

Registered Number: 2503575

NIIT Insurance Technologies Limited
Annual Report and Financial Statements
For the year ended 31 March 2013

NIIT Insurance Technologies Limited

Annual Report and Financial Statements for the year ended 31 March 2013

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NIIT Insurance Technologies Limited

Directors and Advisors

Directors

Arvind Thakur
Rajendra S Pawar
Arvind Mehrotra
Amit Sharma

Company secretary

Abogado Nominees Limited

Registered office

100 New Bridge Street
London
EC4V 6JA

Registered number

2503575

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Bankers

Natwest Bank
Reading Market Place
13 Market Place
Reading Berks
RG1 2EP

NIIT Insurance Technologies Limited

Directors' Report for the year ended 31 March 2013

The directors present their annual report and the audited financial statements of NIIT Insurance Technologies Limited ('the Company') for the year ended 31 March 2013.

Principal activities

The principal activity of the Company is the provision of software and services to the London and International Insurance Markets.

Business review and future developments

The results for the Company show a pre-tax profit of £1.2m (2012: £4.3m) for the year and sales of £17.1m (31 March 2012: £20.5m). The Company has net assets of £3.4m (2012: £3.2m). The reason for the decrease in the pre-tax profit and sales were due to the decrease in licence income and completion of a major implementation during the year.

An interim dividend has been paid during the year of £0.9m at the rate of £0.717 per share (2012: £3.0m). The directors do not recommend a payment of a final dividend (2012: Nil).

During the year, the Company made further investments in its software products and continued to get strong levels of interest from the market. Insurers' recent experience in unprecedented types of catastrophe loss have increased interest in Exact, in particular, for which there were a number of new orders and which is now subject to global roll-outs to key customers. The company is increasing its focus on product development from 2013/14, while at the same time offering a more integrated services offering through its parent company NIIT Technologies Ltd.

Key performance indicators (KPIs)

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties facing the Company

Insurance is generally a robust sector, but it is subject to periodic major losses, some of which can be disruptive to the company's development. Such events can lead to a slowdown in existing business, but the Company notes its customers plan and prepare for similar scenarios.

Financial risk management

The Company's operations expose it to a variety of limited financial risks including the effects of changes in interest rates on debt, foreign currency exchange rates, credit risk and liquidity risk.

The Company does not use derivative instruments to manage these exposures.

The Company's principal financial instruments comprise sterling bank deposits and other loans together with trade debtors and trade creditors that arise directly from its operations.

The main risks arising from the Company's financial instruments can be analysed as follows:

Credit risk

The Company's principal financial assets are bank balances and trade debtors, which represent the Company's maximum exposure to credit risk in relation to financial assets.

NIIT Insurance Technologies Limited

Directors' Report for the year ended 31 March 2013 (continued)

The Company's credit risk is primarily attributable to its trade debtors. This risk is not felt to be significant as the market place which it addresses consists of blue chip insurance companies and Lloyd's Syndicates.

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made.

Liquidity risk

The Company has adequate capital to support its working capital requirements. Proactive receivables management results in a favourable working capital position. Management continue to focus on this area.

Foreign Exchange risk

A proportion of the Company's trading is conducted in Euros and US Dollars. However, any exposure to foreign exchange risk is the normal course of business and is deemed to be immaterial.

Interest rate and cash flow risk

The Company's favourable liquidity situation did not warrant any significant borrowing in the current year. Policies in this regard will be in review regularly by the Directors.

The Company's proactive collection initiatives ensures that it can meet its' commitments.

Qualifying third party indemnity provision

The Company has a Directors and Officers Liability insurance policy. This is in force at the date of the balance sheet.

Research and development

The Company continues to invest in researching and developing new and innovative products and services to help improve the efficiency of the insurance market.

Directors

The current directors of the Company are set out on page 1. All of the directors serving during the year and up to the date of signing the financial statements are listed below:

Arvind Thakur
Rajendra S Pawar
Arvind Mehrotra
Amit Sharma

NIIT Insurance Technologies Limited

Directors' Report for the year ended 31 March 2013 (continued)

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

At the date of approving this report each of the company's directors, as set out on page 3, confirm the following:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Board Meeting.

