------------------|----------------|-------------|
| Deferred Tax Assets / (Liabilities) | 2004-2005 | 2003-2004 |
| Depreciation | (900) | 900 |
| Preliminary Expenses | 50 | 50 |
| Provision for Debtors | 1080 | 2880 |
| Provision for Retirement Benefits | 2950 | — |
| | <u>3180</u> | <u>3830</u> |
3. Contingent Liabilities
- (a) Income tax matters disputed by the Company Rs. 377,300 thousand (Previous year - Rs. 128,800 thousand).
- (b) Outstanding counter guarantees for subsidiary company, as at March 31, 2005 is Rs. 50,000 thousand (Previous year - Rs. 200,320 thousand).
- (c) Outstanding Bank Guarantees taken by the company Rs. 490 thousand
4. Notional Principal outstanding on account of Swaps / Forward Rate Agreements / Currency Swaps Rs. 495,309,050 thousand (Previous year - Rs. 384,765,890 thousand).
5. Capital Commitments
- Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 6760 thousand (Previous year - Nil).

schedules

6. Related Party Disclosures

		(Rs. in '000s)	
Name of the related Party	Type of Transactions	Amount	
ICICI Bank Limited			
- The Holding Company	Fee Income	22,760	
	Brokerage Income	8,950	
	Interest Income	10,070	
	Other Income	32,950	
	Interest expense	5,210	
	Procurement expenses	38,060	
	Guarantee Commission	340	
	Custodial and depository charges	2,490	
	Bank charges	2,310	
	Establishment Expenses	106,970	
	Dividend paid	263,680	
	Current Account Balance	57,790	
	Fixed Deposits	331,000	
	Interest accrued	13,990	
	Sundry Debtors	9,440	
	Current Liabilities	158,680	
	Notional Principal amount of IRS outstanding	1,054,000	
	Notional Principal amount of FX Swap outstanding	229,050	
ICICI Lombard General Insurance Co. Limited			
- Subsidiary of ICICI Bank Limited	Brokerage Income	730	
	Other Income	210	
	Establishment Expenses	2,450	
	Sundry Debtors	20	
ICICI Prudential Life Insurance Co. Limited			
- Group Company	Brokerage Income	5,650	
	Current Liabilities	770	

7. Segmental Disclosures

Internally evaluation of performance is based on two business segments - "Investment & Trading" and "Advisory & Transaction Services". These have been considered as a Primary reportable segment. The Company does not have any secondary reportable segment.

Following are the disclosures for the two identified segments. This being a finance company, interest and finance costs is allocated to each segment.

Segment-wise Revenue, Results and Capital Employed for the year ended March 31, 2005

	March 31, 2005	March 31, 2004
Segment Revenue		
Investment and Trading		
- External	1,169,400	2,963,410
- Internal	—	—
Advisory and Transaction Services		
- External	1,054,150	611,910
- Internal	4,390	350
Less: Inter-segment elimination	(4,390)	(350)
	<u>2,223,550</u>	<u>3,575,320</u>

Segment Results

Investment and Trading	624,090	2,289,280
Advisory and Transaction Services	905,700	535,170
	<u>1,529,790</u>	<u>2,824,450</u>
Unallocable expenditure net off unallocable income	559,980	715,590
Profit before Taxation & Extraordinary items	969,810	2,108,860
Interest tax reversal of earlier years	—	108,700
Profit before tax	969,810	2,217,560
Less: Tax expense	333,770	571,130
Profit after tax	<u>636,040</u>	<u>1,646,430</u>
Segment Assets		
Investment and Trading	12,938,420	22,778,090
Advisory and Transaction Services	1,074,300	803,370
Unallocable assets	330,020	308,240
	<u>14,342,740</u>	<u>23,889,700</u>
Segment Liabilities		
Investment and Trading	(9,156,440)	(18,989,830)
Advisory and Transaction Services	(343,010)	(370,240)
Unallocable liabilities	(262,450)	(286,760)
	<u>(9,761,900)</u>	<u>(19,646,830)</u>
Cost of acquisition of Segment Assets		
Investment and Trading	—	—
Advisory and Transaction Services	620	130
Unallocable assets	34,970	8,590
	<u>35,580</u>	<u>8,730</u>
Depreciation on Segment Assets		
Investment and Trading	—	—
Advisory and Transaction Services	1340	1,480
Unallocable assets	13,410	14,010
	<u>14,750</u>	<u>15,490</u>
Non-cash expenses other than depreciation		
Investment and Trading	—	—
Advisory and Transaction Services	130	130
	<u>130</u>	<u>130</u>

8. Interest Rate Swaps

As the swaps are entered into with counter parties having high credit rating, no counter party default is expected. However, in case the counter party to the swaps fail to fulfill their commitments, there will be no loss (as at March 31, 2004 loss of Rs. 57910 thousand).

The notional principal amount of IRS, which are valued on 'marked-to-market' basis as at March 31, 2005 aggregates to Rs. 495,309,050 thousand (as at March 31, 2004 Rs. 384,490,000 thousand) and the fair value of these IRS as at March 31, 2005 is Rs. (190,690) thousand (as at March 31, 2004 Rs. 57,890 thousand).

