

ICICI INVESTMENT MANAGEMENT COMPANY LIMITED

8TH ANNUAL REPORT AND ACCOUNTS 2007-2008

Directors

Chanda D. Kochhar, *Chairperson*
Chandrashekhar Lal
Ashish Dalal

Auditors

S. B. Billimoria & Co.
Chartered Accountants

Priya Nair
Company Secretary

Registered Office

ICICI Bank Towers
Bandra-Kurla Complex
Mumbai - 400 051

directors' report

to the members

Your Directors have pleasure in presenting the Eighth Annual Report of the Company with the audited statement of accounts for the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

The summary of the financial results for the year under review is as follows:

	Fiscal 2008	(Rupees) Fiscal 2007
Gross Income	10,243,162	11,281,623
Profit Before Tax	8,664,758	8,796,213
Provision for tax	2,375,000	2,243,172
Profit After Tax	6,289,758	6,553,041
Transfer to Reserves	6,289,758	6,553,041

Your Directors do not recommend payment of dividend for the year ended March 31, 2008.

OPERATIONAL REVIEW

The main object of the Company is to carry on the business of management of mutual funds, unit trusts, offshore funds, pension funds, provident funds, venture capital funds and insurance funds, and to act as managers, consultants, advisors, administrators, attorneys, agents or representatives of or for mutual funds, unit trusts, offshore funds, pension funds, provident funds, venture capital funds or insurance funds formed or established in India or elsewhere by the Company or any other person and to act as financial advisors and investment advisors, and to render such financial management, financial consultancy and advisory services to individuals, companies, corporations, trusts and other entities as supplemental activities of the Company and as do not conflict with the fund management activities. Your Company is the Asset Management Company of ICICI Securities Fund, a Mutual Fund registered with Securities and Exchange Board of India (SEBI). During the year under review, the Board of Directors at its Meeting held on December 26, 2007 approved the setting up of Emerging India Fund ("the Proposed Fund"). Further, your Company has consented to act as Settlor for the domestic Trust and Investment Manager of the Proposed Fund. The Proposed Fund would be settled as an irrevocable domestic determinate trust under the Indian Trusts Act, 1882 ("Trust Act") and registered with the sub-registrar of assurances under the Registration Act. The Fund may seek registration with SEBI as a domestic venture capital fund.

PUBLIC DEPOSITS

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

DIRECTORS

During the year under review, A. J. Advani resigned as a Director of the Company with effect from July 17, 2007. The Board noted the above and placed on record its appreciation towards the services rendered by A. J. Advani during his tenure as Director of the Company.

In terms of the provisions of the Articles of Association of the Company, Ashish Dalal will retire at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

AUDITORS

S. B. Billimoria & Co., Chartered Accountants, Mumbai, will retire as the statutory auditors of the Company at the ensuing Annual General Meeting. The Board at its

Meeting held on April 21, 2008 has proposed their appointment as the auditors to audit the accounts of the Company for the financial year ending March 31, 2009. You are requested to consider their appointment.

FOREIGN EXCHANGE EARNING AND EXPENDITURE

There was no income or expenditure in foreign currency during the period under review.

PERSONNEL AND OTHER MATTERS

Since your Company does not have any employees, provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not applicable.

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.

AUDIT COMMITTEE

The Audit Committee comprised of three independent Directors viz., Chandrashekhar Lal, Ashish Dalal and A. J. Advani. However, A. J. Advani resigned as a Director effective July 17, 2007. Consequently, he ceased to be a Member of the Audit Committee.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- the Directors had 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;
- the Directors had 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
- the Directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

Your Company is grateful to SEBI for its support and advice during the period under review.

The Company would also like to express its gratitude for the support and guidance received from ICICI Bank, the holding company and also from other group companies.

For and on behalf of the Board

CHANDA D. KOCHHAR
Chairperson

Mumbai, April 21, 2008

auditors' report



to the Members of ICICI Investment Management Company Limited

1. We have audited the attached Balance Sheet of ICICI INVESTMENT MANAGEMENT COMPANY LIMITED as at 31st March, 2008, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both 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 the auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 the 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 (CARO) issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we give 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 in paragraph 3 above, we report that :
 - (a) 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;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
- (e) 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:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of written representations from the directors as on 31 March, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March, 2008 from being appointed as a director under Section 274 (1)(g) of the Companies Act, 1956.

