

Kotak Mahindra (UK) Limited

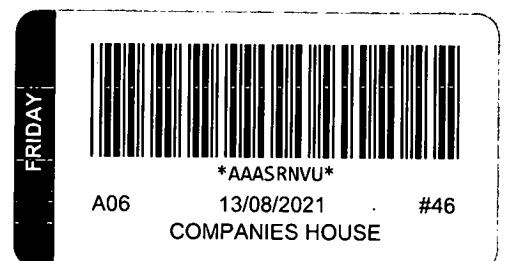
Financial Statements

and

Independent Auditors Report

Year ended 31st March 2021

(Company registration no: 2992399)



KOTAK MAHINDRA (UK) LIMITED

Financial statements for the year ended 31 March 2021

Contents	Pages
Corporate Data	1-2
Strategic and Directors' Report	3-12
Statement of Directors' Responsibilities	13
Auditors' Report	14-16
Statement of profit or loss and other comprehensive income	17
Statement of Financial Position	18
Statement of Changes in Equity	19
Statement of Cash Flows	20-21
Notes to the Financial Statements	22-72

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 (appointed on 25th March 2021)

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
STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021

BUSINESS MODEL:

Kotak Mahindra (UK) Limited (“the Company”) is a private limited liability company, incorporated on 21st November 1994 in the United Kingdom and is also domiciled in the United Kingdom. The Company is authorized and regulated by the UK Financial Conduct Authority (“FCA”) as a limited license firm (IFPRU 125K 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’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

Most of 2020 was a challenging year, with the COVID 19 pandemic which first struck in March 2020 taking its toll on lives and businesses. Initially from absolute uncertainty, both on health and economic front, the world did move decisively on a positive trend in subsequent months with development and roll out of vaccines against the virus and gradual opening up of economic activities.

India witnessed a sharp deterioration in business conditions earlier during the year; as large parts of the economy were locked down on account of the pandemic. As such, growth also deteriorated sharply with the Gross Domestic Product (“GDP”) contracting by about 24% and 7.5% during the quarter ended 30th June 2020 and 30th September 2020 respectively when compared to corresponding periods of the previous year. However, there was a turnaround in GDP subsequently as economic activities showed signs of returning to normalcy with the economy being opened up and roll out of vaccine against the virus. The NIFTY 50 index in India ended the financial year ended 31st March 2021 with a return of 76% in US Dollar (“USD”) terms.

KOTAK MAHINDRA (UK) LIMITED
STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021

BUSINESS UPDATE (CONTINUED...):

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 AuM of the funds distributed by the Company increased from USD 1.92 billion as on 31st March 2020 to USD 2.22 billion as on 31st March 2021. While the company witnessed net redemptions by investors due to profit taking and nervous selling, the AUM of the company increased due to mark to market gains witnessed in the funds. The table below reflects the summary of change in AuM of the funds distributed by the Company during the year:

(USD Million)

Particulars	Mar-21	Mar-20	Change in assets for YTD Mar'2021		
			Total	Due to flows	Due to movement in markets
Open-ended Funds	1,819	1,303	516	(496)	1,012
Managed Accounts	4	96	(92)	(126)	34
DISCRETIONARY EQUITY (I)	1,823	1,399	424	(622)	1,045
Open-ended Funds	394	499	(105)	(141)	37
Close-ended Funds	3	20	(17)	(22)	6
DISCRETIONARY DEBT (II)	397	519	(121)	(163)	42
TOTAL DISCRETIONARY (III = I + II)	2,220	1,918	303	(785)	1,088

DEALING IN SECURITIES ("DEALING"):

FY 2020-21 remained subdued for the dealing in securities business generating an income of USD 3.84 million versus USD 6.23 million for the year 2019-20.

While the year began with higher than normal volatility following the onset of the COVID 19 pandemic, liquidity infusion by central banks resulted in asset price inflation, one directional markets and thereby volatility largely stagnating over the year.

KOTAK MAHINDRA (UK) LIMITED
STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021

BUSINESS UPDATE (CONTINUED...):

BUSINESS SCENARIO (CONTINUED...):

DEALING IN SECURITIES (“DEALING”) (CONTINUED...):

These factors further contributed to the fall in trading volumes and hence revenues. Further, while the highest volumes were witnessed in securities issued by companies in the Middle East & Asia in the market, clients from the Middle East were the most active for the Company clocking the highest ever volumes.

While the investor participation in the high margin Indian and other high yield securities issued by companies in Asia, stressed and distressed credits had contributed significantly to the income in the previous year, such activities were subdued during the current year. Most investors retreated into risk averse assets. A more positive sentiment to stressed and distressed assets is only selectively returning now, with the usual participants remaining cautiously optimistic.

The Company continues to maintain its cautious approach to safeguard against volatility resulting from the ongoing pandemic and have put in adequate risk management measures to mitigate any unforeseen risks.

FUTURE OUTLOOK:

GLOBAL DISTRIBUTION:

India is currently witnessing the second wave of the COVID-19 pandemic leading to fresh restrictions being imposed across the country. Though this will impact the pace of recovery, it is expected not to have any long lasting detrimental impact on the economy.

The global investors' view and flows into India will be determined by the pace at which the Indian and global economies recover from the aftermath of the pandemic aided with the vaccine and better treatment protocols. As a global distributor of funds, 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 is expanding 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. 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.

IMPACT OF BREXIT:

The United Kingdom (UK) left the European Union (EU) on 31 January 2020 and the transition period ended on 31 December 2020. The EU's executive body, and the UK's Treasury department have agreed a Memorandum of Understanding which provides for the EU and UK to hold dialogue in relation to autonomous decisions to adopt, suspend or withdraw equivalence. The impact of Brexit on the business of the Company has been insignificant. The Company expects the European Commission to find the United Kingdom equivalent and thus enabling the Company to provide investment services to customers in Europe categorised as Per Se Professional or Eligible Counterparties after registering itself with the European Securities and Markets Authority. The Company's customers in Europe fall under these categories.

