

# NATIONAL PAYMENTS CORPORATION OF INDIA

## BALANCE SHEET AS AT MARCH 31, 2011

	SCHEDULE	As at 31-Mar-11 Rs.	As at 31-Mar-10 Rs.
<b>SOURCES OF FUNDS</b>			
Share Capital	1	600,000,000	300,000,000
Reserves & Surplus	2	386,561,017	115,083,219
Deferred Tax Liabilities		22,700,000	-
		<b>1,009,261,017</b>	<b>415,083,219</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	3	256,718,543	68,276,046
Less: Depreciation		36,578,510	4,276,487
<b>Net Block</b>		<b>220,140,033</b>	<b>63,999,559</b>
<b>Capital - Work in Progress</b>		<b>7,127,386</b>	<b>-</b>
		<b>227,267,419</b>	<b>63,999,559</b>
<b>Current Assets, Loans and Advances</b>			
Cash and Bank Balances	4	913,043,718	348,562,091
Other Current Assets	5	31,140,277	4,441,838
Loans & Advances	6	139,007,504	29,068,375
		<b>1,083,191,499</b>	<b>382,072,304</b>
<b>Less: Current Liabilities and Provisions</b>			
Current Liabilities	7	130,686,275	43,076,564
Provisions	8	179,577,566	-
		<b>310,263,841</b>	<b>43,076,564</b>
<b>Net Current Assets</b>		<b>772,927,658</b>	<b>338,995,740</b>
<b>Miscellaneous Expenditure (To the extent not written off)</b>		<b>9,065,940</b>	<b>12,087,920</b>
<b>TOTAL</b>		<b>1,009,261,017</b>	<b>415,083,219</b>
<b>Significant Accounting Policies &amp; Notes to Accounts</b>	14		

As per our report attached  
For NAVIN D THAKKAR & Co  
CHARTERED ACCOUNTANTS  
Registration No. 106991W

Navin D Thakkar  
MEMBERSHIP NO : 030564

PARTNER

PLACE: BANGALORE

DATE : JUNE 13, 2011

### For NATIONAL PAYMENTS CORPORATION OF INDIA

**N.R. Narayana Murthy**  
Chairman

**Diwakar Gupta**  
Director

**S.S. Mundra**  
Director

**V. Krishnan**  
Director

**S. Dhamodaran**  
Director

**Sudeep Yadav**  
Director

**A. P. Hota**  
Managing Director & Chief Executive Officer

DATE: JUNE 13, 2011

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Director

**N. Seshadri**  
Director

**K. M. Asawa**  
Director

**Madanjit Singh**  
Director

**Bhavesh Zaveri**  
Director

**Thomas Schickler**  
Director

**Anjali Zaveri**  
Company Secretary

## NATIONAL PAYMENTS CORPORATION OF INDIA

### INCOME & EXPENDITURE ACCOUNT FOR THE ENDED MARCH 31, 2011

		Rs. Year Ended	
	SCHEDULE	31-Mar-11	31-Mar-10
<b>INCOME</b>			
Income from National Financial Switch(NFS)		706,724,529	175,827,392
Other Income	9	57,390,115	1,491,259
<b>TOTAL INCOME</b>		<b>764,114,644</b>	<b>177,318,651</b>
<b>EXPENDITURE</b>			
Operating Cost	10	108,394,827	27,115,622
Personnel Cost	11	78,041,062	6,973,254
Administrative Expenses	12	25,113,150	3,262,121
Other Expenses	13	45,063,803	17,585,968
Depreciation	3	32,302,023	4,276,487
Preliminary Exp. Written off		3,021,980	3,021,980
<b>TOTAL EXPENDITURE</b>		<b>291,936,846</b>	<b>62,235,432</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD-BEING EXCESS OF INCOME OVER EXPENDITURE</b>		472,177,798	115,083,219
<b>PROVISION FOR TAXATION</b>			
- Current Tax		144,000,000	-
- Adjustment relating to Tax of prior year		34,000,000	-
- Deferred Tax		22,700,000	-
<b>SURPLUS/(DEFICIT) BROUGHT FORWARD FROM BALANCE SHEET</b>		-	-
<b>SURPLUS/(DEFICIT) FOR THE PERIOD AFTER TAX</b>		271,477,798	115,083,219
<b>APPROPRIATION:</b>			
Settlement Guarantee Reserve		120,000,000	30,000,000
Technology & Infrastructure Development Reserve-Provided for FY 2009-10		-	75,000,000
Technology & Infrastructure Development Reserve-Written back in FY 2010-11		(75,000,000)	-
<b>SURPLUS/(DEFICIT) CARRIED FORWARD TO BALANCE SHEET</b>		<b>226,477,798</b>	<b>10,083,219</b>
<b>Significant Accounting Policies &amp; Notes to Accounts</b>	14		

