

# **NIIT Technologies Limited**

(Registered Number: 2648481)

**Annual Report and Financial Statements  
for the year ended 31 March 2014**

# NIIT Technologies Limited

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# NIIT Technologies Limited

## Directors and Advisors

### Directors

Rajendra S Pawar  
Arvind Thakur

### Company secretary

Abogado Nominees Limited

### Company number

2648481

### Registered office

100 New Bridge Street  
London  
EC4V 6JA

### Independent auditors

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

### Bankers

Lloyds TSB  
56 High Street  
Marlow  
SL7 1AJ

CitiBank NA  
Global Subsidiaries Group Centre  
Canary Wharf  
London  
E14 5LB

### Business address

2<sup>nd</sup> Floor,  
47 Mark Lane  
London  
EC3R 7QQ

# NIIT Technologies Limited

## Strategic report for the year ended 31 March 2014

The directors present their strategic report for the year ended 31 March 2014.

### Principal activities

NIIT Technologies Limited, UK is a wholly owned subsidiary of NIIT Technologies Limited, India a global IT Software and Services Company. The Company provides services in Software Application Development and Maintenance, Software Testing, Enterprise Solutions including Package Implementation, Infrastructure Managed Services and System Integration to organisations based in the UK and rest of the world.

### Business review

The revenue profile of NIIT Technologies Limited, UK is diversified across the main verticals of Travel and Transportation, Banking and Financial Services, Insurance, Media and Entertainment Technologies.

The UK business continues to operate in a very challenging and competitive business environment. The UK economy has shown encouraging signs of recovery over the last quarter of the financial year. Banks are being encouraged to lend further to small and medium sized businesses (SME) under the government's Funding for Lending (FLS) scheme. Businesses continue to strive to achieve a leaner cost structure. This has resulted in a drop in demand across the business spectrum and has also contributed to the fall in the turnover for the current year. In this environment, NIIT strives to aggressively grow its existing client portfolio and increase its business footprint. NIIT has gained new clients during the year. However, a major contribution of the UK revenue emanates from its existing clients in focused verticals. Travel & Transportation continues to be the major vertical for the UK followed by Media and Entertainment Technologies and Banking, Financial Services and Insurance. Infrastructure Managed Services business is seeing increased traction in the UK market with both the private sector and public sector exploring Outsourcing options to further rationalise their costs. NIIT is well geared to cater to this segment on the back of winning business in this segment from all our major current clients.

The results for the Company show profit on ordinary activities before taxation of £3,790,024 (2013: £2,538,482) for the year and turnover of £42,185,007 (2013: £45,074,922). Profit on ordinary activities before taxation is higher as compared to the previous year. This is due to effective cost rationalisation resulting in improved operating margins and an increase in the income from shares in group undertakings.

The Company has net assets of £17,945,027 (2013: £16,429,765).

An interim dividend has been paid during the year of £2,000,000 at the rate of £0.6104 per share (2013: Nil). The directors do not recommend payment of a final dividend (2013: Nil).

### Future outlook

The strategy of NIIT Technologies Limited UK is to continue to build a strong differentiation in its offerings by remaining focused in the chosen verticals. Recent industry awards and recognition reinforce the strength of this strategy.

The external business environment is expected to remain challenging in the UK for 2014/15 as national, offshore and multinational organisations continue to invest and compete for business in the focused verticals. However, we remain confident that we will achieve a higher level of growth for the year. Our focus will be on increasing the 'footprint' of our services in existing accounts and to leverage the shared services model in infrastructure managed services space.

# NIIT Technologies Limited

## Strategic report for the year ended 31 March 2014 (continued)

### Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered to relate to competition from national, offshore and multinational vendors as well as employee retention and the strength of the UK economy. The Company also recognises the potential risk of a considerable portion of its revenue continuing to emanate from a few customers and is striving to expand its customer base to mitigate this. The Company has focused on enhancing client relationship through client partners in key customer accounts.

### Key performance indicators

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business. For more details, refer to the business review in this report.

On behalf of the board



Arvind Thakur  
Director  
June 2014

# NIIT Technologies Limited

## Directors' Report for the year ended 31 March 2014

The directors present their annual report and the audited financial statements of the Company for the year ended 31 March 2014.

