

Kotak Mahindra (UK) Limited

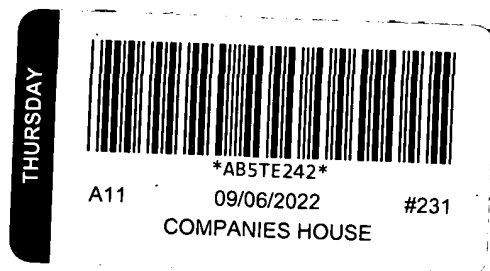
Financial Statements

and

Independent Auditors Report

Year ended 31<sup>st</sup> March 2022

(Company registration no: 2992399)



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

Financial statements for the year ended 31 March 2022

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

### **Corporate Data**

#### **Directors**

Mr. Ruchit Puri  
Mr. Sanjeev Prasad  
Mr. Dipak Gupta  
Mr. Gaurang Shah  
Mr. Shyam Kumar Syamasundaram  
Mr. Christopher Daniel  
Mr. Gijo Joseph

#### **Registered Auditors**

Ernst & Young LLP  
25 Churchill Place,  
Canary Wharf, London,  
E14 5EY,  
United Kingdom

#### **Registered Office**

55 Baker Street,  
London  
W1U 7EU

#### **Bankers**

HSBC Bank PLC,  
60 Queen Victoria Street  
London,  
EC4N 4TR

Bank of India,  
63 Queen Victoria Street  
London , EC4N 4UA

Morgan Guaranty Trust Company of New York,  
Euroclear Operations Centre,  
1 Boulevard du Roi Albert II  
B - 1210 Brussels,  
Belgium.

Canara Bank  
10 Chiswell Street  
London  
EC1Y 4UQ

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

### **Corporate Data (Continued)**

Bank of Baroda  
32, City Road  
London  
EC1Y 2BD

State Bank of India  
15 King Street,  
London  
EC2V 8EA

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

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2022**

In accordance with Section 414A(1) of the Companies Act 2006, the Directors have prepared the Strategic Report which includes a review of Kotak Mahindra (UK) Limited's ("the Company") business and future developments, a description of the principal risks and uncertainties facing the Company and key performance indicators.

#### **BUSINESS MODEL:**

Kotak Mahindra (UK) Limited ("the Company") is a private limited liability company, incorporated on 21<sup>st</sup> 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 of dealing in capital markets products.

#### **BUSINESS UPDATE:**

##### ***CURRENT SCENARIO:***

The businesses of the Company are: distribution of funds managed by Kotak Mahindra Asset Management (Singapore) Pte. Limited ("KMAMS"), Company's other affiliates and third party funds/products and dealing in securities. Distribution and dealing in securities are carried out from both the branches and the London office.

##### ***GLOBAL DISTRIBUTION:***

The Company continues to act as the sole global distributor of the funds managed by KMAMS. The strategy of the funds continues to be the same wherein the investment destination is India centric equity and debt. Hence, the business activity and profitability of the Company continues to be dependent mainly on the performance of the capital markets in India, global economic scenario and the strength of Company's distribution network.

##### ***Market updates: Indian capital markets***

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

**KOTAK MAHINDRA (UK) LIMITED**  
**STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2022**

**BUSINESS UPDATE (CONTINUED...):**

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.

**BUSINESS SCENARIO:**

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 KMAMS, 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 31<sup>st</sup> March 2021 to USD 2.14 billion as on 31<sup>st</sup> 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). The table below reflects the summary of change in AuM of the funds distributed by the Company during the year:

*(USD Million)*

Particulars	Mar-22	Mar-21	Change in assets for YTD Mar'2022		
			Total	Due to flows	Due to movement in markets
Open-ended Funds Managed Accounts	1,813 26	1,819 4	(6) 22	(271) 21	265 1
<b>DISCRETIONARY EQUITY (I)</b>	<b>1,839</b>	<b>1,823</b>	<b>16</b>	<b>(250)</b>	<b>266</b>
Open-ended Funds	304	394	(90)	(62)	(28)
Close-ended Funds	0	3	(3)	(2)	(1)
<b>DISCRETIONARY DEBT (II)</b>	<b>304</b>	<b>397</b>	<b>(93)</b>	<b>(64)</b>	<b>(29)</b>
<b>TOTAL DISCRETIONARY (III = I + II)</b>	<b>2,143</b>	<b>2,220</b>	<b>(77)</b>	<b>(314)</b>	<b>237</b>

**DEALING IN SECURITIES ("DEALING"):**

FY 2021-22 remained subdued for the dealing in securities business generating an income of USD 2.52 million versus USD 3.84 million for the year 2020-21 mainly due to lack of volatility across the globe and also concerns over real estate sector in China.

**KOTAK MAHINDRA (UK) LIMITED**  
**STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2022**

**BUSINESS UPDATE (CONTINUED...):**

**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 ("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.

**KOTAK MAHINDRA (UK) LIMITED**  
**STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2022**

**BUSINESS UPDATE (CONTINUED...):**

**PERFORMANCE COMPARISON:**

The table below summaries the performance of the Company during the year:

	31 March 2022	31 March 2021
	USD'000 (Except for AuM)	
Revenue	17,917	18,565
Administrative expenses & other operating expenses	(15,388)	(14,967)
Impairment loss	(4)	(76)
<b>Profit from operations</b>	<b>2,525</b>	<b>3,522</b>
Net finance income	736	878
<b>Profit before taxation</b>	<b>3,261</b>	<b>4,400</b>
-Current tax	(911)	(973)
-Deferred tax	(5)	18
<b>Taxation</b>	<b>(916)</b>	<b>(956)</b>
<b>Profit for the year after taxation</b>	<b>2,345</b>	<b>3,445</b>
<b>Asset (Fund) under Distribution (USD million)</b>	<b>2,143</b>	<b>2,220</b>
<b>Return on Assets (%)</b>	<b>3</b>	<b>11</b>

**Revenue:**

Overall, the revenue of the Company decreased from USD 18.56 million to USD 17.92 million predominantly on account of lower income from dealing in securities. The average AUM ("AAUM") of the funds distributed by the Company were at the same level as for FY 2020-21 at USD 2.19 billion. The breakdown of AAUM of the Company's equity and debt open ended funds distributed by the Company is summarised below:

Particulars	AAUM		Change in Average AUM
	FY 2021-22	FY 2020-21	
Equity	1,842	1,717	125
Debt - Open Ended	349	474	(125)
<b>Total</b>	<b>2,191</b>	<b>2,191</b>	<b>-</b>

Income from dealing in securities decreased from USD 3.84 million for FY 2020-21 to USD 2.52 million for FY 2021-22 due to reasons mentioned under business outlook section.



**KOTAK MAHINDRA (UK) LIMITED**  
**STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2022**

**BUSINESS UPDATE (CONTINUED...):**

**PERFORMANCE COMPARISON (CONTINUED...):**

***Administrative & other operating expenses:***

Administrative and other operating expenses increased from USD 14.97 million for FY 2020-21 to USD 15.39 for FY 2021-22 mainly on account of increase in fees paid by the Company to sub-distributors.

***Taxation:***

With effect from 01 April 2016, the Company is not subject to taxes on profits generated at its Singapore and Dubai branches due to the foreign branch (Permanent Establishment “PE”) exemption election done by the Company as per the extant tax regulations of Her Majesty Revenue & Customs (“HMRC”).

Accordingly, taxes for the current year comprises of tax on profits generated at the UK office of the Company and tax on profits generated by the Singapore branch which is taxed locally as per corporate taxation regulations in Singapore. There is no corporate tax regime in the United Arab Emirates (UAE) where the Company’s Dubai branch is situated. However, the UAE government has announced plans to impose a new 9% federal corporation tax from 1 June 2023.

The tax for the year ended 31 March 2022 is lower at USD 0.92 million against USD 0.96 million for FY 2020-21 due to lower profit before taxes.

The UK Government announced on 3 March 2021 its intention to increase the UK rate of corporation tax to 25% from 19% from 1 April 2023. As this rate has been substantively enacted during the year end 31 March 2022, deferred tax has been calculated at 25% for timing difference unwinding beyond 31 March 2023.

***Profit for the year after taxation:***

The Company ended the year with the net profit after tax of USD 2.35 million against USD 3.45 million for the FY 2020-21.

***Investments:***

The Company continued to invest surplus funds in debt instruments versus placing them with banks as term deposits to earn a superior yield. As of 31<sup>st</sup> March 2022, an amount of USD 24.54 million was invested in debt instruments. As the main intention of the Company is to earn investment income and hold the securities preferably until the maturity and not for trading, the Company has classified these as “Fair Value through Other Comprehensive Income (FVOCI)” as per IFRS 9.

Below is the summary of investments made by the Company as on 31<sup>st</sup> March 2022:

USD'000			
Carrying cost	Fair value	Expected credit loss captured in profit and loss account	Decrease in value captured under OCI
24,911	24,544	(216)	(151)

**KOTAK MAHINDRA (UK) LIMITED**  
**STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2022**

**BUSINESS UPDATE (CONTINUED...):**

**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.

Note 22 to the financial statements provides a more detailed explanation of the Company's financial and capital risk management objectives and policies, and exposures to market, credit, liquidity and operational risks.

**SECTION 172(1) STATEMENT:**

The Companies (Miscellaneous Reporting) Regulations 2018 ('2018 MRR') require the Company to include a Section 172(1) Statement describing how the Directors have regard to the matters set out in Section 172(1)(a) to (f) of the Companies Act 2006 when performing their duty to promote the success of the Company.

The Directors are conscious of the need to take into account the expectations of various stakeholders in making decisions such that the business remains successful in the long term. The key stakeholders of the Company include the regulators, customers, employees, shareholders, suppliers and the community at large.

***Regulators:***

The Company, apart from its office in London has branches in the Dubai International Financial Centre and Singapore. The Company is authorised and regulated by the Financial Conduct Authority, the Dubai Financial Services Authority, the Monetary Authority of Singapore and the Securities and Exchange Board of India. The Directors have set the tone for the Company to ensure that the conduct of business is in strict compliance with all applicable regulatory requirements. The Company through its Directors engages with the regulator before commencing any new business activity and deals with regulators in an open and transparent manner.

***Employees:***

The Directors recognise that the employees are invaluable assets to the Company. Therefore, the Directors take into consideration the welfare of employees in decision making. The Company provides a meaningful work-life balance which contributes to a sense of belonging and improves productivity. The Company provides a safe work environment to employees. The Company provides market-related remuneration to its employees and provides growth opportunities to retain employees. Adequate training arrangements have been made for employees to facilitate their personal development. Being a Company with a small number of employees, the Directors directly engage with employees frequently to understand their needs. Many events are organised for employees and family members to promote team-working and togetherness.

**KOTAK MAHINDRA (UK) LIMITED**  
**STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2022**

**SECTION 172(1) STATEMENT (CONTINUED...):**

***Customers:***

The Directors are customer-orientated in decision making such that the services and products provided by the Company result in positive outcomes to customers. The customers of the Company are predominantly institutional. The Directors adopt a hands-on approach in engaging with customers. They are in frequent touch with customers to get adequate feed-back as well as to keep customers informed of the initiatives of the Company. The Company being an investment firm, engages with customers when markets perform well as well as when there is a down-turn.

