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# 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 2022.

### **PRINCIPAL ACTIVITY AND BUSINESS REVIEW**

Kotak Mahindra (UK) Limited ("the Company") is a private limited liability company, incorporated on 21st November 1994 in the United Kingdom and is also domiciled in the United Kingdom. The Company is authorized and regulated by the UK Financial Conduct Authority ("FCA") as a MIFIDPRU Investment Firm and has several regulatory permissions. The Company's primary business is distribution of funds managed by its affiliates and other third parties 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).

The FY2022 was the year when the world moved from survival to recovery despite periodic disruptions from the Delta and Omicron waves of Covid-19. As vaccination coverage increased all over the world and in India, the burden on the medical systems has eased and fatality rates have dropped. Barring a few economies with a Covid-Zero policy, most of the world has now begun to open up for business and cross-border travel. Economic recovery gained momentum through the year on the back of large fiscal and monetary support provided both globally and locally that helped businesses to stand again on their feet. While China's regulatory paradigm shift and push towards "common prosperity" soured investor sentiment, India saw a slew of new age economy unicorns getting listed with much fanfare. During the year, the Indian government continued its divestments, brought various supply-side reforms such as incentivizing domestic manufacturing through Production Linked Incentives ("PLI"), provided adequate support to small and medium scale industries through credit guarantees and offered subsidy to the weaker sections of the population.

The economic implications of the Russia-Ukraine war are still unfolding; with immediate ramifications for all commodities – agriculture, metals and most importantly energy. While the global markets did have a knee jerk at the start of hostilities, there is now hope that economic sanctions and diplomatic posturing would prevent drastically negative outcomes and lead to an eventual scale back. While a spike in crude oil prices has been detrimental to India traditionally, with a robust forex reserve and a fairly large software export now as a ballast against oil imports, India is now less vulnerable than before. Inflation, however, has become a persistent worry globally after years of economic stimulus and recently, supply chain disruptions due to Covid and geopolitics. The dilemma between price stability and supporting economic recovery and growth hasn't been this stark in many years.

That said, the narrative out of India is optimistic with the economy opening up and improvements in business conditions, the Gross Domestic Product ("GDP") growth is on the mend and expected to grow at 8.9% in FY2022 as per Govt. of India's Statistical Office. The Nifty 50 Index ended the FY2022 with a 14.6% return in US Dollar terms as against a negative (-)13.3% return for the MSCI Emerging Market Index.

The funds distributed by the Company are India centric equity and debt funds and target investors from across the globe seeking to invest into India. Though the Company has the right blend of products to be offered to global investors through its network of sub-distributors, it is heavily dependent on the performance of the Indian capital markets and funds managed by its affiliate, other product manufacturers and also the investment appetite of the global investors seeking to invest into India.

The Asset under Management ("AUM") of the funds distributed by the Company decreased from USD 2.22 billion as on 31st March 2021 to USD 2.14 billion as on 31st March 2022. The increase in AUM on account of positive movements in the Indian capital markets was offset by redemptions witnessed in the funds. The redemptions were mainly because of profit taking and dividend payouts (as per the fund's dividend policy).

### **FUTURE OUTLOOK**

#### **Global distribution:**

Though the risks emanating from the COVID 19 pandemic seem to have now subsided, the Indian capital markets are currently witnessing increased stress due to the geo-political situation in Europe, rising inflation in India and increasing benchmark rates (expected in India and ongoing in the US). This has led to some pressure on the Company's distribution business. However, in association with the fund manager, the Company is now able to market UCITS funds falling under the Article 8 of Sustainable Finance Disclosure Regulation ("SFDR"). This will give the funds enhanced marketability due to Environment Social and Governance ("ESG") framework adopted by the funds under SFDR. This provides the Company an edge over other players in the market due to higher demand for responsible investing in Europe and elsewhere. The Company also plans to foray into distributing newer products like funds, which invest into unlisted companies in India at the cusp of an Initial Public Offering ("IPO"), etc. These initiatives are expected to aid the Company to grow its distribution business further subject to the overall performance of the Indian capital markets and global outlook.

Also, as a global distributor, the Company will continue to expand its relationships with institutional investors and its distribution network across the world and reach out to global investors for their exposure into Indian markets.

