

GHOSH KHANNA & CO.
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

THE MEMBERS NIIT TECHNOLOGIES CO LTD., JAPAN

Report on the Financial Statements

1. We have audited the attached Balance Sheet of **NIIT TECHNOLOGIES CO LTD., JAPAN** as at 31st March, 2013 and the related Profit and Loss Statement for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Company in accordance with the Accounting Standards. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. The Company incurred a net loss of JPY 37.22 Mn during the year ended March 31, 2013 and as of that date; the company has net current assets of JPY 4.64 Mn. These factors raise substantial doubt that the Company will be able to continue as a going concern.



Branches:

6. In our opinion and to the best of our information and according to the explanation given to us, the said accounts together with notes thereto and Statement on Significant Accounting Policies give the information, to give, a true and fair view in conformity with the generally accepted accounting principles.

- (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2013 and
- (ii) In the case of the Profit and Loss Statement, of the Loss for the year ended on that date.

For **GHOSH KHANNA & CO.**
CHARTERED ACCOUNTANTS
Firm Registration No. 003366N

Rohit

ROHIT KOHLI
PARTNER
Membership No.87722

Place : New Delhi
Date :



NIIT TECHNOLOGIES CO. LTD.

Balance Sheet as at 31st March 2013

	PARTICULARS	Notes	As at 31st March 2013 JPY	As at 31st March 2012 JPY
I	EQUITY AND LIABILITIES			
1	Shareholders' funds			
	Share capital	3	40,88,70,475	40,88,70,475
	Reserves and surplus	4	(40,42,33,336)	(36,70,12,879)
2	Current liabilities			
	Trade Payables	5	2,35,78,707	1,82,10,972
	Other current liabilities	6	4,88,039	12,21,349
	TOTAL		2,87,03,885	6,12,89,917
II	ASSETS			
1	Non-current assets			
	Fixed assets	7		
	Tangible assets		-	7,47,600
2	Current assets			
	Cash and bank balances	11	2,28,09,749	4,47,83,116
	Short-term loans and advances	9	10,70,440	9,62,835
	Trade receivables	10	48,23,696	1,47,96,366
	TOTAL		2,87,03,885	6,12,89,917

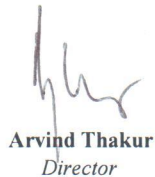
The accompanying notes referred to above form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date

For and on behalf of the Board



Rohit Kohli
Partner
Membership No. 87722
For and on behalf of
Ghosh Khanna & Co
Chartered Accountants
Firm Registration No. 003366N



Arvind Thakur
Director



Shoji Odai
Director



Place: New Delhi
Date:

NIIT TECHNOLOGIES CO. LTD.

Statement of Profit & Loss for the year ended 31st March 2013

PARTICULARS		Notes	Year ended 31st March 2013 JPY	Year ended 31st March 2012 JPY
INCOME				
I.	Revenue from Operations	13	4,75,85,566	5,37,40,041
II.	Other Income	14	19,679	14,47,303
III.	Total Revenue (I + II)		4,76,05,245	5,51,87,344
EXPENDITURE				
IV.	Production, Development and Execution	15	53,16,378	1,51,06,780
	Employee Benefits Expense	16	4,75,16,979	4,18,38,236
	Other Expenses	17	3,04,18,520	1,99,76,820
	Depreciation and Amortization Expenses	7	1,20,500	1,65,100
	Total Expenses		8,33,72,377	7,70,86,936
V.	Profit before tax (III- IV)		(3,57,67,132)	(2,18,99,592)
VI.	Tax expense: (1) Current tax		14,53,325	12,02,295
VII.	Profit (Loss) for the period		(3,72,20,457)	(2,31,01,887)

The accompanying notes referred to above form an integral part of the Profit and Loss Statement

This is the Profit and Loss Statement referred to in our report of even date

For and on behalf of the Board

Rohit Kohli

Rohit Kohli
Partner
Membership No. 87722
For and on behalf of
Ghosh Khanna & Co
Chartered Accountants
Firm Registration No. 003366N

Arvind Thakur
Arvind Thakur
Director

Shoji Odai
Shoji Odai
Director



Place: New Delhi
Date:

NIIT TECHNOLOGIES CO. LTD.