***Suppliers:***

The Directors recognise that suppliers are vital for the Company in offering products and services to customers. Directors engage with key suppliers directly to ensure that the suppliers are of sufficient repute. Appropriate services level agreements are entered into and the performance of suppliers is monitored. The Company is prompt in making payment for goods and services provided by suppliers. The Company has a network of sub-distributors of financial products. The Directors and senior management are in regular engagement with the sub-distributors to understand their requirements and to address any constraints that they might have.

***Community and the Environment:***

The Company is a financial services firm engaged in primarily distributing the funds managed by Kotak Mahindra Asset Management (Singapore) Pte. Ltd. ("KMAMS") an affiliate of the Company. The Directors recognise that the funds distributed by the Company can have significant impact on the environment and the community at large. The Directors engaged with the affiliate and encouraged them to adopt the principles of responsible investment. The affiliate is a signatory to the United Nation's Principles for Responsible Investment ("PRI") and Environmental, Social and Governance ("ESG") factors are an integral part of the investment process and are embedded in their investment philosophy. As an extension of this engagement, the directors encouraged the affiliate to categorise the key funds distributed by the Company as Article 8 products under EU Regulation 2019/2088 (the Sustainable Finance Disclosures Regulation ("SFDR")). Accordingly, with effect from 15th February 2022, two sub-funds of the Luxembourg UCITS fund managed by the affiliate, viz, Kotak Funds – India Growth Fund (renamed as India ESG Fund) and Kotak Funds – India Midcap Fund which are the key funds marketed by the Company, changed their investment strategies and are now Article 8 products of SFDR such that the funds promote, among other characteristics, environmental or social characteristics, or a combination of those characteristics. However, the funds do not commit to invest in taxonomy-aligned environmentally sustainable activities which contribute to the environmental objectives set out under Article 9 of Regulation (EU) 2020/852.

***Reputation for high standards of business conduct:***

The Company's Board has zero tolerance against reputation risk. Regulatory compliance is of paramount importance to the Directors. The tone at the top for ethical behaviour has been set at the Parent Company level which has percolated down to employees through the Board of Directors of the Company. The Directors strive to ensure that the business is conducted in a manner that results in positive outcomes for its customers and other stakeholders. The Directors have approved policies that promote ethical behaviour in conducting business. The policies cover personal account dealing, inducement, anti-money laundering, anti-bribery, etc. The Company has trained all employees on the code of conduct under the Senior Managers and Certification Regime.

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

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2022**

#### **SECTION 172(1) STATEMENT (CONTINUED...):**

##### ***Acting fairly between members of the Company:***

The Company is a wholly owned subsidiary of Kotak Mahindra Bank Limited ("Bank") through direct and indirect holdings. Accordingly, the Bank is the sole member of the Company. The Bank, however, is a public limited Company and its shares are widely held. The Parent is a reputed financial services group in India. The Parent has inculcated a culture of ethical behavior in its subsidiaries including the Company. The Company engages with the Parent by submitting periodic reports on various matters. Two executive Directors of the parent are members of the Board of the Company as non-executive Directors.

**This report was approved by the Board on 25 April 2022 and signed on its behalf.**

  
Christopher Daniel

Director

Date: 25 April 2022

##### **Registered Office:**

55 Baker Street,  
London  
W1U 7EU

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

### **DIRECTORS' REPORT TO THE SHAREHOLDERS**

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**

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).

Though the detailed information on the Company's business, market outlook and strategy has been presented in the Strategic Report for the year ended 31 March 2022, the key information on performance and other matters is as presented below:

#### ***Performance summary:***

The Company has made a profit of USD 2.35 million during the year ended 31 March 2022 compared to a profit of USD 3.45 million for the previous year.

The average AUM ("AAUM") of the funds distributed by the Company were at the same level as for FY 2020-21 at USD 2.19 billion. The distribution income increased from USD 12.39 million during FY 2020-21 to USD 13.11 million for the current year. Overall, the revenue of the Company decreased from USD 18.57 million to USD 17.92 million on account of decrease in income from dealing in securities.

#### **POLITICAL AND CHARITABLE DONATIONS**

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

#### **FINANCIAL RESULTS AND DIVIDENDS**

The statement of profit or loss and other comprehensive income is set out on page 18 of the financial statements. The profit on ordinary activities after taxation for the year ended 31 March 2022 was USD 2.35 million (2021: USD 3.45 million).

#### **CORPORATE GOVERNANCE**

The operations, as described in the Strategic Report, are such that the directors do not consider that the Company is required to voluntarily apply the UK Corporate Governance Code. There is no nomination committee and appointments of new directors are considered by the Board as a whole. The Board does not consider it appropriate that directors should be appointed for a specific term. Furthermore, the structure of the Board is such that it is considered unnecessary to identify a senior non-executive director.

**KOTAK MAHINDRA (UK) LIMITED  
DIRECTORS' REPORT TO THE SHAREHOLDERS**

**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 property, plants and equipment of the Company is given in Note 14 to the financial statements.

**DIRECTORS DECLARATION**

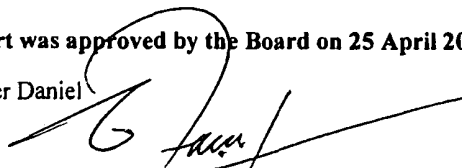
The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself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

**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.

**This report was approved by the Board on 25 April 2022 and signed on its behalf.**

Christopher Daniel



Director  
Date: 25 April 2022

**Registered Office:**  
55 Baker Street,  
London  
W1U 7EU

**KOTAK MAHINDRA (UK) LIMITED  
DIRECTORS' REPORT TO THE SHAREHOLDERS**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE  
STRATEGIC REPORT, DIRECTORS' REPORT AND THE FINANCIAL  
STATEMENTS**

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

Company law 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 applicable law and UK adopted international accounting standards.

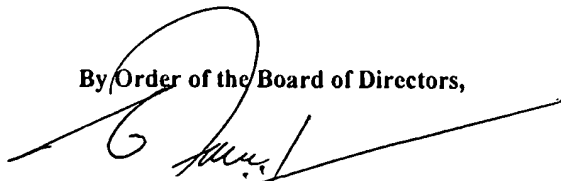
Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with applicable law and UK adopted international accounting standards.
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By Order of the Board of Directors,



Christopher Daniel  
Director

Registered Office:  
55 Baker Street,  
London  
W1U 7EU

Date: 25 April 2022

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KOTAK MAHINDRA (UK) LIMITED**

### **Opinion**

We have audited the financial statements of Kotak Mahindra (UK) Limited ("the Company") for the year ended 31 March 2022 which comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.



## **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

## **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

## **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities in respect of the Strategic Report, Directors' Report and the financial statements set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ISAs (UK) 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 financial statements.

#### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (UK adopted international accounting standards) and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the Company is required to comply with relevant Financial Conduct Authority's (FCA) rules and regulations relating to its operations.
- We understood how the Company is complying with those frameworks by making enquiries of management and by seeking representation from those charged with governance. We corroborated our understanding by reviewing board meeting minutes and relevant policy and procedures manuals. We also reviewed correspondence with relevant authorities.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override of internal controls. We performed journal entry testing by specific risk criteria, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of management and those charged with governance, review of legal and professional expenses, review of breaches and complaints register and review of board meeting minutes.
- The Company is a regulated financial services firm under the supervision of the FCA. As such, the Senior Statutory Auditor reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Mitul Shah (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
Date: 25 April 2022

**KOTAK MAHINDRA (UK) LIMITED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2022**

		<b>31 March 2022 USD'000</b>	<b>31 March 2021 USD'000</b>
Revenue	6	17,917	18,565
Administrative expenses	7(i)	(1,089)	(1,087)
Other operating expenses	7(ii)	(14,299)	(13,880)
Impairment loss	22(b)	(4)	(76)
<b>Profit from operations</b>		<b>2,525</b>	<b>3,522</b>
Net finance income	9	736	878
<b>Profit before taxation</b>		<b>3,261</b>	<b>4,400</b>
Taxation	10		
-Current tax		(911)	(973)
-Deferred tax		(5)	18
<b>Profit for the year</b>		<b>2,345</b>	<b>3,445</b>
<b>Other comprehensive income</b>			
Foreign currency translation differences on foreign operations		(17)	54
Change in fair value of debt investments at fair value through OCI		(899)	1,416
<b>Other comprehensive (loss)/income for the year</b>		<b>(916)</b>	<b>1,470</b>
<b>Total comprehensive income for the year</b>		<b>1,429</b>	<b>4,915</b>

All items dealt with in arriving at the Company's results for the financial year relate to continuing operations.

The accounting notes form an integral part of these financial statements.

**KOTAK MAHINDRA (UK) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2022**

	Notes	31 March 2022 USD'000	31 March 2021 USD'000
<b>Current assets</b>			
Cash and cash equivalents	11	26,122	22,806
Trade and other receivables	12	10,562	24,479
Debt investments at fair value through OCI	15	4,509	8,723
Loans and advances	13	5,675	7,155
Corporation tax receivable		28	-
<b>Total current assets</b>		<b>46,896</b>	<b>63,163</b>
<b>Non-current assets</b>			
Property, plant and equipment	14	24	28
Debt investments at fair value through OCI	15	20,035	16,544
Right-of-Use Asset	21	299	616
Trade and other receivables	12	170	216
Deferred tax asset		113	118
<b>Total non-current assets</b>		<b>20,641</b>	<b>17,522</b>
<b>TOTAL ASSETS</b>		<b>67,537</b>	<b>80,685</b>
<b>Current liabilities</b>			
Trade and other payables	16	11,200	25,414
Lease liabilities	17	136	319
Employee benefit liabilities	18	2,347	2,210
Corporation tax payable		-	47
<b>Total current liabilities</b>		<b>13,683</b>	<b>27,990</b>
<b>Non-current liabilities</b>			
Employee benefit liabilities	18	1,187	1,312
Lease liabilities	17	141	287
<b>Total non-current liabilities</b>		<b>1,328</b>	<b>1,599</b>
<b>TOTAL LIABILITIES</b>		<b>15,011</b>	<b>29,589</b>
Share capital	19	1,655	1,655
Reserves	19	50,871	49,441
<b>Total shareholders' equity</b>		<b>52,526</b>	<b>51,096</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>		<b>67,537</b>	<b>80,685</b>

Approved by the Board on 25 April 2022 and signed on its behalf by:

Christopher Daniel  
Director

Company registration no: 2992399

The accompanying notes form an integral part of these financial statements

**KOTAK MAHINDRA (UK) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2022**

	Share capital USD'000	Other reserves USD'000	Retained earnings USD'000	Total reserves USD'000	Total USD'000
<b>Balance at 31 March 2020</b>	1,655	677	43,843	44,520	46,175
<b>Total comprehensive income for the year</b>					
Profit for the year	-	-	3,445	3,445	3,445
<b>Other comprehensive income</b>					
Foreign currency translation differences	-	54	-	54	54
Net loss on debt investments at fair value through OCI	-	1416	-	1416	1416
<b>Total comprehensive income for the year</b>	-	1470	3,445	4,915	4,915
<b>Transaction with owners, recorded directly in equity</b>					
<b>Contributions by and distribution to owners</b>					
Share based payment transactions	-	6	-	6	6
<b>Total contribution by owners</b>	-	6	-	6	6
<b>Balance at 31 March 2021</b>	1,655	2,153	47,289	49,441	51,096
<b>Total comprehensive income for the year</b>					
Profit for the year	-	-	2,345	2,345	2,345
<b>Other comprehensive income</b>					
Foreign currency translation differences	-	(17)	-	(17)	(17)
Net gain on debt investments at fair value through OCI	-	(899)	-	(899)	(899)
<b>Total comprehensive income/(loss) for the year</b>	-	(916)	--	(916)	(916)
<b>Transaction with owners, recorded directly in equity</b>					
<b>Contributions by and distribution to owners</b>					
Share based payment transactions	-	1	-	1	1
<b>Total contribution by owners</b>	-	1	-	1	1
<b>Balance at 31 March 2022</b>	1,655	1,238	49,634	50,871	52,526