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

The Company has now expanded its presence in the U.S through its affiliated entity which will act as its counterparty, with a view to tapping into a much larger pool of liquidity and volume in the securities trading business. With volatility improving, the Company expects the activity within its dealing in securities business will also increase in the coming year subject to any further deterioration in geo-political scenario across the world. It will continue to focus on its core strengths – transacting in security issuances in Asia, emerging markets and also in high yield securities and will endeavour to participate in the primary markets when the right opportunity presents itself. The Company will continue to maintain a cautious approach to safeguard against increased levels of risk and have put in adequate risk management measures to mitigate any unforeseen risks.

## 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 reporting currency of the Company is the USD and the Company is consequently exposed to the

currency risk posed by adverse movements in USD against Pound Sterling and the Singapore Dollar as most of its staff and administrative expenses and some of its assets and liabilities are denominated in these currencies. It is exposed to market and credit risk on its investment portfolio comprising of debt instruments.

## POLITICAL AND CHARITABLE DONATIONS

No political or charitable donations were made during the year (2021: NIL).

## FINANCIAL RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation for the year ended 31 March 2022 was ₹ 137,431,393 (2021: ₹ 313,200,267).

The Company declared and paid a dividend of ₹ NIL (2021: ₹ 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. Shyam Kumar Syamasundaram

Mr. Christopher Daniel

Mr. Gijo Joseph

## 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 considering assessment made by management, believe that the Company has sufficient resources to continue operating for the next 12 months from the date of sign off these financial statements. 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 is 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 is aware of that information.

## DIRECTORS RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law in United Kingdom requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements set out are presented in Indian Rupees prepared based on the aforesaid financial statements to comply with requirements of section 129 of Companies Act, 2013 in India.

## AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and EY LLP will therefore continue in office.

For and on behalf of the Board of Directors

Date: 28 April 2022

**Christopher Daniel**  
Director

# Independent Auditors' Report

To the Board of Directors of

## **KOTAK MAHINDRA (UK) LIMITED.**

The financial statements of KOTAK MAHINDRA (UK) LIMITED (the "Company") as at 31st March, 2022, being a company registered in the United Kingdom, are audited by Ernst & Young LLP, Statutory Auditors, London and we have been furnished with their audit report dated 25<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 (UK) LIMITED ("the Company"), which comprise the Balance Sheet as at 31st 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 (UK) 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.

### **Key Audit Matters**

We state that there are no key audit matters to communicate in our report.

### **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, LLP, Certified Public Accountants, London 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 above, the requirements of reporting under section 143(3) of the Act, are not applicable.

## Other Matters

The audited financial statements of the Company for the corresponding year ended 31st March, 2022 prepared in conformity with the accounting principles generally accepted in the United Kingdom, have been audited by the predecessor auditors whose audit report dated 25<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 : 28<sup>th</sup> April, 2022  
UDIN : 22042649AIPDH9605

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

# Balance Sheet

as at 31st March 2022

(Amount in ₹)

Particulars	Note No.	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	70,078,422	70,078,422
(b) Reserves and surplus	3.2	3,933,934,823	3,658,700,315
<b>2 Non-current liabilities</b>			
(a) Long-term provisions	3.3	63,612,625	76,286,177
<b>3 Current liabilities</b>			
(a) Trade payables			
- total outstanding dues of micro enterprises and small enterprises		-	-
- total outstanding dues of creditors other than micro enterprises and small enterprises		966,595,897	1,911,871,587
(b) Other current liabilities	3.4	5,919,197	7,034,155
(c) Short-term provisions	3.5	87,897,220	122,346,799
<b>Total</b>		<b>5,128,038,184</b>	<b>5,846,317,455</b>
<b>II. ASSETS</b>			
<b>1 Non-current assets</b>			
(a) Property, Plant and Equipment	3.6	1,797,386	2,014,846
(b) Non Current Investments	3.7	1,518,509,824	1,172,111,116
(c) Long-term loans and advances	3.8	12,883,859	15,807,664
(d) Deferred tax asset	3.9	4,368,175	3,077,414
<b>2 Current assets</b>			
(a) Current investments	3.7	341,740,747	635,351,850
(a) Trade receivables	3.10	756,031,925	1,741,326,910
(b) Cash and cash equivalents	3.11	2,006,197,118	1,703,253,822
(c) Short-term loans and advances	3.12	462,619,443	551,257,747
(d) Other current assets	3.13	23,889,706	22,116,086
<b>Total</b>		<b>5,128,038,184</b>	<b>5,846,317,455</b>
Significant Accounting Policies and Notes to Accounts	2 & 3		

