

CONSOLIDATED FINANCIAL STATEMENTS OF ICICI SECURITIES AND FINANCE COMPANY LIMITED AND ITS SUBSIDIARIES

auditors' report

to the members of ICICI Securities and Finance Company Limited

We have audited the attached consolidated Balance Sheet of ICICI SECURITIES AND FINANCE COMPANY LIMITED and subsidiaries (group) as at March 31, 2002 and the annexed Profit and Loss Account for the year ended on that date.

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.

We further report that:

- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;

- (b) The Consolidation has been carried out as per Accounting Standard – 21 Consolidated Financial Statements issued by the Institute of the Chartered Accountants of India. This being the first year of the Consolidation, previous year figures are not provided by the Company.
- (c) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon, give a true and fair view:
- (i) in the case of the Balance Sheet, of the state of affairs of the Group as at March 31, 2002; and
 - (ii) in the case of the Profit and Loss Account, of the Profit of the Group for the year ended on that date.

For N.M. RAJI & CO.
Chartered Accountants

J.M. GANDHI
Partner

Date: April 23, 2002

balance sheet

profit and loss account

as at March 31, 2002

for the year ended March 31, 2002

		(Rs. in '000s)		(Rs. in '000s)	
	Schedule	March 31, 2002		Schedule	March 31, 2002
SOURCES OF FUNDS				INCOME FROM OPERATIONS	
1. Shareholders' Funds				(a) Income from Services	M 192,840
A. Share Capital	A	2,030,030		(b) Interest Income	N 1,675,890
B. Reserves and Surplus	B	1,225,700		(c) Profit / (Loss) on Securities	O 1,614,940
			3,255,730	(d) Other Income	P 405,150
2. Loan Funds					3,888,820
A. Secured Loans	C	11,258,300		Less : Operating Expenditure	
B. Unsecured Loans	D	6,077,220		(a) Financial Charges and	
		20,591,250		Operating Expenses	Q 1,413,690
					2,475,130
APPLICATION OF FUNDS				EXPENDITURE	
1. Fixed Assets				Less: Administrative Expenditure	
Gross Block	E	233,590		(a) Payments to and Provisions	
Less: Depreciation		117,430		for Employees	R 239,420
		116,160		(b) Establishment Expenses	S 341,710
Capital Work-in-Progress		70		(c) Depreciation -	
Net Block			116,230	On other owned Assets	15,330
2. Investments	F		430,810		596,460
3. Deferred Tax Asset			6,100	Profit Before Taxation	1,878,670
4. Current Assets, Loans and Advances				Less: Provision for Taxation (Including tax	
A. Current Assets				for earlier years Rs. 84,680 thousand)	622,980
(a) Interest Accrued	G	682,460		Deferred Tax Adjustment	(20,190)
(b) Securities held as				Profit After Taxation	1,275,880
Stock-in-Trade	H	18,859,430		Brought forward from previous years	116,050
(c) Sundry Debtors	I	60,220		Amount available for appropriations	1,391,930
(d) Cash and Bank Balances	J	118,800		Transfer to Special Reserve	255,780
B. Loans and Advances	K	2,395,990		Transfer to General Reserve	127,890
		22,116,900		Interim Dividend	730,810
Less : Current Liabilities and Provisions: L				Tax on Dividend	74,540
A. Current Liabilities		333,310		Balance carried to Balance Sheet	202,910
B. Provisions		1,745,480			
NET CURRENT ASSETS			20,038,110	Notes forming part of the Accounts	
			20,591,250	and Accounting Policies	T
Notes forming part of the Accounts					
and Accounting Policies	T				

Per our Report attached
For N.M. RAJI & CO.
Chartered Accountants

J.M. GANDHI
Partner

Mumbai, April 23, 2002

ABHIJEET GUIN
Vice President &
Head - Financials

POYNI BHATT
Senior Vice President &
Company Secretary

For and on behalf of the Board

K.V. KAMATH
Chairman

LALITA D. GUPTA
Director

DEV DATT SHAH
Managing Director &
CEO

schedules



forming part of the Accounts

i-SEC

(Rs. in '000s)

