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# Directors' Report

To the Members,

## KOTAK MAHINDRA FINANCIAL SERVICES LIMITED

Your Directors are pleased to present the 12<sup>th</sup> Annual Report of your Company together with the Audited Statement of Accounts and the Auditors' Report of your Company for the financial year ended, 31<sup>st</sup> March, 2022. The summarized financial results for the year ended 31<sup>st</sup> March, 2022 are as under:

### FINANCIAL HIGHLIGHTS

Particulars	FY 21-22*		FY 20-21	
	Amount in USD	Amount in INR	Amount in USD	Amount in INR
Gross Income	247,335	18,427,987	5,032	373,528
Less : Expenses	400,227	29,819,360	93,319	7,280,229
Profit/(Loss) Before Tax	(152,892)	(11,391,373)	(88,287)	(6,906,701)

\*As per IFRS financials

### BUSINESS OVERVIEW AND OUTLOOK

COVID-19 has had an extraordinary impact on macroeconomic conditions in UAE and around the world post declaration of it as a pandemic by World Health Organisation in March 2020. Nation-wide lockdown in April-May 2020 followed by localised lockdown were imposed to restrict the spread in areas with significant number of cases. The restrictions were gradually lifted leading to improvement in economic activity. This was followed by two waves of COVID-19 with outbreak of new variants which led to the re-imposition of regional lockdowns which were subsequently lifted supported by administration of the COVID vaccines in the country.

UAE is emerging from the Covid-19 pandemic. The extent to which any new wave of COVID-19 pandemic will impact the Company's results will depend on ongoing as well as future developments, including, among other things, any new information concerning the severity of the COVID-19 pandemic, and any action to contain its spread or mitigate its impact whether government-mandated or elected by us.

Amidst a very challenging year Kotak Mahindra Financial Services Limited (the "Company") completed the process of re domiciliation from Dubai International Financial Centre, United Arab Emirates to Abu Dhabi Global Markets, Abu Dhabi, U.A.E on 13 July 2021.

The Company received its **financial services permission (FSP)** from Financial Services Regulatory Authority ("FSRA") on 30 September 2021.

The Company has been granted a prudential "category 4" license by the Financial Services Regulatory Authority (FSRA). The regulated activities of the company are "arranging deals in investments, "advising on investments or credit, "Insurance intermediation, "arranging custody and "arranging Credit".

The Company's registered office is at 3409, 34, Al Maqam Tower, ADGM Square, Al Maryah Island, Abu Dhabi, United Arab Emirates.

KMFSL remains focused on offering best in class products and services to our clients. The client will continue to be at the heart of the decision-making process and we are confident that the franchise that has been created will continue to thrive.

### DIVIDEND

The Board of Directors of the company has not recommended any dividend for the current year.

### SHARE CAPITAL

The Company started with a capital of USD 1.69 Mn (1.69 Mn Shares of USD 1 /- each) as on 1<sup>st</sup> April 2020. The Authorized Share capital is at USD 2 Mn (2 Mn Shares of USD 1 /- each) against which USD 1.69 Mn has been Issued, Subscribed and Paid up. The Company's shares were subscribed and Paid up by Kotak Securities Ltd (India) (73.36%) and by Kotak Mahindra (International) Limited (26.64%) as on 31<sup>st</sup> March, 2022.

### DIRECTORS

As on the date of this Directors Report, Ms. Shanti Ekambaram, Mr. Jaideep Hansraj, Mr. Shyam Kumar, Mr. Rajeev Mohan, Mr. Gijo Joseph and Mr. Amul Sharma are the Directors of the Company.

### COMMITTEES

The company has the following committees as per the Governance Framework of the company.

- I. Senior Management Committee (SMC)
- II. Governance, Risk, Audit and Compliance Committee (GRAC Committee)
- III. Nomination, Remuneration and Promotions Committee
- IV. Product Approval Committee

**AUDITORS**

The Board had appointed M/s Ernst & Young, Chartered Accountants UAE as the auditors for the financial year ending 2022. The Company's auditors retire at the ensuing Annual General Meeting and are eligible for re-appointment.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Based on representation from the management, the Directors state,

The Company has, in the preparation of the annual accounts for the year ended 31<sup>st</sup> March, 2022, followed the applicable accounting standards along with proper explanations relating to material departures, if any;

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 as at 31<sup>st</sup> March, 2022 and of the profit of the Company for the financial year ended 31<sup>st</sup> March, 2022.

