

ICICI BROKERAGE SERVICES LIMITED

11TH ANNUAL REPORT AND ACCOUNTS 2005-2006

Directors

S. Mukherji, *Chairman*
Nitin Jain
Devesh Kumar
Paresh Shah
T. S. Baskaran

Auditors

S.R. Batliboi & Company
Chartered Accountants

Registered Office

ICICI Centre
H.T. Parekh Marg
Churchgate
Mumbai - 400 020

Yogesh Chande, *Company Secretary*

directors' report

to the members

The Directors take pleasure in presenting the 11th Annual Report of ICICI Brokerage Services Limited (the Company) with the audited Statement of Accounts for the year ended March 31, 2006.

INDUSTRY OVERVIEW

Fiscal year 2005-2006 was characterised by unprecedented global gains for India across the board – in the economy, business, trade, capital markets and diplomacy. Another year of 8% plus growth, third successive year of sub-5% fiscal deficit, record outbound M&As, a hat-trick of 20% plus export growth, strides in Free Trade Agreements and substantive progress in infrastructure reform as well as execution. The Indian equity market continued its bull run with the benchmark index, BSE Sensex, returning 74% over the year and reaching the psychological five-figure mark as India remained one of the favoured investment destinations. Foreign Institutional Investors (FIIs) invested a record US\$11 bn in Indian equities through the secondary market. The barometer BSE-30 index notched its third successive year of gravity-defying returns even as record FII inflows (US\$ 11 bn) were supplemented by the resurgence of household savings in favour of equities with domestic mutual funds also being net buyers to the tune of US\$ 3.2 bn. This has not only helped bridge the record current account deficit that has already touched US\$ 13.4 bn for the first nine months, but also maintained stability in the Balance of Payments. The signing of the civilian nuclear deal with the US was a high note towards the end of the year. Indeed, the global *mantra* is now 'India and China' as our skill sets and competitiveness are being recognised and courted on the world stage with ardour never seen before.

The numbers were backed by the rapidly multiplying footfalls of India's middle class in the malls and multiplexes as well as entrepreneurial India Inc.'s penchant of investing in the future. A few key numbers – car sales nudging the 1mn-mark and mobile subscriber additions catching up with China at 4 mn a month. Add to that the, albeit somewhat belated, recognition of India as an emerging manufacturing hub to supplement China (where several researchers forecast labour market constraints in the medium term). In this regard, the government has identified small cars, electronics, textiles, gems & jewellery and light engineering as focus areas. The recently formulated policy on Special Economic Zones is aimed at translating this into reality. The momentum was adequately primed by an over 32% YoY surge in bank credit across segments – retail, mortgage, farm and industrial. Clearly, some astute policy measures (hike in policy rates by the central bank) and adept fiscal management (fiscal deficit pared to 4%) helped contain inflationary pressures arising out of hardening global commodity prices and thereby preserving the growth momentum.

The new paradigm of public-private partnerships was underscored by the successful conclusion of the bidding process for the Mumbai & Delhi airports, several BOT Expressways & seaports. Similar initiatives by way of ultra-mega power projects and transmission grids have been kicked off. This mega infrastructure investment agenda will clearly accentuate demand for funds which could cause the interest rate cycle to harden further, after an 82 bps rise in the 10-year gilt yields in FY 2005-2006. Be that as it may, recourse to ECBs, FCCBs and rising FDI as well as long-term funds from insurance players should mitigate the situation.

Market capitalisation rose 65% to Rs. 27 trn amounting to 80% of GDP. For a change, a multitude of sectors and participants of every hue (FIIs, mutual funds, banks and retail investors) contributed to the broad-based uptrend. Total FII trading volumes rose to Rs. 6.4 trn while domestic mutual fund volumes increased

to Rs. 1.8 trn. Concomitantly, the F&O segment, too, witnessed daily volumes approaching the US\$10bn-mark. Against this backdrop, the equities business scaled new highs notwithstanding intensifying competitive pressures for both market share and human capital. 42 new institutional clients were added to our roster and sales offices established in Singapore and London to cater to overseas clients on a real-time basis. Brokerage income crossed the landmark Rs1bn mark inclusive of fees from private placements and IPOs. Clearly, this would not have been achievable without a Herculean effort from the entire team – research, sales & dealing – by surmounting critical constraints in terms of human resources.