(Rs. in '000s)

March 31,
2002

March 31,
2002

SCHEDULE "A" – SHARE CAPITAL :

Authorised:

50,00,00,000 Equity Shares of Rs. 10 each 5,000,000

Issued:

20,30,02,800 Equity Shares of Rs. 10 each 2,030,030

Subscribed and Paid Up:

20,30,02,800 Equity Shares of Rs. 10 each 2,030,030

Notes :

- Of the above, 20,28,33,200 Equity Shares of Rs.10 each are held by ICICI Limited (the holding company) and its nominees.
- As per the scheme of Amalgamation approved by the High Courts, the Holding Company ICICI Limited is being merged with ICICI Bank. However, the effective date of merger will be crystallised on getting approval from the Reserve Bank of India.
If the merger is effective before March 31, 2002, ICICI Bank will be the holding company instead of ICICI Limited

SCHEDULE "B" – RESERVES AND SURPLUS:

(Rs. in thousand)

	Balance as on April 1, 2001	Additions/ transfer during the Year	Deductions/ transfers during the Year	Balance as on March 31, 2002
Share Premium Account	112,800	—	—	112,800
Deferred Tax Credit Reserve	15,210	—	(15,210)	—
General Reserve	259,120	129,880	—	389,000
Special Reserve (maintained under Section 45 IC of the RBI Act, 1935)	263,350	255,780	—	519,130
Translation Reserve	—	—	—	1,860
Profit and Loss Account	116,050	—	—	202,920
Total	<u>766,530</u>			<u>1,225,710</u>

SCHEDULE "C" - SECURED LOANS:

Borrowings from Reserve Bank of India 10,663,900

(Secured by Government Securities of
face value Rs.11,271,500 thousand)

Repo Borrowings 594,400
(Secured by Underlying Security)

Total 11,258,300

SCHEDULE "D" - UNSECURED LOANS:

Short Term Loans 1,368,500

Term Loans from Institutions issued as Tier III Capital 500,000

Inter-Corporate Borrowings 625,000

Money at Call and Short Notice

– From Banks 830,000

– From Others 10,000

Commercial Paper Borrowings 1,527,580

Floating Rate Debenture 768,000

(Redeemable at par by May 2002)

8.50% Debentures 2002 100,000

(Redeemable at par by April 2002)

7.95% Debentures 2002 5,640

(Redeemable at par by April 2002)

8.15% Debentures 2002 45,000

(Redeemable at par by April 2002)

7.86% Debentures 2002 250,000

(Redeemable at par by April 2002)

8.45% Debentures 2002 47,500

(Redeemable at par by April 2002)

Total 6,077,220

Unsecured loans include an amount of Rs. 500,000 thousand from ICICI Limited - the holding company.

SCHEDULE "E" – FIXED ASSETS:

(Rs. in '000s)

	Gross Block (at Cost)				Accumulated Depreciation			Net Block
	April 1, 2001	Additions	Sale/Adj	Mar 31, 2002	Additions	Sale/Adj	Mar 31, 2002	Mar 31, 2002
Freehold Land	57,230	—	—	57,230	—	—	—	57,230
Building	10,050	—	—	10,050	410	—	2,320	7,730
Improvements to Leasehold Property	21,530	—	—	21,530	2,610	—	16,290	5,240
Plant and Machinery/Electrical Installation	14,660	10	8,690	5,980	930	5,420	3,460	2,520
Office Equipment	29,970	5,000	5,880	29,090	2,280	3,910	14,170	14,920
Computers	69,390	6,670	440	75,620	6,390	350	62,950	12,670
Furniture and Fixtures	19,300	3,240	1,210	21,330	1,410	850	13,220	8,110
Vehicles	3,570	—	810	2,760	300	670	1,950	810
BSE Membership Rights	10,000	—	—	10,000	1,000	—	3,070	6,930
Total	<u>235,700</u>	<u>14,920</u>	<u>17,030</u>	<u>233,590</u>	<u>15,330</u>	<u>11,200</u>	<u>117,430</u>	<u>116,160</u>

