



Bigger. Bolder. Better.

**Kotak Mahindra Asset Management Company Limited**

ANNUAL REPORT 2013-14

# Directors' Report

To the Members of

**Kotak Mahindra Asset Management Company Limited**

The Directors present their Twentieth Annual Report together with the audited accounts of your Company for the year ended March 31, 2014.

## FINANCIAL RESULTS

The financial results of the company for the year ended 31st March 2014 is as under:

(₹ In Lakhs)

	2013 – 2014	2012 - 2013
Gross income	16616	11708
Profit before Depreciation and Tax	5214	569
Depreciation	259	274
Profit before Tax	4955	295
Profit after Tax	3339	346
Balance of Profit from previous years	3065	3988
Amount available for appropriation	6404	4335
<b>Appropriations</b>		
Dividend on Preference Shares	72	72
Interim Dividend on Equity Shares	990	990
Corporate Dividend Tax thereon	181	172
Transfer to General Reserves	334	35
<b>Surplus carried forward to the Balance Sheet</b>	<b>5161</b>	<b>3099</b>

The Average Assets Under Management (AAUM) with Kotak Mahindra Asset Management Company increased from ₹ 31,259 crores to ₹ 35,694 crores – a growth of 14.19%. The revenue of the firm has shown an increase of 42% due to better realizations from the underlying funds and favorable asset quality mix, while the overall costs have shown an increase of around 2%, resulting in a substantial increase in the profit before tax.

## DIVIDEND

Your Directors recommend a dividend on the preference shares at the coupon rate i.e. 8.5% the financial year ended on March 31, 2014. Your Directors also recommend a final dividend of ₹ 2.50 per equity share which together with interim dividend of ₹ 5 paid per equity share would make total dividend of ₹ 7.50 per equity share for the financial year.

## CAPITAL

The Authorized Share Capital of the Company is ₹ 35 crores, divided into 2,50,00,000 Equity Shares of ₹ 10 each and 1,00,00,000 Preference Shares of ₹ 10 each.

There was no change in the Capital Structure of the Company during the year.

## MANAGEMENT DISCUSSION AND ANALYSIS

Market related developments affecting the Schemes of the Mutual Fund.

FY2014 saw the key equity market indices, Sensex and Nifty register a growth of 18.68% and 17.82% respectively over the period year. This performance in the equities market was on account of the surge in the equities market since October 13, wherein the belief of a likely change for reform and pro-business oriented polity, catapulted the market prices.

Sectorally, Auto, Capital Goods, IT and Pharma indices emerged as the major outperformers during the financial year; with the annual year-on-year performance of 37.36%, 33.19% 28.78% and 28.17% respectively. In the similar period, the Realty, PSU Banking, and consumer durables segment underperformed the broader market; providing an annual return of -17.50%, -10.14% and -8.01% respectively.

Over the entire financial year, the growth rate of the economy continued to remain lackluster. During the Apr - Dec 13 period, Indian GDP grew by approx 4.6% yoy as against 4.48% in the similar period in Apr - Dec 2012. The manufacturing growth during the Apr - Feb period of FY14 was at -0.7%

yoy; while the growth in the general industrial production for the same period was at around -0.1% yoy. This de-growth in the industrial production has been attributed to the extended period of high borrowings rate, decline in industrial investments due to policy bottlenecks and declining industrial pricing power.

The current account deficit, during Apr - June 13 period was at around 4.9% of GDP. This has moderated down to around 0.9% of the GDP by Dec-13. This performance is attributable to the -8.11% decline in the imports over the FY14 period, with the commensurate increase of around 3.98% in the exports. This enabled the narrowing of the trade deficit by -27.18% in FY14 to US\$ 138 bn vis-à-vis the FY12 figures of US\$ -190 bn.

In the FY15 Vote on Accounts (due to impending election), the projected fiscal deficit was pegged at around -4.1% of the GDP. The revised estimate for the FY14 fiscal deficit projections were at around 4.6% of the GDP. However, the fresh Union Budget proposal, post the general elections, may provide a more concrete direction to the markets in the year ahead.

The debt market witnessed extreme volatility during the last financial year. The 10 year gsec yield, which was around 7.16% mid-May 13, rose to intraday high of 9.50% by Aug-13. This was attributable to QE3 triggered forex volatility; and the ensuing policy measures, which drained out the liquidity and pushed up the effective borrowing rate to around 10.25%. Post the subsiding of the tapering fears by Sept-13, the normalization of the policy rates saw the debt market ease its levels gradually. However, a more conventional hardening of the repo rates was observed between the Nov-13 and Jan-14 period due to continued rise in food inflation. The 10 year closed the financial year at the ytm level of around 8.80%.

Effective November 19, 2013, scrip level valuation for all debt securities greater than 60 days have been implemented at industry level, based on the security level pricing provided by CRISIL and ICRA, and in line with the guidelines recommended by AMFI. This will ensure uniformity in the valuation of securities

#### The key regulatory changes from SEBI during 2013-2014 have been elucidated as under:-

- **Product Labelling:** In order to address the issue of mis-selling, SEBI decided that effective July 1, 2013 all the mutual funds shall 'Label' their schemes on the prescribed parameters and to depict the colour code based on the risk involved.
- **Know Your Client Requirements (KYC):** SEBI has revised the disclosure requirement which is to be captured in KRA systems by amending the form prescribed for KYC Registration. This amendment will be benefiting the processing of KYC.
- **Enhancing disclosures, investor education & awareness campaign, developing alternative distribution channels for Mutual Fund products, etc –**
  - o It has now been mandatory for Mutual Funds to have transparent disclosure norms by showing detailed Monthly Average Assets Under Management within 7 working days from end of each month. This disclosure would cover the Contribution to Monthly AAUM from sponsor and its associates and other entities, from different categories of investors and state wise break up of AAUM.
  - o The Mutual Funds have also to disclose votes cast by them by disclosing specific rationale supporting their voting decision, on a quarterly basis on their website. The Boards of AMC and Trustee have been entrusted to review and ensure that AMCs have voted on important decisions that may have effect on the interest of investors and the rationale recorded for vote decision is prudent and adequate.
  - o Mutual Funds have been advised to develop a system for active support to Public Sector Unit Banks to distribute MF products through them. This is to leverage the wide bank branches and distribution reach of PSUBanks

#### Mutual Fund Industry developments and segment wise performance:

The total industry Average Assets Under Management (AAUM) increased from ₹7,66,593 crores for the FY 13 to ₹ 8,64,900 crores for FY 14. – a growth of 12.83%. During the same period, AAUM with Kotak Mahindra Asset Management Company increased from ₹ 31,259 crores to ₹ 35,694 crores – a growth of 14.19%.

The Funds managed by Kotak Mahindra Asset Management Company continued to strive for consistency and risk-adjusted return to their investors over the long term. The snapshot of the performance has been presented as under:-

Equity Schemes	Benchmark	FY14 Returns (%)	Benchmark Returns (%)	Difference (%)
Kotak 50 Fund	CNX Nifty Index	14.38	17.98	-3.60
Kotak Balance	Crisil Balanced Fund Index	13.14	13.40	-0.26
Kotak Classic Equity	CNX 500 Index	17.01	17.72	-0.71
Kotak Emerging Equity Fund	S&P BSE MID CAP	17.10	15.31	1.79
Kotak Equity Arbitrage	Crisil Liquid Fund Index	9.32	9.54	-0.22
Kotak Midcap Fund	CNX Midcap	18.74	16.36	2.38
Kotak Opportunities Fund	CNX 500 Index	20.00	17.72	2.28
Kotak Select Focus Fund	CNX 200	23.63	17.98	5.65
Kotak Taxsaver Fund	CNX 500 Index	9.61	17.72	-8.11

Debt Schemes	Benchmark	FY14 Returns (%)	Benchmark Returns (%)	Difference (%)
Kotak Gilt - Investment Regular Plan	ISEC Composite Index	-0.41	3.96	-4.37
Kotak Banking and PSU Debt Fund	Crisil Liquid Fund Index	10.28	9.46	0.82
Kotak Bond - Plan A	Crisil Composite Bond Fund Index	1.71	4.34	-2.63
Kotak Bond Short Term Plan	Crisil Short Term Bond Fund Index	7.40	8.79	-1.39
Kotak Income Opportunities Fund	Crisil Short Term Bond Fund Index	7.79	8.79	-1
Kotak Floater Long Term Scheme	Crisil Liquid Fund Index	9.17	9.46	-0.29
Kotak Floater Short Term Scheme	Crisil Liquid Fund Index	9.47	9.46	0.01
Kotak Liquid	Crisil Liquid Fund Index	9.45	9.46	-0.01
Kotak Flexi Debt Fund	Crisil Composite Bond Fund Index	9.11	4.34	4.77

### Investor Awareness Programmes

During the last financial year, Kotak Mahindra Asset Management Company has undertaken around 1,000 Investment Awareness Programmes covering about 23,750 investors. This is expected to increase awareness about mutual funds as a long term lucrative investment option.