**KOTAK MAHINDRA (UK) LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

	Notes	31 March 2022 USD'000	31 March 2021 USD'000
<b>Cash flows from operating activities</b>			
Profit before taxation		3,261	4,400
<i>Adjustments for:</i>			
Depreciation	14 & 21	335	362
Interest income	9	(763)	(916)
Interest expense	9	27	38
Impairment loss		4	76
		-----	-----
		2,864	3,960
Change in trade and other receivables		13,985	(6,164)
Change in trade and other payables		(14,447)	6,197
Change in liability for employee benefits		236	1,067
		-----	-----
Cash generated from operating activities		2,638	5,060
Interest paid	9	(14)	(19)
Tax paid	10	(986)	(1,402)
		-----	-----
<b>Net cash from operating activities</b>		1,638	3,639
		-----	-----
<b>Cash flows from investing activities</b>			
Payment on purchase of property, plant and equipment	14	(27)	(18)
Purchase of debt investments at fair value through OCI	15	(9,151)	(18,215)
Redemption of debt investments at fair value through OCI	15	8,650	1,700
Interest received		750	1,086
Withdrawal/(placement of term deposits)		315	-
Loan repaid/(extended)	13	1,500	(7,250)
		-----	-----
<b>Net cash from / (used) investing activities</b>		2,037	(22,697)
		-----	-----

The accompanying notes form an integral part of these financial statements

**KOTAK MAHINDRA (UK) LIMITED**  
**STATEMENT OF CASH FLOWS (CONTINUED...)**  
**FOR THE YEAR ENDED 31 MARCH 2022**

		<b>31 March 2022 USD'000</b>	<b>31 March 2021 USD'000</b>
<b>Cash flows from financing activities</b>			
Capital contribution on share based payment transactions		-	6
Payment of principal portion of lease liability	21	(321)	(270)
Payment of interest portion of lease liability	21	(13)	(18)
		-----	-----
<b>Net cash (outflow)from financing activities</b>		<b>(334)</b>	<b>(282)</b>
		-----	-----
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>3,341</b>	<b>(19,340)</b>
Effect of foreign exchange rates on translation of foreign operations		(17)	54
<b>Cash and cash equivalents at 1 April</b>		<b>22,806</b>	<b>41,917</b>
<b>ECL on Cash and cash equivalents</b>		<b>(9)</b>	<b>175</b>
		-----	-----
<b>Cash and cash equivalents at 31 March</b>		<b>26,122</b>	<b>22,806</b>
		=====	=====
<i>Cash and cash equivalents comprise:</i>			
Bank balances	11	26,122	22,806
		-----	-----
<b>Cash and cash equivalents at 31 March</b>		<b>26,122</b>	<b>22,806</b>
		=====	=====

The accompanying notes form an integral part of these financial statements.



**KOTAK MAHINDRA (UK) LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

**1. GENERAL INFORMATION**

Kotak Mahindra (UK) Limited ("the Company"), is a private limited liability company, incorporated on 21<sup>st</sup> 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.

**2. BASIS OF PREPARATION**

*(a) Statement of compliance*

As mentioned above, the financial statements have been prepared in accordance with applicable law and UK adopted international accounting standards.

The financial statements were authorised for issue by the Board of Directors on 25 April 2022.

*(b) Basis of measurement*

The financial statements are prepared on a historical cost convention except for liabilities for cash-settled share-based payments and debt investments which have been measured at fair value.

*(c) Functional and presentation currency*

These financial statements are presented in United States dollar ("USD"), which is the Company's functional currency and presentation currency.

Since the Company operates in an international environment and conducts most of its transactions in USD, the Company has chosen to retain the USD as its reporting currency.

*(d) Use of estimates and judgements*

The preparation of the financial statements in conformity with applicable law and UK adopted international accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies to the amounts recognised in the financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

**KOTAK MAHINDRA (UK) LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

**2. BASIS OF PREPARATION (CONTINUED...)**

***(d) Use of estimates and judgements (Continued...)***

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are as stated below:

***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.

***Functional currency***

The determination of the functional currency of the Company is critical since recording of transactions and exchange differences arising there from are dependent on the functional currency selected. As described in Note 2(c), the Board of Directors has considered those factors described therein and have determined that the functional currency of the Company is the United States dollar ("USD").

***(e) Changes in accounting policies***

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Company has adopted all the new and revised standards which are relevant to the Company and are effective for annual financial periods beginning on or after 1 April 2021. The adoption of these standards does not have any effect on the financial performance or position of the Company.

**3. SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as explained in note 2 (e), which addresses changes in accounting policies.

***(a) Foreign Operations - Branches in Dubai and Singapore***

The functional and presentation currency of the branches in Dubai and Singapore are United Arab Emirates Dirhams ("AED") and the Singapore Dollars ("SGD") respectively. In accordance with IAS 21, the statements of comprehensive income of the branches are translated into USD at the average exchange rate for the year and the statement of financial position is translated at the exchange rate ruling at the reporting date. The resulting exchange difference is included in the other reserve and in other comprehensive income.

**KOTAK MAHINDRA (UK) LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED...):**

**(b) Foreign currencies**

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that their fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transaction.

Market value of investments and other assets and liabilities denominated in currencies other than USD are translated at the exchange rates prevailing at the reporting date. Purchases and sales of investments and income and expenditures denominated in currencies other than USD are translated at the exchange rates prevailing on the day of the transaction.

Realised and unrealised gains and losses on foreign currency transactions are charged or credited to the statement of profit or loss and other comprehensive income as foreign currency gains and losses, except for those arising on financial instruments at fair value through profit or loss, which are recognised as a component of net gain or loss from financial instruments at fair value through profit or loss.

**(c) Financial instruments**

**Recognition and initial measurement**

Trade receivables are initially recognised when they are originated. All other financial assets are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset, unless it is a trade receivable without a significant financing component, is initially measured at fair value plus for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

**Classification and subsequent measurement**

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

**KOTAK MAHINDRA (UK) LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED...):**

***Financial assets at amortised cost***

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

***Business model assessment***

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

***Assessments whether contractual cash flows are solely payments of principal and interest -***

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual interest rate;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets ("SPPI")

**KOTAK MAHINDRA (UK) LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED...):**

***(c) Financial instruments (Continued.....)***

The Company's investment in debt instruments give rise to cash flows on account of interest and repayment of principal and hence meets the SPPI criteria. The business model of the Company in holding the debt investment is to collect cash flows and not to engage in short term trading. However, it has an option to sell the investments if the conditions as laid down are met (i.e. only for portfolio rebalancing, due to change in credit profile of underlying issuers and to meet anticipated or unanticipated funding requirements). Accordingly, the Company has classified its debt investments as fair value through OCI.

***Financial assets – Subsequent measurement and gains and losses***

***Financial assets at FVOCI***

These assets are subsequently measured at fair value. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

***Financial assets at amortised cost***

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

***Loans and advances***

Loans and receivables comprise cash and cash equivalents, term deposits with bank and other receivables (excluding prepayments).

***Financial liabilities***

The Company classifies its financial liabilities as measured at amortised cost. The financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised trade and other payables.

The Company initially recognises financial liabilities on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

***Derecognition***

***Financial Assets***

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

**KOTAK MAHINDRA (UK) LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED...):**

***(c) Financial instruments (Continued.....)***

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

***Financial liabilities***

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

***Offsetting***

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

***Amortised cost measurement***

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

***Fair value measurement principles***

‘Fair value’ is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as ‘active’ if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company measures instruments quoted in an active market at a mid-price.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. There are no assets that are unquoted.

The Company recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

**KOTAK MAHINDRA (UK) LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED...):**

*(c) Financial instruments (Continued...)*

**Cash and cash equivalents**

Cash and cash equivalents comprise cash and bank balances (including term deposits with bank) with maturities of three months or less from the date of acquisition. Redeemable term deposits with maturities of more than three months but less than one year from the date of acquisition have been classified as cash and cash equivalents as they are readily convertible to a known amount of cash throughout their term and are subject to an insignificant risk of change in value assessed against the amount at inception.

*(d) Impairment*

*Financial assets and contract assets*

The Company recognises loss allowances for Expected credit losses (ECL) on financial assets measured at amortised costs.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Company applies the simplified approach to provide for ECLs for all trade receivables, other receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Company applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED...):**

***(d) Impairment (Continued...)***

The Company considers a financial asset to be in default when:

- the customer is unlikely to pay its contractual obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

***Trade and other receivables:***

The Company applies the simplified approach to provide for ECLs for trade and other receivables and contract assets. The Company uses an allowance matrix to measure ECL of trade receivables from customers.

The Company segregates its trade receivables into the ageing buckets of 0-30 days, 30-60 days, 60-90 days and above 90 days. Receivables above 90 days are considered to be in default. The loss rates applied to each ageing bucket is calculated using a 'roll rate' method based of the probability of a receivable progressing through successive stages of delinquency to write off. Roll rates are calculated separately for exposures in each segment based on common credit risk characteristics. The actual credit loss experience over the past five years are used in the determination of the loss rates.

The Company then uses a statistical model to incorporate forward macro-economic factors into the historical loss rates and uses three scenarios (base case, best case and worse case with appropriate weightages) to derive a weighted average forward looking loss rate for each ageing bucket. The Company has considered macro-economic indicators for India as forward-looking economic conditions in the ECL calculation since most of its receivables are closely linked to the Indian economy.

***Cash and cash equivalents and term deposits:***

In respect of calculation of ECL on cash and cash equivalents and term deposits, the Company uses published credit ratings for the relevant financial institutions from an internationally accredited rating agency to derive the probability of defaults ("PD") to which appropriate models are applied to incorporate forward macro-economic factors of the country where the financial institution is based and arrive at a forecasted PD. The Company uses a loss given default ("LGD") percentage based on Basel Convention in its ECL calculations for cash and cash equivalents and term deposits.

***Debt investments at fair value through OCI:***

The Company's debt investments at fair value through OCI comprise solely of quoted bonds that are graded in the investment category, therefore, are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, if there is an evidence that there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses published credit ratings of the issuer of the debt investments from an internationally accredited rating agency to derive the probability of defaults ("PD") to which appropriate models are applied to incorporate forward macro-economic factors of the country where issuer is based and arrive at a forecasted PD. The Company uses a loss given default ("LGD") percentage based on Basel Convention in its ECL calculations for the debt investments.



