

INDEPENDENT AUDITOR'S REPORT

To The Members of AIRTEL PAYMENTS BANK LIMITED Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Airtel Payments Bank Limited ("the Bank"), which comprise the Balance Sheet as at 31 March 2021, the Profit and Loss Account, 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 Banking Regulation Act, 1949 and the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Accounting Standards prescribed under section 133 of the Act read with the Companies (Accounting Standards) Rules, 2006, as amended ("Accounting Standards"), and other accounting principles generally accepted in India, of the state of affairs of the Bank as at 31 March 2021, and its loss, and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under section 143 (10) of the Act (SAs). 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 Bank 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 financial statements under the provisions of the Act and the Rules made 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 obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Emphasis of Matter

We draw attention to Schedule 18 (Note 1) of the financial statements which describes that on account of continuing losses, the Bank's Common Equity Tier1 capital has gone below the prescribed regulatory limits. Consequentially, the Bank has temporary written down its 0.0001% of Non-Cumulative Compulsorily Convertible Non-Redeemable Preference shares by an equivalent amount to restore Common Equity Tier 1 Capital Ratio to its prescribed limit.

Our opinion is not modified in respect of this matter.



Information Other than the Financial Statements and Auditor's Report Thereon

The Bank's Board of Directors is responsible for the other information. The other information comprises of the Board's report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Financial Statements

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, the Accounting Standards, other accounting principles generally accepted in India, and the guidelines issued by the Reserve Bank of India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Bank 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, the Board of Directors of the Bank is responsible for assessing the ability of the Bank to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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

- Identify and assess the risks of material misstatement of the 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.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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 ability of the Bank to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Bank to express an opinion on the Bank's financial statements.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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

1. As required by Section 143(3) of the Act and section 30 of the Banking Regulation Act, 1949 based on our audit we report, to the extent applicable that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid financial statements.
- b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid financial statements have been kept by the Bank so far as it appears from our examination of those books and found them to be satisfactory.
- c) In our opinion, the transactions of the Bank which have come to our notice have been within the powers of the Bank.
- d) The Bank has its operations automated, with the key applications largely integrated to the core banking systems and controlled centrally, it does not require its branches to submit any financial returns or perform significant controls. Accordingly, our audit is carried out centrally at the Head Office and Central Processing Units based on the necessary records and data required for the purposes of the audit being made available to us. We report that during the course of our audit we have not visited any of the Banks's branches.
- e) The Balance Sheet, the Profit and Loss Account, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- f) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, as applicable to banks.
- g) On the basis of the written representations received from the directors of the Bank as on 31 March 2021 taken on record by the Board of Directors of Bank, none of the directors of the Bank is disqualified as on 31 March 2021 from being appointed as a director in terms of Section 164 (2) of the Act.
- h) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of Bank's internal financial controls over financial reporting.
- i) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, as the Bank is governed by Section 35B (2A) of the Banking Regulation Act, 1949, section 197 of the Act related to the managerial remuneration is not applicable.
- j) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:



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- i) The financial statements disclose the impact of pending litigations on the financial position of the Bank.
- ii) The Bank did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No.117365W)



Anup Kumar Sharma

Anup Kumar Sharma
Partner
(Membership No. 063828)
UDIN: 21063828AAAAAT4177

Sambalpur, 19 May 2021

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1(h) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Airtel Payments Bank Limited ("the Bank") as at 31 March 2021 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that are operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013, the Banking Regulation Act, 1949 and the guidelines issued by Reserve Bank of India.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting of the Bank based on our audit. We conducted our audit in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal controls based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting.



Meaning of Internal Financial Controls Over Financial Reporting

A Bank's internal financial controls over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial controls over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorisations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2021, based on the criteria for internal financial control over financial reporting established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Deloitte Haskins & Sells**

Chartered Accountants

(Firm's Registration No.117365W)



Anup Kumar Sharma
Anup Kumar Sharma
Partner

(Membership No. 063828)

UDIN: 21063828AAAAAT4177

Sambalpur, 19 May 2021

AIRTEL PAYMENTS BANK LIMITED

BALANCE SHEET AS ON 31 MARCH 2021

(Rupees in thousands)
As on 31.03.2021

	Schedule	As on 31.03.2021	As on 31.03.2020
CAPITAL & LIABILITIES			
Capital	1	23,329,876	18,528,751
Share Application Money Received		-	-
Reserves & Surplus	2	(20,114,180)	(15,772,092)
Employee Stock Options Outstanding	18 (Note 11)	62,651	48,805
Deposits	3	5,956,340	3,452,564
Borrowings	4	-	469,985
Other Liabilities and Provisions	5	7,424,414	5,957,379
Total		16,659,101	12,685,392
ASSETS			
Cash & Balances with Reserve Bank of India	6	613,948	318,951
Balances with Banks and Money at Call & Short Notice	7	3,921,585	4,416,202
Investments	8	7,979,368	5,431,285
Advances	9	-	-
Fixed Assets	10	659,595	381,469
Other Assets	11	3,484,605	2,137,485
Total		16,659,101	12,685,392
Contingent Liabilities	12	43,866	13,164
Bills for Collection		-	-
Significant Accounting Policies	17	-	-
Notes on Accounts	18	-	-

The schedules referred to above form an integral part of this Balance Sheet

The Balance Sheet has been prepared in conformity with Form 'A' of the Third Schedule of the Banking Regulation Act, 1949.

As per our report of even date


For Deloitte Haskins & Sells
Chartered Accountants
ICAI Firm Registration No: 117365W

For and on behalf of the Board of Directors of Airtel Payments Bank Limited


Anup Kumar Sharma
Partner
Membership No: 063824
Place : Sambalpur




Anubrata Biswas
Managing Director & CEO
DIN:08140188
Place : Gurugram


Rajesh Sud
Director
DIN:02395182
Place : Gurugram


Arpita Pal Agarwal
Director
DIN:08588528
Place : Gurugram


Gopal Vittal
Director
DIN:02291778
Place : Gurugram


Gaurav Seth
Chief Financial Officer
Place : Gurugram


Suman Singh
Company Secretary
Place : Gurugram

Date : May 19, 2021



AIRTEL PAYMENTS BANK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2021

(Rupees in thousands except per share data)


	Schedule	For the year ended 31.03.2021	For the year ended 31.03.2020
I. INCOME			
Interest Earned	13	580,876	716,074
Other Income	14	5,690,996	4,027,494
Total		6,271,872	4,743,568
II. EXPENDITURE			
Interest Expended	15	101,053	102,621
Operating Expenses	16	10,423,158	9,310,551
Provisions and Contingencies	18 (Note 15)	91,330	(24,642)
Total		10,615,541	9,388,530
III. LOSS			
Net Loss for the year		(4,343,669)	(4,644,962)
Loss Brought Forward		(15,777,444)	(11,132,482)
Total		(20,121,113)	(15,777,444)
IV. APPROPRIATIONS			
Transfer to :		-	-
a) Statutory Reserves		-	-
b) Other Reserves		-	-
c) Proposed Dividend		-	-
d) Tax on Dividend		-	-
Balance Carried over to Balance Sheet		(20,121,113)	(15,777,444)
Total		(20,121,113)	(15,777,444)
V. Loss Per Share (Face value of Rs 10/-)			
Basic and Diluted (In Rs.) [Refer Note 13 - Schedule 18]		(4.32)	(4.62)
Significant Accounting Policies	17		
Notes on Accounts	18		

The schedules referred to above form an integral part of this Profit and Loss Account
The Profit and Loss account has been prepared in conformity with Form 'B' of the Third Schedule of the Banking Regulation Act, 1949.

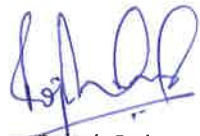
As per our report of even date

For Deloitte Haskins & Sells
Chartered Accountants
ICAI Firm Registration No: 117365W

For and on behalf of the Board of Directors of Airtel Payments Bank Limited


Anup Kumar Sharma
Partner
Membership No: 063828
Place : Sambalpur


Anubrata Biswas
Managing Director & CEO
DIN: 08140188
Place : Gurugram



Rajesh Sud
Director
DIN: 02395182
Place : Gurugram



Arpita Pal Aqarwal
Director
DIN: 08588528
Place : Gurugram

Date : May 19, 2021




Gopal Mittal
Director
DIN: 02291778
Place : Gurugram


Gaurav Seth
Chief Financial Officer
Place : Gurugram


Suman Singh
Company Secretary
Place : Gurugram



AIRTEL PAYMENTS BANK LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2021


	For the year ended 31.03.2021	(Rupees in thousands) For the year ended 31.03.2020
A. Cash flow from operating activities:		
Loss before tax	(4,343,669)	(4,644,962)
Adjustments for:		
Depreciation and Amortisation Expense	135,333	115,049
Amortisation of Premium on Held To Maturity (HTM) investments	260	260
Employees Stock Option Expenses	15,427	17,393
Provision for investments	19,062	-
Other Provisions & write off	51,890	(24,642)
Profit/(Loss) on Sale of Fixed Assets (net)	46	(29)
Share Issue Expenses	150	2,501
Operating cash flow before changes in assets and liabilities	(4,121,501)	(4,534,430)
Adjustments for changes in assets and liabilities :		
Increase/ (Decrease) in Deposits	2,503,776	746,944
Increase/ (Decrease) in Other Liabilities	1,467,055	(2,049,350)
(Increase)/ Decrease in Investments (other than HTM securities)	(2,567,405)	(1,425,083)
(Increase)/ Decrease in Other Assets	(1,451,316)	1,324,632
Cash generated from operations	(4,169,391)	(5,937,287)
Taxes (Paid)/ Refund (including tax deducted at source)	49,378	(22,283)
Net cash flow used in operating activities (A)	(4,120,013)	(5,959,570)
B. Cash flow from investing activities:		
Purchase of Fixed Assets	(410,836)	(262,178)
Proceeds from Sale of Fixed Assets	239	384
Net cash flow used in investing activities (B)	(410,597)	(261,794)
C. Cash flow from financing activities:		
Proceeds from Issuance of 0.0001% Non-Cumulative Compulsorily Convertible Non-Redeemable Preference Shares	4,800,000	5,500,000
Proceeds from Issuance Equity Shares	1,125	-
Share Application Money (Refunded)/ Received	-	(116)
Share Issue Expenses Paid	(150)	(2,501)
Net Proceeds from Borrowings	(469,985)	469,985
Net cash flow from financing activities (C)	4,330,990	5,967,368
Net Increase/ (decrease) in cash and cash equivalents (A+B+C)	(199,620)	(253,996)
Add : Balance as at the beginning of the year	4,735,153	4,989,149
Balance as at the end of the year (Schedule 6 and 7)	4,535,533	4,735,153

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks (including Fixed deposits) and money at call and short notice.