On behalf of the Board



Rajendra S Pawar
Director

17 May 2013

NIIT Insurance Technologies Limited

Independent Auditors' Report to the Members of NIIT Insurance Technologies Limited

We have audited the financial statements of NIIT Insurance Technologies Limited for the year ended 31 March 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify any material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

NIIT Insurance Technologies Limited

Independent Auditors' Report to the Members of NIIT Insurance Technologies Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Kevin McGhee

Kevin McGhee (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

3 June 2013

NIIT Insurance Technologies Limited

Profit and Loss account for the year ended 31 March 2013

	Note	2013 £	2012 £
Turnover	2	17,086,051	20,480,415
Cost of sales		(231,267)	(455,351)
Gross profit		16,854,784	20,025,064
Administrative expenses		(15,721,351)	(15,729,236)
Operating profit	3	1,133,433	4,295,828
Interest receivable and similar income	4	51,137	19,635
Profit on ordinary activities before taxation		1,184,570	4,315,463
Tax on profit on ordinary activities	5	(116,308)	(1,143,363)
Profit for the financial year	14	1,068,262	3,172,100

The company's profits are derived entirely from continuing operations.

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

There are no material differences between the profit on ordinary activities before taxation and the profit for the years stated above, and their historical cost equivalents.

NIIT Insurance Technologies Limited

Balance Sheet as at 31 March 2013

	Note	2013 £	2012 £
Fixed assets			
Intangible assets	9	64,239	174,364
Tangible assets	10	706,754	920,240
		770,993	1,094,604
Current assets			
Debtors	11	5,808,479	5,637,503
Cash at bank and in hand		3,453,820	3,249,368
		9,262,299	8,886,871
Creditors: amounts falling due within one year	12	(6,625,638)	(6,752,467)
Net current assets		2,636,661	2,134,404
Total assets less current liabilities		3,407,654	3,229,008
Net assets		3,407,654	3,229,008
Capital and reserves			
Called up share capital	13	12,557	12,557
Share premium account	14	1,749,257	1,749,257
Profit and loss account	14	1,635,456	1,467,194
Other reserves	15	10,384	-
Total shareholder's funds	16	3,407,654	3,229,008

The financial statements on pages 7 to 20 were approved by the Board on 17 May 2013 and signed on its behalf by:



Rajendra S Pawar
Director

Registered Number: 2503575

NIIT Insurance Technologies Limited

Notes to the Financial Statements for the year ended 31 March 2013

1 Accounting policies

Basis of accounting

The financial statements are prepared on a going concern basis under the historical cost convention in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently with the prior year, are set out below.

Turnover

Turnover represents sales to customers, net of value added tax. Turnover is derived from the company's principal activity. All turnover relates to business activities in the United Kingdom.

Recognition of revenue

Revenue may be recognised in respect of a contract, which is defined herein to be either a single contract taken as a whole or an unbundled part of a contract. However an unbundled part may be considered only if the contractual obligations for completion of it can be met without any material dependency on other components of the bundled contract.

Some contracts are determined at the outset to be short term in nature. These generally relate to short studies, the supply of professional services on a time and materials basis, or the supply of products that are sold in a standard form without any material modification. All other contracts are deemed to be long-term contracts.

For any contract, revenue is recognised only when a signed contract exists and the collection of the associated receivable is considered probable.

For a short term contract, revenue is recognised when there is a right to consideration, when delivery to the customer has occurred and there are no significant vendor obligations remaining. For long term maintenance contracts, revenue is recognised in equal instalments over the period of the contract.

For all other long term contracts revenue is recognised on a 'percentage of completion' basis at the balance sheet date, with 'percentage completion' being measured by the costs to date as a percentage of the estimated costs to completion. Any loss on a contract is recognised in full as soon as a loss is foreseen by reference to the estimated cost to completion.

