

ICICI HOME FINANCE COMPANY LIMITED

7TH ANNUAL REPORT AND ACCOUNTS 2005-2006

Directors

Chanda D. Kochhar, *Chairperson*
Nachiket Mor
Madhabi Puri Buch
K. Ramkumar
V. Vaidyanathan
Prashant Purker
Rajiv Sabharwal

Anand Kusre
Chief Executive Officer

Rajendra Patil
Company Secretary

Auditors

S.R. Batliboi & Co.
Chartered Accountants

Registered & Corporate Office

ICICI Bank Towers
Bandra-Kurla Complex
Mumbai – 400 051

directors' report

to the members

Your Directors have pleasure in presenting the Seventh Annual Report of the Company with the audited Statement of Accounts for the year ended March 31, 2006.

INDUSTRY OVERVIEW

Housing finance has emerged as a major business in the country and an increasingly large number of people are going in for home loans. Driven mainly by increased affordability of home loans, low interest rates and greater availability of home finance, India's housing finance sector has demonstrated a healthy growth during the last decade.

APPROPRIATIONS

The Profit and Loss Account shows profit before taxation of Rs. 205.4 million (previous year Rs. 137.6 million) after provision of Rs. 71.7 million (previous year Rs. 56.1 million) towards bad and doubtful debts and after taking into account all expenses including depreciation of Rs. 9.8 million (previous year Rs. 15.3 million) on fixed assets.

The profit after tax for the year ended March 31, 2006 was Rs. 122.9 million (previous year Rs. 100.1 million). After taking into account the balance of Rs.0.08 million (previous year Rs. 9.0 million) brought forward from the previous year and profit of ICICI Distribution Finance Private Limited for fiscal 2005 of Rs. 16.1 million, the disposable profit is Rs. 139.1 million (previous year Rs. 109.1 million).

Your Directors have paid an interim dividend of 3% in the month of September 2005 and have appropriated the disposable profit as follows:

	<i>(Rupees Million)</i>	
	<i>Fiscal 2005</i>	Fiscal 2006
Special Reserve created and maintained in terms of Section 36(1)(viii) of the Income-tax Act, 1961	109.0	28.00
Dividend		
Preference Shares (including tax thereon)	0.04	0.02
Equity Shares (Interim - including tax thereon)	Nil	62.9
Leaving balance to be carried forward to next year	0.08	48.2

PUBLIC DEPOSITS

As required by National Housing Bank, the details of public deposits as on March 31, 2006, are given below:

(i) Number of accounts of unclaimed public deposit :	233
(ii) Amount of unclaimed deposit :	Rs. 5889353/-

The Company has sent reminders to the investors informing that the deposits have matured and requested them to claim the same.

OPERATIONAL REVIEW

Your Company continued to serve as the focal point for marketing, distribution and servicing of home loan products of ICICI Bank. During the year under review, new products like Money Saver, O.D. against Property etc. were launched. The

Company has hosted various exhibitions along with industry associations to market products to focused customer segments.

Your Company also continued to expand its geographical reach and at the same time, penetrated deeper into existing markets. It has used the "hub and spoke" distribution strategy towards this end, which ensured deeper penetration and larger market share, at the same time delivering customer service of a high standard nationwide. Your Company has consolidated its presence across the country and continues to successfully leverage on ICICI group's relationships.

AMALGAMATION

Consequent to the approval of Hon'ble Bombay High Court, ICICI Distribution Finance Private Limited has been amalgamated with the Company effective August 11, 2005. Accordingly, the assets and liabilities have been transferred to the books of the Company as per the scheme of amalgamation.

DIRECTORS

In terms of the provisions of Section 260 of the Companies Act, 1956 and the Articles of Association of the Company, V. Vaidyanathan and Rajiv Sabharwal hold the office till the ensuing Annual General Meeting (AGM) and, being eligible, offered themselves for appointment. Further, in terms of Articles of Association of the Company, Chanda Kochhar and Nachiket Mor would retire at the ensuing AGM and, being eligible, offer themselves for re-appointment.

AUDITORS

The Auditors, S. R. Batliboi & Co., Chartered Accountants, Mumbai, will retire at the ensuing Annual General Meeting. As recommended by the Audit Committee, the Board at its Meeting held on April 26, 2006, has proposed their appointment as Auditors to audit the accounts of the Company for fiscal 2007. You are requested to consider their appointment.

AUDIT COMMITTEE

The Audit Committee consists of three Directors - Chanda Kochhar, K. Ramkumar and V. Vaidyanathan, and is chaired by Chanda Kochhar.

FOREIGN EXCHANGE EARNING AND EXPENDITURE

There was no foreign exchange earning or outgo during the 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 not given.

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;

- (b) they have selected such accounting policies and applied them consistently and made judgements 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 of the Company for that period;
- (c) 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
- (d) they have prepared the annual accounts on a going concern basis.

guidance received from ICICI Bank and its group companies.

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

For and on behalf of the Board

ACKNOWLEDGEMENTS

Your Company is grateful to the National Housing Bank and other regulatory authorities for their support and advice.

