

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

#### 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 : | <b>233</b>           |
| (ii) Amount of unclaimed deposit :                   | <b>Rs. 5889353/-</b> |

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

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          |
| <b>3,000,000</b> | <b>3,000,000</b> |

##### 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          |
| <b>2,987,500</b> | <b>1,550,000</b> |

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 |
|--------|--------|

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

|                |               |
|----------------|---------------|
| 84,909         | —             |
| <b>106,393</b> | <b>21,484</b> |

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 |
|---------|---------|

Add : Transferred from Profit & Loss Account

|                |                |
|----------------|----------------|
| 28,000         | 109,000        |
| <b>371,946</b> | <b>343,946</b> |
| <b>48,230</b>  | <b>80</b>      |
| <b>526,569</b> | <b>365,510</b> |

Surplus in Profit and Loss Account

### SCHEDULE - III

#### UNSECURED LOANS

Loans from Holding Company – Subordinated debts

|           |         |
|-----------|---------|
| 1,199,445 | 299,445 |
|-----------|---------|

Loans from Banks

|            |            |
|------------|------------|
| 33,539,583 | 25,116,964 |
|------------|------------|

Loan from National Housing Bank (Refinance)

|         |           |
|---------|-----------|
| 668,312 | 1,268,312 |
|---------|-----------|

Fixed Deposits

|         |         |
|---------|---------|
| 508,032 | 524,464 |
|---------|---------|

[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)]

|                   |                   |
|-------------------|-------------------|
| <b>35,915,372</b> | <b>27,209,185</b> |
|-------------------|-------------------|