KOTAK MAHINDRA (UK) LIMITED
STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021

BUSINESS UPDATE (CONTINUED...):

PERFORMANCE COMPARISON:

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

	31 March 2021	31 March 2020
	USD'000 (Except for AuM)	
Revenue	18,565	23,422
Administrative expenses & other operating expenses	(14,967)	(14,978)
Profit from operations	3,598	8,444
Net finance income	878	1,061
Impairment loss	(76)	(52)
Profit before taxation	4,400	9,453
-Current tax	(973)	(1,835)
-Deferred tax	18	100
Taxation	(955)	(1,735)
Profit for the year after taxation	3,445	7,718
Asset (Fund) under Distribution (USD million)	2,220	1,918
Return on Assets (%)	4	11

Revenue:

Overall, the revenue of the Company decreased from USD 23.42 million to USD 18.56 million predominantly on account of lower distribution income and income from dealing in securities. The average AUM ("AAUM") of the funds distributed by the Company decreased from USD 3.1 billion during FY 2019-20 to USD 2.2 billion during the current year. 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 2020-21	FY 2019-20	
Equity	1,717	2,213	(496)
Debt - Open Ended	474	877	(403)
Total	2,191	3,090	(899)

Income from dealing in securities decreased from USD 6.23 million for FY 2019-20 to USD 3.84 million for FY 2020-21 due to reasons mentioned under business outlook section.

KOTAK MAHINDRA (UK) LIMITED
STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021

BUSINESS UPDATE (CONTINUED...):

PERFORMANCE COMPARISON (CONTINUED...):

Administrative & other operating expenses:

Administrative and other operating expenses remained almost at the same level as that of previous year at USD 14.97 million.

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 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 where the Company’s Dubai branch is situated.

The tax for the year ended 31 March 2021 is lower at USD 0.96 million against USD 1.74 million for FY 2019-20 due to lower profit before taxes.

Profit for the year after taxation:

The Company ended the year with the net profit after tax of USD 3.45 million against USD 7.72 million for the FY 2019-20

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 on 31st March 2021, an amount of USD 25.27 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 31st March 2021:

USD'000			
Carrying cost	Fair value as on 31 st March 2021	Expected credit loss captured in profit and loss account	Increase in value captured under OCI
24,723	25,267	(204)	748

KOTAK MAHINDRA (UK) LIMITED
STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021

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 2021

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 now 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.

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 2021

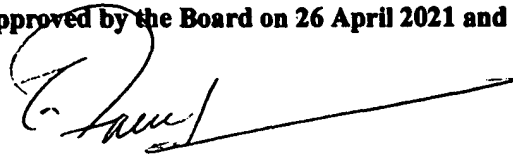
SECTION 172(1) STATEMENT (CONTINUED...):

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 26 April 2021 and signed on its behalf.

Christopher Daniel



Director
Date: 26 April 2021

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 2021.

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 2021, the key information on performance and other matters is as presented below:

Performance summary:

The Company has made a profit of USD 3.45 million during the year ended 31 March 2021 compared to a profit of USD 7.72 million for the previous year.

The average AUM ("AAUM") of the funds distributed by the Company decreased from USD 3.1 billion for FY 2019-20 to USD 2.2 billion for FY 2020-21. Accordingly, the distribution income decreased from USD 15.58 million during FY 2019-20 to USD 12.39 million for the current year. Overall, the revenue of the Company decreased from USD 23.42 million to USD 18.57 million on account of decrease in income from dealing in securities and distribution income.

POLITICAL AND CHARITABLE DONATIONS

No political or charitable donations were made during the year (2020: NIL).

FINANCIAL RESULTS AND DIVIDENDS

The statement of profit or loss and other comprehensive income is set out on page 17 of the financial statements. The profit on ordinary activities after taxation for the year ended 31 March 2021 was USD 3.45 million (2020: USD 7.72 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 (appointed on 25th March 2021)

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 making appropriate enquiries, believe that the Company has sufficient resources to continue operating for the next 12 months. Accordingly, the financial statements have been prepared on a going concern basis. For further explanation on the going concern ability of the Company due to the ongoing COVID 19 pandemic, refer note 2(d)

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 26 April 2021 and signed on its behalf.

Christopher Daniel



Director

Date: 26 April 2021

Registered Office:

55 Baker Street,
London
W1U 7EU

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

**STATEMENTS 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 international accounting standards in conformity with the requirements of the Companies Act 2006.

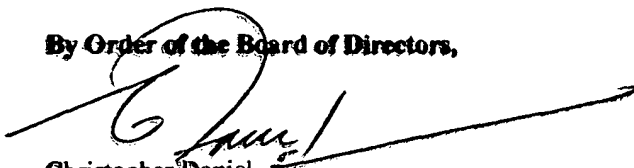
Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required 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 international accounting standards in conformity with the requirements of the Companies Act 2006.
- 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: 26 April 2021

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 2021 which comprise Statement of profit or loss and other comprehensive income, Statement of financial position, Statement of changes in equity, Statement of cash flows 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 International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; 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 with 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 there is 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 Statements of Directors' Responsibilities 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.

