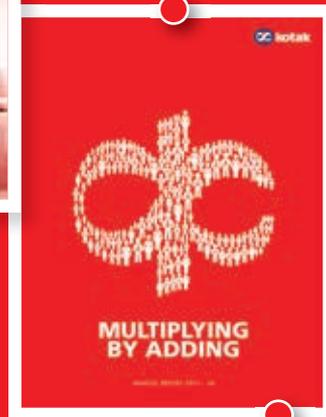


Actions speak.

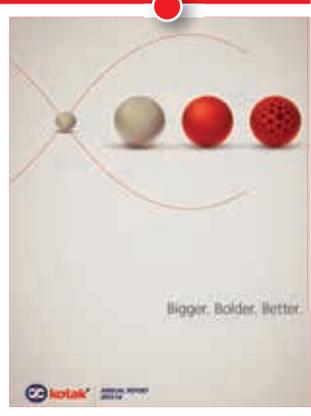
2016-17



2015-16



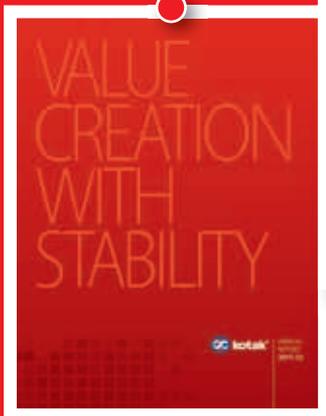
2014-15



2013-14



2012-13



2011-12

DIRECTORS' REPORT

To the shareholders of,

KOTAK MAHINDRA (UK) LIMITED

The directors present their Directors' Report and the audited financial statements of Kotak Mahindra (UK) Limited ("the Company") for the year ended 31 March 2018.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

Kotak Mahindra (UK) Limited ("the Company") is authorised and regulated by the UK Financial Conduct Authority ("FCA") as a limited license firm (IFPRU 125K firm) and has several regulatory permissions. The Company's primary business is distribution of funds which were earlier managed by the Company and dealing in securities. The Company is authorised and regulated by the Financial Conduct Authority ("FCA"). The Company has two branches – Dubai (regulated by the Dubai Financial Services Authority) and Singapore (regulated by the Monetary Authority of Singapore).

With effect from 01st April 2017, the investment management agreements between funds and the Company were terminated. The funds appointed Kotak Mahindra Asset Management (Singapore) Pte. Limited ("KMAMS" – a fellow subsidiary of the Company's parent as the investment manager from that date. Also, the investment management agreements for few other funds were novated and assigned by the Company's Singapore branch to KMAMS with effect from 01 April 2017.

The businesses of the Company now are: distribution of funds managed by KMAMS and third party funds/products and dealing in securities. Distribution and dealing in securities is carried out from both its branches and London office.

The Financial Year ("FY") 2018 was a year marked by a sweeping risk-on move for most part of the year and risk-off towards the end of the year. Globally, the year was dominated by fears of protectionism by the United States ("US") and roadmap of reforming the US tax code, and resilience of flows from Emerging Markets ("EM") and currencies on the back of weakening US Dollar ("US\$"). Towards the end of the year, a tariff war emerged between the US and China – with both countries in a bid to safe-guard their own national interests. This dampened the sentiment across asset classes with meaningful corrections in equity and commodity markets. On the domestic front, focus was on the macro-economic and sectoral impact of (i) recovery from ban of the specified bank notes ("SBN") of Indian Rupees ("INR") 500 and INR 1,000 denominated currency notes in November 2016 and (ii) introduction and rollout of the Goods and Services Tax ("GST") regime from 01st July 2017, its teething troubles and tax collections under new regime in the first few months from its introduction.

In India, significant positive developments in the past year that need mentioning are (i) a large-scale finalization of household savings post ban of SBNS, (ii) implementation of GST, (iii) aggressive plan to recapitalize weak public sector banks, and (iv) win by the ruling party in India in key state elections. The year also saw India's banking system go through a purge. The piling Non- Performing Assets ("NPA") coupled with the surfacing of a large fraud at one of the public sector banks has affected the public sector banks negatively.

On the political front, the country's ruling party consolidated its gains with win in key states. On the fiscal front, lower than anticipated GST collections made the Indian government relax its fiscal deficit target for FY 2018, along with stepping up the pace of divestments. The Reserve Bank of India ("RBI") cut policy rates by 25 basis points ("BPS") to 6% in the past year. The inflationary trends continued in the year with firming up of global commodity prices (for most of the year), risk to fiscal deficit, and favorable base effects fading away. Economic growth is expected to recover cyclically in the second half of FY 2019, but structural constraints to growth in the form of low capacity utilization, debt overhang of corporate and stressed assets of banking sector do remain.

Net Foreign Portfolio Investment ("FPI") flows into the Indian equity markets were US\$ 3.4 billion during FY 2018. On the other hand domestic investors pumped in more than US\$ 39.7 billion into Indian equities during the same period.

The assets under management of the funds distributed by the Company as on 31 March 2018 was ₹ 2,54,166 million (2017: ₹1,62,579 million).