FINANCIAL HIGHLIGHTS

	<i>(Rupees in million)</i>	
	Fiscal 2006	<i>Fiscal 2005</i>
Gross Income	712.74	468.62
Profit before Tax	325.26	137.58
Provision for Tax	114.32	53.19
Profit after Tax	210.94	84.39

DIVIDEND

During the year, the Company declared two interim dividends aggregating 370%. The Directors are pleased to recommend the aggregate of interim dividends of 370%, as final dividend for the year.

OPERATIONAL REVIEW

The Company also recorded all-time high revenues of Rs. 712.74mn, a growth of 52.09% over the previous year.

The derivatives segment continues to do extremely well as the Company maintained its leadership position in the institutional market, even in the face of increased competition during the year.

OUTLOOK

Looking ahead, several necessary conditions appear to be in place for new J-curves of growth to unfold through to 2010. The per capita income of the consuming class is approaching an inflection threshold of US\$ 1000, infrastructure led productivity gains are flowing through, a triple wealth effect (gold, equities & real estate) is buoying household sentiment and the outsourcing story is not only deepening in software and biotech but widening in scope across other sectors as well. Among the J-curves that appear, the most promising are: tourism, low cost aviation, beauty & healthcare, packaged processed foods and wealth management, to name a few. In sum, the odds do favour India sustaining and even bettering, an 8%-plus growth trajectory over the medium term.

With the institutional equity portfolio valued at an estimated US\$ 121 bn (FIIs US\$ 98 bn, domestic funds and institutions US\$ 23 bn) and fresh inflows expected to match last year's level, the business potential is promising. The year ahead brings greater opportunities but not without challenges in terms of delivery and regaining market share. As we commence the new fiscal year, the investor sentiment is seen to be moving from an exuberant to cautious. Even though, the confidence on sustained economic growth of India remains intact, the investment community no longer perceives India as a 'value market'. Add to it the fact that the current fiscal year would witness some of the mega-IPOs, resulting in diverting liquidity from secondary to primary market. We believe this

directors' report



Continued

could stunt the momentum in the market for some time as investors wait and watch to pick the 'men from the boys'.

The derivatives market, too, holds immense promise and the Company expects it to continue to witness significant volume increases in the next few years. The Company remains committed towards maintaining its leadership position in the segment.

Over the years, the Company has been successfully able to develop the image of 'a house with an independent view and insightful research that is able to provide local flavour to clients'. The investors' conferences in Singapore and New York are now well established events attracting record number of corporates and international investors. We also had a China Conference for the first time during the year. On the back of this increased popularity, the Company remains confident of further deepening and broadening client relationships across geographies.

PUBLIC DEPOSITS

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

DIRECTORS

Meher Baburaj resigned from the Board with effect from July 25, 2005. The Board places on record its appreciation for the valuable services rendered by her.

In terms of the provisions of the Articles of Association of the Company, Paresh Shah, Director, will retire by rotation at the ensuing Annual General Meeting of the Company and being eligible, offers himself for re-appointment. The Board recommends the re-appointment of Paresh Shah as a Director.

AUDITORS

The Statutory Auditors, S. R. Batliboi & Co., Chartered Accountants, Mumbai, will retire at the ensuing Annual General Meeting. The Board at its meeting held on April 19, 2006 has proposed their re-appointment as Auditors to audit the accounts of the Company for the year ending on March 31, 2007. S. R. Batliboi & Co., the retiring Auditors, have indicated their willingness to be re-appointed. You are requested to consider their re-appointment.

FOREIGN EXCHANGE EARNINGS AND EXPENDITURE

During 2005-2006, expenditure in foreign currencies amounted to Rs. 54.42 mn (Previous Year Rs. 28.55mn). There were no earnings in foreign currencies during the year.

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, as amended.

Since the Company does not own any manufacturing facility, the disclosure of

information relating to conservation of energy and technology absorption 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 not given.

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance of Section 217(2AA) of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 2000, the Directors of the Company confirm —

1. that the applicable Accounting Standards have been followed in preparation of final accounts and that there are no material departures;
2. that such accounting policies have been selected and applied consistently and such judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2006 and of the profit of the Company for the period ended on that date;
3. that proper and sufficient care has been taken 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;
4. that the annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENTS

The Directors thank the clients, the Securities and Exchange Board of India, Bombay Stock Exchange Limited, the National Stock Exchange of India Limited, National Securities Depository Limited, Central Depository Services (India) Limited and its bankers for their continued support to the Company.

