

ANNUAL REPORT 2004-05



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**Board of Directors**

Rajendra S Pawar  
*Chairman*

Arvind Thakur  
*Chief Executive Officer &  
Whole-time Director*

Vijay K Thadani  
*Director*

Subroto Bhattacharya  
*Director*

Surendra Singh  
*Director*

Amit Sharma  
*Director*

**Company Secretary**

Rakesh K Prusti

**Group Chief Financial Officer**

Ashok Arora

**Chief Financial Officer**

K T S Anand

**Auditors**

Price Waterhouse

**Financial Institutions/Bankers**

ICICI Bank Limited  
Indian Overseas Bank  
Standard Chartered Bank Limited  
Citibank NA  
Wachovia Bank of Georgia  
Lloyds Bank  
Sumitomo Mitsui Banking Corporation

**Registered Office**

NIIT Technologies Ltd.  
NIIT House,  
C-125 Okhla Phase - 1  
New Delhi 110 020, India  
Email: investors@niit-tech.com  
Tel : +91-11-51407000  
Fax : +91-11-26817344

**Corporate Office**

NIIT Technologies Ltd.  
8, Balaji Estate,  
Sudarshan Munjal Marg,  
Kalkaji, New Delhi 110 019, India  
Email: webmaster@niit-tech.com  
Tel : +91-11-26482054  
Fax : +91-11-26203333

**Registrar & Share Transfer Agent**

Alankit Assignments Ltd.  
Unit - NIIT Technologies Ltd.  
205-208, Anarkali Complex,  
Jhandewalan Extn.,  
New Delhi-110055  
Tel : 51540060-63  
Fax : 51540064

**NIIT Technologies Website**

Corporate Website : [www.niit-tech.com](http://www.niit-tech.com)

In this Report, we have used terms that we use for NIIT Technologies staff and students. Staff members are NIITians, family members of staff are AffiNIITians.

*All trademarks acknowledged.*

# NIIT Technologies at a Glance

## Global IT Software and Services Company

- **Services Provided:**
  - ◆ Application Development & Maintenance
    - ◇ Custom Software Development
    - ◇ Legacy Maintenance & Modernization
    - ◇ Testing
  - ◆ Package Solutions and Managed Services
    - ◇ SAP
    - ◇ GIS
    - ◇ Testing
  - ◆ Business Process Outsourcing
- **Industry Verticals Served:**
  - ◆ Financial Services
  - ◆ Transportation
  - ◆ Retail
  - ◆ Manufacturing
  - ◆ Government
- **Offshore/India Development Centres:**
  - ◆ Bangalore, Delhi, Kolkata and Mumbai
- **Nearshore/International Development/ Support Centres:**
  - ◆ Atlanta and Charlotte in US
  - ◆ London and Stuttgart in Europe
  - ◆ Bangkok and Singapore in APAC
- **Technology Incubation Centre:**
  - ◆ Chennai
- **Global process assessments:**
  - ◆ ISO 9001:2000 certification from KPMG
  - ◆ Assessed at Level 5 of SEI-CMMi
  - ◆ Assessed at P CMM Level 3
  - ◆ BS7799 standards of security
- **Key customers include:**
  - ◆ British Airways, Sabre, ING Group, SEI Investments, Office Depot, Toyota Motors, Holcim
- **Operations in North America, Europe, Asia and Australia**
- **Awards & Acknowledgements**
  - ◆ The Superbrands Council declares NIIT Technologies as a Business Superbrand in its first listing of the most reputed corporate brands in India
  - ◆ Hindustan Times Power Jobs Award for HR Excellence for Innovative HR practices
  - ◆ NIIT SmartServe, ranked among Top 10 ITES companies in the Dataquest-IDC BPO employee satisfaction survey
  - ◆ NIIT GIS Limited, awarded Top Performance Award for its outstanding performance in the APAC region by ESRI Inc., USA
  - ◆ Prestigious International Headquarters status awarded to NIIT Technologies by Economic Development Board of Singapore
  - ◆ Debuts in the Top 20 IT Software and Services companies listing of NASSCOM 2004-05 in its first year of operations as an independent entity

# Directors' Report

Dear Shareowner,

The Board of Directors of your company take pleasure in presenting the Annual Report for the financial year ended March 31, 2005.

## Financial Results

The highlights of the financial results for the financial year 2004-05 are as follows -

Particulars	Rs. Mn	
	2004-05	2003-04
Consolidated Revenues	5432	4933
Income from operations (Stand Alone)	1859	1409
Other Income	69	82
<b>Total Income</b>	<b>1928</b>	<b>1492</b>
Profit before deprecation and taxes	609	402
Depreciation	213	215
Provision for tax and (deferred tax)	(6)	10
<b>Profit After Tax</b>	<b>402</b>	<b>177</b>
Earning Per Share (EPS) - Rs.	10.41	5.59

## Equity Share Capital

Pursuant to the Scheme of Arrangement as approved by the Hon'ble High Court of Delhi, the Company allotted 75 equity shares of Rs.10/- each for every 100 equity shares of Rs.10/- each held in NIIT Limited by its shareholders on the Record Date, i.e., July 16, 2004.

The Company allotted 28,986,960 equity shares of Rs.10/- each aggregating Rs.289,869,600/- to the shareholders of NIIT Limited on July 20, 2004, as per the Scheme of Arrangement as approved by the Hon'ble High Court of Delhi and the respective accounts of the shareholders' credited for those shareholders holding shares in dematerialized form and dispatched to those shareholders holding shares in physical form.

The fractional entitlements ignoring any fraction remaining after consolidation of the fractional entitlements have also been sold and the proceeds distributed to the equity shareholders of the Company in proportion to their fractional entitlements.

The shares of the Company have been listed on the stock exchanges at Mumbai, Delhi, Kolkata, Ahmedabad, Chennai and National Stock Exchange and trading in the same began w.e.f. August 30, 2004, on the National Stock Exchange and Bombay Stock Exchange.

## Debentures

In terms of the Scheme of Arrangement approved by the Hon'ble High Court of Delhi, the 6.50 percent Secured, Redeemable, Non-convertible Debentures aggregating Rs.500 Mn issued by NIIT Limited on May 26, 2003 in

Separately Tradable and Redeemable Principal Parts (STRPP) A to D, were transferred and vested with the Company. The STRPP-A aggregating Rs.100 Mn were redeemed on May 26, 2005. The above debentures have also been listed on the Wholesale Debt Market Segment of National Stock Exchange with effect from June 2, 2005.

## Review of global operations

The year gone by was the Company's first year of operations as an independent entity. The focus was on improving profitability and consolidating business in the focused verticals.

For the year under review, the Company recorded consolidated total income of Rs. 5504 Mn. The revenues from operations stood at Rs.5432 Mn while the profit before taxes was Rs. 634 Mn. The Company has recorded a consolidated net profit after taxes attributable to equity shareholders after Minority Interest of Rs. 585 Mn.

The three chosen industry verticals of Banking, Financial Services and Insurance; Transportation and Retail grew by 30 percent year on year in terms of their revenue size. Together, they contributed 62 percent of the consolidated revenues of the company.

The opening order book for the financial year 2005 was US\$ 122 Mn. At the end of this financial year, the Company has confirmed orders to the tune of US\$ 151 Mn, depicting a growth of 24 percent year on year.

In this year, the international segment contributed 90 percent of the consolidated revenues up from 87 percent last year. Continuing the focus on the European geography, your Company witnessed 32 percent growth from this region.

## Future Plans

The Company will continue to focus on select industry segments and strive for leadership in the chosen spaces. Business would be scaled, both by organic and inorganic means.

To support the increased activity, the Company shall be investing in additional capacity in various locations, for both segments of the business. In order to consolidate the distributed development centers, the Company would be investing in its own campus, for which 20 acres of land has been earmarked for this purpose, in Greater NOIDA.

## Transfer to Reserves

In accordance with the statutory regulations, the Company has transferred an amount of Rs.40 Mn to General Reserve (Rs.18 Mn last year) and has transferred an amount of Rs.39 Mn to the Debenture Redemption Reserve (Rs. 39 Mn last year).

## Dividend

In view of the confidence in the future, the Board of Directors is recommending a dividend of Rs.5.50 per equity share of Rs.10/- (previous year Rs.5.00 per equity share), subject to approval of the shareholders at the ensuing Annual General Meeting.

# Directors' Report (Contd.)

## Existing subsidiaries

The Global Solutions Business (GSB) Undertaking of NIIT Limited constituting software services and solutions including investment in subsidiaries engaged in business process outsourcing and geographical information services and other worldwide subsidiaries were transferred to the Company pursuant to the Scheme of Arrangement under Section 391 to Section 394 of the Companies Act, 1956 as approved by the Hon'ble High Court of Delhi vide order of May 18, 2004, read with orders of May 28, 2004 and May 31, 2004, from the Appointed Date, i.e., April 1, 2003. The above transfer of GSB undertaking into the Company became effective on June 4, 2004 (Effective Date) upon filing of the certified copy of the order of the Hon'ble High Court of Delhi with the Registrar of Companies, Delhi and Haryana from the Appointed Date, i.e., April 1, 2003.

In terms of Scheme of Arrangement, the Company and its subsidiaries (Group) were transferred beneficial interest in certain entities by NIIT Limited on a deemed basis as if the transfer was complete. The related transfers have been completed in the current year.

In terms of the Scheme of Arrangement in the previous year, 100 percent economic interest in NIIT Technologies Limited, UK, was transferred to the Group except that it's holding in NIIT Middle East WLL, Bahrain a company engaged in learning business was to be transferred to NIIT Antilles NV, Netherlands, a subsidiary of NIIT Limited. Similarly, 100 percent economic interest in NIIT Technologies Pte Limited, Singapore was transferred to the Group, except that its holding in NIIT Malaysia Sdn Bhd, Malaysia, engaged primarily in learning business was transferred to NIIT Antilles NV, Netherlands, a subsidiary of NIIT Limited.

In the previous year, NIIT Limited also transferred the economic interest in NIIT (USA) Inc., a subsidiary company of NIIT Limited (which was engaged in both Learning and Global Solution Business) to the extent it related to GSB carried by that company. The assets and liabilities to the extent relatable to the Global Solution Business of NIIT USA Inc., has been transferred to a new company NIIT Technologies Inc., USA on April 1, 2004, a subsidiary of the company.

## Corporate Governance

In order to enhance customer satisfaction and stakeholder value, the Company continues to benchmark its corporate governance practices with the best in the world in line with international norms.

The Company has complied with all the requirements regarding Corporate Governance as stipulated in Clause 49 of the Listing Agreements of the Stock Exchanges. For the financial year ended March 31, 2005, the compliance report is provided in the Corporate Governance Report attached to the Annual Report. The auditor's certificate on compliance to the conditions of Corporate Governance

stipulated in clause 49 of the Listing Agreements of the Stock Exchanges is annexed to this report.

The Company's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, accountability and equity in all facets of its operations and in all interactions with its stakeholders including shareholders, NIITians, lenders and the regulatory authorities.

## Directors

As per the provisions of the Companies Act, 1956 and Articles 67, 68 and 69 of the Articles of Association of the Company, Mr. Vijay K Thadani and Mr. Arvind Thakur, Directors of the Company, retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

## Directors responsibility statement

As required under Section 217 (2AA) of the Companies Act, 1956, the Directors of the Company hereby state and confirm -

- a) That in preparation of Annual Accounts for the financial year, applicable Accounting Standards have been followed along with the proper explanations relating to material departures;
- b) That the Directors have selected such accounting policies and applied them consistently, and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that year;
- c) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) That the annual accounts have been prepared on accrual basis and under historical cost convention and as a going concern.

Insofar as Note No.4 of the Auditors' Report on consolidated statement of accounts is concerned, the Company is of the view that no consolidation is required based on the opinion of experts.

**Information relating to Conservation of Energy, Technology Absorption, Research and Development and Exports and Foreign Exchange Earnings and Outgo.**

## - Conservation of energy

The operations of the Company are not energy-intensive. However, appropriate measures, wherever possible, have been initiated to conserve energy. The Company is continuously evaluating new technologies and invests in them to make its infrastructure more energy efficient.



## Directors' Report (Contd.)

### - Technology absorption

In today's world, perpetually evolving technologies and increasing competition define the global market space. In order to maintain its position of leadership, the Company has continuously and successfully developed further state-of-art methods for absorbing, adapting and effectively deploying new technologies. The research laboratories continue their impressive work in the leading edge of various technology areas and act as the technology window for your Company. During the year these laboratories also created and improved their basic tools and techniques that were effectively deployed for software development, building software products and creating training materials and new curricula for the global market place.

### - Research and Development

During the year, the Company continued its research in software engineering. These efforts have resulted in innovative products in software engineering to support both maintenance and development projects.

### - Export and Foreign exchange earnings and outgo

The details of foreign exchange earnings and outgo are mentioned in Note Nos.13, 14 and 15 contained in the Notes to Accounts (Schedule No.17) forming part of the Balance Sheet and Profit and Loss Account for the current year.

### Public Deposits

The Company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding on the date of the balance sheet.

### Human resources and Employee Stock Option Scheme

NIITians are the key resource for the Company. The Company has been able to create and continuously improved a favorable work environment that encourages novelty and meritocracy in all levels.

Employee Relations remained cordial at all the Company's locations. The Directors take this opportunity to record their appreciation for the outstanding contribution of all NIITians. They are also grateful to each of the employees for making commendable contributions to support the cause of Tsunami relief activities.

The required information as per Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, forms part of this Report. However, as per provisions of Section 219(1)(b)(iv) of the Companies Act 1956, the report and accounts are being sent to all shareholders of the Company excluding the Statement of Particulars of Employees under Section 217(2A) of the Act.

Any shareholder interested in obtaining a copy of the said Statement may write to the Company Secretary at the Registered Office of the Company.

The Directors, on the recommendations and approval of the Compensation Committee, approved the NTL Employee Stock Option Plan 2005 ("ESOP 2005"), in complete supersession of the earlier stock plan "NIIT Employee Stock Option Scheme (ESOP 2000)" of NIIT Limited, as vested and adopted by the Company as per the Scheme of Arrangement as approved by the Hon'ble High Court of Delhi, for the employees of the Company at their meeting held on April 8, 2005. This was necessary for attracting and motivating employee and rewarding their performance. The aim was also to retain the best talent and develop a sense of ownership among employees within the organisation. It also enabled the Company to align its stock option scheme to such changes and to synergize the same with the best practices in the industry. The ESOP 2005 is in complete supersession of ESOP 2000 of NIIT Limited as vested and adopted by the Company.

The approval of the members of the Company for the above was taken by way of postal ballot and was passed with a requisite majority on May 18, 2005.

### Auditors

M/s. Price Waterhouse, Chartered Accountants, the Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

### Particulars of subsidiary companies

The detailed Statement of Accounts of the subsidiaries of the Company are annexed to the Statement of Accounts of the Company.

### Acknowledgement

Your Directors take this opportunity to thank all investors, business partners, clients, technology partners, vendors, financial institutions/banks, regulatory and governmental authorities, media and Stock Exchanges for their continued support during the year. Your Directors place on record their appreciation of the contribution made by NIITians at all levels for their commendable teamwork, dedicated and wholehearted efforts.

For and on behalf of the Board

Place : New Delhi  
Dated : June 7, 2005

Rajendra S Pawar  
Chairman

# Management Discussion and Analysis

## Industry Environment

India has one of the highest concentration of IT and ITES professionals in the world. The success achieved by this sector can be gauged by the fact that its share of the national economic output has nearly doubled from 1.9 percent in 1999-2000 at Rs.253.1 Bn to 3.5 percent in 2003-04 (Rs.978.3 Bn) and is estimated to account for about 4.1 percent of the national GDP (Rs.1275.8 Bn) during 2004-05. During the same period, offshore revenues too have increased as a proportion of total IT services and ITES Exports from 43 percent to about 70 percent. The total number of IT and BPO professionals employed in India has grown from merely 284,000 in 1999-2000 to over a million in 2004-05.

A significant contribution to the growth of the industry has come from multinationals that are setting up R&D and product development centers in India, an emerging preferred global destination. Value-added services like Product development, package software implementation services and consulting services are set to grow in the future years as Indian IT companies mature and become innovative.