In terms of our report of even date

For and on Behalf of the Board of Directors

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

Chartered Accountants

Firm Registration No.: 109818W

**A.N. Shah**

Partner

Membership No.: 042649

Mumbai

Dated: 28 April 2022

**Shyam Kumar**

Director

**Christopher Daniel**

Director & CEO

Dated: 28 April 2022

# Statement of Profit and loss

for the year ended 31st 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			
Service Income (net)		1,017,213,418	1,097,074,600
II. Income from investments (net)		41,801,386	90,678,633
III. Other income	3.14	12,515,317	38,840,522
<b>Total Revenue</b>		<b>1,071,530,121</b>	<b>1,226,593,755</b>
IV. Expenses:			
Employee benefits expense	3.15	667,482,137	673,626,151
Finance cost	3.16	3,109,083	2,749,362
Depreciation and Amortisation expense	3.6	2,328,147	4,772,375
Other expenses	3.17	194,480,233	163,003,661
<b>Total expenses</b>		<b>867,399,601</b>	<b>844,151,548</b>
<b>V. PROFIT/(LOSS) BEFORE TAX</b>		<b>204,130,520</b>	<b>382,442,206</b>
VI. Tax expense:			
(a) Current tax			
- Pertaining to profit/ (loss) for the current period		67,859,497	72,684,723
- Adjustment of tax relating to earlier periods		(2,512)	(457,637)
(b) Deferred tax		(1,157,858)	(2,985,147)
		<b>66,699,127</b>	<b>69,241,939</b>
<b>VII. PROFIT/(LOSS) FOR THE YEAR</b>		<b>137,431,393</b>	<b>313,200,266</b>
VIII. Earnings / (loss) per equity share (in ₹):			
Basic and Diluted	3.20	143.28	326.52
Significant Accounting Policies and Notes to Accounts	2 & 3		

In terms of our report of even date

For and on Behalf of the Board of Directors

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

Chartered Accountants  
Firm Registration No.: 109818W

**A.N. Shah**

Partner  
Membership No.: 042649

**Shyam Kumar**

Director

**Christopher Daniel**

Director & CEO

Mumbai

Dated: 28 April 2022

Dated: 28 April 2022

# Cash Flow Statement

for the year ended 31st March 2022

(Amount in ₹)

Particulars	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>		
Net Profit before taxation	204,130,520	382,442,207
<b>Adjustments for:</b>		
Interest Income	(4,018,787)	(5,054,442)
Interest Expenses	1,016,954	1,366,322
Exchange Adjustments	72,290,507	(153,990,016)
Interest on Fixed deposit	(6,747,691)	(21,864,174)
Interest Income on Debentures	(69,399,746)	(56,991,307)
Mark to market on Investments	27,350,143	-
Amortisation of premium/ accretion of discount on bonds and convertible bonds	23,306,269	15,909,702
Depreciation and Amortisation Expense	2,328,147	4,772,375
<b>Operating Profit before Working Capital Changes</b>	<b>250,256,317</b>	<b>166,590,666</b>
Adjustments for:		
Increase in Long-term loans and advances	2,923,804	(1,596,025)
Decrease / (Increase) in Trade receivables	985,294,985	(405,530,574)
Increase in Short-term loans and advances	88,638,304	(531,961,043)
Increase / (Decrease) in Long-term provisions	(12,673,551)	26,049,873
(Decrease) / Increase in Trade payables	(945,275,690)	339,127,002
Increase / (Decrease) in Other current liabilities	(1,114,958)	(1,195,228)
(Decrease) / Increase in Short-term provisions	(30,510,053)	54,229,251
<b>Cash Generated from Operations</b>	<b>337,539,158</b>	<b>(354,286,077)</b>
Income taxes (refunded) / paid	(71,929,415)	(104,243,646)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES (A)</b>	<b>265,609,743</b>	<b>(458,529,723)</b>
<b>Cash Flow from Investing Activities</b>		
Fixed deposits redeemed/(placed)	(223,878,886)	1,410,718,111
Purchase of Fixed Assets	(2,041,707)	(1,316,079)
Interest on Fixed deposit	7,657,512	44,960,790
Interest Income on Term Loan	4,018,787	5,054,442
Interest Income on Debentures	66,716,304	47,515,050
Purchase of Investments	(693,605,514)	(1,331,695,726)
Maturity of Investments	655,605,125	124,287,000
<b>NET CASH FLOW FROM INVESTING ACTIVITIES (B)</b>	<b>(185,528,378)</b>	<b>299,523,588</b>
Cash Flow from Financing Activities		
Interest Expenses	(1,016,954)	(1,366,322)
<b>NET CASH FLOW USED IN FINANCING ACTIVITIES (C)</b>	<b>(1,016,954)</b>	<b>(1,366,322)</b>
<b>Net Increase in Cash and Cash Equivalents (A + B + C)</b>	<b>79,064,411</b>	<b>(160,372,456)</b>
Cash and Cash Equivalents at the beginning of the year	694,745,580	855,118,036
Cash and Cash Equivalents at the end of the year	773,809,990	694,745,580
	<b>79,064,411</b>	<b>(160,372,457)</b>

