

## DIRECTORS' REPORT

To,  
The Members,  
**AXIS TRUSTEE SERVICES LIMITED**

Your Directors have pleasure in presenting their Third Annual Report on the operations of the Company together with the Audited Accounts for the year ended 31<sup>st</sup> March, 2011.

### **FINANCIAL RESULTS:**

The Financial Results of the Company for the year ended March 31, 2011 are summarized below:-

<b>Particulars</b>	<b>For the year Ended 31.03.2011 Amount (Rs. In Crores)</b>	<b>For the period Ended 31.03.2010 Amount (Rs. In Crores)</b>
Gross Income	15.08	5.81
Profit before depreciation and Tax	12.15	3.83
Depreciation	0.02	0.01
Tax (Net of Fringe Benefit Tax & Deferred Tax	4.03	1.30
<b>Net Profit for the period</b>	<b>8.10</b>	<b>2.51</b>
APPROPRIATIONS		
Proposed Dividend	1.13	0.75
Tax on Dividend	0.18	0.12
Transfer to General Reserve	0.81	0.25
Surplus carried to Balance Sheet	5.98	1.39
<b>TOTAL</b>	<b>8.10</b>	<b>2.51</b>

### **OPERATIONS & FUTURE OUTLOOK OF THE COMPANY:**

During the year under review the Income of the Company increased from Rs. 5.81 Crs to Rs. 15.08 Crs. The profit before depreciation and taxation stood at Rs. 12.15 Crs as against Rs. 3.83 Crs in the previous period and profit available for appropriation after providing depreciation and taxation stands at Rs. 8.10 Crs as against Rs. 2.51 Crs in the previous period. As against the projected revenue of Rs. 12.6 Crs set for the financial year ending March 31, 2011, the Company clocked Rs. 15.08 Crs. thereby exceeding its expectations. Due to the increasing interest rate scenario there was a dip in the Debenture Trustee activities (which is one of the major source of business) inspite of which the Company could clinch 263 new mandates as against 200 new mandates during the Previous Year. The Company is currently handling over 1000 transactions as against 700 transactions handled during the previous year. The continued rise in the cost of debt may derail the credit growth, thereby affecting the Trustee Business. However, your Directors are confident that the Company would continue to exhibit good performance in the current year as well.

**DIVIDEND:**

The Board of Directors have recommended a Dividend of Rs. 7.5/- per share (75%) for the year ended March 31, 2011 as compared to previous year Rs.5/- per share (50%) on pro rata basis.

**BOARD OF DIRECTORS:**

Mr. Manmohan Agrawal and Mr. Rajaraman Viswanathan were appointed as Additional Directors w.e.f. 11/10/2010. Pursuant to Section 260 of the Companies Act, 1956, he holds the office up to the ensuing Annual General Meeting of the Company.

The Company has received notice from a Member pursuant to Section 257 of the Companies Act, 1956 signifying intention to propose the candidature of Mr. Manmohan Agrawal and Mr. Rajaraman Viswanathan for the office of Director. The Board recommends his appointment.

In accordance with the provisions of the Companies Act, 1956 and Article 89 of Articles of Association of the Company, Mr. K. Vishwanathan retires by rotation at the Third Annual General Meeting and, being eligible, offers himself for re-appointment as Director of the Company.

**PUBLIC DEPOSITS:**

Your Company has neither invited nor accepted/renewed any "Deposit" from public within the meaning of the term "Deposits" under the Companies (Acceptance of Deposits) Rules 1975, read with Section 58A of the Companies Act, 1956 as amended from time to time.

**PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

1. Considering the nature of activities of the Company, the provisions of Section 217(1) (e) of the Companies Act, 1956 relating to conservation of energy and technology absorption do not apply to the Company. However, the Company has used information technology in its operations.
2. Further, there were no Foreign Exchange Earnings and Outgo during the year under review.

**PARTICULARS OF EMPLOYEES:**

None of the Employees of the Company are in receipt of Remuneration in excess of limits specified under section 217 (2A) of the Companies Act, 1956, whether employed through out or part of the year.

