

ICICI SECURITIES HOLDINGS, INC.**1ST ANNUAL REPORT AND ACCOUNTS 2000-2001****Directors**

Meher Baburaj, *President*
Sripat Pandey
Nitin Jain

Auditors

M/s. Grant Thornton LLP
Accountants and Management
Consultants

Registered Office

1013 Centre Road
City of Wilmington
County of New Castle
Delaware 19805

directors' report

to the members

Your Directors present the First audited Statement of Accounts for the period ended March 31, 2001.

Operation

The Company was incorporated on June 12, 2000, as a wholly-owned subsidiary of ICICI Securities and Finance Company Limited, India, with an authorized capital of US\$ 10 million. The Company's paid up capital is US\$ 1.1 million.

The Company has been formed to provide, through its wholly-owned subsidiary ICICI Securities, Inc., brokerage, research and investment banking advisory services to institutional investors in the United States who wish to invest in Indian financial markets.

Directors

Ms. Meher Baburaj, Mr. Sripat Pandey and Mr. Nitin Jain compose the Board of Directors of the Company.

Auditors

The Auditors of the Company are M/s. Grant Thornton, Accountants and Management Consultants, New York, New York.

For and on behalf of the Board

Mumbai, April 19, 2001

Director

report of independent certified public accountants

to the stockholder

We have audited the accompanying consolidated statement of financial condition of ICICI Securities Holdings, Inc. and Subsidiary (the "Company") as of March 31, 2001, and the related statements of operations, changes in stockholder's equity, and cash flows for the period from June 12, 2000 (inception) to March 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ICICI Securities Holdings, Inc. and Subsidiary as of March 31, 2001, and the consolidated results of their operations and their cash flows for the period from June 12, 2000 (inception) to March 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP
Accountants and Management Consultants
New York, New York
April 5, 2001

consolidated statement of financial condition

consolidated statement of operations

March 31, 2001

period from June 12, 2000 (inception)

	(Expressed in U.S. Dollars)	<i>March 31, 2001</i>		(Expressed in U.S. Dollars)	<i>March 31, 2001</i>
ASSETS			Revenue		
Cash and cash equivalents	\$	915,702	Interest income		\$ 26,995
Accrued interest receivable		1,656			
Other assets		11,969	EXPENSES		
		<u>929,327</u>	Employee compensation & benefits		16,541
LIABILITIES AND STOCKHOLDER'S EQUITY			Occupancy		17,552
Liabilities			Professional Fees		183,200
Accounts payable and accrued expenses	\$	50,660	Travel		51,022
Due to Parent		68,029	Employee relocation allowance		6,000
		<u>118,689</u>	Training and seminars		17,781
Commitments			Regulatory fees		15,236
Stockholder's equity			Other		9,025
Common stock, \$1 par value; 10,000,000 shares authorized; 1,100,000 shares issued and outstanding		1,100,000			<u>316,357</u>
Accumulated deficit		(289,362)	NET LOSS		<u>\$ (289,362)</u>
Total stockholder's equity		<u>810,638</u>			
	\$	<u>929,327</u>			

consolidated statement of changes in stockholder's equity

period from June 12, 2000 (inception) to March 31, 2001

	(Expressed in U.S. Dollars)	<i>March 31, 2001</i>
	Total	Common stock
Issuance of shares	\$ 1,100,000	\$ 1,100,000
Net loss	(289,362)	—
Stockholder's equity, March 31, 2001	<u>\$ 810,638</u>	<u>\$ 1,100,000</u>
		<u>Accumulated deficit</u>
		\$ —
		(289,362)
		<u>\$ (289,362)</u>

notes to consolidated financial statements



period from June 12, 2000 (inception) to March 31, 2001

NOTE A - ORGANIZATION

ICICI Securities Holdings, Inc. (the "Company") is an indirect wholly-owned subsidiary of ICICI Limited, an Indian financial services company whose American Depository Receipts are listed on the New York Stock Exchange. The Company was established to provide, through its wholly-owned subsidiary ICICI Securities, Inc. ("Securities"), brokerage, research and corporate finance services to institutional investors in the United States, investing in securities of companies principally headquartered in India. In addition, it may provide brokerage services to Indian clients wishing to invest in the United States and underwriting services for issuers wishing to offer securities to marketplace. On November 28, 2000, Securities became registered with the Securities and Exchange Commission as a broker-dealer and became a member of the National Association of Securities Dealers, Inc. To date, Securities has not commenced business as a broker-dealer.

Once Securities commences business, it will carry all of its customer accounts on a delivery versus payment basis. The settlement of most transactions is expected to be facilitated by an affiliate in India. Accordingly, Securities will operate under the exemptive provisions of sub-paragraph (k)(2)(i) of Rule 15c3-3 of the Securities Exchange Act of 1934, but it is subject to Rule 15c3-1, the Uniform Net Capital Rule.

The consolidated financial statements include the assets, liabilities and results of operations of Securities. All intercompany balances and transactions have been eliminated.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents include cash and commercial paper or other instruments purchased with an original maturity of three months or less.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C - RELATED PARTY TRANSACTION

ICICI Securities and Finance Company Limited, the Company's Parent, has paid

for certain operating expenses on behalf of the Company. Such expenses amounted to \$ 68,029 for the period from June 12, 2000 (inception) to March 31, 2001 and remained as payable at March 31, 2001. In addition, pursuant to an agreement, the Company charges Securities a monthly administrative fee for managing the operations of Securities. All amounts have been eliminated in consolidation.

NOTE D - INCOME TAXES

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109 ("SFAS No. 109"), which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future, on the basis of enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. At March 31, 2001, deferred tax asset resulting from net operating loss benefits amounted to approximately \$ 134,000, which has been fully reduced by a valuation allowance.

In addition, at March 31, 2001, the Company has a carryforward loss of approximately \$ 290,000, which is available to offset future Federal, state and local taxable income. Such loss expires in 2021.

NOTE E - COMMITMENTS

The Company rents office space and furniture under a short-term operating lease through April 30, 2001 for approximately \$ 3,400 per month. Rent expense under this lease was \$ 17,552 for the period from June 12, 2000 (inception) to March 31, 2001.

NOTE F - NET CAPITAL REQUIREMENT

As a registered broker-dealer, Securities is subject to the Uniform Net Capital Rule 15c3-1 of the Securities and Exchange Commission, which requires that Securities maintain minimum net capital, as defined, of \$100,000 or 6-2/3% of aggregate indebtedness, as defined, whichever is greater. At March 31, 2001, Securities had net capital of \$ 912,184 which exceeded requirements by \$ 812,184.