

CONSOLIDATED FINANCIAL STATEMENTS OF ICICI SECURITIES LIMITED AND ITS SUBSIDIARIES

auditors' report

to the members of ICICI Securities Limited and Subsidiaries (Group)

We have audited the attached consolidated balance sheet of ICICI Securities Limited and its subsidiaries ('ICICI Securities Group'), as at March 31, 2006, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of ICICI Securities Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the 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.

We report that the consolidated financial statements have been prepared by ICICI Securities Group's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated balance sheet, of the state of affairs of ICICI Securities Group as at March 31, 2006;
- (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
- (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & CO.
Chartered Accountants

per Viren H. Mehta
Partner

Mumbai, April 22, 2006

Membership No.: 48749

balance sheet

profit and loss account

as at March 31, 2006

for the year ended March 31, 2006

	Schedule	(Rs. in '000s)	March 31, 2005		Schedule	(Rs. in '000s)	March 31, 2005
SOURCES OF FUNDS				Income from Operations			
1. Shareholders' Funds				(a) Income from Services	N	1,969,210	1,042,170
A. Share Capital	A	1,658,840	2,030,030	(b) Interest Income	O	1,687,000	996,040
B. Reserves & Surplus	B	2,909,840	2,550,840	(c) Profit on Securities (Net)	P	1,061,900	212,020
		<u>4,568,680</u>	<u>4,580,870</u>	(d) Other Income	Q	24,880	48,030
2. Loan Funds						<u>4,742,990</u>	<u>2,298,260</u>
A. Secured Loans	C	3,083,380	2,951,110	Less: Operating Expenditure			
B. Unsecured Loans	D	7,477,120	5,960,390	(a) Financial Charges and			
		<u>15,129,180</u>	<u>13,492,370</u>	Operating Expenses	R	1,463,510	693,760
APPLICATION OF FUNDS						<u>3,279,480</u>	<u>1,604,500</u>
1. Fixed Assets	E			EXPENDITURE			
Gross Block		366,860	391,267	Less: Administrative Expenditure			
Less: Accumulated depreciation/ amortisation		<u>292,530</u>	<u>274,231</u>	(a) Payments to and Provisions for Employees	S	540,890	286,750
Net Block		74,330	117,036	(b) Establishment Expenses	T	353,880	333,190
Capital Work-in-Progress		<u>380</u>	<u>3,990</u>	(c) Depreciation		<u>23,970</u>	<u>14,750</u>
		<u>74,710</u>	<u>121,026</u>			<u>918,740</u>	<u>634,690</u>
2. Investments	F	10	721,510	Profit before Taxation		2,360,740	969,810
3. Deferred Tax Asset		15,060	3,180	Less: Provision for Taxation		797,860	333,110
4. Current Assets,				Deferred Tax Adjustment		(11,880)	660
Loans & Advances				Fringe Benefit tax		<u>8,420</u>	<u>—</u>
A. Current Assets -				Profit After Taxation		1,566,340	636,040
(a) Interest Accrued	G	276,530	54,440	Brought forward from previous years		651,940	455,290
(b) Securities held as				Amount available for appropriations		2,218,280	1,091,330
Stock-in-Trade	H	11,365,920	8,890,610	Transfer to Special Reserve		295,350	112,800
(c) Sundry Debtors	I	2,402,700	536,400	Transfer to General Reserve		168,770	28,200
(d) Cash & Bank Balances	J	3,096,690	2,879,290	Utilised towards Buyback of Shares		102,090	—
(e) Other Current Assets	K	57,530	—	Interim Dividend		695,960	263,900
B. Loans & Advances	L	553,170	1,094,470	Tax on Dividend		<u>120,960</u>	<u>34,490</u>
		<u>17,752,540</u>	<u>13,455,210</u>	Balance carried to Balance Sheet		<u>835,150</u>	<u>651,940</u>
Less: Current Liabilities &				Earnings per share (Basic & Diluted)		8.49	3.13
Provisions:	M						
A. Current Liabilities		2,705,640	800,475	Notes to Accounts			
B. Provisions		<u>7,500</u>	<u>8,080</u>	The Schedules referred above and the notes to accounts form an integral part of the Accounts			
NET CURRENT ASSETS		<u>15,039,400</u>	<u>12,646,655</u>				
		<u>15,129,180</u>	<u>13,492,371</u>				
Notes to Accounts	U						
The Schedules referred above and the notes to accounts form an integral part of the Accounts							

This is the Balance Sheet referred to in our report of even date.