As per our report attached  
For NAVIN D THAKKAR & Co  
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## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

	2010-11	Rs. 2009-10
<b>(A) Cash flow from operating activities</b>		
Profit Before Tax	472,177,798	115,083,217
Add: Adjustments for		
Depreciation	32,302,023	4,276,487
Provision for Employee Benefits	1,577,566	-
Preliminary expenses written off	3,021,980	-
Less: Adjustments for		
Interest Income Earned	(41,666,487)	(1,141,259)
Operating Profits Before Working Capital Changes	467,412,880	118,218,445
Adjustments for		
(Increase)/Decrease in Trade & other receivables	(11,929,504)	4,008,184
Increase/ (Decrease) in Trade & other payables	87,609,711	42,874,796
Cash Generated from Operations	543,093,087	165,101,425
Income Tax paid	108,784,351	26,945,705
<b>Net Cash Flow/(Used in) Operating Activities (A)</b>	<b>434,308,736</b>	<b>138,155,720</b>
<b>(B) Cash flow from investing activities</b>		
Purchase of Fixed Assets	(195,569,883)	(68,234,887)
Interest received	25,742,774	1,141,259
<b>Net Cash flow / (Used in) Investing Activities (B)</b>	<b>(169,827,109)</b>	<b>(67,093,628)</b>
<b>(C) Cash flow from financing activities</b>		
Proceeds from issuance of share capital	300,000,000	277,500,000
<b>Net Cash flow / (Used in) Financing Activities</b>	<b>300,000,000</b>	<b>277,500,000</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>564,481,627</b>	<b>348,562,091</b>
Cash and Equivalents - Opening Balance	348,562,091	-
Cash and Equivalents - Closing Balance	564,043,718	348,562,091
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>564,481,627</b>	<b>348,562,091</b>

1 The above cash flow statement has been prepared using the indirect method as per Accounting Standard 3.

2 The Cash & Bank balances include the following:

	2010-11	2009-10
ATM Settlement Guarantee Fund	150,000,000	30,000,000
IMPS Collateral Deposit	8,000,000	NIL

3 Previous year's figures have been regrouped, reclassified and rearranged to conform to current year's presentation wherever necessary.

As per our report attached  
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CHARTERED ACCOUNTANTS  
Registration No. 106991W

Navin D Thakkar  
MEMBERSHIP NO : 030564

PARTNER

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## NATIONAL PAYMENTS CORPORATION OF INDIA

### SCHEDULES FORMING PART OF BALANCE SHEET

	Rs. As at 31-Mar-11	Rs. As at 31-Mar-10
<b>SCHEDULE 1</b>		
<b>Share Capital</b>		
<b>Authorised</b>		
30,000,000 Equity Shares of Rs. 100 each	3,000,000,000	3,000,000,000
<b>Issued Subscribed and Paid Up :</b>		
6,000,000 (Previous Year 3,000,000) Equity Shares of Rs. 100 each fully paid up	600,000,000	300,000,000
<b>TOTAL</b>	<b>600,000,000</b>	<b>300,000,000</b>