**COMPLIANCE CERTIFICATE:**

In accordance with section 383A of the Companies Act 1956, and Companies (Compliance Certificate) Rules 2001, the Company has obtained a certificate from M/s Jayshree Dagli & Associates, Company Secretary in the wholetime practice and a copy of such Certificate is attached to this Report.

**AUDITORS:**

The Auditors, M/s. S. R. Batliboi & Co. Chartered Accountants, Mumbai retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

**DIRECTORS' COMMENTS ON AUDITORS' REPORT:**

The observations made by the Auditors in their Report read with relevant notes given in the Notes to Accounts are self explanatory and therefore, do not require any comments from your Directors pursuant to Section 217(3) of the Companies Act, 1956.

**DIRECTORS' RESPONSIBILITY STATEMENT:-**

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors affirm that;

- (i) In the preparation of the Annual Accounts of the Company, the applicable Accounting Standards have been followed.
- (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 the Company at the end of the Financial Year on 31st March, 2011 and Profit and Loss for the Financial Year ended as on that date.
- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and preventing and detecting fraud and other irregularities;
- (iv) The Directors have prepared the Annual Accounts on a going concern basis.

**ACKNOWLEDGEMENT:**

The Board of Directors places on record its gratitude to the SEBI and other government and regulatory authorities for their support. The Board also places on record its sincere gratitude to employees and officers for their support and co-operation.

**For and on behalf of the Board of Directors**

**V. SRINIVASAN**  
**Chairman**

**Place: Mumbai**

**Date:**

## Auditors' Report

To  
**The Members of Axis Trustee Services Limited**

1. We have audited the attached balance sheet of Axis Trustee Services Limited ('the Company') as at 31 March 2011 and also the profit and loss account and the cash flow statement for the year ended 31 March 2011. 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 (as amended) ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, ('the Act') we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. *Without qualifying our opinion, we draw attention to note 6 of Schedule 14 to the financial statements. The Company has incurred managerial remuneration of Rs 8,539,928 during the year, which is in excess of the limits specified by the relevant provisions of the Act by Rs 3,192,607. Further to the reasons stated in the aforementioned note, the Company has made an application to the appropriate regulatory authorities in this regard, for payment of such excess remuneration to managerial personnel. Pending the final outcome of the Company's revised application for reasons more fully stated in the aforementioned note 6, no adjustments have been made to the accompanying financial statements in this regard.*
5. Further to our comments in paragraph 3 and in the Annexure referred to above, we report that:
  - i. 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;
  - ii. 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;
  - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - iv. 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;
  - v. On the basis of the written representations received from the directors, as on 31 March 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;

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- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2011;
    - b) in the case of the profit and loss account, of the profit for the year ended 31 March 2011; and
    - c) in the case of cash flow statement, of the cash flows for the year ended 31 March 2011.

**For S.R. Batliboi & Co.**

Firm Registration No.: 301003E

Chartered Accountants

**per Viren H. Mehta**

Partner

Membership No.: 048749

Place: Mumbai

Date: 7 April 2011

Annexure referred to in paragraph [3] of our report of even date

Re: Axis Trustee Services Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
  - (c) There was no substantial disposal of fixed assets during the year.
- (ii) The Company did not have any inventory during the year. Accordingly the clause 4(ii) of the Order is not applicable.
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act.
  - (b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the company. The Company has not purchased any inventory nor sold any goods. Hence, internal control procedures over these areas have not been commented upon.
- (v) According to the information and explanations provided by the management, we are of the opinion that there are no contracts or arrangements entered with parties referred to in section 301 of the Act during the year ended 31 March 2011.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act for the products of the Company.

(ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including income-tax, provident fund, service tax, cess and other material statutory dues applicable to it. As informed to us, the provisions relating to employees' state insurance, investor education and protection fund, sales-tax, wealth tax, customs duty and excise duty are currently not applicable to the Company.

Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, wealth-tax, service tax, provident fund, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. As informed to us, the provisions relating to employees' state insurance, investor education and protection fund, sales-tax, wealth tax, customs duty and excise duty are currently not applicable to the Company.

