



# FINO PAYTECH LIMITED

Annual Report for the F.Y. 2017-18



## FINO PAYTECH LIMITED

### BOARDS' REPORT

#### Dear Shareholders,

Your Directors have pleasure in presenting their Twelfth Annual Report together with the Audited Standalone and Consolidated Financial Statements for the Financial year ended 31<sup>st</sup> March, 2018. Consolidated results include the results of Fino Payments Bank Limited (Formerly known as FINO Fintech Limited), Fino Finance Private Limited (Formally known as Intrepid Finance and Leasing Private Limited), Fino Financial Services Private Limited and Fino Trusteeship Services Ltd., Wholly-owned subsidiaries of the Company.

#### Financial Highlights

(Rs. in Lakhs)

PARTICULARS	STANDALONE		CONSOLIDATED	
	2017-18 Current Year	2016-17 Previous Year	2017-18 Current Year	2016-17 Previous Year
Net Sales and other income	4,336.53	18,445.70	37,694.02	33,563.68
Profit /(Loss) before Interest, Depreciation and Tax	(4,600.84)	1,223.29	(9,407.30)	(1,947.44)
Finance Charges	436.99	992.32	5,475.70	5,930.99
Depreciation	572.99	930.15	2,722.48	1,269.76
Profit /(Loss) before Tax and prior period items	(5,610.82)	(699.18)	(17,605.48)	(9,148.19)
Prior period items	-	-	-	-
Profit /(Loss) before Tax	(5,610.82)	(699.18)	(17,605.48)	(9,148.19)
<u>Tax expenses:</u>				
Current tax	-	121.47	-	288.46
Tax provision for earlier yrs.	302.78	-	302.78	-
Deferred	(1,224.59)	66.96	(1187.45)	(488.68)
Mat Credit entitlement	-	(121.47)	-	(121.47)
Net Profit /(Loss) after Tax	(4,689.01)	(766.14)	(16,720.81)	(8,826.50)
Other Comprehensive Income	31.21	(60.06)	146.63	(86.52)
Balance of Profit /(Loss) carried forward to next year	(4,657.80)	(826.20)	(16,574.18)	(8,913.02)



## **FINO PAYTECH LIMITED**

Pursuant to the notification dated February 16, 2015 issued by the Ministry of Corporate Affairs, the Company has adopted the Indian Accounting Standards ("Ind AS ") notified under the Companies (Indian Accounting Standards) Rules, 2015 with effect from April 1, 2016.

As, Bharat Petroleum Corporation Limited (BPCL) has invested in the Company upto 23.26% (as on 31<sup>st</sup> March, 2018), therefore your Company had become an Associate Company of the BPCL with effect from January 05, 2017 and hence it is required to comply with the provisions of Ind-AS w.e.f 1<sup>st</sup> April, 2016.

Financial Statements for the year ended and as at March 31, 2018 have been prepared to conform to Ind AS.

### **Company Performance**

The net revenue of the Company was Rs.4,336.52 lakhs as against Rs. 18,445.70 lakhs in the previous year. The Loss before tax was Rs. 5,610.83 lakhs as against Rs. 699.23 lakhs in the previous year.

### **Brief Description of the Company's working during the Year/State of Company's Affairs**

The Company is engaged in the business of providing technology solutions to various banks, insurance companies and government institutions. As a strategic move the Company had transferred its Business Correspondent Business to Fino Payments Bank Limited, a wholly owned subsidiary of the Company.

### **Payment of Dividend**

Your Board of Directors has expressed its inability to recommend dividend to the Shareholders due to absence of distributable profits for the Financial year ended 31<sup>st</sup> March, 2018.

### **Reserves**

The Company doesn't propose to transfer any amount to General Reserves.

### **Material changes and commitments**

Except, as disclosed elsewhere in the report, there have been no material changes and commitments, which can affect the financial position of the Company between the end of the financial year and the date of this report.

Your Company is pleased to inform that Fino Payments Bank Limited, Wholly-owned subsidiary of the Company, had been granted final Payment Banks Licence by Reserve



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Bank of India on 30<sup>th</sup> March, 2017 vide Licence no. MUM :131 and also launched its operations on 30<sup>th</sup> June, 2017 and the Company is the Promoting entity for Fino Payments Bank Limited.

### Detail of Subsidiary Companies

Sr. no.	Name of the Company	Whether incorporated / acquired/ converted	Year of Incorporation/acquisition	Status
1.	Fino Finance Private Limited (Formerly known as Intrepid Finance & Leasing Pvt. Ltd.)	Acquired	2010	*Wholly-owned Subsidiary
2.	FINO Trusteeship Services Ltd.	Incorporated	2009	Wholly-owned Subsidiary
3.	Fino Payments Bank Limited (Formerly known as FINO Fintech Limited)	Converted	2017	Wholly-owned Subsidiary
4.	FINO Financial Services Pvt. Ltd.	Incorporated	2014	Wholly-owned Subsidiary

\*As on 31<sup>st</sup> March, 2017, Fino Finance Private Limited was a subsidiary of the Company. On 5<sup>th</sup> June, 2017 its status changed to Wholly-owned subsidiary of the Company.

During the year under review, the name of Fino Fintech Limited was changed to Fino Payments Bank Limited and fresh Certificate of Incorporation consequent upon change of name was issued by the Registrar of Companies, Mumbai on 4<sup>th</sup> April, 2017.

The Financials of Fino Payments Bank Limited, Fino Finance Private Limited, Fino Trusteeship Services Limited and Fino Financial Services Private Limited, Wholly-owned subsidiary companies are annexed and forming part of the Consolidated financial statements of the Company.

### Highlights of the performance of Company's Wholly-owned Subsidiary Companies:

The total revenue from the operation of Fino Payments Bank Limited during the year under review is Rs. 23,018.49 lakhs and Net Loss is Rs. 6,734.30 lakhs.



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The total revenue from the operation of Fino Finance Private Limited during the year under review is Rs. 12,316.24 lakhs and Net Loss is Rs. 4,200.63 lakhs.

The total revenue from the operation of Fino Trusteeship Services Limited during the year under review is Rs. 6.69 lakhs and Net Profit is Rs. 5.22 lakhs.

The total revenue from the operation of Fino Financial Services Private Limited during the year under review is Rs. Nil lakhs and Net Loss is Rs. 0.43 lakhs.

### **Changes in Capital Structure: Issued and Paid-up Share Capital**

During the year under review, pursuant to the ESOP Scheme of the Company the Company had allotted 22,17,220 Equity Shares of Rs. 10 each to the employees who had exercised their ESOPs. As a result, the issued and paid-up share capital of the Company had increased from Rs. 96,19,51,410/- to Rs. 98,41,23,610/-. The Company has not issued sweat equity shares or shares with differential voting rights during the year under review.

Further, during the year under review, the Authorised Equity Share Capital of the Company increased from Rs. 150,00,00,000 divided into 10,00,00,000 Equity Shares of Rs. 10/- each aggregating to Rs. 100,00,00,000/- and 5,00,00,000 Fully Compulsorily Convertible Preference Shares of Rs. 10/- each aggregating to Rs.50,00,00,000/- to Rs. 170,00,00,000/-, divided into 12,00,00,000 Equity Shares of Rs. 10/- each aggregating to Rs. 120,00,00,000/- and 5,00,00,000 Fully Compulsorily Convertible Preference Shares of Rs. 10/- each aggregating to Rs.50,00,00,000/-.

Therefore the revised Authorised Capital of the Company is Rs. 170,00,00,000/-, divided into 12,00,00,000 Equity Shares of Rs. 10/- each aggregating to Rs. 120,00,00,000/- and 5,00,00,000 Fully Compulsorily Convertible Preference Shares of Rs. 10/- each aggregating to Rs.50,00,00,000/-.

### **Directors' and Key Managerial Personnel**

During the year under review, Mr. Mahendra Kumar Chouhan, Independent Director, Dr. Punita Kumar Sinha, Independent Director had resigned from their position with effect from 2<sup>nd</sup> May, 2017.

Further, Mr. Rishi Gupta, Managing Director and Chief Executive Officer of the Company resigned from his position with effect from 2<sup>nd</sup> May, 2017.

Mr. S. Rajaraman was appointed as an Additional Director in the capacity of Whole-time Director (WTD) and Key Managerial Personnel (KMP) for a period of one year in addition to his present role of Company Secretary & SVP-Legal with effect from 19<sup>th</sup> May, 2017.



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The appointment of Mr. S. Rajaraman, who was appointed as an Additional Director in the capacity of WTD and KMP was confirmed by the Shareholders at their Annual General Meeting held on 28<sup>th</sup> September, 2017.

Mr. S. Rajaraman resigned from the office of Whole-time Director and KMP with effect from 14<sup>th</sup> December, 2017.

Further the appointment of Dr. Anjana Grewal was also confirmed by the Shareholders at their Annual General Meeting held on 28<sup>th</sup> September, 2017.

Mr. Rajeev Arora has been appointed as an Additional Director with effect from 1<sup>st</sup> January, 2018 and subject to the approval of the Shareholders appointed as the Whole-time Director and KMP of the Company with effect from 1<sup>st</sup> January, 2018.

Mr. Arora who holds the office upto the date of the ensuing AGM of the Company would be confirmed as Director in the capacity of Whole-time Director at the ensuing Annual General Meeting.

Further, Mr. Arora retires by rotation at the forthcoming AGM (upon ratification/confirmation of his appointment by the Shareholders) and is eligible for re-appointment.

During the year under review, there were no further changes in the Composition of the Board of Directors of the Company.

Mr. Rishi Daultani was appointed as Chief Financial Officer (CFO) and as Key Managerial Personnel with effect from 19<sup>th</sup> May, 2017 consequent the resignation of Mr. Mukund Barsagade as Chief Financial Officer and KMP of the Company with effect from 1<sup>st</sup> April, 2017.

Mr. Basavraj Loni has been appointed as the Company Secretary and KMP of the Company with effect from 15<sup>th</sup> December, 2017, consequent to the resignation of Mr. S. Rajaraman as the Company Secretary and KMP of the Company with effect from 14<sup>th</sup> December, 2017.

### **Board Evaluation**

Your Company is highly committed and have dedicated professionals as Directors on its Board. The Directors follow an efficient mechanism for Annual Evaluation of performance by the Board, Directors individually, and the Committees of the Board; the mechanism basically is based upon the principle of enhancement in Company's efficient governance and bringing higher levels of transparency, legacy and accountability in working of the Company.



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Broadly, the evaluation framework for assessing the performance of Directors comprises of the following key areas:

- i. Attendance of Board Meetings and Board Committee Meetings.
- ii. Quality of contribution at the Board/Committee Meetings deliberations.
- iii. Strategic perspectives or inputs regarding future growth of Company and its performance.
- iv. Providing perspectives/advice and feedback going beyond information provided by the management.
- v. Commitment towards Shareholders and other Stakeholders' interests.

As per the Companies Act, 2013, the formal annual evaluation needs to be made by the Board of its own performance and that of its committees and individual Directors.

Further, Schedule IV of Companies Act, 2013 states that the performance evaluation of Independent Directors shall be done by the entire Board of Directors, excluding the Director being evaluated.

Accordingly, the Board of Directors had carried out annual performance evaluation of its own performance, the committees and Director individually including Independent Directors. The performance evaluation of the Non Independent Directors and the Board as a whole, Chairman of Company, taking into account the views of Executive Director and Non-Executive Director, was carried out by the Independent Directors.

The Board of Directors had expressed their satisfaction with the evaluation process.

### **Details of Board of Directors' Meetings**

During the year under review, four (4) Board meetings were held and the date on which the meetings were held are:

1. 19.05.2017
2. 11.08.2017
3. 14.11.2017
4. 16.02.2018

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The details of the Directors and attendance at the meeting of the Board of Directors:

Sr. no	Name	Category	No of Meetings attended
1.	Mr. Ashok Kini	Non-Executive Chairman, Independent Director	4
2.	Mahendra Kumar Chouhan	Independent Director	0 <sup>#</sup>
3.	Dr. Punita Kumar Sinha	Independent Director	0 <sup>\$</sup>
4.	Mr. Rishi Gupta	Managing Director and Chief Executive Officer	0 <sup>@</sup>
5.	Dr. Anjana Grewal	Independent Director	4
6.	Mr. Amit Jain	Nominee Director	3
7.	Mr. Pramod Sharma	Nominee Director	4
8.	Mr. Alok Gupta	Nominee Director	4
9.	S. Rajaraman*	Whole-time Director	3
10.	Mr. Rajeev Arora**	Additional Director in the capacity of Whole-time Director	1

# Mr. Mahendra Kumar Chouhan, Independent Director, resigned from his position with effect from 2<sup>nd</sup> May, 2017 and No Meeting(s) were held during his tenure.

\$ Dr. Punita Kumar Sinha, Independent Director had resigned from her position with effect from 2<sup>nd</sup> May, 2017 and No Meeting(s) were held during her tenure.

@ Mr. Rishi Gupta, Managing Director and Chief Executive Officer of the Company resigned from his position with effect from 2<sup>nd</sup> May, 2017 and No Meeting(s) were held during his tenure.

\*Appointed with effect from 19<sup>th</sup> May, 2017 and resigned with effect from 14<sup>th</sup> December, 2017.

\*\*Appointed with effect from 1<sup>st</sup> January, 2018 as an Additional Director in the capacity of Whole-time Director



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Further As per para 2.2 of Secretarial Standard-1 issued by Institute of Company Secretaries of India, the Board has set the minimum number and frequency of Committee meetings.

### **Secretarial Standards**

The Directors confirm that the Company is in compliance with applicable secretarial standards issued by Institute of Company Secretaries of India.

### **Independent Directors**

The Independent Directors have submitted their disclosures under Section 149 (7) of the Act to the Board that they fulfill all the criteria of independence as mentioned in Section 149(6) of the Companies Act, 2013.

### **Directors' Responsibility Statement**

Pursuant to the requirement of Section 134 of the Companies Act, 2013, and based on the representations received from the operating management, the Directors hereby confirm that:

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2018 and loss of the Company for that period;
- (c) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) that the directors had prepared the annual accounts on a going concern basis; and
- (e) that the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### **Auditors & Auditors' Report**

M/s. B S R & Associates LLP (Registration No. 116231 W/W 100024) Statutory Auditors of the Company would retire at the ensuing Annual General Meeting and have confirmed



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that their appointment, if made, shall be within the limits prescribed under the relevant section of the Companies Act, 2013. The Board of Directors have recommended the re-appointment of M/s. B S R & Associates LLP as the Statutory Auditors of the Company for term of 1 (one) year, subject to ratification by the Shareholders at the ensuing Annual General Meeting.

The Notes to Accounts are self explanatory and therefore do not call for any further comments. The Auditors' Report does not contain any qualification, reservation or adverse remark.

### **Disclosures under Section 134 of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014**

As required under Section 134 of the Companies Act, 2013, the disclosures regarding Conservation of Energy, Research and Development, Technology Absorption are set out in the **Annexure A** included in this Report.

The details of Foreign Exchange Earnings and Outgo are set out in note no. 40 of the notes to standalone financial statements.

### **Disclosures under Section 134 of the Companies Act, 2013 read with Rule 5 (2) of Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014**

The Company being unlisted Company the disclosure in terms of Rule 5 of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 is not required to be disclosed.

### **Related Party Transactions**

There are no material related party transactions made by the Company which may have potential conflict with the interest of the Company at large. Transactions entered into with Related Parties are in ordinary course of business and on arms length basis and the same do not attract the provisions of Section 188 of the Companies Act, 2013, thus, disclosure in form AOC-2 in terms of Section 134 of the Companies Act, 2013 is not required. The details of the related party as required under Accounting Standard 18/ Ind AS 24 are set out in notes to accounts to the financial statements. All Related Party Transactions are placed before the Audit Committee.

### **Particulars of Loans, Guarantees or investments**

Details of Loans, Guarantees and Investments covered under the provisions of the Section 186 of the Companies Act, 2013 are given in Notes to Financial statements.

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### Audit Committee

The Board has constituted Audit Committee under Section 177 of the Companies Act, 2013. During the year under review, Mr. Mahendra Kumar Chouhan, Independent Director and Dr. Punita Kumar Sinha, Independent Director had resigned from the Directorship of the Company with effect from 2<sup>nd</sup> May, 2017 and accordingly they ceased to be member of the Audit Committee.

As on 31<sup>st</sup> March, 2018 the Committee comprised of two Independent Directors and three Nominee Directors.

During the year under review, four (4) meetings of the Audit Committee were held and the dates on which the meetings were held are:

1. 19.05.2017
2. 11.08.2017
3. 14.11.2017
4. 16.02.2018

Details of members of the Committee and their attendance at the Audit Committee meetings are as given below:

Sr. no	Name	Category	No of Meetings attended
1.	Mr. Ashok Kini	Chairman	4
2.	Mr. Mahendra Kumar Chouhan	Member	0 <sup>#</sup>
3.	Dr. Punita Kumar Sinha	Member	0 <sup>\$</sup>
4.	Dr. Anjana Grewal*	Member	3
5.	Mr. Alok Gupta	Member	4
6.	Mr. Amit Jain	Member	3
7.	Mr. Pramod Sharma	Member	3

\*Appointed as Member of the Committee with effect from 19<sup>th</sup> May, 2017.

# Mr. Mahendra Kumar Chouhan, Independent Director, resigned from his position with effect from 2<sup>nd</sup> May, 2017, consequently, ceased to be Member of the Committee and No Meeting(s) were held during his tenure.

\$ Dr. Punita Kumar Sinha, Independent Director had resigned from her position with effect from 2<sup>nd</sup> May, 2017, consequently, ceased to be Member of the Committee and No Meeting(s) were held during her tenure.



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The Board of Directors had accepted all the recommendations given by the Audit committee during the year under review.

Chairman of the Audit Committee was present at the Annual General Meeting held on 28<sup>th</sup> September, 2017.

### Nomination and Remuneration Committee

The Board has constituted Nomination and Remuneration Committee as per requirements of the Companies Act, 2013.

During the year under review, Mr. Mahendra Kumar Chouhan, Independent Director and Dr. Punita Kumar Sinha, Independent Director had resigned from the Directorship of the Company with effect from 2<sup>nd</sup> May, 2017 and accordingly they ceased to be member of the Nomination and Remuneration Committee.

The Board of Directors has framed a policy which lays down guidelines in relation to remuneration of Directors, Key Managerial Personnel and other employee of the Company. This policy inter alia, prescribes criteria for determining qualifications, positive attributes and independence of Directors also lays down criteria for selection and appointment of Board Members. The Nomination and Remuneration policy has been prepared as per requirements of the provisions of Section 178 of the Companies Act, 2013 read along with the Rules. The Policy is available on the web site of the Company [www.finopaytech.com](http://www.finopaytech.com).

As on 31<sup>st</sup> March, 2018 the Committee comprised of two Independent Directors and three Nominee Directors.

During the year under review, four (4) meetings of Nomination and Remuneration Committee were held and the date on which the meetings were held are:

1. 19.05.2017
2. 11.08.2017
3. 14.11.2017
4. 16.02.2018

Details of members of the Committee and their attendance at the Nomination and Remuneration Committee meetings are as given below:

Sr. no	Name	Category	No of Meetings attended
1.	Dr. Anjana Grewal*	Chairman	3
2.	Mr. Mahendra Kumar Chouhan	Member	0 <sup>#</sup>

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Sr. no	Name	Category	No of Meetings attended
3.	Dr. Punita Kumar Sinha	Member	0 <sup>\$</sup>
4.	Mr. Ashok Kini	Member	4
5.	Mr. Alok Gupta	Member	4
6.	Mr. Amit Jain	Member	3
7.	Mr. Pramod Sharma	Member	3

# Mr. Mahendra Kumar Chouhan, Independent Director, resigned from his position with effect from 2<sup>nd</sup> May, 2017, consequently, ceased to be Member of the Committee and No Meeting(s) were held during his tenure.

\$ Dr. Punita Kumar Sinha, Independent Director had resigned from her position with effect from 2<sup>nd</sup> May, 2017, consequently, ceased to be Member of the Committee and No Meeting(s) were held during her tenure.

\*Appointed as Chairman of the Committee with effect from 19<sup>th</sup> May, 2017.

### Corporate Social Responsibility Committee

The Board has constituted Corporate Social Responsibility Committee under Section 135 of the Companies Act, 2013 and adopted CSR policy formulated by the Committee.

The CSR policy indicating the development and implementation of the policy on the CSR initiatives/activities as approved by the Board were uploaded in the Web site of the Company at [www.finopaytech.com](http://www.finopaytech.com)

Since the Company has incurred considerable loss in the current financial year, the Company had spent Rs. 11.91 lakhs towards CSR initiative/activities out of the Budget amount of Rs. 20.07 lakhs.

The Company would endeavour to spend the remaining amount in next financial year.

The Annual Report on CSR initiatives/activities is enclosed as **Annexure B**.

During the year under review, two (2) meetings of Corporate Social Responsibility Committee were held and the date on which the meetings were held are:

1. 11.08.2017 and
2. 16.02.2017

Details of members and their attendance at the Corporate Social Responsibility Committee meetings:

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Sr. no	Name	Category	No of Meetings attended
1.	Mr. Ashok Kini	Chairman	2
2.	Dr. Anjana Grewal*	Member	1
3.	Mr. Pramod Sharma	Member	2

\*Appointed as Member of the Committee with effect from 11<sup>th</sup> August, 2017.

### Stakeholder Relationship Committee

The Board of Directors at its Meeting held on 16<sup>th</sup> February, 2018 had constituted Stakeholders Relationship Committee under Section 178 of the Companies Act, 2013.

As on 31<sup>st</sup> March, 2018 the Committee comprised of:

1.	Mr. Ashok Kini	Chairman
2.	Dr. Anjana Grewal	Member
3.	Mr. Rajeev Arora	Member

During the year under review no Meeting of the Stakeholders Relationship Committee was held.

### Risk Management Policy

The Board has framed a policy on Risk Management including identification therein elements of risk, if any which in the opinion of the Board may threaten the existence of the Company.

The policy helps to assess the risk areas, monitor and report compliance and effectiveness of the policy and procedure.

The Company has not come across any element of risk which may threaten the existence of the Company.

The Directors expressed their satisfaction that the systems of risk management are defensible.

### Vigil Mechanism

The Company has established a Vigil Mechanism that enables the Directors and Employees to report genuine concerns. The Vigil Mechanism provides for (a) adequate safeguards against victimization of persons who use the Vigil Mechanism; and (b) direct



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access to the Chairperson of the Audit Committee of the Board of Directors of the Company in appropriate or exceptional cases. Details of the Vigil Mechanism policy are made available on the Company's website [www.finopaytech.com](http://www.finopaytech.com).

### **Reporting of Frauds by Auditors**

During the year under review, the Statutory Auditors and the Secretarial Auditor have not reported any instances of frauds committed in the Company by its Officers or Employees to the Audit Committee under section 143(12) of the Companies Act, 2013, details of which need to be mentioned in this Report.

### **Additional disclosures**

- i) Financial highlights are given at the beginning of this report.
- ii) Change in the nature of business, if any: None.
- iii) The Company has not accepted any deposits during the year in accordance with Chapter V of the Companies Act, 2013.
- iv) There are no significant and material orders passed by the regulators, courts or tribunals during the year impacting the going concern status and Company's operations in future.
- v) There is no requirement to appoint Cost Auditor by the Company.

### **Disclosure for Employees Stock Option Plan (ESOP)**

As per sub-rule 9 of Rule 12 of the Companies (Share capital and Debentures) Rules, 2014 and pursuant to Section 62 of the Companies Act, 2013, the details of ESOPs are:

a) Options granted	: 2,18,20,500
b) Options vested	: 52,49,750
c) Options exercised	: 73,39,000
d) Total number of shares arising as a result of exercise of options	: 73,39,000
e) Options lapsed	: 61,64,250
f) Exercise price	: Rs. 10, 20, 30, 70.64, 75, 80 & 100
g) Variation of terms of options	: none
h) Money realised by exercise of option	: As detailed in financial statements
i) Total number of options in force	: 83,17,250
j) Employee-wise details of options Granted to-	

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- i) Key Managerial Personnel  
(as on 31.03.2018) : 12,25,000
- ii) Any other employee who receives  
grant of options in any one year  
amounting to 5% or more of options  
granted during that year : None
- iii) Identified employees who were  
Granted option, during any one year  
Equal to or exceeding 1% of the issued  
Capital of the company (excluding  
outstanding warrants and conversions)  
at the time of grant : None

### **Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:**

The Company has in place an Anti Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under the policy.

The following is a summary of sexual harassment complaints received and disposed off during the year 2017-18

- No. of complaints received : \_\_0\_\_ (Previous year One).
- No. of complaints disposed off. : \_\_0\_\_ (Previous year One).
- Number of cases pending for more than 90 days : 0

### **Secretarial Audit Report and qualifications**

M/s Amita Desai & Co., Company Secretaries, the Secretarial Auditor has conducted Secretarial audit for the financial year 2017-18 as required under Section 204 of the Companies Act, 2013 and the report with qualifications/observations is provided in **Annexure C** which is included in this report.

Following are the reply of management for the two remarks given by the Secretarial Auditors in their report:

1. The Company had inadvertently, unintentionally and due to oversight, passed the Special Resolution for alteration of Main Object of Memorandum of Association of the Company at the Extra-Ordinary General Meeting instead of passing of the same through Postal Ballot as required under Section 110 of the

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Act read with Rule 22 of the Companies (Management and Administration) Rules, 2014. The Company will ensure proper compliance in future.

2. The Company had adequate Composition of the Audit Committee and Nomination and Remuneration Committee as required under section 177 and 178 of the Companies Act, 2013, respectively. However due to resignation of Mr. Mahendra Kumar Chouhan, Independent Director and Dr. Punita Kumar Sinha, Independent Director as Director of the Company they ceased to be Members of the Audit Committee and Nomination and Remuneration Committee with effect from 2<sup>nd</sup> May, 2017. The Company will ensure proper composition of its Audit Committee and Nomination and Remuneration Committee as required under section 177 and 178 of the Companies Act, 2013, respectively, in future.

### **Internal Auditor**

As required under Section 138 of the Companies Act, 2013 and Rule 13 of the Companies (Accounts) Rules, 2014, the Internal Audit function is carried out by the Internal Auditor. The Internal Auditors present their report to the Audit Committee. The scope, functioning, periodicity and methodology for conducting the internal audit have been formulated in consultation with the Audit Committee and the Board of Directors.

### **Internal Controls and their adequacy**

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. Internal Audit Control System ensures that the regular internal audits are conducted at both the branches and other functional areas. The findings are then taken up by audit committee along with management response for suitable action. The Company has adequate and effective internal audit system, covering on a continuous basis, the entire gamut of operations and services spanning all locations, business and functions. The Audit Committee monitors the Internal Audit System on regular intervals and directs necessary steps to further improve the Internal Control system.

### **Extract of Annual Return**

The details forming part of the extract of the annual return in Form MGT-9 is enclosed in **Annexure D**.



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### **Acknowledgement**

The Board wishes to place on record its sincere appreciation to the contribution made by the Employees of the Company during the year under review. On a consolidated basis the Company has achieved impressive growth through the competence, hard work, solidarity, co-operation and support of employees at all levels. Your Directors thank the customers, clients, vendors and other business associates for their continued support in the Company's growth. The Directors also wish to thank the Government Authorities, Banks and the Shareholders for their co-operation and assistance extended to the Company.

**Place : Navi Mumbai**

**For and on behalf of the Board of Directors**

**Date : 23<sup>rd</sup> May, 2018**

Sd/-

**Ashok Kini**

**Non-Executive Chairman**

## ANNEXURE A

### Annexure to the Directors' Report

**INFORMATION RELATING TO CONSERVATION OF ENERGY, R&D, TECHNOLOGY ABSORPTION AND INNOVATION, AND FOREIGN EXCHANGE EARNINGS/ OUTGO FORMING PART OF THE DIRECTORS' REPORT IN TERMS OF SECTION 134 OF THE COMPANIES ACT, 2013.**

#### **A. Conservation of Energy**

The Company has undertaken several initiatives at its registered office such as:

- Installed energy efficient LED lights.
- Most of the lights and air condition units are switched off after 7 pm. Only required lights are put on to save on wastage of energy. Switching off all the workstation area AC's during lunch time from 1 p.m. to 2 p.m. except cafeteria.
- Power factor has been maintained constantly **through use of Capacitor bank**.
- Installed sun control film & blinds across office to keep office cool and to save on AC consumption.

The Company has been consciously making efforts towards improving the energy performance year on year.

#### **B. Research & Development**

During the year under review, the Company had conducted various R & D activities in the following areas:

##### **1. Strengthening the Technology landscape**

###### **a. Financial Inclusion Gateway**

The Company has implemented FIG (Financial Inclusion Gateway) solution, which is currently running in Allahabad Bank since more than 4 years, 4 TSPs have integrated with FIG. FIG is handling load of around 8 lakhs transactions per day. FIG supporting online account opening, Demo Auth, AEPS (ON US-OFF US transactions), Aadhar Pay, Rupay based Transactions. FIG is integrated with NPCI,Bank, CBS and Banks ATM Switch.



## **FINO PAYTECH LIMITED**

### **b. Tech Sales**

In tech sale, the Company develops mATMs application/gateways/integration with switch as per Bank's requirement. Application is hosted in Bank's premises/Company's premise as per requirement. Onsite support person provide the support to Bank/Application.

## **2. Security**

We have implemented a comprehensive security stack for the banking application. The security stack implemented for providing exceptional alters to monitor and take necessary action to protect any fraudulent activity. The covers all servers and network devises.

The SOC [Security Operations Center] is being managed by ctrl S and comprises the following.

- Intrusion Prevention Systems(IPS)
- Intrusion Detection Systems(IDS)
- Web Application Firewall (WAF)
- File Integrity Monitoring Systems(FIM)
- Firewalls
- Various monitoring mechanisms deployed using the above tools, alerts are monitored online and daily basis to ensure high level security.

During the period under review, the Company has incurred capital expenditure of Rs. NIL (Previous year Rs. NIL) towards Research and development activities.

## **C. Technology absorption**

### **FINO ASA/AUA and KSA/KUA compliant**

Extending our gains and our experience on AUA/ASA, we scaled it further and on boarded 6 AUA / KUA in our system, today our enrollment and Lending enrollment are done using this platform. We are also among the first few to implement the Registered Device (RD) certification for UID.

**Place : Navi Mumbai**  
**Date : 23<sup>rd</sup> May, 2018**

**For and on behalf of the Board of Directors**

Sd/-  
**Ashok Kini**  
**Non-Executive Chairman**

**Annexure - B**  
**Annual Report on Corporate Social Responsibility**  
(Pursuant to Companies (Corporate Social Responsibility Policy) Rules, 2014)

**1. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects Or programs:**

- The Company has adopted the CSR policy through CSR Committee.
- The Company's CSR and welfare activities are committed to create and support programs that bring about sustainable changes through contributing towards major challenges faced by India (like improving healthcare, facing flood disaster, supporting education etc., and making our country a better place to live for all).
- The Company plans to support/ partner and assist various CSR activities in the following areas:
  - EDUCATION:
    - a. Financial Programs
    - b. Financial Literacy
    - c. Vocational training
- The Corporate Social Responsibility (CSR) Policy of the Company, as approved by the Board of the Directors, is available on the Company's website at [www.finopaytech.com](http://www.finopaytech.com)

**2. The Composition of the CSR Committee as on March 31, 2018:**

- Mr. Ashok Kini - Chairman
- \*Dr. Anjana Grewal - Member
- Mr. Pramod Sharma – Member

\* Dr. Anjana Grewal was appointed as a Member of the CSR Committee with effect from 11<sup>th</sup> August, 2017.

**3. Average net profit of the company for last three financial years:** Rs. 1,003.68 Lakhs

**4. Prescribed CSR Expenditure:** Rs. 20.07 lakhs  
(two percent of the amount as in item 3 above)

**5. Details of CSR spent during the financial year.**

(a) Total amount to be spent for the financial year:	Rs. 11.91 Lakhs
(b) Amount unspent, if any:	Rs. 8.16 Lakhs
(c) Manner in which the amount spent during the financial year:	as tabled below

(Rs. In lakhs)

1	2	3	4	5	6	7	8
<b>Sr . No</b>	<b>CSR Project or activity identified</b>	<b>Sector in which the project is covered</b>	<b>Projects or Programmes</b> 1) Local area or other 2) Specify the state and district where projects or programs was undertaken	<b>Amount outlay (budget) project or program wise</b>	<b>Amount spent on the projects or programs</b> <b>Sub-heads:</b> 1) Direct Expenditures on projects or programs 2) Overheads	<b>Cumulative Expenditure up to the reporting period.</b>	<b>Amount spent: Direct or through implementing agency</b>
1.	Flood Relief Measure – Food distribution	Eradicating hunger	Bihar (Araria, Kishanganj, Purnia & Katihar)	INR 6.39	INR 6.39	-	Through - Laxmi Narayan Chira Mill
2.	Sponsoring for Kids' education	Promotion of Education	Chennai	INR 2.20	INR 2.20	-	To/Through - Ramakrishna Mission Ashrama
3.	Health Care Awareness and Camps	Promoting preventive health care	Haryana, Punjab, Madhya Pradesh, Gujrat, Maharashtra, Uttaranchal, Uttar Pradesh, Patna	INR 3.32	INR 3.32	-	Trough : Healthvista India Pvt Ltd

6. In case the company has failed to spend the two per cent, of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report:

Appropriate justification is provided in the Boards' report.

7. The CSR Committee confirms that the implementation and monitoring of the CSR activities of the Company are in compliance with the CSR objectives and CSR Policy of the Company.

For and on behalf of the Board of Directors

Date: May 23, 2018  
Place: Navi Mumbai

Sd/-  
Ashok Kini  
Chairman of CSR  
Committee

Sd/-  
Rajeev Arora  
Whole-time Director

**ANNEXURE - C**

**SECRETARIAL AUDIT REPORT**

**Form No. MR-3**

**FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2018**

*[Pursuant to section 204(1) of the Companies Act, 2013 and Rule no.9 of the Companies  
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]*

**To,**

**The Members,**

**FINO PayTech Limited**

SK Elite, 5th Floor, Plot No. D-404 and D-405  
TTC Industrial Area, MIDC, Turbhe,  
Navi Mumbai, Thane-400705

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **FINO PayTech Limited** (hereinafter called "**the Company**") for financial year from April 01, 2017 to March 31, 2018 (hereinafter referred to as ("**the Audit Period**"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, and as per the explanations given to us and the representations made by the Management of the Company, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2018, complied with the statutory provisions listed hereunder and also that the Company had proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed during the Audit Period and other records made available to us and maintained by the Company and as shown to us during our audit and according to the provisions of the following laws:

- i. The Companies Act, 2013 ("the Act") and the rules made there under;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

- v. Since the Company is an unlisted public company, the following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') **are not applicable to the Company during the Audit Period:-**
- a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
  - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - d. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
  - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
  - h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
- vi. During the Audit Period no laws was specifically applicable to the Company.