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, 2002
Bonds			
ICICI Limited 2002	500 (Nil)	100	<u>430,810</u>
Total			<u>430,810</u>

Notes :

- The aggregate cost and market value of the quoted Investments as at March 31, 2002 is Rs. 430,810 thousand and Rs. 430,800 thousand respectively.

schedules

forming part of the Accounts

Continued

	(Rs. in '000s)		(Rs. in '000s)	
	March 31, 2002		Total Face Value (in Rupees thousands)	March 31, 2002
SCHEDULE "G" – INTEREST ACCRUED:				
On Investments		40,330		
On Stock-in-Trade		611,330		
On Loans and Advances		30,800		
Total		682,460		
SCHEDULE "H" – SECURITIES HELD AS STOCK IN TRADE				
(at lower of cost or market value) (Quoted unless otherwise stated)	Total Face Value (in Rupees thousands)	March 31, 2002		1,667,230
Government of India Securities and Deemed Government of India Securities				
8.25% Government of India 2005	30	30		
9.39% Government of India 2011	926,500	1,027,030		
9.40% Government of India 2012	150,000	167,100		
9.81% Government of India 2013	1,300,000	1,483,950		
9.85% Government of India 2015	1,335,000	1,538,590		
9.90% Government of India 2005	150,000	162,450		
10.18% Government of India 2026	175,000	206,760		
10.25% Government of India 2021	197,600	233,460		
10.71% Government of India 2016	600,000	727,800		
11.00% Government of India 2002	100	100		
11.00% Government of India 2006	130,900	150,210		
11.10% Government of India 2003	2,209,780	2,305,910		
11.15% Government of India 2002	800	810		
11.19% Government of India 2005	50,000	56,430		
11.40% Government of India 2008	800,000	967,200		
11.50% Government of India 2011	2,150,000	2,690,730		
11.78% Government of India 2003	39,300	41,850		
11.99% Government of India 2009	1,050,000	1,302,000		
12.50% Government of India 2004	960,000	1,060,800		
13.80% Government of India 2002	24,810	25,080		
		14,148,290		
Fixed Rate Bonds				
8.90% Neyveli Lignite Corporation Limited 2009	100,000	98,420		
9.20% Powergrid Corporation Limited 2006	50,000	49,760		
9.25% Power Finance Corporation Limited 2012	334,700	331,340		
9.70% Canara Bank 2007	5,000	5,030		
9.70% Powergrid Corporation Limited 2006	50,000	50,000		
9.70% Powergrid Corporation Limited 2007	50,000	50,000		
9.70% Powergrid Corporation Limited 2008	50,000	50,000		
9.70% Powergrid Corporation Limited 2009	50,000	50,000		
9.70% Powergrid Corporation Limited 2010	50,000	49,980		
9.70% Powergrid Corporation Limited 2011	50,000	49,540		
9.70% Powergrid Corporation Limited 2012	50,000	49,040		
9.70% Powergrid Corporation Limited 2013	50,000	48,680		
9.70% Powergrid Corporation Limited 2014	50,000	47,630		
9.70% Powergrid Corporation Limited 2015	50,000	47,200		
9.70% Powergrid Corporation Limited 2016	50,000	46,750		
9.70% Powergrid Corporation Limited 2017	50,000	46,140		
9.90% Bharat Petroleum Corporation Limited 2008	150,000	152,880		
9.95% Bharat Petroleum Corporation Limited 2008	200,000	204,160		
10.00% HUDCO 2012	90,000	87,300		
10.00% National Thermal Power Corp Limited 2007	36,600	36,600		
10.00% National Thermal Power Corp Limited 2008	36,600	36,600		
10.00% National Thermal Power Corp Limited 2009	30,000	30,000		
10.00% Steel Authority of India Limited 2003	80,000	79,900		
10.40% Bharat Sanchar Nigam Limited 2006	50,000	51,080		
10.80% Infrastructure Development 2006	50,000	52,440		
11.55% State Bank of India 2006	100,000	106,880		
11.75% ICICI Limited 2002	5,100	4,460		
12.00% Bharat Petroleum Corporation Limited 2006	150,000	159,940		
13.75% ICICI Limited 2003	50,000	52,780		
