ICICI International

ICICI INTERNATIONAL LIMITED

12TH ANNUAL REPORT AND ACCOUNTS 2006-2007

Directors
Couldip Basanta Lala
Dev Joory
Suresh Kumar
Renuka Ramnath

Administrator and Secretary
International Financial Services Limited
IFS Court, TwentyEight
Cybercity, Ebene
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, 2007

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, 2007.

for International Financial Services Limited
Secretary

Registered Office:
IFS Court
TwentyEight
Cybercity, Ebene
Mauritius

April 13, 2007

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.

We have no relationship with, or any interest in the Company, other than in our capacity as auditors in the ordinary course of business.

Opinion

We have obtained 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, 2007 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
April 13, 2007

K.S. Sewraz, FCCA
Signing Partner

income statement

balance sheet

ICICI International

for the year ended March 31, 2007

	2007 US$	2007 Rs.*	2006 US$	2006 Rs.*
Income				
Management fee	**2,050**	**92,758**	*736*	*32,595*
P-Notes activity fee	**70,469**	**3,142,552**	—	—
Interest income	**64,111**	**2,906,471**	*5,886*	*260,664*
	136,630	**6,141,781**	*6,622*	*293,259*
Expenses				
Custody fee	**4,361**	**193,192**	—	—
Licence fee	**1,500**	**67,861**	*1,500*	*66,430*
Registrar of companies fee	**250**	**11,310**	*250*	*11,072*
Director's fee	**1,688**	**76,367**	*1,250*	*55,359*
Secretarial fee	**1,250**	**56,551**	*1,250*	*55,359*
Administration and professional fees	**31,960**	**14,45,899**	*8,299*	*367,540*
SEBI Registration fee	**—**	**—**	*5,000*	*221,436*
Bank charges	**2,570**	**116,269**	*475*	*21,036*
Audit fee	**3,450**	**156,081**	*2,300*	*101,861*
Legal fees	**7,093**	**320,894**	—	—
Salaries	**38,997**	**1,764,259**	—	—
Depreciation	**2,161**	**97,766**	—	—
General expenses	**33,988**	**1,537,648**	—	—
Difference on exchange	**2,287**	**103,458**	—	—
	13,1555	**59,47,555**	*20,324*	*900,093*
Profit/(Loss) for the year	**5,075**	**194,226**	*(13,702)*	*(606,834)*

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

as at March 31, 2007

	Notes	2007 US$	2007 Rs.*	2006 US$	2006 Rs.*
Assets					
Non-current assets					
Investments	5	**300,000**	**13,041,000**	*300,000*	*13,384,500*
Available-for-sale investments	6(a)	**1,354,703**	**58,888,939**	—	—
Property and equipment	7	**4,323**	**195,576**	—	—
Deferred expense	2	**1,114,600**	**50,425,401**	—	—
		2,773,626	**122,550,916**	*300,000*	*13,384,500*
Current assets					
Share application monies	6(b)	**759,144**	**32,999,990**	—	—
Receivables and prepayment	8	**78,296**	**3,314,848**	*15,361*	*685,318*
Cash and cash equivalents	9	**639,474**	**27,797,935**	*708,090*	*31,591,433*
		1,476,914	**64,112,773**	*723,451*	*32,276,751*
Total assets		**4,250,540**	**186,663,689**	1,023,451	45,661,251
Equity and liabilities					
Capital and reserves					
Stated capital	10	**900,000**	**36,795,500**	*900,000*	*36,795,500*
Retained earnings		**120,551**	**5,325,638**	*115,476*	*5,131,412*
Translation reserves		**—**	**2,161,190**	—	*3,378,534*
		1,020,551	**44,282,328**	*1,015,476*	*45,305,446*
Current liabilities					
Payables	11	**11,928**	**518,510**	*2,975*	*132,730*
Loan from shareholder		**—**	**—**	*5,000*	*223,075*
Distributor fees payable	12	**1,114,600**	**50,425,401**	—	—
Amount owed to participatory note holders	15	**2,103,461**	**91,437,450**	—	—
		3,229,989	**142,381,361**	*7,975*	*355,805*
Total equity and liabilities		**4,250,540**	**186,663,689**	*1,023,451*	*45,661,251*

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

Approved by the Board on April 7, 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, 2007