We have also examined compliance with the applicable clauses of the following:

- i. Secretarial Standards issued by the Institute of Company Secretaries of India [SS-1 (Board Meetings) and SS-2 (General Meetings)].
- ii. The Company being unlisted public Company, there is no Listing Agreement entered into by the Company with any Stock Exchange(s) and hence the same is not applicable to the Company.

During the period under review and as per the explanation and clarification given to us and the representations made by the management, the Company had complied with the provisions of the Act, Rules, Regulations, Guidelines, Standard etc. as mentioned above, except to the extent as mentioned below:

- a. *For the alteration of Main Object in the Memorandum of Association of the Company, the Company had passed the resolution in the Extra ordinary General Meeting held on May 24, 2017 and not passed it through Postal Ballot as required under Section 110 of the Act read with Rule 22 of the Companies (Management and Administration) Rules, 2014.*
- b. *The composition of Audit Committee and Nomination and Remuneration Committee is not as per the provisions of Section 177 and 178 of the Act, respectively as the Audit Committee does not have majority of Independent Directors and Nomination and Remuneration Committee does not have one half of its members as Independent Directors.*

**We further report that**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors, except as stated above. The changes in the composition of the Board of Directors that took place during the Audit Period were carried out in compliance with the provisions of the Act, except as stated above.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven (7) days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decisions were carried out unanimously and the same is recorded as such in the minutes of the meetings. None of the members of the Board have expressed dissenting views on any of the agenda items during the Audit period.

**We further report that** there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**We further report that** during the Audit Period the Company has issued equity shares under Employee Stock Options Scheme.

**Place: Mumbai**  
**Date: 23<sup>rd</sup> May, 2018**

**For Amita Desai & Co.**  
**Company Secretaries**

**Sd/-**  
**Amita Desai**  
**Proprietor**  
**FCS 4180 CP 2339**

This report is to be read with our letter of even date which is annexed as 'ANNEXURE A' and forms an integral part of this report.

**ANNEXURE – A**

**(To the Secretarial Audit Report of FINO PayTech limited for the financial year ended March 31, 2018)**

To,  
The Members,  
**FINO PayTech Limited**  
SK Elite, 5<sup>th</sup> Floor, Plot No. D-404 and D-405,  
TTC Industrial Area, MIDC, Turbhe,  
Navi Mumbai, Thane-400705

Our Secretarial Audit Report for the financial year from April 01, 2017 to March 31, 2018 of even date is to be read along with this letter.

1. Maintenance of secretarial and other record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit of the relevant records maintained and furnished to us by the Company alongwith the explanation where so required;
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion;
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company;
4. Wherever required, we have obtained the Management Representation about the compliance of laws, rules and regulations and happening of events etc. and also got Management Representation that there is no specifically applicable laws to the Company.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**Place: Mumbai**  
**Date: 23<sup>rd</sup> May, 2018**

**For Amita Desai & Co.**  
**Company Secretaries**

**Sd/-**  
**Amita Desai**  
**Proprietor**  
**FCS 4180 CP 2339**

**ANNEXURE D****Annexure to the Boards' Report****EXTRACT OF ANNUAL RETURN****Form No. MGT-9**

as on the financial year ended on March 31, 2018

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration), Rules, 2014]

**I. REGISTRATION & OTHER DETAILS:**

1.	CIN	U72900MH2006PLC162656
2.	Registration Date	15 <sup>th</sup> June 2006
3.	Name of the Company	FINO PayTech Limited
4.	Category/Sub-category of the Company	Company limited by shares Indian non- Government Company
5.	Address of the Registered office & contact details	SK Elite, 5th Floor, Plot No D- 404 and D- 405, TTC Industrial Area, MIDC Turbhe, Navi Mumbai- 400705 Maharashtra. India Tel: 022 7137 7100
6.	Whether listed company	No
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Adroit Corporate Services Pvt. Ltd., 17-20, Jafferbhoy Ind. Estate, 1st Floor, Makwana Road, Marol Naka, Andheri (E), Mumbai - 400059, Tel: 022-42270400. Fax: +91 (0)22 28503748, www.adroitcorporate.com

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

(All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

S. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Activities auxiliary to Financial service activities(to provide technology based solutions and services related to financial inclusion)	66190	95.15



**FINO PAYTECH LIMITED**



a) NRI's - Individuals	-	-	-	-	-	-	-	-	-
b) Other – Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corporate	-	-	-	-	-	-	-	-	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any Other	-	-	-	-	-	-	-	-	-
<b>Sub-Total (A)(2)</b>	-	-	-	-	-	-	-	-	-
<b>Total shareholding of Promoter (A) = (A) (1) + (A) (2)</b>	-	-	-	-	-	-	-	-	-
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	13082213	0	13082213	13.60	13082213	0	13082213	13.29	-0.31
c) Central Govt									-
d) State Govt(s)	30685423	0	30685423	31.90	2250000	0	2250000	2.29	29.61
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)									
i-1) Corporate Body - Government	0	0	0	0.00	28435423	0	28435423	28.89	28.89
<b>Sub-total (B)(1):-</b>	<b>43767636</b>	<b>0</b>	<b>43767636</b>	<b>45.50</b>	<b>43767636</b>	<b>0</b>	<b>43767636</b>	<b>44.47</b>	<b>-1.02</b>
<b>2. Non-Institutions</b>									
a) Bodies Corp.									
i) Indian	17849172	4343276	22192448	23.07	18354993	4343276	22698269	23.06	0.00
ii) Overseas	16531993	7512207	24044200	24.99	14116733	7512207	21628940	21.98	-3.02
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	924604	63000	995604	1.03	2135705	56750	2192455	2.23	1.19



**FINO PAYTECH LIMITED**

ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	2606253	2315250	4921503	5.12	5046681	2304000	7350681	7.47	2.35
c) Any Other (Specify)									
c-1) Non Resident Indians (Individuals)	281750	0	281750	0.29	774380	0	774380	0.79	0.49
<b>Sub-Total (B)(2)</b>	<b>38193772</b>	<b>14233733</b>	<b>52435505</b>	<b>54.50</b>	<b>40428492</b>	<b>14216233</b>	<b>54644725</b>	<b>55.53</b>	<b>1.02</b>
<b>Total Public Shareholding (B) = (B)(1) + (B)(2)</b>	<b>81961408</b>	<b>14233733</b>	<b>96203141</b>	<b>100.00</b>	<b>84196128</b>	<b>14216233</b>	<b>98412361</b>	<b>100.00</b>	<b>0.00</b>
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	<b>81961408</b>	<b>14233733</b>	<b>96195141</b>	<b>100.00</b>	<b>84196128</b>	<b>14216233</b>	<b>98412361</b>	<b>100.00</b>	<b>0.00</b>

**(ii) Shareholding of Promoter-**

Sl. No	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

**(iii) Change in Promoters' Shareholding (please specify, if there is no change)**

SN	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	-	-	-	-
	NO CHANGE				
	At the end of the year	-	-	-	-



**FINO PAYTECH LIMITED**

**(iv) Shareholding Pattern of top ten Shareholders: (Other than Directors, Promoters and Holders of GDRs and ADRs):**

Sr No	Name of shareholder	Shareholding at the beginning of the year		Date	Reason	Increase/ Decrease in shareholding		Cumulative Shareholding during the year	
		No of shares	% of total shares			No of shares	% of total shares	No of shares	% of total shares
1.	Bharat Petroleum Corporation Limited	28435423	29.56	-	No change	-	-		
					At the end of the year	-	-	28435423	28.89
2.	ICICI Prudential Life Insurance Company Limited	11328854	11.78	-	No change	-	-		
					At the end of the year	-	-	11328854	11.51
3.	Blackstone GPV Capital Partners (Mauritius) VI-B FDI Limited	7512207	7.81	-	No change	-	-		
					At the end of the year	-	-	7512207	7.63
4.	HAV 3 Holdings (Mauritius) Limited	7456993	7.75	-	No change	-	-		
					At the end of the year	-	-	7456993	7.58
5.	International Finance Corporation	6569567	6.83	-	No change	-	-		
					At the end of the year	-	-	6569567	6.68
6.	ICICI Bank Limited	57,50,000	5.98	-	No change	-	-		
					At the end of the year	-	-	5750000	5.84
7.	ICICI Lombard General Insurance Company Limited	5289194	5.50	-	No change	-	-		
					At the end of the year	-	-	5289194	5.37

**FINO PAYTECH LIMITED**

8.	Intel Capital Corporation	6848709	7.12	30.11.17	Off market sale	2245768	2.28	-	-
				05.12.17	Off market sale	169492	0.17	-	-
					At the end of the year	-	-	4433449	4.50
9.	Exide Life Insurance Company Limited	2832213	2.94	-	No change	-	-		
					At the end of the year	-	-	2832213	2.88
10	Life Insurance Corporation of India	22,50,000	2.34	-	No change	-	-		
					At the end of the year	-	-	22,50,000	2.29
11	Indian Bank	22,50,000	2.34	-	No change	-	-		
					At the end of the year	-	-	22,50,000	2.29
12	Union Bank of India	22,50,000	2.34	-	No change	-	-		
					At the end of the year	-	-	22,50,000	2.29
13	Corporation Bank	22,50,000	2.34	-	No change	-	-		
					At the end of the year	-	-	22,50,000	2.29

**(v) Shareholding of Directors and Key Managerial Personnel:**

Sr No	Name of shareholder	Shareholding at the beginning of the year		Date	Reason	Increase/ Decrease in shareholding		Cumulative Shareholding during the year	
		No of shares	% of total shares			No of shares	% of total shares	No of shares	% of total shares
1	Rishi Gupta – Managing Director & CEO till 2 <sup>nd</sup> May, 2017	18000	0.02	-	-	-	-	-	-
					As on 2 <sup>nd</sup> May, 2017	-	-	18000	0.02
2	Rajeev Arora – Whole-time Director w.e.f. 01.01.2018	N.A		-					
					As on 31 <sup>st</sup> March, 2018			162000	0.16
3	S. Rajaraman – Whole-time Director and Company	8000	0.008	-	-				

**FINO PAYTECH LIMITED**


	Secretary from 19.05.2017 to 15.12.2017								
					As on 15 <sup>th</sup> December, 2017	-	-	8000	0.008
4	Rishi Daultani – Chief Financial Officer w.e.f 19 <sup>th</sup> May, 2017	N.A.	-	-	-	-	-	-	-
					At the end of the year	-	-	-	-
5	Basavraj Loni – Company Secretary – w.e.f. 15.12.2017	-	-	-	-	-	-	-	-
					At the end of the year			-	-

**V) INDEBTEDNESS**

Indebtedness of the Company including interest outstanding/accrued but not due for payment.

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	45,74,38,526.63	-	-	45,74,38,526.63
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	45,74,38,526.63	-	-	45,74,38,526.63
<b>Change in Indebtedness during the financial year</b>				
* Addition	-	-	-	-
* Reduction	1,64,33,431.49	-	-	1,64,33,431.49
<b>Net Change</b>	(1,64,33,431.49)	-	-	(1,64,33,431.49)
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	44,10,05,095.14	-	-	44,10,05,095.14
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	44,10,05,095.14	-	-	44,10,05,095.14

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL-

## A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Sl. No.	Particulars of Remuneration	Name of Managing Director	Name of Whole-time Director	Name of Whole-time Director	Total Amount
		Rishi Gupta - Managing Director & CEO (Upto 2 <sup>nd</sup> May, 2017)	Rajeev Arora, Whole time Director (from 01.01.2018)	S. Rajaraman, Whole time Director (from 19.05.2017 to 15.12.2017)	
1	Gross salary	10,15,832	29,39,118	17,62,797	57,17,747
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	9,45,443	25,11,272	14,01,513	48,58,228
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	70,389	4,27,846	2,38,784	7,37,019
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-	-
2	Stock Option	-	-	1,22,500	1,22,500
3	Sweat Equity	-	-	-	-
4	Commission - as % of profit - others, specify...	-	-	-	-
5	Others	-	-	-	-
	Total (A)	<b>10,15,832</b>	<b>29,39,118</b>	<b>17,62,797</b>	<b>57,17,747</b>
	Ceiling as per the Act	Rs. 2,40,70,600 p.a./ per employee			

## B. REMUNERATION TO OTHER DIRECTORS

Sl. No.	Particulars of Remuneration	Names of Directors		Total Amount
1	Independent Directors	Ashok Kini	Anjana Grewal	
	Fee for attending board committee meetings	7,00,000	6,50,000	13,50,000
	Commission	-	-	-
	Others, please specify	-	-	-
		-	-	-
	Total (1)	7,00,000	6,50,000	13,50,000
2	Other Non-Executive Directors	-	-	-
	Fee for attending board	-	-	-



**FINO PAYTECH LIMITED**

Sl. No.	Particulars of Remuneration	Names of Directors		Total Amount
	committee meetings			
	Commission	-	-	-
	Others, please specify	-	-	-
	Total (2)	-	-	-
	<b>Total (B)=(1+2)</b>	<b>7,00,000</b>	<b>6,50,000</b>	<b>13,50,000</b>
	<b>Total Managerial Remuneration</b>			
	<b>Overall Ceiling as per the Act</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>

**C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD\***

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		Total
		CFO Rishi Daultani w.e.f 19.05.2017 to 31.03.2018	Company Secretary Basavraj Loni from 15.12.2017 to 31.03.2018	
1	Gross salary	25,91,950	5,43,269	31,35,219
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	16,56,783	465628	21,22,411
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	2,82,279	41041	3,23,320
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-
2	Stock Option	2,88,600	-	2,88,600
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	- as % of profit	-	-	-
	others specify...	-	-	-
5	Others, please specify	3,64,288	36,600	4,00,888
	<b>Total</b>	<b>25,91,950</b>	<b>5,43,269</b>	<b>31,35,219</b>

\*Since remuneration of Mr. Rishi Gupta, Managing Director & CEO, Mr. Rajeev Arora, Whole-time Director and Mr. S. Rajaraman, Whole-time Director & Company Secretary (KMP) is given, hence not repeated in this section.



**FINO PAYTECH LIMITED**

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
<b>A. COMPANY</b>					
Penalty	<b>NIL</b>				
Punishment					
Compounding					
<b>B. DIRECTORS</b>					
Penalty	<b>NIL</b>				
Punishment					
Compounding					
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty	<b>NIL</b>				
Punishment					
Compounding					

Place : Navi Mumbai  
Date : 23<sup>rd</sup> May, 2018

For and on behalf of the Board of Directors

Sd/-  
**Ashok Kini**  
Non-Executive Chairman

**FINO PayTech Limited**

Financial Statements  
together with Auditors' Report  
for the year ended 31 March 2018

# B S R & Associates LLP

Chartered Accountants

5th Floor, Lodha Excelus,  
Apollo Mills Compound  
N. M. Joshi Marg, Mahalaxmi  
Mumbai - 400 011  
India

Telephone +91 (22) 4345 5300  
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## INDEPENDENT AUDITOR'S REPORT

### To the Members of FINO PayTech Limited

#### Report on the Audit of the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of FINO PayTech Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and summary of the significant accounting policies and other explanatory information.

#### Management's Responsibility for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the state of affairs, profit/loss (including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone 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.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

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

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

We are also responsible to 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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at 31 March 2018, its loss (including other comprehensive income), changes in equity and its cash flows for the year ended on that date.

### **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 in terms of Section 143(11) of the Act, we give in "Annexure A" 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, 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 standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.
- e) The going concern matter described under the Material Uncertainty Related to Going Concern paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.
- f) On the basis of the written representations received from the directors as on 31 March 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164(2) of the Act.
- g) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
- 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, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements; - Refer Note 43 to the standalone Ind AS financial statements.
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
  - iv. The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018. However amounts as appearing in the audited Standalone Ind AS financial statements for the year ended 31 March 2017 have been disclosed.

For B S R & Associates LLP

*Chartered Accountants*

Firm's Registration No. 16231W/W-100024



**Ritesh Goyal**

Partner

Membership No. 115007

Mumbai  
23 May 2018

## **Annexure A to the Independent Auditor's Report of even date on Ind AS financial statements of FINO PayTech Limited**

- (i)
  - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b. The Company has a program of verification to cover all the items of the fixed assets in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the management during the year. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
  - c. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not hold any immovable property during the year. Accordingly, paragraph 3(i)(c) of the Order is not applicable.
- (ii) The inventory has been physically verified at reasonable intervals by the management during the year. The discrepancies noticed on verification between physical stocks and the books records were not material and appropriately provided for in the books of account..
- (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 Act. Accordingly, the provision of clause 3(iii) of the Order is not applicable.
- (iv) According to the information and explanations given to us, the Company has not granted any loans, made investments or provided guarantees under section 185 and 186 of the Act. Accordingly, the provision of clause 3(iv) of the Order is not applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Section 73 to Section 76 or any other relevant provisions of the Act and the rules framed there under apply.
- (vi) The Central Government has not prescribed the maintenance of cost records under sub section (1) of section 148 of the Act for any of the services rendered by the Company. Accordingly, the provision of clause 3(vi) of the Order is not applicable.
- (vii) According to the information and explanations given to us and on the basis of our examination of records of the Company, in respect of statutory dues:
  - a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Goods and Service Tax, Excise Duty, Value Added Tax, cess and other material statutory dues applicable to it to the appropriate authorities except in case of provident fund, where whilst the Company has demonstrated its ability to pay such amounts, for certain employees, the same have not been accepted by the PF authority on account of delay in linking of aadhar number by such employees of the Company to the provident fund account and except for professional tax as the Company has not obtained registration in three states. As explained to us the Company did not have any dues on account of duty of customs.

**Annexure A to the Independent Auditor's Report of even date on Ind AS financial statements of FINO PayTech Limited (Continued)**

- b) There were no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, service tax, cess and other material statutory dues except for professional tax which were in arrears as at 31 March 2018 for a period of more than six months from the date they became payable. The extent of arrears of outstanding statutory dues has been given in Appendix 1.
- c) Details of dues of Cess and Value Added Tax which have not been deposited as on 31 March 2018 on account of disputes are given in Appendix 2.
- (viii) In our opinion and according to the information and explanations given to us, the Company did not have any dues to any financial institution, bank, government or debenture holders during the year. Accordingly, clause 3(viii) of the Order is not applicable.
- (ix) In our opinion and according to the information and explanations given to us, the Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, clause 3(ix) of the Order is not applicable.
- (x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the explanation and information given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
- (xi) In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, the provision of clause 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, the provision of clause 3(xiv) of the Order is not applicable.

**Annexure A to the Independent Auditor's Report of even date on Ind AS financial statements of FINO PayTech Limited (Continued)**

- (xv) According to the information and explanations given to us and based on our examination of the records, during the year the Company has not entered into any non-cash transactions with directors or persons connected with him and hence the provision of Section 192 of the Act is not applicable. Accordingly, the provision of clause 3(xv) of the Order is not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provision of clause 3(xvi) of the Order is not applicable.

For B S R & Associates LLP  
*Chartered Accountants*  
Firm's Registration No: 116231W/W-100024



**Ritesh Goyal**  
*Partner*  
Membership No: 115007

Mumbai  
23 May 2018

**Annexure A to the Independent Auditor's Report of even date on Ind AS financial statements of FINO PayTech Limited (Continued)**

**Appendix 1**

<i>Name of the Statute</i>	<i>Nature of the Dues</i>	<i>Amount (Rs.)</i>	<i>Period to which the amount relates</i>	<i>Due Date</i>
Department of Commercial Taxes	Professional tax	28,711	March 15	30-Apr-15
Department of Commercial Taxes	Professional tax	70,029	March 16	30-Apr-16
Department of Commercial Taxes	Professional tax	30,551	April 16	30-May-16
Department of Commercial Taxes	Professional tax	25,087	May 16	30-Jun-16
Department of Commercial Taxes	Professional tax	32,440	June 16	30-Jul-16
Department of Commercial Taxes	Professional tax	22,051	July 16	30-Aug-16
Department of Commercial Taxes	Professional tax	24,232	August 16	30-Sep-16
Department of Commercial Taxes	Professional tax	18,633	September 16	30-Oct-16
Department of Commercial Taxes	Professional tax	17,597	October 16	30-Nov-16
Department of Commercial Taxes	Professional tax	17,620	November 16	30-Dec-16
Department of Commercial Taxes	Professional tax	22,440	December 16	30-Jan-17
Department of Commercial Taxes	Professional tax	16,495	January 17	28-Feb-17
Department of Commercial Taxes	Professional tax	25,171	February 17	30-Mar-17
Department of Commercial Taxes	Professional tax	2,338	April 17	30-May-17
Department of Commercial Taxes	Professional tax	1,685	May 17	30-Jun-17
Department of Commercial Taxes	Professional tax	1,516	June 17	30-Jul-17
Department of Commercial Taxes	Professional tax	9,257	July 17	30-Aug-17
Department of Commercial Taxes	Professional tax	9,821	August 17	30-Sep-17
Department of Commercial Taxes	Professional tax	10,085	September 17	30-Oct-17
Department of Commercial Taxes	Professional tax	8,271	October 17	30-Nov-17
Department of Commercial Taxes	Professional tax	6,998	November 17	30-Dec-17
Department of Commercial Taxes	Professional tax	7,948	December 17	30-Jan-18
Department of Commercial Taxes	Professional tax	7,901	January 18	28-Feb-18
Department of Commercial Taxes	Professional tax	12,201	February 18	30-Mar-18
Department of Commercial Taxes	Professional tax	10,425	March 18	30-Apr-18

**Annexure A to the Independent Auditor's Report of even date on Ind AS financial statements of FINO PayTech Limited (Continued)**

**Appendix 2**

Name of Statute	Nature of Dues	Amt Demanded (Rs. In laes)	Amt unpaid (Rs in laes)	Amount Paid under Protest (Rs in laes)	Assessment Year	Forum where it is pending
Cess	NMMC	102.2	-	102.2	2007-08	Assessment Officer
UP VAT Act	Sales Tax	90.25	62.47	27.78	2008-09	First Appeal
Entry Tax Act	Sales Tax	2	1.42	0.58	2008-09	First Appeal
UP VAT Act	Sales Tax	54.60	15.16	39.44	2009-10	Tribunal
Entry Tax Act	Sales Tax	160.99	126.02	34.97	2010-11	First Appeal
Entry Tax Act	Sales Tax	79.90	67.64	12.26	2011-12	First Appeal
Entry Tax Act	Sales Tax	158.02	119.06	38.94	2012-13	First Appeal
Bihar Vat	Sales Tax	4.1	-	4.1	2012-13	Commissioner (Appeals)
UP VAT Act	Sales Tax	28.38	28.38	-	2014-15	Commissioner (Appeals)

## FINO PayTech Limited

### **“Annexure B” to the Independent Auditor’s Report**

#### **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 **FINO PayTech Limited** (“the Company”) as of 31 March 2018 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 (‘ICAI’). 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 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, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both 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 was established and maintained and if such controls operated effectively in all material respects.

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

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

## FINO PayTech Limited

### Annexure – B to the Independent Auditor's Report (*Continued*)

#### **Meaning of Internal Financial Controls over Financial Reporting**

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Ind AS 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**

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

#### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, 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 B S R & Associates LLP  
Chartered Accountants  
Firm's Registration No: 116231W/W-100024



**Ritesh Goyal**  
Partner

Membership No: 115007

Mumbai  
23 May 2018

# FINO PayTech Limited

Financial Statements together with Auditors' Report for the year ended 31 March 2018

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# FINO PayTech Limited

## Balance sheet

As at 31 March 2018

Currency: Indian Rupees in lakhs

	Notes	31 March 2018	31 March 2017
<b>I. ASSETS</b>			
<b>(1) Non-current assets</b>			
(a) Property, plant and equipment	2	1,008.43	1,712.34
(b) Capital work-in-progress	-	6.45	53.48
(c) Other intangible assets	3	287.75	304.14
(d) Financial assets			
(i) Investment in subsidiaries	4	58,336.80	34,795.59
(ii) Loans	5	28.52	192.08
(e) Deferred tax assets (net)	36	3,138.90	2,046.74
(f) Advance tax assets (net)	-	1,342.99	1,151.03
(g) Other non-current assets	6	513.19	351.99
<b>Total non-current assets</b>		<b>64,663.03</b>	<b>40,607.29</b>
<b>(2) Current Assets</b>			
(a) Inventories	7	1,789.98	3,857.47
(b) Financial assets			
(i) Trade receivables	8	2,381.29	21,402.77
(ii) Cash and cash equivalents	9a	289.74	425.57
(iii) Bank balances other than (ii) above	9b	461.11	3,365.69
(iv) Loans	10	18.91	5,770.64
(v) Other financial assets	11	107.99	193.13
(c) Other current assets	12	613.35	299.16
<b>Total current assets</b>		<b>5,662.37</b>	<b>35,314.43</b>
<b>TOTAL ASSETS</b>		<b>70,325.40</b>	<b>75,921.82</b>
<b>II. EQUITY AND LIABILITIES</b>			
<b>(1) Equity</b>			
(a) Equity share capital	13	9,841.24	9,619.51
(b) Other equity	14	53,140.19	57,236.47
<b>Total equity</b>		<b>62,981.43</b>	<b>66,855.98</b>
<b>(2) Non-current liabilities</b>			
(a) Provisions	15	82.42	677.38
(b) Other non-current liabilities	16	8.50	35.40
<b>Total non-current liabilities</b>		<b>90.92</b>	<b>712.78</b>
<b>(3) Current liabilities</b>			
(a) Financial liabilities			
(i) Borrowings	17	4,410.05	4,574.39
(ii) Trade payables	18	880.28	1,691.11
(iii) Other financial liabilities	19	827.27	679.66
(b) Other current liabilities	20	338.25	1,271.87
(c) Provisions	21	785.96	77.71
(d) Current tax liabilities (net)	-	11.24	58.52
<b>Total current liabilities</b>		<b>7,253.05</b>	<b>8,353.06</b>
<b>Total liabilities</b>		<b>7,343.97</b>	<b>9,065.84</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>70,325.40</b>	<b>75,921.82</b>

Notes to the financial statements

1-45

The notes referred to above form an integral part of the financial statements

As per our report of even date attached.

For BSR & Associates LLP

Chartered Accountants

Firm's Registration No: 116231W/W-100024



Ritesh Goyal

Partner

Membership No: 115007

For and on behalf of the Board of Directors

FINO PayTech Limited



Ashok Kini

Non-Executive Chairman &  
Independent Director



Rajees Arora

Whole-time Director



Rishi Daultani

Chief Financial Officer



Basavraj Luni

Company Secretary

Navi Mumbai

23 May 2018

# FINO PayTech Limited

## Statement of profit and loss

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

	Notes	Year ended 31 March 2018	Year ended 31 March 2017
<b>Revenue</b>			
I. Revenue from operations (Gross of excise duty)	23	4,126.04	17,731.98
II. Other income	24	210.49	713.72
<b>III. Total income (I + II)</b>		<b>4,336.53</b>	<b>18,445.70</b>
<b>IV. Expenses</b>			
Purchase of goods and services	25	2,704.33	3,826.84
Changes in inventories of finished goods, work-in-progress and stock-in-trade	26	293.47	619.61
Excise duty		1.69	60.40
Employee benefits expenses	27	848.21	8,170.63
Finance costs	28	436.99	992.32
Depreciation and amortization expenses		572.99	930.15
Other expenses	29	5,089.67	4,544.93
<b>Total expenses (IV)</b>		<b>9,947.35</b>	<b>19,144.88</b>
<b>V. Loss before tax</b>		<b>(5,610.82)</b>	<b>(699.18)</b>
<b>VI. Tax expense:</b>			
1. Current tax		-	121.47
2. Tax provision for earlier years		302.78	-
3. Deferred tax		(1,224.59)	66.96
4. MAT credit entitlement		-	(121.47)
<b>Total tax expenses (VI)</b>		<b>(921.81)</b>	<b>66.96</b>
<b>VII. Loss for the year (V - VI)</b>		<b>(4,689.01)</b>	<b>(766.14)</b>
<b>VIII. Other comprehensive income</b>			
<b>(i) Items that will not be reclassified to profit or loss</b>			
Remeasurements of defined benefit (asset) / liability		42.17	(86.92)
Income tax related to items that will not be reclassified to profit or loss		(10.96)	26.86
		<b>31.21</b>	<b>(60.06)</b>
<b>(ii) Items that will be reclassified to profit or loss</b>			
Items that will be reclassified to profit or loss		-	-
Income tax related to items that will be reclassified to profit or loss		-	-
		<b>-</b>	<b>-</b>
<b>Other comprehensive income (net of tax)</b>		<b>31.21</b>	<b>(60.06)</b>
<b>IX. Total comprehensive income for the year (VII + VIII)</b>		<b>(4,657.80)</b>	<b>(826.20)</b>
<b>X. Earnings per equity share</b>			
1. Basic earnings per share (INR)		(3.70)	(0.80)
2. Diluted earnings per share (INR)		(3.65)	(0.80)
2. Face value per share (INR)		10.00	10.00

Notes to the financial statements

1-45

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

For BSR & Associates LLP

Chartered Accountants

Firm's Registration No: 116231W/W-100024

Ritesh Goyal

Partner

Membership No: 115007

For and on behalf of the Board of Directors

FINO PayTech Limited

Ashok Kini

Non-Executive Chairman &  
Independent Director

Rajeev Arora

Whole-time Director

Rishi Daultani

Chief Financial Officer

Basavraj Loni

Company Secretary

Navi Mumbai

23 May 2018

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# FINO PayTech Limited

## Statement of changes in equity

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### (a) Equity share capital

	As at 31 March 2018		As at 31 March 2017	
	No. of Shares	Amount	No. of Shares	Amount
Balance at the beginning of the reporting period	96,195,141	9,619.51	31,492,230	3,149.23
Changes in equity share capital during the year	2,217,220	221.73	64,702,891	6,470.28
Balance at the end of the reporting period	98,412,361	9,841.24	96,195,141	9,619.51

### (b) Other equity

Particulars	Equity component of compound financial instruments	Retained Earnings	Reserves & Surplus		Fully Convertible preference shares	Total
			ESOP Reserve	Securities Premium Reserve		
Balance at 1 April 2016	209.68	(1,939.07)	50.37	22,275.80	3,971.87	24,568.65
Total comprehensive income for the year ended 31 March 2017	-	(766.14)	-	-	-	(766.14)
Loss for the year	-	(160.06)	-	-	-	(160.06)
Other comprehensive income (net of tax)	-	(826.20)	-	-	-	(826.20)
- Remeasurements of defined benefit liability / (asset)	-	-	-	-	-	-
Total comprehensive income	-	(826.20)	-	-	-	(826.20)
ESOP expense recognised under fair value approach	-	-	8.24	-	-	8.24
Premium on issue of equity shares	-	-	-	34,936.38	-	34,936.38
Premium on ESOP's exercised	-	-	-	353.30	-	353.30
Amounts utilised towards share issue expenses	-	-	-	(215.15)	-	(215.15)
Conversion of preference shares into equity shares	-	-	-	-	(1,588.75)	(1,588.75)
Balance at 31 March 2017	209.68	(2,765.27)	58.61	57,350.33	2,383.12	57,236.47
Total comprehensive income for the year ended 31 March 2018	-	(4,689.01)	-	-	-	(4,689.01)
Loss for the year	-	-	-	-	-	-
Other comprehensive income (net of tax)	-	31.21	-	-	-	31.21
- Remeasurements of defined benefit liability / (asset)	-	(4,657.80)	-	-	-	(4,657.80)
Total comprehensive income	-	(4,657.80)	-	-	-	(4,657.80)
ESOP expense recognised under fair value approach *	-	-	302.16	-	-	302.16
Premium on ESOP's exercised	-	-	-	259.36	-	259.36
Balance at 31 March 2018	209.68	(7,423.07)	360.77	57,609.69	2,383.12	53,140.19

\* Includes ESOP expense recognised in the books of subsidiary companies



# FINO PayTech Limited

## Statement of changes in equity (Continued)

For the year ended 31 March, 2018

Currency: Indian Rupees in lakhs

### Nature and purpose of reserves

#### 1) Securities premium reserve

Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of Section 52 of the Companies Act 2013.

#### 2) ESOP reserve

ESOP reserve is used to recognise the grant date fair value of options issued to employees under the Employee stock option plan which are unvested as on the reporting date.