Per ur Reort attached
For S.R.BATLIBOI & CO.
Chartered Accountants

Per VIREN H. MEHTA
Partner
Membership No.: 48749

Mumbai, April 22, 2006

RAJU NANWANI
Company Secretary

This is the Profit and Loss Account referred to in our report of even date.

For and on behalf of the Board

K. V. KAMATH
Chairman

LALITA D. GUPTA
Director

ABHIJEET GUIN
Vice President & Head - Financials

S. MUKHERJI
Managing Director & CEO

schedules



forming part of the Accounts

i-SEC

(Rs. in '000s) March 31,
2005

(Rs. in '000s) March 31,
2005

SCHEDULE "A" - SHARE CAPITAL

Authorized:

50,00,00,000 Equity Shares of Rs 10/- each **5,000,000** 5,000,000

Issued:

16,58,84,100 (Previous year 20,30,02,800)
Equity Shares of Rs 10/- each **1,658,840** 2,030,030

Subscribed & Paid Up:

16,58,84,100 (Previous year 20,30,02,800)
Equity Shares of Rs 10/- each **1,658,840** 2,030,030

Notes:

Of the above, 16,57,24,500 (Previous year - 20,28,33,200) Equity Shares of Rs. 10/- each are held by ICICI Bank Ltd. (the holding company) and its nominees.

The Company bought back 37,118,700 Equity Shares at a book value of Rs. 20.64 per share aggregating to Rs. 766,130 thousand during the year.

SCHEDULE "B" - RESERVES AND SURPLUS

(Rs. in '000s)

	Balance as on April 1, 2005	Additions/ Transfers during the Period	Deductions/ Transfers during the Period	Balance as at March 31, 2006	Balance as at March 31, 2005
Securities Premium Account	112,800	—	—	112,800	112,800
General Reserve	664,040	168,770	664,040	168,770	664,040
Special Reserve					
(maintained under Section	1,125,620	295,350	—	1,420,970	1,125,620
45 IC of the RBI Act, 1935)					
Capital Redemption Reserve	—	371,190	—	371,190	—
Translation Reserve	(3,560)	4,520	—	960	(3,560)
Profit and Loss Account	651,940	1,566,340	1,383,130	835,150	651,940
Total	<u>2,550,840</u>			<u>2,909,840</u>	<u>2,550,840</u>

Note:

Deduction of Rs. 664,040 thousand from General Reserve represents amount utilised for Buyback of shares

SCHEDULE "C" - SECURED LOANS

(Rs. in '000s)

March 31,
2005

Collateralised Borrowings	3,003,380	<u>2,951,110</u>
Cash Credit facility	80,000	<u>—</u>
	3,083,380	<u>2,951,110</u>

SCHEDULE "D" - UNSECURED LOANS

Subordinated Bonds issued as Tier III Capital	600,000	<u>250,000</u>
Inter-Corporate Borrowings	—	<u>1,425,000</u>
Money at Call and Short Notice		
– From Banks	500,000	<u>—</u>
– From Others	—	<u>—</u>
Commercial Paper Borrowings	497,010	<u>989,390</u>
FCNRB Borrowing	229,000	<u>229,000</u>
Floating Rate Debentures (Redeemable at par by June 2006)	2,845,500	<u>—</u>
Floating Rate Debentures (Redeemable at par by May 2006)	2,071,000	<u>—</u>
7.50% Debentures 2006 (Redeemable at par by April 2006)	50,000	<u>—</u>
7.45% Debentures 2006 (Redeemable at par by April 2006)	200,000	<u>—</u>
Floating Rate Debentures (Redeemable at par by December 2007)	150,000	<u>—</u>
4.30% Debentures 2004 (Redeemable at par by July 2004)	—	<u>500,000</u>
Floating Rate Debentures (Redeemable at par by June 2005)	—	<u>1,885,500</u>
6.00% Debentures 2005 (Redeemable at par by April 2005)	—	<u>250,000</u>
5.55% Debentures 2005 (Redeemable at par by April 2005)	—	<u>431,500</u>
Sub-ordinated Debt (USD 7.50mn from ICICI Bank Ltd, Singapore)	334,610	<u>—</u>
Total	7,477,120	<u>5,960,390</u>

SCHEDULE "E" - FIXED ASSETS

(Rupees in '000s)