	Stated Capital & Share Application Money		Retained earnings		Translation reserves	Total	
	US$	Rs.*	US$	Rs.*	Rs.	US$	Rs.*
At April 1, 2005	400,000	14,488,000	129,178	5,738,246	2,922,646	529,178	23,148,892
Issue of Shares	500,000	22,307,500	—	—	—	500,000	22,307,500
Loss for the year	—	—	(13,702)	(606,834)	455,888	(13,702)	(150,946)
At March 31, 2006	**900,000**	**36,795,500**	**115,476**	**5,131,412**	**3,378,534**	**1,015,476**	**45,305,446**
Profit for the year	—	—	5,075	194,226	(1,217,344)	5,075	(1,023,118)
At March 31, 2007	**900,000**	**36,795,500**	**120,551**	**5,325,638**	**2,161,190**	**1,020,551**	**44,282,328**

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

cash flow statement

for the year ended March 31, 2007

	2007 US$	2007 Rs.*	*2006 US$*	*2006 Rs.**
Cash flows from operating activities				
Net (loss)/profit for the year	**5,075**	**194,226**	*(13,702)*	*(606,834)*
Adjustment for:				
Depreciation	**2,161**	**97,766**	—	—
Bank interest income	**(64,111)**	**(2,906,471)**	*(5,886)*	*(260,664)*
Operating loss before working capital changes	**(56,875)**	**2,614,479**	*(19,588)*	*(867,498)*
(Increase) / decrease in receivables and prepayment	**(60,762)**	**(2,718,029)**	*41,888*	*1,819,040*
(Decrease) / Increase in payables	**8,953**	**384,347**	*(56,455)*	*(2,467,036)*
Net cash used in operating activities	**(108,684)**	**(4,948,161)**	*(34,155)*	*(1,515,494)*
Cash flows from investing activities				
Acquistion of investment	**(10,185,554)**	**(442,766,032)**	—	—
Proceeds from sale of investment	**9,135,598**	**397,124,445**	—	—
Share application monies	**(759,144)**	**(32,999,990)**	—	—
Purchase of property and equipment	**(6,484)**	**(281,816)**	—	—
Interest received	**61,938**	**2,900,453**	*5,886*	*260,664*
Net cash (used in)/from investing activities	**(1,753,646)**	**(76,022,940)**	*5,886*	*260,664*
Cash flows from financing activities				
Proceeds from issue of shares	**—**	**—**	*500,000*	*22,307,500*
(Repayment of) / proceed from shareholders' loan	**(5,000)**	**(226,205)**	*5,000*	*221,436*
Received from participatory note holders	**59,775,834**	**2,598,455,504**	—	—
Excess amount received refunded to participatory note holders/redemption of P-Notes	**(57,977,120)**	**(2,519,834,352)**	—	—
Net cash from financing activities	**1,793,714**	**78,394,947**	*505,000*	*22,528,936*
Net (decrease)/increase in cash and cash equivalents	**(66,329)**	**(2,576,154)**	*476,731*	*21,274,106*
Cash and cash equivalents at beginning of year	**708,090**	**31,591,433**	*231,359*	*10,120,799*
Exchange difference	**—**	**(1,217,344)**	—	*196,528*
Cash and cash equivalents at end of year (note 7)	**639,474**	**27,797,935**	*708,090*	*31,591,433*

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

notes to the financial statement

for the year ended March 31, 2007

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 activities of the Company are to 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 Board of the Company had also approved the setting up of a Branch office in Dubai International Financial Centre in the United Arabs Emirates.

The financial statements of the Company are expressed in United States dollars ("US$"). The Company's business or other activity is carried out in a currency other than the Mauritian rupee, which is a requirement of the Financial Services Development Act 2001. The Company's functional currency is the US$, the currency of the primary economic environment in which the Company operates. The corresponding amounts in Indian rupees ("Rs.") are shown as additional information for the sole purpose of the holding company.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS"). The preparation of financial statements in accordance with IFRS 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 as modified for the measurement at fair values of financial instruments carried on the balance sheet.

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 accounted for in the current account of the participatory note holders.

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, management fee, performance fee, investment facilitation fee and P-Notes activity fee 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.

Property and equipment and depreciation

Property and equipment are stated at cost less depreciation. Depreciation is calculated on the written down value method at annual rates estimated to write off the cost of the assets less their estimated residual values over their expected useful lives. The annual rates used are:

Computers — 33.33%

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Deferred expenses

Deferred expenses represent commission fee to ICICI Bank, Singapore for referring its clients' services to acquire shares in India Optima Fund to which the Company is acting as investment manager. The expenses shall be charged in the income statement during the next 5 years.

