

ICICI GLOBAL OPPORTUNITIES FUND, L.L.C

2ND ANNUAL REPORT AND ACCOUNTS 2000-2001

Directors

Kapil Dev Joory
Couldip Basanta Lala
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Auditors

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directors' report

to the members

The directors present their Second Annual Report and the audited financial statements of the Company for the year ended March 31, 2001.

Principal Activity

The Fund is a private equity fund and its primary objective is to achieve capital appreciation by investing in a portfolio of securities.

Results and Dividends

ICICI Global Opportunities Fund, L.L.C ("the Fund") invests in privately negotiated equity and equity-linked securities of medium sized and early stage companies in the high-growth knowledge-based industry sectors in India and abroad. The Fund has a charter life of ten years and an investment period of three years. Typical investment situations include unlisted early stage companies with high growth potential, unlisted companies two years away from an IPO, growth financing for unlisted companies and listed illiquid companies with private equity characteristics. The Fund seeks a significant minority position in each Portfolio company. The Fund has been organised as a limited life company in Mauritius and its investment manager is ICICI International Limited.

The Fund had a first closing in May 2000 when it received a capital commitment

of USD 25 million. The first drawdown occurred on May 5, 2000. As on March 31, 2001, the Fund had drawn down US \$ 22 million or 88% of the initial closing. The Fund is currently in an investment mode and has, so far, invested in eight companies for a total cost of USD 18.55 million. The majority of the investments are performing according to plan. Since the Fund is in an investment mode, it could not fully offset its expenses. Consequently, the Fund had an operating loss of USD 359,351 for the year ended March 31, 2001.

The directors do not recommend the payment of dividend for the year under review.

AUDITORS

The auditors, Grant Thornton, have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the next Annual General Meeting.

By order of the Board

Secretary

Date: April 25, 2001

auditors' report

to the members

We have audited the financial statements of ICICI Global Opportunities Fund, L.L.C on pages F191 and F192 which have been prepared in accordance with the accounting policies set out on pages F192 and F193.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs and of the profit or loss of the Company. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Mauritius Companies Act, 1984. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is our responsibility to form an independent opinion, based on our audit, on those 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 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 the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of the information in the financial statements.

OPINION

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs at March 31, 2001 and of its operating loss, changes in equity and cash flows for the year then ended and have been properly prepared in accordance with the Mauritius Companies Act, 1984 and International Accounting Standards.

GRANT THORNTON
Chartered Accountants

Y THACCOOR, FCA
Signing Partner

Date: April 25, 2001

balance sheet

profit and loss account

as at March 31, 2001

for the income statement ended March 31, 2001

	USD	March 31, 2001	March 31, 2000	USD	Year ended March 31, 2001	Period from January 27, 2000 to March 31, 2000
ASSETS				INCOME		
Non-Current assets				Bank interest income	145,845	—
Investments (Note 5)	18,411,617	250,000			145,845	—
Current assets				EXPENSES		
Advance payments	124,658	—		Preliminary expenses	—	575
Accounts receivable	1,542	100		Organizational costs	—	6,000
Cash in transit	2,000,000	—		Licence fees	1,500	250
Cash at bank	958,148	—		Directors' fees	750	500
	3,084,348	100		Audit fees	3,225	2,000
Total assets	21,495,965	250,100		Administration expenses	26,408	2,190
				Bank charges	2,070	—
EQUITY AND LIABILITIES				Management fees (Note 3)	453,424	—
Capital and Reserves				Legal fees	12,213	—
Share capital (Note 6)	20,000,100	100		Travel expenses	5,606	—
Share application monies (Note 7)	2,000,000	—			505,196	11,515
Accumulated losses (Note 8)	(511,957)	(11,515)		OPERATING LOSS FOR THE YEAR/PERIOD	(359,351)	(11,515)
	21,488,143	(11,415)		NET UNREALISED LOSS ON RETRANSLATION OF INVESTMENTS	(141,091)	—
Current liabilities				LOSS BROUGHT FORWARD	(11,515)	—
Loan	—	250,000		LOSS CARRIED FORWARD	(511,957)	(11,515)
Accounts Payable (Note 9)	7,822	11,515				
Total equity and liabilities	21,495,965	250,100				

Approved by the Board of Directors on April 25, 2001

COULDIP BASANTA LALA
Director

KAPIL DEV JOORY
Director

statement of changes in equity

for the year ended March 31, 2001

	Share application monies	Share capital USD	Accumulated losses USD	Total USD
Issue of share capital	—	100	—	100
Loss for the period	—	—	(11,515)	(11,515)
At March 31, 2000	—	100	(11,515)	(11,415)
Issue of shares	—	20,000,000	—	20,000,000
Share application monies	2,000,000	—	—	2,000,000
Net loss for the year	—	—	(500,442)	(500,442)
At March 31, 2001	2,000,000	20,000,100	(511,957)	21,488,143

