

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, 2014 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.

As on 31st March 2014, Net worth of the company is 0.45% of the Share Capital and also share capital is eroded to 99.55% as accumulated loss is JPY 407.02 Mn against the Share capital of JPY 408.87. The Company incurred a net loss of JPY 2.79 Mn during the year ended March 31, 2014 and as of that date; the company has net current assets of JPY 1.85 Mn. These factors raise substantial doubt that the Company will be able to continue as a going concern.

5. 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, 2014 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 :

Branches:



NIIT TECHNOLOGIES CO., LIMITED, JAPAN

Notes to Accounts for the year ended 31st March 2014

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 2.17 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 India	Fellow Subsidiary
2	NIIT Technologies Limited UK	Fellow Subsidiary
3	NIIT Thailand Limited, Thailand	Fellow Subsidiary
4	NIIT Technologies PTE Limited, Singapore	Fellow Subsidiary
5	NIIT Technologies PTY Limited, Australia	Fellow Subsidiary
6	NIIT Benelux B.V., Netherlands	Fellow Subsidiary
7	NIIT Technologies Co. Limited, Japan	Fellow Subsidiary
8	NIIT GIS Limited, India	Fellow Subsidiary
9	NIIT Belgium N.V., Belgium	Fellow Subsidiary
10	NIIT Smart Serve Limited, India	Fellow Subsidiary
11	NIIT Technologies AG, Germany	Fellow Subsidiary
12	NIIT Technologies AG, Switzerland	Fellow Subsidiary
13	NIIT Technologies GMBH, Germany	Fellow Subsidiary
14	NIIT Technologies Inc., USA	Fellow Subsidiary
15	NIIT Smart Serve Limited, UK	Fellow Subsidiary
16	NIIT Insurance Technologies Limited	Fellow Subsidiary
17	NIIT Technologies Services Limited - Adecco	Fellow Subsidiary
18	NIIT Technologies US Branch	Fellow Subsidiary
19	NIIT Technologies LTD Canada	Fellow Subsidiary
20	NIIT Airline Technologies GmbH	Fellow Subsidiary
21	NIIT Technologies FZ LLC Dubai	Fellow Subsidiary
22	NIIT Media Technologies Limited – Morris	Fellow Subsidiary
23	NIIT Technologies S.A., (erstwhile Proyecta Systemas de Information S.A)	Fellow Subsidiary
24	NIIT Technologies Philippines INC.	Fellow Subsidiary
25	NIIT Technologies ltd Ireland Branch	Fellow Subsidiary
26	NIIT Technologies Brazil Ltd	Fellow Subsidiary

C. Key Managerial Personnel

Sr No.	Name	Remarks
1.	Mr Arvind Thakur	Director
2.	Mr Shoji Odai	Director
3.	Mr. Anil Mehrotra	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:

Nature of Transaction	Holding Company	Fellow Subsidiaries	Amount in JPY
			Key Managerial Personnel
Receiving of Services :			
NIIT Airline Technologies GMBH		1,764,000	
NIIT Technologies Inc., USA	20,186,883		
Management Services :			
NIIT Technologies Limited, India	49,528		
Transfer of Expenses			
NIIT Technologies Limited, India	25,319		
NIIT Technologies Pte Limited, Singapore		-	
Remuneration Paid/Payable			
Mr Shoji Odai			750,000

Outstanding Balances with related parties:

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Managerial Personnel
Payable :			
NIIT Technologies Inc, USA	27,581,624		

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 31.03.2014	Amount in JPY 31.03.2014
Amount payable within 1 year	NIL	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 57,030 (Previous Year JPY. 3,295,829)



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.

Rohit Kohli

Rohit Kohli
Partner
Ghosh Khanna & Co.
Chartered Accountants

Arvind Thakur

Arvind Thakur
Director

Anil Mehrotra

Anil Mehrotra
Director

Place: New Delhi
Dated:



NIIT TECHNOLOGIES CO. LTD.