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 the Company and for preventing and detecting fraud and other irregularities; and the Directors have prepared the annual accounts on a going concern basis.

**ACKNOWLEDGEMENTS**

The Directors wish to thank the Abu Dhabi Global Markets, Financial Services Regulatory Authority, Abu Dhabi Government and the Company's Bankers for the assistance, Co-operation and encouragement they extended to the Company. The Directors commend the employees of the Company for their dedicated efforts.

For and on behalf of the Board of Directors

**Amul Sharma**

Place : Abu Dhabi

Dated : 26<sup>th</sup> April, 2022

# Independent Auditors' Report

To,  
The Board of Directors of

## **KOTAK MAHINDRA FINANCIAL SERVICES LIMITED**

The financial statements of Kotak Mahindra Financial Services Limited (the "Company") as at 31<sup>st</sup> March, 2022, being a company registered in the United Arab Emirates (U.A.E), are audited by Ernst & Young, Abu Dhabi, United Arab Emirates and we have been furnished with their audit report dated 26<sup>th</sup> April, 2022.

We are presented with the accounts in Indian Rupees prepared on the basis of aforesaid accounts to comply with requirements of section 129 of Companies Act, 2013 ("the Act"). We give our report hereunder:

## **REPORT ON THE AUDIT OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS**

### **Opinion**

We have verified the accompanying Special Purpose Financial Statements duly converted in Indian Rupees from audited accounts in USD of Kotak Mahindra Financial Services Limited ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2022, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Special Purpose Financial Statements"). As explained in Note 2.1(i) to the Special Purpose Financial Statements, these Special Purpose Financial Statements include limited information and have been prepared by the management of Kotak Mahindra Financial Services Limited for the purpose of Kotak Mahindra Bank limited ("Ultimate Holding Company") to prepare its consolidated financial statements and for inclusion in the annual report of the Ultimate Holding Company for the year ended March 31, 2022, under the requirements of section 129(3) of the Companies Act, 2013, in accordance with the accounting policies of the Ultimate Holding Company and in compliance with the recognition and measurement principles of the Companies (Accounting Standards) Rules, 2006 (as amended) specified under Section 133 of the Act, as applicable to the Ultimate Holding Company.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Special Purpose Financial Statements give a true and fair view in all material respects in conformity with recognition and measurement principles of the Companies (Accounting Standards) Rules, 2006 (as amended) specified under Section 133 of the Act, as applicable to the Ultimate Holding Company, of the state of affairs of the Company as at March 31, 2022, and its profit for the year ended on that date.

### **Basis for Opinion**

We conducted our audit of the Special Purpose Financial Statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements section of our report. We are independent of the Company in accordance with the "Code of Ethics" issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the Special Purpose Financial Statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Special Purpose Financial Statements.

### **Responsibilities of the Management and Those Charged with Governance for Special Purpose Financial Statements**

The Company's Board of Directors is responsible with respect to the preparation of the Special Purpose Financial Statements in accordance with the recognition and measurement principles of Companies (Accounting Standards) Rules, 2006 (as amended) specified under Section 133 of the Act, as applicable to the Ultimate Holding Company.

This responsibility also includes 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 frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Special Purpose Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Special Purpose Financial Statements, Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are also responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Special Purpose Financial Statements**

Our responsibility is to express an opinion on these Special Purpose Financial Statements based on our verification.

As stated hereinabove we have relied upon the audit conducted by Ernst & Young, Abu Dhabi, United Arab Emirates and based thereon we state that:

Our objectives are to obtain reasonable assurance about whether the Special Purpose Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Special Purpose Financial Statements.

As part of verification in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the verification. We also:

1. Identify and assess the risks of material misstatement of the Special Purpose Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. As per Ultimate Holding Company's (Kotak Mahindra Bank Limited) instructions, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to the Special Purpose Financial Statements in place and the operating effectiveness of such controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Special Purpose Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
5. Evaluate the overall presentation, structure and content of the Special Purpose Financial Statements, including the disclosures, and whether the Special Purpose Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### Report on Other Legal and Regulatory Requirements

In view of the facts specified herein above, the requirements of reporting under section 143(3) of the Act, are not applicable to the Company.

