

Directors' Report

To
The Members of,
Kotak Mahindra Financial Services Ltd.

Your Directors are pleased to present the 10th Annual Report of your Company together with the Audited Statement of Accounts and the Auditors' Report of your Company for the financial year ended, 31st March, 2020. The summarized financial results for the year ended 31st March, 2020 are as under:

FINANCIAL HIGHLIGHTS

Particulars	FY 19-20		FY 18-19	
	Amount in USD	Amount in INR	Amount in USD	Amount in INR
Gross Income	1,502,801	105,661,716	2,793,502	195,521,752
Less : Expenses	1,650,610	116,249,754	2,732,312	194,336,116
Profit/(Loss) Before Tax	(147,809)	(10,588,038)	61,190	1,185,636

REVIEW OF OPERATIONS

The company is incorporated in the Dubai International Financial Centre and was a category 4 licensed domestic firm governed by the rules/by laws of the Dubai Financial Services Authority till 04th February 2020. The company predominantly catered to the Non Resident Indian customer, leveraging the strong brand recall of its parent.

EXTERNAL ENVIRONMENT

The Indian equity market signed off 2019 on a remarkable note despite the slump in domestic growth, with the broader index crossing historic levels due to outperformance of select heavyweight stocks. Developments in India in FY20 were mainly characterized by slower GDP growth and difficulties in the financial sector. Key measures taken by the government for stimulating growth were reduction of corporate income tax rate and capital infusion of USD 9.8 billion into public sector banks.

On the global front, higher oil prices, the U.S.- China trade war and global monetary tightening were the top three drivers of volatility.

BUSINESS OVERVIEW AND OUTLOOK

The trust & confidence of our customers remain our strongest anchor, encouraging us to consistently improve our products & services. Over the years, we have steadily grown the scale & scope of business, offering comprehensive suite of financial products & services, emerging as a key player when it comes to serving the Non Resident Indian customers.

As per the Category 1 license condition of Kotak Mahindra Bank DIFC Branch, it was incumbent on the company to withdraw its Category 4 license once the KMBL DIFC branch started its operations. Ensuring Compliance to the same, the board of the company applied for surrendering its category 4 license. The license withdrawal application was approved by the DFSA on 4th February 2020. Currently the firm is in the process of re domiciling itself to Abu Dhabi Global Markets, Abu Dhabi.

The company has subsequently transferred its Assets & Liabilities to Kotak Mahindra Bank DIFC Branch as approved by its Board of Directors.

During the period of when the company undertook business in Dubai:

- The company was able to On board 23 new Assessed Professional clients as per the DFSA classification and did Gross Sales of USD 48 Million across various asset classes.
- The total revenue earned was USD 1.50 million on account of 299 transactions contributed by 109 clients.

DIVIDEND

The Board of Directors of the company has not recommended any dividend for the current year.

SHARE CAPITAL

The Authorized Share capital is at USD 2 Mn (2 Mn Shares of USD 1/- each) against which USD 1.69 Mn has been Issued, Subscribed and Paid up. The Company's shares were subscribed and Paid up by Kotak Securities Ltd (India) which holds 73.36% while Kotak Mahindra (International) Limited holds the balance 26.64% as at 31st Mar 2020.

DIRECTORS

As on the date of this Directors Report, Ms. Shanti Ekambaram, Mr. Amul Sharma, Mr. Gijo Joseph, Mr. Jaideep Hansraj and Mr. Shyam Kumar are the Directors of the Company.

COMMITTEES

The company has the following committees as per the Governance Framework of the company.