The Directors express their gratitude for the unstinted support and guidance received from its shareholders, ICICI Bank Limited and other group companies.

The Directors also express their sincere thanks and appreciation to all the employees for their commendable teamwork, professionalism and contribution during the year.

For and on behalf of the Board

Mumbai, April 19, 2006

S. MUKHERJI
Chairman

auditors' report

to the Members of ICICI Brokerage Services Limited

1. We have audited the attached Balance Sheet of ICICI Brokerage Services Limited ('the Company') as at March 31, 2006 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) ('the Order') 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, 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - vi. 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, 2006;
 - 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 & CO.
Chartered Accountant
per Viren H. Mehta
Partner
Membership No.: 48749

Mumbai, April 19, 2006

annexure to the auditors' report

annexure 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) All fixed assets were physically verified by the management during the previous year, in accordance with a planned program of verifying them which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
 - (c) There was no substantial disposal of fixed assets during the year.
- (ii)
 - (a) The Company does not hold any securities in physical form. The securities held as stock in trade by the custodian are verified with the confirmation statement received from them on a regular basis. In our opinion, the frequency of such verification is reasonable.
 - (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) The Company is maintaining proper records of inventory and no discrepancies were noticed on comparing the physical securities/ statement from custodian with book records.
- (iii) As informed, the Company has not granted nor taken any loans, secured or unsecured to 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 securities and fixed assets and for the sale of securities and 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 the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under Section 301 have been so entered.
- (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) The provision of clause (viii) of the Order is not applicable to the Company in the year under audit and hence not reported upon.
- (ix)
 - (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income-tax, wealth tax, service tax and other material statutory dues applicable to it. The provisions of Investor Education and Protection Fund, customs duty, excise duty and cess are not applicable to the Company in the current year.
 - (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-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, there are no dues of income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty and cess which have not been deposited on account of any dispute.
- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (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 debenture holders.
- (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

annexure to the auditors' report



Continued

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 Order are not applicable to the Company.

(xiv) In respect of dealing/trading in shares, securities, debentures and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the Company, in its own name.

(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. For this purpose loans with repayment periods beyond 36 months are considered are considered as long term loans.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement 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 secured debentures during the year.

(xx) The Company has not raised any money through a public issue.

(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 fraud on or by the Company has been noticed or reported during the course of our audit.

Mumbai, April 19, 2006

For S.R. BATLIBOI & CO.
Chartered Accountant
per Viren H. Mehta
Partner
Membership No.: 48749

balance sheet

profit and loss account

as at March 31, 2006

for the year ended March 31, 2006

Schedule				(Rs. in '000s)	March 31, 2005	Schedule				(Rs. in '000s)	March 31, 2005
I. SOURCES OF FUNDS						INCOME FROM OPERATIONS					
1. Shareholders' Funds						(a) Brokerage Income 693,510 471,340					
A Share Capital A 45,010 45,010						(b) Interest Income J 19,830 11,980					
B Reserves & Surplus B 440,270 419,220						(c) Other Income K 1,320 1,150					
						(d) Profit/(Loss) on Securities (Net) L (1,920) (15,850)					
2. Loan Funds											
Secured Loans											
Cash Credit facility 80,000 —						712,740 468,620					
3. Deferred Tax Liability 2,470 880						Less : Financial Charges and Operating Expenses M					
						124,710 110,060					
						588,030 358,560					
II. APPLICATION OF FUNDS						EXPENDITURE					
1. Fixed Assets						(a) Payments to and provisions for Employees N 148,550 94,640					
A Gross Block C 42,550 12,390						(b) Establishment and other Expenses O 106,320 125,010					
Less : Accumulated depreciation/ amortisation 15,530 7,630						(c) Depreciation 7,900 1,330					
Net Block 27,020 4,760											
B Capital Work In Progress 320 3,300						262,770 220,980					
						27,340 8,060					
						Profit Before Taxation 325,260 137,580					
2. Investments D 10 —						Less: Provision for current income-tax 110,000 53,280					
3. Current Assets, Loans & Advances						Deferred tax credit 1,590 (90)					
A Current Assets -						Fringe Benefit tax 2,730 —					
(a) Interest Accrued E 6,850 3,710						Profit after Taxation 210,940 84,390					
(b) Sundry Debtors F 1,082,890 352,110						Brought forward from previous years 419,220 334,830					
(c) Cash & Bank Balances G 360,780 423,290						Amount available for appropriations 630,160 419,220					
B Loans & Advances H 187,920 79,010						Transfer to General Reserve 21,090 —					
						Interim Dividend 166,530 —					
						Tax on Dividend 23,360 —					
Less: Current Liabilities & Provisions :						Balance carried to Balance Sheet 419,180 419,220					
Current Liabilities I 1,098,040 401,080						Earnings per share (Basic & Diluted) 46.87 18.75					
Net Current Assets 540,400 457,040						Notes to Accounts P					
						The Schedules referred above and the notes to accounts form an integral part of the Accounts					
Notes to Accounts P						The Schedules referred above and the notes to accounts form an integral part of the Accounts					
The Schedules referred above and the notes to accounts form an integral part of the Accounts											

