

ICICI INTERNATIONAL LIMITED**11TH ANNUAL REPORT AND ACCOUNTS 2005-2006****Directors**

Renuka Ramnath
Suresh Kumar
Couldip Basanta Lala
Dev Joory

Administrator and Secretary

International Financial Services Limited
IFS Court, TwentyEight
Cybercity, Ebene
Mauritius

Bankers

Barclays Bank PLC, Offshore Banking Unit
8th Floor, Harbour Front Building
President John Kennedy Street
Port Louis, Mauritius

Registered Office

IFS Court, TwentyEight
Cybercity, Ebene
Mauritius

Auditors

Horwath Mauritius
Public Accountants, 3rd Floor, Amod Building,
19, Poudrière Street, Port-Louis, Mauritius

commentary of the directors

year ended March 31, 2006**RESULTS**

The results for the year are shown in the Income Statement and related notes.

DIRECTORS

The present membership of the Board is set out above.

DIRECTOR'S RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year, which present fairly the financial position, financial performance and the cash flows of the Company. The directors are also responsible for keeping accounting records which:

- correctly record and explain the transactions of the Company;
- disclose with reasonable accuracy at any time the financial position of the Company; and
- would enable them to ensure that the financial statements comply with the Companies Act 2001.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

AUDITORS

The auditors, Horwath Mauritius, have indicated their willingness to continue in office.

CERTIFICATE FROM THE SECRETARY UNDER SECTION 166 (d) OF THE COMPANIES ACT 2001

We certify to the best of our knowledge and belief that we have filed with the Registrar of Companies all such returns as are required of ICICI INTERNATIONAL LIMITED under the Companies Act 2001 during the financial year ended March 31, 2006.

For **International Financial Services Limited**
Secretary

Registered Office:
IFS Court
TwentyEight
Cybercity, Ebene
Mauritius

April 7, 2006

auditors' report

to the members of ICICI International Limited

We have audited the financial statements of ICICI INTERNATIONAL LIMITED which have been prepared on the basis of the accounting policies set out hereinafter.

This report is made solely to the company's members, as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in the auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

We have obtained all the information and explanations we considered necessary for the purposes of our audit.

In our opinion,

- proper accounting records have been kept by the Company as far as it appears from our examination;
- the financial statements give a true and fair view of the state of affairs of the Company as at March 31, 2006 and of its loss, changes in equity and cash flows for the year then ended and have been properly prepared in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Horwath Mauritius
Public Accountants

April 7, 2006

O. Sewraz, FCCA
Signing Partner

income statement balance sheet



for the year ended March 31, 2006 as at March 31, 2006

	2006 USD	2006 INR*	2005 USD	2005 INR*	Notes	2006 USD	2006 INR*	2005 USD	2005 INR*
INCOME									
Management fee	736	32,595	103,000	4,629,098					
Interest income	5,886	260,664	3,125	140,446					
	<u>6,622</u>	<u>293,259</u>	<u>106,125</u>	<u>4,769,544</u>					
Expenses									
Advisory fee	—	—	95,000	4,269,557					
Licence fee	1,500	66,430	1,500	67,414					
Registrar of companies fee	250	11,072	220	9,887					
Director's fee	1,250	55,359	1,250	56,178					
Secretarial fee	1,250	55,359	1,250	56,178					
Administration and professional fees	8,299	367,540	4,179	187,816					
SEBI Registration fee	5,000	221,436	—	—					
Bank charges	475	21,036	340	15,281					
Audit fee	2,300	101,861	2,300	103,368					
General expenses	—	—	—	—					
	<u>20,324</u>	<u>900,093</u>	<u>106,039</u>	<u>4,765,679</u>					
Net (LOSS) profit for the year	<u>(13,702)</u>	<u>(606,834)</u>	<u>86</u>	<u>3,865</u>					
* The corresponding amounts in Indian rupees ("INR") are shown as additional information for the sole purpose of the holding company.									
Assets									
Non-current assets									
Investments	5	300,000	13,384,500	300,000	13,123,500				
Current assets									
Receivables and prepayment	6	15,361	685,318	57,249	2,504,358				
Cash and cash equivalents	7	708,090	31,591,433	231,359	10,120,799				
		<u>723,451</u>	<u>32,276,751</u>	<u>288,608</u>	<u>12,625,157</u>				
Total assets		<u>1,023,451</u>	<u>45,661,251</u>	<u>588,608</u>	<u>25,748,657</u>				
Equity and liabilities									
Capital and reserves									
Stated capital	8	900,000	36,795,500	400,000	14,488,000				
Retained earnings		115,476	5,131,412	129,178	5,738,246				
Translation reserves		—	3,378,534	—	2,922,646				
		<u>1,015,476</u>	<u>45,305,446</u>	<u>529,178</u>	<u>23,148,892</u>				
Current liabilities									
Loan from shareholders	9	5,000	223,075						
Payables	10	2,975	132,730	59,430	2,599,765				
		<u>7,975</u>	<u>355,805</u>	<u>59,430</u>	<u>2,599,765</u>				
Total equity and liabilities		<u>1,023,451</u>	<u>45,661,251</u>	<u>588,608</u>	<u>25,748,657</u>				