13.75% ICICI Limited 2003	50,000	52,460		
16.00% ICICI Limited 2003	150,000	166,510		
16.00% ICICI Limited 2003	50,000	55,600		
		2,399,100		
Debentures				
8.34% BSES Limited 2007	250,000	242,800		
8.85% Grasim Industries Limited 2008	150,000	147,090		
9.00% LIC Housing Finance Limited 2007	50,000	49,020		
9.25% LIC Housing Finance Limited 2009	50,000	48,340		
9.60% Gujarat Ambuja Cements Limited 2008	100,000	98,340		
9.60% Reliance Industries Limited 2006	50,000	49,940		
9.70% Grasim Industries Limited 2008	100,000	101,080		
9.75% Hindalco Industries Limited 2008	250,000	254,770		
9.75% ICICI Bank Limited 2007	100,000	98,020		
9.90% Reliance Industries Limited 2006	50,000	50,530		
10.10% Grasim Industries Limited 2006	50,000	51,200		
10.75% Grasim Industries Limited 2005			50,000	52,210
11.22% Hindalco Industries Limited 2008			250,000	265,930
11.75% GESCO 2002			10,000	10,050
11.75% GESCO 2003			10,000	10,050
11.75% GESCO 2004			10,000	10,050
11.75% GESCO 2005			10,000	10,050
11.75% GESCO 2006			10,000	10,050
13.00% Reliance Petro Limited 2004			50,000	53,810
13.20% Indian Rayon & Industries Limited 2003			50,000	53,120
13.50% Prism Cement Limited 2004			1,553	870
				1,667,230
Debentures (Unquoted)				
10.00% Rama Newsprint & Papers Limited 2004			90,835	79,080
12.50% Arvind Mills Limited 2000			4,092	3,690
15.00% Pal Peugeot Limited 2004			16,160	12,170
17.50% Grapco Granites Limited 1998			20,000	18,250
17.50% Grapco Granites Limited 2000			15,000	13,100
17.50% Grapco Mining Limited 1995			10,000	9,310
18.00% Parasrampur Synthetics Limited 1999			20,000	17,620
19.50% Grapco Granites Limited 1998			20,000	18,920
20.00% Das Lagerwey 1996			30,000	30,000
20.00% Veena Textiles Limited 1996			15,000	14,300
22.00% GTV Spinners Limited 1996			4,529	4,480
				220,920
Equity				
Bharat Forge Limited			1,500	16,020
Bharat Forge Utilities Limited			750	—
Bhushan Steel Limited			7,828	12,130
Biochem Synergy Limited			635	—
Eveready Industries India Limited			5,059	5,520
Hughes Tele.Com (India) Limited			121,782	85,250
India Containers Limited			934	—
Indian Seamless Metaltube Limited			1,000	1,040
Inland Printers Limited			7,992	—
Jocil Ind Limited			2,371	—
Kallam Spinning Mills Limited			4,634	—
Nucent Finance Limited			1	—
Parakaram Technofab Limited			1,910	—
Parasrampur Synthetics Limited			1,246	10
Parasrampur Synthetics Limited			905	—
Rama Newsprint Limited			10	—
Shri Renuga Textiles Limited			1,000	—
South Indian Bank Limited			3,081	13,250
Sun Pharmaceutical Industries Limited			19	90
Sunshield Chemicals Limited			2	—
Tata Investment Corp Limited			768	6,590
Unipon Industries Limited			2,177	—
Usha Beltron Limited			625	3,340
Usha Martin Infotech Limited			625	1,250
Vickers System Limited			1	—
				144,490
Equity – Unquoted				
Aldrich Pharmaceuticals Limited			2,400	—
Hiralal Print Works Limited			1,935	—
IAC Industries Limited			1,500	—
Mahindra Sona Limited			1,158	—
MIL Industries Limited			350	—
Orissa Lamp Limited			7,215	—
Ring Plus Aqua Limited			2,258	—
				—
Units				
HDFC Liquid Fund Dividend Option			500,017	500,230
				500,230
Total				
				19,080,350
Less: Provision against Non-performing Assets / Bad debts written off				
				220,920
Grand Total				
				18,859,430
Notes:				
1. 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.				
2. The aggregate carrying value and market value of quoted securities as at March 31, 2002 is Rs. 18,359,190 thousand and Rs. 18,369,500 thousand respectively.				

