

NIIT Technologies Limited

(Registered Number: 2648481)

**Annual Report and Financial Statements
for the year ended 31 March 2016**

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

2nd Floor,
47 Mark Lane
London
EC3R 7QQ

NIIT Technologies Limited

Strategic report for the year ended 31 March 2016

The directors present their strategic report for the year ended 31 March 2016.

Principal activities

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, Infrastructure Managed Services, Banking and Financial Services, Insurance, Media and Entertainment Technologies.

The UK business continues to operate in a very challenging and competitive business environment. The economy has shown encouraging signs of recovery during the year. The focus continues on Banks to lend to small and medium sized businesses (SME) under the government's Funding for Lending (FLS) scheme. Businesses are responding positively to the encouraging signs of steady and gradual growth in the UK economy. This has reflected positively for the company and has contributed to the growth in the turnover of the company in the current financial year. However, cost optimisation and 'more for less' continues to be the mantra in the current business environment. NIIT strives to aggressively grow its existing client portfolio and increase its business footprint. NIIT has gained a few new clients during the year in the Managed services vertical. 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 Infrastructure Managed Services. The 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 also making inroads in the Insurance vertical where we are leveraging our presence in the Lloyds of London market in our domain expertise. NIIT is well geared to cater to this segment on the back of winning business in this segment.

The results for the Company show profit on ordinary activities before taxation of £3,775,659 (2015: £2,517,932) for the year and turnover of £45,140,851 (2015: £39,651,886). Profit on ordinary activities before taxation is higher as compared to the previous year. This is primarily due to an increase in the turnover and dividend from group undertakings. Operating margins have shown a gradual increase as compared to the previous year. This is attributed to an increase in the turnover and lower cost of sales as a percentage over turnover when compared to the previous year.

The Company has net assets of £24,019,494 (2015: £20,414,075).

The directors do not recommend payment of a dividend (2015: Nil)

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.

NIIT Technologies Limited

Strategic report for the year ended 31 March 2016 (continued)

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. Turnover and profit on ordinary activities before taxation as presented in the business review are the key measures considered by the directors.

On behalf of the board

Arvind Thakur
Director
May 2016

NIIT Technologies Limited

Directors' Report for the year ended 31 March 2016

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2016.

Dividend from Subsidiaries

During the reporting period, the Company received an interim dividend from its subsidiaries as follows:

- NIIT Insurance Technologies Limited - £3,000,000 at the rate of £2.39 per share. (2015: £2,000,000 at the rate of £1.59 per share).

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.

The external business environment is expected to remain challenging in the UK for 2016-17 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 in the coming the year. Our focus will be on increasing the 'footprint' of our services in existing accounts and scale the relationships that we commenced in 2015-16. The focus will be to continue to acquire accounts in the Managed Services business offerings.

Directors

The directors of the Company at 31 March 2016 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. Employee involvement in the Company is encouraged to achieve a common awareness of the financial and economic factors affecting the Company. 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 2016 (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 dependent on contract negotiations.

Credit risk

The majority of the Company's customer base is comprised of blue chip customers. During the reporting period, the Company has not provided for doubtful debts. (2015: £66,882). Bad debts written off during the year was £90,102. (2015: 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 had obtained an unsecured working capital loan of Sterling equivalent of US\$ 7,500,000 (2015: Nil) from Citi Bank N.A. to meet its short term working capital requirements. Interest on the facility is charged at 2% above GBP LIBOR determined by the period of the loan availed. The facility is backed by a Corporate guarantee executed by NIIT Technologies Limited, India in favour of Citi Bank N.A.

The loan has been repaid in full to Citi Bank N.A. in the reporting period.

Foreign currency exchange rate risk

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 statement of financial position and also at the date of signing of the financial statements.

Research and development

During the reporting period, the Company has made a claim for Research and Development Expenditure Credit (RDEC) for the relevant qualifying expenditure incurred in undertaking activities which fall within the meaning set out in s1138 Corporation Tax Act 2010 (CTA 2010).

