S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants

12th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (West)
Mumbai - 400 028, India
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INDEPENDENT AUDITOR'S REPORT

To the Members of Vodafone M-pesa Limited

Report on the Audit of the Ind AS Financial Statements

Opinion

We have audited the accompanying Ind AS financial statements of Vodafone M-pesa Limited ("the Company"), which comprise the Balance sheet as at March 31 2020, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including 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 Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, its loss including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

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

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

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the Ind AS financial statements and our auditor's report thereon.

Our opinion on the Ind AS 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 Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

The Annual report is not made available to us at the date of this auditor's report. We have nothing to report in this regard.

Responsibility of Management for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the 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 Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the Ind AS 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Ind AS 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 Ind AS 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 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 Company 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 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Ind AS financial statements, including the disclosures, and whether the Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report 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;

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

   (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

   (d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

   (e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act;

   (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;

   (g) In our opinion, the managerial remuneration for the year ended March 31, 2020 has been paid by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;

   (h) 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:

i. The Company does not have any pending litigations which would impact its financial position.

ii. The Company 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 Company.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

Nilangshu Katriar

per Nilangshu Katriar
Partner
Membership Number: 58814
UDIN: 20058814AAAABD3140

Place: Mumbai
Date: June 24, 2020

Annexure 1 referred to in paragraph 1 under Report on Other Legal and Regulatory Requirements of our report of even date

Re: Vodafone M-peas limited (the 'Company')

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets were physically verified by the management in the Financial year 2017-18 in accordance with a planned programme of verifying them once in three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, no physical verification had been performed by the Company for Financial year 2019-20 since the Company has impaired all the assets as on March 31, 2020.

(c) According to the information and explanations given by the management, there are no immovable properties, included in fixed assets of the Company and accordingly, the requirement under paragraph 3(i)(c) of the Order are not applicable to the Company.

(ii) The Company's business does not involve inventories and, accordingly, the requirements under paragraph 3 (ii) of the Companies (Auditor's report) Order, 2016 (the "Order') are not applicable to the Company.

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there are no investments, loans, guarantees and securities given in respect of which provisions of section 185 and section 186 of the Companies Act, 2013 are applicable and hence not commented upon.

(v) The Company has not accepted any deposits within the meaning of sections 73 to 76 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under clause 148(1) of the Companies Act, for the services of the Company.

(vii) (a) Undisputed statutory dues including provident fund, income tax, goods and service tax, cess and other material statutory dues have been regularly deposited with the appropriate authorities. The provisions relating to employee's state insurance, sales tax, value added tax, duty of excise and duty of custom are not applicable to the Company.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, good and service tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the information and explanations given to us, there are no dues of income tax, goods and service tax, and cess which have not been deposited on account of any dispute.

(viii) The Company did not have any outstanding loans or borrowings due in respect of a financial institution or bank or to government or dues to debenture holders during the year.

(ix) According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer or further public offer or debt instruments and term loans, hence reporting under clause (ix) is not applicable to the Company and not commented upon.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the company or no fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management, the managerial remuneration has been paid in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V of the Companies Act, 2013.

(xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, transaction with the related parties are in compliance with section 177 and 188 of the Companies Act, 2013 where applicable and details have been disclosed in the notes to financial statement, as required by the applicable accounting standard.

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.

(xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Companies Act, 2013.

(xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

Nilangshu Katriar

per Nilangshu Katriar
Partner
Membership Number: 58814
UDIN: 20058814AAAABD3140

Place: Mumbai
Date: June 24, 2020

Annexure 2 to the independent auditor's report of even date on the Ind AS financial statements of Vodafone M-pesa Limited

Report on the Internal Financial Controls 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 Vodafone M-pesa Limited ("the Company") as of March 31, 2020 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company 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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company'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.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. 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 with reference to these Ind AS financial statements 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 over financial reporting with reference to these Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control 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 internal financial controls over financial reporting with reference to these Ind AS financial statements.

Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Ind AS Financial Statements

A company's internal financial control over financial reporting with reference to these Ind AS financial statements 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 company's internal financial control over financial reporting with reference to these Ind AS financial statements 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 company; (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 company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Ind AS Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these Ind AS financial statements, 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 with reference to these Ind AS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these Ind AS financial statements 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, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these Ind AS financial statements and such internal financial controls over financial reporting with reference to these Ind AS financial statements were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company 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 S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

Nilangshu Katriar

per Nilangshu Katriar
Partner
Membership Number: 58814
UDIN: 20058814AAAABD3140

Place: Mumbai
Date: June 24, 2020

VODAFONE M-PESA LIMITED

Financial Statements

For the year ended March 31, 2020

Vodafone m-pesa Limited

Financial Statements for the year ended March 31, 2020

(All amounts are in INR thousands, except per share data and unless stated otherwise)

Balance Sheet as at March 31, 2020

Particulars	Notes	As at March 31, 2020	As at March 31, 2019
Assets			
Non-current assets			
Property, plant and equipment (including RoU Assets)	7	-	340,203
Intangible assets	8	-	5,043
Financial assets			
Other non-current financial assets	9	3,950	2,800
Other non-current assets	10	19,818	104,615
Total non-current assets (A)		**23,768**	**452,661**
Current assets			
Financial assets			
Trade receivables	11	-	2,177
Cash and cash equivalents	12	93	921,146
Bank balance other than cash and cash equivalents	13	185,110	235,092
Other current financial assets	14	20,079	26,573
Other current assets	15	89,821	218,376
Total current assets (B)		**295,103**	**1,403,364**
Total Assets (A+B)		**318,871**	**1,856,025**
Equity and Liabilities			
Equity			
Equity share capital	16	2,370,994	2,370,994
Other equity	17	(3,295,179)	(2,351,395)
Total equity (C)		**(924,185)**	**19,599**
Liabilities			
Non-current liabilities			
Financial liabilities			
Trade payables			
Total outstanding dues of micro enterprises and small enterprises		-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		-	4,728
Long term provisions	18	-	40,810
Total non-current liabilities (D)		**-**	**45,538**
Current liabilities			
Financial liabilities			
Short term borrowings	19	806,099	1,006,099
Trade payables			
Total outstanding dues of micro enterprises and small enterprises		-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		194,387	321,426
Other current financial liabilities	20	237,763	447,376
Other current liabilities	21	4,807	11,634
Short term provisions	22	-	4,353
Total current liabilities (E)		**1,243,056**	**1,790,888**
Total Equity and Liabilities (C+D+E)		**318,871**	**1,856,025**

The accompanying notes are an integral part of the Financial Statements

As per our report of even date
For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No: 101049W/E300004

Nilangshu Katriar

S.R. BATLIBOI & ASSOCIATES LLP MUMBAI CHARTERED ACCOUNTANTS

Nilangshu Katriar
Partner
Membership No.: 58814

Place : Mumbai
Date : June 24, 2020

For and on behalf of the Board of Directors of Vodafone m-pesa Limited

Suresh Kumar Ramiah
Managing Director
(DIN: 07019419)

Ambrish Jain
Director
(DIN: 07068438)

Nitisha Gawde
Company Secretary

VODAFONE M-PESA LIMITED

Place : Mumbai
Date : June 24, 2020

Vodafone m-pesa Limited

Financial Statements for the year ended March 31, 2020

(All amounts are in INR thousands, except per share data and unless stated otherwise)

Statement of Profit and Loss for the year ended March 31, 2020

Particulars	Notes	For the year ended March 31, 2020	For the year ended March 31, 2019
Income			
Service revenue (refer note 39)		106,781	789,403
Liabilities no longer required written back		548	590
Revenue from operations		**107,329**	**789,993**
Interest income		21,773	40,274
Total income		**129,102**	**830,267**
Operating Expenditure			
Employee benefit expenses	23	112,001	391,808
Customer acquisition and servicing expenditure	24	93,777	680,781
Advertisement and business promotion expenditure		11,076	62,890
Other expenses	25	77,408	275,260
		294,262	**1,410,739**
Profit/(Loss) before finance costs, depreciation, amortisation, exceptional items & tax		**(165,160)**	**(580,472)**
Finance costs	26	49,584	79,099
Depreciation	7	37,798	94,767
Amortisation	8	5,043	6,492
Profit/(Loss) before exceptional items & tax		**(257,585)**	**(760,830)**
Exceptional items (net)	27	688,830	-
Profit/(Loss) before tax		**(946,415)**	**(760,830)**
Tax expense:			
- Current tax	36	-	-
- Deferred tax	36&37	(605)	(554)
Profit/(Loss) after tax		**(945,810)**	**(760,276)**
Other comprehensive income/(loss)			
Items not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains/(losses) on defined benefit plans	34	2,631	1,828
Income tax effect on defined benefit plans	36&37	(605)	(554)
Other comprehensive income/(loss) for the year, net of tax		**2,026**	**1,274**
Total comprehensive income/(loss) for the year		**(943,784)**	**(759,002)**
Earnings/(Loss) per equity share of ₹ 10 each:			
Basic (₹)	38	**(3.99)**	**(3.74)**
Diluted (₹)	38	**(3.99)**	**(3.74)**