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, 2007, the Company has accumulated tax losses of **US$ 26,653 – Rs. 1,205,806]** (2006: US$ 27,252 – Rs. 1,206,915) 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:

	2007 US$	**2007 Rs.***	*2006 US$*	*2006 Rs.**
Profit for the year	**5,075**	**194,226**	*(13,702)*	*(385,398)*
Income tax at 15% (effective rate) on profit for the year	**1,072**	**41,027**	*Nil*	*Nil*
Exempt income	**(9,311)**	**(356,343)**	*(5,886)*	*(260,664)*
Unrecognised deferred tax asset	**—**	**—**	—	—
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 US$ 300, 000.

	2007 US$	**2007 Rs.***	*2006 US$*	*2006 Rs.**
Directors' valuation	**300,000**	**13,041,000**	*300,000*	*13,384,500*

(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%

6. (a) AVAILABLE-FOR-SALE INVESTMENTS

	2007 US$	*2006 US$*
Listed quity secutities		
Additions during the year	**10,185,554**	—
Disposals during the year	**(9,135,598)**	—
At March 31, 2007-Cost	**1,049,956**	—
Unrealised gain on investments transferred to P-notes holders A/C (Note 15)	**304,747**	—
At March 31, 2007 - Fair value	**1,354,703**	—

These investments have been made solely for the Participatory Notes (P-Notes) activities.

6. (b) SHARE APPLICATION MONIES

These represent funds teransferred to the custodian on application for the purchase of shares isssued by ICRA through an Initial Public Offer (IPO) in the Bombay Stock Exchange.

7. PROPERTY AND EQUIPMENT

		Total US$
Computer equipment		
Cost		
Adding during the year		**6,484**
At March 31, 2007		**6,484**
Accumulated depreciation:		
Charge for the year		**(2,161)**
At March 31, 2007		**(2,161)**
Net Book Value :		
At March 31, 2007	US$	**4,323**

8. RECEIVABLES AND PREPAYMENT

	2007 US$	2007 Rs.*	*2006 US$*	*2006 Rs.**
Sundry debtors	**17,802**	**89,113**	*12,167*	*542,818*
Management fees receivable from India Optima Fund (IOF)	**2,050**	**2,344,685**	—	—
Receivable from IOF	**53,938**	**685,174**	—	—
Prepayment	**4,506**	**195,876**	*3,194*	*142,500*
	78,296	**3,314,848**	*15,361*	*685,318*

9. CASH AND CASH EQUIVALENTS

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

	2007 US$	2007 Rs.*	*2006 US$*	*2006 Rs.**
Cash at bank and in hand	**38,197**	**1,660,424**	*528,227*	*23,566,848*
Short term bank deposits	**601,277**	**26,137,511**	*179,863*	*80,24,585*
	639,474	**27,797,935**	*708,090*	*31,591,433*

10. STATED CAPITAL

	2007 US$	2007 Rs.*	*2006 US$*	*2006 Rs.**
Issued and fully paid				
Ordinary shares of US$ 10.00 each				
At April 1,	**900,000**	**36,795,500**	*400,000*	*14,488,000*
Issued during the year	**—**	**—**	*500,000*	*22,307,500*
At March 31, Ordinary shares of US$ 10.00 each	**900,000**	**36,795,500**	*900,000*	*36,795,500*

11. PAYABLES

	2007 US$	2007 Rs.*	*2006 US$*	*2006 Rs.**
Accruals	**11,928**	**518,510**	*2,975*	*132,730*
	11,928	**518,510**	*2,975*	*132,730*

12. DISTRIBUTOR FEES PAYABLE

This represent commission fee payable to ICICI Bank, Singapore for referring its clients' services to acquire shares in India Optima Fund to which the Company is acting as investment manager.

13. 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 **US$ 78,296 - Rs.* 3,314,848** (2006 - US$ 15,361 - Rs.* 685,318) are denoninated in United States dollers. All liabilities are financial liabilities and are denonminated in United States dollars.

14. 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:

Name of transacting related parties	Relationship	Nature of transaction	Volume of transaction US$	Balances US$	Payable(P) or receivable(R)
India Optima Fund.	Investment Manager	Management Fee	2,050	2,050	(R)
		Expenses on behalf of IOF	Nil	53,938	(R)
ICICI Bank Limited, Singapore	Close Member	Distributor fee	1,114,600	1,114,600	(P)
ICICI Bank Limited	Shareholder	Custodian fee	4,361	Nil	—

15. AMOUNT OWED TO PARTICIPATORY NOTE HOLDERS

	2007 US$	*2006 US$*
Issued during the year	**10,035,373**	—
Redeemed during the year	**(8,236,659)**	—
Unrealised gain on investments transferred to P-Notes Holders (Note 6 (a))	**304,747**	—
At March 31	**2,103,461**	—

16. HOLDING AND ULTIMATE HOLDING COMPANIES

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