

National Payments Corporation Of India

(Company Incorporated u/s 25 of the Companies Act, 1956)

BALANCE SHEET AS AT MARCH 31, 2012

	Notes	As at 31-Mar-2012 Rs.	As at 31-Mar-2011 Rs.
Equity and Liabilities			
Shareholders' funds			
Share Capital	2.1	600,000,000	600,000,000
Reserves & Surplus	2.2	641,356,105	386,561,017
Non-current liabilities			
Deferred Tax Liabilities (Net)	2.3	108,600,000	22,700,000
Long term Liabilities	2.4	26,096,282	11,285,311
Current liabilities			
Trade Payables	2.5	60,098,407	105,780,306
Other Current Liabilities	2.6	55,705,425	8,715,615
Short-term provisions	2.7	34,839,062	49,568,258
		1,526,695,281	1,184,610,507
Assets			
Non-Current Assets			
Fixed assets (Net)			
Tangible assets	2.8	543,127,552	205,797,305
Intangible assets	2.8	201,166,059	14,342,728
Capital work-in-progress	2.8	42,337,024	7,127,386
Other non-current assets	2.9	56,193,964	6,474,820
Current Assets			
Cash & Bank balance	2.10	621,018,595	913,043,718
Trade Receivables	2.11	16,150,351	2,737,093
Short-term loans & advances	2.12	2,126,268	3,277,448
Other Current Assets	2.13	44,575,468	31,810,009
TOTAL		1,526,695,281	1,184,610,507
Significant Accounting Policies & Notes on Accounts	1 & 2		
The accompanying notes are an integral part of the financial statements			

As per our report attached
For SHAH & SAVLA
CHARTERED ACCOUNTANTS
Registration No. 109364W

Mullesh Savla
MEMBERSHIP NO : 38404

PARTNER

PLACE : MUMBAI

DATE : 21st May, 2012

For NATIONAL PAYMENTS CORPORATION OF INDIA

N. R. Narayana Murthy
Chairman

A. P. Hota
Managing Director & CEO

M. Balachandran
Director

Deena Mehta
Director

Sanjay Saxena
Head - Finance & Accounts

Anjali Zaveri
Company Secretary

DATE: 21st May, 2012

National Payments Corporation Of India

INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2012

	Notes	As at 31-Mar-2012 Rs.	As at 31-Mar-2011 Rs.
INCOME			
Income from Operations	2.14	991,074,476	710,828,869
Other Income	2.15	86,740,782	53,278,575
TOTAL INCOME		1,077,815,258	764,107,444
EXPENDITURE			
Operating Expenses	2.16	191,114,821	113,827,043
Personnel Expenses	2.17	198,355,208	80,847,479
Administrative & Establishment Expenses	2.18	83,668,955	36,372,036
Professional Fees	2.19	31,828,565	14,788,897
Other Operating Expenses	2.20	13,831,925	10,606,321
Auditors Remuneration	2.20.1	115,000	93,000
Finance Charges	2.21	1,699,185	70,866
Depreciation and Amortisation Expense	2.8	163,840,570	32,302,023
Preliminary Exp.written off	2.22	9,065,940	3,021,980
TOTAL EXPENDITURE		693,520,169	291,929,646
SURPLUS/(DEFICIT) FOR THE PERIOD - BEING EXCESS OF INCOME OVER EXPENDITURE		384,295,088	472,177,798
PROVISION FOR TAXATION			
- Current Tax (MAT)		78,000,000	144,000,000
- MAT Credit		(34,400,000)	
- Adjustment relating to Tax of prior year		-	34,000,000
- Deferred Tax		85,900,000	22,700,000
SURPLUS/(DEFICIT) FOR THE PERIOD AFTER TAX		254,795,088	271,477,798
SURPLUS/(DEFICIT) BROUGHT FORWARD FROM BALANCE SHEET		236,561,017	10,083,219
APPROPRIATION:			
Settlement Guarantee Reserve		100,000,000	120,000,000
Technology & Infrastructure Development Reserve - Written back in FY 2010-11			(75,000,000)
SURPLUS/(DEFICIT) CARRIED FORWARD TO BALANCE SHEET		391,356,105	236,561,017
Summary of Significant Accounting Policies	1 & 2		

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National Payments Corporation Of India