### Other Matters

The audited financial statements of the Company for the corresponding year ended 31<sup>st</sup> March, 2022 prepared in accordance with International Financial Reporting Standards ("IFRSs") and in compliance with the applicable provisions of the Companies Regulations 2020 of Abu Dhabi Global Markets ("ADGM"), have been audited by the predecessor auditors whose audit report dated 26<sup>th</sup> April, 2022, expressed an unmodified opinion on those audited financial statements.

Our opinion is not modified in respect of this matter.

### Restriction on distribution or use

This report is intended solely for the information of the Company's and its Ultimate Holding Company's Board of Directors and the Auditors of the Ultimate Holding Company and is not intended to be and should not be used by anyone other than specified parties. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, the Company's and Ultimate Holding Company's Board of Directors for our audit work, for this report, or for the opinions we have formed.

For **V. C. Shah & Co.**  
Chartered Accountants  
Firm Registration No. 109818W

Place : Mumbai  
Date : 27<sup>th</sup> April, 2022  
UDIN : 22042649AHXEGY3623

**A. N. Shah**  
Partner  
Membership No. 042649

# Balance Sheet

as at 31<sup>st</sup> March, 2022

Particulars	Note No.	(Amount in ₹)	
		As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
<b>I. EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' funds</b>			
(a) Share capital	3.1	84,455,743	84,455,743
(b) Reserves and surplus	3.2	(22,296,975)	(13,311,495)
<b>2 Non-current liabilities</b>			
(a) Long-term borrowings	3.3	22,737,750	21,933,000
(b) Long-term provisions	3.4	266,276	-
<b>3 Current liabilities</b>			
(a) Trade payables	3.5		
(i) Total Outstanding dues of micro enterprises and small enterprises			
(ii) Total Outstanding dues of creditors other than micro enterprises and small enterprises		1,654,594	694,435
(b) Other current liabilities	3.6	85,261	-
(c) Short-term provisions	3.7	179,284	-
<b>TOTAL</b>	<b>TOTAL</b>	<b>87,081,933</b>	<b>93,771,683</b>
<b>II. ASSETS</b>			
<b>Non-current assets</b>			
<b>1</b> (a) Property, Plant & Equipment	3.8	566,878	-
(b) Long-term loans and advances	3.9	845,939	338,272
<b>2 Current assets</b>			
(a) Trade receivables	3.10	18,746,121	-
(a) Cash and cash equivalents	3.11	62,627,866	85,850,612
(b) Short-term loans and advances	3.12	4,295,128	7,582,800
<b>TOTAL</b>		<b>87,081,933</b>	<b>93,771,683</b>
Significant Accounting Policies and Notes to Accounts	2 & 3		

In terms of our report of even date

For **V . C. Shah & Co.**

Chartered Accountants

Firm Registration No. 109818W

For and on Behalf of the Board of Directors

**A.N. Shah**

Partner

Membership No. 042649

Mumbai

Dated: 27<sup>th</sup> April 2022

**Shanti Ekambaram**

(Director)

**Jaideep Hansraj**

(Director)

Dated: 27<sup>th</sup> April 2022

# Profit and Loss Account

for the year ended 31<sup>st</sup> March, 2022

(Amount in ₹)

Particulars	Note No.	For the year ended 31 <sup>st</sup> March, 2022	For the year ended 31 <sup>st</sup> March, 2021
I. Revenues from operations			
Income from Advisory & Arranging	3.13	18,427,986	13,490
II. Other income	3.14	-	360,037
<b>III. Total Revenue</b>		<b>18,427,986</b>	<b>373,527</b>
IV. Expenses:			
Employee Benefit Expenses	3.15	12,297,156	-
Finance Costs	3.16	469,498	900,271
Depreciation and Amortisation Expense	3.8	59,140	-
Other Expenses	3.17	17,001,234	6,379,958
<b>Total expenses</b>		<b>29,827,028</b>	<b>7,280,229</b>
V. <b>PROFIT / (LOSS) BEFORE TAX</b>		<b>(11,399,042)</b>	<b>(6,906,701)</b>
VI. Tax expense		-	-
<b>VII. PROFIT / (LOSS) FOR THE PERIOD</b>		<b>(11,399,042)</b>	<b>(6,906,701)</b>
<b>VIII. Earnings per equity share:</b>			
<b>Basic and Diluted</b>	3.20	<b>(6.75)</b>	<b>(4.09)</b>
<b>Significant Accounting Policies and Notes to Accounts</b>	<b>2 &amp; 3</b>		

