BOARD OF DIRECTORS : Uday Gujadhar, Yuvraj Kumar Juwaheer, Paul Parambi, Shyam Kumar, Ravi Lochan Pola.

DIRECTORS' REPORT

The directors present their report and audited financial statements of Kotak Mahindra Investment Company Limited, PCC (the "Company") for the period from 31 January 2001 (date of incorporation) to 31 December 2001.

PRINCIPAL OBJECTIVE

The principal objective of the Company is to seek capital appreciation by investing in a portfolio of securities including derivatives.

RESULTS AND DIVIDENDS

The Company's profit for the period from 31 January 2001 to 31 December 2001 is **USD 267,794.**

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial period which present fairly the financial position, financial performance and cash flows of the Company. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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 Mauritian Companies Act 2001. 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.

DIRECTORS' INTERESTS

(a) There are no service contracts in existence between the Company and any of its directors, nor are any such contracts proposed.

(b) None of the directors has any interests either beneficial or non-beneficial, in the share capital of the Company.

(c) There are no existing or proposed contracts of service between any of its directors and the Company.

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(d) Uday Kumar Gujadhur and Yuvraj Kumar Juwaheer are directors of Multiconsult Ltd. Jimmy Wong Yuen Tien who resigned on 12 April 2002 was also a director of Multiconsult Ltd. Paul Verghese Parambi and Chengalath Jayaram are both directors of Kotak Mahindra (International) Limited and Kotak Mahindra (UK) Limited. Sanjay Tantia who resigned on 06 April 2002 was a director of Kotak Mahindra (UK) Limited. Shyam Kumar was appointed director of Kotak Mahindra (International) Limited on 05 April 2002 and is a director of Kotak Mahindra ((UK) Limited

AUDITORS

The auditors, Pricewaterhouse Coopers, have indicated their willingness to continue in office and will be automatically reappointed at the Annual Meeting.

By order of the Board

Secretaries

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SECETARIES' REPORT TO THE MEMBERS OF KOTAK MAHINDRA INVESTMENT COMPANY LIMITED, PCC

We certify that we have filed with the Registrar of Companies all such returns as are required of the Company under the Mauritian Companies Act 2001.

MULTICONSULT LTD.
SECRETARIES

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AUDITORS' REPORT

To the Members of Kotak Mahindra Investment Company Limited, PCC

We have audited the financial statements of Kotak Mahindra Investment Limited, PCC (the "Company") on pages 9 to 22 which have been prepared in accordance with the accounting policies set out on pages 14 to 16.

DIRECTORS' RESPONSIBILITIES

As described on page 4, the Company's directors are responsible for the preparation and presentation of financial statements which are in accordance with and comply with International Accounting Standards, which give a true and fair view of the matters to which they relate, and which present fairly the financial position of the Company at 31 December 2001 and its financial performance, changes in equity and cash flows for the period ended on that date.

AUDITORS' RESPONSIBILITIES

We are responsible for expressing an independent opinion, based on our audit, on the financial statements presented by the directors and reporting 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 information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

We have no relationship with or interests in the Company other than in our capacity as auditors.

Opinion

We have obtained all the information and explanations we have required.

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In our opinion:

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

(b) the financial statements on pages 9 to 22:

(i) have been prepared in accordance with and comply with International Accounting Standards;

(ii) give a true and fair view of the matters to which they relate; and

(iii) present fairly the financial position of the Company at 31 December 2001 and its financial performance, changes in equity and cash flows for the period ended on that date.

Pricewaterhouse Coopers

Lindsay Levehang
Signing Partner

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INCOME STATEMENT FOR THE PERIOD FROM 31 JANUARY 2001 (DATE OF INCORPORATION) TO 31 DECEMBER 2001

		Management Shares USD	Consolidated Cell Accounts USD	Total USD
INCOME				
Dividends		—	1,762	**1,762**
Interest		—	3,759	**3,759**
Brokerage fees		—	51,200	**51,200**
NAV calculation fees		—	1,791	**1,791**
Realised gain on sale of investments		—	286,440	**286,440**
Unrealised gain on revaluation of investments		—	16,503	**16,503**
		—	**361,455**	**361,455**
EXPENSES				
Interest		—	1,339	**1,339**
Transaction and custody charges		—	25,690	**25,690**
Other operating expenses		—	5,727	**5,727**
Audit fees		—	9,500	**9,500**
Brokerage fee		—	51,200	**51,200**
Loss on exchange		—	205	**205**
		—	**93,661**	**93,661**
PROFIT FOR THE PERIOD	**USD**	**—**	**267,794**	267,794

The accounting policies on pages 14 to 16 and the notes on pages 16 to 22 form an integral part of these financial statements.

