

ANNEXURE 4

INDEPENDENT AUDITOR'S REPORT

To,
The Members of
National Payments Corporation of India

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of National Payments Corporation of India which comprise the Balance Sheet as at March 31, 2016, the Statement of Income & Expenditure and the Cash Flow Statement for the year ended and a summary of the significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE 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 and presentation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards prescribed under section 133 of the Act, as applicable.

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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these 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 and the Order under section 143 (11) of the Act.

We conducted our audit of the 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. 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. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the 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 financial statements.

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

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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:

- a. in case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2016;
- b. in case of the Statement of Income & Expenditure, of the Surplus for the year ended on that date; and
- c. in the case of the Cash Flow Statements, of the 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, 2015, issued by the Government of India in terms of sub section (11) of the section 143 of the Act does not apply to the Company, since it is a Company licensed to operate under Section 8 of the Act. Accordingly we have not commented upon the same.
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 Income and Expenditure and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- d) In our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under section 133 of the Act, as applicable.
- e) On the basis of the written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) 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 financial statements;
 - ii. The Company does not have any long term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company
 - iv. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

3. As per the requirements of section 143(5), in our opinion and to the best of our information and according to the explanations given to us, books of accounts and other records produced before us for verification and on the basis of management representation; the said

accounts, read together with the company's Accounting policies and the Notes thereto

- a) The Company has clear title & lease deeds for freehold and leasehold properties.
- b) No case of waiver / write off of debts/loans/ interest etc. was observed.
- c) Since the Company is not having inventory but only providing services, the clause of inventory is not applicable.
- d) The company has not received any assets as gifts from government or any other authorities.
- e) There are no legal/arbitration cases pending as on March 31, 2016. Further pending disputes in respect of taxation matters are not considered as legal/arbitration cases in common parlance.
- f) No case of waiver of fees / reversal of accounted fees which was due but not received / written off was observed.

For **S C Mehra & Associates**

Chartered Accountants
 Firm's Registration No. 106156W

Manoj Chaubey

(Partner)

Membership No. 109477

Place: Mumbai

Date: May 10, 2016

ANNEXURE A

Annexure A to Independent Auditors' Report

Referred to in paragraph [2 (f) (iv)] of the Independent Auditors' Report of even date to the members of National Payments Corporation of India on the financial statements for the year ended March 31, 2016

REPORT ON THE INTERNAL FINANCIAL CONTROLS UNDER CLAUSE (I) OF SUB-SECTION 3 OF SECTION 143 OF THE ACT

1. We have audited the internal financial controls over financial reporting of National Payments Corporation of India as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

2. 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 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 Act.

AUDITORS' RESPONSIBILITY

3. 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 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 ICAI. 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.

4. 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.
5. 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.

MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

6. 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 pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; 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 authorizations of management and directors of the company; and provide reasonable assurance regarding prevention or timely detection of unauthorized 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

7. 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

8. 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 March 31, 2016, based on the internal control over financial reporting criteria established by the

Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S C Mehra & Associates**
Chartered Accountants
Firm's Registration No. 106156W

Manoj Choubey
(Partner)

Place: Mumbai
Date: May 10, 2016

Membership No. 109477

Balance Sheet

as at March 31, 2016

Particulars	Note No.	₹	
		As at March 31, 2016	As at March 31, 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share Capital	2.1	1,338,670,000	1,000,000,000
Reserves & Surplus	2.2	4,589,996,377	2,595,790,512
Non-current liabilities			
Deferred Tax Liabilities (Net)	2.3	174,000,000	161,100,000
Other Long term Liabilities	2.4	973,099,488	688,629,962
Current liabilities			
Trade Payables	2.5	242,764,093	106,460,924
Other Current Liabilities	2.6	55,866,414	45,648,824
Short-term provisions	2.7	298,609,452	214,251,932
TOTAL		7,673,005,824	4,811,882,154
ASSETS			
Non-current assets			
Fixed assets (Net)			
Tangible assets	2.8	1,048,659,798	998,171,645
Intangible assets	2.8	350,507,689	328,661,763
Capital work-in-progress	2.8	77,434,099	97,449,174
Non-current Investments	2.9	807,202,000	209,964,000
Long Term loans and advances	2.10	248,500,000	-
Other non-current assets	2.11	48,757,788	37,751,404
Current assets			
Cash & Cash Equivalents	2.12	4,255,668,773	2,484,077,814
Trade Receivables	2.13	215,711,697	188,636,426
Short-term loans & advances	2.14	107,334,833	2,648,338
Current Investment	2.15	50,000,000	200,000,000
Other Current Assets	2.16	463,229,147	264,521,590
TOTAL		7,673,005,824	4,811,882,154
Significant Accounting Policies & Notes on Accounts	1 & 2		

As per our report attached

For **S. C. Mehra & Associates**
Chartered Accountants
Registration No. 106156W

Manoj Choubey
Membership No. 109477
Partner

Place : Mumbai
Date : May 10, 2016

For and on behalf of Board of Directors

Balachandran M.
Chairman

A. P. Hota
Managing Director & CEO

Anjalee Javeri
Company Secretary

Deena Mehta
Director

Sanjay Saxena
Chief Financial Officer

Income and Expenditure Account

for the year ended March 31, 2016

₹

Particulars	Note No.	Year ended March 31, 2016	Year ended March 31, 2015
INCOME			
Income from Operations		3,741,336,149	3,264,841,923
Other Income	2.17	359,898,459	268,227,378
Total Income		4,101,234,608	3,533,069,301
EXPENDITURE			
Operating Expenses	2.18	385,074,501	264,608,827
Employee benefits cost	2.19	652,488,376	487,601,428
Administrative & Establishment Expenses	2.20	223,401,398	191,771,938
Other Operating Expenses	2.21	498,826,341	468,482,864
Prior Period Expenses- IT / Network/AMC	2.22	15,357,768	4,995,532
Prior Period Expenses - General / Admin		6,141,988	584,804
Depreciation and Amortisation Expenses	2.8	491,354,168	424,294,881
Total Expenditure		2,272,644,540	1,842,340,274
Surplus/(Deficit) Before Tax		1,828,590,068	1,690,729,027
Provision for Taxation			
- Current Tax		640,000,000	530,000,000
- MAT Credit		-	-
- MAT Credit Entitlement		-	-
- Deferred Tax		12,900,000	54,400,000
SURPLUS/(DEFICIT) CARRIED FORWARD TO BALANCE SHEET		1,175,690,068	1,106,329,027
Basic Earning Per Share (₹)	2.23	110.42	110.63
Diluted Earnings per Share (₹)		110.42	110.63

