

AUDITOR'S REPORT

TO THE MEMBERS OF NATIONAL PAYMENTS CORPORATION OF INDIA

1. We have audited the attached Balance Sheet of NATIONAL PAYMENTS CORPORATION OF INDIA as at 31st March, 2009 annexed thereto which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') does not apply to the company, since it is a company licensed to operate under Section 25 of the Act. Accordingly we have not commented upon the same.
4. We report that:
 - a) We have 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 have been kept by the Company as required by law so far as appears from our examination of those books.
 - c) The Balance Sheet dealt with by this report is in agreement with the books of account.
 - d) In our opinion, the Balance Sheet dealt with by this report comply with the Accounting Standards issued by the Institute of Chartered Accountants of India referred to in sub-section (3C) of Section 211 of the Act, to the extent applicable.
 - e) On the basis of written representations received from the directors, as on 31st March, 2009 and taken on record by the Board of Directors and other records available with the Company, none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.
5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon/ attached thereto and the Statement on Significant Accounting Policies give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009.

For K. H. Desai & Co.

Registration No. 102315W
Chartered Accountants

(CA Kirtikumar H. Desai)
Proprietor

Membership Number 015494

Mumbai
October 1, 2009.

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA**UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF NATIONAL PAYMENTS CORPORATION OF INDIA****FOR THE YEAR ENDED 31ST MARCH 2009**

The preparation of financial statements of National Payments Corporation of India for the year ended 31st March 2009 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 1st October 2009.

I on behalf of the Comptroller and Auditor General of India have decided not to review the report of the Statutory Auditors' on the accounts of National Payments Corporation of India for the year ended 31st March 2009 and as such have no comments to make under Section 619(4) of the Companies Act, 1956.

For and on behalf of the
Comptroller and Auditor General of India
Sd/-

Place: Mumbai
Date: 9th November 2009

Mridula Sapru
Principal Director of Commercial Audit and
Ex-Officio Member, Audit Board – I Mumbai

NATIONAL PAYMENTS CORPORATION OF INDIA

BALANCE SHEET AS AT 31ST MARCH 2009

	Schedule	Amount in Rs.	Amount in Rs.
SOURCE OF FUNDS			
Share Capital			
Authorised :			
30,000,000 Equity shares of Rs. 100 each			3,00,00,00,000.00
ISSUED SUBSCRIBED AND PAID UP			
225,000 Equity shares of Rs. 100 each			2,25,00,000.00
Refer note No. 6			
TOTAL FUNDS			<u>2,25,00,000.00</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	1	41,156.00	
Less : Depreciation			
Refer note No.11			
NET BLOCK			41,156.00
CURRENT ASSETS, LOANS AND ADVANCES			
Amount due	2	63,29,203.50	
Refer Note No.8		63,29,203.50	
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	3	2,01,768.00	
		2,01,768.00	
NET CURRENT ASSETS			61,27,435.50
MISCELLANEOUS EXPENDITURE			1,63,31,408.50
TOTAL ASSETS			<u>2,25,00,000.00</u>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS			
	4		

AS PER OUR REPORT OF EVEN DATE ATTACHED
FOR K.H. DESAI & CO.,

K.H. DESAI
Proprietor
Membership No. F015494

Place : Mumbai
Date : October 1, 2009

For And On Behalf Of The Board

-Sd-
Director

-Sd-
Director

-Sd-
Chief Executive Officer

Place : Mumbai
Date : October 1, 2009

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE : 1
FIXED ASSETS

Particulars	Rate of Dep	GROSS BLOCK			DEPRECIATION			NET BLOCK
		Opening Balance	Additions During the Period (Rs.)	As At 31-03-2009 (Rs.)	Opening Balance	For the period (Rs.)	As At 31-03-2009 (Rs.)	As At 31-03-2009 (Rs.)
Computer	16.21%	-	17,900.00	17,900.00			17,900.00	
Furniture & Fixture	6.33%	-	11,363.00	11,363.00			11,363.00	
Office Equipment	13.91%	-	11,893.00	11,893.00			11,893.00	
Total		-	41,156.00	41,156.00			41,156.00	

SCHEDULE : 2

	As At 31-03-2009
Current Asset	
Indian Banks Association	63,28,705.50
Unique Travel Enterprises	498.00
Total	<u>63,29,203.50</u>

SCHEDULE : 3

	As At 31-03-2009
Current Liability	
Sundry Liability	2,01,270.00
Provision For Tds	498.00
Total	<u>2,01,768.00</u>

NATIONAL PAYMENTS CORPORATION OF INDIA

SCHEDULE: 4

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS:

