



PRUDENTIAL ICICI ASSET MANAGEMENT COMPANY LIMITED

13TH ANNUAL REPORT AND ACCOUNTS 2005-2006

Directors

K.V. Kamath, *Chairman*
 Mark Norbom
 Kalpana Morparia
 Ajay Srinivasan
 Shikha Sharma
 B. R. Gupta
 K. S. Mehta
 Dadi Engineer
 Swati A. Piramal
 Pankaj Razdan, *Managing Director*
 Ranganath Athreya, *Senior Vice-President - Compliance, Legal & Secretarial*

Auditors

BSR & Associates
Chartered Accountants

Registered Office

12th Floor, Narain Manzil
 23, Barakhamba Road
 New Delhi - 110 001

Corporate Office

8th Floor, Peninsula Tower
 Peninsula Corporate Park
 Ganpatrao Kadam Marg
 Off Senapati Bapat Marg
 Lower Parel
 Mumbai 400 013

directors' report

to the members

Your Directors have pleasure in presenting the Thirteenth Annual Report, together with the audited accounts of your Company, for the year ended March 31, 2006.

FINANCIAL RESULTS

The salient features of the Company's financial results for the financial year ended March 31, 2006 are as follows:

	(Rs. in '000s)	
	Financial Year ended March 31, 2006	Financial Year ended March 31, 2005
Gross Income	1,414,928	1,020,399
Expenses	940,617	756,687
Profit / (Loss) before Tax	474,311	263,712
Provision for Taxation	163,053	91,033
Profit / (Loss) after Tax	311,258	171,679
Profit/(Loss) brought forward from previous year	4,366	70,101
Profit available for appropriation	315,624	241,780
APPROPRIATIONS		
Transfer to General Reserve	46,705	25,752
Interim Dividend	154,960	—
Dividend (Final)	72,074	185,211
Dividend Tax	31,841	26,451
Transfer to Capital Redemption Reserve	5,025	—

DIVIDEND

Your Directors are pleased to recommend payment of final dividend at the rate of 40% (Rs. 4 per share) on 18,018,552 equity shares of Rs 10 each amounting to Rs. 72,074 thousand for the year ended March 31, 2006.

Interim dividend of Rs. 8.60 per share on 18018552 Equity shares of Rs. 10 each has been declared and paid to those member of the Company whose names appeared on the register of members of the Company on record date i.e. on March 28, 2006.

OPERATIONS DURING THE YEAR

Mutual Fund Business

- Assets Under Management (AUM):** During the year under review, the assets under management of Prudential ICICI Mutual Fund crossed Rs. 235,595,956 thousand as on March 31, 2006 as compared to Rs. 152,009,210 thousand as on March 31, 2005.
- Awards bagged by Prudential ICICI Mutual Fund (the Fund):** Your Directors are pleased to record that during the period under review, the following awards were won by the Mutual Fund –
 - The Fund has been ranked by CRISIL Fund Services as the Best performing Mutual Fund of the year 2005 based on its performance in CRISIL – CPR.

- Prudential ICICI Long Term Plan – Cumulative has featured as Best Fund over Three years by Lipper Fund Awards India 2006.
- Prudential ICICI Dynamic Plan has been ranked ICRA-MFR 1, and has been awarded the Silver Award for 'Second Best Performance' in the category of "Open Ended Diversified Equity Scheme - Defensive" for one-year period ending December 31, 2005.
- CRISIL CNBC BNP Paribas Fund House of the Year 2005 Award.

- Operations and Consumer Service:** With a view to render timely and efficient customer service, the Investment Manager of the Fund has been making good progress in networking its 30 branches. The service levels at these branches have been consistently maintained to cope with the continuously increasing client base.
- Personnel:** Your Company continues to place emphasis on attracting and recruiting quality manpower and takes a lot of effort in training and retaining them. Your Company believes that one of the ways to achieve the above objectives is to provide long-term incentives to the performing employees.

The total strength of the company as on March 31, 2006 stood at 316 from 238 as on March 31, 2005.

UPDATE ON NEW PRODUCTS

During the Financial year 2005-2006, your Company has launched the following new schemes under Prudential ICICI Mutual Fund

Name of Schemes	Scheme Type	Date of Allotment	Fund mobilised during NFO (Rs. in '000s)
Prudential ICICI Blended Plan – Plan A	Open ended Equity Fund	May 31, 2005	9,637,992
Prudential ICICI Blended Plan – Plan B	Open ended Debt Fund	May 31, 2005	3,650,681
Prudential ICICI Infrastructure Fund	Open ended Equity Fund	August 31, 2005	13,979,242
Prudential ICICI Services Industries Fund	Open ended Equity Scheme	November 30, 2005	6,565,651
Prudential ICICI Fixed Maturity Plan – Series 28 – 4 Months Plan	Closed ended debt Scheme	January 23, 2006	1,676,831
Prudential ICICI Fixed Maturity Plan – Series 28 – 16 Months Plan	Closed ended debt Scheme	January 27, 2006	1,352,090
Prudential ICICI Fixed Maturity Plan – Series 27 – Monthly Plan	Closed ended debt Scheme	March 21, 2006	6,359,164
Prudential ICICI Fusion Fund	Closed ended Equity Scheme	March 25, 2006	5,879,412
Prudential ICICI Fixed Maturity Plan – Series 28	Closed ended debt Scheme	March 30, 2006	6,741,313
Prudential ICICI Fixed Maturity Plan – Series 31 – 4 Months Plan	Closed ended debt Scheme	March 31, 2006	358,147
Total			56,200,523

directors' report

Continued

PERFORMANCE OF THE SCHEMES OF PRUDENTIAL ICICI MUTUAL FUND

Your Company is acting as the Investment Manager for seven close-ended schemes and twenty-three open-ended schemes of Prudential ICICI Mutual Fund. The Net Asset Value of the Scheme is given below:

Close-ended Fund

Scheme Name	Date of Allotment	Net Assets as on March 31, 2006 (Rs. in '000s)	Net Assets Value per unit as on March 31, 2006 (Rs.) - For Growth option	Compounded Annualized Return (%) from the date of allotment of units till March 31, 2006 - For Growth option
Prudential ICICI Fixed Maturity Plan - Series 28 - 4 Months Plan	January 23, 2006	1,694,172	10.1211	1.21
Prudential ICICI Fixed Maturity Plan - Series 28 - 16 Months Plan	January 27, 2006	1,352,589	10.0013	0.06
Prudential ICICI Fixed Maturity Plan - Series 27 - Monthly Plan	March 21, 2006	6,375,159	10.0253	0.25
Prudential ICICI Plan 1	March 24, 2005	1,713,769	10.5635	5.53
Prudential Fusion Fund	March 25, 2006	6,155,687	10.4700	0.047
Prudential ICICI Fixed Maturity Plan - Series 28	March 30, 2006	6,748,232	10.0111	0.11
Prudential ICICI Fixed Maturity Plan - Series 31 - 4 Months Plan	March 31, 2006	358,147	—*	—*
Total		24,397,755		

* NAV and absolute return is not calculated as the units were allotted on March 31, 2006.