## NIIT Technologies - An Independent Entity

NIIT Technologies Limited (NTL) witnessed the spin off from NIIT Limited last year, pursuant to the Scheme of Arrangement under Sections 391-394 of the Companies Act, 1956, between the two entities. The shareholders and creditors approved the Scheme of Arrangement in March 2004. The necessary approvals from the Hon'ble High Court of Delhi were obtained in May 2004. The appointed date for the de-merger was fixed for April 1, 2003. Operations as an independent entity really commenced post the final Court clearances, in June 2004.

NIIT Technologies Limited embarked on the path to success with renewed vigor, out to create a niche for itself in its chosen spaces. The Company aspires to:

- Be amongst the leaders in its peer group, in the chosen spaces.
- Assume the mantle of leadership in Software Engineering and Process excellence
- Be valued as a challenging and fulfilling place to work and learn
- Be a recognized global brand

Towards this end, it has undertaken to focus and differentiate its services in specific industry verticals. These include Banking, Financial Services & Insurance, Transportation and Retail. Further, it has also brought in sharper technology focus across its service offerings. In implementation services, the company is focused on SAP.

## NIIT Technologies - Consolidated - Highlights

The consolidated financials take into account the financials of NIIT Technologies Limited and its subsidiaries including subsequent level companies after eliminating inter-company transactions.

NIIT Technologies and its subsidiaries posted consolidated income of Rs.5504 Mn for the financial year ending March 31, 2005 with revenues from operations at Rs.5432 Mn.

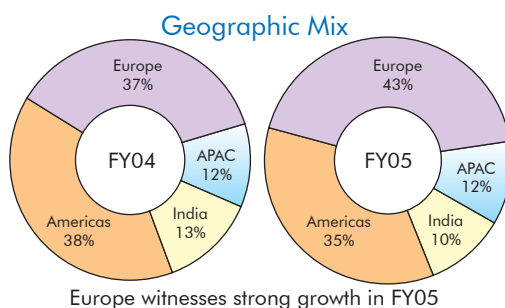
The company reported revenues from Software Solutions and Business Process Outsourcing separately for each quarter, as shown below :

### Revenue Profile

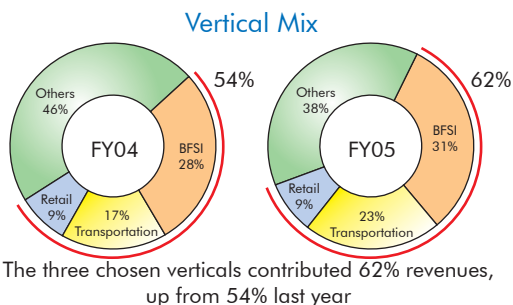
	(Rs. Mn)				
	AMJ'04	JAS'04	OND'04	JFM'05	FY05
Software	1207	1291	1322	1273	5093
Business Process Outsourcing	72	79	90	98	339
<b>NTL</b>	<b>1279</b>	<b>1370</b>	<b>1412</b>	<b>1371</b>	<b>5432</b>

NIIT Technologies has a unique geographic mix, with 43 percent of revenues coming in from Europe. Being a relatively under-penetrated geographic space and on account of the backlash being experienced in the U.S., the Company put focus in this region, resulting in a growth of 32 percent over the previous year.

The company derives 35 percent of its revenues from the Americas, 12 percent from the Asia Pacific region and the balance 10 percent from India as shown in Chart below.



It may be highlighted that the Economic Development Board of Singapore awarded the prestigious International Headquarters status to the company's subsidiary in Singapore, NIIT Technologies Pte Ltd. Going forward, the company has set a strategy on growth from this region as well.

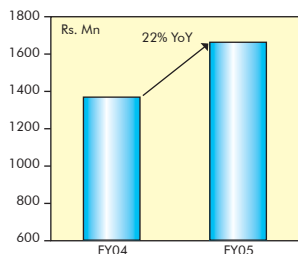




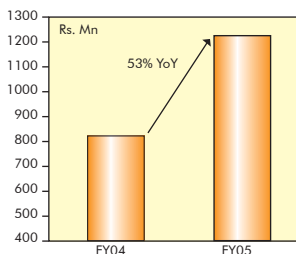
# Management Discussion and Analysis (Contd.)

The industry focused vertical strategy has been yielding results for NIIT Technologies ever since it was initiated during the global economic slowdown period. For FY05, the three verticals together contributed 62 percent to the revenues, led by BFSI (Banking, Financial Services and Insurance) at 31 percent, Transportation at 23 percent and Retail at 9 percent. The overall contributions from the chosen verticals has grown by over 30 percent at about Rs.3400 Mn. The growth experienced by each of these verticals is highlighted in the respective charts.

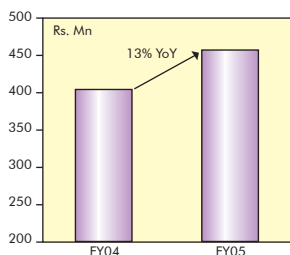
## BFSI Vertical Grows 22% YoY



## Transportation Vertical Grows 53% YoY



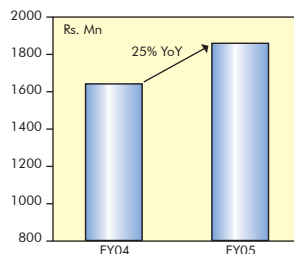
## Retail Vertical Grows 13% YoY



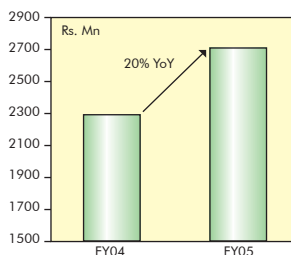
Manufacturing is another vertical, which NTL has been targeting, with its Enterprise Integration Service offerings that are centered around the company's capabilities and proven experience. In February this year, the company entered into a strategic alliance with SAP, the world's largest Enterprise Applications Software provider, to service the growing Indian market.

The order intake for the company has been consistently steady at over US\$ 30 Mn on a quarterly basis, which bodes well for the future revenue streams. The Closing Order book at the end of the financial year stood at US\$ 151 Mn vis-à-vis US\$ 122 Mn last year. Of this, US\$ 72 Mn worth of contracts are executable in FY06, exhibiting reasonable visibility in the revenue stream.

The Company continued to deepen the relationships with its key clients. This is evident from the growth in the top 5 and 10 client accounts. While the contribution from the Top 5 clients has grown 25 percent over the previous year, the Top 10 clients have shown a year-on-year growth of 20 percent.



Top 5 clients contribute 36% revenues, Register 25% YoY growth



Top 10 clients contribute 50% Revenues; Register 20% YoY growth

For the year ending March 2005, the Top 5 clients together contributed about 36 percent to the revenues while the next 5 contributed an additional 14 percent. Sixty five percent of the revenues are derived from the Top 20 clients of the company. The company added 25 new significant clients during the year, 21 in the international segment. While the company has 23 million dollar clients, 5 of them have a run rate of over US\$5 Mn. Billing rates for both onsite as well as off shore activities remained stable.

While the Software Solutions business depicted steady growth over the year, the BPO arm, NIIT SmartServe Limited, a 100 percent subsidiary grew relatively faster at 59 percent. The overall contribution from the latter, at the end of the year stands at over 6 percent. It operates from a 720-seat facility in National Capital Region. The company caters primarily to compliance and insurance policy administration related work, along with research and debt collection activities. Its

# Management Discussion and Analysis (Contd.)

key differentiator is the high-end complex and regulated processing activities that it undertakes. Quality of delivery is key to the operations and the highest quality standards and processes, including the BS 7799, drive the solutions. The BS7799 certification, completed by the company this year, has generated a higher customer confidence in its capability to manage data protection requirements.

The BPO segment services over 14 customers across the globe. In the UK, contactcenterworld.com ranked the company as the Number 1 Outbound Outsourcer-2005. BPO under the subsidiary offers both voice and non-voice services, with the capability to build specialist in-bound call centers. The BPO operations are also focused on the same industry verticals in which the IT Services operate. The company is building process capability in its BPO offerings and technology capability in the area of IT services so that, over a period of time, the two streams can be integrated.

In July 2004, NIIT GIS Limited, the country's leading GIS Solutions provider, won the prestigious High Achievement Award, from ESRI Inc., based on outstanding performance in the Asia Pacific region. Worldwide, the company is ranked 7th in performance.

The company expanded the capacity of its software development facility, the Center for Excellence in Legacy Maintenance and Modernization in Kolkata, by 300 seats. In Delhi too, the company added similar capacity to take its total offshore capacity to about 200,000 square feet at the year-end.

NIIT Technologies, which follows global development processes, has bagged an ISO 9001:2000 certification and been assessed at Level 5 of SEI-CMMi and Level 3 of the People CMM framework for some of its development centers. It operates in a highly secure environment, as is evident from the BS7799 certification bagged by the company.

The Superbrands Council conferred the Business Superbrands status on NIIT Technologies, an acknowledgement of the unique relationship that the company shares with its clients. The brand also helps the company in attracting and retaining the best talent in the industry.



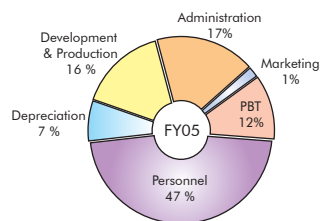
## People Resources

The Company had people resources of 3002 as on March 31, 2005, of which 740 belong to its BPO subsidiary. During the period under review, the company won an Award for Innovative practices followed in human resource activities.

## Consolidated Profitability

	Rs. Mn	
	FY05	FY04
Revenue	5432	4933
Expenses	4463	4225
Operating Profit	969	708
Operating Profit Margin	18%	15%
PBT	634	411
PAT	585	331

## Consolidated Revenue Components



An expense analysis of the company would depict that while personnel constituted the highest element of cost at 47 percent of the revenues, the development and production costs (costs of bought out materials and software) constituted 16 percent. The administration and other costs constituted 17 percent while depreciation and amortisation accounted for 7 percent, leaving a Profit before Tax (PBT) margin of 12 percent.

## Audited Consolidated Balance Sheet

### Share Capital

The paid up equity share capital of the Company stands at Rs. 386.49 Mn constituting 38,649,280 equity shares of Rs.10/- each.

### Reserves and Surplus

The Company adopts Indian Accounting Standard 11 (revised) - 'The Effects of changes in Foreign Exchange rates' for translation of balances of non-Indian subsidiaries, for the purposes of consolidation. Assets and liabilities of non-Indian subsidiaries are translated at the year-end exchange rates for the respective companies. Income and Expenditure items are translated at predetermined rates that approximate the exchange rate prevailing on the date of the transaction. The resultant translation adjustment is reflected as a separate component of Shareholders' funds as 'Cumulative Translation Reserve'. The company has credited Debenture Redemption Reserve as per the terms of its 6.5 percent NCD 2003 issue.

# Management Discussion and Analysis (Contd.)

## Audited Consolidated Balance Sheet

Particulars as on	Rs. Mn	
	March 31, 2005	March 31, 2004
<b>Sources of Funds</b>		
Share Capital		
(incl. Share Capital Pending allotment for FY04)	386.49	386.49
Minority Interest	51.29	39.03
Reserves and Surplus	1914.48	1,530.58
<b>Net Worth</b>	<b>2352.27</b>	<b>1956.11</b>
Secured Loans	539.62	575.15
Unsecured Loans	-	25.60
Loan funds	539.62	600.75
Deferred Tax liability	4.53	12.46
<b>Total</b>	<b>2896.42</b>	<b>2,569.32</b>
<b>Application of Funds</b>		
Fixed Assets		
Gross Block	2390.54	2,174.33
Depreciation	1436.99	1,070.72
<b>Net Block</b>	<b>953.54</b>	<b>1,103.61</b>
Capital Work in Progress	0.73	13.55
Investment	438.26	333.99
Deferred Tax Asset	23.25	1.04
Net Current Assets	1478.49	1,110.82
Miscellaneous Expenditure	2.14	6.30
<b>Total</b>	<b>2896.42</b>	<b>2,569.32</b>

### Loan Funds

During the period, the Company repaid part of the existing rupee term loan to the extent of Rs.38.2 Mn. The 6.50 percent Non-Convertible Debentures (Separately Tradable and Redeemable Principal Parts), redeemable over a 5-year period, reflect the borrowed amount of Rs.500 Mn, privately placed in May 2003. Part redemption for the said debentures shall commence in FY06. Of the total loan funds, Rs.132.04 Mn is due for payment within one year.

### Minority Interest

The minority shareholding includes the interest of third parties in one of the company's subsidiary, NIIT GIS Ltd. (as minority shareholders), provision for which has been made based on the profits of the subsidiary.

### Fixed Assets

During the period, capital investments of Rs.221.86 Mn were made for project related capital assets and capacity increases. Of this, less than 20 percent were for intangible assets in the form of software.

### Investments

Investments of Rs.438.26 Mn reflect the sums invested in Debt and Money Market Mutual Funds schemes. The

Company has, pursuant to the Scheme of Arrangement with NIIT, acquired the strategic investments at nil value.

### Net Current Assets

The elements of net current assets are as follows:

#### Trade Receivables:

Debtor days stand at 80, on total sundry debtors position of Rs.1189.28 Mn.

#### Cash and Bank:

Cash and Bank balance as on March 31, 2005 is Rs.927.93 Mn. However, the total cash and cash equivalents (including the mutual fund investments) are higher at Rs.1366.19 Mn.

#### Other Current Assets:

This primarily includes Prepaid Expenses and Interest Receivable. The prepaid expenses include annual maintenance charges and insurance premia paid in advance.

#### Loans and Advances :

This head includes advances and security deposits made by the company in the normal course of business. Advance taxes deposited too form part of this asset.

# Management Discussion and Analysis (Contd.)

## Current Liabilities and Provisions:

This represents Sundry creditors including capital creditors, advances from customers, security deposits, provisions for leave encashment, gratuity and dividend etc. The figure also includes the unearned revenues under the changed accounting policy, in respect of recognizing revenue from software services arising from fixed price contracts from delivery/ dispatch of concerned services to proportionate completion method.

## Related Party Transactions

Related Party transactions are defined as transactions of the Company of a material nature with Promoters, Directors or the Management, their subsidiaries or other related parties who may have a potential conflict with the interest of the Company at large. There were no material transactions during the year 2004-05 that were prejudicial to the interests of the Company. All transactions covered under related party transactions were regularly ratified and/or approved by the Board, the guiding principles being arms length relationship, fairness and transparency. The details of related party transactions are given in the Notes to Accounts.

## NIIT Technologies Ltd - Stand Alone

The significant Accounting policies and practices followed by NTL are disclosed in Note 1 of Schedule "17" (Notes to Accounts) for the year.

## Revenue from Operations

The revenues from operations for the year stand at Rs.1859 Mn, up 32 percent year-on-year.

## Other Income

The other income earned by the Company includes capital gains on the mutual fund investments; gain on exchange fluctuations and recoveries made from subsidiaries for common services. The company reported Rs.68 Mn of Other Income in FY05.

Impact of Foreign Currency	Rs Mn	
	FY05	FY04
Earning in Foreign currency	1663	1122
Revenue Expenditure in Foreign Currency	107	61
Net Revenue Earning in Foreign Currency	1556	1061
Capital Expenditure in Foreign Currency	31	13
<b>Net Foreign Currency Earnings</b>	<b>1525</b>	<b>1048</b>

## Expenditure

### Personnel

The personnel cost was Rs.698 Mn, 38 percent of the revenue line, previous year 37 percent of revenues.

### Development, Production and Execution

This cost constituted 12 percent of revenues. It includes the cost of products purchased for resale.

## Other Expenditure

Other expenditure including administration, marketing, travel and communication costs were at 21 percent of revenues, down from 27 percent last year.

## Depreciation

The Company's depreciation charge was Rs.213 Mn (11 percent) of revenues.

## Dividend

The Board of Directors of the Company has recommended a dividend of Rs.5.50 per equity share, 10 percent higher than the maiden dividend of Rs. 5.00 per equity share previous year.

## Balance Sheet

### Fixed Assets

During the year, the Company added Rs.131.57 Mn to its gross block of assets for project related capital expenditure and capacity increases.

### Investments

	Rs Mn	
	FY05	FY04
Investment in subsidiaries	822	812
Mutual funds	148	96
<b>Total</b>	<b>970</b>	<b>908</b>

To expand the growing BPO segment, the company invested an additional amount of Rs.10 Mn in its subsidiary, viz., NIIT SmartServe Limited, India.