Our approach was as follows:

- 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 (International Accounting Standards in conformity with the requirements of the Companies Act 2006) 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: 27 April 2021

KOTAK MAHINDRA (UK) LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021

		31 March 2021 USD'000	31 March 2020 USD'000
Revenue	6	18,565	23,422
Administrative expenses	7(i)	(1,087)	(1,265)
Other operating expenses	7(ii)	(13,880)	(13,713)
Impairment loss	21(b)	(76)	(52)
Profit from operations		3,522	8,392
Net finance income	9	878	1,061
Profit before taxation		4,400	9,453
Taxation	10		
-Current tax		(973)	(1,835)
-Deferred tax		18	100
Profit for the year		3,445	7,718
Other comprehensive income			
Foreign currency translation differences on foreign operations		54	(35)
Change in fair value of debt investments at fair value through OCI		1,416	(668)
Other comprehensive income/(loss) for the year		1,470	(703)
Total comprehensive income for the year		4,915	7,015

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 2021

	Notes	31 March 2021 USD'000	31 March 2020 USD'000
Current assets			
Cash and cash equivalents	11	22,806	41,917
Trade and other receivables	12	24,479	18,522
Debt investments at fair value through OCI	15	8,723	-
Loans and advances	13	7,155	-
Total current assets		63,163	60,439
Non-current assets			
Property, plant and equipment	14	28	74
Debt investments at fair value through OCI	15	16,544	7,705
Right-of-Use Asset	21	616	423
Trade and other receivables	12	216	188
Deferred tax asset		118	100
Total non-current assets		17,522	8,490
TOTAL ASSETS		80,685	68,929
Current liabilities			
Trade and other payables	16	26,055	20,051
Lease liabilities	17	319	191
Employee benefit liabilities	18	1,615	930
Corporation tax payable		47	475
Total current liabilities		28,036	21,647
Non-current liabilities			
Employee benefit liabilities	18	1,266	884
Lease liabilities	17	287	223
Total non-current liabilities		1,553	1,107
TOTAL LIABILITIES		29,589	22,754
Share capital	19	1,655	1,655
Reserves	19	49,441	44,520
Total shareholders' equity		51,096	46,175
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		80,685	68,929

Approved by the Board on 26 April 2021 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 2021

	Share capital USD'000	Other reserves USD'000	Retained earnings USD'000	Total reserves USD'000	Total USD'000
Balance at 31 March 2019	1,655	1,358	36,126	37,484	39,139
Adjustment on initial application of IFRS 16					
Right-of-Use Asset	-	-	110	110	110
Lease liabilities	-	-	(111)	(111)	(111)
Balance at 1 April 2019	1,655	1,358	36,125	37,483	39,138
Total comprehensive income for the year					
Profit for the year	-	-	7,718	7,718	7,718
Other comprehensive income					
Foreign currency translation differences	-	(35)	-	(35)	(35)
Net loss on debt investments at fair value through OCI	-	(668)	-	(668)	(668)
Total comprehensive income/(loss) for the year	-	(703)	7,718	7,015	7,015
Transaction with owners, recorded directly in equity					
Contributions by and distribution to owners					
Share based payment transactions	-	22	-	22	22
Total contribution by owners	-	22	-	22	22
Balance at 31 March 2020	1,655	677	43,843	44,520	46,175
Total comprehensive income for the year					
Profit for the year	-	-	3,445	3,445	3,445
Other comprehensive income					
Foreign currency translation differences	-	54	-	54	54
Net gain on debt investments at fair value through OCI	-	1,416	-	1,416	1,416
Total comprehensive income for the year	-	1,470	3,445	4,915	4,915
Transaction with owners, recorded directly in equity					
Contributions by and distribution to owners					
Share based payment transactions	-	6	-	6	6
Total contribution by owners	-	6	-	6	6
Balance at 31 March 2021	1,655	2,153	47,288	49,441	51,096

KOTAK MAHINDRA (UK) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	Notes	31 March 2021 USD'000	31 March 2020 USD'000
Cash flows from operating activities			
Profit before taxation		4,400	9,453
<i>Adjustments for:</i>			
Adjustment to opening reserves on adoption of IFRS-			
16 – Lease		-	1
Depreciation	14 & 21	362	251
Interest income	9	(916)	(1,153)
Interest expense	9	38	91
Impairment loss		76	52
		-----	-----
		3,960	8,695
Change in trade and other receivables		(6,164)	54,775
Change in trade and other payables		6,197	(52,520)
Change in liability for employee benefits		1,067	(345)
		-----	-----
Cash generated from operating activities		5,060	10,605
Interest paid	9	(19)	(82)
Tax paid	10	(1,402)	(1,953)
		-----	-----
Net cash from operating activities		3,639	8,570
		-----	-----
Cash flows from investing activities			
Payment on purchase of property, plant and equipment	14	(18)	(52)
Purchase of debt investments at fair value through OCI	15	(18,215)	(8,422)
Redemption of debt investments at fair value through OCI	15	1,700	-
Interest received		1,086	868
Loan extended	13	(7,250)	-
		-----	-----
Net cash from investing activities		(22,697)	(7,606)
		-----	-----

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 2021

		31 March 2021 USD'000	31 March 2020 USD'000
Cash flows from financing activities			
Capital contribution on share based payment transactions		6	22
Repayment/reduction in subordinated loan		-	(63)
Payment of principal portion of lease liability	21	(270)	(179)
Payment of interest portion of lease liability	21	(18)	(9)
		-----	-----
Net cash (outflow)/ generated from financing activities		(282)	(229)
		-----	-----
Net (decrease) / increase in cash and cash equivalents		(19,340)	736
Effect of foreign exchange rates on translation of foreign operations		54	(35)
Cash and cash equivalents at 1 April		41,917	41,236
ECL on Cash and cash equivalents		175	(19)
		-----	-----
Cash and cash equivalents at 31 March		22,806	41,917
		=====	=====
<i>Cash and cash equivalents comprise:</i>			
Bank balances	11	22,806	41,917
		-----	-----
Cash and cash equivalents at 31 March		22,806	41,917
		=====	=====

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 2021

1. GENERAL INFORMATION

Kotak Mahindra (UK) Limited (“the Company”), is a private limited liability company, incorporated on 21st November 1994 in the United Kingdom and is also domiciled in the United Kingdom. The Company is authorized and regulated by the UK Financial Conduct Authority (“FCA”) as a limited license firm (IFPRU 125K 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’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 international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements were authorised for issue by the Board of Directors on 26 April 2021