1. Board of Directors
2. Country Management Committee (CMC)
3. Governance, Risk, Audit and Compliance Committee (GRAC Committee)
 - a. Sub-committee - Disciplinary Committee
4. Nomination, Remuneration and Promotions Committee

AUDITORS

The Board had appointed M/s Ernst & Young, Chartered Accountants UAE as the auditors for the financial year ending 2020. The Company's auditors retire at the ensuing Annual General Meeting and are eligible for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Based on representation from the management, the Directors state,

- I. the Company has, in the preparation of the annual accounts for the year ended 31st March 2020, followed the applicable accounting standards along with proper explanations relating to material departures, if any;
- II. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2020 and of the profit of the Company for the financial year ended 31st March 2020.
- III. the Directors have taken proper and sufficient care to the best of their knowledge and ability for the 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 fraud and other irregularities; and
- IV. the Directors have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

The Directors wish to thank the Dubai International Financial Corporation, Dubai Financial Services Authority, Dubai Government and the Company's Bankers for the assistance, Co-operation and encouragement they extended to the Company. The Directors commend the employees of the Company for their dedicated efforts.

For and on behalf of the Board of Directors

Amul Sharma

Place: Dubai

Dated: 27th April 2020.

Independent Auditor's Report

To

The Members of

Kotak Mahindra Financials Services Limited

The financial statements of **Kotak Mahindra Financials Services Limited** (the "Company") as at 31st March, 2020, being a company registered in the United Arab Emirates (U.A.E), are audited by Ernst & Young, Middle East, Dubai, United Arab Emirates and we have been furnished with their audit report dated 28th April, 2020.

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

REPORT ON THE FINANCIAL STATEMENTS

OPINION

We have verified the accompanying financial statements duly converted in Indian Rupees from audited accounts in USD of **Kotak Mahindra Financials Services Limited** ("the Company"), which comprise the Balance Sheet as at 31st March 2020, 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.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the company as at 31st March, 2020, and its losses and its cash flows for the year ended on that date.

BASIS FOR OPINION

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. 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 Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the 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 financial statements.

EMPHASIS OF MATTER

We draw attention to note 1 and 2.1 to the financial statements. The Company has surrendered the DFSA license during the year and currently has no financial services activities as at the reporting date. The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company will continue to be a going concern for the foreseeable future. Accordingly, the financial statements of the Company continue to be prepared on the going concern basis. Our opinion is not qualified in respect of this matter.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Financial Statements to give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 and other relevant provisions of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is 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.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITY

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

As stated hereinabove we have relied upon the audit conducted by Ernst & Young, Middle East, Dubai, United Arab Emirates and based thereon we state that:

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

A. N. Shah
Partner
M. No.042649

Place: Mumbai
Date: 29th April, 2020
UDIN: 20042649AAAVPG6586

Balance Sheet

as at 31st March 2020

Particulars	Note No.	As at	As at
		31 st March 2020	31 st March 2019
		(₹)	(₹)
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3.1	84,455,743	84,455,743
(b) Reserves and surplus	3.2	(3,785,381)	(393,555)
2 Non-current liabilities			
(a) Long-term borrowings	3.3	22,699,500	20,746,500
(b) Long-term provisions	3.4	-	21,805,706
3 Current liabilities			
(a) Trade payables		2,044,037	3,548,406
(i) Total Outstanding dues of micro enterprises and small enterprises			
(ii) Total Outstanding dues of creditors other than micro enterprises and small enterprises			
(b) Other current liabilities	3.5	-	3,468,933
(c) Short-term provisions	3.6	-	2,820,367
TOTAL		105,413,900	136,452,099
II. ASSETS			
Non-current assets			
1 (a) Property, Plant & Equipment	3.7	-	362,744
(b) Long-term loans and advances	3.8	1,777,561	4,853,769
2 Current assets			
(a) Trade receivables	3.9	-	22,041,265
(b) Cash and cash equivalents	3.10	102,714,220	95,907,841
(c) Short-term loans and advances	3.11	749,732	10,397,266
(d) Other current assets	3.12	172,387	2,889,215
TOTAL		105,413,900	136,452,099

Significant Accounting Policies and Notes to Accounts

2 & 3

In terms of our report of even date

For V . C. Shah & Co.