The accompanying notes are an integral part of the Financial Statements

As per our report of even date
For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No: 101049W/E300004

Nilangshu Katriar
Partner
Membership No.: 58814

Place : Mumbai
Date : June 24, 2020

For and on behalf of the Board of Directors of Vodafone m-pesa Limited

Suresh Kumar Ramiah
Managing Director
(DIN: 07019419)

Ambrish Jain
Director
(DIN: 07068438)

Nitisha Gawde
Company Secretary

Place : Mumbai
Date : June 24, 2020

(All amounts are in INR thousands, except per share data and unless stated otherwise)

Statement of Changes in Equity for the year ended March 31, 2020

A. Equity share capital:

Equity shares of ₹ 10 each issued, subscribed and fully paid

	Numbers	Amount
As at April 1, 2018	**163,969,410**	**1,639,694**
Issue of share capital (refer note 16)	73,129,970	731,300
As at March 31, 2019	**237,099,380**	**2,370,994**
Issue of share capital	-	-
As at March 31, 2020	**237,099,380**	**2,370,994**

B. Other equity

Particulars	Reserves and surplus			Total
	Securities premium	Retained earnings	Employee stock options reserve	
As at April 1, 2018	**2,858,803**	**(4,455,535)**	**14,734**	**(1,581,998)**
Profit/(Loss) for the year ended March 31, 2019	-	(760,276)	-	(760,276)
Transfer to trade payables (refer note 33)	-	5,070	(14,734)	(9,664)
Other comprehensive income/(loss) for the year ended March 31, 2019	-	1,274	-	1,274
Stamp duty on issue of shares	(731)	-	-	(731)
As at March 31, 2019	**2,858,072**	**(5,209,467)**	**-**	**(2,351,395)**
Profit/(Loss) for the year ended March 31, 2020	-	(945,810)	-	(945,810)
Other comprehensive income/(loss) for the year ended March 31, 2020	-	2,026	-	2,026
As at March 31, 2020	**2,858,072**	**(6,153,251)**	**-**	**(3,295,179)**

As per our report of even date
For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No: 101049W/E300004

Nilangshu Katriar

Nilangshu Katriar
Partner
Membership No.: 58814

S.R. BATLIBOI & ASSOCIATES LLP MUMBAI CHARTERED ACCOUNTANTS

Place : Mumbai
Date : June 24, 2020

For and on behalf of the Board of Directors of Vodafone m-pesa Limited

Suresh Kumar Ramiah
Managing Director
(DIN: 07019419)

Ambrish Jain
Director
(DIN: 07068438)

Nitisha Gawde
Company Secretary

VODAFONE M-PESA LIMITED

Place : Mumbai
Date : June 24, 2020

(All amounts are in INR thousands, except per share data and unless stated otherwise)

Statement of Cash Flows for the year ended March 31, 2020

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Operating activities		
Loss before tax	(946,415)	(760,830)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation of property, plant and equipment	37,798	94,767
Amortisation of intangible assets	5,043	6,492
Provision for accelerated depreciation of assets (refer note 4)	305,179	-
Provision for GST recoverable (refer note 4)	221,406	-
Provision for amount paid under protest (refer note 4)	6,179	-
Share-based payment expense	(6,547)	5,775
Loss on disposal of ROU assets	7	-
Loss on write off of intangible assets under development	-	2,338
Finance costs (refer note 39)	49,584	79,099
Provision for gratuity and compensated absences	(42,532)	(1,002)
Bad debts / advances written off	2,221	-
Allowance for doubtful debts and advances	(2,436)	2,004
Liabilities no longer required written back	(548)	(590)
Interest income	(21,773)	(40,274)
Working capital adjustments		
Decrease in trade receivables	2,402	33,337
Decrease in other financial and non-financial assets	65,562	670,327
(Decrease)/Increase in trade payables	(124,672)	62,705
(Decrease) in other financial and non-financial liabilities	(205,900)	(421,703)
Cash flows (used in) operating activities	**(655,442)**	**(267,555)**
Income tax refund / (paid) (including TDS) (net)	(11,045)	(1,457)
Net cash flows (used in) operating activities	**(666,487)**	**(269,012)**
Investing activities		
Purchase of property, plant and equipment and intangible assets	(20,906)	(59,355)
Interest received	8,339	40,274
Net cash flows (used in) investing activities	**(12,567)**	**(19,081)**
Financing activities		
Finance charges paid	(41,667)	(78,214)
Payment of lease liabilities	(332)	-
Proceeds from short term borrowings (refer note 39)	-	3,380,700
Repayment of short term borrowings (refer note 39)	(200,000)	(3,415,000)
Proceeds from issue of shares (refer note 39)	-	731,300
Stamp duty on issue of shares	-	(731)
Net cash flows from / (used in) financing activities	**(241,999)**	**618,055**
Net increase / (decrease) in cash and cash equivalents	**(921,053)**	**329,962**
Cash and cash equivalents at the beginning of the year	921,146	591,184
Cash and cash equivalents at the end of the year (refer note 12)	**93**	**921,146**

S.R. BATLIBOI & ASSOCIATES LLP * CHARTERED ACCOUNTANTS * MUMBAI

VODAFONE M-PESA LIMITED

(All amounts are in INR thousands, except per share data and unless stated otherwise)

Statement of Cash Flows for the year ended March 31, 2020

1. Disclosure of changes in liabilities arising from financing activities on account of non-cash transactions:

Particulars	Short term borrowings	Interest accrued but not due	Lease liabilities
Balance as at April 1, 2018	1,040,399	4,883	-
(i) Cash flow Items			
Payment of Interest and finance charges	-	(78,214)	-
Proceeds from short term borrowings	3,380,700	-	-
Repayment of short term borrowings	(3,415,000)	-	-
(ii) Non - cash items			
Finance cost accrued (charged to profit and loss)	-	82,613	-
Foreign exchange gain/loss	-	(3,742)	-
Interest Expenses-Others	-	228	-
Balance as at March 31, 2019	**1,006,099**	**5,768**	**-**
Transition impact of Ind AS 116	-	-	1,001
Restated balance as at April 1, 2019	**1,006,099**	**5,768**	**1,001**
(i) Cash flow Items			
Payment of Interest and finance charges	-	(41,667)	-
Repayment of short term borrowings	(200,000)	-	-
Payment of lease liabilities (refer note 29)	-	-	(332)
(ii) Non - cash items			
Finance cost accrued (charged to profit and loss)	-	47,987	40
Foreign exchange gain/loss	-	1,529	-
Interest Expenses-Others	-	28	-
Deletion of lease liabilities (refer note 29)	-	-	(709)
Balance as at March 31, 2020	**806,099**	**13,645**	**-**

2. The above Statement of Cash Flows has been prepared under the indirect method as set out in Ind AS 7 on Statement of Cash Flows.

The accompanying notes are an integral part of the financial statements.

As per our report of even date
For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No: 101049W/E300004

Nilangshu Katriar
Partner
Membership No.: 58814

Place : Mumbai
Date : June 24, 2020

For and on behalf of the Board of Directors of Vodafone m-pesa Limited

Suresh Kumar Ramiah
Managing Director
(DIN: 07019419)

Ambrish Jain
Director
(DIN: 07068438)

Nitisha Gawde
Company Secretary

Place : Mumbai
Date : June 24, 2020

1. Corporate Information

Vodafone m-pesa Limited (hereinafter referred to as "VMPL" or "the Company"), a wholly owned subsidiary of Vodafone Idea Limited was incorporated under the provisions of the Companies Act applicable in India on September 13, 2014 to operate the mobile wallet business. The Company received its license to operate the services from Reserve Bank of India w.e.f. November 7, 2014.The registered office of the Company is situated at 10th Floor, Birla Centurion, Century Mill Compound, Pandurang Budhkar Marg, Worli, Mumbai – 400030, India.