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

For and on behalf of the Board

per VIREN H. MEHTA
Partner
Membership No. : 48749

YOGESH CHANDE
Company Secretary

S. MUKHERJI
Chairman

DEVESH KUMAR
Director

Mumbai, April 19, 2006

schedules



forming part of the Accounts

(Rs. in '000s)

March 31, 2005

SCHEDULE "A" - SHARE CAPITAL

Authorised:

25,000,000 Equity Shares of Rs 10/- each

250,000

250,000

Issued:

4,500,700 Equity Shares of Rs 10/- each

45,010

45,010

Subscribed & Paid-up:

4,500,700 Equity Shares of Rs 10/- each

45,010

45,010

The entire share capital of the Company is held by ICICI Securities Limited (the holding company) and its nominees.

SCHEDULE "B" - RESERVES AND SURPLUS

	Balance as on April 1, 2005	Additions/ transfer during the year	Deductions/ transfers during the year	As at Mar 31, 2006	As at Mar 31, 2005
General Reserve	—	21,090	—	21,094	—
Profit and Loss Account	419,220	210,940	210,980	419,180	419,220
TOTAL	<u>419,220</u>			<u>440,274</u>	<u>419,220</u>

SCHEDULE "C" - FIXED ASSETS

(Rs. in '000s)

	Gross Block (At Cost)				Accumulated Depreciation				Net Block	
	April 1, 2005	Additions	Sale/Adj	March 31, 2006	April 1 2005	Additions	Sale/Adj	March 31, 2006	March 31, 2006	March 31, 2005
TANGIBLE										
Computers	2,120	7,590	—	9,710	1,408	2,940	—	4,348	5,362	710
Office Equipment	14	—	—	14	—	11	—	11	3	10
BSE Membership Rights	10,000	—	—	10,000	6,070	1,000	—	7,070	2,930	3,930
INTANGIBLE										
Software	260	22,570	—	22,830	150	3,950	—	4,100	18,730	110
Total	<u>12,394</u>	<u>30,160</u>	<u>—</u>	<u>42,554</u>	<u>7,628</u>	<u>7,901</u>	<u>—</u>	<u>15,529</u>	<u>27,015</u>	<u>4,760</u>
Previous Period	12,870	620	1,100	12,390	7,069	1,340	780	7,629	4,761	

SCHEDULE "D" - INVESTMENTS - LONG TERM: (AT COST, QUOTED UNLESS OTHERWISE STATED)

(Rs. in '000s)

Name of the Company	Quantity in thousands	Face Value per unit (Rs.)	As at Mar 31, 2006	As at Mar 31, 2005
UNQUOTED				
Shares of BSE Ltd	10 (Nil)		10	—
Total			<u>10</u>	<u>—</u>

Notes :

1. The aggregate cost of the unquoted investments as at March 31, 2006 is Rs. 10 thousand (previous year Rs, Nil)

(Rs. in '000s)