## Current Assets, Loans and Advances

### Trade Receivable

Sundry debtors amount to Rs.677 Mn (net of provision for doubtful debts over 6 months amounting to Rs.106 Mn) as of March 31, 2005. Of the total receivables, Rs.598 Mn worth of debts are outstanding for less than 6 months while Rs.79 Mn are outstanding for over 6 months.

### Cash and Bank

	Rs Mn	
	FY05	FY04
Fixed Deposits	108	12
Exchange Earners Foreign Currency	0	22
Cash in hand & balances with Scheduled Banks	170	7
<b>Total</b>	<b>278</b>	<b>41</b>

The above exclude Rs.148 Mn invested in the money market mutual fund schemes, considered in investments (Rs.96 Mn last year).

### Other Current Assets

This primarily includes prepaid expenses of Rs.25 Mn towards annual maintenance charges, insurance premia and other miscellaneous expenses.

# Management Discussion and Analysis

## Loans and Advances

The loans and advances stand at Rs.371 Mn at the end of this year. The outstanding amount represents loans and advances given to subsidiaries, to NIIT-ians Welfare Trust and other constituents in the normal course of its business. These also include advances to suppliers, rent advances and security deposits given for premises.

## Capital structure

The share capital of the Company stands at Rs.386.49 Mn.

## Reserves

The reserves and surplus of the company are as follows:

	Rs Mn FY05
Capital redemption reserve	16.57
Share premium	13.60
Debenture redemption reserve	77.50
General Reserves	798.12
Profit and Loss Account	530.74
<b>Total</b>	<b>1436.53</b>

## Loan Funds

Break up of the secured debt of Rs.539 Mn as of year end is:

- Rs. 500 Mn of privately placed 6.50 percent non-convertible debentures (STRPP) raised by the Company in May 2003. These debentures are repayable through part annual installments beginning May 2005, till 2008.
- The balance Rs.39 Mn pertains to a term loan, due for

redemption within next financial year, and vehicle financing arrangement undertaken by the Company for its employees.

## Current Liabilities

Current Liabilities & Provisions stand at Rs. 561 Mn down from Rs. 619 Mn in previous year.

## Risk Management

The Company constantly endeavors to broaden the charter of risk management to include opportunities as well as threats. An integrated risk management approach is used, considering a number of techniques to cover the full range of risks in the framework. Today, risk information is an important part of decision making at all levels in the organization.

## Internal Control Systems and its adequacy

The Company has adopted benchmarked practices for internal controls followed worldwide, based on its extensive global operational experience. It has also implemented one of the leading ERP solutions in its global operations, to integrate various facets of business operations including Human Resources, Finance, Logistics and Sales. This has enabled the Company to control and monitor its worldwide operations online and strengthened the ability of internal controls to function most optimally.

## Others

For information with respect to other details of the company operations, please refer to the Directors' Report.

# Corporate Governance

## Introduction

Following the spin off of the Global Solutions Business of NIIT Limited into the Company through a process of demerger, the shares of the Company were listed for the first time at the Exchanges at Mumbai, Chennai, Ahmedabad, Delhi, Kolkata and the National Stock Exchange during the year. Accordingly, as required under Clause 49 of the Listing Agreements signed by the Company with the stock exchanges, NIIT Technologies Limited is required to publish a report on Corporate Governance. This is its first report, post demerger of the Global Solutions Business of NIIT Limited into the Company.

NIIT Technologies Limited has laid down the foundation at the outset for sound Corporate Governance as a means of effective control and enhancement of stakeholder value, in line with international best practices. Corporate Governance is an ongoing process that ensures that the Company displays the highest standard of professionalism, integrity, accountability, fairness, transparency, social responsiveness and business ethics in its dealings. Good Corporate Governance is a critical doctrine in the global economic system, enabling the business not only to effectively and efficiently achieve its corporate objectives but also develop a structure and methodology to sustain its survival in a globally competitive environment.

NIIT Technologies Limited complies with the requirements as stipulated in clause 49 of the listing agreements of the stock exchanges and is well prepared to implement the revised guidelines of clause 49.

The name of the Company was changed from NIIT Investments Limited to NIIT Technologies Limited vide a special resolution passed by the members of the Company in the Extraordinary General Meeting held on April 23, 2004 and confirmed by the Registrar of Companies, NCT of Delhi and Haryana on May 14, 2004.

## The Company's Philosophy in Code of Governance

At NIIT Technologies, value creation is a philosophy that is ubiquitous across the organization. The Shareowner remains the focus of our growth strategy. Ensuring stability in a dynamic environment and growth in competitive times is a commitment we have and have kept since our inception. The fabric of Corporate Governance in the Company is woven with the transparency, independence and commitment to the creation of wealth for Shareowners. Our broad-based Board of Directors constituted in compliance with the Companies Act, 1956 and the listing agreement with the stock exchanges are in accordance with the best practices in corporate governance. The functions of the Board of Directors and Board Committees are well defined and transparent. All the Board Committees are chaired by Independent Directors.

## Setting the standard

To uphold a high level of Corporate Governance, we follow some simple criteria

- a) Accountability of top management to all stakeholders,
- b) Adoption and adherence to the best corporate practices and policies,
- c) Disclosure of all relevant information to stakeholders,
- d) Adherence to financial, legal and environmental obligations,
- e) Maintaining customers' confidence by providing quality products and services,
- f) Ensuring professional soundness, competency and complete transparency at all times,
- g) Inculcating pride in all NIITians.

## Board of Directors

The Company is managed and controlled through a professional Board of Directors comprising Executive and Non-Executive Independent Directors. The present strength of the Board of Directors is six (6), out of which three (3) members are Non-Executive Independent Directors, constituting 50 percent of the total strength. The Company's Board consists of eminent persons with considerable professional expertise and experience. The Independent Directors do not have any other material pecuniary relationship or transactions with the Company, its promoters, its management or its subsidiaries, which in the opinion of the Board may affect the independence of judgment of the Director. The Board's role, functions, responsibilities and accountability are clearly defined. In addition to its primary role of monitoring corporate performance, the functions of the Board include -

- Articulating the Corporate Philosophy and Mission
- Formulating Strategic and Business Plans
- Reviewing and approving Financial Plans and Budgets
- Monitoring Corporate Performance against Strategic and Business Plans including overseeing operations
- Ensuring ethical behavior and compliance with laws and regulations
- Reviewing and approving borrowing/lending/investment limits/exposure limits, etc.
- Keeping shareholders informed regarding plans, strategies and performance

The composition of the Board of Directors of the Company is in conformity with the code of Corporate Governance recommended by the Securities and Exchange Board of India (SEBI) and clause 49 of the listing agreement of the stock exchanges. The structure of the Board is as under on March 31, 2005.



## Corporate Governance (Contd.)

S.No.	Name of Directors	Designation	Category
1.	Mr. Rajendra S Pawar	Chairman and Executive Director	Executive
2.	Mr. Arvind Thakur*	Chief Executive Officer and Whole-time Director	Executive
3.	Mr. Vijay K Thadani	Director	Non Executive
4.	Mr. Subroto Bhattacharya**	Director	Non Executive and Independent
5.	Mr. Surendra Singh**	Director	Non Executive and Independent
6.	Amit Sharma#	Director	Non Executive and Independent

\* Mr. Arvind Thakur was appointed as Whole-time Director w.e.f. June 12, 2004

\*\* Mr. Subroto Bhattacharya and Mr. Surendra Singh were appointed w.e.f June 12, 2004

# Mr. Amit Sharma was appointed w.e.f. June 28, 2004

The brief profile and role of each of the Directors is given below :

### Mr. Rajendra S. Pawar

**Designation:** Chairman and Executive Director

**Profile:** A distinguished alumnus of IIT, Delhi, Mr. Rajendra S. Pawar is the co-founder of NIIT. An IT Visionary, he foresees the trends in the IT industry and leads NIIT from the front. He is sharply focused on bringing in the customer and other stakeholder interests in the quality processes at NIIT. He is also Chairman and Managing Director of NIIT Limited. A member of the Indian Prime Ministers' National Task Force on Information Technology, he also heads the IT and Quality Committees of various industry bodies at the global level and represents the country at the World Economic Forum.

**Roles and Responsibilities:** Mr. Pawar plays a major role in providing thought leadership and strategic inputs to the Company, in addition to supervising the functional heads of Corporate Development, Center for Research in Cognitive Systems, Strategic HR and Corporate Communications.

### Mr. Arvind Thakur

**Designation:** Chief Executive Officer and Whole-time Director

**Profile:** Mr. Arvind Thakur is the Chief Executive Officer, NIIT Technologies Limited. Mr. Thakur leads the software business at NIIT and has taken it to new heights, into the category of the Top Software providers from India for global markets. Today, the operations of NIIT Technologies span 20 countries in the Americas, Europe, Asia and Australia. He has been a part of the core team at NIIT since the early years, handling both the software and key organisational functions at NIIT. Mr. Thakur is responsible for raising the organisation's delivery capability to world-class standards. Under his stewardship, NIIT's software process capability has

been assessed at SEI CMMi Level 5, the highest maturity level, of the Software Engineering Institute's Capability Maturity Model, the most widely recognised industry quality standard. Mr. Thakur, 50, graduated in Engineering from the premier engineering institution, IIT Kharagpur. Thereafter, he pursued Post Graduate degree in Industrial Engineering from NITIE, Mumbai. He is an active member of many Industry Associations and Societies.

**Roles and Responsibilities:** Mr. Thakur leads NIIT Technologies, the Software Solutions Business of NIIT. He guides and oversees the Company's Joint Venture with ESRI Inc., USA- NIIT GIS Limited and supervises geography operations in the Americas, Asia Pacific and Europe. He also oversees the operations of NIIT SmartServe Limited, an Indian Subsidiary Company, engaged in IT Enabled Services (ITES) and remote Business Processes Outsourcing Services (BPO) business. He also leads the global marketing and strategy function of all businesses covered by the Company.

Following the de-merger of the Global Solutions Business into NIIT Technologies Limited, he has resigned from the Board of Directors of NIIT Limited with effect from June 12, 2004 and has been appointed as the CEO and Whole-time Director of NIIT Technologies Limited.

### Mr. Vijay K. Thadani

**Designation:** Non-Executive Director

**Profile:** Mr. Vijay K. Thadani, a co-founder of NIIT, is a distinguished alumnus of IIT, Delhi. As the Chief Executive Officer of NIIT, he leads NIIT's globalization efforts with a focus on market development in the overseas markets. Mr. Thadani successfully spearheaded NIIT's IPO in 1993. He is a member of several advisory bodies of the Government and serves on the IT Steering Committees of several corporations and industry bodies. He is also Economic Consultant to the Municipal Government of Chongqing, China.

**Roles and Responsibilities:** Mr. Thadani's responsibilities include leading NIIT's Strategic Alliance initiative, Technology partnership initiative and leveraging growth opportunities in addition to overseeing the Finance, Legal and Secretarial and Investor Relations function. He continues to be CEO of NIIT Limited. He is also the Chairman of an Indian subsidiary company, NIIT SmartServe Limited, which is engaged in IT Enabled Services (ITES) and remote Business Process Outsourcing Services (BPO) business.

### Mr. Subroto Bhattacharya

**Designation:** Non-Executive Director

Mr. Subroto Bhattacharya, a Chartered Accountant with over 30 years experience, specializes in Finance and Management Consultancy. He has been part of the core team in several reputed organizations. He was invited to the Company's board as an Independent Director in June 2004.

# Corporate Governance (Contd.)

**Roles and Responsibilities:** Mr. Bhattacharya advises the Company on Financial and Management issues and is the Chairman of the Audit Committee.

Consequent on the de-merger of the Global Solutions Business into NIIT Technologies Limited, he has also been appointed as a director on the Board of NIIT Technologies Limited.

## Mr. Surendra Singh

**Designation:** Non-Executive Director

**Profile:** Mr. Surendra Singh, a retired IAS Officer, has held very senior positions in the Central and State Governments. Starting his Public Service in 1959, Mr. Singh has held positions like Special Secretary to the Prime Minister of India, responsible for all the economic work in the PM's Office, Cabinet Secretary to the Government of India, Secretary to the Council of Ministers and Secretary, Ministry of Industry. He was an Executive Director on the board of the World Bank, representing India, Bangladesh, Sri Lanka and Bhutan. Also, he was director on the Boards of the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). Mr. Surendra Singh was invited to the Company's Board as an Independent Director in June 2004.

**Roles and Responsibilities:** Mr. Singh advises NIIT Technologies on Internal Controls, Audit Systems and Investor Relations.

Following the de-merger of the Global Solutions Business into NIIT Technologies Limited, he has also been appointed as a director on the Board of NIIT Technologies Limited.

## Mr. Amit Sharma

**Designation:** Non-Executive Director

**Profile:** Mr. Amit Sharma, an MBA (Wharton School) and an MSE in Computer and Information Sciences (University of Pennsylvania), is the Vice President, Asia Pacific Strategy and Cluster President-Thailand, Vietnam, Indonesia Philippines and India, for Motorola. Mr. Sharma is a member of Motorola's Asia Pacific Regional Board and plays a key role in its growth plans for the region. Mr. Sharma has been associated with companies like McKinsey and GE Capital and specializes in Strategic Planning and Business Development. He was invited to the Company's Board as an Independent Director in June 2004.

**Roles and responsibilities:** Mr. Sharma advises the Company on Operational, Strategic and Management issues. He chairs the Remuneration and Shareholders'/ Investors Grievances Committees of the Company.

None of our Non-Executive Directors have any other pecuniary relationship or interest with the Company.

The remuneration paid to Non-Executive Directors by way of Commission is based on the net profit of the Company.

## Directorships/Memberships in Board Committees other than NIIT Technologies Limited

Sr No.	Name of Director	No. of Directorships in other Indian Companies	No. of Member ships in other Board Committees
1	Mr. Rajendra S Pawar	11	2
2	Mr. Arvind Thakur	4	1
3	Mr. Vijay K Thadani	5	2
4	Mr. Subroto Bhattacharya	7	8 (Chairman in 3)
5	Mr. Surendra Singh	6	7 (Chairman in 3)
6	Mr. Amit Sharma	0	0

## Board Meetings

The Board of Directors met 11 times during the year April 1, 2004 to March 31, 2005, on the following dates -

15/04/04	12/06/04	27/10/04
23/04/04	28/06/04	13/12/04
24/05/04	27/07/04	21/01/05
05/06/04	16/09/04	

The maximum gap between two meetings was 50 days. The Board and Committees mainly discussed the following-

- Annual Business plan
- Investments and/or Loans made by the Company
- General notices of interest
- Formation of subsidiaries (including overseas Companies)
- Review of operations (including subsidiaries)
- Strategic acquisitions of companies and critical assets
- Strategic decisions relating to various ventures
- Statutory matters
- Review of compensation to Directors
- New alliances
- Review of Committee Meetings
- Review of annual budgets, capital budgets and updates
- Review and adoption of accounts and quarterly financial results

The attendance record of participating Directors at the Board Meetings and Annual General Meeting (AGM) between April 1, 2004, to March 31, 2005, is as follows -

Name of Directors	Number of Board Meetings		Whether attended last AGM
	Held	Attended	
Mr. Rajendra S Pawar	11	9	Yes
Mr. Arvind Thakur	11	10	Yes
Mr. Vijay K. Thadani	11	11	Yes
Mr. Subroto Bhattacharya	11	7	Yes
Mr. Surendra Singh	11	7	Yes
Mr. Amit Sharma	11	5	No

# Corporate Governance (Contd.)

## COMPLIANCE OFFICER

Mr. Ravilal Thapa, the Company Secretary of the Company resigned w.e.f. January 18, 2005 and Mr. Rakesh K. Prusti has been appointed as the Company Secretary w.e.f. April 8, 2005. Mr. Prusti is also the Compliance Officer of the Company. Mr. K. K. Darbha was appointed by the Board as the Compliance Officer for the interim period.

## THE BOARD COMMITTEES' REPORT

In accordance with the listing agreement of stock exchanges on Corporate Governance, the following Committees were in operation.