### Dividend from Subsidiaries

During the financial year, the Company received an interim dividend from its subsidiaries as follows:

- NIIT Insurance Technologies Limited - £1,500,000 at the rate of 1.20 per share. (2013: £900,000 at the rate of £0.72 per share).
- NIIT Technologies BV, Netherlands - €400,000 (£342,000) at the rate of €1000 (£855) per share. (2013: Nil.)

### Acquisition of NIIT Technologies Brazil Ltda.

During the year the Company, together with NIIT Technologies Inc. USA (a Group Company), purchased NIIT Technologies, Brazil Ltda., a shelf company, to service an engagement with a new customer in Brazil. This opportunity will assist to leverage the Group's presence in this fast developing region. The Company has a 99% equity stake in NIIT Technologies Brazil Ltda.

### Directors

The directors of the Company at 31 March 2014 and up until the date of signing of the financial statements all of whom have been directors for the year are listed below:

Rajendra S Pawar  
Arvind Thakur

### Employment of disabled persons

Applications that are received from disabled persons are always given full and equal consideration.

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status and offers appropriate training and a career development for disabled staff. If members of staff become disabled, the Company continues employment wherever possible and arranges retraining. The Company's policy on training, career development and promotion of disabled people is, as far as possible, identical to that for other employees.

The Company is also committed to providing employees with information on matters of concern to them on a regular basis, so that the view of the employees can be taken into account when making decisions that are likely to affect their interest. In addition, the Company encourages the involvement of employees by means of employee satisfaction surveys, focus group discussions and 360 degree feedback mechanism.

### Financial risk management

The Company's operations expose it to limited financial risks that include price risk, credit risk, liquidity risk foreign currency exchange rate risk and interest rate cash flow risk.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The Company's finance department implements policies set by the board of directors.

# NIIT Technologies Limited

## Directors' Report for the year ended 31 March 2014 (continued)

### *Price risk*

Due to the nature of its business, the Company is not exposed to any major price risks. Due consideration is given for annual salary increases in line with the growth in business in terms of both price and volumes inter dependant on contract negotiations.

### *Credit risk*

The majority of the Company's customer base is comprised of blue chip customers. During the financial year, the Company has provided for doubtful debts of £Nil (2013: £7,790) and written off bad debts amounting to £2,267 (2013: £Nil).

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

### *Liquidity risk*

Proactive receivables management results in a favourable working capital position. Management continues its focus in this area.

### *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.

### *Foreign currency exchange rate risk*

The Management is aware of the volatility in the foreign currency fluctuations and will put in place measures to minimise the risks if this continues.

### **Qualifying third party indemnity provisions**

The Directors and Officers of the Company are covered by the Corporate Directors and Officers Liability insurance policy insurance. This is in force at the date of the balance sheet.

### **Political and charitable donations**

The Company made charitable donations during the year to the tune of £400 (2013: £Nil). There were no political donations made during the year (2013: Nil).

### **Statement of Directors' Responsibilities**

The directors are responsible for preparing the Strategic report, 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:

# NIIT Technologies Limited

## Directors' Report for the year ended 31 March 2014 (continued)

- 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

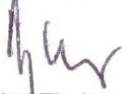
At the date of approving this report, each of the Company's directors, as set out on page 4, confirm the following:

- so far as each director is aware, there is no relevant audit information of which the company's auditors are 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 auditors are aware of that information.

### Independent 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

  
Arvind Thakur  
**Director**  
June 2014



# NIIT Technologies Limited

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

### Report on the financial statements

#### *Our opinion*

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 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.

This opinion is to be read in the context of what we say in the remainder of this report.

#### *What we have audited*

The financial statements, which are prepared by NIIT Technologies Limited, comprise:

- the balance sheet as at 31 March 2014;
- the profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### *What an audit of financial statements involves*

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on other matter prescribed by the Companies Act 2006**

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

# NIIT Technologies Limited

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

### Other matters on which we are required to report by exception

#### *Adequacy of accounting records and information and explanations received*

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

#### *Directors' remuneration*

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

### Responsibilities for the financial statements and the audit

#### *Our responsibilities and those of the directors*

As explained more fully in the Statement of Directors' Responsibilities set out on pages 2 and 3, 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 ISAs (UK & 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.

