

Directors' Report

To the Members of

Kotak Mahindra Asset Management Company Limited

The Directors present their Fourteenth Annual Report together with the audited accounts of your Company for the year ended March 31, 2008.

1. FINANCIAL RESULTS

	Rs. in Lakhs	
	2007-08	2006-07
Gross income	6808.44	5442.55
Profit before Tax	222.14	1059.91
Provision for Tax	(119.61)	(377.01)
Profit after Tax	102.52	682.91
Profit/(Loss) brought forward from previous year	265.89	188.55
Less: Adjustment on account of AS-15(Net)	—	59.57
Premium on Buy Back of Equity Shares	—	126.00
	368.41	685.89
Appropriations		
Transfer to Capital Redemption Reserve	—	420.00
Profit Carried to Balance Sheet	368.41	265.89

The Gross income of your company has increased by 25% along with an increase of 54% in the Average AUM during the year. The overall expenditure of the company has increased by 49% largely due to increase in administrative and employee cost. The net impact of the above has resulted in the decrease in the Profit after tax in the current year by 85%.

2. DIVIDEND

Your directors do not recommend any dividend for the financial year.

3. HIGHLIGHTS OF PERFORMANCE

The Average Assets under Management ('AAUM') for the year 2007-2008 was Rs. 19739 Crores, as compared to Rs. 12829 crores for the year 2006-2007 a growth of 54%. The number of folios as on March 31, 2008 was about 9.39 lakhs as compared to about 5.36 lakhs as of March 31, 2007, a growth of 75%.

During the year under review, the mainstream debt schemes of the Fund continued their satisfactory performance. Debt schemes of Kotak Mahindra Mutual Fund won awards at the ICRA Mutual Fund Awards 2008. Kotak Bond Short Term was ranked 7-star and has been awarded the Gold Award for Best Performance in the category of open ended debt -short term for one year as well as 3 year period ending December 31, 2007. Kotak Flexi Debt was ranked 5 Star - indicating performance among the top 10% in the category of open ended liquid

plus for three year period ending December 31, 2007. Kotak Floater Long Term was ranked 5 star fund - indicating performance among the top 10% in the category of Open Ended Floating Rate Fund for one year period ending December 31, 2007.

The debt schemes managed by Kotak Mahindra Mutual Funds have received over 14 Performance awards over the past eight years from CNBC, CRISIL, OUTLOOK MONEY, ICRA online and Lipper Fund Awards.

Kotak Mutual Fund was also adjudged the Best Debt Fund House at Outlook Money Awards 2007.

The performance of the diversified equity schemes remained satisfactory with Kotak Opportunities showing commendable performance. Kotak Opportunities was rated 5 star by value research as on 31st March 2008. It was also ranked 56th in the Lippers list of worlds 100 top performing stock funds of 2007 out of a set of 24, 887 funds tracked by it. During the year under review, Kotak 30, Kotak Opportunities, Kotak Tax Saver, Kotak Balance paid out dividends.

4. NEW SCHEMES LAUNCHED DURING 2007-2008

Several new schemes were launched during the year with increased distribution reach and market expansion.

Schemes	Scheme Type	Collections (Rs. in crores)
Kotak Gold ETF	Exchange Traded Fund	41.74
Kotak PSU ETF	Exchange Traded Fund	47.48
Kotak Global Emerging Market Fund	Close ended Equity Scheme	510.69
Kotak Blended FOF	Fund of Funds	176.06
Kotak Indo World Infrastructure Scheme	Close ended Equity Scheme	961.76
Kotak Quarterly Interval Plans (Cumulative)#	Interval Plans	2643.74
Kotak FMP Series (Cumulative)*	Fixed Maturity Plans	6143.23
Total		10524.70

6 Interval Plans were launched during the year.

* 24 Fixed Maturity Plans were launched during the year.

GEOGRAPHICAL EXPANSION: In order to reach out to more and widely dispersed investors, your company increased its presence from 57 to presence at 78 locations across 22 states, and empanelled more than 5600 new agents/distributors during the financial year.

5. MANAGEMENT DISCUSSION AND ANALYSIS

➤ Industry structure, developments and segment wise performance.

• Market related developments.

There were a series of CRR hikes by RBI increasing it from 6% at the opening of the year to 7.50% at the closing of the year. This was done to reduce excess liquidity in the system and curb inflation.

10 years bond yields which opened the year at 8%, closed at around 7.77% on March 31, 2008. The BSE Sensex gained significantly this year amid high volatility touching an all time high of 21206.77 on 11th Jan 2008. This growth was backed by a growing economy fueled by domestic consumption & infrastructure theme. Despite losing much of its gain due to concerns on US sub-prime & a possible US led economic slowdown, the Sensex posted 19.68% returns for the year ended March 31, 2008.

During the year SEBI announced plans on phasing out P-Notes, which made stock markets jittery for sometime. At the same time, SEBI also announced plans to ease the FII registration process. SEBI also approved launch of new derivative products to provide investors a wide range of risk mitigation products and create more activity in the onshore market. Despite the high volatility in the short term due to global sentiments, the long-term outlook for the financial markets remains favourable.

SEBI during this year has issued circulars that would bring permanent changes in the mutual fund industry. SEBI has directed that "no entry load" can be charged on investments directly made by investors. Further, with the withdrawal of provision for charging initial issue expenses for the scheme and amortising the same over the tenure of a close ended scheme, mutual funds have to now meet all the initial issue expenses of close ended schemes from entry load, if charged.

➤ Internal control systems and their adequacy

Before the launch of any new scheme, your Company reviews the adequacy of internal controls, audit and systems through checks carried out by professionals specialising in the mutual fund sphere. An independent firm of Chartered Accountants carries out continuous internal audit of operations of the mutual fund, regulatory compliance and adequacy of internal controls. An Audit Committee oversees the Internal Audit carried out by an independent Internal Audit team.

➤ Material developments in Human Resources/Industrial Relations front, including number of people employed.

At the start of the year, your Company had 175 employees on board. While your Company had some attrition, and some fresh intake, the overall headcount has reached 320 persons by the end of the year.

6. DIRECTORS

During the year, six meetings of the board of directors were convened to review the affairs of the Company, mutual fund schemes, operations and to consider launch of new schemes.

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

7. AUDITORS

Your Company's Auditors, M/s. Deloitte Haskins & Sells, Chartered Accountants, Baroda, retire at the Annual General Meeting and are eligible for re-appointment on such remuneration as may be fixed by the Board of the Directors of your Company.

Certain statements in this report may be forward-looking and are stated as may be required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the Directors envisage in terms of future performance and outlook. Your Company does not undertake to update these statements.

8. 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 Rs. 44,397,706/- (Previous year Rs. 3,54,36,849/-), while the outgo was Rs. 780,799/- (Previous year Rs. 6,87,733/-). 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.

9. 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 2008, 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 2008 and of Profit and Loss of your Company for the financial year ended 31st March 2008;
- 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.

10. 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. B. 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 six times during the year to review accounts, operations and internal controls.

11. ACKNOWLEDGEMENTS

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

Place : Mumbai
Dated : April 25, 2008

Auditors' Report

The Members of

Kotak Mahindra Asset Management Company Limited,

1. We have audited the attached Balance Sheet of Kotak Mahindra Asset Management Company Limited as at 31st March, 2008 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we give in Annexure, a Statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, 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 purposes 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (e) On the basis of written representations received from the directors, as on 31st March, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with notes thereon, give the information required by the Companies Act, 1956 in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) In the case of the Balance Sheet, of the State of affairs of the Company as at 31st March, 2008;
 - (ii) In the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
 - (iii) In the case of cash flow statement, of the cash flows for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants

R. Salivati

Partner

Membership No. 34004

Place : Mumbai
Dated : 25th April, 2008

Annexure to the Auditors' Report to the Members referred to in Paragraph 3 of our Report of even date

The nature of the Company's activities during the year has been such that clauses (ii), (viii), (xiii) and (xiv) of Paragraph 4 of the Order are not applicable to the Company for the year.