	Gross Block (at Cost)				Accumulated Depreciation				Net Block	
	April 1, 2005	Additions	Sale/Adj	Mar 31, 2006	April 1 2005	Additions	Sale/Adj	Mar 31, 2006	Mar 31, 2006	Mar 31, 2005
TANGIBLE										
Freehold Land	57,230	—	57,230	—	—	—	—	—	—	57,230
Building	10,050	—	10,050	—	3,420	330	3,750	—	—	6,630
Plant & Machinery/ Electrical Installation	3,500	30	430	3,100	1,700	250	350	1,600	1,500	1,800
Office Equipment	31,754	1,810	560	33,004	9,040	3,491	310	12,221	20,783	22,713
Computers	51,460	15,700	1,250	65,910	36,518	10,750	1,100	46,168	19,742	14,937
Furniture & Fixtures	2,609	850	160	3,299	1,294	490	160	1,624	1,675	1,315
Vehicles	3,910	—	—	3,910	1,150	720	—	1,870	2,040	2,760
BSE Membership Rights	10,000	—	—	10,000	6,070	1,000	—	7,070	2,930	3,931
INTANGIBLE										
Software	10,760	26,880	—	37,640	5,040	6,940	—	11,980	25,660	5,720
Total	<u>181,273</u>	<u>45,270</u>	<u>69,680</u>	<u>156,863</u>	<u>64,232</u>	<u>23,971</u>	<u>5,670</u>	<u>82,533</u>	<u>74,330</u>	<u>117,036</u>
Assets Given on lease (Plant & Machinery)	210,000	—	—	210,000	210,000	—	—	210,000	—	—
Net Block	<u>391,273</u>	<u>45,270</u>	<u>69,680</u>	<u>366,863</u>	<u>274,232</u>	<u>23,971</u>	<u>5,670</u>	<u>292,533</u>	<u>74,330</u>	<u>117,036</u>
Previous Year	405,293	35,584	49,610	391,267	87,800	14,747	38,316	274,231	117,036	

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			(Rs. in '000s)	March 31, 2005	(Rs. in '000s)	March 31, 2005
SCHEDULE "F" - INVESTMENTS - LONG TERM (AT COST, QUOTED UNLESS OTHERWISE STATED)						
			(Rs. in '000s)			
Name of the Company	Quantity in Thousands	Face Value per unit (Rs.)	March 31, 2006	March 31, 2005		
Quoted						
Bonds						
HDFC 06/12/2005 ZCB	Nil (7,500)		—	721,510		
Unquoted						
Shares of BSE Ltd	10 (Nil)		10.00	—		
Total			10.00	721,510		
Notes :						
1. The aggregate cost and market value of the quoted investments as at March 31, 2006 is Rs. Nil and Rs. Nil respectively (previous year Rs. 721.510 thousand and Rs. 721,470 thousand)						
2. The aggregate cost of the unquoted investments as at March 31, 2006 is Rs. 0.01 000 (previous year Rs, Nil)						
			(Rs. in '000s)	March 31, 2005		
SCHEDULE "G" - INTEREST ACCRUED						
On Investments			—	—		
On Stock-in-Trade			228,730	32,770		
On Loans & Advances			47,800	21,670		
Total			276,530	54,440		
SCHEDULE "H" - SECURITIES HELD AS STOCK IN TRADE						
Government of India Securities & Deemed Government of India Securities			5,950,680	232,980		
Treasury Bills			803,320	6,679,220		
Bonds & Debentures			1,625,830	1,505,520		
Debentures (Unquoted)			123,850	123,850		
Equity			1,429,720	354,860		
Equity Unquoted			28,440	28,440		
Units			280,730	118,030		
Total			11,489,770	9,014,460		
Less: Provision against Non-performing Assets / Bad debts written off			123,850	123,850		
Grand Total			11,365,920	8,890,610		
Notes:						
Certain Debentures which have defaulted for payment on maturity date have been written off. However, the same have been continued to be disclosed as Stock-in-trade to reflect existence of the claim on the Issuer/ Seller.						
SCHEDULE "I" - SUNDRY DEBTORS (Unsecured)						
(A) Receivables outstanding for a period exceeding six months:						
Considered good			76,730	75,650		
Considered doubtful			45,990	2,950		
(B) Receivables outstanding for a period not exceeding six months:						
Considered good			254,570	283,920		
Considered doubtful			—	—		
Trades executed but not settled			2,071,400	176,825		
			2,448,690	539,345		
Less: Provision for Doubtful Debts			45,990	2,950		
Total			2,402,700	536,400		
SCHEDULE "J" - CASH AND BANK BALANCES						
Cash & Cheques on hand			80	50		
In Current Accounts with Scheduled Banks			245,850	75,610		
In Current Accounts with Reserve Bank of India			3,940	61,910		
Fixed Deposits with Scheduled Banks			2,228,880	2,400,490		
			2,478,750	2,538,060		
Fixed Deposits with Scheduled Banks (Under Lien)			617,940	341,230		
Total			3,096,690	2,879,290		
SCHEDULE "K" - OTHER CURRENT ASSETS						
Assets held for Sale			57,530	—		
			57,530	—		
SCHEDULE "L" - LOANS AND ADVANCES (Unsecured and considered good unless otherwise stated)						
(A) Loans:						
Collateralised Lendings			—	179,960		
Total (A)			—	179,960		
(B) Advances :						
(Recoverable in cash or in kind or for value to be received)						
Security Deposit for Leased Premises			4,780	300		
Other Advances and Deposits			224,080	93,180		
Application Money for Securities			—	600,000		
Deposit with stock exchanges			121,840	21,640		
Advance Tax (net of Provisions)			202,470	199,390		
Total (B)			553,170	914,510		
Total			553,170	1,094,470		
SCHEDULE "M" - CURRENT LIABILITIES AND PROVISIONS						
(A) Current Liabilities						
Interest Accrued but not due			46,260	53,690		
Trades executed but not settled			2,112,940	160,935		
Sundry Creditors For Expenses			111,600	68,920		
Other Liabilities			434,500	516,470		
Unclaimed Dividends			340	460		
Total (A)			2,705,640	800,475		
(B) Provisions:						
Retirement Benefits			7,500	8,080		
Total (B)			7,500	8,080		
Includes amount payable to SSI units Rs. Nil (Previous year Rs. Nil)						
SCHEDULE "N" - INCOME FROM SERVICES						
Issue Management Fees			586,020	184,510		
Financial Advisory Services			410,850	245,550		
Syndication Fees			199,160	109,790		
Underwriting Commission			23,470	6,190		
Brokerage & Commission			749,710	496,130		
Total			1,969,210	1,042,170		

