

ICICI INVESTMENT MANAGEMENT COMPANY LIMITED

6TH ANNUAL REPORT AND ACCOUNTS 2005-2006

Directors

Kalpana Morparia, *Chairperson*
A. J. Advani
Chandrashekhar Lal
Ashish Dalal

Auditors

S. B. Billimoria & Co.
Chartered Accountants

Registered Office

ICICI Bank Towers
Bandra-Kurla Complex
Mumbai - 400 051

directors' report

to the members

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

FINANCIAL HIGHLIGHTS

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

	<i>Fiscal 2005</i>	(Rupees) Fiscal 2006
Gross Income	7,272,539	7,524,283
Profit Before Tax	3,456,340	4,728,693
Provision for tax	1,361,105	1,577,745
Profit After Tax	2,095,235	3,150,948
Transfer to Reserves	2,095,235	3,150,948

Your Directors do not recommend payment of dividend for the year ended March 31, 2006.

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 Company did not launch any scheme and also did not undertake any other activity.

PUBLIC DEPOSITS

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

DIRECTORS

In terms of the provisions of the Articles of Association of the Company, A. J. Advani would 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 24, 2006 has proposed their appointment as the auditors to audit the accounts of the Company for the financial year ending March 31, 2007. 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 comprises three independent Directors viz., Chandrashekhar Lal, A. J. Advani and Ashish Dalal and is chaired by Chandrashekhar Lal.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. 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. 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
4. the Directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

Your Company is grateful to the 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

KALPANA MORPARIA
Chairperson

Place : Mumbai
Date : April 24, 2006

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, 2006, 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 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 to the extent applicable.
4. Further to our comments in the Annexure referred to in paragraph 3 above:
 - (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, 2006;
 - (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 the written representations from the directors as on 31st March, 2006 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2006 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 24, 2006

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 as applicable to the Company.
 - (b) According to the information and explanations given to us, no undisputed amounts payable in respect of applicable statutory dues were in arrears as at March 31, 2006 for a period of more than six months from the date they became payable.
- c. According to information and explanations given to us, there are no dues in respect of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess which have not been deposited on account of any dispute.
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 24, 2006

balance sheet

profit and loss account

as at March 31, 2006

for the year ended March 31, 2006

	Schedule	Rupees	March 31, 2005		Schedule	Rupees	March 31, 2005
SOURCES OF FUNDS :				INCOME			
Shareholders' Funds:				Interest income	7	7,521,247	7,271,289
Share capital	1	100,007,000	100,007,000	Dividend income-trade investments		500	1,250
Reserves and surplus	2	21,112,622	17,961,674	Profit on sale of investment		2,536	—
		<u>121,119,622</u>	<u>117,968,674</u>				
APPLICATION OF FUNDS :				EXPENDITURE			
Investments	3	14,375,231	14,375,431	Establishment and other expenses (Refer note 1)		2,490,111	2,733,923
Current Assets, loans and advances	4	110,293,127	108,128,054	SEBI fees		250,000	750,000
<i>Less : Current liabilities and provisions</i>	5	3,548,737	4,534,811	Auditors' remuneration (Refer note 2)		42,978	63,260
Net Current assets		106,744,391	103,593,243	Other expenses	8	12,500	12,500
		<u>121,119,622</u>	<u>117,968,674</u>	Miscellaneous expenditure written off	6	—	256,516
				Profit before tax		4,728,693	3,456,340
				Provision for taxation			
				Current period tax		1,600,000	1,370,000
				Excess provision for income tax of earlier years written back		(22,255)	(8,895)
						<u>1,577,745</u>	<u>1,361,105</u>
				Profit after tax carried to Balance Sheet		<u>3,150,948</u>	<u>2,095,235</u>
				EARNINGS PER SHARE			
				Basic and Diluted Earnings per share (Rs.)		0.32	0.21
				(Refer note 5)			
Significant accounting policies and notes to accounts	9			Significant accounting policies and notes to accounts	9		

As per our Report of even date attached

For S.B. BILLIMORIA & Co.
Chartered Accountants

P. R. RAMESH
Partner

Mumbai, April 24, 2006

For and on behalf of the Board

KALPANA MORPARIA
Chairperson

CHANDRASHEKHAR LAL
Director

Mumbai, April 24, 2006

schedules

	Rupees	March 31, 2005
SCHEDULE 1 SHARE CAPITAL		
Authorised 25,000,000 Equity Shares of Rs. 10 each	250,000,000	250,000,000
Issued, Subscribed and Paid up ¹		
10,000,700 Equity Shares of Rs 10 each fully paid up	100,007,000	100,007,000
	100,007,000	100,007,000