### SCHEDULE - IV

#### FIXED ASSETS

| Particulars                    | Gross Block          |                                 |            |                         | Depreciation            |                 |                              |                         | Net Block               |                         |
|--------------------------------|----------------------|---------------------------------|------------|-------------------------|-------------------------|-----------------|------------------------------|-------------------------|-------------------------|-------------------------|
|                                | At April 01,<br>2005 | Additions<br>during<br>the year | Deductions | At<br>March 31,<br>2006 | At<br>April 01,<br>2005 | For the<br>year | Adjust-<br>ment<br>deduction | At<br>March 31,<br>2006 | At<br>March 31,<br>2006 | At<br>March 31,<br>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<br>(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,<br>2005 |   | (Rs. in '000s)   | March 31,<br>2005 |
|---|----------------|-------------------|---|------------------|-------------------|
| <b>SCHEDULE - V</b>                                 |                |                   | <b>SCHEDULE - VIII</b>  |                  |                   |
| <b>INVESTMENTS - (FULLY PAIDUP)</b>                 |                |                   | <b>CURRENT LIABILITIES AND PROVISIONS</b>                             |                  |                   |
| <b>Long Term Investments (Non-Trade) (at Cost)</b>  |                |                   | <b>A. Current liabilities:</b>  |                  |                   |
| <b>Equity Shares</b>                                |                |                   | Sundry creditors (other than  |                  |                   |
| <b>(a) Unquoted</b>                                 |                |                   | Small Scale Inds. Undertaking)  |                  |                   |
| 10 shares of Rs. 10 each of ICICI Venture           |                |                   |   | <b>145,918</b>   | 147,693           |
| Funds Management Company Ltd.*                      | —              | —                 | Interest accrued but not due on loans                                 | <b>44,527</b>    | 31,816            |
|   |                |                   | Other liabilities   | <b>278,716</b>   | 358,365           |
|   |                |                   |   | <b>469,161</b>   | 537,874           |
| <b>(b) Quoted</b>                                   |                |                   | <b>B. Provisions:</b>   |                  |                   |
| 94,579 shares of Rs. 10 each of IBP Ltd.            | <b>58,639</b>  | 58,639            | Provision for tax   | <b>554,950</b>   | 481,953           |
|   |                |                   | Provision for gratuity &  |                  |                   |
|   |                |                   | other staff benefits  | <b>53,639</b>    | 8,513             |
|   |                |                   | Other provisions  | <b>304,413</b>   | 758,818           |
|   |                |                   | Proposed dividend*  | <b>17</b>        | 38                |
|   |                |                   |   | <b>913,019</b>   | 1,249,322         |
| <b>Government Securities – Quoted</b>               |                |                   | * Includes corporate dividend tax payable                             |                  |                   |
| 364 Day T-Bill (Face value Rs. 20,000,000 ;         |                |                   | Rs. 2,104 (March 05 – Rs. 4,707)                                      |                  |                   |
| March 05 – Rs. 74,000,000)                          | <b>19,225</b>  | 71,256            | <b>SCHEDULE - IX</b>  |                  |                   |
| <b>Current Investments</b>                          |                |                   | <b>MISCELLANEOUS EXPENDITURE</b>                                      |                  |                   |
| Liquid Mutual Fund (Unquoted)                       | <b>93,946</b>  | 190,610           | (to the extent not written off or adjusted)                           |                  |                   |
| Prudential ICICI Mutual Fund                        | <b>171,810</b> | 320,505           | Preliminary and share issue expenses                                  | —                | 9,395             |
|   |                |                   |   | —                | 9,395             |
| Market value of Quoted Investments                  | <b>72,336</b>  | 121,961           | <b>SCHEDULE - X</b>   |                  |                   |
| Repurchase price of Mutual Fund                     | <b>94,002</b>  | 190,867           | <b>INCOME FROM OPERATIONS</b>   |                  |                   |
| <b>Statement of Mutual Fund Units</b>               |                |                   | Interest income   | <b>2,314,114</b> | 1,978,249         |
| <b>Purchased and Sold during the year</b>           |                |                   | Income from securitisation of loans                                   | <b>20,314</b>    | 27,346            |
| Opening Balance                                     | <b>11,629</b>  | 2,240             | Fee income  | <b>546,681</b>   | 309,212           |
| Purchased   | <b>968,970</b> | 794,007           |   | <b>2,881,109</b> | 2,314,807         |
| Sold  | <b>971,399</b> | 784,618           | <b>SCHEDULE - XI</b>  |                  |                   |
| Closing Balance                                     | <b>9,200</b>   | 11,629            | <b>OTHER INCOME</b>   |                  |                   |
| Note: * Value of share Rs. Nil (March 05 – Rs. 100) |                |                   | Interest received (Gross, Tax deducted                                |                  |                   |
|   |                |                   | at source Rs. 44,276,652;   |                  |                   |
|   |                |                   | March '05 Rs. 8,906,367)  | <b>212,248</b>   | 46,204            |
|   |                |                   | Profit on sale of mutual fund units                                   | <b>36,301</b>    | 25,482            |
|   |                |                   | Dividend income   | <b>946</b>       | 3,993             |
|   |                |                   | Miscellaneous income  | <b>4,128</b>     | 7,071             |
|   |                |                   | Profit on sale of long term investment                                | <b>1</b>         | 1,293             |
|   |                |                   |   | <b>253,624</b>   | 84,043            |
|   |                |                   | <b>SCHEDULE - XII</b>   |                  |                   |
|   |                |                   | <b>INTEREST, OTHER FINANCIAL CHARGES &amp; EXPENSES ON BORROWINGS</b> |                  |                   |
|   |                |                   | Interest  | <b>2,184,316</b> | 1,633,002         |
|   |                |                   | Prepayment premium  | —                | 10,000            |
|   |                |                   | Finance and other charges   | <b>7,713</b>     | 47,614            |
|   |                |                   |   | <b>2,192,029</b> | 1,690,616         |
|   |                |                   | <b>SCHEDULE - XIII</b>  |                  |                   |
|   |                |                   | <b>EMPLOYEE COST</b>  |                  |                   |
|   |                |                   | Salaries, Wages and Bonus   | <b>445,835</b>   | 197,920           |
|   |                |                   | Contribution to Provident and Other Funds                             | <b>67,391</b>    | 32,629            |
|   |                |                   | Staff Welfare Expenses  | <b>9,038</b>     | 13,100            |
|   |                |                   |   | <b>522,264</b>   | 243,649           |
|   |                |                   | <b>SCHEDULE - XIV</b>   |                  |                   |
|   |                |                   | <b>ESTABLISHMENT AND OTHER EXPENSES</b>                               |                  |                   |
|   |                |                   | Advertisement & Sales Promotion                                       | <b>224,892</b>   | 187,963           |
|   |                |                   | Customer acquisition  | <b>1,359,424</b> | 1,130,314         |
|   |                |                   | Professional and legal charges  | <b>697,452</b>   | 615,833           |
|   |                |                   | Rent  | <b>99,237</b>    | 58,567            |
|   |                |                   | Communication   | <b>143,125</b>   | 143,312           |
|   |                |                   | Travelling and conveyance   | <b>23,161</b>    | 44,647            |
|   |                |                   | Loss on sale of fixed assets/Written Off                              | <b>18,939</b>    | —                 |
|   |                |                   | Printing and stationery   | <b>56,382</b>    | 71,622            |
|   |                |                   | Audit fees  | <b>1,123</b>     | 750               |
|   |                |                   | Insurance   | <b>883</b>       | 4,707             |
|   |                |                   | Electricity   | <b>61,434</b>    | 29,645            |
|   |                |                   | Rates & Taxes   | <b>7,542</b>     | 7,100             |
|   |                |                   | Repairs & maintenance – others  | <b>35,017</b>    | 15,884            |
|   |                |                   | Miscellaneous expenses  | <b>108,736</b>   | 69,263            |
|   |                |                   |   | <b>2,837,347</b> | 2,379,607         |