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

	2011-12 Rs.	2010-11 Rs.
(A) Cash flow from operating activities		
Profit Before Tax	384,295,088	472,177,798
Add: Adjustments for		
Depreciation	163,840,570	32,302,023
Provision for Employee Benefits	4,135,555	1,577,566
Preliminary expenses written off	9,065,940	3,021,980
Less: Adjustments for		
Interest Income Earned	(66,877,421)	(41,666,487)
Operating Profits Before Working Capital Changes	494,459,732	467,412,880
Adjustments for		
(Increase)/Decrease in Trade & other receivables	88,326,610	(11,929,504)
Increase/ (Decrease) in Trade & other payables	(126,378,988)	87,609,711
Cash Generated from Operations	456,407,354	543,093,087
Income Tax paid	89,362,809	108,784,351
Net Cash Flow/(Used in) Operating Activities (A)	367,044,545	434,308,736
(B) Cash flow from investing activities		
Purchase of Fixed Assets	(723,203,785)	(195,569,883)
Interest received	64,134,118	25,742,774
Net Cash flow / (Used in) Investing Activities (B)	(659,069,668)	(169,827,109)
(C) Cash flow from financing activities		
Proceeds from issuance of share capital	-	300,000,000
Net Cash flow / (Used in) Financing Activities	-	300,000,000
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	(292,025,123)	564,481,627
Cash and Equivalents - Opening Balance	913,043,718	348,562,091
Cash and Equivalents - Closing Balance	621,018,595	913,043,718
Net Increase/(Decrease) in Cash and Cash Equivalents	(292,025,123)	564,481,627
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:		
	2011-12	2010-11
ATM Settlement Guarantee Fund	250,000,000	150,000,000
IMPS Collateral Deposit	24,000,000	8,000,000
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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NATIONAL PAYMENTS CORPORATION OF INDIA

Significant Accounting Policies and Notes to Financial Statements

Corporate Information

National Payments Corporation of India (NPCI) was incorporated as a public limited Company under Section 25 of the Companies Act, 1956 with the object to set up and implement the Payments and Settlements infrastructure in India. The Company is authorized as a Payment System provider under 'The Payment and Settlement Systems Act, 2007' by Reserve Bank of 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.

NPCI's initiatives in the Retail Payment System are in the form of providing National Financial Switch (NFS), Cheque Truncation System (CTS), Interbank Mobile Payment Service (IMPS) and the domestic Card Scheme (RuPay).

1. Statement of Significant Accounting Policies :

1.1. Basis of Preparation of Financial Statements

1.1.1. 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.

1.1.2. Presentation and disclosure of financial statements: During the year ended 31st March 2012, the Revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company, for preparation and presentation of its financial statements. The adoption of Revised Schedule VI does not impact recognition and measurement principles, followed for preparation of financial statements and has no significant impact on presentation and disclosures made in the financial statements. The Company has reclassified the previous year figures in accordance with the requirements applicable in the current year.

1.2. Use of estimates :

The preparation of financial statements in conformity with Indian GAAP 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.

1.3. 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.

1.3.1. Income from Operations :

The Company has created a platform which is a gateway for all ATM, IMPS, CTS & RuPay transactions, conducted for member banks. Revenue from such services is accordingly accounted for all transactions routed during the accounting year. Non-refundable one time membership fees from members are recognised as income in the year in which services are commissioned.

1.3.2. Other Income :

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

1.4. Tangible 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. Any Trade Discounts and Rebates are deducted in arriving at the Purchase Price.

1.5. Intangible Assets :

Intangible assets are amortised over their respective individual estimated useful life on a straight line basis, commencing from the date the asset is available to the Company for its use.

1.6. Depreciation on Tangible Fixed Assets :

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

Sr.	Nature of Assets	Depreciation Rate
1	Computer Equipments / Switching Equipments	20.00%
2	Plant and Machinery / Office Equipments	15.00%
3	Computers and Printers	33.33%
4	Furniture and Fittings	15.00%
5	Vehicles	20.00%
6	Leasehold Improvements*	33.33%

* Leasehold Improvements are depreciated over the asset life or the lease term, whichever is shorter.

Assets valued at less than Rs. 25,000 are fully depreciated in the year of purchase. Also the WDV of the assets purchased in previous years with the original cost being less than Rs 25,000 have been fully depreciated.

During the current year the Management of the Company undertook a review of depreciation policy. Accordingly, Computer Equipment/ Switching Equipment which were hitherto being depreciated at rate of 33.33% are now being depreciated at the rate of 20% on SLM basis.