### INVESTMENTS IN PASS THROUGH CERTIFICATES (PTCS) :-

In FY 2011-12 an Income tax demand of ₹ 32.85 crores was purported to be recovered under garnishee proceedings, by Income Tax Authorities in respect of investments made in Pass through Certificates (PTC) by some of the debt schemes of Kotak Mahindra Mutual Fund (KMMF), for A.Y 2009-10. The said demand, raised originally on the trusts sponsored by ILFS Trustee Company Ltd (ILFST), was sought to be also recovered u/s 177(3) of the Income Tax Act, from KMMF.

KMMF, through its trustees had filed Writ petitions before the Bombay High Court in FY 2011-12 and obtained necessary reliefs for stay of the impugned demand till the adjudication of the appeal by the first Appellate Authority. The said demand will be lower to the extent of KMMF's share in the PTC's. In FY 2012-13, the Appellate Authority had passed an order and granted part relief on the said matter. ILFST has filed an appeal to the Income Tax Appellate Tribunal against the said order.

Similar to A.Y.2009-10, in FY 2012-13, Income Tax demand of ₹ 17.66 crs was purported to be recovered by Income Tax Authorities in respect of PTC investments for A.Y.2010-11. The said demand, raised originally on the trusts sponsored by ILFS Trustee Company Ltd, was sought to be also recovered u/s 177(3) of the Income Tax Act, from KMMF.

KMMF, through its trustees had filed Writ petitions before the Bombay High Court in FY 2012-13 and obtained necessary reliefs for stay of the impugned demand till the adjudication of the appeal by the first Appellate Authority. The said demand will be lower to the extent of KMMF's share in the PTC's. In FY 2013-14, the Appellate Authority had passed an order and granted part relief on the said matter for two PTC investments. ILFST is proposing to present an appeal to the Income Tax Appellate Tribunal against the order.

Similar Income Tax demand of ₹13.73 crs have been raised on the trusts sponsored by ILFS Trust Company Limited for AY 2007-08 in FY 2012-13. The demand has been appealed by ILFS trust with the first Appellate Authority. The said demand will be lower to the extent of KMMF's share in the PTC's.

The subject matter of contention for all the three years is similar in nature. Hence disposal of the same will be similar.

### SUBSIDIARY

Kotak Mahindra Pension Fund Limited (KMPFL), subsidiary of your Company was appointed as a Pension Fund Manager (PFM) by the Pension Fund Regulatory and Development Authority (PFRDA), on April 30, 2009 for a period of three years for managing the funds under National Pension System Trust (NPS). The company was then granted Certificate under Registration of Pension Funds for Private sector Guidelines 2012 on January 23, 2013 for a further period of 1 year. The validity of the registration has been extended till June 30, 2014 in the light of the new RFP issued on January 16, 2014, or till further orders / arrangements that may bring the extension to a close, whichever is earlier.

On January 16, 2014, PFRDA has issued revised guidelines for appointment of upto eight (8) Pension Fund Managers (PFM), for a period of 5 years, to manage the Pension Assets of the Private Sector NPS. Kotak Mahindra Asset Management Co. Ltd (KMAMC) as a Sponsor, has made an application on 14th February 2014, to participate in the proposed process of selection of Sponsors of Pension Funds. It should be noted that based on the financial bid opening on 16th April 2014, KMAMC has been shortlisted as a PFM.

Kotak Mahindra Pension Fund Ltd manages seven schemes, and the combined assets under management on March 31, 2014 were ₹ 5,481.21 Lakhs (Previous year – ₹ 2,474.92 Lakhs). The pension fund management business is currently at a nascent stage and considering the low rates of management fees, the revenue generated from the investment management activity for the year ended March 31, 2014 is ₹ 6.86 lacs (Previous year - ₹0.14 lacs)

### DIRECTORS

During the year, seven meetings of the Board of Directors were convened.

Mr. Uday Kotak retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

### **AUDIT COMMITTEE**

Pursuant to Section 292A of the Companies Act, 1956, your Company has constituted an Audit Committee of the Board consisting of Mr. R. C. Khanna, Mr. Uday Kotak, Mr. Bipin R. Shah, and Mr. Sukant Kelkar. Mr. R. C. Khanna, Independent Director on the Board, is the Chairman of the Audit Committee. The Committee met four times during the year to review accounts, operations and internal controls.

Mr. Pranab Kumar Datta was appointed as member of the Audit Committee by the Board at its meeting held on March 27, 2014.

### **APPOINTMENT COMMITTEE**

As per the directives laid down by Reserve Bank of India (RBI), your company has constituted an Appointment Committee consisting of Mr. Sukant Kelkar, Mr. Bipin R. Shah and Mr. Gaurang Shah. The Scope of the Committee is to ensure 'fit & proper' status of proposed/existing Directors and Senior Management Personnel of the organization.

### **AUDITORS**

M/s. S. V. Ghatalia & Associates LLP, Mumbai Statutory Auditors of your Company retire on the conclusion of the Twentieth Annual General Meeting.

### **REGISTERED OFFICE:**

The Registered Office of the Company was shifted from 36-38A Nariman Bhavan, 227, Nariman Point, Mumbai – 400021 to 27 BKC, C-27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400051.

### **STATUTORY INFORMATION**

A statement giving the information required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is annexed.

During the year under review your Company did not accept any deposits. Your Company's foreign exchange income during the year under review were ₹ 23,000,000 (Previous year ₹ 21,000,000.00), while the outgo was ₹ 534,487.00 (Previous year 64,644). The other requirements pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, do not apply since your Company is not a manufacturing company.

### **EMPLOYEES/HUMAN RESOURCES**

At the start of the year, your Company had 313 employees on board. While your Company had some attrition, and some fresh intake, the overall headcount has reached 326 persons by the end of the year.

### **DIRECTORS RESPONSIBILITY STATEMENT**

Based on representations from the management, the Directors state, in pursuance of Section 217 (2AA) of the Companies Act, 1956, that:

- i. Your Company has, in the preparation of the annual accounts for the year ended 31st March 2014, followed the applicable accounting standards along with proper explanations relating to material departures, if any;
- ii. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company as at 31st March 2014 and of Profit of your Company for the financial year ended 31st March 2014;
- iii. The Directors have taken proper and sufficient care to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and
- iv. The Directors have prepared the annual accounts on a going concern basis.

### **ACKNOWLEDGEMENT**

Your Directors would like to place on record their gratitude for the valuable guidance and support received from the Securities and Exchange Board of India, Reserve Bank of India and other Government and Regulatory agencies. Your Directors acknowledge and wish to place their appreciation of employees for their commendable efforts, teamwork and professionalism.