(c) According to the information and explanation given to us, there are no dues of income tax, service tax and cess which have not been deposited on account of any dispute. As informed to us, the provisions relating to wealth tax, sales-tax, customs duty and excise duty are currently not applicable to the Company.

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) The Company does not have any borrowing from financial institutions or from banks or by way of debentures.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.

(xv) 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.

(xvi) The Company did not have any term loans outstanding during the year ended 31 March 2011.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds have been raised on short-term basis, hence the question of its utilization for long-term investment does not arise.

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(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.

(xix) The Company did not have any outstanding debentures during the year ended 31 March 2011.

(xx) The Company has not raised any money through the public issue during the year ended 31 March 2011.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S.R. Batliboi & Co.  
Firm Registration No.: 301003E  
Chartered Accountants

per Viren H. Mehta  
Partner  
Membership No.: 048749

Place: Mumbai  
Date: 7 April 2011

**AXIS TRUSTEE SERVICES LIMITED**

**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedule	For the year ended March 31, 2011	For the year ended March 31, 2010
		(Rupees)	(Rupees)
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	15,000,000	15,000,000
Reserves and Surplus	2	<u>86,490,120</u>	<u>18,557,281</u>
	<b>TOTAL</b>	<b><u>101,490,120</u></b>	<b><u>33,557,281</u></b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>	3		
Gross Block		919,639	585,509
Less: Accumulated Depreciation		<u>287,861</u>	<u>125,477</u>
Net Block		<b>631,778</b>	<b>460,032</b>
<b>DEFERRED TAX ASSET (NET) (Refer Schedule 14 - note 5)</b>		<b>51,500</b>	<b>54,324</b>
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Interest Accrued on Fixed Deposits		4,714,179	2,750,326
Sundry Debtors	4	<u>29,668,178</u>	<u>7,479,670</u>
Cash and Bank Balances	5	<u>129,028,839</u>	<u>57,402,587</u>
Loans and Advances	6	<u>3,489,032</u>	<u>3,544,425</u>
		<b><u>166,900,228</u></b>	<b><u>71,177,008</u></b>
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>			
Current Liabilities	7	52,670,950	29,222,204
Provisions	8	<u>13,422,436</u>	<u>8,911,879</u>
		<b><u>66,093,386</u></b>	<b><u>38,134,083</u></b>
<b>NET CURRENT ASSETS</b>		<b>100,806,842</b>	<b>33,042,925</b>
	<b>TOTAL</b>	<b><u>101,490,120</u></b>	<b><u>33,557,281</u></b>
<b>Notes to Accounts</b>	14		

The schedules refer to above and notes to accounts form an integral part of the Balance Sheet