1. All the above Equity Shares are held by ICICI Bank Ltd. (the holding company) and its nominees.

SCHEDULE 2 RESERVES AND SURPLUS		
Profit and Loss Account		
Opening Balance	17,961,674	15,866,439
Addition during the year	3,150,948	2,095,235
Closing balance	21,112,622	17,961,674

SCHEDULE 3 INVESTMENTS (Long term- At cost) (Trade-Unquoted)		
(i) 20 Equity Shares of Rs. 10 each fully paid up of ICICI Venture Funds Management Company Limited (under the same management)	—	200
(ii) 100 Equity Shares of Rs. 10 each fully paid up of ICICI OneSource Limited	1,000	1,000
(iii) 1,433,552.56 (Previous year 1,433,552.56) Units of Prudential ICICI Mutual Fund Very Cautious Plan-Dividend Option	14,374,231	14,374,231
	14,375,231	14,375,431

SCHEDULE 4 CURRENT ASSETS, LOANS AND ADVANCES		
Current Assets		
Balances with Scheduled Bank :		
(i) in Current Account	3,973,772	271,450
(ii) in Fixed Deposits	102,952,862	90,000,000
Loans and Advances		
(a) Interest accrued on Fixed Deposits	268,852	11,097,668
(b) Tax paid in advance / tax deducted at source (net)	3,089,641	3,228,936
(c) Others	8,000	—
	110,293,127	104,598,054

SCHEDULE 5 CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Payable to ICICI Bank Limited	3,493,565	966,241
Other liabilities ¹	55,172	38,570
	3,548,737	1,004,811

1. Rs. Nil (Previous year Rs. Nil) due to Small Scale Industrial Undertakings

	Year ended March 31, 2006	Year ended March 31, 2005
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SCHEDULE 6 MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED		
Preliminary Expenses	—	256,516
Less : Written off during the year	—	256,516
	—	—

SCHEDULE 7 INTEREST INCOME		
(a) Interest on fixed deposits with bank (Gross: TDS Rs. 1,685,276; Previous year Rs. 1,504,967)	7,510,141	7,197,353
(b) Interest on income tax refund	11,106	73,936
	7,521,247	7,271,289

SCHEDULE 8 OTHER EXPENSES		
(a) Directors' sitting fees	8,500	8,500
(b) ROC filing Fee	2,000	1,500
(c) Profession Tax	2,000	2,500
	12,500	12,500

SCHEDULE 9 ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

Accounting policies

- Method of accounting :**
The accounts are prepared in accordance with accounting principles generally accepted in India. The Company follows the accrual method of accounting.
- Preliminary Expenses :**
Preliminary expenses towards the incorporation of the Company are treated as Miscellaneous Expenditure and are written off to the Profit and Loss Account over a period of 5 years. The same has been completely written off as on March 31, 2005.
- 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.
- Investments :**
Long term investments are carried at cost less diminution other than temporary.

NOTES TO ACCOUNTS

- Establishment and other expenses represent expenses charged by ICICI Bank Limited to the Company.

	(Amounts in Rupees) Year ended March 31, 2006	Year ended March 31, 2005
2 Auditors' remuneration		
(i) Statutory audit fees	20,000	20,000
(ii) Tax audit fees ¹	15,000	30,000
(iii) Service Tax	3,978	6,260
(iv) Certification Fees	4,000	7,000
	42,978	63,260

1. Tax audit fees for the year ended March 31, 2005 includes Rs. 15,000 in respect of earlier years

- There is no deferred tax liability in case of the Company.

- Names of related parties and description of relationship for the transactions given below:
(i) Holding company ICICI Bank Limited
(ii) Fellow subsidiary ICICI Venture Funds Management Company Limited

	(Amounts in Rupees) Holding Company	Fellow Subsidiary
Establishment and Other Expenses	2,490,111	—
Interest income	(2,733,923)	—
Dividend income	7,510,141	—
	(7,197,353)	500
Current account	—	(1,250)
	3,973,772	—
	(271,450)	—
Deposit account	102,952,862	—
	(90,000,000)	—
Investment	—	—
	—	(200)
Sale of investments	2,736	—
Profit on sale of investments	—	—
	2,536	—
Other Receivable (net)	99,728,149	—
	(10,131,427)	—

Note: Figures in bracket represent previous year figures.