schedules



forming part of the Accounts

Continued **i-SEC**

	(Rs. in '000s)	(Rs. in '000s)
	March 31, 2002	March 31, 2002
SCHEDULE "I" – SUNDRY DEBTORS (Unsecured):		
(A) Receivables outstanding for a period exceeding six months:		
Considered Doubtful	3,240	
(B) Other Receivables:		
Considered Good	60,220	
	<u>63,460</u>	
Less: Provision for Doubtful Debts	3,240	
Total	<u>60,220</u>	
SCHEDULE "J" – CASH AND BANK BALANCES:		
Cash and Cheques on hand	90	
In Current Accounts with Scheduled Banks	27,040	
In Current Accounts with Reserve Bank of India	9,780	
Fixed Deposits with Scheduled Banks (Under Lien with Stock Exchanges)	81,890	
Total	<u>118,800</u>	
SCHEDULE "K" – LOANS AND ADVANCES:		
(Unsecured and considered good unless otherwise stated)		
(A) Loans:		
Commercial Paper	17,080	
Total (A)	<u>17,080</u>	
(B) Advances:		
(Recoverable in cash or in kind or for value to be received)		
Advance Income and Other Tax	1,875,890	
Security Deposit for Leased Premises	228,080	
Other Advances and Deposits	59,090	
Application Money for Securities	200,000	
Deposit with stock exchanges	18,440	
	<u>2,381,500</u>	
Less: Provision for Doubtful Advances	2,590	
Total (B)	<u>2,378,910</u>	
Total (A)+(B)	<u>2,395,990</u>	
SCHEDULE "L" – CURRENT LIABILITIES AND PROVISIONS:		
(A) Current Liabilities		
Interest Accrued but not due	77,320	
Sundry Creditors	94,490	
Sundry Creditors for Expenses	50,620	
Other Liabilities	110,720	
Unclaimed Dividends	160	
Total (A)	<u>333,310</u>	
(B) Provisions:		
Income and Other Taxes	1,735,730	
Retirement Benefits	9,750	
Total (B)	<u>1,745,480</u>	
SCHEDULE "M" – INCOME FROM SERVICES :		
Issue Management Fees	9,300	
Financial Advisory Services	26,060	
Syndication Fees	41,840	
Underwriting Commission	2,530	
Brokerage and Commission	113,110	
Total	<u>192,840</u>	
SCHEDULE "N" – INTEREST INCOME:		
Interest on Securities		
– Stock In Trade		1,325,540
Income on Discounted Instruments		
– Investments		104,830
– Stock In Trade		55,760
Interest on Repo and Call Lendings		85,320
Interest on Inter-Corporate Deposits		40,930
Interest on Deposits for Leased Premises		48,020
Interest on Other Loans and Advances		15,490
Total		<u>1,675,890</u>
SCHEDULE "O" – PROFIT/(LOSS) ON SECURITIES:		
Profit on Sale of Investments		2,520
Sale of Securities	547,023,230	
Less: Purchases	552,937,680	
	<u>(5,914,450)</u>	
Add/Less: Increase/(Decrease) In Closing Stock	7,526,870	
Profit on Stock In Trade		1,612,420
Total		<u>1,614,940</u>
SCHEDULE "P" – OTHER INCOME:		
Dividend Income		337,090
Recovery against Bad Debts Written Off		31,920
Miscellaneous Income		1,480
Net Gain/(Loss) from Swaps		34,660
Total		<u>405,150</u>
SCHEDULE "Q" – FINANCIAL CHARGES AND OPERATING EXPENSES:		
Interest on Fixed Rate Loans and Debentures		800,820
Interest on Borrowings from Reserve Bank of India		111,340
Interest on Repo and Call Borrowings		361,340
Procurement Expenses		91,280
Guarantee Commission		650
Rating Agency Fees		3,680
Turnover Fees		800
Transaction Charges		1,220
Brokerage and Stamp Duty		30,910
Bank Charges		2,800
Custodial Services		1,090
Doubtful Debts Written off / Provided		10,600
Less: Opening Provision		<u>2,840</u>
		7,760
Total		<u>1,413,690</u>
SCHEDULE "R" – PAYMENTS TO AND PROVISIONS FOR EMPLOYEES:		
Salaries, Wages and Incentive		224,930
Contribution to Provident and other Funds		6,810
Staff Welfare Expenses		7,680
Total		<u>239,420</u>
SCHEDULE "S" – ESTABLISHMENT AND OTHER EXPENSES:		
Rent and Amenities		158,310
Insurance		1,850
Travelling, Conveyance and Motor Car Expenses		30,610
Repairs, Maintenance and Upkeep		19,460
Rates And Taxes		1,750
Electricity Expenses		8,900
Communication Expenses		14,340
Printing And Stationery		4,280
Loss on Sale of Fixed Assets		5,450
Deferred Revenue Expenditure Written Off		43,460
Subscription And Periodicals		11,250
Professional Fees		12,750
Advertisement Expenses		3,330
Auditors' Remuneration		2,340
Miscellaneous Expenses		23,620
Total		<u>341,700</u>