The travel and transport and media vertical were the main focus areas on which the company has made its RDEC claim. The scope covered in the selection of projects made included:

- Development of a scalable architecture, providing the capability to handle the volume of user requests by integrating all service channels and applications. The integration layer interfaces with all services and translated underlying data models for end-to-end workflow.
- Development of a new E-assessment framework, leveraging Amazon cloud, IBIS and Krankikom E-assessment suite, unifying internal and external moderation tools. The development would interface with all applications for automatic candidate creation and unlock codes, registration, school codes and e-marking capability.
- The appreciable improvement of legacy architecture, via the development of a rules based engine for real time data flow from disparate internal and external back-end systems e.g. airline data and

NIIT Technologies Limited

Directors' Report for the year ended 31 March 2016 (continued)

transit data. The development sought the capability, through the development of API's, to interface between data systems. The project developed a migration tool to transfer the legacy C based applications to a Java based framework.

In determining the eligibility percentages, consideration was given to the activities within a project which sought technological advancement and in doing so had to overcome technological uncertainty.

Political and charitable donations

There were no charitable donations made during the year. (2015: £599). There were no political donations made during the year (2015: 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, comprising Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102), 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 comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements: and
- 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 1, confirm the following:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- he 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.

NIIT Technologies Limited

Directors' Report for the year ended 31 March 2016 (continued)

Post Statement of Financial Position Events

There have been no significant events affecting the company since the year end.

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.

Approved on behalf of the Board of Directors

Arvind Thakur
Director
May 2016

NIIT Technologies Limited

Independent Auditors' Report to the Members of NIIT Technologies Limited

Report on the financial statements

Our opinion

In our opinion, NIIT Technologies Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2016 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 March 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity 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 the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (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.

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.

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.

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

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 page 6, 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) ("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.

What an audit of financial statements involves

We conducted our audit in accordance with 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

NIIT Technologies Limited

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

In addition, we read all the financial and non-financial information in 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.

Kevin McGhee (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
May 2016

NIIT Technologies Limited

Statement of Comprehensive Income for the year ended 31 March 2016

	Note	2016		2015	
		£	INR	£	INR
Turnover	4	4,51,40,851	4,43,82,03,329	3,96,51,886	3,93,43,10,685
Cost of sales		-3,98,50,554	-3,91,80,66,619	-3,51,99,011	-3,49,24,90,750
Gross profit		52,90,297	52,01,36,711	44,52,875	44,18,19,935
Administrative expenses		-44,76,855	-44,01,59,907	-39,49,026	-39,18,27,395
Operating profit	5,10	8,13,442	7,99,76,804	5,03,849	4,99,92,540
Income from shares in group undertakings		30,00,000	29,49,57,000	20,00,000	19,84,42,550
Interest receivable and similar income	6	5,468	5,37,608	14,083	13,97,333
Interest payable and similar charges	7	-43,251	-42,52,395	-	-
Profit on ordinary activities before taxation		37,75,659	37,12,19,017	25,17,932	24,98,32,423
Tax on profit on ordinary activities	11	-1,91,650	-1,88,42,836	-75,699	-75,10,951
Profit for the financial year		35,84,009	35,23,76,181	24,42,233	24,23,21,472
Total comprehensive income for the reporting period		35,84,009	35,23,76,181	24,42,233	24,23,21,472

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Statement of Financial Position as at 31 March 2016

	Note	2016 £	INR	2015 £	INR
Fixed assets					
Tangible assets	12	30,712	29,22,615	36,434	33,71,828
Investments	13	1,70,05,149	1,61,82,43,989	1,70,05,170	1,57,37,63,864
		1,70,35,861	1,62,11,66,604	1,70,41,604	1,57,71,35,692
Current assets					
Receivables	14	1,07,80,403	1,02,58,84,710	1,03,86,957	96,12,73,400
Cash		15,54,583	14,79,37,227	35,19,571	32,57,22,922
Total assets		1,23,34,986	1,17,38,21,938	1,39,06,528	1,28,69,96,322
Payables - amounts falling due within one year	15	-53,51,353	-50,92,45,454	-1,05,34,057	-97,48,86,946
Net current assets		69,83,633	66,45,76,484	33,72,471	31,21,09,376
Total assets less current liabilities		2,40,19,494	2,28,57,43,088	2,04,14,075	1,88,92,45,068
Net assets		2,40,19,494	2,28,57,43,088	2,04,14,075	1,88,92,45,068
Equity					
Called-up share capital		32,76,427	31,17,91,346	32,76,427	30,32,20,868
Other reserves		1,89,873	1,80,68,694	1,70,05,065	1,57,37,54,147
Retained earnings		2,05,53,194	1,95,58,83,047	1,32,583	1,22,70,053
Total shareholder's funds		2,40,19,494	2,28,57,43,088	2,04,14,075	1,88,92,45,068

The financial statements on pages 11 to 26 were approved by the board of directors on May 2016 and were signed on its behalf by:

Arvind Thakur
Director

Registered Number: **2648481**

NIIT Technologies Limited

Statement of Changes in Equity as at 31 March 2016

	Share Capital		Other Reserves		Retained Earnings		Total Equity	
	£	INR	£	INR	£	INR	£	INR
At 1 April 2014	3,276,427	328,086,984	137,065	13,725,086	14,531,535	1,455,123,976	17,945,027	1,796,936,046
Profit for the year	-	-	-	-	2,442,233	242,321,472	2,442,233	242,321,472
Share based capital reserve (Note 19)	-	-	84,583	8,392,433	-57,768	-5,731,815	26,815	2,660,618
Transfer between reserves	-	-	-89,065	-8,837,143	89,065	8,837,143	-	-
Currency Translation Reserve	-	-24,866,115	-	-1,010,323	-	-126,796,630	-	-152,673,068
At 31 March 2015	3,276,427	303,220,868	132,583	12,270,053	17,005,065	1,573,754,147	20,414,075	1,889,245,068
At 1 April 2015	3,276,427	303,220,868	132,583	12,270,053	17,005,065	1,573,754,147	20,414,075	1,889,245,068
Profit for the year	-	-	-	-	3,584,009	352,376,181	3,584,009	352,376,181
Share-based capital reserve (Note 19)	-	-	89,480	8,797,584	-68,070	-6,692,574	21,410	2,105,010
Transfer between reserves	-	-	-32,190	-3,164,889	32,190	3,164,889	-	-
Currency Translation Reserve	-	8,570,478	-	165,946	-	33,280,406	-	42,016,830
At 31 March 2016	3,276,427	311,791,346	189,873	18,068,694	20,553,194	1,955,883,047	24,019,494	2,285,743,088

NIIT Technologies Limited

Notes to the Financial Statements for the year ended 31 March 2016

1 General information

NIIT Technologies Limited ('the Company') 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.

The Company is a private company limited by shares and is incorporated in England and Wales under registration number 2648481. The address of its registered office is 100 new Bridge Street, London, EC4V 6JA.

2 Statement of compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) and the Companies Act 2006.

This is the first year that the Company has presented its results under FRS 102. The last financial statements prepared under the previous UK GAAP were for the year ended 31 March 2015. The date of transition to FRS 102 was 1 April 2014. There are no changes in the basis of measurement, arising due to the transition there are however changes relating to presentation and disclosures and minor adjustments to certain balances which are appropriately disclosed in the respective notes below.

The policies applied under the entity's previous accounting framework are not materially different to FRS 102.

3 Principal accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. Accounting estimates have been used in the valuation of the Employee Stock Options granted under ESOP 2005 using the Black Scholes Options Pricing Model.

It also requires management to exercise judgment in applying the company's accounting policies.

Going concern

NIIT Technologies Limited

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

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.

Notes to the Financial Statements for the year ended 31 March 2016 (continued)

3 Principal accounting policies (continued)

Turnover

Turnover represents the invoiced value of services supplied, net of value added tax and trade discounts. Turnover is derived from the company's principal activity.

Recognition of turnover

In respect of long term fixed price software projects, revenue is recognised on a 'percentage of completion' basis at the statement of financial position 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, revenue is recognised over the year the service is provided as per the terms of the agreements.

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

NIIT Technologies Limited

Operating leases

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

Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the statement of financial position date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

3 Principal accounting policies (continued)

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Pensions

Pension contributions to the defined contribution NIIT Technologies Limited Group Personal Pension Scheme are charged to the statement of comprehensive income 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.