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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED...):**

**(d) Impairment (Continued...)**

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtors;
- a breach of contract such as a default or being more than 90 days past due;
- it is probable that the debtors will enter bankruptcy or other financial re-organisation

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

*Non-financial assets*

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

**(e) Revenue recognition**

The revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The five steps in the model are as follows:

- Identify the contract with customers
- Identify the performance obligations in the contract;
- Determine the transaction price of the contract;
- Allocate the transaction price to each performance obligations in the contracts and
- Recognise revenue as each performance obligation is satisfied

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED...):**

***(e) Revenue recognition (Continued...)***

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty.

Revenue consists of distribution income, income from dealing in securities, other service fee incomes which are invoiced to clients and are recognised on an accrual basis.

***(f) Expenses***

Expenses are accounted for in the statement of profit or loss and other comprehensive income on the accrual basis.

***(g) Net finance income***

Net financing (costs)/income comprises interest income and interest expense.

Interest income and expense, including interest income from non-derivative financial assets at fair value through other comprehensive income, are recognised in the statement of profit or loss and other comprehensive income, using effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument (or, when appropriate, a shorter period) to the carrying amount of the financial instrument. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument but not the future credit losses.

***(h) Leases***

As lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and an estimate of costs to be incurred by the lessee in restoring the underlying asset to the condition required by the terms and conditions of the lease. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

The Company leases offices and rental contracts are typically made for fixed periods of 2 years to 5 years.

If ownership of the leased asset transfers to the Company at the end of the lease term or the lease reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The Company's right-of-use assets are subject to impairment. Refer to the accounting policies in Note 3 (d) for impairment of non-financial assets.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED...):**

***(h) Leases (Continued...)***

**Lease liabilities**

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be

paid under residual value guarantees. The lease payments also include the payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments).

The Company's lease liabilities are included in Note 17.

**Short-term leases and leases of low-value assets**

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

***(i) Taxation***

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the statement of profit or loss and comprehensive income except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of prior year and foreign tax charges (if any).

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED...):**

***(i) Taxation (Continued...)***

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

***(j) Property, plant and equipment***

***(i) Recognition and measurement***

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition, construction or productions of qualifying assets are recognised in the statement of profit or loss and other comprehensive income as incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in the statement of profit or loss and other comprehensive income. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

***(ii) Subsequent costs***

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement profit or loss and comprehensive income as and when incurred.

***(iii) Depreciation***

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED...):**

**(j) Property, plant and equipment (continued...)**

**(iii) Depreciation (continued)**

Depreciation is recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The estimate useful lives over which assets are depreciated are as follows:

<i>Asset Type</i>	<i>Useful life in years</i>
Computers	3
Furniture & Fixtures	3
Other Equipment	3

Gains and losses on disposal of property, plant and equipment are determined by reference to their written down value and are included in determining operating profit.

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

**(k) Employees' benefits**

***Employees' end of service 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.

***Share based payment – equity settled***

The Employee Stock Option Scheme of Kotak Mahindra Bank Limited, the ultimate holding company (the "Parent") provides for the grant of options to employees of the Company to acquire equity shares of the Parent.

The share option program allows employees of the Company to acquire shares of the Parent. The fair value of options granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and spread on straight line basis over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as expenses is adjusted to reflect the actual number of shares options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED...):**

***(k) Employees' benefits (continued...)***

***Share based payment – equity settled (continued...)***

Where the Parent grants options over its own shares to the employees of the Company, the Company recognizes it as contribution. The amounts reimbursed by the Company are recognised as distribution in respect of the share based payments contribution. If the amount reimbursed is less than or in excess of the contribution, the difference is recognised by the Company as net contribution or distribution respectively.

***Share based payment – cash settled***

The fair value of the amount payable to employees in respect of share based payments, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date based on the fair value of the Share Appreciation Rights (SARs). Any changes in the liability are recognised in profit or loss.

***Employee Pension***

The Company has enrolled its UK employees under the National Employees Savings Trust ("NEST") as per the extant statutory requirements in the UK. The pension is a defined contribution scheme and has been considered under social security costs.

***(l) Provisions***

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.

All known liabilities have been accounted for in the preparation of the financial statements. The materiality of the events occurring after the year end has been considered and appropriate adjustments and provisions have been made in the financial statements where necessary.

***(m) Government Grants***

Government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable.

***(a) Jobs Support Scheme***

The Jobs Support Scheme ("JSS") was announced at the Singapore Budget 2020 on 18 February 2020. The purpose of the JSS was to provide wage support to employers to help them retain their local employees (Singapore Citizens and Permanent Residents) during the period of economic uncertainty. Employers who have made contributions to the Central Provident Fund ("CPF") will qualify for the pay outs under the JSS. Accordingly, the JSS grant income has been recognized in the in the statement of profit or loss and other comprehensive income, under other income.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED...):**

***(m) Government Grants (continued...)***

**(b) Rental Relief**

As part of the Fortitude Budget, the Singapore Government introduced a Rental Relief Framework for Small and Medium Enterprises and specified non-profit organisations. The COVID-19 (Temporary Measures) (Amendment) Act 2020 ("Amendment Act") was passed by Parliament on 5 June 2020 and assented to by the President of Singapore on 16 June 2020. The Rental Relief Framework came into force on 31 July 2020 through the Amendment Act Under the Rental Relief Framework: tenant-occupiers will benefit from the Rental Relief and Additional Rental Relief ("Rental Reliefs"). Landlords and property-owners will be required to waive the contractual rent of the specified months for a tenant, excluding any maintenance fee and service charges under the Rental Reliefs.

The Company has chosen to report the grant income as other income in statement of profit or loss and other comprehensive income as prescribed under IAS20.

**4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS ISSUED BUT NOT YET EFFECTIVE:**

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 17 Insurance Contracts: effective for annual periods beginning on or after 1 January 2023
- IAS 1 Presentation of Financial Statements: effective for annual periods beginning on or after 1 January 2023
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: effective for annual periods beginning on or after 1 January 2023
- IAS 16 Property, Plant and Equipment: effective for annual periods beginning on or after 1 January 2022
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets: effective for annual periods beginning on or after 1 January 2022
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the accounting issues that arise when financial instruments are modified from referencing an IBOR
- Annual Improvements to IFRS: impacting IFRS 1, IFRS 9 and IAS 41
- IAS 12 Income taxes : effective for annual periods beginning on or after 1 January 2023

These new amendments are not expected to have any impact on the Company's financial position, performance or disclosures in its financial statements and have not been adopted early.

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**5. DETERMINATION OF FAIR VALUES: -**

These disclosures supplement the commentary on financial instruments and associated risks (see note 22).

*(i) Determining fair values*

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in note 3(c). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

*(ii) Valuation of financial instruments*

The Company's accounting policy on fair value measurements is discussed in note 3(c).

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs). In case quoted prices for similar instruments are not available or there are no other valuation techniques which can be deemed fit to value the instruments under this category, these are valued at carrying cost.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information (classifications into levels in the fair value hierarchy) for financial assets and financial liabilities not measured at fair values if the carrying amounts are reasonable approximation of fair value. These include trade and other receivables, cash and cash equivalents, term deposit with banks, loans and advances, amount due from related parties, trade and other payables (excluding share based payment liability) and amount due to related parties which are short-term in nature.



**KOTAK MAHINDRA (UK) LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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**5. DETERMINATION OF FAIR VALUES (CONTINUED...)**

*(ii) Valuation of financial instruments (Continued...)*

The directors consider the fair values of the portion of trade and other receivables and trade and other payables which are non-current to be not materially different from their carrying amounts.

31 March 2022	Carrying value	Level 1	Fair values		Total
			Level 2	Level 3	
<b>Financial Assets:</b>			USD'000		
<i>Financial assets measured at fair value</i>					
Debt investments at fair value through OCI	24,544	24,544	-	-	24,544
	24,54	24,544	-	-	24,544
<i>Financial assets not measured at fair value</i>					
Trade and other receivables	9,845				
Cash and cash equivalents	26,122				
Loans and advances	5,675				
Amount due from related parties	615				
<b>Total</b>	42,257				
<b>Grand total</b>	66,801				
<b>Financial Liabilities:</b>					
<i>Financial liabilities measured at fair value</i>					
Share based payments – cash settled	1,665	-	1,665	-	1,665
	1,665	-	1,665	-	1,665
<i>Financial liabilities not measured at fair value</i>					
Trade and other payables	11,187				
Amount due to related parties	11				
<b>Total</b>	11,198				
<b>Grand total</b>	13,001				

NOT APPLICABLE

NOT APPLICABLE

**KOTAK MAHINDRA (UK) LIMITED**  
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**5. DETERMINATION OF FAIR VALUES (CONTINUED...)**

*(ii) Valuation of financial instruments (Continued...)*

31 March 2021	Carrying value	Level 1	Fair values		Total
			Level 2	Level 3	
<b>Financial Assets:</b>			<b>USD'000</b>		
<i>Financial assets measured at fair value</i>					
<i>Debt investments at fair value through OCI</i>	25,267	25,267	-	-	25,267
	-----	-----	-----	-----	-----
	25,267	25,267	-	-	25,267
	-----	-----	-----	-----	-----
<i>Financial assets not measured at fair value</i>					
Trade and other receivables	24,017				
Cash and cash equivalents	22,806				
Loans and Advances	7,155				
Amount due from related parties	438				
	-----				
<b>Total</b>	54,416				
	-----				
<b>Grand total</b>	79,683				
	=====				
<b>Financial Liabilities:</b>					
<i>Financial liabilities measured at fair value</i>					
Share based payments – cash settled	2,462	-	2,462	-	2,462
	-----	-----	-----	-----	-----
	2,462	-	2,462	-	2,462
	-----	-----	-----	-----	-----
<i>Financial liabilities not measured at fair value</i>					
Trade and other payables	25,605				
Amount due to related parties	128				
	-----				
<b>Total</b>	25,733				
	-----				
<b>Grand total</b>	28,195				
	=====				

There have been no transfers during the year between levels 1 and 2.

**KOTAK MAHINDRA (UK) LIMITED**  
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**5. DETERMINATION OF FAIR VALUES (CONTINUED...)**

*(ii) Valuation of financial instruments (Continued...)*

*Share-based payment transactions*

The fair value of the employee share options and the share appreciation rights is measured using the Black-Scholes formula on recognition. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds).

*(iii) Valuation of other non-financial assets and liabilities*

For all non-financial assets and liabilities not carried at fair value, disclosures of fair value are not required as the carrying amounts are reasonable approximation of the fair values.