- (i) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) Fixed assets were physically verified by the management in accordance with a programme of verification, which in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on such verification.
 - (c) The Company has not disposed off substantial part of its fixed assets during the year.
- (ii) According to the information and explanations given to us the Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. In view of what has been stated above, reporting requirements under sub-clauses (b), (c), (d), (f) and (g) of clause (iii) of paragraph 4 of the Order are not applicable to the Company for the year.
- (iii) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the aforesaid internal control systems. There is no purchase of inventory and sale of goods.
- (iv) (a) To the best of our knowledge and belief and according to the information and explanations given to us the transactions that need to be entered into the register in pursuance of Section 301 of the Act have been so entered.
 - (b) According to the information and explanations given to us, in respect of transactions amounting to Rs. 5,00,000 or more:
 - (i) Some of the above transactions are of special nature for which no comparative prices are available; and
 - (ii) In respect of other transactions, in case of each party they have been made at prices, which are reasonable, having regard to the prevailing market prices at the relevant time.
- (v) The Company has not accepted any deposits from the public during the year.
- (vi) In our opinion, the internal audit system is commensurate with the size of the Company and the nature of its business.
- (vii) According to the information and explanations given to us in respect of statutory and other dues:
 - (a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and any other material statutory dues as applicable with the appropriate authorities during the year.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, service tax, customs duty, excise duty and cess were in arrears, as at 31st March, 2008 for a period of more than six months from the date they became payable.
- (c) According to the information and explanation given to us, there are no dues of sale tax, income tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.
- (viii) The Company has no accumulated losses as at 31st March, 2008 and has not incurred any cash loss during the financial year ended on that date and in the immediately preceding financial year.
- (ix) In our opinion and according to the information and explanations given to us, the company did not have any dues to a financial institution or bank or debenture holders. Consequently, the provisions of clause 4(xi) of the order are not applicable for the year.
- (x) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Consequently, the provisions of clause 4(xii) of the order are not applicable for the year.
- (xi) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions. Consequently, the provisions of clause 4(xv) of the order are not applicable for the year.
- (xii) To the best of our knowledge and belief and according to the information and explanations given to us, there have been no term loans availed during the year. Consequently, the provisions of clause 4(xvi) of the order are not applicable.
- (xiii) According to the information and explanations given to us and on an overall examination of the Balance sheet and other records of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xiv) The Company has not made any preferential allotment of shares during the year. Consequently, the provisions of clause 4(xviii) of the order are not applicable.
- (xv) The Company has not issued any debentures during the year. Consequently, the provisions of clause 4(xix) of the order are not applicable.
- (xvi) The Company has not raised any money by public issues during the year. Consequently, the provisions of clause 4(xx) of the order are not applicable.
- (xvii) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For Deloitte Haskins & Sells
Chartered Accountants

R. Salivati
Partner

Place : Mumbai
Dated : 25th April, 2008

Membership No. 34004

Balance Sheet as at 31st March, 2008

	Schedule	As at 31st March, 2008 Rupees	As at 31st March, 2007 Rupees
Sources of Funds			
Shareholders' Funds			
Share capital	1	198,000,000	198,000,000
Reserves and Surplus	2	82,641,565	72,389,050
Total		280,641,565	270,389,050
Application of Funds			
Fixed Assets			
Gross Block	3	103,889,916	75,810,132
Less: Depreciation		62,009,752	45,330,544
Net Block		41,880,164	30,479,588
Investments	4	154,715,000	280,915,079
Deferred Tax Asset		10,117,305	7,833,089
Current Assets, Loans and Advances			
Sundry debtors	5	16,811,185	32,577,211
Cash and bank balances	6	63,443,073	8,382,065
Other Current Assets— Interest accrued on Investments		13,400,031	6,970,915
Loans and advances	7	172,255,395	48,909,711
		265,909,684	96,839,902
Less: Current Liabilities and Provisions	8		
(a) Liabilities		173,799,141	130,537,942
(b) Provisions		18,181,447	15,140,666
		191,980,588	145,678,608
Net Current Assets		73,929,096	(48,838,706)
Total		280,641,565	270,389,050
Significant Accounting Policies and Notes to the Accounts	13		

As per our attached report of even date

For Deloitte Haskins and Sells
Chartered Accountants

R. Salivati
Partner

Mumbai
Dated: 25th April, 2008

For and on behalf of the Board of Directors

Narayan S. A.
Director

R. C. Khanna
Director

Hariharan R.
Manager

V. R. Narasimhan
Company Secretary

Profit and Loss Account for the year ended 31st March, 2008

	Schedule	April 2007 to March 2008 Rupees	April 2006 to March 2007 Rupees
Income			
Management fees (Gross) (TDS Rs. 71,556,275 , Previous Year Rs. 28,632,737)		560,558,861	455,380,460
Portfolio Advisory Services (Gross) (TDS Rs. 7,492,591 , Previous Year Rs. 2,283,908.28)		76,800,000	71,692,040
Income from Investments	9	15,044,929	15,303,704
Other income	10	28,440,249	1,879,108
Total		680,844,039	544,255,312
Expenditure			
Employee costs	11	317,416,786	224,109,508
Administrative and Other expenses	12	322,974,468	197,901,128
Depreciation		18,239,267	16,253,034
Total		658,630,521	438,263,670
Profit before tax		22,213,519	105,991,642
Excess/(Short) provision for Taxation of earlier years		(1,035,222)	989
Provision for taxation			
Current Tax (including Wealth Tax provision Rs. 110,000 Previous Year Rs. 100,000)		(7,810,000)	(35,710,000)
Deferred Tax		2,284,218	2,408,620
Fringe Benefit Tax		(5,400,000)	(4,400,000)
Profit after tax		10,252,515	68,291,251
Profit/ (Loss) brought forward from previous year		26,589,050	18,854,993
Less:			
Transitional Adjustment on account of Revised AS-15 (Refer Note II (F) of Schedule 13)			
Accumulated Leave Balances		—	(8,520,301)
Gratuity		—	(459,490)
Deferred Tax Asset thereon		—	3,022,597
			(5,957,194)
Premium on Buy Back of Equity Shares (Refer Note II (O) of Schedule 13)		—	(12,600,000)
		36,841,565	68,589,050
Appropriations			
Transfer to Capital Redemption Reserve		—	42,000,000
Profit carried to Balance Sheet		36,841,565	26,589,050
Basic and Diluted earnings per share of Face value of Rs. 10 each (in Rs) (Refer Note II (G) of Schedule 13)		0.52	2.91
Significant Accounting Policies and Notes to the Accounts	13		

As per our attached report of even date

For Deloitte Haskins and Sells
Chartered Accountants

R. Salivati
Partner

Mumbai
Dated: 25th April, 2008

For and on behalf of the Board of Directors

Narayan S. A.
Director

Hariharan R.
Manager

R. C. Khanna
Director

V. R. Narasimhan
Company Secretary

Cash Flow Statement for the year ended 31st March 2008

	2007-2008 Rupees	2006-2007 Rupees
(A) Cash flow from operating activities		
Net Profit before taxation and extraordinary items	22,213,519	105,991,642
Add/(Less) Adjustments for:		
Depreciation	18,239,267	16,253,034
Provision for gratuity and Leave Encashment	3,030,781	1,723,508
Interest on Income tax refund	(460,348)	—
Interest/Dividend	(15,044,929)	(15,428,020)
Profit/Loss on sale of assets	(93,172)	(259,741)
Operating Profit Before Working Capital Changes	27,885,118	108,280,423
(Increase)/Decrease in loans and advances	(51,528,658)	(3,278,898)
(Increase)/Decrease in Sundry Debtors	15,766,027	2,479,806
Increase/(Decrease) in Provisions	10,000	45,000
Increase/(Decrease) in Current liabilities	43,261,199	58,837,756
	7,508,568	58,083,664
Cash generated from operations	35,393,686	166,364,087
Payment of Taxes (Net of refund)	(78,747,518)	(36,753,213)
Fringe Benefit Tax	(5,750,000)	(5,150,617)
Net Cash Flow From Operating Activities (A)	(49,103,832)	124,460,257
(B) Cash flow from investing activities		
Purchase of Fixed assets (owned)	(28,716,631)	(18,273,951)
Advance paid towards Capital Purchase	(3,065,150)	(1,960,770)
Sale of Fixed assets (owned)	1,130,730	2,479,408
Purchase of Investments	(596,786,225)	(498,028,704)
Sale of Investments	722,986,303	447,650,000
Interest received	1,668,007	1,936,346
Dividend received	6,947,806	7,228,704
Net Cash Flow from investment activities (B)	104,164,840	(58,968,967)

Cash Flow Statement for the year ended 31st March 2008 (Contd.)

	2007-2008 Rupees	2006-2007 Rupees
(C) Cash flow from financing activities		
Dividend/ Dividend Tax paid	—	(5,722,200)
Buy Back of Equity Shares	—	(42,000,000)
Premium on Buy back of Equity Shares	—	(12,600,000)
Net Cash Flow from financing activities (C)	—	(60,322,200)
Net Increase/(Decrease) in Cash & Cash Equivalents (A + B + C)	55,061,008	5,169,090
Cash & Cash Equivalents at the beginning of the year	8,382,065	3,212,975
Cash & Cash Equivalents at the end of the year	63,443,073	8,382,065

Note:

1. Cash and cash equivalent include :

Cash on hand	—	—
Bank Balances	63,443,073	8,382,065
Total cash and cash equivalents	63,443,073	8,382,065

2. 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.

3. The corresponding amounts of previous year have been re-grouped, wherever necessary.

As per our attached report of even date

For Deloitte Haskins and Sells
Chartered Accountants

R. Salivati
Partner

Mumbai
Dated: 25th April, 2008

For and on behalf of the Board of Directors

Narayan S. A.
Director

Hariharan R.
Manager

R. C. Khanna
Director

V. R. Narasimhan
Company Secretary

Schedules forming part of the Balance Sheet

	As at 31st March, 2008 Rupees	As at 31st March, 2007 Rupees
Schedule 1 : Share Capital		
Authorised		
2,50,00,000 equity shares of Rs. 10/- each	250,000,000	250,000,000
Issued, subscribed and paid-up		
19,800,000 (Previous Year 19,800,000) equity shares of Rs. 10/- each, fully paid up	198,000,000	198,000,000
(Refer Note II (O) of Schedule 13)		
All the above shares are held by Kotak Mahindra Bank Ltd., the holding company and its nominees.		