FUTURE OUTLOOK

Global distribution:

The Company will continue to expand its relationships with institutional investors and its distribution network during the next financial year. The Indian economy has been amongst the fastest growing larger economies and with a stable macro-economic factors, due to which it saw keen interest from global investors both in equities and fixed income investments. Aided by this strong performance, the Company witnessed a significant rise in the AuM of the funds distributed by it.

The Company expects to witness continued interest in India, however, it also expect the capital markets to be volatile during the next financial year driven by both global factors and local factors. On the global fronts, rising interest rates in the United States, the heightened rhetoric around the trade tariffs and geo-political imbalances in the Middle East and North Korea can lead to volatility. Locally, rising global crude oil prices, slippages on fiscal deficit and rising political uncertainty can be pose some challenges. Though the implementation of GST during the FY 2018 has led to some disruption during the year, the Company expects that this will lead to meaningful long term benefits for the nation.

Though there may be few near term worries, India is likely to be one of the fastest growing economies in the world and will continue to attract global investor interest across asset classes. This along with the Company's endeavour to expand its relationships with institutional investors and its distribution network during the next financial year, will help Company grow its business.

Dealing in securities as agent/principal ("dealing"):

The Company expects to enhance its dealing business during the next financial year by engaging in electronic trading facilities which can lead to addition of clientele to the business like private banks. It also looks forward to placement of primary market issuances. The Company also targets to build capabilities to deal in specific markets/products. It will also augment its team of dealers with additions in Singapore and Dubai.

Impact of BREXIT:

The Company is engaged in the distribution of funds domiciled in Luxembourg in Europe through a network of sub distributors who are appropriately regulated in Europe. The Luxembourg funds are registered for distribution as required by the local rules in the EU countries where they are marketed. The Company does not expect any significant impact on its business due to BREXIT.

RISK MANAGEMENT

The activity profile of the Company is focused on India and hence the Company is significantly exposed to an emerging market economy risk. The Company is registered as a Foreign Portfolio Investor ("FPI") with the Securities Exchange Board of India.

POLITICAL AND CHARITABLE DONATIONS

No political or charitable donations were made during the year (2017: NIL).

FINANCIAL RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation for the year ended 31 March 2018 was ₹ 190,470,881 (2017: ₹413,720,427).

The Company declared and paid a dividend of ₹ NIL (2017: ₹ NIL) during the year.

DIRECTORS

The directors as at the date of this Report and who served throughout the period are:

Mr. Ruchit Puri

Mr. Sanjeev Prasad

Mr. Dipak Gupta

Mr. Gaurang Shah

Mr. Hasan Askari

Mr. Abhishek Bhalotia (Resigned w.e.f 31 July 2017)

Mr. Shyam Kumar Syamasundaram (Appointed w.e.f 25 August 2017)

Mr. Christopher Daniel (Appointed w.e.f 15 November 2017)

QUALIFYING THIRD PARTY INDEMNITIES

There are no qualifying third party indemnities in force for the benefit of any of the directors and officers at the time of this report.

GOING CONCERN

The directors have considered the Company's ability to continue as a going concern and after due inquiry to the management, believe that the Company has sufficient resources to continue operating for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

FIXED ASSETS

Information on the tangible fixed assets of the Company is given in the financial statements.

DIRECTORS DECLARATION

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

AUDITOR

KPMG LLP has indicated its willingness to continue in office and a resolution to reappoint it as auditor will be proposed at the next annual general meeting.

For and on behalf of the Board of Directors

Christopher Daniel

Director

Date: 23 April 2018

INDEPENDENT AUDITOR'S REPORT

To

The Members of

Kotak Mahindra (UK) Limited.

The financial statements of Kotak Mahindra (UK) Limited (the "Company") as at 31st March, 2018, being a company registered in the UK, are audited by KPMG LLP, Chartered Accountants, London, and we have been furnished with their audit report dated 18th April, 2018

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 FINANCIAL STATEMENTS

We have verified the accompanying financial statements duly converted in Indian Rupees from audited accounts in USD of Kotak Mahindra (UK) Limited. ("the Company"), which comprise the Balance Sheet as at 31st March 2018, 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.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of these financial statements to give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 and other relevant provisions of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our verification.

We have taken into account the provisions of the Act and the Rules made thereunder including the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our verification in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements 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, of the state of affairs of the company as at 31st March, 2018, and its profit and its cash flows for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In view of the facts specified in Para 1 and 2 herein above, the requirements of Companies (Auditor's Report) Order, 2016, report under section 143(3) of the Act, report on directors disqualification in terms of subsection (2) of section 164 of the Companies Act , 2013 are not applicable.