As per our report attached

For **S. C. Mehra & Associates**
Chartered Accountants
Registration No. 106156W

Manoj Choubey
Membership No. 109477
Partner

Place : Mumbai
Date : May 10, 2016

For and on behalf of Board of Directors

Balachandran M.
Chairman

A. P. Hota
Managing Director & CEO

Anjalee Javeri
Company Secretary

Deena Mehta
Director

Sanjay Saxena
Chief Financial Officer

Cash Flow Statement

for the year ended March 31, 2016

₹

Particulars	Notes	Year ended March 31, 2016	Year ended March 31, 2015
CASH FLOW FROM OPERATION ACTIVITIES :			
Net Surplus before tax and extraordinary items :		1,828,590,068	1,690,729,027
Adjustment to reconcile net profit to net cash by operating activities			
Depreciation		491,354,168	424,294,881
Provision for Employee benefit		3,647,915	3,636,099
Fixed assets written off		4,424,500	107,822
Share Issue expenses		5,492,120	-
Less : Interest Income earned		(316,195,121)	(241,778,111)
Operating Surplus before Working capital changes		2,017,313,650	1,876,989,718
Adjustment for:			
Trade and Other Receivables		(256,534,530)	(150,094,735)
Trade and Other Payable		476,767,286	173,892,505
Cash Generated from Operation		2,237,546,406	1,900,787,488
Cash Flow Before extraordinary items		2,237,546,406	1,900,787,488
Less : Adjustment for Income tax		(724,941,176)	(740,445,637)
Net cash from operating activities after extra-ordinary items	(A)	1,512,605,230	1,160,341,851
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets		(548,097,672)	(1,033,715,803)
Deposit for land being acquired at Hyderabad		(248,500,000)	-
Placement of Fixed Deposits - SGM		(437,356,042)	(23,409,081)
Placement of Fixed Deposits with Bank and Financial Institution		(775,532,400)	173,450,200
Purchase of Govt Securities		(597,238,000)	(199,984,000)
Interest Income		316,195,121	241,778,111
Net Cash Used in Investing activities	(B)	(2,290,528,993)	(841,880,573)
CASH FLOW FROM FINANCING ACTIVITIES			
Net Proceeds from issuance of Equity Shares		1,186,626,280	-
Net Cash used in Financial Activities	(C)	1,186,626,280	-
Net Increase\Decrease in Cash and Cash equivalents (A+B+C)		408,702,517	318,461,278
Cash and Cash Equivalents (Opening)		610,185,786	291,724,508
Cash and Cash Equivalents(Closing)		1,018,888,303	610,185,786

As per our report attached

For **S. C. Mehra & Associates**
Chartered Accountants
Registration No. 106156W

Manoj Choubey
Membership No. 109477
Partner

Place : Mumbai
Date : May 10, 2016

For and on behalf of Board of Directors

Balachandran M.
Chairman

A. P. Hota
Managing Director & CEO

Anjalee Javeri
Company Secretary

Deena Mehta
Director

Sanjay Saxena
Chief Financial Officer

Significant Accounting Policies and Notes on Accounts

CORPORATE INFORMATION

National Payments Corporation of India (NPCI) is a Section 8 Company as per the Companies Act 2013. It was incorporated as a Public Limited Company under Section 25 of the erstwhile Companies Act, 1956 with the object to set up and implement the Retail Payment System in the Country. The Company is licenced by Reserve Bank of India (RBI) to operate various retail payment systems in the country under The Payment and Settlement Systems Act, 2007. The main objective of the Company is to consolidate and integrate multiple Retail Payment Systems into nation-wide uniform and standard business process and also to facilitate an affordable payment mechanism to benefit the common man across the country & promote financial inclusion.

The Company has been promoted by ten Banks comprising of 6 Public Sector Banks, 2 Private Banks and 2 Foreign Banks. During the year, there was broad basing of shareholders taking the total number to 56 Banks comprising of 19 Public Sector Banks, 17 Private Banks, 3 Foreign Banks, 10 Co-operative Banks, and 7 Regional Rural Banks.

The Company's initiatives in the Retail Payment System are in the form of providing National Financial Switch (NFS), Cheque Truncation System (CTS), Immediate Payment Service (IMPS), Card Scheme (RuPay), National Automated Clearing House (NACH), and Aadhar Enabled Payment System (AEPS). During the year Company has taken further steps to operationalise the mandate from RBI for Bharat Bill Payment System (BBPS). The Company is also in the process of operationalising of Electronic Toll Collection (ETC) and National Common Mobility Card (NCMC) mandate and implementing the Unified Payments Interface (UPI). The above initiatives will contribute towards achieving less cash society. The Company through its product and services also participated in the financial inclusion programme and Direct Benefit Transfer (DBT) during the year. The Company has an agreement / MOU with International Card schemes such as Discover Financial Services, JCBI and Union Pay International to provide the Global acceptance.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1.1. Basis of Preparation of Financial Statements

The financial statements have been prepared to comply in all material aspects with the notified accounting standard by Companies (Accounting Standards) Rules, 2006, and the relevant provisions of the Companies Act, 2013. 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. The Company has reclassified the

previous year figures in accordance with the requirements as 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. Operating cycle

Based on the nature of its activities, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

1.4. 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.

1.4.1. Income from Operations

The Company operates various retail payment systems for member banks through its product and services like NFS, CTS, IMPS, RuPay Card, NACH, and AEPS. Revenue from such products and services is accounted for all transactions routed during the reporting period.

Product and Membership fees (non-refundable) collected from customers using Company's product and services are recognised as income in the reporting period in which the services are commissioned.

1.4.2. Other Income

In case of other Income, revenue is recognized during the period in which the services are rendered. Interest income is recognized on a time proportion basis, taking into account the amount outstanding and the rate applicable.

Certification fees are collected from customers for certification of services and are recognised as income in the reporting period in which the certification process is completed.

Significant Accounting Policies

and Notes on Accounts

Liquidated damages are collected from suppliers as a penalty for non-delivery as per contracted terms.

Other miscellaneous income includes fees received towards tender process.

1.5. 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 costs 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.

1.6. 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.

1.7. Depreciation on Tangible and Intangible Fixed Assets

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

Sr. No.	Nature of Assets	(In years)	
		Estimated Useful life	
	Tangible Assets		
1	Network Equipment / Central Switching		6
2	Plant and Machinery / Office Equipment #		5
3	Computers and Printers		3
4	Furniture and Fittings		10
5	Vehicles		8
6	Leasehold Improvements*		-
7	Buildings (Other than factory Building)		60
	Intangible Assets		
8	Software		3

Office equipment includes Air conditioner, Web camera, Television sets, Fire alarm system etc.

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

1.8. 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.

1.9. Investments

Investments are classified into long term investments and current investments. Investments which are by nature readily realisable and intended to be held for not more than one year are current investments and Investments other than current investments are long term investments. Long term investments are accounted at cost, unless otherwise stated and any decline in the carrying value other than temporary in nature are provided for. Current investments are valued at lower of cost and fair / market value.

The premium paid on the purchase of securities is amortised over the tenure of the investment.