Kevin McGhee (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
June 2014

# NIIT Technologies Limited

## Profit And Loss account for the year ended 31 March 2014

	Note	2014 £	2013 £
<b>Turnover</b>	2	<b>42,185,007</b>	45,074,922
Cost of sales		(35,597,975)	(39,066,734)
<b>Gross profit</b>		<b>6,587,032</b>	6,008,188
Administrative expenses		(4,656,700)	(4,276,438)
<b>Operating profit</b>	3	<b>1,930,332</b>	1,731,750
Income from shares in group undertakings		1,842,000	900,000
Interest receivable and similar income	4	17,692	2,091
Interest payable and similar charges	5	-	(95,359)
<b>Profit on ordinary activities before taxation</b>		<b>3,790,024</b>	2,538,482
Tax on profit on ordinary activities	9	(301,933)	(256,359)
<b>Profit for the financial year</b>	15	<b>3,488,091</b>	2,282,123

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 is no material difference between the profit on ordinary activities before taxation and the profit for the years stated above and their historical cost equivalents.

# NIIT Technologies Limited

## Balance Sheet as at 31 March 2014

	Note	2014 £	2013 £
<b>Fixed assets</b>			
Tangible assets	10	172,859	249,557
Investments	11	17,005,170	16,963,796
		<b>17,178,029</b>	17,213,353
<b>Current assets</b>			
Debtors	12	10,225,155	10,417,185
Cash at bank and in hand		2,097,538	2,172,218
<b>Total assets</b>		<b>12,322,693</b>	12,589,403
<b>Creditors - amounts falling due within one year</b>	13	<b>(11,555,695)</b>	(13,372,991)
<b>Net current assets/(liabilities)</b>		<b>766,998</b>	(783,588)
<b>Total assets less current liabilities</b>		<b>17,945,027</b>	16,429,765
<b>Net assets</b>		<b>17,945,027</b>	16,429,765
<b>Capital and reserves</b>			
Called up share capital	14	3,276,427	3,276,427
Profit and loss account	15	14,531,535	13,000,561
Other reserves	16	137,065	152,777
<b>Total shareholder's funds</b>	18	<b>17,945,027</b>	16,429,765

The financial statements on pages 9 to 22 were approved by the board of directors on June 2014 and were signed on its behalf by:

Rajendra S Pawar  
Director

Registered Number: 2648481

# NIIT Technologies Limited

## Notes to the Financial Statements for the year ended 31 March 2014

### 1 Principal accounting policies

These financial statements have been prepared on the going concern basis under the historical cost convention and 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.

#### Consolidated financial statements

The Company is a wholly owned subsidiary of NIIT Technologies Limited, India and in accordance with the provisions of S401 of the Companies Act 2006, group financial statements have not been prepared. The financial statements of the Company and its subsidiary are included in the consolidated financial statements published by the parent Company NIIT Technologies Limited, India and are publicly available.

#### Turnover

In respect of long term fixed price software projects, 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.

In respect of agreements requiring provision of professional services, turnover is recognised over the year the service is provided as per the terms of the agreements.

Turnover represents the invoiced value of services supplied, net of value added tax and trade discounts.

#### Cash flows

The financial statements of the parent Company NIIT Technologies Limited, India include a consolidated cash flow statement and are publicly available. Consequently, in accordance with FRS 1 Cash Flow Statements (Revised 1996), the Company is exempt from preparing a cash flow statement.

#### Tangible fixed assets and depreciation

The tangible fixed assets are stated at their purchase cost, together with any incidental expenses of acquisition less accumulated depreciation. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal estimated lives used for this purpose are:

Computer equipment	3 to 5 years
Office equipment	3 to 10 years

#### Investments

Investments are stated at cost less any impairment in value. Management reviews the need for any impairment annually or when there is a specific event that may indicate the need for impairment.

# NIIT Technologies Limited

## Notes to the Financial Statements for the year ended 31 March 2014 (continued)

### 1 Principal accounting policies (continued)

#### Pensions

The Company operates a defined contribution pension scheme. Assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting year.

#### 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. During the year, the Company has not recognised a deferred tax asset arising on FRS 20 share based payments of £27,413 (2013 £35,138).

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.

#### Foreign currency

Transactions denominated in foreign currencies are translated into sterling at the exchange rate prevailing on the first working day of the month. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange gains and losses are taken to the profit and loss account in the year in which they arise.

#### Operating 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, the fair value of these options using the Black-Scholes model is recognised as an expense, with a corresponding increase in other reserves. The total amount to be expensed over the vesting period is determined by reference to the fair market value of the options granted. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest and recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity.