	Rs. As at 31-Mar-11	Rs. As at 31-Mar-10
<b>SCHEDULE 2</b>		
<b>Reserves &amp; Surplus</b>		
<b>Settlement Guarantee Reserve</b>		
Opening Balance	30,000,000	-
Add: Transfer From Income & Expenditure Account	120,000,000	30,000,000
Closing Balance	150,000,000	30,000,000
<b>Technology &amp; Infrastructure Development Reserve</b>		
Opening Balance	75,000,000	-
Add: Transfer from Income & Expenditure Account	-	75,000,000
Less: Transfer to Income & Expenditure Account	75,000,000	-
Closing Balance	-	75,000,000
<b>Income &amp; Expenditure Account</b>		
Opening Balance	10,083,219	-
Add: Surplus for the year	226,477,798	10,083,219
Closing Balance	236,561,017	10,083,219
<b>TOTAL</b>	<b>386,561,017</b>	<b>115,083,219</b>

#### SCHEDULE 3

##### Fixed Assets

ASSETS	GROSS BLOCK - AT COST			DEPRECIATION			NET BLOCK	
	As at 31-Mar-10	Additions During the Period	As at 31-Mar-11	As at 31-Mar-10	For the Year	As at 31-Mar-11	As at 31-Mar-11	As at 31-Mar-10
COMPUTERS	61,910,708	183,241,108	245,151,816	3,902,045	30,853,397	34,755,442	210,396,374	58,008,663
FURNITURE & FIXTURES	4,948,838	4,033,819	8,982,657	267,030	1,142,229	1,409,259	7,573,398	4,681,808
OFFICE EQUIPMENTS	1,416,500	1,167,570	2,584,070	107,412	306,397	413,809	2,170,261	1,309,088
<b>TOTAL</b>	<b>68,276,046</b>	<b>188,442,497</b>	<b>256,718,543</b>	<b>4,276,487</b>	<b>32,302,023</b>	<b>36,578,510</b>	<b>220,140,033</b>	<b>63,999,559</b>
As at March 31, 2010	41,156	68,234,890	68,276,046	-	4,276,487	4,276,487	-	63,999,559

## SCHEDULES FORMING PART OF BALANCE SHEET

	Rs. As at 31-Mar-11	Rs. As at 31-Mar-10
<b>SCHEDULE 4</b>		
<b>Cash and Bank Balances</b>		
Cash in hand	5,813	4,520
<b>Balance with Scheduled Banks</b>		
- with RBI Current account	100,000	-
- with Bank Current account	4,017,905	49,967,571
- in Deposit accounts	908,920,000	298,590,000
<b>TOTAL</b>	<b>913,043,718</b>	<b>348,562,091</b>
	<b>Rs. As at 31-Mar-11</b>	<b>Rs. As at 31-Mar-10</b>
<b>SCHEDULE 5</b>		
<b>Other Current Assets</b>		
Prepaid Expenses	4,890,515	1,879,096
Accrued Income	18,680,202	2,562,742
Refundable Deposits	6,474,820	-
Input Credit - Service Tax	1,094,740	-
<b>TOTAL</b>	<b>31,140,277</b>	<b>4,441,838</b>
	<b>Rs. As at 31-Mar-11</b>	<b>Rs. As at 31-Mar-10</b>
<b>SCHEDULE 6</b>		
<b>Loans &amp; Advances</b>		
Advance Tax - FY 2010-11	100,914,351	-
Advance Tax - FY 2009-10	34,815,705	26,945,705
Other Receivables	3,277,448	2,122,670
<b>TOTAL</b>	<b>139,007,504</b>	<b>29,068,375</b>
	<b>Rs. As at 31-Mar-11</b>	<b>Rs. As at 31-Mar-10</b>
<b>SCHEDULE 7</b>		
<b>Current Liabilities</b>		
Sundry Creditors:		
- Other than Micro and Medium Enterprises	83,777,111	10,989,765
- Amount due to Micro and Medium Enterprises	1,811,588	-
Other Liabilities	39,120,232	27,538,016
TDS Payable	5,007,258	4,545,883
Provident Fund Payable	949,840	-
Other Payables	20,246	2,900
<b>TOTAL</b>	<b>130,686,275</b>	<b>43,076,564</b>

