ICICI International

ICICI INTERNATIONAL LIMITED

10TH ANNUAL REPORT AND ACCOUNTS 2004-2005

Directors
Renuka Ramnath
Suresh Kumar
Couldip Basanta Lala
Dev Joory

Administrator and Secretary
International Financial Services Limited
3rd Floor, Les Cascades,
Edith Cavell Street, Port Louis,
Mauritius

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

Registered Office
3rd Floor, Les Cascades,
Edith Cavell Street, Port Louis
Mauritius

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

commentary of the directors

year ended March 31, 2005

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, 2005.

For International Financial Services Limited
Secretary

Registered Office:
3rd Floor, Les Cascades
Edith Cavell Street
Port Louis
Mauritius

April*21,* 2005

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 an auditor's 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 obtain all the information and explanations we considered necessary for the purposes of our audit.

In our opinion.

(a) proper accounting records have been kept by the Company as far as it appears from our examination;

(b) the financial statements give a true and fair view of the state of affairs of the Company as at March 31, 2005 and of its profit, 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

K.S. Sewraz, FCCA
Signing partner

April21, 2005

balance sheet

ICICI International

as at March 31, 2005

	Notes	2005 USD	2005 INR*	*2004 USD*	*2004 INR**
ASSETS					
Non-current assets					
Investments	5	300,000	13,123,500	*300,000*	*13,806,000*
Current assets					
Receivables and prepayment	6	57,249	2,504,358	*2,999*	*138,014*
Cash and cash equivalents		231,359	10,120,799	*232,045*	*10,678,711*
		288,608	12,625,157	*235,044*	*10,816,725*
Total assets		588,608	25,748,657	*535,044*	*24,622,725*
Equity and liabilities					
Capital and reserves					
Issued capital	8	400,000	14,488,000	*400,000*	*14,488,000*
Retained earnings		129,178	5,738,246	*129,092*	*5,734,381*
Translation reserves		—	2,922,646	*—*	*4,126,433*
		529,178	23,148,892	*529,092*	*24,348,814*
Current liabilities					
Payables	9	59,430	2,599,765	*3,875*	*178,327*
Advance monies		—	—	*2,077*	*95,584*
		59,430	2,599,765	*5,952*	*273,911*
Total equity and liabilities		588,608	25,748,657	*535,044*	*24,622,725*

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

income statement

for the year ended March 31, 2005

	2005 USD	2005 INR*	*2004 USD*	*2004 INR**
INCOME				
Management fee	103,000	4,629,098	*159,491*	*7,339,776*
Interest income	3,125	140,446	*1,207*	*55,546*
	106,125	4,769,544	*160,698*	*7,395,322*
EXPENSES				
Advisory fee	95,000	4,269,557	*146,400*	*6,737,328*
Licence fee	1,500	67,414	*1,500*	*69,030*
Registrar of companies fee	220	9,887	*220*	*10,125*
Director’s fee	1,250	56,178	*1,250*	*57,525*
Secretarial fee	1,250	56,178	*1,250*	*57,525*
Administration and professional fees	4,179	187,816	*6,565*	*302,121*
Bank charges	340	15,281	*365*	*16,797*
Audit fee	2,300	103,368	*2,300*	*105,846*
General expenses	—	—	*848*	*39,025*
	106,039	4,765,679	*160,698*	*7,395,322*
NET PROFIT FOR THE YEAR	86	3,865	*—*	*—*

* 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 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, 2005

	Share capital USD	Share capital INR*	Retained earnings USD	Retained earnings INR*	Translation reserves INR	Total USD	Total INR*
At April 1, 2003	400,000	18,408,000	129,092	5,940,814	—	529,092	24,348,814
Net profit for the year	—	—	—	—	—	—	—
At March 31, 2004	400,000	18,408,000	129,092	5,940,814	—	529,092	24,348,814
Prior year adjustment (See Note 3)	—	(3,920,000)	—	(206,433)	(4,126,433)	—	—
Restated Balance	400,000	14,488,000	—	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	400,000	14,488,000	129,178	6,738,248	2,922,646	529,178	23,148,892

* 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, 2005

	2005 USD	2005 INR*	*2004 USD*	*2004 INR**
Cash flows from operating activities				
Net profit for the year	86	3,865	—	—
Adjustment for:				
Interest income	(3,125)	(140,446)	*(1,207)*	*(55,546)*
Operating profit/(loss) before working capital changes	(3039)	(136,581)	*(1,207)*	*(55,546)*
(Increase) / decrease in receivables and prepayment	(54,250)	(2,366,344)	*76,708*	*3,530,102*
Increase in payables	55,555	2,421,438	*2,156*	*194,803*
(Decrease) / increase in advance monies	(2,077)	(95,584)	*2,077*	—
Net cash (used in) / from operating activities	(3,811)	(177,071)	*79,734*	*3,669,359*
Cash flows from investing activities				
Interest received	3,125	140,446	*1,337*	*61,529*
Net (decrease) / increase in cash and cash equivalents	(686)	(36,625)	*81,071*	*3,730,888*
Cash and cash equivalents at beginning of year	232,045	10,678,711	*150,974*	*6,947,823*
Exchange difference	—	(521,287)	—	—
Cash and cash equivalents at end of year (note 7)	231,359	10,120,799	*232,045*	*10,678,711*