Figures in brackets indicate cash outflow.

The accompanying notes form an integral part of these financial statements
As per our report of even date


For Deloitte Haskins & Sells
Chartered Accountants
ICAI Firm Registration No: 117365W


Anup Kumar Sharma
Partner
Membership No: 063828
Place : Sambalpur



Date : May 19, 2021

For and on behalf of the Board of Directors of Airtel Payments Bank Limited



Anubrata Biswas
Managing Director & CEO
DIN:08140188
Place : Gurugram


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Rakesh Sud
Director
DIN:02395182
Place : Gurugram


Gaurav Seth
Chief Financial Officer
Place : Gurugram


Arpita Pal Aqarwal
Director
DIN:08588528
Place : Gurugram


Suman Singh
Company Secretary
Place : Gurugram



AIRTEL PAYMENTS BANK LIMITED

(Rupees in thousands)

	As on 31.03.2021	As on 31.03.2020
SCHEDULE 1: CAPITAL		
Authorised Capital	32,000,000	32,000,000
1,800,000,000 equity shares of Rs. 10 each (March 31, 2020 - 1,800,000,000 equity shares of Rs. 10 each)	<u>18,000,000</u>	<u>18,000,000</u>
1,400,000,000 preference shares of Rs. 10 each (March 31, 2020 - 1,400,000,000 preference shares of Rs. 10 each)	<u>14,000,000</u>	<u>14,000,000</u>
Issued, Subscribed and Paid-Up Capital		
1,005,137,628 equity shares of Rs. 10 each (March 31, 2020 - 1,005,025,128 equity shares of Rs. 10 each)	<u>10,051,376</u>	<u>10,050,251</u>
1,327,850,000 0.0001% non-cumulative compulsorily convertible non redeemable preference shares of Rs. 10 each (March 31, 2020 - 847,850,000 0.0001% non-cumulative compulsorily convertible non redeemable preference shares of Rs. 10 each)	<u>13,278,500</u>	<u>8,478,500</u>
During the year Bank has issued 480,000,000 0.0001% non-cumulative compulsorily convertible non redeemable preference shares of Rs. 10 each on rights basis (During the year ended March 31, 2020 Bank had issued 550,000,000 0.0001% non-cumulative compulsorily convertible non redeemable preference shares) of Rs. 10 each (Refer Note 1 of Schedule 18)		
Total	<u><u>23,329,876</u></u>	<u><u>18,528,751</u></u>
SCHEDULE 2: RESERVES & SURPLUS		
I. Statutory Reserves		
Opening Balance	-	-
Additions during the year	-	-
Deductions during the year	-	-
Total	<u>-</u>	<u>-</u>
II. Capital Reserves		
Opening Balance	-	-
Additions during the year	-	-
Deductions during the year	-	-
Total	<u>-</u>	<u>-</u>
III. Share Premium		
Opening Balance	-	-
Additions during the year	492	-
Deductions during the year	-	-
Total	<u>492</u>	<u>-</u>
IV. Revenue and Other Reserves		
Opening Balance	-	-
Additions during the year	-	-
Deductions during the year	-	-
Total	<u>-</u>	<u>-</u>
V. General Reserves		
Opening Balance	5,352	2,071
Additions during the year	1,089	3,281
Deductions during the year	-	-
Total	<u>6,441</u>	<u>5,352</u>
VI. Balance In Profit and Loss Account	<u>(20,121,113)</u>	<u>(15,777,444)</u>
Total (I to VI)	<u><u>(20,114,180)</u></u>	<u><u>(15,772,092)</u></u>



AIRTEL PAYMENTS BANK LIMITED

(Rupees in thousands)

As on 31.03.2021

As on 31.03.2020

SCHEDULE 3: DEPOSITS

A I. Demand Deposits		
i) From Banks	-	-
ii) From Others	611	492
Total	611	492
II. Saving Banks Deposits	5,955,729	3,452,072
III. Term Deposits		
i) From Bank	-	-
ii) From Others	-	-
Total	-	-
Total (I, II & III)	5,956,340	3,452,564
B Deposits of Branches		
i) In India	5,956,340	3,452,564
ii) Outside India	-	-
Total	5,956,340	3,452,564

SCHEDULE 4: BORROWINGS

I. Borrowings in India		
i) Reserve Bank of India	-	-
ii) Other Banks	-	250,019
iii) Other Institutions and Agencies	-	219,966
Total	-	469,985
II. Borrowings Outside India	-	-
Total (I & II)	-	469,985
Secured Borrowings (Included in I and II)	-	219,966



AIRTEL PAYMENTS BANK LIMITED*(Rupees in thousands)***As on 31.03.2021****As on 31.03.2020****SCHEDULE 5: OTHER LIABILITIES AND PROVISIONS**

I. Bills Payable	-	-
II. Inter Office Adjustments (net)	-	-
III. Interest Accrued	86	44
IV. Others (Including provisions)*	7,424,328	5,957,335
Total (I to IV)	7,424,414	5,957,379

* Includes semi-closed prepaid payment instruments of INR 1,690,991 thousands
(March 31, 2020 : INR 1,352,731 thousands)

SCHEDULE 6: CASH & BALANCES WITH RESERVE BANK OF INDIA

I. Cash in Hand	-	-
II. Balance with Reserve Bank of India:		
a) In Current Account	613,948	318,951
b) In other Accounts	-	-
Total (I & II)	613,948	318,951



AIRTEL PAYMENTS BANK LIMITED*(Rupees in thousands)***As on 31.03.2021****As on 31.03.2020****SCHEDULE 7: BALANCES WITH BANKS AND MONEY AT CALL & SHORT NOTICE****I. IN INDIA**

i) Balances with Banks		
a) In Current Accounts	731,022	104,702
b) In other Deposit Accounts*	2,990,656	4,311,500
ii) Money at Call & Short Notice		
a) With Banks	-	-
b) With Other Institutions	199,907	-
Total (i & ii)	3,921,585	4,416,202

II OUTSIDE INDIA

i) In Current Accounts	-	-
ii) In Other Deposit Accounts	-	-
iii) Money at Call & Short Notice	-	-
Total (i, ii & iii)	-	-
Total (I & II)	3,921,585	4,416,202

* Pledged with other bank of INR 42,500 thousands (March 31 2020 : INR 52,500 thousands)



AIRTEL PAYMENTS BANK LIMITED

(Rupees in thousands)

As on 31.03.2021

As on 31.03.2020

SCHEDULE 8: INVESTMENTS

A. I. Investment in India in :

i) Government Securities	7,979,368	5,431,285
ii) Other Approved Securities	-	-
iii) Shares	-	-
iv) Debentures & Bonds	-	-
v) Subsidiaries and/ or Joint Ventures	-	-
vi) Others	-	-
Total Investment in India	7,979,368	5,431,285

II. Investments Outside India :

i) Government securities (Including local authorities)	-	-
ii) Subsidiaries and/or joint ventures abroad	-	-
iii) Other Investments	-	-
Total Investment Outside India	-	-

Total (I & II)

7,979,368

5,431,285

III. Investment in India

Gross Value of Investments	7,998,430	5,431,285
Less: Provision for depreciation	(19,062)	-
Net value of Investment	7,979,368	5,431,285

IV. Investment Outside India

Gross Value of Investments	-	-
Less: Provision for depreciation	-	-
Net value of Investment	-	-

Total (III & IV)

7,979,368

5,431,285



AIRTEL PAYMENTS BANK LIMITED

(Rupees in thousands)

As on 31.03.2021

As on 31.03.2020

SCHEDULE 9: ADVANCES

A) i) Bills Purchased and Discounted	-	-
ii) Cash Credits, Overdrafts & Loans repayable on demand	-	-
iii) Term Loans	-	-
Total	-	-
B) i) Secured by Tangible Assets	-	-
ii) Covered by Banks/ Government Guarantees	-	-
iii) Unsecured	-	-
Total	-	-
C) I. Advances in India		
i) Priority Sector	-	-
ii) Public Sector	-	-
iii) Banks	-	-
iv) Others	-	-
Total	-	-
II. Advances Outside India		
i) Dues from Banks	-	-
ii) Dues from others	-	-
a) Bills purchased and discounted	-	-
b) Syndicated loans	-	-
c) Others	-	-
Total	-	-
Total C (I & II)	-	-
Total (A, B & C)	-	-



AIRTEL PAYMENTS BANK LIMITED

(Rupees in thousands)

As on 31.03.2021

As on 31.03.2020

SCHEDULE 10: FIXED ASSETS

I. Premises

At cost on 31st March of the preceding year	-	-
Additions during the year	-	-
Deductions during the year	-	-
Less: Depreciation to date	-	-
Net Block	-	-

II. Other Fixed Assets (Including Furnitures & Fixtures) [Refer Note 9 - Schedule 18]

At cost as on 31st March of the preceding year	682,558	424,387
Additions during the year	413,743	258,904
Deductions during the year	(956)	(733)
Depreciation to date*	(435,750)	(301,089)
Net Block	659,595	381,469
Total (I & II)	659,595	381,469

*Includes depreciation charge for the current financial year amounting to INR 135,333 thousands (March 31, 2020 : INR 115,049 thousands)



AIRTEL PAYMENTS BANK LIMITED

(Rupees in thousands)

As on 31.03.2021

As on 31.03.2020

SCHEDULE 11: OTHER ASSETS

I Inter-office adjustment (net)	-	-
II Interest Accrued	224,095	329,445
III Tax paid in advance/ Tax deducted at source (Net)	131,444	181,760
IV Stationery and Stamps	-	-
V Deferred Tax Assets (Net) [Refer Note 26 - Schedule 18]	-	-
VI Others	3,129,066	1,626,280
Total (I to VI)	3,484,605	2,137,485

SCHEDULE 12: CONTINGENT LIABILITIES

I Claims against the banks not acknowledged as debts	3,935	411
II Liabilities for partly paid investments	-	-
III Liability on account of outstanding forward exchange contracts	-	-
IV Guarantees given on behalf of constituents	-	-
a) In India	-	-
b) Outside India	-	-
V Acceptances, endorsements and other obligations	-	-
VI Other items for which the bank is contingently liable	39,931	12,753
Total (I to VI)	43,866	13,164