Schedule 2 : Reserves and Surplus

Capital Redemption Reserve		
Opening Balance	42,000,000	—
Transfer from Profit & Loss Account	—	42,000,000
Closing Balance	42,000,000	42,000,000
General Reserve		
Opening Balance	3,800,000	3,800,000
Transfer from Profit & Loss Account	—	—
Closing Balance	3,800,000	3,800,000
Balance in Profit and Loss Account	36,841,565	26,589,050
	82,641,565	72,389,050

Schedule 3 : Fixed Assets

Description	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As on 01-04-2007	Additions	Deductions	As on 31-03-2008	As on 01-04-2007	For the year	Deductions	As on 31-03-2008	As on 31-03-2008	As on 31-03-2007
Rupees										
A. Intangible Assets										
Software	10,143,640	3,059,193	—	13,202,833.00	4,517,147	2,477,128	—	6,994,275	6,208,558	5,626,493
B. Tangible Assets										
Leasehold Improvement	14,617,152	11,084,488	—	25,701,639.82	9,525,276	5,076,760	—	14,602,036	11,099,604	5,091,876
Computers	25,090,885	7,937,895	820,491	32,208,288.88	20,642,139	4,714,413	820,491	24,536,061	7,672,228	4,448,746
Office Equipments	9,355,342	1,143,810	—	10,499,152.20	5,495,369	1,439,798	—	6,935,167	3,563,985	3,859,973
Furniture & Fixtures	1,873,633	2,991,216	—	4,864,849.33	1,451,749	499,855	—	1,951,604	2,913,246	421,884
Vehicles	14,729,480	4,460,799	1,777,126	17,413,153.00	3,698,864	4,031,313	739,568	6,990,610	10,422,543	11,030,616
Total	75,810,132	30,677,401	2,597,617	103,889,916	45,330,544	18,239,267	1,560,059	62,009,752	41,880,164	30,479,588
Previous year	62,067,980	20,030,224	6,288,072	75,810,132	33,145,915	16,253,034	4,068,405	45,330,544	—	30,479,588

Schedules forming part of the Balance Sheet (Contd.)

	As at 31st March, 2008 Rupees	As at 31st March, 2007 Rupees
Schedule 4 : Investments (Non-trade, unquoted, fully paid):		
Long Term Investments (at cost)		
In Equity Shares of Other Companies 36,000 (Previous Year 36,000) Equity shares of face value of Rs. 10/- each, of Kotak Mahindra Prime Ltd. *	59,715,000	59,715,000
Debentures/Bonds of Other Companies 950,000 (Previous Year 950,000), 8.5% Fully Convertible Debentures of Face Value of Rs. 100/- each, of Kotak Mahindra Investments Ltd. *	95,000,000	95,000,000
* Also Companies under the same management		
Current Investments (at lower of cost or net realisable value)		
Investment in Units of Mutual Fund		
Nil Units (Previous Year — 10,320,497.7491) units of Kotak Mahindra Liquid Scheme — Institutional Premium Plan, Daily Dividend Option of Rs. 10/- each	—	126,200,079
Total	154,715,000	280,915,079
Note: In addition to the above, following investments were purchased as well as sold during the year:		
Particulars		
Investment in Units of Mutual Fund		
4,879,819.3946 (Previous Year — 40,728,216.4727) units of Kotak Mahindra Liquid Scheme — Institutional Premium Plan, Daily Dividend	59,670,920	498,028,704
53,545,005.5507 (Previous Year — Nil) units of Kotak Mahindra Flexi Debt Scheme — Daily Dividend Option	537,115,305	—
Schedule 5 : Sundry Debtors (Unsecured, considered good)		
Debts outstanding for less than six months	16,811,185	32,577,211
Total	16,811,185	32,577,211
Note:		
Due from Companies under the same management		
Kotak Mahindra Old Mutual Life Insurance Limited Outstanding	—	—
Kotak Securities Ltd. Outstanding	—	6,155,752
Kotak Mahindra (International) Limited Outstanding	—	—
Kotak Mahindra (UK) Limited Outstanding	—	2,107,640
Schedule 6 : Cash and Bank Balances		
Balances with scheduled banks in current accounts	63,443,073	8,382,065
Total	63,443,073	8,382,065

Schedules forming part of the Balance Sheet (Contd.)

	As at 31st March, 2008 Rupees	As at 31st March, 2007 Rupees
Schedule 7 : Loans and Advances (Unsecured, considered good)		
Loans to employees	471,638	479,421
Advance payment of taxes and Tax deducted at source (net of provision for taxation of Rs. 80,141,000, Previous Year Rs. 71,523,625)	95,840,748	25,128,102
Advances recoverable in cash or in kind or for value to be received	41,393,599	15,332,728
Other Deposits	34,549,410	7,969,460
Total	172,255,395	48,909,711

Note:

Due from Companies under the same management
Kotak Mahindra Old Mutual Life Insurance Limited

Outstanding	—	—
Maximum Outstanding	—	156,598

Kotak Mahindra Trustee Company Limited

Outstanding	—	—
Maximum Outstanding	2,586,822	1,548,021

Kotak Mahindra Investments Limited

Outstanding	—	—
Maximum Outstanding	13,400,031	5,172,924

Schedule 8 : Current Liabilities and Provisions

Current liabilities

Sundry creditors

(a) total outstanding dues of micro enterprises and small enterprises; and	—	—
(b) total outstanding dues of creditors other than micro enterprises and small enterprises	170,541,592	125,663,150

	170,541,592	125,663,150
Other liabilities	3,257,550	4,874,792
Total	173,799,141	130,537,942

Provisions

Gratuity	7,700,717	4,877,877
Accumulated Leave Balances	10,368,533	10,160,592
Wealth Tax	112,197	102,197
Total	18,181,447	15,140,666

Total	191,980,588	145,678,608
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Schedules forming part of the Profit and Loss Account

	Period ended 31st March, 2008 Rupees	Period ended 31st March, 2007 Rupees
Schedule 9 : Income from Investments		
Interest on Long term Investments (Gross) (TDS Rs. 1,668,007, Previous Year Rs. 1,812,030)	8,097,123	8,075,000
Dividend from Current Investments	6,947,806	7,228,704
Total	15,044,929	15,303,704
Schedule 10 : Other Income		
Interest on Deposits (Gross) (TDS Rs. Nil, Previous Year Rs. 27,897)		124,316
Interest on loans to staff	46,473	42,632
Interest on income-tax refunds	460,348	796,559
Profit on sale of fixed assets (net)	93,172	259,741
Rebate Received from Overseas Investment Manager	26,591,668	—
Miscellaneous Income	1,248,589	655,860
Total	28,440,249	1,879,108
Schedule 11 : Employee Costs		
Salaries and allowances (Refer Note II (J) of Schedule 13)	311,679,310	218,972,505
Contribution to provident and other funds	11,054,350	7,350,262
Staff welfare	2,133,331	2,283,297
	324,866,991	228,606,064
Less: Recovery of common establishment expenses	7,450,205	4,496,556
Total	317,416,786	224,109,508
Schedule 12 : Administrative and Other Expenses		
Rent, rates and taxes	38,566,376	20,293,065
Insurance	1,807,459	1,831,754
Legal and professional fees	8,445,985	8,421,150
Reimbursement of common administrative cost	8,311,785	4,703,398
Travel and conveyance	27,323,154	19,858,085
Communication expenses	16,319,251	12,399,660
Business promotion and distribution costs	135,706,567	85,423,853
Printing and stationery	8,530,137	4,479,618
Membership subscription	10,254,508	6,704,700
Electricity	6,035,348	3,495,279
Computer and software related expenses	4,909,392	4,244,769
Directors' sitting fees	510,000	532,500
Repairs and maintenance	3,151,044	1,877,199
Recruitment Expenses	1,753,038	764,865
Filing Fees	32,313,736	10,243,403
Auditors' Remuneration and expenses		
Audit Fees	800,000	500,000
Tax Audit Fees	—	150,000
In any other manner – Certification	—	450,000
Service tax on above services	98,880	134,640
Service tax input credit	(98,880)	(134,640)
	800,000	1,100,000
Office upkeep expenses	8,690,391	5,913,843
Miscellaneous expenses	10,419,423	6,083,582
	323,847,594	198,370,724
Less: Recovery of common administrative expenses	873,126	469,596
Total	322,974,468	197,901,128

Schedules Forming Part of the Balance Sheet and the Profit and Loss Account

Schedule : 13 Significant Accounting Policies and Notes to the Accounts

I. SIGNIFICANT ACCOUNTING POLICIES:

A. BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting and conform with Accounting Standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956 to the extent applicable.

B. USE OF ESTIMATES

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including current liabilities) as of the date of the financial statements, the reported income and expenses during the reporting period and disclosure of contingent liabilities. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates and assumptions.

C. REVENUE RECOGNITION

- Management fee is recognised at specific rates agreed with the relevant schemes, applied on the average daily net assets of each scheme (excluding inter-scheme investments, where applicable, and investments made by the Company in the respective scheme), and are in conformity with the limits specified under SEBI (Mutual Funds) Regulations, 1996.
- Portfolio Advisory Service income is recognized on accrual basis as per the terms of the contract.
- Dividend income is accounted when the right to receive dividend is established.
- Revenue is recognised only when it is reasonably certain that the ultimate collection will be made.

D. FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at cost less accumulated depreciation. The Company capitalises all costs incidental to the acquisition and installation of fixed assets.

Depreciation on fixed assets is provided pro-rata to the period of use, on the straight-line method, based on the estimated useful life of the assets, at the following rates, which are equal to or higher than those prescribed under Schedule XIV of the Companies Act, 1956:

Asset	Rate
Motor vehicles	25.00%
Computers	33.33%
Furniture and fixtures	16.67%
Office equipment	20.00%
Leasehold Improvements	Over the primary period of lease subject to maximum of 6 years

Depreciation on assets whose cost do not exceed Rs. 5,000/- is provided at the rate of 100%.

E. INTANGIBLE ASSETS

Intangible Assets comprising of Software purchased or developed/licensed cost are amortised over a period of three years, on a Straight Line Method commencing from the date the software is first utilised.

F. INVESTMENTS

Gains and losses on sale of investments are determined using the weighted average cost method.

Investments are classified into long term investments and current investments. Investments which are intended to be held for more than one year, are classified as long term investments and investments, which are intended to be held for less than one year are classified as current investments. Long term investments are accounted at cost and any decline in value, other than temporary determined separately for each individual investment is provided for. Current investments are valued at cost or market value whichever is lower. The comparison of cost and net realizable value is done separately for each individual investment.

Schedules Forming Part of the Balance Sheet and the Profit and Loss Account (Contd.)

G. EMPLOYEE BENEFITS

- a. Provident fund is a defined contribution scheme and the contributions as required by the statute to Government Provident Fund are charged to profit and loss account when due.
- b. Actuarial gains/losses are immediately taken to the profit and loss account and are not deferred.
- c. Gratuity liability is defined benefit obligation and is wholly unfunded. The present value of gratuity obligation is actuarially determined based on the projected unit credit method as at the balance sheet date subject to maximum of Rs. 3.50 lakhs.
- d. Superannuation fund is a defined contribution scheme. The Company contributes a sum equivalent to 15%, subject to a maximum of Rs. 1.00 lakhs, of eligible employees' salary to Superannuation Fund administered by trustee and managed by a life insurance company. The contributions are recognized as an expense in the year they are incurred.
- e. The amount of short-term employee benefits expected to be paid in exchange for the services rendered by employee is recognized during the period when the employee renders the service. These benefits include performance incentives.
- f. The Company accrues the liability for compensated absences based on the actuarial valuation as at the balance sheet conducted by an independent actuary.

H. TAXES ON INCOME

The Income Tax expense comprises Current tax, Deferred tax and Fringe Benefit tax. Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income tax Act. Deferred tax adjustments comprises of changes in the deferred tax assets and liabilities. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences being the difference between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax asset is recognised subject to prudence and judgment that realisation is more likely than not. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted before the balance sheet date. Changes in deferred tax assets / liabilities on account of changes in enacted tax rates are given effect to in the Profit and Loss Account in the period of the change. Provision for Fringe benefit tax is made on the basis of applicable fringe benefit tax on the taxable value of chargeable expenditure of the company as prescribed under Income Tax Act .

I. OPERATING LEASE

Leases, where the lessor retains substantially all the risks and benefits of ownership over the lease term, are classified as Operating Leases. Operating Lease rentals are recognized as an expense over the lease period.

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

- Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transactions.
- Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing rate on that date.
- The exchange differences, if any, either on settlement or translation are recognized in Profit and Loss Account.

L. SCHEME EXPENSES

Expenses of schemes of Kotak Mahindra Mutual Fund in excess of the stipulated rates are required to be borne by the company, in accordance with the requirements of SEBI (Mutual Fund) Regulations, 1996, and as such, are charged to the Profit and Loss account.

M. TREATMENT OF 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 reliable estimate can be made of the amount of obligation. Contingent Liabilities are not recognized but are disclosed in the notes unless the possibility of outflow of resources is remote. Contingent assets are neither recognized nor disclosed in the financial statements.

Schedules Forming Part of the Balance Sheet and the Profit and Loss Account (Contd.)

II. NOTES TO THE ACCOUNTS

A. Contingent Liability

	31-03-2008	31-03-2007
	Rs.	Rs.
Contingent Liability for Income Tax Demand	—	3,907,452 *

*(Retained by/Deposited with Income Tax Department)

B. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 7,016,911 (Previous year Rs. 932,370).

C. Managerial remuneration under Section 198 of the Companies Act 1956 to the Manager for the year:

	31-03-2008	31-03-2007
	Rs.	Rs.
Salaries & Allowances	2,686,875	1,575,298
Contribution to provident and other funds *	191,200	216,980
Perquisites in cash or in kind	97,687	30,741
Employees Stock Option Scheme	9,083	—
Total	2,984,845	1,823,019

Note: * Provision for gratuity benefits which is based on actuarial valuation done on an overall basis for the company is excluded in the remuneration shown above.

D. Additional information pursuant to the provisions of paragraph 4B and 4D of part II of Schedule VI to the Companies Act, 1956 to the extent applicable is given below:

Expenditure in Foreign Currency on traveling Rs. 780,799 (Previous year Rs. 687,733).

Earnings in Foreign Currency

– Portfolio Advisory Fees Rs.18,000,000 (Previous year Rs. 35,400,414).

– Rebate received Rs. 26,591,668 (Previous year Rs. Nil).

Exchange Loss – Rs. 193,962 (Previous year Exchange Gain Rs. 36,435).

E. The year-end foreign currency exposures which have not been hedged by a derivative instrument or otherwise.

Amounts receivable in foreign currency

	Rs.	\$
Previous Year	11,525,932 (2,107,640)	288,364.57 (48,923.87)

F. Employee Benefits

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

	As of 31st March, 2008	As of
	Rs.	31st March, 2007
		Rs.
Change in Unfunded benefit obligations		
Present value of unfunded benefit obligations, at the beginning of the year	4,877,877	4,794,660
Service cost	16,64,420	1,142,077
Interest cost	362,206	341,939
Actuarial (gain)/loss on obligations	1,058,497	2,000,361
Benefits paid	(262,283)	(3,401,160)
Present value of unfunded benefit obligations as at year end	7,700,717	4,877,877

Schedules Forming Part of the Balance Sheet and the Profit and Loss Account (Contd.)

Reconciliation of present value of the obligation and the fair value of the plan assets	As of 31st March, 2008 Rs.	As of 31st March, 2007 Rs.
Fair value of plan assets as at the beginning of the year	—	—
Present value of benefit obligations as at year end	7,700,717	4,877,877
Net asset/(liability) as at year end	7,700,717	4,877,877
Cost recognised for the period		
Current service cost	1,664,420	1,142,077
Interest cost	362,206	341,939
Expected return on plan assets	—	—
Actuarial (gain)/loss	1,058,497	2,000,361
Net gratuity cost	3,085,123	3,484,377
Actuarial assumptions used		
Discount rate	8.20% p.a.	
Expected rate of return on Plan Assets	0%	
Salary escalation rate	15% p.a. for first 2 years, 10% p.a. for next 2 years & 6% p.a. thereafter	

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.

In accordance with Accounting Standard Board guidance on implementing AS 15, Employee Benefits (revised 2005), the Company has changed the method of estimating liability for compensated absences from full cost method to determination on the basis of an actuarial valuation. If the liability had been determined based on the full cost method the profit for the year would have been lower by Rs. 4,920,190.

G. Earnings Per Share ('EPS') – The numerators and denominators used to calculate Basic and Diluted Earnings Per Share:

	31-3-2008	31-3-2007
(a) Nominal Value of an Equity Share (Rs.)	10	10
(b) Net profit available to Equity Shareholders (Rs.)	10,252,515	68,291,251
(c) Weighted average number of shares outstanding	19,800,000	23,470,685
(d) Basic and Diluted EPS (Rs.) = (b) / (c)(annualised)	0.52	2.91

H. 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 11 months to 55 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 profit and loss account is Rs. 19,488,488 (Previous Year Rs 8,729,347). The future minimum lease payments under non-cancelable operating lease – not later than one year Rs.Nil (Previous Year Rs. Nil).

I. Certain schemes of KMMF have invested in shares/units of overseas Mutual Funds, in accordance with the terms and conditions of the offer document. Rebate has been recognised based on the investment agreement with the overseas Investment Manager.

J. At the General Meetings of the holding company, Kotak Mahindra Bank Limited, the shareholders of the Bank had unanimously passed Special Resolutions on 28th July, 2000, 26th July, 2004, 26th July, 2005, 5th July, 2007 and 21st August, 2007, to grant options to the Eligible Employees of the Bank and its subsidiaries companies. Pursuant to these resolutions, the following four Employees Stock Option Schemes had been formulated and adopted:

- a) Kotak Mahindra Equity Option Scheme 2001-02
- b) Kotak Mahindra Equity Option Scheme 2002-03
- c) Kotak Mahindra Equity Option Scheme 2005
- d) Kotak Mahindra Equity Option Scheme 2007

Schedules Forming Part of the Balance Sheet and the Profit and Loss Account (Contd.)