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

Place: Mumbai
Date: 26th April, 2018

A. N. Shah
Partner
M. No. 042649

Balance Sheet

as at 31st March 2018

Particulars	Note No.	As at	As at
		31 March 2018	31 March 2017
		₹	₹
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3.1	70,078,422	70,078,422
(b) Reserves and surplus	3.2	2,151,388,261	1,944,766,108
2 Non-current liabilities			
(a) Long-term borrowings	3.3	4,567,138	4,069,338
(b) Long-term provisions	3.4	44,724,827	42,781,436
(c) Deferred Tax		625,502	-
3 Current liabilities			
(a) Trade payables		1,622,256,180	2,550,765,942
(b) Other current liabilities	3.5	20,584,162	19,861,309
(c) Short-term provisions	3.6	87,910,444	89,097,784
TOTAL		4,002,134,936	4,721,420,339
II. ASSETS			
1 Non-current assets			
(a) Fixed assets			
Property, Plant and Equipment	3.7	9,007,979	7,718,148
(b) Deferred Tax		-	1,160,434
(c) Long-term loans and advances	3.8	148,830,593	14,654,408
2 Current assets			
(a) Trade receivables	3.9	1,548,011,290	2,538,649,468
(b) Cash and bank balances	3.10	2,268,357,607	2,140,558,013
(c) Short-term loans and advances	3.11	16,997,908	13,678,599
(d) Other current assets	3.12	10,929,559	5,001,270
TOTAL		4,002,134,936	4,721,420,340
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

A. N. Shah

Partner

Membership No.: 042649

Mumbai

Dated: 26 April, 2018

For and on Behalf of the Board of Directors

Christopher Daniel

Director

Dated: 23 April, 2018

Gaurang Shah

Director

Statement of Profit and loss

for the year ended 31st March 2018

Particulars	Note No.	For the year ended	For the year ended
		31 st March, 2018	31 st March, 2017
		₹	₹
I. Revenues from operations			
(a) Service Income (net)		880,112,900	1,213,965,261
(b) Interest Income	3.13	33,072,039	20,522,677
II. Other income	3.14	335,754	594,822
III. Total Revenue		913,520,693	1,235,082,760
IV. Expenses:			
Employee benefit expenses	3.15	480,443,552	521,619,097
Interest and Finance cost	3.16	5,427,394	3,917,394
Depreciation and Amortisation expense	3.7	7,915,015	8,516,410
Other expenses	3.17	158,974,840	186,857,798
Total expenses		652,760,801	720,910,699
V. PROFIT/(LOSS) BEFORE TAX		260,759,892	514,172,061
VI. Tax expense:			
(a) Current tax			
- Pertaining to profit/ (loss) for the current period		76,761,172	102,840,456
- Adjustment of tax relating to earlier periods		(8,244,172)	(2,089,943)
(b) Deferred tax		1,772,011	(298,879)
		70,289,011	100,451,634
VII. PROFIT/(LOSS) FOR THE YEAR		190,470,881	413,720,427
VIII. Earnings / (loss) per equity share (in ₹):			
Basic and Diluted	3.20	198.57	431.32
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

A. N. Shah

Partner
Membership No.: 042649

Mumbai

Dated: 26 April, 2018

For and on Behalf of the Board of Directors

Christopher Daniel

Director

Gaurang Shah

Director

Dated: 23 April, 2018

Statement of Cash Flows

for the year ended 31st March 2018

Particulars	For the year ended	For the year ended
	31 st March, 2018	31 st March, 2017
	₹	₹
Cash Flow from Operating Activities		
Net Profit / (Loss) before taxation	260,759,892	514,172,061
Adjustments for:		
Interest Income	(3,341,556)	(971,334)
Interest Expenses	4,289,567	2,785,062
Exchange Adjustments	16,688,101	(51,872,827)
Interest on Fixed deposit	(29,730,483)	(19,551,343)
Depreciation and Amortisation Expense	7,915,015	8,516,410
Operating Profit before Working Capital Changes	256,580,536	453,078,029
Adjustments for:		
Increase in Long-term loans and advances	1,049,112	2,846,018
Decrease / (Increase) in Trade receivables	990,638,178	(909,074,931)
Increase in Short-term loans and advances	(3,319,309)	3,685,473
Increase / (Decrease) in Long-term provisions	1,943,391	20,052,641
(Decrease) / Increase in Trade payables	(928,509,762)	(359,795,902)
Increase / (Decrease) in Other current liabilities	722,853	2,811,809
(Decrease) / Increase in Short-term provisions	10,906,481	10,358,229
Cash Generated from Operations	330,011,480	(776,038,634)
Income taxes (refunded) / paid	(80,596,896)	(92,428,462)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	249,414,584	(868,467,096)
Cash Flow from Investing Activities		
Fixed deposits redeemed/(placed)	(403,331,044)	(389,208,484)
Purchase of Fixed Assets	(9,243,876)	(3,560,783)
Interest on Fixed deposit	23,802,194	18,487,687
Interest Income on Term Loan	3,341,556	971,334
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	(385,431,170)	(373,310,246)
Cash Flow from Financing Activities		
Interest Expenses	(4,289,567)	(2,785,062)
NET CASH FLOW USED IN FINANCING ACTIVITIES (C)	(4,289,567)	(2,785,062)
Net Increase in Cash and Cash Equivalents (A + B + C)	(140,306,153)	(1,244,562,404)
Cash and Cash Equivalents at the beginning of the year	623,663,989	1,868,226,392
Cash and Cash Equivalents at the end of the year	483,357,836	623,663,989
	(140,306,153)	(1,244,562,403)

Notes:

- The Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard -3 "Cash Flow Statements" specified under section 133 and other relevant provisions 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 to current year's presentation.

