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Directors' Report

To the shareholders of,

KOTAK MAHINDRA (UK) LIMITED

The directors present their Directors' Report and the audited financial statements of Kotak Mahindra (UK) Limited ("the Company") for the year ended 31 March 2023.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

Kotak Mahindra (UK) Limited ("the Company") is a private limited liability company, incorporated on 21st November 1994 in the United Kingdom and is also domiciled in the United Kingdom. The Company is authorized and regulated by the UK Financial Conduct Authority ("FCA") as a MIFIDPRU Investment Firm and has several regulatory permissions. The Company's primary business is distribution of funds managed by its affiliates and other third parties and dealing in securities. The Company is authorised and regulated by the Financial Conduct Authority ("FCA"). The Company has two branches – Dubai (regulated by the Dubai Financial Services Authority) and Singapore (regulated by the Monetary Authority of Singapore). The Company is also registered with the Securities and Exchange Board of India.

While the world is still in the recovery phase since FY2022 from COVID-19, global economy activity experienced a broad-based and sharper-than-expected slowdown in FY2023. Though China's reopening of the borders after three years was a positive for the markets, uncertainties fueled by the turmoil in European and US banks, persisting inflation and continuing geopolitical tensions kept the stock markets on the edge.

Global shocks propagate to the Indian domestic economy through trade flows, commodity prices, capital flows, and financial sector. As global demand slows down, India is unlikely to be entirely immune with the trade and capital channel being the key risks and determinants of India's growth. The Reserve Bank of India's ("RBI") Monetary Policy Committee ("MPC") in total had hiked the key benchmark interest rates in the Country to 6.50%, while continuing to remain focused on the withdrawal of accommodation.

That said, even though India's external sector has faced significant headwinds due to surge in commodity prices, challenging external conditions and slower consumption growth due to rising borrowing costs and slow income growth, the Indian economy continues to show strong resilience to external shocks with current account deficit narrowing boosted by sharp growth in services exports. The silver lining in the Indian economic front has come at a time when there is a slowing across many parts of the world despite sustained inflationary pressures.

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

The Asset under Management ("AUM") of the funds distributed by the Company stood at USD 2.13 billion as on 31st March 2023, as compared to USD 2.14 billion as on 31st March 2022. Though the Company witnessed net inflow of USD 223 million into the funds distributed by the Company, the fall in capital markets in India (mostly on account of depreciation of Indian Rupee against the US Dollar) led to a reduction of AUM to the extent of USD 240 million, thereby decreasing the AUM only by USD 17 million when compared to AUM as on 31st March 2022.

FUTURE OUTLOOK

Global distribution:

The Company expects that there are chances of economic slowdown globally due to slowing growth across the world and also reduction in inflation. India would be relatively better positioned in the coming years. The Company continues to distribute the Luxembourg based UCITS funds which are registered under Article 8 of Sustainable Finance Disclosure Regulation ("SFDR"). Being Article 8 funds has provided enhanced marketability and visibility due to the Environment Social and Governance ("ESG") framework adopted by the funds under SFDR. The Company also plans to expand its distribution in newer products launched like funds focussing on high yield debt investments and short-term maturity. These initiatives are expected to aid the Company to grow its distribution business further subject to the overall performance of the Indian capital markets and global outlook on equity and debt capital markets.

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

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

The Company has now expanded its presence in the U.S with a view to tapping into a much larger pool of liquidity and volume in the securities trading business. Fixed income markets across the globe performed poorly due to hike in key benchmark interest rates, higher yields and wider credit spreads. With expected rate hikes slowing down, and the asset class coming back in favour, the Company expects the activity within its dealing in securities business will also increase in the coming year subject to no further global headwinds. It will continue to focus on its core strengths – transacting in security issuances in Asia, emerging markets and also in high yield securities and will endeavour to participate in the primary markets when the right opportunity presents itself. The Company will continue to maintain a cautious approach to safeguard against increased levels of risk and have put in adequate risk management measures to mitigate any unforeseen risks.

RISK MANAGEMENT

The activity profile of the Company is focused on India and hence the Company is significantly exposed to an emerging market economy risk.

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

POLITICAL AND CHARITABLE DONATIONS

No political or charitable donations were made during the year (2022: NIL).

FINANCIAL RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation for the year ended 31 March 2023 was ₹ 150,683,961 (2022: ₹ 137,431,393).

The Company declared and paid a dividend of ₹ NIL (2022: ₹ NIL) during the year.