The amount by which turnover exceeds payments on account is shown under debtors as amounts recoverable on contracts.

The amount by which billings are made in advance, and revenue taken subsequently in line with other accounting policies is shown under creditors as deferred income.

NIIT Insurance Technologies Limited

Notes to the Financial Statements for the year ended 31 March 2013 (continued)

1 Accounting policies (continued)

Development costs (Intangible assets)

Development costs are stated at cost less a provision for amortisation and any provision for impairment.

Costs incurred during the development period of new software products, which substantially improve those products already offered by the company, are treated as development costs. These costs are capitalised and amortised over the life of the product. Costs that are capitalised comprise directly attributable incremental costs incurred during the development period, including wages and salaries of staff employed solely for the purpose of developing the new product, and third party costs.

Amortisation of the development costs occurs on a straight line basis over five years. Impairment reviews are performed annually to ensure the present value of estimated future income streams from the associated products exceeds the capitalised cost.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided evenly on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected economic useful lives. Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down would be charged to operating profit. The principal annual rates used are as follows:

Furniture and equipment	- 20%
Plant and machinery	- 33%

Leases

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the terms of the leases.

Share based payments

The parent company, NIIT Technologies Limited, India, has introduced an employee stock option plan. Certain employees of the company are awarded options over the shares of the ultimate parent.

In accordance with FRS 20, fair value calculations are derived using the Black-Scholes model. The total amount to be expensed over the vesting year is determined by reference to the fair value of the options granted. This is recognised as an expense over the vesting period, with a corresponding increase in other reserves. At each balance sheet date, the company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to other reserves.

In the event that options are granted with an exercise price lower than the prevailing market price at grant date, NIIT Technologies Limited, India makes a recharge to the Company in respect of share options granted to the Company's employees. When incurred, these inter-company charges are offset in other reserves against the relevant capital contribution.

NIIT Insurance Technologies Limited

Notes to the Financial Statements for the year ended 31 March 2013 (continued)

1 Accounting policies (continued)

Deferred taxation

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the average tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Pensions

Pension contributions to the defined contribution NIIT Insurance Technologies Limited Group Personal Pension Scheme are charged to the profit and loss account in the period in which contributions are incurred. Assets of the scheme are held separately from those of the company in an independently administered fund.

Foreign currency

Foreign currency transactions during the year are converted into sterling using the rate at the beginning of the month in which they occur. At the year-end monetary assets and liabilities in foreign currency amounts have been converted at the exchange rate on the balance sheet date. All foreign exchange differences are taken to the profit and loss account in the period in which they arise.

Cash flow statement

The Company is a wholly owned subsidiary of a group headed by NIIT Technologies Limited, India, and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the company has taken advantage of the exemption within FRS 1 'Cash flow statements (revised 1996)' from preparing a cash flow statement.

2 Segmental reporting

The turnover of the Company has been derived from its principal activity for which a geographical analysis by destination is given below. The Company has only one main class of business.

Geographical area	By Origin		By Destination	
	2013	2012	2013	2012
	£	£	£	£
UK	17,086,051	20,480,415	15,651,667	16,564,869
Europe	-	-	1,091,624	3,392,919
Rest of the world	-	-	342,760	522,627
	17,086,051	20,480,415	17,086,051	20,480,415

NIIT Insurance Technologies Limited

Notes to the Financial Statements for the year ended 31 March 2013 (continued)

3 Operating profit

Operating profit is arrived at after charging

	31 March 2013 £	31 March 2012 £
Fees payable to company auditors for :		
The audit of the company pursuant to legislation	28,846	34,486
Tax services	9,220	14,538
Other services	27,070	9,250
Depreciation and amortisation:		
Owned tangible fixed assets	356,642	334,734
Research and development	110,124	110,124
Rentals under operating leases:		
Other	322,252	461,813
Plant and machinery	21,670	23,298
Loss on disposal of fixed assets	510	23,177
Foreign exchange loss	296,307	141,955