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(Rs. in '000s) March 31,
2005

SCHEDULE "O" - INTEREST INCOME

Interest On Securities Held As Stock in Trade	1,223,220	707,630
Income On Discounted Instruments		
– Investments	—	340
– Stock In Trade	255,730	154,330
Interest On Repo And Call Lendings	15,400	48,600
Interest on Income Tax Refund	15,820	45,710
Interest On Other Loans And Advances	176,830	39,430
Total	1,687,000	996,040

SCHEDULE "P" - PROFIT ON SECURITIES (NET)

Profit On Sale Of Investments	20,450	—
Profit On Stock In Trade	880,760	339,770
Net Gain/(Loss) from Derivatives	160,690	(128,790)
Total	1,061,900	212,020

SCHEDULE "Q" - OTHER INCOME

Dividend Income from Mutual Funds / Companies	22,670	9,030
Recovery Against Bad Debts Written Off	840	8,380
Miscellaneous Income	1,370	30,620
Total	24,880	48,030

SCHEDULE "R" - FINANCIAL CHARGES AND OPERATING EXPENSES

Interest On Fixed Loans And Debentures	619,390	299,850
Interest On Borrowings From Reserve Bank of India	930	1,570
Interest On Repo And Call Borrowings	496,430	201,830
Procurement Expenses	159,930	103,520
Guarantee Commission	3,370	3,130
Rating Agency Fees	3,650	3,000
Turnover Fees	30	660
Custodial and Depository Charges	38,260	31,800
Brokerage And Stamp Duty	65,040	49,180
Bank Charges	7,710	4,020
Doubtful Debts Written off / Provided	71,720	3,230
Less: Opening Provision	2,950	8,030
	68,770	(4,800)
Total	1,463,510	693,760

SCHEDULE "S" - PAYMENTS TO AND PROVISIONS FOR EMPLOYEES

Salaries, Wages And Incentive	496,450	265,120
Contribution To Provident and other Funds	26,590	13,900
Staff Welfare Expenses	17,850	7,730
Total	540,890	286,750

SCHEDULE "T" - ESTABLISHMENT AND OTHER EXPENSES

Rent And Amenities	97,660	120,200
Insurance	860	2,510
Business Promotion, Travelling and Conveyance Expenses	92,200	74,860
Repairs, Maintenance And Upkeep	17,050	14,610
Rates And Taxes	2,920	1,490
Electricity Expenses	11,550	10,880
Profit / (loss) on Sale of Fixed Assets	300	11,240
Communication Expenses	19,080	14,790
Printing And Stationery	13,030	10,910
Subscription And Periodicals	32,100	24,600
Professional Fees	37,820	29,650
Advertisement Expenses	5,580	990
Auditors' Remuneration	3,980	2,430
Miscellaneous Expenses	19,750	14,030
Total	353,880	333,190

SCHEDULE "U": NOTES FORMING PART OF THE ACCOUNTS AND ACCOUNTING POLICIES

1. Significant Accounting Policies:

(i) Method of Accounting

The Financial statements are prepared under the historical cost convention on the accrual basis of accounting and in accordance with the accounting standards issued by the Institute of Chartered Accountants of India and referred to in Section 211 (3C) of the Companies Act, 1956.