AIRTEL PAYMENTS BANK LIMITED*(Rupees in thousands)*

	For the year ended 31.03.2021	For the year ended 31.03.2020
--	----------------------------------	----------------------------------

SCHEDULE 13: INTEREST EARNED

I. Interest/ Discount on Advances/ Bills	-	-
II. Income on Investments	284,251	271,648
III. Interest on balances with RBI and other inter-Bank funds	294,371	415,145
IV. Others	2,254	29,281
Total (I to IV)	580,876	716,074

SCHEDULE 14: OTHER INCOME

I. Commission, Exchange and Brokerages	5,700,473	4,027,558
II. Profit / (Loss) on Sale of Investments (Net)	(9,478)	27
III. Profit / (Loss) on revaluation of Investments (Net)	-	-
IV. Profit / (Loss) on Sale of Fixed Assets (Net)	(46)	29
V. Profit / (Loss) on Exchange Transactions (Net)	45	(142)
VI. Income earned from Subsidiaries/ Joint Ventures	-	-
VII. Miscellaneous Income	2	22
Total (I to VII)	5,690,996	4,027,494



AIRTEL PAYMENTS BANK LIMITED*(Rupees in thousands)***For the year ended
31.03.2021****For the year ended
31.03.2020****SCHEDULE 15: INTEREST EXPENDED**

I. Interest on Deposits	96,053	89,680
II. Interest on Reserve Bank of India and inter-Bank Borrowings	2,636	5,206
III. Others	2,364	7,735
Total (I, II & III)	101,053	102,621

SCHEDULE 16: OPERATING EXPENSES

I. Payment to and Provision for employees	1,212,829	1,090,132
II. Rent, Taxes and Lighting	87,745	86,037
III. Printing and Stationery	6,704	18,740
IV. Advertisement and Publicity	943,137	1,018,566
V. Depreciation/Amortisation on Bank's Property	135,333	115,049
VI. Directors' fees, allowances and expenses	9,600	6,800
VII. Auditors' fee and expenses (including Branch Auditors)	5,550	4,100
VIII. Law Charges	-	-
IX. Postage, Telegram, Telephones etc.	4,911	8,402
X. Repairs and Maintenance	8,819	13,618
XI. Insurance	49,211	20,654
XII. Other Expenditure (Refer Note 25 - Schedule 18)	7,959,319	6,928,453
Total (I to XII)	10,423,158	9,310,551



Airtel Payments Bank Limited

Significant Accounting Policies

Schedule 17: Significant Accounting Policies

1. Background

Airtel Payments Bank Limited (the 'Bank' or 'Company') was incorporated under Companies Act, 1956. The Company had been in business of providing Semi-Closed Prepaid Payment Instrument and domestic remittance services.

The Company applied for the Payments Bank License to Reserve Bank of India and obtained the banking license on April 11, 2016. Registrar of Companies issued a fresh Certificate of Incorporation (COI) dated May 2, 2016 from which the name of the company changed from 'Airtel M Commerce Services Limited' to 'Airtel Payments Bank Limited'. The Payments Bank commenced its operation on November 23, 2016. As per the Reserve Bank of India (RBI) guidelines, Payments Bank cannot directly undertake lending activities but can offer Savings & Current account, issue prepaid wallets, offer remittance products and distribute non risk sharing financial products such as insurance, mutual fund, loans etc.

As the Payments Bank cannot lend to any person except their own employees, accordingly, all the disclosures pertaining to advances have not been made.

The Bank currently provides Savings Account, Semi-Closed Prepaid Payment Instrument, Remittance service, Collection services and distributing non risk sharing financial product such as insurance to the customers.

The Bank has received a license from Insurance Regulatory and Development Authority to operate as Corporate Agent, that has enabled the Bank to distribute insurance products of the partner Companies.

2. Basis of preparation

The financial statements have been prepared in accordance with statutory requirements prescribed under the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India (Indian GAAP), the guidelines issued by Reserve Bank of India (RBI) from time to time, the Accounting Standards specified under Section 133 of the Companies Act, 2013 read together with the relevant rules defined thereunder and other relevant provisions of the Companies Act, 2013, in so far as they apply to banks. The financial statements have been prepared under the historical cost convention and on an accrual basis except in case of assets for which revaluation is carried out and certain derivative financial instruments (Refer note 3.6 – Schedule 17). The accounting policies have been consistently applied by the Bank and are consistent with those used in the previous year.

These financial statements are presented in Indian Rupees ('Rupees' or 'Rs') and all amounts are rounded to the nearest thousands, except where stated otherwise.

Use of estimates

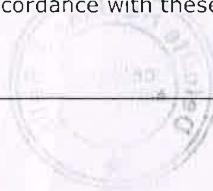
The preparation of the financial statements in conformity with Indian GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year.

The Bank's Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to the accounting estimates is recognised prospectively in the current and future periods.

3. Summary of significant accounting policies

3.1 Investments

Classification: In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into "Held for Trading" ('HFT'), "Available for Sale" ('AFS') and Held to Maturity ("HTM") categories (hereinafter called "categories"). Subsequent shifting amongst the categories, if done, is also done in accordance with these guidelines.



Airtel Payments Bank Limited

Significant Accounting Policies

Under each of these categories, investments are further classified under six groups (hereinafter called "groups") - Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries / Joint Ventures and Other Investments for the purposes of disclosure in the Balance Sheet.

The Bank follows 'Settlement Date' accounting for recording purchase and sale transactions of securities, except in the case of equity shares where 'Trade Date' accounting is followed.

Basis of classification: Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category. As per the RBI guidelines, HFT securities, which remain unsold for a period of 90 days are reclassified as AFS securities as on that date. Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments which are not classified in either of the above two categories are classified under AFS category.

Acquisition Cost: Broken period interest on debt instruments and government securities are considered as a revenue item under Profit and Loss Account as per RBI guidelines. The transaction costs including brokerage, commission etc. paid at the time of acquisition of investments is recognised in Profit and Loss Account.

Disposal of investments:

- a. **Investments classified as HFT or AFS-** Profit or loss on sale or redemption is recognised in the Profit and Loss Account.
- b. **Investments classified as HTM-** Profit on sale or redemption of investments is recognised in the Profit and Loss Account and is appropriated to Capital Reserve after adjustments for tax and transfer to Statutory Reserve. Loss on sale or redemption is recognized in the Profit and Loss Account.

Valuation: -

i. **Investments classified as HTM -** These are carried at their acquisition cost. Any premium on acquisition of debt instruments / government securities is amortised over the balance maturity of the security on a straight line basis. Any diminution, other than temporary, in the value of such securities is provided.

ii. Investments classified as HFT or AFS:

- a. Investments are marked to market on a periodical basis as per relevant RBI guidelines and the net depreciation, if any, within each category is recognised in the Profit and Loss Account. Net appreciation, if any, is ignored, except to the extent of depreciation previously provided. Further, provision other than temporary diminution is made at individual security level. Except in cases where provision other than temporary diminution is made, the book value of the individual securities is not changed as a result of periodic valuations.
- b. Traded investments are valued based on the trades / quotes on the recognised stock exchanges, price list of RBI or prices declared by Financial Benchmarks India Pvt Ltd. ('FBIL'), periodically.

The market or fair value of unquoted government securities included in the 'AFS' and 'HFT' categories is determined as per the price published by FBIL. Further, in the case of unquoted bonds and debentures, valuation is carried out by applying an appropriate mark-up (reflecting associated credit risk) over the Yield to Maturity (YTM) rates of government securities. Such mark up and YTM rates applied are as per the relevant rates published by FBIL.

- c. Treasury Bills, Commercial Paper and Certificate of Deposits being discounted instruments, are valued at carrying cost.
- d. Units of mutual funds are valued as per the latest Net Asset Value declared by the mutual fund in respect of each particular scheme.

iii. Non-performing investments are identified and valued based on the RBI guidelines.



Airtel Payments Bank Limited
Significant Accounting Policies

iv. Repurchase and reverse repurchase transactions- Securities sold under agreements to repurchase (Repos) and securities purchased under agreements to resell (Reverse Repos) are accounted as collateralised borrowing and lending transactions respectively. The difference between the consideration amount of the first leg and the second leg of the repo is recognised as interest income or interest expense over the period of the transaction.

3.2 Fixed assets (Tangibles and Intangibles) and depreciation / amortisation

Fixed Assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are recognised in the Profit and Loss Account as incurred. Capital work in progress is valued at cost. Identifiable intangible assets are recognized when the Bank controls the asset, it is probable that future economic benefits attributed to the asset will flow to the Bank and the cost of the asset can be measured reliably.

Gains and losses arising from retirement or disposal of the tangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in Profit and Loss Account on the date of retirement or disposal. Profit on sale of premises of the Bank, if any, is appropriated to Capital Reserve as per the RBI guidelines

Depreciation on fixed assets is provided on the straight line method based on useful lives of respective assets as estimated by the management. The assets' residual values and useful lives are reviewed at each financial year end or whenever there are indicators for review, and adjusted prospectively. Amortization is computed using the straight-line method over the expected useful life of intangible assets.

Estimated useful lives of the assets are as follows:

Particulars	Years
Computers/Servers	3-5
Office Equipment	2-5
Furniture & Fixtures	5
Leasehold Improvements	Period of lease or useful life, whichever is less
Others (Including software's, Intangible, Goodwill and system development expenses)	1-5 years*

The management basis its past experience and technical assessment has estimated the useful life, which is at variance with the life prescribed in Part C of Schedule II of the Companies Act, 2013 and has accordingly, depreciated the assets over such useful life.

*Software is capitalized at the amounts paid to acquire the respective license for use and is amortized over the period of license, generally not exceeding five years. Software up to Rs 500 thousand, which has an independent use is amortized over a period of one year from the date of place in service.

3.3 Impairment of assets

The carrying amounts of assets are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or when annual impairment testing for an asset is required. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised.



Airtel Payments Bank Limited
Significant Accounting Policies

3.4 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise Balances with RBI, cash on hand, cheques on hand, balances with other Banks/Institutions and money at call and short notice.