DIRECTORS

The directors as at the date of this Report and who served throughout the year and to the date of this report are:

Mr. Ruchit Puri

Mr. Sanjeev Prasad

Mr. Dipak Gupta

Mr. Gaurang Shah

Mr. Shyam Kumar Syamasundaram

Mr. Christopher Daniel

Mr. Gijo Joseph

QUALIFYING THIRD PARTY INDEMNITIES

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

GOING CONCERN

The directors have considered the Company's ability to continue as a going concern and after making appropriate enquiries, believe that the Company has sufficient resources to continue operating for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis. For further explanation on the going concern refer note 3.29.

FIXED ASSETS

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

DIRECTORS DECLARATION

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

DIRECTORS RESPONSIBILITIES

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

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

AUDITOR

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

For and on behalf of the Board of Directors

Date: 25 April 2023

Christopher Daniel
Director

Independent Auditors' Report

To the Board of Directors of

KOTAK MAHINDRA (UK) LIMITED.

The financial statements of KOTAK MAHINDRA (UK) LIMITED (the "Company") as at 31st March, 2023, being a company registered in the United Kingdom, are audited by Ernst & Young LLP, Statutory Auditors, London and we have been furnished with their audit report dated 24th April, 2023.

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

REPORT ON THE AUDIT OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS.

Opinion

We have verified the accompanying Special Purpose Financial Statements duly converted in Indian Rupees from audited accounts in USD of KOTAK MAHINDRA (UK) LIMITED ("the Company"), which comprise the Balance Sheet as at 31st March 2023, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Special Purpose Financial Statements"). As explained in Note 2.1(i) to the Special Purpose Financial Statements, these Special Purpose Financial Statements include limited information and have been prepared by the management of Kotak Mahindra (UK) Limited for the purpose of Kotak Mahindra Bank limited ("Ultimate Holding Company") to prepare its consolidated financial statements and for inclusion in the annual report of the Ultimate Holding Company for the year ended March 31, 2023, under the requirements of section 129(3) of the Companies Act, 2013, in accordance with the accounting policies of the Ultimate Holding Company and in compliance with the recognition and measurement principles of the Companies (Accounting Standards) Rules, 2006 (as amended) specified under Section 133 of the Act, as applicable to the Ultimate Holding Company.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Special Purpose Financial Statements give a true and fair view in all material respects in conformity with recognition and measurement principles of the Companies (Accounting Standards) Rules, 2006 (as amended) specified under Section 133 of the Act, as applicable to the Ultimate Holding Company, of the state of affairs of the Company as at March 31, 2023, and its profit for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

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

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

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

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

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

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

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

As stated hereinabove we have relied upon the audit conducted by Ernst & Young, LLP, Statutory Auditors, London and based thereon we state that:

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Other Matters

The audited financial statements of the Company for the corresponding year ended 31st March, 2023 prepared in conformity with the accounting principles generally accepted in the United Kingdom, have been audited by the predecessor auditors whose audit report dated 24th April, 2023 expressed an unmodified opinion on those audited financial statements.

Our opinion is not modified in respect of this matter.

Restriction on distribution or use

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

Place : Mumbai
Date : 25th April, 2023
UDIN : 23042649BGWKXG6311

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

A. N. Shah
Partner
Membership No. 042649

Balance Sheet

as at 31st March 2023

(Amount in ₹)

Particulars	Note No.	As at 31 st March, 2023	As at 31 st March, 2022
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3.1	70,078,422	70,078,422
(b) Reserves and surplus	3.2	4,427,850,643	3,933,934,823
2 Non-current liabilities			
(a) Long-term provisions	3.3	82,423,393	83,843,198
3 Current liabilities			
(a) Trade payables			
- total outstanding dues of micro enterprises and small enterprises		-	-
- total outstanding dues of creditors other than micro enterprises and small enterprises		536,961,845	927,289,680
(b) Other current liabilities	3.4	9,562,504	5,919,197
(c) Short-term provisions	3.5	117,383,060	106,972,865
Total		5,244,259,866	5,128,038,184
II. ASSETS			
1 Non-current assets			
(a) Property, Plant and Equipment	3.6	3,148,288	1,797,386
(b) Non Current Investments	3.7	1,064,492,670	1,518,509,824
(c) Long-term loans and advances	3.8	14,238,316	12,883,859
(d) Deferred tax asset	3.9	3,802,524	4,368,175
2 Current assets			
(a) Current investments	3.7	828,247,005	341,740,747
(b) Trade receivables	3.10	379,083,354	756,031,925
(c) Cash and cash equivalents	3.11	2,130,751,824	2,006,197,118
(d) Short-term loans and advances	3.12	770,960,612	462,619,443
(e) Other current assets	3.13	49,535,273	23,889,706
Total		5,244,259,866	5,128,038,184
Significant Accounting Policies and Notes to Accounts	2 & 3		

In terms of our report of even date

For and on Behalf of the Board of Directors

For V . C. Shah & Co.