For and on behalf of the Board of Directors

**UDAY KOTAK**  
CHAIRMAN

Mumbai  
Dated: April 23, 2014

# Independent Auditor's Report

To the Members of Kotak Mahindra Asset Management Company Limited

## Report on the Financial Statements

We have audited the accompanying financial statements of Kotak Mahindra Asset Management Company Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956 read with General Circular 8/2014 dated April 4, 2014 issued by the Ministry of Corporate Affairs. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Act, 1956 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 8/2014 dated April 4, 2014 issued by the Ministry of Corporate Affairs;
  - (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

## For S.V. Ghatalia & Associates LLP

Firm Registration Number: 103162W  
Chartered Accountants

## per Manish Gujral

Partner  
Membership No.: 105117

Place: Mumbai  
Date: April 23, 2014

## Annexure referred to in paragraph 1 under the heading “Report on Other Legal and Regulatory Requirements” of our Report of even date

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) There was no disposal of a substantial part of fixed assets during the year.
- (ii) The Company is an asset management company; therefore, the provisions of clause 4(ii) of the Companies (Auditor’s Report) Order, 2003 (as amended) related to inventory are not applicable.
- (iii) As informed, the Company has not granted or taken any loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for purchase of fixed assets and for rendering of services. The activities of the Company do not involve purchase of inventory and the sale of goods. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) According to the information and explanations provided by the management, we are of the opinion that there are no transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees’ state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees’ state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, amounts of income-tax dues disputed by the Company, are as follows:

Name of statute	Nature of dues	Amount (₹)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income tax demand raised against the Company	50,99,230	AY 2011-12	Commissioner of Income Tax (Appeals)

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, the Company has not taken any loans from financial institutions or banks or issued debentures.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor’s Report) Order, 2003 (as amended) are not applicable to the Company.

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- (xiv) In respect of dealing/trading in shares, securities, debentures and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the Company, in its own name.
  - (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
  - (xvi) The Company did not have any term loans outstanding during the year.
  - (xvii) The Company has not raised any funds on short term basis.
  - (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
  - (xix) The Company did not have any outstanding debentures during the year.
  - (xx) The Company has not raised any money by public issues.
  - (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

**For S.V. Ghatalia & Associates LLP**

Firm Registration Number: 103162W

Chartered Accountants

**per Manish Gujral**

Partner

Membership No.: 105117

Place: Mumbai

Date: April 23, 2014



## Balance Sheet as at 31st March 2014

	Notes	As at 31st Mar, 2014 Rupees in Lacs	As at 31st Mar, 2013 Rupees in Lacs
<b>I. EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' Funds:</b>			
(a) Share Capital	3	2,830.00	2,830.00
(b) Reserves and Surplus	4	5,837.24	4,320.24
<b>2. Non-current liabilities</b>			
(a) Other Long Term Liabilities	5	28.39	10.50
(b) Long term Provisions	6	475.34	491.12
<b>3. Current liabilities</b>			
(a) Trade payables	7	805.99	501.32
(b) Other current liabilities	8	402.47	590.90
(c) Short term Provisions	9	1,377.52	629.37
<b>Total</b>		<b>11,756.95</b>	<b>9,373.45</b>
<b>II. ASSETS</b>			
<b>1. Non-current assets</b>			
(a) Fixed Assets	10		
(i) Tangible assets		486.04	437.59
(ii) Intangible assets		57.77	48.88
(b) Non current investments	11	2,680.00	2,680.00
(c) Deferred tax assets (net)	12	328.58	303.85
(d) Long term loans & advances	13	1,133.83	99.38
(e) Other non-current assets	14	2,632.41	2,465.02
<b>2. Current assets</b>			
(a) Current Investments	15	1,000.00	-
(b) Trade receivables	16	1,150.60	979.84
(c) Cash & Bank Balance	17	1,227.66	2,033.15
(d) Short term loans & advances	18	998.57	193.65
(e) Other current assets	19	61.49	132.09
<b>Total</b>		<b>11,756.95</b>	<b>9,373.45</b>
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S. V. Ghatalia & Associates LLP  
Firm Registration No. 103162W  
Chartered Accountants

per Manish Gujral  
Partner  
Membership No.:105117

Mumbai  
Dated: April 23, 2014

For and on behalf of the Board of Directors

Director

Manager

Director

Company Secretary

## Statement Of Profit And Loss for the year ended 31st March 2014

	Notes	For the Year Ended 31st March 2014 Rupees in Lacs	For the Year Ended 31st March 2013 Rupees in Lacs
<b>Income</b>			
Revenue from Operations	20	16,313.56	11,268.18
Other income	21	302.57	440.26
<b>Total Income</b>		<b>16,616.13</b>	<b>11,708.44</b>
<b>Expenses</b>			
Employee costs	22	4,497.08	4,142.49
Other expenses	23	6,889.42	6,993.65
Depreciation	10	258.53	274.56
Finance Cost	24	15.48	3.15
<b>Total Expenses</b>		<b>11,660.51</b>	<b>11,413.85</b>
<b>Profit before tax</b>		<b>4,955.62</b>	<b>294.59</b>
<b>Tax expenses</b>			
Current Tax ( Previous Year MAT Provision ₹ 3,311,000)		(1,613.98)	(33.11)
Mat Credit Entitlement		(27.48)	27.48
Deferred Tax Credit		24.75	53.88
Income Tax Prior Years (reversal)		-	3.87
<b>Profit for the year after tax</b>		<b>3,338.91</b>	<b>346.71</b>
Earnings per equity share [nominal value of share ₹10 (31 March 2013: ₹10)]	25		
Basic and Diluted		16.86	1.75
Summary of significant accounting Policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S. V. Ghatalia & Associates LLP  
Firm Registration No. 103162W  
Chartered Accountants

per Manish Gujral  
Partner  
Membership No.:105117

Mumbai  
Dated: April 23, 2014

For and on behalf of the Board of Directors

Director

Manager

Director

Company Secretary

## Cash Flow Statement

	For the Year Ended 31st March 2014 Rupees In Lacs	For the Year Ended 31st March 2013 Rupees In Lacs
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before taxation and extraordinary items	4,955.62	294.59
Add / (Less) Adjustments for:		
Provision for Wealth Tax	2.72	2.02
Depreciation	258.53	274.56
Profit on sale of Fixed Asset	(22.16)	(7.91)
Interest on Deposits	(0.38)	(5.27)
Provision for gratuity and Leave Encashment	8.28	73.72
Interest on Income tax refund	(60.58)	(2.03)
(Profit)/Loss on Sale of Long Term Investments	0.02	(273.80)
Dividend	(212.65)	(144.75)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>4,929.40</b>	<b>211.13</b>
<b>Movements in working capital :</b>		
Increase / (decrease) in Long Term liabilities	17.89	(6.08)
Increase / (decrease) in trade payables	304.67	91.96
Increase / (decrease) in long-term provisions	(18.44)	43.17
Increase / (decrease) in short-term provisions	123.01	3.94
Increase / (decrease) in other current liabilities	(188.42)	443.92
Decrease / (increase) in trade receivables	(170.76)	(291.56)
Decrease / (increase) in long-term loans and advances	(1,034.45)	(37.26)
Decrease / (increase) in short-term loans and advances	(804.91)	0.42
Decrease / (increase) in other current assets	43.12	23.44
Decrease / (increase) in other non-current assets	(1.10)	(0.20)
	<b>(1,729.39)</b>	<b>271.75</b>
<b>CASH GENERATED FROM OPERATIONS</b>	<b>3,200.01</b>	<b>482.88</b>
<b>Payment of Taxes (Net of refund)</b>	<b>(1,695.32)</b>	<b>(1,069.04)</b>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES (A)</b>	<b>1,504.69</b>	<b>(586.16)</b>
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Interest on Deposits	0.38	5.27
Purchase of Fixed assets (owned)	(364.79)	(302.90)
Sale of Fixed assets (owned)	71.06	18.28
Purchase of Investments	(16,964.65)	(24,186.36)
Sale of Investment	15,964.63	25,360.16
Maturity of Fixed Deposit	13.32	(13.32)
Dividend received	212.65	144.75
<b>NET CASH FLOW FROM INVESTMENT ACTIVITIES (B)</b>	<b>(1,067.40)</b>	<b>1,025.88</b>

	For the Year Ended 31st March 2014 Rupees In Lacs	For the Year Ended 31st March 2013 Rupees In Lacs
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid on equity shares	(990.00)	(990.00)
Tax on equity dividend paid	(168.25)	(160.60)
Dividend paid on preference shares	(72.25)	(72.25)
Tax on preference dividend paid	(12.28)	(11.72)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES (C)</b>	<b>(1,242.78)</b>	<b>(1,234.57)</b>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS (A + B + C)</b>	<b>(805.49)</b>	<b>(794.85)</b>
<b>CASH &amp; CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>2,033.15</b>	<b>2,828.00</b>
<b>CASH &amp; CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>1,227.66</b>	<b>2,033.15</b>
Components of cash and cash equivalents		
With banks- on current account	1,227.66	2,033.15
- on deposit account	-	-
<b>Total cash and cash equivalents</b>	<b>1,227.66</b>	<b>2,033.15</b>

1. The Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard - 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.
2. The corresponding amounts of previous year have been re-grouped, wherever necessary.

