



# Kotak Mahindra Asset Management Ltd.

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ANNUAL REPORT 2006-2007

## Directors' Report

To the Members of  
Kotak Mahindra Asset Management Company Limited

The Directors present their Thirteenth Annual Report together with the audited accounts of your Company for the year ended March 31, 2007.

### 1. FINANCIAL RESULTS

	Rs. in Lakhs	
	2006-07	2005-06
Gross income	5442.55	3930.69
Profit before Tax	1059.91	783.00
Provision for Tax	(377.01)	(276.56)
Profit after Tax	682.91	506.44
Profit/ (Loss) brought forward from previous year	188.55	185.32
Less: Adjustment on account of AS-15 (Net)	59.57	—
Premium on Buy Back of Equity Shares	126.00	—
	685.89	691.77
<b>Appropriations</b>		
Interim Dividend paid	—	408.00
Corporate Dividend Tax	—	57.22
Transfer to general reserve	—	38.00
Transfer to Capital Redemption Reserve	420.00	—
Profit Carried to Balance Sheet	265.89	188.55

The Gross income of your company has increased by 38% along with an increase of 65% in the Average AUM during the year. The overall expenditure of the company has increased by 39% largely due to increase in administrative and employee cost. The net impact of the above has resulted in the increase in the Profit after tax in the current year by 34%.

#### Buyback of shares

During the financial year under review the company made a buy back of 42,00,000 equity shares at the price of Rs. 13 per share, being 17.50% of the share capital of the Company in terms of Section 77A of the Companies Act, 1956. The paid up share capital of the Company stands reduced to 1,98,00,000 equity shares of Rs. 10/- each fully paid up.

### 2. DIVIDEND

Your directors do not recommend any dividend.

### 3. HIGHLIGHTS OF PERFORMANCE

The total Assets Under Management ('AUM') of the Fund as on March 31, 2007 were Rs. 12,125 Crores, as compared to Rs. 10,409 Crores as of March 31, 2006, a growth of 16.48%. The number of folios as on March 31, 2007 was more than 5.36 lakhs as compared to over 4.0 lakhs as of March 31, 2006.

During the year under review, the mainstream debt schemes of the Fund continued their commendable performance. Lipper Fund Awards India 2007 adjudged Kotak Bond Regular Plan-Growth as "Best Fund over Five years in the Bond Indian Rupee General Category". Kotak Mutual Fund also received the "Best Fund group over three year" in the Bond category from Lipper Fund Awards India 2007.

Debt schemes of Kotak Mahindra Mutual Fund also won two awards at the ICRA Mutual Fund Awards 2007. The 'Kotak Flexi Debt Fund' was ranked ICRA - MFR 1 and awarded the Gold Award for 'Best Performance' in the category of 'Open Ended Debt - Short Term' for one-year period ending December 31, 2006. The 'Kotak Bond Short Term Plan' was ranked ICRA - MFR 1 and awarded the Gold Award for 'Best Performance' in the category of 'Open Ended Debt - Short Term' for three-year period ending December 31, 2006. The debt schemes managed by Kotak Mahindra Mutual Funds have received over 13 Performance awards over the past seven years from CNBC, CRISIL, OUTLOOK MONEY, ICRA online and Lipper Fund Awards.

Kotak Mutual Fund was also adjudged the Best Mutual Fund and received "NDTV Profit Business Leadership Award" in the Mutual Fund category.

The performance of the diversified equity schemes (Kotak 30, Kotak Midcap, Kotak Opportunities) remained satisfactory. During the year under review, Kotak 30, Kotak Opportunities, Kotak Midcap, Kotak Tax Saver, Kotak Global India declared dividends to their unitholders.

### 4. NEW SCHEMES LAUNCHED DURING 2006-2007

The year saw the launch of several new schemes and facilities, increased distribution reach and market expansion.

Schemes	Scheme Type	Collections (Rs. in crores)
Kotak Flexi FOF – Series I and II	Fund of Funds	687
Kotak Dynamic Asset Allocation Scheme	Close ended Balanced Scheme	673
Kotak Twin Advantage – Series 2 and 3	Close ended debt scheme	410
Kotak Wealth Builder Series 1	Close ended debt scheme	283
Kotak Emerging Equity Scheme	Close ended Equity scheme	251
Kotak FMP Series (Cumulative)*	Fixed Maturity Plans	7401
<b>Total</b>		<b>9705</b>

\* 27 Fixed Maturity Plans were launched during the year.

**GEOGRAPHICAL EXPANSION:** In order to reach out to more and widely dispersed investors, we increased our presence from 47 to 57 locations across 17 states, and empanelled more than 3480 new agents/distributors during the last financial year.