The financial statements for the year ended March 31, 2020 were approved by the Board of Directors and authorised for issue on June 24, 2020.

2. Statement of compliance

The financial statements of the Company comprising of Balance Sheet, Statement of Profit and Loss, Statement of Changes in Equity and Statement of Cash Flows together with the notes have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter.

3. Basis of preparation

The financial statements have been prepared on a historical cost basis, Historical cost is generally based on the fair value of the consideration given in exchange for goods and services on the transaction date.

All financial information presented in INR has been rounded off to thousands unless otherwise stated.

The financial statements are based on the classification provisions contained in Ind AS 1, 'Presentation of Financial Statements' and division II of schedule III of the Companies Act, 2013.

Effective April 1, 2019, the Company has adopted Ind AS 116 on Leases basis the modified retrospective method for all lease contracts that are live as at April 1, 2019 (being the date of initial application). Accordingly, the comparative information has not been restated. The effect on adoption of the said standard is covered in note 29.

New and amended standards adopted by the Company

a. Ind AS 116-Leases

Ind AS 116 which supersedes Ind AS 17 Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under Ind AS 116 is substantially unchanged from Ind AS 17. Lessor will continue to classify leases as either operating or finance using similar principles as in Ind AS 17. Therefore, Ind AS 116 does not have an impact for leases where the Company is a lessor.

The Company adopted Ind AS 116 using the modified retrospective method of adoption with the date of initial application of April 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the practical expedient available on transition to grandfather the reassessment of whether a contract is, or contains a lease as at April 1, 2019. Accordingly, on initial application, the Company applied the standard only to contracts that were previously identified as leases.

Before the adoption of Ind AS 116, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Leases previously accounted for as operating leases

The Company recognised Right-of-Use (RoU) assets and lease liabilities for those leases previously classified as operating leases, except for leases of low-value assets. The RoU assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the RoU assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

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(All amounts are in INR thousands, except per share data and unless stated otherwise)

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluded the initial direct costs from the measurement of the RoU asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Changes in accounting policies and disclosures

The effect of adopting Ind AS 116 is as follows:

Impact on balance sheet (Increase / (Decrease))

Assets	**April 1, 2019**
Right-of-Use assets (refer note 7)	1,001
Total assets	**1,001**
Equity	
Retained earnings	-
Total equity	**-**
Liabilities	
Lease liabilities (refer note 29)	1,001
Total liabilities	**1,001**

Impact on statement of profit and loss (Increase / (Decrease))

	March 31, 2020
Salaries, wages and bonus	(332)
Loss on disposal of Right-of-Use assets	7
Profit / (Loss) before finance costs, depreciation, amortization, exceptional items and tax	**325**
Interest expense on lease liabilities (refer note 26)	40
Depreciation (refer note 7)	285
Profit / (Loss) before tax	**-**

While there is no impact on the overall cash flows, the operating cash flows reflect an increase of ₹ 332 with a corresponding reduction in cash flows from financing activities for the year ended March 31, 2020.

The difference between the future minimum lease rental commitments towards non-cancellable operating leases reported as at March 31, 2019 compared to the lease liability as accounted as at April 1, 2019 is primarily due to reduction on account of discounting of the lease liabilities as per the requirement of Ind AS 116, use of hindsight in determining the lease term where the contract contained options to extend or terminate the lease and exclusion of the commitments for the leases to which the Company has chosen to apply the practical expedient and recognition exemptions as per the standard.

b. Amendment to Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments

The amendment provides clarification on the uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit / (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The standard permits two possible methods of transition –
i) Full retrospective approach – Under this approach, Appendix C will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, without using hindsight and

ii) Retrospectively with cumulative effect of initial application of Appendix C recognized by adjusting equity on initial application, without adjusting comparatives.

The amendment is applicable from April 1, 2019 and has no impact on the financial statements.

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c. Amendment to Ind AS 12 'Income Tax'

The amendment clarifies that the income tax consequences of dividends including payments on financial instruments classified as equity, are linked more directly to past transactions or events that generated distributable profits rather than to distribution of such amounts to owners. Therefore, an entity shall recognise the income tax consequences of dividends in the Statement of Profit and Loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

The amendment is applicable from April 1, 2019 and has no impact on the financial statements.

d. Amendment to Ind AS 23 'Borrowing Costs'

The amendment clarifies that for computing general rate of borrowed funds, an entity should exclude specific borrowing for obtaining a qualifying asset, only until the asset is ready for its intended use or sale. Borrowing costs (related to specific borrowings) that remains outstanding after the related qualifying asset is ready for use or sale should subsequently be considered as part of general borrowing costs of the entity. The amendment is applicable from April 1, 2019 and has no impact on the financial statements.

e. Amendment to Ind AS 19 'Employee Benefits'

The amendment clarifies that when a defined benefit plan is amended, curtailed or settled during a reporting period, the entity would be required to use updated actuarial assumptions to determine its current service cost and net interest for the remainder of the period after the plan amendment, curtailment or settlement.

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss.

An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendment is applicable from April 1, 2019 and has no impact on the financial statements.

f. Amendment to Ind AS 109 'Financial Instruments'

The amendment clarifies that an exception has been prescribed to the classification and measurement requirements with respect to the SPPI criterion i.e. the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' for financial asset or a debt instrument which:

i. have a prepayment feature that results in negative compensation
ii. apart from the prepayment feature other features of financial assets would have contractual cash flows which would meet the SPPI criteria and
iii. The fair value of the prepayment feature is insignificant when the entity initially recognises the financial asset. (If it Is impracticable to assess based on facts and circumstances that existed on initial recognition, then exception would not be available)

Such financial assets or debt instrument could be measured at amortised cost or at FVOCI based on business model within which they are held.

The amendment is applicable from April 1, 2019 and has no impact on the financial statements.

g. Amendment to Ind AS 103 'Business Combination'

The amendment clarifies that, when a party to a joint arrangement obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including re-measuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer re-measures its entire previously held interest in the joint operation.

The amendment is applicable from April 1, 2019 and has no impact on the financial statements.

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4. During the year the Company has decided to close its Prepaid Payment Instrument (PPI) and Business Correspondence (BC) business. The Company had thereby written to the Reserve Bank of India (RBI) for surrendering its Licence to issue PPI's which has been accepted by the RBI effective September 30, 2019. Pursuant to such acceptance, the RBI has directed the Company to:

a) Maintain the unextinguished liability towards PPI holders and merchants in the escrow account for a period of three years i.e. till September 30, 2022 and make efforts to extinguish the same.
b) Continue compliance of Master Direction on issuance and operation of PPIs dated October 11, 2017 (updated as on January 16, 2020) and maintain / store log of all transactions undertaken using our PPIs for a period of ten years
c) Fulfil customer transaction related and other data related queries on request
d) Store and retrieve based on queries from regulatory authorities and / or law enforcement agencies, records as available in hard copy/ scan images for full KYC customers
e) Continue operating call centres for addressing customer queries and/or grievances

The Company has assessed its liquidity position and its possible sources of funds. The Board of Directors are confident of the Company's ability to meet its obligations as and when they arise in the next twelve months from the balance sheet date. Accordingly, these financial statements have been prepared on a going concern basis. Further the Company has reassessed the recoverability of its assets in view of the above and, on as conservative basis, taken a provision towards certain assets which are doubtful of recovery/use.

5. Significant Accounting Policies

a) Revenue recognition

i. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and can be reliably measured, regardless of the timing of receipt of payment. Revenue is measured at the "Transaction Price" i.e. an amount that reflects the consideration, to which an entity expects to be entitled in exchange for transferring services to customers, excluding amounts collected on behalf of third parties. Taxes and duties collected service provider are to be deposited with the government and not received by the Companies on its own account. Accordingly, it is excluded from revenue.