Notes to the financial statements:

1-45

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached

For BSR & Associates LLP

Chartered Accountants

Firm's Registration No. 116231W/W-100024



Ritesh Goyal

Partner

Membership No. 115007

For and on behalf of the Board of Directors  
FINO PayTech Limited



Ashok Kjni

Non-Executive Chairman &  
Independent Director



Rajeev Arora

Whole-time Director



Rishi Daultani

Chief Financial Officer



Basuvaraj Loni

Company Secretary

Navi Mumbai  
23 May, 2018



# FINO PayTech Limited

## Statement of cash flows

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

	<i>Notes</i>	Year ended 31 March 2018	Year ended 31 March 2017
<b>A. Cash flows from operating activities</b>			
Loss from continuing operations		(5,610.82)	(699.18)
<b>Loss before tax</b>		<b>(5,610.82)</b>	<b>(699.18)</b>
<b>Adjustments to reconcile (loss) / profit before tax to net cash used in operating activities</b>			
Depreciation / amortisation	2, 3	572.99	930.15
Profit / (loss) on sale of fixed assets	24	3.34	(22.41)
Profit on Sale of Investments			
ESOP expense		32.27	8.24
Guarantee commission income		(102.66)	-
Remeasurements of the net defined benefit Plans		22.56	-
Provision for doubtful debts and assets	29	3,919.00	1,435.45
Dividend income	24	-	(27.71)
Interest expense	28	393.66	992.32
Interest income		(110.68)	(627.78)
<b>Operating profit before working capital changes</b>		<b>(880.34)</b>	<b>1,989.08</b>
<b>Working capital adjustments:</b>			
Decrease/ (increase) in non-current financial assets - loans		91.87	629.53
Decrease/ (increase) in other non-current assets		(161.20)	141.15
Decrease in inventories		293.47	619.61
Decrease/ (increase) in trade receivables		18,505.82	(4,439.27)
Decrease/ (increase) in current financial assets - loans		5,751.74	(678.79)
Decrease in other current financial assets		(189.07)	178.66
Decrease/ (increase) in other current assets		(447.93)	119.01
(Decrease)/ increase in other non-current liabilities		-	11.30
(Decrease) in trade payables		(810.83)	(237.53)
Increase in other current financial liabilities		147.61	40.03
(Decrease)/ increase in other current liabilities		(930.87)	37.94
Increase in provisions		(1,150.57)	243.43
<b>Cash (used) in / generated from operating activities</b>		<b>20,219.70</b>	<b>(1,345.85)</b>
Income tax paid/(refund)		(420.34)	751.78
<b>Net Cash (used) in / generated from operating activities (A)</b>		<b>19,799.36</b>	<b>(594.07)</b>
<b>B. Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(447.44)	(897.02)
Proceeds from sale of property, plant and equipment		638.44	-
Proceeds from fixed deposits		2,904.58	(2,482.37)
Acquisition of non-current investments		(23,198.29)	(30,204.18)
Proceeds from sale of current investments		-	202.31
Dividend received		-	27.71
Interest received		244.43	627.78
<b>Net cash used in investing activities (B)</b>		<b>(19,858.28)</b>	<b>(32,725.77)</b>



# FINO PayTech Limited

## Statement of cash flows

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

	Notes	Year ended 31 March 2018	Year ended 31 March 2017
<b>C. Cash flows from financing activities</b>			
Proceeds from issue of equity share capital		481.08	40,171.22
Amounts utilised towards share issue expenses		-	(215.15)
Repayment of long-term borrowings		(164.33)	(6,600.94)
Interest paid		(393.66)	(992.32)
<b>Net cash (used in) / generated from financing activities (C)</b>		<b>(76.91)</b>	<b>32,362.81</b>
<b>Net decrease in cash and cash equivalents (A + B + C)</b>			
Cash and cash equivalents at the beginning of the year	9.1	425.57	1,382.60
<b>Cash and cash equivalents at the end of the year</b>		<b>289.74</b>	<b>425.57</b>
<b>Cash and cash equivalents</b>			
Cash on hand and balances with banks	9.1	289.74	425.57
Other bank balances		-	-
<b>Cash and cash equivalents</b>		<b>289.74</b>	<b>425.57</b>

Notes to the financial statements 1-45

The notes referred to above form an integral part of the financial statements

As per our report of even date attached.

For BSR & Associates LLP

Chartered Accountants

Firm's Registration No: 116231W/W-100024



Ritesh Goyal

Partner

Membership No: 115007



Navi Mumbai

23 May 2018

For and on behalf of the Board of Directors

FINO PayTech Limited



Ashok Kini

Non-Executive Chairman &  
Independent Director



Rajeev Arora

Whole-time Director



Rishi Daultani

Chief Financial Officer



Basavraj Loni

Company Secretary



# FINO PayTech Limited

## Notes to the financial statements

for the year ended 31 March 2018

(Currency: Indian Rupees in Lakhs)

### 1.1. Background

FINO PayTech Limited ('the Company') was incorporated on 15 June 2006. The Company is primarily engaged in providing technology based solutions and services related to financial inclusion. It is a business and banking technology platform combined with extensive services delivery channel. The Company services institutions like banks, microfinance institutions, government entities and insurance companies.

### 1.2 Significant Accounting Policies

#### 1.2.1 Basis of preparation of financial statements

These financial statements have been prepared in accordance with the Indian Accounting Standards (Ind AS) to comply with Section 133 of the Companies Act, 2013 ('the 2013 Act'), read with Companies (Indian Accounting Standards) Rules, 2015, and other relevant provisions of the Act and Rules there under.

#### 1.2.2 Functional and presentation currency

These financial statements are presented in Indian rupees (INR), which is the company's functional currency. All amounts have been rounded off to two decimal places to the nearest lakhs, unless otherwise indicated.

#### 1.2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items:

- certain financial assets and liabilities that may be measured at fair value;
- share-based payments

#### 1.2.4 Use of estimates and judgments

The preparation of financial statements in accordance with Ind AS requires use of estimates and assumptions for some items, which might have an effect on their recognition and measurement in the balance sheet, statement of profit and loss and disclosure of contingent liabilities. The actual amounts realized may differ from these estimates. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and future periods are affected.

Estimates and assumptions are required in particular for:

- Determination of principal versus agent relationship

When the Company acts in the capacity as an agent rather than a principal in a transaction, the revenue recognized is the net amount of commission earned by it.



# FINO PayTech Limited

## Notes to the financial statements

for the year ended 31 March 2018

(Currency: Indian Rupees in Lakhs)

### 1.2 Significant Accounting Policies (Continued)

#### 1.2.4 Use of estimates and judgments (Continued)

- Determination of the estimated useful lives of tangible assets

Useful lives of tangible assets are based on the life prescribed in Schedule II of the Companies Act, 2013. In cases, where the useful lives are different from that prescribed in Schedule II, they are based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers' warranties and maintenance support.

- Recognition and measurement of defined benefit obligations

The obligation arising from defined benefit plan is determined on the basis of actuarial assumptions. Key actuarial assumptions include discount rate, trends in salary escalation, actuarial rates and life expectancy and withdrawal rate. The discount rate is determined by reference to market yields at the end of the reporting period on government bonds. The period to maturity of the underlying bonds correspond to the probable maturity of the post-employment benefit obligations.

- Recognition of deferred tax assets

Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying values of assets and liabilities and their respective tax bases, and unutilized business loss and depreciation carry-forwards and tax credits. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses, depreciation carry-forwards and unused tax credits could be utilized.

- Expected credit loss

Expected credit loss is to be recognised for financial assets when upon assessment, the credit risk on the financial asset has increased significantly since initial recognition. The measurement of ECL includes the incorporation of forward looking information.

- Fair value measurement of financial instruments

When the fair values of the financial assets and liabilities recorded in the balance sheet cannot be measured based on the quoted market prices in active markets, their fair value is measured using valuation technique. The inputs to these models are taken from the observable market where possible, but where this is not feasible, a review of judgement is required in establishing fair values.

- Recognition and measurement of other provisions

The recognition and measurement of other provisions are based on the assessment of the probability of an outflow of resources, and on past experience and circumstances known at the balance sheet date. The actual outflow of resources at a future date may therefore vary from the amount included in other provisions.

- Discounting of long-term financial assets/liabilities

All financial assets/liabilities are required to be measured at fair value on initial recognition. In case of financial assets which are required to subsequently measured at amortised cost, interest is accrued using the effective interest method.

# FINO PayTech Limited

## Notes to the financial statements

for the year ended 31 March 2018

(Currency: Indian Rupees in Lakhs)

### 1.2 Significant Accounting Policies (Continued)

#### 1.2.4 Use of estimates and judgments (Continued)

- Recent accounting pronouncements

Ind AS 115, Revenue from Contract with Customers: On 28 March 2018, Ministry of Corporate Affairs has notified the Ind AS 115, Revenue from Contract with Customers. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The standard permits two possible methods of transition:

- Retrospective approach - Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.
- Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch - up approach)

The effective date for adoption of Ind AS 115 is financial periods beginning on or after 01 April 2018.

Initial assessment has been carried out by the Company (and effect on accounting policies etc. has been evaluated) but the possible quantitative impact of Ind AS 115 on financial statements of the year 2017-18 is not reasonably estimable.

#### 1.2.5 Measurement of fair values

The Company's accounting policies and disclosures require the measurement of fair values for financial instruments.

When measuring the fair value of a financial asset or a financial liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

# FINO PayTech Limited

## Notes to the financial statements

for the year ended 31 March 2018

(Currency: Indian Rupees in Lakhs)

### 1.2 Significant Accounting Policies (Continued)

#### 1.2.6 Property, plant and equipment

##### i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment comprises:

- a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Income and expenses related to the incidental operations, not necessary to bring the item to the location and condition necessary for it to be capable of operating in the manner intended by management, are recognised in profit or loss.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted and depreciated for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

##### ii. Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

##### iii. Depreciation

Depreciation is provided as per the useful life on written down value as under Schedule II of the Companies Act, 2013, except in case of Computers (excluding servers), where the management estimates the useful lives to be 5 years instead of 3 years as prescribed under Schedule II.

Assets costing less than INR 5,000 are depreciated at 100% in the year of acquisition.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Based on technical evaluation of management and consequent advice, the management believes that its estimates of useful lives as given below best represent the period over which management expects to use these assets.

# FINO PayTech Limited

## Notes to the financial statements

for the year ended 31 March 2018

(Currency: Indian Rupees in Lakhs)

### 1.2 Significant Accounting Policies (Continued)

#### 1.2.6 Property, plant and equipment (Continued)

Class of asset	Management estimate of useful life	Useful life as per Schedule II
Computer	5 Years	3 Years
Computer server	6 Years	6 Years
Office equipment	5 Years	5 Years
Furniture and fixtures	10 Years	10 Years
Vehicle	8 Years	8 Years

Intangible assets are amortised over a period of five years.

#### 1.2.7 Inventories

Inventories which comprise work-in-progress and traded goods are carried at lower of cost and net realizable value.

Cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In determining the cost, weighted average cost method is used. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

#### 1.2.8 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### i. Financial assets

###### Classification

The Company classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of its business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

###### Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.



# FINO PayTech Limited

## Notes to the financial statements

for the year ended 31 March 2018

(Currency: Indian Rupees in Lakhs)

### 1.2 Significant Accounting Policies (Continued)

#### 1.2.8 Financial Instruments (Continued)

##### Debt instruments are measured at amortised cost

- A 'debt instrument' is measured at the amortised cost if both the following conditions are met:
  - a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
  - b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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 in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. Assets recognised at amortised cost include trade and other receivables, fixed deposits, security deposits, cash and cash equivalents and Bank balances in current Account.

##### Financial instruments at fair value through statement of profit and loss (FVTPL)

- Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVOCI, is classified as at FVTPL.
- In addition, the Company may elect to classify a debt instrument, which otherwise meets amortized cost or FVOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').
- Financial instruments that do not meet the SPPI criteria are measured at FVTPL with all changes in the fair value recognized in statement of profit and loss.

##### Equity investments

- All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL. For all other equity instruments, the Company decides to classify the same either as at FVOCI or FVTPL. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.
- If the Company decides to classify an equity instrument as FVOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to statement of profit and loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.
- Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.



# FINO PayTech Limited

## Notes to the financial statements

for the year ended 31 March 2018

(Currency: Indian Rupees in Lakhs)

### 1.2 Significant Accounting Policies (Continued)

#### 1.2.8 Financial Instruments (Continued)

##### Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Company enters into transactions whereby it transfer assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

##### Impairment of financial assets

Ind AS 109 replaces the incurred loss model with a forward looking 'expected credit loss model' (ECL). This requires considerable judgment over how changes in economic factors affect ECL's, which will be determined on a probability-weighted basis.

The Company applies expected credit loss model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- a) Loans and debt instruments that are measured at amortised cost e.g., loans, debt securities, deposits, and bank balance.
- b) Other 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 ECLs at each reporting date, right from its initial recognition. Trade receivables are tested for impairment on a specific basis after considering the sanctioned credit limits, security like letters of credit, security deposit collected etc. and expectations about future cash flows.

#### ii. Financial liabilities

##### Classification

The Company classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss.

##### Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable and incremental transaction cost.

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.

The Company's financial liabilities includes trade and other payables, loans and borrowings etc



# FINO PayTech Limited

## Notes to the financial statements

for the year ended 31 March 2018

(Currency: Indian Rupees in Lakhs)

### 1.2 Significant Accounting Policies (Continued)

#### 1.2.8 Financial Instruments (Continued)

##### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When 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 derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

#### 1.2.9 Revenue recognition

Revenue from sale of goods in the course of ordinary activities is recognized when all significant risks and rewards of their ownership are transferred to the customer and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods and regarding its collection.

Enrollment and other incomes are recognized on accrual basis in accordance with the terms and conditions of the underlying mandates entered into with the respective customers.

Revenue from Core Banking Services ('CBS') service is recognized on accrual basis.

Revenues from other services are recognized pro-rata over the period of the contract as and when services are rendered.

Interest income is recognized on a time proportion basis at the effective interest rate.

Dividend income is recognized when right to receive dividend is established.

#### 1.2.10 Employee benefits

##### i. Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present or legal constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. These benefits include salaries and wages, bonus and exgratia.

##### ii. Defined contribution plans

- Provident fund

The Company makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. The Company's contribution is recognised as an expense in the statement of profit and loss during the period in which the employee renders the related service.

##### iii. Defined benefit plans

The following post – employment benefit plans are covered under the defined benefit plans:



# FINO PayTech Limited

## Notes to the financial statements

for the year ended 31 March 2018

(Currency: Indian Rupees in Lakhs)

### 1.2 Significant Accounting Policies (Continued)

#### 1.2.10 Employee benefits (Continued)

##### Gratuity Fund

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. Net interest expense /(income) on the net defined liability/ (assets) is computed by applying the discount rate, used to measure the net defined liability/ (asset), to the net defined liability /(asset) at the start of the financial year after taking into account any changes as a result of contribution and benefit payments during the year. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

##### Other long-term employee benefits

Compensated absences balance up to 15 days are encashed at the end of financial year on the basic salary. Encashment of more than 15 days of leave is not permitted. Leave balance over 15 days will lapse at the end of the financial year. The obligation is measured on the basis of an annual independent actuarial valuation.

##### Share Based Payments

The grant date fair value of options granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The expense is recorded on straight line basis over the period over which the employee would be entitled to apply for the options. The amount recognized as an expense is adjusted to reflect the actual number of stock options that vest at the end of each reporting period.

#### 1.2.11 Operating leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership over the lease term are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increase.

# FINO PayTech Limited

## Notes to the financial statements

for the year ended 31 March 2018

(Currency: Indian Rupees in Lakhs)

### 1.2 Significant Accounting Policies (Continued)

#### 1.2.12 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at bank and short-term investments with an original maturity of three months or less.

#### 1.2.13 Taxation

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the Income Tax Act, 1961), deferred tax charge or benefit (reflecting the tax effect of timing differences between accounting income and taxable income for the period).

##### Current tax

Provision for current tax is recognised based on estimated tax liability computed after adjusting for allowances, disallowances and exemptions in accordance with the tax laws applicable.

##### Deferred taxation

The deferred tax charge or benefit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantially enacted as at the balance sheet date. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Minimum Alternate Tax ('MAT')

##### MAT Credit

MAT under the provisions of the Income Tax Act, 1961 is recognized as current tax in the statement of profit and loss. The credit available under the Income Tax Act, 1961 in respect of MAT paid is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the period for which the MAT can be carried forward for set off against the normal tax liability. MAT credit recognized as an asset is reviewed at each balance sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

#### 1.2.14 Provisions and contingent liabilities

Provisions are determined by discounting the expected future cash flows specific to the liability. The unwinding of the discount is recognised as finance cost. A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but will probably not, require an outflow of resources. When there is a possible obligation of a present obligation in respect of which the likelihood of outflow of resources is remote, no provision disclosure is made.

A contingent asset is not recognised but disclosed in the financial statements where an inflow of economic benefit is probable.



# FINO PayTech Limited

## Notes to the financial statements

for the year ended 31 March 2018

(Currency: Indian Rupees in Lakhs)

### 1.2 Significant Accounting Policies (*Continued*)

#### 1.2.15 Earnings per share

Basic Earnings per share is calculated by dividing the net profit for the period attributable to the equity shareholders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per share, the net profit for the period attributable to the equity shareholders and the weighted average number of equity shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.



# FINO PayTech Limited

## Notes to the financial statements (Continued)

As at 31 March 2018

Currency: Indian Rupees in lakhs.

### 2 Property, plant and equipment

#### A. Reconciliation of carrying amount

Particulars	Owned Assets						Total
	Leasehold improvements	Computers/ hardware	Plant and Equipment	Furniture and Fixtures	Vehicles	Office Equipment	
<b>Year ended 31 March 2017</b>							
<b>Gross block</b>							
Opening gross block	104.63	1,840.18	828.34	28.64	25.17	172.06	2,999.02
Effect of movement in exchange rates	-	-	-	-	-	-	-
Additions	161.25	172.77	322.67	1.86	-	58.39	715.94
Disposals	-	-	-	-	-	(5.84)	(5.84)
<b>Closing gross block</b>	<b>264.88</b>	<b>2,012.95</b>	<b>1,151.01</b>	<b>30.50</b>	<b>25.17</b>	<b>224.61</b>	<b>3,709.12</b>
<b>Accumulated depreciation</b>							
Opening accumulated depreciation	49.92	821.51	262.31	9.53	8.89	81.13	1,233.29
Depreciation charge during the year	36.18	475.78	100.19	7.88	5.46	48.00	763.49
Disposals	-	-	-	-	-	-	-
<b>Closing accumulated depreciation</b>	<b>86.10</b>	<b>1,297.29</b>	<b>452.50</b>	<b>17.41</b>	<b>14.35</b>	<b>129.13</b>	<b>1,996.78</b>
<b>Net block</b>	<b>178.78</b>	<b>715.66</b>	<b>698.51</b>	<b>13.09</b>	<b>10.82</b>	<b>95.48</b>	<b>1,712.34</b>
<b>Year ended 31 March 2018</b>							
<b>Gross block</b>							
Opening gross block	264.88	2,012.95	1,151.01	30.50	25.17	224.61	3,709.12
Effect of movement in exchange rates	-	-	-	-	-	-	-
Additions	41.12	191.12	-	-	-	79.77	312.01
Disposals	-	(424.65)	(570.84)	-	(10.56)	-	(1,006.05)
<b>Closing gross block</b>	<b>306.00</b>	<b>1,779.42</b>	<b>580.17</b>	<b>30.50</b>	<b>14.60</b>	<b>304.38</b>	<b>3,015.07</b>
<b>Accumulated depreciation</b>							
Opening accumulated depreciation	86.10	1,297.29	452.50	17.41	14.35	129.13	1,996.78
Depreciation charge during the year	44.31	209.09	93.52	3.48	2.52	68.25	421.17
Disposals	-	(265.98)	(138.60)	-	(6.72)	-	(411.31)
<b>Closing accumulated depreciation</b>	<b>130.41</b>	<b>1,240.40</b>	<b>407.42</b>	<b>20.89</b>	<b>10.14</b>	<b>197.38</b>	<b>2,006.64</b>
<b>Net block</b>	<b>175.58</b>	<b>539.02</b>	<b>172.75</b>	<b>9.61</b>	<b>4.46</b>	<b>107.00</b>	<b>1,008.43</b>

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# FINO PayTech Limited

## Notes to the financial statements (Continued)

As at 31 March 2018

Currency: Indian Rupees in lakhs.

### 3 Other intangible assets

Particulars	Gross Block		Disposals	Balance at 31 March 2018	Balance at 1 April 2017	Charge for the year	Accumulated Amortization Charge for the year	Eliminated on disposal of assets	Balance at 31 March 2018	Balance at 31 March 2017	Net Block
	Balance at 1 April 2017	Additions									
Computer Software	770.68	135.43	-	906.11	466.54	151.82	-	-	618.36	287.75	304.14
<b>Total</b>	<b>770.68</b>	<b>135.43</b>	<b>-</b>	<b>906.11</b>	<b>466.54</b>	<b>151.82</b>	<b>-</b>	<b>-</b>	<b>618.36</b>	<b>287.75</b>	<b>304.14</b>

Particulars	Gross Block		Disposals	Balance at 31 March 2017	Balance at 1 April 2016	Charge for the year	Accumulated Amortization Charge for the year	Eliminated on disposal of assets	Balance at 31 March 2017	Balance at 1 April 2016	Net Block
	Balance at 1 April 2016	Additions									
Computer Software	614.84	155.84	-	770.68	299.87	166.67	-	-	466.54	304.14	314.97
<b>Total</b>	<b>614.84</b>	<b>155.84</b>	<b>-</b>	<b>770.68</b>	<b>299.87</b>	<b>166.67</b>	<b>-</b>	<b>-</b>	<b>466.54</b>	<b>304.14</b>	<b>314.97</b>



Signature

# FINO PayTech Limited

## Notes to the financial statements (Continued)

As at 31 March 2018

Currency: Indian Rupees in lakhs

	31 March 2018	31 March 2017
<b>4 Investment in subsidiaries</b>		
<b>Investments in subsidiary companies - equity instruments</b>		
<b>Unquoted Investments carried at cost</b>		
49,994 (31 March 2017 : 49,994) Equity shares of INR 10 each fully paid up of Fino Trusteeship Services Limited	5.00	5.00
11,076,806 (31 March 2017 : 5,359,724) Equity shares of INR 10 each fully paid up of Fino Finance Private Limited (Formerly known as Intrepid Finance and Leasing Private Limited)	13,004.20	4,772.99
9,999 (31 March 2017 : 9,999) Equity shares of INR 10 each fully paid up of Fino Financial Services Private Limited	1.00	1.00
44,579,991 (31 March 2017 : 29,719,994) Equity shares of INR10 each fully paid up of Fino Payments Bank Limited (Formerly known as Fino Fintech Limited)	45,331.60	30,021.60
Less: Provision for diminution in value of investment	(5.00)	(5.00)
<b>Total</b>	<b>58,336.80</b>	<b>34,795.59</b>
(a) Aggregate amount of unquoted investments	58,341.80	34,800.59
(b) Aggregate amount of impairment in value of investments	(5.00)	(5.00)
<b>5 Financial assets - Loans</b>		
<b>Unsecured, considered good</b>		
Loans to employees*	-	51.27
Security deposits	28.52	140.81
<b>Doubtful</b>		
Security deposits	104.88	11.36
Less: Loss allowance	(104.88)	(11.36)
<b>Total</b>	<b>28.52</b>	<b>192.08</b>
*Includes loan to key managerial personnel ( Refer note 37)		
<b>6 Other non-current assets</b>		
Deposits with Government Authorities	322.01	287.92
Balances with Government Authorities	143.38	41.66
Prepaid expenses	47.80	22.41
<b>Total</b>	<b>513.19</b>	<b>351.99</b>

# FINO PayTech Limited

## Notes to the financial statements (Continued)

As at 31 March 2018

Currency: Indian Rupees in lakhs

	31 March 2018	31 March 2017
<b>7 Inventories</b>		
Work-in-progress	136.08	883.12
Stock-in-trade*	3,427.92	2,974.35
Less: Impairment of inventories	(1,774.02)	-
<b>Total</b>	<b>1,789.98</b>	<b>3,857.47</b>
*Inventories are valued at lower of cost or net realisable value.		
<b>8 Trade receivables</b>		
Trade receivables		
Unsecured considered good	2,381.29	21,402.77
Doubtful	3,111.05	2,594.09
Less: Loss allowance	(3,111.05)	(2,594.09)
<b>Total</b>	<b>2,381.29</b>	<b>21,402.77</b>
Of the above, trade receivables from related parties are as below:		
Total trade receivables from related parties (Refer Note 37)	1,140.57	19,727.08
Less: Provision	-	(39.83)
Net Trade receivables	1,140.57	19,687.25
<b>9A Cash and cash equivalents</b>		
a. Balance with banks :		
In current account	214.09	221.45
In escrow account	74.42	199.33
b. Cash on hand	1.29	4.87
Less: Loss allowance	(0.06)	(0.08)
<b>Total</b>	<b>289.74</b>	<b>425.57</b>



# FINO PayTech Limited

## Notes to the financial statements (Continued)

As at 31 March 2018

Currency: Indian Rupees in lakhs

	31 March 2018	31 March 2017
<b>9B Bank balances other than cash and cash equivalents</b>		
Deposits with banks*	433.37	795.05
Other fixed deposits	27.83	2,571.30
Less: Loss allowance	(0.09)	(0.66)
<b>Total</b>	<b>461.11</b>	<b>3,365.69</b>
* Represents deposits provided against the pending litigations under Value Added Tax Act.		
<b>10 Current financial assets - Loans</b>		
<b>Unsecured considered good</b>		
Loans to related parties (Refer note 37)	1.00	4,809.03
Loans to employees/contractual staff *	16.61	642.38
Security deposits	1.30	
<b>Doubtful</b>		
Security deposits	297.81	342.84
Less: Loss allowance	(297.81)	(23.61)
<b>Total</b>	<b>18.91</b>	<b>5,770.64</b>
* Includes loan to key managerial personnel. (Refer note 37)		
<b>11 Other current financial assets</b>		
<b>Unsecured considered good</b>		
Others	107.99	193.13
<b>Doubtful</b>	0.02	-
Less: Loss allowance	(0.02)	-
<b>Total</b>	<b>107.99</b>	<b>193.13</b>
<b>12 Other current assets</b>		
Prepaid expenses	152.91	148.55
Advances to employees	79.01	115.56
Advances to supplier	381.43	35.05
<b>Total</b>	<b>613.35</b>	<b>299.16</b>



# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

	31 March 2018	31 March 2017
<b>13 Share capital</b>		
<b>a Authorised :</b>		
Equity Shares of INR 10 each	12,000.00	10,000.00
120,000,000 (31 March 2017 : 100,000,000) Equity shares		
Fully convertible Preference Shares of INR 10 each	5,000.00	5,000.00
50,000,000 (31 March 2017 : 50,000,000) Preference shares		
<b>Total</b>	<b>17,000.00</b>	<b>15,000.00</b>
<b>b Issued and subscribed and paid up:</b>		
98,412,361 (31 March 2017 : 96,195,141) Equity shares fully paid up	9,841.24	9,619.51
2,643,210 (31 March 2017 : 2,643,210) 9.00% Fully convertible preference shares of class - A fully paid up	264.32	264.32
9,919,694 (31 March 2017 : 9,919,694) 0.005% Fully convertible preference shares of class - B fully paid up	991.97	991.97
11,268,311 (31 March 2017 : 11,268,311) 12.00% Fully convertible preference shares of class - C fully paid up	1,126.83	1,126.83
<b>Total</b>	<b>12,224.36</b>	<b>12,002.63</b>
<b>c Reconciliation of number of shares outstanding at the beginning and end of the year :</b>		
<b>Equity share :</b>		
Outstanding at the beginning of the year	96,195,141	31,492,250
Equity Shares issued during the year in consideration for cash	-	45,644,915
Equity shares issued on conversion of share warrants	-	500,000
Equity shares issued on conversion of preference shares	-	15,887,476
Equity Shares issued during the year pursuant to exercise of ESOPs	2,217,220	2,670,500
Outstanding at the end of the year	<b>98,412,361</b>	<b>96,195,141</b>
<b>Preference share :</b>		
Outstanding at the beginning of the year	23,831,215	39,718,691
Converted into equity during the year	-	(15,887,476)
Outstanding at the end of the year	<b>23,831,215</b>	<b>23,831,215</b>
<b>d Terms / rights attached to each classes of shares</b>		
<b>i. Rights, preferences and restrictions attached</b>		

**Equity Shares :** The Company has one class of equity shares having a par value of INR 10 per share. Each equity share entitles the holder to one vote. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after repayment of all the liabilities and distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by them.

**Preference shares :** All the FCPS holders carry one voting right for each share held by them. Holder of Series A, B and C Preference shares were entitled to Dividend of Rs.195,938,615, Rs.230,342 and Rs.360,493,144, respectively, ("Past Dividend Amount") and shall be paid in accordance with applicable Laws as and when the Company has sufficient funds to make such payment, whether in full or in part. The full payment of the Past Dividend Amounts shall be made by the Company before declaring any dividends (other than for purposes of payment of Past Dividend Amounts) on or after the date of the Shareholders Agreement dated 29th July, 2016. The Preference Shareholders shall, in addition to the respective accumulated preference dividend noted above, be entitled to, a minimum guaranteed dividend of 0.001% on the face value of the Preference Shares in accordance with applicable Laws; and the Company shall not, after full payment of Past Dividend Amounts, declare any dividend that is payable only to a select class of Shareholders.

# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 13 Share capital (Continued)

e. Shareholders holding more than 5% shares in the company is set out below:

Equity share	31 March 2018		31 March 2017	
	No. of Shares	% holding	No. of Shares	% holding
Bharat Petroleum Corporation Limited	28,435,423	28.89%	28,435,423	29.56%
ICICI Prudential Life Insurance Company Ltd.	11,328,854	11.51%	11,328,854	11.78%
Blackstone GPV Capital Partners (Mauritius) VI B FDI Limited	7,512,207	7.63%	7,512,207	7.81%
HAV 3 Holdings (Mauritius) Limited	7,456,993	7.58%	7,456,993	7.75%
International Finance Corporation	6,569,567	6.68%	6,569,567	6.83%
ICICI Bank Limited	5,750,000	5.84%	5,750,000	5.98%
ICICI Lombard General Insurance Company Limited	5,289,194	5.37%	5,289,194	5.50%

Fully convertible preference shares	31 March 2018		31 March 2017	
	No. of Shares	% holding	No. of Shares	% holding
Blackstone GPV Capital Partners (Mauritius) VI B FDI Limited	11,268,311	47.28%	11,268,311	47.28%
HAV 3 Holdings (Mauritius) Limited	6,797,990	28.53%	6,797,990	28.53%
International Finance Corporation	3,104,350	13.03%	3,104,350	13.03%
Intel Capital (Mauritius) Limited	2,660,564	11.16%	2,660,564	11.16%

f. Shares reserved for issuance under Stock Option Plans of the Company:

For details of shares reserved for issue under the employee stock option (ESOP) plan of the Company, please refer note 32.

g. Terms of conversion of Fully Convertible Preference Shares

FCPS are convertible in equity shares at the option and discretion of the holders at any time into the whole or fractional number of equity shares obtained by dividing issue price of FCPS by the conversion price of INR 37, INR 48.44 and INR 79.87 for series A Preference shares, series B Preference shares and series C Preference shares respectively in accordance with the shareholders agreement. These Preference shares have been issued for the maximum period of 20 years from the date of issue. If any Preference Shares have not been converted on or prior to the expiry of the maximum period, such unconverted Preference Shares shall be compulsorily converted into equity Shares. Below is the issue date and last date for conversion for all the classes of preference shares issued:

Class of Shares	Issue Date	Last date for conversion
Class - A	8-Jun-07	7-Jun-27
Class - B	3-Dec-09	2-Dec-29
Class - C	8-Jul-11	7-Jul-31

h. Terms of conversion of share warrants:

Each warrant is convertible into 1 equity share at the rate of Rs. 10 each. The exercise of outstanding warrants shall be in accordance with the provisions of Articles 194.

# FINO PayTech Limited

## Notes to the financial statements (Continued)

As at 31 March 2018

Currency: Indian Rupees in lakhs

	31 March 2018	31 March 2017
<b>14 Other equity</b>		
<b>Reserves and Surplus</b>		
Securities premium reserve	57,609.69	57,350.33
Fully convertible preference shares	2,383.12	2,383.12
Equity component of compound financial instrument	209.68	209.68
ESOP reserve	360.77	58.61
Retained earnings	(7,423.07)	(2,765.27)
<b>Total</b>	<b>53,140.19</b>	<b>57,236.47</b>
<b>Securities premium reserve</b>		
Opening balance	57,350.33	22,275.80
Additions during the year	259.36	35,074.53
<b>Closing Balance</b>	<b>57,609.69</b>	<b>57,350.33</b>
<b>Fully convertible preference shares</b>		
Opening balance	2,383.12	3,971.87
Conversions during the year	-	(1,588.75)
<b>Closing Balance</b>	<b>2,383.12</b>	<b>2,383.12</b>
<b>Equity component of compound financial instrument</b>		
Opening balance	209.68	209.68
Additions during the year	-	-
<b>Closing Balance</b>	<b>209.68</b>	<b>209.68</b>
<b>ESOP reserve</b>		
Opening balance	58.61	50.37
Additions during the year	302.16	8.24
<b>Closing Balance</b>	<b>360.77</b>	<b>58.61</b>
<b>Retained earnings</b>		
Opening balance	(2,765.27)	(1,939.07)
Loss for the year	(4,689.01)	(766.14)
Remeasurements of defined benefit	31.21	(60.06)
<b>Closing Balance</b>	<b>(7,423.07)</b>	<b>(2,765.27)</b>
	<b>53,140.19</b>	<b>57,236.47</b>

# FINO PayTech Limited

## Notes to the financial statements (Continued)

As at 31 March 2018

Currency: Indian Rupees in lakhs

	31 March 2018	31 March 2017
<b>15 Non current liabilities - Provisions</b>		
<b>Provision for employee benefits</b>		
Gratuity [Refer note 33]	28.55	516.36
Compensated absences [Refer note 33]	5.84	112.99
<b>Other provision</b>		
Provision for litigation*	48.03	48.03
<b>Total</b>	<b>82.42</b>	<b>677.38</b>

\* During the year ended 31 March 2011, Navi Mumbai Municipal Corporation (NMMC) raised a demand of INR 102.20 lakhs towards cess on purchases within the NMMC jurisdiction. The Company has been contesting this claim and is of the view that the demand in excess of INR 48.03 lakhs was not tenable. Hence, the Company has created a provision of INR 48.03 lakhs towards the obligation. Currently, the Commissioner Appeals has remanded back the case of assessing officer for fresh hearing.

### 16 Other non-current liabilities

Deferred guarantee commission (Refer Note 22)	8.50	35.40
<b>Total</b>	<b>8.50</b>	<b>35.40</b>

### 17 Financial liabilities - Borrowing

<b>Secured</b>		
Loans from banks*	3,860.05	4,024.39
<b>Unsecured</b>		
Liability component of compound financial instrument	550.00	550.00
<b>Total</b>	<b>4,410.05</b>	<b>4,574.39</b>

\*Cash credits are from Yes bank limited and Punjab national bank at the rate of 9.8% and 13.35% respectively and same are secured against trade receivables and inventories of the Company.

### 18 Trade payables

Dues to Micro, Small and Medium Enterprises		
Others	880.28	1,691.11
<b>Total</b>	<b>880.28</b>	<b>1,691.11</b>

Disclosure of outstanding dues of Micro and Small Enterprise under Trade Payables is based on the information available with the Company regarding the status of the suppliers as defined under the Micro, Small and Medium Enterprises Development Act, 2006. There is no undisputed amount overdue as on 31 March 2018, to Micro, Small and Medium Enterprises on account of principal or interest.