- Audit Committee
- Remuneration Committee
- Shareholders'/Investors' Grievance Committee

### Audit Committee

As a measure of good Corporate Governance and to provide assistance to the Board of Directors in fulfilling the Board's oversight responsibilities, an audit committee has been constituted, headed by an Independent Director. All the members are Independent Directors and each member has rich experience in the financial sector.

Chairman: Mr. Subroto Bhattacharya

Members: Mr. Surendra Singh and Mr. Amit Sharma

### Functions

The main functions of the Audit Committee include -

- Supervision of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible. Recommending the appointment and removal of statutory auditors, fixation of audit fee and approval for payment for any other services are also a part of the Committee's responsibilities.
- Reviewing with the Management the annual financial statements before submission to the Board, primarily focusing on -
  - ♦ Any changes in accounting policies and practices
  - ♦ Major accounting entries based on exercise of judgment by Management
  - ♦ Qualifications in the draft Audit Report
  - ♦ Significant adjustments arising out of audit
  - ♦ The going concern assumption
  - ♦ Compliance with accounting standards
  - ♦ Compliance with stock exchange and legal requirements concerning financial statements
  - ♦ Any related party transactions i.e. transactions of the Company of a material nature, with Promoters or the Management, or their relatives, etc., that may have potential conflict with the interests of the Company at large

- Reviewing with the Management, statutory and internal auditors, the adequacy of internal control systems
- Reviewing the adequacy of the internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audits
- Discussions with internal auditors, on any significant findings and follow up thereon
- Reviewing the findings of any internal investigations by the internal auditors into matters concerning suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board
- Discussions with external auditors, before the audit commences, on the nature and scope of the audit as well as having post-audit discussions to ascertain any area of concern
- Reviewing the Company's financial and risk management policies
- Investigating the reasons for substantial defaults, if any, in the payment to the depositors, shareholders (in case of non-payment of declared dividends) and creditors

Meetings and attendance during the year April 1, 2004, to March 31, 2005

Name of Members	No. of Meetings	
	Held	Attended
Mr. Subroto Bhattacharya	7	7
Mr. Surendra Singh	7	7
Mr. Amit Sharma*	7	5

\* Mr. Amit Sharma appointed w.e.f. June 28, 2004

### Remuneration Committee

The Remuneration Committee was set up to evaluate remuneration and benefits for the Executive Directors and to frame policies and systems for the associate Stock Option Plans, as approved by the shareholders.

The Remuneration Committee has been constituted with all the three Independent Directors and is also headed by an Independent Director.

Chairman: Mr. Amit Sharma

Members: Mr. Subroto Bhattacharya and Mr. Surendra Singh

### Functions

- To institute and guide global employee compensation and benefit policies
- To determine and recommend to the Board, compensation payable to Executive Directors
- Periodical appraisal of the performance of Executive Directors
- To formulate and administer the Company's Employee Stock Option Programs from time to time.

# Corporate Governance (Contd.)

## Remuneration Policy

The Remuneration Committee has the powers to determine and recommend to the Board the amount of remuneration, including performance/achievement bonus and perquisites, payable to the Whole-time Directors. The recommendations of the Committee are based on the evaluation of the Whole-time Directors on certain parameters, as laid down by the Board as part of the self-evaluation process. In terms of the guidelines, the Company ensures that the remuneration by way of salary and other allowances and monetary value of perquisites should be within the overall limit as specified under the Companies Act, 1956. In the event of absence or inadequacy of net profits in any financial year, Section II of Part II of Schedule XIII of the Companies Act, 1956, or any modification shall govern the remuneration payable to the managerial person(s) thereto.

The remuneration policy is directed towards rewarding performance. It is aimed at attracting and retaining high caliber talent. The Company has an incentive plan, which is linked to performance and achievement of the Company's objectives.

## Meetings and attendance during the year April 1, 2004 to March 31, 2005

Name of Members	No. of Meetings	
	Held	Attended
Mr. Amit Sharma*	2	1
Mr. Subroto Bhattacharya	2	2
Mr. Surendra Singh	2	2

\* Mr. Amit Sharma appointed w.e.f. June 28, 2004

## Details of Remuneration paid to Whole-time Directors during the year April 1, 2004, to March 31, 2005

(Amount in Rs.)

Name of Director	Mr. Rajendra Pawar*	Mr. Arvind Thakur
Salary and Allowances	1,059,667	2,784,032
Part - A Perquisites	--	417,295
Part - B Contribution to Provident Fund, Superannuation Fund or Annuity Fund	688,870	832,606
Stock Options	--	--
Performance Linked Bonus	1,012,000	1,240,000
Commission	--	--
Others	--	--
<b>Total</b>	<b>2,760,537</b>	<b>5,273,933</b>

\* Mr. Rajendra S Pawar being the Chairman and Managing Director of NIIT Limited also draws remuneration from NIIT Limited.

- Service Contracts: Until cessation of service
- Notice period: As per Company policy
- Severance Fees: As per Company policy
- Performance criteria: As determined by the Remuneration Committee and the Board.

## Details of Remuneration paid to Non-Executive Directors during the year April 1, 2004, to March 31, 2005

(Amount in Rs.)

Name of Director	Mr. Subroto Bhattacharya	Mr. Amit Sharma	Mr. Surendra Singh	Mr. Vijay K Thadani
Commission	458,333	458,333	458,333	458,333

The aforesaid remuneration are paid for the period June, 2004 to March, 2005.

## Details of options granted under NIIT Technologies Employee Stock Option Scheme

Please refer to the note under Directors' Report.

## Shareholders'/Investors' Grievances Committee

The Shareholders'/Investors' Grievances Committee is headed by an Independent Director, and consists of following directors.

Chairman: Mr. Amit Sharma

Members: Mr. Vijay K. Thadani and Mr. Arvind Thakur

## Functions

- To review the redressal of Shareholders and Investors complaints
- To take note of complaints received and resolution thereof at periodic intervals

## Meetings and attendance during the year April 1, 2004 to March 31, 2005

Name of Members	No. of Meetings	
	Held	Attended
Mr. Amit Sharma	2	2
Mr. Vijay K Thadani	2	2
Mr. Arvind Thakur	2	2

During the year April 1, 2004 to March 31, 2005, the Company received 301 queries/complaints from various Investors/Shareholders relating to non-receipt of Dividend/Change of Bank account details/Bonus Shares/Annual Report/Transfer of Shares/Dematerialization, etc. The same were attended to the satisfaction of the Investors. On the date of the Report, no complaint is pending for redressal and no shares are pending for transfer/dematerialization.

## Other Sub-Committees

Apart from above, the Company has constituted following committees:

- The Operations Committee which approves the opening/closing of bank accounts, Grant of Power of Attorney/Authorisation, Borrowings otherwise than through debentures.
- The Share Transfer Committee which approves share transfers lodged with the Company.
- The Strategic Investments Committee which approves various strategic investments of the Company.

# Corporate Governance (Contd.)

## GENERAL MEETINGS

### Location and date of the last three Annual General Meetings

Year	Location	Date	Day	Time
2004	FICCI Auditorium Tansen Marg, New Delhi-110 001	July 29	Thursday	12 Noon
2003	NIIT House, C-125 Okhla Phase I, New Delhi-110 020	September 29	Monday	10 A.M.
2002	NIIT House, C-125 Okhla Phase I, New Delhi-110 020	September 29	Friday	10 A.M.

### Location and date of the last three Extraordinary General Meetings

Year	Location	Date	Day	Time
2004	NIIT House, C-125 Okhla Phase I, New Delhi-110 020	May 24	Monday	3:30 P.M.
2004	NIIT House, C-125 Okhla Phase I, New Delhi-110 020	April 23	Monday	4:00 P.M..
2003	NIIT House, C-125 Okhla Phase I, New Delhi-110 020	December 31	Wednesday	10:00 A.M.

### Special Business transacted at the last three Annual General Meetings and three Extraordinary General Meetings

#### A. Annual General Meetings

Special Business conducted at the 12th AGM on July 29, 2004

- Appointment of Mr. Rajendra S. Pawar as a Director of the Company
- Appointment of Mr. Vijay K. Thadani as a Director of the Company
- Appointment of Mr. Arvind Thakur as a Director of the Company
- Appointment of Mr. Subroto Bhattacharya as a Director of the Company
- Appointment of Mr. Surendra Singh as a Director of the Company
- Appointment of Mr. Amit Sharma as a Director of the Company
- Appointment of Mr. Rajendra S. Pawar as Executive Director and fixing his remuneration.
- Appointment of Mr. Arvind Thakur as CEO and Whole-time Director and fixing his remuneration.
- Payment of commission to non-executive directors of the company
- Power to Board of Directors to borrow an amount not exceeding Rs. 500 crores
- Power to Board of Directors to create charges/ mortgages on assets of the Company
- Issue of shares to employees of the Company under Employees stock option scheme
- Issue of shares to employees of the Holding/Subsidiary Companies under Employees stock option scheme

No special business conducted at the 10th and 11th AGMs

#### B. Extraordinary General Meetings

##### Special Business at EGM - May 24, 2004

- Approval u/s 372A for investment in Mutual Funds up to an aggregate amount of Rs.2,000 million

##### Special Business at EGM - April 23, 2004

- Appointment of Price Waterhouse as Auditors of the Company.
- Change of name of the Company from NIIT Investments Limited to NIIT Technologies Limited .
- Increase in authorized capital from Rs.15 Crores to Rs. 45 Crores.

##### Special Business at EGM - December 31, 2003

- Approval for amendment in main objects in the Memorandum of Association for deletion of objects relating to investments
- Approval u/s 372A for investment in Mutual Funds up to an aggregate amount of Rs.100 million

#### Note

1. During the year April 1, 2004, to March 31, 2005, no Ordinary or Special resolutions were passed by the Company's Shareholders through postal ballot.
2. All special resolutions were passed unanimously by a show of hands.
3. No ADR/GDRs were issued during the year April 1, 2004, to March 31, 2005.

## DISCLOSURES

### Related Party Transactions

Related Party transactions are defined as transactions of the Company of a material nature, with Promoters, Directors or the Management, or their relatives and associate/subsidiary Companies etc., that may have potential conflict with the interest of the Company at large.

The transactions during the year April 1, 2004 to March 31, 2005 are reported under Note 18 of Schedule 17 of the Financial Statements.

All transactions covered under related party transactions are regularly ratified and/or approved by the Board. For details please refer to Notes, forming part of the Balance Sheet of the Company.

### Statutory Compliance, Penalties and Strictures

The Company has complied with the requirements of the Stock Exchanges/SEBI and Statutory Authority(ies) on all matters related to the capital market from the date the shares of the Company have been listed. There are no penalties or strictures imposed on the Company by Stock Exchanges or SEBI or any Statutory Authority(ies) relating to the above.

### Statutory Compliance

The Company has a Compliance Officer to advise the

# Corporate Governance (Contd.)

Company on compliance issues with respect to the laws of various jurisdictions in which the Company has its business activities and to ensure that the Company is not in violation of laws of any jurisdiction where the Company operates. All Business Heads/Unit In-charges give a Compliance Certificate to the Board of Directors through the Compliance Officer, who ensures compliance or otherwise of laws, rules, regulations and guidelines applicable. The Company takes appropriate steps after consulting internally and if necessary, from independent legal counsels that the business operations are not in contravention of any laws. The Company follows an affirmative policy in protecting its trade name/ service/trade marks.

## Means of Communication

- a. At present quarterly/half-yearly reports are not being sent to investors by post.
- b. The quarterly/half yearly/annual results are published in the leading English and Hindi Newspapers, in Statesman and Vir Arjun editions respectively and displayed on the web site of the Company - www.niit.com where official news releases, financial results, consolidated financial highlights and presentations are also displayed.
- c. The Company held Quarterly Earnings Calls on June 28, 2004, July 28, 2004, October 27, 2004 and January 21, 2005 and Press Conferences in the months of June 2004, July 2004, October 2004 and January 2005 for the investors of the Company after the declaration of Quarterly/Annual results.
- d. The Management Perspective, Business Review and Financial Highlights are part of the Annual Report.
- e. The latest quarterly distribution of shareholding is also displayed on the Company's website.

## SHAREHOLDERS' INFORMATION

- A. Annual General Meeting
 

Date:	Friday, July 22, 2005
Time:	10:00 AM
Venue:	FICCI Auditorium, 1 Tansen Marg, New Delhi -110 001
- B. Book Closure : Tuesday, July 19, 2005 to Friday, July 22, 2005 (both days inclusive)
- C. Financial Calendar :
 

Financial reporting for the first quarter ending June 30, 2005	July 26, 2005
Financial reporting for the second quarter ending September 30, 2005	October 25, 2005
Financial reporting for the third quarter ending December 31, 2005	January 24, 2006
Financial reporting for the year ending March 31, 2006	June 6, 2006
Annual General Meeting for the year ending March 31, 2006	July 21, 2006

The above calendar is tentative and is subject to changes, if any, depending on exigencies.

- D. Dividend  
In view of confidence in the future, the Board of Directors recommended a dividend of Rs.5.50 per Equity Share of Rs.10/- each, subject to approval of the shareholders at the ensuing Annual General Meeting. The dividend shall be paid to the shareholders in accordance with the provisions of the Companies Act.

No unpaid/unclaimed dividend was eligible to be transferred to the Investor Education and Protection Fund of the Central Government, pursuant to Section 205A of the Companies Act, 1956.

- E. Nomination Facility  
The Companies (Amendment) Act, 1999, has provided for a nomination facility to the Shareholders of the Company. The Company is pleased to offer the facility of nomination to Shareholders and Shareholders may avail this facility by sending the duly completed Form 2B as revised vide Notification No. GSR 836(E) dated October 24, 2000, issued by the Department of Company Affairs, to the Registered Office of the Company.

- F. Listing of Shares  
Following the spin off of the Global Solutions Business of NIIT Limited into the Company through a process of de-merger, the shares of the Company were listed at the Exchanges at Mumbai, Chennai, Ahmedabad, Delhi, Kolkata, and National Stock Exchange during the year. Listing fees for the period April 1, 2004 to March 31, 2005, have been paid to all Stock Exchanges.