In terms of our report of even date  
For **V. C. Shah & Co.**  
Chartered Accountants  
Firm Registration No. 109818W

For and on Behalf of the Board of Directors

**A.N. Shah**  
Partner  
Membership No. 042649

**Shanti Ekambaram**  
(Director)

**Jaideep Hansraj**  
(Director)

Mumbai  
Dated: 27<sup>th</sup> April 2022

Dated: 27<sup>th</sup> April 2022

# Cash Flow Statement

for the year ended 31<sup>st</sup> March, 2022

Particulars	(Amount in ₹)	
	For the Year ended 31 <sup>st</sup> March, 2022	For the Year ended 31 <sup>st</sup> March, 2021
<b>Cash Flow from Operating Activities</b>		
<b>Net Profit / (Loss) before taxation</b>	<b>(11,399,042)</b>	<b>(6,906,701)</b>
Adjustments for:		
- Exchange Adjustments	3,219,333	(3,385,912)
- Depreciation and Amortisation Expense	59,140	-
- Interest on deposits	-	(360,037)
- Interest on borrowings	447,038	890,797
<b>Operating Profit / (Loss) before Working Capital Changes</b>	<b>(7,673,530)</b>	<b>(9,761,854)</b>
Adjustments for:		
(Increase) / Decrease in Trade receivables	(18,746,121)	-
(Increase) / Decrease in Short-term loans and advances	3,287,671	(6,166,064)
(Increase) / Decrease in Long-term loans and advances	(507,667)	772,285
(Increase) / Decrease in Other current assets	-	123,918
Increase / (Decrease) in Trade payable	960,158	(1,349,603)
Increase / (Decrease) in Short-term provisions	179,284	-
Increase / (Decrease) in Other current liabilities	85,261	-
Increase / (Decrease) in Long-term provisions	266,276	-
<b>Cash Generated / (Used in) from Operations</b>	<b>(22,148,669)</b>	<b>(16,381,317)</b>
Direct taxes paid	-	-
<b>NET CASH FLOW (USED IN)/ FROM OPERATING ACTIVITIES (A)</b>	<b>(22,148,669)</b>	<b>(16,381,317)</b>
<b>Cash Flow from Investing Activities</b>		
Purchase of fixed assets	(627,040)	-
Fixed Deposits placed during the year	-	-
Interest received	-	408,505
<b>NET CASH FLOW (USED IN) / FROM INVESTING ACTIVITIES (B)</b>	<b>(627,040)</b>	<b>408,505</b>
<b>Cash Flow from Financing Activities</b>		
Interest paid on borrowings	(447,038)	(890,797)
<b>NET CASH FLOW (USED IN) / FROM FINANCING ACTIVITIES (C)</b>	<b>(447,038)</b>	<b>(890,797)</b>
Net Increase/ Decrease in Cash and Cash Equivalents (A + B + C)	<b>(23,222,746)</b>	<b>(16,863,609)</b>
Cash and Cash Equivalents at the beginning of the year	85,850,612	102,714,220
Cash and Cash Equivalents at the end of the period	62,627,866	85,850,612
	<b>(23,222,746)</b>	<b>(16,863,609)</b>

Notes:

- The above Cash Flow statement has been prepared under the 'Indirect Method' as set out in Accounting Standard-3 "Cash Flow Statements" specified under Section 133 and the relevant provision of the Companies Act, 2013.
- Figures in brackets indicate cash outflow.
- The previous year's figures have been re-grouped, wherever necessary in order to conform with this year's presentation.