SCHEDULE "E" - INTEREST ACCRUED

March 31, 2006

March 31, 2005

On Fixed Deposits

6,850

3,710

Total

6,850

3,710

schedules

forming part of the Accounts

Continued

Schedule	(Rs. in '000s)	March 31, 2005	Schedule	(Rs. in '000s)	March 31, 2005
Schedule "F" - SUNDRY DEBTORS (Unsecured):			Schedule "L" - PROFIT / (LOSS) ON SECURITIES (NET)		
Considered Good			On Equity		
(less than six months)			Sales		
Trades executed but not settled	1,081,850	351,980		429,445	266,610
Other Receivables	1,040	130	Less: Purchases	429,570	258,030
	<u>1,082,890</u>	<u>352,110</u>		<u>(125.24)</u>	<u>8,580</u>
Schedule "G" - CASH AND BANK BALANCES			Add/(Less): Increase/(Decrease) in		
In Current Accounts with Scheduled Banks	102,940	54,060	Closing Stock	—	(125)
Fixed Deposits with Scheduled Banks	—	150,000	On Derivatives / Bonds		(1,790)
	<u>102,940</u>	<u>204,060</u>	Total	<u>(1,920)</u>	<u>(15,850)</u>
Fixed Deposits with Scheduled Banks (Under Lien)	257,840	219,230	Schedule "M" - FINANCIAL CHARGES AND OPERATING EXPENSES		
(Under lien with Stock Exchanges Rs. 66130 thousand, previous year Rs. 36,000 thousand and collateral security towards bank guarantees issued Rs. 191710 thousand, previous year Rs. 183230 thousand)			Interest on Fixed Loans	6,760	6,830
Total	<u>360,780</u>	<u>423,290</u>	Procurement Expenses	53,280	56,090
Schedule "H" - LOANS AND ADVANCES			Turnover Fees	30	660
(Unsecured and Considered Good)			Transaction Charges	21,560	17,300
Advances:			Custodial and Depository Charges	2,350	1,030
(Recoverable in cash or in kind or for value to be received)			Guarantee Commission	3,370	3,130
Deposit with stock exchanges	121,840	21,640	Stamp Duty	37,070	24,840
Other advances and deposits	4,140	3,940	Bank Charges	290	180
Advance Tax (net of Provisions)	61,940	53,430	Total	<u>124,710</u>	<u>110,060</u>
Total	<u>187,920</u>	<u>79,010</u>	Schedule "N" - PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Schedule "I" - CURRENT LIABILITIES AND PROVISIONS:			Salaries, Wages and Incentive	145,210	93,350
CURRENT LIABILITIES			Staff Welfare Expenses	3,340	1,290
Interest accrued but not due	260	460	Total	<u>148,550</u>	<u>94,640</u>
Trades executed but not settled	975,100	316,270	Schedule "O" - ESTABLISHMENT AND OTHER EXPENSES		
Other Sundry Creditors	37,690	49,350	Rent & Amenities	20,500	20,620
Other Liabilities	84,990	35,000	Insurance	490	400
Total	<u>1,098,040</u>	<u>401,080</u>	Business Promotion, Travelling and Conveyance Expenses	32,120	53,460
Schedule "J" - INTEREST INCOME			Repairs, Maintenance & Upkeep	3,640	4,020
Interest income on Fixed Deposits / Application Money	19,710	11,980	Rates & Taxes	1,240	40
Interest on Securities Held As Stock in Trade	120	—	Electricity Expenses	2,020	1,760
Total	<u>19,830</u>	<u>11,980</u>	Communication Expenses	8,080	5,880
Schedule "K" - OTHER INCOME :			Loss / (Profit) on Sale of Fixed Assets	—	320
Financial Advisory Services	1,000	—	Printing & Stationery	6,270	5,900
Miscellaneous Income	320	1,150	Subscription & Periodicals	17,220	12,770
Total	<u>1,320</u>	<u>1,150</u>	Professional Fees	11,030	11,620
			Auditors' Remuneration	1,030	510
			Miscellaneous Expenses	2,680	7,710
			Total	<u>106,320</u>	<u>125,010</u>

schedules



forming part of the Accounts

Continued

SCHEDULE "P" - 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) Revenue Recognition

(a) Brokerage income in relation to stock broking activity is recognized on the trade date of transaction. In respect of unsettled trades, 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.

(b) Gains/ losses on dealing in securities are recognized on trade date.

(iii) Stock-in-trade

(a) The securities acquired with the intention of short-term holding and trading is classified as stock-in-trade.

(b) The securities held as stock-in-trade under current assets are valued at lower of cost arrived at on weighted average basis or market/fair value, computed category-wise.

(iv) Investments

(a) The securities acquired with the intention of holding till maturity or for a longer period are classified as investments.

(b) The Investments are shown in balance sheet at cost on a weighted average basis. Appropriate provision is made for other than temporary diminution in the value of investments.

(v) Derivatives

(a) All open positions are marked to market.

(b) Gains are recognized only on settlement/expiry of the derivative instruments.

(c) Receivables/ Payables on open position are disclosed as current assets/current liabilities, as the case may be.