(b) Basis of measurement

The financial statements are under the 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 international accounting standards in conformity with the requirements of the Companies Act 2006 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 2021

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

In the first quarter of 2020, the outbreak of COVID-19 was declared a pandemic. In an attempt to contain the spread and impact of the pandemic, travel bans and restrictions, quarantines, shelter-in-place orders and other limitations on business activity were implemented. Additionally, there has been a decline in global economic activity, reduced global economic output and a deterioration in macroeconomic conditions globally. This pandemic and the consequent lockdown have taken a toll on human lives and have impacted a whole range of economic activities adversely. Although vaccines have been administered to more people around the globe, COVID-19 cases have significantly increased in recent months across many regions of the world. In response to the pandemic, the Company has implemented protocols and processes to execute its business continuity plans and help protect its employees and support its clients. The Company is closely monitoring the impact of the outbreak of COVID-19 on all aspects of its business. The Company, however, has not experienced any significant disruptions in the past year and did not experience a materially adverse impact on reported results. The future direct and indirect impact of COVID-19 on Company business, results of operations, financial position and cash flows remains uncertain. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The most likely impact going forward will be on the revenue which is predominantly derived based on the Assets under Management ("AUM") of funds distributed by the Company and from income from dealing in securities. The Company has witnessed a decrease in AUM since December 2019 when COVID-19 was first reported.

The impact of the global health pandemic may be different from that estimated as at the date of approval of Company's financial statements and the Company will continue to closely monitor any material changes to future economic conditions.

However, management of the Company has performed a COVID -19 impact analysis as part of their going concern assessment using information available to the date of issue of these financial statements. The analysis has modelled a number of adverse scenarios to assess the potential impact that COVID-19 may have on the Company's revenue, liquidity and regulatory capital position

Having performed this analysis management believes that Company's regulatory capital requirements continue to be met and it has sufficient liquidity to meet its liabilities for next 12 months and that the preparation of the financial statements on a going concern basis remains appropriate as the Company expects to be able to meet its obligations as and when they fall due for the foreseeable future.

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").

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

2. BASIS OF PREPARATION (CONTINUED...)

(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 2020. 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.

(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

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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

(b) Foreign currencies (Continued.....)

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.

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.

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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

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

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")

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.

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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

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

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.

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.

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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

(c) Financial instruments (Continued...)

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 2021

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.

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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.

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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

(d) Impairment (Continued...)

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 and are predominantly issued by public sector enterprises in India (i.e. entities which are ultimately owned by the Government of India), 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.

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.

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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

(d) Impairment (Continued...)

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

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.

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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

(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.

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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

(h) Lease (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.

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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

(h) Lease (Continued...)

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.

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.

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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

(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.

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.

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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

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

(iii) Depreciation (continued)

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.

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.

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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

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

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.

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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 16 Leases: effective for annual periods beginning on or after 1 June 2020
- 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

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.

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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
FOR THE YEAR ENDED 31 MARCH 2021

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 2021	Carrying value	Level 1	Level 2	Level 3	Total
Financial Assets:					
					USD'000
<i>Financial assets measured at fair value</i>					
Debt investments at fair value through OCI	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				
Total	54,416				
Grand total	79,683				
Financial Liabilities:					
<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	26,246				
Amount due to related parties	128				
Total	26,374				
Grand total	28,836				

NOT APPLICABLE

NOT APPLICABLE

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

5. DETERMINATION OF FAIR VALUES (CONTINUED...)

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

31 March 2020	Carrying value	Level 1	Fair values		Total
			Level 2	Level 3	
Financial Assets:			USD'000		
<i>Financial assets measured at fair value</i>					
Debt investments at fair value through OCI	7,705	7,705	-	-	7,705-
	-----	-----	-----	-----	-----
	7,705	7,705	-	-	7,705
	-----	-----	-----	-----	-----
<i>Financial assets not measured at fair value</i>					
Trade and other receivables	18,220	NOT APPLICABLE			
Cash and cash equivalents	41,917				
Amount due from related parties	278				

Total	60,415				

Grand total	68,120				
	=====				
Financial Liabilities:					
<i>Financial liabilities measured at fair value</i>					
Share based payments – cash settled	1,335	-	1,335	-	1,335
	-----	-----	-----	-----	-----
	1,335	-	1,335	-	1,335
	-----	-----	-----	-----	-----
<i>Financial liabilities not measured at fair value</i>					
Trade and other payables	20,084	NOT APPLICABLE			
Amount due to related parties	158				

Total	20,242				

Grand total	21,577				
	=====				

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

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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

	31 March 2021 USD'000	31 March 2020 USD'000
Distribution income	12,392	15,581
Income from dealing in securities	3,835	6,225
Other service income	2,338	1,616
	<u>18,565</u>	<u>23,422</u>

	2021 USD	2020 USD
Revenue from contracts with customers	18,416	23,420
Other income	149	2
	<u>18,565</u>	<u>23,422</u>

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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:

Type of service	Source of revenue	Nature, timing of satisfaction of performance obligations, significant payment terms
• 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 reimbursement 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
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

6. REVENUE (CONTINUED.....)

	2021 USD'000	2020 USD'000
Timing of revenue recognition		
Services rendered transferred at a point in time	3,835	6,225
Services rendered over time	14,730	17,197
	18,565	23,422

Contract balances

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

	Note	2021 USD'000	2020 USD'000
Trade receivables		23,921	17,795
		23,921	17,795

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 2021. (2020: USD NIL).