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

#### Research and Development tax benefit

The Company has claimed research and development tax credits as per the guidelines prescribed by HMRC. Management is confident that the claims will be successful.

# NIIT Technologies Limited

## Notes to the Financial Statements for the year ended 31 March 2014 (continued)

### 1 Principal accounting policies (continued)

#### Going concern

The financial statements have been prepared on a going concern basis.

### 2 Turnover

The Company is in the business of providing IT software services only. The analysis of turnover by geographical segment is shown below.

	By origin		By destination	
	2014	2013	2014	2013
	£	£	£	£
<b>Geographical area</b>				
United Kingdom and Ireland	42,185,007	45,074,922	34,537,130	39,513,646
Rest of Europe	-	-	2,471,455	1,326,952
Rest of World	-	-	5,176,422	4,234,324
	<b>42,185,007</b>	<b>45,074,922</b>	<b>42,185,007</b>	<b>45,074,922</b>

### 3 Operating profit

	2014	2013
	£	£
<b>Operating profit is stated after charging:</b>		
Depreciation of tangible/intangible assets	86,551	90,259
Auditors' remuneration:		
- The audit of the Company pursuant to legislation	28,500	35,630
- Tax services	5,550	13,620
- Other services	9,830	1,150
Operating lease charges:		
- Plant and machinery	-	1,271
- Other	12,520	20,389
Exchange rate loss	334,555	9,745

### 4 Interest receivable and similar income

	2014	2013
	£	£
Bank interest and other interest income	17,692	2,091

### 5 Interest payable and similar charges

	2014	2013
	£	£
On term loans	-	95,359
	-	95,359

# NIIT Technologies Limited

## Notes to the Financial Statements for the year ended 31 March 2014 (continued)

### 6 Directors' emoluments

The emoluments and any options granted in respect of share schemes of Rajendra S Pawar and Arvind Thakur 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.

There are no retirement benefits accruing to directors (2013: Nil) under the defined contribution scheme. The Company has not made any contributions during the year (2013: Nil).

### 7 Dividends

	2014	2013
<b>Equity – ordinary</b>		
Interim paid: £0.6104 (2013: Nil) per £1 share	2,000,000	-

The directors do not recommend payment of a final dividend (2013: Nil)

### 8 Employee information

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

By activity	2014 Number	2013 Number
Management	28	22
Consultancy	213	259
	<b>241</b>	<b>281</b>

Employment costs during the year were as follows:

	2014 £	2013 £
Wages and salaries	11,216,513	12,329,715
Social security costs	1,120,561	1,049,167
Other pension costs	124,825	98,760
Costs associated with share based payments (see note 17)	69,892	55,497
	<b>12,531,791</b>	<b>13,533,139</b>



# NIIT Technologies Limited

## Notes to the Financial Statements for the year ended 31 March 2014 (continued)

### 9 Tax on profit on ordinary activities

	2014 £	2013 £
<b>Current tax:</b>		
UK corporation tax on profits of the year	373,952	383,848
Overseas tax	18,651	-
Adjustment in respect of prior year	(94,510)	(124,402)
<b>Total current tax charge</b>	<b>298,093</b>	<b>259,446</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	3,840	(3,087)
<b>Total deferred tax charge/(credit)</b>	<b>3,840</b>	<b>(3,087)</b>
<b>Tax on profit on ordinary activities</b>	<b>301,933</b>	<b>256,359</b>

The tax assessed for the year is lower (2013: lower) than the standard rate of corporation tax in the UK of 23% (2013: 24%). The differences are explained below:

	2014 £	2013 £
<b>Profit on ordinary activities before taxation</b>	<b>3,790,024</b>	<b>2,538,482</b>
Profit on ordinary activities multiplied by standard rate in UK of corporation tax of 23% (2013: 24%)	871,706	609,235
Effects of:		
Expenses not deductible for tax purposes	-	8,322
Income not included for tax purposes	(505,326)	(216,000)
Accelerated capital allowance and other timing differences	7,572	(17,709)
DTR, overseas tax, tax credits on FII & irrecoverable ACT	18,651	-
Adjustment in respect of prior year	(94,510)	(124,402)
<b>Current tax charge for the year</b>	<b>298,093</b>	<b>259,446</b>

The deferred taxation asset of £33,870 (2013: £37,710) has been recognised and is disclosed within debtors (see note 12)

	2014 Deferred tax asset recognized £	2013 Deferred tax asset recognized £
Deferred tax asset comprises:		
Accelerated capital allowances	24,584	25,718
Short term timing differences	6,711	9,640
Pension provision	2,575	2,352
	<b>33,870</b>	<b>37,710</b>
<b>As at 1 April 2013</b>		<b>37,710</b>
Movement during the year		(3,840)
<b>As at 31 March 2014</b>		<b>33,870</b>

# NIIT Technologies Limited

## Notes to the Financial Statements for the year ended 31 March 2014 (continued)

### 9 Tax on profit on ordinary activities (continued)

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.