Chartered Accountants

Firm Registration No. 109818W

For and on Behalf of the Board of Directors

A.N. Shah

Partner

Membership No. 042649

Shanti Ekambaram

(Director)

Jaideep Hansraj

(Director)

Mumbai

Dated: 29th April 2020

Dated: 29th April 2020

Statement of Profit and loss

for the year ended 31st March 2020

Particulars	Note No.	For the year ended	For the year ended
		31 st March 2020	31 st March 2019
		(₹)	(₹)
I. Revenues from operations			
Income from services		104,482,154	194,062,788
II. Other income	3.13	1,575,843	1,458,964
III. Total Revenue		106,057,996	195,521,752
IV. Expenses:			
Employee Benefit Expenses	3.14	95,207,773	167,302,410
Finance Costs	3.15	1,057,636	1,089,938
Depreciation and Amortisation Expense	3.7	263,616	182,087
Other Expenses	3.16	20,117,010	25,761,681
Total expenses		116,646,034	194,336,116
V. PROFIT / (LOSS) BEFORE TAX		(10,588,038)	1,185,636
VI. Tax expense		-	-
VII. PROFIT / (LOSS) FOR THE PERIOD		(10,588,038)	1,185,636
VIII. Earnings per equity share:			
Basic and Diluted	3.20	(6.27)	0.70

Significant Accounting Policies and Notes to Accounts

2 & 3

In terms of our report of even date

For V . C. Shah & Co.

Chartered Accountants

Firm Registration No. 109818W

For and on Behalf of the Board of Directors

A.N. Shah

Partner

Membership No. 042649

Shanti Ekambaram

(Director)

Jaideep Hansraj

(Director)

Mumbai

Dated: 29th April 2020

Dated: 29th April 2020

Cash Flow Statement

for the year ended 31st March 2020

Particulars	For the Year ended	For the Year ended
	31 st March, 2020	31 st March, 2019
	(₹)	(₹)
Cash Flow from Operating Activities		
Net Profit / (Loss) before taxation	(10,588,038)	1,185,636
Adjustments for:		
- Exchange Adjustments	13,040,491	5,939,479
- Depreciation and Amortisation Expense	263,616	182,087
- Interest on deposits	(1,575,843)	(1,262,501)
- Interest on borrowings	850,410	839,056
Operating Profit / (Loss) before Working Capital Changes	1,990,637	6,883,757
Adjustments for:		
(Increase) / Decrease in Trade receivables	22,041,265	51,618,101
(Increase) / Decrease in Short-term loans and advances	9,647,534	111,556
(Increase) / Decrease in Long-term loans and advances	3,076,208	(239,750)
(Increase) / Decrease in Other current assets	2,671,304	1,148,013
Increase / (Decrease) in Trade payable	(1,504,369)	(8,109,102)
Increase / (Decrease) in Short-term provisions	(2,820,367)	(3,207,619)
Increase / (Decrease) in Other current liabilities	(2,639,073)	(5,648,074)
Increase / (Decrease) in Long-term provisions	(21,805,706)	(6,167,601)
Cash Generated / (Used in) from Operations	10,657,433	36,389,281
Direct taxes paid	-	-
NET CASH FLOW (USED IN)/ FROM OPERATING ACTIVITIES (A)	10,657,433	36,389,281
Cash Flow from Investing Activities		
Purchase of fixed assets	(3,792,153)	(314,812)
Fixed Deposits placed during the year	58,109,624	(17,503,774)
Interest received	1,621,370	1,232,490
NET CASH FLOW (USED IN) / FROM INVESTING ACTIVITIES (B)	55,938,841	(16,586,096)
Cash Flow from Financing Activities		
Interest paid on borrowings	(1,680,270)	(791,296)
NET CASH FLOW (USED IN) / FROM FINANCING ACTIVITIES (C)	(1,680,270)	(791,296)
Net Increase in Cash and Cash Equivalents (A + B + C)	64,916,004	19,011,889
Cash and Cash Equivalents at the beginning of the year	37,798,217	18,786,327
Cash and Cash Equivalents at the end of the period	102,714,220	37,798,217
	64,916,004	19,011,889

Notes:

- The above Cash Flow statement has been prepared under the 'Indirect Method' as set out in Accounting Standard-3 "Cash Flow Statements" specified under Section 133 and the relevant provision 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 with this year's presentation.