As per our report of even date

For S. V. Ghatalia & Associates LLP  
Firm Registration No. 103162W  
Chartered Accountants

per Manish Gujral  
Partner  
Membership No.:105117

Mumbai  
Dated: April 23, 2014

For and on behalf of the Board of Directors

Director

Director

Manager

Company Secretary

## Notes to the Financial Statements for the year ended 31st March 2014

### 1. CORPORATE INFORMATION:

Kotak Mahindra Asset Management Company Limited "the Company" has been appointed as the asset management company, to provide management and administrative services to the Trust (Kotak Mahindra Mutual Fund) and to deploy the funds raised by the Kotak Mahindra Mutual Fund under the Schemes.

The Company also provides portfolio management and portfolio advisory services.

### 2. BASIS OF PREPARATION

The Financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable.

The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies adopted in the preparation of financial statements are consistent with those of the previous year.

#### 2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

##### A. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting policies requires the management to make judgments, estimates and assumptions which are considered in the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements and the reported income and expenses during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates and assumptions.

##### B. REVENUE RECOGNITION

- Fees from mutual fund operations

Investment management fees are recognized net of service tax on an accrual basis after deducting actual and estimated expenses from total expense accruals in scheme books (adjusted for exclusions as required by SEBI guidelines), such that it does not exceed the rates prescribed by the Securities and Exchange Board of India ('SEBI') (Mutual Fund) Regulations, 1996 (the 'SEBI Regulations') on an annual basis.

- Fees from rendering Portfolio Advisory Services

Fees from portfolio advisory services are recognized on an accrual basis, and are in accordance with the terms of agreement.

- Fees from rendering Portfolio Management Services

Fees from portfolio management services are recognized net of service tax on an accrual basis, and are in accordance with the terms of agreement between the Company and respective clients.

- Dividend income is accounted when the right to receive dividend is established.

- Purchase and sale of investments are recorded on trade date. The profit / loss on sale of investments are recognized in the statement of profit and loss on the trade date, using the weighted average cost method.

##### C. TANGIBLE AND INTANGIBLE ASSETS, DEPRECIATION AND AMORTISATION

Fixed assets (tangible and intangible) are stated at cost less accumulated depreciation/ accumulated amortization. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation/Amortization is provided using the Straight Line Method as per the useful lives of the assets estimated by the management at rates higher than those prescribed under Schedule XIV to the Companies Act, 1956. Estimated useful lives over which assets are depreciated/amortized are as follows:

Asset	Useful life in years
Motor vehicles	4
Computers	3
Furniture and fixtures	6
Office equipment	5
Leasehold Improvements	Over the period of lease subject to a maximum of 6 years.
Intangible Assets – Software	3

Assets costing less than ₹ 5,000 are depreciated at 100% in the year of purchase.

## Notes to the Financial Statements for the year ended 31st March 2014

### D. IMPAIRMENT

- The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/ external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.
- After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

### E. INVESTMENTS

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

### F. EMPLOYEE BENEFITS

Defined contribution scheme

- a. The contributions as required by the statute to Government Provident Fund are charged to the statement of profit and loss when due.
- b. The Company contributes a sum equivalent to 15% of basic subject to a maximum of ₹ 1 lakh per annum per employee, of eligible employees' eligible salary to a Superannuation Fund administered by trustees and managed by a life insurance company. The Company recognizes such contributions as an expense in the year they are incurred.

Defined benefit plan

- a. The Company accounts for the liability for future gratuity benefits based on an actuarial valuation. The gratuity obligation is unfunded. The net present value of the Company's obligation towards the same is determined based on the projected unit credit method as at the balance sheet date.
- b. Actuarial gains / losses are immediately recognised in the statement of profit and loss and are not deferred.

Other long –term employee benefit

- a. The Company accrues the liability for compensated absences based on the actuarial valuation as at the balance sheet date conducted by an independent actuary. The net present value of the Company's obligation is determined based on the projected unit credit method as at the Balance Sheet date.

Other employee benefits

- a. The undiscounted amount of employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service. These benefits include performance incentives.

### G. TAXES ON INCOME

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

## Notes to the Financial Statements for the year ended 31st March 2014

### H. MINIMUM ALTERNATE TAX

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

### I. OPERATING LEASE

Leases, where the lessor retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

### J. BORROWING COSTS

Borrowing costs other than those directly attributable to qualifying fixed assets are recognised as an expense in the period in which they are incurred.

### K. FOREIGN CURRENCY TRANSACTIONS

#### (A) Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

#### (B) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

#### (C) Exchange differences

Exchange differences arising on the settlement of monetary items not covered above, or on reporting such monetary items of the Company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

### L. SCHEME EXPENSES

Annual recurring expenses relating to schemes of Kotak Mahindra Mutual Fund which are in excess of internal expense limits are borne by the Company. The internal expense limits are within the overall expense limits prescribed by the SEBI. Further, scheme expenses also includes new fund offer expenses, and other expenses relating to the schemes which do not fall under regulation 52(4) of the SEBI (Mutual Funds) regulation 1996.

### M. REFERRAL FEES

The brokerage charges relating to Portfolio Management Services are charged to Statement of Profit and Loss net of service tax on an accrual basis.

### N. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares. However for computing diluted earnings per share effect of preference share has not been taken into consideration since the conversion price is not determined as of Balance sheet date.

## Notes to the Financial Statements for the year ended 31st March 2014

### O. PROVISIONS AND CONTINGENT LIABILITIES

A provision is recognized when there is a present obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

### P. EMPLOYEE STOCK OPTION SCHEME

#### Cash-settled scheme:

The cost of cash-settled scheme (stock appreciation rights) is measured initially using intrinsic value method at the grant date taking into account the terms and conditions upon which the instruments were granted. This intrinsic value is amortised on a straight-line basis over the vesting period with a recognition of corresponding liability. This liability is re-measured at each balance sheet date up to and including the settlement date with changes in intrinsic value recognised in the statement of profit and loss in 'Employee costs'

### Q. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and short-term investments with an original maturity of three months or less.

	As at 31st March, 2014	As at 31st March, 2013
	Rupees in Lacs	Rupees in Lacs
<b>Note 3 : SHARE CAPITAL</b>		
<b>Authorised</b>		
25,000,000 (Previous Year 25,000,000) equity shares of ₹ 10/- each	2,500.00	2,500.00
10,000,000 (Previous Year 10,000,000) Preference shares of ₹ 10/- each	1,000.00	1,000.00
<b>Issued, subscribed and paid-up</b>		
19,800,000 (Previous Year 19,800,000) equity shares of ₹ 10/- each, fully paid up	1,980.00	1,980.00
8,500,000 (Previous Year 8,500,000) 8.5% Compulsory convertible Preference shares of ₹10/- each, fully paid up. Conversion date 5th January 2019.	850.00	850.00
<b>Total</b>	<b>2,830.00</b>	<b>2,830.00</b>

(a) Reconciliation of number of shares	As at March 31, 2014		As at March 31, 2013	
	Number of Shares	Amount in Lacs	Number of Shares	Amount in Lacs
Equity Shares:				
Balance as at the beginning of the year	19,800,000	1,980.00	19,800,000	1,980.00
Issued during the year	-	-	-	-
<b>Balance as at the end of the year</b>	<b>19,800,000</b>	<b>1,980.00</b>	<b>19,800,000</b>	<b>1,980.00</b>
Preference Shares:				
Balance as at the beginning of the year	8,500,000	850.00	8,500,000	850.00
Issued During the year	-	-	-	-
<b>Balance as at the end of the year</b>	<b>8,500,000</b>	<b>850.00</b>	<b>8,500,000</b>	<b>850.00</b>

#### (b) Rights, preferences and restrictions attached to shares

Equity Shares: The Company has one class of equity shares having a par value of ₹10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

8.5% Compulsory Convertible Preference shares :8.5% Redeemable preference shares of ₹10 each were issued in 2008 - 2009 to Kotak Securities Ltd. These preference shares are to be redeemed on 5th January 2019.