Open-ended Funds

Scheme Name	Date of Allotment	Net Assets as on March 31, 2006 (Rs. in '000s)	Net Assets Value per unit as on March 31, 2006 (Rs.) - For Growth option	Compounded Annualized Return (%) from the date of allotment of units till March 31, 2006 - For Growth option
Prudential ICICI Power	October 1, 1994	10,942,101	69.1600	18.31
Prudential ICICI Liquid Plan	June 24, 1998	56,610,870	17.1693	5.22
Prudential ICICI Growth Plan	July 9, 1998	3,350,348	80.9400	31.06
Prudential ICICI Income Plan	July 9, 1998	2,704,294	20.3646	5.79
Prudential ICICI FMCG Fund	March 31, 1999	1,216,243	39.4600	21.65
Prudential ICICI Tax Plan	August 19, 1999	3,962,173	86.7900	38.61
Prudential ICICI Gilt Fund - Investment Plan	August 19, 1999	1,876,350	20.9255	11.80
Prudential ICICI Gilt Fund - Treasury Plan	August 19, 1999	931,066	17.1382	6.00
Prudential ICICI Balanced Fund	November 3, 1999	3,711,270	30.6400	34.57
Prudential ICICI Technology Fund	March 3, 2000	1,327,299	11.2300	1.93
Prudential ICICI Monthly Income Plan	November 10, 2000	4,481,706	17.7312	10.77
Prudential ICICI Child Care Plan - Gift Option	August 31, 2001	837,479	36.8100	34.40
Prudential ICICI Child Care Plan - Study Option	August 31, 2001	289,562	18.4898	14.11
Prudential ICICI Short Term Plan	October 25, 2001	5,252,636	13.2706	6.29
Prudential ICICI Index Fund	February 26, 2002	46,539	29.9125	30.69
Prudential ICICI Sweep Plan	March 6, 2002	3,795,933	11.8720	4.30
Prudential ICICI Long Term Plan	March 28, 2002	1,601,350	14.5665	9.45
Prudential ICICI Flexible Income Plan	September 27, 2002	301,571	12.7624	7.23
Prudential ICICI Dynamic Plan	October 31, 2002	9,038,853	53.3568	63.25
Sensex Prudential ICICI Exchange Traded Fund	January 10, 2003	9,044	114.8451	46.46
Prudential ICICI Floating Rate Plan	March 28, 2003	20,083,388	11.6497	5.20
Prudential ICICI Gilt Fund - Investment Plan - PF Option	November 19, 2003	791,157	10.9025	3.72

Scheme Name	Date of Allotment	Net Assets as on March 31, 2006 (Rs. in '000s)	Net Assets Value per unit as on March 31, 2006 (Rs.) - For Growth option	Compounded Annualized Return (%) from the date of allotment of units till March 31, 2006 - For Growth option
Prudential ICICI Advisor Series - Aggressive Plan	December 18, 2003	87,503	18.3381	28.41
Prudential ICICI Advisor Series - Cautious Plan	December 18, 2003	129,206	12.4859	9.59
Prudential ICICI Advisor Series - Moderate Plan	December 18, 2003	107,405	15.4815	19.75
Prudential ICICI Advisor Series - Very Aggressive Plan	December 18, 2003	79,822	21.8619	38.07
Prudential ICICI Advisor Series - Very Cautious Plan	December 18, 2003	184,750	11.1635	4.64
Prudential ICICI Gilt Fund - Treasury Plan - PF Option	February 11, 2004	369,185	10.9080	4.16
Prudential ICICI Fixed Maturity Plan - Yearly - Series 24	March 20, 2004	8,475,032	11.1469	5.46
Prudential ICICI Income Multiplier Fund	March 30, 2004	2,564,958	13.0860	14.37
Prudential ICICI Fixed Maturity Plan - Series 25 - 15 months	August 10, 2004	2,512,258	10.6998	4.21
Prudential ICICI Discovery Fund	August 16, 2004	11,032,100	25.2300	76.93
Prudential ICICI Fixed Maturity Plan - Yearly - Series 25	September 10, 2004	6,300,505	10.1688	1.69
Prudential ICICI Long Term Floating Rate Plan	September 15, 2004	5,143,036	10.8027	5.60
Prudential ICICI Emerging S.T.A.R. (Stocks Targeted At Returns) Fund	October 28, 2004	6,064,893	24.7600	89.20
Prudential ICICI Fixed Maturity Plan - Yearly - Series 12	December 14, 2004	4,217,999	10.7347	5.64
Prudential ICICI Fixed Maturity Plan - Yearly - Series 5	December 31, 2004	1,334,188	10.6961	5.55
Prudential ICICI Blended Plan - Plan A	May 31, 2005	7,682,124	10.5365	5.36*
Prudential ICICI Blended Plan - Plan B	May 31, 2005	2,054,734	10.4731	4.73*
Prudential ICICI Infrastructure Fund	August 31, 2005	14,390,031	14.8400	48.40*
Prudential ICICI Services Industries Fund	November 30, 2005	5,321,196	11.7600	17.60*
Total		211,212,157		

*Absolute returns

During the period from April 1, 2005 to March 31, 2006, the Nifty and SENSEX changed as set out below

INDICES VALUE & PERFORMANCE

Index	March 31, 2006	April 1, 2005	% Change
BSE Sensex	11,279.96	6,605.04	70.78%
S & P CNX Nifty	3,402.55	2,067.65	64.56%

PORTFOLIO MANAGEMENT SERVICES

As you are aware, the Company is offering Portfolio Management Services (PMS) since October 2000, for discretionary, non-discretionary, and advisory services across both equity and fixed income assets. The Assets under Management under PMS (including debt & equity advisory) as on March 31, 2006 is Rs. 64,429,460 thousand.

BUY-BACK OF EQUITY SHARES OF THE COMPANY

In pursuance of the special resolution passed at the Extra Ordinary General Meeting held on March 3, 2006, Prudential ICICI Asset Management Company Limited has given effect to buy-back of its shares during the year 2005-2006. Accordingly, the number of shares of the Company has been reduced from 18,521,111 to 18,018,552 due to extinguishment of 502,559 shares on account of the said buy-back.

directors' report



Continued

SALES OFFICES

Your Company has established a wide reach to the retail customers through its 30 well-equipped sales offices.

FOREIGN EXCHANGE EARNINGS AND EXPENDITURE ETC.

During the financial year under review, the Company did not earn any foreign exchange. The foreign exchange outgo on account of Travel abroad, electronic subscription etc. was Rs. 3,150 thousand.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION

Since the Company does not own any manufacturing facility, the disclosure under this head is not applicable. Further, the other particulars in the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 are also not applicable.

FIXED DEPOSITS

During the year, the Company has not accepted any deposits from the public under Section 58-A of the Companies Act, 1956.

DIRECTORS

In terms of the Articles of Association of the Company read with the provisions of the Companies Act, 1956, K. S. Mehta - Director, is retiring at the forthcoming Annual General Meeting and being eligible, offers himself for reappointment.

CONSTITUTION OF AUDIT COMMITTEE OF DIRECTORS

As on March 31, 2006, the Audit Committee consists of the following Directors:

1. Ajay Srinivasan
2. Shikha Sharma

During the F. Y. 2005-2006, Four meetings of the Audit Committee were held.

AUDITORS

The Auditors, BSR and Associates (erstwhile BSR & Company), Chartered Accountants retire at the ensuing Annual General Meeting and are eligible for reappointment.

EMPLOYEES

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm:

1. that in the preparation of the annual accounts, the applicable accounting standards had been followed. No material departures have been made during the year under review;

2. that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
3. that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. that the Directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

Your Directors wish to place on record their sincere thanks to the investors for their continued support and patronage to the products of Prudential ICICI Mutual Fund.

Your Directors further wish to place on record their appreciation for the support and cooperation received from the Securities and Exchange Board of India, the Reserve Bank of India, Prudential Corporation plc, ICICI Bank Limited, and ICICI Venture Funds Management Company Limited.