The standard rate of Corporation Tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly, the company's profit for this accounting year is taxed at an effective rate of 7.97% (2013 10.10%).

In addition to the changes in rates of Corporation tax disclosed above, further changes to the UK Corporation tax rates have been announced. These include further reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. These changes were substantively enacted on 2 July 2013. The deferred tax asset has been re-measured using the enacted tax rates.

During the current tax year, the Company has made a research and development tax credit claim of £94,388 and £91,454 for the years 2013 and 2014 respectively. The tax charge to the profit and loss account for the current financial year has been computed giving effect to the same.

### 10 Tangible assets

	Computer equipment £	Office equipment £	Total £
<b>Cost</b>			
At 1 April 2013	363,294	97,987	461,281
Additions	9,977	-	9,977
Disposals	(12,370)	-	(12,370)
<b>At 31 March 2014</b>	<b>360,901</b>	<b>97,987</b>	<b>458,888</b>
<b>Accumulated depreciation</b>			
At 1 April 2013	179,581	32,143	211,724
Charge for year	62,059	24,492	86,551
Disposals	(12,246)	-	(12,246)
<b>At 31 March 2014</b>	<b>229,394</b>	<b>56,635</b>	<b>286,029</b>
<b>Net book value at 31 March 2014</b>	<b>131,507</b>	<b>41,352</b>	<b>172,859</b>
Net book value at 31 March 2013	183,713	65,844	249,557

# NIIT Technologies Limited

## Notes to the Financial Statements for the year ended 31 March 2014 (continued)

### 11 Investments

	Shares in subsidiary undertakings £
<b>Cost</b>	
At 1 April 2013	16,963,796
Capitalisation adjustment	41,374
<b>Net book value at 31 March 2014</b>	<b>17,005,170</b>
Net book value at 31 March 2013	16,963,796

#### Subsidiary undertakings:

Company name	Country of Incorporation	Principal activity	% Interest	Capital and reserves	Profit or (loss)
NIIT Technologies BV	Holland	Software services	100%	€ 824,023	€ 146,577
NIIT Technologies NV	Belgium	Software services	100%	€ 159,424	€ -132,345
NIIT Insurance Technologies Ltd.	UK	Software services	100%	£3,934,194	£2,026,540
NIIT Technologies S.A.	Spain	Software services	100%	€ 2,743,087	€ 458,866
NIIT Technologies Brazil Ltda.	Brazil	Software services	99%	BRL 227,655	BRL( 22,345)

All investments are reviewed by the Management for impairment at the end of the year. Any decline in the value of the said investment is recognised and charged to the profit and loss account. The directors believe that the carrying value of the investments is supported by their respective projected future cash flows.

### 12 Debtors

	2014 £	2013 £
Trade debtors	8,737,504	9,946,668
Amounts owed by group undertakings	871,237	11,609
Other debtors	53,622	22,326
Deferred tax asset (see note 9)	33,870	37,710
Prepayments and accrued income	528,922	398,872
	<b>10,225,155</b>	<b>10,417,185</b>

Amounts owed by group undertakings for the current and previous financial year represent trade balances which are unsecured, non-interest bearing and have no fixed term of repayment. Amounts owed by group undertakings also include short term loans totalling £0.626 million on which interest is charged at 4%. (2013: £ Nil)

# NIIT Technologies Limited

## Notes to the Financial Statements for the year ended 31 March 2014 (continued)

### 13 Creditors - amounts falling due within one year

	2014 £	2013 £
Trade creditors	137,437	801,109
Amounts owed to group undertakings	8,484,163	8,453,001
Corporation tax	373,952	404,027
Other taxation and social security	1,328,146	2,111,128
Other creditors	11,936	35,912
Accruals and deferred income	1,220,061	1,567,814
	<b>11,555,695</b>	<b>13,372,991</b>

Trade balances included in amounts owed to group undertakings for the current and previous year are unsecured and interest free.