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

In terms of our report of even date

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

A. N. Shah
Partner
Membership No.: 042649

Mumbai

Dated: 26 April, 2018

For and on Behalf of the Board of Directors

Christopher Daniel
Director

Gaurang Shah
Director

Dated: 23 April, 2018

NOTES

Forming Part of The Financial Statement For The Year Ended 31 March, 2018

1 ORGANISATION AND NATURE OF BUSINESS

Kotak Mahindra (UK) Limited (“the Company”) is authorised and regulated by the UK Financial Conduct Authority (“FCA”) as a limited license firm (IFPRU 125K firm) with effect from 06 September 2016 (a full scope EUR 730K firm until then) and has several regulatory permissions including managing investments, arranging deals in investments, dealing in securities as an agent and principal, advising on investments and safeguarding and administration of assets.

The Company’s Dubai branch is regulated by the Dubai Financial Services Authority (“DFSA”) as a Category 3A firm and has permissions to advise on financial products or credit, arrange credit or deals in investments, deal in investments as agent and manage assets.

The Company’s Singapore branch is regulated by the Monetary Authority of Singapore (“MAS”) and holds Capital Markets Services (“CMS”) Licenses issued by MAS to conduct the regulated activities of fund management and dealing in securities.

With effect from 01st April 2017, the investment management agreements between funds with Assets under Management (“AUM”) of ₹ 16,277 crores and the Company were terminated. The funds appointed Kotak Mahindra Asset Management (Singapore) Pte. Limited (“KMAMS” – a fellow subsidiary of the Company’s parent as the investment manager from that date. The investment management agreements for the other funds with AUM of ₹ 454 crores were novated and assigned by the Company’s Singapore branch to KMAMS with effect from 01 April 2017.

The businesses of the Company now are: distribution of funds managed by KMAMS and third party funds/products and dealing in securities. Distribution and dealing in securities is carried out from both its branches and London office.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

2 SIGNIFICANT ACCOUNTING POLICIES:

2.1 Basis of Preparation

i) The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the Accounting standards notified under Section 133 and relevant provision of the Companies Act, 2013. The financial statements have been prepared on accrual basis and under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year except for the change in accounting policies disclosed hereafter, if any.

ii) All assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. 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.

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”.

NOTES

Forming Part of The Financial Statement For The Year Ended 31 March, 2018

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. It represents fees and other revenue invoiced (net of value added tax) and is recognised on an accrual basis. Interest income is recognised in the income statement as accrued using effective interest method.

2.5 Expenses

Expenses are accounted for in the profit and loss on the accrual basis.

2.6 Fixed Assets

Property, Plant and Equipment

Property, Plant and Equipment are stated at acquisition cost inclusive of incidental expenses, net of accumulated depreciation and accumulated impairment losses, if any.

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 Fittings	3 years
Computer & Software	3 years
Other Equipment	3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Losses arising from the retirement of and gains or losses arising from disposal of Property, plant and Equipment which are carried at cost, are recognised in the Statement of Profit and Loss.

2.7 Employee Benefits

Provision for employees' end of service benefits represents the liability that would arise if the employment of all eligible staff of the branch office in Dubai were terminated as of the balance sheet date and is calculated in accordance with the UAE Federal Labour Law.

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.

NOTES

Forming Part of The Financial Statement For The Year Ended 31 March, 2018

2.10 Taxes

Current tax is expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date and any adjustments payable / refund received in respect of previous years.

Deferred Tax is recognised, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets arising mainly on account of carry forward of losses and unabsorbed depreciation under tax laws are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income against which such deferred tax assets can be realised. Deferred tax assets on account of other timing differences are recognised 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 realised.

2.11 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.

2.12 Provisions and Contingencies

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

2.13 Employee Share based payments

Cash-settled scheme:

The cost of cash-settled scheme (stock appreciation rights) is measured initially using intrinsic value method at the grant date taking into account the terms and conditions upon which the instruments were granted. This intrinsic value is amortised on a straight-line basis over the vesting period with a recognition of corresponding liability. This liability is remeasured at each balance sheet date up to and including the settlement date with changes in intrinsic value recognised in the Statement of Profit and Loss under 'Employee Cost'.