Consequent to the above, the Bank has granted stock options to the employees of the Company. In terms of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase) Guidelines, 1999, the option discount (being excess of the market price of the share over the exercise price of the option) is to be accounted for as employee compensation and shall be amortised on a straight line basis over the vesting period. The Company has reimbursed the Bank Rs. 11,435,599 (Previous Year Rs. 11,229,722) on account of such costs and the same is forming part of Employee costs under Schedule 11.

Had the company recorded the compensation cost computed on the basis of Fair Valuation method instead of Intrinsic value method, employee compensation cost would have been higher by Rs.11,460,026.39 and the profit after tax would have been lower by the same amount. On account of the same the Basic and Diluted EPS of the company would have been lower by Rs. 0.58 per share.

K. Deferred Income taxes

Components of net deferred tax balances are as follows:

	31st March 2008 Rs.	31st March 2007 Rs.
Deferred Tax Liabilities		
Interest Accrued but not due on Debentures	(240,630)	(240,630)
	(240,630)	(240,630)
Deferred Tax Assets		
Provisions for Employee Benefits	6,141,735	5,111,576
Depreciation on Fixed Assets	4,216,200	2,962,143
Net Deferred Tax Asset	10,117,305	7,833,089

L. Segmental Reporting

The segmental reporting disclosure as required by Accounting Standard (AS) – 17 on “Segment Reporting”, issued by the Institute of Chartered Accountants of India has not been made. The Company’s operations predominantly relate to providing investment management services to the schemes floated by Kotak Mahindra Mutual Fund and to other subsidiaries of Kotak Mahindra Bank Ltd. The risks and rewards relating to both these services are similar and hence there is no reportable business/geographic segment.

M. Related Party Disclosures

Parties where control exist:

Holding Company	Kotak Mahindra Bank Limited holds 100% of the share capital Effective October 15, 2007, Uday S. Kotak along with relatives and entities controlled by him ceased to hold more than 50% of the equity share capital of Kotak Mahindra Bank Limited. Uday S. Kotak along with relatives and entities controlled by him holds 48.69% of the equity share capital of Kotak Mahindra Bank Limited as on March 31, 2008
Other related parties: Fellow Subsidiaries	Kotak Mahindra Trustee Company Limited Kotak Mahindra Prime Limited Kotak Securities Limited Kotak Mahindra Capital Company Limited Kotak Mahindra Investments Limited Kotak Mahindra Old Mutual Life Insurance Limited Kotak Mahindra (International) Limited Kotak Mahindra (UK) Limited
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	Aero Agencies Limited – Mr. Uday S Kotak
Mutual Fund managed by the company	Kotak Mahindra Mutual Fund

Schedules Forming Part of the Balance Sheet and the Profit and Loss Account (Contd.)

The following transactions were carried out with related parties in the ordinary course of business :

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
Finance:					
Inter – Corporate Deposits given - Kotak Mahindra Investments Ltd.		—			
Kotak Securites Ltd.		—			
Maturity of Inter - Corporate Deposits given - Kotak Mahindra Investments Ltd.		—			
Kotak Securites Ltd.		(5,000,000.00)			
Interest on Inter-Corporate Deposits (accrual) - Kotak Mahindra Investments Ltd.		—			
Kotak Securites Ltd.		(124,316.00)			
Outstandings:					
Inter – Corporate Deposits given - Kotak Mahindra Investments Ltd.	—	—		—	—
Interest Receivable - Kotak Mahindra Investments Ltd.		—			
Balance in Current Account	59,843,016.35 (7,735,535.48)	—			
Investments:					
Purchases/Subscriptions		—			596,786,224.72 (498,028,703.85)
Sales		—			722,986,303.09 (447,650,000.00)
Dividend					6,947,806.38 (7,228,703.85)
Interest on Debentures Kotak Mahindra Investments Ltd.		8,097,123.00 (8,075,000.00)			
Interest Receivable on Debentures Kotak Mahindra Investments Ltd.		16,880,068.00 (8,782,945.00)			
Balance as on Year end Kotak Mahindra Prime Limited:Equity Shares		59,715,000.00 (59,715,000.00)			
Kotak Mahindra Investments Ltd.:Debentures		95,000,000.00 (95,000,000.00)			
Kotak Mahindra Investments Ltd. : ICD		—			

Schedules Forming Part of the Balance Sheet and the Profit and Loss Account (Contd.)

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
Investment in Units					— (126,200,079.00)
Fixed Assets:					
Purchase of Fixed assets					
Kotak Mahindra Old Mutual Life Insurance Limited		—			
Kotak Securites Ltd.		1,412,536.00			
Sale of Fixed Assets -	—				
Kotak Mahindra Old Mutual Life Insurance Limited	(143,029.00)	—			
Kotak Securites Ltd.		—			
Other Receipts and Payments:					
Recovery of common establishment expenses - Kotak Mahindra Trustee Company Ltd.		7,450,358.00 (4,496,556.00)			
Recovery of common administrative expenses - Kotak Mahindra Trustee Company Ltd.		282,564.00 (282,168.00)			
Miscellaneous Income - Kotak Mahindra Trustee Company Ltd.		77,418.00 (73,134.00)			
Reimbursement of Common administrative cost -	8,286,785.00 (4,703,398.00)				
Other Expenses/Reimbursement of other expenses -	29,697,131.94 (23,881,327.18)				
Kotak Securites Ltd.		183,047.00 (135,777.00)			
Kotak Mahindra Capital Company Ltd.		358,575.00 (671,013.00)			
Kotak Mahindra Old Mutual Life Insurance Limited		657,363.00 (571,829.00)			
Kotak Mahindra Prime Limited		18,807.00 (42,216.00)			
Management Fees Income	—	—			560,558,861 (455,380,460)
Payments to Mutual Fund	—	—			68,155,473 (18,850,772)
Receipts from Mutual Fund					20,456,489 (2,782,535)
License Fees Paid -	15,331,635.00 (8,989,102.00)				

Schedules Forming Part of the Balance Sheet and the Profit and Loss Account (Contd.)

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 Securites Ltd.		1,035,356.00 (715,314.00)			
Kotak Mahindra Capital Company Ltd.		1,368,030.00 (1,107,628.00)			
Kotak Mahindra Old Mutual Life Insurance Limited		309,029.00 (415,667.00)			
Kotak Mahindra Prime Limited		16,285.00 (18,816.00)			
Aero Agencies Limited Cost of travel tickets purchased (Net of Discount)				5,785,472.00 (5,525,952.00)	—
Remuneration to Key Management Personnel Sandesh Kirkire			12,561,320.00 (10,489,719.00)		
Sukesh Khandelwal			— (538,047.00)		
Hariharan R			2,984,845.00 (1,284,972.00)		
Fee based expense Kotak Securites Limited		150,685.00 (201,096.00)			
License Fees Received	813,852.00 (732,218.00)				
Advisory Fees Kotak Mahindra International Limited		— (4,133,599.00)			
Kotak Mahindra (UK) Limited		18,000,000.00 (31,266,815.00)			
Kotak Securites Limited		18,000,000.00 (18,000,000.00)			
Kotak Mahindra Old Mutual Life Insurance Limited		40,800,000.00 (18,291,626.00)			
Miscellaneous Receipts	31,134.00 (345,062.00)				
Kotak Mahindra Old Mutual Life Insurance Limited		132,671.00 —			
Kotak Securites Limited		573,707.00 (15,000.00)			
Kotak Mahindra Trustee Company Ltd.		— (22,500.00)			
Miscellaneous Payments -	1,081,116.00 (55,330,821.91)				
Kotak Mahindra Old Mutual Life Insurance Limited		1,237,807.00 (913,436.00)			
Kotak Securites Limited		1,931,445.87 (52,459.00)			

Schedules Forming Part of the Balance Sheet and the Profit and Loss Account (Contd.)

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
Outstandings – Receivables					5,300,447.33 (27,745,290.12)
Kotak Mahindra International Limited		—			
Kotak Mahindra (UK) Limited		—			
Kotak Securites Ltd.		(2,107,640.00)			
Kotak Mahindra Old Mutual Life Insurance Limited		—			
Outstandings - Payables	1,967,098.00 (3,722,415.00)				
Kotak Securites Ltd.		—			
Kotak Mahindra Capital Company Ltd.		—			
Kotak Mahindra Prime Limited		225,240.00			
Kotak Mahindra Old Mutual Life Insurance Limited		—			
Aero Agencies Limited		(3,710.00)			
				—	
				(176,046.00)	

Figures in bracket indicate previous years figures.

- N. The Company has not received any intimation from its vendors regarding their status under Micro, Small and Medium Enterprises Development Act, 2006.
- O. The shareholders at the Extraordinary General Meeting held on 10th January 2007 authorised the buy back of 4,200,000 equity shares under section 77A of the Companies Act, 1956, at a price of Rs. 13 per share. In Financial Year 2006-07 the Company has utilised the surplus in the Profit & Loss account for this purpose. Further a sum of Rs. 42,000,000 has been transferred to Capital Redemption Reserve in terms of the said section.
- P. Comparative financial information (ie the amounts and other disclosures for the preceding year presented above), is included as an integral part of the current year's financial statements, and is to be read in relation to the amounts and other disclosures relating to the current year. Figures of the previous year have been regrouped/ reclassified wherever necessary to conform to current year's presentation.
- Q. Figures have been rounded off to the nearest rupee.