## SCHEDULES FORMING PART OF BALANCE SHEET

	<b>Rs. As at 31-Mar-11</b>	<b>Rs. As at 31-Mar-10</b>
<b>SCHEDULE 8</b>		
<b>Current Liabilities</b>		
<b>Provision</b>		
Provision for Income Tax - FY 2010-11	144,000,000	-
Provision for Income Tax - FY 2009-10	34,000,000	-
Provision for Employee Benefit	1,577,566	-
<b>TOTAL</b>	<b>179,577,566</b>	<b>-</b>
	<b>Rs. As at 31-Mar-11</b>	<b>Rs. As at 31-Mar-10</b>
<b>SCHEDULE 9</b>		
<b>Other Income</b>		
Interest on Fixed Deposits with Banks	41,666,487	1,141,259
RFP Document Fees	10,555,000	50,000
NFS Membership Fees	4,067,400	300,000
CTS Certification Fees	1,057,088	-
IIN Issuance Fees	36,940	-
Sale of Scrap	7,200	-
<b>TOTAL</b>	<b>57,390,115</b>	<b>1,491,259</b>
	<b>Rs. As at 31-Mar-11</b>	<b>Rs. As at 31-Mar-10</b>
<b>SCHEDULE 10</b>		
<b>Operating Expenses</b>		
Hosting Charges NFS	92,500,000	22,500,000
Settlement Charges - NFS	2,727,600	525,400
Facility Management	5,612,000	999,999
License Transfer Fees - ITM Software	-	2,500,000
Settlement Charges - IMPS	230,400	-
Hosting Charges - Chennai	4,017,054	590,223
Hosting Charges - Mumbai	3,307,773	-
<b>TOTAL</b>	<b>108,394,827</b>	<b>27,115,622</b>

## SCHEDULES FORMING PART OF BALANCE SHEET

	Rs. As at 31-Mar-11	Rs. As at 31-Mar-10
<b>SCHEDULE 11</b>		
<b>Personnel Cost</b>		
Employee Cost	69,190,852	2,374,909
Staff Welfare	2,496,745	263,856
Retainer ship Fees	396,867	1,500,460
Gratuity	785,311	-
Leave Encashment	792,255	-
Deputation Cost	4,379,032	2,834,029
<b>TOTAL</b>	<b>78,041,062</b>	<b>6,973,254</b>

	Rs. As at 31-Mar-11	Rs. As at 31-Mar-10
<b>SCHEDULE 12</b>		
<b>Administrative Expenses</b>		
Traveling & Conveyance Expenses	7,315,123	2,374,813
Foreign Travel	11,475,030	-
Electricity	1,737,938	-
Communication Expenses	2,083,870	378,423
Rent Rates & Taxes	2,266,129	334,317
Audit Fees	50,000	126,568
Other Fees	15,000	-
Internal Audit Fees	170,060	48,000
<b>TOTAL</b>	<b>25,113,150</b>	<b>3,262,121</b>

	Rs. As at 31-Mar-11	Rs. As at 31-Mar-10
<b>SCHEDULE 13</b>		
<b>Other Expenses</b>		
Legal & Professional Expenses	18,109,255	10,644,095
Advertisement Expenses	1,825,294	1,891,632
Meeting Expenses	3,636,893	1,068,266
Software & IT Expenses	1,352,428	705,725
Soil Testing	1,514,959	-
Subscription to Issuer Identification Numbers	2,500,000	-
Other Expenses	16,124,974	3,276,250
<b>TOTAL</b>	<b>45,063,803</b>	<b>17,585,968</b>

## SCHEDULE: 14

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS:

#### 1. Introduction

- i. 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 the object to set up and implement the Payments and Settlement infrastructure in India. The Company obtained its Certificate of Commencement of Business on 20<sup>th</sup> April 2009.
- ii. NPCI is an initiative of Reserve Bank of India and Indian Banks' Association to implement the Payments and Settlement Systems Act, 2007 for creating a robust payments and settlement infrastructure in India. It is envisaged that over a 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 6 public sector banks, 2 private banks and 2 foreign banks have subscribed to the capital.