3	SHARE CAPITAL	As at 31st March 2013 JPY	As at 31st March 2012 JPY
	Authorised 32000 Equity Shares of JPY ---/- each 32000 Equity Shares of JPY ---/- each	40,88,70,475	40,88,70,475
		<u>40,88,70,475</u>	<u>40,88,70,475</u>
	Issued 32000 Equity Shares of JPY 1/- each (Previous year 32000 Equity Shares of JPY. 1/- each)	40,88,70,475	40,88,70,475
		<u>40,88,70,475</u>	<u>40,88,70,475</u>
	Subscribed and fully paid 32000 Equity Shares of JPY 1/- each (Previous year 32000 Equity Shares of JPY. 1/- each)	40,88,70,475	40,88,70,475
		<u>40,88,70,475</u>	<u>40,88,70,475</u>

3.1	Reconciliation of the number of shares outstanding	31st March 2013		31st March 2012	
		No. of shares	Value JPY	No. of shares	Value JPY
	Equity Shares				
	Shares outstanding at the beginning of the year	40,88,70,475	40,88,70,475	40,88,70,475	40,88,70,475
	Shares Issued during the year	-	-	-	-
	Shares bought back during the year	-	-	-	-
	Shares outstanding at the end of the year	<u>40,88,70,475</u>	<u>40,88,70,475</u>	<u>40,88,70,475</u>	<u>40,88,70,475</u>

3.2	Shares in respect of each class in the company held by	Name of the company	Class of shares Equity/ Preference	As at	As at
				31st March 2013 No. of shares	31st March 2012 No. of shares
	Holding company	NIIT Technologies Inc USA	Equity	40,88,70,475	40,88,70,475
	Ultimate holding company				
	Subsidiaries of holding company;				
	Subsidiaries of ultimate holding company;				
	Associates of holding company				
	Associates of ultimate holding company				



NIIT TECHNOLOGIES CO. LTD.

4	RESERVES AND SURPLUS	As at 31st March 2013 JPY	As at 31st March 2012 JPY
	Profit & Loss Account		
	Balance Brought Forward from Previous year	(36,70,12,879)	(34,39,10,992)
	Add : Current Year Profit / (Loss) attributable to Share Holders	(3,72,20,457)	(2,31,01,887)
	Less:-		
	Proposed Dividend on Equity Shares	-	-
	Corporate Dividend Tax	-	-
	Transferred to General Reserve	-	-
	Transferred to/ (from) Debenture Redemption Reserve	-	-
	Share in Corporate Dividend Tax of Associates	-	-
		(40,42,33,336)	(36,70,12,879)
		<u>(40,42,33,336)</u>	<u>(36,70,12,879)</u>



NIIT TECHNOLOGIES CO. LTD.

5	Trade Payables	Current	
		As at 31st March 2013 JPY	As at 31st March 2012 JPY
	- Due to Micro Enterprises and Small Enterprises	-	-
	- Due to Others	2,35,78,707	1,82,10,972
		2,35,78,707	1,82,10,972

6	OTHER LIABILITIES	Current Liabilities	
		As at 31st March 2013 JPY	As at 31st March 2012 JPY
	Deferred Revenue	1,23,750	-
	Other Payables	3,64,289	12,21,349
		4,88,039	12,21,349



NIIT TECHNOLOGIES CO. LTD.