For Deloitte Haskins and Sells
Chartered Accountants

R. Salivati
Partner

Mumbai
Dated: 25th April, 2008

For and on behalf of the Board of Directors

Narayan S. A.
Director

R. C. Khanna
Director

Hariharan R.
Manager

V. R. Narasimhan
Company Secretary

Balance Sheet Abstract and Company's General Business Profile as per Part IV, Schedule VI of the Companies Act, 1956.

I. Registration details

Registration Number

1	1	-	8	0	0	0	9
---	---	---	---	---	---	---	---

 State Code

1	1
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Balance Sheet Date

3	1
---	---

0	3
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2	0	0	8
---	---	---	---

Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue						Rights Issue									
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	N	I	L	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	N	I	L
Bonus Issue						Private placement									
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	N	I	L	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	N	I	L

III. Position of Mobilisation and Deployment of funds (Amount in Rs. Thousands)

Total Liabilities								Total Assets							
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Sources of Funds

Paid-up Capital								Reserves and surplus							
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Secured Loans								Unsecured Loans							
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Application of Funds

Net Fixed Assets								Investments							
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Deferred Tax Asset								Net Current Assets							
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Miscellaneous Expenditure								Accumulated losses							
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

IV. Performance of Company (Amount in Rs. Thousands)

Turnover								Total Expenditure							
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
+/-				Profit/loss before Tax				+/-				Profit/loss after Tax			
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

(Please tick appropriate box + for profit, - for loss)

Earning per share in Rs.								Dividend Rate %							
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

V. Generic Names of Three Principal Products/Services of the Company (as per monetary terms)

Item Code No. (ITC Code)

N	A
---	---

Product Description

A	S	S	E	T		M	A	N	A	G	E	M	E	N	T
---	---	---	---	---	--	---	---	---	---	---	---	---	---	---	---

For and on behalf of the Board of Directors

Narayan S. A.
Director

R. C. Khanna
Director

Hariharan R.
Manager

V. R. Narasimhan
Company Secretary

BOARD OF DIRECTORS: MR. AMIT K. DESAI (C), MR. GIRISH C. SHAREDALAL, MR. ANIRUDHA BARWE, MR. TUSHAR A. MAVANI, MR. CHANDRASHEKHAR SATHE

Directors' Report

To the Members of
Kotak Mahindra Trustee Company Limited

The Directors present their Thirteenth Annual Report together with the audited accounts of your Company for the year ended March 31, 2008.

1. FINANCIAL RESULTS

	(Rs. In Lakhs)	
	2007-08	2006-07
Gross Income	1098.21	735.42
Profit before Tax	1010.51	674.45
Provision for Tax	(321.71)	(210.17)
Profit after Tax	688.79	464.28
Profit brought forward from previous year	1220.31	756.03
Less: Appropriations		
Proposed Dividend	300.42	
Corporate Dividend Tax	51.06	
Transfer to general reserve	70.00	
Profit carried to Balance Sheet	1487.63	1220.31

The Trusteeship fee income of your company has increased by 54% along with an increase of 54% in the Average AUM during the year. The overall expenditure of the company has increased by 44% largely due to increase in compliance/administrative cost. The net impact of the above has resulted in the increase in the Profit after tax in the current year by 49%.

2. DIVIDEND

Your Directors recommend a dividend of Rs. 600 per share on fully paid up equity shares.

3. HIGHLIGHTS OF PERFORMANCE

The Average Assets under Management ('AAUM') for the year 2007-2008 was Rs. 19739 Crores, as compared to Rs. 12829 crores for the year 2006-2007 a growth of 54%. The number of folios as on March 31, 2008 was about 9.39 lakhs as compared to about 5.36 lakhs as of March 31, 2007, a growth of 75%.

During the year under review, the mainstream debt schemes of the Fund continued their satisfactory performance. Debt schemes of Kotak Mahindra Mutual Fund won awards at the ICRA Mutual Fund Awards 2008. Kotak Bond Short Term was ranked 7-star and has been awarded the Gold Award for Best Performance in the category of open ended debt -short term for one year as well as 3 year period ending December 31, 2007. Kotak Flexi Debt was ranked 5 Star - indicating performance among the top 10% in the category of open ended liquid plus for three year period ending December 31, 2007. Kotak Floater Long Term was ranked 5 star fund - indicating performance among the top 10% in the category of Open Ended Floating Rate Fund for one year period ending December 31, 2007.

The debt schemes managed by Kotak Mahindra Mutual Funds have received over 14 Performance awards over the past eight years from CNBC, CRISIL, OUTLOOK MONEY, ICRA online and Lipper Fund Awards.

Kotak Mutual Fund was also adjudged the Best Debt Fund House at Outlook Money Awards 2007.

The performance of the diversified equity schemes remained satisfactory with Kotak Opportunities showing commendable performance. Kotak Opportunities was rated 5 star by value research as on 31st March 2008. It was also ranked 56th in the Lippers list of worlds 100 top performing stock funds of 2007 out of a set of 24, 887 funds tracked by it. During the year under review, Kotak 30, Kotak Opportunities, Kotak Tax Saver, Kotak Balance paid out dividends.

4. NEW SCHEMES LAUNCHED DURING 2007-2008

Several new schemes were launched during the year with increased distribution reach and market expansion.

Schemes	Scheme Type	Collections (Rs. in crores)
Kotak Gold ETF	Exchange Traded Fund	41.74
Kotak PSU ETF	Exchange Traded Fund	47.48
Kotak Global Emerging Market Fund	Close ended Equity Scheme	510.69
Kotak Blended FOF	Fund of Funds	176.06
Kotak Indo World Infrastructure Scheme	Close ended Equity Scheme	961.76
Kotak Quarterly Interval Plans (Cumulative)#	Interval Plans	2643.74
Kotak FMP Series (Cumulative)*	Fixed Maturity Plans	6143.23
Total		10524.70

6 Interval Plans were launched during the year.

* 24 Fixed Maturity Plans were launched during the year.

GEOGRAPHICAL EXPANSION: In order to reach out to more and widely dispersed investors, your company increased its presence from 57 to presence at 78 locations across 22 states, and empanelled more than 5600 new agents/distributors during the financial year.

5. MANAGEMENT DISCUSSION AND ANALYSIS

➤ Industry structure, developments and segment wise performance

• Market related developments

There were a series of CRR hikes by RBI increasing it from 6% at the opening of the year to 7.50% at the closing of the year. This was done to reduce excess liquidity in the system and curb inflation.

10 years bond yields which opened the year at 8%, closed at around 7.77% on March 31, 2008. The BSE Sensex

gained significantly this year amid high volatility touching an all time high of 21206.77 on 11th Jan 2008. This growth was backed by a growing economy fueled by domestic consumption & infrastructure theme. Despite losing much of its gain due to concerns on US sub-prime & a possible US led economic slowdown, the Sensex posted 19.68% returns for the year ended March 31, 2008.

During the year SEBI announced plans on phasing out P-Notes, which made stock markets jittery for sometime. At the same time, SEBI also announced plans to ease the FII registration process. SEBI also approved launch of new derivative products to provide investors a wide range of risk mitigation products and create more activity in the onshore market. Despite the high volatility in the short term due to global sentiments, the long-term outlook for the financial markets remains favourable.

SEBI during this year has issued circulars that would bring permanent changes in the mutual fund industry. SEBI has directed that "no entry load" can be charged on investments directly made by investors. Further, with the withdrawal of provision for charging initial issue expenses for the scheme and amortising the same over the tenure of a close ended scheme, mutual funds have to now meet all the initial issue expenses of close ended schemes from entry load, like they do in case of open ended schemes..

➤ **Internal control systems and their adequacy**

Before the launch of any new scheme, the Trustee reviews the adequacy of internal controls, audit and systems through checks carried out by professionals specialising in the mutual fund sphere. An independent firm of Chartered Accountants carries out continuous internal audit of operations of mutual fund, regulatory compliance and adequacy of internal controls. An Audit Committee oversees the Internal Audit carried out by an Independent Internal Audit team.

➤ **Material developments in Human Resources / Industrial Relations front, including number of people employed.**

Your Company does not have personnel or infrastructure of its own and uses the services of KMAMCL.

6. DIRECTORS

During the year, six meetings of the board of directors were convened to review the affairs of the existing schemes, state of compliance with regulations and to consider launch of new schemes.

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

7. AUDITORS

Your Company's Auditors, Messrs Price Waterhouse, Chartered Accountants, Mumbai, retire at the Annual General Meeting and are eligible for re-appointment.

8. STATUTORY INFORMATION

Your Company did not have any employee during the year, nor did it accept any deposits during the year. It had no foreign exchange earnings or outgo. The other particulars prescribed under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable since your Company is not a manufacturing company.