CHANDA KOCHHAR
Chairperson

The Company would like to express its gratitude for the unstinted support and

Mumbai, April 26, 2006

auditors' report

to the members of ICICI Home Finance Company Limited

1. We have audited the attached Balance Sheet of ICICI Home Finance Company 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) 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 Accountants

per VIREN H. MEHTA
Partner
Membership No.: 048749

Mumbai, April 26, 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 have not been physically verified by the management during the year but there is a regular programme of verification 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) The Company being a Housing Finance Company, the provisions related to inventories as mentioned in clause (ii) of the said order are not applicable.
- (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 transactions which need to be entered into the register maintained under Section 301 of the Companies Act, 1956.
- (vi) The Company being a "Housing Finance company" ('HFC'), Sections 58A, 58AA of the Companies Act, 1956 are not applicable.
- (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 provident fund, investor education and protection fund, or employees' state insurance, income-tax, wealth-tax, service tax, cess have generally 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, undisputed dues in respect of lease tax amounting to Rs. 1,400,000 were outstanding at the year end for a period of more than six months from the date they became payable.
- (c) According to the information and explanation given to us, the dues outstanding of income-tax on account of dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income tax demand	12,868,520	Assessment Year - 2003-04	CIT (Appeal)
Income Tax Act, 1961	Income Tax demand	2,473,915	Assessment Year - 2001-02	CIT (Appeal)

- (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 a financial institution, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, we are of the opinion that the Company has generally maintained adequate records in cases where the Company has granted loans and advances on the basis of security of its own fixed deposits.
- (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 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) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (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 outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues 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 fraud on or by the Company has been noticed or reported during the course of our audit.

For S. R. BATLIBOI & CO.
Chartered Accountants

per VIREN H. MEHTA
Partner

Membership No.: 048749

Mumbai, April 26, 2006

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				
(1) Shareholders' Funds:					Income from Operations X 2,881,109 2,314,807				
A. Share Capital	I	2,987,500		1,550,000	Other Income XI 253,624 84,043				
B. Reserves and Surplus	II	526,569		365,510	3,134,733 2,398,850				
			3,514,069	1,915,510	EXPENDITURE				
(2) Loan Funds:					Interest, Other Financial Charges & Expenses on Borrowings XII 2,192,029 1,690,616				
Unsecured Loans	III	35,915,372		27,209,185	Employee Cost XIII 522,264 243,649				
			39,429,441	29,124,695	Establishment and Other Expenses XIV 2,837,347 2,379,607				
II APPLICATION OF FUNDS					Depreciation 9,828 15,346				
(1) Fixed Assets:					Provision for contingencies (4,037) 209,883				
A. Gross Block	IV	37,579		91,005	Provision and write off against Non-performing Assets 71,746 56,112				
B. Less: Depreciation		22,750		46,825	Provision / (write back) against standard assets 35,475 (1,825)				
C. Net Block		14,829		44,180	Preliminary and Share Issue Expenses Written Off 9,395 1,800				
(2) Investments					5,674,047 4,595,188				
(3) Loans and Other Credit Facilities					2,744,694 2,333,902				
(4) Current Assets, Loans and Advances:					2,929,353 2,261,286				
A. Current Assets	VII	236,380		152,958	Profit before Taxation 205,380 137,564				
B. Cash and Bank Balances		332,916		3,957,585	Provision for Taxation — 109,887				
C. Loans and Advances		1,777,382		2,073,262	Provision for Tax of earlier years (net) 494 —				
		2,346,678		6,183,805	Fringe Benefit Tax 10,021 —				
					Deferred Tax 71,974 (72,421)				
					Profit after Taxation 122,891 100,098				
<i>Less:</i>					<i>Add : Profit of ICICI Distribution Finance Pvt. Ltd. for FY 2004.05 [refer note 2(a)]</i> 16,132 —				
Current Liabilities and Provisions:					<i>Add : Balance brought forward from previous year</i> 80 9,021				
A. Current Liabilities	VIII	469,161		537,874	Disposable Profit 139,103 109,119				
B. Provisions		913,019		1,249,322	Appropriations				
		1,382,180		1,787,196	Special Reserve- in terms of Section 36(1)(viii) of the Income-tax Act, 1961 28,000 109,000				
Net Current Assets and Advances					Dividend				
		964,498		4,396,609	– on Equity Shares – Interim 55,125 —				
(5) Deferred Tax Asset [refer note 2(e)]					– on Preference Shares – proposed 15 34				
		214,775		286,749	– corporate dividend tax on Equity Shares and Preference Shares 7,733 5				
(6) Miscellaneous Expenditure (to the extent not written off)					Balance Carried to Balance Sheet 48,230 80				
	IX	—		9,395	139,103 109,119				
Notes to Accounts					Earnings per share				
	XV	39,429,441		29,124,695	(Equity shares, par value Rs 10 each)				
					Basic (Rs.) 0.76 0.82				
					Diluted (Rs.) 0.70 0.73				
					Notes to Accounts XV				

The Schedules referred to above and the notes to accounts form an integral part of Balance Sheet & Profit and Loss Account