NOTES

Forming Part of The Financial Statement For The Year Ended 31 March, 2018

3 NOTES TO ACCOUNTS

3.1 (a) Share Capital

Share Capital	As at	As at
	31 March 2018	31 March 2017
	₹	₹
Authorised shares		
1,000,000 (Previous year 1,000,000) Ordinary shares of ₹ 1 each	₹ 1,000,000	₹ 1,000,000
Issued, Subscribed and fully Paid up		
959,200 (Previous year 959,200) Equity Shares of ₹ 1 each	70,078,422	70,078,422
Total	70,078,422	70,078,422

(b) Equity shares

Reconciliation of equity share capital	As at	As at	As at	As at
	31 March 2018	31 March 2018	31 March 2017	31 March 2017
	Quantity	₹	Quantity	₹
Share capital outstanding at the beginning of the year	959,200	70,078,422	959,200	70,078,422
Issued during the period	-	-	-	-
Share capital outstanding at the end of the year	959,200	70,078,422	959,200	70,078,422

(c) Terms/rights attached to equity shares

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

Each share holder is entitled to receive dividend as may be approved by Board / 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	As at
	31 March 2018	31 March 2017
Kotak Mahindra Bank Limited, the holding company	489,200	489,200
Kotak Mahindra (International) Limited, subsidiary of Kotak Mahindra Bank Limited	470,000	470,000

NOTES

Forming Part of The Financial Statement For The Year Ended 31 March, 2018

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

Equity shares of ₹ 1 fully paid up

Particulars	As at 31 March 2018		As at 31 March 2017	
	number	% holding	number	% holding
Kotak Mahindra Bank Limited, holding company	489,200	51.00%	489,200	51.00%
Kotak Mahindra (International) Limited, subsidiary of Kotak Mahindra Bank Limited	470,000	49.00%	470,000	49.00%

3.2 Reserves and Surplus

	As at	As at
	31 March 2018	31 March 2017
	₹	₹
a. Translation Reserve		
Opening Balance	397,826,990	449,106,685
Additions/(deductions) during the period	16,151,272	(51,279,695)
Closing Balance	413,978,262	397,826,990
b. Surplus in the statement of profit and loss		
Opening balance	1,546,939,118	1,133,218,691
Net Profit / (Loss) for the current year	190,470,881	413,720,427
Closing Balance	1,737,409,999	1,546,939,118
Total	2,151,388,261	1,944,766,108

3.3 Long-term provisions

	As at	As at
	31 March 2018	31 March 2017
	₹	₹
Unsecured		
Loans from fellow subsidiary	4,567,138	4,069,338
Total	4,567,138	4,069,338

The long-term borrowing represents a long-term subordinated loan of ₹ 4,567,138 (Previous year ₹ 4,069,338) from the fellow subsidiary company, Kotak Mahindra (International) Limited. The loan is unsecured and interest-free and constitutes regulatory capital as approved by the Regulatory Authority - Financial Conduct Authority. It is repayable upon giving or receiving two years notice to or from the fellow subsidiary company. No such notice had been given or received as at 31st March, 2018.

NOTES

Forming Part of The Financial Statement For The Year Ended 31 March, 2018

3.4 Long-term provisions

	As at 31 March 2018	As at 31 March 2017
	₹	₹
Provision for employee benefits		
Provision for gratuity	18,040,548	16,666,565
Stock Appreciation Rights (refer note 3.26)	26,684,279	26,114,871
Total	44,724,827	42,781,436

3.5 Other current liabilities

	As at 31 March 2018	As at 31 March 2017
	₹	₹
Other payable	20,584,162	19,861,309
Total	20,584,162	19,861,309

3.6 Short-term Provisions

	As at 31 March 2018	As at 31 March 2017
	₹	₹
Provision for employee benefits:		
Provision for Stock Appreciation Rights (refer note 3.26)	48,164,718	34,785,005
Provision for Leave Encashment	4,309,151	6,107,550
Payable to statutory funds	4,289,368	4,964,201
Other Provisions:		
Provision for taxes (net of advance tax ₹ 144,089,045)	31,147,207	43,241,028
Total	87,910,444	89,097,784

3.7 Property, Plant and Equipment

	Gross Block			Accumulated Depreciation				Net Block	
	Balance as at 1 st April, 2017	Additions	Deduction / Adjustment*	Balance as at 31 st March, 2018	Balance as at 1 st April, 2017	Depreciation charge for the year	Deduction / Adjustment*	Balance as at 31 st March, 2018	Balance as at 31 st March, 2017
	₹	₹	₹	₹	₹	₹	₹	₹	₹
Tangible Assets									
Land									
Buildings									
Computer & Software	65,451,535	3,698,807	(157,430)	69,307,772	62,638,380	2,084,815	217,884	64,941,079	4,366,693
Furniture and Fixtures	54,593,754	4,549,747	(324,288)	59,467,789	50,544,904	4,632,570	304,920	55,482,393	3,985,395
Office equipment	7,073,026	995,322	(46,535)	8,114,883	6,216,883	1,197,630	44,479	7,458,992	655,891
Total	127,118,315	9,243,876	(528,253)	136,890,444	119,400,167	7,915,015	567,283	127,882,465	9,007,979
Previous Year	126,355,654	3,560,783	2,798,122	127,118,315	113,575,977	8,516,410	(2,692,220)	119,400,167	7,718,148

* Deduction / adjustments include effect of translation reserve of ₹(318,794)/- (Previous year - 2,798,122/-) in Gross block & ₹ 685,228 (Previous year - ₹ (2,692,220)) for accumulated depreciation.