7 Fixed Assets

Description of Assets	GROSS BLOCK			DEPRECIATION AND AMORTISATION			NET BLOCK			
	Cost As on 01.04.2012	Additions during the year	Sales / Adj. during the year	Total as on 31.03.2013	As on 01.04.2012	For the year	Sales / Adj. during the year	Total as on 31.03.2013	As on 31.03.2012	As on 31.03.2013
i) Tangible										
Plant & Equipment	8,88,771	-	7,14,971	1,73,800	7,94,171	56,700	6,77,071	1,73,800	94,600	-
- Plant & Machinery										
Furniture & Fixtures	9,90,000	-	9,90,000	-	3,37,000	63,800	4,00,800	-	6,53,000	-
- Owned										
Sub Total (a)	18,78,771	-	17,04,971	1,73,800	11,31,171	1,20,500	10,77,871	1,73,800	-	7,47,600
ii) Intangible										
Sub Total (b)	-	-	-	-	-	-	-	-	-	-
Total (a+b)	18,78,771	-	17,04,971	1,73,800	11,31,171	1,20,500	10,77,871	1,73,800	-	7,47,600
Previous Year	18,78,771	-	-	18,78,771	9,66,071	1,65,101	-	11,31,172	7,47,599	9,12,700



NIIT TECHNOLOGIES CO. LTD.

8 Deferred Tax Asset

The Company has not recognized any deferred tax assets in view of unavailability of the sufficient profit to absorb the losses.



NIIT TECHNOLOGIES CO. LTD.

9	LOANS AND ADVANCES	Short Term	
		As at 31st March 2013 JPY	As at 31st March 2012 JPY
i)	Security Deposits Receivable (refer note below)		
	Unsecured, considered good	-	16,36,850
	Unsecured, considered doubtful		
	Less: Provision for doubtful security deposits		
	(A)	-	16,36,850
ii)	Advances recoverable in cash or in kind (refer note below)		
	Unsecured, considered good	27,70,440	5,73,885
	Unsecured, considered doubtful	-	-
	Less: Provision for doubtful advances	-	-
	(B)	27,70,440	5,73,885
	Advance Tax	-	-
	Less : Provision for Tax	(17,00,000)	(12,47,900)
		(17,00,000)	(12,47,900)
	(C)	-17,00,000	-12,47,900
	Total (A+B+C)	10,70,440	9,62,835



NIIT TECHNOLOGIES CO. LTD.

10 Trade Receivables	Current	
	As at 31st March 2013 JPY	As at 31st March 2012 JPY
Other Trade Receivables		
Unsecured, considered good	48,23,696	1,47,96,366
Unsecured, considered doubtful	-	-
Less: Provision for doubtful debts	-	-
	48,23,696	1,47,96,366
	48,23,696	1,47,96,366



NIIT TECHNOLOGIES CO. LTD.

11 Cash and Bank Balances	Current	
	As at 31st March 2013 JPY	As at 31st March 2012 JPY
Cash and cash equivalents:		
Balance with banks		
Current Accounts	2,28,09,749	4,47,83,116
Bank deposits with original maturity of 3 months or less	-	-
Cash on hand	-	-
Cheques, drafts on hand	-	-
	2,28,09,749	4,47,83,116

12 Contingent Liabilities

The Management has confirmed that there has no pending litigation going on against the company and filed by the company against others.



NIIT TECHNOLOGIES CO. LTD.

13	Revenue from Operations	Year ended 31st March 2013 JPY	Year ended 31st March 2012 JPY
	Sale of Services	4,75,85,566	5,37,40,041
		<u>4,75,85,566</u>	<u>5,37,40,041</u>

14	Other Income	Year ended 31st March 2013 JPY	Year ended 31st March 2012 JPY
	Interest Income	18,142	11,571
	Gain on foreign currency translation and transaction (net)	-	13,37,477
	Other non-operating income (net of expenses)	1,537	98,255
		<u>19,679</u>	<u>14,47,303</u>

15	Production, Development and Bought Out Packages	Year ended 31st March 2013 JPY	Year ended 31st March 2012 JPY
	Software Development - Offshore	-	1,02,06,780
	Professional Services Expenses for Production	53,16,378	49,00,000
		<u>53,16,378</u>	<u>1,51,06,780</u>



NIIT TECHNOLOGIES CO. LTD.