The Company's revenue from operations principally comprises of prepaid wallet revenue on account of transactions carried out by M-pesa subscribers (i.e., online bill payments, money transfers, etc.) and commission income as a business correspondent.

ii. Unbilled Income

Unbilled Income is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs its obligation by transferring goods or services to a customer before the same is invoiced to the customer, unbilled income is recognised for the earned consideration that is conditional on satisfaction of performance obligation.

iii. Interest Income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is recorded using the applicable Effective Interest Rate (EIR), which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's net carrying amount on initial recognition.

b) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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Company as a lessee

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

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the lease term.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. (refer note 5 (i))

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification i.e. a change in the lease term or a change in the lease payments or a change in the assessment of an option to purchase the underlying asset. The re-measurement is of lease liability is done by discounting the revised lease payments using the Company's incremental borrowing rate at the effective date of modification.

iii) Short-term leases and leases of low-value assets

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

c) Employee benefits

i. Defined Contribution Plan

Contributions to Provident and Pension funds are funded with the appropriate authorities and charged to the Statement of Profit and Loss when the employees have rendered service entitling them to the contributions.

The Company has no obligation other than contribution payable to these funds.

ii. Defined Benefit Plan

The Company operates a defined benefit gratuity plan for eligible employees. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, with actuarial valuations being carried out at periodic intervals.

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Re-measurements, comprising of actuarial gains and losses are recognised immediately in the balance sheet with a corresponding charge or credit to Other Comprehensive Income (OCI) in the period in which they occur. Re-measurements are not reclassified to Statement of Profit and Loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the Statement of Profit and Loss:

- Service costs; and
- Net interest expense or income

ii. Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of salaries, wages and other short term employee benefits in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Provision for leave benefits to employees is based on actuarial valuation done by projected accrued benefit method at the reporting date. The related re-measurements are recognised in the Statement of Profit and Loss in the period in which they arise.

iii. Share- based payments

Stock option of Vodafone Group Plc (VGPLc) granted to the employees of the Company are accounted as cash-settled share based payments by the Company.

The fair value of the cash settled share-based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of stock option that will eventually vest, with a corresponding increase in liability. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the Statement of Profit and Loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the cash-settled employee benefits liability.

In respect of cancellation of unvested stock options, the amount already charged as share based payment expense is reversed under the same head in the Statement of Profit and Loss.

d) Foreign currency transactions

The Company's financial statements are presented in Indian Rupees (INR) which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded at the INR spot rate on the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange on the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised on net basis within finance cost in the Statement of Profit and Loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are recognised using the exchange rates at the dates of the initial transactions.

e) Taxes

Income tax expense represents the sum of current tax and deferred tax.

i. Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Current tax is based on the taxable income and calculated using the applicable tax rates and tax laws. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current tax relating to items recognised outside profit or loss is recognised outside profit or loss in correlation to the underlying transaction either in OCI or directly in equity.

ii. Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets are generally

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recognised for all deductible temporary differences to the extent it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or that entire deferred tax asset to be utilised. Unrecognized deferred tax assets are re-assessed at the end of each reporting date and are recognised to the extent it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation statute.

f) Current / Non – Current Classification

An asset is classified as current when

a) It is expected to be realized or consumed in the respective company's normal operating cycle;
b) It is held primarily for the purpose of trading;
c) It is expected to be realized within twelve months after the reporting period; or
d) If it is cash or cash equivalent, unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Any asset not conforming to the above is classified as non-current.

A liability is classified as current when

a) It is expected to be settled in the normal operating cycle of the respective companies;
b) It is held primarily for the purposes of trading;
c) It is expected to be settled within twelve months after the reporting period; or
d) The respective companies have no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

Any liability not conforming to the above is classified as non-current.

g) Property, Plant and Equipment

Property, Plant and Equipment (PPE) and Capital work in progress (CWIP) held for use in the rendering of services and supply of goods, or for administrative purposes, are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes all direct costs relating to acquisition and installation of Property, Plant and Equipment, non-refundable duties and borrowing cost relating to qualifying assets. CWIP represents cost of property, plant and equipment not ready for intended use as on the reporting date. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Subsequent costs are included in the assets 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 Company and the cost can be measured reliably. All other repair and maintenance costs are recognised in the Statement of Profit and Loss as incurred.

Depreciation commences once such assets are available for use in the intended condition and location. Depreciation is provided using straight-line method on pro rata basis over their estimated useful economic lives as given below. The useful life is taken as prescribed in Schedule II to the Companies Act, 2013 except where the estimated useful economic life has been assessed to be lower.

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Particulars	Estimated useful life (in years)
Plant and machinery	8 years
Computer and servers	3 to 5 years
Office Equipments	5 years

When any significant part of property, plant and equipment is discarded or replaced, the carrying value of discarded / replaced part is derecognized. Any gains or losses arising from retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of Profit and Loss on the date of retirement or disposal.

h) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Cost includes all direct costs relating to acquisition of Intangible assets and borrowing cost relating to qualifying assets. Subsequently, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any

The useful lives of intangible assets are assessed as either finite or indefinite. There are no intangible assets assessed with indefinite useful life.

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period, residual value and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit and Loss unless such expenditure forms part of carrying value of another asset.

Intangible assets are amortised on straight line method as under:

- Software, which is not an integral part of hardware, is treated as an intangible asset and is amortised over its useful economic life as estimated by the management to be 3 years.

Cost of Intangible assets under development represents cost of intangible assets not ready for intended use as on the reporting date.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised.

i) Impairment of Non – Financial Assets

Tangible (including RoU assets) and Intangible assets are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost of disposal, an appropriate valuation model is used. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, an impairment loss is recognised in Statement of Profit and Loss by reducing the carrying amount of the asset (or cash-generating unit) to its recoverable amount.

Impairment losses recognized in the earlier periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. If such indication exists, the Company estimates the asset's (or cash generating unit's) recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. When an impairment loss

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subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had such impairment loss not been recognised for the asset (or cash-generating unit) in prior years. Any reversal of an impairment loss is recognised immediately in the Statement of Profit and Loss.

j) Borrowing Costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. All borrowing costs are expensed in the period in which they are incurred.

k) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise of cash at bank and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

l) Financial Instruments

Initial recognition and measurement

Financial Instruments (assets and liabilities) are recognised when the Company becomes a party to a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than those designated as fair value through profit or loss (FVTPL), are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in the Statement of Profit and Loss.

i. Financial assets

All regular way purchase or sale of financial assets are recognised and derecognised on a trade date basis. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Subsequent measurement
All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets:
a) Financial assets measured at amortised cost
b) Financial assets measured at fair value through profit or loss (FVTPL) - The Company does not have any assets classified as FVTPL.
c) Financial assets measured at fair value through other comprehensive income (FVTOCI) – The Company does not have any assets classified as FVTOCI.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

- Contractual terms of the instruments give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. EIR is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the debt instrument or where appropriate, a shorter period, to the net carrying amount on initial recognition.

The EIR amortisation is included in other income in the Statement of Profit and Loss. The losses arising from impairment are recognised in the Statement of Profit and Loss. This category generally applies to trade and other receivables, loans, etc.

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Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'passthrough' arrangement; and either

- the Company has transferred substantially all the risks and rewards of the asset, or

- the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

In accordance with Ind AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- Debt instruments measured at amortised cost e.g., loans and bank deposits
- Trade receivables
- Other Financial assets not designated as FVTPL

For recognition of impairment loss on other financial assets and risk exposure, the Company determines whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

The Company follows 'simplified approach' for recognition of impairment loss allowance on Trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECL at each reporting date, right from its initial recognition.

ii. Financial liabilities

Subsequent measurement

All financial liabilities are subsequently measured at amortised cost using the EIR method or at FVTPL. The Company does not have any liability classified as FVTPL.

Financial liabilities at amortised cost

After initial recognition, interest-bearing borrowings and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit and Loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit and Loss.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

In case, an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of

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the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in Statement of Profit and Loss.

v. Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

m) Fair value measurement

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) (a) on the date of the event or change in circumstances that caused the transfer or (b) at the end of each reporting period or (c) at the beginning of each reporting period.

n) Earnings per share

The earnings considered in ascertaining the Company's Earnings per share (EPS) is the net profit after tax.

EPS is disclosed on basic and diluted basis. Basic EPS is computed by dividing the profit / loss for the period attributable to the shareholders of the Company by the weighted average number of shares outstanding during the period. The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effects of potential dilutive equity shares unless the effect of the potential dilutive equity shares is anti-dilutive.

o) Provisions and Contingent Liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a 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. The expense relating to a provision is presented in the Statement of Profit and Loss.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent Liabilities

A Contingent Liability is disclosed where there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Contingent Assets are not recognised.