4 Interest receivable and similar income

	31 March 2013 £	31 March 2012 £
Bank interest	6,644	8,596
Loan interest from group companies	44,493	4,632
Security Deposit interest	-	6,407
	51,137	19,635

NIIT Insurance Technologies Limited

Notes to the Financial Statements for the year ended 31 March 2013 (continued)

5 Tax charge on profit on ordinary activities

	31 March 2013 £	31 March 2012 £
Current tax:		
UK Corporation tax at 24%	342,391	1,142,053
Adjustments in respect of prior years	(198,770)	(33,934)
Total current tax charge	143,621	1,108,119
Deferred tax:		
Origination and reversal of timing differences	(27,313)	35,244
Total deferred tax	(27,313)	35,244
Tax charge on profit on ordinary activities	116,308	1,143,363

The tax assessed for the year is lower (2012: lower) than the standard rate of corporation tax in the United Kingdom 24% (2012: 26%). The differences are explained below:

Factors affecting tax charge for year

Profit on ordinary activities before tax	1,184,570	4,315,463
Profit on ordinary activities at the standard rate of UK corporation tax 24% (2012: 26%)	284,297	1,122,020
Depreciation lower than capital allowance	20,489	688
Expenses not included for tax purposes	17,253	48,052
Other short term timing differences	20,352	(28,707)
Adjustments in respect of prior years	(198,770)	(33,934)
	143,621	1,108,119

The deferred taxation asset of £129,465 (2012: £102,152) has been recognised and is disclosed within debtors (see note 11)

	31 March 2013 £	31 March 2012 £
Accelerated capital allowances	98,092	89,765
Short-term timing differences	16,590	(2,297)
Pension provision	14,783	14,684
Deferred tax asset	129,465	102,152

NIIT Insurance Technologies Limited

Notes to the Financial Statements for the year ended 31 March 2013 (continued)

5 Tax charge on profit on ordinary activities (continued)

Deferred tax asset as at 1 April 2012	102,152
Movement during the year	27,313
Deferred tax asset as at 31 March 2013	129,465

Based on current capital investment plans, the company expects to continue to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year.

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the asset has been recognised in these financial statements.

In his budget of March 2013, the Chancellor of the Exchequer provided for a reduction of corporation tax from 24% to 23% with effect from April 2013. The proposed reductions of the main rate of corporation tax by 1% per year to 22% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 24% to 22%, if these applied to the deferred tax balance at the balance sheet date, would reduce the deferred tax assets by £5,629.

The standard rate of Corporation Tax in the UK changed from 26% to 24% with effect from 1 April 2012. Accordingly, the company's profit for this accounting period is taxed at an effective rate of 9.82% (2012 26.49%) and will be taxed at 24% in the future.

6 Employees

	31 March 2013 £	31 March 2012 £
Staff costs during the year (including directors)		
Wages and salaries	4,599,024	5,216,095
Social security costs	518,254	562,138
Other pension costs	845,834	739,848
Costs associated with share based payments (See Note 15)	10,384	-
Other staff costs	155,556	137,501
	6,129,052	6,655,582

The average monthly number of persons (including executive directors) employed by the company during the year was:

	31 March 2013	31 March 2012
By activity		
Software development and support staff	62	75
Sales and marketing	11	8
Administrative Staff	9	8
	82	91

NIIT Insurance Technologies Limited

Notes to the Financial Statements for the year ended 31 March 2013 (continued)

6 Employees (continued)

Pension costs

The company operates a Defined Contribution Scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The pension cost charge represents contributions payable by the company to the NIIT Insurance Technologies Limited Company Personal Pension Scheme and amounts to £845,834 (2012: £739,848). There is an accrual at the year-end for the Company Personal Pension Scheme of £64,277 (2012: £61,179), representing one month contribution.

7 Directors Emoluments

The emoluments and any options granted in respect of share schemes of Arvind Thakur, Arvind Mehrotra, Rajendra S Pawar and Amit Sharma were paid by other group companies, and they are deemed to be wholly attributable to the services of those companies. Accordingly, their emoluments are not disclosed in these financial statements.