#### 2. Statement of Significant Accounting Policies:

##### i. Basis of Accounting:

The financial statements have been prepared to comply in all material respects with the notified accounting standard by Companies (Accounting Standards) Rules, 2006, and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in the case of assets for which provision for impairment is made and revaluation is carried out. The Company follows the accrual basis of accounting.

##### ii. Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

##### iii. Revenue recognition:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

##### Income from Services:

The Company has created an online platform which is a gateway for all ATM transactions, conducted for member banks. There is a fee for every transaction executed through this gateway. Revenue from such services is accordingly accounted to record fees for all transactions executed during the accounting year.

##### Other Income:

In case of other fees, revenue is recognized during the period in which services are rendered. Interest income is recognized on accrual basis.

##### iv. Fixed Assets:

Fixed Assets are stated at cost (or revalued amounts, as the case may be), less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

##### v. Depreciation:

Depreciation is provided using the straight line method as per the following rates:



Sr.No.	Nature of Assets	Depreciation Rate
1.	Plant and Machinery / Office Equipments	15.00%
2.	Computers, Software and Printers	33.33%
3.	Furniture and Fittings	15.00%

Note : Assets valued at less than Rs 5000 are fully depreciated in year of purchase.

vi. **Leases:**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Income and Expenditure account on a straight-line basis over the lease term.

vii. **Taxation:**

The main objective of the Company is to create a robust payments and settlement infrastructure over a period of time as well as to develop round the clock payment systems for the benefit of the people of India. The Company's application under Section 12A of the Income Tax Act, 1961 has been registered with the department, the Company's claim for exemption would be considered based on assessments done on year to year basis.

**Current Tax:** A provision is made for the current tax based on tax liability computed in accordance with relevant tax rates as per the Income Tax Act, 1961.

**Deferred Tax:** Deferred taxes reflect the impact of current year timing differences between taxable income and accounting income for the year. Deferred tax is measured based on the tax rates and tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

viii. **Employee Benefits :**

(a) Short term Employee Benefits:

All employee benefits payable within a period of twelve months of rendering service are classified as short term employee benefits. Benefits such as salaries, allowances and similar payments paid to the employees of the Company are recognized during the period in which the employee renders such related services.

(b) Defined Contribution Plans:

**Provident Fund:** The Company is a member of the Government Provident Fund which is operated by the office of the Regional Provident Fund Commissioner (RPFC) and the contribution thereof is paid /provided for during the period in which the employee renders the related service.

(c) Defined Benefits Plans:

**Gratuity:** Gratuity payable to employees is covered by a Gratuity Scheme provided by an Insurance Company. The contribution thereof is paid / provided during the period in which the employee renders service. Gratuity is provided as per actuarial valuation as at the end of the year. Actuarial gains/losses are recognized in full in the Income & Expenditure account of the respective financial year and are not deferred.

(d) Other Long Term Benefits:

**Leave Encashment:** Provision for Leave Encashment is made on the basis of actuarial valuation as at the end of the year.

ix. **Preliminary Expenses:**

Preliminary expenses related to registration charges & stamp duty are deferred and amortized over a period of five years commencing from the year in which the Company commenced business.

x. **Provisions:**

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on a best estimate required to settle the obligation at the Balance Sheet date.