In terms of our report of even date

For **V. C. Shah & Co.**

Chartered Accountants

Firm Registration No. 109818W

For and on Behalf of the Board of Directors

**A.N. Shah**

Partner

Membership No. 042649

**Shanti Ekambaram**

(Director)

**Jaideep Hansraj**

(Director)

Mumbai

Dated: 27<sup>th</sup> April 2022

Dated: 27<sup>th</sup> April 2022

# Schedules

Forming part of the Financial Statements as at 31<sup>st</sup> March, 2022

## 1 Organisation and Nature of Business

Kotak Mahindra Financial Services Limited (the "Company") is a private company registered in the Abu Dhabi Global Markets on 13 July 2021. The Company was re domiciled from Dubai International Financial Centre, United Arab Emirates. The Company has been granted a prudential "category 4" license by the Financial Services Regulatory Authority (FSRA) on 30 September 2021 and is engaged in "Arranging Deals in Investments", "Advising on Investments or Credit", "Insurance Intermediation", "Arranging Custody", "Arranging credit" as per the provisions of the FSRA.

The Company's shareholders are Kotak Securities Limited ("majority shareholder"), an entity incorporated in India and Kotak Mahindra International Limited ("minority shareholder"), an entity incorporated in Mauritius. The majority shareholder and the minority shareholder are together referred to as "the shareholders". The ultimate shareholder of the Company is Kotak Mahindra Bank Limited ("ultimate shareholder") / ("the Bank"), an entity incorporated in India and publicly listed on the Bombay Stock Exchange (BSE), National Stock Exchange of India (NSE) and the Luxembourg Stock Exchange.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

### 2 Significant Accounting Policies:

#### 2.1 Basis of Preparation

- (i) The Special Purpose financial statements of the Company are prepared under the historical cost convention. These Special Purpose financial statements are prepared for the purpose of the Ultimate Holding Company's consolidation and for inclusion in the annual report of the Ultimate Holding Company (Kotak Mahindra Bank Limited) under the requirements of section 129(3) of the Companies Act, 2013. The Special Purpose Financial Statements of the Company have been prepared in accordance with the generally accepted accounting principles in India as per the Accounting Standards (Indian GAAP) applicable to Kotak Mahindra Bank Limited (Ultimate Holding Company) as specified under section 133 of the Companies Act, 2013 (the Act).
- (ii) All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle. Based on the nature of the services and the time between the provision of services and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.
- (iii) Going Concern:  
As stated in Note 1 above, the Company has been granted a prudential "category 4" license by the Financial Services Regulatory Authority (FSRA) on 30 September 2021 and currently has limited financial services activities as at the reporting date. The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company will continue to be a going concern for foreseeable future as the Company has liquid cash resources to settle its liabilities as and when they fall due. Accordingly, the financial statements of the Company are continued to be prepared on the going concern basis.
- (iv) Impact of Covid-19 pandemic  
The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and since then has spread across the globe, causing disruptions to businesses and economic activities through voluntary and mandated closing of businesses by government authorities. The existing and anticipated effects of the outbreak of COVID-19 on the economy is expected to continue to evolve. Considering the nature of the operations of the Company, management has estimated the impact of COVID-19 developments in the estimation process for impairment of non-financial and financial assets.

#### 2.2 Conversion to Indian Rupees

For the purpose of accounts, all income and expense items are converted at the average rate of exchange applicable for the period. All assets and liabilities are translated at the closing rate as on the Balance Sheet date. The Share Capital is carried forward at the rate of exchange prevailing on the transaction date. The resulting exchange difference on account of translation at the year end is transferred to Translation Reserve Account and the said account is being treated as "Reserves and Surplus".

#### 2.3 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 contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates.

#### 2.4 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment, excluding discounts, rebates and sales tax or duty.

The Company earns commission income (comprising of advisory and arranging income) from a diverse range of financial services it provides to its customers.

# Schedules

Forming part of the Financial Statements as at 31<sup>st</sup> March, 2022

## Interest income

Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

## 2.5 Property, Plant & Equipment

Property, Plant & Equipment are stated at cost less accumulated depreciation. Depreciation is provided on a pro-rata basis on a Straight Line Method over the estimated useful life of the assets at rates which are equal to or higher than the rates prescribed under Schedule II of the Companies Act, 2013 in order to reflect the actual usage of the assets. The estimated useful lives of assets based on technical evaluation by management are as follows:

Furniture and Fixtures	4 years
Computers Equipments	4 years

## 2.6 Trade Receivables

Trade receivables are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

## 2.7 Trade Payables and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

## 2.8 Leases

Leases where all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Profit and Loss Account on a straight-line basis over the lease term.