As per our report of even date
For S.R. BATLIBOI & CO.
Chartered Accountants

VIREN H. MEHTA
Partner
Membership No.: 048749
Mumbai, April 26, 2006

RAJENDRA PATIL
Company Secretary

For and on behalf of the Board

CHANDA KOCHHAR
Chairperson

RAJIV SABHARWAL
Director

ANAND KUSRE
Chief Executive Officer

schedules

forming part of the Accounts

(Rs. in '000s)

March 31,
2005

SCHEDULE - I

SHARE CAPITAL

Authorised

285,000,000 Equity Shares of Rs.10 each (March 05 – 225,000,000)
15,000,000 Preference Shares of Rs.10 each (March 05 – 75,000,000)

2,850,000	2,250,000
150,000	750,000
3,000,000	3,000,000

Issued, Subscribed and Paid up

283,750,000 Equity Shares of Rs.10 each fully paid up (March 05 – 140,000,000)
15,000,000 – 0.01% Fully Convertible Cumulative Preference Shares of Rs. 10 each fully paid up.
(March 05 – 15,000,000) Refer Note 2(a), 2(b) & 2(c) of Notes to Accounts

2,837,500	1,400,000
150,000	150,000
2,987,500	1,550,000

- Notes : 1. 43,750,000 equity shares of Rs. 10 each fully paid up issued to shareholders of ICICI Distribution Finance Pvt Ltd on amalgamation
2. All shares are held by ICICI Bank Ltd., the holding company and its nominees

SCHEDULE - II

RESERVES AND SURPLUS

General Reserve

As per Last Balance Sheet

21,484	21,484
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Add : On amalgamation of ICICI Distribution Finance Pvt Ltd
(Refer Note 2(a) of Notes to Accounts)

84,909	—
106,393	21,484

Special Reserve created and maintained in terms of Section 36(1)(viii) of the Income Tax Act, 1961.

As per Last Balance Sheet

343,946	234,946
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Add : Transferred from Profit & Loss Account

28,000	109,000
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Surplus in Profit and Loss Account

371,946	343,946
48,230	80
526,569	365,510

SCHEDULE - III

UNSECURED LOANS

Loans from Holding Company – Subordinated debts

1,199,445	299,445
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Loans from Banks

33,539,583	25,116,964
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Loan from National Housing Bank (Refinance)

668,312	1,268,312
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Fixed Deposits

508,032	524,464
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[includes deposits from banks Rs. 260,000,000; (March 05 – Rs. 260,000,000) and from corporate Rs. 12,087,000; (March 05 – Rs. 13,587,000)]

35,915,372	27,209,185
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SCHEDULE - IV

FIXED ASSETS

Particulars	Gross Block			At March 31, 2006	At April 01, 2005	Depreciation		Net Block		
	At April 01, 2005	Additions during the year	Deductions			For the year	Adjust- ment deduction	At March 31, 2006	At March 31, 2006	At March 31, 2005
Computer	16,676	—	—	16,676	12,429	2,724	—	15,153	1,523	4,247
Software	54,212	—	52,457	1,755	29,427	5,352	33,607	1,172	583	24,785
Office Equipments	1,394	—	—	1,394	208	66	—	274	1,120	1,186
Motor Car (Operating Lease)	17,503	—	969	16,534	4,512	1,609	296	5,825	10,709	12,991
Furniture	1,220	—	—	1,220	249	77	—	326	894	971
Total	91,005	—	53,426	37,579	46,825	9,828	33,903	22,750	14,829	44,180
Previous year	90,711	294	—	91,005	31,479	15,346	—	46,825	44,180	—