For S. B. BILLIMORIA & CO.
Chartered Accountants

P. R. RAMESH
Partner

Membership No. 70928

Mumbai, April 21, 2008

annexure to the auditors' report

(Referred to in paragraph 3 of our report of even date)

1. In our opinion and according to the information and explanations given to us, the nature of the Company's business / activities during the year is such that clauses (i), (ii), (iv), (vi), (viii), (xi), (xii), (xiii), (xv), (xvi), (xviii), (xix) and (xx) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
2. The Company has neither taken nor granted secured or unsecured loans from or to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
3. According to the information and explanations given to us, the Company has not entered into any transactions, which are required to be recorded in the register maintained under Section 301 of the Companies Act, 1956.
4. The Company has an internal audit system, which is commensurate with the size and nature of its business.
5. There are no employees on the payroll of the Company and, therefore, provisions relating to Employees' Provident Fund and Employees' State Insurance Scheme are not applicable to the Company.
6. In respect of statutory and other dues:
 - a. According to the information and explanations given to us, the Company has been regular in depositing undisputed statutory dues including income tax and any other material dues as applicable to the Company, with the appropriate authorities during the year.
 - b. According to the information and explanations given to us, no undisputed amounts payable in respect of the above applicable statutory dues were in arrears as at March 31, 2008 for a period of more than six months from the date they became payable.
 - c. According to the information and explanations given to us, there are no dues in respect of income tax and service tax which have not been deposited on account of any dispute. As explained to us, sales tax, customs duty, wealth tax, excise duty and cess are presently not applicable to the Company.
7. The Company does not have accumulated losses. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
8. Based on our examination of the records and evaluation of related internal controls, proper records of the transactions and contracts in respect of investments made by the Company in shares, securities, etc. have been maintained, and timely entries have been made therein. The shares, securities and other investments are held in the name of the Company.
9. According to the information and explanations given to us and based on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used during the year for long-term investment.
10. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company have been noticed or reported during the year.

For S. B. BILLIMORIA & CO.
Chartered Accountants

P. R. RAMESH
Partner

Membership No. 70928

Mumbai, April 21, 2008

balance sheet

profit and loss account

as at March 31, 2008

for the year ended March 31, 2008

	Schedule	March 31, 2008	(Amount in Rs.) March 31, 2007	Schedule	March 31, 2008	(Amount in Rs.) March 31, 2007	
SOURCES OF FUNDS :				INCOME			
Shareholders' Funds				Interest	6	9,159,859	8,559,311
Share capital	1	100,007,000	100,007,000	Dividend		1,071,934	127,920
Reserves and surplus	2	33,955,421	27,665,663	Profit on sale of investments		11,369	2,594,392
TOTAL		133,962,421	127,672,663	TOTAL INCOME		10,243,162	11,281,623
APPLICATION OF FUNDS :				EXPENDITURE			
Investments				Establishment and other expenses		1,261,118	2,160,891
Investments	3	18,171,263	17,099,488	(Refer note 1)		250,000	250,000
Current assets, loans and advances	4	116,333,210	111,420,757	SEBI fees		49,330	43,302
<i>Less: Current liabilities and provisions</i>	5	<i>542,052</i>	<i>847,583</i>	Auditors' remuneration (Refer note 2)		17,957	31,217
Net Current assets		115,791,158	110,573,175	Other expenses	7	1,578,405	2,485,410
TOTAL		133,962,421	127,672,663	TOTAL EXPENDITURE		8,664,758	8,796,213
				PROFIT BEFORE TAX		2,375,000	2,255,000
				Provision for taxation		—	(11,828)
				Current period tax		2,375,000	2,243,172
				Excess provision for income tax of earlier years written back			
				Profit after tax carried to Balance Sheet		6,289,758	6,553,041
				EARNINGS PER SHARE		0.63	0.66
				Basic and Diluted (Rs.)			
				(Refer note 5)			
Significant accounting policies and notes to accounts	8			Significant accounting policies and notes to accounts	8		