16	Employee Benefits Expenses	Year ended 31st March 2013 JPY	Year ended 31st March 2012 JPY
	Salaries and Benefits	4,56,88,291	3,81,56,802
	Contribution to Provident and Other Funds	3,14,346	24,29,931
	Welfare and Other expenses	15,14,342	12,51,503
		<u>4,75,16,979</u>	<u>4,18,38,236</u>



NIIT TECHNOLOGIES CO. LTD.

17 Other Expenses	Year ended 31st March 2013 JPY	Year ended 31st March 2012 JPY
Rent	32,95,829	25,63,500
Communication	37,36,397	33,14,485
Legal and Professional	1,07,96,919	65,81,789
Traveling and Conveyance	51,40,713	47,41,679
Insurance	7,77,013	6,29,918
Repairs and Maintenance - Others	41,661	77,422
Loss on Sale of Fixed Assets (Net)	6,27,100	-
Loss on foreign currency translation and transaction (net)	33,33,649	-
Bank Charges	1,55,334	86,909
Advertisement and Publicity	14,286	-
Other Marketing Expenses	6,61,543	9,30,616
Sundry Expenses	18,38,076	10,50,502
	<u>3,04,18,520</u>	<u>1,99,76,820</u>

18 Payment to Auditors	Year ended 31st March 2013 JPY	Year ended 31st March 2012 JPY
Audit fee	4,86,853	4,91,613
	<u>4,86,853</u>	<u>4,91,613</u>



NIIT TECHNOLOGIES CO., LIMITED, JAPAN

Notes to Accounts for the year ended 31st March 2013

Note 1 : Statement on Significant Accounting Policies

The financial statements are prepared on an accrual basis, under historical cost convention and in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India. The disclosure requirements as specified in the Schedule VI to the Companies Act, 1956 have been complied with to the extent practicable. The significant accounting policies adopted by the company are detailed below:

(i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financials statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

(ii) Fixed Assets and Depreciation

Fixed Assets are stated at acquisition cost.

Depreciation is charged on a pro-rata basis on the straight-line method over the estimated useful lives of the assets determined as follows:-

File servers, high ended workstations/servers, networking equipments, related accessories and software	5-6 years
Software	5-6 years
Electronic Equipments	5-6 years
Furniture and Fixtures	5-6 years

(iii) Revenue Recognition

The company recognizes revenue on accrual basis. Revenue in respect of IT enabled services is recognized based on services performed in accordance with specific agreements with the customers. The Company also derives revenue from fixed price contracts where revenue is recognized based on percentage completion method. Foreseeable loss on contract completion is provided for as soon as these are known.

(iv) Retirement Benefits

Contributions are made by the Company to the social security schemes and charged off as expense when incurred.



(v) Foreign Currency Transactions

Functional Currency

The functional currency of the company is Japanese Yen, being the currency in which the company transacts its sales and purchases.

Transactions and balances

Transactions in currencies other than Japanese Yen are recorded at the rates of exchange prevailing on the date of transaction. At each balance sheet date, recorded monetary balances that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange Differences

All exchange differences are included in the profit and loss statement for the year.

(vi) Operating Lease

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of leased item are classified as operation leases. Operating lease payments are recognized as an expense in the profit and loss statement on a straight-line basis over the lease term.

(vii) Provisions and contingencies

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of the obligation cannot be made.

(viii) Income Tax

The tax expense comprise of both current and deferred tax.

The current tax expense is the tax payable on the current year's taxable income, capital and on expenses like salary, rent based on the provisions applicable under Japanese Taxation Laws.

Deferred tax assets and liabilities are recognized for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled based on those tax rates which are enacted or substantively enacted. As a matter of prudence deferred tax assets are recognized and carried forward only to the extent, there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.