1.7. 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.

1.8. Income Taxes :

The Company has been incorporated as a 'Not for Profit Company' under section 25 of the Companies Act 1956 and granted registration under section 12AA of the Income Tax Act, 1961. The Company operates on a non-commercial basis and is eligible for tax exemption. On a conservative basis the Management has decided to provide for Current tax.

Tax expenses comprises of Current tax and Deferred tax. Current tax is measured as the amount expected to be paid to the Tax Authorities in accordance with the Income Tax Act, 1961. The Company offsets, on a year on year basis, the Current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period i.e. the period for which MAT credit is allowed to be carried forward. In the year in which the Minimum Alternative Tax (MAT) credit becomes eligible to be recognized as an asset, the said asset is created by way of a credit to the Income & Expenditure account and shown as MAT Credit Entitlement. The Company reviews the "MAT Credit entitlement" asset at each reporting date and writes down the asset to the extent there is no longer convincing evidence to the effect that it will pay normal Income Tax during the specified period.

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 liabilities are recognised for all taxable timing differences. 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.

1.9. Employee Benefits :

1.9.1. 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.

1.9.2. 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.

1.9.3. Defined Benefits plans :

Gratuity: In accordance with the Payment of Gratuity Act, 1972, the Company provides for gratuity, a defined benefit retirement plan ('the Gratuity Plan') covering eligible employees. The Gratuity Plan provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment of an amount based on the respective employee's salary and the tenure of employment with the Company.

Gratuity payable to employees is covered by a Gratuity Plan 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 and Expenditure account of the respective financial year and are not deferred.

1.9.4. 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.

1.10. Preliminary Expenses :

Preliminary expenses relate to start-up costs, legal and secretarial costs incurred for incorporation of Company. The Company had deferred Preliminary expenses till FY 2010-2011. However in the current year the balance amount is being written off as per Accounting Standard 26.

1.11. 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.

1.12. 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.

2. Notes to Financial Statements

2.1 Share Capital

Particulars	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
Authorised :		
3,00,00,000 Equity Shares of Rs.100 each	3,00,00,00,000	3,00,00,00,000
Issued, Subscribed and Paid Up :		
60,00,000 (Previous Year 60,00,000) Equity Shares of Rs.100 each Fully paid up	60,00,00,000	60,00,00,000
Total	60,00,00,000	60,00,00,000

2.1.1. Reconciliation of Shares Outstanding at the Beginning and End of the Reporting Period

Particulars	Equity Shares			
	As at 31st March 2012		As at 31st March 2011	
	Number	Amount (Rs.)	Number	Amount (Rs.)
Shares outstanding at the beginning of the year	60,00,000	60,00,00,000	30,00,000	30,00,00,000
Shares Issued during the year	-	-	30,00,000	30,00,00,000
Shares outstanding at the end of the year	60,00,000	60,00,00,000	60,00,000	60,00,00,000

2.1.2. Terms/ Rights attached to Equity Shares

The Company has only one class of Equity Shares having a par Value of Rs. 100 each. Each Equity share represents one vote in case of poll.

2.1.3. Details of Shareholders Holding more than 5% share in the Company.

Particulars	Equity Shares			
	As at 31st March 2012		As at 31st March 2011	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
State Bank of India	6,00,000	10	6,00,000	10
Union Bank of India	6,00,000	10	6,00,000	10
Bank of India	6,00,000	10	6,00,000	10
Bank of Baroda	6,00,000	10	6,00,000	10
Punjab National Bank	6,00,000	10	6,00,000	10
Canara Bank	6,00,000	10	6,00,000	10
ICICI Bank Limited	6,00,000	10	6,00,000	10
HDFC Bank Limited	6,00,000	10	6,00,000	10
HSBC Limited	6,00,000	10	6,00,000	10
Citibank N. A	6,00,000	10	6,00,000	10

2.1 Reserves and Surplus

Particulars	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
Settlement Guarantee Reserve		
Opening Balance	15,00,00,000	3,00,00,000
Add: Transfer From Income & Expenditure Account	10,00,00,000	12,00,00,000
Sub total	25,00,00,000	15,00,00,000
Technology & Infrastructure Development Reserve		
Opening Balance		7,50,00,000
Add: Transfer from Income & Expenditure Account	-	-
Less: Transfer to Income & Expenditure Account (previous year)	-	7,50,00,000
Sub total	-	-
Income & Expenditure Account	39,13,56,105	23,65,61,017
Total	64,13,56,105	38,65,61,017