3.5 Revenue recognition and receivables

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Revenue is measured at the consideration received/receivable, excluding discounts, rebates, and Goods and Service Tax (GST) or duty.

i) Investing and other activities

Income on account of interest and other activities are recognised on an accrual basis. Interest income on discounted instruments is recognised over the tenure of the instruments so as to provide a constant periodic rate of return. Dividend income is accounted on an accrual basis when the right to receive the dividend is established.

ii) Service Revenue

Service revenue is recognised on completion of provision of services. Revenue, net of discount, is recognised on transfer of all significant risks and rewards to the customer and when no significant uncertainty exists regarding realization of consideration.

iii) Unbilled revenue

Unbilled revenue represent revenue recognized in respect of services provided from the last bill cycle date to the end of the reporting period. These are billed in subsequent periods as per the terms of the contractual arrangements.

iv) Provision for doubtful debts

The Bank provides for amounts outstanding for more than 90 days from the date of billing (net off security deposits) where the management is of the view that the amounts from certain customers / merchants / vendors are not recoverable.

3.6 Foreign currency translation and accounting for derivatives

Initial Recognition

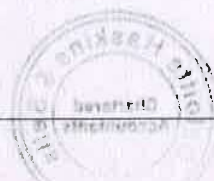
Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are translated using exchange rates prevailing at the reporting date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are translated using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are translated using the exchange rates at the date when the values were determined.

Exchange Differences

Exchange differences arising on the settlement of monetary items or on restatement of the Bank's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.



Airtel Payments Bank Limited

Significant Accounting Policies

3.7 Employee benefits

The Bank's post-employment benefits include defined benefit plan and defined contribution plans. The Bank also provides other benefits in the form of compensated absences.

Under the defined benefit retirement plan, the Bank provides retirement obligation in the form of Gratuity. Under the plan, a lump sum payment is made to eligible employees at retirement or termination of employment based on respective employee salary and years of experience with the Bank.

For defined benefit retirement plans, the present value of the plan recognised as liability in the balance sheet. Scheme liabilities are calculated using the projected unit credit method and applying the principal actuarial assumptions as at the date of balance sheet.

All expenses in respect of defined benefit plans, including actuarial gains and losses, are recognised in the statement of profit and loss as incurred.

The Bank's contributions to defined contribution plans are recognised in statement of profit and loss as they fall due. The Bank has no further obligations under these plans beyond its periodic contributions.

The employees of the Bank are entitled to compensated absences based on the un-availed leave balance as well as other long term benefits. The Bank records liability based on actuarial valuation computed under projected unit credit method.

Employee Stock Option Scheme (ESOS)

The Employees Stock Option Scheme (APBL ESOP – 2017 scheme, as amended so far) provides for grant of options on the Bank's equity shares/ non-cumulative compulsorily convertible non-redeemable preference shares to certain employees of the Bank and Bharti Airtel Limited. The scheme provides that employees are granted an option to subscribe to equity shares/ non-cumulative compulsorily convertible non-redeemable preference shares of the Bank that vest in a graded manner. The options may be exercised within specified period. The Bank follows the fair value method to account for its stock-based employee compensation plans. In case of equity-settled awards, the stock option is fair valued on grant date and amortized over the vesting period. The amortization of fair value is recognised as an expense in the statement of profit and loss within employee benefits as employee share-based payment expenses, with the corresponding increase in share-based payment reserve (a component of equity).

Gain on cancellation of unvested options are recognized as a decrease in expense in Profit and Loss Account within employee benefits. Further, share based payment reserve transferred to General Reserve at the time of cancellation of vested options.

3.8 Leases

The determination of whether an arrangement is a lease is based on whether fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement

Leases where the lessor transfers substantially all the risks and rewards of ownership of the leased asset are classified as finance lease and other leases are classified as operating lease.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

3.9 Taxes

Current Income tax

Current Income tax is measured at the amount expected to be paid to the tax authorities in accordance with Indian Income Tax Act, 1961.



Airtel Payments Bank Limited

Significant Accounting Policies

Deferred tax

Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets 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. In situations where the Bank has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date, unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably or virtually certain, as the case may be, that future taxable income will be available against which such deferred tax assets can be realised.

3.10 Segmental reporting

The, segment information as per AS 17, "Segment Reporting", has been disclosed as per guidelines issued by RBI on AS-17 vide circular dated April 18, 2007. Attributable assets, liabilities, income and expenses are either specifically identified with individual segment or are allocated to the segment in a systematic basis.

3.11 Earnings / (loss) per share

The earnings / (loss) considered in ascertaining the Bank's Earnings per Share ('EPS') comprises of the net profit / (loss) after tax attributable to equity shareholders. The number of shares used in computing basic EPS is the weighted average number of shares outstanding during the year. The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effects of potential dilutive equity shares.

3.12 Provisions and contingencies

Provisions are recognised when the Bank has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. 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.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank or a present obligation that is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Information on contingent liabilities is disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote.



Airtel Payments Bank Limited

Notes to Financial Statements

Schedule -18: Notes to Accounts

Disclosure as laid down by Reserve Bank of India (RBI) Circulars

1) Capital Adequacy

The Bank computes capital adequacy ratio as per New Capital Adequacy Framework Basel II and operating guidelines for Payments Banks (issued by RBI on October 06, 2016).

The Capital adequacy ratio (CRAR) of the Bank is calculated as per the standardized approach for Credit Risk. As per RBI directions dated November 08, 2017 DBR. NBD. No. 4503/16.13.2018/2017-18, RBI for the time being has advised that no separate capital charge is prescribed for market risk and operational risk for Payments Banks. Capital Adequacy Ratio of the Bank at March 31, 2021 is 66.50% against the regulatory requirement of 15.00% prescribed by RBI.

Capital conservation buffer & Counter-cyclical capital buffer is not applicable on Payments Banks as per operating guidelines issued on Payments Banks by RBI.

The following table sets forth, for the period indicated, computation of capital adequacy as per Basel II framework.

(Rupees in thousands)

Sr. No.	Particulars	As on 31.03.2021	As on 31.03.2020
i)	Common Equity Tier 1 Capital Ratio (%)**	7.00%	7.00%
ii)	Additional Tier 1 Capital Ratio (%)	59.50%	83.15%
iii)	Tier 1 Capital ratio (%)	66.50%	90.15%
iv)	Tier 2 Capital ratio (%)	--	--
v)	Total Capital ratio (CRAR) (%)	66.50%	90.15%
vi)	Percentage of the shareholding of the Government of India in the Bank	--	--
vii)	Amount raised by issue of equity shares	1,125	--
viii)	Amount of Additional Tier 1 capital raised; of which	--	--
	Fully paid up, 0.0001% Non-Cumulative Compulsorily Convertible Non-Redeemable Preference Shares*:	4,800,000	5,500,000
	Perpetual Non-Cumulative Preference Shares (PNCPS):	--	--
	Perpetual Debts Instruments (PDI):	--	--
ix)	Amount of Tier 2 capital raised; of which	--	--
	Debt capital instrument:		
	Preference Share Capital Instruments: [Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)]		

*During the year the Bank has allotted 480,000,000 (March 31, 2020: 550,000,000) fully paid up, 0.0001% Non-Cumulative Compulsorily Convertible Non-Redeemable Preference Shares (Non-Cumulative CCPS) aggregating to face value INR 4,800,000,000 (March 31, 2020: INR 5,500,000,000).

** On account of losses, the Bank's Common Equity Tier 1 (CET1) ratio has gone below 7% during the current year and previous year respectively. As per the Basel III guidelines, the Bank has temporary written down the Non-Cumulative CCPS issued to Bharti Airtel Limited and Bharti Enterprises Limited to restore CET1 ratio at 7% as on March 31, 2021 and March 31, 2020 respectively.



Airtel Payments Bank Limited

Notes to Financial Statements

The following table summarizes the constituents of Common Equity Tier-1, Additional Tier -1 & Tier-1 Capital: -

Common Equity Tier 1 Capital

(Rupees in thousands)

Particulars	As on 31.03.2021	As on 31.03.2021	As on 31.03.2020	As on 31.03.2020
Risk weighted assets (A)		4,835,382		3,057,798
Common Equity Tier 1 Capital				
Equity Share Capital (B)		10,051,376		10,050,251
Debit Balance in Profit and Loss Account (C)	(20,121,113)		(15,777,444)	
Add: adjusted against Non-Cumulative CCPS (Part of Additional Tier 1 Capital) (D)	10,401,280		5,935,887	
Debit Balance in Profit and Loss Account after Adjustment E=(C+D)		(9,719,833)		(9,841,557)
General Reserve (F)		6,441		5,352
Share Premium (G)		492		--
Total Common Equity Tier 1 Capital Equity Share Capital (H=B+E+F+G)		338,476		214,046
Common Equity Tier 1 Capital Ratio (H/A)		7.00%		7.00%

Additional Tier 1 Capital

(Rupees in thousands)

Particulars	As on 31.03.2021	As on 31.03.2021	As on 31.03.2020	As on 31.03.2020
Risk weighted assets-(A)		4,835,382		3,057,798
Non-Cumulative CCPS -(B)	13,278,500		8,478,500	
Less: adjusted against Non-Cumulative CCPS (part of Additional Tier 1 Capital)- (C)	10,401,280		5,935,887	
Non-Cumulative CCPS after adjustment or Total Additional Tier 1 Capital D=(B-C)		2,877,220		2,542,613
Additional Tier 1 Capital Ratio E= D/A		59.50%		83.15%



Airtel Payments Bank Limited
Notes to Financial Statements

Tier 1 Capital ratio

(Rupees in thousands)

Particulars	As on 31.03.2021	As on 31.03.2021	As on 31.03.2020	As on 31.03.2020
Risk weighted assets (A)		4,835,382		3,057,798
Common Equity Tier 1 Capital				
Equity Share Capital (B)		10,051,376		10,050,251
Debit Balance in Profit and Loss Account (C)	(20,121,113)		(15,777,444)	
Less: adjusted against Non-Cumulative CCPS (part of Additional Tier 1 Capital) (D)	10,401,280		5,935,887	
Debit Balance in Profit and Loss Account after Adjustment E=(C+D)		(9,719,833)		(9,841,557)
General Reserve (F)		6,441		5,352
Share Premium (G)		492		--
Total Common Equity Tier 1 Capital Equity Share Capital H=(B+E+F+G)		338,476		214,046
Non-Cumulative CCPS -(I)	13,278,500		8,478,500	
Less adjusted against Non-Cumulative CCPS (part of Additional Tier 1 Capital)- (J)	10,401,280		5,935,887	
Non-Cumulative CCPS after adjustment or Total Additional Tier 1 Capital K=(I-J)		2,877,220		2,542,613
Total Tier 1 Capital L=(H+K)		3,215,697		2,756,659
Total Tier 1 Capital ratio (%) L=(L/A)		66.50%		90.15%



Airtel Payments Bank Limited**Notes to Financial Statements****2) Investments**

- a. The following table sets forth, for the periods indicated, the details of investments and the movement of provision held towards depreciation on investments of the Bank.