* 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, 2004

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's registered office is 3rd Floor, Les Cascades, Edith Cavell Street, Port Louis, Mauritius.
The principal activity of the Company is to provide consulting and advisory services.
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.
The Company is a wholly owned subsidiary of ICICI Bank Limited, a listed Company incorporated in India. The reporting currency of the holding company is Indian rupees ("INR"). The corresponding figures in INR included in the financial statements have been arrived at by translating share capital at the exchange rate ruling at the date of issue of the shares. Assets and liabilities are translated at the exchange rate prevailing at the balance date while income and expenses are translated using average exchange rate during the year. Share capital has been translated at the rate of exchange ruling at the date of issue of the shares. The figures in INR are shown as additional information solely for the purpose of the holding company.
No representation is made that the USD amounts have been, could have been or could be converted into INR at such rate or any other rate.
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 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 10.

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, 2005, the Company has accumulated tax losses of **USD 7,664 – INR 335,262** (2004: USD 4,625 - INR* 202,321) 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:

	2005 USD	2005 INR*	*2004 USD*	*2004 INR**
Net profit for the year	86	3865	—	—
Income tax at 15% (effective rate) on net profit for the year	13	580	—	—
Exempt income	(469)	(21,067)	*(36)*	*(1,657)*
Unrecognised deferred tax asset	456	20,487	*36*	*1,657*
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

Investments consist of 50% of the issued share capital of TCW/ICICI Investment Partners LLC. The investments were acquired for USD 300,000.

	2005 USD	2005 INR*	*2004 USD*	*2004 INR**
Directors' valuation	300,000	13,123,500	*300,000*	*13,806,000*

(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%

6. RECEIVABLES AND PREPAYMENT

	2005 USD	2005 INR*	*2004 USD*	*2004 INR**
Trade receivables	54,000	2,362,230	—	—
Prepayment	3,249	142,128	*2,999*	*138,014*
	57,249	2,504,358	*2,999*	*138,014*

7. CASH AND CASH EQUIVALENTS

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

	2005 USD	2005 INR*	*2004 USD*	*2004 INR**
Cash at bank and in hand	196,326	8,588,280	*38,560*	*1,774,531*
Short term bank deposits	35,033	1,532,519	*193,485*	*8,904,180*
	231,359	10,120,799	*232,045*	*10,678,711*

8. SHARE CAPITAL

	2005 USD	2005 INR*	*2004 USD*	*2004 INR**
Authorised				
5,000,000 Ordinary shares of USD 10 each	50,000,000	1,811,000,000	*50,000,000*	*1,811,000,000*
Issued and fully paid				
40,000 Ordinary shares of USD 10 each	400,000	14,488,000	*400,000*	*14,488,000*

9. PAYABLES

	2005 USD	2005 INR*	*2004 USD*	*2004 INR**
Payables	55,000	2,405,975	—	—
Accruals	4,430	193,790	*3,875*	*178,327*
	59,430	2,599,765	*3,875*	*178,327*

10. 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 prepayment of USD 3,249 – INR* 142,128 (2004 - USD 2,999 - INR 138,014*) are denominated in United States dollars. All liabilities are financial liabilities and are denominated in United States dollars.

11. 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:

	2005 USD	2005 INR*	*2004 USD*	*2004 INR**
TCW/ICICI Investment Partners L.L.C.				
At April 1	(2,077)	(90,858)	*76,708*	*3,530,102*
Management fee	103,000	4,505,735	*159,491*	*7,339,776*
Other	2,077	90,858		
Receipts	(49,000)	(2,143,505)	*(238,276)*	*(10,965,461)*
At March 31	54,000	2,362,230	*(2,077)*	*(95,583)*
ICICI Venture Funds Management Company Ltd				
At April 1	—			
Advisory fee	95,000	4,155,775	*146,400*	*6,737,328*
Payments	(40,000)	(1,749,800)	*(146,400)*	*(6,737,328)*
At March 31	55,000	2,405,975	—	—

12. IMMEDIATE AND ULTIMATE HOLDING COMPANIES

The directors consider ICICI Bank Limited as the immediate and ultimate holding company.