## 2.9 Cash and cash equivalent

For the purposes of the cash flow statement, cash and cash equivalent consists of cash in hand, bank balances and short-term, deposits with an original maturity of three months or less, net of outstanding bank overdrafts, if any.

## 2.10 Earnings per share

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

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

## 2.11 Provisions and Contingencies

Provision is recognised when there is a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, 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.

Contingent Liabilities are not recognized but are disclosed in the notes unless the outflow of resources is remote. Contingent assets are neither recognised nor disclosed in the financial statements.

## 2.12 Employee's end of service benefits

The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employee's final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

# Schedules

Forming part of the Financial Statements as at 31<sup>st</sup> March, 2022

## 3 NOTES TO ACCOUNTS

### 3.1 (a) Share capital

(Amounts in ₹)

Share Capital	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
<b>Authorised shares</b>		
2,000,000 (Previous year 2,000,000) Ordinary shares of USD 1 each	\$ 2,000,000	\$ 2,000,000
<b>Issued, Subscribed and fully Paid up</b>		
1,689,000 (Previous year 1,689,000) Equity Shares of USD 1 each	84,455,743	84,455,743
<b>Total</b>	<b>84,455,743</b>	<b>84,455,743</b>

### (b) Equity shares

Reconciliation of equity share capital	As at 31 <sup>st</sup> March, 2022 Quantity	As at 31 <sup>st</sup> March, 2022 ₹	As at 31 <sup>st</sup> March, 2021 Quantity	As at 31 <sup>st</sup> March, 2021 ₹
Share capital outstanding at the beginning of the year	1,689,000	84,455,743	1,689,000	84,455,743
Issued during the period	-	-	-	-
Share capital outstanding at the end of the year	<b>1,689,000</b>	<b>84,455,743</b>	<b>1,689,000</b>	<b>84,455,743</b>

### (c) Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of USD 1 per share. Each holder of equity shares is entitled to one vote per share.

The Company declares and pays dividends in US dollars. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

### (d) Shares held by holding/ultimate holding company and/or their subsidiaries/associates

Out of equity shares issued by the company, shares held by its holding company, ultimate holding company and their subsidiaries/ associates are as below:

Number of equity share	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
Kotak Securities Limited	1,239,000	1,239,000
Kotak Mahindra (International) Limited	450,000	450,000

### (e) Details of shareholders holding more than 5% shares in the company

#### Equity shares of USD 1 fully paid up

	As at 31 <sup>st</sup> March, 2022		As at 31 <sup>st</sup> March, 2021	
	number	% holding	number	% holding
Kotak Securities Limited, subsidiary of Kotak Mahindra Bank Limited	1,239,000	73.36%	1,239,000	73.36%
Kotak Mahindra (International) Limited, subsidiary of Kotak Mahindra Bank Limited	450,000	26.64%	450,000	26.64%

# Schedules

Forming part of the Financial Statements as at 31<sup>st</sup> March, 2022

## 3.2 Reserves and Surplus

	(Amount in ₹)	
	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
<b>a. Translation Reserve</b>		
Opening Balance	20,045,560	22,664,972
Additions/(deductions) during the period	2,413,561	(2,619,412)
<b>Closing Balance</b>	<b>22,459,121</b>	<b>20,045,560</b>
<b>b. Surplus in the statement of profit and loss</b>		
Opening balance	(33,357,054)	(26,450,354)
Net Profit / (Loss) for the current year	(11,399,042)	(6,906,701)
<b>Closing Balance</b>	<b>(44,756,096)</b>	<b>(33,357,054)</b>
<b>Total</b>	<b>(22,296,975)</b>	<b>(13,311,494)</b>

## 3.3 Long-term borrowings

	(Amount in ₹)	
	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
<b>Unsecured</b>		
Loans and advances from related parties	22,737,750	21,933,000
<b>Total</b>	<b>22,737,750</b>	<b>21,933,000</b>

### Loan from a Related Party

During 2012, the Company obtained a loan of ₹ 22,737,750 from a related party, now a share holder, Kotak Mahindra International limited (Mauritius). The loan carries an interest rate at 2% per annum (Previous Year - 4% per annum) and is repayable on either party giving a notice of 5 years, to the other party. Accordingly, the loan has been classified as non-current in the Balance Sheet as at 31<sup>st</sup> March, 2022. During the year, the Company incurred a finance cost of ₹ 447,038 in respect of this loan (Previous year ₹ 890,797).