As per our Report of even date attached

For S. B. BILLIMORIA & Co.
Chartered Accountants

P. R. RAMESH
Partner
Membership No. 70928

Mumbai, April 21, 2008

For and on behalf of the Board of Directors

CHANDA D. KOCHHAR
Chairperson

CHANDRASHEKHAR LAL
Director

PRIYA NAIR
Company Secretary

schedules

	(Amount in Rs.)	
	March 31, 2008	March 31, 2007
SCHEDULE 1		
SHARE CAPITAL		
Authorised		
25,000,000 Equity Shares of Rs.10 each	250,000,000	250,000,000
Issued, Subscribed and Paid up¹		
10,000,700 Equity Shares of Rs.10 each fully paid up	100,007,000	100,007,000
	<u>100,007,000</u>	<u>100,007,000</u>
¹ All the above Equity Shares are held by ICICI Bank Limited (the holding company) and its nominees.		
SCHEDULE 2		
RESERVES AND SURPLUS		
Profit and Loss Account		
Opening Balance	27,665,663	21,112,622
Additions during the year	6,289,758	6,553,041
Closing Balance	<u>33,955,421</u>	<u>27,665,663</u>
SCHEDULE 3		
INVESTMENTS		
(i) Investment in equity shares		
Quoted, Fully paid		
Firstsource Solutions Limited (formerly ICICI OneSource Limited) 200 shares @ Rs. 10 each (Market value as on March 31, 2008 Rs. 7,330; March 31, 2007 Rs. 14,450)	2,000	2,000
Unquoted, Fully paid		
ICICI West Bengal Infrastructure Development Corporation Limited 100 shares @ Rs. 10 each	1,000	1,000
Reclamation Real Estate Company (India) Private Limited - 1 share of Rs. 10 each	—	10
ICICI Venture Funds Management Company Limited - 1 share of Rs. 10 each	10	10
(ii) 1,533,159.954 (March 31, 2007: 1,442,715.61 units of ICICI Prudential Institutional Liquid Plan-Daily Dividend Option) units of ICICI Prudential Institutional Liquid Plan-Daily Dividend Option		
	18,168,253	17,096,468
	<u>18,171,263</u>	<u>17,099,488</u>
SCHEDULE 4		
CURRENT ASSETS, LOANS AND ADVANCES		
Current Assets		
Balances with Scheduled Bank		
(a) in Current Account	1,021,287	832,536
(b) in Fixed Deposits	97,452,862	99,952,862
Loans and Advances		
(a) Interest accrued on Fixed Deposits	13,852,536	6,896,769
(b) Tax paid in advance / tax deducted at source (net)	3,791,954	3,729,707
(c) Others	214,571	8,883
	<u>116,333,210</u>	<u>111,420,757</u>
SCHEDULE 5		
CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors		
(a) Payable to ICICI Bank Limited	459,566	749,409
(b) Other liabilities ¹	82,487	98,174
	<u>542,052</u>	<u>847,583</u>
¹ Rs. Nil (March 31, 2007: Rs. Nil; December 31, 2006: Rs. Nil) due to Small Scale Industrial Undertakings		
SCHEDULE 6		
INTEREST INCOME		
(a) Interest on fixed deposits with bank (Gross)	9,159,859	8,545,535
(b) Interest on income tax refund	—	13,776
	<u>9,159,859</u>	<u>8,559,311</u>
SCHEDULE 7		
OTHER EXPENSES		
(a) Directors' sitting fees	6,500	7,500
(b) ROC filing fees	1,400	2,100
(c) Profession Tax	2,000	2,000
(d) Miscellaneous expenses	6,933	19,617
	<u>16,833</u>	<u>31,217</u>
SCHEDULE 8		
ACCOUNTING POLICIES AND NOTES TO ACCOUNTS		
Accounting policies		
1 Method of accounting :		
The financial statements are prepared under historical cost convention on accrual basis of accounting.		
2 Revenue recognition :		
Interest income and other dues are accounted on accrual basis. Dividend is accounted on an accrual basis when the right to receive the dividend is established.		
3 Investments :		
Long term investments are carried at cost less any diminution other than temporary and the units of mutual fund are carried at the net assets value on the reporting date.		
Notes to accounts		
1. Establishment and other expenses represent expenses charged by ICICI Bank Limited to the company.		
(Amount in Rupees)		
2. Auditors' remuneration	Year ended	Year ended
	March 31,	March 31,
	2008	2007
(i) Statutory audit fees	20,000	20,000
(ii) Tax audit fees	15,000	15,000
(iii) Service tax	4,330	4,302
(iv) Certification fees	10,000	4,000
	<u>49,330</u>	<u>43,302</u>
3. There is no deferred tax liability in case of the Company.		
4. Names of related parties and description of relationship for the transactions shown below are given below		
(i) Holding company	ICICI Bank Limited	
(Amount in Rupees)		
Nature of transaction	Year ended	Year ended
	March 31,	March 31,
	2008	2007
Establishment and other expenses	1,261,118	2,160,891
Interest income	9,159,859	8,545,535
Current account	1,021,287	832,536
Fixed deposit account	97,452,862	97,452,862
Interest accrued on fixed deposits	13,852,536	6,896,769
Expenses payable	459,566	749,409
(ii) Fellow Subsidiaries		
(a) ICICI Venture Funds Management Company Limited		
Nature of transaction	Year ended	Year ended
	March 31,	March 31,
	2008	2007
Investment outstanding	10	10
(b) ICICI West Bengal Infrastructure Development Corporation Limited		
Nature of transaction	Year ended	Year ended
	March 31,	March 31,
	2008	2007
Investment outstanding	1,000	—
(Amount in Rupees)		
5. Earnings per share	Year ended	Year ended
	March 31,	March 31,
	2008	2007
Weighted average number of equity shares of Rs.10 each		
(i) Number of shares at the beginning of the year	10,000,700	10,000,700
(ii) Number of shares at the end of the year	10,000,700	10,000,700
Weighted average number of equity shares outstanding during the year	10,000,700	10,000,700
Net Profit after tax available for equity shareholders	6,289,758	6,553,041
Basic and diluted earnings per share	0.63	0.66
6. The Company has not received any intimation from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at year end together with interest paid/payable as required under the said Act have not been given.		
7. Previous year figures have been regrouped/reclassified, where necessary, to conform to current period classification.		