NOTES

Forming Part of The Financial Statement For The Year Ended 31 March, 2018

3.8 Long Term Loans and Advances

	As at 31 March 2018	As at 31 March 2017
	₹	₹
Unsecured, considered good		
Prepaid Expenses	102,444	177,820
Security Deposits	13,502,852	14,476,588
Deposits with residual maturity of more than twelve months	135,225,297	-
Total	148,830,593	14,654,408

3.9 Trade Receivables

	As at 31 March 2018	As at 31 March 2017
	₹	₹
Unsecured, considered good		
Outstanding for a period less than six months from the date they are due for payment	1,548,011,290	2,538,649,468
Considered doubtful	-	2,563,366
Less: Provision for doubtful debts	-	(2,563,366)
Total	-	-
Total	1,548,011,290	2,538,649,468

3.10 Cash and bank balances

	As at 31 March 2018	As at 31 March 2017
	₹	₹
Cash and cash equivalent		
Balances with banks:		
On Current accounts*	483,357,836	575,913,139
Deposits with original maturity of less than three months	-	47,750,850
Other Bank Balances		
Deposits with residual maturity of less than twelve months	1,784,999,771	1,516,894,024
Total	2,268,357,607	2,140,558,013

* Includes client money deposits aggregating to ₹ 75,275,480 (previous year ₹ 168,941,131) earmarked in a separate bank account held in the name of the Company

NOTES

Forming Part of The Financial Statement For The Year Ended 31 March, 2018

3.11 Short-term Loans and Advances

	As at 31 March 2018	As at 31 March 2017
	₹	₹
Unsecured, considered good		
Loans to employees	1,531,561	1,420,321
Prepaid expenses	14,141,297	11,167,144
VAT Input Credit	1,325,050	1,091,134
Total	16,997,908	13,678,599

3.12 Other current assets

	As at 31 March 2018	As at 31 March 2017
	₹	₹
Unsecured, considered good		
Interest accrued on deposits	10,929,559	5,001,270
Total	10,929,559	5,001,270

3.13 Interest Income

	For the year ended 31 st March, 2018	For the year ended 31 st March, 2017
	₹	₹
Interest income on loans	3,341,556	971,334
Interest income on deposits with banks	29,730,483	19,551,343
Total	33,072,039	20,522,677

3.14 Other Income

	For the year ended 31 st March, 2018	For the year ended 31 st March, 2017
	₹	₹
Miscellaneous income	335,754	594,822
Total	335,754	594,822

NOTES

Forming Part of The Financial Statement For The Year Ended 31 March, 2018

3.15 Employee Cost

	For the year ended 31 st March, 2018	For the year ended 31 st March, 2017
	₹	₹
Salaries, bonus and allowances	377,621,429	427,201,541
Contribution to statutory funds	22,493,180	20,769,030
Expenses on stock appreciation rights	80,329,880	70,584,065
Provision for Leave Encashment	(1,808,855)	1,810,297
Staff welfare expenses	1,807,918	1,254,164
Total	480,443,552	521,619,097

3.16 Finance cost

	For the year ended 31 st March, 2018	For the year ended 31 st March, 2017
	₹	₹
Bank Charges	1,137,827	1,132,332
Interest on borrowings	4,289,567	2,785,062
Total	5,427,394	3,917,394

3.17 Other expenses

	For the year ended 31 st March, 2018	For the year ended 31 st March, 2017
	₹	₹
Rent, rates & taxes	17,663,211	21,274,667
Communication expenses	10,992,681	11,663,206
Printing and stationery	1,251,246	1,415,922
Repairs and maintenance	11,123,428	11,463,052
Advertising, business promotion and entertainment	5,430,699	6,020,957
Foreign exchange loss (net)	6,072,071	(4,769,931)
Travel expenses	15,468,250	16,308,213
Insurance	4,583,390	5,647,249
Electricity expenses	778,578	627,563

NOTES

Forming Part of The Financial Statement For The Year Ended 31 March, 2018

	For the year ended 31 st March, 2018	For the year ended 31 st March, 2017
	₹	₹
Professional and legal fees	33,839,069	57,969,106
Membership and subscription	8,762,714	10,483,800
Recruitment expenses	1,277,392	52,321
Dealing charges	27,389,824	32,991,928
Auditor's remuneration	9,691,918	10,353,544
- Statutory fees	9,600,397	10,268,207
- Taxation related	-	1,193,553
- Reimbursement of expenses	91,521	67,545
Miscellaneous expenses	4,650,369	4,180,440
Total	158,974,840	186,857,798

3.18 The Company is a subsidiary of Kotak Mahindra Bank Limited ("KMBL"). The accounts have been prepared and audited to attach with the accounts of KMBL, the holding Company to comply with the provisions of the Indian Companies Act, 2013.

3.19 The transactions 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

Particulars	As at 31 March 2018	As at 31 March 2017
	₹	₹
Earnings / (loss) used in the computation of basic and diluted earnings per share (A)	190,470,881	413,720,427
Weighted average number of equity shares used in computation of basic earnings per share (B)	959,200	959,200
Nominal value of Equity shares	₹1	₹1
Basic and diluted earnings / (loss) per share (₹) A/B	198.57	431.32

3.21 Leases

The total annual commitments of the Company under non-cancellable operating leases are as under:

Land and Building	As at 31 March 2018	As at 31 March 2017
	₹	₹
Operating leases which expire :		
Within one year	17,662,425	10,051,750
Between one to five years	12,774,300	8,495,350

NOTES

Forming Part of The Financial Statement For The Year Ended 31 March, 2018

3.22 Contingencies liabilities

During the year the Company's banker have issued a guarantee for ₹ 99,645,000 (Previous year ₹ 92,825,000) in favour of the Monetary Authority of Singapore. No loss is expected on this guarantee at the Balance Sheet date.