**6. REVENUE**

	<b>31 March 2022 USD'000</b>	<b>31 March 2021 USD'000</b>
Distribution income	<b>13,112</b>	12,392
Income from dealing in securities	<b>2,519</b>	3,835
Other service income	<b>2,285</b>	2,338
	<b>17,917</b>	<b>18,565</b>

	<b>2022 USD'000</b>	<b>2021 USD'000</b>
Revenue from contracts with customers	<b>17,900</b>	18,416
Other income	<b>17</b>	149
	<b>17,917</b>	<b>18,565</b>

**KOTAK MAHINDRA (UK) LIMITED**  
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**6. REVENUE (CONTINUED.....)**

The following tables provide information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

<b>Type of service</b>	<b>Source of revenue</b>	<b>Nature, timing of satisfaction of performance obligations, significant payment terms</b>
• Distribution of Funds	Distribution Fees	<p>The Company acts as global distributor of funds vide a tripartite agreement between the Company, the investment manager and the respective funds.</p> <p>Distribution fees are calculated on the applicable percentage rates based on the management fees, net of rebate earned by investment manager as stipulated in the tripartite agreement.</p> <p>The monthly invoices for distribution fees are payable on presentation. As the services are to be provided over the life of the Fund, this implies that performance obligation is satisfied over time.</p> <p>Therefore, revenue in the form of distribution fees is recognised over time.</p>
• Dealing in securities	Income from dealing in securities	<p>The Company trades in fixed income securities. It does not engage in trading on own account. It trades back-to-back on a delivery versus payment basis with a large number of regulated market counterparties and on behalf of clients. The revenue the firm earns is the difference in price.</p> <p>The cycle of the trade is trade date plus 2/3days and on settlement date the securities are settled on delivery versus payment method.</p> <p>Therefore, revenue in the form of dealing in securities is recognised at the point in time. (i.e. on trade date accounting basis).</p>
• Service fees	Service fee Income	<p>The Company act as facilitators and develop client relationships for broking business within the Kotak Group in India. The employees of the company performing this role do not undertake any orders and their sole role is to refer clients.</p> <p>The service fee income for the client referral services provided by employees of the Company is based on a total cost with added mark-up.</p> <p>As the services are to be provided over the tenure of the agreement, this implies that performance obligation is satisfied over time.</p> <p>Therefore, revenue in the form of service fee is recognized over time.</p>

**KOTAK MAHINDRA (UK) LIMITED**  
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**6. REVENUE (CONTINUED.....)**

	2022 USD'000	2021 USD'000
<b>Timing of revenue recognition</b>		
Services rendered at a point in time	2,519	3,835
Services rendered over time	15,397	14,730
	<u>17,917</u>	<u>18,565</u>

**Contract balances**

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	Note	2022 USD'000	2021 USD'000
Trade receivables		9,946	23,921
		<u>9,946</u>	<u>23,921</u>

The contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date, if any. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Company invoices the customer.

The contract liabilities primarily relate to advance consideration received from customers for management services.

There are no contract assets or liabilities as at 31st March 2022. (2021: USD NIL).

**KOTAK MAHINDRA (UK) LIMITED**  
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**7. PROFIT FROM OPERATIONS**

Profit from operations has been arrived at after considering the following:

	<b>31 March</b>	31 March
	<b>2022</b>	2021
	<b>USD'000</b>	USD'000
<i>(i) Administrative expenses:</i>		
Operating lease rentals	<b>15</b>	27
Outsourcing expenses	<b>341</b>	286
Legal & professional charges	<b>361</b>	416
Auditor's remuneration	<b>150</b>	127
Communication expenses	<b>97</b>	110
Office administration	<b>91</b>	97
Others	<b>34</b>	23
	<u><b>1,089</b></u>	<u>1,086</u>

Auditor's remuneration includes USD 90,000 in respect of the audit of these financial statements (2021: USD 84,000), USD 26,000 in respect of the audit for the Dubai and Singapore branch (2021: USD 23,000) and USD 29,000 in respect of audit related assurance services (2021: USD 20,000).

*(ii) Other operating expenses*

Distribution expenses	<b>4,241</b>	3,625
Personnel expenses	<b>8,835</b>	9,004
Dealing expenses	<b>614</b>	597
Traveling expenses	<b>17</b>	-
Depreciation	<b>335</b>	362
Foreign currency loss	<b>75</b>	139
Royalty	<b>37</b>	45
Others	<b>144</b>	108
	<u><b>14,298</b></u>	<u>13,880</u>

**KOTAK MAHINDRA (UK) LIMITED**  
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<b>8. PERSONNEL EXPENSES</b>	<b>31 March 2022 USD'000</b>	<b>31 March 2021 USD'000</b>
Salaries	5,171	4,311
Directors' remuneration	2,221	2,320
Share based payment expenses	612	1,668
Social security costs	339	317
Pension contribution costs (defined contribution)	14	13
Other related costs	420	314
Gratuity	58	61
	<u>8,835</u>	<u>9,004</u>
Average number of employees during the year	32	32
<b>9. NET FINANCE INCOME</b>	<b>31 March 2022 USD'000</b>	<b>31 March 2021 USD'000</b>
Interest income on bank/term deposits	90	295
Interest income on others	54	68
Interest income on debt investments at fair value through OCI	619	553
Interest income	<u>763</u>	<u>916</u>
Interest on borrowings	<u>(27)</u>	<u>(38)</u>
	<u>736</u>	<u>878</u>

**KOTAK MAHINDRA (UK) LIMITED**  
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**10. TAXATION**

The Company had applied for the branch exemption election with effect from 01 April 2016 and accordingly corporation tax for the year has been computed on taxable profits generated at the UK office of the Company and taxes on the profits of the Singapore branch as per local taxation rules. The combined loss of Singapore and Dubai branches for the year are USD 1.17 million.

The Company is subject to corporation tax in the United Kingdom at 19% (2021: 19%)

The UK Government announced on 3 March 2021 its intention to increase the UK rate of corporation tax to 25% from 19% from 1 April 2023. As this rate has been substantively enacted during the year end 31 March 2022, deferred tax has been calculated at 25% for timing difference unwinding beyond 31 March 2023.

	<b>31 March 2022 USD'000</b>	<b>31 March 2021 USD'000</b>
<i>Current tax expense</i>		
Corporation tax on profit for the year	<b>819</b>	845
Foreign tax charge (Singapore branch)	<b>91</b>	132
Overprovision for prior year	<b>1</b>	(4)
	<hr/>	<hr/>
<b>Corporation tax charge for the year</b>	<b>911</b>	973
<i>Deferred tax</i>	<b>5</b>	(18)
<b>Corporation tax expense reported in the statement of profit or loss</b>	<b>916</b>	955
 <i>Deferred tax expense</i>		
Current deferred tax expense/(income)	21	(18)
Deferred tax (income)/expense resulting from increase in tax rate	(16)	-
<b>Deferred tax expense reported in the statement of profit or loss</b>	<b>5</b>	(18)



**KOTAK MAHINDRA (UK) LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

**10. TAXATION (CONTINUED...)**

	<b>31 March 2022 USD'000</b>	<b>31 March 2021 USD'000</b>
--	--------------------------------------	--------------------------------------

***Reconciliation of effective tax rate***

<b>Reported Profit</b>	<b>3,261</b>	<b>4,400</b>
Applicable corporation tax rate	<b>19%</b>	<b>19%</b>
Tax at statutory rate	<b>620</b>	<b>836</b>
<b>Effects of:</b>		
UK exemption of net losses / (profits) of Singapore and Dubai branches	<b>222</b>	<b>(26)</b>
Non-deductible expenses	<b>-</b>	<b>(1)</b>
Timing differences	<b>-</b>	<b>18</b>
Foreign tax charge (Singapore branch)	<b>90</b>	<b>132</b>
Under / (over) provision for prior year	<b>1</b>	<b>(4)</b>
Deferred tax (income)/expense resulting from increase in tax rate	<b>(16)</b>	<b>-</b>
	<hr/>	<hr/>
<b>Tax charge for the year</b>	<b>916</b>	<b>955</b>
<b>Corporation tax charge as a % of profit before taxation</b>	<b>28.08</b>	<b>21.70</b>
	<hr/> <hr/>	<hr/> <hr/>

***Tax (Asset) / liability***

At 1 April	<b>47</b>	<b>475</b>
Charge for the year	<b>911</b>	<b>973</b>
Paid during the year	<b>(986)</b>	<b>(1,401)</b>
	<hr/>	<hr/>
At 31 March	<b>(28)</b>	<b>47</b>
	<hr/> <hr/>	<hr/> <hr/>

**Deferred tax asset relates to the following timing differences:**

	<b>31 March 2022 USD'000</b>	<b>31 March 2021 USD'000</b>
Fixed Assets (difference between tax and net book value)	<b>(15)</b>	<b>(16)</b>
Shares based payment cash settled, Deferred incentives and pension	<b>(56)</b>	<b>(63)</b>
Transitional adjustment of IFRS 9 – Expected credit loss to be spread out over a period of 10 years	<b>(42)</b>	<b>(39)</b>
	<hr/>	<hr/>
	<b>(113)</b>	<b>(118)</b>
	<hr/> <hr/>	<hr/> <hr/>

**KOTAK MAHINDRA (UK) LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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<b>11. CASH AND CASH EQUIVALENTS</b>	<b>31 March 2022 USD'000</b>	<b>31 March 2021 USD'000</b>
Cash at bank	10,347	9,127
Redeemable term deposits with maturities of more than 3 months less than 1 year	15,864	13,760
Less: Expected credit loss	(89)	(81)
	<u>26,122</u>	<u>22,806</u>
 <b>12. TRADE AND OTHER RECEIVABLES</b>	 <b>31 March 2022 USD'000</b>	 <b>31 March 2021 USD'000</b>
Interest receivable	315	303
Other receivables	201	234
Amount due from related parties	637	444
Amount due from brokers	9,321	23,488
Amount due from clients	17	15
	<u>10,491</u>	<u>24,484</u>
Less: Expected credit loss	(31)	(29)
	<u>10,460</u>	<u>24,455</u>
Prepayments	272	240
<b>Total trade and other receivables</b>	<u>10,732</u>	<u>24,695</u>
Less: Non-current portion	(170)	(216)
<b>Current portion</b>	<u>10,562</u>	<u>24,479</u>
 <b>13. LOANS AND ADVANCES</b>	 <b>31 March 2022 USD'000</b>	 <b>31 March 2021 USD'000</b>
Loan to fellow subsidiary	5,750	7,250
Less: Expected credit loss	(75)	(95)
	<u>5,675</u>	<u>7,155</u>

The loan to fellow subsidiary company is unsecured and repayable on demand.