# FINO PayTech Limited

## Notes to the financial statements (Continued)

As at 31 March 2018

Currency: Indian Rupees in lakhs

	31 March 2018	31 March 2017
<b>19 Other current financial liabilities</b>		
Current maturities of long-term debt	-	249.19
Deposits collected from agents	3.30	169.39
Other payables	823.97	261.08
<b>Total</b>	<b>827.27</b>	<b>679.66</b>
<b>20 Other current liabilities</b>		
Advances from customers	18.25	12.16
Statutory dues payables (includes Professional Tax, ESIC, Provident Fund, Withholding Taxes, etc.)	155.69	616.21
Deferred revenue (Refer Note 22)	2.20	19.34
Other current liabilities	125.70	584.96
Deferred guarantee commission (Refer Note 22)	36.41	39.20
<b>Total</b>	<b>338.25</b>	<b>1,271.87</b>
<b>21 Current liabilities - Provisions</b>		
<b>Provision for employee benefits</b>		
Gratuity (Refer note 33)	5.45	60.04
Compensated absences (Refer note 33)	1.32	17.67
<b>Other provisions :</b>		
Provision for expected loss on performance security	779.19	-
<b>Total</b>	<b>785.96</b>	<b>77.71</b>
<b>22 Deferred income</b>		
Deferred revenue	2.20	19.34
Deferred guarantee commission	44.91	74.60
<b>Total</b>	<b>47.11</b>	<b>93.94</b>



# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

	Year ended 31 March 2018	Year ended 31 March 2017
<b>23 Revenue from operations</b>		
Sales of products and services		
Sale of products	359.48	1,377.01
CBS Services, enrollment income and other services	3,766.56	16,354.97
<b>Total</b>	<b>4,126.04</b>	<b>17,731.98</b>
<b>24 Other income</b>		
Interest received on financial assets carried at amortised cost		
- Deposits with banks	95.67	165.91
- Others	15.01	461.86
Profit / (loss) on sale of fixed assets (net)	(3.34)	22.41
Dividend received on investments carried at fair value through profit or loss		
- Mutual fund units	-	27.71
Miscellaneous income (net)	103.15	35.83
<b>Total</b>	<b>210.49</b>	<b>713.72</b>
<b>25 Purchase of goods and services</b>		
Purchase of goods - cards and devices	758.57	630.88
Enrollment expenses	943.81	1,083.83
Other direct cost	1,001.95	2,112.13
<b>Total</b>	<b>2,704.33</b>	<b>3,826.84</b>
<b>26 Changes in inventories of stock-in-trade and work-in-progress</b>		
Opening stock :		
Traded goods	2,974.35	3,180.43
Work-in-progress	883.12	1,296.65
Closing stock:		
Traded goods	3,427.92	2,974.35
Work-in-progress	136.08	883.12
Changes in inventories:		
Changes in inventories of stock-in-trade and work-in-progress		
Traded goods	(453.57)	206.08
Work-in-progress	747.04	413.53
<b>Total</b>	<b>293.47</b>	<b>619.61</b>

# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

	Year ended 31 March 2018	Year ended 31 March 2017
<b>27 Employee benefit expense</b>		
Salaries and wages	604.64	6,998.59
Contribution to provident and other funds	36.43	506.62
ESOP expense	32.27	8.24
Gratuity	10.55	140.41
Compensated absences	12.01	148.83
Staff welfare expenses	152.31	367.94
<b>Total</b>	<b>848.21</b>	<b>8,170.63</b>
<b>28 Finance costs</b>		
Interest on borrowings measured at amortised cost	393.66	992.32
Other borrowing costs	43.33	-
<b>Total</b>	<b>436.99</b>	<b>992.32</b>
<b>29 Other expenses</b>		
Repairs and maintenance	83.84	361.86
Rent	42.10	322.83
Rates and taxes	44.21	32.39
Insurance	125.68	171.68
Bank charges	5.39	49.68
Power and fuel	51.30	130.97
Communication cost	302.50	548.47
Commission and brokerage	0.14	4.83
Travelling and conveyance	37.54	652.30
Legal and professional charges	328.48	527.66
Stationery & printing expenses	51.56	91.30
Directors sitting fees	14.14	21.00
Payment to auditors		
- Statutory audit	26.00	36.11
- Reimbursement of expenses	2.72	1.31
Provision for doubtful trade receivables	3,919.00	1,435.45
Corporate social responsibility expenses (CSR) (Refer note 41)	11.91	-
Advertisement, publicity and sales promotion expenses	3.91	94.34
Miscellaneous expenses	39.25	62.75
<b>Total</b>	<b>5,089.67</b>	<b>4,544.93</b>



# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 30. Financial instruments – Fair values and risk management

#### A. Accounting classification and fair values

Carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy, are presented below. It does not include the fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 March 2018	Carrying amount		Fair value	
	Amortised Cost	Total	Level 3	Total
<b>Financial assets not measured at fair value</b>				
<b>Non current financial assets</b>				
Loans				
- Security deposits	28.52	28.52	27.75	27.75
<b>Current financial assets</b>				
Trade receivables	2,381.29	2,381.29	-	-
Cash and cash equivalents	289.74	289.74	-	-
Other bank balances	461.11	461.11	-	-
Loans				
- Security deposits	1.30	1.30	-	-
- Loans to employees	16.61	16.61	-	-
- Loans to related parties	1.00	1.00	-	-
Other current financial assets	107.99	107.99	-	-
	<u>3,287.56</u>	<u>3,287.56</u>	<u>27.75</u>	<u>27.75</u>
<b>Financial liabilities not measured at fair value</b>				
Short term borrowings				
	4,410.05	4,410.05	-	-
Trade payables	880.28	880.28	-	-
Other current financial liabilities	827.27	827.27	-	-
	<u>6,117.60</u>	<u>6,117.60</u>	<u>-</u>	<u>-</u>



# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 30 Financial instruments – Fair values and risk management (Continued)

#### A. Accounting classification and fair values (Continued)

31 March 2017	Carrying amount		Fair value	
	Amortised Cost	Total	Level 3	Total
<b>Financial assets not measured at fair value</b>				
<b>Non current financial assets</b>				
Loans				
- Security deposits	140.81	140.81	142.29	142.29
- Loans to employees	51.27	51.27	-	-
<b>Current financial assets</b>				
Trade receivables	21,402.78	21,402.78	-	-
Cash and cash equivalents	425.57	425.57	-	-
Other bank balances	3,365.69	3,365.69	-	-
Loans				
- Security deposits	319.22	319.22	-	-
- Loans to employees	642.38	642.38	-	-
- Loans to related parties	4,809.03	4,809.03	-	-
Other current financial assets	193.13	193.13	-	-
	<u>31,349.89</u>	<u>31,349.89</u>	<u>142.29</u>	<u>430.21</u>
<b>Financial liabilities not measured at fair value</b>				
Short term borrowings	4,574.39	4,574.39	-	-
Trade and other payables	1,691.11	1,691.11	-	-
Other Current financial liabilities	679.66	679.66	-	-
	<u>6,945.16</u>	<u>6,945.16</u>	<u>-</u>	<u>-</u>

(1) Assets that are not financial assets such as receivables from statutory authorities, export benefit receivables, prepaid expenses, advances paid, are not included.

(2) Other liabilities that are not financial liabilities such as statutory dues payable, deferred revenue, advances from customers and certain other accruals, are not included

# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 30 Financial instruments – Fair values and risk management (Continued)

#### B. Measurement of fair values

Valuation techniques and significant unobservable inputs

a. Fair value of cash and cash equivalent, other bank balance, loan to employees, loan to related parties, trade and short term receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

b. The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values.

#### Financial instruments measured at fair value

Type	Valuation technique
Security deposits	The valuation model considers present value of expected payments discounted using the Government of India bond rate for the remaining maturity of the instrument.

#### C. Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk and
- Interest rate risk

#### I. Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.



# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 30 Financial instruments – Fair values and risk management (Continued)

#### C. Financial risk management (Continued)

##### ii. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and loans and advances.

The maximum exposure to the credit risk at the reporting date is primarily from trade receivables and security deposits as mentioned below. Both trade receivables and security deposits are unsecured.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. Accordingly, the Company makes specific provisions against such trade receivables wherever required and monitors the same at periodic intervals.

##### a. Credit concentration and collaterals held

Concentration of credit risk with respect to trade receivables are limited, due to the Company's customer base being diverse. All trade receivables are reviewed and assessed for default on a periodic basis. The company does not hold any Collaterals as security.

##### b. Amounts arising from ECL

##### i. Inputs, assumptions and techniques used for estimating impairment on trade receivables

###### *Inputs considered in the ECL model:*

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience, expert credit assessment and including forward looking information.

In assessing the impairment of trade receivables under Expected Credit Loss (ECL) Model, the trade receivables have been segmented into three stages based on the risk profiles. The three stages reflect the general pattern of credit deterioration of a financial instrument.

The company categorises trade receivables into stages based on the days past due status.

- Stage 1: 0-30 days past due
- Stage 2: 31- 90 days past due
- Stage 3: More than 90 days past due

###### *Assumption considered in the ECL model:*

- "Loss given Default" (LGD) is an estimate of loss from a transaction given that a default occurs.
- "Probability of Default" (PD) is defined as the probability of whether the borrowers will default on their obligations in the future. For assets which are in Stage 1, a 12 month PD is required. For Stage 2 assets a lifetime PD is required while Stage 3 assets are considered to have a 100% PD.
- "Exposure at Default" (EAD) represents the expected exposure in the event of a default and is the gross carrying amount in case of the financial assets held by the Company.



# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 30 Financial instruments – Fair values and risk management (Continued)

#### C. Financial risk management (Continued)

##### ii. Credit risk (Continued)

##### b. Amounts arising from ECL (Continued)

##### i. Inputs, assumptions and techniques used for estimating impairment on trade receivables (Continued)

###### Estimation techniques:

The Company has applied the following estimation technique for ECL model:

- The company has used corporate historic default rates as published by an accredited Indian Rating agency, CRISIL, as a proxy for calculating the 12 month PD and Lifetime PDs
- Loss given default is calculated after considering regulatory LGD as a starting point and adjusting for past recoveries.

###### Forward looking information:

The Company incorporates forward looking information into both assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on the consideration of a variety of external actual and forecast information, the Company forms a 'base case' view of the future direction of relevant economic variables such as real GDP, domestic credit growth, money market interest rate etc. as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. The base case represents a most likely outcome while the other scenarios represent more optimistic and more pessimistic outcomes.

###### Assessment of significant increase in credit risk:

The credit risk on a financial asset of the Company are assumed to have increased significantly since initial recognition when contractual payments are more than 30 days past due. Accordingly the financial assets shall be classified as Stage 2, if on the reporting date, it has been 30 days past due.

###### Definition of default

A default on a financial asset is when the counterparty fails to make the contractual payments within 90 days of when they fall due. This definition of default is determined by considering the business environment in which the company operates and other micro-economic factors. Accordingly the financial assets shall be classified as Stage 3, if on the reporting date, it has been 90 days past due.

# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 30 Financial instruments – Fair values and risk management (Continued)

#### C. Financial risk management (Continued)

##### ii. Loss allowance

The following table shows movement in the loss allowance in respect of trade receivables and other loans and advances:

Trade receivables	31 March 2018	31 March 2017
Opening balance	2,594.09	2,467.14
Net impairment loss recognised	516.96	129.54
Balance written back	-	(2.59)
<b>Closing balance</b>	<b>3,111.05</b>	<b>2,594.09</b>

First Loss Default Guarantee	31 March 2018	31 March 2017
Opening balance	-	-
Net impairment loss recognised	779.19	-
Balance written back	-	-
<b>Closing balance</b>	<b>779.19</b>	<b>-</b>

Other advances	31 March 2018	31 March 2017
Opening balance	35.71	71.59
Net impairment loss recognised	366.98	-
Balance written back	-	(35.88)
<b>Closing balance</b>	<b>402.69</b>	<b>35.71</b>

# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 30 Financial instruments – Fair values and risk management (Continued)

#### C. Financial risk management (Continued)

##### iii. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

##### Maturity profile of financial liabilities

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include estimated interest payments.

31 March 2018	Contractual cash flows						
	Carrying amount	Total	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
<b>Non-derivative financial liabilities</b>							
<b>Borrowings:</b>							
Working capital loans from banks	3,860.05	3,860.05	3,860.05	-	-	-	-
Liability component of compound financial instrument	550.00	550.00	550.00	-	-	-	-
Trade and other payables	880.28	880.28	880.28	-	-	-	-
Other current financial liabilities	827.27	827.27	827.27	-	-	-	-

31 March 2017	Contractual cash flows						
	Carrying amount	Total	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
<b>Non-derivative financial liabilities</b>							
<b>Rupee term loans from banks</b>							
	249.19	249.19	249.19	-	-	-	-
<b>Borrowings:</b>							
Working capital loans from banks	4,024.39	4,024.39	4,024.39	-	-	-	-
Liability component of compound financial instrument	550.00	550.00	550.00	-	-	-	-
Trade and other payables	1,691.11	1,691.11	1,691.11	-	-	-	-
Other current financial liabilities (other than rupee term loans from banks)	430.47	430.47	430.47	-	-	-	-



# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 30 Financial instruments – Fair values and risk management (Continued)

#### C. Financial risk management (Continued)

##### iv. Market risk

In the course of its business, the Company is exposed to certain financial risks namely interest risk, currency risk and liquidity risk. The Company's preliminary focus is to achieve better predictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

##### Currency risk

The Company is exposed to currency risk on account of its trade receivables and trade payables in foreign currency. The functional currency of the Company is Indian Rupee.

##### Exposure to currency risk (Exposure in different currencies converted to functional currency i.e. INR)

The currency profile of financial assets and financial liabilities as at 31 March 2018 and 31 March 2017 are as below:

	31 March 2018 USD	31 March 2018 EURO	31 March 2018 BDT
<b>Financial assets</b>			
Cash and cash equivalents	0.15	0.57	-
Trade and other receivables	19.51	-	6.28
	<b>19.66</b>	<b>0.57</b>	<b>6.28</b>
<b>Financial liabilities</b>			
Trade and other payables	12.25	-	-
	<b>12.25</b>	<b>-</b>	<b>-</b>
	31 March 2017 USD	31 March 2017 EURO	31 March 2017 BDT
<b>Financial assets</b>			
Cash and cash equivalents	0.15	0.49	-
Trade and other receivables	19.45	-	6.49
	<b>19.60</b>	<b>0.49</b>	<b>6.49</b>
<b>Financial liabilities</b>			
	<b>-</b>	<b>-</b>	<b>-</b>

The following significant exchange rates have been applied during the year.

	Year-end spot rate	
	31 March 2018	31 March 2017
INR		
USD 1	65.04	64.84
EUR 1	80.62	69.25
BDT 1	0.79	0.81



# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 30 Financial instruments – Fair values and risk management (Continued)

#### C. Financial risk management (Continued)

##### iv. Market risk (Continued)

##### Sensitivity analysis

A reasonably possible strengthening (weakening) of the Indian Rupee against the foreign currencies at 31 March would have affected the measurement of financial instruments denominated in foreign currencies and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates remain constant.

31 March 2018	Profit / (loss)		Equity (net of tax)	
	Strengthening	Weakening	Strengthening	Weakening
USD - 1% Movement	0.07	(0.07)	0.05	(0.05)
EUR - 4% Movement	0.02	(0.02)	0.02	(0.02)
BDT - 1% Movement	0.06	(0.06)	0.04	(0.04)
	<u>0.15</u>	<u>(0.15)</u>	<u>0.11</u>	<u>(0.11)</u>

31 March 2017	Profit / (loss)		Equity (net of tax)	
	Strengthening	Weakening	Strengthening	Weakening
USD - 1% Movement	0.20	(0.20)	0.14	(0.14)
EUR - 3% Movement	0.01	(0.01)	0.01	(0.01)
BDT - 2% Movement	0.13	(0.13)	0.09	(0.09)
	<u>0.34</u>	<u>(0.34)</u>	<u>0.24</u>	<u>(0.24)</u>

# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 30 Financial instruments – Fair values and risk management (Continued)

#### v. 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's exposure to the risk of changes in market interest rates primarily to the Company's borrowings with floating interest rates.

#### Exposure to interest rate risk

Company's interest rate risk arises from borrowings. The interest rate profile of the Company's interest-bearing financial instruments as reported to the management of the Company is as follows:

	31 March 2018	31 March 2017
<b>Borrowings</b>		
Fixed rate borrowings	550.00	550.00
Variable rate borrowings	3,860.05	4,273.57
<b>Total borrowings</b>	<b>4,410.05</b>	<b>4,823.57</b>

#### Fair value sensitivity analysis for fixed-rate instruments

The Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

#### Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit / (loss)		Equity (net of tax)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>31 March 2018</b>				
Variable-rate instruments	(38.60)	38.60	(26.67)	26.67
<b>Cash flow sensitivity</b>	<b>(38.60)</b>	<b>38.60</b>	<b>(26.67)</b>	<b>26.67</b>
<b>31 March 2017</b>				
Variable-rate instruments	(42.74)	42.74	(29.53)	29.53
<b>Cash flow sensitivity</b>	<b>(42.74)</b>	<b>42.74</b>	<b>(29.53)</b>	<b>29.53</b>

The risk estimates provided assume a parallel shift of 100 basis points interest rate across all yield curves. This calculation also assumes that the change occurs at the balance sheet date and has been calculated based on risk exposures outstanding as at that date. The period end balances are not necessarily representative of the average debt outstanding during the period.



# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 31 Capital Management

The Company's objectives when managing capital are to (a) maximise shareholders value and provide benefit to the stakeholders and (b) maintain an optimal capital structure to reduce the cost of capital.

The Company monitors capital using a ratio of "adjusted net debt" to "adjusted equity". For this purpose, adjusted net debt is defined as total liabilities less cash and cash equivalents. Equity comprises all components of equity.

	<u>31 March 2018</u>	<u>31 March 2017</u>
Total liabilities	7,343.97	9,065.84
Gross Debt	7,343.97	9,065.84
Less - Cash and Cash Equivalents	(289.74)	(425.57)
Adjusted Net debt	<u>7,054.23</u>	<u>8,640.27</u>
Total equity	62,981.43	66,855.98
Adjusted Net debt to equity ratio	0.11	0.13



# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 32 Share-based payment arrangements:

#### A. Description of share-based payment arrangements

##### i. Share option programmes (equity-settled)

The Company has only one Employee Stock Option Plan (ESOP II 2007 ('Plan')) in force for a total grant of 31,620,500 options across the various schemes under the said Plan. The Plan provides that the Company's employees are granted an option to acquire equity shares of the Company that vests in a graded manner. During the current year an amendment has been made to the employee stock option scheme with reference to exercise of vested option by Option Grantee's nominee or legal heirs in case of death of option holder in accordance with which, all Vested Options may be Exercised by the Option Grantee's nominee or legal heirs immediately after, but in no event later than five years from the date of Death of the option holder. This amendment has come into force from 24th May, 2017.

#### ESOP

Grant Date	No. of Options	Exercise Price	Vesting Period (years)	Vesting Conditions
01-Jan-07	2,135,000	10.00	2 to 5	At the end of 1 year Nil and 25% of options at the end of years 2, 3, 4 and 5 respectively.
07-Sep-07	1,345,000	20.00	2 to 5	At the end of 1 year Nil and 25% of options at the end of years 2, 3, 4 and 5 respectively.
01-Sep-08	1,870,000	20.00	1 to 4	25% of the options at the end of years' 1, 2, 3 and 4 respectively
01-Apr-09	3,265,000	20.00	1 to 4	25% of the options at the end of years' 1, 2, 3 and 4 respectively
01-Aug-10	3,035,000	30.00	1 to 4	25% of the options at the end of years' 1, 2, 3 and 4 respectively
01-Oct-11	2,366,500	75.00	1 to 4	25% of the options at the end of years' 1, 2, 3 and 4 respectively
01-May-12	82,500	75.00	1 to 4	25% of the options at the end of years' 1, 2, 3 and 4 respectively
01-Aug-12	1,894,000	90.00	1 to 4	25% of the options at the end of years' 1, 2, 3 and 4 respectively
06-Feb-13	2,500,000	80.00	1 to 4	25% of the options at the end of years' 1, 2, 3 and 4 respectively
01-Jul-15	75,000	80.00	1 to 4	25% of the options at the end of years' 1, 2, 3 and 4 respectively
01-Dec-15	1,000,000	80.00	1 to 4	25% of the options at the end of years' 1, 2, 3 and 4 respectively
15-Apr-16	10,000	70.64	1 to 3	25% of the options at the end of years' 1, 2, 3 and 4 respectively
01-Dec-16	50,000	70.64	1 to 4	25% of the options at the end of years' 1, 2, 3 and 4 respectively
10-Aug-17	1,992,500	100.00	1 to 4	25% of the options at the end of years' 1, 2, 3 and 4 respectively

The weighted average share price as at the date of exercise of options exercised during the year ended 31 March 2018 was INR 99.50 (31 March 2017: INR 88.27). Since the Company is not listed, the share price available during the year is taken as the weighted average share price.

Share options outstanding at the end of the period have the following exercise price. As per the ESOP scheme-II 2007, while in employment the employee can exercise the vested options till the time it is listed in a stock exchange and three years from the date of vesting. Additionally, in the case of resignation/termination, all the vested options as on the last working day of the employee shall be exercisable before the expiry of three years from the his/her last working day. Hence, the contractual life of the options is non-determinable.

Grant Date	Exercise price	Share options 31 March 2018	Share options 31 March 2017
01-Jan-07	10.00	100,000	550,000
5 Sep-07 to 1 Apr-09	20.00	1,108,500	2,192,000
01-Aug-10	30.00	585,000	1,183,750
1-Oct-11 and 1-Mar-12	75.00	1,104,000	1,321,000
1-Aug-12 to 1-Dec-15	80.00	2,604,750	3,156,250
15-Apr-16 and 1-Dec-16	70.64	732,500	937,500
10-Aug-17	100.00	1,992,500	-

# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 32 Share-based payment arrangements: (Continued)

#### B. Measurement of fair values

##### i. Equity-settled share-based payment arrangements

The fair value of the employee share options has been measured using the Black-Scholes formula. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

The requirement that the employee has to serve in order to purchase shares under the share purchase plan has been incorporated into the fair value at grant date by applying a discount to the valuation obtained.

The discount has been determined by estimating the probability that the employee will stop serving based on historical behavior.

	31 March 2018	31 March 2017	
	16 August 2017	15 April 2016	01 December 2016
Grant date	16 August 2017	15 April 2016	01 December 2016
Fair value at grant date	INR 21.87 - Year 1	INR 32.09 - Year 1	INR 31.38 - Year 1
	INR 26.80 - Year 2	INR 36.12 - Year 2	INR 35.21 - Year 2
	INR 31.34 - Year 3	INR 39.91 - Year 3	INR 38.74 - Year 3
	INR 35.56 - Year 4	INR 43.48 - Year 4	INR 42.00 - Year 4
Share price at grant date	99.50	88.27	88.27
Exercise price	100.00	70.64	70.64
Expected volatility (weighted-average)	18.00%	18.00%	18.00%
Expected option life (weighted-average)	4.50	4.60	4.50
Expected dividends	Nil	Nil	Nil
Risk-free interest rate (based on government bonds)	6.50%	6.9% - 7.2%	6.70%

The following table lists the average inputs to the models used for the plans for the year ended 31 March 2018.

Particulars	Description of the inputs used
Expected volatility (weighted-average)	Expected volatility of the option is based on historical volatility of market returns, during a period equivalent to the option life, and adjusted for company's nature of operations and industry category.
Expected dividends	Dividend yield of the options is based on past trends of profitability and management's estimates of future dividends.
Risk-free interest rate (based on government bonds)	Risk-free interest rates are based on the government of India securities yield in effect at the time of the grant.

# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 32 Share-based payment arrangements (Continued)

#### C. Reconciliation of outstanding share options

Activity in the options outstanding under the employee's stock option Scheme as at:

	31-Mar-18		31-Mar-17	
	Weighted average share price per option	Number of options	Weighted average share price per option	Number of options
Options outstanding as at the beginning of the year	54.77	9,140,500	47.40	12,442,500
Add: Options granted during the year	100.00	1,992,500	70.64	60,000
Less: Options exercised during the year	38.26	2,701,000	25.27	3,195,750
Less: Options expired during the year	56.28	114,750	76.06	166,250
Options outstanding as at the year end	<u>70.95</u>	<u>8,317,250</u>	<u>54.77</u>	<u>9,140,500</u>
Options exercisable as on 31 March 2018	58.92	5,249,750	45.28	6,437,375

#### D. Expense arising from share based payment transactions

The total expense arising from share based payment transactions recognised in profit or loss as part of employee benefit expense is INR 52.27 lakhs (31 Mar 2017 : INR 8.24 lakhs)



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# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 33 Employee benefits

The Company contributes to the following post-employment defined benefit plans in India.

#### A. Defined Contribution Plans:

The Company makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. The Company's contribution is recognised as an expense in the statement of profit and loss during the period in which the employee renders the related service.

The Company has recognised INR 26.59 lakhs for 31 March 2018 (31 March 2017: INR 289.24 lakhs) as expenditure and included under 'Employee benefit expenses' in the statement of profit and loss.

#### Gratuity

The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The calculation of the Company's obligation under the plan is performed annually by a qualified actuary using the projected unit credit method.

#### Compensated absences

Compensated absences balance upto 15 days are encashed at the end of financial year on the basic salary. Encashment of more than 15 days of leave is not permitted.

Based on the actuarial valuation obtained in this respect, the following table sets out the status of the gratuity and compensated absences amounts recognised in the Company's financial statements as at balance sheet date

	Note	Gratuity		Compensated absences	
		31 March 2018	31 March 2017	31 March 2018	31 March 2017
Liability at the end of the year	15, 21	34.00	576.40	7.17	130.66
Fair value of Plan Assets at the end of the year		-	-	-	-
Amount recognised in Balance sheet		<b>34.00</b>	<b>576.40</b>	<b>7.17</b>	<b>130.66</b>

# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 33 Employee benefits (Continued)

#### C. Components of defined benefit plan cost:

Particulars	Gratuity		Compensated absences	
	For the year ended 31 March 2018	For the year ended 31 March 2017	For the year ended 31 March 2018	For the year ended 31 March 2017
Expense recognised in profit or loss				
Current service cost	5.01	114.04	4.15	130.66
Interest cost / (income) (net)	5.54	26.37	0.69	-
Unrecognised Past Service Cost- non vested benefits	-	-	-	-
Past service cost	-	-	-	-
<b>Total</b>	<b>10.55</b>	<b>140.41</b>	<b>4.84</b>	<b>130.66</b>
Remeasurement recognised in other comprehensive income				
Remeasurement of net defined benefit liability/(asset)	(42.17)	86.92	-	-
Return on plan assets excluding net interest	-	-	-	-
<b>Total</b>	<b>(42.17)</b>	<b>86.92</b>	<b>-</b>	<b>-</b>

# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 33 Employee benefits (Continued)

#### B. Movement in net defined benefit (asset) liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit (asset) liability and its components:

Particulars	Defined benefit obligation		Gratuity		Net defined benefit (asset) liability		Defined benefit obligation		Compensated absences		Net defined benefit (asset) liability	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Opening balance	576.39	376.73	-	-	576.39	376.73	130.66	-	-	-	130.66	-
Adjustments to opening balance on account of employee transfer	(500.01)	-	-	-	(500.01)	-	(121.16)	-	-	-	(121.16)	-
Adjusted opening balance	76.38	376.73	-	-	76.38	376.73	9.50	-	-	-	9.50	-
Included in profit or loss	5.01	114.04	-	-	5.01	114.04	4.15	130.66	-	-	4.15	130.66
Current service cost	5.54	26.37	-	-	5.54	26.37	0.69	-	-	-	0.69	-
Past service cost	-	-	-	-	-	-	-	-	-	-	-	-
Interest cost (income)	86.93	517.14	-	-	86.93	517.14	14.34	130.66	-	-	14.34	130.66
<b>Included in OCI</b>												
Actuarial loss (gain) arising from:	-	-	-	-	-	-	-	-	-	-	-	-
Demographic assumptions	-	43.15	-	-	-	43.15	-	-	-	-	-	-
Financial assumptions	(42.17)	43.77	-	-	(42.17)	43.77	7.18	18.17	-	-	7.18	-
Experience adjustment	-	-	-	-	-	-	-	-	-	-	-	-
Return on plan assets excluding interest income	44.76	604.06	-	-	44.76	604.06	21.52	148.83	-	-	21.52	130.67
<b>Other</b>												
Contributions paid by the employer	(10.76)	(27.67)	-	-	(10.76)	(27.67)	(14.35)	(18.17)	-	-	(14.35)	(18.17)
Benefits paid	34.00	576.39	-	-	34.00	576.39	7.17	130.66	-	-	7.17	-
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-



# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 33 Employee benefits

#### 33 Employee benefits (Continued)

##### D. Defined benefit obligations

##### i. Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	31 March 2018	31 March 2017
Discount rate	7.25%	7.00%
Expected Rate of Return on Plan Assets	-	-
Salary escalation rate	10.40%	9.00%
Withdrawal rate	21.00%	15.00%
Mortality rate	IALM 2006- 08 Ultimate	IALM 2006- 08 Ultimate

##### ii. Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Gratuity				Compensated absences			
	31 March 2018		31 March 2017		31 March 2018		31 March 2017	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(1.58)	1.74	(34.77)	39.07	(0.33)	0.35	(8.01)	9.04
Future salary growth (1% movement)	1.67	(1.55)	37.94	(34.46)	0.33	(0.33)	8.78	(7.94)
Withdrawal rate (1% movement)	(0.31)	0.34	(6.57)	7.12	(0.05)	0.04	(0.93)	1.05

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.

##### Expected future cash flows

The expected future cash flows in respect of gratuity as at 31 March 2018 were as follows:

##### Expected future benefit payments

31 March 2019	5.86
31 March 2020	5.96
31 March 2021	6.32
31 March 2022	6.46
31 March 2023	6.68
Beyond 31 March 2023	0.52



# FINO PayTech Limited

## Notes to the financial statements *(Continued)*

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 34 Operating leases

#### A. Leases as lessee

The Company has entered into commercial lease on certain office premises, office equipments, plant and machinery and computer equipments. These leases carry an average life of three to five years.

#### i. Future minimum lease payments

At 31 March the future minimum lease payments under non-cancellable leases were receivable as follows.

	31 March 2018	31 March 2017
Less than one year	84.34	45.63
Between one and five years	207.13	51.25
More than five years	-	-
	<u>291.47</u>	<u>96.88</u>
<b>ii. Amounts recognised in profit or loss</b>		
Lease expense	42.10	322.83
	<u>42.10</u>	<u>322.83</u>

# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 35. Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of Equity shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of Equity shares outstanding during the year plus the weighted average number of Equity shares that would be issued on conversion of all the dilutive potential Equity shares into Equity shares.

#### i. Profit attributable to Equity share holders of the Company

	31 March 2018	31 March 2017
	INR	INR
Profit attributable to equity share holders of the Company:		
Continuing operations	(468,901,406)	(76,613,693)
Profit attributable to equity holders of the Company for basic earnings	(468,901,406)	(76,613,693)
Profit attributable to equity holders of the Company adjusted for the effect of basic and dilution	(468,901,406)	(76,613,693)

#### ii. Weighted average number of ordinary shares

	31 March 2018	31 March 2017
Issued ordinary shares at 01 April	96,195,141	31,492,250
Effect of shares issued for cash	-	15,318,292
Effect of shares issued on conversion of warrants	-	500,000
Effect of share options exercised	1,223,445	2,670,500
Effect of share on conversion of preference shares	-	15,887,476
Weighted average number of shares at 31 March	97,418,586	65,868,518
Additions:-		
Share options		
Convertible preference shares	23,831,215	23,831,215
Convertible share warrants	5,500,000	5,500,000
Weighted average number of shares at 31 March for basic EPS	126,749,801	95,199,733
Weighted average number of shares at 31 March	126,749,801	95,199,733
Add: Potential Equity Shares	1,863,547	-
Weighted average number of shares at 31 March for diluted EPS	128,613,348	95,199,733

#### Basic and Diluted earnings per share

	31 March 2018	31 March 2017
Basic earnings per share	(3.70)	(0.80)
Diluted earnings per share	(3.65)	(0.80)



# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 36 Tax expense

#### (a) Amounts recognised in profit and loss

	Year ended 31 March 2018	Year ended 31 March 2017
<b>Current income tax</b>		
Current period	-	121.47
Changes in estimates related to prior years	302.78	-
<b>Deferred income tax liability / (asset) (net)</b>		
Origination and reversal of temporary differences	(1,224.59)	(54.51)
<b>Deferred tax expense</b>	<u>(1,224.59)</u>	<u>(54.51)</u>
<b>Tax expense for the year</b>	<u>(921.81)</u>	<u>66.96</u>

#### (b) Amounts recognised in other comprehensive income

	Year ended 31 March 2018			Year ended 31 March 2017		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Items that will not be reclassified to profit or loss						
Remeasurements of defined benefit liability (asset)	42.17	(10.96)	31.21	(86.92)	26.86	(60.06)
Items that will be reclassified to profit or loss						
Items that will be reclassified to profit or loss	42.17	(10.96)	31.21	(86.92)	26.86	(60.06)

#### (c) Reconciliation of effective tax rate

	Year ended 31 March 2018		Year ended 31 March 2017	
Profit before tax	-	(5,610.83)	-	(699.23)
Tax using the Company's domestic tax rate	30.90%	(1,733.75)	30.90%	(216.06)
Tax effect of:				
Tax effects of amounts which are not deductible for taxable income	(0.03%)	1.80	0.00%	-
Notional income not subject to tax	0.57%	(31.73)	(2.22%)	15.49
Items on which no deferred tax was recognized	(0.18%)	9.97	0.21%	(1.45)
Tax rate difference	(9.70%)	544.16	(39.48%)	276.06
Changes in estimates related to prior years	(5.40%)	302.78	0.00%	-
Others	0.27%	(15.04)	1.01%	(7.08)
	<u>16.43%</u>	<u>(921.80)</u>	<u>(9.58%)</u>	<u>66.96</u>



# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 36 Tax Expense (Continued)

#### (d) Movement in deferred tax balances

	Net balance 1 April 2017	Recognised in profit or loss	Recognised in OCI	Other	Net	31 March 2018 Deferred tax asset	Deferred tax liability
Deferred tax asset / liability							
Property, plant and equipment	541.10	(104.41)	-	-	436.69	436.69	-
Security deposits	0.06	0.02	-	-	0.08	0.08	-
Borrowings	(1.16)	0.52	-	-	(0.64)	-	(0.64)
Provisions	1,037.84	711.82	-	-	1,749.66	1,749.66	-
Unabsorbed business loss	82.08	611.08	-	-	693.16	693.16	-
Others	386.82	5.56	(10.96)	(121.47)	259.95	259.95	-
Deferred tax assets (net)	2,046.74	1,224.59	(10.96)	(121.47)	3,138.90	3,139.54	(0.64)
Set off tax							
Net tax assets	2,046.74	1,224.59	(10.96)	(121.47)	3,138.90	3,139.54	(0.64)

#### (e) Movement in deferred tax balances

	Net balance 1 April 2016	Recognised in profit or loss	Recognised in OCI	Other	Net	31 March 2017 Deferred tax asset	Deferred tax liability
Deferred tax asset / liability							
Property, plant and equipment	601.58	(60.48)	-	-	541.10	541.10	-
Security deposits	0.09	(0.03)	-	-	0.06	0.06	-
Borrowings	(23.73)	22.57	-	-	(1.16)	-	(1.16)
Provisions	1,143.42	(105.58)	-	-	1,037.84	1,037.84	-
Unabsorbed business loss	-	82.08	-	-	82.08	82.08	-
Other items	244.00	115.96	26.86	-	386.82	386.82	-
Deferred tax assets (net)	1,965.36	54.52	26.86	-	2,046.74	2,047.90	(1.16)
Set off tax							
Net tax assets	1,965.36	54.52	26.86	-	2,046.74	2,047.90	(1.16)

The company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Significant management judgment is required in determining provision for income tax, deferred income tax assets and liabilities and recoverability of deferred income tax assets. The recoverability of deferred income tax assets is based on estimates of taxable income in which the relevant entity operates and the period over which deferred income tax assets will be recovered.

# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 37 Related Party Disclosures

#### A. Names of Related Parties

Sr. No.	Particulars	Country of Incorporation	Proportion of ownership interest
1	<u>Related party by whom significance influence is exercised</u> Bharat Petroleum Corporation Limited	India	28.89%
2	<u>Entities which are controlled by the company and with whom the Company had transactions during the year</u> Fino Trusteeship Services Limited	India	
	Fino Finance Private Limited (Formerly known as Intrepid Finance and Leasing Private Limited)	India	
	Fino Payments Bank Limited (Formerly known as Fino Fintech Private Limited)	India	
	Fino Financial Services Private Limited	India	
3	<u>Key Management Personnel</u> Ashok Kini - Non-executive Chairman & Independent Director Alok Gupta - Nominee Director of HAV 3 Amit Jain - Nominee director Blackstone Pranod Sharma - Independent director Dr. Anjana Grewal - Independent Director Rishi Gupta - Managing director and Chief executive officer (till 02 May 2017) Rajeev Arora - Additional Director – Designated as Whole-time Director (w.e.f 01 January 2018) S Rajaraman - Whole-time Director (till 15 December 2017) Rishi Daultani - Chief financial officer (w.e.f 19 May 2017)		

#### B. Transactions with key management personnel

##### i. Key management personnel compensation

Sr. No.	Particulars	Year ended 31 March 2018	Year ended 31 March 2017
i.	Short-term employee benefits	83.63	241.20
ii.	Post-employment benefits	5.22	17.04
iii.	Share-based payment	63.54	46.38



# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 37 Related Party Disclosures (Continued)

#### C. Related party relationships, transactions and balances

Note 37 A above provides the information about the Group's structure including the details of the subsidiaries and the holding company. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

Nature of Transaction	Subsidiaries	Related party by whom significant influence is exercised	Key Management Personnel	Total
Issue of equity shares				
31 March 2018	-	-	-	-
31 March 2017	-	25,099.95	-	25,099.95
Investment in equity shares				
31 March 2018	22,509.00	-	-	22,509.00
31 March 2017	30,139.89	-	-	30,139.89
Corporate guarantee				
31 March 2018	(2,588.29)	-	-	(2,588.29)
31 March 2017	4,548.53	-	-	4,548.53
Reimbursement of expenses				
31 March 2018	776.03	-	-	776.03
31 March 2017	-	-	-	-
Sale of services / fixed assets				
31 March 2018	859.00	-	-	859.00
31 March 2017	11,357.27	81.33	-	11,438.60
Purchase of services				
31 March 2018	-	5.22	-	5.22
31 March 2017	55.53	-	-	55.53
Remuneration				
31 March 2018	-	-	138.89	138.89
31 March 2017	-	-	304.62	304.62
Sitting fees				
31 March 2018	-	-	13.50	13.50
31 March 2017	-	-	21.00	21.00
Advance paid				
31 March 2018	-	-	-	-
31 March 2017	103.03	-	-	103.03
Loan given				
31 March 2018	-	-	-	-
31 March 2017	16,628.25	-	-	16,628.25
Loan repaid				
31 March 2018	4,808.03	-	309.96	5,117.99
31 March 2017	16,641.58	-	46.42	16,688.00
Interest on loan				
31 March 2018	-	-	-	-
31 March 2017	197.66	-	37.41	235.07
Guarantee commission				
31 March 2018	102.69	-	-	102.69
31 March 2017	42.01	-	-	42.01

# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 37 Related Party Disclosures (Continued)

#### C. Related party relationships, transactions and balances (Continued)

Nature of Transaction	Subsidiaries	Related party by whom significant influence is exercised	Key Management Personnel	Total
<b>Balance Outstanding</b>				
Corporate guarantee				
31 March 2018	6,540.05	-	-	6,540.05
31 March 2017	9,128.34	-	-	9,128.34
Trade receivables (Gross)				
31 March 2018	1,140.57	-	-	1,140.57
31 March 2017	19,449.52	277.76	-	19,727.08
Short term loans				
31 March 2018	1.00	-	4.90	5.90
31 March 2017	4,809.03	-	309.96	5,118.99
Interest receivable on loan given				
31 March 2018	-	-	-	-
31 March 2017	197.66	-	-	197.66
Other payables				
31 March 2018	-	1.95	-	1.95
31 March 2017	-	26.39	-	26.39
Vehicle loan				
31 March 2018	-	-	-	-
31 March 2017	-	-	-	-
Share warrants				
31 March 2018	-	-	-	-
31 March 2017	-	400.00	-	400.00
Bank balances				
31 March 2018	-	-	-	-
31 March 2017	-	239.31	-	239.31
Decemed investment				
31 March 2018	495.02	-	-	495.02
31 March 2017	152.12	-	-	152.12
Deferred guarantee commission				
31 March 2018	44.91	-	-	44.91
31 March 2017	74.60	-	-	74.60

# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 38 Contingent liabilities and commitments

	31 March 2018	31 March 2017
<b>Contingent liabilities</b>		
(i) Arrears of preference share dividend	5,566.62	5,566.62
(ii) Value added tax and entry tax	578.25	481.63
(iii) Navi Mumbai municipal corporation cess	54.18	54.18
(iv) Corporate guarantee issued on behalf of subsidiaries	5,479.36	9,128.33
(v) Performance security provided	1,069.51	-
(vi) Income tax	-	533.70

The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in its financial statements. The Company does not expect the outcome of these proceedings to have a materially adverse effect on its financial results.

### Capital Commitments

The company has capital commitments of INR 9.09 lakhs as on 31 March 2018 (31 March 2017 : INR Nil. lakhs)

### 39 Details of Dues to micro, small and medium suppliers

	31 March 2018	31 March 2017
<b>Dues to micro, small and medium suppliers</b>		
a. The amounts remaining unpaid to micro and small suppliers as at the end of the year		
- Principal	-	-
- Interest	-	-
b. The amount of interest paid by the company as per the Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006) along with amount of the payment made to micro and small suppliers beyond the appointed day during each accounting year.	-	-
c. The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006.	-	-
d. The amount of interest accrued and remaining unpaid at the end of each accounting year.	-	-
e. The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under the MSMED Act, 2006.	-	-

# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 40 Foreign currency transactions

Expenditure incurred in foreign currency	31 March 2018	31 March 2017
Director sitting fees	-	6.00
Membership fees	13.65	19.74
Miscellaneous expenses	-	0.39
Legal and professional fees	-	33.34
	<u>13.65</u>	<u>59.47</u>
Income earned in foreign currency		
Other non operating income	-	3.13
	<u>-</u>	<u>3.13</u>

### 41 Corporate social responsibility

Particulars	31 March 2018	31 March 2017
Amount required to be spent as per section 135 of the Act	20.07	12.35
Amount spent during the year	11.91	12.35
Total	<u>11.91</u>	<u>12.35</u>



# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 42 Segment Reporting

The Company has presented segment information in the consolidated financial statements which are presented in the same financial report. Accordingly, in terms of Paragraph 4 of Ind AS 108 'Operating Segments', no disclosures related to segments are presented in the standalone financial statements.

### 43 Note on Litigation

During the year ended 31 March 2011, Navli Mumbai Municipal Corporation (NMMC) raised a demand of INR 102.20 lakhs towards cess on purchases within the NMMC jurisdiction. The Company has been contesting this claim and is of the view that the demand in excess of INR 48.03 lakhs was not tenable. Hence, the Company has created a provision of INR 48.03 lakhs towards the obligation. Currently, the Commissioner Appeals has remanded back the case to assessing officer for fresh hearing.

There are pending litigation under UP VAT Act, department has considered all the movement of assets from one state to other state as a deemed sale in the year 2008-09 & 2010-11 and in the year 2009-10, 2011-12, 2012-13 & 2013-14 department has increased card price. Total liability under dispute is amounting to INR 578.25 lakhs against which company has paid INR 158.09 lakhs under protest.

The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in its financial statements. The Company does not expect the outcome of these proceedings to have a materially adverse effect on its financial results.

### 44 Subsequent events

There are no significant subsequent events that would require adjustments or disclosures in the financial statements as on the balance sheet date.

### 45 Derivative contracts

The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

As per our report of even date attached.

For BSR & Associates LLP  
Chartered Accountants  
Firm's Registration No: 116231W/W-100024



Ritesh Goyal  
Partner  
Membership No: 115007



For and on behalf of the Board of Directors  
FINO PayTech Limited



Ashok Kini  
Non-Executive Chairman &  
Independent Director



Rajeev Arora  
Whole-time Director



Rishi Daultani  
Chief Financial Officer



Basavraj Loni  
Company Secretary

Navli Mumbai  
23 May 2018



## **FINO PayTech Limited**

Consolidated Financial Statements  
together with Auditors' Report  
for the year ended 31 March 2018

# B S R & Associates LLP

Chartered Accountants

5th Floor, Lodha Excelus,  
Apollo Mills Compound  
N. M. Joshi Marg, Mahalaxmi  
Mumbai - 400 011  
India

Telephone +91 (22) 4345 5300  
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## INDEPENDENT AUDITOR'S REPORT

### To the Members of FINO PayTech Limited

#### Report on the Audit of Consolidated Ind AS Financial Statements

We have audited the accompanying consolidated Ind AS financial statements of FINO PayTech Limited (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), which comprise the Consolidated Balance Sheet as at 31 March 2018, the Consolidated Statement of Profit and Loss, Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement, for the year then ended, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

#### Management's Responsibility for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated state of affairs, consolidated profit/ loss (including other comprehensive income), consolidated statement of changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the 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 consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated Ind AS financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group 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 Group or to cease operations, or has no realistic alternative but to do so.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

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

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

We are also responsible to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated Ind AS 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 Group to cease to continue as a going concern.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of report of other auditor on separate financial statement and other financial information of the subsidiary, the aforesaid consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March 2018, and their consolidated loss (including other comprehensive income), consolidated statement of changes in equity and consolidated cash flows for the year ended on that date.

### **Other Matters**

We did not audit the financial statements of FINO Financial Services Private Limited ("FFSPL"), a subsidiary, whose financial statements reflect total assets of Rs. 0.04 lakhs and net assets of Rs. (1.24) lakhs as at 31 March 2018, total revenues of Rs. Nil and net cash outflows amounting to Rs. (0.44) lakhs for the year ended on that date, as considered in the consolidated Ind AS financial statements. The consolidated Ind AS financial statements also include the Group's share of net loss of Rs. 0.43 lakhs for the year ended 31 March, 2018, as considered in the consolidated Ind AS financial statements, in respect of FFSPL, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose report has been furnished to us by the Management and our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of the aforesaid subsidiary and our report in terms of sub-section (3) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiary, is based solely on the reports of the other auditors.

Our opinion above on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements certified by the Management.

### **Report on Other Legal and Regulatory Requirements**

1. As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditor on separate financial statements and other financial information of subsidiary, as noted in the 'other matter' paragraph, we report, to the extent applicable, that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements.
  - b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
  - c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements.
  - d) In our opinion, the aforesaid Ind AS consolidated financial statements comply with the Indian Accounting Standards specified under section 133 of the Act.
  - e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2018 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditor of its subsidiary company, none of the directors of the Group companies, is disqualified as on 31 March 2018 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 with reference to financial statements of the Holding Company, its subsidiary companies and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements of the subsidiary, as noted in the 'Other matter' paragraph:
- i. The consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated financial position of the Group. Refer Note 51 to the consolidated Ind AS financial statements.
  - ii. The Group did not have any material foreseeable losses on long-term contracts including derivative contracts during the year ended 31 March 2018.
  - iii. There are no amounts which are required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies during the year ended 31 March 2018.
  - iv. The disclosures in the consolidated financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018. However amounts as appearing in the audited consolidated Ind AS financial statements for the year ended 31 March 2017 have been disclosed.

For **B S R & Associates LLP**  
Chartered Accountants  
Firm's Registration No. 16231W/W-100024



**Ritesh Goyal**  
Partner

Membership No. 115007

Mumbai  
23 May 2018

## FINO PayTech Limited

### “Annexure A” to the Independent Auditor’s Report

#### **Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31 March 2018, we have audited the internal financial controls over financial reporting of FINO PayTech Limited (hereinafter referred to as “the Holding Company”) and its subsidiary companies, which are companies incorporated in India, as of that date.

#### **Management’s Responsibility for Internal Financial Controls**

The respective Board of Directors of the of the Holding company and its subsidiary companies, which are companies incorporated in India, are 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 (ICAI)”. 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 respective 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 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”) issued by the ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, 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 was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal 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 and the audit evidence obtained by the other auditor in terms of their report referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.

## FINO PayTech Limited

### Annexure – A to the Independent Auditor's Report (*Continued*)

#### **Meaning of Internal Financial Controls over Financial Reporting**

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the 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**

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

#### **Opinion**

In our opinion, the Holding Company and its subsidiary companies, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, 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.

#### **Other matter**

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to one subsidiary company, which are companies incorporated in India, is based on the corresponding report of the auditor of such companies incorporated in India.

For B S R & Associates LLP

*Chartered Accountants*

Firm's Registration No: 116231W/W-100024



Ritesh Goyal

*Partner*

Membership No: 115007

Mumbai  
23 May 2018

# FINO PayTech Limited

## **Consolidated financial statements**

*for the year ended 31 March 2018*

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# FINO PayTech Limited

## Consolidated Balance sheet

As at 31 March 2018

(Currency: Indian Rupees in lakhs)

	Note	31 March 2018	31 March 2017
<b>I. ASSETS</b>			
<b>(1) Non-current assets</b>			
(a) Property, plant and equipment	2	4,771.48	1,031.87
(b) Capital work-in-progress		136.24	1,821.33
(c) Goodwill	22	716.66	716.66
(d) Other intangible assets	3	2,075.11	386.39
(e) Financial assets			
(i) Investments	4	8.55	0.52
(ii) Loans	5	12,548.60	5,815.06
(iii) Others	6	2,679.32	865.67
(f) Deferred tax assets (net)	39	3,751.66	2,704.29
(g) Advance tax assets (net)		4,213.67	2,993.46
(h) Other non-current assets	7	716.63	343.27
<b>Total non-current assets</b>		<b>31,620.84</b>	<b>19,196.54</b>
<b>(2) Current Assets</b>			
(a) Inventories	8	1,937.62	3,877.47
(b) Financial assets			
(i) Investments	9	6,376.92	302.83
(ii) Trade receivables	10	4,179.91	4,968.85
(iii) Cash and cash equivalents	11,1	20,226.11	26,300.44
(iv) Bank balances (other than (iii) above)	12B	19,546.86	25,539.06
(v) Loans	12	33,115.90	27,242.16
(vi) Others	15	449.22	1,058.13
(c) Current tax assets (net)		0.67	-
(d) Other current assets	14	1,127.87	611.32
<b>Total current assets</b>		<b>80,960.88</b>	<b>90,986.26</b>
<b>TOTAL ASSETS</b>		<b>118,580.92</b>	<b>110,182.80</b>
<b>II. EQUITY AND LIABILITIES</b>			
<b>(1) Equity</b>			
(a) Equity share capital	23	9,308.84	9,515.33
(b) Other equity	26	25,777.04	41,607.68
<b>Equity attributable to equity holders of the Company</b>		<b>35,585.88</b>	<b>51,123.01</b>
Non-controlling interests		-	386.32
<b>Total equity</b>		<b>35,585.88</b>	<b>51,509.33</b>
<b>(2) Non-current liabilities</b>			
(a) Financial liabilities			
(i) Borrowings	17	23,254.37	22,314.77
(ii) Provisions	18	718.16	797.69
(c) Other non-current liabilities	19	151.03	33.40
<b>Total non-current liabilities</b>		<b>24,215.56</b>	<b>23,145.95</b>
<b>(3) Current liabilities</b>			
(a) Financial liabilities			
(i) Borrowings	20	9,716.48	7,070.79
(ii) Trade payables	21	4,518.58	4,082.40
(iii) Other financial liabilities	22	31,130.32	22,593.23
(b) Other current liabilities	23	12,623.36	1,620.27
(c) Short-term provisions	24	971.48	87.11
(d) Current tax liabilities		27.62	75.72
<b>Total current liabilities</b>		<b>58,779.48</b>	<b>55,527.52</b>
<b>Total liabilities</b>		<b>82,995.84</b>	<b>78,673.47</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>118,580.92</b>	<b>110,182.80</b>

Notes to the financial statements

The notes referred to above form an integral part of the financial statements

As per our report of even date attached.

For BSR & Associates LLP

Chartered Accountants

Firm's Registration No. 116211W/W-190/24

Ritesh Gupta

Partner

Membership No. 115097

For and on behalf of the Board of Directors

FINO PayTech Limited

Ashok Kirti

Non-Executive Chairman &  
Independent Director

Rajesh Arora

Whole-time Director

Rishi Daultani

Chief Financial Officer

Divyraj Loni

Company Secretary

Signed Sharma

23 May 2018

RS

# FINO PayTech Limited

## Consolidated Statement of profit and loss

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

	Note	Year ended 31 March 2018	Year ended 31 March 2017
<b>Revenue</b>			
I. Revenue from operations (Gross of excise duty)	26	35,999.85	31,743.76
II. Other income	27	1,694.17	1,819.92
<b>III. Total income (I+II)</b>		<b>37,694.02</b>	<b>33,563.68</b>
<b>IV. Expenses</b>			
Purchase of goods and services	28	10,500.94	10,343.83
Changes in inventories of finished goods, work-in-progress and stock-in-trade	29	145.83	619.61
Excise duty		1.69	60.44
Employee benefits expenses	30	15,626.29	11,109.54
Finance costs	31	5,475.70	5,930.99
Depreciation and amortization expenses		2,722.48	1,269.76
Other expenses	32	20,826.57	13,377.70
<b>Total expenses (IV)</b>		<b>55,299.50</b>	<b>42,711.87</b>
<b>V. Loss before tax</b>		<b>(17,605.48)</b>	<b>(9,148.19)</b>
<b>VI. Tax expense:</b>			
1. Current tax		-	288.46
2. Tax provision for earlier years:		302.78	-
3. Deferred tax		(1,187.45)	(488.68)
4. MAT credit entitlement		-	(121.42)
<b>Total tax expense (VI)</b>		<b>(884.67)</b>	<b>(321.69)</b>
<b>VII. Loss for the year</b>		<b>(16,720.81)</b>	<b>(8,826.50)</b>
<b>VIII. Other comprehensive income</b>			
<b>(i) Items that will not be reclassified to profit or loss</b>			
Re-measurements of defined benefit liability / (asset)		153.64	(113.38)
Income tax related to items that will not be reclassified to profit or loss		(18.62)	26.86
		<b>135.02</b>	<b>(86.52)</b>
<b>(ii) Items that will be reclassified to profit or loss</b>			
Investments measured at FVOCI		11.61	-
Income tax related to items that will be reclassified to profit or loss		-	-
		<b>11.61</b>	<b>-</b>
<b>Other comprehensive income for the year (net of tax)</b>		<b>146.63</b>	<b>(86.52)</b>
<b>IX. Total comprehensive income for the year (VII + VIII)</b>		<b>(16,574.18)</b>	<b>(8,913.02)</b>
<b>Profit attributable to:</b>			
Owners of the Company		(16,725.09)	(8,716.34)
Non-controlling interests		4.28	(110.18)
<b>Profit for the year</b>		<b>(16,720.81)</b>	<b>(8,826.52)</b>
<b>Other comprehensive income attributable to:</b>			
Owners of the Company		144.62	(86.52)
Non-controlling interests		2.01	-
<b>Other comprehensive income for the year</b>		<b>146.63</b>	<b>(86.52)</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		(16,580.47)	(8,802.86)
Non-controlling interests		6.29	(110.18)
<b>Total comprehensive income for the year</b>		<b>(16,574.18)</b>	<b>(8,913.04)</b>
<b>X. Earnings per share attributable to owners of the Company</b>			
1. Basic earnings per share (INR)	37	(13.26)	(11.53)
2. Diluted earnings per share (INR)		(13.07)	(11.53)
3. Face value per share (INR)		10.00	10.00

Notes to the financial statements

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The notes referred to above form an integral part of the financial statements.

As per our report of even date attached.

For BSR & Associates LLP

Chartered Accountants

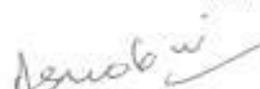
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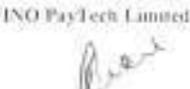
Ritesh Goyal

Partner

Membership No. 115017

For and on behalf of the Board of Directors  
FINO PayTech Limited

  
Ashok Kini  
Non-Executive Chairman of

  
Rajeev Arora  
Whole-time Director

  
Rishi Daultan  
Chief Financial Officer

  
Basavaraj Lam  
Company Secretary

**FINO PayTech Limited**  
**Consolidated statement of changes in equity**

for the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

**(a) Equity share capital**

	As at 31 March 2018		As at 31 March 2017	
	No. of Shares	Amount	No. of Shares	Amount
Balance at the beginning of the reporting period	95,153,300	9,515.33	31,168,500	3,116.85
Changes in equity share capital during the year	2,935,110	293.51	63,984,800	6,398.48
Balance at the end of the reporting period	98,088,410	9,808.84	95,153,300	9,515.33

**(b) Other equity**

Particulars	Attributable to owners of the Company						Attributable to Non-Controlling Interests	Total		
	Fully convertible preference shares	Equity component of compound financial	Retained Earnings	Statutory Reserve	ESOP Reserve	Securities Premium Reserve			Items of Other comprehensive income	Total attributable to owners of the company
<b>Balance at 1 April 2016</b>	3,971.87	209.68	(8,939.97)	24.03	50.37	20,585.31	-	15,901.29	1,394.66	17,295.95
<b>Total comprehensive income for the year ended 31 March 2017</b>										
Loss for the year			(8,716.34)					(8,716.34)	(110.18)	(8,826.52)
Other comprehensive income (net of tax)			(86.52)					(86.52)	-	(86.52)
<b>Total comprehensive income for the year</b>			<b>(8,802.86)</b>					<b>(8,802.86)</b>	<b>(110.18)</b>	<b>(8,913.04)</b>
ESOP expense recognised under fair value approach			(721.34)		8.24	1,480.05		8.24	-	8.24
Changes in ownership interest in subsidiaries that do not result in loss of control - Acquisition of NCI								758.71	-	758.71
Premium on issue of shares			(3.76)	9.40		20.89		20.89		20.89
Share of NCI in other reserves								-		(898.16)
Transfer to / from retained earnings								5.64		5.64
Conversion of preference shares into equity shares	(1,588.75)					(245.16)		(1,588.75)		(1,588.75)
Amounts utilised towards share issue expenses						(245.16)		(245.16)		(245.16)
Premium on issue of 12% fully convertible preference shares						35,427.00		35,427.00		35,427.00
Unamortized gain / loss on securitization written off through retained			122.68					122.68		122.68
<b>Balance at 31 March 2017</b>	<b>2,383.12</b>	<b>209.68</b>	<b>(18,345.25)</b>	<b>33.43</b>	<b>58.61</b>	<b>57,268.09</b>	<b>-</b>	<b>41,607.68</b>	<b>386.32</b>	<b>41,994.00</b>
<b>Total comprehensive income for the year ended 31 March 2018</b>										
Profit for the year			(16,725.09)					(16,725.09)	4.28	(16,720.81)
Other comprehensive income (net of tax)			133.17					133.17		133.17
- Remeasurements of defined benefit liability / (asset)								11.45		11.45
<b>Total comprehensive income for the year</b>			<b>(16,591.92)</b>					<b>(16,580.47)</b>	<b>6.29</b>	<b>(16,574.18)</b>
ESOP expense recognised under fair value approach			(300.27)	3.00	302.16			302.16		302.16
Changes in ownership interest in subsidiaries that do not result in loss of control - Acquisition of NCI								(297.11)		(689.72)
Premium on issue of shares								740.01		740.01
Amounts utilised towards share issue expenses								(81.51)		(81.51)
Unamortized gain / loss on securitization written off through retained			86.28					86.28		86.28
<b>Balance at 31 March 2018</b>	<b>2,383.12</b>	<b>209.68</b>	<b>(35,151.16)</b>	<b>36.43</b>	<b>360.77</b>	<b>57,926.59</b>	<b>11.61</b>	<b>25,777.04</b>	<b>386.32</b>	<b>25,777.04</b>



**FINO PayTech Limited**  
**Consolidated statement of changes in equity**

For the year ended 31 March 2018  
(Currency: Indian Rupees in lakhs)

**(b) Other equity (Continued)**

**Nature and purpose of reserves**

- 1) **Securities premium reserve**  
Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of Section 52 of the Companies Act, 2013.
- 2) **ESOP reserve**  
ESOP reserve is used to recognise the grant date fair value of options issued to employees under the Employee stock option plan which are unvested as on the reporting date.
- 3) **Statutory reserve (as per RBI Act)**  
In terms of the requirements of Section 45-4F of the RBI Act, every non-banking financial company is required to transfer a sum of not less than 20 (Twenty) percent of its net profit every year to statutory reserve.

Notes to the financial statements.

The notes referred to above form an integral part of the financial statements.

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As per our report of even date attached.

For BSR & Associates LLP

Chartered Accountants

Firm's Registration No: 116231W/W-100024

Ritesh Goyal

Partner

Membership No: 115007

For and on behalf of the Board of Directors  
FINO PayTech Limited

Ashok Kirti

Non-Executive Chairman &  
Independent Director

Rajeev Arora

Whole-time Director

Rishi Daultani

Chief Financial Officer

Bhavraj Loni

Company Secretary

Nav Mumbai

23 May 2018

BR

# FINO PayTech Limited

## Consolidated Statement of cash flows

For the year ended 31 March 2018

(Currency - Indian Rupees in lakhs)

	Note	Year ended 31 March 2018	Year ended 31 March 2017
<b>A. Cash flow from operating activities</b>			
Loss before tax from continuing operations		(17,605.48)	(9,148.19)
Loss before tax		(17,605.48)	(9,148.19)
Adjustments to reconcile loss before tax to net cash (used in) / generated from operating activities			
Depreciation		2,722.48	1,269.76
Profit / loss on sale of fixed assets	27	(1.42)	(22.41)
ESOP expense	30	302.16	8.24
Dividend income / profit on sale - investments	27	(6.79)	(114.67)
Interest income	27	(1,687.68)	(1,298.53)
Interest & finance charges	31	5,475.70	5,930.99
Provision for loan losses expenses	32	5,930.25	2,953.94
Provision for doubtful debts	32	2,947.76	3,784.87
Remeasurements of the net defined benefit Plans		153.64	(113.37)
<b>Operating profit before working capital changes</b>		<b>(1,769.38)</b>	<b>3,250.63</b>
<b>Working capital adjustments:</b>			
Inventories	8	1,919.85	619.61
Trade receivables	10	(2,158.83)	294.97
Other current assets	14	(316.55)	(179.75)
Current financial assets - loans	12	(5,873.74)	(8,748.67)
Other current financial assets	13	1,508.90	(1,193.06)
Non-current financial assets - others	6	(1,806.65)	359.98
Non-current assets	7	(373.36)	32.49
Non-current financial assets - loans	5	(12,683.79)	5,632.19
Trade payables	21	228.18	1,419.89
Other current liabilities	23	11,089.18	226.34
Other current financial liabilities	22	8,537.09	(4,363.78)
Non-current liabilities	19	117.55	2.31
Provisions	18, 24	796.76	427.96
<b>Cash used in operations</b>		<b>(784.79)</b>	<b>(2,018.74)</b>
Income Tax Paid		(1,538.29)	2,564.92
<b>Net cash (used in) / generated from operating activities (A)</b>		<b>(2,323.08)</b>	<b>546.18</b>
<b>B. Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	3	(3,962.30)	(4,940.70)
Proceeds from sale of property, plant and equipment		1,786.81	-
Acquisition of intangibles		(1,678.72)	-
Purchase of investments (Current and Non - Current)	4, 9	(6,054.72)	(100.55)
Proceeds from fixed deposits	11B	5,992.20	(26,924.57)
Interest received	27	1,687.68	1,298.53
Dividend received	27	-	114.67
<b>Net cash used in investing activities (B)</b>		<b>(2,229.05)</b>	<b>(30,552.62)</b>



# FINO PayTech Limited

## Consolidated Statement of cash flows

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

	<i>Note</i>	Year ended 31 March 2018	Year ended 31 March 2017
<b>C. Cash flows from financing activities</b>			
Proceeds from issue of equity shares	15, 16	952.01	41,492.53
Proceeds from borrowings	17, 20	3,685.21	2,000.93
Interest & finance charges paid	31	(5,475.70)	(5,930.99)
Acquisition of non controlling interest		(689.72)	(1,613.83)
<b>Net cash (used in) / generated from financing activities (C)</b>		<b>(1,528.20)</b>	<b>35,948.64</b>
<b>Net increase / (decrease) in cash and cash equivalents (A + B + C)</b>		<b>(6,080.33)</b>	<b>5,942.20</b>
Cash and cash equivalents at the beginning of the year		26,306.44	20,364.24
<b>Cash and cash equivalents at the end of the year</b>		<b>20,226.11</b>	<b>26,306.44</b>
<b>Cash and cash equivalents</b>			
Cash on hand and balances with banks		20,226.11	26,306.44
Other bank balances		-	-
<b>Cash and cash equivalents</b>		<b>20,226.11</b>	<b>26,306.44</b>

Notes to the financial statements

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The notes referred to above form an integral part of the financial statements

As per our report of even date attached

For BSR & Associates LLP

Chartered Accountants

Firm's Registration No. 116231W/W-100024

Ritesh Goyal

Partner

Membership No. 115007

Navi Mumbai

23 May 2018

For and on behalf of the Board of Directors

FINO PayTech Limited

Ashok Kini

Non-Executive Chairman &  
Independent Director

Rajeev Arora

Whole-time Director

Rishi Daultani

Chief Financial Officer

Basavraj Loni

Company Secretary

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# FINO PayTech Limited

## Notes to the Consolidated Financial Statements (Continued)

as at and for the year ended March 31, 2018

(Currency: Indian Rupees in lakhs)

### 1.1 General information

FINO PayTech Limited Group is primarily engaged in providing technology based solutions and services related to financial inclusion. It is a business and banking technology platform combined with extensive services delivery channel. The Group includes a Non-Banking Financial Company - Non Deposit Accepting or Holding Company ('NBFC-ND') registered with Reserve Bank of India ('RBI'). It is engaged in providing finance to poor women in rural areas of India who are organized as Joint Liability Groups ('JLG'). The Group services institutions like banks, micro finance institutions, government entities and insurance companies.

### 1.2 Significant Accounting Policies

#### 1.2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the Indian Accounting Standards (Ind AS) to comply with Section 133 of the Companies Act, 2013 ("the 2013 Act"), read with Companies (Indian Accounting Standards) Rules, 2015, and other relevant provisions of the Act and Rules there under.

#### 1.2.2 Functional and presentation currency

These consolidated financial statements are presented in Indian rupees (INR), which is the Group's functional currency. All amounts have been rounded off to two decimal places to the nearest lakhs, unless otherwise indicated.

#### 1.2.3 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items:

- certain financial assets and liabilities that may be measured at fair value;
- defined benefit plans – plan assets measured at fair value;
- share-based payments

#### 1.2.4 Use of estimates and judgments

The preparation of consolidated financial statements in accordance with Ind AS requires use of estimates and assumptions for some items, which might have an effect on their recognition and measurement in the balance sheet and statement of profit and loss. The actual amounts realized may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis.



# FINO PayTech Limited

## Notes to the Consolidated Financial Statements (Continued)

as at and for the year ended March 31, 2018

(Currency: Indian Rupees in lakhs)

### 1.2 Significant Accounting Policies (Continued)

#### 1.2.4 Use of estimates and judgments (Continued)

Estimates and assumptions are required in particular for:

- **Determination of principal versus agent relationship**

When the Company acts in the capacity as an agent rather than a principal in a transaction, the revenue recognized is the net amount of commission earned by it.

- **Determination of the estimated useful lives of tangible assets**

Useful lives of tangible assets are based on the life prescribed in Schedule II of the Companies Act, 2013. In cases, where the useful lives are different from that prescribed in Schedule II, they are based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers' warranties and maintenance support.