## 3.4 Long-term provisions

	(Amount in ₹)	
	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
<b>Provision for employee benefits</b>		
Provision for Gratuity	266,276	-
<b>Total</b>	<b>266,276</b>	<b>-</b>

# Schedules

Forming part of the Financial Statements as at 31<sup>st</sup> March, 2022

## 3.5 Trade Payable

(Amount in ₹)

	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
Others	1,654,594	694,435
<b>Total</b>	<b>1,654,594</b>	<b>694,435</b>

## 3.6 Other current liabilities

(Amount in ₹)

	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
VAT Payable	85,261	-
<b>Total</b>	<b>85,261</b>	<b>-</b>

## 3.7 Short-term Provisions

(Amount in ₹)

	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
<b>Provision for employee benefits:</b>		
Provision for Compensated Absences	175,213	-
Provision for LTA	4,071	-
<b>Total</b>	<b>179,284</b>	<b>-</b>

# Schedules

Forming part of the Financial Statements as at 31<sup>st</sup> March, 2022

## 3.8 Property, Plant & Equipment

(Amount in ₹)

Particulars	Gross Block				Accumulated Depreciation				Net Block	
	Balance as at 1 April 2021	Additions	Deductions / Adjustments*	Balance as at 31 <sup>st</sup> March, 2022	Balance as at 1 April 2021	Depreciation charge for the year	Deductions / Adjustments*	Balance as at 31 <sup>st</sup> March, 2022	Balance as at 31 <sup>st</sup> March, 2022	Balance as at 31 <sup>st</sup> March, 2021
<b>Tangible Assets</b>										
Furniture and Fixtures	-	13,518	-	13,518	-	1,833	-	1,833	11,685	-
Computers	-	613,522	-	613,522	-	58,329	-	58,329	555,193	-
<b>Total</b>	-	<b>627,040</b>	-	<b>627,040</b>	-	<b>60,161</b>	-	<b>60,161</b>	<b>566,878</b>	-
Previous Year	-	-	-	-	-	-	-	-	-	-

\* Deductions/ adjustments include effect of Translation Reserve of ₹ NIL (2021 ₹ NIL) under Gross Block and ₹ 1,021 (2021: ₹ NIL) under Accumulated Depreciation

## 3.9 Long Term Loans and Advances

(Amount in ₹)

	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
<b>Unsecured, considered good</b>		
<b>Others</b>		
VAT Receivable	845,939	338,272
<b>Total</b>	<b>845,939</b>	<b>338,272</b>

## 3.10 Trade Receivables

(Amount in ₹)

	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
<b>Unsecured, considered good unless otherwise stated</b>		
Outstanding for a period less than six months from the date they are due for payment	18,746,121	-
<b>Total</b>	<b>18,746,121</b>	<b>-</b>

## 3.11 Cash and cash equivalents

(Amount in ₹)

	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
<b>Balances with banks:</b>		
On Current accounts	62,627,866	85,850,612
<b>Total</b>	<b>62,627,866</b>	<b>85,850,612</b>

# Schedules

Forming part of the Financial Statements as at 31<sup>st</sup> March, 2022

## 3.12 Short-term Loans and Advances

(Amount in ₹)

	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
<b>Unsecured, considered good</b>		
Prepaid expenses	3,533,359	6,915,795
Receivable from group company	70,292	-
Deposits	691,477	667,004
<b>Total</b>	<b>4,295,128</b>	<b>7,582,800</b>

## 3.13 Revenues from operations

(Amount in ₹)

	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
Income from Advisory	16,136,787	13,490
Income from Arranging	2,291,199	-
<b>Total</b>	<b>18,427,986</b>	<b>13,490</b>

## 3.14 Other Income

(Amount in ₹)

	For the year ended 31 <sup>st</sup> March, 2022	For the year ended 31 <sup>st</sup> March, 2021
Interest income on fixed deposits	-	360,037
<b>Total</b>	<b>-</b>	<b>360,037</b>

## 3.15 Employee Benefit Expenses

(Amount in ₹)