cash flow statement

for the year ended March 31, 2008

	March 31, 2008	(Amount in Rs.) March 31, 2007
A Cash Flow from Operating Activities :		
Profit before taxation	8,664,758	8,796,213
Adjustments for:		
Dividend Income	(1,071,934)	(127,920)
Profit on sale of investments	(11,369)	(2,594,392)
Interest received	(9,159,859)	(8,559,311)
Operating Profit before Working Capital Changes	(1,578,405)	(2,485,411)
Adjustments for:		
Trade and Other Receivables	(7,161,455)	(6,628,800)
Trade Payables and Other Liabilities	(305,531)	(2,701,154)
Cash generated from Operations	(9,045,390)	(11,815,365)
Income Taxes paid	(2,437,247)	(2,883,238)
Net cash generated from Operating Activities - A	(11,482,637)	(14,698,603)
B Cash Flow from Investing Activities :		
Proceeds from maturity of fixed deposits	2,500,000	3,000,000
Dividend received	1,071,934	127,920
Proceeds from sale of investments	11,379	16,968,624
Purchase of Investments	(1,071,785)	(17,098,488)
Interest received	9,159,859	8,559,311
Net cash generated from investing activities - B	11,671,389	11,557,367
C Cash Flow from Financing Activities :		
Net Cash from/used in Financing Activities - C	—	—
Net increase /(Decrease) in Cash and Cash Equivalents (A+B+C)	188,751	(3,141,236)
Cash and Cash Equivalents as at beginning of the year	832,536	3,973,772
Cash and Cash Equivalents as at end of the year	1,021,287	832,536

Note: Previous year figures have been recast/restated, wherever necessary.

As per our Report of even date attached.

For S. B. BILLIMORIA & Co.
Chartered Accountants

P. R. RAMESH
Partner
Membership No. 70928

Mumbai, April 21, 2008

For and on behalf of the Board of Directors

CHANDA D. KOCHHAR
Chairperson

CHANDRASHEKHAR LAL
Director

PRIYA NAIR
Company Secretary

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
AS PER PART IV, SCHEDULE VI OF THE COMPANIES ACT, 1956**

1. Registration details

Registration No.

0	1	2	4	7	7	3
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 State Code

1	1
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Balance Sheet Date

3	1
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0	3
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2	0	0	8
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Date Month Year

2. Capital raised during the Year (Amount in Rupees)

Public Issue

							N	I	L
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 Bonus Issue

							N	I	L
--	--	--	--	--	--	--	---	---	---

Rights Issue

							N	I	L
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 Private Placement

							N	I	L
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3. Position of mobilisation and deployment of funds (Amount in Rupees)

Total Liabilities

1	3	4	5	0	4	4	7	3
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 Total Assets

1	3	4	5	0	4	4	7	3
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Sources of Funds (Amount in Rupees)

Paid-up Capital

1	0	0	0	0	7	0	0	0
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 Reserves and Surplus

	3	3	9	5	5	4	2	1
--	---	---	---	---	---	---	---	---

Secured Loans

							N	I	L
--	--	--	--	--	--	--	---	---	---

 Unsecured Loans

							N	I	L
--	--	--	--	--	--	--	---	---	---

Application of Funds (Amount in Rupees)

Net Fixed Assets

							N	I	L
--	--	--	--	--	--	--	---	---	---

 Investments

	1	8	1	7	1	2	6	3
--	---	---	---	---	---	---	---	---

Net Current Assets

1	1	5	7	9	1	1	5	8
---	---	---	---	---	---	---	---	---

 Miscellaneous Expenditure

							N	I	L
--	--	--	--	--	--	--	---	---	---

Accumulated Losses

							N	I	L
--	--	--	--	--	--	--	---	---	---

4. Performance of the Company (Amount in Rupees)

Turnover (Gross Income inclg. other income)

	1	0	2	4	3	1	6	2
--	---	---	---	---	---	---	---	---

 Total Expenditure

		1	5	7	8	4	0	5
--	--	---	---	---	---	---	---	---

Profit Before Tax

		8	6	6	4	7	5	8
--	--	---	---	---	---	---	---	---

 Profit After Tax

		6	2	8	9	7	5	8
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Earnings Per Share in Rupees

					0	.	6	3
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 Dividend Rate %

							N	I	L
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5. Generic names of principal products/ services of the Company

Investment Management Company

							N	A
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Item Code

For and on behalf of the Board of Directors

CHANDA D. KOCHHAR
Chairperson

CHANDRASHEKHAR LAL
Director

PRIYA NAIR
Company Secretary

Mumbai, April 21, 2008