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6. Use of Estimates, assumptions and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures including the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require an adjustment to the carrying amount of assets or liabilities in future periods. Difference between actual results and estimates are recognised in the periods in which the results are known / materialise.

The Company has based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Estimates and Assumptions

i. Share-based payments

Share issued by Vodafone Group Plc., is measured by deducting the present value of expected dividend cash flows over the life of the awards from the share price as at the grant date. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. Vesting conditions, other than market conditions i.e. performance based condition are not taken into account when estimating the fair value. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 33.

ii. Taxes

The Company provide for tax considering the applicable tax regulations and based on reasonable estimates. Management periodically evaluates positions taken in the tax returns giving due considerations to tax laws and establishes provisions in the event if required as a result of differing interpretation or due to retrospective amendments, if any.

The recognition of deferred tax assets is based on availability of sufficient taxable profits in the Company against which such assets can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

iii. Defined benefit plans (gratuity benefits)

The Company's obligation on account of gratuity and compensated absences is determined based on actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, attrition rate and mortality rates. Due to the complexities involved in the valuation and its long-term nature, these liabilities are highly sensitive to changes in these assumptions.

All assumptions are reviewed at each reporting date. The parameter subject to frequent changes is the discount rate. In determining the appropriate discount rate, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation.

The mortality rate is based on publicly available mortality tables in India. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates.

Further details about gratuity obligations are given in note 34.

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iv. Allowance for Trade receivable

The Company follows a 'simplified approach' (i.e. based on lifetime ECL) for recognition of impairment loss allowance on Trade receivables (including lease receivables). For the purpose of measuring lifetime ECL allowance for trade receivables, the Company estimates irrecoverable amounts based on the ageing of the receivable balances and historical experience. Further, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively. Individual trade receivables are written off when management deems them not to be collectible. Refer note 11.

v. Useful life of Property, Plant and Equipment (including RoU Assets) and Intangible Assets

The useful life to depreciate property, plant and equipment is based on technical obsolescence, nature of assets, estimated usage of the assets, operating conditions of the asset, and manufacturers' warranties, maintenance and support period, etc. The charge for the depreciation and amortisation is derived after considering the expected residual value at end of the useful life.

The residual values, useful lives and methods of depreciation of property, plant and equipment and intangible assets are reviewed by the management at each financial year end and adjusted prospectively, if appropriate. Further details about property, plant and equipment are given in note 7.

vi. Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain specific estimates such as Company's credit rating.

vii. Provisions and Contingent Liabilities

Provisions and contingent liabilities are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Evaluations of uncertain provisions and contingent liabilities and assets requires judgement and assumptions regarding the probability of realization and the timing and amount, or range of amounts, that may ultimately be incurred. Such estimates may vary from the ultimate outcome as a result of differing interpretations of laws and facts. Refer note 28 for further details about Contingent liabilities.

viii. Impact of COVID-19 (Global pandemic)

The outbreak of Coronavirus (COVID - 19) pandemic globally and in India is causing significant disturbance and slow down of economic activity. The Company has evaluated impact of this pandemic on its business operations and based on the internal and external information available and the current indicators, there is no significant impact on its financial statements.

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Note 7
Property, Plant and Equipment

Particulars	Plant and machinery	RoU Assets [2]	Total
Cost			
As at April 1, 2018	**605,384**	**-**	**605,384**
Additions	31,965	-	31,965
Disposals/Adjustments	-	-	-
As at April 1, 2019	**637,349**	**-**	**637,349**
Transition impact of Ind AS 116 (refer note 3(a))	-	1,001	1,001
Restated balance as at April 1, 2019	**637,349**	**1,001**	**638,350**
Additions	2,489	-	2,489
Disposals/Adjustments	-	(1,001)	(1,001)
As at March 31, 2020	**639,838**	**-**	**639,838**
Accumulated Depreciation			
As at April 1, 2018	**202,379**	**-**	**202,379**
Depreciation charge for the year	94,767	-	94,767
Disposals/Adjustments	-	-	-
As at April 1, 2019	**297,146**	**-**	**297,146**
Depreciation charge for the year	37,513	285	37,798
Disposals/Adjustments [1]	305,179	(285)	304,894
As at March 31, 2020	**639,838**	**-**	**639,838**
Net Book Value			
As at March 31, 2020	**-**	**-**	**-**
As at March 31, 2019	**340,203**	**-**	**340,203**

[1] Disposal/ adjustments include accelerated depreciation charge of ₹ 305,179 thousands (March 31, 2019: ₹ Nil) (refer note 4)

[2] Refer note 29

Note 8
Intangible assets

Particulars	Computer - Software	Total
Cost		
As at April 1, 2018	**177,225**	**177,225**
Additions	-	-
Disposals/Adjustments	-	-
As at April 1, 2019	**177,225**	**177,225**
Additions	-	-
Disposals/Adjustments	-	-
As at March 31, 2020	**177,225**	**177,225**
Accumulated Amortisation		
As at April 1, 2018	**165,690**	**165,690**
Amortisation charge for the year	6,492	6,492
Disposals/Adjustments	-	-
As at April 1, 2019	**172,182**	**172,182**
Amortisation charge for the year	5,043	5,043
Disposals/Adjustments	-	-
As at March 31, 2020	**177,225**	**177,225**
Net Book Value		
As at March 31, 2020	**-**	**-**
As at March 31, 2019	**5,043**	**5,043**

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Note 9
Other non-current financial assets

Particulars	As at March 31, 2020	As at March 31, 2019
Margin money deposits	3,950	2,800
Total	**3,950**	**2,800**

Note 10
Other non-current assets

Particulars	As at March 31, 2020	As at March 31, 2019
Advance income tax (Net)	19,818	50,774
Others (consisting mainly deposit against demands which are appealed against / subjudice)		
- Considered Good	-	53,841
- Considered Doubtful	6,179	-
	25,997	**104,615**
Allowance for doubtful advances (refer note 31)	(6,179)	-
Total	**19,818**	**104,615**

Note 11
Trade receivables (Unsecured, unless otherwise stated) (refer note 39)

Particulars	As at March 31, 2020	As at March 31, 2019
Billed Receivables		
Unsecured - Considered Good	-	2,086
Unsecured - Considered Doubtful	1,359	3,805
	1,359	**5,891**
Allowance for doubtful debts (refer note 31)	(1,359)	(3,805)
	-	**2,086**
Unbilled Receivables	-	91
Total	**-**	**2,177**

Note 12
Cash and cash equivalents

Particulars	As at March 31, 2020	As at March 31, 2019
Cash on hand	-	11
Cheques on hand	-	6
Balances with banks		
- In current accounts	93	671,129
- In deposit accounts (having maturity less than 3 months)	-	250,000
Total	**93**	**921,146**

Note 13
Bank balance other than cash and cash equivalents

Particulars	As at March 31, 2020	As at March 31, 2019
Margin money	325	3,150
Demand deposits and bank balances- Escrow account (3 to 12 months)	184,785	231,942
Total	**185,110**	**235,092**

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Note 14
Other current financial assets

Particulars	As at March 31, 2020	As at March 31, 2019
Interest receivable	14,379	945
Deposits with body corporate and others	5,700	10,250
Others	-	15,378
Total	**20,079**	**26,573**

Note 15
Other current assets

Particulars	As at March 31, 2020	As at March 31, 2019
GST recoverable		
- Considered Good	-	217,616
- Considered Doubtful	221,406	-
Prepaid expenses	-	375
Others		
- Considered Good	89,821	385
- Considered Doubtful	548	538
	311,775	**218,914**
Allowance for doubtful advances (refer note 31)	(221,954)	(538)
Total	**89,821**	**218,376**

Note 16
Equity share capital

Particulars	As at March 31, 2020		As at March 31, 2019	
	Numbers	Amount	Numbers	Amount
EQUITY SHARE CAPITAL				
Authorised share capital				
Equity Shares of ₹ 10 each	350,000,000	3,500,000	350,000,000	3,500,000
	350,000,000	**3,500,000**	**350,000,000**	**3,500,000**
Issued, subscribed and paid-up share capital				
Equity Shares of ₹ 10 each fully paid up	237,099,380	2,370,994	237,099,380	2,370,994
	237,099,380	**2,370,994**	**237,099,380**	**2,370,994**

(a) Reconciliation of number of shares outstanding

Particulars	As at March 31, 2020		As at March 31, 2019	
	Numbers	Amount	Numbers	Amount
Equity shares outstanding at the beginning of the year	237,099,380	2,370,994	163,969,410	1,639,694
Issue of share capital*	-	-	73,129,970	731,300
Equity shares outstanding at the end of the year	237,099,380	2,370,994	237,099,380	2,370,994

*During the year ended March 31, 2019, the Company offered 73,129,970 equity shares of ₹ 10 each fully paid up, on a Rights basis aggregating to ₹ 731,300 as per Rights Letter of Offer to its shareholders.