Chartered Accountants

Firm Registration No.: 109818W

A.N. Shah

Partner

Membership No.: 042649

Shyam Kumar

Director

Christopher Daniel

Director & CEO

Mumbai

Dated: 25th April, 2023

Dated: 25th April, 2023

Statement of Profit and loss

for the year ended 31st March 2023

(Amount in ₹)

Particulars	Note No.	For the year ended 31 st March, 2023	For the year ended 31 st March, 2022
I. Revenues from operations			
Service Income (net)		1,008,718,214	1,017,213,418
II. Income from investments (net)		49,364,067	41,801,386
III. Other income	3.14	48,953,843	12,515,317
Total Revenue		1,107,036,124	1,071,530,121
IV. Expenses:			
Employee benefits expense	3.15	660,412,232	667,482,137
Finance cost	3.16	1,273,236	3,109,083
Depreciation and Amortisation expense	3.6	2,690,748	2,328,147
Other expenses	3.17	227,414,261	194,480,233
Total expenses		891,790,477	867,399,601
V. PROFIT/(LOSS) BEFORE TAX		215,245,647	204,130,520
VI. Tax expense:			
(a) Current tax			
- Pertaining to profit/ (loss) for the current period		(63,755,269)	(67,859,497)
- Adjustment of tax relating to earlier periods		106,596	2,512
(b) Deferred tax		(913,013)	1,157,858
		64,561,686	66,699,127
VII. PROFIT/(LOSS) FOR THE YEAR		150,683,961	137,431,393
VIII. Earnings / (loss) per equity share (in ₹):			
Basic and Diluted	3.20	157.09	143.28
Significant Accounting Policies and Notes to Accounts	2 & 3		

In terms of our report of even date

For and on Behalf of the Board of Directors

For V . C. Shah & Co.

Chartered Accountants

Firm Registration No.: 109818W

A.N. Shah

Partner

Membership No.: 042649

Shyam Kumar

Director

Christopher Daniel

Director & CEO

Mumbai

Dated: 25th April, 2023

Dated: 25th April, 2023

Cash Flow Statement

for the year ended 31st March 2023

(Amount in ₹)

Particulars	For the Year ended 31 st March, 2023	For the Year ended 31 st March, 2022
Cash Flow from Operating Activities		
Net Profit before taxation	215,245,647	204,130,520
Adjustments for:		
Interest Income	(14,596,119)	(4,018,787)
Interest Expenses	129,158	1,016,954
Exchange Adjustments	186,763,970	72,290,507
Interest on Fixed deposit	(33,471,171)	(6,747,691)
Interest Income on Debentures	(84,203,046)	(69,399,746)
Mark to market on Investments	9,830,370	27,350,143
Amortisation of premium/ accretion of discount on bonds and convertible bonds	25,205,006	23,306,269
Depreciation and Amortisation Expense	2,690,748	2,328,147
Operating Profit before Working Capital Changes	307,594,563	250,256,317
Adjustments for:		
Increase in Long-term loans and advances	(1,354,456)	2,923,804
Decrease/(Increase) in Trade receivables	376,948,572	985,294,985
Increase in Short-term loans and advances	(308,341,169)	88,638,304
Increase / (Decrease) in Long-term provisions	(1,419,805)	(12,673,551)
(Decrease) / Increase in Trade payables	(390,327,835)	(945,275,690)
Increase / (Decrease) in Other current liabilities	3,643,307	(1,114,958)
(Decrease) / Increase in Short-term provisions	8,774,132	(30,510,053)
Cash Generated from Operations	(4,482,693)	337,539,158
Income taxes (refunded) / paid	(62,359,972)	(71,929,415)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	(66,842,665)	265,609,743
Cash Flow from Investing Activities		
Fixed deposits redeemed/(placed)	(298,180,020)	(223,878,886)
Purchase of Fixed Assets	(3,328,156)	(2,041,707)
Interest on Fixed deposit	9,109,185	7,657,512
Interest Income on Term Loan	14,596,119	4,018,787
Interest Income on Debentures	82,919,465	66,716,304
Purchase of Investments	(637,628,929)	(693,605,514)
Maturity of Investments	721,133,780	655,605,125
Realised loss on sale of Investments	4,725,065	-
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	(106,653,492)	(185,528,378)
Cash Flow from Financing Activities		
Interest Expenses	(129,158)	(1,016,954)
NET CASH FLOW USED IN FINANCING ACTIVITIES (C)	(129,158)	(1,016,954)
Net Increase in Cash and Cash Equivalents (A + B + C)	(173,625,314)	79,064,411
Cash and Cash Equivalents at the beginning of the year	773,809,990	694,745,580
Cash and Cash Equivalents at the end of the year	600,184,676	773,809,990
	(173,625,314)	79,064,410

Notes:

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

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

For and on Behalf of the Board of Directors

For V . C. Shah & Co.