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

7. PROFIT FROM OPERATIONS

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

	31 March	31 March
	2021	2020
	USD'000	USD'000
<i>(i) Administrative expenses:</i>		
Operating lease rentals	27	105
Outsourcing expenses	286	327
Legal & professional charges	416	376
Auditor's remuneration	127	141
Communication expenses	110	143
Office administration	97	122
Others	23	51
	<u>1,086</u>	<u>1,265</u>

Auditor's remuneration includes USD 84,000 in respect of the audit of these financial statements (2020: USD 84,000), USD 23,000 in respect of the audit for the Dubai and Singapore branch (2020: USD 37,000) and USD 20,000 in respect of audit related assurance services (2020: USD 20,000)

(ii) Other operating expenses

Distribution expenses	3,625	4,913
Personnel expenses	9,004	7,617
Dealing expenses	597	603
Traveling expenses	-	220
Depreciation	362	251
Foreign currency loss	139	1
Royalty	45	-
Others	108	108
	<u>13,880</u>	<u>13,713</u>

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

8. PERSONNEL EXPENSES	31 March 2021 USD'000	31 March 2020 USD'000
Salaries	4,311	3,941
Directors remuneration	2,320	1,810
Share based payment expenses	1,668	1,097
Social security costs	317	304
Pension contribution costs (defined contribution)	13	12
Other related costs	314	380
Gratuity	61	73
	<u>9,004</u>	<u>7,617</u>
Average number of employees during the year	32	33
 9. NET FINANCE INCOME	 31 March 2021 USD'000	 31 March 2020 USD'000
Interest income on bank/term deposits	294	916
Interest income on others	49	25
Interest income on debt investments at fair value through OCI	553	174
Interest income	<u>896</u>	<u>1,115</u>
Interest on borrowings	<u>(18)</u>	<u>(54)</u>
	<u>878</u>	<u>1,061</u>

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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 profit of Singapore and Dubai branches for the year are USD 0.14 million.

The Company is subject to corporation tax in the United Kingdom at 19% (2020: 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 was not substantively enacted at the year end, deferred tax has been calculated based on the prevailing rate of 19%. The estimated impact of the new 25% rate on the deferred tax asset would be an increase of USD 0.04 million.

	31 March 2021 USD'000	31 March 2020 USD'000
<i>Current tax expense</i>		
Corporation tax on profit for the year	845	1,271
Foreign tax charge (Singapore branch)	132	569
Overprovision for prior year	(4)	(5)
	-----	-----
Corporation tax charge for the year	973	1,835
<i>Deferred tax</i>	(18)	(100)
Corporation tax expense reported in the statement of profit or loss	955	1,735

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

10. TAXATION (CONTINUED...)

	31 March 2021 USD'000	31 March 2020 USD'000
<i>Reconciliation of effective tax rate</i>		
Reported Profit	4,400	9,453
Applicable corporation tax rate	19%	19%
Tax at statutory rate	836	1,796
Effects of:		
UK exemption of net profits of Singapore and Dubai branches	(26)	(513)
Non-deductible expenses	(1)	(5)
Timing differences	18	(107)
Foreign tax charge (Singapore branch)	132	569
Over provision for prior year	(4)	(5)
Tax charge for the year	955	1,735
Corporation tax charge as a % of profit before taxation	21.70	18.35
<i>Tax liability</i>		
At 1 April	475	594
Charge for the year	973	1,835
Paid during the year	(1,401)	(1,954)
At 31 March	47	475

Deferred tax asset relates to the following timing differences:

	31 March 2021 USD'000	31 March 2020 USD'000
Fixed Assets (difference between tax and net book value)	(16)	(17)
Shares based payment cash settled and pension	(63)	(39)
Transitional adjustment of IFRS 9 – Expected credit loss to be spread out over a period of 10 years	(39)	(44)
	(118)	(100)

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

11. CASH AND CASH EQUIVALENTS	31 March 2021 USD'000	31 March 2020 USD'000
Cash at bank	9,127	10,199
Redeemable term deposits with maturities of more than 3 months less; than 1 year	13,760	31,973
Less: Expected credit loss	(81)	(255)
	<u>22,806</u>	<u>41,917</u>
 12. TRADE AND OTHER RECEIVABLES	 31 March 2021 USD'000	 31 March 2020 USD'000
Interest receivable	303	472
Other receivables	234	238
Amount due from related parties	444	282
Amount due from brokers	23,488	17,521
Amount due from clients	15	13
	<u>24,484</u>	<u>18,526</u>
Less: Expected credit loss	(29)	(28)
	<u>24,455</u>	<u>18,498</u>
Prepayments	240	212
Total trade and other receivables	<u>24,695</u>	<u>18,710</u>
Less: Non-current portion	(216)	(188)
Current portion	<u>24,479</u>	<u>18,522</u>
 13. LOANS AND ADVANCES	 31 March 2021 USD'000	 31 March 2020 USD'000
Loan to fellow subsidiary	7,250	-
Less: Expected credit loss	(95)	-
	<u>7,155</u>	<u>-</u>

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

OTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

14. PROPERTY, PLANT AND EQUIPMENT

	Computers USD'000	Office equipment USD'000	Furniture and Fixtures USD'000	Total USD'000
<i>Cost</i> At 1 April 2020	1,105	132	943	2,180
Additions during the year	11	7	-	18
At 31 March 2021	1,116	139	943	2,198
<i>Depreciation</i> At 1 April 2020	1,075	126	905	2,106
Charge for the year	30	6	28	64
At 31 March 2021	1,105	132	933	2,170
<i>Net book values</i>				
At 31 March 2021	11	7	10	28
At 31 March 2020	30	6	38	74

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

15. INVESTMENTS

Debt investments at fair value through OCI

	31 March 2021 USD'000	31 March 2020 USD'000
Cost at 1 April	8,422	-
Additions	18,215	8,450
Redemptions	(1,700)	-
Amortization	(214)	(28)
	-----	-----
Cost at 31 March	24,723	8,422
Unrealized gain / (loss) on fair valuation	748	(668)
Expected credit loss	(204)	(49)
	-----	-----
Fair value at 31 March	25,267	7,705
	=====	=====
Debt investments classified as:		
Current	8,723	-
Non-current	16,544	7,705
	-----	-----
Total	25,267	7,705
	=====	=====