schedules



forming part of the Accounts

Continued

	(Rs. in '000s)	March 31, 2005	(Rs. in '000s)	March 31, 2005
SCHEDULE - V				
INVESTMENTS - (FULLY PAIDUP)				
Long Term Investments (Non-Trade) (at Cost)				
Equity Shares				
(a) Unquoted				
10 shares of Rs. 10 each of ICICI Venture Funds Management Company Ltd.*	—	—		
(b) Quoted				
94,579 shares of Rs. 10 each of IBP Ltd.	58,639	58,639		
Government Securities – Quoted				
364 Day T-Bill (Face value Rs. 20,000,000 ; March 05 – Rs. 74,000,000)	19,225	71,256		
Current Investments				
Liquid Mutual Fund (Unquoted)	93,946	190,610		
Prudential ICICI Mutual Fund	171,810	320,505		
	<u>72,336</u>	<u>121,961</u>		
Market value of Quoted Investments	94,002	190,867		
Repurchase price of Mutual Fund				
Statement of Mutual Fund Units Purchased and Sold during the year				
Opening Balance	11,629	2,240		
Purchased	968,970	794,007		
Sold	971,399	784,618		
Closing Balance	9,200	11,629		
Note: * Value of share Rs. Nil (March 05 - Rs. 100)				
SCHEDULE - VI				
LOAN AND OTHER CREDIT FACILITIES (SECURED)				
(Refer note 2(h) & 2(n))				
Housing Loans				
– Individuals	37,798,076	23,557,565		
– Corporates	—	272,698		
Other Loans	333,465	350,350		
	<u>38,131,541</u>	<u>24,180,613</u>		
Considered Good	38,063,529	24,067,257		
Considered Doubtful	68,012	113,356		
Less: Provisions - Housing Loans	68,012	113,356		
	<u>38,063,529</u>	<u>24,067,257</u>		
SCHEDULE - VII				
CURRENT ASSETS, LOANS AND ADVANCES				
A. Current Assets:				
Interest accrued on loans	232,163	150,969		
Interest accrued on deposits	4,217	1,989		
	<u>236,380</u>	<u>152,958</u>		
B. Cash and bank balances:				
Balances with scheduled banks				
– in current accounts	212,047	197,585		
– in deposit accounts	120,869	3,760,000		
	<u>332,916</u>	<u>3,957,585</u>		
C. Loans and Advances:				
(Unsecured, considered good unless Otherwise stated)				
Advances recoverable in cash or in kind or for value to be received*				
Considered Good	928,969	888,105		
Considered Doubtful	29,008	—		
Less: Provisions	29,008	—		
	<u>928,969</u>	<u>888,105</u>		
Deposits	172,639	698,443		
Advance income tax	675,774	486,714		
* Refer Note 2(m) in Notes to Accounts				
	<u>1,777,382</u>	<u>2,073,262</u>		
SCHEDULE - VIII				
CURRENT LIABILITIES AND PROVISIONS				
A. Current liabilities:				
Sundry creditors (other than Small Scale Inds. Undertaking)	145,918	147,693		
Interest accrued but not due on loans	44,527	31,816		
Other liabilities	278,716	358,365		
	<u>469,161</u>	<u>537,874</u>		
B. Provisions:				
Provision for tax	554,950	481,953		
Provision for gratuity & other staff benefits	53,639	8,513		
Other provisions	304,413	758,818		
Proposed dividend*	17	38		
	<u>913,019</u>	<u>1,249,322</u>		
* Includes corporate dividend tax payable Rs. 2,104 (March 05 – Rs. 4,707)				
SCHEDULE - IX				
MISCELLANEOUS EXPENDITURE				
(to the extent not written off or adjusted)				
Preliminary and share issue expenses	—	9,395		
	<u>—</u>	<u>9,395</u>		
SCHEDULE - X				
INCOME FROM OPERATIONS				
Interest income	2,314,114	1,978,249		
Income from securitisation of loans	20,314	27,346		
Fee income	546,681	309,212		
	<u>2,881,109</u>	<u>2,314,807</u>		
SCHEDULE - XI				
OTHER INCOME				
Interest received (Gross, Tax deducted at source Rs. 44,276,652; March '05 Rs. 8,906,367)	212,248	46,204		
Profit on sale of mutual fund units	36,301	25,482		
Dividend income	946	3,993		
Miscellaneous income	4,128	7,071		
Profit on sale of long term investment	1	1,293		
	<u>253,624</u>	<u>84,043</u>		
SCHEDULE - XII				
INTEREST, OTHER FINANCIAL CHARGES & EXPENSES ON BORROWINGS				
Interest	2,184,316	1,633,002		
Prepayment premium	—	10,000		
Finance and other charges	7,713	47,614		
	<u>2,192,029</u>	<u>1,690,616</u>		
SCHEDULE - XIII				
EMPLOYEE COST				
Salaries, Wages and Bonus	445,835	197,920		
Contribution to Provident and Other Funds	67,391	32,629		
Staff Welfare Expenses	9,038	13,100		
	<u>522,264</u>	<u>243,649</u>		
SCHEDULE - XIV				
ESTABLISHMENT AND OTHER EXPENSES				
Advertisement & Sales Promotion	224,892	187,963		
Customer acquisition	1,359,424	1,130,314		
Professional and legal charges	697,452	615,833		
Rent	99,237	58,567		
Communication	143,125	143,312		
Travelling and conveyance	23,161	44,647		
Loss on sale of fixed assets/Written Off	18,939	—		
Printing and stationery	56,382	71,622		
Audit fees	1,123	750		
Insurance	883	4,707		
Electricity	61,434	29,645		
Rates & Taxes	7,542	7,100		
Repairs & maintenance – others	35,017	15,884		
Miscellaneous expenses	108,736	69,263		
	<u>2,837,347</u>	<u>2,379,607</u>		

SCHEDULE - XV

NOTES TO ACCOUNTS

1. Significant Accounting Policies

a) Basis of Preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India, the directions issued by the National Housing Bank (NHB) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company.

b) Revenue Recognition

Interest Income / fees on housing loan is accounted for on accrual basis, other than interest on non-performing assets and charges for delayed payments and cheque bouncing, if any, which is accounted for on cash basis.