### 14 Called up share capital

	2014 £	2013 £
<b>Authorised</b>		
7,000,000 (2013: 7,000,000) ordinary shares of £1 each	<b>7,000,000</b>	7,000,000
<b>Allotted and fully paid</b>		
3,276,427 (2013: 3,276,427) ordinary shares of £1 each	<b>3,276,427</b>	3,276,427

### 15 Profit and loss account

	£
<b>At 1 April 2013</b>	<b>13,000,561</b>
Profit for the financial year	3,488,091
Transfer from other reserves	42,883
Dividends paid during the year	(2,000,000)
<b>At 31 March 2014</b>	<b>14,531,535</b>

### 16 Other reserves

The ultimate parent Company, NIIT Technologies Limited, India, operates an equity-settled, share-based compensation plan. 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 and remaining to be exercised in the profit and loss account, with a corresponding adjustment to Other Reserves.

	£
At 1 April 2013	152,777
Share-based capital reserve for the year (see note 17)	27,171
Transferred to Profit and loss account	(42,883)
<b>At 31 March 2014</b>	<b>137,065</b>

# NIIT Technologies Limited

## Notes to the Financial Statements for the year ended 31 March 2014 (continued)

### 17 Share based payments

NIIT Technologies Limited, India, which is the 100% Holding Company of NIIT Technologies Limited, operates an Employee 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 September 2013. 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	Share price at grant date (Rs)	Exercise price (Rs)	Nos. of empes	Shares under option	Vesting year(s)	Expected volatility	Option life (years)	Expected life (years)	Risk free rate	Expected dividends expressed as a dividend yield *	Fair value per option (Rs)
2Sep13	294.80	282.00	1	100,000	1	34.72%	4	2.5	9.27%	3.91%	77.67
					2	34.13%	5	3.5	9.00%	3.91%	86.98
					3	39.11%	6	4.5	8.82%	3.91%	102.44
					4	44.99%	7	5.5	8.71%	3.91%	117.68
					5	49.78%	8	6.5	8.66%	3.91%	129.38
2Sep13	294.80	10.00	1	35,000	1	34.72%	4	2.5	9.27%	3.91%	259.42
					2	34.13%	5	3.5	9.00%	3.91%	249.80
					3	39.11%	6	4.5	8.82%	3.91%	240.50
					4	44.99%	7	5.5	8.71%	3.91%	231.55
					5	49.78%	8	6.5	8.66%	3.91%	222.95
3May12	256.50	256.50	1	15,000	1	36.38%	4	2.5	8.27%	4.10%	62.09
					2	43.54%	5	3.5	8.33%	4.10%	81.77
17Oct11	211.40	10.00	1	40,000	1	42.39%	4	2.5	8.60%	3.11%	187.53
					2	48.54%	5	3.5	8.65%	3.11%	182.23
					3	55.11%	6	4.5	8.70%	3.11%	177.08
18Oct10	223.75	223.75	1	38,000	1	51.67%	4	2.5	7.31%	3.08%	73.28
					2	58.87%	5	3.5	7.61%	3.08%	93.31
19Oct09	127.20	127.20	51	129,000	1	66.17%	4	2.5	6.83%	3.12%	50.24
					2	64.78%	5	3.5	7.01%	3.12%	56.16

\* Expected dividends expressed as a dividend yield

# NIIT Technologies Limited

## Notes to the Financial Statements for the year ended 31 March 2014 (continued)

### 17 Share based payments (continued)

The schedule of live options exercisable is given in the table below:

Grant date	Live options	Vesting year(s)	Options exercisable
2Sep13	100,000	1	20,000
		2	20,000
		3	20,000
		4	20,000
		5	20,000
2Sep13	7,000	1	7,000
	7,000	2	7,000
	7,000	3	7,000
	7,000	4	7,000
	7,000	5	7,000
3May12	15,000	1	7,500
		2	7,500
17Oct11	40,000	1	13,000
		2	13,000
		3	14,000
18Oct10	38,000	1	19,000
		2	19,000
19Oct09	38,875	2	38,875

As the life of the option is greater than one year, there is considerable difficulty in estimating the amount and time of future dividend payouts with certainty. Hence future dividend payout has not been incorporated in the valuation analysis.