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

16. TRADE AND OTHER PAYABLES

	31 March 2021 USD'000	31 March 2020 USD'000
Amounts due to brokers	23,468	17,422
Amounts due to related parties	128	158
Other payables	17	13
Accruals	2,442	2,458
	<u>26,055</u>	<u>20,051</u>

Trade and other payables – categorised as:

Current	26,055	20,051
	<u>26,055</u>	<u>20,051</u>

17. LEASE LIABILITIES

	31 March 2021 USD'000	31 March 2020 USD'000
Lease liability	606	414
	<u>606</u>	<u>414</u>

Lease liabilities – categorised as:

Current	319	191
Non-current	287	223
	<u>606</u>	<u>414</u>

18. EMPLOYEE BENEFIT LIABILITIES

	31 March 2021 USD'000	31 March 2020 USD'000
Employee end of services benefits	321	381
Share based payments – cash settled	2,462	1,335
Short term employee benefit	98	98
	<u>2,881</u>	<u>1,814</u>

Employee benefit liabilities – categorised as:

Current	1,615	930
Non-current	1,266	884
	<u>2,881</u>	<u>1,814</u>

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

19. CAPITAL AND RESERVES

	31 March 2021 USD'000	31 March 2020 USD'000
<i>Share capital:</i>		
<i>Authorised:</i>		
1,000,000 ordinary shares of £1.00 each		
<i>Issued and fully paid up:</i>	1,655	1,655
959,200 ordinary shares of £1.00 each	<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	47,288	43,844
Other reserves	2,153	676
	<u> </u>	<u> </u>
	49,441	44,520
	<u> </u>	<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.

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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 5,890 (2020: USD 22,231) 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. No amount is recognised as contribution by/(distribution to) owners in respect of the share based payments-equity settled (2020: NIL) as there were no reimbursements made by the Company to the Parent (2020: NIL)

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)
ESOP2015-02	19 May 16	3,698	-	3,698	-	710.00
ESOP2015-07	15 May 17	15,666	-	15,666	-	955.00
		19,634	-	19,634	-	

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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

Stock option scheme continued...

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 2015/02	19-May-16	710.00	1.62	0.07%	26.85%	7%	134.08
ESOP 2015/02	19-May-16	710.00	2.45	0.07%	26.32%	7%	172.75
ESOP 2015/02	19-May-16	710.00	3.37	0.07%	27.96%	7%	218.71
ESOP 2015/02	19-May-16	710.00	3.7	0.07%	27.35%	7%	229.80
ESOP 2015/07	15-May-17	955.00	1.54	0.06%	20.74%	7%	145.98
ESOP 2015/07	15-May-17	955.00	2.71	0.06%	35.44%	7%	289.06
ESOP 2015/07	15-May-17	955.00	3.38	0.06%	33.81%	7%	320.11
ESOP 2015/07	15-May-17	955.00	3.88	0.06%	34.20%	7%	349.84

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.

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

20. SHARE BASED PAYMENTS – CASH SETTLED:

During the year, an amount of USD 2.55 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.)
2015-17 (Series 17)	18-May-18	Cash	14,316	30% - 2019-20 30% - 2020-21 40% - 2021-22	3.66
2015-18 (Series 18)	18-May-18	Cash	64,068	30% - 2019-20 30% - 2020-21 40% - 2021-22	3.66
2015-22 (Series 22)	20-May-19	Cash	26,425	30% - 2020-21 30% - 2021-22 40% - 2022-23	3.65
2015-23 (Series 23)	20-May-19	Cash	128,660	30% - 2020-21 30% - 2021-22 40% - 2022-23	3.65
2015-23 (Series 28)	7-Aug-20	Cash	43,990	30% - 2021-22 30% - 2022-23 40% - 2022-23	3.43
2015-23 (Series 29)	7-Aug-20	Cash	168,630	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
			448,329		

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)
2015-9 (Series 9)	15-May-17	12,784	-	(12,784)	-	-	-
2015-10 (Series 10)	15-May-17	50,608	-	(50,608)	-	-	955
2015-17 (Series 17)	18-May-18	25,151	-	(10,955)	120	14,316	-
2015-18 (Series 18)	18-May-18	112,567	-	(49,035)	536	64,068	1,271
2015-22 (Series 22)	20-May-19	38,210	-	(11,932)	147	26,425	-
2015-23 (Series 23)	20-May-19	186,060	-	(58,107)	707	128,660	1,460
2015-28 (Series 28)	7-Aug-20	-	44,250	(260)	-	43,990	-
2015-29 (Series 29)	7-Aug-20	-	169,640	(1,010)	-	168,630	1,341
2015-31 (Series 31)	7-Aug-20	-	2,240	-	-	2,240	-
		425,380	216,130	(194,691)	1,510	448,329	