- **Recognition and measurement of defined benefit obligations**

The obligation arising from defined benefit plan is determined on the basis of actuarial assumptions. Key actuarial assumptions include discount rate, trends in salary escalation, actuarial rates and life expectancy and withdrawal rate. The discount rate is determined by reference to market yields at the end of the reporting period on government bonds. The period to maturity of the underlying bonds correspond to the probable maturity of the post-employment benefit obligations.

- **Recognition of deferred tax assets**

Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying values of assets and liabilities and their respective tax bases, and unutilized business loss and depreciation carry-forwards and tax credits. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses, depreciation carry-forwards and unused tax credits could be utilized.

- **Expected credit loss**

Expected credit loss is to be recognised for financial assets when upon assessment, the credit risk on the financial asset has increased significantly since initial recognition. The measurement of ECL includes the incorporation of forward looking information.

- **Fair valuation of employee share options**

The fair valuation of the employee share options is based on the Black-Scholes model used for valuation of options. Key assumptions made with respect to expected volatility includes share price, expected dividends and discount rate, under this option pricing model.



# FINO PayTech Limited

## Notes to the Consolidated Financial Statements (Continued)

as at and for the year ended March 31, 2018

(Currency: Indian Rupees in lakhs)

### 1.2 Significant Accounting Policies (Continued)

#### 1.2.4 Use of estimates and judgments (Continued)

- **Fair value measurement of financial instruments**

When the fair values of the financial assets and liabilities recorded in the balance sheet cannot be measured based on the quoted market prices in active markets, their fair value is measured using valuation technique. The inputs to these models are taken from the observable market where possible, but where this is not feasible, a review of judgement is required in establishing fair values.

- **Recognition and measurement of other provisions**

The recognition and measurement of other provisions are based on the assessment of the probability of an outflow of resources, and on past experience and circumstances known at the balance sheet date. The actual outflow of resources at a future date may therefore vary from the amount included in other provisions.

- **Discounting of long-term financial assets/liabilities**

All financial assets/liabilities are required to be measured at fair value on initial recognition. In case of financial assets which are required to subsequently measured at amortised cost, interest is accrued using the effective interest method.

- **Recent accounting pronouncements**

Ind AS 115, Revenue from Contract with Customers: On March 28, 2018, Ministry of Corporate Affairs has notified the Ind AS 115, Revenue from Contract with Customers. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The standard permits two possible methods of transition:

- Retrospective approach - Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

- Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch - up approach)

The effective date for adoption of Ind AS 115 is financial periods beginning on or after April 1, 2018.

Initial assessment has been carried out by the Group (and effect on accounting policies etc. has been evaluated) but the possible quantitative impact of Ind AS 115 on financial statements of the year 2017-18 is not reasonably estimable.



# FINO PayTech Limited

## Notes to the Consolidated Financial Statements (Continued)

as at and for the year ended March 31, 2018

(Currency: Indian Rupees in lakhs)

### 1.2 Significant Accounting Policies (Continued)

#### 1.2.5 Measurement of fair values

The Group's accounting policies and disclosures require the measurement of fair values for financial instruments.

When measuring the fair value of a financial asset or a financial liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.*
- *Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).*
- *Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).*

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

#### 1.2.6 Basis for Consolidation

##### i. Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in equity under the head 'Capital reserve'. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

##### ii. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The consolidated financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.



# FINO PayTech Limited

## Notes to the Consolidated Financial Statements (Continued)

as at and for the year ended March 31, 2018

(Currency: Indian Rupees in lakhs)

### 1.2 Significant Accounting Policies (Continued)

#### 1.2.6 Basis for Consolidation (Continued)

The following are the entities considered in the consolidated financial statements:

Sr. No.	Name of the Entity	Country of Incorporation	Proportion of Ownership interest as on reporting date
1	Fino Payments Bank Limited	India	99.99%
2	Fino Finance Private Limited	India	99.99%
3	FINO Trusteeship Services Limited	India	99.99%
4	Fino Financial Services Private Limited	India	99.99%

In addition to above, the Company controls FINO Fintech Foundation Trust and FINO ESOP Trust, which are incorporated in India and are consolidated for financial reporting purpose.

#### iii. Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's net identifiable net assets at the date of acquisition.

Changes in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

#### iv. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, net of deferred taxes, are eliminated.

### 1.2.7 Foreign currency

#### Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognized in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of transaction.



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# FINO PayTech Limited

## Notes to the Consolidated Financial Statements (Continued)

as at and for the year ended March 31, 2018

(Currency: Indian Rupees in Lakhs)

### 1.2 Significant accounting policies (Continued)

#### 1.2.8 Revenue

- **Sale of Goods and Services**

- Revenue from sale of goods in the course of ordinary activities is recognized at the fair value of the consideration received or receivable, net of returns and allowances and volume rebates. Revenue is recognized when significant risks and rewards of their ownership in goods are transferred to the customer. Revenues are recognized when collectability of the resulting receivables is reasonably assured.
- Enrollment and other incomes are recognized on accrual basis in accordance with the terms and conditions of the underlying mandates entered into with the respective customers.
- Revenue from Core Banking Services (CBS) service is recognized on accrual basis.
- Revenues from other services are recognized pro-rata over the period of the contract as and when services are rendered.
- Disbursement fee includes remittance and service fees which are recognized based on the amount of disbursements/ remittances/ collections made through Point of Transaction (POT) devices.
- Business correspondent fee is recognised on the allotment of POT devices to individual agents.
- Transaction fee is recognized on the completion of individual transactions made through POT devices.
- Account Maintenance fees is recognised on the basis of number of accounts maintained.
- Agent registration fee is recognized on receipt of non-refundable agent deposit.
- Insurance income is recognized based on the numbers of policies sold to customers on behalf of insurance companies.
- Service Charges are recognised on accrual basis in accordance with the service agreement, if any with the customer
- Dividend income is recognized when right to receive dividend is established.

- **Grants/ Subsidies**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Revenue grants are recognised in the statement of profit and loss in the same period as the related cost which they are intended to compensate are accounted for.



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# FINO PayTech Limited

## Notes to the Consolidated Financial Statements (Continued)

as at and for the year ended March 31, 2018

(Currency: Indian Rupees in lakhs)

### 1.2 Significant accounting policies (Continued)

#### 1.2.9 Finance income and finance costs

- i. Loan processing fees is amortised over the tenor of the loan.
- ii. Interest Income on JLG loans given is recognised at the effective interest rate, on an accrual basis.
- iii. Interest income on deposits with banks is recognised on a time proportion accrual basis taking into account the amount outstanding and the effective interest rate.
- iv. Interest income or expense is recognised using the effective interest rate method.

#### 1.2.10 Securitisation Transactions

The Company securitises its loans through Special Purpose Vehicles ('SPV'). Loans securitized to the SPV are analyzed in accordance with Ind AS 109 in order to determine whether the assets transferred to the vehicle shall be derecognized. Where the Company continues to hold substantially all the risks and rewards of ownership of the financial assets, the Company shall continue to recognize the financial assets.

Post securitization, the Company continues to service the loans transferred to the SPV. The Company provides credit enhancements in the form of cash collaterals to the SPV.

#### 1.2.11 Guarantee Commission

Commission paid by the Company to third parties for guarantees issued by them in respect of the Company's borrowings have been amortized over the tenure of the guarantee.

#### 1.2.12 Income Tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

##### i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years.

Current tax assets and liabilities are offset only if, the Group:

- a) has a legally enforceable right to set off the recognised amounts; and
- b) Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.



# FINO PayTech Limited

## Notes to the Consolidated Financial Statements (Continued)

as at and for the year ended March 31, 2018

(Currency: Indian Rupees in lakhs)

### 1.2 Significant accounting policies (Continued)

#### 1.2.12 Income tax (Continued)

##### ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax are recognized to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets are recognized for all deductible temporary differences, unused tax credits and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses. Unrecognized deferred tax assets are reassessed at each reporting date.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if:

- a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.



# FINO PayTech Limited

## Notes to the Consolidated Financial Statements (Continued)

as at and for the year ended March 31, 2018

(Currency: Indian Rupees in lakhs)

### 1.2 Significant accounting policies (Continued)

#### 1.2.13 Employee benefits

##### i. Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present or legal constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. These benefits include salaries and wages, bonus and exgratia.

##### ii. Defined contribution plans

- Provident fund

The Group makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. The Group's contribution is recognised as an expense in the statement of profit and loss during the period in which the employee renders the related service.

##### iii. Defined benefit plans

The following post – employment benefit plans are covered under the defined benefit plans

- Gratuity Fund

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. Net interest expense (income) on the net defined liability (assets) is computed by applying the discount rate, used to measure the net defined liability (asset), to the net defined liability (asset) at the start of the financial year after taking into account any changes as a result of contribution and benefit payments during the year. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.



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# FINO PayTech Limited

## Notes to the Consolidated Financial Statements (Continued)

as at and for the year ended March 31, 2018

(Currency: Indian Rupees in lakhs)

### 1.2 Significant accounting policies (Continued)

#### 1.2.13 Employee benefits (Continued)

##### iv. Other long-term employee benefits

Compensated absences balance up to 15 days are encashed at the end of financial year on the basic salary. Encashment of more than 15 days of leave is not permitted. Leave balance over 15 days will lapse at the end of the financial year. The obligation is measured on the basis of an annual independent actuarial valuation.

##### v. Share Based Payments

The grant date fair value of options granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The expense is recorded on straight line basis over the period over which the employee would be entitled to apply for the options. The amount recognized as an expense is adjusted to reflect the actual number of stock options that vest at the end of each reporting period.

#### 1.2.14 Property, plant and equipment

##### i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Income and expenses related to the incidental operations, not necessary to bring the item to the location and condition necessary for it to be capable of operating in the manner intended by management, are recognised in profit or loss.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted and depreciated for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

##### ii. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.



# FINO PayTech Limited

## Notes to the Consolidated Financial Statements (Continued)

as at and for the year ended March 31, 2018

(Currency: Indian Rupees in lakhs)

### 1.2 Significant accounting policies (Continued)

#### 1.2.14 Property, plant and equipment (Continued)

##### iii. Depreciation

Depreciation is provided as per the useful life on written down value as under Schedule II of the Companies Act, 2013, except in case of Computers (excluding servers), where the management estimates the useful lives to be 5 years instead of 3 years as prescribed under Schedule II.

Assets costing less than INR 5,000 are depreciated at 100% in the year of acquisition.

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate. Based on technical evaluation and consequent advice, the management believes that its estimates of useful lives as given below best represent the period over which management expects to use these assets.

Class of asset	Management estimate of useful life	Useful life as per Schedule II
Computer	5 Years	3 Years
Computer server	6 Years	6 Years
Office equipment	5 Years	5 Years
Vehicles	8 Years	8 Years
Furniture and fixtures	10 Years	10 Years

Point of Transactions ('POT') devices which are classified as plant and machinery are depreciated over the useful life of the asset (five years).

Intangible assets are amortised over a period of five years.

##### Goodwill & other Intangible assets:

- **Goodwill:**

Goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP, adjusted for the reclassification of certain intangibles.

- **Other Intangible assets:**

##### Computer Software

Intangible assets are stated at cost less accumulated amortization and impairment. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, from the date they are available for use. The estimated useful life of an identifiable intangible asset is based on the number of factors including the effects of obsolescence, demand, competition, and other economic factors and the level of maintenance expenditures required to obtain the expected future cash flows from the asset. Amortization methods and useful lives are reviewed periodically including at each financial year end.



# FINO PayTech Limited

## Notes to the Consolidated Financial Statements (Continued)

as at and for the year ended March 31, 2018

(Currency: Indian Rupees in lakhs)

### 1.2 Significant accounting policies (Continued)

#### 1.2.15 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### i. Financial assets

###### Classification

The Group classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of its business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

###### Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

###### Debt instruments are measured at amortised cost

- A 'debt instrument' is measured at the amortised cost if both the following conditions are met:
  - a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
  - b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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 in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. Assets recognised at amortised cost include trade and other receivables, fixed deposits, security deposits, cash and cash equivalents and Bank balances in current Account.

###### Financial instruments at fair value through profit and loss (FVTPL)

- Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVOCI, is classified as at FVTPL.
- In addition, the Group may elect to classify a debt instrument, which otherwise meets amortized cost or FVOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

Financial instruments that do not meet the SPPI criteria are measured at FVTPL with all changes in the fair value recognized in profit and loss.





# FINO PayTech Limited

## Notes to the Consolidated Financial Statements (Continued)

as at and for the year ended March 31, 2018

(Currency: Indian Rupees in lakhs)

### 1.2 Significant accounting policies (Continued)

#### 1.2.15 Financial Instruments (Continued)

##### ii. Financial liabilities

###### Classification

The Group classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss.

###### Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable and incremental transaction cost.

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.

The Group's financial liabilities includes trade and other payables, loans and borrowings and security deposits.

###### Derecognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When 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 derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

###### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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, to realise the assets and settle the liabilities simultaneously.

#### 1.2.16 Inventories

Inventories which comprise work-in-progress and traded goods are carried at lower of cost and net realizable value.

Cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In determining the cost, weighted average cost method is used.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.



# FINO PayTech Limited

## Notes to the Consolidated Financial Statements (Continued)

as at and for the year ended March 31, 2018

(Currency: Indian Rupees in lakhs)

### 1.2 Significant accounting policies (Continued)

#### 1.2.17 Provisions and contingent liabilities

Provisions are determined by discounting the expected future cash flows specific to the liability. The unwinding of the discount is recognised as finance cost. A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but will probably not, require an outflow of resources. When there is a possible obligation of a present obligation in respect of which the likelihood of outflow of resources is remote, no provision disclosure is made.

A contingent asset is not recognised but disclosed in the consolidated financial statements where an inflow of economic benefit is probable.

#### 1.2.18 Leases

##### i. Lease payments

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increase. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

##### ii. Lease assets

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

#### 1.2.19 Impairment of non-financial assets

The carrying values of assets/cash generating units at each balance sheet date are reviewed for impairment if any indication of impairment exists. If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount. Goodwill is tested annually for impairment.

For impairment testing, assets that do not generate independent cash flows are grouped together into cash generating units (CGUs). Each CGU represents the smallest group of assets that generates cash flows that are largely independent of the cash flows of other assets or CGUs.

The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate pre-tax discount factor that reflects current market assessments of the time value of money and the risk specific to the CGU.



# FINO PayTech Limited

## Notes to the Consolidated Financial Statements (Continued)

as at and for the year ended March 31, 2018

(Currency: Indian Rupees in lakhs)

### 1.2 Significant accounting policies (Continued)

#### 1.2.19 Impairment of non-financial assets (Continued)

When there is indication that an impairment loss recognised for an asset (other than a revalued asset) in earlier accounting periods which no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, to the extent the amount was previously charged to the Statement of Profit and Loss. In case of revalued assets, such reversal is not recognised.

#### 1.2.20 Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks 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.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

#### 1.2.21 Earnings per share

Basic Earnings per share is calculated by dividing the net profit for the period attributable to the equity shareholders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per share, the net profit for the period attributable to the equity shareholders and the weighted average number of equity shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

#### 1.2.22 Borrowing cost

Borrowing costs are interest and other costs (including exchange differences relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred in connection with the borrowings of funds. Borrowing costs are directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalized as a part of the cost of that asset. Other borrowing costs are recognized as an expense in the period which they are incurred.



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## 2 Property, plant and equipment

## A. Reconciliation of carrying amount

Particulars	Leasehold Improvements	Computers / Hardware	Owned assets			Vehicles	Office Equipment	Total
			Plant and Machinery	Furniture and Fixtures				
<b>Year ended 31 March 2017</b>								
<b>Gross block</b>								
Balance at 1 April 2016	116.67	1,846.96	828.34	119.11	25.17	196.64	3,132.89	
Additions	1,152.65	878.97	322.67	27.85	-	475.79	2,857.93	
Disposals	-	-	-	-	-	(5.84)	(5.84)	
<b>Closing gross block</b>	<b>1,269.32</b>	<b>2,725.93</b>	<b>1,151.01</b>	<b>146.96</b>	<b>25.17</b>	<b>666.59</b>	<b>5,984.98</b>	
<b>Accumulated depreciation</b>								
Balance at 1 April 2016	92.08	824.82	262.32	11.29	8.89	92.18	1,291.58	
Depreciation charge during the year	152.65	576.63	190.19	34.76	5.46	101.84	1,061.53	
Disposals	-	-	-	-	-	-	-	
<b>Closing accumulated depreciation</b>	<b>244.73</b>	<b>1,401.45</b>	<b>452.51</b>	<b>46.05</b>	<b>14.35</b>	<b>194.02</b>	<b>2,353.11</b>	
<b>Net block</b>	<b>1,024.59</b>	<b>1,324.48</b>	<b>698.50</b>	<b>100.91</b>	<b>10.82</b>	<b>472.57</b>	<b>3,631.87</b>	
<b>Year ended 31 March 2018</b>								
<b>Gross block</b>								
Balance at 1 April 2017	1,269.32	2,725.93	1,151.01	146.96	25.17	666.59	5,984.98	
Additions	872.80	1,914.54	590.87	19.34	79.06	485.69	3,962.30	
Disposals	-	(424.65)	(570.84)	-	(10.56)	-	(1,006.05)	
<b>Closing gross block</b>	<b>2,142.12</b>	<b>4,215.82</b>	<b>1,171.04</b>	<b>166.30</b>	<b>93.67</b>	<b>1,152.28</b>	<b>8,941.23</b>	
<b>Accumulated depreciation</b>								
Balance at 1 April 2017	244.73	1,401.45	452.51	46.05	14.35	194.02	2,353.11	
Depreciation charge during the year	477.46	1,008.67	281.40	24.59	16.96	418.94	2,228.02	
Disposals	-	(265.98)	(138.60)	-	(6.72)	-	(411.30)	
<b>Closing accumulated depreciation</b>	<b>722.19</b>	<b>2,144.14</b>	<b>595.31</b>	<b>70.64</b>	<b>24.59</b>	<b>612.96</b>	<b>4,169.83</b>	
<b>Net block</b>	<b>1,419.93</b>	<b>2,071.68</b>	<b>575.73</b>	<b>95.66</b>	<b>69.08</b>	<b>539.32</b>	<b>4,771.40</b>	

Notes to the consolidated financial statements (Continued)  
As at 31 March 2018

(Currency: Indian Rupees in lakhs)

3 Other intangibles assets

Particulars	Balance as at		Gross Block		Disposals		Balance as at		Accumulated Amortization		Net Block	
	1 April 2017	31 March 2018	Additions	31 March 2018	1 April 2017	31 March 2018	Charge for the year	Eliminated on disposal of	Balance as at 31 March 2018	Balance as at 31 March 2017	Balance as at 31 March 2018	Balance as at 31 March 2017
Computer software	904.47	3,077.65	2,173.18	3,077.65	508.08	508.08	494.46	-	1,002.54	1,002.54	2,075.11	396.39
<b>TOTAL</b>	<b>904.47</b>	<b>3,077.65</b>	<b>2,173.18</b>	<b>3,077.65</b>	<b>508.08</b>	<b>508.08</b>	<b>494.46</b>	<b>-</b>	<b>1,002.54</b>	<b>1,002.54</b>	<b>2,075.11</b>	<b>396.39</b>

Particulars	Balance as at		Gross Block		Disposals		Balance as at		Accumulated Amortization		Net Block	
	1 April 2016	31 March 2017	Additions	31 March 2017	1 April 2016	31 March 2017	Charge for the year	Eliminated on disposal of	Balance as at 31 March 2017	Balance as at 31 March 2017	Balance as at 31 March 2017	Balance as at 1 April 2016
Computer software	614.84	904.47	289.63	904.47	299.87	299.87	208.21	-	508.08	508.08	396.39	314.97
<b>TOTAL</b>	<b>614.84</b>	<b>904.47</b>	<b>289.63</b>	<b>904.47</b>	<b>299.87</b>	<b>299.87</b>	<b>208.21</b>	<b>-</b>	<b>508.08</b>	<b>508.08</b>	<b>396.39</b>	<b>314.97</b>



# FINO PayTech Limited

## Notes to the consolidated financial statements

As at 31 March 2018

(Currency: Indian Rupees in lakhs)

	31 March 2018	31 March 2017
<b>4 Financial assets - Investments</b>		
A. Investments in government securities		
Unquoted		
- National saving certificate	0.55	0.52
	<u>0.55</u>	<u>0.52</u>
(a) Aggregate amount of unquoted investments	0.55	0.52
(b) Aggregate amount of impairment in value of investments	-	-
<b>5 Financial assets - Loans</b>		
Secured loans		
<b>Considered good:</b>		
Loans to MSME	459.77	-
<b>Considered doubtful:</b>		
Loans to MSME	1.90	-
Less: Loss allowance	(1.90)	-
	<u>(A) 459.77</u>	<u>-</u>
Unsecured loans		
<b>Considered good:</b>		
Loans to JLG groups	11,620.42	5,078.94
Loans to employees*	-	51.27
Security deposits	488.41	684.85
<b>Considered doubtful:</b>		
Loans to JLG groups	455.38	266.08
Less: Loss allowance	(455.38)	(266.08)
Security deposits	133.90	35.36
Less: Loss allowance	(133.90)	(35.36)
	<u>(B) 12,108.83</u>	<u>5,815.06</u>
	<u>(A + B) 12,568.60</u>	<u>= 5,815.06</u>
*Includes loan to key managerial personnel. (Refer note 41)		
<b>6 Other non-current financial assets</b>		
Deposits for margin money with banks	2,670.79	1,180.60
Less: Loss allowance	(0.47)	(316.93)
	<u>2,670.32</u>	<u>863.67</u>
<b>7 Other non-current assets</b>		
Capital advances	-	-
Prepaid expenses	96.01	22.41
Deposits with Government Authorities (Sales tax, income tax, cess etc.)	337.21	14.49
Balances with Government Authorities (GST input)	283.41	306.37
	<u>716.63</u>	<u>343.27</u>





# FINO PayTech Limited

## Notes to the consolidated financial statements

As at 31 March 2018

(Currency: Indian Rupees in lakhs)

	31 March 2018	31 March 2017
<b>11B Bank balances other than cash and cash equivalents</b>		
Deposits with Banks*	20,066.05	23,257.60
Other fixed deposits	-	2,371.30
Less: Loss allowance	(519.19)	(289.84)
	<u>19,546.86</u>	<u>25,539.06</u>
*Includes deposit provided against the pending litigations under Value Added Tax Act.		
<b>12 Current financial assets - Loans</b>		
<b>Secured loans</b>		
<b>Considered good:</b>		
Loans to MSME	78.64	-
<b>Considered doubtful:</b>		
Loans to MSME	0.33	-
Less: Loss allowance	(0.33)	-
(A)	<u>78.64</u>	<u>-</u>
<b>Unsecured loans</b>		
<b>Considered good:</b>		
Loans to JLG groups	32,941.87	25,735.59
Loans to employees/contractual staff*	22.63	649.77
Death claim receivable	22.23	37.84
Security deposits	50.53	818.96
<b>Considered doubtful:</b>		
Loans to JLG groups	1,835.55	2,003.77
Less: Loss allowance	(1,835.55)	(2,003.77)
Death claim receivable	62.59	39.87
Less: Loss allowance	(62.59)	(39.87)
Security deposits	301.02	29.07
Less: Loss allowance	(301.02)	(29.07)
(B)	<u>33,037.26</u>	<u>27,242.16</u>
(A + B)	<u>33,115.90</u>	<u>27,242.16</u>
* Includes loan to key managerial personnel. (Refer note 41)		
<b>13 Other current financial assets</b>		
Grant receivable	-	4.44
Amount receivable on loan securitised	-	504.92
Other receivables	449.31	1,449.02
Less: Loss allowance	(0.09)	(0.25)
	<u>449.22</u>	<u>1,958.13</u>
<b>14 Other current assets</b>		
Prepaid expenses	331.78	228.17
Unamortised guarantee cost	-	24.85
Advances to staff/agents/employees	114.42	161.15
Advance to suppliers	418.51	142.73
Other current assets	263.16	254.42
	<u>1,127.87</u>	<u>811.32</u>



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## Notes to the consolidated financial statements (Continued)

As at 31 March 2018

(Currency: Indian Rupees in lakhs)

	31 March 2018	31 March 2017
<b>15 Share capital</b>		
<b>a Authorised :</b>		
Equity Shares of INR 10 each		
120,000,000 (31 March 2017 : 100,000,000) Equity shares	12,000.00	10,000.00
Fully convertible Preference Shares of INR 10 each		
50,000,000 (31 March 2017 : 50,000,000) Equity shares	5,000.00	5,000.00
<b>TOTAL</b>	<b>17,000.00</b>	<b>15,000.00</b>
<b>b Issued and subscribed and paid up:</b>		
98,088,410 (31 March 2017 : 95,153,300) Equity shares fully paid up	9,808.84	9,515.33
2,643,210 (31 March 2017 : 2,643,210) 9.00% Preference shares of class-A fully paid up	264.32	264.32
9,919,694 (31 March 2017 : 9,919,694) 0.005% Preference shares of class-B fully paid up	991.97	991.97
11,268,311 (31 March 2017 : 11,268,311) 12.00% Preference shares of class-C fully paid up	1,126.83	1,126.83
<b>TOTAL</b>	<b>12,191.96</b>	<b>11,898.45</b>
<b>c Reconciliation of number of shares outstanding at the beginning and end of the year :</b>		
<b>Equity share :</b>		
Outstanding at the beginning of the year	95,153,300	31,168,500
Equity Shares issued during the year in consideration for cash	-	44,926,824
Equity shares issued on conversion of share warrants	-	500,000
Equity shares issued on conversion of preference shares	-	15,887,476
Equity Shares issued during the year pursuant to exercise of ESOPs	2,935,110	2,670,500
Outstanding at the end of the year	<b>98,088,410</b>	<b>95,153,300</b>
<b>Preference share :</b>		
Outstanding at the beginning of the year	23,831,215	39,718,691
Converted into equity shares	-	(15,887,476)
Outstanding at the end of the year	<b>23,831,215</b>	<b>23,831,215</b>



## 15 Share capital (Continued)

## d Terms / rights attached to each classes of shares

## 1. Rights, preferences and restrictions attached

Equity shares : The Group has only one class of equity shares having a par value of INR 10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Group, the holders of equity shares will be entitled to receive remaining assets of the Group, after repayment of all the liabilities and distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by them.

Preference shares : All the FCPS holders carry one voting right for each share held by them. Holder of Series A, B and C Preference shares were entitled to Dividend of INR 195,938,615, INR 230,342 and INR 360,493,144, respectively, ("Past Dividend Amount") and shall be paid in accordance with applicable Laws as and when the Company has sufficient funds to make such payment, whether in full or in part. The full payment of the Past Dividend Amounts shall be made by the Company before declaring any dividends (other than for purposes of payment of Past Dividend Amounts) on or after the date of the Shareholders Agreement dated 29th July, 2016. The Preference Shareholders shall, in addition to the respective accumulated preference dividend noted above, be entitled to, a minimum guaranteed dividend of 0.001% on the face value of the Preference Shares in accordance with applicable Laws; and the Company shall not, after full payment of Past Dividend Amounts, declare any dividend that is payable only to a select class of Shareholders.

## e Shareholders holding more than 5% shares in the Group is set out below:

Equity share	31 March 2018		31 March 2017	
	No. of Shares	% holding	No. of Shares	% holding
Bharat Petroleum Corporation Limited	28,435,423	28.99%	28,435,423	29.56%
ICICI Prudential Life Insurance Company Ltd.	11,328,854	11.55%	11,328,854	11.78%
Blackstone GPV Capital Partners (Mauritius) VI-B FDI Limited	7,512,207	7.66%	7,512,207	7.81%
HAV 3 Holdings (Mauritius) Limited	7,456,993	7.60%	7,456,993	7.75%
International Finance Corporation	6,569,567	6.70%	6,569,567	6.83%
ICICI Bank Limited	5,750,000	5.86%	5,750,000	5.98%
ICICI Lombard General Insurance Company Limited	5,289,194	5.39%	5,289,194	5.50%

## Fully convertible preference shares

	31 March 2018		31 March 2017	
	No. of Shares	% holding	No. of Shares	% holding
Blackstone GPV Capital Partners (Mauritius) VI-B FDI Limited	11,268,311	47.28%	11,268,311	47.28%
HAV 3 Holdings (Mauritius) Limited	6,797,990	28.53%	6,797,990	28.53%
International Finance Corporation	3,104,350	13.03%	3,104,350	13.03%
Intel Capital Corporation	2,660,564	11.16%	2,660,564	11.16%



FINO PayTech Limited

**Notes to the consolidated financial statements (Continued)**

As at 31 March 2018

(Currency: Indian Rupees in lakhs)

**15 Share capital (Continued)**

**f Shares reserved for issuance under stock option plans of the Group**

For details of shares reserved for issue under the employee stock option (ESOP) plan of the Group, please refer Note 35.

**g Terms of conversion of Fully convertible preference shares :**

FCPS are convertible in equity shares at the option and discretion of the holders at any time into the whole or fractional number of equity shares obtained by dividing issue price of FCPS by the conversion price of INR 37, INR 48.44 and INR 79.87 for series A Preference shares, series B Preference shares and series C Preference shares respectively in accordance with the shareholders agreement. These Preference shares have been issued for the maximum period of 20 years from the date of issue. If any Preference Shares have not been converted on or prior to the expiry of the maximum period, such unconverted Preference Shares shall be compulsorily converted into equity Shares. Below is the issue date and last date for conversion for all the classes of preference shares issued :

Class of Shares	Issue Date	Last date for conversion
Class - A	8-Jun-07	7-Jun-27
Class - B	3-Dec-09	2-Dec-29
Class - C	8-Jul-11	7-Jul-31

**h Terms of conversion of share warrants:**

Each warrant is convertible into 1 equity share at the rate of INR 10 each. The exercise of outstanding warrants shall be in accordance with the with the provisions of Articles 194.



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# FINO PayTech Limited

## Notes to the consolidated financial statements

As at 31 March 2018

(Currency: Indian Rupees in Lakhs)

	31 March 2018	31 March 2017
<b>16 Other equity</b>		
Securities premium reserve	57,926.59	57,268.09
Fully convertible preference shares	2,383.12	2,383.12
Equity component of compound financial instrument	209.68	209.68
Statutory reserve	36.43	33.43
ESOP reserve	360.77	58.61
Retained earnings	(35,151.16)	(18,345.25)
Other comprehensive income	11.61	-
	<u>25,777.04</u>	<u>41,607.68</u>
<b>Securities premium reserve</b>		
Opening balance	57,268.09	20,585.30
Additions during the year	658.50	36,682.79
Closing balance	57,926.59	57,268.09
<b>Fully convertible preference shares</b>		
Opening balance	2,383.12	3,971.87
Conversions during the year	-	(1,588.75)
Closing balance	2,383.12	2,383.12
<b>Equity component of compound financial instrument</b>		
Opening balance	209.68	209.68
Additions during the year	-	-
Closing balance	209.68	209.68
<b>Statutory reserve</b>		
Opening balance	33.43	24.00
Additions during the year	3.00	9.43
Closing balance	36.43	33.43
<b>ESOP reserve</b>		
Opening balance	58.61	50.37
Additions during the year	302.16	8.24
Closing balance	360.77	58.61
<b>Retained earnings</b>		
Opening balance	(18,345.25)	(8,939.97)
Net loss for the year	(16,939.08)	(9,318.77)
Remeasurements of defined benefit liability / (asset)	133.17	(86.52)
Closing balance	(35,151.16)	(18,345.25)
<b>Other comprehensive income</b>		
Opening balance	-	-
Additions during the year	11.61	-
Closing balance	11.61	-
	<u>25,777.04</u>	<u>41,607.68</u>



# FINO PayTech Limited

## Notes to the consolidated financial statements

As at 31 March 2018

(Currency: Indian Rupees in lakhs)

	31 March 2018	31 March 2017
<b>17 Non-current financial liabilities - Borrowings</b>		
<b>Secured</b>		
Term loans from banks	4,663.86	3,519.22
Term loans from other parties	10,753.25	5,468.88
Privately placed redeemable non convertible debentures	5,418.92	6,404.47
Borrowing against loans securitised	-	4,457.93
Vehicle loans	47.87	-
<b>Unsecured</b>		
Subordinated debt (Non-convertible debenture)	2,470.47	2,464.27
	<u>23,354.37</u>	<u>22,314.77</u>

### Secured loan :

Term loans from banks are taken at an interest rate ranging from 10.75% p.a. to 13.05% p.a. and are repayable in monthly / quarterly / annually installments ranging from 24 to 39 months. Term loans are secured by way of exclusive charge created through hypothecation of the specific loans for security cover, ranging from 1.0 to 1.2 times of the outstanding loans and in case of certain loans, also through cash collaterals.

Term loans from other parties are taken at an interest rate ranging from 10.90% p.a. to 15.50% p.a. and are repayable in monthly / quarterly installments ranging from 18 to 36 months. Term loans are secured by way of exclusive charge created through hypothecation of the specific loans for security cover, ranging from 1.0 to 1.2 times of the outstanding loans, through cash collaterals / first loss default guarantee deposit and in case of certain loans, also post dated cheques.

Privately placed redeemable non convertible debentures are issued at an interest rate of 12.00% p.a. to 14.90% p.a. and are repayable in monthly installments / bullet payment ranging from 24 to 72 installments from the deemed date of allotment. Non convertible debentures are secured through hypothecation of the specific pool of loans originated out of the debenture proceeds with a security cover, ranging from 1.0 to 1.2 times of the outstanding debentures and guarantee covering, ranging from 17.25% to 24.00% of the respective initial principal value of the debentures from third party guarantors.

Subordinated debt is issued at an interest rate of 16.10% and is repayable on 30 September 2021 with interest payable quarterly. Subordinated debt is unsecured and listed on Bombay stock exchange.

### 18 Non current liabilities - Provisions

#### Provision for employee benefits

Gratuity [Refer note 36]	537.89	597.09
Compensated Absences [Refer note 36]	124.24	152.57

#### Other provision :

Provision for litigation *	48.03	48.03
	<u>710.16</u>	<u>797.69</u>

\* During the year ended 31 March 2011, Navi Mumbai Municipal Corporation (NMMC) raised a demand of INR 102.20 lakhs towards cess on purchases within the NMMC jurisdiction. The Group has been contesting this claim and is of the view that the demand in excess of INR 48.03 lakhs was not tenable. Hence, the Company has created a provision of INR 48.03 lakhs towards the obligation. Currently, the Commissioner Appeals has remanded back the case of assessing officer for fresh hearing.