Transfer to Reserves: The Management has decided to create the following 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, the Management of the Company has decided to appropriate an amount of Rs. 10,00,00,000 during the year (Previous year Rs. 12,00,00,000) out of the Surplus Income by transferring the same to the Settlement Guarantee Reserve. Accordingly pending creation of a fund, the Settlement Guarantee Reserve as on March 31, 2012 stands at Rs. 25,00,00,000 (Previous year Rs. 15,00,00,000). The entire amount in the Settlement Guarantee Reserve will be utilized to create the Settlement Guarantee Fund.

2.3. Deferred Tax (Net)

As a matter of prudence, the Management had taken a decision to provide for taxes. Accordingly provision has also been made for deferred tax expense of Rs. 8,59,00,000 thus increasing the deferred tax liability to Rs. 10,86,00,000 (Previous year Rs 2,27,00,000). The components of net deferred tax asset/ liability are as under :

Particulars	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
Deferred Tax Liability		
Fixed Assets	11,05,82,425	2,27,00,000
Deferred Tax Asset		
Preliminary Expenses	(19,82,425)	-
Total	10,86,00,000	2,27,00,000

2.4. Long Term Liabilities

Particulars	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
Deposit Collateral	2,40,00,000	1,05,00,000
Provision - Gratuity	20,96,282	7,85,311
Total	2,60,96,282	1,12,85,311

2.5. Trade Payables

Trade Payables consist of the following :

Particulars	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
Earnest Money Deposit	55,00,000	2,10,00,000
Sundry Creditors (Refer note 2.29 for details of dues to Micro & Small Enterprises)	5,45,98,407	8,47,80,306
Total	6,00,98,407	10,57,80,306

2.6. Other Current Liabilities

Other Current Liabilities consist of the following :

Particulars	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
Statutory Liabilities	1,63,33,466	62,43,821
Retention Monies	4,85,000	8,08,393
Advance NFS Membership Fees	8,38,200	14,69,100
Security Deposit	1,94,801	1,94,301
Income Tax Refund FY 2010-11	3,57,51,475	-
ECCS Escrow Account	21,02,483	-
Total	5,57,05,425	87,15,615

Income Tax Refund for the financial year 2009-2010 received during the year includes interest of Rs.18 lakh. Pending completion of assessment proceedings for the said year, the same is being shown as current liability.

2.7. Short Term Provisions

Short-term provisions are given below :

Particulars	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
Provision for Expenses	3,12,22,223	56,90,354
Provision - Income Tax FY 2010-11	-	4,30,85,649
Provision for Leave Encashment	36,16,839	7,92,255
Total	3,48,39,062	4,95,68,258

2.8. Tangible & Intangible Assets

During the current year the Management of the Company undertook a review of depreciation policy. Accordingly Computer Equipments / Switching Equipments which were hitherto being depreciated at rate of 33.33% are now being depreciated at the rate of 20% on straight line basis. Had the Company continued to depreciate these assets at the rate of 33.33% the depreciation would have been higher by Rs. 6,61,99,508 and the surplus before tax for the year would have been lower by Rs. 6,61,99,508.