(ii) Basis of Consolidation

The consolidated financial statements include results of ICICI Securities Limited and its subsidiaries which are more than 50% owned and controlled. As per requirement of Accounting Standard 21 the consolidation is on a line to line basis, all material inter-company accounts and transactions are eliminated at the time of consolidation.

(iii) Revenue Recognition

- Revenue from issue management, loan syndication, financial advisory services etc., is recognized based on the stage of completion of assignments and terms of agreement with the client.
- Gains and losses on dealing with securities are recognized on trade date.
- Interest income is accounted on an accrual basis except for non Performing/Doubtful assets, interest in respect of which is recognized on cash basis considering prudential norms for income recognition issued by Reserve Bank of India (RBI) for Non-Banking Financial Companies.
- Brokerage income in relation to stock broking activity is recognized on the trade date of transaction. In respect of unsettled trades, amounts receivable from and payable to clients for broking transactions are disclosed separately as trades executed but not settled. Brokerage income in relation to public issues/ other securities is recognized based on mobilization and intimation received from clients/intermediaries.

(iv) Stock-in-trade

- The securities acquired with the intention of holding for short-term and trading are classified as stock-in-trade.
- The securities held as stock-in-trade are valued at lower of cost arrived at on weighted average basis or market/ fair value, computed category-wise. In case of investments transferred to stock-in-trade, carrying amount on the date of transfer is considered as cost. Commission earned in respect of securities acquired upon devolvement is reduced from the cost of acquisition. Fair value of unquoted shares is taken at break-up value of shares as per the latest audited balance sheet of the concerned company. In case of debt instruments, fair value is worked out on the basis of yield to maturity rate selected considering quotes where available and credit profile of the issuer and market related spreads over the government securities
- Discounted instruments like Commercial paper/ treasury bills/ zero coupon instruments are valued at carrying cost or market value whichever is lower. The difference between the acquisition cost and the redemption value of discounted instruments is apportioned on a straight line basis for the period of holding and recognized as Interest income
- Units of mutual fund are valued at lower of cost and net asset value.

(v) Investments

- The securities acquired with the intention of holding till maturity or for a longer period are classified as investments.
- Investments are carried at cost arrived at on weighted average basis. Commissions earned in respect of securities acquired upon devolvement are reduced from the cost of acquisition. Appropriate provision is made for other than temporary diminution in the value of investments.

(vi) Repurchase and Resale Transactions (Repo)

Repo transactions are treated as purchase and sale of the securities as per RBI guidelines and accordingly disclosed in the financial statements. The difference between purchase and sale consideration is treated as interest income or expenditure, as the case may be, over the period of the contract.

The difference between the sale price of the security offered under repo and its book value are shown under current assets / liabilities in the

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balance sheet, as the case may be. In case, the sale price is lower than the book value the same is provided as loss on security. In case, the sale price is higher than the book value, the differential gain is not recognised. Securities under repo/ reverse repo are marked to market.

(vii) Fixed Assets and Depreciation

- Fixed assets are stated at historical cost less accumulated depreciation and impairment loss, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for intended use.
- Depreciation on fixed assets is provided on written down value method at the rate and in the manner prescribed in Schedule XIV of the Companies Act, 1956.
- The Carrying amounts are reviewed at each balance sheet date when required to asseSs whether they are recorded in excess of their recoverable amounts and when carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.
- BSE membership right is amortized over a period of 10 years.

(viii) Deferred Tax

Tax expense comprises both current and deferred taxes. Current income- tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

(ix) Provision for doubtful Loans and Advances

The policy of provisioning against Non Performing Loans and Advances has been decided by the management considering prudential norms prescribed by the Reserve Bank of India for Non Banking Financial Companies except that amounts recovered subsequent to the balance sheet date have not been considered for provisioning. As per the policy adopted, the provision against sub standard assets are fixed on a conservative basis, taking into account management's perception of the higher risk associated with the business of the Company. Certain Non Performing Loans and Advances are considered as loss assets and full provision has been made against such assets.