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

1. Significant Accounting Policies:

(i) Method of Accounting

The accounts are prepared in accordance with accounting principles generally accepted in India. The Company follows accrual method of accounting.

(ii) Revenue Recognition

In case of non-fund based activities such as issue management, loan syndication, financial advisory services etc., the revenue is recognised based on the stage of completion of assignments and the bills raised for the recovery of fees.

Interest income is accounted on an accrual basis except that no interest income is recognised on Non Performing /Doubtful assets, considering prudential norms for income recognition issued by Reserve Bank of India for Non-Banking Financial Companies. Interest income on such assets is recognised when the amount is received and appropriated towards interest.

Income from Brokerage activities is recognised as income on the trade date of the transaction. Related expenditure incurred for procuring business is accounted for as procurement expenses.

(iii) Stock-in-trade and Investments

(a) The securities acquired with the intention of short-term holding and trading positions are considered as stock-in-trade and shown as current assets. Other securities acquired with the intention of long-term holding are considered as 'Investments'.

(b) In respect of investments, brokerage and stamp duty payable are considered to arrive at the cost. However, in respect of securities held as stock-in-trade, brokerage and stamp duty are written off as revenue expenditure. Commission earned in respect of securities held as stock-in-trade and investments acquired from the primary market and on devolvement is adjusted from the cost of acquisition.

(c) The securities held as stock-in-trade under current assets are valued at cost or market/fair value, whichever is lower. In case of investments transferred to Stock-in-trade, carrying amount on the date of transfer is considered as cost. In case of unquoted shares fair value 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.

(d) The Investments are shown in balance sheet at cost. In case of quoted investments, provision for diminution in value of investments is made, if such diminution is of a permanent nature in the opinion of management.

(iv) Interest Rate Swaps (IRS)/ Forward Rate Agreements (FRA)

Assets and liabilities in respect of notional principal amount of IRS and FRA is nullified. Gains or losses in respect of interest rate swaps are accounted on due dates as per the terms of the contract and the net amount is shown in the Profit and Loss account.