(Rupees in thousands)

Particulars	As on 31.03.2021	As on 31.03.2020
1. Value of Investments:		
i) Gross Value of Investments		
a) In India	7,998,430	5,431,285
b) Outside India	-	-
ii) Provision for Depreciation		
a) In India	19,062	-
b) Outside India	-	-
iii) Net value of Investments		
a) In India	7,979,368	5,431,285
b) Outside India	-	-
2. Movement of provisions held towards depreciation on investments:		
i) Opening balance	-	-
ii) Add: Provisions made during the year	19,062	-
iii) Less: Write-off/ write-back of excess provisions during the year	-	-
iv) Closing Balance	19,062	-

b. Repo Transactions (in face value terms): -*(Rupees in thousands)*

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As on 31.03.2021
Securities sold under tri-party repos				
(i) Government securities	29,997	399,965	194,338	-
Securities purchased under tri-party reverse repos				
(i) Government securities	49,987	699,946	231,708	199,907

(Rupees in thousands)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As on 31.03.2020
Securities sold under tri-party repos				
(i) Government securities	49,976	479,939	222,095	219,966
Securities purchased under tri-party reverse repos				
(i) Government securities	99,987	249,667	195,602	-



Airtel Payments Bank Limited

Notes to Financial Statements

c. Non-SLR Investment Portfolio

- i) **Issuer composition of Non SLR investments:** - The Bank does not have any Non SLR investments as on 31.03.2021 and 31.03.2020.
- ii) **Non performing Non-SLR Investments:** - The Bank does not have any non performing investments during the year 2020-21 and 2019-20.

d. Categorization of Investments

In accordance with Reserve Bank of India guidelines investment portfolio has been categorized as under:

(Rupees in thousands)

Securities	As on 31.03.2021			
	HTM	HFT	AFS	Total
Government Securities	200,310	-	7,779,058	7,979,368
Other Approved Securities	-	-	-	-
Shares	-	-	-	-
Debentures /Bonds	-	-	-	-
Others - Mutual Funds	-	-	-	-
Others (Joint Venture)	-	-	-	-
Total	200,310	-	7,779,058	7,979,368

(Rupees in thousands)

Securities	As on 31.03.2020			
	HTM	HFT	AFS	Total
Government Securities	200,570	-	5,230,715	5,431,285
Other Approved Securities	-	-	-	-
Shares	-	-	-	-
Debentures /Bonds	-	-	-	-
Others - Mutual Funds	-	-	-	-
Others (Joint Venture)	-	-	-	-
Total	200,570	-	5,230,715	5,431,285

HTM – Held to Maturity : HFT – Held for Trading : AFS – Available for Sale

i) Provision for Depreciation on Investments:

Provision for depreciation on investments under 'Available for Sale' and 'Held for Trading' categories as on 31.03.2021 is INR 19,062 thousand (as on 31.03.2020 INR Nil).

ii) Sales and transfers of securities to/from Held to Maturity (HTM) category

The Bank has not sold/ transferred any securities to/from Held to Maturity during 2020-21 and 2019-20.

3) Derivatives :- The Bank has not entered into any derivative instruments for trading / speculative purposes either in Foreign Exchange or domestic treasury operations during the year 2020-21 and 2019-20. Also, the Bank does not have any Forward Rate Agreement or Interest rate swaps for the year 2020-21 and 2019-20.



Airtel Payments Bank Limited
Notes to Financial Statements

4) Business Ratios

Sr. No.	Particulars	As on / for the year ended 31.03.2021	As on / for the year ended 31.03.2020
i)	Interest Income as a percentage to Working Funds	3.89%	5.62%
ii)	Non-interest income as a percentage to Working Funds	38.07%	31.60%
iii)	Operating Loss as a percentage to Working Funds	(28.45)%	(36.63)%
iv)	Return on Assets	(29.06)%	(36.44)%
v)	Business (Deposits plus advances) per employee ('in lacs)	73.35	53.03
vi)	Loss per employee ('in Lacs)	(53.49)	(71.35)

1. For the purpose of computing the ratio, working funds represent the monthly average of total assets (excluding accumulated losses, if any) computed for reporting dates of Form X submitted to RBI under Section 27 of the Banking Regulation Act, 1949.

2. Operating loss is loss for the year before provisions and contingencies.

3. Return on assets has been calculated basis the monthly average of total assets computed for reporting dates of Form X.

4. Productivity ratios are based on number of employees as on the end of financial year.



Airtel Payments Bank Limited
Notes to Financial Statements

5) Asset Liability Management

Maturity pattern of certain items of assets and liabilities : The following table sets forth, the maturity pattern of assets and liabilities of the Bank.

As on 31.03.2021

(Rupees in thousands)

Maturity Pattern	Day 1	2-7 days	8-14 Days	15-28 Days	29 days - 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Deposits	595,665	-	-	-	-	-	-	5,360,675	-	-	5,956,340
Loans & Advances	-	-	-	-	-	-	-	-	-	-	-
Investments	100,000	-	350,271	599,034	1,693,600	4,501,142	535,011	200,310	-	-	7,979,368
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Assets	-	-	3,656	-	-	-	-	-	-	-	3,656
Foreign Currency Liabilities	-	-	-	-	-	-	-	3,656	-	-	3,656

As on 31.03.2020

(Rupees in thousands)

Maturity Pattern	Day 1	2-7 days	8-14 Days	15-28 Days	29 days - 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Deposits	345,281	-	-	-	-	-	-	3,107,283	-	-	3,452,564
Loans & Advances	-	-	-	-	-	-	-	-	-	-	-
Investments	-	141,030	169,809	824,904	1,290,114	2,748,665	56,193	200,570	-	-	5,431,285
Borrowings	19	469,966	-	-	-	-	-	-	-	-	469,985
Foreign Currency Assets	3,769	-	-	-	-	-	-	-	-	-	3,769
Foreign Currency Liabilities	-	-	-	-	-	-	-	3,769	-	-	3,769

Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling returns submitted to the RBI.



Airtel Payments Bank Limited

Notes to Financial Statements

6) Exposure to Capital Market and Real estate sector

The Bank has not entered in to any transaction related to capital market and real estate sector during the year 2020-21 and 2019-20

7) Additional Disclosure:

a. Concentration of Deposits

(Rupees in thousands)

Particulars	As on 31.03.2021	As on 31.03.2020
Total Deposits of twenty largest depositors	2,000	1,968
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	0.03%	0.06%

b. Off Balance Sheet SPVs sponsored (domestic & overseas) – as on 31.03.2021 INR Nil (as on 31.03.2020 – INR Nil)

c. Transfers to Depositor Education and Awareness Fund (DEAF)

(Rupees in thousands)

Particulars	As on 31.03.2021	As on 31.03.2020
Opening Balance of amounts transferred to DEAF	-	-
Add: Amount transferred to DEAF during the year	-	-
Less: Amount reimbursed by DEAF towards claim	-	-
Closing balance of amounts transferred to DEAF	-	-

d. Liquidity Coverage Ratio

The Basel Committee for Banking Supervision (BCBS) had introduced the liquidity coverage ratio (LCR) in order to ensure that a bank has an adequate stock of unencumbered high quality liquid assets (HQLA) to survive a significant liquidity stress lasting for a period of 30 days. LCR is defined as a ratio of HQLA to the total net cash outflows estimated for the next 30 calendar days. The Reserve Bank of India has advised that the provisions of Liquidity Coverage Ratio (LCR), as per the circular on Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards dated June 9, 2014 and as amended from time to time, are not applicable to the Payments Banks.

e. Qualitative disclosure around LCR

The Reserve Bank of India advised that the provisions of Liquidity Coverage Ratio (LCR), as per the circular on Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards dated June 9, 2014 and as amended from time to time, are not applicable to the Payments Banks.



Airtel Payments Bank Limited**Notes to Financial Statements****8) Disclosure of Penalties imposed by RBI under Banking Regulation Act,1949:**

During the year 2020-2021 & 2019-20, no penalty has been imposed by Reserve Bank of India on the Bank.

9) Fixed Assets

Fixed Assets as per Schedule 10 includes Intangibles, software's, trademark and goodwill, details of which are as follows:

(Rupees in thousands)

Intangible/Software's	As on 31.03.2021	As on 31.03.2020
At cost as on 31st March of the preceding year	377,320	246,945
Additions during the year	200,554	130,375
Deductions during the year	-	-
Depreciation to date	(266,207)	(183,743)
Net Block	311,667	193,577

Goodwill	As on 31.03.2021	As on 31.03.2020
At cost as on 31st March of the preceding year	-	-
Additions during the year	-	-
Deductions during the year	-	-
Depreciation to date	-	-
Net Block	-	-

10) Accounting Standard AS-15 Employees Benefits

a) During the year, the Bank has recognized the following in the Profit & Loss Account.

i. Defined Contribution Plans*(Rupees in thousands)*

Particulars	For the year ended 31.03.2021	For the year ended 31.03.2020
Employer's Contribution to Provident Fund	55,789	49,030
Employer's Contribution to ESI and other Funds	2,004	1,289

ii. Defined Benefit Plans**For the Year ended 31.03.2021***(Rupees in thousands)*

Particulars	Gratuity	Leave Encashment
	Unfunded	Unfunded
Current service cost	22,965	17,820
Interest cost	5,743	2,812
Actuarial loss	5,643	818
Net gratuity/Leave encashment cost	34,351	21,450



Airtel Payments Bank Limited
Notes to Financial Statements

For the Year ended 31.03.2020

(Rupees in thousands)

Particulars	Gratuity	Leave Encashment
	Unfunded	Unfunded
Current service cost	17,811	12,885
Interest cost	4,367	2,173
Actuarial loss	6,898	1,051
Net gratuity/Leave encashment cost	29,076	16,059

b) The assumptions used to determine the benefit obligation are as follows:

For the Year ended 31.03.2021

Particulars	Gratuity	Leave Encashment
Discount Rate	6.79%	6.79%
Expected Rate of increase in Compensation Levels	7.50%	7.50%
Expected Rate of Return on Plan Assets	N.A	N.A
Expected Average remaining working lives of employees (years)	24.60	24.60