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**14. PROPERTY, PLANT AND EQUIPMENT**

	Computers USD'000	Office equipment USD'000	Furniture and Fixtures USD'000	Total USD'000
<i>Cost At 1 April 2021</i>	1,116	139	943	2,198
<i>Additions during the year</i>	27	-	-	18
<b>At 31 March 2022</b>	<b>1,143</b>	<b>139</b>	<b>943</b>	<b>2,225</b>
<i>Depreciation At 1 April 2021</i>	1,105	132	933	2,170
<i>Charge for the year</i>	16	5	10	31
<b>At 31 March 2022</b>	<b>1,121</b>	<b>137</b>	<b>943</b>	<b>2,202</b>
<i>Net book values</i>				
<b>At 31 March 2022</b>	<b>22</b>	<b>2</b>	<b>-</b>	<b>24</b>
<i>At 31 March 2021</i>	11	7	10	28

**KOTAK MAHINDRA (UK) LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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**15. INVESTMENTS**

**Debt investments at fair value through OCI**

	<b>31 March 2022 USD'000</b>	<b>31 March 2021 USD'000</b>
Cost at 1 April	24,723	8,422
Additions	9,151	18,215
Redemptions	(8,650)	(1,700)
Amortization	(313)	(214)
	-----	-----
Cost at 31 March	24,911	24,723
Unrealized (loss)/gain on fair valuation	(151)	748
Expected credit loss	(216)	(204)
	-----	-----
Fair value at 31 March	24,544	25,267
	=====	=====
<b>Debt investments classified as:</b>		
Current	4,509	8,723
Non-current	20,035	16,544
	-----	-----
<b>Total</b>	24,544	25,267
	=====	=====

**KOTAK MAHINDRA (UK) LIMITED**  
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**FOR THE YEAR ENDED 31 MARCH 2022**

**16. TRADE AND OTHER PAYABLES**

	<b>31 March 2022 USD'000</b>	<b>31 March 2021 USD'000</b>
Amounts due to brokers	9,300	23,468
Amounts due to related parties	149	128
Other payables	7	17
Accruals	1,744	2,801
	<u>11,200</u>	<u>25,414</u>

*Trade and other payables – categorised as:*

Current	11,200	25,414
	<u>11,200</u>	<u>25,414</u>

**17. LEASE LIABILITIES**

	<b>31 March 2022 USD'000</b>	<b>31 March 2021 USD'000</b>
Lease liability	277	606
	<u>277</u>	<u>606</u>

*Lease liabilities – categorised as:*

Current	136	319
Non-current	141	287
	<u>277</u>	<u>606</u>

**18. EMPLOYEE BENEFIT LIABILITIES**

	<b>31 March 2022 USD'000</b>	<b>31 March 2021 USD'000</b>
Employee end of services benefits	304	321
Share based payments – cash settled	1,665	2,462
Short term employee benefit	98	98
Staff incentives	1,467	641
	<u>3,534</u>	<u>3,522</u>

*Employee benefit liabilities – categorised as:*

Current	2,347	2,210
Non-current	1,187	1,312
	<u>3,534</u>	<u>3,522</u>

**KOTAK MAHINDRA (UK) LIMITED**  
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**19. CAPITAL AND RESERVES**

	<b>31 March 2022 USD'000</b>	31 March 2021 USD'000
<i><b>Share capital:</b></i>		
<i>Authorised:</i>		
1,000,000 ordinary shares of £1.00 each		
<i>Issued and fully paid up:</i>	<b>1,655</b>	1,655
959,200 ordinary shares of £1.00 each	<u><u>          </u></u>	<u><u>          </u></u>

Shareholders of the ordinary shares are entitled to the following rights:

- i) The right to vote on a poll for every share held at a meeting of the Company on any resolution
- ii) The right to an equal share in dividends authorised by the Board; and
- iii) The right to a proportionate share in the distribution of the surplus assets of the Company.

***Reserves:***

*Reserves comprise the following:*

Retained earnings	<b>49,633</b>	47,288
Other reserves	<b>1,238</b>	2,153
	<u><u>50,871</u></u>	<u><u>49,441</u></u>

**Nature and purpose of other reserves:**

- Financial asset at FVOCI: The Company's investment in debt securities are classified as FVOCI and accordingly any change in fair value is recognized under other comprehensive income. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.
- Foreign currency translation: Exchange differences arising on translation of the foreign branches are recognised in other comprehensive income and accumulated in other reserves.
- Share based payments: This is to recognize the grant date fair value of options issued by the Parent company net of any reimbursements made reflected as additional contribution from Parent.

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**20. SHARE BASED PAYMENTS – EQUITY SETTLED:**

Kotak Mahindra Bank Limited, the parent company of Kotak Mahindra (UK) Limited has formulated and adopted the following Employee Stock Option Schemes (“ESOS”) in accordance with the SEBI (Employee Stock Option Scheme) Guidelines, 1999 issued by the Securities and Exchange Board of India (SEBI).

a) Kotak Mahindra Equity Option Scheme 2007

b) Kotak Mahindra Equity Option Scheme 2015

These schemes provide for the grant of options to employees of the Bank and its subsidiaries to acquire equity shares of the Bank that vest in a graded manner and that are to be exercised within a specified period. In accordance with the SEBI guidelines, the excess, if any, of the market price of the share at the date of the grant of the option under ESOS over the exercise price of the option is amortised on a straight line basis over the vesting period and is recovered from the subsidiary to the extent that it pertains to its employees. These options are accounted for as being equity settled in the consolidated accounts of the Parent.

The fair value of the option is determined using a Black-Scholes options pricing model. During the year, USD 715 (2021: USD 5,890) was charged to the Company’s statement of profit or loss and other comprehensive income in respect of equity-settled share-based payments transactions with a corresponding increase being made to the capital contribution to the Company by the Parent. The amount reimbursed by the Company amounting to USD 414 (2021: NIL) is recognised as an adjustment to the capital contribution recognised in respect of the share based payments.

The terms and conditions of unexpired grants are as follows:

Scheme Reference	Grant Date	Method of Settlement Accounting	No of Share Options	Vesting conditions/Dates	Contractual life of the option (yrs.)
ESOP 2015/14	18-May-18	Equity	300.00	30% - 1yr service 30% - 2yr service 20% - 3yr service 20% - 4yr service	3.87
ESOP 2015/19	20-May-19	Equity	1,532.00	30% - 1yr service 30% - 2yr service 20% - 3yr service 20% - 4yr service	3.87
ESOP 2015/25	20-Aug-20	Equity	512.00	30% - 1yr service 30% - 2yr service 20% - 3yr service 20% - 4yr service	3.65
ESOP 2015/30	20-May-21	Equity	1,630.00	30% - 1yr service 30% - 2yr service 20% - 3yr service 20% - 4yr service	4.34
			<b>3,974.00</b>		

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**20. SHARE BASED PAYMENTS – EQUITY SETTLED (CONTINUED...):**

**Stock option scheme continued...**

The number and actual exercise prices of share options are as follows:

Scheme	Grant Date	Outstanding at the start of the year	Granted during the year*	Lapsed/ Cancelled during the year	Outstanding at the end of the year	Exercise Price (INR)
ESOP2015-14	18 May 18	-	300	-	300	1,271.00
ESOP2015-19	20 May 19	-	1,532	-	1,532	1,460.00
ESOP2015-25	20 Aug 20	-	512	-	512	1,341.00
ESOP2015-30	20 May 21	-	1,630	-	1,630	1,801.00
		-	<b>3,974</b>	-	<b>3,974</b>	

\*Includes transfers during the year

The fair values were calculated using a Black-Scholes Model. The inputs were as follows:

Scheme	Grant Date	Exercise Price (INR)	Expected Life (yrs.)	Annual dividend yield	Volatility	Risk free rate	Fair Value per share option (INR)
ESOP 2015/14*	18-May-18	1,271.00	1.45	0.06%	18.68%	7%	184.60
ESOP 2015/14*	18-May-18	1,271.00	2.71	0.06%	32.95%	8%	383.29
ESOP 2015/14*	18-May-18	1,271.00	3.37	0.06%	32.13%	8%	433.45
ESOP 2015/14*	18-May-18	1,271.00	3.87	0.06%	31.43%	8%	465.70
ESOP 2015/19*	20-May-19	1,460.00	1.45	0.05%	23.24%	7%	230.35
ESOP 2015/19*	20-May-19	1,460.00	2.7	0.05%	21.16%	7%	330.89
ESOP 2015/19*	20-May-19	1,460.00	3.37	0.05%	21.32%	7%	387.19
ESOP 2015/19*	20-May-19	1,460.00	3.87	0.05%	31.00%	7%	508.28
ESOP 2015/25*	20-Aug-20	1,341.00	1.31	0.06%	39.75%	4%	267.12
ESOP 2015/25*	20-Aug-20	1,341.00	2.56	0.06%	33.09%	4%	340.57
ESOP 2015/25*	20-Aug-20	1,341.00	3.15	0.06%	30.71%	5%	370.15
ESOP 2015/25*	20-Aug-20	1,341.00	3.65	0.06%	29.29%	5%	395.03
ESOP 2015/30*	20-May-21	1,801.00	1.34	0.05%	42.76%	4%	390.94
ESOP 2015/30*	20-May-21	1,801.00	2.34	0.05%	35.50%	5%	463.58
ESOP 2015/30*	20-May-21	1,801.00	3.34	0.05%	32.78%	5%	545.46
ESOP 2015/30*	20-May-21	1,801.00	4.34	0.05%	29.80%	6%	609.04

\* Includes transfers during the year

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. The measurement of fair value was not adjusted for any other feature of the option grant and no option grant was subject to a market condition.



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**20. SHARE BASED PAYMENTS – CASH SETTLED:**

During the year, an amount of USD 1.19 million was charged to the profit or loss and other comprehensive income on account of share based payments – cash settled. The details of the current share based payments – cash settled outstanding options are as given below.

Scheme Reference	Grant Date	Method of Settlement Accounting	No of SARs	Vesting Conditions/Dates	Contractual life of the SARs (yrs.)
2015-22 (Series 22)	20-May-19	Cash	13,916	30% - 2020-21 30% - 2021-22 40% - 2022-23	3.65
2015-23 (Series 23)	20-May-19	Cash	66,364	30% - 2020-21 30% - 2021-22 40% - 2022-23	3.65
2015-23 (Series 28)	7-Aug-20	Cash	29,323	30% - 2021-22 30% - 2022-23 40% - 2022-23	3.43
2015-23 (Series 29)	7-Aug-20	Cash	111,489	30% - 2021-22 30% - 2022-23 40% - 2022-23	3.43
2015-23 (Series 31)	7-Aug-20	Cash	2,240	60% - 2023-24 40% - 2024-25	4.10
2015-23 (Series 32)	30-May-21	Cash	16,550	25% - 2022-23 25% - 2023-24 25% - 2024-25 25% - 2025-26	4.11
2015-23 (Series 33)	30-May-21	Cash	53,310	25% - 2022-23 25% - 2023-24 25% - 2024-25 25% - 2025-26	4.11
			<b>293,192</b>		

The number and actual exercise prices of share options are as follows:

Scheme Reference	Grant Date	Outstanding at the start of the year	Granted during the year	Vested/Forfeited during the year	Transfer in during the year	Outstanding at the end of the year	Exercise Price (INR)
2015-17 (Series 17)	18-May-18	14,316	-	(14,316)	-	-	-
2015-18 (Series 18)	18-May-18	64,068	-	(64,068)	-	-	1,271
2015-22 (Series 22)	20-May-19	26,425	-	(13,029)	520	13,916	-
2015-23 (Series 23)	20-May-19	128,660	-	(63,444)	1,148	66,364	1,460
2015-28 (Series 28)	7-Aug-20	43,990	-	(15,038)	371	29,323	-
2015-29 (Series 29)	7-Aug-20	168,630	-	(57,638)	497	111,489	1,341
2015-31 (Series 31)	7-Aug-20	2,240	-	-	-	2,240	-
2015-23 (Series 32)	30-May-21	-	16,980	(970)	540	16,550	-
2015-23 (Series 33)	30-May-21	-	56,480	(3,540)	370	53,310	1,801
		<b>448,329</b>	<b>73,460</b>	<b>(232,043)</b>	<b>3,446</b>	<b>293,192</b>	

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**20. SHARE BASED PAYMENTS – CASH SETTLED (CONTINUED...):**

The fair values were calculated using a Black-Scholes Model. The inputs were as follows:

Scheme Reference	Grant Date	Exercise Price (INR)	Expected Life (yrs.)	Annual dividend yield	Volatility	Risk free rate	Fair Value per SARs (INR)
2015-22 (Series 22)	20-May-19	-	0.25	0.05%	31.46%	3.97%	1,762.87
			0.27	0.05%	30.70%	3.99%	1,762.86
			0.29	0.05%	30.99%	4.00%	1,762.84
			0.75	0.05%	28.11%	4.40%	1,762.42
			0.77	0.05%	27.80%	4.41%	1,762.40
			0.79	0.05%	27.51%	4.42%	1,762.39
2015-23 (Series 23)	20-May-19	1,460.00	0.25	0.05%	31.46%	3.97%	329.58
			0.27	0.05%	30.70%	3.99%	331.16
			0.29	0.05%	30.99%	4.00%	334.30
			0.75	0.05%	28.11%	4.40%	387.95
			0.77	0.05%	27.80%	4.41%	389.14
			0.79	0.05%	27.51%	4.42%	390.36
2015-28 (Series 28)	7-Aug-20	-	0.67	0.05%	29.16%	4.33%	1,762.50
			0.69	0.05%	29.12%	4.34%	1,762.48
			0.71	0.05%	28.88%	4.36%	1,762.46
			1.25	0.05%	27.78%	4.72%	1,761.98
			1.27	0.05%	27.72%	4.73%	1,761.96
			1.29	0.05%	27.55%	4.74%	1,761.94
			1.75	0.05%	29.05%	5.02%	1,761.52
			1.77	0.05%	29.37%	5.03%	1,761.50
2015-29 (Series 29)	7-Aug-20	1,341.00	1.79	0.05%	29.58%	5.04%	1,761.49
			0.67	0.05%	29.16%	4.33%	477.26
			0.69	0.05%	29.12%	4.34%	479.14
			0.71	0.05%	28.88%	4.36%	480.55
			1.25	0.05%	27.78%	4.72%	531.25
			1.27	0.05%	27.72%	4.73%	532.89
			1.29	0.05%	27.55%	4.74%	534.12
			1.75	0.05%	29.05%	5.02%	585.91
2015-31 (Series 31)	7-Aug-20	-	1.77	0.05%	29.37%	5.03%	589.38
			1.79	0.05%	29.58%	5.04%	592.30
			1.42	0.05%	27.76%	4.82%	1,761.82
			1.44	0.05%	29.26%	4.83%	1,761.81
			1.46	0.05%	29.34%	4.84%	1,761.79
			2.42	0.05%	35.94%	5.40%	1,760.92
			2.44	0.05%	35.82%	5.41%	1,760.90
			2.46	0.05%	35.70%	5.42%	1,760.89
2015-23 (Series 32)	30-May-21	-	0.25	0.05%	31.46%	3.97%	1,762.87
			0.27	0.05%	30.70%	3.99%	1,762.86
			0.29	0.05%	30.99%	4.00%	1,762.84
			1.25	0.05%	27.78%	4.72%	1,761.98
			1.27	0.05%	27.72%	4.73%	1,761.96
			1.29	0.05%	27.55%	4.74%	1,761.94
			2.25	0.05%	37.02%	5.31%	1,761.07
			2.27	0.05%	36.90%	5.32%	1,761.06
			2.29	0.05%	36.77%	5.33%	1,761.04
			3.25	0.05%	33.14%	5.83%	1,760.17
			3.27	0.05%	33.06%	5.84%	1,760.16
			3.29	0.05%	33.01%	5.85%	1,760.14
2015-23 (Series 33)	30-May-21	1,801.00	0.25	0.05%	31.46%	3.97%	101.11
			0.27	0.05%	30.70%	3.99%	103.14
			0.29	0.05%	30.99%	4.00%	108.79
			1.25	0.05%	27.78%	4.72%	246.96
			1.27	0.05%	27.72%	4.73%	248.97
			1.29	0.05%	27.55%	4.74%	250.14
			2.25	0.05%	37.02%	5.31%	454.48
			2.27	0.05%	36.90%	5.32%	455.75
			2.29	0.05%	36.77%	5.33%	456.92
			3.25	0.05%	33.14%	5.83%	531.10
			3.27	0.05%	33.06%	5.84%	532.37
			3.29	0.05%	33.01%	5.85%	533.90

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**21. LEASES:**

**Right-of-use assets**

Right-of-use assets related to lease properties that do not meet the definition of investment property are presented as property, plant and equipment.

	<b>31 March 2022 USD'000</b>	31 March 2021 USD'000
Balance at 1st April 2021	606	423
Additions to right-of-use assets	-	481
Depreciation charge for the year	(303)	(298)
Foreign exchange loss for the year	(4)	-
Balance at 31st March 2022	<u><b>299</b></u>	<u><b>606</b></u>

Amounts recognized in profit or loss

	<b>31 March 2022 USD'000</b>	31 March 2021 USD'000
Interest on lease liabilities	<u><b>13</b></u>	<u><b>18</b></u>
	<u><b>13</b></u>	<u><b>18</b></u>

Amounts recognized in statement of cash flows

	<b>31 March 2022 USD'000</b>	31 March 2021 USD'000
Total cash outflow for leases	<u><b>334</b></u>	<u><b>288</b></u>
	<u><b>334</b></u>	<u><b>288</b></u>

At 31 March, the Company was committed to making the following lease rental payments under a non-cancellable operating lease:

	<b>31 March 2022 USD'000</b>	31 March 2021 USD'000
Payable		
- Within one year	<b>131</b>	332
- Between two and five years	<b>165</b>	336
	<u><b>296</b></u>	<u><b>668</b></u>

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**22. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS**

The Company maintains positions in a variety of non-derivative financial instruments. The Company's activities may expose it to various types of risks that are associated with the financial instruments. The most important types of financial risk to which the Company may be exposed are market risk, credit risk and liquidity risk.

Exposure to interest rate, foreign currency, price, credit and liquidity risks arise in the normal course of the Company's business. These risks are limited by the Company's financial and risk management policies and practices described below:

*(a) Market risk*

Market risk embodies the potential for both loss and gains and includes currency risk, interest rate risk and price risk.

*(i) Interest rate risk*

The majority of the Company's financial assets and liabilities are non-interest bearing, with the exception of loans and advances, cash and cash equivalents and investments in debt securities

Interest income from cash deposits may fluctuate in amount, in particular due to changes in the interest rates. Most of these deposits are placed in short term deposits to take care of interest rate movement. The Company's investment in debt securities earn interest at fixed coupon rates and loans and advances at variable rates.

The interest rate profile of the Company's interest-bearing financial instruments is as follows:

<i>Financial assets</i>	<b>31</b>	<b>31</b>
	<b>March</b>	<b>March</b>
	<b>2022</b>	<b>2021</b>
	<b>USD'</b>	<b>USD</b>
	<b>000</b>	<b>'000</b>
Variable rate instruments	<b>5,750</b>	<b>7,250</b>
Fixed rate instruments	<b>40,408</b>	<b>39,027</b>
	<b>46,158</b>	<b>46,277</b>

The Company doesn't have any financial liability which are either variable or fixed rate interest bearing (2020: NIL).

If interest rate increases or decreases by 1% with all other variables held constant, profit for the year and equity of the Company would decrease or increase by **USD 461,577** (2021: **USD 462,766**).

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**22. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED...)**

**(a) Market risk (Continued...)**

**(ii) Price risk**

Price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Company's investment in bonds are classified as FVOCI and accordingly any change in fair value would be recognized under other comprehensive income.

Price risk on investments in debt securities, is mitigated by the Company constructing a diversified portfolio based on parameters approved by the Board of Directors.

*Sensitivity analysis*

The following table indicates the approximate change in the Company's equity in response to reasonably possible changes in the relevant price.

	<b>Increase/ (decrease) in relevant price or net asset value per share %</b>	<b>Effect on equity USD'000</b>
<i>At 31 March 2022:</i>		
Price in respect of debt investments	10 (10)	2,454 (2,454)
<i>At 31 March 2021:</i>		
Price in respect of debt investments	10 (10)	2,527 (2,527)

The sensitivity analysis has been determined assuming that the reasonably possible changes in the price of debt securities had occurred at the reporting date and had been applied to the exposure to price risk in existence at that date.

**(iii) Currency risk**

The reporting and functional currency of the Company is US Dollar and hence it is exposed to the currency risk posed by adverse movements in US Dollar against Pound Sterling and the Singapore Dollar. The Company is exposed to Arab Emirates Dirham ("AED") through its branch in Dubai. Although the AED is pegged to the USD, the Company is exposed to the currency being de-pegged or a change in the pegged rate.

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**22. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED...)**

*(a) Market risk (Continued...)*

*(iii) Currency risk (Continued....)*

The currency profile as at the balance sheet date was as follows:

Currency	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
	31st March	31st March	31st March	31st March
	2022	2022	2021	2021
	USD'000	USD'000	USD'000	USD'000
United States Dollar	34,698	5,729	46,905	18,745
Great Britain Pounds	586	559	198	679
Singapore Dollars	696	1,654	183	1,878
Arab Emirates Dirham	349	1,011	100	1,138
Indian Rupees	13	-	-	-
<b>Total</b>	<b>36,342</b>	<b>8,953</b>	<b>47,386</b>	<b>22,440</b>

*Sensitivity analysis*

The following table indicates the approximate change in the Company's profit/ loss and equity in response to reasonable possible changes in the foreign exchange rates to which the Company has significant exposure at the reporting date. The Company is mainly exposed to the Singapore Dollars ("SGD"), Great Britain Pound ("GBP") and has limited exposure to the Arab Emirates Dirham ("AED").

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**22. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED...)**

**(a) Market risk (continued...)**

**(iii) Currency risk (continued...)**

A 10% increase and decrease in the USD against the relevant foreign currency is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

	<b>2022</b>		<b>2021</b>	
	<b>Appreciation/ (depreciation) in foreign exchange rates %</b>	<b>Effect on profit or loss/ equity USD'000</b>	<b>Appreciation/ (depreciation) in foreign exchange rates %</b>	<b>Effect on profit or loss/ equity USD'000</b>
GBP	<b>10</b>	<b>(3)</b>	<b>10</b>	<b>(48)</b>
	<b>(10)</b>	<b>3</b>	<b>(10)</b>	<b>48</b>
SGD	<b>10</b>	<b>(96)</b>	<b>10</b>	<b>(169)</b>
	<b>(10)</b>	<b>96</b>	<b>(10)</b>	<b>169</b>
AED	<b>10</b>	<b>(66)</b>	<b>10</b>	<b>(104)</b>
	<b>(10)</b>	<b>66</b>	<b>(10)</b>	<b>104</b>
INR	<b>10</b>	<b>(1)</b>	<b>-</b>	<b>-</b>
	<b>(10)</b>	<b>1</b>	<b>-</b>	<b>-</b>

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the reporting date and had been applied to the Company's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. Results of the analysis as presented in the above table represent the effects on the Company's equity measured in foreign currencies, translated into USD at the exchange rate ruling at the reporting date.

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**22. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED...)**

**(b) Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company, resulting in a financial loss to the company. It arises principally from debt securities held, cash and cash equivalents, term deposit with banks, amounts due from related parties and trade and other receivables. For risk management reporting purposes the company considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

**(i) Management of credit risk**

Bank balances are held with reputable financial institutions. Term deposits with banks are held with multiple banks to ensure diversification and they are all owned by Government of India. The Company's debt investments comprise solely of quoted bonds that are graded in the investment category.

Advances are provided to related parties only and management monitor its receivables on an ongoing basis.

The Company's credit risk is monitored on a quarterly basis by the Board of Directors. Credit risk on debt investments based on parameters laid down by the Company is also monitored daily in accordance with policies and procedures approved by the Board of Directors.