1.10. Income Taxes

1101. The Company has been incorporated as a 'Not for Profit Company' under section 25 of the Companies Act, 1956 (now section 8 of Companies Act 2013), and granted registration under section 12AA of the Income Tax Act, 1961. The Company is prohibited by its objects to carry out any activity on commercial basis and it operates on a non-commercial basis and thereby claims to be eligible for tax exemption. On a conservative basis the Management has decided to provide for Current tax.

1102. 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 provision of 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.

1103. Minimum Alternate Tax (MAT) paid in a reporting period is charged to the statement of Income & Expenditure Account 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

Significant Accounting Policies

and Notes on Accounts

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.

- 1.10.4. Deferred taxes reflect the impact of current reporting period timing differences between taxable income and accounting income for the reporting period. 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.

1.11. Employee Benefits

1.11.1. 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.

1.11.2. 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.

1.11.3. 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 Balance Sheet date, carried out by an independent actuary. Actuarial gains/losses are recognized in full in the Income and Expenditure account of the respective financial year and are not deferred.

Leave Encashment: The Company provides for leave encashment liability of its employees who are eligible for encashment of accumulated leave, which is a long term benefit scheme, based on actuarial valuation of the leave encashment liability at the Balance Sheet date, carried out by an independent actuary.

1.12. 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.

1.13. 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.

Significant Accounting Policies

and Notes on Accounts

2. NOTES ON ACCOUNTS (AMOUNT IN ₹)

2.1. Share Capital

Particulars	₹	
	As at March 31, 2016	As at March 31, 2015
Authorised		
3,00,00,000 Equity Shares of ₹ 100 each	3,00,00,00,000	3,00,00,00,000
Issued, Subscribed and Paid Up :		
Issued Share Capital		
Opening Balance		
1,00,00,000 Equity Shares of ₹ 100 each Fully paid up	1,00,00,00,000	1,00,00,00,000
Issued during the year :		
38,76,600 Equity Shares of ₹ 100 each	38,76,60,000	-
Total	1,38,76,60,000	1,00,00,00,000
Subscribed and Fully Paid up Capital :		
Opening Balance		
1,00,00,000 Equity Shares of ₹ 100 each Fully paid up	1,00,00,00,000	1,00,00,00,000
Issued during the year :		
33,86,700 Equity Shares of ₹ 100 each Fully paid up	33,86,70,000	-
Total	1,33,86,70,000	1,00,00,00,000

Issue of Share Capital

During the year, the Company has broad based the shareholding by issue of additional equity shares based on approval from the Board and the Shareholders in the general meeting held on September 21, 2015. The fresh share capital being offered amounted to ₹ 1,364,563,200 comprising of 3,876,600 number of equity shares of face value of ₹ 100 each at a premium of ₹ 252 per share. The equity shares were offered on private placement basis to 51 Banks other than the existing shareholders consisting of Public Sector, Private Sector, Foreign Banks, Cooperative and Regional Rural Banks. Out of 51 banks, 46 banks subscribed to the equity share issue amounting to ₹ 1,192,118,400 comprising of 3,386,700 number of equity shares of face value of ₹ 100 each at a premium of ₹ 252 per equity share. These 46 banks includes 13 Public Sector Banks, 15 Private Sector Banks, a Foreign Bank, 10 Multi State Schedule Co-operative Banks and 7 Regional Rural Banks.

2.1.1. Reconciliation of Shares Outstanding at the Beginning and End of the period ended March 31, 2016

Particulars	₹			
	Equity Shares			
	As at March 31, 2016		As at March 31, 2015	
	Number	Amount	Number	Amount
Shares outstanding at the beginning of the year	10,000,000	1,00,00,00,000	10,000,000	1,00,00,00,000
Shares issued during the reporting period	3,876,600	38,76,60,000	-	-
Shares subscribed during the reporting period	3,386,700	33,86,70,000	-	-
Shares outstanding at the end of the reporting period	13,386,700	1,33,86,70,000	10,000,000	1,00,00,00,000

2.1.2. Terms / Rights Attached to Equity Shares

The Company has only one Class of Equity Share having a Par Value of ₹ 100 each. Each Equity share represents one vote in case of poll.

Significant Accounting Policies

and Notes on Accounts

2.1.3. Details of Shareholders holding more than 5% share in the Company post issue of fresh Shares

₹

Name of Shareholder	Equity Shares			
	As at March 31, 2016		As at March 31, 2015	
	No. of Shares held	% of holding	No. of Shares held	% of holding
State Bank of India	1,000,000	7.47	1,000,000	10.00
Union Bank of India	1,000,000	7.47	1,000,000	10.00
Bank of India	1,000,000	7.47	1,000,000	10.00
Bank of Baroda	1,000,000	7.47	1,000,000	10.00
Punjab National Bank	1,000,000	7.47	1,000,000	10.00
Canara Bank	1,000,000	7.47	1,000,000	10.00
ICICI Bank Limited	1,000,000	7.47	1,000,000	10.00
HDFC Bank Limited	1,000,000	7.47	1,000,000	10.00
HSBC	1,000,000	7.47	1,000,000	10.00
Citibank N.A	1,000,000	7.47	1,000,000	10.00

2.2. Reserves and Surplus

₹

Particulars	As at March 31, 2016	As at March 31, 2015
Share Premium		
Opening Balance	-	-
Add: Receipt from Fresh issue of shares	853,448,400	-
Sub total	853,448,400	-
Technology Reserve		
Opening Balance	250,000,000	250,000,000
Add: Transfer from Income and Expenditure Account	250,000,000	-
Sub total	500,000,000	250,000,000
Income & Expenditure Account		
Surplus brought forward	2,345,790,512	1,511,793,978
Surplus for the period after tax	1,175,690,067	1,106,329,027
Appropriations:		
Transfer to Technology Reserve	(250,000,000)	(250,000,000)
Transfer to SGM contribution-NFS	(19,659,862)	(22,332,493)
Transfer to SGM contribution-IMPS	(15,272,743)	-
Sub total	3,236,547,975	2,345,790,512
Total	4,589,996,375	2,595,790,512

Significant Accounting Policies

and Notes on Accounts

Share Premium: The Share premium is on account of the fresh subscription of 3,386,700 equity shares at a premium of ₹ 252 per share. As per the term of the issue, the amount collected vide the private placement issue including the share premium will be utilised for the Technology and Physical Infrastructure and General Corporate purposes.

Technology Reserve: The Company has created a reserve for Technology up-gradation and replacement during the course of year. The total amount targeted for this reserve is ₹ 3,000,000,000. The amount appropriated during the Financial Year 2015-16 is ₹ 250,000,000. The total amount of Technology Reserve is ₹ 500,000,000.

Appropriations: The Company has operationalised the Settlement Guarantee mechanism for NFS ATM Switching and for IMPS. The detailed explanation is provided in Para 2.4.