For the Year ended 31.03.2020

Particulars	Gratuity	Leave Encashment
Discount Rate	6.90%	6.90%
Expected Rate of increase in Compensation Levels	7.50%	7.50%
Expected Rate of Return on Plan Assets	N.A	N.A
Expected Average remaining working lives of employees (years)	24.54	24.54

c) Reconciliation of opening and closing balances of benefit obligations

For the Year ended 31.03.2021

(Rupees in thousands)

	Gratuity	Leave Encashment
	Unfunded	Unfunded
Change in Projected Benefit Obligation (PBO)		
Projected benefit obligation at beginning of year	83,227	40,754
Current service cost	22,965	17,820
Acquisition/ Transfer In/ Transfer out	4,226	1,929
Interest cost	5,743	2,812
Benefits paid	(11,577)	(7,245)
Actuarial loss	5,643	818
Projected benefit obligation at year end	110,227	56,888



Airtel Payments Bank Limited
Notes to Financial Statements

For the Year ended 31.03.2020

(Rupees in thousands)

	Gratuity	Leave Encashment
	Unfunded	Unfunded
Change in Projected Benefit Obligation (PBO)		
Projected benefit obligation at beginning of year	57,081	28,399
Current service cost	17,811	12,885
Acquisition/Transfer In/Transfer Out	11,713	5,125
Interest Cost	4,367	2,173
Benefits paid	(14,643)	(8,879)
Actuarial loss	6,898	1,051
Projected benefit obligation at year end	83,227	40,754

d) History of experience adjustment is as follows:

Gratuity

(Rupees in thousands)

Particulars	As on 31.03.2021	As on 31.03.2020	As on 31.03.2019	As on 31.03. 2018	As on 31.03.2017
Defined benefit obligation	110,227	83,227	57,081	50,235	42,237
Surplus/(Deficit)	(110,227)	(83,227)	(57,081)	(50,235)	(42,237)
Experience Adjustment on plan liabilities- (gain)/ loss	(3,799)	(3,418)	(1,847)	(866)	(532)

Leave Encashment

(Rupees in thousands)

Particulars	As on 31.03.2021	As on 31.03.2020	As on 31.03.2019	As on 31.03. 2018	As on 31.03.2017
Defined benefit obligation	56,888	40,754	28,399	24,653	21,125
Surplus/(Deficit)	(56,888)	(40,754)	(28,399)	(24,653)	(21,125)
Experience Adjustment on plan liabilities - gain	(196)	(1378)	(804)	(3,887)	(1,225)

e) The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in employment market.

f) Long term service award provided by the Bank as on 31.03.2021 is INR. 4,667 thousand (as on 31.03.2020 INR. 2,914 thousands)

11) Employee Stock Option Scheme (ESOS):

The following table provides an overview of existing share option plans of the Bank:

Scheme	Vesting Period
Equity settled Plan	
ESOP scheme-2017	4 years

Weightage average fair value per unit is INR 3.27 to INR 4.37 for the options granted during the year and previous year respectively. Total share based payment expenses during the year is INR 15,427 thousands (Previous Year: INR 17,393 thousands).



Airtel Payments Bank Limited
Notes to Financial Statements

Exercise period is 3 years from vesting date or 1 year from IPO listing (whichever is later). Eligible employee will be able to exercise the option at a price of 50% of FMV (determined at the end of previous financial year) or INR 10 whichever is higher. Employee can exercise the unexercised options within 3 months / 1 month from the date of retirement/resignation from the Airtel Group.

The movement in the number of stock options is as follows:

	For the year ended 31.03.2021		For the year ended 31.03.2020	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
i) Outstanding at the beginning of the year	17,521,373	10	17,539,100	10
ii) Add: Granted during the year	2,606,500	10	3,434,724	10
iii) Less: Lapsed during the year	922,250	10	3,452,451	10
iv) Less: Exercise during the year	112,500	10	-	10
v) Outstanding at the end of the year [i+ii-iii-iv]	19,093,123	10	17,521,373	10
vi) Exercisable at year end	7,761,472	10	4,145,660	10

The Weighted average remaining contractual life of options is 6.4 years (PY: 5.4 years to 6.9 Years).

Fair Value methodology

The fair value of per equity share have been estimated using The Black Scholes Model. The shares of the Bank are not listed on any stock exchange. Accordingly, the Bank has considered the volatility of the Bank's stock price as an average of the historical volatility of the similar listed enterprises for the purpose of calculating the fair value. The key assumptions used to estimate the fair value of the options granted during the year ended 31.03.2021 are given below.

Particulars	For the year ended 31.03.2021	For the year ended 31.03.2020
Risk-free interest rate	6.3%	6.7%
Expected Life	6.9 years	6 years
Expected volatility	46.8%	45%
Dividend yield	NA	NA

12) Accounting Standard AS-17 – Segment Reporting:

- i) The Business Segments, which is the Primary Segment include:
 - Treasury Operations
 - Retail Banking Operations
- ii) The Geographical segments are recognized as the Secondary Segment. As the Bank is not carrying on any foreign operations, the only reportable geographical segment is of Domestic operations.
 - **Treasury Operations:** Treasury operations consist of dealing in securities and Money Market Operations
 - **Retail banking business operations:** Includes all other Banking operations not covered under Treasury. Other banking business is the residual category.



Airtel Payments Bank Limited

Notes to Financial Statements

For presentation of results of treasury operations as part of the segment disclosure, the Bank has considered interest costs attributable to the treasury operation which has been derived based on yield of T-bills securities considering the maturity profile of assets / liabilities of the treasury operation.

Business Segment

(Rupees in thousands)

March 31, 2021			
Particulars	Treasury	Retail Banking Operations	Total
Revenue	569,144	5,987,225	6,556,369*
Result	183,582	(4,572,679)	(4,389,097)
Less : Inter-segment			65,147
Result net of inter- segment			(4,323,950)
Less : Un-allocable Income net off un-allocable expenditure			(19,719)
Operating Loss			(4,343,669)
Income Taxes			-
Extraordinary Profit/ (Loss)			-
Net Loss			(4,343,669)
Other Information:			
Segment Assets	11,984,254	4,674,847	16,659,101
Unallocated Assets			-
Total Assets			16,659,101
Segment Liabilities	86	13,380,667	13,380,753
Unallocated Liabilities			3,278,348
Total Liabilities			16,659,101

*Includes inter-segment and unallocated revenue amounting to INR 284,497.

(Rupees in thousands)

March 31, 2020			
Particulars	Treasury	Retail Banking Operations	Total
Revenue	686,819	4,405,431	5,092,250*
Result	161,002	(4,939,984)	(4,778,982)
Less : Inter-segment			152,653
Result net of inter- segment			(4,628,329)
Less : Un-allocable Expenditure net off un-allocable income			(18,633)
Operating Loss			(4,644,962)
Income Taxes			-
Extraordinary Profit/ (Loss)			-
Net Loss			(4,644,962)
Other Information:			
Segment Assets	10,361,918	2,323,474	12,685,392
Unallocated Assets			-
Total Assets			12,685,392
Segment Liabilities	469,985	9,458,747	9,928,732
Unallocated Liabilities			2,756,660
Total Liabilities			12,685,392

*Includes inter-segment and unallocated revenue amounting to INR 348,682.



Airtel Payments Bank Limited**Notes to Financial Statements****13) Accounting Standard AS-20 - Earnings per Share (EPS):***(Rupees in thousands, except per share data and as stated otherwise)*

Sr. No.	Particulars	For the year ended 31.03.2021	For the year ended 31.03.2020
a)	Loss attributable to equity shareholders (i)	(4,343,669)	(4,644,962)
b)	Weighted average number of equity shares outstanding during the year (ii)	1,005,030,414	1,005,025,128
c)	Total number of equity share outstanding at end of year (iii)	1,005,137,628	1,005,025,128
d)	Nominal value of share (INR)	10	10
e)	Loss per share (Basic and Diluted) INR (i) / (ii)	(4.32)	(4.62)

Note: The effect of the conversion of 0.0001% Non-Cumulative Compulsorily Convertible Non-Redeemable Preference Shares and Employee Stock options were anti-dilutive, hence not considered while computing dilutive earning per share.

14) Fee/Commission earned in respect of sale of insurance and other third party products: -*(Rupees in thousands)*

Sr. No.	Nature of Income	For the year ended 31.03.2021	For the year ended 31.03.2020
1	Life insurance policies	937	5,364
2	Non-life insurance policies	21,360	10,477
3	Mutual fund products	-	-
4	Others (Atal Pension Yojana & Referral Income)	58,084	33,998

15) Break up of Provisions and Contingencies shown under the head Expenditure In Profit And Loss Account*(Rupees in thousands)*

Particulars	For the year ended 31.03.2021	For the year ended 31.03.2020
(i) Provisions for depreciation on Investment	19,062	-
(ii) Provision towards Non Performing Assets	-	-
(iii) Provision made towards Income Tax (including FBT & Deferred Tax)	-	-
(iv) Other Provisions and Contingencies (with details)		
(a) Non Performing Investments	-	-
(b) Provisions towards legal and fraud cases	19,065	42
(c) Others	53,203	(24,684)
Total	91,330	(24,642)

The Bank has assessed its obligations arising in the normal course of business, including pending litigations, proceedings pending with tax authorities and other contracts including derivative and long term contracts. In accordance with the provisions of Accounting Standard - 29 on 'Provisions, Contingent Liabilities and Contingent Assets', the Bank recognizes a provision for material foreseeable losses when it has a present obligation as a result of a past event and 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. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure to this effect is made as contingent liabilities in the financial statements.