## Notes to the Financial Statements for the year ended 31st March 2014

### (c) Shares held by holding company and subsidiary of holding company

	<b>31st March, 2014</b>	31st March, 2013
	<b>Rupees in Lacs</b>	Rupees in Lacs
Equity Shares:		
1,98,00,000 Shares (March 31, 2013: 1,98,00,000 Shares) held by Kotak Mahindra Bank Limited, the Holding Company, and its nominees	1,980.00	1,980.00
Preference Shares:		
85,00,000 Shares (March 31, 2013: 85,00,000 Shares) held by Kotak Securities Limited, subsidiary of Kotak Mahindra Bank Ltd.	850.00	850.00

### (d) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

	<b>31st March, 2014</b>	31st March, 2013
Equity Shares:		
Kotak Mahindra Bank Limited, the Holding Company and its nominees	19,800,000 (100%)	19,800,000 (100%)
Preference Shares:		
Kotak Securities Limited, subsidiary of Kotak Mahindra Bank Ltd.	8,500,000 (100%)	8,500,000 (100%)

	<b>As at 31st March, 2014 Rupees in Lacs</b>	As at 31st March, 2013 Rupees in Lacs
<b>Note 4 : RESERVES AND SURPLUS</b>		
Capital Redemption Reserve		
Opening Balance	420.00	420.00
Transfer from Statement of Profit & Loss	-	-
<b>Closing Balance</b>	<b>420.00</b>	<b>420.00</b>
General Reserve		
Opening Balance	835.25	800.25
Transfer from Statement of Profit & Loss	334.00	35.00
<b>Closing Balance</b>	<b>1,169.25</b>	<b>835.25</b>
Surplus in Statement of Profit and Loss		
Balance as at the beginning of the year	3,064.99	3,988.41
Profit for the year	3,338.91	346.71
Less: Appropriations		
Interim dividend on Equity Shares for the year	990.00	990.00
Final dividend on Equity Shares for the year	495.00	-
Dividend distribution tax for dividend on Equity Shares	252.38	160.60
Proposed dividend on Preference Shares for the year	72.25	72.25
Dividend distribution tax on Proposed dividend on Preference Shares	12.28	12.28
Transfer to General Reserve	334.00	35.00
Balance in Statement of Profit and Loss	4,247.99	3,064.99
<b>Total</b>	<b>5,837.24</b>	<b>4,320.24</b>
<b>Note 5 : OTHER LONG TERM LIABILITIES</b>		
Rent Escalation	28.39	10.50
	<b>28.39</b>	<b>10.50</b>

## Notes to the Financial Statements for the year ended 31st March 2014

	As at 31st March, 2014 Rupees in Lacs	As at 31st March, 2013 Rupees in Lacs
<b>Note 6 : LONG TERM PROVISIONS</b>		
Provision for employee benefits		
Provision for gratuity	268.43	254.93
Provision for compensated absences	144.54	155.38
Employee Related Payable (SARS)	62.37	80.81
	<b>475.34</b>	<b>491.12</b>
<b>Note 7 : TRADE PAYABLES</b>		
Trade Payable	805.99	501.32
	<b>805.99</b>	<b>501.32</b>
Above includes payable to Kotak Securities Limited.	0.82	2.24
<b>Note 8 : OTHER CURRENT LIABILITIES</b>		
<b>Other Liabilities</b>		
Statutory Dues Payable	145.10	159.83
Unearned revenue	5.07	7.21
Employee Related Payable	0.97	2.14
Rent Escalation	17.45	13.65
Service Tax Payable	41.44	-
Others	192.44	408.07
	<b>402.47</b>	<b>590.90</b>
Others includes Dues to Kotak Mahindra Bank Limited.	13.41	9.96
<b>Note 9 : SHORT TERM PROVISIONS</b>		
Provision for employee benefits		
Provision for gratuity	38.00	33.06
Provision for compensated absences	25.36	24.68
Employee Related Payables	534.18	432.69
Other Provisions		
Proposed Dividend on Equity Shares	495.00	-
Dividend distribution tax on proposed dividend on Equity Shares	84.13	-
Proposed Dividend on Preference Shares	72.25	72.25
Dividend distribution tax on proposed dividend on Preference Shares	12.28	12.28
Others		
Provisions for Expenses	55.33	33.81
Provision for Tax	57.66	17.83
Provision for Wealth Tax	3.33	2.77
	<b>1,377.52</b>	<b>629.37</b>
Provision for expenses includes Dues to Kotak Mahindra Old Mutual Life Insurance Limited	-	22.00

## Notes to the Financial Statements for the year ended 31st March 2014

### Note 10 : FIXED ASSET

Amount in Lacs

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01-04-2013	Additions	Deductions	As on 31-03-2014	As on 01-04-2013	For the year	Deductions	As on 31-03-2014	As on 31-03-2014	
<b>Tangible Assets</b>										
Leasehold Improvement	251.56	37.00	18.12	270.44	180.57	30.92	18.03	193.46	76.98	
Computers	418.79	74.73	10.60	482.92	321.51	69.76	10.31	380.96	101.96	
Office Equipments	132.58	11.91	7.34	137.15	101.43	12.42	4.29	109.56	27.59	
Furniture & Fixtures	49.45	4.87	9.67	44.65	45.94	5.99	9.59	42.34	2.31	
Vehicles	418.97	187.93	106.87	500.03	184.31	109.51	70.99	222.83	277.20	
<b>Total</b>	<b>1,271.35</b>	<b>316.44</b>	<b>152.60</b>	<b>1,435.19</b>	<b>833.76</b>	<b>228.60</b>	<b>113.21</b>	<b>949.15</b>	<b>486.04</b>	
<b>Intangible Assets</b>										
Software	331.26	48.34	10.96	368.64	282.38	29.93	1.44	310.87	57.77	
<b>Total</b>	<b>331.26</b>	<b>48.34</b>	<b>10.96</b>	<b>368.64</b>	<b>282.38</b>	<b>29.93</b>	<b>1.44</b>	<b>310.87</b>	<b>57.77</b>	

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01-04-2012	Additions	Deductions	As on 31-03-2013	As on 01-04-2012	For the year	Deductions	As on 31-03-2013	As on 31-03-2013	
<b>Tangible Assets</b>										
Leasehold Improvement	273.10	21.83	43.37	251.56	182.39	36.52	38.34	180.57	70.99	
Computers	400.76	54.88	36.85	418.79	296.94	61.20	36.63	321.51	97.28	
Office Equipments	128.99	12.17	8.58	132.58	91.06	17.46	7.09	101.43	31.15	
Furniture & Fixtures	54.18	1.13	5.86	49.45	44.70	5.87	4.63	45.94	3.51	
Vehicles	307.04	163.45	51.52	418.97	131.77	101.67	49.13	184.31	234.66	
<b>Total</b>	<b>1,164.07</b>	<b>253.46</b>	<b>146.18</b>	<b>1,271.35</b>	<b>746.86</b>	<b>222.72</b>	<b>135.82</b>	<b>833.76</b>	<b>437.59</b>	
<b>Intangible Assets</b>										
Software	281.82	49.44	-	331.26	230.54	51.84	-	282.38	48.88	
<b>Total</b>	<b>281.82</b>	<b>49.44</b>	<b>-</b>	<b>331.26</b>	<b>230.54</b>	<b>51.84</b>	<b>-</b>	<b>282.38</b>	<b>48.88</b>	