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BALANCE SHEET AS AT 31ST DECEMBER, 2001

		Management Shares USD	Consolidated Cell Accounts USD	Total USD
ASSETS				
Available-for sale investments (Note 5)		—	1,442,348	**1,442,348**
Cash at Bank		100	361,511	**361,611**
Total assets		**100**	**1,803,859**	**1,803,959**
LIABILITIES				
Creditors (Note 6)		—	(99,178)	**(99,178)**
Total assets less liabilities	**USD**	100	1,704,681	**1,704,781**
CAPITAL AND RESERVE				
Share capital (Note 7)		100	15,650	**15,750**
Share premium (Note 7)		—	1,521,737	**1,521,737**
Retained earnings		**—**	167,294	**167,294**
Total shareholders' funds	**USD**	**100**	**1,704,681**	1,704,781

Approved by the Board of directors on)
and signed on its behalf by)
Mr. Yuvraj Kumar Juwaheer) DIRECTORS
Ms. Pamela Balasoupramanien)

The accounting policies on pages 14 to 16 and the notes on pages 16 to 22 form an integral part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 31 JANUARY 2001 (DATE OF INCORPORATION) TO 31 DECEMBER 2001

		Management Shares USD	Redeemable Participating Preference Shares USD	Share premium USD	Retained earnings USD	Total USD
Issued during the period		100	26,644	2,637,713	—	**2,664,457**
Redeemed during the period		—	(10,994)	(1,216,476)	—	**(1,227,470)**
Profit for the period		—	—	—	267,794	**267,794**
Transfer to share premiums		—	—	100,500	(100,500)	**—**
At 31 December 2001	**USD**	**100**	**15,650**	**1,521,737**	**167,294**	**1,704,781**

The accounting policies on pages 14 to 16 and the notes on pages 16 to 22 form an integral part of these financial statements.

CASH FLOW STATEMENT FOR THE PERIOD FROM 31 JANUARY 2001 (DATE OF INCORPORATION) TO 31 DECEMBER 2001

		Management Shares USD	Consolidated Cell Accounts USD	Total USD
Cash flow from operating activities				
Profit for the period		—	**267,794**	**267,794**
Adjustments for:				
Realised gain on sale of investments		—	**(286,440)**	**(286,440)**
Loss on exchange		—	**205**	**205**
Unrealised gain of revaluation of investments		—	**(16,503)**	**(16,503)**
Dividends income		—	**(1,762)**	**(1,762)**
Interest income		—	**(3,759)**	**(3,759)**
		—	**(40,465)**	**(40,465)**
Increase in creditors		—	**99,178**	**99,178**
Net cash flow from operating activities		—	**58,713**	**58,713**
Payments for purchase of investments		—	**(5,489,834)**	**(5,489,834)**
Proceeds from sale of investments		—	**4,350,429**	**4,350,429**
Dividends received		—	**1,762**	**1,762**
Interest received		—	**3,759**	**3,759**
Net cash used in investing activities		—	**(1,133,884)**	**(1,133,884)**
Cash flow from financing activities				
Proceeds from issue of shares		**100**	**2,664,357**	**2,664,457**
Payments on redemption of shares		—	**(1,227,470)**	**(1,227,470)**
Net cash used in financing activities		100	1,436,887	**1,436,987**
Net increase in cash and cash equivalents		100	361,716	**361,816**
Cash and cash equivalents at beginning of period		—	—	—
Effects of exchange rate changes on cash and cash equivalents		—	**(205)**	**(205)**
Cash and cash equivalents at end of period	**USD**	**100**	**361,511**	**361,611**

The accounting policies on pages 14 to 16 and the notes on pages 16 to 22 form an integral part of these financial statements.