NIIT Technologies Limited

Foreign currency

The company's functional and presentational currency is GBP.

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 statement of financial position date. Exchange gains and losses are taken to the statement of comprehensive income in the year in which they arise.

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 102, 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 statement of financial position 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 statement of comprehensive income, 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.

Investments

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

Cash

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

NIIT Technologies Limited

Notes to the Financial Statements for the year ended 31 March 2016 (continued)

3 Principal accounting policies (continued)

Financial Reporting Standard 102 – Reduced Disclosure Exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv) in respect of reconciliation of the number of shares outstanding at the beginning and end of the period;
- the requirements of Section 7 Statement of Cash Flows in respect of preparation of Statement of Cash Flows;
- the requirements of Section 3 paragraph 3.17(d) in respect of presentation of Statement of Cash Flows in the financial statements;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7 in respect of the non-disclosure of key management personnel compensation in total.

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>

NIIT Technologies Limited

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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			
	2016	2016	2015	2015	2016	2016	2015	2015
	£	INR	£	INR	£	INR	£	INR
Geographical area								
United Kingdom and Ireland	45,140,851	4,438,203,329	39,651,886	3,934,310,685	37,985,555	3,734,701,782	32,555,627	3,230,210,819
Rest of Europe	-	-	-	-	4,504,911	442,918,345	4,183,670	415,109,072
Rest of World	-	-	-	-	2,650,385	260,583,203	2,912,589	288,990,794
	45,140,851	4,438,203,329	39,651,886	3,934,310,685	45,140,851	4,438,203,329	39,651,886	3,934,310,685

NIIT Technologies Limited

5 Operating profit

	2016		2015	
	£	INR	£	INR
Operating profit is stated after charging:				
Depreciation of tangible assets	29,847	29,34,527	1,51,445	1,50,26,566
Auditors' remuneration:				
- The audit of the Company pursuant to legislation	36,240	35,63,081	35,900	35,62,044
- Tax services	5,350	5,26,007	14,325	14,21,345
- Other services	6,234	6,12,921	12,650	12,55,149
Operating lease charges:				
- Land and buildings	4,178	4,10,777	4,281	4,24,766
Exchange rate gain / (loss)	-2,40,638	-2,36,59,288	-4,07,535	-4,04,36,142

6 Interest receivable and similar income

	2016		2015	
	£	INR	£	INR
Bank interest	5,468	5,37,608.29	6,824	6,77,085.98
Loan interest from group companies	-	-	7,259	7,20,247.24
	5,468	5,37,608	14,083	13,97,333

7 Interest payable and similar charges

	2016		2015	
	£	INR	£	INR
Bank interest	43,251	42,52,395	-	-

8 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.

NIIT Technologies Limited

There are no retirement benefits accruing to directors (2015: Nil) under the defined contribution scheme. The Company has not made any contributions during the year (2015: Nil).

9 Employee information

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

By activity	2016 Number	2015 Number
Management	27	28
Consultancy	196	217
	223	245

Employment costs during the year were as follows:

	£	2016 INR	£	2015 INR
Wages and salaries	1,22,10,419	1,20,05,16,186	1,24,15,014	1,23,18,33,518
Social security costs	11,26,291	11,07,35,805	10,45,183	10,37,04,390
Other pension costs	1,93,988	1,90,72,706	1,94,227	1,92,71,451
Costs associated with share based payments (see note 18)	89,480	87,97,584	84,583	83,92,433
	1,36,20,178	1,33,91,22,281	1,37,39,007	1,36,32,01,792

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Notes to the Financial Statements for the year ended 31 March 2016 (continued)

10 Research and Development Expenditure Credit

The Company has claimed research and development expenditure credit as per the guidelines prescribed by the HMRC on an accrual basis in the statement of comprehensive income. A summary of the qualifying research and development expenditure and the gross RDEC is as follows:

	2016		2015	
	£	INR	£	INR
Staffing costs	3,99,660	3,92,94,172	6,24,164	6,19,30,348
Total qualifying research and development expenditure	3,99,660	3,92,94,172	6,24,164	6,19,30,348
Gross RDEC @11% (2015: 10%)	43,963	43,22,398	62,416	61,92,995

Management is confident that the claims will be successful.