Your Directors thank Computer Age Management Services Private Limited, 3i Infotech Limited (erstwhile ICICI Infotech Services Limited) and Citibank N.A. – the Registrar and Transfer Agents to the Schemes of the Fund and HDFC Bank Limited – the Custodian to the Fund, for the support provided by them in carrying out the operations in an efficient manner.

Furthermore, your Directors also place on record their appreciation for the support of the Deutsche Bank, for rendering fund accounting services for Portfolio management activities.

The Directors would also like to express their sincere thanks and appreciation to all the employees, Agents and Distributors of the products of the Company for their contribution during the year. Finally, the Directors wish to express their gratitude to the Members for their continued support.

On behalf of the Board

K. V. KAMATH
Chairman

Mumbai, June 15, 2006

auditors' report

to the members of Prudential ICICI Asset Management Company Limited

We have audited the attached balance sheet of Prudential ICICI Asset Management 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.

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.

As required by the Companies (Auditor's Report) Order, 2003 ('Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

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 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 are disqualified as on March 31, 2006 from being appointed as 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 of the Company for the year ended on that date; and
 - c) in the case of the cash flow statement, of the cash flows of the Company for the year ended on that date.

For BSR & Associates
Chartered Accountants

AKEEL MASTER
Partner

Mumbai, June 15, 2006

Membership No.: 046768

annexure to auditors' report

March 31, 2006

With reference to the annexure referred to in paragraph 3 of the Auditors' report to the members of Prudential ICICI Asset Management Company Limited ('the Company') on the financial statements for the year ended March 31, 2006, we report the following:

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
(b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified every year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
(c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
2. The Company is a service company, primarily rendering asset management services to Prudential ICICI Mutual Fund and Portfolio Management Services to its customers. Thus, paragraph 4(ii) of the Order is not applicable.
3. According to the information and explanations given to us, the Company has neither granted nor taken any loans, secured or unsecured, to or from any companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act,

1956.

4. 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 nature of its business with regards to purchase of fixed assets and with regards to the sale of services. The activities of the Company do not involve the purchase of inventory and sale of goods. We have not observed any major weaknesses in the internal control system during the course of the audit.
5. In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under section 301 of the Companies Act, 1956.
6. The Company has not accepted any deposits from the public.
7. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
8. The Central Government has not prescribed the maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956 for any of the services rendered by the Company.
9. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund,

annexure to auditors' report



March 31, 2006

Continued

Employees' State Insurance, Income-tax, Wealth tax, Service tax, Cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Wealth tax, Service tax, Cess and other material statutory dues were in arrears as at March 31, 2006 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues to Income tax, Wealth tax, Service tax, and Cess, which have not been deposited with the appropriate authorities on account of any dispute.
10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
 11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or to any financial institutions. The Company did not have any outstanding debentures during the year.
 12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
 13. In our opinion and according to the information and explanations given to us, the Company is not a chit fund/nidhi/mutual benefit fund/society.
 14. Based on information and explanations provided by the management, in respect of dealing and trading in shares and securities, proper records have been maintained of the transactions

and contracts and timely entries have been made therein. The shares and securities have been held by the Company in its own name. As explained to us, the Company is not involved in dealing or trading of debentures and other investments.

15. According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks and financial institutions.
16. The Company did not have any term loans outstanding during the year.
17. According to the information and explanations given to us and based on overall examination of the balance sheet of the Company, the Company has not raised any funds on short term basis for the purpose of long term investment.
18. The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under Section 301 of the Companies Act, 1956.
19. The Company did not have any outstanding debentures during the year.
20. The Company has not raised any money by public issues during the year.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For BSR & Associates
Chartered Accountants

AKEEL MASTER
Partner

Mumbai, June 15, 2006

Membership No.: 046768

balance sheet

profit and loss account

as at March 31, 2006				for the year ended March 31, 2006			
	Schedule	(Rs. in '000s)	2005		Schedule	(Rs. in '000s)	2005
SOURCES OF FUNDS				INCOME			
Shareholders' funds				Management fees			
Share capital	3	180,186	185,211	Dividend	14	1,383,545	997,562
Reserves and surplus	4	391,385	576,476	Profit on sale of investment (net)		16,089	21,750
		<u>571,571</u>	<u>761,687</u>	Miscellaneous income	15	336	240
						<u>1,414,928</u>	<u>1,020,399</u>
APPLICATION OF FUNDS				EXPENDITURE			
Fixed assets				Employee costs			
Gross block	5	267,470	224,806	Administrative and other expenses	17	333,616	234,949
Accumulated depreciation		(192,555)	(147,381)	Depreciation	5	51,540	33,382
Net block		<u>74,915</u>	<u>77,425</u>			<u>940,617</u>	<u>756,687</u>
Capital Work In Progress		8,277	7,048	Profit before taxation		474,311	263,712
		<u>83,192</u>	<u>84,473</u>	Provision for current taxation	25	(167,332)	(93,705)
Investments	6	512,732	782,953	Deferred tax credit / (expense)		13,922	1,747
Deferred tax asset	7	35,587	21,665	Fringe benefit tax		(9,580)	—
Current assets, loans and advances				Wealth tax		(63)	(75)
Cash and bank balances	8	194,755	2,072	Profit after taxation		311,258	171,679
Sundry debtors	9	170,428	120,773	Accumulated profit brought forward		4,366	70,101
Loans and advances	10	189,011	145,171	Amount available for appropriation		315,624	241,780
		<u>554,194</u>	<u>268,016</u>	Appropriations			
Current liabilities and provisions				Final dividend proposed		72,074	185,211
Current liabilities	11	(434,289)	(184,233)	Interim Dividend		154,960	—
Provisions	12	(179,845)	(211,187)	Tax on dividend		31,841	26,451
		<u>(614,134)</u>	<u>(395,420)</u>	Transfer to general reserve		31,137	17,168
Net current assets/(liabilities)		(59,940)	(127,404)	Transfer to contingency reserve		15,568	8,584
Miscellaneous expenditure	13	—	—	Transfer to capital redemption reserve		5,025	—
(to the extent not written off or adjusted)						<u>310,605</u>	<u>237,414</u>
		<u>571,571</u>	<u>761,687</u>	Balance profit carried forward		5,019	4,366
Significant accounting policies	2			Earnings per Share of face value of Rs 10 each – Basic and Diluted (in Rs)	21	16.82	9.27
Notes to the accounts	18-29			Significant accounting policies	2		
				Notes to the accounts	18-29		

The schedules referred to above form an integral part of this balance sheet.
As per our report of even date attached

For BSR & ASSOCIATES
Chartered Accountants
AKEEL MASTER
Partner
Membership No. 046768
Mumbai, June 15, 2006

For and on behalf of the Board

K. V. KAMATH
Chairman
PANKAJ RAZDAN
Managing Director

AJAY SRINIVASAN
Director
RANGANATH ATHREYA
Company Secretary

KALPANA MORPARIA
Director

cash flow statement



for the year ended March 31, 2006

	(Rs. '000)	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before taxation	474,311	263,712
Adjustment for:		
Depreciation	51,540	33,382
Interest income	(160)	(141)
Investment income (dividend)	(16,089)	(21,750)
Amortisation of miscellaneous expenditure	—	203
Profit on sale of investments (net)	(14,958)	(847)
Profit on sale of fixed assets (net)	(126)	(64)
	20,207	10,783
Operating profit before working capital changes	494,518	274,495
(Increase)/ Decrease in sundry debtors	(49,655)	12,962
(Increase)/ Decrease in loans and advances	(44,814)	(63,568)
Increase/ (Decrease) in current liabilities and provisions	69,699	(12,856)
Cash generated from working capital changes	(24,770)	(63,462)
Interest received on loans to employees	160	141
Income tax paid net of income tax refunds	(176,002)	(110,721)
	(200,612)	(174,042)
Net cash generated from/(used) in operating activities (A)	293,906	100,453
Cash Flow from investing activities		
Purchase of fixed assets	(49,385)	(70,729)
Advance for purchase of fixed assets	(1,229)	(7048)
Proceeds from sale of fixed assets	481	1,077
Investment income (dividend)	16,089	21,750
Purchase of mutual fund units	(3,546,308)	(2,651,682)
Proceeds from sale of mutual fund units	3,831,488	2,737,556
Net cash generated from/(used) in investing activities (B)	251,136	30,924
Cash Flow from financing activities		
Buyback of shares	(123,675)	—
Final dividend paid	(185,211)	(185,211)
Interim dividend paid	(79,030)	—
Tax on dividend paid	(25,976)	—
Net cash generated from/ (used) in financing activities (C)	(413,892)	(185,211)
Net increase in cash and cash equivalents (A) + (B) + (C)	131,150	(53,834)
Cash and cash equivalents at beginning of year		
Cash and bank balances	2,072	19,070
Book Overdraft	(36,836)	—
	(34,764)	19,070
Cash and cash equivalents at end of year		
Cash and bank balances	194,755	2,072
Book Overdraft	(98,369)	(36,836)
	96,386	(34,764)

The schedules referred to above form an integral part of this balance sheet.
As per our report of even date attached

For BSR & ASSOCIATES
Chartered Accountants

AKEEL MASTER
Partner
Membership No. 046768
Mumbai, June 15, 2006

For and on behalf of the Board

K. V. KAMATH
Chairman

PANKAJ RAZDAN
Managing Director

AJAY SRINIVASAN
Director

RANGANATH ATHREYA
Company Secretary

KALPANA MORPARIA
Director

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BACKGROUND

Prudential ICICI Asset Management Company Limited ('the Company') was incorporated on June 22, 1993.

The principal shareholders of the Company as at March 31, 2006 are ICICI Bank Limited (51%) and Prudential Plc (49%) (through its wholly owned subsidiary Prudential Corporation Holdings Limited).

The principal shareholders of the Company and their respective shareholding percentage till August 25, 2005 were: Prudential Plc (55%) (through its wholly owned subsidiary Prudential Corporation Holdings Limited), ICICI Bank Limited (30%) and ICICI Venture Funds Management Company Limited (15%). There was a change in shareholding pattern on August 25, 2005 wherein 6% of the paid-up equity share capital of the Company (held by Prudential Plc) was transferred to ICICI Bank Limited. In addition, the 15 % of the shares of the Company held by ICICI Venture Funds Management Company Limited have also been transferred to ICICI Bank Limited.

The Company's principal activity is to act as an investment manager to Prudential ICICI Mutual Fund ('the Fund') and to provide Portfolio Management Services ('PMS') to clients under SEBI (Portfolio Managers) Regulations, 1993. The Company is registered with Securities and Exchange Board of India ('SEBI') under SEBI (Mutual Funds) Regulations, 1996. The Company manages the investment portfolios of the Fund and provides various administrative services to the Fund and Prudential ICICI Trust Limited as laid down in the Investment Management Agreement dated December 3, 1993.

SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

The accompanying financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956 to the extent applicable. The financial statements are presented in Indian rupees rounded off to the nearest thousand.

The preparation of the financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any revision to accounting estimates is recognised prospectively in current and future periods.

1.2 FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at cost of acquisition less accumulated depreciation. Cost includes all expenses incidental to the acquisition of the fixed assets. Depreciation on fixed assets other than leasehold improvements and software development and licensing costs is provided on written down value method based on the economic lives of the assets as estimated by the management.

The depreciation rates prescribed in Schedule XIV to the Companies Act, 1956 are considered as minimum rates. If the management's estimate of the useful life of the fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid Schedule XIV, depreciation is provided at a higher rate based on the management's estimate of the useful life / remaining useful life. Pursuant to this policy depreciation is provided based on the economic lives of assets as estimated by management, which are as follows:

Furniture and fixtures	8 years
Office equipment	5 years
Computers	3 years
Vehicles	4 years

Leasehold improvements are amortised over the primary period of the lease on straight-line basis.

Intangible assets comprising of software purchased / developed and licensing costs are depreciated on straight line basis over the useful life of the software up to a maximum of three years commencing from the month in which such software is first utilised.

Assets individually costing Rs. five thousand or less are fully depreciated in the year of purchase/ acquisition.

The Company provides pro-rata depreciation from the day the asset is put to use and for any asset sold, till the date of sale.

1.3 IMPAIRMENT OF ASSETS

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash-generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

1.4 INVESTMENTS

Purchase and sale of investments are recorded on trade date. The gains/ losses on sale of investments are recognised in the profit and loss account on the trade day. Profit or loss on sale of investments is determined on the basis of First In First Out ('FIFO') basis.

Investments are classified as long term or current based on intention of the management at the time of purchase.

Long-term investments are carried at carrying cost less any other than temporary diminution in value, determined separately for each individual investment.

Current investments are valued at the lower of cost or net realisable value. The comparison of cost and net realisable value is done separately in respect of each individual investment.

1.5 REVENUE RECOGNITION

Management fees

Investment Management and Portfolio Management fees (inclusive of service tax) are recognised on an accrual basis in accordance with the respective terms of contract between the Company, Prudential ICICI Trust Limited, Portfolio Management Scheme ('PMS') Clients and Securities Exchange Board of India ("SEBI") regulations.

Income on Asset Shield products under PMS is accrued over the term. The unaccrued portion of income is carried forward as a current liability.

Other Income

Interest income is accounted on an accrual basis.

Dividend income is recognised when the right to receive dividend is established.

1.6 TRANSACTIONS IN FOREIGN CURRENCY

Transactions in foreign currency are recorded at the exchange rate prevailing on the dates of transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the profit and loss account of the year. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date; the resultant exchange differences are recognised in the profit and loss account.

1.7 RETIREMENT BENEFITS

The Company expenses its contribution to the Statutory Provident Fund, a defined contribution scheme, made at 12% of the basic salary plus leave encashment of each employee. Benefits in respect of gratuity, a defined benefit scheme, and superannuation, a defined contribution scheme, as applicable to employees of the Company are annually funded with the Life Insurance Corporation of India ('LIC'). The profit and loss account charge for gratuity on an annual basis is based on an actuarial valuation determined by the LIC.

1.8 MISCELLANEOUS EXPENDITURE

Expenses incurred in respect of registration and stamp duty for premises taken on leases are amortised over the lease period.

1.9 INITIAL PUBLIC OFFER EXPENSES

Expenses relating to initial public offer for no load schemes of the fund are charged to profit and loss account in the year in which these are incurred. Similarly, expenses incurred by the Company for initial public offers for load schemes in excess of the entry load collected are also charged to the profit and loss account in the year in which such expenses are incurred.

1.10 BROKERAGE AND INCENTIVES

Brokerage and incentives paid on the subscriptions raised during the initial offer period of the first three open ended schemes of the Fund offering benefits under Section 54EB of the Income tax Act, 1961 are

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charged to profit and loss account over the period of eighty four months.

Brokerage on Asset Shield products under PMS are amortised over the term. The unamortised portion of the brokerage is carried forward as prepaid expense.

All other brokerage and incentive payments are charged to profit and loss account when incurred.

1.11 PRU POINTS

The Company has accounted for the Pru points (included under administrative and other expenses) compiled by each agent on sales generated by them during the year on an accrual basis.

1.12 LONG TERM INCENTIVE PLAN ('LTIP')

The Company allocates LTIP cost to the expenses of each accounting period between the date of inception of the LTIP plan and the exercise/ payment date. For the purpose of allocation, LTIP cost is estimated based on the amounts expected to be paid to employees under the scheme based on the performance of the Company. The amount so estimated is apportioned on a pro rata basis over the life of the plan.

In prior years, the LTIP cost was estimated as of the end of each accounting year by multiplying the number of units awarded in the respective plan by the increase in price of the respective LTIP unit and the same was apportioned on a pro rata basis over the life of the plan, this was due to the fact that in prior years it was a unit base scheme. However, during the year, the LTIP plan was changed and the concept of unit based LTIP was replaced by absolute amounts resulting in a consequent change in the method of estimation of LTIP costs.

1.13 LOYALTY REWARD SCHEME

Loyalty bonus cost is estimated based on the amounts expected to be paid to employees under the scheme. The amount so estimated is apportioned on a pro rata basis over the life of the scheme.

1.14 FUND EXPENSES

Expenses incurred (inclusive of advertisement/brokerage expenses) on behalf of schemes of Prudential ICICI Mutual Fund are recognised to the profit and loss account unless considered recoverable from the schemes of the Fund in accordance with the provisions of SEBI (Mutual Fund) Regulations, 1996.

1.15 OPERATING LEASES

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as Operating Leases. Operating Lease rentals are recognised as an expense over the lease period.

1.16 INCOME TAX

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income tax law), fringe benefit tax and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). Provision for Income Tax is recognised on an annual basis under the taxes payable method, based on the estimated tax liability computed after taking credit for allowances and exemption in accordance with Indian Income Tax Act, 1961. In case of matters under appeal due to disallowance or otherwise, full provision is made when the said liabilities are accepted by the Company.

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

1.17 EARNINGS PER SHARE

The basic earnings per share is computed by dividing the net profit attributable to the equity shareholders by weighted average number of equity shares outstanding during the reporting year.

Number of equity shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also weighted average number of equity shares which would have been issued on the conversion of all dilutive potential shares. In computing diluted earnings per share only potential equity shares that are dilutive are included.

1.18 CONTINGENCIES

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

(Rs. in '000s) 2005

SCHEDULE - 3

SHARE CAPITAL

Authorised share capital

25,000,000 equity shares of Rs 10 each. 250,000 250,000

Issued, subscribed and paid-up capital

18,018,552 (Previous year 18,521,111) equity shares of Rs 10 each, fully paid up. 180,186 185,211

(Of the above 9,189,362 equity shares of Rs 10 each are held by ICICI Bank Limited, the Holding Company).

(Previous year 10,186,611 equity shares of Rs 10 each were held by Prudential Corporation Holdings Limited, the Holding Company).

(During the year, the Company bought back 502,559 equity shares of Rs 10 each @ Rs 482.53 by utilising free reserves).

SCHEDULE - 4

RESERVE AND SURPLUS

Share Premium

Balance at the beginning of the year 459,719 459,719
Additions/(Utilisation) during the year for the purpose of buyback of equity shares (237,474) —
222,245 459,719

General Reserve

Balance at the beginning of the year 90,168 73,000
Add: Transfer from profit and loss account 31,137 17,168
Balance at the end of the year 121,305 90,168

Contingency Reserve*

Balance at the beginning of the year 22,223 13,639
Add: Transfer from profit and loss account 15,568 8,584
Balance at the end of the year 37,791 22,223

Total balance in General Reserve at the end of year

159,096 112,391

Capital Redemption Reserve

Balance at the beginning of the year — —
Add: Transfer from profit and loss account (created for the purpose of buyback of equity shares) 5,025 —
Balance at the end of the year 5,025 —

Surplus in Profit and Loss Account

Balance at the end of the year 5,019 4,366

Total Reserves & Surplus

391,385 576,476

Note: * The Contingency Reserve is a free reserve, created voluntarily by the Company, by transferring up to 5% of the profits at the end of each statutory year subject to a balance of Rs 50,000 thousand.

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SCHEDULE - 5

FIXED ASSETS

(Rs in '000s)

Description	Leasehold Improvements	Furniture and fixtures	Office equipments	Computers	Intangible Assets	Vehicles	Total	Previous year
Cost								
At April 1, 2005	45,734	7,971	45,079	89,567	24,796	11,659	224,806	173,275
Additions	5,741	1,870	7,737	12,495	15,397	6,145	49,385	71,645
Deletions	—	—	(186)	(4,181)	—	(2,354)	(6,721)	(20,114)
At March 31, 2006	51,475	9,841	52,630	97,881	40,193	15,450	267,470	224,806
Accumulated Depreciation								
At April 1, 2005	19,726	1,433	30,213	74,393	15,132	6,484	147,381	133,102
Charge for the year	14,304	2,558	9,060	13,559	8,185	3,874	51,540	33,382
Deletions	—	—	(179)	(4,162)	—	(2,025)	(6,366)	(19,103)
At March 31, 2006	34,030	3,991	39,094	83,790	23,317	8,333	192,555	147,381
Net Book Value								
At March 31, 2006	17,445	5,850	13,536	14,091	16,876	7,117	74,915	77,425
At March 31, 2005	26,008	6,538	14,866	15,174	9,664	5,175	77,425	

(Rs. in '000s) 2005

(Rs. in '000s) 2005

SCHEDULE - 6

INVESTMENTS

A. Long term investments

Non trade, Quoted (at cost)

Mutual Fund units

1,266.260 Units (Previous Year 1,266.260) in Prudential ICICI Institutional Income Plan Growth

25 25

506,612.820 Units (Previous Year 15,174,105.000) in Prudential ICICI Floating Rate Plan B – Growth Option

5,219 154,941

339,420.590 Units (Previous Year 193,612.920) in Prudential ICICI Long Term Plan – Cumulative

4,600 2,600

26,002,500.000 Units (Previous year 26,502,500.000 units) in Prudential ICICI Fixed Maturity Plan

260,025 265,025

Nil units (Previous year 302,657.970) in Prudential ICICI Short Term Institutional Plan Dividend Option.

— 3,279

Nil Units (Previous Year 9,294,803.280) in Prudential ICICI Cautious Plan

— 100,000

Nil Units (Previous Year 15,794,613.140) in Prudential ICICI Gilt Fund Treasury Plan PF Option

— 165,000

10,358,939.140 units (Previous year Nil units) in Prudential ICICI Blended Plan A – Dividend Option

105,282 —

24,027.140 units (Previous year Nil units) in Prudential ICICI Index Fund – Nifty Plan

500 —

375,651 690,870

Trade, Unquoted (at cost)

Equity Shares

Nil equity shares (Previous Year 1,890,756) of Rs 33.32 each in Way2Wealth Securities Limited

— 63,000

Total Long Term Investments

375,651 753,870

B. Current investments (valued at cost or net realisable value whichever is lower)

Non trade, Quoted

Mutual Fund Units

6,244,969.670 units (Previous Year 2,359,126.260) in Prudential ICICI Sweep Plan

74,081 26,780

Nil Units (Previous Year 194,091.280) in Prudential ICICI Liquid Institutional Plus – Weekly Dividend Option

— 2,303

74,081 29,083

Trade, Unquoted (at cost)

Equity Shares

1,890,756 equity shares (Previous Year Nil) of Rs 33.32 each in Way2Wealth Securities Limited #

63,000 —

Total Current Investments

137,081 29,083

512,732 782,953

Aggregate value of Quoted Investments – others [(net asset value/ market value Rs 464,966) (Previous year Rs. 727,562)]

449,732 719,953

Aggregate value of unquoted Investments

63,000 63,000

512,732 782,953

Investment in equity shares of Way2Wealth Securities Limited have been classified under Current Investments as management has entered into a "Share sale and purchase agreement", in November 2005, in respect of these investments, which has been concluded in April 2006.

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	(Rs. in '000s)		2005		(Rs. in '000s)		2005	
Statement showing purchases and redemption of investments (in units)								
	(Numbers In Units)							
	Purchase	Redeemed	Purchase	Redeemed				
Scheme								
Long Term Investments								
Prudential ICICI Long Term Plan-Cumulative	145,807.670	—	193,612.922	45,854.383				
Prudential ICICI Income Institutional Plan Dividend Option	—	—	171,031.665	20,721,244.926				
Prudential ICICI Fixed Maturity Plan	8,500,000.000	9,000,000.000	22,533,840.000	3,043,840.000				
Prudential ICICI Gilt Investment Plan Dividend Option	7,705,027.810	7,705,027.810	14,422,439.179	14,422,439.179				
Prudential Floating Rate Fund Prudential ICICI Short Term Institutional Plan Dividend option	7,382,168.376	7,684,826.346	474,638.057	18,111,886.477	689,579.915	30,280,286.230		
Prudential ICICI Institutional Income Plan – Growth	—	—	1,266.259	—				
Prudential ICICI Gilt Fund Treasury Plan PF Option	—	15,794,613.140	39,890,998.142	24,096,385.000				
Prudential ICICI Plan 1 Year Plus – Growth (Direct)	—	—	2,500.000	—				
Prudential ICICI Cautious Plan	—	9,294,803.280	9,294,803.275	—				
Prudential ICICI Floating Rate Fund Plan B	11,185,456.310	25,852,948.490	—	—				
Prudential ICICI Floating Rate Fund Plan B	58,913,253.820	58,913,253.820	58,554,934.429	43,380,829.427				
Prudential ICICI Services Industries Fund Growth Option	4,401,408.450	4,401,408.450	—	—				
Prudential ICICI Blended Plan A Dividend Option	18,157,394.240	7,798,455.100	—	—				
Prudential ICICI Index Nifty Plan	24,027.140	—	—	—				
Prudential ICICI Flexible Income Plan Dividend	3,295,482.360	3,295,482.360	—	—				
Current Investments								
Prudential ICICI Sweep Plan	146,907,737.370	143,021,893.960	19,755,441.286	17,396,315.027				
Prudential ICICI Liquid Institutional Plan Dividend Option	844,394.910	844,394.910	18,447,569.153	18,564,317.000				
Prudential ICICI Liquid Institutional Plus	14,765,186.070	14,959,277.350	59,588,721.203	59,394,629.922				
Prudential ICICI Liquid Plan Institutional Plus – Daily Dividend	6,340,108.280	6,340,108.280	—	—				
Prudential ICICI Liquid Plan Super Inst Weekly Dividend	35,136,273.370	35,136,273.370	—	—				

(Rs. in '000s) 2005

SCHEDULE - 7

DEFERRED TAX ASSET

On account of timing differences in		
Depreciation on fixed asset	14,830	9,381
Employee compensation	20,757	12,284
Deferred tax asset	<u>35,587</u>	<u>21,665</u>

SCHEDULE - 8

CASH AND BANK BALANCES

Cash in hand	—	—
Balance with scheduled banks		
- in current accounts	194,755	2,072
	<u>194,755</u>	<u>2,072</u>

SCHEDULE - 9

SUNDRY DEBTORS

Unsecured

Debts outstanding for a period exceeding six months

a) Considered good	—	52
b) Considered doubtful	843	—

Other debts

Considered good

Management fees from :

– Schemes of Mutual Fund

– PMS Clients*

Less : Provision for doubtful debts

	51,104	78,624
	119,324	42,097
	(843)	—
	<u>170,428</u>	<u>120,773</u>

* Includes an amount of Rs. Nil (Previous year Rs. 36) due from a Director. Maximum amount due by the Director at any time during the year Rs 36 (Previous year Rs. 1,014).

SCHEDULE - 10

LOANS AND ADVANCES

(Unless otherwise stated – unsecured and considered good)

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

Staff loans	110,881	59,929
Prepaid expenses	3,200	3,443
Sundry deposits	15,243	18,452
Advance tax (net of provision)	55,953	58,639
Advances considered doubtful or bad	3,734	4,708
Less : Provision for doubtful advances	1,079	—
	(1,079)	—
	<u>189,011</u>	<u>145,171</u>

SCHEDULE - 11

CURRENT LIABILITIES

Sundry creditors*	129,748	39,180
Book overdraft	98,369	36,836
Statutory dues	22,123	24,116
Income received in advance	877	5,467
Accrued expenses	183,172	78,634
	<u>434,289</u>	<u>184,233</u>

(*Of the above, Rs 97,506 (Previous year Rs Nil) is payable to Prudential Corporation Holdings Limited towards Buyback of Shares)

SCHEDULE - 12

PROVISIONS

Provision for proposed final dividend	72,074	185,211
Provision for interim dividend	75,930	—
Provision for tax on dividend	31,841	25,976
	<u>179,845</u>	<u>211,187</u>

SCHEDULE - 13

MISCELLANEOUS EXPENDITURE

(to the extent not written off)

Registration and stamp duty expenses		
Opening balance	—	203
Less: Written off during the year	—	203
	<u>—</u>	<u>—</u>

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(Rs. in '000s) 2005

SCHEDULE - 14

MANAGEMENT FEES

Fees from mutual fund operations [Tax Deducted at Source Rs. 63,008 (Previous year Rs. 45,352)]	1,106,579	870,991
Fees from PMS operations [Tax Deducted at Source Rs. 1,101 (Previous year Rs. 3,157)]	276,966	126,571
	1,383,545	997,562

SCHEDULE - 15

MISCELLANEOUS INCOME

Interest on loans to employees	160	141
Profit on sale of fixed assets (net)	126	64
Others	50	35
	336	240

SCHEDULE - 16

EMPLOYEE COSTS

Salaries, bonus and allowances	313,552	220,731
Contribution to provident and other funds	13,005	9,629
Staff welfare	7,059	4,589
	333,616	234,949

SCHEDULE - 17

ADMINISTRATIVE AND OTHER EXPENSES

Brokerage and incentives (Refer Schedule 2.10)	145,528	126,393
Service tax	127,796	84,694
Rent	44,758	41,808
Communication expenses	36,101	42,834
Travelling and conveyance	32,073	27,929
Fund Accounting Expenses-PMS	25,335	17,470
Legal and professional fees	15,902	15,878
Information Technology	13,751	3,914
Electricity	12,772	8,034
Insurance	10,457	8,677
Books, periodicals and subscriptions	10,055	6,524
Repairs and maintenance		
Equipment	6,148	4,545
Building	10	72
Others	3,336	4,762
Marketing advertisement and publicity	7,941	38,774
Printing and stationery	7,761	6,435
Training	7,443	7,171
Recruitment and consultancy services	6,468	7,131
Entertainment	5,803	4,437
Motor car expenses	3,967	2,926
Provision for bad and doubtful debts and advances	1,922	-
Rates and taxes	1,675	1,427
Auditors remuneration:		
– Audit fees (including interim audits)	1,094	980
– Tax matters	—	-
– Other matters	124	-
– Reimbursement of out of pocket expenses	54	49
Directors sitting fees	500	380
Miscellaneous expenditure written off	—	203
Miscellaneous expenses	26,687	24,909
	555,461	488,356

SCHEDULE - 18

OPERATING LEASES

Generally the Company takes premises on lease for a tenure of 36 months. As per the term of the leases all maintenance charges and municipal levies are borne by the lessee. All lease agreements have a clause for renewing the lease for a similar tenure.

The total future liability of all operating leases is as given below:

	In less than a year		In 1 year to 5 years		In more than 5 years	
	2006	2005	2006	2005	2006	2005
Total future lease payments	52,573	40,571	25,701	36,690	—	—

The total lease payments recognized in the profit and loss account towards the above referred leases amount to Rs 44,758 (Previous year Rs 41,808)

SCHEDULE - 19

SEGMENTAL REPORTING

The Company's operations predominantly relate to providing asset management services. It acts as an investment manager to schemes launched by Prudential ICICI Mutual Fund. As part of asset management service, it also provides portfolio management services (PMS) to corporates and high networth individuals. Accordingly, the asset management business can be split into Mutual Funds and Portfolio Management Services as primary reporting segments.

Secondary segment reporting does not require separate disclosure as all activities of the Company are within India.

The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income and expenditure of individual segments. These are set out in the Schedule 2 to the financial statements.

Income and direct expenses in relation to segments are categorized based on items that can be individually identifiable to that segment. Certain expenses such as depreciation, etc are not specifically allocable to specific segments as the underlying services are used interchangeably. The Company believes that it is not practical to provide segment disclosures relating to such items, and accordingly they are separately disclosed as "unallocable expenses" and directly charged against total income.

Fixed assets used in the company's business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments. Current assets and current liabilities to the extent directly identifiable to a segment have been categorized, others have been shown as "unallocable" in the total column. Other balance sheet items such as investments, secured loan and deferred tax asset are similarly not allocated to segments.

Primary segment information

	Mutual Fund		Portfolio Management		Total	
	2006	2005	2006	2005	2006	2005
Segment Revenue						
Management fees	1,106,579	870,991	276,966	126,571	1,383,545	997,562
Inter Segment revenue	—	—	—	—	—	—
Total Segment revenue	1,106,579	870,991	276,966	126,571	1,383,545	997,562
Identifiable operating expenses	(228,863)	(230,555)	(216,936)	(78,361)	(445,799)	(308,916)
Segmental operating income	877,716	640,436	60,030	48,210	937,746	688,646
Unallocable expense					(494,818)	(447,771)
Operating income					442,928	240,875
Other income net of other expenses					31,383	22,837
Net Profit before taxation					474,311	263,712
Provision for income tax					(167,332)	(93,705)
Deferred tax credit / (expense)					13,922	1,747
Fringe benefit tax					(9,580)	—
Wealth tax					(63)	(75)
Net profit after tax					311,258	171,679
Segment assets and liabilities						
Allocable current assets	139,538	120,290	119,853	46,108	259,391	166,398
Unallocable current assets					294,803	101,618
Total current assets	139,538	120,290	119,853	46,108	554,194	268,016
Current liabilities and provisions	51,656	24,618	54,400	22,098	106,056	46,716
Unallocable current liabilities and provisions					508,078	348,704
Total current liabilities and provisions	51,656	24,618	54,400	22,098	614,134	395,420

SCHEDULE - 20
RELATED PARTY INFORMATION

- Related parties where control exists
ICICI Bank Limited – Holding Company.
- Other related parties with whom transactions have taken place during the year
Prudential Plc, England – Holds significant influence in the Company.
Prudential Corporation Holdings Limited, England – Holds significant influence in the Company.
Way2Wealth Securities Pvt. Limited – Associate
Prudential ICICI Trust Limited – Fellow Subsidiary
Prudential ICICI Mutual Fund – Sponsored by the ICICI Bank Limited, the holding Company and Prudential Corporation Holdings Limited, an entity holding significant influence in the Company.
Prudential Corporation Asia Limited, Hong Kong – Associate
ICICI Lombard General Insurance Company Limited – Fellow Subsidiary
Prudential Unit Trust Berhad – Fellow Associate
Prudential Asset Management (Singapore) Limited – Fellow Associate
CITIL Prudential Fund Management Company Limited (China) – Fellow Associate
PCA Investment Trust Management Company Limited (Korea) – Fellow Associate
PCA Securities Investments Trust Company Limited (Taiwan) – Fellow Associate
PCA Asset Management Limited (Japan) – Fellow Associate

Note:

1. The Prudential entities were fellow subsidiaries till August 25, 2005. On account of the change in shareholding (Refer Schedule 1) they are now fellow associates of the Company.
2. ICICI Lombard General Insurance Company Limited was a fellow associate till 25 August 2005. On account of change in shareholding (Refer Schedule 1) it is now a fellow subsidiary of the Company.

Key management

- K. V. Kamath - Chairman
- Kalpana Morparia - Director
- Ajay Srinivasan - Director
- Mark Norbom - Director
- B R Gupta - Director
- Karna Singh Mehta - Director
- Dadi Engineer - Director
- Dr. Swati A. Piramal - Director
- Shikha Sharma - Director
- Pankaj Razdan - Managing Director
- Pradip Shah – Director (resigned w.e.f. March 6, 2006)
- N.S.Kannan – Director (resigned w.e.f. October 27, 2005)
- Ananda Mukherji – Director (resigned w.e.f. April 25, 2005)
- Nilesh Shah – Chief Investment Officer
- Vasant Sanzgiri – Sr. Vice President and Head- HR (South East Asia)
- Shahzad Madon – Sr. Vice President - Portfolio Management Services
- Ranganath Athreya – Sr. Vice President – Compliance, Legal and Company Secretary
- B. Ramakrishna – Chief Financial Officer
- Kalyan Prasath – Vice President Information Technology
- Ashok Suvarna – Vice President Operations
- Akshay Gupta - Vice President Sales
- Sumit Sirsikar - Vice President Marketing

Relatives of Key Management Personnel

- Sonia Razdan, Wife of Pankaj Razdan, Managing Director

- An amount of Rs 500 (Previous year Rs 380) has been paid to Directors as Directors sitting fees.
- Total remuneration paid to the Managing Director is as given in Schedule 26. Remuneration paid to other key management was Rs 48,023 (Previous year Rs 41,138) in the year.
- An amount of Rs 6,196 (Previous year Rs 815) has been incurred towards expenses on behalf of Prudential Corporation Asia Limited, Hong Kong (PCA). An amount of Rs 11,979 (Previous year Rs 6,191) has been incurred by PCA on behalf of PIAMC. Rs 1,552 (Previous year receivable Rs 4,231) is payable to PCA.
- An amount of Rs 38,042 (Previous year Rs 24,908) was incurred and payable to ICICI Bank Limited towards usage of their network/facilities, Pru Chairman awards, brokerage and reimbursement of expenses incurred on our behalf. Rs 1,432 (Previous year Rs 170) is payable to ICICI Bank Limited.
- Of the total amount of personal loans outstanding from employees, an amount of Rs 74 (Previous year Rs 132) is due from key management personnel included in the list above. Maximum amount outstanding at any time during the year was Rs. 132 (Previous year Rs 203). Rs Nil (Previous year Rs 100) was given to Key Managerial personnel as personal loan. Amount repaid during the year is Rs 58 (Previous year Rs 40).
- An amount of Rs 101,866 (Previous year Rs 101,866) was paid to Prudential Corporation Holdings Limited, England towards final dividend for the FY 2004-2005. An amount of Rs 75,930 is payable towards interim dividend for the FY 2005-2006 and Rs. 35,316 is payable towards final dividend for FY 2005-2006.
- An amount of Rs 83,345 (Previous year Rs 55,377) was paid to ICICI Bank Limited, towards final dividend for the FY 2004-2005. An amount of Rs 79,030 (Previous year Rs. Nil) was paid towards interim dividend for the FY 2005-2006 and Rs. 36,758 is payable towards Final Dividend for the FY 2005-2006.
- An amount of Rs 123,675 has been paid to ICICI Bank Limited towards buyback of shares. An amount of Rs 118,825 is payable to Prudential Corporation Holdings Limited towards buyback of shares, which includes an amount of Rs 21,319 being tax deducted at source.
- An amount of Rs 418 (Previous year Rs 324) has been charged towards fees for PMS services rendered to a relative of key managerial personnel. An amount of Rs 114 (Previous year Rs 90) is receivable.
- An amount of Rs Nil (Previous year Rs Nil) has been accrued towards fees for PMS services rendered to Directors. An amount of Rs Nil (Previous year Rs 36) is receivable.
- An amount of Rs 2,910 (Previous year Rs 2,683) has been incurred towards expenses on behalf of Prudential ICICI Trust Limited. An amount of Rs 2,402 (Previous year Rs 1,590) is receivable from Prudential ICICI Trust Limited.
- Total value of investments in various schemes of Prudential ICICI Mutual Fund (PIMF) is given in Schedule 6. Total value of purchases during the year Rs 3,546,308 (Previous year Rs 2,651,682) and total value of units redeemed during the year Rs 3,831,488 (Previous year Rs 2,737,556).
- The AMC has earned dividend income of Rs 16,089 (Previous year Rs 21,750) and net profit from redemption of mutual fund units of Rs 14,958 (Previous year Rs 847) from investments in units of PIMF.
- The AMC has earned Management Fees from schemes of PIMF as mentioned in Schedule 14. Of this an amount of Rs 51,104 (Previous year Rs 78,624) is due from schemes of PIMF.
- An amount of Rs 88,435 (Previous year Rs 41,646) is receivable from various schemes of PIMF towards repayment of expenses incurred on behalf of PIMF and Rs 183 (Previous year Rs 7,636) is payable towards expenses to PIMF towards reimbursement of expenses.
- An amount of Rs 595 (Previous year Rs 111) was paid to Way2Wealth Securities Pvt. Limited towards sales promotion activities & Brokerage.
- The Company has paid Rs 8,635 (Previous year Rs 4,636) to ICICI Lombard General Insurance Company Limited towards employee medical and asset insurance.
- An amount of Rs 146 (Previous year Rs Nil) has been incurred on behalf of Prudential Unit Trust Berhad and Rs 103 (Previous year Rs Nil) is receivable from Prudential Unit Trust Berhad.

schedules

to financial statements for the year ended March 31, 2006

(Rs. in '000s)

2005

- An amount of Rs 8,800 (Previous year Rs Nil) has been incurred by Prudential Asset Management (Singapore) Limited on behalf of PIAMC. An amount of Rs 1,852 (Previous year Rs Nil) has been incurred by PIAMC on behalf of Prudential Asset Management (Singapore) Limited and an amount of Rs 500 (Previous period Rs Nil) is receivable from Prudential Asset Management (Singapore) Limited.
- An amount of Rs 10 (Previous period, Rs Nil) has been incurred on behalf of PCA Securities Investments Trust Company Limited (Taiwan) and Rs 10 (Previous year Rs Nil) is receivable from PCA Investment Trust Management Company Limited (Korea).
- An amount of Rs 35 (Previous period, Rs Nil) has been incurred on behalf of PCA Securities Investments Trust Company Limited (Taiwan) and Rs 35 (Previous year Rs Nil) is receivable from PCA Securities Investments Trust Company Limited (Taiwan).
- An amount of Rs 115 (Previous period, Rs Nil) has been incurred by PCA Asset Management Limited (Japan) on behalf of PIAMC and Rs Nil (Previous year Rs Nil) is payable to PCA Asset Management Limited (Japan).
- An amount of Rs 18 (Previous period, Rs Nil) has been incurred on behalf of CITIL Prudential Fund Management Company Limited (China) and Rs 18 (Previous year Rs Nil) is receivable from CITIL Prudential Fund Management Company Limited (China).

(Rs. in '000s)

2005

SCHEDULE - 21

EARNINGS PER SHARE ('EPS')

EPS is computed in accordance with AS 20 issued by the Institute of Chartered Accountants of India ('ICAI').

Profit after taxation	311,258	171,679
Weighted Average Number of equity shares outstanding during the year (in units)	18,508,719	18,521,111
Basic and diluted EPS of face value Rs 10 each (In Rs)	16.82	9.27

SCHEDULE - 22

PROVISION FOR LONG TERM INCENTIVE PLAN ('LTIP')

The details of the provision are as under:

Opening Balance	19,994	18,379
Additional provision during the year	30,101	27,280
Amount used during the year	(14,030)	(13,904)
Unused amount reversed	—	(11,761)
Closing Balance	36,065	19,994

The above provisions are based on current estimates and may vary in future depending upon the number of employees exiting the scheme and profitability of the company based on which value of the units is determined.

SCHEDULE - 23

CAPITAL COMMITMENTS

As at March 31, 2006, the Company had capital commitments amounting to Rs 15,245 (Previous year Rs 1,263) for which no provision is required to be made.

SCHEDULE - 24

EXPENDITURE IN FOREIGN CURRENCY

Training	972	780
Advertisements	181	-
Communication expenses	1,311	514
Information technology	649	584
Travelling	33	253
Professional and consultancy fees	4	-
	3,150	2,131

An amount of Rs 6,774 (Previous year Rs Nil) was remitted towards capital expenditure.

Note : The above disclosure is made on cash basis.

SCHEDULE - 25

INCOME TAX

The current period tax provision is shown after adjustment of net excess tax provision for the previous years to the extent of Rs Nil (Previous year Rs 96)

SCHEDULE - 26

MANAGERIAL REMUNERATION

Remuneration to Managing Director:		
Salary and allowances	15,805	11,382
Company's contribution to provident fund	561	497
Perquisites (Fair value as estimated by the management)	1,391	1,094
	17,757	12,973

Provision for contribution to employee retirement / post retirement and other employee benefits which are based on actuarial valuation done on an overall Company basis are excluded above. Bonus for the period up to December 2005 and Long Term Incentive Plan ('LTIP') to the extent actually paid up to March 31, 2006 have been included in the above figures. Bonus for the period January to March 2006 and Long Term Incentive Plan ('LTIP') not yet paid have been excluded in the above figures as provision for the same have been made at an overall company level.

Computation of net profit in accordance with Section 349 of the Companies Act, 1956 has not been given since no commission is payable.

SCHEDULE - 27

REMITTANCES IN FOREIGN CURRENCY ON ACCOUNT OF DIVIDEND TO NON RESIDENT SHAREHOLDERS

Amount Remitted	101,866	101,866
No. of non resident shareholders	1	1
No. of shares held	10,186,611	10,186,611
Dividend for the year	2004-2005	2003-2004

SCHEDULE - 28

DISCLOSURE UNDER PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956

Disclosure under Part II of Schedule VI to the Companies Act, 1956, has been made to the extent applicable to the Company.

SCHEDULE - 29

PRIOR YEAR COMPARATIVES

Prior year comparatives have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