## 5. MANAGEMENT DISCUSSION AND ANALYSIS

### ➤ Industry structure, developments and segment wise performance

#### • Market related developments

Interest rates were on the upward move through the financial year 2006-07. The RBI has affected progressive hikes in the benchmark rates as well as the reserve requirements. This impacted both debt and equity markets alike.

10 years bond yields which opened the year at 7.55%, closed at around 8% on March 31, 2007. Likewise equity markets failed to deliver performance akin to last year with the Sensex posting around 11% returns for the year ended March 31, 2007. Rising Interest rates may act as a dampener to the overall sentiment, but it is likely to be temporary in nature and the long term bull market signs still remain intact.

Fundamentals still continue to favour a strong earnings momentum.

### ➤ 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 140 employees on board. While your Company had some attrition, and some fresh intake, the overall headcount has reached 176 persons by the end of the year.

## 6. DIRECTORS

During the year, eight 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. Sukant Kelkar retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

## 7. AUDITORS

Your Company appointed M/s. Deloitte Haskins & Sells, Chartered Accountants, Mumbai, as Statutory Auditors in the last Annual General Meeting. However, as M/s. Deloitte Haskins & Sells, Chartered

Accountants, Mumbai expressed their inability to continue as Statutory Auditors, Your Company in the EGM held on November 22, 2006, appointed M/s. Deloitte Haskins & Sells, Chartered Accountants, Baroda, as Statutory 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. 3,54,36,849 (Previous year Rs. 18,781,937), while the outgo was Rs. 6,87,733 (Previous year Rs. 5,69,983). 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 2007, 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 2007 and of Profit and Loss of your Company for the financial year ended 31st March 2007;
- (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 seven 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 : 27th April, 2007

## 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, 2007 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, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 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, 2007;
  - (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

Place : Mumbai  
Dated : 27th April, 2007

Membership No. 34004

## 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, 2007 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, 2007 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 : 27th April, 2007

Membership No. 34004

## Balance Sheet as at 31st March, 2007

	Schedule	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
<b>Sources of Funds</b>			
<b>Shareholders' Funds</b>			
Share capital	1	198,000,000	240,000,000
Reserves and Surplus	2	72,389,050	22,654,996
<b>Total</b>		<b>270,389,050</b>	<b>262,654,996</b>
<b>Application of Funds</b>			
<b>Fixed Assets</b>	3		
Gross Block		75,810,132	62,067,980
Less: Depreciation		45,330,544	33,145,915
Net Block		30,479,588	28,922,065
<b>Investments</b>	4	280,915,079	230,536,375
<b>Deferred Tax Asset</b>		7,833,089	2,401,872
<b>Current Assets, Loans and Advances</b>			
Sundry debtors	5	32,577,211	35,057,017
Cash and bank balances	6	8,382,065	3,212,975
Other Current Assets — Interest accrued on Investments		6,970,915	707,945
Loans and advances	7	48,909,711	43,631,499
		96,839,902	82,609,436
Less: Current Liabilities and Provisions	8		
(a) Liabilities		130,537,942	77,422,385
(b) Provisions		15,140,666	4,392,367
		145,678,608	81,814,752
Net Current Assets		(48,838,706)	794,684
<b>Total</b>		<b>270,389,050</b>	<b>262,654,996</b>
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: 27th April, 2007

For and on behalf of the Board of Directors

Narayan S. A.  
Director

Bipin R. Shah  
Director

Hariharan R.  
Manager

V. R. Narasimhan  
Company Secretary

## Profit and Loss Account for the year ended 31st March, 2007

	Schedule	April 2006 to March 2007 Rupees	April 2005 to March 2006 Rupees
<b>Income</b>			
Management fees (Gross) (TDS Rs. 28,632,737, Previous Year Rs. 21,862,360)		455,380,460	353,632,601
Portfolio Advisory Services (Gross) (TDS Rs. 2,283,908.28, Previous Year Rs. 430,181)		71,692,040	25,714,451
Income from Investments	9	15,303,704	7,596,237
Other income	10	1,879,108	6,126,183
<b>Total</b>		<b>544,255,312</b>	<b>393,069,472</b>
<b>Expenditure</b>			
Employee costs	11	224,109,508	140,528,805
Administrative and Other expenses	12	197,901,128	161,196,588
Depreciation		16,253,034	13,043,982
<b>Total</b>		<b>438,263,670</b>	<b>314,769,375</b>
<b>Profit before tax</b>		<b>105,991,642</b>	<b>78,300,097</b>
Excess provision for Taxation of earlier years written back		989	
Provision for taxation			
Current Tax (including Wealth Tax provision Rs. 100,000 Previous Year Rs. 55,000)		(35,710,000)	(25,586,000)
Deferred Tax		2,408,620	1,481,116
Fringe Benefit Tax		(4,400,000)	(3,550,484)
<b>Profit after tax</b>		<b>68,291,251</b>	<b>50,644,729</b>
Profit/(Loss) brought forward from previous year		18,854,993	18,532,467
Less:			
Transitional Adjustment on account of Revised AS-15 (Refer Note II (F) of Schedule 13)		(8,520,301)	
Accumulated Leave Balances		(459,490)	
Gratuity		3,022,597	
Deferred Tax Asset thereon		(5,957,194)	
Premium on Buy Back of Equity Shares (Refer Note II (M) of Schedule 13)		(12,600,000)	
		<b>68,589,050</b>	<b>69,177,196</b>
<b>Appropriations</b>			
Interim Dividend paid		—	40,800,000
Corporate Dividend Tax There on		—	5,722,200
Transfer to General Reserve		—	3,800,000
Transfer to Capital Redemption Reserve		42,000,000	—
Profit carried to Balance Sheet		26,589,050	18,854,996
Basic and Diluted earnings per share of Face value of Rs. 10 each (in Rs.) (Refer Note II (G) of Schedule 13)		2.91	2.11
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: 27th April, 2007

For and on behalf of the Board of Directors

Narayan S. A.  
Director

Hariharan R.  
Manager

Bipin R. Shah  
Director

V. R. Narasimhan  
Company Secretary

## Schedules forming part of the Balance Sheet

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
<b>Schedule 1 : Share Capital</b>		
<b>Authorised</b>		
2,50,00,000 equity shares of Rs. 10/- each	250,000,000	250,000,000
<b>Issued, subscribed and paid-up</b>		
19,800,000 (Previous Year 2,40,00,000) equity shares of Rs. 10/- each, fully paid-up	198,000,000	240,000,000

(Refer Note II (M) 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	—	—
Transfer from Profit & Loss Account	42,000,000	—
Closing Balance	42,000,000	—

#### General Reserve

Opening Balance	3,800,000	—
Transfer from Profit & Loss Account	—	3,800,000
Closing Balance	3,800,000	3,800,000
Balance in Profit and Loss Account	26,589,050	18,854,996
	<b>72,389,050</b>	<b>22,654,996</b>

### Schedule 3 : Fixed Assets

Description	Rupees									
	Gross Block				Depreciation				Net Block	
	As on 01-04-2006	Additions	Deductions	As on 31-03-2007	As on 01-04-2006	For the year	Deductions	As on 31-03-2007	As on 31-03-2007	As on 31-03-2006
<b>A. Intangible Assets</b>										
Software	7,647,696	2,495,944	—	10,143,640	4,275,614	241,533	—	4,517,147	5,626,493	3,372,082
<b>B. Tangible Assets</b>										
Leasehold Improvement	13,359,518	1,809,890	552,256	14,617,152	4,113,675	5,771,548	359,947	9,525,276	5,091,876	9,245,843
Computers	20,933,315	5,582,289	1,424,719	25,090,885	16,137,854	5,894,497	1,390,212	20,642,139	4,448,746	4,795,461
Office Equipments	8,843,791	590,504	78,953	9,355,342	4,191,222	1,329,411	25,264	5,495,369	3,859,973	4,652,569
Furniture & Fixtures	1,677,872	195,761	—	1,873,633	1,201,639	250,110	—	1,451,749	421,884	476,233
Vehicles	9,605,788	9,355,836	4,232,144	14,729,480	3,225,911	2,765,935	2,292,982	3,698,864	11,030,616	6,379,877
<b>Total</b>	<b>62,067,980</b>	<b>20,030,224</b>	<b>6,288,072</b>	<b>75,810,132</b>	<b>33,145,915</b>	<b>16,253,034</b>	<b>4,068,405</b>	<b>45,330,544</b>	<b>30,479,588</b>	
Previous year	43,508,541	24,125,910	5,566,471	62,067,980	22,724,722	13,043,982	2,622,789	33,145,915		28,922,065

## Schedules forming part of the Balance Sheet (Contd.)

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
<b>Schedule 4 : Investments (Non-trade, unquoted, fully paid):</b>		
<b>Long Term Investments (at cost)</b>		
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
<b>Debentures / Bonds of Other Companies</b> 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		
<b>Current Investments (at lower of cost or net realisable value)</b>		
<b>Investment in Units of Mutual Fund</b> 10,320,497.7491 Units (Previous Year 6,200,585.1036) units of Kotak Mahindra Liquid Scheme – Institutional Premium Plan, Daily Dividend Option of Rs. 10/- each	126,200,079	75,821,375
<b>Total</b>	<b>280,915,079</b>	<b>230,536,375</b>
Note: In addition to the above, following investments were purchased as well as sold during the year:		
Particulars		
<b>Investment in Units of Mutual Fund</b> 40,728,216.4727 (Previous Year 39,746,364.5685) units of Kotak Mahindra Liquid Scheme - Institutional Premium Plan, Daily Dividend Option of Rs. 10/- each	498,028,704	486,022,521
<b>Schedule 5 : Sundry Debtors (Unsecured, considered good)</b>		
Debts outstanding for less than six months	32,577,211	35,057,017
<b>Total</b>	<b>32,577,211</b>	<b>35,057,017</b>
Note:-		
<b>Due from Companies under the same management</b>		
Kotak Mahindra Old Mutual Life Insurance Limited Outstanding	—	1,409,679
Maximum Outstanding	10,221,488	1,409,679
Kotak Securities Ltd. Outstanding	6,155,752	—
Maximum Outstanding	6,155,752	—
Kotak Mahindra (International) Limited Outstanding	—	5,902,048
Maximum Outstanding	5,902,048	5,902,048
Kotak Mahindra (UK) Limited Outstanding	2,107,640	—
Maximum Outstanding	11,848,586	—
<b>Schedule 6 : Cash and Bank Balances</b>		
Balances with scheduled banks in current accounts	8,382,065	3,212,975
<b>Total</b>	<b>8,382,065</b>	<b>3,212,975</b>

## Schedules forming part of the Balance Sheet (Contd.)

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
<b>Schedule 7 : Loans and Advances (Unsecured, considered good)</b>		
Loans to employees	479,421	268,647
Inter-corporate Deposits	—	5,000,000
Advance payment of taxes and Tax deducted at source (Net of provision for taxation of Rs. 71,523,625, (Previous Year Rs. 9,171,982)	25,128,102	23,333,283
Advances recoverable in cash or in kind or for value to be received	15,332,728	7,326,583
Other Deposits	7,969,460	7,702,986
<b>Total</b>	<b>48,909,711</b>	<b>43,631,499</b>

Note:

### Due from Companies under the same management

Kotak Mahindra Old Mutual Life Insurance Limited		
Outstanding	—	156,598
Maximum Outstanding	156,598	171,303
Kotak Mahindra Trustee Company Limited		
Outstanding	—	—
Maximum Outstanding	1,548,021	1,474,287
Kotak Mahindra Investments Limited		
Outstanding	—	5,487,672
Maximum Outstanding	5,172,924	122,390,548

### Schedule 8 : Current Liabilities and Provisions

#### Current liabilities

Sundry creditors (Other than Small Scale Industries)	125,663,150	67,199,544
Other liabilities	4,874,792	10,222,841
<b>Total</b>	<b>130,537,942</b>	<b>77,422,385</b>

#### Provisions

Gratuity	4,877,877	4,335,170
Accumulated Leave Balances	10,160,592	—
Wealth Tax	102,197	57,197.00
<b>Total</b>	<b>15,140,666</b>	<b>4,392,367</b>
<b>Total</b>	<b>145,678,608</b>	<b>81,814,752</b>

## Schedules forming part of the Profit and Loss Account

	Period ended 31st March, 2007 Rupees	Period ended 31st March, 2006 Rupees
<b>Schedule 9 : Income from Investments</b>		
Interest on Long term Investments (Gross) :- (TDS Rs. 1,812,030, Previous Year Rs. Nil)	8,075,000	773,716
Dividend from Current Investments	7,228,704	6,822,521
<b>Total</b>	<b>15,303,704</b>	<b>7,596,237</b>
<b>Schedule 10 : Other Income</b>		
Interest on Deposits (Gross):- (TDS Rs. 27,897, Previous Year Rs. 1,197,189)	124,316	5,335,068
Interest on loans to staff	42,632	38,794
Interest on income-tax refunds	796,559	—
Profit on sale of fixed assets (net)	259,741	278,296
Miscellaneous income	655,860	474,025
<b>Total</b>	<b>1,879,108</b>	<b>6,126,183</b>
<b>Schedule 11 : Employee Costs</b>		
Salaries and allowances (Refer Note II (I) of Schedule 13)	218,972,505	136,167,156
Contribution to provident and other funds	7,350,262	4,900,597
Staff welfare	2,283,297	2,095,035
	<b>228,606,064</b>	<b>143,162,788</b>
Less: Recovery of common establishment expenses	4,496,556	2,633,983
<b>Total</b>	<b>224,109,508</b>	<b>140,528,805</b>
<b>Schedule 12 : Administrative and Other Expenses</b>		
Rent, rates and taxes	20,293,065	20,354,543
Insurance	1,831,754	736,562
Legal and professional fees	8,421,150	6,733,099
Reimbursement of common administrative cost	4,703,398	3,211,512
Travel and conveyance	19,858,085	16,037,690
Communication expenses	12,399,660	17,137,431
Business promotion and distribution costs	95,667,256	63,165,214
Printing and stationery	4,479,618	9,141,736
Membership subscription	6,704,700	4,874,034
Electricity	3,495,279	3,347,740
Computer and software related expenses	4,244,769	3,352,015
Directors' sitting fees	532,500	247,500
Repairs and maintenance	1,877,199	977,171
Recruitment Expenses	764,865	2,117,848
Audit fees	500,000	—
Tax audit fees	150,000	—
In any other manner – Certification	450,000	—
Service tax on above services	134,640	66,300
Service tax input credit	(134,640)	(66,300)
	<b>1,100,000</b>	<b>650,000</b>
Office upkeep expenses	5,913,843	4,872,233
Miscellaneous expenses	6,083,582	4,739,607
	<b>198,370,724</b>	<b>161,695,935</b>
Less: Recovery of common administrative expenses	469,596	499,347
<b>Total</b>	<b>197,901,128</b>	<b>161,196,588</b>

## 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.

##### 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. Future results could differ from these estimates.

##### 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.
- Gains and losses on sale of investments are determined using the weighted average cost method.
- 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 relating 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 (Software) is amortised over a period of three years, on a Straight Line Method.

##### F. INVESTMENTS

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 is provided for. Current investments are valued at cost or market value whichever is lower.

##### 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.

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

- (c) Gratuity liability is defined benefit obligation and is wholly unfunded. The Company accounts for liability for future gratuity benefits based on actuarial valuation 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.
- (e) The undiscounted 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 and compensative absences on paid annual leave.

### H. TAXES ON INCOME

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised using tax rates and laws that are enacted or substantively enacted as on the balance sheet date, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent years.

### 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 at the time of occurrence of the transactions.
- Monetary items denominated in foreign currency remaining unsettled at the end of the year are translated at the buying rates as at the last day of the year.
- Any gains or losses on account of exchange difference either on settlement or translation are recognized in Profit and Loss Account except in case where it relates to the acquisition of fixed asset in which case it is adjusted to the carrying cost of such asset.

### 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

Provision involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

## II. NOTES TO THE ACCOUNTS

### A. Contingent Liability

During the previous year the Company has received a demand of Rs. 2,985,377 and Rs. 922,075 on account of Income tax for the assessment year 2004-05 and 2005-06. The said amount is disputed and the Company has preferred an appeal against the same and the same is not provided for. The assessing officer has adjusted refund due for assessment year 2003-04 against demand of assessment year 2004-05 of Rs. 2,985,377. An amount of Rs. 922,075 has been paid to the credit of the central government towards demand of assessment year 2005-06. The above referred demand amounts are shown as a part of Advance payment of taxes and Tax deducted at source under Schedule 7 - Loans and Advances.

- B. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 932,370 (Previous year Rs. 1,322,553).

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

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

	31-03-2007	31-03-2006
	Rs.	Rs.
Salaries & Allowances	1,575,298	1,338,458
Contribution to provident and other funds *	216,980	45,600
Perquisites in cash or in kind	30,741	49,329
<b>Total</b>	<b>1,823,019</b>	<b>1,433,387</b>

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. However, the gratuity paid during the year to a manager who resigned w.e.f. 1-8-2006, is included 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. 687,733 (Previous year Rs. 569,983).  
Earnings in Foreign Currency—Portfolio Advisory Fees Rs. 35,400,414 (Previous year Rs. 18,756,076 ).  
Exchange Gain – Rs. 36,435 (Previous year Rs. 25,861).

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

Amounts receivable in foreign currency on account of export of service

Rs.	\$
2,107,640	48,923.87
(5,936,894)	(132,899.00)

- F. Employee Benefits

The Company has chosen to early adopt revised Accounting Standard 15 (AS 15) "Employee Benefits" which is mandatory from accounting period beginning on or after December 7, 2006. As per the transitional provision of AS 15, the difference in the liability on account of employee benefits created by the Company amounting to Rs. 5,957,194 (net of deferred tax effect of Rs. 3,022,597) has been adjusted against the profit brought forward. Previous years figures have not been disclosed as this is the first year of implementation of this accounting standard and comparable data is not available.

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, 2007 Rs.
<b>Change in Unfunded benefit obligations</b>	
Present value of unfunded benefit obligations, 1st April 2006	4,794,660
Service cost	1,142,077
Interest cost	341,939
Actuarial (gain)/loss on obligations	2,000,361
Benefits paid	(3,401,160)
<b>Present value of unfunded benefit obligations as at 31st March, 2007</b>	<b>4,877,877</b>
<b>Reconciliation of present value of the obligation and the fair value of the plan assets</b>	<b>Rs.</b>
Fair value of plan assets as at 31st March, 2007	—
Present value of benefit obligations as at 31st March, 2007	4,877,877
<b>Net asset/(liability) as at 31st March, 2007</b>	<b>4,877,877</b>
<b>Cost recognised for the period</b>	
Current service cost	1,142,077
Interest cost	341,939
Expected return on plan assets	—
Actuarial (gain)/loss	2,000,361
<b>Net gratuity cost</b>	<b>3,484,377</b>

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

### 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.

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

	31-3-2007	31-3-2006
(a) Nominal Value of an Equity Share (Rs.)	10	10
(b) Net profit available to Equity Shareholders (Rs.)	68,291,249	50,644,729
(c) Weighted average number of shares outstanding	23,470,685	24,000,000
(d) Basic and Diluted EPS (Rs.) = (b)/(c) (annualised)	2.91	2.11

### 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. 8,729,347 (Previous Year Rs. 7,986,008). The future minimum lease payments under non-cancelable operating lease – not later than one year Rs. Nil (Previous Year Rs. 6,337,500).

### I. At the Annual 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, to grant options to the Eligible Employees of the Bank & its subsidiary companies. Pursuant to these resolutions, the following three Employees Stock Option Schemes had been formulated and adopted:

- Kotak Mahindra Equity Option Scheme 2001-02
- Kotak Mahindra Equity Option Scheme 2002-03
- Kotak Mahindra Equity Option Scheme 2005

Consequent to the above, the Bank has granted stock options to employees of the Company. In terms of the Securities and Exchange Board of India (Employee 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. 11,229,722 (Previous Year Rs. 4,433,239) on account of such costs and the same is forming part of Employee costs under Schedule 11.

### J. Deferred Income taxes

Components of net deferred tax balances are as follows:

	31st March, 2007 Rs.	31st March, 2006 Rs.
<b>Deferred Tax Liabilities</b>		
Interest Accrued but not due on Debentures	(240,630)	(238,294)
	(240,630)	(238,294)
<b>Deferred Tax Assets</b>		
Provisions	5,111,576	1,459,219
Depreciation on Fixed Assets	2,962,143	1,180,947
Net Deferred Tax Asset	7,833,089	2,640,166

Deferred Tax benefits are recognized on assets to the extent that it is more likely than not future taxable profit will be available against which the asset can be utilized.

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

### K. 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.

### L. Related Party Disclosures

Parties where control exist:

Holding Company	Kotak Mahindra Bank Limited holds 100% of the share capital Uday S. Kotak along with relatives and entities controlled by him holds 51.46% of the equity share capital of Kotak Mahindra Bank Limited
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 Mr.Sukesh Khandelwal, 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

\* Resigned w.e.f. 1-8-2006.

## 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
<b>Finance:</b>					
Inter – Corporate Deposits given - Kotak Mahindra Investments Ltd.		— (220,000,000.00)			
Kotak Securites Ltd.		—			
Maturity of Inter - Corporate Deposits given - Kotak Mahindra Investments Ltd.		5,000,000.00 (335,000,000.00)			
Kotak Securites Ltd.		—			
Interest on Inter-Corporate Deposits (accrual) - Kotak Mahindra Investments Ltd.		124,316.00 (5,335,068.00)			
Kotak Securites Ltd.		— —			
<b>Outstandings:</b>					
Inter – Corporate Deposits given - Kotak Mahindra Investments Ltd.	—	— (5,000,000.00)		—	—
Interest Receivable - Kotak Mahindra Investments Ltd.		— (487,672.00)			
Balance in Current Account	7,735,535.48 (1,835,205.00)	—			
<b>Investments:</b>					
Purchases/Subscriptions		— (154,715,000.00)			498,028,703.85 (486,022,520.58)
Sales					447,650,000.00 (513,450,000.00)
Dividend					7,228,703.85 (6,822,520.58)
Interest on Debentures					
Kotak Mahindra Investments Ltd.		8,075,000.00 (707,945.00)			
Interest Receivable on Debentures					
Kotak Mahindra Investments Ltd.		8,782,945.00 (707,945.00)			
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		— (5,000,000.00)			

## 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
Investment in Units					126,200,079.00 (75,821,375.00)
<b>Fixed Assets:</b>					
Purchase of Fixed assets					
Kotak Mahindra Old Mutual Life Insurance Limited		— (248,764.00)			
Kotak Securites Ltd.		— (232,625.00)			
Sale of Fixed Assets -	143,029.00 (713,825.00)				
Kotak Mahindra Capital Company Ltd.		— (210,261.00)			
<b>Other Receipts and Payments:</b>					
Recovery of common establishment expenses - Kotak Mahindra Trustee Company Ltd.		4,496,556.00 (2,633,983.00)			
Recovery of common administrative expenses - Kotak Mahindra Trustee Company Ltd.		282,168.00 (299,430.00)			
Miscellaneous Income - Kotak Mahindra Trustee Company Ltd.		73,134.00 (71,604.00)			
Reimbursement of Common administrative cost -	4,703,398.00 (3,211,511.00)				
Other Expenses/Reimbursement of other expenses -	23,881,327.18 (25,848,222.00)				
Kotak Securites Ltd.		— (181,351.00)			
Kotak Mahindra Capital Company Ltd.		671,013.00 (666,049.00)			
Kotak Mahindra Old Mutual Life Insurance Limited		571,829.00 (1,317,411.67)			
Kotak Mahindra Prime Limited		42,216.00 (47,642.00)			
Management Fees Income	—	—			455,380,460.00 (353,632,601.00)
Payments to Mutual Fund	—	—			18,850,772.07 (7,757,763.24)
Receipts from Mutual Fund					2,782,534.79 (42,508,995.99)
License Fees Paid -	8,989,102.00 (9,956,094.00)				
Kotak Securites Ltd.		715,314.00 (666,687.00)			

## 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 Mahindra Capital Company Ltd.		1,107,628.00 (1,056,624.00)			
Kotak Mahindra Old Mutual Life Insurance Limited		415,667.00 (272,666.00)			
Kotak Mahindra Prime Limited		18,816.00 (14,424.00)			
Aero Agencies Cost of travel tickets purchased (Net of Discount )				5,525,952.00 (7,974,223.50)	—
Remuneration to Key Management Personnel Sandesh Kirkire *			10,489,719.00 (8,559,369.00)		
Sukesh Khandelwal **			538,047.00 (1,433,387.00)		
Hariharan R *			1,284,972.00 —		
Fee based expense Kotak Securites Limited		201,096.00 (214,878.00)			
License Fees Received	732,218.00 (550,824.00)				
Advisory Fees Kotak Mahindra International Limited		4,133,599.00 (18,756,076.66)			
Kotak Mahindra (UK) Limited		31,266,815.00 —			
Kotak Securites Limited		18,000,000.00 (5,000,000.00)			
Kotak Mahindra Old Mutual Life Insurance Limited		18,291,626.00 (1,958,374.00)			
Miscellaneous Receipts	345,062.00 (205,188.66)				
Kotak Mahindra Old Mutual Life Insurance Limited		— (312,976.00)			
Kotak Securites Limited		15,000.00 (676,381.00)			
Kotak Mahindra Trustee Company Ltd.		22,500.00 —			
Miscellaneous Payments -	55,330,821.91 (502,685.30)				
Kotak Mahindra Old Mutual Life Insurance Limited		913,436.00 (200,000.00)			
Kotak Securites Limited		188,236.00 (367,135.00)			
Outstandings – Receivables					24,313,819.06 (27,745,290.12)

## 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 Mahindra International Limited		— (5,902,047.94)			
Kotak Mahindra (UK) Limited		2,107,640.00			
Kotak Securites Ltd.		— 6,155,782.00			
Kotak Mahindra Old Mutual Life Insurance Limited		— (1,566,277.43)			
Outstandings - Payables	3,722,415.00 (4,453,008.00)				
Kotak Securites Ltd.		— (186,817.00)			
Kotak Mahindra Capital Company Ltd.		— (308,419.00)			
Kotak Mahindra Prime Limited		3,710.00 (932.00)			
Kotak Mahindra Old Mutual Life Insurance Limited		244,768.00			
Aero Agencies Private Limited		—		176,046.00 (33,464.00)	

(\*) Excludes provision of gratuity, since it is based on actuarial valuation done on an overall basis.

(\*\*) The gratuity paid during the year is included in the remuneration shown above as the manager resigned w.e.f 1.08.06.

Figures in bracket indicate previous years figures.

- M. 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. 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.
- N. The Company has not received any intimation from its vendors regarding their status under Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, required under the said Act have not been made.
- O. 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 correspond to the figures of the current year.
- P. Figures have been rounded off to the nearest rupee.

For Deloitte Haskins and Sells  
Chartered Accountants

R. Salivati  
Partner

Mumbai  
Dated: 27th April, 2007

For and on behalf of the Board of Directors

Narayan S. A.  
Director

Hariharan R.  
Manager

Bipin R. Shah  
Director

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
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 State Code 

1	1
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Balance Sheet Date 

3	1
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0	3
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2	0	0	7
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Date Month Year

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

Public Issue 

						N	I	L
--	--	--	--	--	--	---	---	---

 Rights Issue 

						N	I	L
--	--	--	--	--	--	---	---	---

Bonus Issue 

						N	I	L
--	--	--	--	--	--	---	---	---

 Private placement 

						N	I	L
--	--	--	--	--	--	---	---	---

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

Total Liabilities 

			2	7	0	3	8	9
--	--	--	---	---	---	---	---	---

 Total Assets 

			2	7	0	3	8	9
--	--	--	---	---	---	---	---	---

Sources of Funds  
Paid-up Capital 

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

Reserves and surplus 

			7	2	3	8	9
--	--	--	---	---	---	---	---

Secured Loans 

						N	I	L
--	--	--	--	--	--	---	---	---

Unsecured Loans 

						N	I	L
--	--	--	--	--	--	---	---	---

#### Application of Funds

Net Fixed Assets 

			3	0	4	8	0
--	--	--	---	---	---	---	---

Investments 

			2	8	0	9	1	5
--	--	--	---	---	---	---	---	---

Deferred Tax Asset 

					7	8	3	3
--	--	--	--	--	---	---	---	---

Net Current Assets 

			-	4	8	8	3	9
--	--	--	---	---	---	---	---	---

Miscellaneous Expenditure 

						N	I	L
--	--	--	--	--	--	---	---	---

Accumulated losses 

						N	I	L
--	--	--	--	--	--	---	---	---

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

Turnover 

			5	4	4	2	5	5
--	--	--	---	---	---	---	---	---

Total Expenditure 

			4	3	8	2	6	4
--	--	--	---	---	---	---	---	---

+/- Profit/loss before Tax 

			1	0	5	9	9	1
--	--	--	---	---	---	---	---	---

 +/- 

--	--	--	--	--	--	--	--	--

Profit/loss after Tax 

			6	8	2	9	1
--	--	--	---	---	---	---	---

Earning per share in Rs. 

			2	.	9	1
--	--	--	---	---	---	---

Dividend Rate % 

			0	0	0
--	--	--	---	---	---

### 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

Bipin R. Shah  
Director

Hariharan R.  
Manager

V. R. Narasimhan  
Company Secretary

## Cash Flow Statement for the year ended 31st March 2007

	2006-2007 Rupees	2005-2006 Rupees
<b>A) Cash Flow from Operating Activities</b>		
Net Profit before taxation and extraordinary items	105,991,642	78,300,097
Add / (Less) Adjustments for:		
Depreciation	16,253,034	13,043,982
Provision for gratuity and Leave Encashment	1,723,508	1,073,009
Interest / Dividend	(15,428,020)	(12,931,305)
Profit / Loss on sale of assets	(259,741)	(278,296)
<b>Operating Profit Before Working Capital Changes</b>	<b>108,280,423</b>	<b>79,207,487</b>
(Increase) / Decrease in loans and advances	(3,278,898)	115,294,626
(Increase) / Decrease in Sundry Debtors	2,479,806	(22,282,389)
Increase / (Decrease) in Provisions	45,000	(5,956)
Increase / (Decrease) in Current liabilities	58,837,756	29,953,951
	<b>58,083,664</b>	<b>122,960,232</b>
<b>Cash Generated from Operations</b>	<b>166,364,087</b>	<b>202,167,719</b>
Financial Expenses	—	—
Payment of Taxes (Net of refund)	(36,753,213)	(24,212,138)
Fringe Benefit Tax	(5,150,617)	(3,550,484)
<b>Net Cash Flow from Operating Activities (A)</b>	<b>124,460,257</b>	<b>174,405,097</b>
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed assets (owned)	(18,273,951)	(23,340,845)
Advance paid towards Capital Purchase	(1,960,770)	(1,756,273)
Sale of Fixed assets (owned)	2,479,408	3,221,978
Purchase of Investments	(498,028,704)	(640,737,521)
Sale of Investments	447,650,000	515,370,000
Interest received	1,936,346	5,846,858
Dividend received	7,228,704	6,822,521
<b>Net Cash Flow from Investment Activities (B)</b>	<b>(58,968,967)</b>	<b>(134,573,282)</b>
<b>C) Cash Flow From Financing Activities</b>		
Dividend / Dividend Tax paid	(5,722,200)	(40,800,000)
Buy Back of Equity Shares	(42,000,000)	—
Premium on Buy back of Equity Shares	(12,600,000)	—
<b>Net Cash Flow from Financing Activities (C)</b>	<b>(60,322,200)</b>	<b>(40,800,000)</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents (A + B + C)</b>	<b>5,169,090</b>	<b>(968,185)</b>
<b>Cash &amp; Cash Equivalents at the Beginning of the Year</b>	<b>3,212,975</b>	<b>4,181,160</b>
<b>Cash &amp; Cash Equivalents at the End of the Year</b>	<b>8,382,065</b>	<b>3,212,975</b>
<b>Note:</b>		
1. Cash and cash equivalent include :		
Cash on hand	—	—
Bank Balances	8,382,065	3,212,975
Total cash and cash equivalents	<b>8,382,065</b>	<b>3,212,975</b>

- 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.
- 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: 27th April, 2007

For and on behalf of the Board of Directors

Narayan S. A.  
Director

Hariharan R.  
Manager

Bipin R. Shah  
Director

V. R. Narasimhan  
Company Secretary