Notes:

- 1 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.
- 2 Figures in brackets indicate cash outflow.
- 3 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

For and on Behalf of the Board of Directors

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

Chartered Accountants

Firm Registration No.: 109818W

**A.N. Shah**

Partner

Membership No.: 042649

Mumbai

Dated: 28 April 2022

**Shyam Kumar**

Director

**Christopher Daniel**

Director & CEO

Dated: 28 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 (UK) Limited ("the Company") is a private limited liability company, incorporated on 21st November 1994 in the United Kingdom and is also domiciled in the United Kingdom. The Company is authorized and regulated by the UK Financial Conduct Authority ("FCA") as a MIFIDPRU Investment Firm and has several regulatory permissions including arranging deals in investments, dealing in securities as an agent and principal, advising on investments and safeguarding and administration of assets. The Company is also authorized and regulated by the Securities and Exchange Board of India

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, arrange deals in investments, deal in investments as agent and as a matched principal.

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 dealing in capital markets products.

## 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 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".

### 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 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 Fixtures	3 years
Computer & Software	3 years
Other Equipment	3 years

# Schedules

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

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 Investments

Investments are classified into long term investments and current investments. Investments which are intended to be held for more than one year are classified as long term investments and investments which are intended to be held for less than one year are classified as current investments. Long-term investments are stated at cost less other than temporary diminution. Current investments are valued at cost or market value / fair value which ever is lower.

## 2.8 Employee Benefits

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. 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 reporting date and is calculated in accordance with the UAE Federal Labour Law.

## 2.9 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.

## 2.10 Cash and cash equivalents

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.

## 2.11 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.

## 2.12 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.

## 2.13 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.

## 2.14 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'.

# Schedules

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

## 3 NOTES TO ACCOUNTS

### 3.1 (a) Share capital

(Amount in ₹)

Share Capital	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
<b>Authorised shares</b>		
1,000,000 (Previous year 1,000,000) Ordinary shares of £ 1 each	<b>£1,000,000</b>	<b>£1,000,000</b>
<b>Issued, Subscribed and fully Paid up</b>		
959,200 (Previous year 959,200) Equity Shares of £ 1 each	<b>70,078,422</b>	<b>70,078,422</b>
<b>Total</b>	<b>70,078,422</b>	<b>70,078,422</b>

### (b) Equity shares

Reconciliation of equity share capital	As at 31 <sup>st</sup> March, 2022		As at 31 <sup>st</sup> March, 2021	
	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 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
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

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

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

Particulars	As at 31 <sup>st</sup> March, 2022		As at 31 <sup>st</sup> March, 2021	
	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%