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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)
2015-17 (Series 17)	18-May-18	-	0.25	0.04%	30.03%	3.45%	1,781.05
			0.27	0.04%	29.69%	3.46%	1,781.03
			0.29	0.04%	28.84%	3.47%	1,781.02
			0.75	0.04%	31.29%	3.75%	1,780.65
			0.77	0.04%	31.90%	3.76%	1,780.63
2015-18 (Series 18)	18-May-18	1,271.00	0.79	0.04%	32.27%	3.77%	1,780.62
			0.25	0.04%	30.03%	3.45%	521.73
			0.27	0.04%	29.69%	3.46%	522.75
			0.29	0.04%	28.84%	3.47%	523.64
			0.75	0.04%	31.29%	3.75%	561.38
2015-22 (Series 22)	20-May-19	-	0.77	0.04%	31.90%	3.76%	564.61
			0.79	0.04%	32.27%	3.77%	567.16
			0.59	0.04%	32.26%	3.66%	1,780.78
			0.61	0.04%	32.22%	3.67%	1,780.76
			0.62	0.04%	32.18%	3.68%	1,780.75
2015-23 (Series 23)	20-May-19	1,460.00	1.25	0.04%	43.26%	3.96%	1,780.25
			1.27	0.04%	43.01%	3.96%	1,780.23
			1.29	0.04%	42.73%	3.97%	1,780.22
			1.75	0.04%	38.90%	4.14%	1,779.85
			1.77	0.04%	38.70%	4.15%	1,779.83
2015-28 (Series 28)	7-Aug-20	-	1.79	0.04%	38.57%	4.16%	1,779.82
			0.59	0.04%	32.26%	3.66%	391.81
			0.61	0.04%	32.22%	3.67%	394.23
			0.62	0.04%	32.18%	3.68%	396.65
			1.25	0.04%	43.26%	3.96%	536.05
2015-29 (Series 29)	7-Aug-20	1,341.00	1.27	0.04%	43.01%	3.96%	537.18
			1.29	0.04%	42.73%	3.97%	538.12
			1.75	0.04%	38.90%	4.14%	571.58
			1.77	0.04%	38.70%	4.15%	572.48
			1.79	0.04%	38.57%	4.16%	573.80
2015-31 (Series 31)	7-Aug-20	-	0.42	0.04%	29.09%	3.56%	1,780.91
			0.44	0.04%	33.39%	3.57%	1,780.90
			0.46	0.04%	33.44%	3.58%	1,780.88
			1.67	0.04%	39.50%	4.11%	1,779.91
			1.69	0.04%	39.34%	4.11%	1,779.90
2015-29 (Series 29)	7-Aug-20	1,341.00	1.71	0.04%	39.27%	4.12%	1,779.88
			2.25	0.04%	35.47%	4.43%	1,779.45
			2.27	0.04%	35.35%	4.45%	1,779.44
			2.29	0.04%	35.27%	4.47%	1,779.42
			2.75	0.04%	34.44%	4.97%	1,779.05
2015-29 (Series 29)	7-Aug-20	1,341.00	2.77	0.04%	34.32%	5.00%	1,779.03
			2.79	0.04%	34.24%	5.02%	1,779.02
			0.42	0.04%	29.09%	3.56%	466.69
			0.44	0.04%	33.39%	3.57%	474.40
			0.46	0.04%	33.44%	3.58%	476.53
2015-29 (Series 29)	7-Aug-20	1,341.00	1.67	0.04%	39.50%	4.11%	636.50
			1.69	0.04%	39.34%	4.11%	637.69
			1.71	0.04%	39.27%	4.12%	639.32
			2.25	0.04%	35.47%	4.43%	671.64
			2.27	0.04%	35.35%	4.45%	672.87
2015-29 (Series 29)	7-Aug-20	1,341.00	2.29	0.04%	35.27%	4.47%	674.30
			2.75	0.04%	34.44%	4.97%	718.16
			2.77	0.04%	34.32%	5.00%	719.45
			2.79	0.04%	34.24%	5.02%	720.89
			2.42	0.04%	35.38%	4.59%	1,779.31
2015-31 (Series 31)	7-Aug-20	-	2.44	0.04%	35.33%	4.61%	1,779.30
			2.46	0.04%	35.24%	4.63%	1,779.28
			3.42	0.04%	31.93%	5.49%	1,778.51
			3.44	0.04%	31.98%	5.50%	1,778.50
			3.46	0.04%	31.93%	5.51%	1,778.48

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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.

	31 March 2021 USD'000	31 March 2020 USD'000
Balance at 1st April 2020	423	110
Additions to right-of-use assets	481	492
Depreciation charge for the year	(298)	(179)
Balance at 31st March 2021	<u>606</u>	<u>423</u>

Amounts recognized in profit or loss

	31 March 2021 USD'000	31 March 2020 USD'000
Interest on lease liabilities	<u>18</u>	<u>9</u>
	<u>18</u>	<u>9</u>

Amounts recognized in statement of cash flows

	31 March 2021 USD'000	31 March 2020 USD'000
Total cash outflow for leases	<u>288</u>	<u>179</u>
	<u>288</u>	<u>179</u>

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

	31 March 2021 USD'000	31 March 2020 USD'000
Payable		
- Within one year	332	177
- Between two and five years	<u>336</u>	<u>228</u>
	<u>668</u>	<u>405</u>

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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>	31	31
	March	March
	2021	2020
	USD'	USD
	000	'000
Variable rate instruments	7,250	-
Fixed rate instruments	39,027	39,430
	46,277	39,430

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 462,766** (2020: USD 394,297).

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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.

	Increase/ (decrease) in relevant price or net asset value per share %	Effect on equity USD'000
<i>At 31 March 2021:</i>		
Price in respect of debt investments	10 (10)	2,527 (2,527)
<i>At 31 March 2020:</i>		
Price in respect of debt investments	10 (10)	771 (771)

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.

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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
	2021	2021	2020	2020
	USD'000	USD'000	USD'000	USD'000
United States Dollar	46,905	18,745	58,717	19,873
Great Britain Pounds	198	679	196	342
Singapore Dollars	183	1,883	1,760	1,898
Arab Emirates Dirham	100	1,133	125	923
Total	47,386	22,440	60,797	23,036

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").

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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.

	2021		2020	
	Appreciation/ (depreciation) in foreign exchange rates %	Effect on profit or loss/ equity USD'000	Appreciation/ (depreciation) in foreign exchange rates %	Effect on profit or loss/ equity USD'000
GBP	10	(48)	10	(15)
	(10)	48	(10)	15
SGD	10	(169)	10	(14)
	(10)	169	(10)	14
AED	10	(104)	10	(80)
	(10)	104	(10)	80

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.