<i>Exposures to credit risk: - Net amount after Impairment</i>	<b>31 March 2022 USD'000</b>	<b>31 March 2021 USD'000</b>
<b>ASSETS</b>		
Trade and other receivables	<b>9,833</b>	24,017
Debt investments at fair value through OCI	<b>24,544</b>	25,267
Cash and cash equivalents	<b>26,122</b>	22,806
Loans and advances	<b>5,675</b>	7,155
Amount due from related parties	<b>628</b>	438
	<b>66,802</b>	79,683



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**22. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED...)**

**(b) Credit risk (Continued.....)**

**(i) Management of credit risk (Continued.....)**

	<b>31 March</b>	31 March
	<b>2022</b>	2021
	<b>USD'000</b>	USD'000
<b>Ageing of trade and receivables:</b>		
Within one month	<b>10,461</b>	<b>24,455</b>
Between one and six months	-	-
	-----	-----
	<b>10,461</b>	<b>24,455</b>
	=====	=====

**(iii) Investments in debt securities**

At 31 March 2022 the Company invested in debt securities with the following credit quality.

<b>Rating</b>	<b>2022</b>	2021
	<b>%</b>	<b>%</b>
Baa3	<b>57%</b>	67%
Ba1	<b>33%</b>	33%
Ba2	<b>10%</b>	-
<b>Total</b>	<b>100%</b>	100%

**(i) Concentration of credit risk**

As at the reporting date, the Company's debt securities exposures were concentrated in the following industries:

	<b>2022</b>	2021
	<b>%</b>	<b>%</b>
Banking	<b>47%</b>	49%
Energy	<b>43%</b>	51%
Metals & mining	<b>10%</b>	-
<b>Total</b>	<b>100%</b>	100%

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**22. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED...)**

**(b) Credit risk (CONTINUED....)**

*Expected credit loss assessment for customers as at 1 April 2021 and 31 March 2022*

The Company uses an allowance matrix to measure the ECLs of trade receivables, loans & advances, cash and cash equivalents, term deposits and investments.

The following table provides information about the exposure to credit risk and ECLs for trade receivables, cash and cash equivalents and debt investments as at 31 March 2022:

		Company		
	Weighted average loss rate %	Gross carrying amount USD'000	Impairment loss allowance USD'000	Credit impaired
Trade and other receivables	0.26%	10,491	31	No
Cash and cash equivalents	0.34%	26,211	89	No
Loans and advances	1.30%	5,750	75	No
Debt investments at fair value through OCI	0.88%	24,544	216	No
		<b>66,996</b>	<b>412</b>	

*Movements in allowance for impairment*

The movement in the allowance for impairment in respect of trade and other receivables, cash and cash equivalents, term deposits and debt investments during the year was as follows:

	Impairment loss 2022 USD'000	Impairment loss 2021 USD'000
At 31 March 2021	408	332
Movement during the year	4	76
At 31 March 2022	<b>412</b>	<b>408</b>

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**22. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED...)**

**(c) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet its expected operational expenses for a minimum period of 90 days, including the servicing of any financial obligations.

31st March 2022 USD'000					
Trade and other payables due within	Total	Less than three months	Three to six months	Six to twelve months	Between one and five years
Amount due to brokers	9,300	9,300	-	-	-
Amount due to related parties	149	149	-	-	-
Accruals	1,744	1,744	-	-	-
Other payables	7	7	-	-	-
Lease liability	276	63	34	39	140
	<b>11,476</b>	<b>11,263</b>	<b>34</b>	<b>39</b>	<b>140</b>

31st March 2021 USD'000					
Trade and other payables due within	Total	Less than three months	Three to six months	Six to twelve months	Between one and five years
Amount due to brokers	23,468	23,468	-	-	-
Amount due to related parties	128	128	-	-	-
Accruals	1,801	1,801	-	-	-
Other payables	17	17	-	-	-
Lease liability	606	62	96	160	287
	<b>26,020</b>	<b>25,476</b>	<b>96</b>	<b>160</b>	<b>287</b>

**(d) Operational Risk:**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Company constantly strives to minimise operational risks (inherent in the Company's activities, processes and systems) by ensuring that a strong control infrastructure is in place throughout the Company and is enhanced where necessary. A rigid internal check system is in place by the separation of front office and back office functions, and a reasonable level of automation of the back office functions. The various procedures and processes used to manage operational risks are regularly reviewed and updated and implemented through effective staff training, close monitoring of risk limits, segregation of duties, appropriate controls to safeguard assets and records, regular reconciliation of accounts and transactions, and financial management and reporting. In addition, arrangements for insurance cover are in place to complement the processes and procedures where appropriate.

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**22. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED...)**

**(e) Capital:**

The Company's primary objectives when managing capital are to safeguard its ability to continue as a going concern. As the Company is part of a larger group, the Company's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives.

The Company defines "capital" as including all components of equity. Trading balances that arise as a result of trading transactions with other group companies are not regarded by the Company as capital.

The Company's capital structure is regularly reviewed and managed with due regard to the capital management practices of the group to which the Company belongs. Adjustments if required are made to the capital structure in light of changes in economic conditions affecting the Company and additional needs for capital.

The Company monitors capital using a ratio of adjusted net debt to adjusted equity. For this purpose, adjusted net debt is defined as total liabilities, comprising interest-bearing loans and borrowings (if any) less cash and cash equivalents. Equity comprises all components of equity.

The Company's adjusted net debt to equity ratio at 31 March 2022 was as follows:

	<b>31 March 2022 USD'000</b>	<b>31 March 2021 USD'000</b>
Total liabilities	<b>15,010</b>	29,589
Less: cash and cash equivalents	<b>(26,122)</b>	(22,806)
<b>Net debt</b>	<b>(11,112)</b>	6,783
Total equity	-	51,096
<b>Net debt to equity ratio</b>	-	0.13

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**22. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS CONTINUED...**

**(e) Capital (Continued...):**

The following table is an analysis of those items which comprise the capital base for the Company as per MIFIDPRU.

	31st March 2022 USD'000	31st March 2021 USD'000
<b>Balance Sheet:</b>		
Share Capital	1,655	1,655
Reserves	50,871	49,441
<b>Tier 1 Capital</b>	<b>52,526</b>	<b>51,096</b>
<b>OWN FUNDS</b>	<b>52,526</b>	<b>51,096</b>

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**23.CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES**

The Company had the following categories of financial instruments as defined under IFRS 9:

As on 31-Mar-2022	Financial assets at amortised cost	Financial assets at fair value through OCI	Financial liabilities at amortised cost	Carrying value
USD'000s				
<b>Financial assets</b>				
Debt investments	-	24,544	-	24,544
Trade and other receivables	9,845	-	-	9,845
Amount due from related parties	615	-	-	615
Loans and advances	5,675	-	-	5,675
Cash and cash equivalents	26,122	-	-	26,122
<b>Total</b>	<b>42,257</b>	<b>24,544</b>	<b>-</b>	<b>66,801</b>
<b>Financial liabilities</b>				
Trade and other payables	-	-	11,187	11,187
Amount due to related parties	-	-	149	149
<b>Total</b>	<b>-</b>	<b>-</b>	<b>11,336</b>	<b>11,336</b>

As on 31-Mar-2021	Financial assets at amortised cost	Financial assets at fair value through OCI	Financial liabilities at amortised cost	Carrying value
USD'000s				
<b>Financial assets</b>				
Debt investments	-	25,267	-	25,267
Trade and other receivables	24,017	-	-	24,017
Amount due from related parties	438	-	-	438
Loans and advances	7,155	-	-	7,155
Cash and cash equivalents	22,806	-	-	22,806
<b>Total</b>	<b>54,416</b>	<b>25,267</b>	<b>-</b>	<b>79,683</b>
<b>Financial liabilities</b>				
Trade and other payables	-	-	25,605	25,605
Amount due to related parties	-	-	128	128
<b>Total</b>	<b>-</b>	<b>-</b>	<b>25,732</b>	<b>25,732</b>

**KOTAK MAHINDRA (UK) LIMITED**  
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**24. RELATED PARTY TRANSACTIONS**

During the year ended 31 March 2022, the Company transacted with related parties. The nature, volume of transaction and the balance with the related entities were as follows:

Name of company	Relationship	Nature of transactions	Volume of transaction for the year ended		Debit/(credit) balance at	
			2022 USD'000	2021 USD'000	2022 USD'000	2021 USD'000
Kotak Mahindra Bank Limited	Ultimate Parent Company	Outsourcing Costs	(341)	(286)	13	-
		Royalty charge	(37)	(45)	-	-
Kotak Mahindra Bank Limited - Gift city Branch	Branch of Ultimate Parent Company	Custody fees	-	4	-	-
		Dealing in securities	19	22	-	-
Kotak Mahindra Bank Limited - DIFC	Branch of Ultimate	Custody fees	6	1	-	-
		Dealing in securities	4	3	-	-
Kotak Securities Limited	Fellow Group Entities	Service fee income	2,262	2,178	206	(16)
Kotak Mahindra International Limited	Fellow Group Entities	Distribution Expenses	(92)	(73)	78	188
		Distribution Income	1,858	1,935	-	-
		Calculation Agency Income	6	12	-	-
		Interest Income	54	68	-	-
		Client Account	-	-	-	0.03
		Custody fees	1	2	-	-
		Portfolio Management Income	1	-	-	-
Kotak Mahindra Inc	Fellow Group Entities	Short term loan	-	-	5750	7250
		Distribution Expenses	(275)	(89)	(149)	(9)
		Dealing in securities	(1)	(16)	-	-
		Distribution Income	51	49	-	-
Kotak Mahindra Asset Management (Singapore) Pte Ltd	Fellow Group Entities	Distribution Income	11,124	10,283	340	153
		Portfolio Management Expenses	(58)	(49)	-	-
		Custody fees	6	2	-	-

Transactions with related parties are in the normal course of business and are all unsecured.

	31 March 2022 USD'000	31 March 2021 USD'000
Directors remuneration included in personnel expenses	2,221	2,320

The total remuneration and benefits of the highest paid Director were **USD 701,861** (2021: USD 652,816).

During the year total compensation to key management personnel was **USD 2.78 million** (2021: USD 2.94 million).

**KOTAK MAHINDRA (UK) LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

**25. CONTINGENT LIABILITIES:**

The Company's bankers have issued a bank guarantee for SGD 2 million, equivalent to USD 1.48 million (2021: SGD 2 million, equivalent to USD 1.49 million) in favor of the Monetary Authority of Singapore which is counter-indemnified by the Company.

No obligation has arisen on this guarantee as at the reporting date and loss shall be recorded as and when obligation arise.

**26. EVENTS AFTER BALANCE SHEET DATE:**

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

**27. IMMEDIATE AND ULTIMATE PARENT COMPANY:**

Kotak Mahindra International Limited and Kotak Mahindra Bank Limited, companies incorporated in Mauritius and India respectively, are the Company's shareholders holding 49% and 51% of shares respectively of the Company. Kotak Mahindra Bank Limited is the Company's immediate and ultimate parent company having registered office at 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051, India wherein the Company's financial statements are consolidated. The registered address of Kotak Mahindra International Limited is C/o IQ EQ Fund Services (Mauritius) Ltd, 33 Edith Cavell Street, Port Louis, 11324, Republic of Mauritius.