# schedules

## forming part of the Accounts

Continued

### 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.

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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        |
| <b>Total (A)</b>                   | <b>673,924,012</b> |
| Current Liabilities                | 20,266,285         |
| Provisions                         | 131,248,314        |
| <b>Total (B)</b>                   | <b>151,514,599</b> |
| <b>Net current assets (A-B)</b>    | <b>522,409,413</b> |
| Equity shares issued               | 437,500,000        |
| <b>Included in General Reserve</b> | <b>84,909,413</b>  |

- 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.     |
|--|-------------------|
| <b>INCOME</b>  |                   |
| Income from operations                                     | 7,742,633         |
| Other Income   | 41,837,957        |
| <b>Total</b>   | <b>49,580,590</b> |
| <b>EXPENDITURE</b>   |                   |
| 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)       |
| <b>Total</b>   | <b>30,088,828</b> |
| <b>Profit before taxation</b>                              | <b>19,491,762</b> |
| Provision for taxation                                     | 4,500,000         |
| Excess provision for tax of earlier years written back     | (1,140,389)       |
| <b>Profit for the year ended March 31, 2005</b>            | <b>16,132,151</b> |

- 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:

(Amt in Rs.)

| Particulars   | As on<br>March 31, 2006 | As on<br>March 31, 2005 |
|---|-------------------------|-------------------------|
| <b>Deferred tax assets:</b>   |                         |                         |
| 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               |
| <b>Less: Deferred tax liability:</b>  |                         |                         |
| Depreciation  | 1,450,012               | 9,690,022               |
| <b>Net Deferred tax asset</b>   | <b>214,774,646</b>      | <b>286,749,277</b>      |

**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:

(Amt in Rs.)

| Particulars                                       | As on<br>March 31, 2006 | As on<br>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:

(Amt in Rs.)

| Particulars   | Year ended<br>March 31, 2006 | Year ended<br>March 31, 2005 |
|---|------------------------------|------------------------------|
| <b>BASIC</b>  |                              |                              |
| 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                         |
| <b>DILUTED</b>  |                              |                              |
| 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.



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### 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<br>March 31, 2006 | Year ended<br>March 31, 2005 |
|---------------------|---|------------------------------|------------------------------|
| Holding Company     | <b>A. Transaction during the year</b>   |                              |                              |
|                     | 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>B. Outstanding Balances</b>  |                              |                              |
| Fellow Subsidiaries | Bank Balance (including interest accrued on fixed deposits)                                       | 306,406,154                  | 3,903,849,457                |
|                     | 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                   |
|                     | 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<br>March 31, 2006 | As on<br>March 31, 2005 |
|---|-------------------------|-------------------------|
| <b>Outstanding for more than six months</b> |                         |                         |
| Considered Good                             | 37,228,334              | 121,802,685             |
| Considered Doubtful                         | 63,261,971              | 98,729,902              |
|   | <b>100,490,305</b>      | <b>220,532,587</b>      |
| <b>Other Debts</b>                          |                         |                         |
| Considered Good                             | 38,026,300,765          | 23,945,454,615          |
| Considered Doubtful                         | 4,749,736               | 14,625,816              |
|   | <b>38,031,050,501</b>   | <b>23,960,080,431</b>   |
| <b>Total</b>                                | <b>38,131,540,806</b>   | <b>24,180,613,018</b>   |

- (ii) Disclosures of provisions for assets :

(Amt in Rs.)