SCHEDULE OF AVAILABLE-FOR-SALE INVESTMENTS — 31 DECEMBER 2001

Holdings	Description		Market Value USD
	Banking		
65,000	ICICI		59,150
25,500	ICICI Bank		46,410
			105,560
	Chemicals and dyes		
68,150	Reliance Industries Ltd.		430,708
	Computer Software		
2,300	Wipro Limited		76,383
73,500	Satyam Computers Limited		360,150
6,800	HCL Technologies Ltd.		38,624
			475,157
	Consumer products		
2,335	ITC Limited		32,527
	Pharmaceuticals		
2,300	Cipla		54,257
5,049	Glaxosmithkline		30,092
7,981	Ranbaxy Laboratories Ltd.		114,208
			198,557
	Power and electricals		
45,375	BSES		186,491
5,000	Global Tele		13,250
			199,741
	Shipping		
200	GE Shipping		98
	Total investments	USD	1,442,348

The accounting policies on pages 14 to 16 and the notes on pages 16 to 22 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS — 31 DECEMBER 2001

1. BACKGROUND OF COMPANY

The Company was incorporated in Mauritius under the Mauritian Companies Act 1984 on 31 January 2001 as a private company limited by shares and is structured as a Protected Cell Company (“PCC”). The Company is registered under the Protected Cell Companies Act 1999.

A PCC is a special purpose vehicle providing legal segregation of assets and liabilities of one Cell from those of other Cells. Shareholders and creditors of one particular Cell have access only against the assets of that Cell but not against the assets in another protected Cell.

The assets of the PCC can either be cellular assets or non-cellular assets. The cellular assets comprise of assets represented by the cell share capital, reserves and any other assets attributable to that Cell. The non-cellular assets comprise of assets which are not cellular and which are attributable to the core Cell. Where a liability arises from a transaction in respect of a particular Cell, and there are insufficient assets within this Cell, then there is recourse to the non-cellular assets but not to the assets of any other Cells.

At 31 December 2001, the Company consists of seven Cells, Cell ”A” to Cell “G” which have been aggregated in the Consolidated Cell Accounts. The assets in the Consolidated Cell Accounts are cellular and the assets in the core Cell “Management Shares” are non-cellular.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with and comply with 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.

Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the fair valuation of “available-for sale securities”.

Investments

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

All investments are initially recognised at cost (which includes transaction costs) and are subsequently re-measured at fair value based on quoted bid prices. Gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in the income statements as they arise.

2. ACCOUNTING POLICIES (Continued)

Revenue recognition

Dividend income is recognised when the Company’s right to receive payment is established.

Interest income, brokerage fees and NAV calculation fees are recognised on the accruals basis unless collectibility are in doubt.

Foreign currencies

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

Deferred taxation

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 relating to the carryforward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Share premium

Premiums on the redemption of the Company’s shares are charged to the share premium account. If the share premium is fully utilised, premiums on redemption will be charged against retained earnings.

NOTES TO THE FINANCIAL STATEMENTS — 31 DECEMBER 2001 (Continued)

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.

Debtors

Debtors are carried at anticipated realisable value. An estimate is made for doubtful debtors based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified.

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.

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2. ACCOUNTING POLICIES (Continued)

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, cash at bank and creditors. 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 9.

3. FEES

Investment advisory fee

Kotak Mahindra (International) Limited has been appointed as investment advisor to the Company. It advises the directors on the investment and disinvestment activities of the Company's assets.

The Company pays the investment advisor a fee as agreed with the Company from time to time. The fee is payable quarterly in arrears.

Investment facilitator fees

Kotak Mahindra (UK) Limited has been appointed as the investment facilitator. The investment facilitator assists the Company in formulating and implementing a program for the continued registration of the Company with Securities and Exchange Board of India and facilitating the investments of the Company.

The investment facilitator is paid such fees and expenses as may from time to time be agreed between the parties.

Cash custodian fee

The Hong Kong and Shanghai Banking Corporation Limited OBU acts as the Company's cash custodian. The cash custodian is entitled to a custody fee of USD 750 per quarter, payable in arrears and an outward transaction fee of USD 65 per transaction.

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3. FEES (Continued)

Custodian fee

The Hong Kong and Shanghai Banking Limited (the 'Bank') has been appointed as custodian of investments and other assets held in safe custody.