(b) Terms/ rights attached to issued, subscribed and paid up equity shares

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Details of shareholders holding more than 5% shares in the Company

Name of the shareholders	As at March 31, 2020		As at March 31, 2019	
	Numbers	% holding in the class	Numbers	% holding in the class
Equity shares of ₹ 10 each fully paid				
Vodafone Idea Limited, the holding company and its nominees (from August 31, 2018) *	237,099,380	100%	237,099,380	100%

*Pursuant to amalgamation of Vodafone India Limited and Vodafone Mobile Services Limited with Vodafone Idea Limited (formerly known as Idea Cellular Limited) as on August 31, 2018, the shareholding stands transferred to Vodafone Idea Limited.

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Note 17
Other Equity

Particulars	As at March 31, 2020	As at March 31, 2019
(i) Securities premium		
Opening balance	2,858,072	2,858,803
Stamp duty on issue of shares	-	(731)
Closing balance	**2,858,072**	**2,858,072**
(ii) Retained earnings		
Opening balance	(5,209,467)	(4,455,535)
Loss for the year	(945,810)	(760,276)
Other Comprehensive Income recognised directly in retained earnings	2,026	1,274
Transfer to trade payables (refer note 33)	-	5,070
Closing balance	**(6,153,251)**	**(5,209,467)**
(iii) Employee stock options reserve		
Opening balance	-	14,734
Transfer to trade payables (refer note 33)	-	(14,734)
Closing balance	**-**	**-**
Total	**(3,295,179)**	**(2,351,395)**

Note 18
Long term provisions

Particulars	As at March 31, 2020	As at March 31, 2019
Gratuity (refer note 34)	-	37,412
Compensated absences	-	3,398
Total	**-**	**40,810**

Note 19
Short term borrowings

Particulars	As at March 31, 2020	As at March 31, 2019
Unsecured Loans		
Loan from related parties (refer note 39)	806,099	1,006,099
Total	**806,099**	**1,006,099**

Unsecured loan from its holding company repayable on demand on which variable interest rate is Nil w.e.f. January 1, 2020 (March 31, 2019: 7.5% p.a.)

Note 20
Other current financial liabilities

Particulars	As at March 31, 2020	As at March 31, 2019
Payable for capital expenditure	2,497	20,914
Interest accrued but not due on borrowings	13,645	5,768
Money received from distributors and enterprise customers	38,172	212,274
Outstanding liability to customers and merchants	183,449	208,420
Total	**237,763**	**447,376**

Note 21
Other current liabilities

Particulars	As at March 31, 2020	As at March 31, 2019
Taxes and other liabilities	4,807	11,634
Total	**4,807**	**11,634**

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Note 22
Short term provisions

Particulars	As at March 31, 2020	As at March 31, 2019
Gratuity (refer note 34)	-	3,746
Compensated absences	-	607
Total	**-**	**4,353**

Note 23
Employee benefit expenses

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Salaries, wages and bonus	105,480	351,883
Contribution to provident and other funds (refer note 34)	12,519	22,819
Share based payment expenses (ESOS)[1] (refer note 33)	(6,547)	5,775
Staff welfare	549	11,331
Total	**112,001**	**391,808**

[1] The charge for the year is net of reversal on account of cancellation of scheme pertaining to June, 2018 ₹ 4,335 (March 31, 2019: ₹ Nil)

Note 24
Customer acquisition and servicing expenditure

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Collection, telecalling and servicing expenses	4,001	46,267
Commission to dealers and others	89,577	633,907
Customer retention and customer loyalty expenses	199	607
Total	**93,777**	**680,781**

Note 25
Other expenses

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Repairs and maintenance	2,974	4,925
Infra sharing support charges (refer note 39)	6,491	12,944
Rates and taxes	13	30,784
IT expenses (refer note 39)	36,734	86,655
Travelling and conveyance	5,707	29,233
Allowance for doubtful debts and advances (refer note 31)	(2,436)	2,004
Bad debts / advances written off	2,221	-
Loss on disposal of ROU assets	7	-
Loss on write off of intangible assets under development	-	2,338
Bank charges*	5,776	28,704
Directors sitting fees (refer note 39)	-	325
Legal and professional charges	3,518	4,704
Audit fees (refer note 35)	700	1,400
Support service charges (refer note 39)	14,973	68,531
Miscellaneous expenses	730	2,713
Total	**77,408**	**275,260**

* Includes transaction settlement charges

Note 26
Finance costs

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest expense on borrowings (refer note 39)	47,987	82,613
Interest expense on lease liabilities (refer note 29)	40	-
Interest on others	28	228
Total interest expense	**48,055**	**82,841**
Exchange difference (net)	1,529	(3,742)
Total	**49,584**	**79,099**

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Note 27
Exceptional items (refer note 4)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Redundancy cost paid to employees	156,066	-
Provision for GST recoverable	221,406	-
Provision for accelerated depreciation of assets	305,179	-
Provision for amount paid under protest	6,179	-
Total	**688,830**	**-**

Note 28
Contingent Liabilities

Contingent Liabilities not provided for:

Description	As at March 31, 2020	As at March 31, 2019
Income Tax Matters	-	347,835
Demands Considered as Remote	**-**	**347,835**

a) Income Tax matters
The Company had received demand for A.Y 2015-16 whereby tax authorities had imposed addition u/s 56(2) (viib) of excess amount received on issue of shares. During the current year, ITAT has issued favourable order and impact for the same is considered in financial statement.

b) During the previous year on February 28, 2019, Hon'ble Supreme Court issued Judgment on PF which had led to numerous interpretative issues including a review petition. The Company based on its understanding and interpretation is of the view that the impact arising out the judgment is not material. Accordingly, no impact has been given in these financial statements.

Note 29
Leases
Company as lessee

The Company has adopted the Ind AS 116 from April 1, 2019 which supersedes the Ind AS 17. The effects of adopting the Ind AS 116 on Company's financials are as follows:

Set out below are the carrying amounts of RoU assets recognised and the movements during the year:

Particulars	Vehicles
As at April 1, 2019	**1,001**
Additions	-
Deletions/Adjustments	(716)
Depreciation expenses	(285)
As at March 31, 2020	**-**

Set out below are the carrying amounts of lease liabilities (included under lease liabilities) and the movements during the year:

Particulars	Amount
As at April 1, 2019	**1,001**
Additions	-
Accretion of interest	40
Payments	(332)
Deletion	(709)
As at March 31, 2020	**-**
Current	-
Non-current	-

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The following are the amounts recognized in statement of profit and loss:

Particulars	Year ended March 31, 2020
Depreciation	285
Interest expense on lease liabilities	40
Total amount recognized in profit and loss	**325**

Note 30
Details of Foreign Currency Exposures

Not hedged by a derivative instrument or otherwise

Particulars	As at March 31, 2020	As at March 31, 2019
Trade Payables and Other Current Financial Liabilities		
In EURO	264	225
In GBP	52	52
Equivalent INR of Trade Payables and Other Financial Liabilities in Foreign Currency*	26,797	22,880

*Amount in INR represents conversion at closing rate

Note 31
Movement of Allowances for Doubtful Debts/Advances

Particulars	As at March 31, 2020	As at March 31, 2019
Opening Balance	4,343	2,466
Charged to Statement of Profit and Loss (net) (refer notes 25 and 27)	225,149	2,004
Receivable written off (net of recovery)	-	(127)
Closing Balance	**229,492**	**4,343**

Note 32
Segment Information
As the Company operates in only one business segment, there is no separate reportable segment as per Ind AS – 108 on "Operating segment".