9. DIRECTORS' RESPONSIBILITY STATEMENT

Based on representations from the Management of KMAMCL who is entrusted with maintenance of the books of account of your Company, in pursuance of Section 217 (2AA) of the Companies Act, 1956, we state that:

- i. Your Company has, in the preparation of the annual accounts for the year ended 31st March 2008, 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 profit and fair view of the state of affairs of your Company as at 31st March 2008 and of the Profit and loss of your Company for the financial year ended 31st March 2008;
- 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.

10. AUDIT COMMITTEE

Pursuant to SEBI circular MFD/CIR/010/024/2000 dated January 17, 2000, your Company has constituted an Audit Committee of the Board consisting of Mr. Girish Sharedalal, Mr. Amit Desai, Mr. Anirudha Barwe and Mr. Tushar Mavani. Mr. Girish Sharedalal, Independent Director on the Board, is the Chairman of the Audit Committee. The committee met seven times during the year to review accounts, operations and compliance relating to schemes.

11. ACKNOWLEDGEMENTS

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.

For and on behalf of the Board of Directors

Girish Sharedalal
Director

Anirudha Barwe
Director

Place : Mumbai

Date : April 26, 2008

Auditors' Report

To the Members of

Kotak Mahindra Trustee Company Limited

1. We have audited the attached Balance Sheet of Kotak Mahindra Trustee Company Limited ("The Company"), as at March 31, 2008, the related Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 of India (the "Act") and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
 4. Further to our comments in paragraph 3 above, 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 purposes 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act.
- (e) On the basis of written representations received from the Directors of the Company, as on March 31, 2008, and taken on record by the Board of Directors of the Company, none of the Directors of the Company are disqualified as on March 31, 2008 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto, give in the prescribed manner, the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2008;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Vivek Prasad
Partner
Membership No. F - 104941

For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Place : Mumbai
Date : April 26, 2008

Annexure referred to in paragraph 3 of the Auditors' Report of even date to the Members of Kotak Mahindra Trustee Company Limited on the financial statements for the year ended March 31, 2008

1. The Company did not have any fixed assets at anytime during the year. Hence, the requirements of clause (i) of paragraph 4 of the said Order are not applicable to the Company.
2. The Company did not have any inventory at anytime during the year. Hence, the requirements of clause (ii) of paragraph 4 of the said Order are not applicable to the Company.
3. The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
4. 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 in respect of sale of services. Further on the basis of our examination of the books of account and according to the information and explanations given to us, we have not come across nor have we been informed of any instance of major weaknesses in the internal control system.
5. According to the information and explanation given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly, commenting on transactions made in pursuance of such contracts or arrangements does not arise.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
8. The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act for any activities of the Company.
9. (a) According to the information and explanations given to us and the records of the Company examined by us in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of investor education and protection fund, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities in India. As informed by the Management, the provisions of the Employees Provident Fund and Miscellaneous Provisions Act, 1952 of India and the Employees State Insurance (General) Regulations, 1950 of India are not applicable to the Company during the year.

(b) According to the information and explanations given to us, and the records of the Company examined by us, as at March 31, 2008, there are no dues in respect of income-tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
10. The Company has neither accumulated losses as at March 31, 2008 nor has it incurred any cash loss either during the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanation given to us, the Company has not availed of any loans from financial institutions or banks and has not issued debentures.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company.
14. The Company is dealing in securities for which proper records have been maintained of the transactions and timely entries have been made therein. Further, such securities have been held by the Company in its own name, except to the extent of exemption granted under Section 49 of the Act.
15. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. The Company has not obtained any term loans.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies listed in the register maintained under Section 301 of the Act during the year.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by public issues during the year.
21. During the course of our examination of the books of account and records of the Company carried out in accordance with the generally accepted auditing practices in India, we have not come across any fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

Vivek Prasad
Partner
Membership No. F - 104941

For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Place : Mumbai
Date : April 26, 2008

Balance Sheet as at 31st March, 2008

	Schedule	March 31, 2008 Rupees	March 31, 2007 Rupees
Sources of Funds			
Shareholders' Funds:			
Capital	1	500,700	500,700
Reserves and Surplus	2	155,946,502	122,214,451
		156,447,202	122,715,151
Deferred Tax Liability (Net) (Refer Schedule 7 - Note 3)		87,550	126,650
Total		156,534,752	122,841,801
Application of Funds			
Investments	3	129,404,988	113,920,288
Current Assets, Loans And Advances			
Trusteeship Remuneration Receivable		7,543,004	6,069,145
Cash and Bank Balances	4	48,022,746	197,827
Interest Accrued on Debentures		7,052,648	3,668,903
Loans and Advances	5	956,718	297,809
		63,575,116	10,233,684
Less: Current Liabilities And Provisions	6		
Current Liabilities		1,297,714	1,312,171
Provisions		35,147,638	—
		36,445,352	1,312,171
Net Current Assets		27,129,764	8,921,513
Total		156,534,752	122,841,801
Notes to the financial statements	7		

This is the Balance Sheet referred to in our report of even date

Vivek Prasad
Partner
Membership No. F-104941

For and on behalf of

Price Waterhouse
Chartered Accountants

Mumbai.
Date: 26th April, 2008

For and on behalf of the Board of Directors

Girish Sheredalal
Director

Anirudha Barwe
Director

Profit and Loss Account for the Year Ended 31st March, 2008

Schedule	April 1, 2007 to March 31, 2008 Rupees	April 1, 2006 to March 31, 2007 Rupees
Income		
Trusteeship fees - Gross (Tax deducted at source Rs. 12,197,873 (Previous year Rs. 4,037,870))	98,716,959	64,176,187
Dividend on units of mutual fund	6,842,028	2,339,710
Interest on debentures - Gross (Tax deducted at source Rs. 877,899 (Previous year Rs. 953,700))	4,261,644	4,250,000
Profit on sale of current investments	—	2,776,288
Total	109,820,631	73,542,185
Expenditure		
Compliance and administrative	7,512,783	4,569,690
Directors' sitting fees	570,000	552,500
Insurance	77,270	77,484
Legal and professional	75,500	427,056
Rent, rate and taxes	299,109	282,636
Auditors' remuneration (Refer Schedule 7 - Note 5)	101,374	127,221
Diminution in value of current investments	115,022	—
Miscellaneous	18,984	60,404
Total	8,770,042	6,101,491
Profit Before Tax	101,050,589	67,440,694
Provision For Taxation		
Less: Current tax	32,210,000	21,015,000
Deferred tax	(39,100)	2,250
Profit After Tax	68,879,689	46,427,944
Profit and loss account balance brought forward from previous year	122,031,451	75,603,507
Appropriations		
Proposed dividend	30,042,000	—
Corporate dividend tax	5,105,638	—
Transfer to general reserve	7,000,000	—
Profit and loss account balance carried forward to the Balance Sheet	148,763,502	122,031,451
Earnings per share - Basic and Diluted	1,376	927
Face Value of Rs. 10 each (Refer Schedule 7 - Note 9)		
Notes to the financial statements	7	

This is the Profit and Loss Account referred to in our report of even date

For and on behalf of the Board of Directors

Vivek Prasad

Partner

Membership No. F-104941

For and on behalf of

Price Waterhouse

Chartered Accountants

Girish Shredalal

Director

Anirudha Barwe

Director

Mumbai.

Date: 26th April, 2008

Cash Flow Statement for the Year Ended 31st March, 2008

	2007-08	2006-07
Rupees	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	101,050,589	67,440,694
Adjustments for:		
Dividend income	(6,842,028)	(2,339,710)
Interest on debentures	(4,261,644)	(4,250,000)
Profit on sale of current investments	—	(2,776,288)
Diminution in value of current investments	115,022	—
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	90,061,939	58,074,696
(Increase)/Decrease in trusteeship remuneration receivable	(1,473,859)	(1,907,528)
(Increase)/Decrease in loans and advances	(9,261)	2,741
Increase/(Decrease) in current liabilities	(14,457)	369,933
	(1,497,577)	(1,534,854)
CASH GENERATED FROM OPERATIONS	88,564,362	56,539,842
Payment of taxes (net of refunds)	(31,981,751)	(20,244,907)
NET CASH FROM OPERATING ACTIVITIES (A)	56,582,611	36,294,935
CASH FLOW FROM INVESTING ACTIVITIES		
(Purchase)/sale of Investments(net)	(15,599,720)	(38,556,710)
Dividend received	6,842,028	2,339,710
NET CASH FROM/(USED) IN INVESTMENT ACTIVITIES (B)	(8,757,692)	(36,217,000)
CASH FLOW FROM FINANCING ACTIVITIES (C)		
	—	—
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)	47,824,919	77,935
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	197,827	115,392
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	48,022,746	197,827
	(47,824,919)	(82,435)

Note:

The above cash flow statement has been prepared under the indirect method set out in Accounting Standard (AS-3) issued by the Institute of Chartered Accountants of India.