As per our report of even date

**For S.R. Batliboi & Co.  
Firm Registration No.: 301003E  
Chartered Accountants**

**per Viren H. Mehta  
Partner  
Membership No.: 048749  
Place: Mumbai  
Date: 7 April 2011**

**For and on behalf of the Board of Directors  
of Axis Trustee Services Limited**

**K. Vishwanathan  
Managing Director & CEO  
Place: Mumbai  
Date: 7 April 2011**

**Sidharth Rath  
Director**

**AXIS TRUSTEE SERVICES LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2011**

	Schedule	For the year ended March 31, 2011 (Rupees)	For the year ended March 31, 2010 (Rupees)
<b>INCOME</b>			
Trusteeship Fees	9	144,552,077	54,868,149
(Tax Deducted at Source - Current year Rs.14,822,653, Previous year Rs. 7,309,229)			
(Service Tax - Current year Rs. 17,696,956, Previous year Rs. 7,398,123)			
Other Income	10	6,259,915	3,278,720
		<u>150,811,992</u>	<u>58,146,869</u>
<b>EXPENDITURE</b>			
Personnel Expenses	11	19,811,520	11,786,254
Administrative and Other Expenses	12	9,503,814	8,076,291
Depreciation	3	166,209	114,383
		<u>29,481,543</u>	<u>19,976,928</u>
<b>PROFIT BEFORE TAXATION</b>			
Current Tax		121,330,449	38,169,941
Deferred Tax		<u>40,319,756</u>	<u>12,934,897</u>
		2,824	101,612
<b>NET PROFIT AFTER TAX</b>			
Balance brought forward from previous year		81,007,869	25,133,432
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		<u>15,660,941</u>	<u>1,786,602</u>
		<u>96,668,810</u>	<u>26,920,034</u>
<b>APPROPRIATIONS</b>			
Proposed Dividend		11,250,000	7,500,000
Tax on Proposed Dividend		1,825,031	1,245,750
Transfer to General Reserve		8,100,787	2,513,343
Surplus Carried to Balance Sheet		75,492,992	15,660,941
		<u>96,668,810</u>	<u>26,920,034</u>
<b>Basic &amp; Diluted Earning Per Share (Rs.)</b>	14(7)	54.01	16.76
(Face value Rs.10/- per share)			
<b>Notes to Accounts</b>	14		

The schedules refer to above and notes to accounts form an integral part of the Profit and Loss Account  
As per our report of even date

**For S.R. Batliboi & Co.**  
**Firm Registration No.: 301003E**  
**Chartered Accountants**

per Viren H. Mehta  
**Partner**  
Membership No.: 048749  
Place: Mumbai  
Date: 7 April 2011

**For and on behalf of the Board of Directors**  
**of Axis Trustee Services Limited**

K. Vishwanathan  
Managing Director & CEO  
Place: Mumbai  
Date: 7 April 2011

Sidharth Rath  
Director

## AXIS TRUSTEE SERVICES LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED March 31, 2011

	March 31, 2011 (Rupees)	March 31, 2010 (Rupees)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
NET PROFIT BEFORE TAX	121,330,449	38,169,941
Adjustment for:		
Depreciation and Amortisation	166,209	114,383
Loss on Sale of Fixed Assets	12,365	
Interest Income	(6,253,636)	(6,075,062) (3,265,088) (3,150,705)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>115,255,387</b>	<b>35,019,236</b>
Movement in Working Capital:		
Increase in Sundry Debtors	(22,188,508)	(5,705,591)
Increase in Loans and Advances	17,396	311,061
Increase in Current Liabilities and Provisions	23,630,022	16,149,932 10,755,402
<b>CASH GENERATED FROM OPERATIONS</b>	<b>116,714,297</b>	<b>45,774,638</b>
Direct Taxes Paid	(40,281,758)	(15,964,487)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>76,432,539</b>	<b>29,810,151</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(353,820)	(318,212)
Proceeds from Sale of Fixed Assets	3,500	
Increase in Fixed Deposits with Banks	(71,700,608)	(33,438,578)
Interest Income on Fixed Deposits	4,289,783	3,265,088
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(67,761,145)</b>	<b>(30,491,702)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend Paid including Tax on Proposed Dividend	(8,745,750)	(1,419,178)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(8,745,750)</b>	<b>(1,419,178)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(74,356)</b>	<b>(2,100,729)</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>3,001,688</b>	<b>3,076,044</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>3,076,044</b>	<b>5,176,773</b>
	(74,356)	(2,100,729)
<b>COMPONENTS OF CASH &amp; CASH EQUIVALENTS</b>		
Balances with Schedule Banks:		
In Current Accounts	3,001,688	3,076,044
In Deposit Accounts	-	-

The schedules refer to above and notes to accounts form an integral part of the Cash Flow Statement

As per our report of even date

For S.R. Batliboi & Co.  
Firm Registration No.: 301003E  
Chartered Accountants

For and on behalf of the Board of Directors  
of Axis Trustee Services Limited

per Viren H. Mehta  
Partner  
Membership No.: 048749  
Place: Mumbai  
Date: 7 April, 2011