Dividend is accounted on an accrual basis when the right to receive the dividend is established.

c) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and net realizable value, category-wise. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

Cost such as brokerage, commission etc., pertaining to investment, paid at the time of acquisition, are included in investment cost.

d) Provisions/write-offs on loans and other credit facilities

i) Loans and other credit facilities are classified as per the NHB guidelines, into performing and non-performing assets. Further non-performing assets are classified into sub standard, doubtful and loss assets based on criteria stipulated by NHB. Additional provision are made against specific non performing assets over and above what is stated above, if in the opinion of the management, increased provisions are necessary.

ii) The Company maintains general provisions to cover potential credit losses which are inherent in any loan portfolio but not identified. For standard assets, additional general provisions are determined having regard to overall portfolio quality, asset growth, economic conditions and other risk factors.

e) Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

f) Depreciation

Depreciation on assets is charged on Straight Line Method at the rates prescribed in Schedule XIV of the Companies Act, 1956, except in case of Computer Software where depreciation is provided @ 20% per annum which is higher than the depreciation rate for Computers prescribed in Schedule XIV of the Companies Act, 1956.

g) Retirement Benefits

i) Retirement benefits in the form of Provident Fund and Pension Schemes are charged to the Profit & Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective trusts.

ii) Gratuity liability under the Payment of Gratuity Act and provision for leave encashment is accrued and provided for on the basis of actuarial valuation made at the end of each financial year.

h) Income Tax

Tax expense comprises both current, deferred and fringe benefit 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 virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

i) Transfer and Servicing of Financial Assets

The Company transfers loans to a bankruptcy remote Special Purpose Vehicles through a securitization transactions. The transferred loans are derecognized from the books of the Company and gains/losses are recorded, only if the Company surrenders the rights to benefits specified in the loan contract. Credit provisions and servicing obligations are debited separately to the Profit & Loss account. Retained beneficial interest in the loan is measured by allocating the carrying values of the loans between the assets sold and retained interest, based on the relative fair value measured at the date of securitisation. The carrying value of the retained beneficial interest is estimated at each reporting period end based on the forecasted cash flows from the assets securitised after adjusting for projected delinquencies, prepayments, etc. The resultant gains/ losses if any are recorded in to the Profit and Loss account.

j) Accounting for Swaps

The Company enters into derivative contracts such as interest rate swaps to hedge on balance sheet assets and liabilities. The swap contracts entered to hedge on balance assets and liabilities are structured such that they bear an opposite and offsetting impact with the underlying on balance sheet items. The impact of such derivative instruments are correlated with the movements of the underlying assets and liabilities and accounted pursuant to the principles of hedge accounting whereby interest differential received/ paid is adjusted from /to interest expenses. The related amount receivable from and payable to the swap counter parties is included in the Other Assets or Other Liabilities in the Balance Sheet.

k) Impairment

i) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceed its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

ii) After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

l) Provision

A provision is recognized when an enterprise has a present obligation as a result of past event and 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 management 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 management estimates.

2. Notes to accounts

a) Amalgamation of ICICI Distribution Finance Private Limited

i. Pursuant to the scheme of Amalgamation of ICICI Distribution Finance Private Limited ('IDFL') with the Company as consented by the shareholders and subsequently sanctioned by the Honorable High Court of Bombay on June 30, 2005; the business of IDFL including all its assets and liabilities stood transferred to and vested in the Company with retrospective effect from April 1, 2004. The scheme has, accordingly, been given effect to in these accounts.

ii. The operations of IDFL are discontinued. IDFL was in the business of providing consumer credit.

iii. The amalgamation has been accounted for under the Purchase method as prescribed by "AS14" – Accounting for Amalgamation "AS14" issued by the Institute of Chartered Accountants of India. Accordingly, the assets and liabilities of IDFL have been recorded by the Company at their existing carrying amounts as given below.

schedules



forming part of the Accounts

Continued

- iv. The value of assets and liabilities has been initially accounted at the book value as appearing in the books of account of IDFL (as on April 1, 2004, audited by the firm of Chartered Accountants) taken over resulting in excess of net assets over the shares to be issued to the shareholders of IDFL ('Net assets'), amounting to Rs. 84,909,413. The book value of assets and liabilities taken over are as follows:

Particulars	Amount in Rs.
Investments	34,000
Stock on Hire	24,357,875
Sundry Debtors	12,776,020
Cash & Bank Balances	434,954,802
Other Current Assets	3,833,339
Loans & Advances	197,967,976
Total (A)	673,924,012
Current Liabilities	20,266,285
Provisions	131,248,314
Total (B)	151,514,599
Net current assets (A-B)	522,409,413
Equity shares issued	437,500,000
Included in General Reserve	84,909,413

- v. The Profit of IDFL for the year ended March 31, 2005 amounting to Rs. 16,132,151, which has been taken over by the Company, has been included in the Profit and Loss account of the Company.
- vi. As provided in the Scheme of Amalgamation, the difference between Share Capital and Reserves and Surplus of IDFL and the value of shares of the Company issued on amalgamation has been treated as General Reserve amounting to Rs. 84,909,413, as contrary to "AS14" which requires difference to be accounted as Capital Reserve.
- vii. As per the Scheme of the Amalgamation, five fully paid equity shares of Rs. 10 each of the Company have been issued for every one fully paid equity share of Rs. 10 each held in IDFL. Accordingly, 43,750,000 equity shares are issued to the shareholders of IDFL.
- viii. In view of the aforesaid amalgamation with effect from April 1, 2004, the figures for the current year are not comparable with corresponding figures of the previous year. The following is the extract of Profit and Loss account of IDFL for the year ended March 31, 2005.