### Stock Code

Trading symbol on the National Stock Exchange: NIITTECH

Trading symbol on the Mumbai Stock Exchange

Physical: NIITTECH  
Electronic: 532541

ISIN No. at NSDL/CDSL : INE 591G01017

- G. Compliance certificate of the Auditors  
The Company has annexed to this report, a certificate obtained from the Statutory Auditors regarding compliance of conditions of corporate governance as stipulated in clause 49 of the listing agreement.
- H. Stock Market Data  
The Monthly High and Low Share Prices and Market Capitalization of Equity Shares of the Company traded at The Stock Exchange, Mumbai and National Stock Exchange from August 30, 2004 to March 31, 2005 and the comparison of share prices of the Company vis-à-vis the Sensex and Nifty Indices are given below



# Corporate Governance (Contd.)

Share Price Movement during the period August 30, 2004 to March 31, 2005

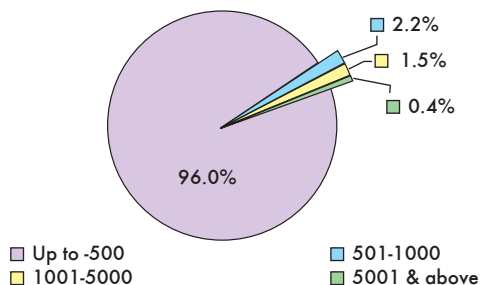
Month	The Stock Exchange Mumbai				National Stock Exchange			
	SENSEX (Rs.)	High (Rs.)	Low (Rs.)	MCAP * (Rs. Mn.)	NIFTY (Rs.)	High (Rs.)	Low (Rs.)	MCAP * (Rs. Mn.)
Aug-04**	5,192	199.10	146.00	7,202	1,632	199	150	7,224
Sep-04	5,584	190.00	163.00	6,433	1,746	190	164	6,441
Oct-04	5,672	176.00	158.05	6,257	1,787	180	158	6,253
Nov-04	6,234	164.90	147.00	6,041	1,959	165	138	6,051
Dec-04	6,603	161.20	147.25	5,828	2,081	160	147	5,805
Jan-05	6,556	157.95	133.25	5,403	2,058	157	134	5,388
Feb-05	6,714	148.15	133.00	5,160	2,103	149	132	5,185
Mar-05	6,493	156.70	115.60	4,899	2,036	159	115	4,889

\* Market capitalization based on monthly closing prices.  
 \*\* The Shares of the Company were listed on August 30, 2004, on the NSE and BSE

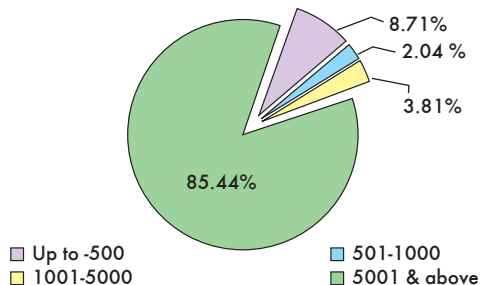
Share Holding Distribution as on March 31, 2005

Range	No. of Shareholders	%age to Shareholders	No. of Shares	%age to Total Shares
Up to - 500	46,711	95.98	33,68,234	8.71
501 - 1000	1,060	2.18	786,888	2.04
1001 - 5000	711	1.46	1,473,793	3.81
5001 & above	183	0.38	33,020,365	85.44
** TOTAL **	48,665	100.00	38,649,280	100.00

No. of Shareholders



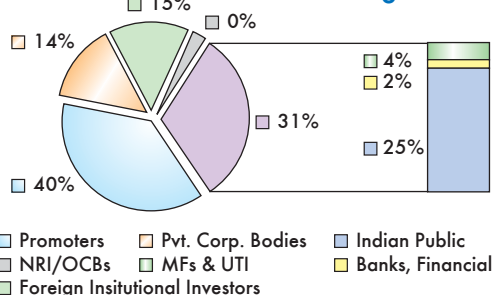
No. of Shares



Shareholding Pattern as on March 31, 2005

Category	No. of shares Holding	% age of Holding
<b>Promoters Holding</b>		
Promoters		
- Indian Promoters	14,887,805	38.52
- Foreign Promoters	-	-
Persons acting in Concert	529,188	1.37
<b>Sub Total</b>	<b>15,416,993</b>	<b>39.89</b>
<b>Non-Promoters Holding</b>		
Institutional Investors		
Mutual Funds and UTI	1,711,713	4.43
Banks, Financial Institutions	650,363	1.68
Insurance Companies (Central/ State Govt. Institutions/Non Government Institutions		
Foreign Institutional Investors	9,516,668	24.62
<b>Sub-Total</b>	<b>11,878,744</b>	<b>30.73</b>
<b>Others</b>		
Private Corporate Bodies	5,357,055	13.86
Indian Public	5,877,568	15.21
NRI/OCBs	118,920	0.31
<b>Sub Total</b>	<b>11,353,543</b>	<b>29.38</b>
<b>Grand Total</b>	<b>38,649,280</b>	<b>100.00</b>

Shareholding Pattern



Details of queries/complaints in numbers received and resolved during the year April 1, 2004 to March 31, 2005

Nature of query/complaint	Received	Resolved	Unresolved
Change of address	29	29	-
Revalidation of dividend	188	188	-
Non receipt of Dividend	12	12	-
Change of Bank details	59	59	-
Share transfer related	4	4	-
Demat status related	1	1	-
Non Receipt of Annual Report	2	2	-
Miscellaneous	4	4	-
Non receipt of Fractional share payment	2	2	-
<b>Total</b>	<b>301</b>	<b>301</b>	<b>-</b>

During the year April 1, 2004, to March 31, 2005, the Company attended most of the investors' queries/complaints within a period of 7 days from the date of receipt. The exceptions have been for cases constrained by disputes or legal impediments.

# Corporate Governance (Contd.)

## DEMATERIALISATION OF SHARES AND LIQUIDITY

The Shares of the Company are compulsorily traded in dematerialised form by all categories of investors. The Company has arrangements with both the National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDSL), to establish electronic connectivity of our shares for scrip less trading. As on March 31, 2005, 73.68 percent of shares of the Company were held in dematerialised form.

### Liquidity of Shares

The Shares of the Company are traded electronically on the BSE/NSE and other Stock Exchanges as stated above and are included in the CNXMIDCAP 200 index of the Stock Exchange Mumbai (BSE) and the MINDEX index of the National Stock Exchange (NSE).

## SHARE TRANSFER SYSTEM

The Company has appointed a common Registrar for physical share transfer and dematerialisation of shares. The shares lodged for physical transfer/ transmission/ transposition are registered within a period of 15 days if the documents are complete in all respects. For this purpose, the Share Transfer Committee (a sub-committee of the Board) meets as often as required. During the review period, the Committee met 15 times. Adequate care is taken to ensure that no transfers are pending for more than a fortnight. Physical Shares requested for dematerialization were confirmed within a fortnight.

## REGISTRAR FOR DEMATERIALISATION (ELECTRONIC MODE) OF SHARES & PHYSICAL TRANSFER OF SHARES

The Company has appointed a Registrar for dematerialisation and transfer of shares whose details are given below :

Alankit Assignments Limited  
Unit : NIIT Technologies Limited  
205-208, Anarkali Market  
Jhandewalan Extension, New Delhi - 110055.  
Phone Nos. : 011-51540060-63  
Fax Nos. : 011-51540064, E-mail : niit@alankit.net

### REGISTERED OFFICE

NIIT Technologies Limited  
NIIT House, C-125, Okhla Phase - I  
New Delhi - 110 020

### ADDRESS FOR CORRESPONDENCE.

The shareholders may address their communication/ suggestions/ grievances /queries to -

The Company Secretary,  
NIIT Technologies Limited  
NIIT House,  
C-125, Okhla Phase - I  
New Delhi - 110 020.  
Tel Nos. 91 11 51407000  
Fax : 91 11 26817344  
e-mail - investors@niit-tech.com

The addresses of the global offices are given elsewhere in this Annual Report.

### Acknowledgements

The Directors take this opportunity to thank all investors, business partners, clients, technology partners, vendors, financial institutions/ banks, regulatory and governmental authorities, media and Stock Exchanges for their continued support during the year. The directors place on record their appreciation of the contribution made by NIITians at all levels for their commendable team work and dedicated and wholehearted efforts made during the period.

The above report was adopted by the Board of Directors at their meeting held on June 07, 2005.

# Corporate Governance

## AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT(S)

We have reviewed the implementation of Corporate Governance procedures by NIIT Technologies Limited during the period August 30, 2004 (the date of listing of the shares of the Company on NSE and BSE) to March 31, 2005 with the relevant records and documents maintained by the Company, furnished to us for our review and the Report on Corporate Governance as approved by the Board of Directors.

The compliance of conditions on Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

We state that no investor grievances are pending exceeding for a period of one month against the Company as at March 31, 2005, as per the records maintained by the shareholders'/Investors' Grievance Committee of the Company.

On the basis of our review and according to the explanations given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement(s) with the Stock Exchange have been complied with in all material respect by the Company.

Place : New Delhi  
Dated : June 7, 2005

H. Singh  
*Partner*  
Membership No. F-86994  
For and on behalf of  
Price Waterhouse  
*Chartered Accountants*

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## AUDITORS' REPORT

### THE MEMBERS OF NIIT Technologies Limited (Formerly NIIT Investments Limited)

1. We have audited the attached Balance Sheet of NIIT Technologies Limited (Formerly NIIT Investments Limited), as at 31 March 2005, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003, as amended by the Companies (Auditors' Report) (Amendment) Order, 2004 (together 'the order'), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we further report that:
  - (i) (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.  
(b) The fixed assets are physically verified by the management according to a phased program designed to cover all items over a period of two years, which in our opinion is reasonable having regard to the size of the company and its nature of assets. Pursuant to the program, a part of fixed assets has been verified and no material discrepancies between book records and the physical inventory have been noticed.  
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.
  - (ii) The Company did not have any inventory during the year. Accordingly, we are not commenting on clause (ii) of paragraph 4 of the order for the current year.
  - (iii) (a) The company has granted unsecured loans, to three wholly owned subsidiary companies covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans aggregates to Rs. 2,238 Lacs and Rs. 2,019 Lacs respectively.  
(b) In our opinion, and other terms and conditions of such loans are not prima facie prejudicial to the interest of the company.  
(c) In respect of the aforesaid loans, the parties are repaying the principal amounts as stipulated and are also regular in payment of interest, where applicable.  
(d) In respect of the aforesaid loans, there is no overdue amount more than Rupees One Lac.  
(e) The company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
  - (iv) In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased, services received/rendered are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## AUDITORS' REPORT (Contd.)

- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.  
(b) In respect of certain transactions with subsidiaries of the value of Rs.16,004 Lacs and with other companies of the value of Rs. 908 Lacs, the management has informed us that the transactions dealt are of a special nature and therefore comparable prices are not available. In our opinion and according to the information and explanations given to us, in respect of other transactions made in pursuance of contracts or arrangements entered into the register in pursuance of Section 301 of the Act and exceeding the value of Rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant times.
- (vi) The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- (vii) In our opinion, the Company has an internal audit system generally commensurate with its size and nature of business.
- (viii) The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the company.
- (ix) (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, cess and other material statutory dues as applicable with the appropriate authorities.  
(b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of income-tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- (x) The company has no accumulated losses as at March 31, 2005 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- (xi) According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- (xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to the company.
- (xiv) In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the company, for lines of credit taken by a wholly owned subsidiary from a bank is not prejudicial to the interest of the company.
- (xvi) In our opinion, and according to the information and explanations given to us on an overall basis, the term loans taken by the company for augmenting long term resources of the company towards general corporate objectives have been applied for the purposes for which they were obtained.
- (xvii) On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## AUDITORS' REPORT (Contd.)

- (xviii) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
  - (xix) The company has been transferred Debenture Loan Liability as part of the scheme of arrangement approved by the Hon'ble Delhi High Court (Refer Note 3 on schedule 17 to the financial statement). The company is in the process of creating appropriate security consequent to the transfer of above mentioned liability.
  - (xx) The company has not raised any money by public issues during the year.
  - (xxi) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
  - (e) On the basis of written representations received from the directors, as on 31 March 2005 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the company as at 31 March 2005;
    - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Place : New Delhi  
Date : June 7, 2005

H. Singh  
*Partner*  
Membership Number F-86994  
For and on behalf of  
Price Waterhouse  
*Chartered Accountants*



# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## BALANCE SHEET as at 31st March 2005

	Schedule/Note Reference	As At 31st Mar., 2005 (Rs.)	As At 31st Mar., 2004 (Rs.)
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	` 1'	386,492,800	96,623,200
Reserves and Surplus	` 2'	<u>1,436,527,865</u>	<u>1,276,942,165</u>
Share Capital Pending Allotment` 17(3b)'		-	289,869,600
<b>LOAN FUNDS</b>			
Secured Loans	` 3'	539,030,281	572,923,311
DEFERRED TAX LIABILITY (NET)` 17(21)'		-	<u>6,500,000</u>
		<u>2,362,050,946</u>	<u>2,242,858,276</u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	` 4'	1,468,033,865	1,350,463,606
Less: Depreciation /Amortisation		<u>867,121,756</u>	<u>660,311,260</u>
Net Block		600,912,109	690,152,346
Capital work-in-progress (including Capital Advances)		730,000	12,929,082
INVESTMENTS	` 5'	969,729,885	908,229,885
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Sundry Debtors	` 6'	676,858,237	855,530,762
Cash and Bank Balances	` 7'	277,915,883	40,876,970
Other Current Assets	` 8'	26,329,147	19,138,977
Loans and Advances	` 9'	<u>370,861,979</u>	<u>334,703,104</u>
		1,351,965,246	1,250,249,813
<b>Less : CURRENT LIABILITIES AND PROVISIONS</b>			
Current Liabilities	` 10'	303,865,547	389,016,938
Provisions	` 11'	<u>257,420,747</u>	<u>229,685,912</u>
		561,286,294	618,702,850
Net Current Assets		<u>790,678,952</u>	<u>631,546,963</u>
		<u>2,362,050,946</u>	<u>2,242,858,276</u>

### NOTES TO ACCOUNTS

The Schedules referred to above form an integral part of the Balance Sheet  
This is the Balance Sheet referred to in our report of even date

H. Singh  
Partner  
Membership No.-F-86994  
For and on behalf of  
Price Waterhouse  
Chartered Accountants

Rajendra S Pawar  
Chairman  
  
Ashok Arora  
Group Chief Financial Officer

Arvind Thakur  
CEO & Whole Time Director  
  
Kawaljit Singh  
Financial Controller

Rakesh K. Prusti  
Company Secretary  
& Legal Counsel

Place : New Delhi  
Date : June 7, 2005

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## PROFIT AND LOSS ACCOUNT for the year ended 31st March 2005

	Schedule/Note Reference	Year ended 31st March. 2005 (Rs.)	Year ended 31st March 2004 (Rs.)
<b>INCOME</b>			
Revenue from Operations [Refer Notes 1(v), 13 and 17 on Schedule 17]		1,859,370,220	1,409,257,666
Other Income	` 12'	68,331,521	82,423,365
		<u>1,927,701,741</u>	<u>1,491,681,031</u>
<b>EXPENDITURE</b>			
Personnel	` 13'	698,481,349	519,829,838
Development, Production and Bought out items	` 14'	225,324,729	187,787,335
Administration, Finance and Others	` 15'	371,755,494	352,361,222
Marketing	` 16'	22,910,998	30,003,661
Depreciation and amortisation	` 4'	213,264,149	214,518,716
		<u>1,531,736,719</u>	<u>1,304,500,772</u>
Profit before Tax		395,965,022	187,180,259
Tax Expense			
- Current		-	4,016,150
- Deferred Charge/(Benefit)	` 17(21)'	(6,500,000)	6,500,000
Profit after Tax		<u>402,465,022</u>	<u>176,664,109</u>
Balance brought forward from previous year		450,151,177	874,362
Balance transferred in terms of Scheme of Arrangement	` 17(3)'	-	547,035,212
Balance available for appropriation		<u>852,616,199</u>	<u>724,573,683</u>
<b>APPROPRIATION</b>			
Dividend :-			
Proposed on Equity Shares		212,571,040	193,246,400
Corporate Dividend Tax on above ( including Rs 495,194 in relation to Previous Year, Previous Year-NIL)		30,308,282	24,759,695
Transferred to Debenture Redemption Reserve		38,750,000	38,750,000
Transferred to General Reserve		40,246,502	17,666,411
Balance Carried to Balance Sheet		530,740,375	450,151,177
		<u>852,616,199</u>	<u>724,573,683</u>
Basic and Diluted Earnings per share	` 17(22)'	10.41	5.59

### NOTES TO ACCOUNTS

The Schedules referred to above form an integral part of the Profit and Loss Account  
This is the Profit and Loss Account referred to in our report of even date

H. Singh  
Partner  
Membership No.-F-86994  
For and on behalf of  
Price Waterhouse  
Chartered Accountants  
Place : New Delhi  
Date : June 7, 2005

Rajendra S Pawar  
Chairman  
  
Ashok Arora  
Group Chief Financial Officer

Kawaljit Singh  
Financial Controller

Arvind Thakur  
CEO & Whole Time Director

Rakesh K. Prusti  
Company Secretary  
& Legal Counsel

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## CASH FLOW STATEMENT for the year ended 31st March 2005

		Year ended 31st Mar., 2005 (Rs.)		Year ended 31st Mar., 2004 (Rs.)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net Profit before Tax		395,965,022		187,180,259
Add / (Less) :				
Depreciation/Amortisation	213,264,149		214,518,716	
Provision for Doubtful Debts	3,706,875		-	
Foreign Exchange Adjustments	(13,734,632)		13,922,552	
Interest Income	(16,898,037)		(13,166,581)	
Dividend Received	-		(78,139)	
Interest Expenses	36,601,611		38,128,562	
(Profit)/Loss on disposal of fixed assets	1,595,515		4,309,590	
Profit on Sale of Investment	(6,446,187)	218,089,294	(14,452)	257,620,248
Operating Profit before Working Capital Changes		614,054,316		444,800,507
Add / (Less) : (Increase) / Decrease in Operating Working Capital				
Trade Receivables	183,715,902		(494,646,173)	
Inventories	-		3,656,989	
Other Current Assets	(5,721,419)		4,175,826	
Loans and Advances	77,044,965		(98,776,581)	
Current Liabilities and Provisions	3,326,666	258,366,114	(6,947,700)	(592,537,639)
Direct Tax paid (including Tax Deducted at Source)		(9,307,897)		(3,684,667)
Net cash from / (used in) Operating Activities	(A)	<u>863,112,533</u>		<u>(151,421,799)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of Fixed Assets		(204,641,329)		(97,400,331)
Proceeds from Sale of Fixed Assets		5,951,858		5,137,024
Investment in Equity Shares				
- in Subsidiary Companies		(10,000,000)		(90,315,000)
Short term Investments with Mutual Funds				
- Value of Units Purchased	(957,568,747)		(104,074,768)	
- Value of Units Sold	912,514,934	(45,053,813)	8,089,220	(95,985,548)
Loans to Subsidiaries				
-Given	(66,000,000)		(342,197,548)	
-Refunded	23,965,000	(42,035,000)	205,749,438	(136,448,110)
Loans to Employees Welfare Trust		(57,150,000)		-
Interest received on loan to Subsidiaries		14,368,643		12,322,106
Dividend Received		-		78,139
Restructuring costs paid		-		(58,569,569)
Interest received on short term investments		1,060,643		1,271,207
Net cash from / (used in) Investing Activities	(B)	<u>(337,498,998)</u>		<u>(459,910,082)</u>

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## CASH FLOW STATEMENT for the year ended 31st March 2005 (Contd.)

	Schedule/Note Reference	Year ended 31st Mar., 2005 (Rs.)	Year ended 31st Mar., 2004 (Rs.)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds From Issue of Share Capital			
Equity Shares		-	94,123,200
Car loans			
-Received during the year	8,628,854		2,328,186
-Repaid during the year	(4,286,884)	4,341,970	(3,376,075)
Term Loans			
-Received during the year ( 6.5% Non-convertible Debentures)	-		500,000,000
-Repaid during the year	(38,235,000)	(38,235,000)	(38,244,373)
Interest paid on Fixed Loan		(36,987,063)	(38,324,364)
Dividend paid (including Tax on Dividend)	(217,694,529)		-
<b>Net cash from / (used in) Financing Activities (C)</b>		<b>(288,574,622)</b>	<b>516,506,574</b>
Cash and Cash Equivalents at the beginning of the year	'7'	40,876,970	3,195,218
Add : Transferred in terms of scheme of arrangement [ Note 1 below]		-	132,507,059
Cash and Cash Equivalents at the end of the year	'7'	277,915,883	40,876,970
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>		<b>237,038,913</b>	<b>(94,825,307)</b>

### NOTES:

- In the previous year, the Global Solutions Business(GSB) was transferred to the company from NIIT Limited, in terms of the Scheme of Arrangement referred to in note 3 on schedule 17. The related transfer of assets and liabilities did not involve any cash flow except to the extent of cash and bank balances received Rs 132,507,059
- The above Cash Flow Statement has been prepared as per the indirect method prescribed by Accounting standard-3 issued by the Institute of Chartered Accountants of India.
- The enclosed schedules 1 to 17 form an integral part of the Cash Flow Statement.
- Previous year figures have been regrouped/reclassified to conform to current year's classification.

This is the Cash Flow Statement referred to in our report of even date

H. Singh

Partner

Membership No.-F-86994

For and on behalf of

Price Waterhouse

Chartered Accountants

Rajendra S Pawar

Chairman

Ashok Arora

Group Chief Financial Officer

Kawaljit Singh

Financial Controller

Arvind Thakur

CEO & Whole Time Director

Rakesh K. Prusti

Company Secretary  
& Legal Counsel

Place : New Delhi

Date : June 7, 2005

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Balance Sheet as at 31st March 2005

Schedule No.		As At 31st Mar., 2005 (Rs.)		As At 31st Mar., 2004 (Rs.)
1.	<b>SHARE CAPITAL</b> [Refer Note 3 (b) on Schedule 17]			
	Authorised 45,000,000 Equity Shares of Rs. 10/- each (Previous Year 15,000,000 Equity Shares of Rs 10 each)	450,000,000		150,000,000
		<u>450,000,000</u>		<u>150,000,000</u>
	Issued, subscribed and Paid-up 38,649,280 Equity Shares of Rs. 10/- each (Previous Year 9,662,320 Equity Shares of Rs 10 each)	386,492,800		96,623,200
		<u>386,492,800</u>		<u>96,623,200</u>
2.	<b>RESERVES AND SURPLUS</b> [ Refer Note 3 on Schedule 17]			
	Capital Redemption Reserve As per Last Balance Sheet	16,570,603		-
	Add : Transferred in terms of Scheme of Arrangement	-	16,570,603	16,570,603
		<u>-</u>	<u>16,570,603</u>	<u>16,570,603</u>
	Share Premium As per Last Balance Sheet	13,595,052		-
	Add : Transferred in terms of Scheme of Arrangement	-	13,595,052	13,595,052
		<u>-</u>	<u>13,595,052</u>	<u>13,595,052</u>
	Debenture Redemption Reserve As per Last Balance Sheet	38,750,000		-
	Add : Transferred from Profit & Loss Account	38,750,000	77,500,000	38,750,000
		<u>38,750,000</u>	<u>77,500,000</u>	<u>38,750,000</u>
	General Reserve As per Last Balance Sheet	757,875,333		-
	Add : Transferred during the year in terms of Scheme of Arrangement	-	898,636,049	
	Less : Adjustments for Restructuring Costs /write down in value of assets & related deferred tax liability ( Note 3 (e) on schedule 17)	-	(158,427,127)	
	Add : Balance Transferred from Profit and Loss Account	40,246,502	798,121,835	757,875,333
		<u>40,246,502</u>	<u>798,121,835</u>	<u>757,875,333</u>
	Profit and Loss Account	530,740,375		450,151,177
		<u>530,740,375</u>	<u>1,436,527,865</u>	<u>1,276,942,165</u>

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Balance Sheet as at 31st March 2005 (Contd.)

Schedule No.		As At 31st Mar., 2005 (Rs.)	As At 31st Mar., 2004 (Rs.)
3.	<b>SECURED LOANS</b> [Refer Notes 1 (ix) and 9 on Schedule 17]		
	Loans from Bank		
	-Rupee Term Loan	28,676,250	66,911,250
	-Vehicle Loan	10,354,031	6,012,061
	6.5% Non-Convertible Debentures	500,000,000	72,923,311
			500,000,000

## Notes :

- 1) 6.5 % Non-Convertible Debentures are redeemable at par as follows :

Redemption Date	Value of Debentures to be Redeemed (Rs )
26th May 2005	100,000,000
26th May 2006	150,000,000
26th May 2007	100,000,000
26th May 2008	150,000,000
	<u>500,000,000</u>

- 2 Amount due within one year Rs 131,857,050/-  
( Previous year Rs 40,181,627/-)

539,030,281

572,923,311

## 4. Fixed Assets

[Refer Notes 1 (i), (ii),(iii),(viii),(ix), 3(g), 4, 9 and 14 on Schedule 17]

(Rs.)

Description of Assets	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 01.04.2004	Additions during the year	Sale/Adj. during the year	Total as on 31.03.2005	As at 01.04.2004	For the year	Sale/Adj. during the year	Total as on 31.03.2005	As on 31.03.2005	As on 31.103.2004
<b>Tangible</b>										
Buildings	13,031,627	-	-	13,031,627	1,460,716	212,474	-	1,673,190	11,358,437	11,570,911
Plant & Machinery										
- Computers & Accessories	236,241,723	41,197,014	-	277,438,737	178,068,081	29,472,150	-	207,540,231	69,898,506	58,173,642
- Others	122,523,870	13,526,985	2,231,903	133,818,952	49,841,003	7,326,232	2,114,321	55,052,914	78,766,038	72,682,867
Furniture & Fixtures	59,118,806	13,762,353	-	72,881,159	35,039,762	7,425,157	-	42,464,919	30,416,240	24,079,044
Leasehold Improvements	44,050,078	24,087,877	-	68,137,955	40,125,437	5,144,069	-	45,269,506	22,868,449	3,924,641
Vehicles	26,938,603	11,187,341	11,769,123	26,356,821	8,165,257	3,347,443	4,339,332	7,173,368	19,183,453	18,773,346
Sub Total (a)	501,904,707	103,761,570	14,001,026	591,665,251	312,700,256	52,927,525	6,453,653	359,174,128	232,491,123	189,204,451
<b>Intangible</b>										
Software	848,535,747	27,809,715	-	876,345,462	347,600,023	160,335,525	-	507,935,548	368,409,914	500,935,724
Patents	23,152	-	-	23,152	10,981	1,099	-	12,080	11,072	12,171
Sub Total (b)	848,558,899	27,809,715	-	876,368,614	347,611,004	160,336,624	-	507,947,628	368,420,986	500,947,895
Total (a+b)	1,350,463,606	131,571,285	14,001,026	1,468,033,865	660,311,260	213,264,149	6,453,653	867,121,756	600,912,109	690,152,346
Previous Year	1,355,325,392	301,223,294	306,085,080	1,350,463,606	669,920,524	214,518,716	224,127,980	660,311,260	690,152,346	

Capital Work-in Progress 730,000 12,929,082  
( Including Capital Advances)

## Note :

Gross Block and Accumulated Depreciation/Amortisation as at 1.04.2003 represents amounts transferred by NIIT Limited in terms of the Scheme of Arrangement[Refer Note 3 on Schedule 17].

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Balance Sheet as at 31st March 2005 (Contd.)

Schedule No.	As At 31st Mar., 2005 (Rs.)	As At 31st Mar., 2004 (Rs.)
<b>5. INVESTMENTS</b>		
[Refer Notes 1 (iv) , 3, 18A(2) and 23 on Schedule 17]		
<b>A. LONG TERM, TRADE [UNQUOTED]</b>		
In Subsidiary Companies		
2,837,887 Equity Shares having no par value in NIIT Technologies Inc. USA (Previous Year Nil )	155,790,698	-
Economic Interest in NIIT ( USA ) Inc. USA	-	155,790,698
2,989,375 Equity Shares of 1 Singapore \$ each fully paid-up in NIIT Technologies Pte Ltd., Singapore (Formerly NIIT Asia Pacific Pte Ltd., Singapore )	77,518,750	77,518,750
2,092 Equity Shares of 50,000 Yen each fully paid-up in NIIT Technologies Co. Limited, Japan ( Formerly NIIT Japan K.K., Japan )	33,178,916	33,178,916
1 Equity Share of 70,475 Yen each fully paid-up in NIIT Technologies Co. Limited ,Japan ( Formerly NIIT Japan K.K., Japan )	20,890	20,890
6,000 Equity Shares of 50,700 Yen each fully paid-up in NIIT Technologies Co. Limited, Japan (Formerly NIIT Japan K.K., Japan )	90,168,878	90,168,878
3,276,427 Equity Shares of 1 UK Pound each fully paid-up in NIIT Technologies Ltd.,UK (Formerly NIIT Europe Ltd.,UK )	204,426,821	204,426,821
890,000 equity Shares of Rs 10/- each fully paid-up in NIIT GIS Ltd	8,900,000	8,900,000
87,934 Equity Shares of Euro 1 each fully paid-up in NIIT Technologies AG, Germany ( Formerly AD Solutions AG, Germany )	142,225,032	142,225,032
10,999,990 Equity Shares of Rs 10/- each fully paid-up in NIIT SmartServe Limited ( Note 1 below )	109,999,900	99,999,900
<b>Note :</b>		
1. 9,999,990 equity shares of NIIT SmartServe Limited (NSS) transferred to the company in terms of the Scheme of arrangement with NIIT Limited. During the year, the company made further investment of Rs 10,000,000 in NSS and acquired 1,000,000 equity shares of the same.		
<b>B. SHORT TERM, NON TRADE [UNQUOTED]</b>		
[Refer Note 23 on Schedule 17]		
In Mutual Funds	147,500,000	96,000,000
	<u>969,729,885</u>	<u>908,229,885</u>



# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Balance Sheet as at 31st March 2005 (Contd.)

Schedule No.	As At 31st Mar., 2005 (Rs.)	As At 31st Mar., 2004 (Rs.)
<b>6. SUNDRY DEBTORS</b> (Unsecured)		
Outstanding for over six months		
- Considered Good	79,199,894	58,663,588
- Considered Doubtful	105,813,498	102,106,623
Other Debts - Considered Good	597,658,343	796,867,174
	<u>782,671,735</u>	<u>957,637,385</u>
Less : Provision for Doubtful Debts	105,813,498	102,106,623
	<u>676,858,237</u>	<u>855,530,762</u>
	<u>676,858,237</u>	<u>855,530,762</u>
<b>7. CASH AND BANK BALANCES</b>		
Cash and Cheques in Hand	19,365,985	1,455,530
Balances with Scheduled Banks in :		
- Current Accounts	149,305,216	4,866,548
- Dividend Account	806,760	-
- Fixed Deposit Accounts	108,437,922	12,320,116
[Includes Rs. 9,437,922/- (Previous Year Rs. 12,320,116 ) pledged as margin money]		
- Exchange Earners' Foreign Currency Account	-	22,234,776
	<u>277,915,883</u>	<u>40,876,970</u>
	<u>277,915,883</u>	<u>40,876,970</u>
<b>8. OTHER CURRENT ASSETS</b> (Unsecured, considered good)		
Interest Receivable	1,703,224	234,473
Prepaid Expenses	24,625,923	18,904,504
	<u>26,329,147</u>	<u>19,138,977</u>
	<u>26,329,147</u>	<u>19,138,977</u>

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Balance Sheet as at 31st March 2005 (Contd.)

Schedule No.		As At 31st Mar., 2005 (Rs.)	As At 31st Mar., 2004 (Rs.)
9	<b>LOANS AND ADVANCES</b> (Unsecured, considered good except where otherwise stated ) [Refer Notes 1 (x) and 19 on Schedule 17]		
	Loans to Subsidiaries	201,903,280	154,883,900
	Loan to NIITian Welfare Trust	57,150,000	-
	Advances recoverable in cash or in kind or for value to be received ( including Rs Nil, Previous year Rs 84,960,320/- receivable from NIIT Limited consequent to the implementation of scheme of arrangement)		
	-Considered good	48,242,503	128,154,239
	-Considered doubtful	4,721,180	4,721,180
		<u>52,963,683</u>	<u>132,875,419</u>
	Less : Provision for Doubtful Advances	4,721,180	4,721,180
		48,242,503	128,154,239
	Security Deposits		
	-Considered good	54,531,736	51,664,965
	-Considered doubtful	5,063,074	5,063,074
		<u>59,594,810</u>	<u>56,728,039</u>
	Less : Provision for Doubtful Security Deposits	5,063,074	5,063,074
		54,531,736	51,664,965
	Advance Tax	13,034,460	-
	Less: Provision for Tax	(4,000,000)	-
		<u>9,034,460</u>	<u>-</u>
		<u>370,861,979</u>	<u>334,703,104</u>
10.	<b>CURRENT LIABILITIES</b> [Refer Note 5 on Schedule 17]		
	Sundry Creditors	254,577,055	333,977,512
	Advances from Customers	10,882,207	8,583,245
	Security Deposits	1,246,535	1,942,284
	Interest accrued but not due	24,810,861	25,196,313
	Unclaimed Dividend *	806,760	-
	Other Liabilities	11,542,129	19,317,584
	* There are no amounts due for payment to the Investor Protection Fund under Section 205C of The Companies Act,1956 as at the year-end.		
		<u>303,865,547</u>	<u>389,016,938</u>

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Balance Sheet as at 31st March 2005 (Contd.)

Schedule No.	As At 31st Mar., 2005 (Rs.)	As At 31st Mar., 2004 (Rs.)
<b>11. PROVISIONS</b>		
[Refer Notes 1(vi) and 1(xi) on Schedule 17]		
Provision for Leave Encashment	8,834,750	8,563,676
Provision for Gratuity	6,201,869	2,842,704
Proposed Dividend on Equity Shares	212,571,040	193,246,400
Corporate Dividend Tax	29,813,088	24,759,695
Provision for Tax	-	4,000,000
Less : Advance Tax	-	(3,726,563)
	<u>257,420,747</u>	<u>229,685,912</u>

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Profit and Loss Account for the year ended 31st March 2005

Schedule No.	Year ended 31st Mar., 2005 (Rs.)	Year ended 31st Mar., 2004 (Rs.)
<b>12. OTHER INCOME</b> [Refer Notes 1(v), 10 and 23 on schedule 17]		
Dividend from Mutual Funds	-	78,139
Profit on sale of Short Term Investment	6,446,187	14,452
Gain on exchange fluctuation ( Net )	8,953,430	-
Recovery from Subsidiaries for common corporate expenses	21,920,822	44,397,030
Miscellaneous	31,011,082	37,933,744
	<u>68,331,521</u>	<u>82,423,365</u>
<b>13. PERSONNEL</b> [Refer Notes 1(vi) , 8 and 24 on schedule 17]		
Salaries and Benefits [ Includes contribution towards Provident and Other Funds Rs. 37,630,384/- (Previous Year Rs.35,695,241/-)]	668,120,414	497,687,318
Welfare and Other Expenses	30,360,935	22,142,520
	<u>698,481,349</u>	<u>519,829,838</u>
<b>14. DEVELOPMENT, PRODUCTION AND BOUGHT OUT ITEMS</b> [Refer Note 8 on Schedule 17]		
Bought out items	153,716,989	168,050,955
Professional Charges	62,834,059	11,695,768
Equipment Hiring	1,907,151	1,748,321
Consumables	2,992,162	2,223,451
Others	3,874,368	4,068,840
	<u>225,324,729</u>	<u>187,787,335</u>

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Profit and Loss Account for the year ended 31st March 2005 (Contd.)

Schedule No.	Year ended 31st Mar., 2005 (Rs.)	Year ended 31st Mar., 2004 (Rs.)
<b>15. ADMINISTRATION, FINANCE AND OTHERS</b> [Refer Notes 8 and 11 on Schedule 17]		
Rent	75,976,849	66,758,127
Rates and Taxes	1,033,354	2,995,036
Electricity and Water	29,213,381	28,766,978
Communication	36,736,653	22,563,367
Legal and Professional	44,361,474	48,414,777
Travelling and Conveyance	109,031,225	86,811,995
Bank, Discounting and Other Financial Charges	1,132,599	2,854,942
Insurance Premium	2,651,107	2,932,290
Repairs and Maintenance		
- Plant and Machinery	18,598,487	19,382,541
- Buildings	3,621,637	2,620,698
- Others	11,747,505	8,682,658
Interest Paid on Fixed Loans	36,601,611	38,128,562
Less :		
Interest Received on :		
- Deposits	2,512,678	823,177
- Loans	14,368,643	12,322,106
- Others	16,716	21,298
	<u>16,898,037</u>	<u>13,166,581</u>
	19,703,574	24,961,981
Loss on Exchange fluctuations (Net)	-	170,553
Sundry Expenses	17,947,649	34,445,279
	<u>371,755,494</u>	<u>352,361,222</u>
<b>16. MARKETING</b> [Refer Note 8 on Schedule 17]		
Advertisement and Publicity	14,190,510	23,988,356
Others	8,720,488	6,015,305
	<u>22,910,998</u>	<u>30,003,661</u>

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## SCHEDULE '17' : Notes to Accounts for the year ended 31st March 2005

### 1. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared on an accrual basis and under historical cost convention and in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India except where a specific treatment is prescribed in terms of the Scheme of Arrangement approved by the Hon'ble High Court of Delhi under section 391 to 394 of the Companies Act, 1956 (Refer Note 3 below). The significant accounting policies adopted by the company are detailed below:

i) **Fixed Assets**

Fixed Assets are stated at acquisition cost.

ii) **Depreciation and Amortization**

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

Leasehold Improvements	3 years or lease period whichever is lower
Computers, related accessories and software	2-5 years
Assets under employee benefits scheme	3 years
All other assets	Rates prescribed under schedule XIV to the Companies Act, 1956

Further, computer systems and software are technically evaluated each year for their useful economic life and the unamortised depreciable amount of the asset is charged to profit and loss account as depreciation over their revised remaining useful life.

iii) **Impairment of Assets**

All assets other than inventories, investments and deferred tax asset, are reviewed for impairment, wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets whose carrying value exceed their recoverable amount are written down to the recoverable amount (Refer Note 6(b) below).

iv) **Investments**

Long-term investments are valued at their acquisition cost. Any decline in the value of the said investment, other than a temporary decline, is recognised and charged to profit and loss account. Short-term investments are carried at cost or their market values whichever is lower.

v) **Revenue Recognition**

**Software Services**

The company derives a substantial part of its revenue from time and material contracts where the revenue is recognized on a man month basis. The company also derives revenues from fixed price contracts where the revenue from the current year is recognized based on proportionate completion method. Foreseeable losses on contract completion if any, is also provided for (Refer Note 6(a) below).

**Dividend**

Dividend income is recognised when the right to receive dividend is established.

vi) **Retirement Benefits**

In respect of Provident Fund and Superannuation, the Company makes defined contributions to trusts established for this purpose by NIIT Limited. In respect of gratuity, which is a defined benefit plan, the Company's liability is actuarially determined at the year end and any shortfall in the fund size maintained with Life Insurance Corporation by NIIT Limited (to which company makes contributions) is additionally provided for.

Provision for leave encashment is recorded in the books based on actuarial valuation carried out at the year-end .

vii) **Foreign Currency Transaction**

Transactions in foreign currency are booked at standard rates determined periodically, which

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## SCHEDULE '17' : Notes to Accounts for the year ended 31st March 2005 (Contd.)

approximate the actual rates, and all monetary assets and liabilities in foreign currency are restated at the year-end. Gain/ Loss arising out of fluctuations on realisation/ payment or restatement, except those identifiable to acquisition of fixed assets is charged/ credited to the profit and loss account. Gain/Loss on account of exchange fluctuations identifiable to fixed assets acquired is adjusted against the carrying value of the related fixed asset.

Premium/ Discount on forward exchange contracts is spread over the life of the contract.

viii) **Leases**

Lease rental in respect of operating lease arrangements are charged to expense when due as per the terms of the related agreement.

The Company has not taken any assets on finance lease.

ix) **Borrowing Cost**

Borrowing costs are expensed in the year in which it is incurred except where the cost is incurred during the construction of an asset that takes a substantial period to get ready for its intended use in which case it is capitalized.

x) **Taxation**

Tax expense comprising of both current tax and deferred tax is included in determining the net results for the year. Deferred tax reflects the effect of temporary timing differences between the assets and liabilities recognized for financial reporting purposes and the amounts that are recognized for current tax purposes. As a matter of prudence deferred tax assets are recognised 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. Current tax is determined based on the provisions of Income-tax Act, 1961.

xi) **Provisions and contingencies**

The Company creates a provision when there is 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 that probably will not require an outflow of resources or where a reliable estimate of the obligation can not be made.

2. **CONTINGENT LIABILITIES: -**

- a) Guarantees issued by banker outstanding at the end of accounting year Rs. 153,964,599/- (Previous Year Rs. 35,923,156/-)
- b) Guarantees given to bank against lines of credit sanctioned to wholly owned overseas subsidiary Rs. 131,370,000/- (Previous Year Rs. 130,425,000/-)
- c) Guarantees given on behalf of wholly owned subsidiary Rs. 329,125,600/-. (Previous Year Rs. 320,584,800/-).
- d) Claims against the Company not acknowledged as debts Rs. 7,031,450/- (Previous Year Rs. 6,230,000/-).

3. **SCHEME OF ARRANGEMENT**

- a) The Global Solutions Business (GSB) Undertaking of NIIT Limited constituting software services and solutions including investment in subsidiaries engaged in business process outsourcing and geographical information services and other world-wide subsidiaries were transferred to the Company pursuant to the Scheme of Arrangement under Section 391 to Section 394 of the Companies Act, 1956 that was approved by the Hon'ble High Court of Delhi vide order of 18th May 2004 (read with orders of 28th May 2004 and 31st May 2004) from the Appointed Date i.e. April 1, 2003. The above transfer of GSB undertaking into the Company became effective on June 4, 2004 (Effective Date) upon filing of the certified copy of the order of the Hon'ble High Court of Delhi with the Registrar of Companies, Delhi & Haryana from the Appointed Date i.e., April 1, 2003.



# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## SCHEDULE '17' : Notes to Accounts for the year ended 31st March 2005 (Contd.)

The adjustments arising out of the above Scheme of Arrangement were effected in the financial statement of the company for the year ended 31st March 2004.

- b) Share Capital pending allotment as on 31st March, 2004 represents shares that were outstanding to be issued in terms of the Scheme of Arrangement above. These shares have been subsequently issued on 20th July, 2004. The shares of the Company have since been listed at the Stock Exchanges of Ahmedabad, Chennai, Delhi, Kolkata, Mumbai and the National Stock Exchange.
  - c) In terms of Scheme of Arrangement, the company was transferred beneficial interest in certain entities (Refer Note 18A below) by NIIT Limited. The related transfers have since been completed.
  - d) The transfer of company's holding in NIIT Technologies Co. Ltd, Japan, a wholly owned subsidiary of the company to NIIT Technologies Inc. USA, another wholly owned subsidiary of the company, in terms of the scheme of arrangement is pending. The company is in the process of working out the modalities of the transfer. Any gain/loss on such transfer which is not expected to be significant, will be recorded when the same is completed.
  - e) In the previous year, certain adjustments made in terms of the scheme of arrangement on account of review of carrying value of the assets and expenses incidental to the restructuring carried out in terms of the scheme were adjusted against General Reserves of the company as indicated in the respective schedules. Accordingly, the figures of the current year are not comparable with that of the previous year.
  - f) The Company is in the process of creating necessary security/charges in favour of the debenture trustees in relation to the liability for 6.5% Non-Convertible Debentures transferred to the Company in terms of the Scheme of Arrangement (Also refer Note 9 (c) below).
  - g) In view of certain conditions attached to the land that was transferred to the Company in terms of scheme of arrangement at the time of its initial allotment to NIIT Limited, the same could not be registered in the name of the Company. The land has accordingly been transferred back to NIIT Limited at book value in terms of the arbitration conducted in terms of the scheme of arrangement. Also, mutation of other immovable properties transferred to the Company in terms of scheme of arrangement is yet to be completed.
  - h) The Company has already filed applications with various authorities for obtaining approvals in relation to changes arising from the scheme of arrangement which are expected to be received in due course.
  - i) The corporate guarantees referred in Para 2 (b) and Para 2 (c) above, have been provided by NIIT Limited. The company is in the process of replacing the same with its own corporate guarantees.
4. Estimated amount of contracts remaining to be executed on capital account (net of advances) not provided for Rs 6,760,553/- (Previous Year Rs 27,137,472/-).
  5. There are no amounts outstanding as payable to any Small Scale Industrial Unit as at 31st March 2005.
  6. (a) As indicated in Note 1(v) above, the company from the current year recognizes revenue in respect of fixed price contracts on proportionate completion method as against on delivery/dispatch of concerned services adopted earlier. This has resulted in the company recognizing additional revenue (net of unearned Revenue of Rs. 9,888,661/-) of Rs 43,064,754/- and recording provision for foreseeable loss on contract completion of Rs. 583,132/- with a corresponding impact of Rs. 42,481,622/- on the profit before tax for the year.  
(b) Adoption of Accounting Standard 28 on impairment detailed in Note 1 (iii) above does not have any impact on either the profit for the year or on the net assets of the company as at year end.
  7. The name of the Company has been changed from NIIT Investments Limited to NIIT Technologies Limited and the Company has received a fresh certificate of incorporation dated 14th May 2004 consequent upon change of name from the Registrar of Companies.

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## SCHEDULE '17' : Notes to Accounts for the year ended 31st March 2005 (Contd.)

8. Pending approval of the Scheme of Arrangement, the operations of the Global Learning Business (GLB) and Global Solutions Business (GSB) undertakings were not fully segregated for a part of the year. The related common costs and other income earned have been shared by the Company and NIIT Limited on an appropriate basis. This resulted in the Company recovering Rs. 52,545,234/- from NIIT Limited (including Rs. 25,610,419/- in respect of asset user charges) and NIIT Limited recovering Rs.19,219,900/- from the Company, which have been netted off against relevant heads in the Profit and Loss Account viz. Other Income, Personnel, Development & Production, Administration & others and Marketing expenses.
9. a) Working Capital Limits are secured by hypothecation of stocks and book debts of the company. The Company has not utilized the fund based limit as at the year-end.  
 b) Rupee term loan from bank is secured by way of first charge created on all movable assets, both present and future, subject to first charge created on stocks and book debts of the company in respect of working capital limits above. The charge shall rank pari passu with charges to be created in favour of UTI Bank, as trustees for 6.5% non convertible debentures of Rs 5,000 Lacs. The company has also undertaken to create charge on immovable properties of the company as acceptable to the lender which is pending mutation of the properties (Refer Note 3 (g) above).  
 c) The charge / mortgage in respect of 6.5% Non-Convertible Debentures in favour of trustees was yet to be created as at year-end. The company has, since mortgaged an immovable property in favour of the debenture trustees and the related charge has been created. The Company is still in the process of creating a pari passu charge on the movable properties of the company in favour of the debenture trustees.  
 d) Vehicle Loans from Banks are secured by way of hypothecation of the vehicles financed.
10. Interest and dividend received are gross of tax deducted at source of Rs. 2,763,215/- (Previous Year Rs. 152,953/-).
11. Expenses during the year are net of recoveries towards common services from domestic subsidiaries amounting to Rs. 5,879,285/- (Previous Year Rs. 7,660,971/).
12. Unrealized gain on forward contracts accrued during the year but maturing in the next year is Rs. 10 Lacs.

### 13. EARNINGS IN FOREIGN CURRENCY

	2004-05 (Rs.)	2003-04 (Rs.)
Export of services - software solutions	1,643,188,417	1,067,444,743
Interest (Net of Taxes)	3,905,208	10,061,691
Other income	15,592,209	44,394,112

### 14. CIF VALUE OF IMPORTS

	2004-05 (Rs.)	2003-04 (Rs.)
Bought out items	-	8,926,986
Capital goods	30,782,112	12,718,515

### 15. EXPENDITURE IN FOREIGN CURRENCY (Net of Taxes)

	2004-05 (Rs.)	2003-04 (Rs.)
Production, development and Bought out items	46,002,330	4,106,762
Travel	58,216,741	38,701,362
Professional fees	227,617	587,101
Others	2,451,487	9,100,832

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULE '17' : Notes to Accounts for the year ended 31st March 2005 (Contd.)

## 16. PAYMENT TO AUDITORS

	2004-05 (Rs.)	2003-04 (Rs.)
Statutory Audit fees	3,400,000	3,050,000
Certification Services	2,371,250	2,100,000
Tax audit fees	200,000	200,000
Others	-	750,000
Reimbursement of expenses ( Excluding Service Tax )	300,000	518,276

## 17. DETAILS RELATING TO OPENING STOCK, PURCHASES, REVENUE AND CLOSING STOCK

a) The Company is engaged inter-alia in the production and development of computer software. The production and sale of such software cannot be expressed in generic unit. Hence, it is not possible to give quantitative details as required under paragraph 3 and 4C of Part II of Schedule VI of the Companies Act, 1956.

b) The details relating to traded items are as under:

	2004-05 Value (Rs.)	2003-04 Value (Rs.)
Transferred in terms of Scheme of arrangement ( Refer Note 3 above )	-	3,656,989
Purchases	153,716,989	164,393,966
Sales	164,805,679	213,839,908
Closing stock	-	-

The Company deals in a number of software and hardware items whose cost and selling price vary for different items. The revenue from the different kind of software and their related costs individually constitute less than 10% of the turnover and costs of the Company respectively. Accordingly, no quantitative information relating to software and hardware traded is being given.

c) Revenue includes income from software development and related services of Rs. 1,694,564,541/- (Previous Year Rs. 1,195,417,758/-).