(x) Foreign Currency Transactions

Expenses and income are recorded at the exchange rate prevailing on the date of transaction. Assets and Liabilities at the balance sheet date are restated at the exchange rate prevailing on the Balance Sheet date. Exchange differences arising on settlement of the transaction and on account of restatement of assets and liabilities are dealt with in the profit and loss account.

(xi) Retirement Benefits

Retirement benefits to employees comprise of gratuity and provident fund. The company's employees are covered under the Employees' Gratuity Scheme & contribution is made to the Life Insurance Corporation of India (LIC). The provision for gratuity has been made as per the actuarial valuation at the year end. Contributions for provident fund is accounted on accrual basis and deposited with a Provident Fund Commissioner.

(xii) Derivatives Transactions

- All open positions are marked to market except hedge swaps which are accounted for on accrual basis.
- Gains are recognized only on settlement/expiry of the derivative instruments except for Interest Rate derivatives where mark-to-market gains are recognized.
- Receivables/ payables on open position are disclosed as current assets / current liabilities, as the case may be.

(xiii) Earnings Per Share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period.

(xiv) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will

be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

2. Deferred Tax

The break-up of deferred tax assets into major components as on the balance sheet date is as follows:

(Rupees in '000)

Deferred Tax Assets / (Liabilities)	March 31, 2006	March 31, 2005
Depreciation	(2,940)	(900)
Preliminary Expenses	—	50
Provision for Debtors	15,480	1,080
Provision for Retirement Benefits	2,520	2,950
	<u>15,060</u>	<u>3,180</u>

3. Contingent Liabilities

- Income tax matters disputed by the Company Rs. 414,550 thousand (Previous year - Rs. 377,300 thousand).
 - Outstanding counter guarantees for subsidiary company, as at March 31, 2006 is Rs. 50,000 thousand (Previous year - Rs. 50,000 thousand).
 - Outstanding Bank Guarantees taken by the company Rs. 390 thousand (Previous year - Rs. 490 thousand)
4. Notional principal outstanding on account of Swaps/Forward Rate Agreements / Currency Swaps Rs. 655,793,000 thousand (previous year- Rs. 495,309,050 thousand).

5. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 18,400 thousand (Previous year - Rs. 6,760 thousand).

6. Related Party Disclosures

(Rupees in '000)

Name of the related Party	Type of Transactions	2005-06	2004-05
ICICI Bank Ltd			
– The Holding Company	Income from Services	85,940	22,760
	Brokerage Income	11,620	8,950
	Interest Income	37,120	43,020
	Financial Charges & Operating Expenses	76,710	48,410
	Payment to and provisions for employees	3,760	—
	Establishment & Other Expenses	103,960	106,970
	Dividend paid	695,300	263,680
	Bank Balance	108,330	57,790
	Fixed Deposits	1376,920	331,000
	Interest accrued	19,380	13,990
	Sundry Debtors	48,560	9,440
	Loans & Advances	2,560	—
	Secured Loans	80,000	—
	Unsecured Loans	334,610	—
	Current Liabilities	36,240	158,680
	Notional Principal amount of IRS outstanding	130,950,000	105,400,000
	Notional Principal amount of Currency Swap outstanding	229,050	229,050
ICICI Lombard General Insurance Co. Ltd. – Subsidiary of ICICI Bank Ltd	Brokerage Income	1,330	730
	Other Income	—	210
	Establishment & Other Expenses	2,090	2450
	Loans and Advances	3,170	—
	Sundry Debtors	—	20
ICICI Prudential Life Insurance Co. Ltd – Group Company	Brokerage Income	12,470	5,650
	Current Liabilities	—	770
ICICI Prudential Asset Management Company Ltd. – Group Company	Financial Charges & Operating Expenses	270	—

schedules

ICICI Securities forming part of the Accounts

Continued **i-SEC**

The procedure for consolidation of Accounts is as per Accounting Standard – 21 in case of subsidiary companies. The list of subsidiary companies is given below.

- ICICI Brokerage Services Ltd.
- ICICI Securities Holdings Inc.
- ICICI Securities Inc

The company does not have any associate companies.

7. Segmental Disclosures

Internally evaluation of performance is based on two business segments – “Investment & Trading” and “Advisory & Transaction Services”. These have been considered as a Primary reportable segment. The Company does not have any secondary reportable segment.

Following are the disclosures for the two identified segments. This being a finance company, interest and finance costs is allocated to each segment.