Airtel Payments Bank Limited**Notes to Financial Statements****16) Details of provisioning related to fraud accounts: -***(Rupees in thousands, except no. of frauds reported)*

Sr. No.	Particulars	For the year ended 31.03.2021	For the year ended 31.03.2020
A	No. of frauds reported	204	168
B	Amount involved in such frauds (net of recovery)	15,013	333
C	Quantum of provision made	19,053	-
D	Quantum of unamortized provision debited from 'other Reserves' at the end of the year	-	-

17) Disclosures of Complaints**a. Summary information of customer complaints received by bank from customers & OBOs**

Sr. No.	Particulars	For the year ended 31.03.2021	For the year ended 31.03.2020
1	Number of complaints pending at the beginning of the year	942	857
2	Number of complaints received during the year	26,210	45,608
3	Number of complaints disposed during the year	26,587	45,523
3.1	Of which, number of complaints rejected by the bank	556	6,628
4	Number of complaints pending at the end of the year	565	942
Maintainable complaints received by the bank from OBOs			
5	No. of maintainable complaints received by Bank from OBOs	879	818
5.1	Of 5, number of complaints resolved in favour of Bank by BOs	879	818
5.2	Of 5, number of complaints resolved through conciliation/mediation/advisories issues by BOs	-	-
5.3	Of 5, number of complaints resolved after passing rewards by BOs against the Bank	-	-
6	No. of awards unimplemented within stipulated time (Other than those appealed)	-	-



Airtel Payments Bank Limited
Notes to Financial Statements

b. Top five grounds of complaints received by bank from customers

For the year ended 31st March 2021

Ground Of Complaints	Number Of Complaints Pending at beginning of the year	Number of complaints received during the year	%Increase/ Decrease in the number of complaints received over the previous year	Number of complaints Pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
Internet/Mobile/ Electronic Banking	234	7,200	(7%)	65	-
Account opening/Difficulty in operation of accounts	2	1,223	(8%)	46	-
ATM/Debit Cards	43	598	(59%)	11	-
Pension and facilities for senior citizens/differently abled	4	143	101%	10	-
Others	624	16,783	(51%)	425	

For the year ended 31st March 2020

Ground Of Complaints	Number Of Complaints Pending at beginning of the year	Number of complaints received during the year	%Increase/ Decrease in the number of complaints received over the previous year	Number of complaints Pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
Internet/Mobile/ Electronic Banking	247	7,707	(83%)	234	-
Account opening/Difficulty in operation of accounts	16	1,334	(75%)	2	-
ATM/Debit Cards	35	1,473	1%	43	-
Pension and facilities for senior citizens/differently abled	-	71	100%	4	-
Others	520	34,592	(41%)	624	



Airtel Payments Bank Limited

Notes to Financial Statements

c. Awards passed by the Banking Ombudsman

Sr. No.	Particulars	For the year ended 31.03.2021	For the year ended 31.03.2020
i)	Number of unimplemented Awards at the beginning of the year	-	-
ii)	Number of Awards passed by the Banking Ombudsman during the year	-	-
iii)	Number of Awards implemented during the year	-	-
iv)	Number of unimplemented Awards at the end of the year	-	-

18) Drawdown from reserves The Bank has not drawdown any amount from reserve during the year ended 31.03.2021 (Previous year: INR Nil).

19) Leases: The total amount paid by the Bank under cancellable operating lease for the financial year is INR 88,894 thousand (Previous year: INR 85,234 thousand). The Bank has not entered into any non-cancellable operating lease and financial lease arrangement in the current year and in the previous years.

20) Impairment of Assets:

An asset is treated as impaired when its carrying amount exceeds its recoverable amount. The impairment is recognised by debiting the profit and loss account and is measured as the amount by which the carrying amount of the impaired assets exceeds their recoverable value.

The management has reviewed the carrying value of the assets, as per Accounting Standard 28 – "Impairment of Assets", and assessed that no impairment is required as the value in sale is higher than the carrying value.

21) Dues to Micro and Small Enterprises

The dues to micro and small enterprises as required under MSMED Act, 2006, based on the information available with the Bank, is given below.

(Rupees in thousands)

Sr. No.	Particulars	For the year ended 31.03.2021	For the year ended 31.03.2020
1	The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.	9,668	2,464
2	The amount of interest paid by the buyer in terms of section 16 of the MSMED ACT 2006, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	26,659	3,274
3	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED ACT 2006.	-	-
4	The amount of interest accrued and remaining unpaid at the end of each accounting year;	-	-
5	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED ACT 2006.	-	-



22) Disclosure on Remuneration:

Qualitative Disclosure

a. Information relating to the composition and mandate of the Remuneration Committee:

The Nomination & Remuneration committee comprises of non-executive directors including Independent Directors of the Bank. Key mandate of the Nomination & Remuneration committee is to oversee the identification, appointment and fixation of remuneration of directors, Key Managerial Personnel ("KMP") and senior management positions and in overall design and operation of the compensation policy of the Bank to achieve alignment between risks and remuneration.

b. Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy:

- To lay down the criteria and terms and conditions with regard to appointment of Directors (executive and non-executive including Independent Directors), KMP and senior management.
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage for the Company.
- To determine remuneration of Directors, KMPs and other senior management personnel's keeping in view all relevant factors including industry trends and practices.
- To provide for rewards linked directly to their effort, performance, dedication and achievement of Company's targets.

The remuneration process is aligned to the Bank's Compensation Policy objectives.

c. Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks:

In order to manage current and future risk and allow a fair amount of time to measure and review both quality and quantity of the delivered outcomes, a significant portion of senior and middle management compensation is variable.

In addition, remuneration process provides for 'malus' and 'clawback' option to take care of any code of conduct related issue or future drop in performance of individual/ business/ company.

d. Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration:

Individual performance is assessed against the Key Result Areas (KRAs) determined for each Individual and Company (Airtel Payments Bank Limited) for the year to achieve the top business priorities. The Total Cost to Company (TCC) for all employees is a mix of fixed pay and variable pay. The variable pay, as a percent of the TCC is a function of the nature of job and the band of the individual in the hierarchy. The variable payout is calculated as a percent of the target variable pay basis individual performance against the pre - determined KRAs and the Company's performance measured against a bank-specific scorecard.

e. A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting:

Employees are classified into following three categories for the purpose of remuneration:
Category I: Chief Executive Officer (CEO)
Category II: Risk Control and Compliance Staff
Category III: Other categories of Staff - includes all other employees not covered in the first 2 categories.



Airtel Payments Bank Limited

Notes to Financial Statements

Following principles are applied for deferral / vesting of variable remuneration in accordance with RBI guidelines and Bank's compensation policy:

Category I: Chief Executive Officer (CEO)

- a. Variable pay will not exceed 70% of fixed pay.
- b. The Cash component of the Variable Pay will not exceed 50% of the Variable Pay.
- c. In case the Variable Pay in any year reaches the level of 50% or more of the Total Fixed Pay, an appropriate portion of the Variable Pay shall be deferred as per the Board approved Remuneration Policy.

The compensation will be approved by the Nomination and Remuneration committee and RBI.

Category II: Risk Control and Compliance Staff

- a. Variable pay will not exceed 70% of fixed pay.
- b. The Cash component of the Variable Pay will not exceed 50% of the Variable Pay.
- c. However, if Variable Pay is less than or equal to 15 lakhs, management will have the discretion to pay the entire amount as cash.

For adjusting deferred remuneration before & after vesting:

The deferred/variable remuneration (including Long Term Incentive) of directors, KMPs and other senior management personnel shall be subject to malus/clawback arrangements in the event of negative contributions of the Company and/or the relevant line of business in any year.

Malus: A malus arrangement permits the Company to prevent vesting of all or part of the amount of a deferred remuneration, however, it does not reverse vesting after it has already occurred.

Clawback: A clawback is a contractual agreement between the employee and the Company wherein the employee returns previously paid or already vested deferred/variable pay to the company under certain circumstances.

Under Malus and/or clawback arrangement, the Company, at the discretion of Nomination and remuneration Committee/Board of Directors, shall have the power to prevent vesting of all or part of the amount of a deferred/variable remuneration or reduce, withhold, cancel, clawback such remuneration or impose further conditions in certain circumstances including:

- Significant drop in performance of Individual/Company;
- Disciplinary Action against the individual;
- Resignation of the individual prior to the payment date;
- Directions/approval of any authority governing the Company.

f. Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms:

The main forms of such variable remuneration include:

- Cash - this may be at defined intervals (quarterly/annual/other custom frequency).
- Deferred Cash / Deferred Incentive Plan.
- ESOP as per SEBI guidelines.

The form of variable remuneration depends on the job level of individual, risk involved, the time horizon for review of quality and longevity of the assignments performed.



Airtel Payments Bank Limited
Notes to Financial Statements

g. Quantitative Disclosure:

(Rupees in thousands)

Sr. No.	Particulars	As on / for the year ended 31.03.2021	As on / for the year ended 31.03.2020
I	Number of meetings held by the Remuneration Committee during the financial year Remuneration paid to its members.	4 800	4 700
II	Number of employees having received a variable remuneration award during the financial year.	1	1
III	Number and total amount of sign-on awards made during the financial year	-	-
IV	Details of guaranteed bonus, if any, paid as joining / sign on bonus	-	-
V	Details of severance pay, in addition to accrued benefits, if any.	-	-
VI	Total amount of outstanding deferred remuneration, split into cash, type of share-linked instruments and other forms.	-	-
VII	Total amount of deferred remuneration paid out in the financial year. (Pertains to FY 2018-19)	1,263	3,790
VIII	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred. Fixed pay including perquisites Deferred Variable pay* Non-Deferred Variable pay* Share Linked Instruments (ESOP grant) **	20,335 - - -	19,192 - - 7,581
	*(RBI approval on variable remuneration and grant of ESOP for FY 2019-20 has been received on April 26, 2021 and for FY 2020-21 yet to be received) **(Share linked instrument of INR 7,581 (thousand) pertains to FY 2018-19 for which ESOP grants were issued in FY 2019-20)		
IX	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustments.	-	-
X	Total amount of reductions during the financial year due to ex- post explicit adjustments.	-	-
XI	Total amount of reductions during the financial year due to ex- post implicit adjustments.	-	-
XII	Number of MRTs identified.	-	-
XIII	Number of cases where malus has been exercised.	-	-
XIV	Number of cases where clawback has been exercised	-	-
XV	Number of cases where both malus and clawback have been exercised	-	-



Airtel Payments Bank Limited
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h. **General Quantitative Disclosure**

(Rupees in thousands)

Sr. No.	Particulars	For the year ended 31.03.2021	For the year ended 31.03.2020
I	Mean pay for the Bank as a whole	1,654	1,621
	Remuneration of WTD- MD & CEO (Including variable remuneration paid)	21,599	22,983
	Ratio/Deviation of pay of WTD from the mean pay of the bank	13.06	14.17

23) Intra group Exposure: - The Bank does not have any exposure (advances/investments) within the group. Also, interbank exposures are exempt from Intra Group Exposure prudential limit as per Para 3.4.b of RBI circular RBI/2013-14/487/DBOD.No.BP.BC.96/21.06.102/2013-14 - 'Guidelines on Management of Intra-Group Transactions and Exposures' hence transaction with Kotak Mahindra Bank has not been considered accordingly.