Particulars	Amount in Rs.
INCOME	
Income from operations	7,742,633
Other Income	41,837,957
Total	49,580,590
EXPENDITURE	
Interest, Other Financial Charges & Expenses on Borrowings	1,825,996
Employee costs	4,746,000
Establishment and other expenses	11,302,453
Provision and write off against non-performing assets	13,618,354
Provision for contingencies	(1,403,975)
Total	30,088,828
Profit before taxation	19,491,762
Provision for taxation	4,500,000
Excess provision for tax of earlier years written back	(1,140,389)
Profit for the year ended March 31, 2005	16,132,151

- b) During the year, the Company has also issued 100,000,000 equity shares of Rs. 10 each at par by way of rights issue to the existing equity shareholders of the Company on March 31, 2006.

- c) The Preference Shares for Rs. 15 crore was allotted on March 14, 2002 and are convertible into equity shares at the option of the Preference Shareholder after completion of one year but before completion of seven years from the date of allotment in the ratio of 1:1. However, the said Preference Shares shall be compulsorily and automatically convertible into one Fully Paid-up Equity Share of Rs. 10 each for every one Preference Share of Rs.10 held on March 14, 2009.

- d) Home Loans given by the Company are secured by the underlying property.

e) Deferred Tax

The composition of deferred tax assets and liabilities into major items is given below:

Particulars	(Amt in Rs.)	
	As on March 31, 2006	As on March 31, 2005
Deferred tax assets:		
Provision for doubtful debts & future servicing and other liability of securitization	133,879,141	293,573,823
Loss as per Taxable Income	72,133,410	—
Retirement Benefits	10,212,107	2,865,476
Less: Deferred tax liability:		
Depreciation	1,450,012	9,690,022
Net Deferred tax asset	214,774,646	286,749,277

f) Contingent Liability:

- i) Income Tax matters in appeals Rs. 15,342,435 (Mar '05 - Rs. Nil).
- ii) In respect of the difference between the cash collateral and expenses provided for the future cost in respect of the securitisation is Rs. Nil (Mar '05 - Rs. 67,052,292).
- g) Commitment towards part disbursement of sanctions is amounting to Rs. 13,280,484 (Mar '05 - Rs. 33,621,062).
- h) Loans and other credit facilities includes subordinated interest of Rs. 412,798,246 (Mar '05 - Rs. 450,648,588) in the underlying trust property of housing loans of Mortgage Backed Securitisation Trust Series VI & VII.
- i) Details for the future lease rental receivable in respect of operating lease:

Particulars	(Amt in Rs.)	
	As on March 31, 2006	As on March 31, 2005
Not later than one year	1,547,562	4,777,696
Later than one year but not later than five years	Nil	2,258,959
Later than five years	Nil	Nil

j) Earnings Per Share:

The computation of earnings per share is given below:

Particulars	(Amt in Rs.)	
	Year ended March 31, 2006	Year ended March 31, 2005
BASIC		
Weighted average number of Equity Shares outstanding during the year (Nos.)	184,023,973	121,506,849
Net Profit	139,007,836	100,059,472
Basic Earnings Per Share (Rs.)	0.76	0.82
DILUTED		
Diluted number of Equity Shares (Nos.)	199,023,973	136,506,849
Net Profit	139,022,836	100,097,741
Diluted Earnings Per Share (Rs.)	0.70	0.73
Nominal value of Equity Shares (Rs.)	10	10

Note : The dilutive impact is due to convertible preference shares.

schedules

forming part of the Accounts

k) Segment Information

The Company's main business is to provide loans for the purchase or construction of residential houses. All other activities of the Company are related to the main business. As there are no separate reportable segments, as per the Accounting Standard on 'Segment Reporting' "AS17", issued by the Institute of Chartered Accountants of India, no segment information is given.

- l) Interest expenses includes Rs. 51,770,237 (Mar '05 – Rs. 5,484,636) being (gain)/ loss booked on the interest rate swaps (IRS). The notional principal of hedge IRS as on March 31, 2006 is Rs. 9,250,000,000 (Mar '05 – Rs. 6,600,000,000). During the year, the Company has not entered into any trading IRS transactions.

m) Related Party Disclosure:

The Company being a finance company, the transactions with related parties in the normal course of business have not been disclosed. The following are the details of transactions with related parties:

(Amt in Rs.)

Name	Particulars	Year ended March 31, 2006	Year ended March 31, 2005
Holding Company	A. Transaction during the year		
	Rent paid	1,794,619	1,715,323
	Staff Costs	4,441,450	5,533,162
	Miscellaneous Expenses	2,188,132	1,269,199
	Interest and other finance expenses	100,787,670	143,259,367
	Bank Guarantee Comm.	7,790,419	1,304,499
	Management Fees	529,768,679	270,562,995
	Expenses recovered	2,744,692,925	2,325,388,802
	Interest Income on fixed deposits	200,888,062	42,593,821
	Purchase of housing loan Portfolio	37,711,021,902	3,032,667,898
	Sell down of housing loan portfolio	18,307,725,743	—
	Dividend – Equity Shares	55,125,000	—
	Dividend – Preference Shares	15,000	33,562
	B. Outstanding Balances	Bank Balance (including interest accrued on fixed deposits)	306,406,154
Amt recoverable on account of expenses		908,914,814	874,709,782
Unsecured loan		1,199,445,150	299,445,150
Amount payable on account of expenses (Including interest accrued but not due on unsecured loans)		41,245,760	8,559,048
Insurance Premium		65,965,591	24,231,718
Fellow Subsidiaries	Dividend Income	—	625