# FINO PayTech Limited

## Notes to the consolidated financial statements

As at 31 March 2018

(Currency: Indian Rupees in lakhs)

	31 March 2018	31 March 2017
<b>19 Other non-current liabilities</b>		
Straight lining of lease rentals	151.03	33.49
	<u>151.03</u>	<u>33.49</u>
<b>20 Current financial liabilities - Borrowings</b>		
<b>Secured</b>		
Loans repayable on demand from banks*	8,571.02	6,520.79
Borrowing against loans securitised	583.54	-
Vehicle loans	11.84	-
<b>Unsecured</b>		
Liability component of compound financial instrument**	550.00	550.00
	<u>9,716.40</u>	<u>7,070.79</u>
<b>21 Trade and other payables</b>		
Dues to Micro, Small and Medium Enterprises	-	-
Others	4,310.58	4,082.40
	<u>4,310.58</u>	<u>4,082.40</u>
<b>22 Current - Other financial liabilities</b>		
Current maturities of long-term debt	16,572.76	10,438.53
Current maturities of non convertible debenture	957.47	2,857.46
Deposit collected from agents	5,183.76	826.98
Deposit from customers	3,922.75	-
Collections payable on loan securitised	177.04	-
Other payables	4,316.54	8,470.26
	<u>31,130.32</u>	<u>22,593.23</u>

\*Cash credits from banks are at the rate ranging from 9.8% to 13.35% and the same are secured against trade receivables, inventories, outstanding loans and cash collaterals.

Over draft facilities from banks are taken at an interest rate ranging from 4.60% to 7.90% p.a. and the same are secured against cash collaterals.

\*\* Includes share warrants issued to related parties. ( Refer note 41)

Disclosure of outstanding dues of Micro and Small Enterprise under Trade Payables is based on the information available with the Group regarding the status of the suppliers as defined under the Micro, Small and Medium Enterprises Development Act, 2006. There is no undisputed amount overdue as on 31 March 2018, to Micro, Small and Medium Enterprises on account of principal or interest.





# FINO PayTech Limited

## Notes to the consolidated financial statements (Continued)

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

Particulars	Year ended 31 March 2018.	Year ended 31 March 2017.
<b>26 Revenue from operations</b>		
<b>A. Sale of products</b>		
Cards and devices	359.48	1,377.01
<b>B. Rendering of services</b>		
Enrollment income	1,101.48	1,003.17
Disbursement charges	8,689.22	11,642.81
Other services	25,849.67	17,720.77
<b>Total revenue from operations</b>	<b>35,999.85</b>	<b>31,743.76</b>
<b>27 Other income</b>		
Interest received on financial assets carried at amortised cost		
Deposits with banks	1,429.97	647.04
T-bills	176.45	-
Other interest income	81.26	651.49
Unrealised gain on investments carried at fair value through profit or loss	-	2.83
Dividend received/ profit on sale of investments carried at fair value through profit or loss	6.79	114.67
Profit / (loss) on sale of fixed assets (net)	(1.42)	22.41
Service charges	-	381.47
Other miscellaneous income	1.12	-
<b>Total other income</b>	<b>1,694.17</b>	<b>1,819.91</b>
<b>28 Purchases of goods and services</b>		
<b>Purchase of goods:</b>		
Cards and devices	995.02	630.88
Enrollment expenses	943.81	1,083.83
Other direct cost	1,001.95	2,112.13
<b>Purchase of services:</b>		
Sourcing charges	6,761.59	5,817.91
Others	798.57	699.08
<b>Total purchases of goods and services</b>	<b>10,500.94</b>	<b>10,343.83</b>
<b>29 Changes in inventories of stock-in-trade and work-in-progress</b>		
<b>Opening Stock :</b>		
Traded goods	2,974.35	3,180.43
Work-in-progress	883.12	1,296.65
<b>Closing Stock:</b>		
Traded goods	3,575.56	2,974.35
Work-in-progress	136.08	883.12
<b>Changes in inventories of stock-in-trade and work-in-progress</b>		
Traded goods	(601.21)	206.08
Work-in-progress	747.04	413.53
<b>Changes in inventories of stock-in-trade and work-in-progress</b>	<b>145.83</b>	<b>619.61</b>



# FINO PayTech Limited

## Notes to the consolidated financial statements (Continued)

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
<b>30 Employee benefit expense</b>		
Salaries and wages	13,895.81	9,583.88
Contribution to provident and other funds	901.81	654.57
ESOP expense	302.16	8.24
Gratuity	212.27	167.44
Compensated absences	151.87	199.81
Staff welfare expenses	162.37	495.60
<b>Employee benefit expense</b>	<b>15,626.29</b>	<b>11,109.54</b>
<b>31 Finance costs</b>		
Interest on borrowings measured at amortised cost	5,159.49	5,930.99
Interest on deposits	35.63	-
Other borrowing costs	280.58	-
<b>Finance costs</b>	<b>5,475.70</b>	<b>5,930.99</b>
<b>32 Other expenses</b>		
Repairs and maintenance:		
- Others	149.66	370.94
Rent	1,896.38	1,141.40
Rates and taxes	57.87	48.32
Insurance	237.51	182.77
Power and fuel	97.26	147.07
Communication cost	1,402.23	780.04
Infrastructure cost	-	2.25
Commission and brokerage	2.18	18.55
Bank charges	266.91	139.36
Technology and technical support expenses	3.21	18.22
Operational losses	-	41.04
Travelling and conveyance	1,539.22	1,308.30
Training expenses	68.45	276.31
Legal and professional charges	1,735.36	1,365.68
Stationery & printing expenses	474.21	187.87
Directors sitting fees	17.39	21.20
Payment to auditors		
- Statutory audit	82.75	71.58
- Limited review	-	1.31
- Reimbursement of expenses	7.78	1.68
Provision for doubtful debts and advances	2,947.76	3,784.87
Provision for loan losses expenses	5,930.25	2,953.94
Advertisement, publicity and sales promotion expenses	1,426.06	193.86
Miscellaneous expenses	2,484.13	321.16
	<b>20,826.57</b>	<b>13,377.70</b>



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# FINO PayTech Limited

## Notes to the consolidated financial statements (Continued)

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

### 33 Financial instruments – Fair values and risk management

#### A. Accounting classification and fair values

Carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy, are presented below. It does not include the fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 March 2018	Carrying amount			Total	Fair value		
	FVTPL	FVOCI	Amotised Cost		Level 1	Level 3	Total
<b>Financial assets measured at fair value</b>							
Current investments	-	6,375.92	-	6,375.92	6,375.92	-	6,375.92
<b>Financial assets not measured at fair value</b>							
<b>Non current financial assets</b>							
Non current investments	-	-	0.55	0.55	-	-	-
<b>Loans</b>							
Security deposits	-	-	488.41	488.41	-	473.93	473.93
Loans to JIG groups	-	-	11,620.42	11,620.42	-	11,821.29	11,821.29
Loans to MSME	-	-	459.77	459.77	-	456.77	456.77
Other non current financial assets	-	-	2,670.32	2,670.32	-	2,414.64	2,414.64
<b>Current financial assets</b>							
Trade receivables	-	-	4,179.91	4,179.91	-	-	-
Cash and cash equivalents	-	-	20,226.11	20,226.11	-	-	-
Other bank balances	-	-	19,546.86	19,546.86	-	-	-
<b>Loans</b>							
Security deposits	-	-	50.53	50.53	-	-	-
Loans to JIG groups	-	-	32,941.87	32,941.87	-	-	-
Loans to MSME	-	-	78.64	78.64	-	-	-
Loans to employees	-	-	22.63	22.63	-	-	-
Others	-	-	22.23	22.23	-	-	-
Other current financial assets	-	-	449.22	449.22	-	-	-
	-	6,375.92	92,757.47	99,133.39	6,375.92	15,166.63	21,542.55
<b>Financial liabilities not measured at fair value</b>							
Long term borrowings	-	-	23,354.37	23,354.37	-	25,869.68	25,869.68
Short term borrowings	-	-	9,716.40	9,716.40	-	-	-
Trade and other payables	-	-	4,310.58	4,310.58	-	-	-
Other current financial liabilities	-	-	31,130.32	31,130.32	-	-	-
	-	-	68,511.67	68,511.67	-	25,869.68	25,869.68



# FINO PayTech Limited

## Notes to the consolidated financial statements (Continued)

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

### 33 Financial instruments - Fair values and risk management (Continued)

#### A. Accounting classification and fair values (Continued)

31 March 2017	Carrying amount			Total	Level 1	Fair value		Total
	FVTPL	FVOCI	Amotised Cost			Level 3		
<b>Financial assets measured at fair value</b>								
Current investments	302.83	-	-	302.83	302.83	-	-	302.83
<b>Financial assets not measured at fair value</b>								
<b>Non-current financial assets</b>								
Non-current investments	-	-	0.52	0.52	-	-	-	-
<b>Loans</b>								
Security deposits	-	-	684.85	684.85	-	694.32	-	694.32
Loans to JLG groups	-	-	5,078.94	5,078.94	-	4,826.58	-	4,826.58
Loans to employees	-	-	51.27	51.27	-	-	-	-
Other non-current financial assets	-	-	863.67	863.67	-	742.66	-	742.66
<b>Current financial assets</b>								
Trade receivables	-	-	4,968.85	4,968.85	-	-	-	-
Cash and cash equivalents	-	-	26,306.44	26,306.44	-	-	-	-
Other bank balances	-	-	25,539.06	25,539.06	-	-	-	-
<b>Loans</b>								
Security deposits	-	-	818.96	818.96	-	-	-	-
Loans to JLG groups	-	-	25,735.59	25,735.59	-	-	-	-
Loans to employees	-	-	649.77	649.77	-	-	-	-
Others	-	-	37.84	37.84	-	-	-	-
Other current financial assets	-	-	1,958.14	1,958.14	-	-	-	-
	302.83	-	92,693.90	92,996.73	302.83	6,263.56	-	6,566.39
<b>Financial liabilities not measured at fair value</b>								
Long term borrowings	-	-	22,314.77	22,314.77	-	23,627.71	-	23,627.71
Short term borrowings	-	-	7,070.79	7,070.79	-	-	-	-
Trade and other payables	-	-	4,082.40	4,082.40	-	-	-	-
Other current financial liabilities	-	-	22,593.24	22,593.24	-	-	-	-
	-	-	56,061.20	56,061.20	-	23,627.71	-	23,627.71

(1) Assets that are not financial assets such as receivables from statutory authorities, prepaid expenses, advances paid etc. are not included.

(2) Other liabilities that are not financial liabilities such as statutory dues payable, deferred revenue, advances from customers and certain other accruals etc. are not included.



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# FINO PayTech Limited

## Notes to the consolidated financial statements (Continued)

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

### 33. Financial instruments – Fair values and risk management (Continued)

#### B. Measurement of fair values

Valuation techniques and significant unobservable inputs

i. Fair value of cash and bank balances, loans to employees, trade and other short term receivables, trade payables, other current liabilities etc. approximate their carrying amounts largely due to short term maturities of these instruments.

ii. The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

#### Financial instruments measured at fair value

Type	Valuation technique
Fixed rates long term borrowings	The valuation model considers present value of expected payments discounted using an average borrowing rate.
Security deposits	The valuation model considers present value of expected payments discounted using the Government of India bond rate for the remaining maturity of the instrument.
Loans to JLG groups	The valuation model considers present value of expected payments discounted using an average lending rate.

#### C. Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- Credit risk ;
- Liquidity risk ; and
- Market risk

##### i. Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

# FINO PayTech Limited

## Notes to the consolidated financial statements (Continued)

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

### 33 Financial instruments – Fair values and risk management (Continued)

#### C. Financial risk management (Continued)

##### ii. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and loans and advances.

The following financial assets represents the maximum credit exposure:

	Financial assets	
	31 March 2018	31 March 2017
Loans to JLG	46,853.21	33,084.39
Trade receivables	9,631.68	10,882.93
	<u>56,484.89</u>	<u>43,967.32</u>

#### A. Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Group grants credit terms in the normal course of business. Accordingly, the Group makes specific provisions against such trade receivables wherever required and monitors the same at periodic intervals.

##### a. Credit concentration and collaterals held:

Concentration of credit risk with respect to trade receivables are limited, due to the Group's customer base being diverse. All trade receivables are reviewed and assessed for default on a periodic basis. The Group does not hold any collaterals as security.

##### b. Amounts arising from ECL

##### i) Inputs, assumptions & techniques used for estimating implement on trade receivables

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience, expert credit assessment and including forward looking information.

In assessing the impairment of trade receivable under Expected Credit Loss(ECL) Model, the trade receivable have been segmented into three stages based on the risk profiles. The three stages reflect the general pattern of credit deterioration of a financial instrument.

The Group categorises loan assets into stages based on the days past due status.

- Stage 1: 0-30 days past due
- Stage 2: 31- 90 days past due
- Stage 3: More than 90 days past due



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# FINO PayTech Limited

## Notes to the consolidated financial statements (Continued)

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

### 33 Financial instruments – Fair values and risk management (Continued)

#### C. Financial risk management (Continued)

##### ii. Credit risk (Continued)

##### b. Amounts arising from ECL (Continued)

##### i) Inputs, assumptions & techniques used for estimating implement on trade receivables (Continued)

- "Loss given default" (LGD) is an estimate of loss from a transaction given that a default occurs.
- "Probability of default" (PD) is defined as the probability of whether the borrowers will default on their obligations in the future. For assets which are in Stage 1, a 12 month PD is required. For Stage 2 assets a lifetime PD is required while Stage 3 assets are considered to have a 100% PD.
- "Exposure at default" (EAD) represents the expected exposure in the event of a default and is the gross carrying amount in case of the financial assets held by the Group.

##### Estimation techniques:

The Group has applied the following estimation technique for ECL model:

- The Group has used corporate historic default rates as published by an accredited Indian Rating agency, CRISIL as a proxy for calculating the 12 month PD and Lifetime PDs
- Loss given default is calculated after considering regulatory LGD as a starting point and adjusting for past recoveries.

##### Forward looking information:

The Group incorporates forward looking information into both assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on the consideration of a variety of external actual and forecast information, the Group forms a "base case" view of the future direction of relevant economic variables such as real GDP, domestic credit growth, money market interest rate etc as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. The base case represents a most likely outcome while the other scenarios represent more optimistic and more pessimistic outcomes.

##### Assessment of significant increase in credit risk:

The credit risk on a financial asset of the Group are assumed to have increased significantly since initial recognition when contractual payments are more than 30 days past due. Accordingly the financial assets shall be classified as Stage 2, if on the reporting date, it has been 30 days past due.

##### Definition of default

A default on a financial asset is when the counterparty fails to make the contractual payments within 90 days of when they fall due. This definition of default is determined by considering the business environment in which the Group operates and other micro-economic factors. Accordingly the financial assets shall be classified as Stage 3, if on the reporting date, it has been 90 days past due.



# FINO PayTech Limited

## Notes to the consolidated financial statements (Continued)

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

### 33 Financial instruments – Fair values and risk management (Continued)

#### C. Financial risk management (Continued)

##### ii. Credit risk (Continued)

##### Loss allowance

The following table shows movement in the loss allowance in respect of trade receivables and other loans and advances:

Trade receivables	31 March 2018	31 March 2017
Opening balance	5,914.07	3,428.53
Net impairment loss recognised	531.25	2,485.54
Balance written back	(993.56)	-
<b>Closing balance</b>	<b>5,451.76</b>	<b>5,914.07</b>

'12 month ECL' and 'Lifetime ECL not impaired' are collectively assessed. 'Lifetime ECL credit impaired' are individually assessed.

#### B. Credit risk related to financial services (NBFC) business

##### Credit quality of financial loans:

For JLG loans, the group has established a credit policy under which each new customer is analysed individually for creditworthiness before the group offers any loan.

Financial services business has a comprehensive framework for monitoring credit quality of its loans based on days past due monitoring. Repayment by individual customers and portfolio is tracked regularly and required steps for recovery is taken through follow ups and legal recourse.



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# FINO PayTech Limited

## Notes to the consolidated financial statements (Continued)

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

### 33 Financial instruments – Fair values and risk management (Continued)

#### C. Financial risk management (Continued)

##### ii. Credit risk (Continued)

##### B. Credit risk related to financial services (NBFC) business (Continued)

##### Inputs considered in the ECL model:

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience, expert credit assessment and including forward looking information.

In assessing the impairment of loan assets under Expected Credit Loss (ECL) Model, the loans have been segmented into three stages based on the risk profiles. The three stages reflect the general pattern of credit deterioration of a financial instrument.

The Group categorises loan assets into stages based on the days past due status.

- Stage 1: 0-30 days past due
- Stage 2: 31- 90 days past due
- Stage 3: More than 90 days past due

##### Assumption considered in the ECL model:

- "Loss given Default" (LGD) is an estimate of loss from a transaction given that a default occurs.
- "Probability of Default" (PD) is defined as the probability of whether the borrowers will default on their obligations in the future. For assets which are in Stage 1, a 12 month PD is required. For Stage 2 assets a lifetime PD is required while Stage 3 assets are considered to have a 100% PD.
- "Exposure at Default" (EAD) represents the expected exposure in the event of a default and is the gross carrying amount in case of the financial assets held by the group.

##### Estimation techniques:

The financial services business has applied the following estimation technique for ECL model:

- The probability of default is computed using a "roll rate" method based on the probability of receivable progressing through successive stages based on past portfolio
- Loss given default is calculated after considering regulatory LGD as a starting point and adjusting for past recoveries.
- For FLDG's placed for Business correspondent (BC) Lending business, the ECL shall be calculated as lower of
  - a. ECL on the underlying loan portfolio
  - b. Amount of FLDG's provided

##### Forward looking information:

The group incorporates forward looking information into both assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on the consideration of a variety of external, actual and forecast information, the group forms a 'base case' view of the future direction of relevant economic variables such as real GDP, private consumption, domestic demand and money supply as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. The base case represents a most likely outcome while the other scenarios represent more optimistic and more pessimistic outcomes.



# FINO PayTech Limited

## Notes to the consolidated financial statements (Continued)

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

### 33. Financial instruments – Fair values and risk management (Continued)

#### C. Financial risk management (Continued)

##### ii. Credit risk (Continued)

##### B. Credit risk related to financial services (NBFC) business (Continued)

##### Assessment of significant increase in credit risk:

The credit risk on a financial asset of the group are assumed to have increased significantly since initial recognition when contractual payments are more than 30 days past due. Accordingly the financial assets shall be classified as Stage 2, if on the reporting date, it has been 30 days past due.

##### Definition of default:

A default on a financial asset is when the counterparty fails to make the contractual payments within 90 days of when they fall due. This definition of default is determined by considering the business environment in which the group operates and other micro-economic factors. Accordingly the financial assets shall be classified as Stage 3, if on the reporting date, it has been 90 days past due.

##### Policy for write-off of loan assets:

All loans which are overdue for more than 180 days and not recoverable in the opinion of management are written off.

During the financial year 2017-18, in order to recognise the impact of a reasonably probable non-recoverable JLG Loans portfolio, the Group had identified assets from the outstanding portfolio for write-off based on the combined impact of some macroeconomic factors, regional events and customer behaviour.

The accounts which were written off were those customers who have not paid a single installment since October 1, 2017 and in:

- Politically impacted geographies with overdue for more than 90 days
- All other geographies with overdue for more than 180 days

##### Loss allowance

The following table shows reconciliations from the opening to the closing balance of the loss allowance:

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
<b>Loans to Joint liability groups</b>				
<b>Balance as at 01 April 2016</b>	<b>14.44</b>	<b>15.39</b>	<b>134.12</b>	<b>163.95</b>
Transfer to 12 month ECL	0.43	(0.43)	-	-
Transfer to Lifetime ECL not credit impaired	(0.73)	1.19	(0.46)	-
Transfer to Lifetime ECL credit impaired	(0.57)	(1.49)	2.06	-
Net remeasurement of loss allowance	137.38	364.11	549.09	1,050.57
New financial assets originated or purchased	358.43	819.11	28.76	1,206.30
Financial assets that have been derecognised	(5.93)	(12.95)	-	(18.88)
Write-offs	-	-	(132.10)	(132.10)
<b>Balance as at 31 March 2017</b>	<b>503.45</b>	<b>1,184.93</b>	<b>581.47</b>	<b>2,269.84</b>
Transfer to 12 month ECL	(5.55)	5.55	-	-
Transfer to Lifetime ECL not credit impaired	0.31	(0.31)	-	-
Transfer to Lifetime ECL credit impaired	(29.16)	(71.35)	100.51	-
Net remeasurement of loss allowance	(7.88)	44.99	193.11	230.21
New financial assets originated or purchased	492.20	339.63	633.96	1,465.79
Financial assets that have been derecognised	(453.81)	(1,120.34)	-	(1,574.15)
Write-offs	-	-	(100.78)	(100.78)
<b>Balance as at 31 March 2018</b>	<b>499.56</b>	<b>383.10</b>	<b>1,408.27</b>	<b>2,290.91</b>



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# FINO PayTech Limited

## Notes to the consolidated financial statements *(Continued)*

*For the year ended 31 March 2018*

(Currency: Indian Rupees in lakhs)

### 33 Financial instruments – Fair values and risk management *(Continued)*

#### C. Financial risk management *(Continued)*

##### ii. Credit risk *(Continued)*

'12 month ECL' and 'Lifetime ECL not impaired' are collectively assessed. 'Lifetime ECL credit impaired' are individually assessed. Loans which are written off continue to be subject to enforcement activity.

##### *Significant changes in gross carrying value that contributed to change in loss allowance:*

The lending business mostly provides loans to joint liability groups in rural areas which have significantly increased on a year on year basis and hence contributed to the change in loss allowance.

##### *Credit concentration and collaterals held:*

The group does not hold any collaterals against any of its credit exposures.

The group evaluates the concentration of risk with after considering factors such as the geographical spread of its operations, the limit on lending to a single borrower and the past history of borrowers. The risk of concentration to credit risk is not considered to be significant with respect to loans made to the Joint Liability Group comprising women living in rural areas of India. The group's operations are spread out across 4 states in India with no concentration in any single area within a particular state.



**Notes to the consolidated financial statements (Continued)**

For the year ended 31 March

(Currency: Indian Rupees in

**33. Financial instruments – Fair values and risk management (Continued)****C. Financial risk management (Continued)****Interest rate risk**

Interest rate risk can be either fair value interest rate risk or cash flow interest rate risk. Fair value interest rate risk is the risk of changes in fair values of fixed interest bearing investments because of fluctuations in the interest rates. Cash flow interest rate risk is the risk that the future cash flows of floating interest bearing investments will fluctuate because of fluctuations in the interest rates.

**Exposure to interest rate**

Group's interest rate risk arises from borrowings. The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows.

	31 March 2018	31 March 2017
<b>Borrowings</b>		
Fixed rate borrowings	30,667.43	31,259.92
Variable rate borrowings	19,933.57	11,421.62
<b>Total</b>	<u>50,601.00</u>	<u>42,681.54</u>

**Fair value sensitivity analysis for fixed-rate instruments**

The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

**Cash flow sensitivity analysis for variable-rate instruments**

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit / (loss)		Equity (net of tax)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>31 March 2018</b>				
Variable-rate instruments	(199.34)	199.34	(137.74)	137.74
<b>Cash flow sensitivity (net)</b>	<u>(199.34)</u>	<u>199.34</u>	<u>(137.74)</u>	<u>137.74</u>
<b>31 March 2017</b>				
Variable-rate instruments	(114.22)	114.22	(78.92)	78.92
<b>Cash flow sensitivity (net)</b>	<u>(114.22)</u>	<u>114.22</u>	<u>(101.45)</u>	<u>78.92</u>

The risk estimates provided assume a parallel shift of 100 basis points interest rate across all yield curves. This calculation also assumes that the change occurs at the balance sheet date and has been calculated based on risk exposures outstanding as at that date. The period end balances are not necessarily representative of the average debt outstanding during the period.



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**Notes to the consolidated financial statements (Continued)**

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

**33 Financial instruments – Fair values and risk management (Continued)****C. Financial risk management (Continued)****iii. Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

**Maturity profile of financial**

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

31 March 2018	Carrying amount	Total	Contractual cash flows				
			Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
<b>Non-derivative financial liabilities</b>							
Rupee term loans from banks	9,658.35	10,941.21	2,832.76	2,959.08	3,355.45	1,793.91	-
Rupee term loans from others	22,331.52	26,851.21	8,459.13	6,595.14	8,693.14	3,103.81	-
Redeemable non convertible debentures	6,376.39	9,613.53	1,317.14	542.60	1,692.44	6,061.35	-
Working capital loans from banks	8,571.02	8,571.02	8,571.02	-	-	-	-
Subordinated debt	2,470.47	3,910.40	200.70	200.70	405.53	3,103.47	-
Borrowing against loans securitised	583.54	704.72	704.72	-	-	-	-
Vehicle loan	59.71	70.65	7.71	7.71	15.41	39.82	-
Trade and other payables	4,310.58	4,310.58	4,310.58	-	-	-	-
Liability component of compound financial instrument	550.00	550.00	550.00	-	-	-	-
Other current financial liabilities (other than rupee term loans from banks)	13,600.09	13,600.09	13,600.09	-	-	-	-

31 March 2017	Carrying amount	Total	Contractual cash flows				
			Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
<b>Non-derivative financial liabilities</b>							
Rupee term loans from banks	6,960.76	8,050.71	2,045.52	2,028.50	2,960.56	1,016.13	-
Rupee term loans from others	12,465.86	14,460.80	4,649.96	3,699.19	4,990.13	1,121.51	-
Redeemable non convertible debentures	9,261.93	13,602.03	2,416.79	1,571.71	1,859.74	2,996.44	4,757.36
Working capital loans from banks	6,520.79	6,524.22	4,027.82	2,496.41	-	-	-
Subordinated debt	2,464.27	4,311.80	200.70	200.70	401.40	3,509.01	-
Borrowing against loans securitised	4,457.93	4,720.49	2,259.49	1,876.79	584.20	-	-
Trade and other payables	4,082.40	4,082.40	4,082.40	-	-	-	-
Other non current financial liabilities	550.00	550.00	550.00	-	-	-	-
Other current financial liabilities (other than rupee term loans from banks)	9,297.25	9,203.47	9,203.47	-	-	-	-



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**Notes to the consolidated financial statements (Continued)**

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

**33 Financial instruments – Fair values and risk management (Continued)****C. Financial risk management (Continued)****iv. Market risk**

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and long term debt. We are exposed to market risk primarily related to foreign exchange rate risk, interest rate risk and the market value of our investments. Thus, our exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currency. The objective of market risk management is to avoid excessive exposure in our foreign currency revenues and costs.

**Currency risk**

The Group is exposed to currency risk on account of its trade receivables and trade payables in foreign currency. The functional currency of the Group is Indian Rupee i.e. INR.

**Exposure to currency risk (Exposure in different currencies converted to functional currency i.e. INR)**

The currency profile of financial assets and financial liabilities as at 31 March 2018 and 31 March 2017 are as below:

	31 March 2018 USD	31 March 2018 EURO	31 March 2018 BDT
<b>Financial assets</b>			
Cash and cash equivalents	0.15	0.57	-
Trade and other receivables	19.51	-	6.28
	<u>19.66</u>	<u>0.57</u>	<u>6.28</u>
<b>Financial liabilities</b>			
Trade and other payables	12.25	-	-
	<u>12.25</u>	<u>-</u>	<u>-</u>

	31 March 2017 USD	31 March 2017 EURO	31 March 2017 BDT
<b>Financial assets</b>			
Cash and cash equivalents	0.15	0.49	-
Trade and other receivables	19.45	-	6.32
	<u>19.60</u>	<u>0.49</u>	<u>6.32</u>
<b>Financial liabilities</b>			
	<u>-</u>	<u>-</u>	<u>-</u>



## Notes to the consolidated financial statements (Continued)

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

## 33. Financial instruments – Fair values and risk management (Continued)

## C. Financial risk management (Continued)

## iv. Market risk (Continued)

The following significant exchange rates have been applied during the year:

	Year-end spot rate	
	31 March 2018	31 March 2017
USD 1	65.04	64.84
EUR 1	80.62	69.25
BDT 1	0.79	0.79

## Sensitivity analysis

A reasonably possible strengthening (weakening) of the Indian Rupee against the foreign currencies at 31 March would have affected the measurement of financial instruments denominated in foreign currencies and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Profit / (loss)		Equity (net of tax)	
	Strengthening	Weakening	Strengthening	
<b>31 March 2018</b>				
USD - 1% Movement	0.07	(0.07)	0.05	(0.05)
EUR - 4% Movement	0.02	(0.02)	0.02	(0.02)
BDT - 1% Movement	0.06	(0.06)	0.04	(0.04)
	<u>0.15</u>	<u>(0.15)</u>	<u>0.11</u>	<u>(0.11)</u>

	Profit / (loss)		Equity (net of tax)	
	Strengthening	Weakening	Strengthening	
<b>31 March 2017</b>				
USD - 1% Movement	0.20	(0.20)	0.14	(0.14)
EUR - 3% Movement	0.01	(0.01)	0.01	(0.01)
BDT - 2% Movement	0.13	(0.13)	0.09	(0.09)
	<u>0.34</u>	<u>(0.34)</u>	<u>0.24</u>	<u>(0.24)</u>



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# FINO PayTech Limited

## Notes to the consolidated financial statements *(Continued)*

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

### 34 Capital Management

For the purpose of the Group's capital management, capital includes issued capital and other equity reserves. The primary objective of the Group's Capital Management is to maximise shareholders value. The Group manages its capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants.

The Group monitors capital using Adjusted net debt to equity ratio. For this purpose, adjusted net debt is defined as total liabilities less cash and cash equivalents

	31 March 2018	31 March 2017
Total liabilities	82,995.04	58,673.46
<b>Gross Debt</b>	<b>82,995.04</b>	<b>58,673.46</b>
Less - Cash and Cash Equivalents	(20,226.11)	(26,306.44)
<b>Adjusted Net debt</b>	<b>62,768.93</b>	<b>32,367.02</b>
Total equity	35,585.89	51,509.34
Adjusted Net debt to equity ratio	1.76	0.63



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# FINO PayTech Limited

## Notes to the consolidated financial statements (Continued)

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 35 Share-based payment arrangements:

#### A. Description of share-based payment arrangements

##### 1. Share option programmes (equity-settled)

The Group has only one Employee Stock Option Plan ESOP II 2007 ('Plan') in force for a total grant of 21,620,500 options across the various schemes under the said Plan. The Plan provides that the Group's employees are granted an option to acquire equity shares of the Group that vests in a graded manner. During the current year an amendment has been made to the employee stock option scheme with reference to exercise of vested option by Option Grantee's nominee or legal heirs in case of death of option holder in accordance with which, all Vested Options may be exercised by the Option Grantee's nominee or legal heirs immediately after, but in no event later than five years from the date of Death of the option holder. This amendment has come into force from 24th May, 2017.

##### ESOP

Grant Date	No. of Options	Exercise Price	Vesting Period (years)	Vesting Conditions
01-Jan-07	2,135,000	10.00	2 to 5	At the end of 1 year Nil and 25% of options at the end of years 2, 3, 4 and 5 respectively.
03-Sep-07	1,345,000	20.00	2 to 5	At the end of 1 year Nil and 25% of options at the end of years 2, 3, 4 and 5 respectively.
01-Sep-08	1,870,000	20.00	1 to 4	25% of the options at the end of years' 1, 2, 3 and 4 respectively
01-Apr-09	3,265,000	20.00	1 to 4	25% of the options at the end of years' 1, 2, 3 and 4 respectively
01-Aug-10	3,035,000	30.00	1 to 4	25% of the options at the end of years' 1, 2, 3 and 4 respectively
01-Oct-11	2,366,500	75.00	1 to 4	25% of the options at the end of years' 1, 2, 3 and 4 respectively
01-Mar-12	82,500	75.00	1 to 4	25% of the options at the end of years' 1, 2, 3 and 4 respectively
01-Aug-12	1,894,000	80.00	1 to 4	25% of the options at the end of years' 1, 2, 3 and 4 respectively
06-Feb-15	2,500,000	80.00	1 to 4	25% of the options at the end of years' 1, 2, 3 and 4 respectively
01-Jul-15	75,000	80.00	1 to 4	25% of the options at the end of years' 1, 2, 3 and 4 respectively
01-Dec-15	1,000,000	80.00	1 to 4	25% of the options at the end of years' 1, 2, 3 and 4 respectively
15-Apr-16	10,000	70.64	1 to 4	25% of the options at the end of years' 1, 2, 3 and 4 respectively
01-Dec-16	50,000	70.64	1 to 4	25% of the options at the end of years' 1, 2, 3 and 4 respectively
16-Aug-17	1,992,500	100.00	1 to 4	25% of the options at the end of years' 1, 2, 3 and 4 respectively

The weighted average share price as at the date of exercise of options exercised during the year ended 31 March 2018 was INR 99.50 (31 March 2017: INR 88.27). Since, the Group is not listed, the share price available during the year is taken as the weighted average share price.

Share options outstanding at the end of the period have the following exercise price. As per the ESOP scheme-II 2007, while in employment the employee can exercise the vested options till the time it is listed in a stock exchange and three years from the date of vesting. Additionally, in the case of resignation/termination, all the vested options as on the last working day of the employee shall be exercisable before the expiry of three years from the his/her last working day. Hence, the contractual life of the options is not determinable.

Grant Date	Exercise price	Share options 31 March 2018	Share options 31 March 2017
01-Jan-07	10.00	100,000	350,000
7 Sep-07 to 1 Apr-09	20.00	1,109,500	2,192,000
01-Aug-10	30.00	585,000	1,185,750
1-Oct-11 and 1-Mar-12	75.00	1,104,000	1,321,000
1-Aug-12 to 1-Dec-15	80.00	2,694,750	3,156,250
15-Apr-16 and 1-Dec-16	70.64	732,500	937,500
16-Aug-17	100.00	1,992,500	-



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# FINO PayTech Limited

## Notes to the consolidated financial statements *(Continued)*

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 35 Share-based payment arrangements: *(Continued)*

#### B. Measurement of fair values

##### i. Equity-settled share-based payment arrangements

The fair value of the employee share options has been measured using the Black-Scholes formula. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

The requirement that the employee has to serve in order to purchase shares under the share purchase plan has been incorporated into the fair value at grant date by applying a discount to the valuation obtained.