* The corresponding amounts in Indian rupees ("INR") are shown as additional information for the sole purpose of the holding company.

Approved by the Board on 7 April 2006 and signed on its behalf by:

COULDIP BASANTA LALA
Director

KAPIL DEV JOORY
Director

statement of changes in equity

for the year ended March 31, 2006

	Stated capital & Share Application Money		Retained earnings		Translation reserves	Total	
	USD	INR*	USD	INR*	INR	USD	INR*
At April 1, 2004	400,000	18,408,000	129,092	5,940,814	—	529,092	24,348,814
Prior year adjustment	—	(3,920,000)	—	(206,433)	4,126,433	—	—
Restated Balance	400,000	14,488,000	129,092	5,734,381	4,126,433	529,092	24,348,814
Net profit for the year	—	—	86	3,865	(1,203,787)	86	(1,199,922)
At March 31, 2005	<u>400,000</u>	<u>14,488,000</u>	<u>129,178</u>	<u>5,738,246</u>	<u>2,922,646</u>	<u>529,178</u>	<u>23,148,892</u>
Issue of Shares	500,000	22,307,500	—	—	—	500,000	22,307,500
Net loss for the year	—	—	(13,702)	(606,834)	455,888	(13,702)	(150,947)
At March 31, 2006	<u>900,000</u>	<u>36,795,500</u>	<u>115,476</u>	<u>5,131,412</u>	<u>3,378,534</u>	<u>1,015,476</u>	<u>45,305,445</u>

* The corresponding amounts in Indian rupees ("INR") are shown as additional information for the sole purpose of the holding company.

cash flow statement

for the year ended March 31, 2006

	2006 USD	2006 INR*	2005 USD	2005 INR*
Cash flows from operating activities				
Net (loss)/profit for the year	(13,702)	(606,834)	86	3,865
Adjustment for:				
Interest income	(5,886)	(260,664)	(3,125)	(140,446)
Operating loss before working capital changes	(19,588)	(867,498)	(3,039)	(136,581)
(Increase) / decrease in receivables and prepayment	41,888	1,819,040	(54,250)	(2,366,344)
(Decrease) / Increase in payables	(56,455)	(2,467,036)	55,555	2,421,438
Decrease in advance monies	—	—	(2,077)	(95,584)
Net cash used in operating activities	(34,155)	(1,515,494)	(3,811)	(177,071)
Cash flows from investing activities				
Interest received	5,886	260,664	3,125	140,446
Net cash from investing activities	(5,886)	(260,664)	3,125	140,446
Cash flows from financing activities				
Issue of Shares	500,000	22,307,500	—	—
Loan	5,000	221,436	—	—
Net cash used in financing activities	505,000	22,528,936	—	—
Net increase/(decrease) in cash and cash equivalents	476,731	21,274,106	(686)	(36625)
Cash and cash equivalents at beginning of year	231,359	10,120,799	232,045	10,678,711
Exchange difference	—	196,528	—	(521,287)
Cash and cash equivalents at end of year (note 7)	708,090	31,591,433	231,359	10,120,799

* The corresponding amounts in Indian rupees ("INR") are shown as additional information for the sole purpose of the holding company.

notes to the financial statement

for the year ended March 31, 2006

1. GENERAL

The Company was incorporated in Mauritius under the Companies Act 1984 on January 18, 1996 as a private company with liability limited by shares and holds a Category 1 Global Business Licence issued by the Financial Services Commission. The Company has been granted by the Securities and Exchange Board of India on 9 May 2005 a Certificate of Registration as a Foreign Institutional Investor (FII). The Company's registered office is IFS Court, TwentyEight, Cybercity, Ebene, Mauritius.