8 Dividends

	31 March 2013 £	31 March 2012 £
Declared and paid during the year		
Ordinary shares:		
Interim paid: 0.717 per 1p share (2012: 2.389 per 1p share)	900,000	3,000,000

NIIT Insurance Technologies Limited

Notes to the Financial Statements for the year ended 31 March 2013 (continued)

9 Intangible assets

	Development costs £
Cost	
At 1 April 2012	550,622
At 31 March 2013	550,622
Accumulated amortisation	
At 1 April 2012	376,258
Charged in the year	110,124
At 31 March 2013	486,383
Net book value	
At 31 March 2013	64,239
At 31 March 2012	174,364

10 Tangible assets

	Furniture and equipment £	Plant and machinery £	Total £
Cost			
At 1 April 2012	525,067	2,138,284	2,663,351
Additions	-	143,666	143,666
Disposals	-	(1,611)	(1,611)
At 31 March 2013	525,067	2,280,339	2,805,406
Accumulated depreciation			
At 1 April 2012	78,764	1,664,347	1,743,111
Charged in the year	105,004	251,638	356,642
Disposals	-	(1,101)	(1,101)
At 31 March 2013	183,768	1,914,884	2,098,652
Net book value			
At 31 March 2013	341,299	365,455	706,754
At 31 March 2012	446,303	473,937	920,240

NIIT Insurance Technologies Limited

Notes to the Financial Statements for the year ended 31 March 2013 (continued)

11 Debtors

	2013 £	2012 £
Trade debtors	2,355,845	3,801,274
Loans to group undertakings	2,000,000	-
Amounts recoverable on contracts	674,654	1,441,245
Deferred tax asset (see note 5)	129,465	102,152
Corporation tax debtor	63,063	-
Other debtors	62,201	31,980
Prepayments	523,251	260,852
	5,808,479	5,637,503

Loans to group undertakings for £2,000,000 (2012, £Nil) are unsecured, carrying interest at 4.00% and are repayable on demand.

12 Creditors: amounts falling due within one year

	2013 £	2012 £
Trade creditors	326,307	176,618
Amount owed to group undertakings	698,603	985,019
Corporation tax payable	-	481,727
Other taxes and social security creditors	1,220,793	714,990
Other creditors	73,969	123,518
Accruals	638,028	815,237
Deferred income	3,667,938	3,455,358
	6,625,638	6,752,467

Amounts owed to group undertakings represent trade balances and are unsecured, non-interest bearing and have no fixed terms of repayment.

13 Called up share capital

	2013 Number of shares	2013 £	2012 Number of shares	2012 £
Authorised				
Ordinary shares of 1p each	5,000,000	50,000	5,000,000	50,000
Allotted, and fully paid				
Ordinary shares of 1p each	1,255,720	12,557	1,255,720	12,557

NIIT Insurance Technologies Limited

Notes to the Financial Statements for the year ended 31 March 2013 (continued)

14 Reserves	Share premium account £	Profit and loss account £
At 1 April 2012	1,749,257	1,467,194
Profit for the financial year	-	1,068,262
Dividends paid during the year	-	(900,000)
At 31 March 2013	1,749,257	1,635,456

15 Other reserves

The ultimate parent company, NIIT Technologies Limited, India, operates equity-settled, share-based compensation plans. Certain employees of the company are awarded options over the shares in the ultimate parent. The fair value of the employee services received using the Black-Scholes option pricing model in exchange for these grants of options is recognised as an expense, with a corresponding increase in Other reserves.

During the year, the company recognises the impact of the revision in the options vested & remaining to be exercised in the profit and loss account, with a corresponding adjustment to Other reserves.