Balance Sheet as at 31st March 2014

PARTICULARS		Notes	As at 31st March 2014 JPY	As at 31st March 2013 JPY
I	EQUITY AND LIABILITIES			
1	Shareholders' funds			
	Share capital	2.1	408,870,475	408,870,475
	Reserves and surplus	2.2	(407,020,131)	(404,233,336)
2	Current liabilities			
	Trade Payables	2.3	33,522,288	23,578,707
	Other current liabilities	2.4	20,499	488,039
	TOTAL		35,393,131	28,703,885
II	ASSETS			
1	Non-current assets			
	Fixed assets	2.5	-	-
	Tangible assets			
2	Current assets			
	Cash and bank balances	2.7	34,316,141	22,809,749
	Short-term loans and advances	2.9	5,990	1,070,440
	Trade receivables	2.10	1,071,000	4,823,696
	TOTAL		35,393,131	28,703,885

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

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

Anil Mehrotra

Anil Mehrotra
Director



Place: New Delhi
Date:

NIIT TECHNOLOGIES CO. LTD.

Statement of Profit & Loss for the year ended 31st March 2014

PARTICULARS	Notes	Year ended	Year ended
		31st March 2014 JPY	31st March 2013 JPY
INCOME			
I. Revenue from Operations	2.11	44,949,638	47,585,566
II. Other Income	2.12	6,222	19,679
III. Total Revenue (I + II)		44,955,860	47,605,245
EXPENDITURE			
IV. Production, Development and Execution	2.13	21,950,883	5,316,378
Employee Benefits Expense	2.14	12,201,764	47,516,979
Other Expenses	2.15	13,590,008	30,418,520
Depreciation and Amortization Expenses	2.5	-	120,500
Total Expenses		47,742,655	83,372,377
V Profit before tax (III- IV)		(2,786,795)	(35,767,132)
VI Tax expense:			
Current tax		-	1,453,325
VII Profit (Loss) for the period		(2,786,795)	(37,220,457)

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

Anil Mehrotra

Anil Mehrotra
Director

Place: New Delhi
Date:



NIIT TECHNOLOGIES CO. LTD.

2.1	SHARE CAPITAL	As at	
		31st March 2014	31st March 2013
		JPY	
	Authorised		
	2092 Equity Shares of JPY 50,000/- each	104,600,000	104,600,000
	1 Equity Shares of JPY 70,475/- each	70,475	70,475
	6000 Equity Shares of JPY 50,700/- each	304,200,000	304,200,000
		408,870,475	408,870,475
	Issued		
	2092 Equity Shares of JPY 50,000/- each	104,600,000	104,600,000
	1 Equity Shares of JPY 70,475/- each	70,475	70,475
	6000 Equity Shares of JPY 50,700/- each	304,200,000	304,200,000
		408,870,475	408,870,475
	Subscribed and fully paid		
	2092 Equity Shares of JPY 50,000/- each	104,600,000	104,600,000
	1 Equity Shares of JPY 70,475/- each	70,475	70,475
	6000 Equity Shares of JPY 50,700/- each	304,200,000	304,200,000
		408,870,475	408,870,475

Reconciliation of the number of shares outstanding	31st March 2014		31st March 2013	
	No. of shares	Value JPY	No. of shares	Value JPY
Equity Shares				
Shares outstanding at the beginning of the year	8,093	408,870,475	8,093	408,870,475
Shares Issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	8,093	408,870,475	8,093	408,870,475

Shares in respect of each class in the company held by	Name of the company	Class of shares Equity/ Preference	As at 31st March 2014 No. of shares	As at 31st March 2013 No. of shares
Holding company	NIIT Technologies Inc USA	Equity	8,093	8,093
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.

2.2	RESERVES AND SURPLUS	As at 31st March 2014 JPY	As at 31st March 2013 JPY
	Profit & Loss Account		
	Balance Brought Forward from Previous year	(404,233,336)	(367,012,879)
	Add : Current Year Profit / (Loss) attributable to Share Holders	(2,786,795)	(37,220,457)
	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	-	-
		<u>(407,020,131)</u>	<u>(404,233,336)</u>
		<u>(407,020,131)</u>	<u>(404,233,336)</u>



NIIT TECHNOLOGIES CO. LTD.

2.3	Trade Payables	Current	
		As at 31st March 2014 JPY	As at 31st March 2013 JPY
	- Due to Micro Enterprises and Small Enterprises	-	-
	- Due to Others	33,522,288	23,578,707
		33,522,288	23,578,707

2.4	OTHER LIABILITIES	Current Liabilities	
		As at 31st March 2014 JPY	As at 31st March 2013 JPY
	Deferred Revenue	41,250	123,750
	Other Payables	(20,751)	364,289
		20,499	488,039



NIT TECHNOLOGIES CO. LTD.