3.23 The following amounts are due from directors as at 31st March, 2018.

Mr. Abhishek Bhalotia ₹ Nil (Previous Year ₹ 120,228)

Maximum balance due during the year is ₹ Nil (Previous Year ₹ 120,228)

Mr. Hasan Askari ₹ Nil (Previous Year ₹ Nil)

Maximum balance due during the year is ₹ Nil (Previous Year ₹ 3,679)

Mr. Ruchit Puri ₹ Nil (Previous Year ₹ Nil)

Maximum balance due during the year is ₹ 5,144 (Previous Year ₹ 11,349)

Mr. Shyam Kumar ₹ 10,648 (Previous Year ₹ Nil)

Maximum balance due during the year is ₹ 748,438 (Previous Year ₹ Nil)

Mr. Christopher Daniel ₹ 39,980 (Previous Year ₹ Nil)

Maximum balance due during the year is ₹ 39,588 (Previous Year ₹ Nil)

Mr. Sanjeev Prasad ₹ Nil (Previous Year ₹ Nil)

Maximum balance due during the year is ₹ 8,697 (Previous Year ₹ Nil)

3.24 Related Party Transactions

During the year ended 31 March 2018, the Company entered in transactions with related entities. The nature, volume of transactions and balances with the related entities are as follows:

Particulars			Volume of transaction for the year ended		Receivable/(Payable) Balance as at	
Related Parties	Nature of relationship	Nature of transactions	31 st March, 2018	31 st March, 2017	31 st March, 2018	31 st March, 2017
Kotak Mahindra Bank Limited	Ultimate Parent Company	Outsourcing Costs	18,737,038	44,704,290	-	-
Kotak Securities Limited	Fellow Group Entities	Service fee income	89,948,480	79,871,687	5,784,969	7,600,760
Kotak Investment Advisors Limited	Fellow Group Entities	Investment advisory expense	-	29,017,670	-	-
Kotak Mahindra International Limited	Fellow Group Entities	Distribution expense	8,644,536	21,646,846	16,413,411	5,448,956
		Distribution Income	57,487,059	49,227,997	-	-
		Brokerage Income - others	219,662	6,402,491	-	-
		Portfolio Management Income	18,306,636	21,293,071	-	-
		Calculation Agency Income	773,483	805,020	-	-
		Interest Income	3,339,226	945,886	-	-
		Client Account	-	-	-	(148,583,866)

NOTES

Forming Part of The Financial Statement For The Year Ended 31 March, 2018

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Particulars	Nature of relationship	Nature of transactions	Volume of transaction for the year ended		Receivable/(Payable) Balance as at	
			31 st March, 2018	31 st March, 2017	31 st March, 2018	31 st March, 2017
		Subordinated Loan taken	-	-	(4,567,138)	(4,069,338)
Kotak Mahindra Inc	Fellow Group Entities	Distribution expense	43,879,939	39,397,410	(3,243,662)	(2,456,478)
		FCCB Referral fees	646,917	-	-	-
		Service Fees Expense	43,697	-	-	-
		Distribution Income	1,787,722	-	-	-
Kotak Mahindra Asset Management (Singapore) Pte Ltd	Fellow Group Entities	Distribution Income	866,462,873	-	105,295,860	-
Kotak Mahindra Asset Management Company Ltd	Fellow Group Entities	Investment advisory expense	-	10,097,939	-	-
Kotak Mahindra Financial Services Ltd	Fellow Group Entities	Investment management charges	228,897	531,200	-	-
K Fixed Income Opportunities Fund	Investment Manager	Investment management fees	-	5,450,052	-	(4,169,446)
K Opportunities Fund SPC	Investment Manager	Investment management fees	-	117,949,861	-	15,671,372
Kotak India Fixed Income Fund	Investment Manager	Investment management fees	-	28,860,519	-	-
Kotak Infinity Fund	Investment Manager	Investment management fees	-	32,618,558	-	2,292,837
Kotak WM India Fund	Investment Manager	Investment management fees	-	1,344,671	-	2,281,615
Core India Infrastructure Fund Pte. Ltd	Investment Manager	Investment management fees	-	115,276,597	-	740,802
Kotak Global Funds	Investment Manager	Investment management fees	-	11,368,108	-	1,131,768
Global Investment Opportunities Fund Limited	Investment Manager	Investment management fees	-	6,672,732	-	764,462
India Bluechip Fund Ltd	Investment Manager	Investment management fees	-	179,664,476	-	15,110,193
India Midcap Fund (Mauritius) Ltd	Investment Manager	Investment management fees	-	379,478,099	-	34,834,404
K Advantage Opportunites Fund	Investment Manager	Investment management fees	-	13,171,447	-	595,555
K Debt Opportunities Fund Limited - II	Investment Manager	Investment management fees	-	-	-	398,828