K. Vishwanathan  
Managing Director & CEO  
Place: Mumbai  
Date:

Sidharth Rath  
Director

**AXIS TRUSTEE SERVICES LIMITED**

**SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2011**

	For the year ended March 31, 2011 (Rupees)	For the year ended March 31, 2010 (Rupees)
<b>SCHEDULE 1: SHARE CAPITAL</b>		
<b>Authorised</b>		
50,00,000 Equity Shares of Rs.10/- each	50,000,000	50,000,000
	<b>50,000,000</b>	<b>50,000,000</b>
<b>Issued, Subscribed and Paid-up</b>		
1,500,000 Equity Shares of Rs. 10/- each (1,500,000 of Rs. 10/- each are held by the holding company, Axis Bank Limited and its nominees)	15,000,000	15,000,000
	<b>15,000,000</b>	<b>15,000,000</b>
<b>SCHEDULE 2: RESERVES AND SURPLUS</b>		
<b>General Reserve</b>		
Balance at the beginning of the year	2,896,340	-
Add: Transferred from Profit and Loss Account	<u>8,100,788</u>	10,997,128
	<b>8,100,788</b>	2,896,340
<b>Profit and Loss Account</b>		
	<b>75,492,992</b>	15,660,941
	<b>86,490,120</b>	<b>18,557,281</b>

AXIS TRUSTEE SERVICES LIMITED

SCHERBLES ANNESSSED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2011

**SCHEDULE 3: FIXED ASSETS**

Gross Block							Depreciation			Net Block	
Nature of Fixed Assets	As at April 1, 2010	Additions during the year	Deduction During the year	As at March 31, 2011	As at April 1, 2010	For the year	Deduction During the year	As at March 31, 2011	As at March 31, 2011	As at March 31, 2010	
<b>Tangible Assets</b>											
Computers	239,138	102,040	-	341,178	85,090	103,698	-	188,788	152,390	154,048	
Office Equipment	235,712	-	19,690	216,022	30,761	32,216	3,825	59,152	156,870	204,951	
Furniture and Fixtures	75,747	251,780	-	327,527	674	23,313	-	23,987	303,540	75,073	
<b>Sub-total</b>	<b>550,597</b>	<b>353,820</b>	<b>19,690</b>	<b>884,727</b>	<b>116,525</b>	<b>159,227</b>	<b>3,825</b>	<b>271,927</b>	<b>612,800</b>	<b>434,072</b>	
<b>Intangible Asset</b>											
Computer Software	34,912	-	-	34,912	8,952	6,982	-	15,934	18,978	25,960	
<b>Sub-total</b>	<b>34,912</b>		<b>-</b>	<b>34,912</b>	<b>8,952</b>	<b>6,982</b>	<b>-</b>	<b>15,934</b>	<b>18,978</b>	<b>25,960</b>	
<b>Total</b>	<b>585,599</b>	<b>353,820</b>	<b>19,690</b>	<b>919,639</b>	<b>125,477</b>	<b>166,209</b>	<b>3,825</b>	<b>287,861</b>	<b>631,778</b>	<b>460,032</b>	
Previous Year	267,297	318,212	-	585,509	11,094	114,383	-	125,477	460,032		

**AXIS TRUSTEE SERVICES LIMITED**

**SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2011**

	For the year ended March 31, 2011 (Rupees)	For the year ended March 31, 2010 (Rupees)
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>Schedule 4: Sundry Debtors (Unsecured - Considered Good)</b>		
Debts Outstanding for a period exceeding six months	2,138,725	-
Other Debts	27,529,453	7,479,670
	<b>29,668,178</b>	<b>7,479,670</b>
<b>Schedule 5: Cash and Bank Balances</b>		
Cash on Hand	-	-
Balances with Scheduled Banks	-	-
In Current Account	3,001,688	3,076,044
In Deposit Account	126,027,151	54,326,543
(Due from company under the same management - Axis Bank Limited)	<b>129,028,839</b>	<b>57,402,587</b>
<b>Schedule 6: Loans and Advances</b>		
(Unsecured - Considered Good)	-	-
Advances Recoverable in cash or in kind or for value to be received	-	20,000
Advance Tax (Net of Provision for Tax : Rs 53,527,030, Previous year Rs.13,205,274)	2,870,398	2,908,396
Prepaid Expenses	307,497	616,029
Input Service Tax Credit	311,137	-
	<b>3,489,032</b>	<b>3,544,425</b>
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Schedule 7: Current Liabilities</b>		
Sundry Creditors	1,930,445	445,040
(Outstanding dues of Micro Enterprises and Small Enterprises: Current year - Rs. Nil, Previous year Rs. Nil)	-	-
Undisputed Statutory Dues	3,550,004	876,668
Due to the Holding Company - Axis Bank Limited	854,131	2,160,724
Income Received in Advance	46,336,370	25,739,772
	<b>52,670,950</b>	<b>29,222,204</b>
<b>Schedule 8: Provisions</b>		
Provision for Bonus, Gratuity & Leave Encashment	347,405	166,129
Proposed Dividend	11,250,000	7,500,000
Tax on Proposed Dividend	1,825,031	1,245,750
	<b>13,422,436</b>	<b>8,911,879</b>