Chartered Accountants

Firm Registration No.: 109818W

A.N. Shah

Partner

Membership No.: 042649

Shyam Kumar

Director

Christopher Daniel

Director & CEO

Mumbai

Dated: 25th April, 2023

Dated: 25th April, 2023

Schedules

Forming part of the Financial Statements as at 31st March, 2023

1 ORGANISATION AND NATURE OF BUSINESS

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

The Company's Dubai branch is regulated by the Dubai Financial Services Authority ("DFSA") as a Category 3A firm and has permissions to advise on financial products, arrange deals in investments, deal in investments as agent and as a matched principal.

The Company's Singapore branch is regulated by the Monetary Authority of Singapore ("MAS") and holds Capital Markets Services ("CMS") Licenses issued by MAS to conduct the regulated activities dealing in capital markets products.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

2 SIGNIFICANT ACCOUNTING POLICIES:

2.1 Basis of Preparation

- (i) The Special Purpose financial statements of the Company are prepared under the historical cost convention. These Special Purpose financial statements are prepared for the purpose of the Ultimate Holding Company's consolidation and for inclusion in the annual report of the Ultimate Holding Company (Kotak Mahindra Bank Limited) under the requirements of section 129(3) of the Companies Act, 2013. The Special Purpose Financial Statements of the Company have been prepared in accordance with the generally accepted accounting principles in India as per the Accounting Standards (Indian GAAP) applicable to Kotak Mahindra Bank Limited (Ultimate Holding Company) as specified under section 133 of the Companies Act, 2013 (the Act).
- (ii) All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of the services and the time between the provision of services and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

2.2 Conversion to Indian Rupees

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

2.3 Use of estimates

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates.

2.4 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. It represents fees and other revenue invoiced (net of value added tax) and is recognised on an accrual basis. Interest income is recognised in the income statement as accrued using effective interest method.

2.5 Expenses

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

2.6 Property, Plant and Equipment

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

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

Furniture and Fixtures	3 years
Computer & Software	3 years
Other Equipment	3 years

Schedules

Forming part of the Financial Statements as at 31st March, 2023

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

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

2.7 Investments

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

2.8 Employee Benefits

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Provision for employees' end of service benefits represents the liability that would arise if the employment of all eligible staff of the branch office in Dubai were terminated as of the reporting date and is calculated in accordance with the UAE Federal Labour Law.

2.9 Leases

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

2.10 Cash and cash equivalents

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

2.11 Taxes

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

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

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

2.12 Earnings per share

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

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

2.13 Provisions and Contingencies

Provision is recognised when there is a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

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

2.14 Employee Share based payments

Cash-settled scheme:

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

Schedules

Forming part of the Financial Statements as at 31st March, 2023

3 NOTES TO ACCOUNTS

3.1 (a) Share capital

(Amount in ₹)

Share Capital	As at 31 st March, 2023	As at 31 st March, 2022
Authorised shares		
1,000,000 (Previous year 1,000,000) Ordinary shares of £ 1 each	£1,000,000	£1,000,000
Issued, Subscribed and fully Paid up		
959,200 (Previous year 959,200) Equity Shares of £ 1 each	70,078,422	70,078,422
Total	70,078,422	70,078,422

(b) Equity shares

Reconciliation of equity share capital	As at 31 st March, 2023	As at 31 st March, 2023	As at 31 st March, 2022	As at 31 st March, 2022
	Quantity	₹	Quantity	₹
Share capital outstanding at the beginning of the year	959,200	70,078,422	959,200	70,078,422
Issued during the period	-	-	-	-
Share capital outstanding at the end of the year	959,200	70,078,422	959,200	70,078,422

(c) Terms/rights attached to equity shares

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

Each shareholder is entitled to receive dividend as may be approved by Board / Annual General Meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

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

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

Number of equity share	As at 31 st March, 2023	As at 31 st March, 2022
Kotak Mahindra Bank Limited, the holding company	489,200	489,200
Kotak Mahindra (International) Limited, subsidiary of Kotak Mahindra Bank Limited	470,000	470,000

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

Equity shares of £ 1 fully paid up

Particulars	As at 31 st March, 2023		As at 31 st March, 2022	
	Number	% holding	Number	% holding
Kotak Mahindra Bank Limited, holding company	489,200	51.00	489,200	51.00
Kotak Mahindra (International) Limited, subsidiary of Kotak Mahindra Bank Limited	470,000	49.00	470,000	49.00