2.3. Deferred Tax (Net)

As a matter of prudence, the Management provides for taxes. The components of net deferred tax asset/ liability are as under:

Particulars	₹	
	As at March 31, 2016	As at March 31, 2015
Deferred Tax Liability		
Fixed Assets	175,521,542	161,100,000
Deferred Tax Asset		
Share issue expenses	(1,521,542)	-
Total	174,000,000	161,100,000

The Company has done a private placement of equity shares offer during the year. The share issue expenses mentioned above is towards the said issue.

There is a timing difference due to differential treatment in books of accounts and for tax purpose for both above mentioned expenses resulting in deferred tax asset or liability as the case may be.

2.4. Other Long Term Liabilities

Other Long term liabilities consist of the following

Particulars	₹	
	As at March 31, 2016	As at March 31, 2015
SGM Contribution - NFS	446,715,217	426,455,355
SGM Contribution - IMPS	427,954,242	-
Deposit- Collateral AEPS	19,700,000	12,800,000
Deposit - Collateral IMPS	-	237,250,000
Deposit - Collateral RuPay International Alliance	47,599,305	2,709,729
Provision for Gratuity (Net)	2,745,107	87,143
Provision - Leave Encashment (Net)	4,538,907	3,548,956
Security Deposit	100,000	100,000
Sundry Creditors		
Sundry Creditors	19,379,512	3,243,779
Earnest Money Deposit	2,950,000	1,950,000
Retention Monies	1,417,198	485,000
Total	973,099,489	688,629,962

Significant Accounting Policies

and Notes on Accounts

Particulars	₹	
	As at March 31, 2016	As at March 31, 2015
SGM- NFS Balance at the beginning	426,455,355	403,422,862
SGM- NFS contribution received during the year	600,000	700,000
Sub total (A)	427,055,355	404,122,862
Interest received on SGM- NFS Investments	31,807,467	36,447,904
Less: SGM Expenses (Bank charges)	-	(50,000)
Less: Salary expense of SGM adjusted against income	(1,742,839)	(2,565,920)
Less: Income Tax	(10,404,766)	(11,499,491)
Sub total (B)	19,659,862	22,332,493
SGM Balance at the end (A+B)	446,715,217	426,455,355

SGM Contribution – IMPS

RBI vide letter DPSS/CO/OD/1997/06.07.005/2014-15 dated April 23, 2015 had given consent for the Settlement Guarantee Mechanism Guidelines for IMPS proposed by the Company. In line with the guidelines, Company has collected contribution from the banks amounting to ₹ 412,681,500 as part of risk management of Settlement Guarantee Mechanism determined by settlement volume as per the IMPS settlement Guarantee Mechanism. The amount of SGM contribution including interest (net of expense) earned on the said balance, as on March 31, 2016 is ₹ 427,954,243. The SGM contribution is placed as earmarked Fixed Deposits. The surplus income earned on these earmarked investments (net of SGM expenses and Income Tax expenses) is transferred to SGM contribution as per the guidelines. The SGM- IMPS contribution as on March 31, 2016 is as follows:

Particulars	₹	
	As at March 31, 2016	As at March 31, 2015
SGM- IMPS Balance at the beginning	-	-
SGM- IMPS contribution received during the year	412,681,500	-
Sub total (A)	412,681,500	-
Interest received on SGM Investments	25,098,569	-
Less: SGM Expenses (Bank charges)	(57)	-
Less: Salary expense of SGM adjusted against income	(1,742,839)	-
Less: Income Tax	(8,082,930)	-
Sub total (B)	15,272,743	-
SGM – IMPS Balance at the end (A+B)	427,954,243	-

2.5. Trade Payables

Trade Payables consist of the following:

Particulars	₹	
	As at March 31, 2016	As at March 31, 2015
Sundry Creditors	230,082,641	86,054,326
Earnest Money Deposit	12,350,000	8,030,000
Retention Monies	331,452	12,376,598
Total	242,764,093	106,460,924

Significant Accounting Policies

and Notes on Accounts

2.6. Other Current Liabilities

Other Current Liabilities consist of the following:

Particulars	₹	
	As at March 31, 2016	As at March 31, 2015
Statutory Liabilities	49,659,950	35,659,271
Advance for Centralised Promotion of IMPS (Net)*	5,391,795	8,683,105
Service Charges for Network connectivity received in advance	512,862	769,293
Security Deposit	194,801	194,801
Other Payables	107,006	342,354
Total	55,866,414	45,648,824

* Advance for Centralised Promotion of IMPS (Net)

The Company had received advance amount from Banks for Centralised Promotion of IMPS. The balance amount as at March 31, 2016 is as follows:

Particulars	₹	
	Year Ended March 31, 2016	Year Ended March 31, 2015
Opening Balance	8,683,105	9,458,385
Received During the year	-	-
Less : Expenses towards Centralised Promotion of IMPS	3,291,310	775,280
Closing Balance	5,391,795	8,683,105

Statutory Liabilities: It consists of amount payable towards Provident Fund, TDS, Profession tax, etc.

2.7. Short Term Provisions

Short-term provisions consist of the following:

Particulars	₹	
	As at March 31, 2016	As at March 31, 2015
Provision for Expenses	224,766,601	140,409,081
Provision for Tax - FY 2009-10 (Net)	17,251,475	17,251,475
Provision for Tax - FY 2010-11 (Net)	56,591,376	56,591,376
Total	298,609,452	214,251,932

The provision for tax mentioned above is the net liability recognised after adjusting the income tax refund.

The movement in the provision for expenses is as follows:

Provision for Expenses

Particulars	₹	
	As at March 31, 2016	As at March 31, 2015
Balance at the beginning of the year	140,409,081	171,741,329
Provision during the year	214,192,354	124,238,493
Provision utilised / (reversed)	129,834,834	155,570,741
Total	224,766,601	140,409,081