Segment-wise Revenue, Results and Capital Employed for the year ended March 31, 2006

	(Rs. in '000s)	
	March 31, 2006	March 31, 2005
Segment Revenue		
Investment and Trading		
– External	2,736,850	1,169,400
– Internal	—	—
Advisory and Transaction Services		
– External	1,988,850	1,054,150
– Internal	8,620	4,390
Less: Inter-segment elimination	(8,620)	(4,390)
	<u>4,725,700</u>	<u>2,223,550</u>
Segment Results		
Investment and Trading	1,581,780	624,090
Advisory and Transaction Services	1,309,560	905,700
	<u>2,891,340</u>	<u>1,529,790</u>
Unallocable expenditure net off unallocable income	530,600	559,980
Profit before Taxation & Extraordinary items	2,360,740	969,810
Interest tax reversal of earlier years	—	—
Profit before tax	2,360,740	969,810
Less: Tax expense	794,400	333,770
Profit after tax	<u>1,566,340</u>	<u>636,040</u>
Segment Assets		
Investment and Trading	15,770,120	12,938,420
Advisory and Transaction Services	1,731,900	934,960
Unallocable assets	340,300	427,550
	<u>17,842,320</u>	<u>14,300,930</u>
Segment Liabilities		
Investment and Trading	(11,808,390)	(9,156,440)
Advisory and Transaction Services	(807,540)	(203,670)
Unallocable liabilities	(657,710)	(359,950)
	<u>(13,273,640)</u>	<u>(9,720,060)</u>
Cost of acquisition of Segment Assets		
Investment and Trading	—	—
Advisory and Transaction Services	30,160	620
Unallocable assets	15,130	34,970
	<u>45,290</u>	<u>35,580</u>

Depreciation on Segment Assets

	March 31, 2006	March 31, 2005
Investment and Trading	—	—
Advisory and Transaction Services	7900	1340
Unallocable assets	16080	13410
	<u>23980</u>	<u>14750</u>

Non-cash expenses other than depreciation

	March 31, 2006	March 31, 2005
Investment and Trading	—	—
Advisory and Transaction Services	—	130
	<u>—</u>	<u>130</u>

8. Derivatives

Notional Principal amount of IRS Contracts

a. Hedging Contracts	229,100	229,100
b. Trading Contracts	655,564,000	495,079,950
(i) Fair Value of Trading IRS	94,810	(224,170)
(ii) Associated Credit Risk on Trading IRS*	94,810	—
(iii) Market Risk on trading IRS#	98,310	305,440
(iv) Credit Risk Concentration@	512,950	359,950

Equity Derivatives – Future contracts

a. Hedging Contracts		
Open Quantity in units – Long	147,160	—
Short	3,056,165	—
Net	2,909,005	—
b. Trading Contracts		
Open Quantity in units – Long	—	15,000
Short	—	—
Net	—	15,000
MTM Value of Trading Derivatives	—	1,070

* Associated Credit Risk is defined as the loss that the Company would incur in case all the counterparties to these swaps fail to fulfil their contractual obligations.

Market risk is monitored as the loss that would be incurred by the Company for a 100 basis point rise in the interest rates.

@ Credit risk concentration is measured as the highest net receivable under swap contracts from top three counterparties.

Particulars of Unhedged foreign Currency Exposure as at the Balance Sheet date

Particulars	Amount
Receivables in foreign currency	Rs. 8,920 thousand (US \$ 200,000 @ closing rate of 1USD = Rs. 44.615)

9. Earnings per equity share (EPS)

EPS has been calculated based on the net profit after taxation of Rs. 1,566,340 thousand (previous year Rs. 636,040 thousand) and the weighted average number of equity shares outstanding during the year of 184,440 thousand (previous year 203,000 thousand).

10. For the purpose of comparison, figures for previous year have been given, which have been regrouped / reclassified wherever necessary.

Per our Reort attached
For S.R.BATLIBOI & CO.
Chartered Accountants

Per VIREN H.MEHTA
Partner
Membership No.: 48749

Signatures to schedules A to T

RAJU NANWANI
Company Secretary

ABHIJEET GUIN
Vice President & Head - Financials

For and on behalf of the Board

K. V. KAMATH
Chairman

LALITA D. GUPTA
Director

S. MUKHERJI
Managing Director & CEO

Mumbai, April 22, 2006

cash flow statements

for the year ended March 31, 2006

(Rs. in '000s)