Schedules

Forming part of the Financial Statements as at 31st March, 2023

3.2 RESERVES AND SURPLUS

	(Amount in ₹)	
	As at 31 st March, 2023	As at 31 st March, 2022
a. Translation Reserve		
Opening Balance	849,565,965	711,762,851
Additions/(deductions) during the period	343,231,858	137,803,114
Closing Balance	1,192,797,823	849,565,965
b. Surplus in the statement of profit and loss		
Opening balance	3,084,368,858	2,946,937,465
Net Profit / (Loss) for the current year	150,683,961	137,431,393
Closing Balance	3,235,052,819	3,084,368,858
Total	4,427,850,643	3,933,934,823

3.3 LONG-TERM PROVISIONS

	(Amount in ₹)	
	As at 31 st March, 2023	As at 31 st March, 2022
Provision for employee benefits		
Provision for gratuity	25,872,423	23,003,721
Stock Appreciation Rights (refer note 3.26)	36,508,189	40,608,904
Deferred Incentive	20,042,781	20,230,573
Total	82,423,393	83,843,198

3.4 OTHER CURRENT LIABILITIES

	(Amount in ₹)	
	As at 31 st March, 2023	As at 31 st March, 2022
GST Payable	9,562,504	5,919,197
Total	9,562,504	5,919,197

3.5 SHORT-TERM PROVISIONS

	(Amount in ₹)	
	As at 31 st March, 2023	As at 31 st March, 2022
Provision for employee benefits:		
Provision for Stock Appreciation Rights (refer note 3.26)	65,817,275	74,721,371
Provision for Leave Encashment	8,651,901	7,394,271
Payable to statutory funds	6,346,045	5,781,578
Deferred Incentive	34,931,775	19,075,645
Other Provisions:		
Provision for taxes (net of advance tax ₹ 121,656,977)	1,636,063	-
Total	117,383,060	106,972,865

Schedules

Forming part of the Financial Statements as at 31st March, 2023

3.6 PROPERTY, PLANT AND EQUIPMENT

(Amount in ₹)

	Gross Block				Accumulated Depreciation				Net Block	
	Balance as at 1 st April, 2022	Additions	Deduction / Adjustment*	Balance as at 31 st March, 2023	Balance as at 1 st April, 2022	Depreciation charge for the year	Deduction / Adjustment*	Balance as at 31 st March, 2023	Balance as at 31 st March, 2023	Balance as at 31 st March, 2022
Tangible Assets										
Computer & Software	86,625,294	3,021,007	7,355,836	97,002,137	84,990,567	1,831,700	7,191,978	94,014,245	2,987,892	1,634,727
Furniture and Fixtures	71,496,432	159,965	6,019,549	77,675,946	71,493,811	545,689	5,479,704	77,519,204	156,741	2,620
Office equipment	10,532,928	147,184.00	889,540	11,569,653	10,372,890	313,379	879,729	11,565,997	3,655	160,038
Total	168,654,653	3,328,156	14,264,926	186,247,735	166,857,268	2,690,769	13,551,411	183,099,447	3,148,289	1,797,386
Previous Year	160,682,067	2,041,707	5,930,880	168,654,653	158,667,221	2,328,171	5,861,877	166,857,268	1,797,386	2,014,846

* Deduction / adjustments include effect of translation reserve of ₹ 14,264,926/- [Previous year - ₹ 5,930,880] in Gross block & ₹ 13,551,411 [Previous year - ₹ (5,861,877)]

3.7 INVESTMENTS

(Amount in ₹)

Script Name	Quantity 31 st March, 2023	Amount as at 31 st March, 2023	Quantity 31 st March, 2022	Amount as at 31 st March, 2022
Investments				
Foreign Currency Bonds				
NTPCIN 3.75 04/3/24	2,200,000	181,940,845.87	2,200,000	168,858,384
BOBIN 3.875 04/04/24 EMTN	5,000,000	413,253,321.54	4,000,000	307,483,087
CBKIN 3.875% 03/28/24	2,000,000	165,570,793.58	2,000,000	153,830,877
IOCLIN 5.75% 08/01/23	-	-	3,850,000	302,298,251
CBKIN 3.25% 08/10/22	-	-	2,000,000	151,781,554
ONGCIN 3.75% 05/07/23	2,500,000	205,706,378.47	1,500,000	116,258,569
POWFIN 3.25 09/16/24	600,000	50,423,431.58	600,000	47,205,035
RECLIN 3.5 12/12/24	2,300,000	194,597,818.21	2,300,000	182,473,771
JSTLIN 5.25 04/13/22	-	-	2,506,000	190,136,608
EXIMBK 3.875 03/12/24 GMTN	3,000,000	250,137,565.04	3,430,000	267,746,742
BHARTI 5.35% 05/20/24	2,050,000	170,860,685.52	-	-
INRCIN 3.73 03/29/24 EMTN	660,000	53,771,389.88	-	-
OINLIN 5.375% 04/17/24	1,000,000	82,353,079.97	-	-
EXIMBK 6.2 03/20/24	2,000,000	164,335,558.00	-	-
Total		1,932,950,868		1,888,072,878
Less: Provision for diminution		40,211,192		27,822,307
Total Bonds and Convertible Debentures		1,892,739,675		1,860,250,571
Total Current Investments	-	828,247,005	-	341,740,747
Total Non-Current Investments	-	1,064,492,670	-	1,518,509,824
Aggregate value of quoted investments	-	1,892,739,675	-	1,860,250,571
Aggregate market value of quoted investments	-	1,894,093,349	-	1,860,250,571
Aggregate value of unquoted investments	-	-	-	-