# 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	711,762,851	832,924,963
Additions/(deductions) during the period	137,803,114	(121,162,112)
<b>Closing Balance</b>	<b>849,565,965</b>	<b>711,762,851</b>
<b>b. Surplus in the statement of profit and loss</b>		
Opening balance	2,946,937,465	2,633,737,197
Net Profit / (Loss) for the current year	137,431,393	313,200,267
<b>Closing Balance</b>	<b>3,084,368,858</b>	<b>2,946,937,465</b>
<b>Total</b>	<b>3,933,934,823</b>	<b>3,658,700,315</b>

## 3.3 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	23,003,721	23,436,333
Stock Appreciation Rights (refer note 3.26)	40,608,904	52,849,843
<b>Total</b>	<b>63,612,625</b>	<b>76,286,177</b>

## 3.4 OTHER CURRENT LIABILITIES

	(Amount in ₹)	
	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
GST payable	5,919,197	7,034,155
<b>Total</b>	<b>5,919,197</b>	<b>7,034,155</b>

## 3.5 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 Stock Appreciation Rights (refer note 3.26)	74,721,371	105,515,757
Provision for Leave Encashment	7,394,271	7,199,773
Payable to statutory funds	5,781,578	5,691,743
<b>Other Provisions:</b>		
Provision for taxes	-	3,939,527
<b>Total</b>	<b>87,897,220</b>	<b>122,346,799</b>

# Schedules

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

## 3.6 PROPERTY, PLANT AND EQUIPMENT

(Amount in ₹)

	Gross Block				Accumulated Depreciation				Net Block	
	Balance as at 1st April, 2021	Additions	Deduction / Adjustment*	Balance as at 31st March, 2022	Balance as at 1st April, 2021	Depreciation charge for the year	Deduction / Adjustment*	Balance as at 31st March, 2022	Balance as at 31st March, 2022	Balance as at 31st March, 2021
<b>Tangible Assets</b>										
Computer & Software	81,555,946	2,041,707	3,027,640	86,625,294	80,811,099	1,193,795	2,985,673	84,990,567	1,634,727	744,847
Furniture and Fixtures	68,965,981	-	2,530,451	71,496,432	68,201,360	776,648	2,515,804	71,493,811	2,620	764,621
Office equipment	10,160,140	-	372,789	10,532,928	9,654,762	357,727	360,400	10,372,890	160,038	505,377
<b>Total</b>	<b>160,682,067</b>	<b>2,041,707</b>	<b>5,930,880</b>	<b>168,654,653</b>	<b>158,667,221</b>	<b>2,328,171</b>	<b>5,861,877</b>	<b>166,857,268</b>	<b>1,797,386</b>	<b>2,014,846</b>
<b>Previous Year</b>	<b>164,956,012</b>	<b>1,316,079</b>	<b>(5,590,025)</b>	<b>160,682,067</b>	<b>159,347,810</b>	<b>4,772,375</b>	<b>(5,452,963)</b>	<b>158,667,221</b>	<b>2,014,846</b>	<b>5,608,203</b>

\* Deduction / adjustments include effect of translation reserve of ₹ 5,930,880/- [Previous year - ₹ (5,590,025)] in Gross block & ₹ 5,861,877 [Previous year - ₹ (5,452,963)]

## 3.7 INVESTMENTS

(Amount in ₹)