Notes on Accounts

1. National Payments Corporation of India (NPCI) has been incorporated as a public limited company under Section 25 of the Companies Act, 1956 pursuant to the certificate of Incorporation issued by the Registrar of Companies dated 19th December 2008 with an object to set up and implement the Payments and Settlements infrastructure in India.
2. NPCI is an initiative of Reserve Bank of India and Indian Banks' Association to implement the Payments and Settlements Act, 2007 for creating a robust Payments & Settlement Infrastructure in India. It is envisaged that over period of time, a payment system would be developed which will work for 24 hours in a day throughout the year and benefit the people of India. At present 5 nationalised banks, 2 private banks and 2 foreign banks have subscribed to the capital.
3. The first financial of NPCI is from the date of Incorporation till 31st March 2009. The Accounts have been accordingly prepared starting from the date of Incorporation to March 31, 2009.
4. During the period under consideration, NPCI has commenced the process of setting up the necessary infrastructure, and it is expected that the Company would start generating revenue in the year 2009-10. The Company obtained its Certificate of Commencement of Business on 20th April 2009.
5. There have been no actual operations or any recruitment of employees by NPCI during the period under review. Accordingly policies relating to revenue recognition, retirement and other employee benefits and foreign currency transactions will be determined after the Company starts generating revenues.
6. Board of Directors of the Company issued 225000 equity shares of Rs. 100/- each to the Promoter Banks on 24th March 2009 which was allotted on 15th May 2009.
7. During the period under review, the operations of the Company were managed by personnel who were deputed from Reserve Bank of India and some of the Promoter Banks. Accordingly there is no employee cost associated during the period under review.
8. Since the Company did not have any bank account the Promoters' contribution towards share capital was deposited with the Indian Banks Association (IBA). IBA was handling the disbursement on behalf of the Company. The balance of Rs. 63.29 lakh shown in Current Asset as due from IBA represents the amount outstanding with IBA out of the Promoters' capital.
9. Since the commencement of business is effective from April 20, 2009 all expenses incurred upto March 31, 2009 has been classified under Preliminary expenses. The detail of Preliminary expenses is as under:

Particulars	Amount in Rupees
Professional fees	8,30,625
Stamp duty and ROC Charges	1,51,09,900
Other Expenses	3,90,884
Total	1,63,31,409

10. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Advances) was **Rs.4,18,950**.
11. Depreciation has, not been provided for, as the Company had not commenced business as on March 31, 2009.
12. Expenditure incurred in foreign currency - **Nil**
13. There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at the Balance Sheet date. Further, the Company has neither paid nor has any amount payable towards interest to any Micro, Small and Medium Enterprises on the Balance Sheet date. The above information has been determined to the extent such parties has b'een identified on the basis of information available with the Company. This has been relied upon by the Auditors.
14. The other disclosures required under the Part II of schedule VI of the Companies Act are not immediately relevant to the Company for the period under consideration and hence the same are not indicated.
15. This being the first period of operations there are no figures for the prior period.

Significant Accounting Policies:**Basis of accounting:**

i. The accounts are prepared under the historical cost convention. The Company follows the accrual basis of accounting.

ii. **Taxation:**

The Company is not carrying on any activity that would make it liable for payment of Income tax. The activities of the company is to create a robust Payments and Settlement Infrastructure over a period of time and as well as to develop round the clock Payment Systems to the benefit of the people of India. The necessary application under Section 12 A of Income Tax Act 1961 seeking exemption from payment of income tax has been made to the concerned income tax Authority and same is yet to be decided. In view of this fact and as there is no income for the year under review; the Company has not framed any accounting policy for taxes on income.

As there were no employees for the period under review, Fringe Benefit Tax is not applicable to the Company.

iii. **Fixed Assets:**

Fixed assets are stated at cost of acquisition including taxes, duties, freight and other incidental expenses related to acquisition and installation less accumulated depreciation thereon.

iv. **Depreciation:**

Depreciation is provided on the Straight Line Method on *pro rata* basis from the date the asset is purchased / put to use at the rates prescribed in Schedule XIV of the Companies Act 1956.

AS PER OUR REPORT OF EVEN DATE ATTACHED
FOR K.H. DESAI & CO.,

K.H. DESAI
Proprietor
Membership No. F015494

Place : Mumbai
Date : October 1, 2009

For And On Behalf Of The Board

Sd/-
Director

Sd/-
Director

Sd/-
Chief Executive Officer

Place : Mumbai
Date : October 1, 2009

NATIONAL PAYMENTS CORPORATION OF INDIA

Additional Information Pursuant to Part – IV of Schedule VI to the Companies Act, 1956

I Registration Details

Registration Number	189067	State Code No.	11
Balance-Sheet Date	31 st March 2009		

II Capital raised during the year (Amount in Rs.)

Public Issue	NIL	Right Issue	2,24,99,100
Bonus Issue	NIL	Private Placement	NIL

III Position of Mobilisation and Deployments of funds (Amount in Rs.)

Total Liabilities	2,01,768	Total Assets	63,29,203.50
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IV Sources of funds

Paid-up Capital	9,00,00,000	Reserves & Surplus	NIL
Secured Loans	NIL	Unsecured Loans	NIL
Deferred Tax Liability	NIL		

V Application of Funds

Net Fixed Assets	41,156	Investments	NIL
Net Current Assets	61,27,435.50	Accumulated Losses	NIL
Miscellaneous Expenses	1,63,31,408.50		

VI Performance of the Company (Amount in Rs.)

Turnover/Income	NIL	Total Expenditure	1,63,31,408.50
Profit/(Loss) before Tax	NIL	Profit/(Loss) after Tax	NIL
Earning Per Share in Rs.	NIL	Dividend Rate %	NIL

VII General Name of Principal Product of Company (As per Monetary terms)

Item Code No.	NIL
Product Description	Payments & Settlements

As per our report of even date

For and on behalf of
K. H. Desai & Co.
Chartered Accountants

-sd-
K. H. Desai
Proprietor (F - 015494)

Mumbai
Dated: 1st October 2009

For and on behalf of the Board of Directors

-sd-
S. Raman
Director

-sd-
M. Ramkumar
Director

-sd-
A. P. Hota
Chief Executive Officer

Mumbai
Dated: 1st October 2009