	March 31, 2006	March 31, 2005
A. Cash Flow From Operating Activities		
Profit Before Tax	2,360,740	969,810
– (Profit)/Loss on Sale of Fixed Assets	300	11,240
– Depreciation	23,970	14,750
– Provision for Interest Tax	—	(409)
– Provision for Wealth Tax	100	100
– Exchange adjustments	4,520	350
– Income from investment	—	(340)
– Bad and Doubtful Debts (Net)	68,760	(4,810)
Operating Profit before Changes in Operating Assets and Liabilities	2,458,390	990,691
Adjustments for net change in Operating Assets and Liabilities		
– Current Assets excluding Cash and Cash equivalents	(4,689,990)	13,568,825
– Fixed Deposits under Lien	(276,710)	(161,030)
– Loans and advances relating to Operations	544,380	(693,900)
– Current Liabilities relating to Operations	1,904,865	8,055
Cash generated from Operations	(2,517,455)	12,721,950
Payment of Taxes (Net)	(59,065)	13,712,641
Net Cash from Operating Activities	(816,770)	(460,260)
	(875,835)	13,252,381
B. Cash Flow From Investment Activities		
– (Purchase) / Sale of Investments (Net)	721,500	(721,510)
– Income from investment	—	340
– (Purchase) / Sale of Fixed Assets (Net)	22,060	(39,564)
Net cash used in Investment Activities	743,560	(760,734)
C. Cash Flow From Financing Activities		
– Increase/ (Decrease) in Borrowings (Net)	(1,200,500)	(7,380,840)
– Issue/ redemption of Debentures (Net)	2,849,500	(2,554,000)
– Buy Back	(766,133)	—
– Dividends & Dividend Tax paid	(809,880)	(303,720)
Net Cash used in Financing Activities	72,987	(10,238,560)
Net Change in Cash & Cash Equivalents	(59,278)	2,253,087
Cash and Cash Equivalents at the beginning of the year	2,538,027	284,970
Cash and Cash Equivalents at the end of the year	2,478,749	2,538,057
Cash and cash equivalents at the end of the year does not include fixed deposits under Lien		
Rs. 617,940 thousand (Previous year Rs. 341,230 thousand)		

For S.R.BATLIBOI & CO.
Chartered Accountants

Per VIREN H.MEHTA
Partner
Membership No.: 48749

Mumbai, April 22, 2006

RAJU NANWANI
Company Secretary

ABHIJEET GUIN
Vice President & Head - Financials

For and on behalf of the Board

K. V. KAMATH
Chairman

LALITA D. GUPTA
Director

S. MUKHERJI
Managing Director & CEO

statement pursuant to section 212



of the Companies Act, 1956, relating to Subsidiary Companies

i-SEC

(Rs. in '000s)

Sr. No.	Name of the Subsidiary Company	ICICI Brokerage Services Limited	ICICI Securities Holdings Inc	ICICI Securities Inc.
1.	The financial year of the Subsidiary Company ended on	March 31, 2006	March 31, 2006	March 31, 2006
2.	(a) Number of Equity Shares held by ICICI Securities Limited and/or its nominees in the Subsidiary as on March 31, 2006	4,500,700 Equity Shares of Rs. 10 each Fully Paid-up	1,600,000 Equity Shares of US\$1.00 per unit Fully Paid-up	1,050,000 Equity Shares of US\$1.00 per unit Fully Paid-up held by ICICI Securities Holdings Inc.
	(b) Extent of interest of ICICI Securities Limited in the Capital of the Subsidiary	100%	100%	100%
3.	Net aggregate amount of Profits/Losses of the Subsidiary so far as it concerns the Members of ICICI Securities Limited and is not dealt with in the Accounts of ICICI Securities Limited			
	(a) Profits of the Subsidiary for the financial year ended on March 31, 2006	210,940	17,290	43,460
	(b) Profits for the previous financial years of the Subsidiary since it became Subsidiary of ICICI Securities Limited	419.220	(18,870)	(6.480)
4.	Net aggregate amount of Profits/Losses of the Subsidiary so far as dealt with or provisions made for those losses in the Accounts of ICICI Securities Limited			
	(a) Profits of the Subsidiary for the financial year ended on March 31, 2006	Nil	Nil	Nil
	(b) Profits for the previous financial years of the Subsidiary since it became Subsidiary of ICICI Securities Limited	Nil	Nil	Nil

For and on behalf of the Board

K. V. KAMATH
Chairman

LALITA D. GUPTA
Director

Mumbai, April 22, 2006

RAJU NANWANI
Company Secretary

ABHIJEET GUIN
Vice President & Head - Financials

S. MUKHERJI
Managing Director & CEO