The accounting policies on page F192 and Notes from an integral part of these financial statements.

cash flow statement



for the year ended March 31, 2001

	31 March 2001 USD	31 March 2000 USD
Cash flows from operating activities		
Operating Loss for the year/period before working capital changes	(359,351)	(11,515)
Increase in other debtors	(126,100)	—
(Decrease)/increase in accounts payable	(3,693)	11,515
Net cash used in operating activities	(489,144)	—
Cash flows from investing activities		
Acquisitions of investments	(18,302,708)	(250,000)
Net cash used in investing activities	(18,302,708)	(250,000)
Cash flows from financing activities		
Issue of shares	20,000,000	—
Share application monies received	2,000,000	—
Loan (repaid)/received	(250,000)	250,000
Net cash from financing activities	21,750,000	250,000
Net movement in cash and cash equivalents	2,958,148	—
Cash and cash equivalents at beginning of year/period	—	—
Cash and cash equivalents at end of year/period	2,958,148	—
Cash and cash equivalents made up of :		
Bank balances and cash in transit	2,958,148	—

notes to the financial statements

for the year ended March 31, 2001

1. BACKGROUND OF THE COMPANY

ICICI Global Opportunities Fund, L.L.C (the Company) was incorporated on January 27, 2000 in Mauritius under the provisions of the Companies Act 1984 as a limited life public company with an eight year term and with the possibility of extending its life to ten years. The investment objective of the Company is to achieve capital appreciation by investing primarily in privately negotiated equity and equity-related instruments of companies in the high-growth knowledge-based industry sectors such as IT, Healthcare and Services located in India and abroad.

The Company's manager is ICICI International Limited, a company incorporated in Mauritius.

2. ACCOUNTING POLICIES

The financial statements are prepared in accordance with and comply with applicable International Accounting Standards. A summary of the more important accounting policies, which have been applied consistently, is set out below. The preparation of financial statements in accordance with International Accounting Standards and generally accepted accounting principles 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) Basis of accounting

The financial statements are prepared under the historical cost convention.

(b) Transactions in foreign currencies

Transactions denominated in foreign currencies are recorded in United States dollars at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities at the balance sheet date which are denominated in foreign currencies are translated into United States dollars at the rates of exchange ruling at that date. Exchange differences are taken to the Income Statement.

(c) Cash and cash equivalents

Cash comprises cash at bank. Cash equivalents are short-term and

highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(d) Start-up costs

Start-up costs are written off to the Income Statement when incurred.

(e) Long-term investments

Long term investments are shown at cost and provision is made only where, in the opinion of the Directors, there is a permanent diminution in value. Where there has been a permanent diminution in the value of an investment, it is recognized as an expense in the period in which the diminution is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Income Statement.

All shares which are denominated in Indian Rupees are retranslated to United States Dollars at the rate of exchange prevailing at the balance sheet date. The unrealized appreciation or depreciation resulting from the retranslation is taken to an unrealized reserve account.

(f) Revenue recognition

Dividend income is recognized when the Company's right to receive such dividends is established.

Interest income is recognized on an accrual basis.

(g) Financial instruments

Financial instruments carried on the balance sheet include investments, receivables and accruals and cash at bank.

Disclosures about financial instruments to which the Company is a party are provided in note 10.

3. AGREEMENTS

Administration Agreement

The Company has entered into an agreement with International Financial

notes to the financial statements

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 monthly fee as may be agreed between the two parties based on time necessarily spent on carrying out the duties.

Investment Management Agreement

The Company has entered into an Investment Management Agreement with ICICI International Limited, a company incorporated under the laws of Mauritius, whereby the Company appointed ICICI International Limited as Investment Manager. Pursuant to the Investment Management Agreement, the Investment Manager shall be entitled to an annual management fee, payable quarterly in advance. During the investment period, the Fund will pay the Investment Manager management fee of two per cent (2%) of the aggregate commitments of the Fund. Thereafter, the management fee will be two per cent (2%) of the net assets of the Fund. Additionally, the Investment Manager will be entitled to a performance fee of twenty per cent (20%) of the distributions after return of one hundred per cent (100%) of the investors' capital.