- (i) Holding Company: ICICI Bank Limited;

- (ii) Fellow Subsidiaries: ICICI Venture Fund Management Company Limited, ICICI Securities Limited, ICICI Brokerage Services Limited, ICICI International Limited, ICICI Trusteeship Services Limited, ICICI Investment Management Company Limited, ICICI Securities Holdings Inc., ICICI Securities Inc., ICICI Bank UK Limited, ICICI Bank Canada, ICICI Prudential Life Insurance Company Limited, ICICI Lombard General Insurance Company Limited, Prudential ICICI Assets Management Company Limited, Prudential ICICI Trust Limited and ICICI Bank Eurasia LLC.

- (iii) Key Management Personnel: Rajiv Sabharwal (up to September 30, 2005), V. Vaidyanathan (up to September 30, 2005) Anand Kusre, CEO (Effective Date: December 01, 2005).

- n) (i) Loans and other credit facilities includes:

(Amt in Rs.)

Particulars	As on March 31, 2006	As on March 31, 2005
Outstanding for more than six months		
Considered Good	37,228,334	121,802,685
Considered Doubtful	63,261,971	98,729,902
	100,490,305	220,532,587
Other Debts		
Considered Good	38,026,300,765	23,945,454,615
Considered Doubtful	4,749,736	14,625,816
	38,031,050,501	23,960,080,431
Total	38,131,540,806	24,180,613,018

- (ii) Disclosures of provisions for assets :

(Amt in Rs.)

Particulars	As on March 31, 2006	As on March 31, 2005
Provisions for sub-standard, doubtful and loss assets (Housing loans)	68,011,707	113,355,718
Provisions for depreciation in investments	—	—
Total	68,011,707	113,355,718

- o) Disclosure of Provision for contingencies:

(Amt in Rs.)

Particulars	Year ended March 31, 2006	Year ended March 31, 2005
Servicing expenses provision on loans securitized		
Opening Balance	13,027,073	40,373,144
Utilisations / write back	2,178,715	27,346,071
Closing Balance	10,848,358	13,027,073
Provision for delinquencies, prepayment and conversion risk on loans securitized		
Opening Balance	686,256,817	477,719,721
Additions	—	209,883,950
Utilisations / write back	487,951,991	1,346,854
Closing Balance	198,304,826	686,256,817

Provision for servicing expenses of loans securitised is done upfront by the Company. At each Balance Sheet date, the Company assesses the servicing liability of securitised pool and differential amounts are written back or provided for in the books of account. The provision of the delinquencies and conversion risk as well as provision for prepayment risk on the loan portfolio sold by the Company is also made upfront and reduced from the gross capital gains on the securitisation transaction. At each Balance Sheet date, the Company assesses the delinquencies, prepayment and conversion risk of securitised pool and differential amounts are written back/ provided in the books of account.

- p) During the year, the Company has written off its preliminary expenses in the books of account compared to earlier policy of amortisation over the period of 10 years. Had the Company continued to follow the same policy, the charge to the Profit & Loss Account for the current year would have been lower by Rs. 7,594,116 and Miscellaneous Expenditure (to the extent not written off) would correspondingly have been higher by Rs. 7,594,116.

schedules



forming part of the Accounts

q) Managerial Remuneration:

(Amt in Rs.)

Particulars	Year ended March 31, 2006	Year ended March 31, 2005
Salary	400,000	—
Cont. to Provident & Other Funds	—	—
Perquisites	—	—
Total	400,000	—

r) Audit fees includes:

(Amt in Rs.)

Particulars	As on March 31, 2006	As on March 31, 2005
Statutory Audit fees	600,000	450,000
Tax audit fees	100,000	75,000
Certification and other charges	422,710	225,000
Total	1,122,710	750,000

s) The Company has recovered the following common expenses (as per the sharing arrangement) from ICICI Bank Limited:

(Amt in Rs.)

Particulars	Year ended March 31, 2006	Year ended March 31, 2005
Employee cost*	50,115,435	25,203,532
Advertisement & Sales Promotion	216,381,300	187,776,857
Customer acquisition	1,307,980,925	1,119,382,162
Professional and legal charges	654,963,962	555,810,272
Rent	95,481,829	55,573,405
Communication	137,709,319	138,489,696
Travelling and conveyance	22,284,368	43,529,048
Printing & stationery	54,247,919	69,134,814
Insurance	849,341	4,699,066
Electricity	59,108,862	28,760,686
Rates & Taxes	7,256,144	6,894,397
Repairs & maintenance – others	33,692,361	18,402,667
Miscellaneous expenses	104,621,160	80,245,200
	2,744,692,925	2,333,901,802

* Includes Rs. 30,339,000 (Mar '05 – Rs. 8,513,000) related to retirement benefits which will be paid by ICICI Bank Limited when the Company actually makes the payment.

t) Figures of the previous year have been regrouped to conform to the current year's presentation.