The principal activity of the Company is to provide consulting and advisory services. The Company will, henceforth, act as an investment holding company, provide foreign exchange hedging outside Mauritius and India; offer sub-account services as a Foreign Institutional Investor and provide investment management services to India Optima Fund.

The financial statements of the Company are expressed in United States dollars ("USD"). The Company's business or other activity is carried out in a currency other than the Mauritian rupee, which is a requirement of the Financial Services Development Act 2001. The Company's functional currency is the USD, the currency of the primary economic environment in which the Company operates.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards. The preparation of financial statements in accordance with International Financial Reporting Standards requires the directors to make estimates and assumptions that could affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Investments

The investment in the joint venture entity, TCW/ICICI Investment Partners, L.L.C. is viewed as a "strategic investment" and has, as a result, been recorded at cost.

Available-for-sale investments are valued at fair value and the resulting

temporary unrealised (gains)/losses (including unrealised foreign exchange (gains)/losses on retranslation at the closing rate, if any) are reported as a separate component of equity as "Investment Revaluation Reserve", till the underlying investment is sold or permanently written off, when the total realised (gains)/losses are included in the Income Statement.

Foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. Monetary gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Such balances are translated at the year-end exchange rates unless hedged by forward exchange contracts, in which case the rates specified in such contracts are used.

Deferred tax

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax.

The principal temporary differences arise from tax losses carried forward. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Income tax

Income taxes currently payable are provided for in accordance with the existing legislation of the various countries in which the Company operates.

Receivables

Receivables are stated at original invoice amount less allowance made for doubtful receivables based on a review of all outstanding amounts at the year end. An allowance for doubtful receivables is made when there is objective evidence that the Company will not be able to collect all amounts due according to original terms of receivables. Bad debts are written off when identified.

Share capital

Ordinary shares are classified as equity.

Cash and cash equivalents

Cash comprises cash at bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Revenue recognition

Revenue is recognised on the following basis:

Interest income and management fees as they accrue unless collectibility is in doubt.

Related parties

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Financial instruments

Financial instruments carried on the balance sheet include investments, receivables, cash and cash equivalents, and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Disclosures about financial instruments to which the Company is a party are provided in note 12.

3. TAXATION
Income tax

The Company is a tax incentive company in Mauritius and under current laws and regulations it is liable to pay income tax on its net income at a rate of 15%. The Company is, however, entitled to a tax credit equivalent to the higher of actual foreign tax suffered and 80% of Mauritius tax payable in respect of its foreign source income tax thus reducing its maximum effective tax rate to 3%. At March 31, 2006, the Company has accumulated tax losses of **USD 27,252 – INR 1,206,915** (2004: USD 7,664 - INR* 335,262) and therefore no provision for taxation has been made.

The Company has received a certificate from the Mauritian authorities that it is a resident of Mauritius. In the absence of a permanent establishment in India, the Company should not be subject to capital gains tax in India on the sale or redemption of securities.

No Mauritian capital gain tax is payable on profits arising from sale of securities, and any dividends and redemption proceeds paid by the Company to its Shareholders will be exempt in Mauritius from any withholding tax.

A reconciliation of the income tax expense based on accounting profit and the actual income tax expense is as follows:

	2006 USD	2006 INR*	2005 USD	2005 INR*
Net (loss)/profit for the year	(13,702)	(385,398)	86	3,865
Income tax at 15% (effective rate) on net profit for the year	Nil	Nil	13	580
Exempt income	(5,886)	(260,664)	(469)	(21,067)
Unrecognised deferred tax asset	—	—	456	20,487
Income tax expense	—	—	—	—

Deferred tax

A deferred tax asset has not been recognised in respect of the tax losses carried forward as the directors consider that it is not probable that future taxable profit will be available against which the unused tax losses can be utilised.