**AXIS TRUSTEE SERVICES LIMITED**

**SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED MARCH 31, 2011**

For the year ended March 31, 2011 (Rupees)	For the period ended March 31, 2010 (Rupees)
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**SCHEDULE 9: TRUSTEESHIP FEES**

Initial Acceptance Fees	22,240,000	17,935,000
Annual Fees	76,246,477	36,933,149
Servicing Fees	46,065,600	-
	<b>144,552,077</b>	<b>54,868,149</b>

**SCHEDULE 10: OTHER INCOME**

Interest on Fixed Deposits (TDS Rs.639,105, Previous year Rs. 326,510)	6,253,636	3,265,088
Miscellaneous Income	6,279	13,632
	<b>6,259,915</b>	<b>3,278,720</b>

**SCHEDULE 11: PERSONNEL EXPENSES**

Salaries and Allowances (Including for Deputation Employees) (Current year Rs. 1,10,88,286, Previous year Rs. 78,34,543)	14,445,917	9,298,266
Bonus (Including for Deputation Employees)	5,174,208	2,308,720
Staff Welfare Expenses	191,395	179,268
	<b>19,811,520</b>	<b>11,786,254</b>

**SCHEDULE 12: ADMINISTRATIVE AND OTHER EXPENSES**

Rent	6,198,594	5,520,900
Rates and Taxes	365,923	348,543
Printing and Stationery	90,770	53,722
Legal and Professional	398,250	748,875
Office Expenses	1,207,019	313,090
Travelling and Conveyance	674,473	710,601
Communication Expenses	83,478	124,553
Auditors' Remuneration (For Audit)	254,807	200,000
Directors' Fees	85,000	18,000
Electricity charges	17,401	-
Miscellaneous Expenses	128,100	38,007
	<b>9,503,814</b>	<b>8,076,291</b>

**Schedule 14: Notes to Accounts**

**1. Nature of Operations**

Axis Trustee Services Limited ('the Company') was incorporated on 16 May 2008. The Company has obtained approval to commence business on 30 September 2008. The Company is a wholly owned subsidiary of Axis Bank Limited and the primary objective for the formation of the Company is to carry out trusteeship business.

**2. Statement of Significant Accounting Policies**

**(a) Basis of Preparation**

The financial statements have been prepared to comply in all material respects in respects with the Notified accounting standard by Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis.

**(b) Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

**(c) Retirement Benefits**

Gratuity liability is computed and accrued by the Company in accordance with payment of Gratuity Act, 1972. The Company has made provision for leave encashment to its employees as per Company policy.

**(d) Fixed Assets (including intangible assets)**

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

**(e) Investments**

Long term investments are carried at cost.

Current investments are carried at lower of cost and fair value, determined on an individual basis.

**(f) Depreciation**

Depreciation is provided using the Straight Line Method ('SLM') as per the useful lives of the assets estimated by the management, or at the rates prescribed under Schedule XIV of the Companies Act, 1956, whichever is higher.