The expected volatility for the options granted during the current financial year is considered as shown in the table on the preceding page 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 for the options granted during the year is as shown in the table on the preceding page based on long-term Indian government securities. A reconciliation of option movements over the year to 31 March 2014 is shown below:

	Number	2014 Weighted average exercise price INR Rs	Number	2013 Weighted average exercise price INR Rs
Outstanding at 1 April	188,500	132.08	230,900	120.80
Granted	135,000	211.48	15,000	256.50
Lapsed	(11,750)	127.20	(3,000)	127.20
Exercised	(44,875)	127.20	(54,400)	118.76
Outstanding at 31 March	266,875	173.28	188,500	132.08
Exercisable at 31 March	266,875	173.28	188,500	132.08

# NIIT Technologies Limited

## Notes to the Financial Statements for the year ended 31 March 2014 (continued)

### 17 Share based payments (continued)

Range of Exercise Price	Weighted average exercise	Number of shares	Weighted average remaining life	
			Expected	Contractual
Rs 127.20	Rs 127.20	38,875	0.55	0.55
Rs 223.75	Rs 223.75	38,000	1.13	1.13
Rs 10.00	Rs 10.00	40,000	2.65	2.65
Rs 256.50	Rs 256.50	15,000	2.50	2.50
Rs 282.00	Rs 282.00	100,000	5.00	5.00
Rs 10.00	Rs 10.00	35,000	5.00	5.00

During the current financial year 44,875 (2013: 54,400) options were exercised. The weighted average share price for options exercised during the year is Rs.127.20 (2013: Rs.118.76). The net charge for the year relating to employee share based payment plans was £69,892 (2013: £55,497), all of which related to equity share based payment transactions.

### 18 Reconciliation of movements in shareholders' funds

	2014 £	2013 £
Profit for the financial year	3,488,091	2,282,123
Dividends paid during the year	(2,000,000)	-
Share based payments	27,171	15,644
<b>Net change to shareholders' funds</b>	<b>1,515,262</b>	<b>2,297,767</b>
Opening shareholders' funds	16,429,765	14,131,998
<b>Closing shareholders' funds</b>	<b>17,945,027</b>	<b>16,429,765</b>

### 19 Contingent liabilities and financial commitments

During the year, a bank guarantee of \$53,604 (£31,574) has been issued by Lloyds Bank in favour of Turkish Airlines Inc., to fulfil the obligations of the Company under the 'Platform Based Services' contract.

The Company has also given an irrevocable unconditional Parental guarantee to ING Belgium N.V./S.A. covering the solvency and obligations of NIIT Technologies N.V., Belgium under the agreement with ING Belgium.

Capital commitments relating to procurement of Plant & Machinery remaining to be executed and not provided for at the date of the financial statements is £4,052.

# NIIT Technologies Limited

## Notes to the Financial Statements for the year ended 31 March 2014 (continued)

### 19 Contingent liabilities and financial commitments (continued)

At 31 March 2014 the Company had annual commitments under non-cancellable operating leases expiring as follows:

	2014		2013	
	Land and buildings	Other	Land and Buildings	Other
	£	£	£	£
Within one year	173	-	16,942	-
Within two to five years	-	-	4,900	-
	<b>173</b>	<b>-</b>	<b>21,842</b>	<b>-</b>

### 20 Related party transactions

The Company has taken advantage of the exemption in paragraph 2 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.

During the year, the group undertook the below stated related party transactions with NIIT Limited, UK and NIIT Inc., USA, which through a fellow subsidiary owns 23.88% (2013: 24.06% of the share capital of NIIT Technologies Limited (India).

NIIT Technologies Limited rendered support and administrative services to NIIT Limited, UK during the year totalling £47,277 (2013: £54,384). A year-end balance owed by NIIT Limited, UK is held within debtors amounting to £4,411 (2013: £10,097).

NIIT Inc., USA rendered services to NIIT Technologies Limited, UK during the year totalling £106,903 (2013: £Nil). There are no amounts owed to NIIT Inc., USA at the date of the financial statements. (2013: £Nil).

### 21 Pensions

The Company operates a defined contribution pension scheme. The charge for the year represents contributions payable by the Company to the fund and amounted to £124,825 (2013: £98,760) paid into defined contribution pension schemes. There is an accrual at the year-end for £12,891 (2013: £10,227).

### 22 Ultimate 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 holds 100% of the issued ordinary share capital of NIIT Technologies Limited, UK.

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 financials 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>