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

- o) Disclosure of Provision for contingencies:

(Amt in Rs.)

| Particulars  | Year ended<br>March 31, 2006 | Year ended<br>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.

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q) Managerial Remuneration:

(Amt in Rs.)

| Particulars                      | Year ended<br>March 31, 2006 | Year ended<br>March 31, 2005 |
|----------------------------------|------------------------------|------------------------------|
| Salary                           | 400,000                      | —                            |
| Cont. to Provident & Other Funds | —                            | —                            |
| Perquisites                      | —                            | —                            |
| <b>Total</b>                     | <b>400,000</b>               | <b>—</b>                     |

r) Audit fees includes:

(Amt in Rs.)

| Particulars                     | As on<br>March 31, 2006 | As on<br>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                 |
| <b>Total</b>                    | <b>1,122,710</b>        | <b>750,000</b>          |

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

(Amt in Rs.)

| Particulars                     | Year ended<br>March 31, 2006 | Year ended<br>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                   |
|                                 | <b>2,744,692,925</b>         | <b>2,333,901,802</b>         |

\* 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

RAJENDRA PATIL  
Company Secretary

For and on behalf of the Board

CHANDA KOCHHAR  
Chairperson

RAJIV SABHARWAL  
Director

ANAND KUSRE  
Chief Executive Officer

# cash flow statement

for the year ended March 31, 2006

|  | (Amt. in Rs.)           | March 31,<br>2005    |
|--|-------------------------|----------------------|
| <b>A Cash Flow from Operating Activities :</b>           |                         |                      |
| 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)        |
| <b>Net cash from Operating Activities - A</b>            | <b>(14,065,423,174)</b> | <b>764,925,526</b>   |
| <b>B Cash Flow from Investing Activities :</b>           |                         |                      |
| 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           |
| <b>Net cash from Investing Activities - B</b>            | <b>265,843,683</b>      | <b>94,461,714</b>    |
| <b>C Cash Flow from Financing Activities :</b>           |                         |                      |
| 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        |
| <b>Net Cash used in Financing Activities - C</b>         | <b>9,643,292,247</b>    | <b>2,966,878,415</b> |
| <b>Net Increase in Cash and Cash Equivalents (A+B+C)</b> | <b>(4,156,287,244)</b>  | <b>3,826,265,655</b> |
| <b>Cash and Cash Equivalents as at beginning</b>         | <b>4,583,149,356</b>    | <b>321,928,899</b>   |
| <b>Cash and Cash Equivalents as at end</b>               | <b>426,862,112</b>      | <b>4,148,194,554</b> |
| <b>Notes :</b>   |                         |                      |
| 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          |
|  | <b>426,862,112</b>      | <b>4,583,149,356</b> |

\*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

ANAND KUSRE  
Chief Executive Officer

RAJENDRA PATIL  
Company Secretary

**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. | 0 | 1 | 2 | 0 | 1 | 0 | 6 |
|------------------|---|---|---|---|---|---|---|

|            |   |   |
|------------|---|---|
| State Code | 1 | 1 |
|------------|---|---|

|                    |      |   |
|--------------------|------|---|
| Balance Sheet Date | 3    | 1 |
|                    | Date |   |

|   |   |
|---|---|
| 0 | 3 |
|---|---|

Month

|   |   |   |   |
|---|---|---|---|
| 2 | 0 | 0 | 6 |
|---|---|---|---|

Year

## 2. Capital raised during the Year

Public Issue

[illegible]

| Rights Issue |   |   |   |   |   |   |   |   |   |
|--------------|---|---|---|---|---|---|---|---|---|
|              | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

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 |   |   |   |   |   |   |   |   |   |   |
| 4                 | 0 | 8 | 1 | 1 | 6 | 2 | 1 | 1 | 1 | 9 |

Total Assets

|   |   |   |   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|---|---|---|
| 4 | 0 | 8 | 1 | 1 | 6 | 2 | 1 | 1 | 1 | 9 |
|---|---|---|---|---|---|---|---|---|---|---|