	<b>Rates (SLM)</b>	<b>Schedule XIV Rates (SLM)</b>
Computers	33.33%	16.21%
Office equipment including Furniture and Fittings	10%	6.33%
Vehicles	25%	9.5%
Software	20%	16.21%
Mobile	50%	4.75%

**(g) Impairment**

- i. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.
- ii. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

**(h) Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Trusteeship fees are recognized, on a straight line basis, over the period when services are performed. Initial acceptance fee is recognized as and when the 'Offer Letter' for the services to be rendered is accepted by the customer.

Interest income on fixed deposits is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

**(i) Income Taxes**

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

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realized.

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

**(j) Segment Information**

The company is engaged primarily in the Trusteeship business and its business operations are concentrated in India. Accordingly there are no separate reportable segments as per Accounting Standard - 17 issued by The Institute of Chartered Accountants of India.

**(k) Earnings per Share**

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period.

**(l) Provisions**

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

**(m) Cash and Cash Equivalents**

Cash and cash equivalents in the balance sheet comprise cash on hand and balances with banks. It includes fixed deposits with banks with original maturity of less than 3 months.

**(n) Preliminary Expenditure**

Preliminary expenditure is charged off to the profit and loss account in the year in which it is incurred.

**3. Related Parties**

Names of related parties where control exists irrespective of whether transactions have occurred or not

Holding Company	Axis Bank Limited (the Bank or the Holding Company)
Key Management Personnel	Mr. K. Vishwanathan (Managing Director)
Fellow Subsidiaries	Axis Private Equity Limited
	Axis Securities and Sales Limited (Formerly known as Axis Sales Limited)
	Axis Asset Management Company Limited
	Axis Mutual Fund Trustee Limited
Joint Venture of Holding Company	Bussan Auto Finance India Private Limited

Related Party Disclosure as on March 31, 2011

Particulars	Holding Company	Key Management Personnel (Managing Director)	Total 2010-11 (Rupees)
Interest received on deposits	6,253,636	Nil	6,253,636
Interest paid	1,973	Nil	1,973
Rent paid	6,198,594	Nil	6,198,594
Other reimbursements (expenses)	399,184	154,848	554,032
Salaries including bonus provided	7,427,947	8,539,928*	15,967,875
Nominee director sitting fees	52,000	Nil	52,000
Deposits outstanding	126,027,151	Nil	126,027,151
Balance in current account	3,001,688	Nil	3,001,688
Interest receivable at the year end	4,714,179	Nil	4,714,179
Amounts payable at year end including bonus to KMP (Net)	854,131	-	854,131
Servicing fees	46,065,600	-	46,065,600
One time trusteeship fees	1,000,000	-	1,000,000
Proposed dividend	-	-	-
Share Capital	15,000,000	-	15,000,000

\* Amount paid/payable to the Holding Company.

There are no transactions with fellow subsidiaries or joint venture of the Bank during the year.

Related Party Disclosure as on March 31, 2010

(Rupees)

Particulars	Holding Company	Key Management Personnel (Managing Director)	Total 2009-10
Interest on deposits	3,265,088	Nil	3,265,088
Rent paid	5,520,900	Nil	5,520,900
Other reimbursements (expenses)	507,028	55,306	562,334
Salaries including bonus provided	5,759,238	4,236,436*	9,995,674
Nominee director sitting fees	18,000	Nil	18,000
Deposits outstanding	54,326,543	Nil	54,326,543
Balance in current account	3,076,044	Nil	3,076,044
Interest receivable at the year end	2,750,326	Nil	2,750,326
Amounts payable at year end including bonus	2,160,724	769,688*	2,160,724
Proposed dividend	7,500,000	Nil	7,500,000
Share Capital	15,000,000	-	15,000,000

\* Amount paid/payable to the Holding Company.

There are no transactions with fellow subsidiaries or joint venture of the Bank during 2009-10.

#### 4. Leases

The Company has not taken any assets on operating/finance lease. However, lease rentals amounting to Rs. 6,198,594 (Previous year Rs. 5,520,900) are reimbursed to Axis Bank Limited.