4. TAXATION

Under applicable laws, the Company is liable to income tax in Mauritius at an irrevocable rate of 15% before offset with any foreign tax credit. For the year ended March 31, 2001, no provision for Mauritian taxes has been made since the Company does not have any taxable income. No Mauritian tax on capital gain will be payable in respect of the Company's investments and any dividends paid by the Company to shareholders will be exempt in Mauritius from any withholding tax.

5. INVESTMENTS

Details of the investments are as follows:

	Country of Incorporation	Cost USD	Value at March 31, 2001
Baazee.Com, Inc.	USA	2,250,003	2,250,003
Microland Limited	India	751,134	719,858
Powershare Inc.	USA	500,000	500,000
Miditech Private Limited	India	2,178,646	2,144,360
e-Eighteen.com Private Limited	India	1,089,658	1,072,424
Celstream Technologies Private Limited	India	5,803,590	5,736,220
Wafer Solutions Inc.	USA	1,485,000	1,485,000
NetCracker Limited	India	4,494,677	4,503,752
		<u>18,552,708</u>	<u>18,411,617</u>

Investments denominated in currencies other than United States Dollars have been retranslated at the exchange rate prevailing at March 13, 2001. The investments are held for the long term and the directors consider any diminution in value of investment is of a temporary nature.

6. SHARE CAPITAL

	March 31, 2001 USD	March 31, 2000 USD
Authorised		
100 Management Shares of USD 1 each	100	100
100,000,000 Ordinary Shares of USD 1 each	<u>100,000,000</u>	<u>100,000,000</u>
	<u>100,000,100</u>	<u>100,000,100</u>
Issued		
100 Management Shares of USD 1 each	100	100
20,000,000 Ordinary shares of USD 1 each	<u>20,000,000</u>	<u>—</u>
	<u>20,000,100</u>	<u>100</u>

Pursuant to a resolution passed on June 15, 2000, the 100 Management Shares of USD 1 each, which were held by nominee shareholders, were transferred to ICICI International Limited. Pursuant to a resolution passed on December 29, 2000, the issued share capital was increased from USD 100 to USD 20,000,100 by the creation of 20,000,000 ordinary shares of USD 1 each.

7. SHARE APPLICATION MONIES

The share application monies represent funds received from ICICI Limited as on March 30, 2001 for which shares have not yet been allotted at March 31, 2001.

8. ACCUMULATED LOSSES

	Realized loss USD	Net unrealized USD	Total USD
At April 1, 2000	(11,515)	—	(11,515)
Movement for the year	(359,351)	(141,091)	(500,442)
At March 31, 2001	<u>(370,866)</u>	<u>(141,091)</u>	<u>(511,957)</u>

9. ACCOUNTS PAYABLE

	March 31, 2001 USD	March 31, 2000 USD
Accruals	<u>7,822</u>	<u>11,515</u>

10. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

(a) Values of financial instruments

The Company's investments are valued as described in Note 2(e).

The Company's other assets and liabilities include cash and cash equivalents and other receivables and payables, which are realizable or settled within a short period of time. The carrying amounts of these assets and liabilities approximate their fair values.

(b) Associated risks

The Company's investment activities expose it to various types of risks which are associated with the financial instruments and markets in which it invests. The following is a summary of the main risks:

Currency risk

The Company invests in companies denominated in currencies other than its reporting currency, the United States Dollars. Consequently, the Company is exposed to risks that the exchange rate of the United States Dollars relative to those currencies may change in a manner which has an adverse effect on the reported value of that portion of the Company's assets which are denominated in those currencies.

Concentration risk

At March 31, 2001, a significant portion of the Company's net assets consisted of investments in Indian companies which involve certain considerations and risks not typically associated with investments in other more developed countries.

Further economic and political developments in India could adversely affect the liquidity or value, or both, of securities in which the Company has invested.

(c) *Currency profile*

	Financial assets March 31, 2001 USD	Financial liabilities March 31, 2001 USD	Financial assets March 31, 2000 USD	Financial liabilities March 31, 2000 USD
Indian Rupees	14,176,614	—	—	—
United States Dollars	7,319,351	2,007,822	250,100	261,515
	<u>21,495,965</u>	<u>2,007,822</u>	<u>250,100</u>	<u>261,515</u>

11. REPORTING CURRENCY

The financial statements are presented in United States dollars. The Company has been granted an Offshore Certificate under the Mauritius Offshore Business Activities Act 1992 which requires that the Company's business or other activity is carried on in a currency other than the Mauritian Rupee.

12. INCORPORATION

The Company was incorporated in Mauritius under the Companies Act 1984 as a public company with limited liability.

13. HOLDING COMPANY

The directors regard ICICI Limited, a company incorporated in India, as the Company's holding company.