11 Tax on profit on ordinary activities

	2016		2015	
	£	INR	£	INR
Current tax:				
UK corporation tax on profits of the year	1,77,165	1,74,18,686	88,560	87,87,036
Overseas tax	7,093	6,97,377	13,698	13,59,133
Adjustment in respect of prior year	-1,810	-1,77,957	-10,609	-10,52,639
Total current tax charge	1,82,448	1,79,38,105	91,649	90,93,531
Deferred tax:				
Origination and reversal of timing differences	6,485	6,37,599	-16,747	-16,61,659
Effect of changes in tax rates	2,137	2,10,108	797	79,079
Adjustments in respect of prior years	580	57,025	0	-

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Total deferred tax (credit)/charge	9,202	9,04,731	-15,950	-15,82,579
Tax on profit on ordinary activities	1,91,650	1,88,42,836	75,699	75,10,951

The tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the UK of 20% (2015: 21%). The differences are explained below:

	2016		2015	
	£	INR	£	INR
Profit on ordinary activities before tax	37,75,659	37,12,19,017	25,17,932	24,98,32,423
Profit on ordinary activities multiplied by standard rate in UK of corporation tax of 20% (2015: 21%)	7,55,132	7,42,43,823	5,28,766	5,24,64,837
Effects of:				
Expenses not included for tax purposes	28,518	28,03,861	-36,953	-36,66,524
Income not included for tax purposes	-6,00,000	-5,89,91,400	-4,20,000	-4,16,72,936
Effect of changes in tax rates	2,137	2,10,108	797	79,079
Overseas tax suffered	7,093	6,97,377	13,698	13,59,133
Adjustments in respect of prior years	-1,230	-1,20,932	-10,609	-10,52,639
Current tax charge for the year	1,91,650	1,88,42,836	75,699	75,10,951

11 Tax on profit on ordinary activities (continued)

The deferred taxation asset of £40,618 (2015: £49,820) has been recognised and is disclosed within receivables (see note 14).

	2016		2015	
	Deferred tax asset recognized		Deferred tax asset recognized	
	£	INR	£	INR
Deferred tax asset comprises:				
Accelerated capital allowances	31,943	3,039,760	41,790	3,867,506
Short term timing differences	4,065	386,834	4,579	423,769
Pension provision	4,610	438,697	3,451	319,377
	40,618	3,865,290	49,820	4,610,652
As at 1 April	49,820	4,610,652	33,870	3,391,593
Adjustment in respect of prior years	-580	-57,025	-	-
Deferred tax (credit)/charge to profit for the period	-8,622	-847,706	15,950	1,582,579

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Currency Translation Reserve	-	159,370	-	-363,520
Deferred tax asset as at 31 March	40,618	3,865,290	49,820	4,610,652

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 21% to 20% with effect from 1 April 2015. The company's profit for the reporting period is taxed at an effective rate of 5.08% (2015: 3.01%).

In addition to the change in rate of corporation tax disclosed above, changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015. At 31 March 2016, Management is of the opinion that the relevant deferred tax assets and liabilities included in these Financial Statements are based on the reduced rate of 19% having regard to their reversal profiles.

The Company has adopted the new R&D expenditure credit legislation introduced in 2013 that allows large companies to claim expenditure credits equal to 11% per cent of the qualifying research and development (R&D) expenditure. The operating profit for the current reporting period includes the effect of these tax credits.

12 Tangible assets

Cost	Computer equipment		Office equipment		Total	
	£	INR	£	INR	£	INR
At 1 April 2015	3,73,306	3,45,48,052	97,702	90,41,949	4,71,008	4,35,90,001
Additions	24,134	23,72,831	-	-	24,134	23,72,831
Disposals	-4,005	-3,93,768	-	-	-4,005	-3,93,768
Currency Translation reserve	-	9,12,947	-	2,55,569	-	11,68,515
At 31 March 2016	3,93,435	3,74,40,061	97,702	92,97,518	4,91,137	4,67,37,579
Accumulated depreciation						
At 1 April 2015	3,53,847	3,27,47,195	80,727	74,70,977	4,34,574	4,02,18,172
Charge for year	12,873	12,65,660	16,975	16,68,965	29,848	29,34,626
Disposals	-3,997	-3,92,981	-	-	-3,997	-3,92,981
Currency Translation reserve	-	8,97,571	-	1,57,576	-	10,55,147
At 31 March 2016	3,62,723	3,45,17,446	97,702	92,97,518	4,60,425	4,38,14,964
Net book value at 31 March 2016	30,712	29,22,615	-	-	30,712	29,22,615
Net book value at 31 March 2015	19,459	18,00,857	16,975	15,70,972	36,434	33,71,828