24) Related Party disclosure

List of Related Parties

Bharti Enterprises (Holding) Private Limited (held by private trusts of Bharti family with Mr. Sunil Bharti Mittal's family trust effectively controlling the same company)

Bharti Telecom Limited

Bharti Airtel Limited

Bharti Telemedia Limited

Bharti Hexacom Limited

Nextra Data Limited

Bharti Airtel Services Limited

Airtel Digital Limited (Formerly known as Wynk Limited)

Bharti Enterprises Limited* (Formerly known as Bharti Ventures Limited)

Hike Private Limited (Formerly known as Hike Limited)*

Centum Learning Limited*

Bharti Axa General Insurance Company Limited*

Bharti Axa Life Insurance Company Limited*

Kotak Mahindra Bank Limited

MasterCard Asia Pacific Pte Limited*

Anubrata Biswas

Relative of KMPs:

Jhelum Biswas, Anup Biswas, Indrani Bose, Ishi Biswas

Relationship

Ultimate Controlling Company

Entity having control over Bharti Airtel Limited

Holding Company

Fellow Subsidiary

Fellow Subsidiary

Fellow Subsidiary

Fellow Subsidiary

Fellow Subsidiary

Group Companies

Group Companies

Group Companies

Group Companies

Group Companies

Entity having Significant Influence

Entity having common director

Key Management Personnel (KMP)

* Group companies though not 'Related Parties' as per the definition under AS-18 - Related Party Disclosure, have been included (if there are transactions with such group companies in current year or previous year) by way of a voluntary disclosure, following the best corporate governance practice.



Airtel Payments Bank Limited

Notes to Financial Statements

The details of the amounts due to or due from the related parties as on 31.03.2021 and 31.03.2020 along with transactions entered during year are as follows:

(Rupees in thousands)

Items / Related Party	Holding Company	Fellow Subsidiary	Group Companies	Entity having Significant Influence	Entity having common director	Key Management Personnel (KMP)	Total
I. Liabilities							
Borrowings							
Kotak Mahindra Bank Limited (Maximum balance outstanding during the year is NIL Previous year INR 250,000)	-	-	-	-	-	-	-
Other Liabilities							
Bharti Airtel Limited	462,978 (751,329)	-	-	-	-	-	462,978 (751,329)
Nxtra Data Limited	-	1,302 (400)	-	-	-	-	1,302 (400)
Bharti Hexacom Limited	-	76,984 (174,155)	-	-	-	-	76,984 (174,155)
Bharti Telemedia Limited	-	12,235 (8,524)	-	-	-	-	12,235 (8,524)
Airtel Digital Limited (formerly known as Wynk Limited)	-	77 (77)	-	-	-	-	77 (77)
Kotak Mahindra Bank Limited	-	-	-	(5)	-	-	- (5)
Centum Learning Limited	-	-	1,034 (301)	-	-	-	1,034 (301)
Bharti Airtel Services Limited	-	132,522 (184,061)	-	-	-	-	132,522 (184,061)
Bharti Axa General Insurance Company Limited	-	-	39,297 (9,749)	-	-	-	39,297 (9,749)
Hike Private Limited	-	-	1,677 (1,824)	-	-	-	1,677 (1,824)
Bharti Axa Life Insurance Company Limited	-	-	32 (-)	-	-	-	32 (-)



Airtel Payments Bank Limited
Notes to Financial Statements

(Rupees in thousands)

Items / Related Party	Holding Company	Fellow Subsidiary	Group Companies	Entity having Significant Influence	Entity having common director	Key Management Personnel (KMP)	Total
II. Assets							
Balances with Bank and Money at Call & Short Notice							
Kotak Mahindra Bank Limited (Call Lending Maximum balance outstanding during the year is NIL, Previous year INR 550,000)	-	-	-	41,321 (40,627)	-	-	41,321 (40,627)
Other Assets							
Bharti Airtel Limited	397,979 (43,284)	-	-	-	-	-	397,979 (43,284)
Bharti Telemedia Limited	-	1,490 (272)	-	-	-	-	1,490 (272)
Bharti Hexacom Limited	-	18,799 (3,113)	-	-	-	-	18,799 (3,113)
Bharti Axa General Insurance Company Limited	-	-	50,258 (20,080)	-	-	-	50,258 (20,080)
Bharti Axa Life Insurance Company Limited	-	-	259 (152)	-	-	-	259 (152)
MasterCard Asia Pacific Pte Limited**	-	-	-	-	36,478 (19,897)	-	36,478 (19,897)
III. Expenses:							
Salaries							
Anubrata Biswas *	-	-	-	-	-	21,599 (22,983)	21,599 (22,983)



Airtel Payments Bank Limited
Notes to Financial Statements

(Rupees in thousands)

Items / Related Party	Holding Company	Fellow Subsidiary	Group Companies	Entity having Significant Influence	Entity having common director	Key Management Personnel (KMP)	Total
Other Expenses							
Bharti Airtel Limited	415,617 (268,407)	-	-	-	-	-	415,617 (268,407)
Bharti Hexacom Limited	-	17,417 (13,594)	-	-	-	-	17,417 (13,594)
Bharti Telemedia Limited	-	3,476 (2,753)	-	-	-	-	3,476 (2,753)
Nxtra Data Limited	-	1,019 (23,493)	-	-	-	-	1,019 (23,493)
Kotak Mahindra Bank Limited	-	-	-	1,535 (3,152)	-	-	1,535 (3,152)
Centum Learning Limited	-	-	769 (-)	-	-	-	769 (-)
Bharti Airtel Services Limited#	-	183,398 (6,362)	-	-	-	-	183,398 (6,362)
Bharti Axa General Insurance Company Limited	-	-	48,891 (20,257)	-	-	-	48,891 (20,257)
MasterCard Asia Pacific Pte Limited	-	-	-	-	6,319 (11,766)	-	6,319 (11,766)
IV. Income							
Interest Earned							
Kotak Mahindra Bank Limited	-	-	-	(1,548)	-	-	(1,548)
Other Income							
Bharti Airtel Limited	1,165,200 (294,272)	-	-	-	-	-	1,165,200 (294,272)
Bharti Telemedia Limited	-	34,705 (49,671)	-	-	-	-	34,705 (49,671)
Bharti Hexacom Limited	-	81,167 (16,406)	-	-	-	-	81,167 (16,406)
Bharti Axa General Insurance Company Limited	-	-	25,967 (4,030)	-	-	-	25,967 (4,030)
Bharti Axa Life Insurance Company Limited	-	-	1,028 (5,954)	-	-	-	1,028 (5,954)
Centum Learning Limited	-	-	(226)	-	-	-	(226)
Bharti Airtel Services Limited	-	22,626 (-)	-	-	-	-	22,626 (-)
V. Other Transactions							
Subscription to 0.0001 % Non-cumulative compulsorily convertible non redeemable preference shares							
Bharti Airtel Limited	2,403,000 (4,405,500)	-	-	-	-	-	2,403,000 (4,405,500)
Bharti Enterprises Limited (Formerly Known as Bharti Ventures Limited)	-	-	2,397,000 (1,094,500)	-	-	-	2,397,000 (1,094,500)



Airtel Payments Bank Limited
Notes to Financial Statements

(Rupees in thousands)

Items / Related Party	Holding Company	Fellow Subsidiary	Group Companies	Entity having Significant Influence	Entity having common director	Key Management Personnel (KMP)	Total
Reimbursement Made							
Bharti Airtel Limited	220,036 (254,325)	-	-	-	-	-	220,036 (254,325)
Bharti Hexacom Limited	-	2,695 (2,207)	-	-	-	-	2,695 (2,207)
Bharti Telemedia Limited	-	- (673)	-	-	-	-	- (673)
Reimbursement Received							
Bharti Airtel Limited	230,654 (21,517)	-	-	-	-	-	230,654 (21,517)
Bharti Telemedia Limited	-	- (2,934)	-	-	-	-	- (2,934)
Bharti Hexacom Limited	-	871 (463)	-	-	-	-	871 (463)
Airtel Digital Limited (formerly known as Wynn Limited)	-	-	177 (283)	-	-	-	177 (283)

*As the liabilities for the gratuity and compensated absences are provided on an actuarial basis, and calculated for the Bank as a whole rather than each of the individual employees, the said liabilities pertaining specifically to KMP are not known and hence not included in the above table. The above does not include provision related to Performance Linked Incentive (PLI) for the respective years, however it includes actual PLI paid during the year. Number of Employee Stock Options (ESOP) granted during the year are NIL (PY 1,735 thousands) are not considered above.

Includes purchase of IT Equipment/Software

Includes withholding taxes and rebates as per arrangement.

1. Figures of previous year are given in brackets
2. Maximum outstanding balances are in thousands

25) Break up of Other Expenditure

(Rupees in thousands)

Particulars	For the year ended 31.03.2021	For the year ended 31.03.2020
IT & Call Centre Expenses	412,573	431,833
Selling and Distribution Expenses	6,403,298	5,430,222
Professional / Consultancy Charges	10,114	12,673
Network Charges	315,255	190,593
Office Maintenance Charges	40,662	42,440
Travelling & Conveyance Charges	40,112	62,604
Transaction processing charges	369,329	445,770
Other expenses	367,976	312,318
Total	7,959,319	6,928,453



Airtel Payments Bank Limited
Notes to Financial Statements

- 26)** Deferred tax assets are recognised to the extent that it is virtually certain that taxable profit will be available against which the deductible temporary differences, carry forward of unabsorbed depreciation and unused tax losses can be utilised. Accordingly, the Bank has not recognised deferred tax assets in respect of deductible temporary differences, carry forward of unabsorbed depreciation and unused tax losses of INR 18,877,569 thousands and INR 15,222,855 thousands as at March 31, 2021 and March 31, 2020, respectively as it is not virtually certain that taxable profits will be available in future.
- 27)** As per the operating guidelines for Payments Bank issued by Reserve Bank of India (RBI) vide its circular no. RBI/2016-17/80/DBR.NBD.No.25/16.13.218/2016-17 dated 6th October, 2016, a Payments Bank can not lend to any person except their own employees. Accordingly, all the disclosures pertaining to advances have not been made.
- 28)** As at the year end, the accumulated losses are more than fifty percent of the paid up share capital of the Bank and the net worth of the Bank has eroded to that extent. The Bank's ability to continue as going concern is dependent on the success of operations and its ability to arrange funding for the operations.
- The Bank, based the commitment from Bharti Airtel Limited, the Holding Company, is confident of meeting its operating and capital funding requirements in next twelve months. Accordingly, these financial statements have been prepared on a going concern basis.
- 29)** Comparative figures: Figures of the previous year have been re-grouped and reinstated to conform to the current year presentation.