	£
At 1 April 2012	-
Share-based capital reserve for the year	10,384
At 31 March 2013	10,384

16 Reconciliation of movements in equity shareholder's funds

	2013 £	2012 £
Profit for the year	1,068,262	3,172,100
Dividends paid during the year	(900,000)	(3,000,000)
Other reserves	10,384	-
Net change to equity shareholder's funds	178,646	172,100
Opening equity shareholder's funds	3,229,008	3,056,908
Closing equity shareholder's funds	3,407,654	3,229,008

NIIT Insurance Technologies Limited

Notes to the Financial Statements for the year ended 31 March 2013 (continued)

17 Financial commitments

At 31 March 2013 the company had annual commitments under non-cancellable operating leases expiring as follows:

	2013 £	2012 £
(i) Land and buildings, leases expiring		
Within two to five years	492,001	431,376
	492,001	431,376
(ii) Other, leases expiring		
Within one year	15,663	15,247
Within two to five years	7,315	3,142
	22,978	18,389

18 Share based payments

NIIT Technologies Limited, India, which is the ultimate holding company of NIIT Insurance Technologies Limited, operates the Employees Stock Option Plan (ESOP 2005). The remuneration committee of the holding company can grant options over shares in the holding company to employees of the group. Options are granted with a fixed exercise price. Awards under the ESOP are generally reserved for employees at senior management level and above. In the current year, the holding company has issued grants on 2 July 2012. Grants for which options are still outstanding are represented in the table below. Exercise of an option is subject to continued employment. The fair market value of the shares was valued using the Black-Scholes option-pricing model. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	02/07/2012	
Share price at grant date (Rs)	285.80	
Exercise price (Rs)	285.80	
Number of employees	1	
Shares under option	21,000	
Vesting year(s)	1	2
Expected volatility	36.72%	45.16%
Option life (years)	4	5
Expected life (years)	2.5	3.5
Risk free rate	8.10%	8.15%
Expected dividends expressed as a dividend yield *	5.04%	5.04%
Fair value per option (Rs)	65.19	87.34
Live options	21,000	
Vesting year(s)	1	2
Options exercisable	10,500	10,500

As the life the options is greater than one year, there is considerable difficulty in estimating the amount and time of future dividend pay-outs with certainty. Hence future dividend pay-out has not been incorporated in the valuation analysis.

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Notes to the Financial Statements for the year ended 31 March 2013 (continued)

18 Share based payments (continued)

The expected volatility for the options granted during the current financial year is considered as 36.72% and 45.16% for options with vesting periods of 1 and 2 years respectively and is based on historical volatility in the share price movement of the ultimate holding company. The expected life is the average of the minimum and maximum life of the options. The risk free rate of return has been assumed at 8.10% and 8.15% for options with vesting periods of 1 and 2 years respectively based on long term Indian government securities. A reconciliation of option movements over the year to 31 March 2013 is shown below:

	2013 Number	2012 Number
Options outstanding at 1 April 2012	-	22,904
Options Granted	21,000	-
Bonus options granted	-	-
Options lapsed	-	(7,904)
Options exercised	-	(15,000)
Outstanding at 31 March 2013	21,000	-
Exercisable at 31 March 2013	21,000	-

The net charge for the year relating to employee share based payment plans was £10,384 (2012: £Nil) all of which related to equity share based payment transactions.

19 Related party transactions

The company has taken advantage of the exemption in paragraph 3 of FRS 8 'Related Party Disclosures' from the requirement to disclose transactions with group companies on the grounds that it is a wholly owned subsidiary and consolidated financial statements are prepared by the ultimate parent company, NIIT Technologies Limited, India. The consolidated financial statements published by the parent company are publicly available.

20 Ultimate holding company and controlling party

NIIT Technologies Limited, which is incorporated and registered in the UK, is the immediate parent company. The ultimate parent company and controlling party is NIIT Technologies Limited, India a Company registered in India, which is the parent undertaking of the smallest and largest group to consolidate these financial statements.

NIIT Technologies Limited, India prepares group financial statements and copies can be obtained from 8 Balaji Estate, First floor, Guru Ravidas Marg, Kalkaji, New Delhi - 110019, India. Full consolidated financial statements can also be obtained for NIIT Technologies Limited, India, from that company's website at the following address, <http://www.niit-tech.com/investors/financial-reports>