Significant Accounting Policies

and Notes on Accounts

2.8. Tangible and Intangible Assets

Asset Group	Gross Block - At Cost				Depreciation				Net Block	
	Cost as at April 01, 15	Addition	Deletion	Cost as at March 31, 2016	As at April 01, 15	For the Period	Deletion/ Adjustments	As at March 31, 2016	As at March 31, 2015	
Tangible Assets										
Building	406,744,635	51,452	200,000	406,596,087	4,358,880	6,792,443	3,824	11,147,499	395,448,588	402,385,755
Computers	54,819,582	23,039,113	2,050,429	75,808,266	32,937,731	14,201,110	1,999,668	45,139,773	30,669,093	21,881,851
Network Eq	455,831,838	18,211,592	-	474,043,430	288,237,510	45,516,621	-	333,754,131	140,289,299	167,594,328
Switching Eq / Central Processors	911,621,526	218,848,908	12,866,933	1,177,603,501	528,685,550	167,499,214	11,740,082	684,444,682	433,158,819	382,935,976
Furniture & Fixture	19,333,657	19,935,617	9,572,872	29,696,402	14,521,319	2,324,991	6,978,771	9,867,539	19,828,863	4,812,338
Electrical Installation	9,529,330	2,740,347	403,237	11,866,440	3,448,471	3,034,807	302,055	6,181,223	5,685,277	6,080,859
Telephone	2,587,101	1,217,639	400,822	3,403,918	1,573,922	496,177	305,914	1,764,185	1,639,733	1,013,179
Vehicle	1,057,731	-	-	1,057,731	603,246	98,079	-	701,325	356,406	454,485
Office Equipment	19,277,866	16,898,100	1,928,868	34,246,418	10,313,910	6,663,776	1,668,347	15,309,339	18,937,079	8,963,276
Lease Hold Improvements	25,112,412	3,155,156	-	28,267,568	23,062,814	2,558,052	-	25,620,866	2,646,702	2,049,598
Sub Total	1,905,914,998	304,097,924	27,423,161	2,182,589,761	907,743,353	249,185,270	22,998,661	1,133,929,962	1,048,659,799	998,171,645
Intangible Assets										
Computer Software	908,012,759	264,014,824	-	1,172,027,583	579,350,996	242,163,898	-	821,519,894	350,507,689	328,661,763
Grand Total	2,813,927,757	568,112,748	27,423,161	3,354,617,344	1,487,094,349	491,354,168	22,998,661	1,955,449,856	1,399,167,488	1,326,833,408
As at March 31, 2015	1,866,764,427	947,688,759	525,429	2,813,927,757	1,063,217,075	424,294,881	417,607	1,487,094,349		1,326,833,408

	March 31, 2016	March 31, 2015
Capital WIP		
Capital WIP - IT	76,613,999	78,724,390
Capital WIP - NPCI NET	-	1,911,054
Capital WIP - Premises	820,100	16,813,730
	77,434,099	97,449,174
	(20,015,075.00)	20,015,075.00

Significant Accounting Policies

and Notes on Accounts

2.9. Non-Current Investments

Quoted Investment	Face Value per unit	Face Value	₹	
			As at March 31, 2016	As at March 31, 2015
Government Securities				
G-Sec 8.19% 2020	100	10,000,000	9,980,000	9,980,000
G-Sec 8.27% 2020	100	120,000,000	119,984,000	79,984,000
G-Sec 7.68% 2023	100	100,000,000	99,212,000	-
G-Sec 8.40% 2024	100	40,000,000	40,000,000	20,000,000
G-Sec 7.35% 2024	100	40,000,000	39,074,000	-
G-Sec 7.72% 2025	100	40,000,000	39,980,000	-
G-Sec 8.15% 2026	100	60,000,000	60,000,000	20,000,000
G-Sec 8.60% 2028	100	40,000,000	40,000,000	40,000,000
G-Sec 7.59% 2029	100	20,000,000	19,830,000	-
G-Sec 7.88% 2030	100	80,000,000	79,370,000	-
G-Sec 7.95% 2032	100	20,000,000	19,772,000	-
G-Sec 8.24% 2033	100	80,000,000	80,000,000	40,000,000
Sub Total			647,202,000	209,964,000
Un Quoted Investment (at cost)				
Deposit with Financial Institution			160,000,000	-
Sub Total			160,000,000	-
Total			807,202,000	209,964,000
Value of Quoted Investment at Market Price as on last traded date of Financial Year				
Government Securities			661,128,924	217,936,911

2.10. Long Term Loans and Advances

Particulars	₹	
	As at March 31, 2016	As at March 31, 2015
Capital Advance	248,500,000	-
Total	248,500,000	-

The amount mentioned above is the consideration paid to acquire land at Hyderabad for integrated office cum data centre. It is being shown under this head as the legal formalities to acquire the same were yet to be completed on reporting date.

2.11. Other Non-Current Assets

Other Non-Current Assets consist of the following:

Particulars	₹	
	As at March 31, 2016	As at March 31, 2015
Security Deposit - Premises & Utility Deposit	34,112,870	29,613,870
Un-ammortised Premium on G-Sec purchase	7,664,056	4,795,139
Interest Accrued on deposits (NFS earmarked funds)	4,294,743	3,239,063
Interest Accrued on deposits (IMPS earmarked funds)	2,448,540	-
Advance to employees	237,579	103,332
Total	48,757,788	37,751,404

Security deposit represents and relates principally to leased office premises and utilities like electricity supplies etc.

Significant Accounting Policies and Notes on Accounts

2.12. Cash & Cash Equivalents

Cash and Bank Balances consist of the following

Particulars	₹	
	As at March 31, 2016	As at March 31, 2015
Cash & Cash Equivalents		
Cash in hand	26,040	4,697
Balance with Banks / Reserve Bank of India		
Balance in Current account with Reserve Bank of India	110,000	110,000
Current account (Own Fund)	42,323,010	134,696,825
Current account (SGM Contribution)	7,293,253	374,264
Deposit Account with Banks (with maturity less than 3 months)	969,136,000	475,000,000
Sub Total	1,018,888,803	610,185,786
In Deposit Accounts with Scheduled Banks / Financial Institution		
with maturity more than 3 months but less than 12 months	1,443,682,400	1,254,925,000
with maturity more than 12 months	932,900,000	196,125,000
Sub Total	2,376,582,400	1,451,050,000
Other Balances with Scheduled Banks		
Earmarked Deposits- SGM		
with maturity less than 3 months	21,520,000	8,980,891
with maturity more than 3 months but less than 12 months	348,858,314	253,091,872
with maturity more than 12 months	489,819,756	160,769,265
Sub Total	860,198,070	422,842,028
Total	4,255,668,773	2,484,077,814

For better cash management, the Company has arrangement with a Bank where the funds exceeding the specified limit automatically transferred to flexi deposit account as short term deposit.

2.13. Trade receivable

Trade receivable consist of the following:

Particulars	₹	
	As at March 31, 2016	As at March 31, 2015
For the period less than six months		
Unsecured but considered good		
Receivables for Transaction fees	200,584,589	159,596,994
Receivables for Network recoveries	9,967,783	28,790,241
Receivables for Other services	4,476,750	85,415
For the period more than six months		
Unsecured but considered good		
Receivables for Network recoveries	425,700	163,776
Receivables for Other services	256,875	-
Total	215,711,697	188,636,426

Receivable for transaction fees includes charges recoverable on monthly basis.