Note 33
Share based payments

Employee stock option plan – options granted by Vodafone Group Plc

Global Long Term Retention ("GLTR"):
GLTR plan is a restricted share plan granted as a retention tool to selected employees in the middle management. The options vest in 3 years / 2 years after the grant date provided the employees remain in the continued employment of the Group during the vesting period.

As at year ended March 31, 2020, details and movements of the outstanding options are as follows:

Particulars	As at March 31, 2020	As at March 31, 2019
Options granted under GLTR	**No. of Options**	**No. of Options**
Options outstanding as at beginning of the year	144,948	102,883
Options granted during the year	-	66,181
Options forfeited during the year	19,007	-
Options cancelled during the year[1]	27,044	
Options transferred to its Holding Company	28,748	
Options exercised during the year	70,149	24,116
Options outstanding at the end of the year	-	144,948
Options exercisable at the end of the year	-	144,948
Weighted average remaining contractual life of the options outstanding at the end of the year (in months)	-	15

[1]Options cancelled and replaced with LTIP scheme.

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The exercise price is Nil and hence the weighted average exercise price is not disclosed. Since there are no employees in the Company as at March 31, 2020, the liability at the end of financial year ended March 31, 2020 is Nil. (March 31, 2019 is ₹ 10,541)

Fair value of option is measured by deducting the present value of expected dividend cash flows over the life of the awards from the share price as at the grant date.

The fair value of each option is mentioned below.

Grant date	Expected life	Market price on date of grant/re-pricing (₹)	Fair Value(₹)
30-06-16	3 years continuous employment for GLTR	196	196
26-06-17	3 years continuous employment for GLTR	183	183
26-06-18	3 years / 2 years continuous employment for GLTR	166	166

Note 34
Employee Benefits

A. Defined Benefit Plan (Gratuity)

General description and benefits of the plan

The company operates a defined benefit final salary gratuity plan. The gratuity benefits payable to the employees are based on the employee's service and last drawn salary at the time of leaving. The benefit is payable on termination of service or retirement, whichever is earlier. The employees do not contribute towards this plan and the full cost of providing these benefits are borne by the Company.

Regulatory framework, funding arrangement and governance of the Plan

The gratuity benefits liabilities are unfunded. There are no minimum funding requirements for a gratuity benefits plan in India.

Inherent risks

The plan is of a final salary defined benefit in nature which is sponsored by the Company and hence it underwrites all the risks pertaining to the plan. In particular, there is a risk for the Company that any significant change in salary growth or demographic experience or inadequate returns on underlying plan assets can result in an increase in cost of providing these benefits to employees in future.

The following tables summarizes the components of net benefit expense recognized in the Statement of Profit and Loss and the funded status and amounts recognized in the Balance Sheet for gratuity:

Particulars	As at March 31, 2020	As at March 31, 2019
Amount recognised in Balance Sheet		
Present value of unfunded obligations	-	41,158
Net Asset/(Liability) recognised in Balance Sheet	-	(41,158)
Net Asset/(Liability) recognised in Balance Sheet is bifurcated as		
- Long term provision	-	(37,412)
- Short term provision	-	(3,746)

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Particulars	**For the year ended March 31, 2020**	**For the year ended March 31, 2019**
Reconciliation of Defined Benefit Obligation		
Opening Defined Benefit Obligation	41,158	40,079
Current Service cost	4,712	5,433
Past Service Cost	169	-
Interest on Defined Benefit Obligation	1,473	2,747
Actuarial (Gain)/Loss arising from change in financial assumptions	1,107	2,631
Actuarial (Gain)/Loss arising from change in demographic	3	(124)
Actuarial (Gain)/Loss arising on account of experience changes	(3,741)	(4,335)
Benefits paid	(31,084)	(5,273)
Liabilities assumed/(settled)	(13,797)	-
Closing Defined Benefit Obligation	**-**	**41,158**

Amounts recognised in the statements of profit and loss in respect of these defined benefit plans are as follows:

Particulars	**For the year ended March 31, 2020**	**For the year ended March 31, 2019**
Expenses Recognised in the Statement of Profit & Loss		
Current Service cost	4,712	5,433
Past Service Cost	169	-
Interest on Net Defined Benefit liability/(asset)	1,473	2,747
Expenses recognised in the Statement of Profit & Loss	**6,354**	**8,180**
Amount recorded as Other Comprehensive Income (OCI)		
Re measurement during the year due to		
- Changes in financial assumptions	1,107	2,631
- Changes in demographic assumptions	3	(124)
- Experience adjustments	(3,741)	(4,335)
Amount recognised in OCI (gains) / loss	**(2,631)**	**(1,828)**

The principal assumptions used in determining gratuity obligations are shown below:

Particulars	**For the year ended March 31, 2020**	**For the year ended March 31, 2019**
Discount rate	-	7.50%
Future salary increases*	-	8.00%
Attrition rate	-	30 years & below - 30% 31-40 years - 15% 41-50 years - 8% 51 years & above - 8%
Mortality rate during employment	-	As per Indian Assured Lives Mortality (2006-08) Ult Table
Disability	-	Leaving service due to disability is included in the provision made for all causes of leaving service.

*The estimates of future salary increase considered takes into account inflation, seniority, promotion and other relevant factors.

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A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation is as below:

Particulars	For the year ended March 31, 2020		For the year ended March 31, 2019	
	Discount Rate	Salary escalation Rate	Discount Rate	Salary escalation Rate
Impact of increase in 50 bps on DBO	-	-	-3.73%	3.93%
Impact of decrease in 50 bps on DBO	-	-	3.97%	-3.73%

The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

Projected plan cash flow:

The table below shows the expected cash flow profile of the benefits to be paid to the current membership of the plan based on past service of the employees as at the valuation date.

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Expected benefits for year 1	-	3,746
Expected benefits for year 2	-	3,733
Expected benefits for year 3	-	3,581
Expected benefits for year 4	-	5,293
Expected benefits for year 5 and above	-	64,876

The average duration of the defined benefit plan obligation at the end of the reporting period is Nil (March 31, 2019: 8.25 years).

B. Defined Contribution Plans:

During the year, the Company has recognised the following amounts in the statement of profit and loss:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Employers' contribution to provident and other fund	6,165	14,639

Note 35
Auditor's Remuneration

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Statutory Audit Fees	700	1,400
Certification and Other services (included in legal and professional charges)	-	100
Out of pocket expenses (included in miscellaneous expenses)	120	-
Total Remuneration	**820**	**1,500**

Note 36
Income Tax Expenses

(a) Major components of tax expense

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Current Tax		
Current Tax on profits for the year	-	-
Total Current Tax Expense (A)	**-**	**-**
Deferred Tax		
Relating to addition & reversal of temporary differences	(605)	(554)
Total Deferred Tax Expense (B)	**(605)**	**(554)**
Total Tax Expense (A+B)	(605)	(554)
Income tax effect of re-measurement losses on defined benefit plans taken to other comprehensive loss	**605**	**554**

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Reconciliation of average effective tax rate and applicable tax rate:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Loss before income tax expense	(946,415)	(760,830)
Applicable Tax Rate	25.17%	29.12%
Effect of items for which no deferred tax is recognised	-24.80%	-27.86%
Effects of expenses / income that are not deductible / considered in determining the taxable profits (net)	-0.30%	-1.19%
Effective Tax Rate	0.06%	0.07%

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unabsorbed depreciation and tax losses can be utilised. Accordingly, in view of uncertainty the Company has not recognized deferred tax assets in respect of carried forward tax losses / capital losses / temporary differences of ₹ 1,676,645 as of March 31, 2020 (March 31, 2019: ₹ 1,147,881).