2.8. Tangible & Intangible Assets - continued

NOTES 2.8		Original Cost			Depreciation and amortisation			Net book value	
Asset Group	As on 01/04/2011	Additions	Deductions	As on 31/03/2012	As on 01/04/2011	For the Period	Deductions	As on 31/03/2012	As on 31/03/2011
TANGIBLE ASSETS									
Computers	65,85,632	1,23,17,155	90,563	1,88,12,224	14,70,236	38,53,278	13,480	1,35,02,190	51,15,396
Network equipments	8,91,18,623	13,77,60,278		22,68,78,901	16,77,961	3,97,21,477		18,54,79,463	8,74,40,662
Switching equipments	12,97,03,522	27,29,62,433	43,600	40,26,22,355	2,62,05,940	5,96,58,893	3,902	31,67,61,424	10,34,97,582
Furniture & fixture	91,72,260	16,70,623	51,336	1,07,91,547	14,52,425	32,74,309	4,770	60,69,583	77,19,835
Electrical installation	4,03,237	4,79,964		8,83,201	78,766	1,71,584		6,32,850	3,24,471
Telephone	1,93,090	11,82,783		13,75,873	46,582	5,00,949		8,28,342	1,46,508
Office equipment	17,98,142	1,01,81,210		1,19,79,352	2,45,291	7,69,133		1,09,64,928	15,52,851
Vehicle		10,57,731		10,57,731	-	87,357		9,70,374	-
Leasehold improvements		81,56,768		81,56,768	-	2,38,370		79,18,398	-
	23,69,74,506	44,57,68,945	1,85,499	68,25,57,952	3,11,77,201	10,82,75,350	22,152	54,31,27,552	20,57,97,305
INTANGIBLE ASSETS									
Software	1,97,44,037	24,26,77,201	2,66,500	26,21,54,738	54,01,309	5,56,17,061	29,689	20,11,66,059	1,43,42,728
Grand Total	25,67,18,543	68,84,46,146	4,51,999	94,47,12,690	3,65,78,510	16,38,92,411	51,841	74,42,93,611	22,01,40,033
As at March 31, 2011	6,82,76,046	18,84,42,497	-	25,67,18,543	42,76,487	3,23,02,023	-	22,01,40,033	
CAPITAL WORK-IN-PROGRESS									
Capital WIP - IT Equipments	1,19,36,789.00								
Capital WIP - Office Infrastructure	3,04,00,235.00								
TOTAL	4,23,37,024.00								

2.9. Other Non-Current Assets

Other Non-Current Assets consist of the following :

Particulars	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
Group Leave Encashment Scheme	10,76,816	-
Group Gratuity Scheme	28,02,328	-
Security Deposit - Premises	1,78,28,820	64,28,820
Security Deposit -Telephone	86,000	46,000
MAT Credit Entitlement	3,44, 00,000	-
Total	5,61,93,964	64,74,820

2.10. Cash & Bank Balance

Cash & Bank Balances consist of the following :

Particulars	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
Cash in hand	873	5,813
Balance with RBI Current account	1,10,000	1,00,000
Balance with Scheduled Banks		
- with Bank in Current account	71,06,856	40,17,905
- in Deposit accounts		-
with maturity more than 12 months	2,05,00,000	30,00,000
with maturity upto 12 months	59,33,00,866	90,59,20,000
	62,10,18,595	91,30,43,718

The Deposits maintained by the Company with banks comprise of time deposits, which can be withdrawn by the Company at any point without prior notice or penalty on the principal.

2.11. Trade Receivables

Trade Receivables for more than 6 months are Nil. Trade Receivables for less than 6 months are given below.

Particulars	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
Receivables - NFS	44,69,737	27,37,093
Receivables - CTS	1,16,80,511	-
Receivables - IMPS	85	-
Receivables - RuPay	19	-
Total	1,61,50,352	27,37,093

2.12. Short term loans & Advances

Short-term loans & Advances consist of the following :

Particulars	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
Advances to Vendor	12,64,545	27,18,577
Advances to Staff - Leave & License deposit	7,46,810	4,95,600
Advances to Staff	1,14,913	63,271
Total	21,26,268	32,77,448

2.13. Other Current Assets

Other Current Assets consist of the following :

Particulars	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
Prepaid Expenses	1,44,26,419	48,90,515
Interest Accrued but not due	1,86,86,411	1,59,43,109
CENVAT Credit	59,96,370	10,94,740
Advance Income Taxes - FY 2011-12 (Net)	48,44,340	-
Advance Income Taxes - FY 2010-11 (Net)	3,91,034	-
Advance Income Taxes - FY 2009-10 (Net)	-	8,15,705
New India Assurance Co. Ltd. - Deposit	2,30,893	-
Miscellaneous Expenditure W/off -Preliminary Expense	-	90,65,940
Total	4,45,75,467	3,18,10,009

Interest Accrued but not due includes Rs.12,21,455 on deposits with banks with maturity more than 12 months

2.14. Income from Operations

Income from Operations is given below :

Particulars	Year Ended 31st March 2012 Rs.	Year Ended 31st March 2011 Rs.
Income from Payment Systems	99,10,74,476	71,08,28,869
Total	99,10,74,476	71,08,28,869

Income from Payments Systems is the revenue for settlement of transaction in Payments Systems. It also includes the recovery from member banks of Rs.2,88,43,783 on account of Network Services provided to them for CTS during the financial year 2011-2012 (Previous year Rs. Nil).