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Forming Part of The Financial Statement For The Year Ended 31 March, 2018

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Particulars			Volume of transaction for the year ended		Receivable/(Payable) Balance as at	
			31 st March, 2018	31 st March, 2017	31 st March, 2018	31 st March, 2017
Related Parties	Nature of relationship	Nature of transactions				
K Debt Opportunities Fund Limited - I	Investment Manager	Investment management fees	-	173,196,484	-	18,301,658
Kotak India Consumption Fund Ltd	Investment Manager	Investment management fees	-	6,021,478	-	473,773
Kotak Investment Opportunities Fund Limited	Investment Manager	Investment management fees	-	205,817	-	29,046
			1,110,506,166	1,375,220,408	119,683,440	(53,603,099)
Directors remuneration included in personnel expenses			91,738,754	65,609,130		

During the year compensation to Key Managerial Personnel was ₹ 115.4 million (Previous year ₹ 78.5 million).

3.25 Stock Option Scheme

At the General Meetings of the holding company, Kotak Mahindra Bank Limited, the shareholders of the Bank had unanimously passed Special Resolutions on 5th July 2007, 21st August 2007 and 29th June 2015, to grant options to the eligible employees of the Bank and its subsidiary and associate companies. Pursuant to these resolutions, the following Employees Stock Option Schemes had been formulated and adopted:

- Kotak Mahindra Equity Option Scheme 2007; and
- Kotak Mahindra Equity Option Scheme 2015

Further, pursuant to the Scheme of Amalgamation of ING Vysya Bank (IVBL) with the Bank, the Bank has renamed and adopted the ESOP Schemes of the erstwhile IVBL, as given below:

- Kotak Mahindra Bank Ltd. (IVBL) Employees Stock Option Scheme 2007
- Kotak Mahindra Bank Ltd. (IVBL) Employee Stock Option Scheme 2010; and
- Kotak Mahindra Bank Ltd. (IVBL) Employees Stock Option Scheme 2013

Consequent to the above, the Bank has granted stock options to employees of the Company. In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments", the excess, if any, of the market price of the share, preceding the date of grant of the option under ESOSs over the exercise price of the option is amortised on a straight-line basis over the vesting period. The Company has reimbursed the Bank ₹ Nil (Previous Year ₹ Nil) during the year on account of such costs and the same is forming part of Employee costs and included under the head "Reimbursement of expense on ESOP Scheme" under Note 3.15 - "Employee cost".

Had the Company reported the compensation cost computed on the basis of fair value method instead of Intrinsic value method, employee compensation cost would have been higher by ₹ 2,041,668 (Previous Year ₹ 294,445) with an decrease in after tax profit by ₹ 2,041,668 (Previous Year ₹ 294,445).

3.26 Stock appreciation rights (SARs)

At the General Meeting of the holding company, Kotak Mahindra Bank Limited, the shareholders of the Bank had unanimously passed Special Resolution on 29th June, 2015 to grant stock appreciation rights (SARs) to the eligible employees of the Bank, its subsidiaries and associate companies. Pursuant to this resolution, Kotak Mahindra Stock Appreciation Rights Scheme 2015 has been formulated and adopted. Subsequently, the SARs have been granted under this scheme and the existing SARs will continue.

NOTES

Forming Part of The Financial Statement For The Year Ended 31 March, 2018

The contractual life (which is equivalent to the vesting period) of the SARs outstanding ranges from 1.30 years to 3.67 years.

Detail of activity under SAR is summarized below:

	No. of SARs	
	For the year ended 31 st March, 2018	For the year ended 31 st March, 2017
Outstanding at the beginning of the year	350,492	221,772
Granted during the year	175,570	236,990
Additions/Reduction due to transfer of employees	114,886	-
Exercised during the year	97,787	108,270
Expired/Forfeited during the year	10,049	-
Outstanding at the end of the year	303,340	350,492

Effect of share based payment to employees on the profit and loss account and on its financial position

Year ended March 31,	₹	
	2018	2017
Total Employee Compensation Cost pertaining to share-based payment plans	80,329,880	70,584,064
Closing balance of liability for cash-settled options	74,848,997	60,899,876

Had the company recorded the compensation cost computed on the basis of fair valuation method instead of intrinsic value method, employee compensation cost would have been higher by ₹ 2,303,511 (Previous year lower by ₹ 2,072,635) and the profit after tax would have been lower by ₹ 1,865,844 (Previous year higher ₹ 1,658,108).

3.27 Events after balance sheet date

There have been no subsequent events after the balance sheet date requiring disclosure.

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

In terms of our report of even date

For V . C. Shah & Co.

Chartered Accountants
Firm Registration No.: 109818W

A. N. Shah

Partner
Membership No.: 042649

Mumbai

Dated: 26 April, 2018

For and on Behalf of the Board of Directors

Christopher Daniel
Director

Gaurang Shah
Director

Dated: 23 April 2018



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