**xi. Contingent Liabilities:**

Contingent Liabilities, if any, are disclosed in the notes to accounts. Provision is made in the accounts if it becomes probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

3. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) was Rs 3,800.97 lakhs (previous year Rs. Nil).

**4. Contingent Liability :**

Amount not acknowledged as debt – Rs. 89.38 lacs. As per the directive received from RBI, the National Financial Switch (NFS) assets acquired by the Company from IDRBT were taken over on “as is where is basis”. Further, as a part of the deal, the Company also had to take over IDRBT's liabilities amounting to Rs. 181.20 lacs payable to some of its Hardware & Software vendors. Of this, an amount of Rs. 89.38 lacs payable to one of the vendor for supply of Hardware & Software relating to Electronic Payment Gateway is under review by the management of the Company. This amount has been accordingly recognised as a contingent liability.

**5. Managerial Remuneration : Managerial Remuneration for Managing Director & CEO is given below:**

Particulars	2010-2011 (Rs.)	2009-2010 (Rs.)
Salary & Allowances	3,858,765	Nil
Contribution to Provident fund	204,890	Nil
Perquisites	79,199	Nil
<b>Total</b>	<b>4,142,854</b>	<b>Nil</b>

**6. Auditors Remuneration :**

Particulars	2010-2011 (Rs.)	2009-2010 (Rs.)
Audit Fees	50,000	50,000
Tax Audit Fees	15,000	35,000
Other Services	28,000	15,000
<b>Total</b>	<b>93,000</b>	<b>100,000</b>

7. All expenses incurred since the date of incorporation of the Company until March 31, 2009 were carried forward as preliminary expenses included under the head Miscellaneous Expenditure (to the extent not written off). Such expenses relating to registration charges and stamp duty paid at the time of registration of the Company are being amortized over a period of five years. All other expenses have been charged to the Income & Expenditure account during the period ending 31<sup>st</sup> March 2010. The details of amortization of preliminary expenses in the financial statements are as under:

	Particulars	(Rs)
A	Opening balance as on 1-4-2010	12,087,920
B	Preliminary expenses amortized for the year ended 31-03-2011	3,021,980
<b>C</b>	<b>Closing balance as on 31-03-2011 (A – B)</b>	<b>9,065,940</b>

8. The Company is registered under Section 25 of the Companies Act, 1956 and has been granted registration under Section 12AA of the Income Tax Act, 1961 vide letter dated 19<sup>th</sup> March 2010 received from the Income Tax department. During the year, the management decided to take the view of a tax expert to determine the taxability of the Company under the Income Tax Act, 1961. The tax expert has opined that the profits earned by the Company are taxable. In view of same the management has decided to make a provision towards current tax liability. Accordingly, an amount of Rs. 1440 Lacs has been provided during the year ended 31<sup>st</sup> March 2011 being the amount of Income Tax computed under the provisions of the Income Tax Act, 1961.

Further, an amount of Rs. 340 lacs representing the tax liability for the previous year ended 31<sup>st</sup> March 2010 has also been provided during the period and has been reported as "Tax Adjustment for Previous Year" in the Income & Expenditure account. In future, the Company may review the requirement for providing for taxes in case of suitable precedent.

9. Deferred Tax: Consequent to the management's decision to provide for taxation, provision has also been made for deferred tax liability amounting to Rs 227 lacs, which includes an amount of Rs. 50 lacs representing deferred tax liability for the previous year ended 31<sup>st</sup> March 2010. The components of net deferred tax asset/(liability) are as under:

Deferred Tax Liability	2010-2011 (Rs.)	2009-2010 (Rs.)
<b>Arising out timing differences relating to :</b>		
Depreciation	22,700,000	Nil
<b>Total</b>	<b>22,700,000</b>	<b>-</b>

10. Transfer to Reserves: The Management has decided to create the Reserve as detailed below :

**Settlement Guarantee Reserve:**

In order to ensure that the Company is in a position to deal with exigencies associated with Settlement Risks, with effect from 1<sup>st</sup> January 2010, the Management of the Company has decided to appropriate an amount of Rs. 100 Lacs per month to the Settlement Guarantee Fund. Accordingly pending creation of a fund, during the current year, an amount of Rs. 1200 Lacs (Previous year Rs.300 Lacs) has been appropriated out of the Surplus Income and transferred to the Settlement Guarantee Reserve. The entire amount in the Settlement Guarantee Reserve will be utilized to create the Settlement Guarantee Fund.