4. AGREEMENTS
Administration Agreement

The Company has entered into an agreement with International Financial Services Limited (the "Mauritian Administrator"), a company incorporated under the laws of Mauritius. In consideration of the services to be performed by the Mauritian Administrator, the latter shall be entitled to receive from the Company a fee based on hours worked by the Mauritian Administrator in the performance of its duties.

5. INVESTMENTS

(a) Investments consist of 50% of the issued share capital of TCW/ICICI Investment Partners LLC, a company incorporated in Mauritius. The investments were acquired for USD 300,000.

	2006 USD	2006 INR*	2005 USD	2005 INR*
Directors' valuation	300,000	13,384,500	300,000	13,123,500

(b) Investments which exceeds 10% of the issued share capital are:

Name of Company	Description	Proportion Held
TCW / ICICI Investment Partners LLC	Ordinary shares	50%

	2006 USD	2006 INR*	2005 USD	2005 INR*
Sundry debtors	12,167	542,818	54,000	2,362,230
Prepayment	3,194	142,500	3,249	142,128
	<u>15,361</u>	<u>685,318</u>	<u>57,249</u>	<u>2,504,358</u>

6. RECEIVABLES AND PREPAYMENT
7. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, the cash and cash equivalents comprise the following:

	2006 USD	2006 INR*	2005 USD	2005 INR*
Cash at bank and in hand	528,227	23,566,848	196,326	8,588,280
Short term bank deposits	179,863	8,024,585	35,033	1,532,519
	<u>708,090</u>	<u>31,591,433</u>	<u>231,359</u>	<u>10,120,799</u>

8. SHARE CAPITAL

	2006 USD	2006 INR*	2005 USD	2005 INR*
Issued and fully paid				
Ordinary shares of USD 10.00 each				
At 01 April	400,000	14,488,000	400,000	14,488,000
Issued during the year	500,000	22,307,500	—	—
At 31 March				
Ordinary shares of USD 10.00 each	<u>900,000</u>	<u>36,795,500</u>	<u>400,000</u>	<u>14,488,000</u>

9. LOAN FROM SHAREHOLDER

The loan from shareholder is unsecured, interest-free and is repayable within one year.

10. PAYABLES

	2006 USD	2006 INR*	2005 USD	2005 INR*
Sundry creditors	—	—	55,000	2,405,975
Accruals	2,975	132,730	4,430	193,790
	<u>2,975</u>	<u>132,730</u>	<u>59,430</u>	<u>2,599,765</u>

11. FINANCIAL INSTRUMENTS
Fair values

The carrying amounts of investments, receivables, cash and cash equivalents and payables approximate their fair values.

Currency profile

All assets are financial assets except receivables and prepayment of **USD 15,361 - INR* 685,318** (2005 - **USD 3,249 - INR* 142,128**) are denominated in United States dollars. All liabilities are financial liabilities and are denominated in United States dollars.

12. RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary of ICICI Bank Limited.

Transactions with the related parties were carried out on commercial terms and conditions and at market prices. During the year, the Company traded with related parties. The nature, volume of transactions and balance with the related parties are as follows:

	2006 USD	2006 INR*	2005 USD	2005 INR*
<i>TCW/ICICI Investment Partners L.L.C.</i>				
At April 1	54000	2,362,230	(2,077)	(90,858)
Management fee	736	32,595	103,000	4,505,735
Other	—	—	2,077	90,858
Receipts	(54,736)	(2,394,825)	(49,000)	(2,143,505)
At March 31	—	—	54,000	2,362,230
<i>ICICI Venture Funds Management Company Ltd</i>				
At April 1	55,000	2,405,975	—	—
Advisory fee	95,000	4,155,775	95,000	4,155,775
Payments	(55,000)	(2,405,975)	(40,000)	(1,749,800)
At March 31	—	—	55,000	2,405,975

13. IMMEDIATE AND ULTIMATE HOLDING COMPANIES

The directors consider ICICI Bank Limited, incorporated in India, as the immediate and ultimate holding company.

* The corresponding amounts in Indian rupees ("INR") are shown as additional information for the sole purpose of the holding company.