The Company pays the Bank a fee for the provision of its services as agreed between them from time to time.

Administrator and other fees

Multiconsult Limited acts as the Company's administrator. Multiconsult Limited also provides secretarial services and is responsible for the tax affairs of the Company in Mauritius. Multiconsult Limited is entitled to a fee as agreed between the parties from time to time. The fee is payable quarterly in arrears. The administrator is also entitled to reimbursement of certain out of pocket expenses.

4. TAXATION

The Company is subject to Income Tax in Mauritius at 15%. It is entitled, however, to a tax credit equivalent to the higher of the actual foreign tax suffered and 90% of the Mauritius tax on its foreign source income. The Company effectively pays tax at 1.5%. At 31 December 2001 the Company has tax losses of USD 34,739 and is not liable to tax in Mauritius.

The foreign tax credit will be reduced to 80% as from the year ending 31 December 2002.

Deferred tax

No deferred tax has been recognised under the Company's accounting policy for recognising deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS — 31 DECEMBER 2001 (Continued)

5. AVAILABLE FOR SALE INVESTMENTS

Listed		Management Shares USD	Consolidated Cell Accounts USD	Total USD
Purchased during the period		—	**5,489,834**	**5,489,834**
Proceeds from sale		—	**(4,350,429)**	**(4,350,429)**
Realised gain on sale		—	**286,440**	**286,440**
Unrealised gain on revaluation		—	**16,503**	**16,503**
At 31 December 2001	**USD**	**—**	1,442,348	**1,442,348**
Cost at 31 December 2001	**USD**	**—**	1,425,845	**1,425,845**

The schedule of available-for sale investments is listed on page 13.

6. CREDITORS

Amounts due to brokers		—	**82,328**	**82,328**
Transaction and custody charges		—	**7,350**	**7,350**
Audit fees		—	**9,500**	**9,500**
	USD	**—**	**99,178**	**99,178**

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7. SHARE CAPITAL AND SHARE PREMUM

AUTHORISED	Number of shares	USD
Management share of USD 1 each	100	**100**
Redeemable Participating Preference Shares of USD 0.01 each	50,000,000,000	**500,000,000**

ISSUED AND FULLY PAID

Redeemable Participating Preference Shares of USD 0.01 each

Cells	Number of shares			Share capital			Share premium			
	Issues	Redemptions	Balance	Issues USD	Redemptions USD	Balance USD	Issues USD	Redemptions USD	Transfer from retained earnings USD	Balance USD
'A'	141,100	(135,470)	5,630	1,411	(1,355)	56	139,689	(134,115)	—	5,574
'B'	1,044,000	(163,000)	881,000	10,440	(1,630)	8,810	1,033,560	(161,370)	—	872,190
'C'	296,557	(136,000)	160,557	2,966	(1,360)	1,606	293,591	(134,640)	—	158,951
'D'	46,100	(10,000)	36,100	461	(100)	361	45,639	(7,300)	—	38,339
'E'	296,000	—	296,000	2,960	—	2,960	293,040	—	—	293,040
'F'	601,000	(551,000)	50,000	6,010	(5,510)	500	594,990	(695,490)	100,500	—
'G'	239,600	(103,900)	135,700	2,396	(1,039)	1,357	237,204	(83,561)	—	153,643
	2,664,357	(1,099,370)	1,564,987	26,644	(10,994)	15,650	2,637,713	(1,216,476)	100,500	1,521,737

Management shares of USD 1 each.

100	—	100	100	—	100	—	—	—	—

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NOTES TO THE FINANCIAL STATEMENTS — 31 DECEMBER 2001 (Continued)

7. SHARE CAPITAL AND SHARE PREMIUM (Continued)

The Company has issued non-cellular and cellular shares. The non-cellular shares are the Management Shares and the cellular shares are the Redeemable Participating Preference Shares (RPPS).

Management shares are issued at par value and holders have voting rights in any general meeting of the Company.

RPPS are issued at a price not below the nominal value of the shares or at such higher prices as the directors may determine. RPPS have no voting rights except in case of modification or variation of rights of that class of shares or of winding up of the Cell to which the shares are attributable.

Dividends and winding-up

Dividends are payable to the holders of the RPPS of a particular Cell provided the directors so determine. No dividends are payable in respect of any Cell other than out of the assets of the relevant Cell as may be lawfully distributed as dividends. No dividends are payable to the holders of the Management Shares.