**Technology & Infrastructure Development Reserve:**

The Company would be taking on various initiatives in improving the payment infrastructure in India to provide world class affordable payment systems to the people of India. In order to achieve this purpose, the Company will have to invest significantly in Research & Development in the payment & technology area. As a step in this direction, the Management of the Company had decided to appropriate an amount of Rs. 750 Lacs to the Technology & Infrastructure Development Reserve in the financial year 2009-2010. The Technology & Infrastructure Development Reserve was to be utilised for the purpose of Upgradation of Technology Infrastructure for switching services covering ATM Switching, Inter Bank Mobile Payment System (IMPS), Aadhaar Enabled Payment Services, Technology initiatives for Networking, Connectivity and related areas, Infrastructure for Data Centre and related expenditure, Technology requirement for Cards/ POS, Expenditure for Product Innovation and Improvisation, research and development relating to payment area and other similar objects.

The Company has firmed up capital expenditure plans on Technology Infrastructure projects and upgradation in the near future based on business requirement. The said plans are in excess of the surplus available for appropriation. In view of the same, no amount is being appropriated towards the said reserve during the current year.

The amount expended during the current year has exceeded the amount available in the said reserve. Accordingly, the amount of Rs. 750 lacs is being written back to Income and Expenditure Account.

#### 11. Expenditure incurred in foreign currency –

Sr. No.	Particulars	2010-2011 (Rs.)	2009-2010 (Rs.)
1	Foreign Travel Expenditure	10,232,893	-
2a	Membership Fees & Subscriptions	1,079,429	-
2b	Training Fees	442,850	-
2c	Conference	503,753	-
	<b>Total</b>	<b>12,258,925</b>	<b>-</b>

#### 12. Earnings Per Share -

Particulars	2010-2011 (Rs.)	2009-2010 (Rs.)
Net Surplus as per Income & Expenditure account	271,477,798	115,083,217
Weighted average number of equity shares	3,747,945	660,205
<b>Basic EPS</b>	<b>72.43</b>	<b>174</b>

Note – NPCI has allotted 30,00,000 equity shares of Rs 100 each at par to promoter banks on 31.12.2010. The total equity share capital as on 31.03.2011 is Rs 6,000 lacs.

#### 13. Disclosure relating to transactions with Related Parties as required under the provisions of Accounting Standard 18.

Key Management Personnel – Mr. A.P. Hota (Mr. Hota was appointed as CEO on August 11, 2010 and inducted into the Board as Managing Director & CEO w.e.f. 23<sup>rd</sup> August 2010. Till then he was on deputation from Reserve Bank of India)

Remuneration paid from 23<sup>rd</sup> August 2010 till 31<sup>st</sup> March 2011 – Rs. 41.42 lacs (Previous Year Rs. Nil).

Particulars	2010-2011 (Rs.)	2009-2010 (Rs.)
Salary & Allowances	3,858,765	Nil
Contribution to Provident fund	204,890	Nil
Perquisites	79,199	Nil
<b>Total</b>	<b>4,142,854</b>	<b>Nil</b>

#### 14. Segment Reporting :

The Company's operations comprise of only one segment relating to Retail Payment Systems in India. Accordingly, disclosures required under Accounting Standard 17 – “Segment Reporting” is not applicable to the Company.

#### 15. Information related to Micro, Small and Medium Enterprises Development Act, 2006 (the Act) is disclosed hereunder. The information given below has been determined to the extent such parties have been identified on the basis of information available with the Company.