### 5. Deferred Tax Asset

<b>Particulars</b>	<b>31 March 2011 Rupees</b>	<b>31 March 2010 Rupees</b>
<i>Deferred Tax Asset</i>		
Preliminary expenditure written off	33,276	99,828
Provision for gratuity	15,412	6,159
Provision for leave encashment	33,553	-
<i>Less: Deferred Tax Liability</i>		
Depreciation on fixed assets	(30,741)	(51,663)
<b>Deferred Tax Asset (Net)</b>	<b>51,500</b>	<b>54,324</b>

### 6. Supplementary Statutory Information

<b>Managing Directors' Remuneration</b>	<b>31 March 2011 Rupees</b>	<b>31 March 2010 Rupees</b>
Salaries and allowances	4,517,604	3,269,804
Contribution to superannuation fund	106,460	89,520
Contribution to provident fund	127,752	107,424
Bonus for current year	3,215,000	769,688
Bonus for previous year	573,112	-
<b>Total</b>	<b>8,539,928</b>	<b>4,236,436</b>

- (a) The Company's Managing Director is on deputation from the Bank. Accordingly, the Bank determines the terms and condition of remuneration of the Managing Director in accordance with the applicable scale and grade in the Bank.
- (b) The Board of Directors of the Company in its meeting held on 8 October 2008 approved the appointment of the Managing Director of the Company for a period of three years with effect from 8 October 2008 to 7 October 2011 and approved the terms and conditions including the remuneration payable to the Managing Director. The aforesaid approved remuneration payable to the Managing Director was in excess of the limits prescribed under Section 198(4), 309(3) and Schedule XIII of the Companies Act, 1956, and accordingly, the Company sought suitable approval from the Central Government. However, the Central Government, vide their approval dated 6 August 2009 granted approval for the appointment of the Managing Director for a period of 3 years but approved the terms of payment of remuneration for a period of 2 years with effect from 8 October 2008 till 7 October 2010.

- (c) The remuneration payable to the Managing Director for the year ending 31 March 2011, as approved by the Company's Board of Directors, is in excess of the limits prescribed under Section 198(4), 309(3) and Schedule XIII of the Companies Act, 1956, and also the Central Government's approval dated 6 August 2009. The Company has again applied on 4 November 2010 to the Central Government for approval of reappointment of the Managing Director and fixing remuneration payable to him with effect from 8 October 2010 to 7 October 2013. The managerial remuneration incurred during the year ended 31 March 2011 is excess of limits specified by the relevant provisions of the Companies Act, 1956, and the aforesaid Central Government approval, by Rs. 3,192,607. The Company has received response from the appropriate regulatory authority vide it's letter dated 17 February 2011 that no approval is required to be taken for un-listed companies. The Company has again reverted to the appropriate regulatory authority on 7 March 2011 stating that since the Company is a subsidiary of Axis Bank Limited (a listed company), the Company is required to take approval of the same. The Company is awaiting response from the appropriate regulatory authority in this regard and pending the outcome of Company's revised application, no adjustments have been made to the accompanying financial statements.
- (d) The statement showing computation of net profit in accordance with section 349 of the Companies Act, 1956, as required in terms of Para 4A of Part II of Schedule VI of the Companies Act, 1956, has not been given, as no commission is payable to the Managing Director.
- (e) As the liabilities for gratuity and leave encashment are provided on an actuarial basis for the Company as a whole, the amounts pertaining to the directors are not included above.

#### 7. Earning Per Share

Particulars	31 March 2011	31 March 2010
Profit after taxation (Rupees)	81,007,869	25,133,432
Weighted number of equity shares outstanding during the year (face value Rs. 10/-)	1,500,000	1,500,000
Earning Per Share – Basic/Diluted (Rupees)	54.01	16.76

#### 8. Secretarial Compliance Report

The Company did not have a whole time Company Secretary as at 31 March 2011 as it is not mandatory in accordance with the provisions of the Companies Act, 1956. However, the Company has obtained a compliance certificate from a practicing Company Secretary.

## **9. Previous Year Comparatives**

Previous year figures have been regrouped and reclassified where necessary to confirm to current year's presentation.

**For and on behalf of the Board of Directors of  
Axis Trustee Services Limited**

**K. Vishwanathan** **Sidharth Rath**  
**Managing Director & CEO** **Director**