Significant Accounting Policies

and Notes on Accounts

2.14. Short term loans & Advances

Short-term loans & Advances consist of the following

Particulars	₹	
	As at March 31, 2016	As at March 31, 2015
Advances to Vendors	53,292,757	2,047,725
Advances to customers	49,146,420	-
Advances to Employees	4,895,656	600,613
Total	107,334,833	2,648,338

2.15. Current Investment

Current Investment consist of the following:

Particulars	₹	
	As at March 31, 2016	As at March 31, 2015
Deposits with a Financial Institution		
with maturity less than 3 months	-	-
with maturity more than 3 months but less than 12 months	50,000,000	200,000,000
with maturity more than 12 months	-	-
Total	50,000,000	200,000,000

2.16. Other Current Assets

Other Current Assets consist of the following:

Particulars	₹	
	As at March 31, 2016	As at March 31, 2015
Prepaid Expenses	18,294,237	17,038,185
Prepaid - Insurance premium - RuPay card	129,926,790	58,895,000
Deposit With Insurance Companies	812,206	380,788
Cenvat Credit	54,140,859	27,406,069
Interest Accrued on deposits (other than earmarked funds)	48,888,782	47,716,780
Income accrued – RuPay Platinum fees	11,022,300	-
Insurance claim receivable	1,789,710	-
Receivable-LIC Group Leave encashment fund	328,319	-
Advance Income Tax - FY 2015-16 (Net)	82,371,370	-
Advance Income Tax - FY 2014-15 (Net)	75,521,131	72,949,745
Advance Income Tax - FY 2013-14 (Net)	3,977,378	3,978,958
Advance Income Tax - FY 2012-13 (Net)	7,427,013	7,427,013
Advance Income Tax - FY 2011-12 (Net)	28,729,052	28,729,052
Total	463,229,145	264,521,590

The RuPay card as a feature provides accidental coverage to all eligible RuPay card holders. The prepaid expenses consist of un-expired portion of Annual maintenance expenses, Insurance premium etc.

Significant Accounting Policies

and Notes on Accounts

2.17. Other Income

Other Income consists of the following:

Other Income	Year ended March 31, 2016	Year ended March 31, 2015
Interest Income on deposits	219,763,304	199,864,940
Interest Income on G- Sec	39,525,781	5,465,267
Interest Income on earmarked fund (NFS – SGM)	31,807,467	36,447,904
Interest Income on earmarked fund (IMPS- SGM)	25,098,569	-
Certification Fees	37,275,000	-
Reversal of Provision for Expenses	2,518,538	22,588,019
Liquidated damages	2,760,150	3,043,702
Other Miscellaneous Income	1,149,650	817,546
Total	359,898,459	268,227,378

Income from Liquidated damages is for non-performance of stipulated terms in the contract / purchase order, by the vendors.
The certification service made chargeable during the Financial Year.

2.18. Operating Expenses

Operating Expenses consist of the following:

Operating Expenses	Year ended March 31, 2016	Year ended March 31, 2015
Annual Maintenance Charges - IT	159,535,848	99,005,668
Network Expenses*	98,790,608	91,015,361
Testing & Certification Charges	51,852,821	29,226,376
Hosting Charges	50,799,789	31,742,417
Power & Fuel	21,330,387	12,903,508
Shifting Charges	1,282,342	357,975
Trademark Registration Charges	1,482,705	357,522
Total	385,074,501	264,608,827

* Network Expenses

The break-up of Network Expenses is as follows

Network Expenses	Year ended March 31, 2016	Year ended March 31, 2015
Network Expenses- NFS/Office infra/ Backbone	45,107,914	35,873,590
Network Expenses - CTS (Banks)	23,076,523	22,998,022
Network Expenses - CTS (Own)	16,129,383	18,431,050
Network Expenses- FMS	14,476,788	13,712,699
Total	98,790,608	91,015,361

Significant Accounting Policies

and Notes on Accounts

2.19. Employee Benefits Cost

2.19.1. Employee Benefits Cost consist of the following:

	Year ended March 31, 2016	Year ended March 31, 2015
Salary & Allowances	562,082,041	421,152,023
Outsourcing expenses	46,611,684	33,963,070
Contribution to Employee Benefits	31,748,963	24,814,821
Staff Welfare	12,045,688	7,671,514
Total	652,488,376	487,601,428

₹

2.19.2. Gratuity and Leave Encashment

The Gratuity and Leave Encashment Scheme of the Company are 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.

The summarized position of post-employment benefits recognized in the Income and Expenditure account and Balance Sheet are as under:

Particulars	Gratuity (Funded)		Leave Encashment (Funded)	
	2015-16	2014-15	2015-16	2014-15
Expense recognised in the statement of Income and Expenditure Accounts for the year				
Current Service Cost	48,66,749	33,66,215	39,31,619	29,55,514
Interest Cost	(1,02,780)	(37,734)	3,05,159	5,94,769
Net Actuarial (gain) / loss recognised during the year	9,53,386	9,17,257	(22,47,778)	(3,51,253)
Total Expense to be recognised in Income and expenditure Accounts	57,17,355	42,45,738	19,89,000	31,99,030
Expense Accounted for the year	57,17,355	42,45,738	19,89,000	31,99,030
Actual return on plan assets				
Expected return of plan assets	11,11,429	7,11,389	6,35,403	4,22,620
Actuarial gain / (loss) on plan assets	91,237	2,17,854	52,160	1,99,220
Actual return of plan assets	12,02,666	9,29,243	6,87,563	6,21,840
Net Asset / (Liability) recognised in the Balance Sheet				
Present value of obligation	(194,65,410)	(125,45,389)	127,71,529	(133,02,100)
Fair value of plan assets	167,20,303	121,29,846	82,32,622	82,60,979
Funded status { surplus / (deficit) }	(27,45,107)	(4,15,543)	(45,38,907)	(50,41,121)
Net Asset / (Liability) recognised in the Balance Sheet	(27,45,107)	(4,15,543)	(45,38,907)	(50,41,121)
Change in Present value of Obligation during the year				
Present value of obligation at the beginning of the year	125,45,389	73,70,408	133,02,100	111,31,176
Current Service Cost	48,66,749	33,66,215	39,31,619	29,55,514
Interest Cost	10,08,649	6,73,655	9,40,562	10,17,389
Benefits Paid	-	-	(32,07,134)	(16,49,946)
Actuarial (gain) / loss on obligation	10,44,623	11,35,111	(21,95,618)	(1,52,033)
Present value of obligation at the end of the year	194,65,410	125,45,389	127,71,529	133,02,100
Change in Assets during the year				
Fair value of plan assets at the beginning of the year	121,29,846	81,76,880	82,60,979	48,57,700
Expected return on plan assets	11,11,429	7,11,389	6,35,403	4,22,620
Contributions made	33,87,791	30,23,723	24,91,214	44,31,385
Benefits Paid	-	-	(32,07,134)	(16,49,946)
Actuarial gain / (loss) on plan assets	91,237	2,17,854	52,160	1,99,220
Fair value of plan assets at the end of the ear	167,20,303	121,29,846	82,32,622	82,60,979

₹

Significant Accounting Policies

and Notes on Accounts

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Particulars	Gratuity (Funded)		Leave Encashment (Funded)	
	2015-16	2014-15	2015-16	2014-15
Actuarial Assumptions as on Balance Sheet date				
Discount rate	7.60%	8.04%	7.60%	8.04%
Expected rate of return on assets	7.60%	8.04%	7.60%	8.04%
Employee Attrition Rate	13.00%	13.00%	13.00%	13.00%
Rate of escalation in Salary	6.00%	6.00%	6.00%	6.00%

2.20. Administrative & Establishment Expenses

Administrative and Establishment expenses consist of the following:

₹

Administrative & Establishment Expenses	Year ended March 31, 2016	Year ended March 31, 2015
Rent Rates & Taxes	78,305,469	84,236,128
Travelling & Conveyance Expenses	42,227,661	29,809,837
Travel Expenses - Overseas	6,377,895	8,591,287
Travel Expenses - Directors	3,874,895	3,925,932
Telephone & Communication Expenses	17,773,688	14,023,649
Meeting Expenses	17,002,489	11,678,172
Power & Fuel	8,284,660	9,813,529
Internal Audit Fees	864,000	864,000
Sitting Fees to Directors	6,700,000	2,960,000
Insurance	2,849,936	1,082,340
Postage & courier	2,635,332	1,180,735
Housekeeping	6,523,532	4,999,403
Office Maintenance	6,117,099	4,015,945
Printing & Stationery	7,795,654	2,167,931
Hire & Rental Equipment	581,165	900,176
Computer Consumables	5,126,284	5,485,647
Staff Relocation Expenses	574,184	551,604
Repair & Maintenance Charges	2,229,504	1,638,832
Internet Expenses - Directors	94,683	387,862
Employer - Profession Tax	2,500	2,500
Bank Charges	203,166	558,470
Security Charges	5,400,519	2,827,098
Amortisation Premium on G-Sec	757,083	70,861
Contribution to CSR activities	1,100,000	-
Total	223,401,398	191,771,938

Contribution to CSR activities:

The Company is required to contribute 2% of the Net surplus after tax to Corporate Social Responsibility activities as per provisions of the Companies Act, 2013. During the year, the Company has expended ₹ 1,100,000 for the said activities. The balance amount not expended will be carried forward and utilised in future years.

Significant Accounting Policies

and Notes on Accounts

2.21. Other Operating Expenses

Other Operating Expenses consist of the following:

Other Operating Expenses	Year ended March 31, 2016	Year ended March 31, 2015
Media expenses on product promotion	76,252,282	-
Advertisement and Publicity Expenses	35,225,535	57,756,703
Recruitment Expenses	9,063,073	3,916,144
Marketing Expenses	57,172,784	88,766,363
RuPay Issuer Incentive	14,438,260	143,765,353
Insurance expense for RuPay Card holders	88,351,730	31,000,968
Professional Fees*	109,694,863	84,295,383
Software & IT Expenses	2,655,263	1,528,832
Training and Seminar	16,690,809	7,260,549
Conference / Seminar / Study Visit - International	8,036,635	4,302,291
Membership Fees	4,484,829	1,337,728
Foreign Exchange Loss	107,000	137,755
Write-off of Assets/Others	2,525,430	512,893
Rent for paper to follow session (P2F)	41,799,264	30,132,151
Expense for Bin Propagation on POS machines	15,000,000	-
Corporate Communication	695,000	1,962,558
RFP Expenses	2,075,869	494,802
Escrow Agency fees	1,197,401	1,345,313
Auditor's Fees**	205,000	305,000
Tax Audit fees	72,000	80,000
Equipment Shifting Charges	1,600,300	7,228,640
IMPS Promotional Expenses	-	134,569
Share Issue Expenses	5,492,120	-
Miscellaneous Expenses	5,990,894	2,218,869
Total	498,826,341	468,482,864

RuPay Issuer incentive consist of amount paid to Banks for issuing RuPay cards.

Insurance – RuPay card consist of premium paid for providing accidental insurance coverage for RuPay card holders.

* Professional Fees

Professional Fees	Year ended March 31, 2016	Year ended March 31, 2015
Professional Fees-Testing & Certification	24,123,872	16,965,611
Professional Fees-FRM Benchmarking	4,691,449	-
Professional Fees-NFC/Tap N Go/EMV	25,133,200	22,507,317
Professional Fees-ACH Benchmarking	6,950,256	6,950,257
Professional Fees-ITM Benchmarking	-	15,100,000
Professional Fees-Others	46,998,086	22,102,198
Sub total	107,896,863	83,625,383
Honorarium Fees	1,798,000	670,000
Sub total	1,798,000	670,000
Total	109,694,863	84,295,383

** Audit Fees

Significant Accounting Policies

and Notes on Accounts

₹

Professional Fees	Year ended March 31, 2016	Year ended March 31, 2015
Statutory Audit Fees	100,000	200,000
Audit fees for Limited Review	105,000	105,000

2.22. Prior Period Items

₹

Prior Period Expenses	Year ended March 31, 2016	Year ended March 31, 2015
Prior Period Expenses- IT / Network/AMC		
Network Expenses	1,504,545	-
Annual Maintenance contract	13,503,265	3,719,881
Outsourced IT Manpower	349,958	1,275,651
Sub Total	15,357,768	4,995,532
Prior Period Expenses- IT / Network/AMC		
Rent	4,143,246	-
Recruitment Expenses	335,600	-
Housekeeping	86,473	98,699
Professional Fees - Others	100,825	50,000
Software & IT Expenses	-	62,850
Maintenance - Goregaon office	-	31,542
Printing & Stationery	-	81,942
Meeting Expense - Equip Hire	-	48,944
Other	1,475,844	210,827
Sub Total	6,141,988	584,804
Total	21,499,756	5,580,336

2.23. Earnings per share

Earnings per share is as follows:

₹

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Net Surplus as per Income & Expenditure account	1,175,690,068	1,106,329,027
Weighted average number of equity shares	10,647,730	10,000,000
EPS :		
(1) Basic EPS (Face value ₹ 100 per equity share)	110.42	110.63
(2) Diluted EPS (Face value ₹ 100 per equity share)	110.42	110.63

Significant Accounting Policies

and Notes on Accounts

2.24. Related Party disclosures

Related Party with whom the transactions have taken place during the Financial Year.

Key Management Personnel:

1. A. P. Hota, Managing Director and CEO
2. Sanjay Saxena, Chief Financial Officer
3. Anjalee Javeri, Company Secretary

Particulars	₹	
	Year ended March 31, 2016	Year ended March 31, 2015
Salary & Allowances	14,346,159	13,173,994
Performance Incentive	2,075,000	1,845,000
Total	16,421,159	15,018,994

2.25. Segment Reporting

The Company's operations comprise of only one segment relating to Retail Payment Systems in India. The Financial Statements itself may be considered to be the segment result as per disclosure requirement of Accounting Standard 17 issued by The Institute of Chartered Accountant of India.

2.26. Contingent Liabilities & Commitments

Contingent liabilities and commitments (to the extent not provided for)	₹	
	Year ended March 31, 2016	Year ended March 31, 2015
(i) Commitments		
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for	1,493,647,383	751,396,727
(b) Revenue commitments	675,593,343	443,583,512
Sub Total	2,169,240,726	1,194,980,239
(ii) Contingent Liabilities		
Income Tax demand for AY 2010-2011	32,134,551	1,208,237
Income Tax demand for AY 2011-2012	18,326,918	18,326,918
Income Tax demand for AY 2012-2013	55,171,833	55,171,833
Income Tax demand for AY 2013-2014	44,479,657	-
Sub Total	150,112,959	74,706,988
Total	2,319,353,685	1,269,687,227

Contingent Liability for Income Tax:

As per the Tax Consultant and as advised, the Company will be eligible to claim exemption u/s. 11 and 12 of the Income Tax Act, 1961 and hence the Management has not provided for additional demand raised by Income tax authorities during assessment / penalty proceedings although it is providing for Income tax on a conservative basis.

There are tax demand arising due to Assessment order u/s 143 (3), disallowing the claim of exemption u/s 11 and 12 and section 13(1)(c)(ii) of the Income Tax Act, 1961 and/or due to penalty proceedings u/s 271(1)(C). The Company is in appeal at various appellate authorities such as Commissioner of Income Tax (Appeals)/Income Tax Appellate Tribunal which is discussed in details here.

Significant Accounting Policies

and Notes on Accounts

Assessment Year 2010-11:

The Contingent liability for A.Y. 2010-11 amounts to ₹ 32,134,551 is on account of difference between the demand for tax of ₹ 35,208,237/- and demand for penalty as per order u/s 271(1)(c) of ₹ 309,26,314 by the revenue authority against provision in the Books of Accounts of ₹ 34,000,000. While passing assessment order, the Assessing Officer has disallowed the claim for exemption u/s.11 and 12 on the grounds that the objects of the Company are commercial in nature and is hit by the provisions of section 2(15) and section 13(1)(c)(ii) of the Income Tax Act, 1961. Moreover the Assessing Officer while computing the Total Income has not allowed the deductions otherwise available to the Company. The Commissioner of Income Tax (Appeals) has disposed off the appeal against the Company. The Company has filed an appeal with the Income Tax Appellate Tribunal (ITAT) against the CIT(A) order. The hearing for the same is yet to commence. Penalty proceedings u/s 271(1)(c) initiate and demand notice u/s 156 amounting to ₹ 30,926,314 along with penalty order dated March 28, 2016 have been received on March 31, 2016. The Company has filed an appeal against the said order with the Commissioner of Income Tax (Appeals), Mumbai.

Assessment Year 2011-12:

The Contingent liability for A.Y. 2011-12 amounts to ₹ 18,326,918 is on account of difference between the tax demand by the revenue authority of ₹ 162,326,918 against provision in the books of accounts of ₹ 144,000,000. The Assessing Officer has disallowed the claim for exemption u/s. 11 and 12 on the grounds that the objects of the Company are commercial in nature and are hit by the provisions of section 2(15) and section 13(1)(c)(ii) of the Income Tax Act, 1961, However the Assessing Officer did not consider depreciation as per Income Tax Act and other deductions. The Company has filed an appeal against the order to Commissioner of Income Tax (Appeals), Mumbai. The hearing for the same is yet to commence.

Assessment Year 2012-13:

The Contingent liability for A.Y. 2012-13 amounts to ₹ 55,171,833 is on account of difference between the tax demand by the Revenue Authority of ₹ 133,171,833 against provision in the books of accounts of ₹ 78,000,000. The Assessing Officer has disallowed the claim for exemption u/s. 11 and 12 on the grounds that the objects of the Company are commercial in nature and are hit by the provisions of section 2(15) and section 13(1)(c)(ii) of the Income Tax Act, 1961, However the Assessing Officer did not consider depreciation as per Income Tax Act and Minimum Alternate Tax(MAT). The Company has filed an appeal against the said order with the Commissioner of Income Tax (Appeals), Mumbai. The Commissioner of Income Tax (Appeals) has disposed off the appeal against the Company. The Company has filed an appeal with the Income Tax Appellate Tribunal (ITAT) against the CIT(A) order. The hearing for the same is yet to commence.

Assessment Year 2013-14:

The Contingent liability for A.Y. 2013-14 amounts to ₹ 44,479,657 is on account of difference between the tax demand by the Revenue Authority of ₹ 167,019,657 against provision in the books of accounts of ₹ 122,540,000. The Assessing Officer has disallowed the claim for exemption u/s.11 and 12 on the grounds that the objects of the Company are commercial in nature and are hit by the provisions of section 2(15) and section 13(1)(c)(ii) of the Income Tax Act, 1961, However the Assessing Officer did not consider depreciation as per Income Tax Act and MAT credit. Assessment order received dated March 26, 2016. Penalty proceedings u/s 271(1)(c) initiated and demand notice u/s 156 amounting to ₹ 36,730,180 dated March 28, 2016 have been received on March 31, 2016. The Company has filed an appeal against the order to Commissioner of Income Tax (Appeals), Mumbai.

Significant Accounting Policies

and Notes on Accounts

2.27. Expenditure in Foreign Currency

2.27.1 Value of Import of Services

Particulars	₹	
	Year ended March 31, 2016	Year ended March 31, 2015
Software License	27,768,291	12,026,371
Total	27,768,291	12,026,371

2.27.2 Revenue Expenditure in Foreign Currency

Particulars	₹	
	Year ended March 31, 2016	Year ended March 31, 2015
Foreign Travel Expenses	2,846,763	4,914,864
AMC Software	3,757,532	1,108,345
Books & Periodicals	33,174	36,309
Conference/Seminar/Study visit	1,525,939	1,674,402
Email Hosting Charges	4,318,007	3,717,683
Escrow agent fees / Professional fees	1,123,115	1,359,472
Marketing Expense - RuPay	28,671	-
Subscription and Membership Fees	2,358,159	5,260,390
Prepaid- AMC software & IT expense	451,317	-
RuPay Hologram Expense	253,235	-
Trade Mark Registration	42,705	357,522
Foreign Exchange Fluctuation - (Gain) / Loss	107,000	137,755
Total	16,845,617	18,566,742

Accounting for Foreign Currency Transaction:

Transactions in foreign currency are recorded in rupees by applying to the foreign currency amount the exchange rate at the time of transaction.

Exchange rate differences consequent to settlement are recognised as Income / Expenditure.

Significant Accounting Policies

and Notes on Accounts

2.28. 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.

Particulars	₹	
	As at March 31, 2016	As at March 31, 2015
a (i) Principal amount remaining unpaid to any supplier / service provider at the end of the accounting year	-	-
(ii) Interest due on above	-	-
Total	-	-
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) buy 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.	-	-

2.29. Provision for Tax

The Company was 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.

As per Memorandum and Articles of Association of the Company, no objects shall be carried out on a commercial basis. 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 ₹ 640,000,000 has been provided for the period ended March 31, 2016, being the amount of Income Tax computed under the provisions of the Income Tax Act 1961 and recognized deferred tax expense of ₹ 129,000,000 as per the provision of Accounting Standard.