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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. 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>	31 March 2021 USD'000	31 March 2020 USD'000
ASSETS		
Trade and other receivables	24,017	18,220
Debt investments at fair value through OCI	25,267	7,705
Cash and cash equivalents	22,806	41,917
Loans and advances	7,155	-
Amount due from related parties	438	278
	79,683	68,120

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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

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

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

	31 March	31 March
	2021	2020
	USD'000	USD'000
Ageing of trade and receivables:		
Within one month	24,455	18,498
Between one and six months	-	-
	-----	-----
	24,455	18,498
	=====	=====

(iii) Investments in debt securities

At 31 March 2021 the Company invested in debt securities with the following credit quality.

Rating	2021	2020
	%	%
Baa3	67%	73%
Ba1	33%	27%
Total	100%	100%

(i) Concentration of credit risk

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

	2021	2020
	%	%
Banking	49%	73%
Energy	51%	27%
Total	100%	100%

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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

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

Expected credit loss assessment for customers as at 1 April 2020 and 31 March 2021

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 2021:

		Company		
	Weighted average loss rate %	Gross carrying amount USD'000	Impairment loss allowance USD'000	Credit impaired
Trade and other receivables	0.12%	24,464	29	No
Cash and cash equivalents	0.40%	22,886	80	No
Loans and advances	1.46%	7,250	95	No
Debt investments at fair value through OCI	0.91%	25,287	204	No
		79,887	408	

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 2021 USD'000	Impairment loss 2020 USD'000
At 31 March 2020	332	280
Movement during the year	76	52
At 31 March 2021	408	332

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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 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	2,442	2,442	-	-	-
Other payables	17	17	-	-	-
Lease liability	606	62	96	160	287
	26,661	26,117	96	160	287

31st March 2020 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	17,422	17,422	-	-	-
Amount due to related parties	158	158	-	-	-
Accruals	2,458	2,458	-	-	-
Other payables	13	13	-	-	-
Lease liability	414	76	41	74	223
	20,465	20,127	41	74	223

(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.

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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 2021 was as follows:

	31 March 2021 USD'000	31 March 2020 USD'000
Total liabilities	29,589	22,753
Less: cash and cash equivalents	(22,806)	(41,917)
Net debt	6,783	(19,164)
Total equity	51,096	46,175
Net debt to equity ratio	0.13	-

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

21.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 CRD IV.

	31st March 2021 USD'000	31st March 2020 USD'000
Balance Sheet:		
Share Capital	1,655	1,655
Reserves	49,441	44,520
Common Equity Tier 1 Capital (CET 1) / Tier 1 Capital	51,096	46,176
OWN FUNDS	51,096	46,176

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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-2021	Financial assets at amortised cost	Financial assets at fair value through OCI	Financial liabilities at amortised cost	Carrying value
USD'000s				
Financial assets				
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
Total	54,416	25,267	-	79,683
Financial liabilities				
Trade and other payables	-	-	26,246	26,246
Amount due to related parties	-	-	128	128
Total	-	-	26,374	26,374

As on 31-Mar-2020	Financial assets at amortised cost	Financial assets at fair value through OCI	Financial liabilities at amortised cost	Carrying value
USD'000s				
Financial assets				
Debt investments	-	7,705	-	7,705
Trade and other receivables	18,220	-	-	18,220
Amount due from related parties	278	-	-	278
Cash and cash equivalents	41,917	-	-	41,917
Total	60,415	7,705	-	68,120
Financial liabilities				
Trade and other payables	-	-	20,084	20,084
Amount due to related parties	-	-	158	158
Total	-	-	20,242	20,242

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

24. RELATED PARTY TRANSACTIONS

During the year ended 31 March 2021, 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	
			2021 USD'000	2020 USD'000	2021 USD'000	2020 USD'000
Kotak Mahindra Bank Limited	Ultimate Parent Company	Outsourcing Costs	(286)	(327)	-	-
		Royalty charge	(45)	-	-	-
Kotak Mahindra Bank Limited - Gift city Branch	Branch of Ultimate Parent Company	Custody fees	4	5	-	-
		Dealing in securities	22	30	-	-
Kotak Mahindra Bank Limited - DIFC	Branch of Ultimate	Custody fees	1	-	-	-
		Dealing in securities	3	-	-	-
Kotak Securities Limited	Fellow Group Entities	Service fee income	2,178	1,601	(16)	(46)
Kotak Mahindra International Limited	Fellow Group Entities	Distribution Expenses	(73)	(77)	188	(69)
		Distribution Income	1,935	1,328	-	-
		Calculation Agency Income	12	12	-	-
		Interest Income	68	63	-	-
		Client Account	-	-	0.03	-
		Custody fees	2	-	-	-
		Short term loan	-	-	7250	-
Kotak Mahindra Inc.	Fellow Group Entities	Distribution Expenses	(89)	(499)	(9)	12
		FCCB Referral fees	(16)	(9)	-	-
		Distribution Income	49	85	-	-
Kotak Mahindra Asset Management (Singapore) Pte Ltd	Fellow Group Entities	Distribution Income	10,283	13,996	153	228
		Portfolio Management Expenses	(49)	-	-	-
		Custody fees	2	-	-	-

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

	31 March 2021 USD'000	31 March 2020 USD'000
Directors remuneration included in personnel expenses	2,320	1,810

The total remuneration and benefits of the highest paid Director were **USD 652,816** (2020: USD 587,648).

During the year total compensation to key management personnel was **USD 2.94 million** (2020: USD 2.40 million).

KOTAK MAHINDRA (UK) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

25. CONTINGENT LIABILITIES:

The Company's bankers have issued a bank guarantee for SGD 2 million, equivalent to USD 1.49 million (2020: SGD 2 million, equivalent to USD 1.41 million) in favor of the Monetary Authority of Singapore which is counter-indemnified by the Company. No obligation has arisen on this guarantee 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.