In accordance with the market practice and considering the credit qualities of the counter parties, the Company has not taken any collateral at the time of entering into the swaps.

9. For the purpose of comparison, figures for previous year have been given, which have been regrouped / reclassified wherever necessary.

Per our Report attached
For S.R.BATLIBOI & CO.
Chartered Accountants

per VIREN H.MEHTA
Partner
Membership No.: 48749

Mumbai, April 21, 2005

ABHIJEET GUIN
Vice President & Head - Financials

ANDERSON POLLOCK
Company Secretary

For and on behalf of the Board

K. VKAMATH
Chairman

LALITA D. GUPTA
Director

S.MUKHERJI
Managing Director & CEO

cash flow statements

for the year ended March 31, 2005

(Rs. in '000s) *March 31, 2004*

A. Cash Flow From Operating Activities		
Profit Before Tax	969,810	2,108,860
- (Profit)/Loss on Sale of Fixed Assets	11,240	370
- Depreciation	14,750	15,530
- Provision for Interest Tax	(409)	—
- Provision for Wealth Tax	100	100
- Exchange adjustments	350	(4,500)
- Income from investment	(340)	—
- Bad and Doubtful Debts (Net)	(5,080)	5,900
Operating Profit before Changes in Operating Assets and Liabilities		990,420
Adjustments for net change in Operating Assets and Liabilities		
- Current Assets excluding Cash and Cash equivalents	13,429,720	(3,338,060)
- Fixed Deposits under Lien	(161,030)	(47,190)
- Loans and advances relating to Operations	(693,900)	500,230
- Current Liabilities relating to Operations	147,430	333,440
Cash generated from Operations		12,722,220
Payment of Taxes (Net)		(425,190)
Net Cash from Operating Activities		(460,260)
		13,252,380
B. Cash Flow From Investment Activities		
- (Purchase) / Sale of Investments (Net)		(721,510)
- Income from investment		340
- (Purchase) / Sale of Fixed Assets (Net)		(39,560)
Net cash used in Investment Activities		(760,734)
C. Cash Flow From Financing Activities		
- Increase/ (Decrease) in Borrowings (Net)		(7,380,840)
- Issue/ redemption of Debentures (Net)		(2,554,000)
- Dividends & Dividend Tax paid		(303,720)
Net Cash used in Financing Activities		(10,238,561)
Net Change in Cash & Cash Equivalents		2,253,090
Cash and Cash Equivalents at the beginning of the year		284,970
Cash and Cash Equivalents at the end of the year		2,538,060

For S.R.BATLIBOI & CO.
Chartered Accountants

per VIREN H.MEHTA
Partner
Membership No.: 48749

Mumbai, April 21, 2005

ABHIJEET GUIN
Vice President & Head - Financials

ANDERSON POLLOCK
Company Secretary

For and on behalf of the Board
K. V KAMATH
Chairman

LALITA D. GUPTA
Director

SMUKHERJI
Managing Director & CEO

statement pursuant to section 212



of the Companies Act, 1956, relating to Subsidiary Companies

i-SEC

(Rs. in '000s)

Sr. No.	Name of the Subsidiary Company	ICICI Brokerage Services Limited	ICICI Securities Holdings Inc	ICICI Securities Inc.
1.	The financial year of the Subsidiary Company ended on	March 31, 2005	March 31, 2005	March 31, 2005
2.	(a) Number of Equity Shares held by ICICI Securities Limited and/or its nominees in the Subsidiary as on March 31, 2005	4,500,700 Equity Shares of Rs. 10 each Fully Paid-up	1,600,000 Equity Shares of US\$1.00 per unit Fully Paid-up	1,050,000 Equity Shares of US\$1.00 per unit Fully Paid-up held by ICICI Securities Holdings Inc.
	(b) Extent of interest of ICICI Securities Limited in the Capital of the Subsidiary	100%	100%	100%
3.	Net aggregate amount of Profits/Losses of the Subsidiary so far as it concerns the Members of ICICI Securities Limited and is not dealt with in the Accounts of ICICI Securities Limited			
	(a) Profits of the Subsidiary for the financial year ended on March 31, 2005	84,390.00	(13,360.00)	1,030.00
	(b) Profits for the previous financial years of the Subsidiary since it became Subsidiary of ICICI Securities Limited	334,830.00	(5,510.00)	(7,510.00)
4.	Net aggregate amount of Profits/Losses of the Subsidiary so far as dealt with or provisions made for those losses in the Accounts of ICICI Securities Limited			
	(a) Profits of the Subsidiary for the financial year ended on March 31, 2005	Nil	Nil	Nil
	(b) Profits for the previous financial years of the Subsidiary since it became Subsidiary of ICICI Securities Limited	Nil	Nil	Nil

For and on behalf of the Board

K. VKAMATH
Chairman

LALITA D. GUPTE
Director

Mumbai, April 21, 2005

ABHIJEET GUIN
Vice President & Head - Financials

ANDERSON POLLOCK
Company Secretary

S.MUKHERJI
Managing Director & CEO