Script Name	Quantity 31 <sup>st</sup> March, 2022	Amount as at 31 <sup>st</sup> March, 2022	Quantity 31 <sup>st</sup> March, 2021	Amount as at 31 <sup>st</sup> March, 2021
<b>Investments</b>				
<b>Foreign Currency Bonds</b>				
NTPCIN 3.75 04/3/24	2,200,000	168,858,384	2,200,000	163,854,016
BOBIN 3.875 04/04/24 EMTN	4,000,000	307,483,087	4,000,000	298,577,344
CBKIN 3.875% 03/28/24	2,000,000	153,830,876	2,000,000	149,425,217
IOCLIN 5.75% 08/01/23	3,850,000	302,298,251	3,850,000	298,945,579
CBKIN 3.25% 08/10/22	2,000,000	151,781,553	2,000,000	146,949,293
IOCLIN 5.625% 08/02/21	-	-	1,150,000	85,023,521
AXSBIN 2.875% 06/01/21	-	-	4,000,000	292,517,671
ONGCIN 2.875% 01/27/22	-	-	3,500,000	257,810,658
ONGCIN 3.75% 05/07/23	1,500,000	116,258,569	1,500,000	114,359,667
POWFIN 3.25 09/16/24	600,000	47,205,034		
RECLIN 3.5 12/12/24	2,300,000	182,473,770		
JSTLIN 5.25 04/13/22	2,506,000	190,136,607		
EXIMBK 3.875 03/12/24 GMTN	3,430,000	267,746,742		
<b>Total</b>		<b>1,888,072,878</b>		<b>1,807,462,966</b>
<b>Less: Provision for diminution</b>		27,822,307		-
<b>Total Bonds and Convertible Debentures</b>		<b>1,860,250,571</b>		<b>1,807,462,966</b>
<b>Total Current Investments</b>		<b>341,740,747</b>		<b>635,351,850</b>
<b>Total Non-Current Investments</b>		<b>1,518,509,824</b>		<b>1,172,111,116</b>
<b>Aggregate value of quoted investments</b>		<b>1,860,250,571</b>		<b>1,807,462,966</b>
<b>Aggregate market value of quoted investments</b>		<b>1,860,250,571</b>		<b>1,847,273,039</b>
<b>Aggregate value of unquoted investments</b>		-		-

# Schedules

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

## 3.8 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>		
Prepaid Expenses	886,655	1,513,242
Security Deposits	11,997,204	14,294,421
<b>Total</b>	<b>12,883,859</b>	<b>15,807,664</b>

## 3.9 DEFERRED TAX

(Amount in ₹)

	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
Opening Balance	3,077,415	142,233
Additions/(deductions) during the period:		
- due to expense of share based payment cash settled	389,905	3,107,551
- due to Fixed Assets (difference between tax and net book value)	(53,266)	(137,653)
- due to change in liability (provision for compensated absences)	32,807	(34,716)
- due to change in liability (provision for deferred incentives)	921,315	-
<b>Total</b>	<b>4,368,175</b>	<b>3,077,415</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>		
Others	756,031,925	1,741,326,910
<b>Total</b>	<b>756,031,925</b>	<b>1,741,326,910</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*	773,809,990	694,745,580
<b>Other Bank Balances:</b>		
Deposits with residual maturity of less than twelve months	1,232,387,129	1,008,508,243
<b>Total</b>	<b>2,006,197,118</b>	<b>1,703,253,822</b>

\* Includes client money deposits aggregating to ₹ 19,631,663 (previous year ₹ 30,026,912) earmarked in a separate bank account held in the name of the Company

# 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>		
Loans to employees	49,531	47,778
Prepaid expenses	22,868,398	18,710,156
VAT Input Credit	1,895,290	2,452,313
Loan to Group Company	435,806,875	530,047,500
Advance tax (net of provision for tax ₹ 229,195,782)	1,999,349	-
<b>Total</b>	<b>462,619,443</b>	<b>551,257,747</b>

## 3.13 OTHER CURRENT ASSETS

(Amount in ₹)

	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
<b>Unsecured, considered good</b>		
Interest accrued on deposits	2,894,541	3,804,362
Interest accrued on bonds	20,995,165	18,311,724
<b>Total</b>	<b>23,889,706</b>	<b>22,116,086</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 loans	4,018,787	5,054,442
Interest income on deposits with banks	6,747,691	21,864,174
Miscellaneous income	1,748,839	11,921,906
<b>Total</b>	<b>12,515,317</b>	<b>38,840,522</b>

## 3.15 EMPLOYEE BENEFIT EXPENSE

(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	455,858,289	424,075,254
Contribution to provident and other funds	32,469,716	26,860,648
Reimbursement of expense on ESOP Scheme	30,841	-
Expenses on stock appreciation rights	100,687,004	197,122,841
Deferred incentive	76,981,802	24,660,898
Staff welfare expenses	1,454,485	906,510
<b>Total</b>	<b>667,482,137</b>	<b>673,626,151</b>

# Schedules

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

## 3.16 FINANCE COST

(Amount in ₹)

	For the year ended 31 <sup>st</sup> March, 2022	For the year ended 31 <sup>st</sup> March, 2021
Bank Charges	2,092,129	1,383,041
Interest on borrowings	1,016,954	1,366,322
<b>Total</b>	<b>3,109,083</b>	<b>2,749,362</b>