Note 2: Other Notes

i) Related Party Disclosure as per Accounting Standard (AS) -18

- Related Parties of the Company where control exists:

A. Holding Company

Sr. No.	Name of Company	Remarks
1.	NIIT Technologies Limited	Ultimate Parent Company
2.	NIIT Technologies Inc, USA	Holding Company

B. Fellow Subsidiaries

Sr. No.	Name of Company	Remarks
1	NIIT Technologies Limited UK	Fellow Subsidiary
2	NIIT Thailand Limited, Thailand	Fellow Subsidiary
3	NIIT Benelux B.V., Netherlands	Fellow Subsidiary
4	NIIT Technologies Pty Ltd. Australia	Fellow Subsidiary
5	NIIT GIS Limited, India	Fellow Subsidiary
6	NIIT Belgium N.V., Belgium	Fellow Subsidiary
7	NIIT Smart Serve Limited, India	Fellow Subsidiary
8	NIIT Technologies AG, Germany	Fellow Subsidiary
9	NIIT Technologies AG, Switzerland	Fellow Subsidiary
10	NIIT Technologies GMBH, Germany	Fellow Subsidiary
11	NIIT Technologies Pte Limited, Singapore	Fellow Subsidiary
12	NIIT Smart Serve Limited, UK	Fellow Subsidiary
13	NIIT Insurance Technologies Limited U.K	Fellow Subsidiary
14	NIIT Technologies Services Limited – Adecco	Fellow Subsidiary
15	NIIT Technologies US Branch	Fellow Subsidiary
16	NIIT Technologies LTD Canada	Fellow Subsidiary
17	NIIT Airline Technologies GMBH Germany	Fellow Subsidiary
18	NIIT Technologies FZ LLC Dubai	Fellow Subsidiary
19	NIIT Healthcare Technologies Inc., USA	Fellow Subsidiary
20	NIIT Media Technologies Limited – Morris	Fellow Subsidiary
21	NIIT Technologies , S.A., Spain	Fellow Subsidiary

C. Key Managerial Personnel

Sr No.	Name	Remarks
1.	Mr Arvind Thakur	Director
2.	Mr Jayant Kumar	Director

D. Relatives of Key Managerial Personnel

Sr No.	Name	Remarks
NIL.....	

E. List of other Companies in which key Managerial Personnel are interested

Sr No.	Name of Companies/Firms	Remarks
NIL.....	



Details of transaction and balances with related parties:

Amount in JPY

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Managerial Personnel
Receiving of Services :			
NIIT Airline Technologies GMBH		5,316,378	
Management Services :			
NIIT Technologies Limited, India	165,306		
Transfer of Expenses			
NIIT Technologies Limited, India	8,639		
NIIT Technologies Pte Limited, Singapore		1,512,846	
Remuneration Paid:			
Mr Jayant Kumar			11,801,361

Outstanding Balances with related parties:

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Managerial Personnel
Payable :			
NIIT Technologies Inc, USA	8,991,780		
NIIT Airline Technologies GMBH		955,378	
NIIT Technologies Limited, India	71,910		
NIIT Technologies Pte Limited, Singapore		3,359,684	

ii) Disclosure of Leases as per Accounting Standard (AS) -19

a) Operating Leases Commitments:

As at balance sheet date, the commitments in respect of operating leases were as follows:
 - Total of future Minimum Lease Payments under cancellable leases in case of premises and equipments:

Particulars	In respect of Premises	In respect of Equipment
	Amount in JPY 31.03.2013	Amount in JPY 31.03.2013
Amount payable within 1 year	119,760	NIL
Amount payable within 2 to 5 years	NIL	NIL
Amount payable beyond 5 years	NIL	NIL

- Aggregate payments during the year under operating leases amount to JPY 3,295,829 (Previous Year JPY.2, 563,500)

b) Finance Leases:

The company has not entered into any Finance Leases.



iii) **Income Tax**

Current Tax: The Company has provided current taxes based on the Income Tax Regulations as applicable in Japan.

iv) Previous year figures have been regrouped wherever necessary to confirm to current year classification.

Revised
Rohit Kohli
Partner
Ghosh Khanna & Co.
Chartered Accountants


Arvind Thakur
Director


Shoji Odai
Director

Place: New Delhi
Dated:

