



Kotak Mahindra Trusteeship Services Ltd.

ANNUAL REPORT 2006-2007

Directors' Report

To the Members of Kotak Mahindra Trusteeship Services Limited (formerly Kotak Mahindra Private-Equity Trustee Limited)

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

1. FINANCIAL RESULTS

	For the year ended 31st March, 2007 Rupees	For the year ended 31st March, 2006 Rupees
Gross Income	32,36,847	23,49,405
Profit before Tax	30,45,467	21,48,967
Provision for Tax	10,10,000	7,25,672
Net Profit after Tax carried to Balance Sheet	20,35,467	14,23,295

2. DIVIDEND

The Directors do not recommend any dividend for this financial year.

3. OPERATIONS

During the year, pursuant to the approval of shareholders, the main objects of the Memorandum of Association of the Company were amended so as to enable the Company to undertake new business of providing estate planning services whereby the Company would offer advisory, drafting and execution, corporate trusteeship, executorships and safe custody services to clients as permitted by law for the time being in force in this regard. In view of the said new business, the name of the Company was changed from Kotak Mahindra Private – Trustee Company Limited to Kotak Mahindra Trusteeship Services Limited.

Kotak Mahindra Venture Capital Fund

The Company is the Trustee of Kotak Mahindra Venture Capital Fund (KMVCF or the Fund). KMVCF was formed on April 7, 2000 and has been registered with the Securities and Exchange Board of India (SEBI), as a 'venture capital fund'. Kotak Mahindra Bank is the investment manager of KMVCF.

KMVCF has received contributions aggregating Rs. 25 crore. It has made an aggregate of five portfolio investments amounting to Rs. 24 crore. Till March 31, 2007, the Fund has completely exited from four of its portfolio investments.

The Fund had a life of seven years, which (under the powers set out in the trust deed) was extended by the Trustee by one year to enable the Fund to complete the divestment of its last portfolio investment and wind down the Fund.

Kotak SEAF India Fund

Kotak Mahindra Bank Limited, along with SEAF Management LLC (through its 100% subsidiary in India) is a sponsor of a domestic venture capital fund, Kotak SEAF India Fund, which was set up as a Trust and registered with SEBI as a Venture Capital Fund. The Company is the Trustee of Kotak SEAF India Fund. India Growth Fund (IGF) was set up as a unit scheme of Kotak SEAF India Fund with investors from select institutional and high net worth investors, from both India and abroad, on a private placement basis.

IGF had its final closing in September 2005 with aggregate capital commitments of Rs. 707 crores. The Fund continues to be in an active investment mode and as at March 31, 2007, had made aggregate investments of Rs. 332 crores in 10 companies. These investments were in high growth sectors of home retail, logistics, home textiles, airline, light engineering, life sciences and software technology.

Kotak Mahindra Realty Fund

Kotak Mahindra Realty Fund (KMRF) has been organized as a trust and registered as a venture capital fund with SEBI. Kotak Mahindra Investments Limited is the Settlor and Investment Manager for KMRF. The Company has been appointed by the Settlor to act as the Trustee of KMRF and its various schemes.

KMRF is an umbrella Trust and the Trustees have power to form various schemes. The primary objective of KMRF is to invest in and provide finance to real estate sector and allied activities in India with an intention to generate superior risk adjusted returns. Kotak India Real Estate Fund 1 has been set up as a unit scheme of KMRF to accept investments from select institutional, corporate and high networth Investors on a private placement basis. This scheme had its final closing with committed contributions of Rs. 458 crores from the investors and KIREF 1 has committed 90% of its AUM in 8 investment opportunities. These investments span across IT Park Development, Enterprise Level Investment in Mid-segment hotel development & operating company, Residential Golf Course Community, Enterprise Level Investment in Real Estate Development & Construction Company, Warehousing.

4. DIRECTORS

During the year Mr. M. R. Punja resigned as a Director of the Company. The Directors place on record their appreciation of the valuable services rendered by Mr. Punja during his tenure as a Director.

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

5. AUDITORS

The Company's auditors, Messrs. C. C. Chokshi & Co., Chartered Accountants, Mumbai, hold the office till the conclusion of the ensuing Annual General Meeting. The Company has received a

communication from them stating that they do not offer themselves for re-appointment as statutory auditors of the Company. Accordingly, it is proposed to appoint Messrs. Deloitte Haskins & Sells, Chartered Accountants as the Statutory Auditors of the Company to hold office from the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting. The approval of the shareholders is being sought at the ensuing Annual General Meeting of the Company.

6. STATUTORY INFORMATION

The Company did not have any employees falling within the scope of sub-section (2A) of Section 217 of the Companies Act, 1956, 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 the Company is not a manufacturing company.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, based on the representations received from the operational management, confirm in pursuance of Section 217 (2AA) of the Companies Act, 1956, that:

- a. the 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;

- b. they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2007 and of the profit of the Company for the financial year ended 31st March, 2007;
- c. they 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 the Company and for preventing and detecting fraud and other irregularities; and
- d. the annual accounts have been prepared on a going concern basis.

For and on behalf of the Board of Directors

Shailesh Haribhakti
Chairman

Mumbai, 27th April, 2007

Auditors' Report

REPORT OF THE AUDITORS TO THE MEMBERS OF KOTAK MAHINDRA TRUSTEESHIP SERVICES LIMITED.

1. We have audited the attached Balance Sheet of Kotak Mahindra Trusteeship Services Limited (formerly known as Kotak Mahindra Private – Equity Trustee Limited) as at March 31, 2007, the Profit and Loss account and also 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 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 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 the 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 Companies Act, 1956;
 - e) On the basis of written representations received from the directors as on March 31, 2007 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 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 the notes thereon, give the information required by the Companies Act, 1956, in the manner so required 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, 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 the Cash Flow Statement, of the cash flows for the year ended on that date.

For C. C. CHOKSHI & CO.
Chartered Accountants

R. LAXMINARAYAN
Partner

Mumbai:
Dated: 27th April, 2007.

Membership No: 33023

Annexure to the Auditors' Report

Referred to in paragraph 3 of our report of even date on the accounts for the year ended March 31, 2007 of Kotak Mahindra Trusteeship Services Limited (formerly known as Kotak Mahindra Private – Equity Trustee Limited).

(i) 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.

(ii) The Company did not have any fixed assets during the year. Hence, the requirements of sub-clauses (a), (b) and (c) of clause (i) of paragraph 4 of the Order are not applicable to the Company for the year.

(iii) According to the information and explanations given to us, the Company has not granted or 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, 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.

(iv) The Company did not purchase any inventory or fixed assets or sell any goods during the year. However with regard to sale of services, based on information and explanations given to us and in our opinion, there are adequate internal control systems commensurate with the size of the Company and the nature of its business. During the course of our audit, we have not observed any continuing failure to correct weakness in the aforesaid internal control system.

(v) To the best of our knowledge and belief and according to the information and explanations given to us, there are no transactions that need to be entered into the register maintained under Section 301. Hence, the requirements of sub-clause (b) of Clause (v) of paragraph 4 of the Order are not applicable to the Company for the year.

(vi) The Company has not accepted any deposits from the public during the year.

(vii) The Company's paid-up capital and reserves did not exceed Rs. 50 lakhs as at the commencement of the year and the average annual turnover of the Company for the preceding three financial years is not more than Rs. 5 crores. Hence, the requirement of having an internal audit system does not arise.

(viii) According to the information and explanations given to us in respect of Statutory and others 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 statutory dues applicable to it with the appropriate authorities during the year.

(b) No undisputed amounts payable in respect of Income Tax, Wealth Tax and Service Tax were outstanding as at March 31, 2007 for a period of more than six months from the date they became payable. We have been informed that the provisions of the Investor Education and Protection Fund, Employees State Insurance Act, Sales Tax, Custom Duty and Excise Duty are not applicable to the company for the year.

(c) There are no dues of Income Tax, Wealth Tax, Service tax and Cess which have not been deposited on account of any dispute. We have been informed that the provisions of Sales Tax, Custom Tax and Excise Duty are not applicable to the company for the year.

(ix) 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.

(x) To the best of our knowledge and belief and according to the information and explanations given to us, the Company has not availed of any loans from financial institutions or banks and has not issued debentures.

(xi) 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.

(xii) According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.

(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 have been raised on short-term basis and hence the reporting requirement under Clause (xvii) of paragraph 4 of the order is not applicable to the company.

(xiv) The Company has not made any preferential allotment of shares during the year.

(xv) The company has not issued any debentures during the year.

(xvi) The Company has not raised any money by public issues during the year.

(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 C. C. CHOKSHI & CO.
Chartered Accountants

R. LAXMINARAYAN
Partner

Mumbai:
Dated: 27th April, 2007.

Membership No: 33023

Balance Sheet as at 31st March, 2007

	Schedule	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
I. Sources of Funds			
Shareholders' Funds			
Share Capital	1	500,000	500,000
Reserves & Surplus	2	3,673,757	1,638,290
Total		4,173,757	2,138,290
II. Application of Funds			
Investments	3	4,101,232	2,087,555
Current Assets, Loans and Advances			
Cash and Bank Balances	4	102,731	87,853
Loans and Advances	5	53,974	45,532
		156,705	133,385
Less : Current Liabilities and Provisions			
Current Liabilities	6	84,180	82,650
		84,180	831,650
Net Current Assets		72,525	50,735
Total		4,173,757	2,138,290
Significant Accounting Policies and Notes on Accounts	7		

As per our attached report of even date

For C. C. CHOKSHI & Co.
Chartered Accountants

R. Laxminarayan
Partner

Mumbai
Dated: 27th April, 2007

For and on behalf of the Board of Directors

Shailesh Haribhakti
Chairman

K. M. Gherda
Director

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

Schedule	For the year ended 31st March, 2007 Rupees	For the year ended 31st March, 2006 Rupees
Income		
Trusteeship Fees (TDS Rs. 199,261/-; Previous Year Rs. 142,366/-)	3,175,520	2,304,600
Interest on Income Tax Refund	—	645
Other Income	7,650	—
Profit on Sale of Current Investments	53,677	44,160
Total	3,236,847	2,349,405
Expenditure		
Auditors' Remuneration		
Audit Fees	75,000	75,000
Service Tax on Above Services	9,180	7,650
Service Tax Input Credit	(9,180)	75,000
Directors' Sitting Fees	105,000	112,500
Stamp Duty and Filing Fees	2,200	1,800
Printing & Stationary Expenses	2,588	2,020
Miscellaneous Expenses	6,592	1,468
Total	191,380	200,438
Profit Before Tax	3,045,467	2,148,967
Short Provision For Taxation of Earlier Years Provided	—	1,672
Provision For Tax - Current Tax	1,010,000	724,000
Profit After Tax	2,035,467	1,423,295
Add: Surplus Brought Forward from Previous Year	1,638,290	214,995
Surplus Carried to Balance Sheet	3,673,757	1,638,290
Basic and Diluted Earnings per Share (Refer note B (vi) of schedule 7)	40.71	28.47
Significant Accounting Policies and Notes on Accounts	7	

As per our attached report of even date

For C. C. CHOKSHI & Co.
Chartered Accountants

R. Laxminarayan
Partner

Mumbai
Dated: 27th April, 2007

For and on behalf of the Board of Directors

Shailesh Haribhakti
Chairman

K. M. Gherda
Director

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

Particulars	2006-07 Rupees	2005-06 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit After Taxes	2,035,467	1,423,295
Adjustment for :		
(Profit)/loss on Sale of Investment	(53,677)	(44,160)
Income Tax Expense	1,010,000	725,060
Operating Profit Before Working Capital Changes	2,991,790	2,104,195
Adjustments for :		
(Decrease)/Increase in Current Liabilities	1,530	(65,619)
(Increase) in Loans & Advances	(9,180)	(12,345)
Cash Used In Operation	2,984,140	2,026,231
Income Taxes Paid (Net of Refund)	(1,009,262)	(729,991)
Net Cash Used in Operating Activities (A)	1,974,878	1,296,240
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Investment	(3,040,000)	(2,065,000)
Sale of Investment	1,080,000	798,000
Net Cash Flow from Investment Activities (B)	(1,960,000)	(1,267,000)
Net Cash Flow from Financing Activities (C)	NIL	NIL
Net Increase/(Decrease) in Cash & Cash Equivalents (A + B + C)	14,878	29,240
Cash & Cash Equivalents at the Beginning of the Year	87,853	58,613
Cash & Cash Equivalents at the End of the Year	102,731	87,853

Notes :

- Cash and cash equivalent include :

Cash on hand	—	100
Bank balances	102,731	87,753
Total cash and cash equivalents	102,731	87,853
- 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 C. C. CHOKSHI & Co.
Chartered Accountants

R. Laxminarayan
Partner

Mumbai
Dated: 27th April, 2007

For and on behalf of the Board of Directors

Shailesh Haribhakti
Chairman

K. M. Gherda
Director

Schedules forming part of the Balance Sheet as at 31st March, 2007

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
Schedule 1 — Share Capital		
Authorised		
50,000 Equity Shares of Rs 10/- each	500,000	500,000
Issued and Subscribed		
50,000 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)	500,000	500,000
Total	500,000	500,000
Schedule 2 — Reserves and Surplus		
Balance in profit and loss account	3,673,757	1,638,290
Total	3,673,757	1,638,290
Schedule 3 — Investments (Non trade-unquoted)		
Current Investments (at cost or market / fair value which ever is lower)		
294,988.5307 units (P.Y.157,247.2395 units) of Kotak Mahindra Mutual Fund K-liquid (Growth Plan) of Rs. 10/- each	4,101,232	2,087,555
Total	4,101,232	2,087,555
Schedule 4 — Cash and Bank Balances		
Cash on Hand	—	100
Balance with scheduled bank		
In current accounts	102,731	87,753
Total	102,731	87,853
Schedule 5 — Loans and Advances		
(Unsecured, considered good)		
Refund Receivable	12,345	12,345
Service Tax Input Credit	9,180	—
Advance Payment of Tax and Tax Deducted at Source (Net of Provision of Taxation of Rs. 17,59,000, Previous Year Rs. 7,49,000)	32,449	33,187
Total	53,974	45,532
Schedule 6 — Current Liabilities		
Sundry Creditors (other than small scale industries)	84,180	82,650
Total	84,180	82,650

Schedules forming part of the Balance Sheet and Profit and Loss Account

Schedule 7 — Significant Accounting Policies and Notes Forming Part of the Accounts for the Year Ended 31st March, 2007

A) SIGNIFICANT ACCOUNTING POLICIES

i) Basis of Accounting

The Company adopts accrual concepts in preparation of accounts.

ii) Revenue Recognition

Revenue is recognised when no significant uncertainty as to measurability or collectibility exists.

iii) 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/fair value whichever is lower.

iv) 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 subject to the consideration of prudence in respect of deferred tax assets, 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.

v) Contingent Liabilities

Provisions 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 recognised nor disclosed in the financial statements.

B) NOTES TO ACCOUNTS

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

ii) Segment 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, since the company has a single reportable business segment of providing services in the capacity of trustee to venture capital funds.

iii) The company has not received any intimation from the suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence, the disclosures relating to amount unpaid as at the end of the year together with interest paid/payable as required under the said Act has not been furnished and provision for interest, if any, on delayed payments, is not ascertainable at this stage.

iv) Related Party Disclosure

Parties where control exists

Holding Company	Kotak Mahindra Bank Limited holds 100% of the share capital along with its nominees
	Mr. Uday Kotak along with relatives and companies controlled by him holds 51.46% share capital of Kotak Mahindra Bank Limited
Mutual Fund Managed by Fellow Subsidiary	Kotak Mahindra Mutual Fund (managed by Kotak Mahindra Asset Management Company Limited)
Enterprise where the Company is the trustee	Kotak Mahindra Venture Capital Fund Kotak SEAF India Fund Kotak Mahindra Realty Fund

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

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

Nature of Transaction	Mutual Fund Managed by Fellow Subsidiary	Enterprise where the company is a Trustee
I) Income :		
Trustee Fees		
Kotak Mahindra Venture Capital Fund		1,75,520
		(1,79,600)
Kotak SEAF India Fund		15,00,000
		(15,00,000)
Kotak Mahindra Realty Fund		15,00,000
		(6,25,000)
II) Investments		
Purchase of Investments	30,40,000	
	(20,65,000)	
Sale of Investments	10,80,000	
	(7,98,000)	

Figures in brackets represent previous year's figures

v) During the year the Company has purchased and sold the following investments held as current investments:

Nature of Investment	Face Value	Current Year		Previous Year	
		No.	Amount (Rs.)	No.	Amount (Rs.)
Units of Kotak Mahindra Mutual Fund : K-Liquid (regular) Growth fund	10	74,970.89	1,026,322.52	58,621.81	753,839.56

vi) Earnings Per Share (EPS)

The numerators and denominators used to calculate Basic and Diluted Earnings Per Share

	Ref.	For the year ended 31st March, 2007	For the year ended 31st March, 2006
Profit attributable to the Equity Shareholders (Rs.)	A	2,035,467	1,423,295
Weighted Average number of Equity Shares outstanding during the year	B	50,000	50,000
Nominal Value of Equity Share (Rs.)	C	10	10
Basic and Diluted Earnings Per Share (Rs.)	D = (A) / (B)	40.71	28.47