Schedules

Forming part of the Financial Statements as at 31st March, 2023

3.8 LONG TERM LOANS AND ADVANCES

(Amount in ₹)

	As at 31 st March, 2023	As at 31 st March, 2022
Unsecured, considered good		
Prepaid Expenses	689,269	886,655
Security Deposits	13,549,047	11,997,204
Total	14,238,316	12,883,859

3.9 DEFERRED TAX

(Amount in ₹)

	As at 31 st March, 2023	As at 31 st March, 2022
Opening Balance	4,368,175	3,077,415
Additions/(deductions) during the period:		
- due to expense of share based payment cash settled	345,908	(363,666)
- due to Fixed Assets (difference between tax and net book value)	561,095	94,398
- due to change in liability (provision for compensated absences)	155,398	17,090
- due to change in liability (provision for deferred incentives)	(149,386)	(905,680)
- due to translation	(1,478,665)	2,448,619
Total	3,802,524	4,368,175

3.10 TRADE RECEIVABLES

(Amount in ₹)

	As at 31 st March, 2023	As at 31 st March, 2022
Unsecured, considered good, unless otherwise stated		
Others	379,083,354	756,031,925
Total	379,083,354	756,031,925

3.11 CASH AND CASH EQUIVALENTS

(Amount in ₹)

	As at 31 st March, 2023	As at 31 st March, 2022
Balances with banks:		
On Current accounts*	600,184,676	773,809,990
Other Bank Balances:		
Deposits with residual maturity of less than twelve months	1,530,567,148	1,232,387,129
Total	2,130,751,824	2,006,197,118

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

Schedules

Forming part of the Financial Statements as at 31st March, 2023

3.12 SHORT-TERM LOANS AND ADVANCES

(Amount in ₹)

	As at 31 st March, 2023	As at 31 st March, 2022
Unsecured, considered good		
Loans to employees	60,411	49,531
Prepaid expenses	29,185,201	22,868,398
VAT Input Credit	2,185,000	1,895,290
Loan to Group Company	739,530,000	435,806,875
Advance tax	-	1,999,349
Total	770,960,612	462,619,443

3.13 OTHER CURRENT ASSETS

(Amount in ₹)

	As at 31 st March, 2023	As at 31 st March, 2022
Unsecured, considered good		
Interest accrued on deposits	27,256,527	2,894,541
Interest accrued on bonds	22,278,746	20,995,165
Total	49,535,273	23,889,706

3.14 OTHER INCOME

(Amount in ₹)

	For the year ended 31 st March, 2023	For the year ended 31 st March, 2022
Interest income on loans	14,596,119	4,018,787
Interest income on deposits with banks	33,471,171	6,747,691
Miscellaneous income	886,552	1,748,839
Total	48,953,843	12,515,317

3.15 EMPLOYEE BENEFIT EXPENSE

(Amount in ₹)

	For the year ended 31 st March, 2023	For the year ended 31 st March, 2022
Salaries, bonus and allowances	511,206,903	455,858,289
Contribution to provident and other funds	32,010,286	32,469,716
Reimbursement of expense on ESOP Scheme	213,022	30,840.98
Expenses on stock appreciation rights	73,661,225	100,687,004
Deferred incentive	40,639,612	76,981,802
Staff welfare expenses	2,681,184	1,454,485
Total	660,412,232	667,482,137

Schedules

Forming part of the Financial Statements as at 31st March, 2023

3.16 FINANCE COST

(Amount in ₹)

	For the year ended 31 st March, 2023	For the year ended 31 st March, 2022
Bank Charges	1,144,078	2,092,129
Interest on borrowings	129,158	1,016,954
Total	1,273,236	3,109,083