### Sources of Funds

|                 |   |   |   |   |   |   |   |   |   |   |
|-----------------|---|---|---|---|---|---|---|---|---|---|
| Paid-up Capital |   |   |   |   |   |   |   |   |   |   |
|                 | 2 | 9 | 8 | 7 | 5 | 0 | 0 | 0 | 0 | 0 |

| Reserves and Surplus |  |   |   |   |   |   |   |   |   |   |
|----------------------|--|---|---|---|---|---|---|---|---|---|
|                      |  | 5 | 2 | 6 | 5 | 6 | 8 | 6 | 2 | 4 |

| <b>Secured Loans</b> |  |  |  |  |  |   |     |
|----------------------|--|--|--|--|--|---|-----|
|                      |  |  |  |  |  | N | I L |

| Unsecured Loans |   |   |   |   |   |   |   |   |   |   |
|-----------------|---|---|---|---|---|---|---|---|---|---|
| 3               | 5 | 9 | 1 | 5 | 3 | 7 | 2 | 2 | 1 | 1 |

### Application of Funds

|                  |  |  |   |   |   |   |   |   |   |   |
|------------------|--|--|---|---|---|---|---|---|---|---|
| Net Fixed Assets |  |  |   |   |   |   |   |   |   |   |
|                  |  |  | 1 | 4 | 8 | 2 | 9 | 4 | 0 | 1 |

| Loans & Investments |   |   |   |   |   |   |   |   |   |   |
|---------------------|---|---|---|---|---|---|---|---|---|---|
| 3                   | 8 | 2 | 3 | 5 | 3 | 3 | 9 | 4 | 7 | 3 |

|                    |  |   |   |   |   |   |   |   |   |   |
|--------------------|--|---|---|---|---|---|---|---|---|---|
| Net Current Assets |  |   |   |   |   |   |   |   |   |   |
|                    |  | 9 | 6 | 4 | 4 | 9 | 7 | 3 | 1 | 5 |

Miscellaneous Expenditure & Deferred Tax Assets

|  |  |   |   |   |   |   |   |   |   |   |
|--|--|---|---|---|---|---|---|---|---|---|
|  |  | 2 | 1 | 4 | 7 | 7 | 4 | 6 | 4 | 6 |
|--|--|---|---|---|---|---|---|---|---|---|

| Accumulated Losses |  |  |  |  |  |  |  |   |   |   |
|--------------------|--|--|--|--|--|--|--|---|---|---|
|                    |  |  |  |  |  |  |  | N | I | L |

#### 4. Performance of the Company

| Turnover |   |   |   |   |   |   |   |   |   |   |
|----------|---|---|---|---|---|---|---|---|---|---|
|          | 3 | 1 | 3 | 4 | 7 | 3 | 3 | 0 | 3 | 7 |

| Expenditure |   |   |   |   |   |   |   |   |   |   |
|-------------|---|---|---|---|---|---|---|---|---|---|
|             | 2 | 9 | 2 | 9 | 3 | 5 | 3 | 6 | 7 | 1 |

| Profit/(Loss) Before Tax |  |   |   |   |   |   |   |   |   |   |
|--------------------------|--|---|---|---|---|---|---|---|---|---|
|                          |  | 2 | 0 | 5 | 3 | 7 | 9 | 3 | 6 | 6 |

| Profit/(Loss) After Tax |  |   |   |   |   |   |   |   |   |   |
|-------------------------|--|---|---|---|---|---|---|---|---|---|
|                         |  | 1 | 2 | 2 | 8 | 9 | 0 | 6 | 8 | 5 |

| Earnings Per Share in Rupees Basic |  |  |  |  |  |   |   |   |   |
|------------------------------------|--|--|--|--|--|---|---|---|---|
|                                    |  |  |  |  |  | 0 | . | 7 | 6 |

[illegible]

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

| Product Description | Item Code |
|---------------------|-----------|
| Home Loans          | N I L     |

For and on behalf of the Board

CHANDA KOCHHAR  
*Chairperson*

RAJIV SABHARWAL  
*Director*

ANAND KUSRE  
*Chief Executive Officer*

*Mumbai, April 26, 2006*

RAJENDRA PATIL  
*Company Secretary*