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

In terms of our report of even date

For V . C. Shah & Co.

Chartered Accountants

Firm Registration No. 109818W

A.N. Shah

Partner

Membership No. 042649

Mumbai

Dated: 29th April 2020

For and on Behalf of the Board of Directors

Shanti Ekambaram

(Director)

Jaideep Hansraj

(Director)

Dated: 29th April 2020

Schedules forming part of Balance Sheet and Profit and Loss Account

1 ORGANISATION AND NATURE OF BUSINESS

Kotak Mahindra Financial Services Limited (the "Company") is a company limited by shares registered and incorporated in the Dubai International Financial Centre in Dubai, United Arab Emirates on 17 November 2009. The Company's shareholders are Kotak Securities Limited ("majority shareholder"), an entity incorporated in India and Kotak Mahindra International Limited ("minority shareholder"), an entity incorporated in Mauritius. The majority shareholder and the minority shareholder are together referred to as "the shareholders". The ultimate shareholder of the Company is Kotak Mahindra Bank Limited ("ultimate shareholder") / ("the Bank"), an entity incorporated in India and publicly listed on the Bombay Stock Exchange (BSE), National Stock Exchange of India (NSE) and the Luxembourg Stock Exchange. The Company was granted a prudential "category 4" license by the Dubai Financial Services Authority (DFSA) and was engaged in "advising on financial products", "arranging deals in investments", "arranging custody", "arranging credit and advising on credit" and "insurance intermediation" as per the provisions of the DFSA.

The Company conducted financial services till 30 September 2019 and on 1 October 2019 sent termination intimation to all its customers and exited all arrangements as per the 'Terms of Business' on 22 Oct 2019. The Company then subsequently filed for withdrawal of licence with the DFSA and the same was granted on 4 February 2020. Currently, the Company does not hold any financial services license with any financial services regulator. The Board of Directors of the Company have approved a plan for re-domiciling the Company to Abu Dhabi Global Markets in United Arab Emirates and this will be pursued upon approval from the regulator of ultimate shareholder. As at the reporting date, the Company is subject to the provisions primarily of the DIFC Companies Law No.5 of 2018.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

2 SIGNIFICANT ACCOUNTING POLICIES:

2.1 Basis of Preparation

- (i) The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the Accounting standards notified under Section 133 and the relevant provision of the Companies Act, 2013. The financial statements have been prepared on accrual basis and under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year except for the change in accounting policies disclosed hereafter.
- (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.
- (iii) As stated in note 1 above, the Company has surrendered the DFSA license on 4 February 2020 and currently has no financial services activities as at the reporting date. The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company will continue to be a going concern for foreseeable future as the Company has liquid cash resources to settle its liabilities as and when they fall due and incur expenditure necessary to re-domicile the Company to Abu Dhabi Global Markets. Accordingly, the financial statements of the Company are continued to be prepared on the going concern basis.

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, regardless of when payment is being made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment, excluding discounts, rebates and sales tax or duty.

Commission income is recognised when the services have been rendered or in accordance with the terms of the contracts.

Schedules

 forming part of Balance Sheet and Profit and Loss Account

Interest income

Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

2.5 Property, Plant & Equipment

Property, Plant & Equipment are stated at cost less accumulated depreciation. 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	4 years
Computers Equipments	4 years
Office Equipments	4 years
Leasehold Improvements	4 years

2.6 Trade Receivables

Trade receivables are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

2.7 Trade Payables and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

2.8 Leases

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

2.9 Cash and cash equivalent

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

2.10 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.