(vi) Fixed Assets and Depreciation/ Amortisation

(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 other than membership rights of The Stock Exchange, Mumbai (BSE), is provided on written down value method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.

(c) BSE membership right is amortized over a period of 10 years.

(d) 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.

(vii) 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.

(viii) 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.

(ix) Segment Reporting

Segment information is disclosed in the consolidated financial statement and hence not furnished in the separate financial statement.

(x) 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.

(xi) 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.

(xii) Long Term Incentive Scheme

Accounting for Long Term Incentive Scheme (the scheme) is done as per intrinsic value method specified in the guidance note on Accounting for Employee share based payments. Intrinsic value at each reporting date is calculated using the price/earnings method of valuation given in the scheme for measuring benefits accrued to the employees.

2. Deferred Tax

The break-up of deferred tax assets and liabilities into major components as on the Balance Sheet date is as follows:

	(Rs. in '000s)	
	2005-06	2004-05
Deferred Tax Liability		
Depreciation	2,470	930
Less: Deferred Tax Assets		
Preliminary Expenses	—	50
	2,470	880

3. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 18,400 thousand (Previous year – Rs. 6,760 thousand).

4. Contingent Liabilities

Income tax matters disputed by the Company Rs. 50,110 thousand (Previous year – Rs. 68,720 thousand).

5. Retirement Benefits

At present, there is no liability towards retirement benefits.

	(Rs. in '000s)	
	2005-06	2004-05
6. Auditors' remuneration		
(a) Audit Fees	700	500
(b) Tax Audit & Certification Fees	300	10
(c) Out of pocket expenses	30	—
	1030	510
7. Expenditure in foreign currency		
(Procurement & Other expenses)	54420	58550

schedules

forming part of the Accounts

Continued

8. Quantitative Details

(a) OPENING AND CLOSING STOCK

Category	(Rs. in '000s)			
	Opening Stock		Closing Stock	
	Face Value	Value	Face Value	Value
Equity shares	0.00	0.00	0.00	0.00
	(190)	(5130)	(0.00)	(0.00)

(b) PURCHASES AND SALES

Category	Purchases		Sales	
	Face Value	Value	Face Value	Value
Equity shares	13,220	429,570	13,220	429,440
	(12,650)	(258,030)	(12,850)	(266,610)

Note: Figures in parenthesis pertain to previous year.

9. Related Party Disclosures

The following are the details of transactions with related parties:

Name of the Related Party	Type of Transactions	(Rs. in '000s)	
		2005-06	2004-05
ICICI Bank Ltd – The Parent Company	Brokerage Income	11,620	8,950
	Interest Income	11,620	3,660
	Financial Charges and Operating expenses	6,380	14,550
	Establishment and other expenses	620	—
	Bank Balance	17390	48140
	Fixed Deposits	116130	209,000
	Interest Accrued	4950	1220
	Sundry Debtors	520	620
	Loans & Advances	290	—
	Secured Loans	80,000	—
	Current Liabilities	710	10,470

Name of the Related Party	Type of Transactions	2005-06	2004-05
ICICI Securities Ltd. – The Holding Company	Brokerage Income	8,620	4,390
	Dividend paid	166,530	—
	Sundry Debtors	417,090	36,890
	Current Liabilities	200,890	36,180
	Share Capital	45,010	45,010
ICICI Securities Inc. – Fellow Subsidiary	Financial Charges & Operating Expenses	37,500	39,630
	Current Liabilities	5,480	21,320
ICICI Prudential Life Insurance Co. Ltd. – Subsidiary of ICICI Bank Ltd.	Brokerage Income	12,470	5,650
	Current Liabilities	—	770
ICICI Lombard General Insurance Co. Ltd. – Subsidiary of ICICI Bank Ltd.	Brokerage Income	1,330	730
	Other Income	—	210
	Establishment Expenses	—	400
	Sundry debtors	—	20
	Loans and advances	230	—

10. Earnings per equity share (EPS)

EPS has been calculated based on the net profit after taxation of Rs. 210,940 thousand (previous year Rs. 84,390 thousand) and the weighted average number of equity shares outstanding during the year of 4,500.7 thousand (previous year 4,500.7 thousand).

11. Long Term Incentive Scheme

During the year, the Company approved a Long Term Incentive Scheme (the scheme) for employees. As per the scheme, long term incentive units (incentive units) are granted to employees, which vests over a vesting period specified in the scheme. Each incentive unit is equal to one notional share of ICICI Securities Ltd (The Holding Company).