2.15. Other Income

Other Income consists of the following :

Particulars	Year Ended 31st March 2012 Rs.	Year Ended 31st March 2011 Rs.
Interest Income	6,68,77,421	4,16,66,487
Other Charges	34,49,124	1,16,12,088
Liquidated Damages	1,64,14,237	-
Total	8,67,40,782	5,32,78,575

Liquidated damages have been recovered from a vendor due to delay in implementation of project and no portion of the said damages are in respect of any deterioration of its underlined assets.

2.16. Operating Expenses

Operating Expenses consist of the following :

Particulars	Year Ended 31st March 2012 Rs.	Year Ended 31st March 2011 Rs.
Hosting Charges	8,54,11,028	9,85,36,173
Network Expenses (Refer 2.16.1)	5,47,51,141	-
Electricity Expenses	53,93,780	12,88,654
Facilities Management - IT	63,95,519	56,12,000
Annual Maintenance Charges - IT	1,25,53,665	22,73,916
IMPS Settlement Charges	9,87,683	2,30,400
NFS Settlement Charges	28,34,200	27,27,600
NFS Shifting Charges	45,52,024	-
IIN Issuance Expenses	96,78,690	31,58,300
Trademark Registration Charges	17,63,611	-
NFS Development Charges	57,31,600	-
Testing & Certification Charges	10,61,880	-
Total	19,11,14,821	11,38,27,043

As a matter of prudence, Trademark Registration charges & IIN Issuance Expenses have been charged off as expenses in the year of incurrance. During the year, NFS equipments were shifted from IDRBT, Hyderabad to Mumbai and Chennai Data Centres. The NFS shifting expenses mentioned above relate to the shifting of NFS Equipment.

2.16.1. Network Expenses

Network expenses consist of the following :

Particulars	Year Ended 31st March 2012 Rs.	Year Ended 31st March 2011 Rs.
Network Expenses	83,73,324	-
Network Expenses - CTS (Own)	1,77,20,643	-
Network Expenses - CTS 3rd party (Banks)	46,62,965	-
Network Expenses - NFS	1,99,00,048	-
Network Expenses - FMS	40,94,161	-
Total	5,47,51,141	-

Network Expenses for the financial year 2010-2011 was a part of Hosting Charges and was not billed separately by the service provider, hence the current year figures are not comparable with previous year.

2.17. Personnel Expenses

Personnel Expenses consist of the following :

Particulars	Year Ended 31st March 2012 Rs.	Year Ended 31st March 2011 Rs.
Salaries & Allowances	17,45,50,382	6,95,29,367
Contribution towards Employee Benefits	1,10,51,174	44,42,335
Staff Welfare	43,46,783	24,96,745
Deputation Expenses	37,31,533	43,79,032
Outsourcing IT Manpower	46,75,336	-
Total	19,83,55,208	8,08,47,479

2.18. Administrative & Establishment Expenses

Administrative and Establishment expenses consist of the following :

Particulars	Year Ended 31st March 2012 Rs.	Year Ended 31st March 2011 Rs.
Office Communication Expenses	59,69,569	20,83,870
Travelling & Conveyance Expenses	1,69,05,762	79,96,735
Travel Expenses - Overseas	37,32,332	1,14,73,802
Rent Rates & Taxes	2,76,41,072	22,66,129
Electricity expenses	36,72,987	17,37,938
Meeting Expenses	76,75,309	37,66,364
Recruitment Expenses	14,50,755	6,82,965
Internal Audit Fees	4,05,000	1,70,060
Insurance	40,58,426	11,29,326
Periodicals & Newspaper	86,610	81,079
Postage & courier	2,87,509	1,21,921
Housekeeping	18,57,038	4,40,204
Office Maintenance	15,98,099	2,96,714
Printing & Stationery	22,14,940	16,75,364
Hire & Rental Equipment	14,56,146	7,36,509
Computer Consumables	23,59,128	4,25,790
Employer - Profession Tax	2,500	10,000
Repair & Maintenance Charges	8,29,174	6,74,534
Security Charges	6,20,644	-
Staff Relocation Expenses	8,45,955	6,02,732
Total	8,36,68,955	3,63,72,036

2.19. Professional Fees

Professional Fees consist of the following :

Particulars	Year Ended 31st March 2012 Rs.	Year Ended 31st March 2011 Rs.
Professional Fees - Cards consultancy	2,20,58,444	-
Professional Fees	90,90,121	1,40,74,831
Honorarium	6,80,000	7,14,066
Total	3,18,28,565	1,47,88,897

During the year, the Company has appointed a consultant for the Card scheme viz. RuPay. As a matter of prudence, Professional Fees - Cards consultancy has been charged off as expenses.