		<b>Particulars</b>	<b>As at March 2011</b>	<b>As at March 2010</b>
a	(i)	Principal amount remaining unpaid to any supplier / service provider at the end of the accounting year	1,811,588	-
	(ii)	Interest due on above	-	-
		Total	1,811,588	-
b		Amount of Interest paid by the buyer in terms of Section 15 of the Act, along with amount of payment made beyond the appointed date during the year.	-	-
c		Amount of interest accrued and remaining unpaid at the end of the financial year.	-	-
d		Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the year) but without adding the interest specified under the Act.	-	-
e		Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the Small Enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Act.	-	-

16. The other disclosures required under Part II of Schedule VI to the Companies Act, are not immediately relevant to the Company for the period under consideration and hence the same are not indicated.

17. Prior period / year figures have been regrouped wherever necessary.

As per our report attached  
For NAVIN D THAKKAR & Co  
CHARTERED ACCOUNTANTS  
Registration No. 106991W

Navin D Thakkar  
MEMBERSHIP NO : 030564

PARTNER

PLACE: BANGALORE

DATE : JUNE 13, 2011

**For NATIONAL PAYMENTS CORPORATION OF INDIA**

**N.R. Narayana Murthy**  
Chairman

**Diwakar Gupta**  
Director

**S.S. Mundra**  
Director

**V. Krishnan**  
Director

**S. Dhamodaran**  
Director

**Sudeep Yadav**  
Director

**A. P. Hota**  
Managing Director & Chief Executive Officer

DATE: JUNE 13, 2011

**M. Balachandran**  
Director

**N. Seshadri**  
Director

**K. M. Asawa**  
Director

**Madanjit Singh**  
Director

**Bhavesh Zaveri**  
Director

**Thomas Schickler**  
Director

**Anjali Zaveri**  
Company Secretary

## 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 <sup>st</sup> March 2011		

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

Public Issue	NIL	Right Issue	300,000,000
Bonus Issue	NIL	Private Placement	NIL

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

Total Liabilities	Rs. 1,009,261,017.00	Total Assets	Rs. 1,009,261,017.00
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### IV Sources of funds

Secured Loans	NIL	Unsecured Loans	NIL
Deferred Tax Liability	NIL		

### V Application of Funds

Net Fixed Assets	Rs. 227,267,419.00	Investments	NIL
Net Current Assets	Rs. 772,927,658.00	Accumulated Losses	NIL
Miscellaneous Expenses	Rs. 9,065,940.00		

### VI Performance of the Company (Amount in Rs.)

Turnover/Income	Rs. 706,724,529.00	Total Expenditure	291,936,846.00
Profit/(Loss) before Tax	Rs. 472,177,798.00	Profit/(Loss) after Tax	Rs. 271,477,798.00
Earnings Per Share	Rs. 72.43	Dividend Rate %	N.A.

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

Item Code No.	NIL
Product Description	Payments & Settlement

As per our report attached  
For NAVIN D THAKKAR & Co  
CHARTERED ACCOUNTANTS  
Registration No. 106991W

Navin D Thakkar  
MEMBERSHIP NO : 030564

PARTNER

PLACE: BANGALORE

DATE : JUNE 13, 2011

### For NATIONAL PAYMENTS CORPORATION OF INDIA

**N.R. Narayana Murthy**  
Chairman

**Diwakar Gupta**  
Director

**S.S. Mundra**  
Director

**V. Krishnan**  
Director

**S. Dhamodaran**  
Director

**Sudeep Yadav**  
Director

**A. P. Hota**  
Managing Director & Chief Executive Officer

DATE: JUNE 13, 2011

**M. Balachandran**  
Director

**N. Seshadri**  
Director

**K. M. Asawa**  
Director

**Madanjit Singh**  
Director

**Bhavesh Zaveri**  
Director

**Thomas Schickler**  
Director

**Anjali Zaveri**  
Company Secretary