The discount has been determined by estimating the probability that the employee will stop serving based on historical behavior.

	31 March 2018	31 March 2017	
	16 August 2017	15 April 2016	01 December 2016
Grant date	16 August 2017	15 April 2016	01 December 2016
Fair value at grant date	INR 21.87 - Year 1	INR 32.09 - Year 1	INR 31.38 - Year 1
	INR 26.80 - Year 2	INR 36.12 - Year 2	INR 35.21 - Year 2
	INR 31.34 - Year 3	INR 39.91 - Year 3	INR 38.74 - Year 3
	INR 35.56 - Year 4	INR 43.48 - Year 4	INR 42.00 - Year 4
Share price at grant date	99.50	88.27	88.27
Exercise price	100.00	70.64	70.64
Expected volatility (weighted-average)	18.00%	18.00%	18.00%
Expected option life (weighted-average)	4.50	4.60	4.50
Expected dividends	Nil	Nil	Nil
Risk-free interest rate (based on government bonds)	6.50%	6.9% - 7.2%	6.70%

The following table lists the average inputs to the models used for the plans for the year ended 31 March 2018:

Particulars	Description of the inputs used
Expected volatility (weighted-average)	Expected volatility of the option is based on historical volatility of market returns, during a period equivalent to the option life, and adjusted for Group's nature of operations and industry category.
Expected dividends	Dividend yield of the options is based on past trends of profitability and management's estimates of future dividends.
Risk-free interest rate (based on government bonds)	Risk-free interest rates are based on the government of india securities yield in effect at the time of the grant.



# FINO PayTech Limited

## Notes to the consolidated financial statements *(Continued)*

For the year ended 31 March 2018

Currency: Indian Rupees in lakhs

### 35 Share-based payment arrangements: *(Continued)*

#### C. Reconciliation of outstanding share options

Activity in the options outstanding under the employee's stock option Scheme as at:

	31-Mar-18		31-Mar-17	
	Weighted average share price	Number of options	Weighted average share price per option	Number of options
Exercise price				
Options outstanding as at the beginning of the year	54.77	9,140,500	47.40	12,442,500
Add: Options granted during the year	100.00	1,992,500	70.64	60,000
Less: Options exercised during the year	38.26	2,701,000	25.27	3,195,750
Less: Options expired during the year	56.28	114,750	76.06	166,250
Options outstanding as at the year end	<b>70.95</b>	<b>8,317,250</b>	<b>54.77</b>	<b>9,140,500</b>
Options exercisable as on 31 March 2018	58.92	5,249,750	45.28	6,437,375

#### D. Expense arising from share based payment transactions

The total expense arising from share based payment transactions recognised in profit or loss as part of employee benefit expense is INR 302.16 lakhs (31 Mar 2017: INR 8.24 lakhs).



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# FINO PayTech Limited

## Notes to the consolidated financial statements (Continued)

For the year ended 31 March 2018

(Currency: Indian Rupees in

### 36 Employee benefits

The Group contributes to the following post-employment defined benefit plans in India.

#### (i) Defined Contribution Plans (Provident Fund):

The Group makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. The Group's contribution is recognised as an expense in the statement of profit and loss during the period in which the employee renders the related service.

The Group has recognised INR 631.98 lakhs for 31 March 2018 ( 31 March 2017 : 376.24 lakhs ) as expenditure and included under 'Employee benefit expenses' in the statement of profit and loss.

#### (ii) Defined Benefit Plan:

##### Gratuity :

The Group's gratuity benefit scheme is a defined benefit plan. The Group's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted.

The calculation of the Group's obligation under the plan is performed annually by a qualified actuary using the projected unit credit method.

##### Compensated absences :

Compensated absences balance upto 15 days are encashed at the end of financial year on the basic salary. Encashment of more than 15 days of leave is not permitted. Leave balance over 15 days will lapse at the end of the financial year.

Based on the actuarial valuation obtained in this respect, the following table sets out the status of the gratuity and compensated absences amounts recognised in the Group's financial statements as at balance sheet date:

	Note	Gratuity		Compensated absences	
		31 March 2018	31 March 2017	31 March 2018	31 March 2017
Liability at the end of the year	18, 24	682.00	660.47	172.34	176.30
Fair value of Plan Assets at the end of the year		-	-	-	-
Net Obligation at the end of the year		<u>682.00</u>	<u>660.47</u>	<u>172.34</u>	<u>176.30</u>



# FINO PayTech Limited

## Notes to the consolidated financial statements (Continued)

For the year ended 31 March 2018

(Currency: Indian Rupees in

### 36 Employee benefits (Continued)

The Group contributes to the following post-employment defined benefit plans in India (Continued)

#### B. Movement in net defined benefit (asset) liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit (asset) liability and its components:

	Defined benefit obligation		Gratuity		Net defined benefit (asset) liability		Defined benefit obligation		Compensated absences		Net defined benefit (asset) liability	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Opening balance	660.48	608.80	-	-	660.48	608.80	176.30	-	-	-	176.30	-
Included in profit or loss												
Current service cost	121.95	138.82	-	-	121.95	138.82	86.96	176.30	-	-	86.96	176.30
Past service cost	42.68	-	-	-	42.68	-	-	-	-	-	-	-
Interest cost (income)	47.64	28.64	-	-	47.64	28.64	12.68	-	-	-	12.68	-
	872.75	576.26	-	-	872.75	576.26	275.94	176.30	-	-	275.94	176.30
Included in OCI												
Remeasurement loss (gain)	-	60.38	-	-	-	60.38	-	-	-	-	-	-
Actuarial loss (gain) arising from												
Financial assumptions	(153.64)	53.00	-	-	(153.64)	53.00	51.86	23.51	-	-	51.86	23.51
Experience adjustment	719.11	689.64	-	-	719.11	689.64	327.80	199.81	-	-	327.80	199.81
Other												
Contributions paid by the												
Benefits paid	(37.10)	(29.16)	-	-	(37.10)	(29.16)	(155.45)	(23.51)	-	-	(155.45)	(23.51)
Closing balance	682.01	600.48	-	-	682.01	600.48	172.35	176.30	-	-	172.35	176.30



# FINO PayTech Limited

## Notes to the consolidated financial statements (Continued)

For the year ended 31 March 2018

(Currency: Indian Rupees in

### 36 Employee benefits (Continued)

The Group contributes to the following post-employment defined benefit plans in India (Continued)

#### C. Defined benefit obligations

##### i. Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	31 March 2018	31 March 2017
Discount rate	7% - 7.25%	7.00%
Expected Rate of Return on Plan Assets	-	-
Salary escalation rate	5.8% - 10.40%	9.00%
Employee Turnover	21% - 36%	15.00%
Mortality rate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate

##### ii. Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Gratuity				Compensated absences			
	31 March 2018		31 March 2017		31 March 2018		31 March 2017	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(23.37)	25.10	(40.10)	45.15	(5.70)	6.11	(10.93)	12.32
Future salary growth (1% movement)	24.62	(23.37)	43.85	(39.75)	6.00	(5.71)	11.96	(10.83)
Withdrawal rate (1% movement)	(4.03)	4.18	(8.37)	9.06	(0.25)	0.27	(1.31)	1.44

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.

#### Expected future cash flows

The expected future cash flows in respect of gratuity as at 31 March 2018 were as follows:

##### Expected future benefit

31 March, 2019	160.26
31 March, 2020	172.33
31 March, 2021	190.64
31 March, 2022	203.85
31 March, 2023	210.69
Beyond 31 March 2023	0.32



# FINO PayTech Limited

## Notes to the consolidated financial statements (Continued)

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

### 37 Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of equity shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

	31 March 2018 INR	31 March 2017 INR
<b>i. Profit attributable to Equity holders of Company</b>		
Profit attributable to equity holders of the Company:		
Continuing operations	(1,672,510,775)	(871,633,903)
<b>Profit attributable to equity holders of the Company for basic earnings</b>	<b>(1,672,510,775)</b>	<b>(871,633,903)</b>
<b>Profit attributable to equity holders of the Company adjusted for the effect of dilution</b>	<b>(1,672,510,775)</b>	<b>(871,633,903)</b>
<b>ii. Weighted average number of ordinary shares</b>		
Issued ordinary shares at 1 April	95,153,300	31,168,500
Effect of shares issued for cash	1,613,410	15,073,991
<b>Weighted average number of shares at 31 March</b>	<b>96,766,710</b>	<b>46,242,491</b>
Convertible preference shares	23,831,215	23,831,215
Share warrants	5,500,000	5,500,000
<b>Weighted average number of shares at 31 March for basic EPS</b>	<b>126,097,925</b>	<b>75,573,706</b>
Weighted average number of shares at 31 March	126,097,925	75,573,706
Add: Potential Equity Shares	1,863,547	-
<b>Weighted average number of shares at 31 March for diluted EPS</b>	<b>127,961,472</b>	<b>75,573,706</b>
<b>Basic earnings per share</b>	<b>(13.26)</b>	<b>(11.53)</b>
<b>Diluted earnings per share</b>	<b>(13.07)</b>	<b>(11.53)</b>



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# FINO PayTech Limited

## Notes to the consolidated financial statements (Continued)

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

### 38 Operating leases

#### A. Leases as lessee

The Group has entered into commercial lease on certain office premises, office equipments, plant and machinery and computer equipments. These leases carry an average life of three to five years.

##### i. Future minimum lease payments

At 31 March, the future minimum lease payments under non-cancellable leases were receivable as follows.

	31 March 2018	31 March 2017
Less than one year	1,257.50	45.93
Between one and five years	3,234.33	52.57
More than five years	10.32	-
	<u>4,502.15</u>	<u>98.50</u>

##### ii. Amounts recognised in profit / (loss)

Lease expense	1,896.38	1,141.40
	<u>1,896.38</u>	<u>1,141.40</u>



# FINO PayTech Limited

## Notes to the consolidated financial statements (Continued)

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

### 39 Tax expense

#### (a) Amounts recognised in profit and loss

	31 March 2018	31 March 2017
<b>Current income tax</b>		
Current period (A)	-	287.69
Changes in estimated related to prior years (B)	302.78	0.77
<b>Deferred income tax liability/(asset) (net)</b>		
Origination and reversal of temporary differences	(1,187.45)	(610.15)
Reduction in tax rate	-	-
Recognition of previously unrecognised tax	-	-
Change in recognised deductible temporary	-	-
<b>Deferred tax expense (C)</b>	<u>(1,187.45)</u>	<u>(610.15)</u>
<b>Tax expense for the year (A)+(B)+(C)</b>	<u><b>(884.67)</b></u>	<u><b>(321.69)</b></u>

#### (b) Amounts recognised in other comprehensive income

	Year ended 31 March 2018			Year ended 31 March 2017		
	Before tax	Tax (expense) / benefit	Net of tax	Before tax	Tax (expense) / benefit	Net of tax
<b>Items that will not be reclassified to profit or loss</b>						
Remeasurements of defined benefit liability/(asset)	153.64	(18.62)	135.02	(113.38)	26.86	(86.53)
<b>Items that will be reclassified to profit or loss</b>						
Investments measured at FVOCI	11.61	-	11.61	-	-	-
	<u>165.25</u>	<u>(18.62)</u>	<u>146.63</u>	<u>(113.38)</u>	<u>26.86</u>	<u>(86.53)</u>

#### (c) Reconciliation of effective tax rate

	Year ended 31 March 2018		Year ended 31 March 2017	
<b>Profit before tax</b>		(17,605.48)		(9,148.19)
Tax using the Company's domestic tax rate	30.90%	(5,189.66)	30.90%	(3,119.91)
Tax effect of:				
Tax impact of income not subject to tax	3.34%	(588.10)	0.78%	(71.77)
Tax effects of amounts which are not deductible	-1.64%	289.19	-10.91%	997.92
Tax effect on items on which no deferred tax was	-0.82%	145.18	0.00%	-
Previously unrecognised tax losses and	0.00%	-	-3.02%	276.06
Deferred tax assets not recognized because	-19.81%	3,487.39	-17.47%	1,598.30
Effect of different tax rate	-3.88%	683.59	0.00%	-
Changes in estimated related to prior years	-1.72%	302.78	-0.01%	0.77
Others	0.09%	(15.04)	0.03%	(3.06)
	<u>6.46%</u>	<u>(884.67)</u>	<u>0.30%</u>	<u>(321.69)</u>



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# FINO PayTech Limited

## Notes to the consolidated financial statements (Continued)

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

### 40 Additional Information as required by Paragraph 2 of the General Instructions for Preparation of Consolidated Financial Statements to Schedule III to the Companies Act, 2013

Name of the entity	Net Assets, i.e. total assets minus total liabilities		Share of profit or loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated other comprehensive income	Amount	As % of consolidated total comprehensive income	Amount
<b>Parent</b>								
FINO PayTech Limited	67.86%	62,981.25	28.04%	(4,689.02)	21.28%	31.21	28.10%	(4,657.82)
<b>Subsidiaries</b>								
<b>India</b>								
FINO Payments Bank Limited	24.01%	22,282.27	42.52%	(7,107.81)	63.86%	93.65	42.33%	(7,014.16)
FINO Finance Private Limited	8.13%	7,546.12	29.50%	(4,933.06)	13.88%	19.77	29.64%	(4,913.29)
FINO Trusteeship Services Limited	0.00%	1.46	-0.03%	5.22	0.00%	-	-0.03%	5.22
FINO Financial Services Private Limited	0.00%	(1.24)	0.00%	(0.43)	0.00%	-	0.00%	(0.43)
Non-controlling interests in all subsidiaries	0.00%	-	-0.03%	4.28	1.38%	2.01	-0.04%	0.29
<b>Total</b>	<b>100.00%</b>	<b>92,809.86</b>	<b>100.00%</b>	<b>(16,720.82)</b>	<b>100.00%</b>	<b>146.64</b>	<b>100.00%</b>	<b>(16,574.19)</b>
Adjustments arising out of consolidation		(57,223.97)		-		-		-
<b>As at 31 March 2018</b>		<b>35,585.90</b>		<b>(16,720.82)</b>		<b>146.64</b>		<b>(16,574.19)</b>

Name of the entity	Net Assets, i.e. total assets minus total liabilities		Share of profit or loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated other comprehensive income	Amount	As % of consolidated total comprehensive income	Amount
<b>Parent</b>								
FINO PayTech Limited	73.07%	66,355.90	8.68%	(766.20)	69.41%	(60.05)	9.27%	(826.25)
<b>Subsidiaries</b>								
<b>India</b>								
FINO Payments Bank Limited	16.40%	14,067.90	81.58%	(7,201.34)	30.59%	(26.47)	81.09%	(7,227.81)
FINO Finance Private Limited	5.18%	4,439.03	8.45%	(746.12)	0.00%	-	8.37%	(746.12)
FINO Trusteeship Services Limited	0.00%	(3.72)	0.03%	(2.21)	0.00%	-	0.02%	(2.21)
FINO Financial Services Private Limited	0.00%	(0.81)	0.01%	(0.47)	0.00%	-	0.01%	(0.47)
Non-controlling interests in all subsidiaries	0.45%	386.32	1.25%	(110.18)	0.00%	-	1.24%	(110.18)
<b>Total</b>	<b>100.00%</b>	<b>85,744.62</b>	<b>100.00%</b>	<b>(8,826.52)</b>	<b>100.00%</b>	<b>(86.52)</b>	<b>100.00%</b>	<b>(8,913.04)</b>
Adjustments arising out of consolidation		(34,235.31)		-		-	0.00%	-
<b>As at 31 March 2017</b>		<b>51,509.31</b>		<b>(8,826.52)</b>		<b>(86.52)</b>		<b>(8,913.04)</b>



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# FINO PayTech Limited

## Notes to the consolidated financial statements (Continued)

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

### 41 Related Party Disclosures

#### A. Names of Related Parties

Sr. Particulars No.	Country of Incorporation	Proportion of ownership
<b>The group is controlled by the following entity:</b>		
FINO Paytech Limited		
<b>Subsidiary Companies</b>		
FINO Trusteeship Services Limited	India	99.99%
FINO Finance Private Limited <i>(Formerly known as Intrepid Finance and Leasing Private Limited)</i>	India	99.99%
FINO Payments Bank Limited <i>(Formerly known as FINO Fintech Limited)</i>	India	99.99%
FINO Financial Services Private Limited	India	99.99%
<b>Names of related parties by whom significant influence is exercised</b>		
Bharat Petroleum Corporation Limited	India	28.99%
<b>Key Management Personnel</b>		
Ashok Kini - Non-executive Chairman & Independent Director		
Alok Gupta - Nominee Director of HAV 3		
Amit Jain - Nominee director Blackstone		
Pranod Sharma - Independent director		
Dr. Anjana Grewal - Independent Director		
Rishi Gupta - Managing director and Chief executive officer (till 02 May 2017)		
Rajeev Arora - Additional Director – Designated as Whole-time Director (w.e.f 01 January 2018)		
S Rajaraman - Whole-time Director (till 15-December 2017)		
Rishi Daultani - Chief financial officer (w.e.f 19 May 2017)		

#### B. Transactions with key management personnel

##### i. Key management personnel compensation

Sr. Particulars No.	For the year ended 31 March 2018	For the year ended 31 March 2017
i. Short-term employee benefits	70.13	241.20
ii. Post-employment defined benefit	5.22	17.04
iii. Share based payments	63.54	46.38



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# FINO PayTech Limited

## Notes to the consolidated financial statements (Continued)

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

### 41 Related Party Disclosures (Continued)

Related party relationships, transactions and balances

Note 41 A above provides the information about the Group's structure including the details of the subsidiaries and the holding company. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

Nature of Transaction	Related party by whom significant influence is exercised	Key Management Personnel	Total
Issue of equity shares			
31 March 2018	-	-	-
31 March 2017	25,099.95	-	25,099.95
Sale of Services			
31 March 2018	-	-	-
31 March 2017	81.33	-	81.33
Purchase of services			
31 March 2018	5.22	-	5.22
31 March 2017	-	-	-
Loans repaid			
31 March 2018	-	309.96	309.96
31 March 2017	-	46.42	46.42
Interest on loan			
31 March 2018	-	-	-
31 March 2017	-	37.41	37.41
<b>Balance Outstanding</b>			
Trade Receivables			
31 March 2018	-	-	-
31 March 2017	-	277.76	277.76
Share warrants			
31 March 2018	-	-	-
31 March 2017	400.00	-	400.00
Bank balances			
31 March 2018	-	-	-
31 March 2017	239.31	-	239.31
Other payables			
31 March 2018	1.95	-	1.95
31 March 2017	26.39	-	26.39
Loan			
31 March 2018	-	4.90	4.90
31 March 2017	-	309.96	309.96



# FINO PayTech Limited

## Notes to the consolidated financial statements (Continued)

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

### 42 Contingent liabilities

	31 March 2018	31 March 2017
<b>a. Contingent liabilities</b>		
(i) Arrears of preference share dividend	5,566.62	5,566.62
(ii) Value added tax and entry tax	578.25	481.63
(iii) Navi Mumbai municipal corporation cess	54.18	54.18
(iv) Credit enhancements provided towards asset securitisation in the form of cash collaterals	372.97	453.95
(v) Corporate guarantee issued on behalf of subsidiaries	5,479.36	9,128.33
(vi) Performance security provided	1,933.03	-
(vii) Income tax	65.78	599.48

The Group has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in its financial statements. The Group does not expect the outcome of these proceedings to have a materially adverse effect on its financial results.

### b. Capital Commitments

The Group has capital commitments of INR 60.96 lakhs at 31 March 2018 (31 March 2017: INR 319.03 lakhs).

### 43 Details of Dues to micro, small and medium suppliers

	31 March 2018	31 March 2017
<b>Dues to micro and small suppliers</b>		
a. The amounts remaining unpaid to micro and small suppliers as		
- Principal	-	-
- Interest	-	-
b. The amount of interest paid by the Group as per the Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006) along with amount of the payment made to micro and small suppliers beyond the appointed day during each accounting year.	-	-
c. The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006.	-	-
d. The amount of interest accrued and remaining unpaid at the end of each accounting year.	-	-
e. The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under the MSMED Act, 2006.	-	-



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# FINO PayTech Limited

## Notes to the consolidated financial statements (Continued)

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

### 44 Foreign currency transactions

Expenditure in foreign currency	31 March 2018	31 March 2017
Director sitting fees	-	6.00
Membership fees	13.65	19.74
Miscellaneous expenses	-	0.39
Legal and professional fees	-	33.34
AMC	-	-
	<u>13.65</u>	<u>59.47</u>
<b>Income earned in foreign currency</b>		
Sale of services	-	-
Other non operating income	-	3.13
	<u>-</u>	<u>3.13</u>

### 45 Corporate social responsibility

Particulars	31 March 2018	31 March 2017
Amount required to be spent as per section 135 of the Companies Act, 2013	20.07	12.35
Amount spent during the year	11.91	12.35
<b>Total</b>	<u>11.91</u>	<u>12.35</u>



## FINO PayTech Limited

### Notes to the consolidated financial statements (Continued)

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

#### 46 Segment reporting

The main business of the Group is to carry on the activity of promoting sustainable livelihood for the rural poor and underserved classes by helping them becoming economically self-reliant, through the provision of financial services and technical assistance in an integrated and sustainable manner. Since the business operations of the Group are primarily concentrated in India, the Group is considered to operate only in the domestic segment.

The Group has identified four reportable business segment viz. Corporate Business, Lending, Retail and Others. Corporate business includes customer acquisition on behalf of other banks and servicing them through our BC network. Lending includes distribution of small ticket size loans to SHGs in rural areas. We operate for our NBFC and as BCs to other NBFCs/ banks. Retail includes account opening (CASA), banking transactions, remittance and sale of other financial products like insurance, mutual fund etc. through branch network and merchant channel. Others consists of residuary incomes such as grants and Interest on Income tax refund. The Company has determined the reporting segments based on the information reviewed by the Company's Chief Operating Decision Maker (CODM). The accounting policies consistently used in the preparation of the financial statements are also consistently applied to record income and expenditure of individual segments.

Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Segment assets and segment liabilities represent assets and liabilities in respective segments.

Sl. No.	Particulars	Corporate Business		Lending		Retail		Others		Total	
		31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017
1	Segment revenue										
	External turnover	20,019.41	17,421.75	13,007.29	10,033.45	4,316.77	4,149.50	-	129.93	37,343.47	31,734.63
	Inter segment turnover	(111.25)	-	(1,232.37)	-	-	-	-	-	(1,343.62)	-
	<b>Total turnover</b>	<b>19,908.16</b>	<b>17,421.75</b>	<b>11,774.92</b>	<b>10,033.45</b>	<b>4,316.77</b>	<b>4,149.50</b>	<b>-</b>	<b>129.93</b>	<b>35,999.85</b>	<b>31,734.63</b>
	Other income	107.79	474.08	14.76	537.26	189.55	-	1,382.07	817.71	1,694.17	1,829.05
	<b>Total income</b>	<b>20,015.96</b>	<b>17,895.84</b>	<b>11,789.68</b>	<b>10,570.71</b>	<b>4,506.32</b>	<b>4,149.50</b>	<b>1,382.07</b>	<b>947.64</b>	<b>37,694.02</b>	<b>33,563.68</b>
2	Segment result before interest and taxes	(109.87)	(6,061.25)	384.62	3,575.46	(5,732.58)	416.55	1,380.17	(1,145.21)	(4,077.66)	(3,214.47)
	Less: Interest expense	628.11	992.32	4,778.69	4,938.66	55.63	-	-	2.74	5,442.43	5,933.72
	Less: Unallocated expenses	(737.98)	(7,053.57)	(4,394.07)	(1,363.20)	(5,768.21)	416.53	1,380.17	(1,147.95)	(17,605.48)	(9,148.19)
	(Loss) / profit before tax	(921.81)	(66.96)	37.14	(388.65)	-	-	-	-	(884.67)	(321.69)
	Tax	183.83	(7,120.53)	(4,431.21)	(974.55)	(5,768.21)	416.53	1,380.17	(1,147.95)	(16,720.81)	(8,826.50)
	<b>(Loss) / profit after tax</b>	<b>-</b>	<b>(7,187.46)</b>	<b>(4,394.07)</b>	<b>(1,363.20)</b>	<b>(5,768.21)</b>	<b>416.53</b>	<b>1,380.17</b>	<b>(1,147.95)</b>	<b>(17,605.48)</b>	<b>(9,148.19)</b>
3	Other information										
	Segment assets	40,203.97	38,327.77	56,355.10	44,806.68	14,800.18	2,280.68	398.80	5,429.57	111,758.05	110,844.70
	Add: Unallocated corporate assets	-	-	-	-	-	-	-	-	6,822.75	-
	<b>Total segment assets</b>	<b>40,203.97</b>	<b>38,327.77</b>	<b>56,355.10</b>	<b>44,806.68</b>	<b>14,800.18</b>	<b>2,280.68</b>	<b>398.80</b>	<b>5,429.57</b>	<b>118,580.80</b>	<b>110,844.70</b>
	Segment liabilities	22,099.00	36,901.12	47,084.03	14,082.39	11,634.50	1,213.34	1.54	7,078.50	80,819.07	59,335.35
	Add: Unallocated corporate liabilities	-	-	-	-	-	-	-	-	2,175.96	-
	<b>Total segment liabilities</b>	<b>22,099.00</b>	<b>36,901.12</b>	<b>47,084.03</b>	<b>14,082.39</b>	<b>11,634.50</b>	<b>1,213.34</b>	<b>1.54</b>	<b>7,078.50</b>	<b>82,995.03</b>	<b>59,335.35</b>
	Depreciation and amortization expense	-	-	-	-	-	-	-	-	2,722.48	1,269.76



# FINO PayTech Limited

## Notes to the consolidated financial statements (Continued)

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

### 47 Transfer of financial assets

The Group transfers financial assets, primarily loans to Joint Liability Groups, that are not derecognised as the Company has continuing involvement.

#### Securitisations:

##### Transfer of financial assets that do not result in derecognition

The Company was party to securitisation transactions involving its Joint Liability Group loan portfolio.

In these transactions, the assets, interests in the assets, or beneficial interest in the cash flows arising from the assets, are transferred to a special purpose entity, which then issues pass through certificates to third party investors.

In the securitisations in which the Company transfers loans and advances to an unconsolidated securitisation vehicle, it retains the credit risk principally by way of credit enhancements placed with the SPV's. The Company does not transfer substantially all of the risks and rewards of these assets.

Hence, the company continues to recognise the securitised portfolio in its books of accounts.

The following table shows the carrying amount of the securitised assets that have not resulted in derecognition, together with the associated liabilities:

31 March 2018	Loans to Joint liability group	Credit enhancements
Carrying amount of assets	563.45	372.97
Carrying amount of associated liabilities	583.54	-

31 March 2017	Loans to Joint liability group	Credit enhancements
Carrying amount of assets	3,616.88	482.16
Carrying amount of associated liabilities	4,457.93	-



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# FINO PayTech Limited

## Notes to the consolidated financial statements (Continued)

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

### 48. Master netting or similar agreements

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 31 March.

Particulars	Effects of offsetting on the balance sheet			Related amounts not offset in the balance sheet		
	Gross Amounts	Gross amounts set off in the balance sheet	Net amounts presented in the balance sheet	Amounts subject to master netting arrangements	Financial instrument collateral	Net amount
<b>31 March 2018</b>						
<b>Financial assets</b>						
Bank balances other than cash and cash equivalents	292.57	-	292.57	(292.57)	-	-
<b>Total</b>	<b>292.57</b>	<b>-</b>	<b>292.57</b>	<b>(292.57)</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>						
Long term borrowings	583.54	-	583.54	(292.57)	-	290.97
<b>Total</b>	<b>583.54</b>	<b>-</b>	<b>583.54</b>	<b>(292.57)</b>	<b>-</b>	<b>290.97</b>

Particulars	Effects of offsetting on the balance sheet			Related amounts not offset in the balance sheet		
	Gross Amounts	Gross amounts set off in the balance sheet	Net amounts presented in the balance sheet	Amounts subject to master netting arrangements	Financial instrument collateral	Net amount
<b>31 March 2017</b>						
<b>Financial assets</b>						
Bank balances other than cash and cash equivalents	482.16	-	482.16	(482.16)	-	-
<b>Total</b>	<b>482.16</b>	<b>-</b>	<b>482.16</b>	<b>(482.16)</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>						
Long term borrowings	4,457.93	-	4,457.93	(482.16)	-	3,975.77
<b>Total</b>	<b>4,457.93</b>	<b>-</b>	<b>4,457.93</b>	<b>(482.16)</b>	<b>-</b>	<b>3,975.77</b>



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# FINO PayTech Limited

## Notes to the consolidated financial statements (Continued)

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

### 49. Involvement with unconsolidated structured entities

The following table describes the types of structured entities that the Company does not consolidate but in which it holds an interest.

Type of structured entities	Nature and purpose	Interest held by the Company	Total Assets	
			31 March 2018	31 March 2017
Securitisation vehicle for loans and advances	To generate: <ul style="list-style-type: none"><li>- Funding for the Company's lending activities,</li><li>- fee from loan servicing</li></ul> These vehicles are financed through the issue of notes to investors	<ul style="list-style-type: none"><li>- Credit enhancements placed with the SPV's</li><li>- Fee from loan servicing</li></ul>	372.97	482.16



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# FINO PayTech Limited

## Notes to the financial statements (Continued)

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

### 50 Subsequent Events

There are no significant subsequent events that would require adjustments or disclosures in the financial statements as on the balance sheet date.

### 51 Litigation

During the year ended 31 March 2011, Navi Mumbai Municipal Corporation (NMMC) raised a demand of INR 102.20 lakhs towards cess on purchases within the NMMC jurisdiction. The Group has been contesting this claim and is of the view that the demand in excess of INR 48.03 lakhs was not tenable. Hence, the Group has created a provision of INR 48.03 lakhs towards the obligation. Currently, the Commissioner Appeals has remanded back the case to assessing officer for fresh hearing.

There are pending litigation under UP VAT Act, department has considered all the movement of assets from one state to other state as a deemed sale in the year 2008-09 & 2010-11 and in the year 2009-10, 2011-12, 2012-13 & 2013-14 department has increased card price. Total liability under dispute is amounting to INR 578.63 lakhs against which Group has paid INR 158.09 lakhs under protest.

The Group has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in its financial statements. The Group does not expect the outcome of these proceedings to have a materially adverse effect on its financial results.

As a result of assessment proceedings under income tax act, there is an addition in income majorly on account of agent security deposit. Total demand raised by the department is Rs. 65.78 lakhs and company has paid Rs. 14.44 lakhs under protest. Group has assumed contingent liability for the aforesaid litigations.



# FINO PayTech Limited

## Notes to the consolidated financial statements (Continued)

For the year ended 31 March 2018

(Currency: Indian Rupees in lakhs)

### 52 Impairment testing of Goodwill

For the purposes of impairment testing, goodwill has been allocated as follows:

	31 March 2018	31 March 2017
Acquisition of the lending business	716.66	716.66
Less: Impairment loss	-	-
Total	<u>716.66</u>	<u>716.66</u>

The recoverable amount was based on greater of fair value less costs of disposal and value in use estimated using discounted cash flows. The fair value measurement was categorised as a Level 3 fair value based on inputs in the valuation technique used.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	31 March 2018	31 March 2017
Discount rate	14.5%	13% to 14.5%
Terminal value growth rate	4%	4%
Budgeted EBITDA growth rate (average of next 5 years)	45%	42%

The discount rate is estimated based on the historical industry weighted average cost of capital.

The recoverable amount of goodwill has also been calculated based using the discounted cash flow method by assigning suitable weights.

As per our report of even date attached.

For and on behalf of the Board of Directors  
FINO PayTech Limited

For BSR & Associates LLP

Chartered Accountants

Firm's Registration No.: 116231W/W-100024



Ritesh Goyal

Partner

Membership No.: 115007



Ashok Kini

Non-Executive Chairman &  
Independent Director



Rajeev Arora

Whole-time Director



Rishi Daultani

Chief Financial Officer



Basavaraj Loni

Company Secretary

Navi Mumbai

23 May 2018

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**Form AOC-1**

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

**Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures**

**Part "A": Subsidiaries**

(Information in respect of each subsidiary to be presented with amounts in *Rs.in lakhs*)

Sl. No.	Particulars	Details	Details	Details	Details
1.	Name of the subsidiary	Fino Finance Pvt. Ltd.	Fino Payments Bank Ltd.	Fino Trusteeship Services Ltd.	Fino Financial Services Pvt. Ltd.
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	Same as Holding Company	Same as Holding Company	Same as Holding Company	Same as Holding Company
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	INR	INR	INR	INR
4.	Share capital	1,107.68	4,458.00	5.00	1.00
5.	Reserves & surplus	7,468.77	17,991.31	(3.54)	(2.24)
6.	Total assets	57,320.63	53,786.00	398.77	0.04
7.	Total Liabilities	48,744.18	31,336.69	397.31	1.28
8.	Investments	-	6,377.37	-	-
9.	Turnover	12,316.24	23,018.49	6.69	-
10.	Profit before taxation	(4,177.01)	(6,734.30)	5.22	(0.43)
11.	Provision for taxation	23.62	-	-	-
12.	Profit after taxation	(4,200.63)	(6,734.30)	5.22	(0.43)
13.	Proposed Dividend	-	-	-	-
14.	% of shareholding	100%	100%	100%	100%

1. Name of subsidiary which is yet to commence operations- FINO Financial Services Private Ltd.

2. Names of subsidiaries which have been liquidated or sold during the year.- NIL

**Part “B”: Associates and Joint Ventures**

**Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures- Not Applicable**

Name of associates/Joint Ventures	Particulars
1. Latest audited Balance Sheet Date	
2. Shares of Associate/Joint Ventures held by the company on the year end	
Number	
Amount of Investment in Associates/Joint Venture	
Extend of Holding%	
3. Description of how there is significant influence	
4. Reason why the associate/joint venture is not consolidated	
5. Net worth attributable to shareholding as per latest audited Balance Sheet	
6. Profit/(Loss) for the year	
i. Considered in Consolidation	
ii. Not Considered in Consolidation	

1. Names of associates or joint ventures which are yet to commence operations.-NIL
2. Names of associates or joint ventures which have been liquidated or sold during the year.-NIL