	For the year ended 31 <sup>st</sup> March, 2022	For the year ended 31 <sup>st</sup> March, 2021
Salaries, bonus and allowances	12,028,013	-
Provision for Gratuity	261,757	-
Expenses on stock appreciation rights	(7,831)	-
Staff Welfare	15,216	-
<b>Total</b>	<b>12,297,156</b>	<b>-</b>

## 3.16 Finance Costs

(Amount in ₹)

	For the year ended 31 <sup>st</sup> March, 2022	For the year ended 31 <sup>st</sup> March, 2021
Bank Charges	22,461	9,474
Interest on borrowings	447,038	890,797
<b>Total</b>	<b>469,498</b>	<b>900,271</b>

# Schedules

Forming part of the Financial Statements as at 31<sup>st</sup> March, 2022

## 3.17 Other expenses

	(Amount in ₹)	
	For the year ended 31 <sup>st</sup> March, 2022	For the year ended 31 <sup>st</sup> March, 2021
<b>Auditor's Remuneration</b>	<b>1,182,638</b>	<b>764,686</b>
For Statutory Audit Fee	1,123,506	705,214
For Reimbursement of Expenses	59,132	59,471
Rent and Electricity	3,775,268	371,115
Advertising, Business Promotion and Entertainment	-	45,116
Professional and legal fees	10,075,451	3,899,274
Communication expenses	248,961	16
Printing and stationery	677,748	-
Repairs and maintenance - others	271,639	62,645
Travel expenses	126,801	-
Other Membership Fees	121,373	204,872
Foreign Exchange Loss	609	736
Miscellaneous expenses	17,569	-
Royalty Expenses	503,178	1,031,498
<b>Total</b>	<b>17,001,234</b>	<b>6,379,958</b>

**3.18** The Company's shareholder is Kotak Securities Limited ("parent") and Kotak Mahindra International Limited ("shareholder") The ultimate holding company is Kotak Mahindra Bank Limited, Company incorporated in India. The accounts have been prepared and audited for the purpose of attachment to the accounts of the holding company in India to comply with the provisions of the Companies Act, 2013.

**3.19** The transactions are in foreign currency (US Dollars), which have been converted into Indian Currency (Indian Rupees) for reporting and the rate applied is as per para 2.2 of the significant accounting policies.

## 3.20 Earnings per equity share

	(Amount in ₹)	
Particulars	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
Earnings / (loss) used in the computation of basic and diluted earnings per share (A)	(11,399,042)	(6,906,701)
Weighted average number of equity shares used in computation of basic earnings per share (B)	1,689,000	1,689,000
Nominal value of Equity shares	\$ 1	\$ 1
Basic and diluted earnings / (loss) per share (₹) A/B	(6.75)	(4.09)

# Schedules

Forming part of the Financial Statements as at 31<sup>st</sup> March, 2022

## 3.21 Related Party Transaction

Related parties represent associated companies, shareholder, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Particulars			For the year ended 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2022		For the year ended 31 <sup>st</sup> March, 2021	As at 31 <sup>st</sup> March, 2021	
Related Parties	Nature of relationship	Nature of transactions	Transaction for the year	Receivable	Payable	Transaction for the year	Receivable	Payable
Kotak Mahindra (International) Limited	Fellow Subsidiary	Interest on Borrowing	447,038		-	890,797		-
		Loan Outstanding			22,737,750		21,933,000	
Kotak Mahindra Bank Limited	Ultimate Holding Company	Rent Paid by KMFSL to KMBL DIFC Branch	-	-	-	371,115	-	-
		Royalty Expenses	503,178			1,031,498	-	
		Sars Liability transfer from KMBL DIFC Branch to KMFSL	-	70,292	-	-	-	-
Key Managerial Personnel	KMP	Remuneration	4,306,536	-	-	-	-	

During the year Compensation to Key Managerial personnel was ₹ 4,306,536 (FY 21 : NIL)

**3.22** Previous years figures have been regrouped, reclassified wherever necessary to conform to figures of the current year.

In terms of our report of even date  
For **V . C. Shah & Co.**  
Chartered Accountants  
Firm Registration No. 109818W

For and on Behalf of the Board of Directors

**A.N. Shah**  
Partner  
Membership No. 042649

**Shanti Ekambaram**  
(Director)

**Jaideep Hansraj**  
(Director)

Mumbai  
Dated: 27<sup>th</sup> April 2022

Dated: 27<sup>th</sup> April 2022

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