2.11 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 recognized but are disclosed in the notes unless the outflow of resources is remote. Contingent assets are neither recognised nor disclosed in the financial statements.

2.12 Employee's end of service benefits

The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employee's final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

2.13 Employee Share based payments

Cash-settled scheme:

The cost of cash-settled scheme (stock appreciation rights) is measured initially using intrinsic value method at the grant date taking into account the terms and conditions upon which the instruments were granted. This intrinsic value is amortised on a straightline 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 Balance Sheet and Profit and Loss Account

3 NOTES TO THE ACCOUNTS

3.1 (a) Share capital

	As at 31 st March 2020	As at 31 st March 2019
	₹	₹
Share Capital		
Authorised shares		
2,000,000 (Previous year 2,000,000) Ordinary shares of USD 1 each	\$2,000,000	\$2,000,000
Issued, Subscribed and fully Paid up		
1,689,000 (Previous year 1,689,000) Equity Shares of USD 1 each	84,455,743	84,455,743
Total	84,455,743	84,455,743

(b) Equity shares

	As at 31 st March 2020	As at 31 st March 2020	As at 31 st March 2019	As at 31 st March 2019
	Quantity	₹	Quantity	₹
Reconciliation of equity share capital				
Share capital outstanding at the beginning of the year	1,689,000	84,455,743	1,689,000	84,455,743
Issued during the period	-	-	-	-
Share capital outstanding at the end of the year	1,689,000	84,455,743	1,689,000	84,455,743

(c) Terms/rights attached to equity shares

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

The Company declares and pays dividends in US dollars. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing 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:

	As at 31 st March 2020	As at 31 st March 2019
Number of equity share		
Kotak Securities Limited	1,239,000	1,239,000
Kotak Mahindra (International) Limited	450,000	450,000

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

Equity shares of USD 1 fully paid up

	As at 31 st March 2020		As at 31 st March 2019	
	number	% holding	number	% holding
Kotak Securities Limited, subsidiary of Kotak Mahindra Bank Limited	1,239,000	73.36%	1,239,000	73.36%
Kotak Mahindra (International) Limited, subsidiary of Kotak Mahindra Bank Limited	450,000	26.64%	450,000	26.64%

Schedules

 forming part of Balance Sheet and Profit and Loss Account

3.2 Reserves and Surplus

Particulars	As at	As at
	31 st March 2020	31 st March 2019
	₹	₹
a. Translation Reserve		
Opening Balance	15,468,761	10,711,377
Additions/(deductions) during the period	7,196,211	4,757,384
Closing Balance	22,664,972	15,468,761
b. Surplus in the statement of profit and loss		
Opening balance	(15,862,317)	(17,047,952)
Net Profit / (Loss) for the current year	(10,588,038)	1,185,636
Closing Balance	(26,450,353)	(15,862,317)
Total	(3,785,381)	(393,555)

3.3 Long-term borrowings

Particulars	As at	As at
	31 st March 2020	31 st March 2019
	₹	₹
Unsecured		
Loans and advances from related parties	22,699,500	20,746,500
Total	22,699,500	20,746,500

Loan from a Related Party

During 2012, the Company obtained a loan of ₹ 22,699,500 from a related party, now a share holder, Kotak Mahindra International limited (Mauritius). The loan carries an interest rate at 4% per annum (Previous Year - 4% per annum) and is repayable on either party giving a notice of 5 years, to the other party. This loan has been subordinated as a tier 2 capital in the calculation of the Company's capital resources and can be repaid only after approval of the DFSA. Accordingly, the loan has been classified as non-current in the Balance Sheet as at 31 March 2020. During the year, the Company incurred a finance cost of ₹ 850,410 in respect of this loan (Previous year ₹ 839,056).

3.4 Long-term provisions

Particulars	As at	As at
	31 st March 2020	31 st March 2019
	₹	₹
Provision for employee benefits		
Stock Appreciation Rights (refer note 3.21)	-	1,233,253
Provision for Gratuity	-	18,340,047
Provision for Compensated Absences	-	2,232,406
Total	-	21,805,706

Schedules

 forming part of Balance Sheet and Profit and Loss Account

3.5 Other current liabilities

Particulars	As at	As at
	31 st March 2020	31 st March 2019
	₹	₹
Interest accrued and due	-	829,860
VAT Payable	-	447,902
Income received in advance	-	462,296
Other Payable	-	1,728,875
Total	-	3,468,933

3.6 Short-term Provisions

Particulars	As at	As at
	31 st March 2020	31 st March 2019
	₹	₹
Provision for employee benefits:		
Provision for Stock Appreciation Rights (refer note 3.21)	-	2,792,036
Provision for LTA	-	28,330
Total	-	2,820,367

3.5 Property, Plant and Equipment

Particulars	Gross Block			Accumulated Depreciation				Net Block		
	Balance as at 1 st April, 2019	Additions	Deduction/ Adjustments*	Balance as at 31 st March, 2020	Balance as at 1 st April, 2019	Depreciation charge for the year	Deduction/ Adjustments*	Balance as at 31 st March, 2020	Balance as at 31 st March, 2020	Balance as at 31 st March, 2019
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Tangible Assets										
Leasehold Improvement	10,122,455	3,266,904	13,389,359	-	10,122,455	179,143	10,301,598	-	-	-
Office equipment	522,620	64,644	587,264	-	522,620	2,220	524,840	-	-	-
Furniture and Fixtures	1,953,701	-	1,953,701	-	1,890,708	15,936	1,906,644	-	-	62,993
Computers	2,732,762	460,604	3,193,366	-	2,433,011	66,318	2,499,329	-	-	299,751
Total	5,331,538	3,792,153	19,123,691	-	14,968,794	263,616	15,232,410	-	-	362,744
Previous year	4,155,699	314,812	-861,027	15,331,538	13,937,584	182,087	-849,123	14,968,794	362,744	218,115

* Deductions/ adjustments include effect of Translation Reserve of ₹ NIL (2019 ₹ -861,027) under Gross Block and ₹ NIL (2019: ₹ -849,123) under Accumulated Depreciation

Schedules

 forming part of Balance Sheet and Profit and Loss Account

3.8 Long-term loans and advances

Particulars	As at	As at
	31 st March 2020	31 st March 2019
	₹	₹
Unsecured, considered good		
Deposits	1,752,529	4,521,143
Others		
VAT Receivable	25,032	332,626
Total	1,777,561	4,853,769

3.9 Trade Receivables

Particulars	As at	As at
	31 st March 2020	31 st March 2019
	₹	₹
Unsecured, considered good unless otherwise stated		
Outstanding for a period exceeding six months from the date they are due for payment	-	-
Others	-	22,041,265
Total	-	22,041,265

3.10 Cash and Cash Equivalents

Particulars	As at	As at
	31 st March 2020	31 st March 2019
	₹	₹
Balances with banks:		
On Current accounts	26,047,723	37,779,239
Cash on hand	-	18,978
Deposits with residual maturity of less than 3 months	76,666,497	-
Total	102,714,220	37,798,217
Other Bank Balances:		
Deposits with residual maturity of less than 12 months	-	58,109,624
Total	-	58,109,624

3.11 Short-term Loans and Advances

Particulars	As at	As at
	31 st March 2020	31 st March 2019
	₹	₹
Unsecured, considered good		
Prepaid expenses	749,732	10,288,946
Staff Loan	-	108,320
Total	749,732	10,397,266

Schedules

 forming part of Balance Sheet and Profit and Loss Account

3.12 Other current assets

Particulars	As at	As at
	31 st March 2020	31 st March 2019
	₹	₹
Unsecured, considered good		
Receivable from group company	123,918	2,795,222
Interest accrued on deposit	48,468	93,992
Total	172,387	2,889,215

3.13 Other Income

Particulars	For the year ended	For the year ended
	31 st March, 2020	31 st March, 2019
	₹	₹
Foreign Exchange Gain	-	196,463
Interest income on fixed deposits	1,575,843	1,262,501
Total	1,575,843	1,458,964

3.14 Employee Benefit Expenses

Particulars	For the year ended	For the year ended
	31 st March, 2020	31 st March, 2019
	₹	₹
Salaries, bonus and allowances	87,090,480	158,840,166
Provision for Gratuity	7,558,817	5,660,234
Expenses on stock appreciation rights	528,010	2,536,678
Staff Welfare	30,466	265,332
Total	95,207,773	167,302,410

3.15 Finance Costs

Particulars	For the year ended	For the year ended
	31 st March, 2020	31 st March, 2019
	₹	₹
Bank Charges	207,226	250,882
Interest on borrowings	850,410	839,056
Total	1,057,636	1,089,938

Schedules

 forming part of Balance Sheet and Profit and Loss Account

3.16 Other expenses

Particulars	For the year ended 31 st March, 2020	For the year ended 31 st March, 2019
	₹	₹
Auditor's Remuneration	1,220,693	1,435,641
For Statutory Audit Fee	1,195,889	1,223,598
For Other Services	-	174,803
For Reimbursement of Expenses	24,804	37,240
Rent and Electricity	8,411,678	12,775,279
Advertising, Business Promotion and Entertainment	555,343	728,678
Professional and legal fees	3,208,062	2,683,441
Communication expenses	2,225,422	3,606,171
Printing and stationery	203,121	185,242
Repairs and maintenance - others	588,880	1,052,240
Travel expenses	1,873,375	2,810,849
Insurance	11,096	10,948
Other Membership Fees	2,498,838	2,209,578
Foreign Exchange Loss	396,280	-
Miscellaneous expenses	921,756	622,194
Less: Recovery of Expenses	(1,997,534)	(2,358,580)
Total	20,117,010	25,761,681

3.17 The Company's shareholder is Kotak Securities Limited ("parent") and Kotak Mahindra International Limited ("shareholder") The ultimate holding company is Kotak Mahindra Bank Limited, Company incorporated in India. The accounts have been prepared and audited for the purpose of attachment to the accounts of the holding company in India to comply with the provisions of the Companies Act, 2013.

3.18 The transactions are in foreign currency (US Dollars), which 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.

3.19 Earnings per equity share

Particulars	As at 31 st March 2020	As at 31 st March 2019
	₹	₹
Earnings / (loss) used in the computation of basic and diluted earnings per share (A)	(10,588,038)	1,185,636
Weighted average number of equity shares used in computation of basic earnings per share (B)	1,689,000	1,689,000
Nominal value of Equity shares	\$1	\$1
Basic and diluted earnings / (loss) per share (₹) A/B	(6.27)	0.70

Schedules forming part of Balance Sheet and Profit and Loss Account

3.20 Employee Stock Option Scheme - Equity settled Options

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 subsidiaries and associate companies. Pursuant to these resolutions, the following Employees Stock Option Schemes had been formulated and adopted:

- (a) Kotak Mahindra Equity Option Scheme 2007; and
- (b) 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:

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

Consequent to the above, the Bank has granted stock options to employees of the Company. In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments", the excess, if any, of the market price of the share, preceding the date of grant of the option under ESOPs over the exercise price of the option is amortised on a straight-line basis over the vesting period. The Company has reimbursed the Bank ₹ Nil (Previous Year ₹ Nil) during the year on account of such costs and the same is forming part of Employee costs and included under the head "Reimbursement of expense on ESOP Scheme" under Note 3.14 Employee Benefit expense."

Had the company recorded the compensation cost computed on the basis of fair valuation method instead of intrinsic value method, employee compensation cost would have been higher by ₹ 608,386 (Previous year lower by ₹ 9,789) and the profit after tax would have been lower (Previous year would have been higher) by the same amount.

3.21 Employee Stock Option Scheme - Stock appreciation rights (SARs)

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

Detail of activity under SAR is summarized below:

Particulars	No. of SARs	
	For the year ended 31 st March, 2020	For the year ended 31 st March, 2019
Outstanding at the beginning of the year	9,923	43,011
Granted during the year	7,010	18,820
Additions/Reduction due to transfer of employees	10,717	1,815
Exercised during the year	1,220	15,686
Expired during the year	4,996	38,037
Outstanding at the end of the year	-	9,923

Schedules

 forming part of Balance Sheet and Profit and Loss Account

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

Year ended March 31,	2020	2019
Total Employee Compensation Cost pertaining to share-based payment plans	528,010	2,536,678
Closing balance of liability for cash-settled options	-	4,025,289

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 ₹ 314,140 (Previous year lower by ₹ 915,480) and the profit after tax would have been higher (Previous year would have been higher) by the same amount.

3.22 Leases

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

Particulars	As at 31 st March 2020	As at 31 st March 2019
	₹	₹
Operating leases which expire :		
Within one year	-	11,526,317
Between one to five years	-	-

3.23 Employee's End of Service Benefits

Movements in the provision recognised in the statement of the financial position are as follows:

Particulars	As at 31 st March 2020	As at 31 st March 2019
	₹	₹
At 1st April	18,340,047	21,450,157
Provided during the year	7,558,817	5,660,269
Paid during the year	(5,273,180)	(10,129,219)
Exchange difference	438,334	1,358,840
Liability trsf from KMFSL to KMBL branch	(21,064,018)	-
At 31st March	-	18,340,047

3.24 Related Party Transaction

Related parties represent associated companies, shareholder, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Schedules forming part of Balance Sheet and Profit and Loss Account

3.25 Particulars			For the year ended 31 st March, 2020	As at 31 March 2020	For the year ended 31 st March, 2019	As at 31 March 2019		
Related Parties	Nature of relationship	Nature of transactions	Transaction for the year	Receivable	Payable	Transaction for the year	Receivable	Payable
Kotak Securities Limited	Holding Company	Recovery of Expenses	12,965,067	123,918	-	21,440,947	1,776,394	-
Kotak Mahindra (International) Limited	Fellow Subsidiary	Interest on Borrowing	850,410	-	-	839,056	-	829,800
		Loan Outstanding	-	-	22,699,500	-	20,746,500	
		Receivable	-	-	-	311,797	-	
Kotak Mahindra Bank Limited	Ultimate Holding Company	Commission Income	1,344,498	-	-	12,613,033	-	-
		Mutual Fund Commission Income	23,949,760	-	-	50,033,305	-	-
		Receivable	-	-	-	-	1,380,234	-
		Transfer of Assets & Liabilities from KMFSL to KMBL DIFC Branch	11,118,398	-	-	-	-	-
		Rent Paid by KMFSL to KMBL DIFC Branch	155,494	-	-	-	-	-
Kotak Mahindra Asset Management Company Limited	Fellow Subsidiary	Sars Liability transfer from KMFSL to KMBL DIFC Branch	3,914,965	-	-	-	-	-
		Commission Income	-	-	-	1,872,912	-	-
Directors	KMP	Remuneration	13,169,308	-	-	39,114,884	-	-

During the year Compensation to Key Managerial personnel was Rs 13,169,308 (FY 19 : 39,114,884)

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

In terms of our report of even date

For V . C. Shah & Co.

Chartered Accountants
Firm Registration No. 109818W

For and on Behalf of the Board of Directors

A.N. Shah

Partner
Membership No. 042649

Shanti Ekambaram
(Director)

Jaideep Hansraj
(Director)

Mumbai
Dated: 29th April 2020

Dated: 29th April 2020