## 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
Rent, rates & taxes	26,698,358	23,546,419
Communication expenses	7,324,837	8,204,641
Printing and stationery	739,578	902,984
Repairs and maintenance	4,844,820	5,159,836
Advertising, business promotion and entertainment	1,715,578	628,463
Royalty charges	2,722,557	3,349,501
Foreign exchange loss (net)	5,228,960	10,325,166
Travel expenses	2,504,683	739,420
Insurance	3,600,184	3,552,970
Electricity expenses	1,183,708	1,214,682
Professional and legal fees	35,444,132	33,520,727
Membership and subscription	7,805,013	6,841,797
Licensing fees	5,933,034	7,545,261
Recruitment expenses	1,068,804	-
Dealing charges	44,964,719	43,657,847
Auditor's remuneration	11,147,441	9,454,155
- Statutory fees	11,113,694	9,361,298
- Reimbursement of expenses	33,747	92,857
Interest expenses on tax	58,855	60,156
Miscellaneous expenses	4,144,830	4,299,637
Mark to market on Investments	27,350,143	-
<b>Total</b>	<b>194,480,233</b>	<b>163,003,661</b>

**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.

# Schedules

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

**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

(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)	137,431,393	313,200,267
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	143.28	326.52

## 3.21 LEASES

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

(Amount in ₹)

Land and Building	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
<b>Operating leases which expire :</b>		
Within one year	9,932,202	24,252,578
Between one to five years	12,509,955	24,568,118

## 3.22 CONTINGENT LIABILITIES

During the year the Company's banker have issued a guarantee for ₹ 111,940,000 (Previous year ₹ 108,700,000) 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, 2022.

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

Maximum balance due during the year is ₹ Nil (Previous Year ₹ 4,112)

Mr. Shyam Kumar ₹ 12,382 (Previous Year ₹ 11,943)

Maximum balance due during the year is ₹ 110,704 (Previous Year ₹ 84,630)

Mr. Christopher Daniel ₹ Nil (Previous Year ₹ Nil)

Maximum balance due during the year is ₹ Nil (Previous Year ₹ 3,176)

# Schedules

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

## 3.24 RELATED PARTY TRANSACTIONS

During the year ended 31 March 2022, 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		(Amount in ₹)	
					Receivable/(Payable)	
Related Parties	Nature of relationship	Nature of transactions			Balance as at	
			31 <sup>st</sup> March, 2022	31 <sup>st</sup> March, 2021	31 <sup>st</sup> March, 2022	31 <sup>st</sup> March, 2021
Kotak Mahindra Bank Limited	Ultimate Parent Company	Outsourcing Costs	25,380,265	21,254,878	947,885	-
		Royalty charge	2,722,557	3,349,501	-	-
Kotak Mahindra Bank Limited - Gift city Branch	Branch of Ultimate Parent Company	Client Account	-	-	-	-
		Custody fees income	-	306,338	-	-
Kotak Mahindra Bank Limited - Gift city Branch	Branch of Ultimate Parent Company	Dealing in securities	1,445,906	1,629,909	-	-
		Client Account	-	-	-	-
Kotak Mahindra Bank Limited - Gift city Branch	Branch of Ultimate Parent Company	Custody fees income	463,882	54,741	-	-
		Dealing in securities income	260,902	243,968	-	-
Kotak Securities Limited	Fellow Group Entities	Service fee income	168,513,426	161,656,347	15,610,134	-1,152,056
Kotak Mahindra International Limited	Fellow Group Entities	Distribution expense	6,885,222	5,434,435	5,913,026	13,776,609
		Distribution Income	138,448,544	143,669,478	-	-
		Calculation Agency Income	447,038	890,797	-	-
		Interest Income	4,018,787	5,054,442	-	-
		Client Account	-	-	-	1,891
		Custody fees income	44,173	176,151	-	-
		Portfolio Management Income	99,027	-	-	-
Kotak Mahindra Inc	Fellow Group Entities	Short term loan	-	-	435,806,875	530,047,500
		Distribution expense	20,503,971	6,599,991	(11,304,982)	(646,315)
		Dealing in securities income	90,451	1,201,092	-	-
		Distribution Income	3,821,832	3,613,024	-	-
Kotak Mahindra Asset Management (Singapore) Pte Ltd	Fellow Group Entities	Distribution Income	828,842,021	763,334,981	25,778,084	11,154,304
		Portfolio management expense	4,292,091	3,618,634	-	-
		Custody fees income	425,186	144,056	-	-
			<b>1,206,705,281</b>	<b>1,122,232,764</b>	<b>472,751,023</b>	<b>553,181,934</b>
Directors remuneration included in personnel expenses			<b>165,446,376</b>	<b>172,224,306</b>		