2.20. Other Operating Expenses

Other Operating Expenses consist of the following :

Particulars	Year Ended 31st March 2012 Rs.	Year Ended 31st March 2011 Rs.
Advertisement Expenses	76,27,083	18,25,294
Membership Fees	4,81,636	3,80,444
Soil Testing	-	15,14,959
Software & IT Expenses	19,66,560	13,52,428
Miscellaneous Expenses	2,74,082	1,66,722
Conference & Seminar Fees - foreign	3,71,137	7,36,508
Training and Seminar	8,13,791	13,00,807
Business Development Expenses	12,67,080	27,77,522
Sitting Fees	6,00,000	2,15,000
Subscription	3,67,861	3,35,409
Foreign Exchange Gain/loss(Net)	56,396	1,228
Write off of Assets	6,300	-
Total	1,38,31,926	1,06,06,321

2.20.1. Auditor's Remuneration

Auditors Remuneration is given below :

Particulars	Year Ended 31st March 2012 Rs.	Year Ended 31st March 2011 Rs.
As Auditor:		
Audit fee	50,000	50,000
Tax audit fee	15,000	15,000
Other services	50,000	28,000
Total	1,15,000	93,000

2.21. Finance Charges

Finance charges are as follows :

Particulars	Year Ended 31st March 2012 Rs.	Year Ended 31st March 2011 Rs.
Interest on deferment of Advance Tax	15,42,000	-
Interest paid on statutory duties and levies	86,259	49,057
Bank Charges	70,926	21,809
Total	16,99,185	70,866

Finance charges mainly are for interest on statutory duties and levies. The Company has not borrowed any funds or obtained line of credit till date. The disclosure above is as per Guidance Note on 'Revised Schedule VI reporting' issued by ICAI.

2.22. Preliminary Expenses

Preliminary expenses are as follows :

	Particulars	(Rs.)
A	Opening balance	90,65,940
B	Preliminary expenses charged off during the year	90,65,940
C	Closing balance (A-B)	-

Preliminary expenses to the extent not written off and carried under head 'Other Current Assets' is being charged off during the current year.

2.23. Gratuity and other post-employment benefit plans

Disclosure as required by Accounting Standard 15 on Employee Benefits in respect of Gratuity:

The Gratuity Scheme of the Company is funded with LIC of India in the form of qualifying insurance policy.

The disclosure is based on Actuarial Valuation details provided by LIC of India.

	Particulars	(Rs.)
		2011-12
A	<u>Expense recognised in the statement of Income and Expenditure for the year</u>	
	Current Service Cost	11,08,968
	Interest Cost	64,788
	Expected return on plan assets	-
	Net Actuarial (gain) / loss recognised during the year	577
	Total Expense to be recognised in Profit & Loss Account	11,74,333
	Expense Accounted for the year	11,74,333
B	<u>Actual return on plan assets</u>	
	Expected return of plan assets	-
	Actuarial gain / (loss) on plan assets	1,36,618
	Actual return of plan assets	1,36,618
C	<u>Net Asset / (Liability) recognised in the Balance Sheet</u>	
	Present value of obligation	(20,96,262)
	Fair value of plan assets	28,02,328
	Funded status {surplus / (deficit)}	7,06,066
	Net Asset / (Liability) recognised in the Balance Sheet	7,06,066
D	<u>Change in Present value of Obligation during the year</u>	
	Present value of obligation at the beginning of the year	7,85,311
	Current Service Cost	11,08,968
	Interest Cost	64,788
	Benefits Paid	-
	Actuarial (gain) / loss on obligation	1,37,195

	Present value of obligation at the end of the year	20,96,262
E	<u>Change in Assets during the year</u>	
	Fair value of plan assets at the beginning of the year	-
	Expected return on plan assets	-
	Contributions made	26,65,710
	Benefits Paid	-
	Actuarial (gain) / loss on plan assets	1,36,618
	Fair value of plan assets at the end of the year	28,02,328
F	<u>Major categories of plan assets as a percentage of total plan</u>	100% insurance policy
G	Actuarial Assumptions	
	Discount rate	8.25%
	Expected rate of return on assets	8.60%
	Employee Attrition Rate	14.00%
	Future salary increases consider inflation, seniority promotion	6.00%

2.24. Related Party disclosures

Related Party with Whom the Transactions have taken place during the Year.