	As at 31st March, 2014 Rupees in Lacs	As at 31st March, 2013 Rupees in Lacs
<b>Note 11 : NON CURRENT INVESTMENTS</b>		
Non - Trade Investments (valued at cost)		
Unquoted		
Investments in subsidiary		
26,800,000 (31st March 2013:26,800,000) Equity shares of face value of ₹10/- each, fully paid of Kotak Mahindra Pension Fund Ltd.	2,680.00	2,680.00
	<b>2,680.00</b>	<b>2,680.00</b>

## Notes to the Financial Statements for the year ended 31st March 2014

	As at 31st March, 2014 Rupees in Lacs	As at 31st March, 2013 Rupees in Lacs
<b>Note 12 : Deferred Tax Asset</b>		
Net Deferred Tax Asset	328.58	303.85
	<b>328.58</b>	<b>303.85</b>
<b>Note 13 : LONG TERM LOANS &amp; ADVANCES</b>		
<b>Unsecured ,considered good</b>		
Advances recoverable in cash or in kind	1,043.77	
Security Deposit	84.07	88.00
Other Loans & Advances		
Loans to employees	5.99	11.38
	<b>1,133.83</b>	<b>99.38</b>
<b>Note 14 : OTHER NON CURRENT ASSETS</b>		
Others		
Advance Tax	2,626.75	2,447.14
Non Current Bank Balances	-	13.32
Prepaid Expenses	5.66	4.56
	<b>2,632.41</b>	<b>2,465.02</b>
<b>Note 15 : CURRENT INVESTMENTS</b>		
<b>Investment in Units of Mutual Fund</b>		
49,269.9280 (31 March 2013:Nil) Units of ₹1000 each fully paid-up of Kotak Floater Short Term - Growth	1,000.00	-
	<b>1,000.00</b>	-
Market Value	1,036.53	-
<b>Note 16 : TRADE RECEIVABLES</b>		
<b>Unsecured, considered good</b>		
Outstanding for a period exceeding 6 months from the date they are due for payment	-	-
Others	1,150.60	979.84
Less: Provision for doubtful debts	-	-
	<b>1,150.60</b>	<b>979.84</b>
Trade receivables includes		
Due from Kotak Mahindra Mutual Fund	1,113.49	979.84
Due from Kotak Mahindra UK Ltd.	37.11	-
<b>Note 17 : CASH &amp; BANK BALANCES</b>		
<b>Cash &amp; Cash equivalents</b>		
Balances with Bank (Scheduled Banks)		
In current accounts	1,227.66	2,033.15
	<b>1,227.66</b>	<b>2,033.15</b>

## Notes to the Financial Statements for the year ended 31st March 2014

	As at 31st March, 2014 Rupees in Lacs	As at 31st March, 2013 Rupees in Lacs
<b>Note 18 : SHORT TERM LOANS &amp; ADVANCES</b>		
Unsecured, considered good		
Advances recoverable in cash or in kind	958.59	151.08
Security Deposit	16.77	10.52
Other Loans & Advances		
Loans to employees	23.21	32.05
	<b>998.57</b>	<b>193.65</b>
Advances recoverable in cash or in kind includes		
Dues from		
Kotak Mahindra Old Mutual Life Insurance Limited	3.93	3.98
<b>Note 19: OTHER CURRENT ASSETS</b>		
Others		
Prepaid Expenses	46.89	41.69
Miscellaneous Receivable	14.60	5.90
Mat Credit Entitlement	-	27.48
Service Tax Receivable	-	57.02
	<b>61.49</b>	<b>132.09</b>
Miscellaneous Receivable includes		
Dues from		
Kotak Investment Advisors Ltd	0.27	0.13
Kotak Commodity Services Ltd	0.18	0.14
	<b>For the Year ended 31st March, 2014 Rupees in Lacs</b>	<b>For the Year ended 31st March, 2013 Rupees in Lacs</b>
<b>Note 20 :REVENUE FROM OPERATIONS</b>		
Management Fees	16,057.07	11,035.94
Portfolio Advisory Services	230.00	210.00
Portfolio Management Services	26.49	22.24
	<b>16,313.56</b>	<b>11,268.18</b>
<b>Note 21 : OTHER INCOME</b>		
Interest Income		
Bank Deposits	0.38	5.27
Others	2.96	2.66
Income-tax refunds	60.58	2.03
Profit on sale of fixed assets	22.16	7.91
Profit on Sale of Long Term Investment	-	273.80
Dividend Income On		
Current Investments	212.65	144.75
Other Non Operating Income (net of expenses if any)	3.84	3.84
<b>Total</b>	<b>302.57</b>	<b>440.26</b>

## Notes to the Financial Statements for the year ended 31st March 2014

	For the Year ended 31st March, 2014 Rupees in Lacs	For the Year ended 31st March, 2013 Rupees in Lacs
<b>Note 22 : EMPLOYEE COSTS</b>		
Salaries, Wages and Bonus	4,252.16	3,835.70
Contribution to provident and other funds	203.45	183.23
Reimbursement of expense on ESOP Scheme	9.34	33.70
Gratuity	51.08	84.29
Compensated Absences	(3.79)	21.52
Staff welfare	32.12	31.60
	<b>4,544.36</b>	<b>4,190.04</b>
Less: Recovery of common establishment expenses	47.28	47.55
<b>Total</b>	<b>4,497.08</b>	<b>4,142.49</b>

	For the Year ended 31st March, 2014 Rupees in Lacs	For the Year ended 31st March, 2013 Rupees in Lacs
<b>Note 23 : OTHER EXPENSES</b>		
Rent	535.21	492.51
Rates and taxes	6.41	11.22
Insurance	81.57	73.21
Repairs and maintenance	-	-
Others	29.82	30.46
Legal and professional fees	97.94	95.09
Reimbursement of common administrative cost	261.51	250.00
Travel and conveyance	311.65	300.44
Communication expenses	166.41	131.36
Business promotion, Distribution and Mutual Fund expenses	4,480.33	4,773.84
Printing and stationery	28.88	28.81
Membership subscription	243.24	230.33
Electricity	96.80	87.07
Computer and software related expenses	205.37	183.72
Directors' sitting fees	5.10	5.22
Recruitment Expenses	0.60	0.34
Payment to Auditors		
As auditor:		
Audit Fees	14.00	14.00
Reimbursement of Expenses	-	0.36
Service tax on above services	1.73	1.73
Service tax input credit	(1.73)	(1.73)
	<b>14.00</b>	<b>14.36</b>
Exchange Loss (net)	0.00	0.94
Loss on Sale of Short Term Investment	0.02	-
Entertainment Exps	108.86	84.04
Office upkeep expenses	175.30	157.74
Miscellaneous expenses	50.89	53.44
	<b>6,899.91</b>	<b>7,004.14</b>
Less: Recovery of common administrative expenses	10.49	10.49
<b>Total</b>	<b>6,889.42</b>	<b>6,993.65</b>

## Notes to the Financial Statements for the year ended 31st March 2014

	For the Year ended 31st March, 2014 Rupees in Lacs	For the Year ended 31st March, 2013 Rupees in Lacs
<b>Note 24 : FINANCE COST</b>		
Bank Charges	15.48	3.15
	<b>15.48</b>	<b>3.15</b>
<b>Note 25 : EARNING PER SHARE</b>		
The following reflects the profit and share data used in the basic and diluted EPS computations:		
Profit/ (loss) after tax	3,338.91	346.71
<b>Net profit/ (loss) for calculation of basic &amp; diluted EPS</b>	<b>3,338.91</b>	<b>346.71</b>
Weighted average number of equity shares used in calculating basic & diluted EPS	19,800,000	19,800,000
Since price of preference share conversion is not determined, diluted EPS is not computed	16.86	1.75

### 26. Notes to Accounts

#### A. CONTINGENT LIABILITIES NOT PROVIDED FOR

Particulars	2014	2013
	₹ In Lacs	₹ In Lacs
Contingent liability for income tax Demand	7.24	Nil
Contingent liability for service tax matters	710.97	668.66
Contingent liability towards property tax	132.41	132.41
Contingent liability Gold ETF- VAT	38.69	-

#### B. CAPITAL COMMITMENTS

Estimated amount of contracts remaining to be executed on capital account and not provided for ₹ 25.68 Lacs (Previous year ₹ 18.16 Lacs).