(v) Repurchase and Resale Transactions (Repo)

As a Primary Dealer, Reserve Bank of India has permitted the Company to enter into Repo transactions. Such transactions are treated as secured borrowing/lending transactions and accordingly disclosed in the financial statements. The difference between purchase and sale consideration is treated as interest and is accounted as income or expenditure, as the case may be, over the period of the contract.

(vi) Zero Coupon Instruments

The difference between the acquisition price and maturity value of zero coupon instruments are treated as interest and is recognised as income over the remaining life of the instrument.

(vii) Fixed Assets and Depreciation

Fixed assets are stated at historical cost.

Expenditure incurred on plumbing, flooring and other civil works at leased premises prior to its occupation by the company have been capitalized as "Improvement to Leasehold Property".

Depreciation on value of improvements to leasehold property is provided on straight line method at the rate determined, considering the period of lease or at the rate prescribed in Schedule XIV of the Companies Act, 1956, whichever is higher.

Depreciation on fixed assets other than the leased assets and improvement to leasehold property is provided on written down value method at the rate prescribed in Schedule XIV of the Companies Act, 1956. Additionally, an asset whose written down value falls below Rs. 5,000 is fully depreciated for the remaining balance.

(viii) Deferred Tax

The tax effects of significant temporary differences are reflected through a deferred tax Asset /Liability, which has been reflected in the Balance Sheet and the corresponding effect of the same is given in the Profit and Loss Account.

(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 issued 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) Miscellaneous Expenditure

Lease rentals and other revenue expenditure incurred on leased premises prior to occupation of the premises are amortised over the balance period of the lease, starting from the date of occupation of leased premises. The management has decided to charge off the balance in Deferred Revenue Expenditure as of March 31, 2002 and not carry it forward further.

(xi) 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.

(xii) Retirement Benefits

Provident Fund contribution is paid to the Provident Fund Commissioners' fund while gratuity is covered under schemes with Life Insurance Corporation (LIC) and yearly contribution is made to LIC.

2. Deferred Tax

In compliance with Accounting Standard 22 (Accounting for Taxes on Income), the Company has worked out deferred tax liability as at April 1, 2001 amounting to Rs. 14,080 thousand. This Liability has been created out of deferred tax credit reserve as on March 31, 2001. As a result of this, the balance in deferred tax credit reserve of Rs. 1,990 thousand is transferred to General Reserve. Further for the current year deferred tax liability is fully reversed and a deferred tax asset is created to the extent of Rs. 6,100 thousand. As a result the profit after tax is higher to the extent of Rs. 20,180 thousand.

The break-up of deferred tax assets into major components is as follows:-

	(Rs. in '000s)
Deferred Tax Assets	
Depreciation	2,320
Provision for Debtors NPA and Advances	3,500
Preliminary Expenses	280
	<u>6,100</u>

schedules

3. Contingent Liabilities

Outstanding counter guarantees for subsidiary company, as at March 31, 2002 is Rs. 43,500 thousand.

4. The Management has decided to charge off the balance of Deferred Revenue Expenditure as of March 31, 2002. On account of this, Deferred Revenue Expenditure Written Off is higher by Rs. 28,970 thousand and the profit for the year is lower to that extent.

5. Commercial Paper issued of face value Rs. 250,000 thousand re-purchased by the company has been kept for re-issue.

6. Notional Principal outstanding on account of Swaps Rs. 50,550,000 thousand.

(Rs. in '000s)

7. Auditors' remuneration:

(a) Audit Fees	2,080
(b) Tax Audit and Certification Fees	240
(c) Out of pocket expenses	20
	2,340

8. Expenditure in foreign currency (Travelling and Other expenses) 6,790

9. Earnings in foreign currency (Fees towards Advisory Services) 190

10. QUANTITATIVE DETAILS OF SECURITIES HELD AS STOCK IN TRADE

(a) OPENING AND CLOSING STOCK

Category	Opening Stock		Closing Stock	
	Face Value (Rs. in '000s)	Value (Rs. in '000s)	Face Value (Rs. in '000s)	Value (Rs. in '000s)
Government Securities	6,400,751	6,629,020	12,249,820	14,148,280
Treasury bills	48,125	45,650	—	—
Equity shares	186,406	186,630	183,671	144,490
Debentures	1,160,737	1,094,120	1,898,721	1,888,240
Others	3,388,238	3,598,060	2,877,917	2,899,330
Total	11,184,257	11,553,480	17,210,129	19,080,340