	(Amounts in Rupees except per share data)	
5 Earnings per share	Year ended March 31, 2006	Year ended March 31, 2005
(a) 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
(b) Net Profit after tax available for equity shareholders	3,150,948	2,095,235
(c) Basic and diluted earnings per share	0.32	0.21

- Figures of the previous year have been regrouped to confirm to current year presentation.

cash flow statement

for the year ended March 31, 2006

	Year ended March 31, 2006	(Amount in Rupees) Year ended March 31, 2005
A Cash Flow from Operating Activities:		
Profit before taxation	4,728,693	3,456,340
Adjustments for:		
Miscellaneous Expenditure written off	—	256,516
Dividend Income	(500)	(1,250)
Profit on sale of shares	(2,536)	—
Interest received	(7,521,247)	(7,197,353)
	<u>(2,795,590)</u>	<u>(3,485,747)</u>
Operating Profit before Working Capital Changes		
Adjustments for:		
Trade and Other Receivables	10,960,111	(2,966,410)
Trade Payables and Other Liabilities	<u>2,543,926</u>	<u>(590,841)</u>
Cash generated from Operations	10,708,446	(7,042,998)
Income Taxes paid	<u>(1,577,745)</u>	<u>(2,991,105)</u>
Net cash from Operating Activities - A	<u>9,130,701</u>	<u>(10,034,103)</u>
B Cash Flow from Investing Activities :		
Fixed Deposits matured	(12,952,862)	2,500,000
Dividend received	500	1,250
Proceeds from sale of shares	2,736	—
Interest received	7,521,247	7,197,353
Net cash from Investing Activities - B	<u>(5,428,379)</u>	<u>9,698,603</u>
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)	3,702,322	(335,500)
Cash and Cash Equivalents as at beginning of the year	271,450	606,950
Cash and Cash Equivalents as at end of the year	<u>3,973,772</u>	<u>271,450</u>

As per our Report of even date attached

For S.B. BILLIMORIA & Co.
Chartered Accountants

P.R. RAMESH
Partner

Mumbai, April 24, 2006

For and on behalf of the Board

KALPANA MORPARIA
Chairperson

CHANDRASHEKHAR LAL
Director

Mumbai, April 24, 2006

10. 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
---	---	---	---	---	---	---

 State Code

1	1
---	---

Balance Sheet Date

3	1
---	---

0	3
---	---

2	0	0	6
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Date Month Year

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

Public Issue

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

 Bonus Issue

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

Rights Issue

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

 Private Placement

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

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

Total Liabilities

1	2	4	6	6	8	3	5	9
---	---	---	---	---	---	---	---	---

 Total Assets

1	2	4	6	6	8	3	5	9
---	---	---	---	---	---	---	---	---

Sources of Funds (Amount in Rupees)

Paid-up Capital

1	0	0	0	0	7	0	0	0
---	---	---	---	---	---	---	---	---

 Reserves and Surplus

	2	1	1	1	2	6	2	2
--	---	---	---	---	---	---	---	---

Secured Loans

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

 Unsecured Loans

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

Application of Funds (Amount in Rupees)

Net Fixed Assets

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

 Investments

	1	4	3	7	5	2	3	1
--	---	---	---	---	---	---	---	---

Net Current Assets

1	0	6	7	4	4	3	9	1
---	---	---	---	---	---	---	---	---

 Miscellaneous Expenditure

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

Accumulated Losses

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

4. Performance of the Company (Amount in Rupees)

Turnover (Gross Income inclg. other income)

		7	5	2	4	2	8	3
--	--	---	---	---	---	---	---	---

 Total Expenditure

		2	7	9	5	5	8	9
--	--	---	---	---	---	---	---	---

Profit Before Tax

	4	7	2	8	6	9	3
--	---	---	---	---	---	---	---

 Profit After Tax

	3	1	5	0	9	4	8
--	---	---	---	---	---	---	---

Earnings Per Share in Rupees

			0	0	.	3	2
--	--	--	---	---	---	---	---

 Dividend Rate %

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

5. Generic names of principal products/ services of the Company

Investment Management Company

							N	A
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As per our Report of even date attached

For S.B. BILLIMORIA & Co.
Chartered Accountants

P.R. RAMESH
Partner

Mumbai, April 24, 2006

For and on behalf of the Board

KALPANA MORPARIA
Chairperson

CHANDRASHEKHAR LAL
Director

Mumbai, April 24, 2006