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13 Investments

Cost	Shares in subsidiary undertakings	
	£	INR
At 1 April 2015	1,70,05,170	1,57,37,63,864
Currency Translation reserve	-	4,44,80,125
Net book value at 31 March 2016	1,70,05,149	1,61,82,43,989
Net book value at 31 March 2015	1,70,05,170	1,57,37,63,864

Subsidiary undertakings:

Company name	Country of Incorporation	Principal activity	% Interest	Capital and reserves	Profit or (loss)
NIIT Technologies BV	Holland	Software services	100%	€ 888,477	(€88,728)
NIIT Technologies NV	Belgium	Software services	0.04%	(€71,296)	(€175,676)
NIIT Insurance Technologies Ltd.	UK	Software services	100%	£4,153,939	£3,383,029
NIIT Technologies S.A.	Spain	Software services	100%	€ 3,100,207	(€ 516,921)
NIIT Technologies Brazil Ltda.	Brazil	Software services	99%	BRL 17,012	(BRL186,688)

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. During the year, an impairment provision of £21 (2015: Nil) was made to reflect the diminution in the investment in NIIT Technologies N.V., Belgium. The directors believe that the carrying value of the investments is supported by their respective projected future cash flows.

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Notes to the Financial Statements for the year ended 31 March 2016 (continued)

14 Receivables

	2016		2015	
	£	INR	£	INR
Trade receivables	98,49,558	93,73,03,638	96,76,689	89,55,40,796
Amounts owed by group undertakings	3,83,453	3,64,90,154	3,97,719	3,68,07,382
Other receivables	1,45,826	1,38,77,094	35,508	32,86,130
Deferred tax asset (see note 11)	40,618	38,65,290	49,820	46,10,652
Prepayments and accrued income	3,60,948	3,43,48,534	2,27,221	2,10,28,440
	1,07,80,403	1,02,58,84,710	1,03,86,957	96,12,73,400

Amounts owed by group undertakings for the current and previous reporting period represent trade balances which are unsecured, non-interest bearing and within stipulated payment terms.

15 Payables - amounts falling due within one year

	2016		2015	
	£	INR	£	INR
Trade payables	2,48,660	2,36,62,983	54,128	50,09,341
Amounts owed to group undertakings	19,58,282	18,63,54,032	77,16,447	71,41,27,847
Corporation tax	1,77,166	1,68,59,471	88,561	81,95,984
Other taxation and social security	15,09,180	14,36,16,587	14,13,088	13,07,75,925
Other payables	39,296	37,39,486	9,048	8,37,358
Accruals and deferred income	14,18,769	13,50,12,896	12,52,785	11,59,40,491
	53,51,353	50,92,45,454	1,05,34,057	97,48,86,946

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

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16 Called up, allotted and fully paid up share capital

	2016		2015	
	£	INR	£	INR
Authorised				
7,000,000 (2015: 7,000,000) ordinary shares of £1 each				
	70,00,000	66,61,34,000	70,00,000	64,78,23,400
Allotted and fully paid				
3,276,427 (2015: 3,276,427) ordinary shares of £1 each				
	32,76,427	31,17,91,346	32,76,427	30,32,20,868

17 Reserves

Retained earnings

The retained earnings include all current and prior period retained profits and losses.

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.