3.17 OTHER EXPENSES

(Amount in ₹)

	For the year ended 31 st March, 2023	For the year ended 31 st March, 2022
Rent, rates & taxes	26,753,455	26,698,358
Communication expenses	10,242,873	7,324,837
Printing and stationery	1,027,782	739,578
Repairs and maintenance	6,841,466	4,844,820
Advertising, business promotion and entertainment	7,171,857	1,715,578
Royalty charges	2,534,836	2,722,557
Foreign exchange loss (net)	10,916,215	5,228,960
Travel expenses	23,927,239	2,504,683
Insurance	4,819,345	3,600,184
Electricity expenses	1,460,030	1,183,708
Professional and legal fees	40,143,557	35,444,132
Membership and subscription	8,429,673	7,805,013
Licensing fees	6,007,014	5,933,034
Recruitment expenses	-	1,068,804
Dealing charges	48,842,514	44,964,719
Auditor's remuneration		
- Statutory fees	13,100,530	11,113,694
- Reimbursement of expenses	70,928	33,747
Interest expenses on tax	30,452	58,855
Miscellaneous expenses	5,264,125	4,144,830
Mark to market on Investments	9,830,370	27,350,143
Total	227,414,261	194,480,233

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

Schedules

Forming part of the Financial Statements as at 31st March, 2023

3.19 The transactions have been converted into Indian Currency (Indian Rupees) for reporting and the rate applied is as per para 2.2 of the significant accounting policies

3.20 EARNINGS PER EQUITY SHARE

(Amount in ₹)

Particulars	As at 31 st March, 2023	As at 31 st March, 2022
Earnings / (loss) used in the computation of basic and diluted earnings per share (A)	150,683,961	137,431,393
Weighted average number of equity shares used in computation of basic earnings per share (B)	959,200	959,200
Nominal value of Equity shares	₹1	₹1
Basic and diluted earnings / (loss) per share (₹) A/B	157.09	143.28

3.21 LEASES

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

(Amount in ₹)

Land and Building	As at 31 st March, 2023	As at 31 st March, 2022
Operating leases which expire :		
Within one year	24,408,573	9,932,202
Between one to five years	31,185,525	12,509,955

3.22 CONTINGENT LIABILITIES

During the year the Company's banker have issued a guarantee for ₹ 123,585,000 (Previous year ₹ 111,940,000) in favour of the Monetary Authority of Singapore. No loss is expected on this guarantee at the Balance Sheet date.

3.23 The following amounts are due from directors as at 31st March, 2023.

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

Maximum balance due during the year is ₹ Nil (Previous Year ₹ NIL)

Mr. Shyam Kumar ₹ 13,424 (Previous Year ₹ 12,382)

Maximum balance due during the year is ₹ 72,063 (Previous Year ₹ 110,704)

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

Maximum balance due during the year is ₹ Nil (Previous Year ₹ NIL)

Schedules

Forming part of the Financial Statements as at 31st March, 2023

3.24 RELATED PARTY TRANSACTIONS

During the year ended 31 March 2023, the Company entered in transactions with related entities. The nature, volume of transactions and balances with the related entities are as follows:

			(Amount in ₹)			
Particulars			Volume of transaction for the year ended		Receivable/(Payable)	
					Balance as at	
Related Parties	Nature of relationship	Nature of transactions	31 st March, 2023	31 st March, 2022	31 st March, 2023	31 st March, 2022
Kotak Mahindra Bank Limited	Ultimate Parent Company	Outsourcing Costs	28,442,674	25,380,265	36,195,630	947,885
		Royalty charge	2,534,836	2,722,557	-	-
		Service fee income	36,110,433	-	-	-
Kotak Mahindra Bank Limited - Gift city Branch	Branch of Ultimate Parent Company	Dealing in securities	-	1,445,906	-	-
Kotak Mahindra Bank Limited - DIFC Branch	Branch of Ultimate Parent Company	Custody fees income	304,583	463,882	-	-
		Dealing in securities income	267,510	260,902	-	-
		Distribution Expenses	2,912,196	-	-	-
Kotak Securities Limited	Fellow Group Entities	Service fee income	159,397,490	168,513,426	13,949,351	15,610,134
Kotak Mahindra International Limited	Fellow Group Entities	Distribution expense	5,827,298	6,885,222		
		Distribution Income	53,260,978	138,448,544	1,600,562	5,913,026
		Calculation Agency Income	-	447,038		
		Interest Income	14,596,119	4,018,787		
		Client Account	-	-	24,709,375	-
		Custody fees income	1,322,413	44,173	-	-
		Portfolio Management Income	-	99,027	-	-
		Short term loan	-	-	739,530,000	435,806,875
Kotak Mahindra Inc	Fellow Group Entities	Distribution expense	23,848,481	20,503,973		
		Dealing in securities income	5,172,611	90,510	(15,468,185)	(11,304,979)
		Distribution Income	1,355,992	3,821,832		
Kotak Mahindra Asset Management (Singapore) Pte Ltd	Fellow Group Entities	Distribution Income	818,312,056	828,842,021		
		Portfolio management expense	5,011,156	4,292,091	37,886,330	25,778,084
		Custody fees income	486,868	425,186		
Kotak Mahindra Financial Services Ltd	Fellow Group Entities	Distribution expense	189,925.82	-		
Shyam Kumar Syamasundaram	Director	Dealing in securities income	14,471	-	(2,174,928)	-
		Custody fees income	43,610	-	-	-
			1,159,411,700	1,206,705,342	836,228,135	472,751,026
Directors remuneration included in personnel expenses			158,616,005	165,446,376		