Note 37
Movement in Deferred Tax

Particulars	As at April 1, 2018	Recognised in		As at March 31, 2019	Recognised in		As at March 31, 2020
		Profit and Loss	OCI		Profit and Loss	OCI	
Liabilities							
Depreciation & Amortisation	871	(871)	-	-	-	-	-
Total (A)	**871**	**(871)**	**-**	**-**	**-**	**-**	**-**
Assets							
Expenses allowable on Payment Basis	9	545	(554)	-	605	(605)	-
Provisions for doubtful debts/ advances	862	(862)	-	-	-	-	-
Total (B)	**871**	**(317)**	**(554)**	**-**	**605**	**(605)**	**-**
Net Deferred Tax Liabilities/ (assets) (A-B)	**-**	**(554)**	**554**	**-**	**(605)**	**605**	**-**
As per Financials :							
Deferred Tax Asset	**871**	**-**	**-**	**-**	**-**	**-**	**-**
Deferred Tax Liabilities	**871**	**-**	**-**	**-**	**-**	**-**	**-**

Note 38
Basic & Diluted Earnings/(Loss) per Share

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Nominal value of per equity share	10/-	10/-
Profit/(Loss) after tax	(945,810)	(760,276)
Profit/(Loss) attributable to equity shareholders	(945,810)	(760,276)
Weighted average number of equity shares outstanding during the year	237,099,380	203,447,174
Basic and diluted earnings/(loss) per share	(3.99)	(3.74)

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Note 39
Related party transactions

The Company has below related parties:

Relationship	Related Party
Holding Company	Vodafone Idea Limited (from August 31, 2018)
Immediate Holding Company	Vodafone India Limited (till August 30, 2018)
Fellow Subsidiaries	Vodafone Idea Business Services Limited (formerly Vodafone Business Services Limited) (from August 31, 2018)
	Vodafone Group Services Limited (till August 30, 2018)
	Vodafone India Services Private Limited (till August 30, 2018)
	Vodafone Idea Shared Services Limited (formerly Vodafone India Ventures Limited) (from August 31, 2018)
	Vodafone Mobile Services Limited (till August 30, 2018)
	Vodafone Sales & Services Limited (till August 30, 2018)
Entities having significant influence	Vodafone Group Services Limited (from August 31, 2018)
	Vodafone Sales & Services Limited (from August 31, 2018)
Ultimate Holding Company	Vodafone Group PLC (till August 30, 2018)
Intermediate Holding Company	Vodafone International Holdings B.V. (till August 30, 2018)
	CGP India Investments Limited (till August 30, 2018)
Key Management personnel (KMP)	Mrs. Tripti Desai
	Mr. Nitin Chopra (till November 12, 2018)
	Mr. Suresh Kumar Ramiah (from March 13, 2018)
	Mr. Tridib Ghosh Dastider

A. Transactions with related parties for the year ended March 31, 2020 and March 31, 2019

Particulars	Fellow Subsidiaries	Immediate Holding Company	Holding Company	KMP#
Sale of Service	-	-	57	-
	(19,792)	(2,726)	(13,420)	-
Purchase of service	14,973	-	6,780	-
	(77,832)	(244)	(7,942)	-
Loan taken during the year	-	-	-	-
	-	(2,340,700)	(1,040,000)	-
Loan repaid during the year	-	-	200,000	-
	-	(2,367,000)	(1,048,000)	-
Interest Expenses	-	-	47,987	-
	-	(35,969)	(46,644)	-
Expenses paid on Company's behalf by	-	-	10,181	-
	(226)	(14,383)	(6,335)	-
Expenses paid on Company's behalf to	-	-	1,078	-
	-	-	-	-
Issue of Share Capital	-	-	-	-
	-	(460,000)	(271,300)	-
Remuneration*	-	-	-	6,723
	-	-	-	(7,540)
Director's sitting fees	-	-	-	-
	-	-	-	(325)

(Figures in bracket are for the year ended March 31, 2019)
*excludes charge taken towards share based payments
#Mr. Suresh Kumar R, Managing Director, draws NIL remuneration from the Company. He is an employee of Vodafone Idea Limited (VIL) and draws remuneration from VIL in the capacity of being an employee of VIL.

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B. Balances with Related Parties

Particulars	Fellow Subsidiaries	Holding Company	Entities having significant influence
Interest Accrued but not due	-	13,645	-
	-	(5,768)	-
Accrued Billing revenue	-	-	-
	-	(31)	-
Outstanding loan payable	-	806,099	-
	-	(1,006,099)	-
Prepaid Expenses	-	-	-
	-	(97)	-
Trade and Other Receivables	-	-	-
	-	(5)	-
Trade and Other Payables	5,892	19,348	21,936
	(35,396)	(2,365)	(20,528)

(Figures in bracket are as on March 31, 2019)

Note 40
Financial instruments

a) Financial Instruments by Category:
The following table provides categorisation of all financial instruments at carrying value:

Particulars	As at March 31, 2020	As at March 31, 2019
	Amortised Cost	Amortised Cost
Financial Assets		
Cash and cash equivalents	93	921,146
Margin money deposits	4,275	5,950
Trade receivables	-	2,177
Bank balance other than cash and cash equivalents	184,785	231,942
Interest receivable	14,379	945
Deposits with body corporate and others	5,700	10,250
Others	-	15,378
Total Financial Assets	**209,232**	**1,187,788**

Particulars	As at March 31, 2020	As at March 31, 2019
	Amortised Cost	Amortised Cost
Financial Liabilities		
Borrowings including Interest accrued but not due	819,744	1,011,867
Trade payables	194,387	326,154
Payables for capital expenditure	2,497	20,914
Money received from distributors and enterprise customers	38,172	212,274
Outstanding liability to customers and merchants	183,449	208,420
Total Financial Liabilities	**1,238,249**	**1,779,629**

(b) Fair value hierarchy
The carrying amounts of the financial assets and financial liabilities are reasonable approximation of their fair values. Accordingly, the fair values of such financial assets and financial liabilities have not been disclosed separately.

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Note 41
Financial risk management objectives and policies

The Company's principal financial liabilities comprise borrowings, trade and other payables. The Company's principal financial assets comprise bank balance, trade receivables and deposit with body corporates and others.

The Company is exposed to various financial risks such as market risk, credit risk and liquidity risk. The Directors of the Company oversee management of these risks and assure that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives.

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include borrowings.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no exposure to the risk of changes in market interest as the Company has borrowed from the Holding Company and the interest rate on such borrowing is nil effective from January 1, 2020.

b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency).

The Company's foreign currency risks are identified, measured and managed at periodic intervals in accordance with the Company's policies.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in foreign currency rates, with all other variables held constant. The impact on the Company's profit / (loss) before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives.

Currency exposure	Change in currency exchange rate	Effect on profit before tax
March 31, 2020		
EURO	+5%	(13)
	-5%	13
March 31, 2019		
EURO	+5%	(11)
	-5%	11

c) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument, leading to a financial loss. The Company is exposed to credit risk from it's from its financing activities.

- Trade receivables

Customer credit risk is managed in accordance with the Company's established policy, procedures and controls relating to customer credit risk management. Trade receivables are non-interest bearing and are generally on 0 to 30 days' credit terms. Outstanding customer receivables are regularly monitored.

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- Other financial assets and cash deposits

The Company maintains its Cash and cash equivalents with banks and financial institutions having good reputation, good past record and high quality credit rating and reviews their credit worthiness on an on-going basis in close co-ordination with its holding company's Treasury team.

The Company's maximum exposure to credit risk for the components of the balance sheet as at March 31, 2020 and March 31, 2019 on its carrying amounts as disclosed in notes 9 and 11 to 14.

d) Liquidity risk

Liquidity risk is the risk that the Company may not be able to meet its present and future cash and collateral obligations without incurring unacceptable losses.

The Company has accumulated losses and its net worth has been fully eroded as at March 31, 2020. However, the Company has assessed its liquidity position and its possible sources of funds. The Company has necessary cash balance for settling its liabilities as and when they are due.

Note 42
Capital management

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximise the shareholder value.

The company has financial liabilities of trade and other payables which are payable within one year. The Company maintains sufficient cash and other liquid financial assets to meet the payment of financial liabilities within the due dates.

Note 43

Financial statements for the year ended March 31, 2020 are not comparable with the previous year due to the facts as mentioned in note 3(a). Previous year figures have been regrouped/rearranged wherever necessary to conform to the current year grouping.

As per our report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No: 101049W/E300004

Nilangshu Katriar
Partner
Membership No.: 58814

Place : Mumbai
Date : June 24, 2020

For and on behalf of the Board of Directors of Vodafone m-pesa Limited

Suresh Kumar Ramiah
Managing Director
(DIN: 07019419)

Ambrish Jain
Director
(DIN: 07068438)

Nitisha Gawde
Company Secretary

Place : Mumbai
Date : June 24, 2020