2.5 Fixed Assets

(Amount in JPY)

Description of Assets	GROSS BLOCK			DEPRECIATION AND AMORTISATION			NET BLOCK	
	Cost As on 01.04.2013	Additions during the year	Sales / Adj. during the year	Totals as on 31.03.2014	As on 01.04.2013	For the year	Sales / Adj. during the year	Total as on 31.03.2014
<u>ii. Tangible</u>								
Plant & Equipment								
- Plant & Machinery	173,800	-	-	173,800	173,800	-	-	173,800
Furniture & Fixtures	-	-	-	-	-	-	-	-
-Owned	-	-	-	-	-	-	-	-
Sub Total (a)	173,800	-	-	173,800	173,800	-	-	173,800
<u>iii. Intangible</u>								
Sub Total (b)	-	-	-	-	-	-	-	-
Total (a+b)	173,800	-	-	173,800	173,800	-	-	173,800
Previous Year	1,878,771	-	1,704,971	1,131,171	1,131,171	120,500	1,077,871	173,800
								747,600



NIIT TECHNOLOGIES CO. LTD.

2.6 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.

2.7	Cash and Bank Balances	Current	
		As at 31st March 2014 JPY	As at 31st March 2013 JPY
	Cash and cash equivalents: Balance with banks Current Accounts	34,316,141	22,809,749
		34,316,141	22,809,749

2.8 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.

2.9	LOANS AND ADVANCES	Short Term	
		As at 31st March 2014 JPY	As at 31st March 2013 JPY
	Advances recoverable in cash or in kind (refer note below)		
	Unsecured, considered good	371,541	2,770,440
	Unsecured, considered doubtful	-	-
	Less: Provision for doubtful advances	-	-
	(A)	371,541	2,770,440
	Advance Tax	-	-
	Less : Provision for Tax	(365,551)	(1,700,000)
		(365,551)	(1,700,000)
	(B)	(365,551)	(1,700,000)
	Total (A+B)	5,990	1,070,440



NIIT TECHNOLOGIES CO. LTD.

2.10	Trade Receivables	Current	
		As at 31st March 2014 JPY	As at 31st March 2013 JPY
	Other Trade Receivables		
	Unsecured, considered good	1,071,000	4,823,696
	Unsecured, considered doubtful	-	-
	Less: Provision for doubtful debts	-	-
		1,071,000	4,823,696
		1,071,000	4,823,696



NIIT TECHNOLOGIES CO. LTD.

2.11	Revenue from Operations	Year ended 31st March 2014 JPY	Year ended 31st March 2013 JPY
	Sale of Services	44,949,638	47,585,566
		<u>44,949,638</u>	<u>47,585,566</u>

2.12	Other Income	Year ended 31st March 2014 JPY	Year ended 31st March 2013 JPY
	Interest Income	5,153	18,142
	Other non-operating income (net of expenses)	1,069	1,537
		<u>6,222</u>	<u>19,679</u>

2.13	Production, Development and Bought Out Packages	Year ended 31st March 2014 JPY	Year ended 31st March 2013 JPY
	Software Development - Offshore	20,186,883	-
	Professional Services Expenses for Production	1,764,000	5,316,378
		<u>21,950,883</u>	<u>5,316,378</u>



NIIT TECHNOLOGIES CO. LTD.

2.14	Employee Benefits Expenses	Year ended 31st March 2014 JPY	Year ended 31st March 2013 JPY
	Salaries and Benefits	12,081,417	45,688,291
	Contribution to Provident and Other Funds	111,847	314,346
	Welfare and Other expenses	8,500	1,514,342
		<u>12,201,764</u>	<u>47,516,979</u>



NIIT TECHNOLOGIES CO. LTD.

2.15 Other Expenses	Year ended 31st March 2014 JPY	Year ended 31st March 2013 JPY
Rent	57,030	3,295,829
Communication	1,772,225	3,736,397
Legal and Professional	9,679,089	10,796,919
Traveling and Conveyance	371,908	5,140,713
Insurance	787,835	777,013
Repairs and Maintenance - Others	42,840	41,661
Loss on Sale of Fixed Assets (Net)	-	627,100
Loss on foreign currency translation and transaction (net)	726,542	3,333,649
Bank Charges	68,830	155,334
Advertisement and Publicity	-	14,286
Other Marketing Expenses	-	661,543
Sundry Expenses	83,709	1,838,076
	<u>13,590,008</u>	<u>30,418,520</u>

6 Payment to Auditors	Year ended 31st March 2014 JPY	Year ended 31st March 2013 JPY
Audit fee	598,415	492,408
	<u>598,415</u>	<u>492,408</u>