This is the Cash Flow Statement referred to in our report of even date

Vivek Prasad
Partner
Membership No. F-104941

For and on behalf of

Price Waterhouse
Chartered Accountants

Mumbai.
Date: 26th April, 2008

For and on behalf of the Board of Directors

Girish Shiredalal
Director

Anirudha Barwe
Director

Schedules Forming Part of the Balance Sheet

	March 31, 2008 Rupees	March 31, 2007 Rupees
Schedule 1 : Capital		
Authorised		
1,000,000 equity shares of Rs. 10 each	10,000,000	10,000,000
Issued, Subscribed and Paid Up		
50,070 equity shares of Rs. 10 each, fully paid up (all the above shares are held by Kotak Mahindra Bank Limited, the Holding Company and its nominees)	500,700	500,700
	500,700	500,700
Schedule 2: Reserves and Surplus		
General Reserve		
As per last Balance Sheet	183,000	183,000
Transferred from Profit and Loss Account	7,000,000	—
	7,183,000	183,000
Profit and Loss Account	148,763,502	122,031,451
	155,946,502	122,214,451
Schedule 3: Investments		
Long Term Investments: (Non Trade)		
(At Cost)		
Unquoted, fully paid up		
500,000 (Previous year - 500,000) debentures of Rs.100 each of Kotak Mahindra Investments Ltd. (rate of interest 8.5% per annum)	50,000,000	50,000,000
Current Investments:		
(At Cost or Market Value whichever is lower)		
Unquoted, fully paid up		
7,806,679.275 (Previous Year - 2,599,031.287) units of Rs.10 each of Kotak Flexi Debt Scheme - Dividend Option	79,404,988	26,170,179
Nil (Previous year - 3,521,197.282) units of Rs. 10 each of Kotak FMP 3 M Series - 11 Dividend option	—	35,212,100
Nil (Previous Year - 207,555.207) units of Rs. 10 each of Kotak Liquid Scheme Institutional Plan - Daily Dividend Option	—	2,538,009
	129,404,988	113,920,288
Aggregate value of unquoted investments - At book value	129,520,010	113,920,288
Schedule 4: Cash and Bank Balances		
Balances with scheduled banks in current account	48,022,746	197,827
	48,022,746	197,827
Schedule 5 : Loans and Advances		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	99,548	90,287
Advance payment of tax and tax deducted at source [Net of provision for taxation of Rs. 74,153,821 (Previous Year - Rs. 41,943,821)]	857,170	207,522
	956,718	297,809
Schedule 6 : Current Liabilities and Provisions		
Current Liabilities		
Sundry creditors* (other than small scale industrial undertakings/Companies registered under Micro, Small and Medium Enterprise Development Act, 2006 #)	1,297,714	1,312,171
	1,297,714	1,312,171
There are no amounts due and outstanding to be credited to Investor Education and Protection Fund		
* Includes Rs. 250,000 (Previous year Rs. 250,000) received from Kotak Mahindra Bank Limited towards corpus of Kotak Mahindra Mutual Fund		
# Determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.		
Provisions		
Proposed dividend	30,042,000	—
Corporate dividend tax	5,105,638	—
	35,147,638	—
Total	36,445,352	1,312,171

Schedules Forming Part of the Balance Sheet and the Profit & Loss Account

Schedule 7 : Notes to the Financial Statements

1. Significant Accounting Policies

- The financial statements are prepared to comply in all material aspects with all the accounting principles in India, the applicable accounting standards notified under Section 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.
- Investments are classified into long term investments and current investments. Investments which are intended to be held for more than one year, are classified as long term investments and investments, which are intended to be held for less than one year, are classified as current investments. Long term investments are accounted at cost and any decline in the carrying value, other than temporary in nature is provided for. Current investments are valued at cost or market/fair value whichever is lower. In case of investment in mutual funds, the net asset value of units is considered as market/fair value.
- Revenue is recognised when no significant uncertainty as to measurability or collectability exists.
- Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, subject to the consideration of prudence in respect of deferred tax asset on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

2. Contingent Liabilities:

Taxation matters in respect of which appeal is pending Rs. 132,394 (Previous Year - 132,394)

3. Components of deferred tax balances:

	March 31, 2008 Rupees	March 31, 2007 Rupees
Deferred tax liability		
Interest accrued and not due on debentures	(126,650)	(126,650)
Deferred tax asset		
Diminution in value of investment	39,100	—
Net deferred tax liability	(87,550)	(126,650)

In assessing the realisability of deferred tax assets, Management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realised. Based on the level of historical taxable income and projections for future taxable income over the period in which deferred tax assets are deductible, Management is of the view that it is more likely than not that the Company will realise the benefits of these deductible differences.

4. The following investments have been purchased and sold during the year:

	Purchase	Sale
Units of Rs.10 each of Kotak Flexi Debt Scheme - Quarterly Dividend Option	5,207,647.988	—
Units of Rs.10 each of Kotak FMP 3M series 11 Scheme - Dividend Option	54,504.461	3,575,701.743
Units of Rs.10 each of Kotak Liquid Scheme Institutional Plan - Daily Dividend Option	920,396.983	1,127,952.190
Units of Rs.10 each of Kotak Flexi Debt Scheme - Daily Dividend Option	6,402,246.752	6,402,246.752

5. Auditors' remuneration:

	March 31, 2008 Rupees	March 31, 2007 Rupees
Audit fees	100,000	100,000
Other services	—	25,000
Out of pocket expenses	1,374	2,221
	101,374	127,221

6. Information with regard to matters specified in paragraph 4, 4A, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956 is either nil or not applicable to the Company for the year ended March 31, 2008.

7. Segment information:

The Company acts as a Trustee for the schemes of Kotak Mahindra Mutual Fund. As the Company is engaged only in one business segment and no geographical segments, the Balance Sheet as at March 31, 2008 and the Profit and Loss Account for the year ended March 31, 2008 pertain to one business segment.

Schedules Forming Part of the Balance Sheet and the Profit & Loss Account

Schedule 7 : Notes to the Financial Statements (Contd.)

8. Related Parties Disclosures:

(I) Relationships (During the year)

A. Related Parties where control exists:

Nature of relationship	Related Party
Holding Company	Kotak Mahindra Bank Limited (Holds 100% of the equity share capital) Uday S. Kotak along with relatives and companies controlled by him holds 48.69% of the equity share capital of Kotak Mahindra Bank Limited

B. Other Related Parties:

(i) Fellow Subsidiaries:	Kotak Mahindra Asset Management Company Limited (KMAMC) Kotak Mahindra Investments Limited (KMIL)
(ii) Mutual Fund managed by Fellow Subsidiary	Kotak Mahindra Mutual Fund (KMMF), managed by Kotak Mahindra Asset Management Company Limited

(II) The following transactions were carried out with related parties in the ordinary course of business

Nature of Transactions	Holding Company	Fellow Subsidiary Company	Mutual Fund Managed by Fellow Subsidiary (KMMF)
	Rupees	Rupees	Rupees
Finance Outstanding			
Bank Balance	47,806,042 (143,351)	— (—)	— (—)
Investments			
Purchase/Subscription of Units	— (—)	— (—)	122,529,000 (122,570,960)
Sale/Redemption of Units	— (—)	— (—)	113,771,306 (84,014,250)
Dividend received from investment in Units	— (—)	— (—)	6,842,028 (2,339,710)
Interest on Debentures (KMIL)	— (—)	4,261,644 (4,250,000)	— (—)
Income			
Trusteeship Fees	— (—)	— (—)	98,716,959 (64,176,187)
Other Receipts and Payments			
Reimbursement of Expenses (KMAMC)	— (—)	7,677,611 (4,851,858)	— (—)
Outstandings			
Receivables	— (—)	— (—)	7,543,004 (6,069,145)
Payables	250,000 (250,000)	— (—)	— (—)
Interest accrued on Debentures (KMIL)	— (—)	7,052,648 (3,668,903)	— (—)

Figures in brackets relate to the previous year.

9. Earnings Per Share:

	March 31, 2008	March 31, 2007
Profit after tax (Rupees) (A)	68,879,689	46,427,944
Number of equity shares (B)	50,070	50,070
Earnings per Share - basic and diluted (Rupees) (A/B)	1,376	927
Nominal Value of Equity Share (Rupees)	10	10

Notes to the Financial Statements (Contd.)
10. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
I. Registration Details

 Registration Number State code

 Balance Sheet Date
 Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

 Public Issue Rights Issue

 Bonus Issue Private Placement
III. Position of mobilisation and deployment of funds (Amount in Rs. Thousands)

 Total Liabilities Total Assets
Sources of Funds

 Paid up Capital

 Secured Loans

 Deferred Tax Liability
Application of Funds

 Net Fixed Assets

 Net Current Assets
Reserves and Surplus

 Unsecured Loans
Investments

Miscellaneous Expenditure

IV. Performance of Company (Amount in Rs. Thousands)

 Turnover/Income

 + / - Profit / Loss before tax

 Earning per share in Rs.

 Total Expenditure

 + / - Profit/Loss after Tax

 Dividend Rate(%)
V. Generic Names of three Principal Products/Services of the Company (as per monetary terms)

 Item Code No.
 (ITC Code)

 Product Description

11. Previous year's figures have been reclassified, wherever necessary, to confirm with current year's classification

Signatures to schedules 1 to 7 forming an integral part of the financial statements

For and on behalf of the Board of Directors

 Vivek Prasad
 Partner
 Membership No. F-104941

 For and on behalf of
Price Waterhouse
 Chartered Accountants
 Mumbai.
 Date: 26th April, 2008

 Girish Sharedalal
 Director

 Anirudha Barwe
 Director