Key Management Personnel - Shri A. P. Hota, Managing Director and CEO.

Particulars	2011-2012	2010-2011
	(Rs.)	(Rs.)
Salary & Allowances	65,31,266	38,58,765
Contribution to Provident fund	3,28,740	2,04,890
Perquisites	1,45,929	79,199
Total	70,05,935	41,42,854

Shri A. P. Hota was appointed as CEO on August 11, 2010 and inducted into the Board as Managing Director and CEO w.e.f. August 23, 2010.

2.25. Earnings per share

Earnings per share is as follows :

Particulars	2011-2012	2010-2011
	(Rs.)	(Rs.)
Net Surplus as per Income & Expenditure account	25,47,95,088	27,14,77,798
Weighted average number of equity shares	60,00,000	37,47,945
Basic EPS (Face value Rs 100 per equity share)	42.47	72.43

2.26. 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.

2.27. Capital and other commitments

Capital and other commitments is as follows :

2.27.1. Contingent Liability: Amount not acknowledged as debt - Rs. 89,38,679. As per the directive received from the RBI, the National Financial Switch (NFS) assets acquired by the Company from IDRBT were taken over on an "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. 1,81,20,739 payable to some of its Hardware & Software vendors. Of this, an amount of Rs. 89,38,679 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.

Contingent liabilities and commitments (to the extent not provided for)	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
(ii) Commitments		
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for	40,13,32,419	38,00,97,163
(b) Revenue commitments	6,02,10,844	2,63,58,013
(c) Contingent Liabilities	89,38,000	89,38,000
Total	47,04,81,263	41,53,93,176

2.28. Expenditure in Foreign Currency

Particulars	2011-2012 (Rs.)	2010-2011 (Rs.)
Foreign Travel Expenses	14,61,377	1,02,32,893
Membership fees & Subscription	23,76,422	10,79,429
Training Fees	-	4,42,850
Conference	79,292	5,03,753
Email Hosting Charges	12,01,937	-
Trademark Registration	17,63,611	-
Software Application	32,37,006	
Total	1,01,19,645	1,22,58,925

2.29. Details of Dues to Micro, Small and Medium Enterprises as defined in MSMED Act , 2006.

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.

		Particular	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
a	(i)	Principal amount remaining unpaid to any supplier/service provider at the end of the accounting year	3,150	18,11,588
	(i)	Interest due on above	-	-
		Total	3,150	18,11,508
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.	-	-

2.30. Provision for Tax

The Company was been incorporated as a 'Not for Profit Company' under Section 25 of the Companies Act, 1956 and was granted registration under Section 12AA of the Income Tax Act 1961 by the Office of Director of Income Tax (Exemptions) . The Company was granted license by RBI under Payment and Settlement Systems Act, 2007 to operate the Retail Payment System in India. Honourable Finance Minister while presenting the PSS bill on the floor of Parliament had committed that NPCI would be set up as a Not for Profit Company & no profit will be distributed as dividend to any shareholder but would be ploughed back to further the objectives of the Company.

As per Memorandum and Articles of Association of the Company, no objects shall be carried out on a commercial basis. The Payment & Settlement functions of RBI were divested to NPCI and any income generation is only incidental. The Management is of the view that the income received while implementing

the Retail Payment System is only incidental as the Company has not carried out the same on commercial basis. However as a matter of prudence, the Management had decided to pay Income tax and claim refund of the tax paid. In a view of same, the Management had decided to make a provision towards tax liability. Accordingly, an amount of Rs 7,80,00,000 has been provided during the year ended 31st March 2012 (previous year Rs 14,40,00,000- includes 3,40,00,000 for 2009-10) being the amount of Income Tax computed under the provisions of the Income Tax Act 1961. In future, the Company may review the requirement for providing for taxes in case of suitable precedent.

For the financial year 2011-2012, the provision for tax has been made under Minimum Alternate Tax (MAT). The MAT Credit can be carried forward and set off against the future tax payable, Hence the Company has recognised MAT Credit entitlement of Rs.3,44,00,000 in current year.