In the event the Company is wound up, the liquidator shall discharge the liabilities of a Cell out of the assets comprised in that Cell and no recourse shall be had to the asset of one Cell to meet the liabilities of any other Cell. Liabilities not attributable to any Cell shall be discharged out of non-cellular assets. The liquidator shall apply the assets of a Cell in satisfaction of creditors' claim relating to that Cell in such manner and order as he thinks fit, subject of course to prior charges whether fixed or floating, if any. The assets available for distribution among the members are applied in the following priority:

(a) First, in the payment to the holders of the RPPS of each Cell of sum in United States dollars (or in any other currency selected by the liquidator) as nearly as possible equal to the nominal amount of the RPPS of such Cell held by such holders respectively provided that there are sufficient assets available in the relevant Cell to enable such payment to be made. In the event that any cell, there are insufficient assets available in the relevant Cell to enable such payment to be made, the available cellular assets shall be distributed exclusively to the holders of RPPS of that Cell pro rata to their respective shareholdings;

(b) Second, in the payment to the holders of the Management Shares of sums up to the nominal amount paid up thereon out of the assets of the Company. In the event that there are insufficient assets as aforesaid to enable such payment in full to the holders of the Management Shares to be made, no recourse shall be had to any other assets of the Company whether comprised within any of the Cells or otherwise;

(c) Third, in the payment to the holders of RPPS of each Cell of any balance then remaining, in the relevant Cell, such payment being made as nearly as practicable in proportion to the number of RPPS held in that Cell;

(d) Fourth, in the payment to the holders of Management Shares of any balance then remaining as non-cellular assets, such payment being made as nearly as practicable in proportion to the number of Management Shares held.

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8. RELATED PARTY TRANSACTION

The investment advisor, Kotak Mahindra (International) Limited, owns Cell "A" at 31 December 2001. The brokerage and NAV calculation fees receivable from Cell "B" to Cell "G" amounted to USD 51,200 and USD 1,791 respectively.

The investment advisor also holds all the Management Shares in the Company

9. FINANCIAL INSTRUMENTS

Fair value

The carrying amounts of investments, cash at bank and creditors approximates their fair values.

Market risk

At 31 December 2001, a significant portion of the Company's net assets consist of Indian securities which involve certain considerations and risks not typically associated with investments in other more developed markets. In addition to its smaller size, lesser liquidity and greater volatility, the Indian securities market is less developed and there is often substantially less publicly available information about Indian issuers than there is in developed markets.

Future economic and political developments in India could adversely affect the liquidity or value, or both, of securities in which the Company is invested. In addition, the Company's ability to hedge its currency risk is limited and accordingly, the Company may be exposed to currency devaluation and other exchange rate fluctuations.

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet commitments it has entered into with the Company. The risk of default is considered minimal.

NOTES TO THE FINANCIAL STATEMENTS — 31 DECEMBER 2001 (Continued)

9. FINANCIAL INSTRUMENTS (Continued)

Currency profile

The currency profile of the Company's financial assets and liabilities is summarised as follows:

		Financial assets USD	Financial liabilities USD
Indian rupee		**1,444,504**	**82,328**
United states dollar		**359,455**	**16,850**
	USD	**1,803,959**	**99,178**

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10. REPORTING CURRENCY

The financial statements are presented in United States dollars. The Company has been granted a Category 1 Global Business Licence under the Financial Services Development Act 2001 which requires that the Company's business or other activity is carried on in a currency other than the Mauritian rupee.

11. STATUS OF CELLS

	Net assets value USD	Number of RPPS	Net assets value per RPPS USD	Net profit/ (loss) for the period USD
Management Shares	100	—	—	—
Cell 'A'	7,998	5,630	1.42	2,368
'B'	942,754	881,000	1.07	61,754
'C'	133,329	160,557	0.83	(27,228)
'D'	28,488	36,100	0.79	(10,212)
'E'	342,423	296,000	1.16	46,423
'F'	110,410	50,000	2.21	210,410
'G'	139,279	135,700	1.03	(15,721)
Total at 31 December 2001	**1,704,781**	**1,564,987**		**267,794**

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