(b) PURCHASES AND SALES

Category	Purchases		Sales	
	Face Value (Rs. in '000s)	Value (Rs. in '000s)	Face Value (Rs. in '000s)	Value (Rs. in '000s)
Government Securities	430,686,605	471,857,440	424,837,536	466,088,120
Treasury bills	45,570,300	43,529,670	45,618,425	43,594,170
Equity shares	766	354,480	3,502	359,560
Debentures	12,050,000	12,501,850	11,312,016	11,752,130
Others	23,164,560	24,694,240	23,674,881	25,229,250
Total	511,472,231	552,937,680	505,446,360	547,023,230

11. Related Party Disclosures

The Company being a finance company, the transactions in the normal course of business have not been disclosed. The following are the details of transactions with related parties: -

(Rs. in '000s)

Name of the related Party	Type of Transactions	Amount
ICICI Limited – The Holding Company	Establishment Expenses	10,900
	Dividend paid	730,200
	Procurement Expenses	5,990
ICICI Bank Limited – – Refer Note 2, Schedule A	Procurement Expenses	2,190
	Brokerage Income	840
ICICI Infotech Services Limited – Subsidiary of ICICI Limited	Establishment Expenses	8,860
ICICI Prudential Life Insurance Co. Limited – Subsidiary of ICICI Limited	Fee Income	100
ICICI Capital Services Limited – Subsidiary of ICICI Limited	Fee Income	120
	Brokerage Expense	58,520
ICICI Web Trade Limited – Subsidiary of ICICI Limited	Purchase of Fixed Assets	210

12. Segmental Disclosures

Internally evaluation of performance is based on two business segments – Investment and Trading and 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.

Profit and Loss of reportable segments for year ended March 31, 2002 is as under:

(Rs. in '000s)

	Investment and Trading	Services	Total
Segment Revenue			
Income from Services	—	192,850	192,850
Interest Income	1,622,370	—	1,622,370
Profit/(Loss) on Securities	1,614,930	—	1,614,930
Other Income	403,660	—	403,660
Unallocated Income	—	—	55,010
	3,640,960	192,850	3,888,820
Segment Expenses			
Operating Expenditure	1,255,780	138,130	1,393,920
Unallocated Expenditure	—	—	616,220
	1,255,780	138,130	2,010,140
Segment Results	2,385,180	54,720	1,878,680
Provision for Taxation			602,800
			1,275,880

Assets and Liabilities of reportable segments as on March 31, 2002 is as under :-

(Rs. in '000s)

	Investment and Trading	Services	Total
Segment Assets			
Segment Assets	20,060,800	136,040	20,196,850
Unallocated Assets	—	—	394,400
	20,060,800	136,040	20,591,250
Liabilities			
Segment Liabilities	20,060,800	136,040	20,196,850
Unallocated Liabilities	—	—	394,400
	20,060,800	136,040	20,591,250

Cost of acquisition of Segment Assets

(Rs. in '000s)

	Investment and Trading	Services	Total
Cost of acquisition of Segment Assets	—	1,210	1,210
Cost of acquisition of unallocated Assets	—	—	13,710
	—	1,210	14,920

13. This being the first year of consolidated financial statement, figures for the previous year have not been disclosed.

Signatures to Schedules A to T

Per our Report attached
For N.M. RAJJI & CO.
Chartered Accountants

For and on behalf of the Board

K.V. KAMATH
Chairman
DEV DATT SHAH
Managing Director & CEO

J.M. GANDHI
Partner

LALITA D. GUPTA
Director
ABHIJEET GUIN
Vice President &
Head - Financials

POYNI BHATT
Senior Vice President &
Company Secretary

Mumbai, April 23, 2002