During the year compensation to Key Managerial Personnel was ₹ 206.0 million (Previous year ₹ 219.0 million).

# Schedules

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

## 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. As per regulatory guidelines, the Bank has started recovering fair value computed as per Black-Scholes method for all stock options granted after 31st March, 2021. In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments", the intrinsic value (for options granted on or before 31st March 2021)/ fair value of the option is amortised on a straight-line basis over the vesting period. The Company has reimbursed the Bank ₹ 30,841 (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 cost" under Note no 3.15 i.e "Employee benefits expense"

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 ₹ 22,422 (Previous Year ₹ 437,258) with an decrease in after tax profit by ₹ 22,422 (Previous Year ₹ 437,258).

## 3.26 STOCK APPRECIATION RIGHTS (SARS)

At the General Meeting on 29th June, 2015 of the holding company, Kotak Mahindra Bank Limited, the shareholders of the Bank had passed Special Resolution 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 had been formulated and adopted. Subsequently, the SARs have been granted under this scheme.

The contractual life (which is equivalent to the vesting period) of the SARs outstanding ranges from 3.43 to 4.11 years.

The cost of cash-settled transactions, stock appreciation rights (SARs), having grant date on or before 31st March, 2021 is measured initially using intrinsic value method at the grant date taking into account the terms and conditions upon which the instruments were granted. The Company has changed its accounting policy from intrinsic value method to fair value method for all share-linked instruments granted after 31st March, 2021. The fair value is estimated using Black-Scholes model.

The intrinsic / fair 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 vesting date with changes in intrinsic / fair value recognised in the profit and loss account under 'Employee Cost'.

Detail of activity under SAR is summarized below:

Particulars	No. of SARs	
	For the year ended 31 <sup>st</sup> March, 2022	For the year ended 31 <sup>st</sup> March, 2021
Outstanding at the beginning of the year	448,329	425,380
Granted during the year	73,460	216,130
Additions/Reduction due to transfer of employees	3,446	1,510
Exercised during the year	195,180	188,765
Expired/Forfeited during the year	36,863	5,926.00
Outstanding at the end of the year	<b>293,192</b>	<b>448,329</b>

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

Year ended March 31,	(Amount in ₹)	
	2022	2021
Total Employee Compensation Cost pertaining to share-based payment plans	100,717,845	197,122,841
Closing balance of liability for cash-settled options	115,330,275	158,365,600

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 ₹ 11,313,964 (Previous year lower by ₹ 6,493,650) and the profit after tax would have been lower by ₹ 9,164,311 (Previous year higher by ₹ 5,259,856).

# Schedules

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

## 3.27 EVENTS AFTER BALANCE SHEET DATE

There have been no other 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.

## 3.29 GOING CONCERN

COVID-19 has had an extraordinary impact on macroeconomic conditions 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 to a large population in the country.

The world is emerging from the Covid-19 pandemic. The extent to which any new wave of COVID-19 pandemic will impact the Company's/ Bank'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.

Management have made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for a period of 12 months from the date of sign off of these financial statements. As part of management's assessment, consideration was given to the future profitability of the Company including stress testing profitability, assessment of balance sheet and recoverability of assets and regulatory capital requirement.

Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

In terms of our report of even date

For and on Behalf of the Board of Directors

### For V . C. Shah & Co.

Chartered Accountants

Firm Registration No.: 109818W

### A.N. Shah

Partner

Membership No.: 042649

Mumbai

Dated: 28 April 2022

### Shyam Kumar

Director

### Christopher Daniel

Director & CEO

Dated: 28 April 2022





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Kotak Mahindra Bank Website: [www.kotak.com](http://www.kotak.com)

Company Registration Number: 02992399