18 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 13 July 2015. 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

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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 empees	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)
13-Jul-15	388.95	10.00	1	12,000	1	34.42%	4	2.5	7.68%	3.25%	350.29
					2	34.62%	5	3.5	7.81%	3.25%	339.46
					3	35.61%	6	4.5	7.88%	3.25%	328.95
15-Oct-14	393.70	393.70	1	21,000	1	35.17%	4	2.5	8.46%	3.82%	95.22
					2	35.98%	5	3.5	8.47%	3.82%	112.19
					3	35.38%	6	4.5	8.48%	3.82%	122.43
15-Oct-14	393.70	10.00	1	15,000	1	35.17%	4	2.5	8.46%	3.82%	349.75
					2	35.98%	5	3.5	8.47%	3.82%	336.97
					3	35.38%	6	4.5	8.48%	3.82%	324.67
02-Sep-13	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
02-Sep-13	294.80	10.00	1	21,000	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

* Expected dividends expressed as a dividend yield

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Notes to the Financial Statements for the year ended 31 March 2016 (continued)

18 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
15-Oct-14	21,000	1	7,000
		2	7,000
		3	7,000
15-Oct-14	15,000	1	5,000
		2	5,000
		3	5,000
02-Sep-13	100,000	1	20,000
		2	20,000
		3	20,000
		4	20,000
		5	20,000
02-Sep-13	21,000	3	7,000
		4	7,000
		5	7,000
13-Jul-15	12,000	1	4,000
		2	4,000
		3	4,000

As the life of the option 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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The expected volatility for the options granted during the current reporting period 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 2016 is shown below:

	2016		2015	
	Number	Weighted average exercise price INR Rs	Number	Weighted average exercise price INR Rs
Outstanding at 1 April	171,000	216.19	266,875	173.28
Granted	12,000	10.00	36,000	222.83
Lapsed	-	-	(25,500)	203.26
Exercised	14,000	10.00	(106,375)	117.62
Outstanding at 31 March	169,000	218.63	171,000	216.19
Exercisable at 31 March	169,000	218.63	171,000	216.19

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Notes to the Financial Statements for the year ended 31 March 2016 (continued)

18 Share based payments (continued)

Range of Exercise Price	Weighted average exercise	Number of shares	Weighted average remaining life	
			Expected	Contractual
Rs 393.70	Rs 393.70	21,000	3	6
Rs 10.00	Rs 10.00	15,000	3	6
Rs 282.00	Rs 282.00	100,000	3.5	7
Rs 10.00	Rs 10.00	21,000	3.5	7
Rs 10.00	Rs 10.00	12,000	3.5	7

During the current reporting period 14,000 (2015: 106,375) options were exercised. The weighted average share price for options exercised during the year is Rs.10.00 (2015: Rs. 117.62). The net charge for the year relating to employee share based payment plans was £89,480 (2015: £84,583), all of which related to equity share based payment transactions.

19 Contingent liabilities and financial commitments

Bank guarantees totalling \$29,400 (£20,424) have been issued by Lloyds Bank in favour of Turkish Airlines Inc., to fulfil the obligations of the Company under the 'Testing Services for Comis Cargo Project'.

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 Nil (2015: £Nil).

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At 31 March 2016 the Company had total commitments under non-cancellable operating leases payable as follows:

	2016				2015			
	Land and buildings	Other	Land and buildings	Other	Land and buildings	Other	Land and buildings	Other
	£	£	INR	INR	£	£	INR	INR
Within one year	103	-	9,802	-	189	-	17,491	-
Within two to five years	-	-	-	-	-	-	-	-
	103	-	9,802	-	189	-	17,491	-

20 Related party transactions

The Company has taken advantage of the exemption in FRS 102 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 Related party transactions (continued)

During the year, the group undertook the below stated related party transactions with NIIT Limited, UK which through its holding Company owns 23.69% (2015: 23.74%) 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 £69,375 (2015: £54,313). A year-end balance owed by NIIT Limited, UK is held within receivables amounting to £8,342 (2015: £5,314).

NIIT Inc., USA rendered services to NIIT Technologies Limited, UK during the year totalling £ Nil (2015: £9,846). The year-end balance owed to NIIT Inc., USA is held within trade payables amounting to £9,846 (2015: £9,846).

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Notes to the Financial Statements for the year ended 31 March 2016 (continued)

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 £193,988 (2015: £194,227) paid into defined contribution pension schemes. There is an accrual at the year-end for £24,265 (2015: £17,255).

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 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 consolidated 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>