With respect to the incentive units granted to the employees during the year, the Company has provided Rs.8,910 thousand using the price/earnings method of valuation given in the scheme for measuring benefits accrued to the employees. The number of incentive units forfeited/exercised during the year is Nil. The intrinsic value of each incentive unit granted in the scheme is Rs. 152.64 as at March 31, 2006.

Details of scheme are as follows:

Date of Grant	30.09.2005
Number Granted	159,753
Contractual life	5 years

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

For S. R. BATLIBOI & CO.
Chartered Accountants

Per VIREN H. MEHTA
Partner
Membership No.: 48749

Mumbai, April 19, 2006

YOGESH CHANDE
Company Secretary

For and on behalf of the Board

S. MUKHERJI
Chairman

DEVESH KUMAR
Director

cash flow statement



for the year ended March 31, 2006

	(Rs. in '000s)	March 31, 2005
A. Cash Flow From Operating Activities		
Profit Before Tax	325,260	137,580
– (Profit)/Loss on Sale of Fixed Assets	—	320
– Depreciation	7,900	1,330
Operating Profit before Changes in Operating Assets and Liabilities	333,160	139,230
Adjustments for net change in Operating Assets and Liabilities		
– Current Assets excluding Cash and Cash equivalents	(733,920)	(128,990)
– Fixed Deposits under Lien	(38,610)	(49,230)
– Loans and advances relating to Operations	(100,400)	112,110
– Current Liabilities relating to Operations	696,969	215,320
	(175,961)	149,210
Cash generated from Operations	157,199	288,440
Payment of Taxes (Net)	(130,411)	(104,750)
Net Cash from Operating Activities	26,788	183,690
B. Cash Flow From Investment Activities		
– (Purchase) / Sale of Fixed Assets (Net)	(27,172)	(3,930)
Net cash used in Investment Activities	(27,172)	(3,930)
C. Cash Flow From Financing Activities		
– Increase/ (Decrease) in Borrowings (Net)	80,000	(175,000)
– Dividends & Dividend Tax paid	(180,740)	0
Net Cash used in Financing Activities	(100,740)	(175,000)
Net Change in Cash & Cash Equivalents	(101,124)	4,760
Cash and Cash Equivalents at the beginning of the year	204,060	199,300
Cash and Cash Equivalents at the end of the year	102,936	204,060

Cash and cash equivalents at the end of the year does not include fixed deposits under Lien
Rs. 297,840 thousand (Previous year Rs. 219,230 thousand)

This is the Cash Flow Statement 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 19, 2006

YOGESH CHANDE
Company Secretary

For and on behalf of the Board

S. MUKHERJI
Chairman

DEVESH KUMAR
Director

Balance Sheet Abstract and the Company's General Business Profile as per Part IV of the Companies Act, 1956

(Rs. in '000s)

1. Registration Details

Registration number

8 6 2 4 1

State code

1 1

Balance Sheet Date

3 1

Date

0 3

Month

2 0 0 6

Year

2. Capital raised during the Period

Public Issue

N I L

Bonus Issue

N I L

Rights Issue

N I L

Private Placement

N I L

3. Position of mobilisation and Deployment of funds

Total Liabilities and Shareholders' Funds

4 8 5 2 8 0

Total Assets

4 8 5 2 8 0

Sources of Funds

Paid-up Capital

4 5 0 1 0

Reserves and Surplus

4 4 0 2 7 0

Secured Loans

N I L

Unsecured Loans

8 0 0 0 0

Application of Funds

Fixed Assets

2 7 3 4 0

Investments

1 0

Net Current Assets

5 4 0 4 0 0

Miscellaneous Expenditure

N I L

4. Performance of the Company

Turnover

7 1 2 7 4 0

Total Expenditure

3 8 7 4 8 0

Profit before Tax

3 2 5 2 6 0

Profit after Tax

2 1 0 9 4 0

Earnings Per Share in Rs.

4 6 . 8 7

Dividend Rate %

3 7 0

5. Generic names of three principal services of the Company

(As per Monetary Terms)

Brokerage commission from primary market operations

Brokerage commission from secondary market operations

Income from trading in securities

For and on behalf of the Board

S. MUKHERJI
Chairman

DEVESH KUMAR
Director

YOGESH CHANDE
Company Secretary

Mumbai, April 19, 2005