Per our report attached

For S.R. BATLIBOI & CO.
Chartered Accountants

VIREN H. MEHTA
Partner
Membership No.: 048749

Mumbai, April 26, 2006

For and on behalf of the Board

CHANDA KOCHHAR
Chairperson

RAJIV SABHARWAL
Director

ANAND KUSRE
Chief Executive Officer

RAJENDRA PATIL
Company Secretary

cash flow statement

for the year ended March 31, 2006

	(Amt. in Rs.)	March 31, 2005
A Cash Flow from Operating Activities :		
Profit before taxation and exceptional items	224,871,128	137,563,593
<i>Adjustments for:</i>		
Depreciation / Amortisation	9,828,025	15,345,515
Provision for contingencies	(4,036,711)	209,883,950
Provision / (write back) against standard assets	35,475,126	—
Loss on sale of fixed assets/Written Off	18,939,031	—
Provision and write off against Non-performing Assets	71,745,674	54,286,594
Profit on sale of long term investments	(1,268)	(1,293,255)
Interest received	(212,248,389)	(46,203,697)
Dividend Income	(945,790)	(3,992,700)
Miscellaneous Expenditure w/off	9,394,800	11,207,717
Servicing Liability written back	(1,542,456)	(27,346,071)
Operating Profit before Working Capital Changes	151,479,170	349,451,646
<i>Adjustments for:</i>		
Trade and Other Receivables	542,869,155	(199,583,959)
Trade Payables and Other Liabilities	(536,502,520)	76,619,098
Loans given (net)	(14,093,332,473)	648,458,686
Cash generated from Operations	(13,935,486,668)	874,945,472
Income Taxes paid	(129,936,506)	(110,019,945)
Net cash from Operating Activities - A	(14,065,423,174)	764,925,526
B Cash Flow from Investing Activities :		
Purchase of fixed assets	-	(293,488)
Sale of fixed assets	617,800	-
Purchase of Investments	(19,225,585)	(71,255,920)
Sale of Investments	71,257,288	115,814,725
Dividend Income	945,790	3,992,700
Interest received	212,248,389	46,203,697
Net cash from Investing Activities - B	265,843,683	94,461,714
C Cash Flow from Financing Activities :		
Issuance of the Equity Shares	1,000,000,000	—
Dividend and dividend tax	(62,894,550)	(45,124)
Proceeds from borrowings (net)	8,706,186,797	2,966,923,539
Net Cash used in Financing Activities - C	9,643,292,247	2,966,878,415
Net Increase in Cash and Cash Equivalents (A+B+C)	(4,156,287,244)	3,826,265,655
Cash and Cash Equivalents as at beginning	4,583,149,356	321,928,899
Cash and Cash Equivalents as at end	426,862,112	4,148,194,554
Notes :		
1. Cash and Cash Equivalents consists of :		
A. Bank balances*		
I) Current Accounts	212,047,725	215,039,830
II) Deposit Accounts	120,868,577	4,177,500,000
B. Investments in mutual fund units	93,945,809	190,609,526
	426,862,112	4,583,149,356

*March'05 balances includes balances of ICICI Distribution Finance Pvt. Ltd. taken over on amalgamation.

- The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard - 3 on " Cash Flow Statements " issued by the Institute of Chartered Accountants of India.
- The amalgamation of ICICI Distribution Finance Pvt Ltd with the Company (Refer Note No 2(a) of Notes to Accounts is a non cash transaction and hence , has no impact on the Company's cash flows for the year.

The Schedule referred to above and the notes to accounts form an integral part of Cash Flow Statement

As per our report of even date
For S. R. BATLIBOI & CO.
Chartered Accountants

per VIREN H. MEHTA
Partner
Membership No. : 048749

Mumbai, April 26, 2006

For and on behalf of the Board

CHANDA KOCHHAR
Chairperson

RAJIV SABHARWAL
Director

RAJENDRA PATIL
Company Secretary

ANAND KUSRE
Chief Executive Officer

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

(Amt. in Rs.)

1. Registration Details

Registration No.
 State Code
 Balance Sheet Date
 Date
 Month
 Year

2. Capital raised during the Year

Public Issue
 Bonus Issue
 Rights Issue
 Private Placement
 (Excludes Rs 437,500,000 issued on account of amalgamation of ICICI Distribution Finance Pvt Ltd)

3. Position of Mobilisation and Deployment of Funds

Total Liabilities
 Total Assets

Sources of Funds

Paid-up Capital
 Reserves and Surplus

Secured Loans
 Unsecured Loans

Application of Funds

Net Fixed Assets
 Loans & Investments

Net Current Assets
 Miscellaneous Expenditure & Deferred Tax Assets

Accumulated Losses

4. Performance of the Company

Turnover
 Expenditure

Profit/(Loss) Before Tax
 Profit/(Loss) After Tax

Earnings Per Share in Rupees Basic
 Dividend Rate %

5. Generic Names of three Principal Products/Services of the Company (As per monetary terms)

Product Description Item Code
 Home Loans

For and on behalf of the Board

CHANDA KOCHHAR
 Chairperson

RAJIV SABHARWAL
 Director

ANAND KUSRE
 Chief Executive Officer

RAJENDRA PATIL
 Company Secretary

Mumbai, April 26, 2006