#### C. EARNINGS & EXPENDITURE IN FOREIGN CURRENCY (Accrual Basis)

Expenditure in Foreign Currency:-

- Professional Charges ₹ Nil (Previous Year ₹ 0.65 Lacs)
- Travelling Cost ₹ 22.55 lacs (Previous Year ₹ 22.30 Lacs)

Earnings in Foreign Currency:-

- Portfolio advisory services ₹ 230.00 Lacs (Previous Year ₹ 210.00 Lacs)

Value of imports calculated on CIF basis:-

- Capital Goods ₹ Nil (Previous Year ₹ 1.43 Lacs)

#### D. EMPLOYEE BENEFITS

##### GRATUITY

Reconciliation of opening and closing balance of the present value of the defined benefit obligation for gratuity benefits is given below.

Particulars	2014 (₹ In Lacs)	2013 (₹ In Lacs)
Change in Unfunded benefit obligations		
Present value of unfunded benefit obligations, at the beginning of the year	287.99	231.03
Service cost	36.25	33.15
Interest cost	25.35	22.17
Actuarial (gain)/loss on obligations	(9.70)	29.08

## Notes to the Financial Statements for the year ended 31st March 2014

Particulars	2014 (₹ In Lacs)	2013 (₹ In Lacs)
Past Service cost	0.00	0.00
Liabilities assumed	5.49	7.05
Benefits paid	(38.95)	(34.49)
<b>Present value of unfunded benefit obligations as at year end</b>	<b>306.43</b>	<b>287.99</b>
<b>Reconciliation of present value of the obligation and the fair value of the plan assets</b>		
Fair value of plan assets as at the beginning of the year	-	-
Present value of benefit obligations as at year end	306.43	287.99
<b>Net asset/ (liability) as at year end</b>	<b>(306.43)</b>	<b>(287.99)</b>
<b>Cost recognised for the period</b>		
Current service cost	36.25	33.15
Interest cost	25.35	22.17
Expected return on plan assets	-	-
Actuarial (gain)/loss	(9.70)	29.08
Past Service cost	-	-
<b>Net gratuity cost</b>	<b>51.90</b>	<b>84.40</b>

### Experience Adjustments for the current annual period and previous four annual periods:

Particulars	Year ended				
	2010	2011	2012	2013	2014
Defined Benefit Obligation	123.04	198.78	231.02	287.99	306.43
Plan Assets	-	-	-	-	-
Surplus/ (Deficit)	(123.04)	(198.78)	(231.02)	(287.99)	(306.43)
Experience Adjustment on Plan Liabilities	5.67	13.26	4.77	(3.18)	25.50
Experience Adjustment on Plan Assets	-	-	-	-	-

### Actuarial assumptions used

	March 2014	March 2013
Discount rate	9.34% p.a.	8.24% p.a.
Expected rate of return on Plan Assets	0%	0%
Salary escalation rate	8.50%	8.50%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.



## Notes to the Financial Statements for the year ended 31st March 2014

### E. OPERATING LEASES:

The Company has taken office and residential premises under operating lease or leave and license agreements. These are generally cancelable in nature and range between 36 months to 72 months. These leave and license agreements are generally renewable or cancelable at the option of the Company. The lease payments (net of recoveries) recognised in the statement of profit and loss is ₹ 258.52 Lacs (Previous Year ₹ 183.65 Lacs). The future minimum lease payments under non-cancelable operating lease in accordance with agreement –

Rupees In Lacs

Particulars	Year Ending	
	31st March 2014	31st March 2013
Not later than one year	19.02	16.50
later than one year and not later than five years	Nil	Nil
later than five years;	Nil	Nil

### F. EQUITY STOCK OPTIONS

#### Equity Settled Options

At the General Meetings of the holding company, Kotak Mahindra Bank Limited, ("the Bank"), the shareholders of the Bank had unanimously passed Special Resolutions on 5th July, 2007 and 21st August, 2007 to grant options to the eligible Employees of the Bank and its subsidiary companies. Pursuant to these resolutions, 'Kotak Mahindra Equity Option Scheme 2007' had been formulated and adopted.

Consequent to the above, the Bank has granted stock options to employees of the Company in accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments", the excess, if any, of the market price of the share, preceding the date of grant of the option under ESOSs over the exercise price of the option is amortised on a straight-line basis over the vesting period. The Company has reimbursed the Bank ₹ 9.34 Lacs (Previous year ₹ 33.70 Lacs) during the year on account of such costs and the same is forming part of Employee costs and included under the head "Reimbursement of expense on ESOP Scheme" under Note 22 Employee Cost.

Effect of grant of equity settled options to employees on the statement of profit and loss and on its financial position

Rupees In Lacs

Particulars	Year Ending	
	2014	2013
Employee Compensation Cost pertaining to share-based payment plans	9.34	33.70
Closing balance of liability for equity-settled options	Nil	Nil

#### Cash Settled Employee Stock Option Scheme - Stock appreciation rights (SARs):

During the year, the management had approved (SARs) to be granted to eligible employees as and when deemed fit based on underlying shares of the Holding Company. The SARs are to be settled in cash and will vest in the manner as provided in the scheme / grant letters to employees.

The contractual life (which is equivalent to the vesting period) of the SARs ranges from 0.56 year to 3.65 years.

Detail of activity under SARs is summarized below:

No. of SARs

Particulars	2014		2013	
Outstanding at the beginning of the year	38,511		29,680	
Granted during the year	43,090		35,530	
Exercised during the year	32,888		23,993	
Expired during the year	Nil		Nil	
Forfeited during the year	1,704		2,706	
Outstanding at the end of the year	47,009		38,511	

## Notes to the Financial Statements for the year ended 31st March 2014

Effect of grant of SARs to employees on the statement of profit and loss and on its financial position

Rupees In Lacs

Particulars	Year Ending	
	2014	2013
Employee Compensation Cost pertaining to share-based payment plans	299.75	207.67
Closing balance of liability for cash-settled options	216.41	136.17

The fair value of the cash-settled options and equity-settled options is estimated on the date of grant using Black-Scholes options pricing model taking into account the terms and conditions upon which the options were granted. The fair value of the cash-settled options is re-measured at the each Balance Sheet date.

The following table list the inputs to the model used for equity settled and cash settled options:

Year ended 31st March,	2014		2013	
	Cash-settled	Equity-settled	Cash-settled	Equity-settled
Exercise Price (₹)	5 - 724	724	5	545 - 640
Expected Volatility	26.05% - 34.00%	27.68% - 31.56%	18.30% - 29.25%	30.46% - 50.30%
Life of the options granted (Vesting period) in years	0.56 - 3.65 years	1.39 - 3.65 years	1.13 - 3.63 years	1.38 - 3.63 years
Risk-free interest rate	8.62% - 8.72%	7.47% - 7.52%	7.89% - 8.10%	7.94% - 8.43%
Expected dividend yield	0.09%	0.10%	0.09%	0.10% - 0.11%

The above information has been prepared by the Company and relied upon by the auditors.

Had the Company recorded the total compensation cost computed on the basis of fair valuation method instead of intrinsic value method, employee compensation cost would have been higher by ₹ 155.56 Lacs (Previous year ₹ 160.39 Lacs) and the profit before tax would have been lower by same amount. Consequently the basic and diluted EPS would have been lower by ₹ 0.79 (Previous year ₹ 0.78).

### G. DEFERRED INCOME TAXES

Components of net deferred tax balances are as follows:

Particulars	2014 (₹ In Lacs)	2013 (₹ In Lacs)
<b>Deferred Tax Assets</b>		
Provisions for Employee Benefits	198.12	186.56
Depreciation on Fixed Assets	114.89	109.08
Lease Equalisation	15.58	8.21
<b>Net Deferred Tax Asset</b>	<b>328.59</b>	<b>303.85</b>

### H. SEGMENT REPORTING

The Company's operations mainly relate to providing asset management services, advisory and portfolio management services. In the opinion of the management the risks and rewards attached to the business are similar in nature. Hence separate segments under Accounting Standard 17 on "Segment Reporting" is not required to be reported as the Company business is restricted to a single segment i.e. Asset Management and Advisory Services. Geographical segment reporting is not required as all activities of the Company are within India.