During the year compensation to Key Managerial Personnel was ₹ 199.9 million (Previous year ₹ 206.8 million).

Schedules

Forming part of the Financial Statements as at 31st March, 2023

3.25 STOCK OPTION SCHEME

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

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

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

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

In pursuance of the above referred Employees Stock Option Schemes, the Bank has granted stock options to employees of the Company. As per the regulatory guideline, the Bank has started recovering fair value computed as per Black-Scholes method for all stock options granted after 31st March, 2021. In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 and the Guidance Note on "Accounting for Employee Share-based payments" issued by The Institute of Chartered Accountants of India, the intrinsic value (for options granted on or before 31st March 2021)/ fair value of the option is amortised on a straight-line basis over the vesting period. The Company has reimbursed the Bank ₹ 213,022 (Previous Year ₹ 30,841) during the year on account of such costs and the same is forming part of Employee costs and included under the head "Reimbursement of expense on ESOP cost" under Note no 3.15 i.e. "Employee benefits expense"

Had the Company reported the compensation cost computed on the basis of fair value method instead of Intrinsic value method, employee compensation cost would have been higher by 150,464 (Previous Year ₹ 22,422) with an decrease in after tax profit by ₹ 150,464 (Previous Year ₹ 22,422).

3.26 STOCK APPRECIATION RIGHTS (SARS)

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

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

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

The intrinsic / fair value is amortised on a straight-line basis over the vesting period with a recognition of corresponding liability. This liability is remeasured at each balance sheet date up to and including the vesting date with changes in intrinsic / fair value recognised in the profit and loss account under 'Employee Cost'.

Detail of activity under SAR is summarized below:

Particulars	No. of SARs	
	For the year ended 31 st March, 2023	For the year ended 31 st March, 2022
Outstanding at the beginning of the year	293,192	448,329
Granted during the year	144,850	73,460
Additions/Reduction due to transfer of employees	-	3,446
Exercised during the year	(155,707)	(195,180)
Expired/Forfeited during the year	(10,552)	(36,863)
Outstanding at the end of the year	271,783	293,192

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

Year ended March 31,	(Amount in ₹)	
	2023	2022
Total Employee Compensation Cost pertaining to share-based payment plans	73,661,225	100,687,004
Closing balance of liability for cash-settled options	102,325,464	115,330,275

Schedules

Forming part of the Financial Statements as at 31st March, 2023

Had the company recorded the compensation cost computed on the basis of fair valuation method instead of intrinsic value method, employee compensation cost would have been lower by ₹ 6,897,413 (Previous year higher by ₹ 11,313,964) and the profit after tax would have been higher by ₹ 5,586,904 (Previous year lower by ₹ 9,164,311).

3.27 EVENTS AFTER BALANCE SHEET DATE

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

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

3.29 GOING CONCERN

COVID-19, a global pandemic, affected the world economy over last two years. The revival of economic activity improved in financial year 2022 supported by relaxation of restrictions due to administration of the COVID vaccines to a large population in the country. The extent to which COVID-19 pandemic will impact the company's results going forward will depend on ongoing as well as future developments including the nature and severity of COVID-19.

In terms of our report of even date

For and on Behalf of the Board of Directors

For V . C. Shah & Co.

Chartered Accountants

Firm Registration No.: 109818W

A.N. Shah

Partner

Membership No.: 042649

Shyam Kumar

Director

Christopher Daniel

Director & CEO

Mumbai

Dated: 25th April, 2023

Dated: 25th April, 2023

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Kotak Mahindra (UK) Limited
55, Baker Street, London, W1U 7EU
Kotak Mahindra Bank Website: www.kotak.com

Company Registration Number: 02992399