### I. RELATED PARTY DISCLOSURES

Parties where control exist:

Holding Company	Kotak Mahindra Bank Limited holds 100% of equity share capital
	Uday S. Kotak along with relatives and entities controlled by him holds 43.58% of the equity share capital of Kotak Mahindra Bank Limited as on March 31, 2014.
Subsidiary Company	Kotak Mahindra Pension Fund Limited.

## Notes to the Financial Statements for the year ended 31st March 2014

Other related parties:

Fellow Subsidiaries	Kotak Mahindra Trustee Company Limited Kotak Mahindra Trusteeship Services Limited Kotak Mahindra Investments Limited Kotak Investment Advisors Limited Kotak Mahindra (International) Limited Kotak Mahindra (UK) Limited Kotak Securities Limited Kotak Mahindra Capital Company Limited Kotak Mahindra Prime Limited. Kotak Mahindra Old Mutual Life Insurance Ltd Kotak Mahindra, Inc. Global Investment Opportunities Fund Ltd. Kotak Mahindra Financial Services Limited Kotak Forex Brokerage Ltd.
Key Management Personnel	Mr. Uday S Kotak, Chairman Mr. Sandesh Kirkire, Chief Executive Officer Mr. Hariharan R, Manager

Others:

Enterprises over which Key Management Personnel / relatives have significant influence	Mr. Uday S Kotak- Aero Agencies Ltd Komaf Financials Services Ltd Kotak Commodity Services Limited
Mutual Fund managed by the Company	Kotak Mahindra Mutual Fund

**Related Party Disclosure is as under:**

Rupees in Lacs						
Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel *	Enterprises over which Director / relatives / Key Management Personnel have significant influence	Kotak Mahindra Mutual Fund	Kotak Mahindra Pension Fund Subsidiary
Balance in Current Account	1,033.65 (1,919.80)	-				
<b>Subscription of Preference Shares of Company</b>						
Kotak Securities Ltd.		850.00 (850.00)		-		
<b>Investments:</b>						
Subscription of Preference Shares		-				-
Purchases / Subscriptions		-			16,964.65 (22,444.11)	- (1,600.00)

# Notes to the Financial Statements for the year ended 31st March 2014

Rupees in Lacs

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel *	Enterprises over which Director / relatives / Key Management Personnel have significant influence	Kotak Mahindra Mutual Fund	Kotak Mahindra Pension Fund Subsidiary
Sales					15,964.63 (22,586.36)	
Dividend-Kotak Mahindra Prime Ltd.		- (2.50)			212.63 (142.25)	
<b>Sale of Preference Shares (Subsidiaries)</b>						
Kotak Securites Ltd.		- (2,773.80)				
Investment in Fixed Deposit	- (10.00)					
Fixed Deposit Placed	- (3,250.00)					
Fixed Deposit Matured	13.32 (3,250.00)					
Interest on Fixed Deposit	0.38 (5.27)					
Interest Receivable on Fixed Deposit	- (3.32)					
<b>Balance as on Year end</b>						
Investments of Equity Shares						2,680.00 (2,680.00)
Deposits-Kotak Mahindra Old Mutual Life Insurance Co.Ltd.		- (3.20)				
<b>Fixed Assets:</b>						
Purchase of Fixed assets	19.61 -					
<b>Other Receipts and Payments:</b>						
<b>Recovery of common establishment expenses -</b>						
Kotak Mahindra Trustee Company Ltd.		47.28 (47.55)				
Recovery of common administrative expenses -	- -					- (1.06)
Kotak Mahindra Trustee Company Ltd.		10.49 (10.49)				
Kotak Investment Advisors Ltd		2.87 (2.57)				

## Notes to the Financial Statements for the year ended 31st March 2014

Rupees in Lacs

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel *	Enterprises over which Director / relatives / Key Management Personnel have significant influence	Kotak Mahindra Mutual Fund	Kotak Mahindra Pension Fund Subsidiary
<b>Miscellaneous Income -</b>						
Kotak Mahindra Trustee Company Ltd.		0.58 (0.56)				
Reimbursement of Common administrative cost -	261.51 (250.00)					
Kotak Commodity Services Ltd.				1.52 (1.52)		
Other Expenses / Reimbursement of other expenses -	906.67 (384.05)					
Kotak Securities Ltd.		15.38 (43.22)				
Kotak Mahindra Capital Company Ltd.		- (2.24)				
Kotak Mahindra Old Mutual Life Insurance Limited		33.55 (6.87)				
Kotak Mahindra Prime Limited		0.19 (0.17)				
Kotak Mahindra (UK) Limited		10.57 -				
Management Fees (Net of Repaid)					16,057.07 (11,035.94)	
Payments to Mutual Fund for Expenses Borne					1,491.33 (1,889.23)	
Receipts from Mutual Fund-Brokerage Recovered					277.87 (612.44)	
License Fees Paid -	274.13 (261.85)					
Kotak Mahindra Capital Company Ltd.		- (46.44)				
Kotak Mahindra Prime Limited		1.42 (1.39)				
Aero Agencies Limited Cost of travel tickets purchased ( Net of Discount )				41.29 (30.55)		
<b>Remuneration to Key Management Personnel</b>						
Sandesh Kirkire			241.30 (228.71)			

## Notes to the Financial Statements for the year ended 31st March 2014

Rupees in Lacs

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel *	Enterprises over which Director / relatives / Key Management Personnel have significant influence	Kotak Mahindra Mutual Fund	Kotak Mahindra Pension Fund Subsidiary
Hariharan R			44.27 (41.22)			
License Fees Received	- (1.89)					
<b>Advisory Fees</b>						
Kotak Mahindra (UK) Limited		230.00 (210.00)				
Miscellaneous Receipts	12.27 (1.16)					- -
Kotak Mahindra (UK) Limited		17.26 (12.99)				
Miscellaneous Payments -	191.57 (178.95)					- -
Dividend Declared	1,485.00 (990.00)					
Kotak Securities Ltd.		72.25 (72.25)				
<b>Other Miscellaneous</b>						
Kotak Mahindra Old Mutual Life Insurance Limited		- (22.00)				
Outstandings – Receivables	- -				1,113.49 (979.84)	- -
Kotak Securites Ltd.		- -				
Kotak Mahindra (UK) Ltd		37.11 -				
Kotak Mahindra Old Mutual Life Insurance Limited		3.93 -				
Kotak Commodity Services Ltd				0.18 (0.13)		
Kotak Investment Advisors Ltd		0.27 (0.13)				
Dividend Payable	495.00 -					
Kotak Securites Ltd.		72.25 (72.25)				

## Notes to the Financial Statements for the year ended 31st March 2014

Rupees in Lacs

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel *	Enterprises over which Director / relatives / Key Management Personnel have significant influence	Kotak Mahindra Mutual Fund	Kotak Mahindra Pension Fund Subsidiary
Outstandings - Payables	13.41 (9.96)				-	
Kotak Securities Ltd.		0.82 (2.24)				
Kotak Mahindra Prime Limited		- -				
Kotak Mahindra Old Mutual Life Insurance Limited		- (22.00)				
Aero Agencies Limited		- -		1.00 (5.68)		

Note: Previous year figures are in brackets

The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the company as a whole.

- J. Based on information available with the Company, there are no amounts payable to Small Scale Industrial Undertakings and Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006, (MSMEDA) as on the balance sheet date. This information has been relied upon by the statutory auditors.
- K. The Company has a comprehensive system of maintenance of information and documents required by transfer pricing legislation under section 92-92F of the Income Tax Act, 1961. Management is of the opinion that all the transactions are at arm's length so that the above legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision of taxes.
- L. Figures of the previous year have been regrouped / reclassified wherever necessary to conform to current year's presentation.

As per our report of even date

For S. V. Ghatalia & Associates LLP  
Firm Registration No. 103162W  
Chartered Accountants

per Manish Gujral  
Partner  
Membership No.:105117

Mumbai  
Dated: April 23, 2014

For and on behalf of the Board of Directors

Director

Manager

Director

Company Secretary