## 18. RELATED PARTY TRANSACTIONS AS PER ACCOUNTING STANDARD 18:

A. Related party relationship where control exists:

Subsidiaries

1. NIIT GIS Ltd
2. NIIT Smart Serve Ltd
3. NIIT Technologies Ltd, UK (formerly NIIT Europe Ltd, UK)
4. NIIT Technologies BV, Netherlands ( formerly NIIT Benelux BV, Netherlands )
5. NIIT Nordiska AB, Sweden ( dissolved on August 9, 2004 )
6. NIIT Technologies NV, Belgium ( formerly NIIT Belgium NV, Belgium )
7. NIIT Technologies Pte Limited, Singapore (formerly NIIT Asia Pacific Pte Ltd, Singapore)
8. NIIT Technologies Ltd, Thailand ( formerly NIIT Thailand Ltd, Thailand )
9. NIIT Technologies Pty Ltd, Australia ( formerly NIIT Asia Pacific Pty Limited, Australia )
10. NIIT Technologies Co. Ltd, Japan (formerly NIIT Japan KK, Japan)
11. NIIT Technologies AG, Germany (formerly AD Solutions AG, Germany)
12. NIIT Technologies GmbH, Ostterreich (formerly AD Solutions AG Ostterreich)
13. NIIT Technologies AG, Schweiz (formerly AD Solutions AG, Schweiz, Switzerland)
14. NIIT Technologies Inc, USA
15. NIIT Europe GmbH, Germany ( dissolved on April 13, 2003 )
16. NIIT Asia Pacific Limited, New Zealand ( dissolved on October 2, 2003 )

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## SCHEDULE '17' : Notes to Accounts for the year ended 31st March 2005 (Contd.)

### Notes:

- 1) The above subsidiaries have been transferred to the Company as part of the Scheme of Arrangement w.e.f. April 1, 2003 i.e. Appointed Date.
  - 2) The company had 100% economic interest in Global Solutions Business of NIIT (USA) Inc., upto March 31, 2004 even though NIIT USA (USA) Inc., is a subsidiary of NIIT Limited. Transactions with NIIT (USA) Inc., in relation to Global solutions Business, for the period up to March 31, 2004 is considered to have been carried out with a subsidiary for the purpose of related party disclosures.
- B. Other related parties with whom the company has transacted:
- a) Parties of whom the company is an associate and it's subsidiaries:
    - NIIT Limited (Through it's subsidiary, Scantech Evaluation Services Ltd)
    - NIIT Online Learning Limited
  - b) Key managerial Personnel
    - 1) Rajendra S Pawar
    - 2) Vijay K Thadani
    - 3) Arvind Thakur
  - c) Parties in which the Key Managerial Personnel of the company are interested:
    - Institute of Quality Limited

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULE '17' : Notes to Accounts for the year ended 31st March 2005 (Contd.)

## C. Details of transactions with related parties (described above) carried out on an arms length basis :

Nature of Transactions	Subsidiaries (Rs.)	Party of whom the company is an associate NIIT Limited (Rs.)	Key Managerial Personnel (Rs.)	Parties in which Key Managerial Personnel of the Company are interested (Rs.)	Total (Rs.)
Sale of Goods	NIL (1,307,120)	2,200 (NIL)	NIL (NIL)	NIL (2,390,125)	2,200 (3,697,245)
Purchase of Fixed Assets	NIL (NIL)	2,758,784 (94,733,264)	NIL (NIL)	NIL (NIL)	2,758,784 (94,733,264)
Sale of Fixed Assets	NIL (2,591,730)	15,641,943 (NIL)	NIL (NIL)	NIL (NIL)	15,641,943 (2,591,730)
Rendering of Services – (Note 2)	1,574,845,629 (1,024,477,180)	NIL (NIL)	NIL (NIL)	NIL (NIL)	1,574,845,629 (1,024,477,180)
Receiving of Services – (Note 3)	46,258,828 (1,448,858)	NIL (NIL)	NIL (NIL)	NIL (NIL)	46,258,828 (1,448,858)
Recovery of Expenses (including those from Overseas Subsidiaries)	5,879,285 (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)	5,879,285 (NIL)
Recovery of Common expenses by the Company	NIL (NIL)	52,545,234 (49,190,123)	NIL (NIL)	NIL (NIL)	52,545,234 (49,190,123)
Recovery of Common expenses from the Company	NIL (NIL)	19,219,900 (56,264,295)	NIL (NIL)	NIL (NIL)	19,219,900 (56,264,295)
Finance:					
- Investments made – (Note 4)	10,000,000 (90,315,000)	NIL (NIL)	NIL (NIL)	NIL (NIL)	10,000,000 (90,315,000)
- Loans Given – (Note 5)	66,000,000 (342,197,548)	NIL (NIL)	NIL (NIL)	NIL (NIL)	66,000,000 (342,197,548)
- Loans Given Received back– (Note 6)	23,965,000 (205,749,438)	NIL (NIL)	NIL (NIL)	NIL (NIL)	23,965,000 (205,749,438)
- Interest received (Note 7)	12,218,243 (12,322,106)	NIL (NIL)	NIL (NIL)	NIL (NIL)	12,218,243 (12,322,106)
Remuneration ( Note 8 )	NIL (NIL)	NIL (NIL)	8,492,803 (NIL)	NIL (NIL)	8,492,803 (NIL)
Other Income (Note 9)	21,920,822 (44,397,030)	NIL (NIL)	NIL (NIL)	NIL (NIL)	21,920,822 (44,397,030)
Dividend Paid to Scantech Evaluation Services Ltd	NIL (NIL)	48,311,600 (NIL)	NIL (NIL)	NIL (NIL)	48,311,600 (NIL)
Other Expenses	NIL (NIL)	631,854 (NIL)	NIL (150,000)	250,000 (NIL)	881,854 (150,000)

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## SCHEDULE '17' : Notes to Accounts for the year ended 31st March 2005 (Contd.)

### Notes:

- 1 Figures in parenthesis represent previous year's figures.
- 2 Includes transactions for the year mainly with;
  - NIIT Technologies Inc, USA Rs. 6,540 lacs ( Previous Year : Rs. NIL )
  - NIIT Inc., USA Rs. NIL ( Previous Year : Rs. 4,376 lacs )
  - NIIT Technologies Ltd, UK Rs. 6,397 lacs ( Previous Year : Rs. 3,728 lacs )
- 3 Includes transactions for the year mainly with;
  - NIIT Technologies Inc, USA Rs. 4,626 lacs ( Previous Year : Rs. NIL )
- 4 Investment made includes investment in;
  - NIIT Smart Serve Ltd Rs. 100 lacs ( Previous Year : Rs. 450 lacs )
  - NIIT Inc., USA Rs. NIL ( Previous Year : Rs. 453 lacs )
- 5 Includes transactions for the year mainly with;
  - NIIT Smart Serve Ltd Rs. 660 lacs ( Previous Year : Rs. 850 lacs )
  - NIIT Technologies Ltd, UK Rs. NIL ( Previous Year : Rs. 1,338 lacs )
  - NIIT Technologies Pte Ltd, Singapore Rs. NIL ( Previous Year : Rs. 650 lacs )
  - NIIT Technologies AG, Germany Rs. NIL ( Previous Year : Rs. 584 lacs )
- 6 Includes transactions for the year mainly with;
  - NIIT Technologies Pte Ltd, Singapore Rs. 239 lacs ( Previous Year : Rs. 460 lacs )
  - NIIT Technologies Ltd, UK Rs. NIL ( Previous Year : Rs. 1,400 lacs )
- 7 Includes transactions for the year mainly with;
  - NIIT Smart Serve Ltd Rs. 81 lacs ( Previous Year : Rs. NIL )
  - NIIT Technologies AG, Germany Rs. 36 Lacs ( Previous Year : Rs. NIL )
- 8 Includes remuneration of
  - Mr R S Pawar - Rs. 27 Lacs ( Previous Year : Rs. NIL )
  - Mr Arvind Thakur - Rs. 53 Lacs ( Previous Year : Rs. NIL )
  - Mr Vijay K Thadani - Rs. 5 Lacs ( Previous Year : Rs. NIL )
- 9 Includes transactions for the year mainly with;
  - NIIT GIS Ltd Rs. 41.40 lacs
  - NIIT Technologies Ltd, UK Rs. 48.25 lacs
  - NIIT Technologies Inc, USA Rs. 64.10 lacs

### D. Details of balances with related parties:

	Receivables As at 31.03.2005 (Rs.)	Payables As at 31.03.2005 (Rs.)	Receivables As at 31.03.2004 (Rs.)	Payables As at 31.03.2004 (Rs.)
Subsidiaries	495,740,891	48,942,628	587,741,790	3,797,705
Parties of whom Company is an associate	596,441	945,192	85,096,435	93,370
Key Managerial Personnel	-	27,10,333	-	-

19. During the year, the Company and NIIT Limited (the companies) have granted loans of Rs. 571 Lacs each at 6% per annum to NIITian welfare Trust which has been formed for the purpose of providing welfare benefits to the employees of the companies and their subsidiaries out of surplus generated from investment activities. The trust is at present entirely financed by the loans given by the Companies which have been primarily invested in the equity shares of the Companies. Trust incurred a loss of Rs 30 Lacs during the year on account of interest and other expenses. The Trust expects to realize more than the carrying value of its investments.

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## SCHEDULE '17' : Notes to Accounts for the year ended 31st March 2005 (Contd.)

20. The dominant source of risk and returns of the enterprise is considered to be the business in which it operates viz - software solutions. Being a single business segment Company, no primary segment information is being provided. The secondary segment information in relation to the geographies is as follows;

(Rs. Lacs)

Particulars	Revenue from Customers by location of customers		Carrying amount of segment assets by location of the assets		Additions to fixed assets	
	31.03.2005	31.03.2004	31.03.2005	31.03.2004	31.03.2005	31.03.2004
India	2,845	3,817	29,233	28,615	1,316	3,012
America	6,540	4,376	-	-	-	-
Europe	8,722	5,533	-	-	-	-
Asia Pacific (including Australia)	487	366	-	-	-	-
<b>Total</b>	<b>18,594</b>	<b>14,092</b>	<b>29,233</b>	<b>28,615</b>	<b>1,316</b>	<b>3,012</b>

### 21. DEFERRED TAX

Break up of deferred tax assets/ liabilities and reconciliation of current accounting period deferred tax credit is as follows:

Deferred Tax Assets/Liabilities	As at 1.04.2004 (Rs Lacs)	Charged/ (Credited to Profit & Loss Account) (Rs. Lacs)	As at 31.03.2005 (Rs Lacs)
<b>Deferred Tax Liabilities</b>			
a) Tax impact of difference between carrying amount of fixed assets in the financial statements and as per the income tax calculation.	887	(188)	699
<b>Total (A)</b>	<b>887</b>	<b>(188)</b>	<b>699</b>
<b>Deferred Tax Assets</b>			
a) Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax:			
Provision for doubtful debts and Advances	357	21	336
Provision for Leave Encashment, Bonus and Gratuity	42	(9)	51
b) Carry forward Losses and unabsorbed depreciation.	423	111	312
<b>Total (B)</b>	<b>822</b>	<b>123</b>	<b>699</b>
<b>Net Deferred Tax Assets / (Liability) (B - A)</b>	<b>(65)</b>	<b>(65)</b>	<b>-</b>

- Deferred tax assets and liabilities are being offset as they relate to taxes on income levied by the same governing taxation laws.
- Deferred tax assets relating to carry forward losses and unabsorbed depreciation has been recognized only to the extent of deferred tax liability in view of uncertainty over their recoverability in full.



# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULE '17' : Notes to Accounts for the year ended 31st March 2005 (Contd.)

## 22. EARNING PER SHARE:

	2004-05	2003-04
Profit attributable to Equity shareholders (Rs.) -(A)	402,465,022	176,664,109
Weighted Average number of Equity shares Outstanding during the year - (B)	38,649,280	31,590,040
Nominal Value of Equity Shares (Rs.)	10	10
Basic/Diluted Earnings per share (Rs) (A/B)	10.41	5.59

### Note:

- a) The weighted average number of Equity shares have been determined as follows:

	Weighted Average No. of shares 2004-05	Weighted Average No. of shares 2003-04
Shares attributable to existing shareholders of the Company as at beginning of the year	9,662,320	250,000
28,986,960 Shares allotted in terms of Scheme of Arrangement on 20th July 2004 (effective from the Appointed date 01.04.2003)	28,986,960	28,986,960
9,412,320 Shares Allotted as on December 31, 2003	-	2,353,080
<b>Total</b>	<b>38,649,280</b>	<b>31,590,040</b>

- b) There has been no change in the number of equity shares during the year other than in relation to shares allotted in terms of scheme of arrangement ( refer Note 3 (b) above ).
- c) There are no potential dilutive shares as at year-end. Accordingly the basic and diluted Earning per Share are same.

## 23. During the year the Company acquired and sold units of mutual funds on various dates as follows: -

Scheme	No. of units at the beginning of the year	Value of the units in hand at the beginning of the year at lower of cost or market value (Rs.)	No. of units purchased	Purchase Value (Rs.)	No. of unit sold	Sale Value (Rs.)	No. of units in hand at the year-end	Value of units in hand at the year-end at lower of cost or market value (Rs.)	Market Value of units in hand. (Rs.)
Liquid Scheme-Growth Option									
Prudential ICICI Mutual Fund	1,945,311	30,000,000	7,906,389	125,000,000	9,851,700	157,369,805	-	-	-
Frankline Tempelton Mutual Fund	27,794	43,500,000	373,482	477,568,747	360,213	480,571,041	41,063	42,500,000	42,599,631
Birla Sunlife Mutual Fund	1,331,534	22,500,000	5,432,133	95,000,000	6,763,667	118,697,759	-	-	-
Standard Chartered Mutual Fund	-	-	7,492,081	90,000,000	3,749,908	45,383,490	3,742,173	45,000,000	46,332,220
DSP Merrill Lynch Mutual Fund	-	-	8,784,577	140,000,000	6,928,199	110,492,839	1,856,378	30,000,000	30,090,591
HSBC Mutual Fund	-	-	2,694,546	30,000,000	-	-	2,694,546	30,000,000	30,202,091
<b>GRAND TOTAL</b>	<b>3,304,639</b>	<b>96,000,000</b>	<b>32,683,208</b>	<b>957,568,747</b>	<b>27,653,687</b>	<b>912,514,934</b>	<b>8,334,160</b>	<b>147,500,000</b>	<b>149,224,533</b>
Previous Year Figures	-	-	4,084,139	104,074,768	779,500	8,089,220	3,304,639	96,000,000	96,996,957

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## SCHEDULE '17' : Notes to Accounts for the year ended 31st March 2005 (Contd.)

Profit from sale of the above units of Rs. 6,446,187/- (Previous Year Rs. 14,452/-) and dividend of Rs. Nil (Previous Year Rs. 78,139/-) is included in Other Income in Schedule 12.

### 24. MANAGERIAL REMUNERATION:

Calculation of Managerial Remuneration under Section 198 of the Companies Act, 1956:

	2004-05 (Rs)
Profit before taxation as per profit and Loss Account	395,965,022
ADD: Net increase in provision for Doubtful Debts	3,706,875
ADD: Depreciation as per books of accounts	213,264,149
Less: Deprecation determined as per Section 350 of the Companies Act, 1956	189,553,993
<b>Net Profit under Section 349 of the Companies Act, 1956</b>	<b>423,382,053</b>
ADD: Directors Remuneration	9,867,802
<b>Net Profit under Section 198 of the Companies Act, 1956</b>	<b>433,249,855</b>
Maximum remuneration allowable under section 198 of the Companies Act, 1956 restricted to 11% of Net Profit (subject to limits prescribed under schedule XIII to the Companies Act, 1956)	47,657,484
Maximum Commission allowable to Non executive directors under section 198 of the Companies Act, 1956 restricted to 1% of Net Profit	4,332,499

a. Whole time Directors' remuneration:

As approved by the Shareholders and within the limits prescribed under Schedule XIII to the Companies Act, 1956

	2004-05 ( Rs )
Salary and Allowances	3,843,699
Performance Linked Bonus	2,252,000
Contribution to provident and other funds	1,521,476
Value of Perquisites	417,295
<b>Total</b>	<b>8,034,470</b>

b. Non executive Directors' Remuneration

Commission to Non Executive Directors	1,833,332
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### 25. LEASES

All operating leases entered into by Company are cancelable on giving a notice of 1 to 3 months. Aggregate expenditure in respect of operating lease amounts to Rs. 80,793,296/- .

26. Previous year figures have been regrouped / recast wherever necessary to conform to current year classification.

Signature to the Schedules `1' to `17' above

**Rajendra S Pawar**  
Chairman

**Arvind Thakur**  
CEO & Whole Time Director

**Ashok Arora**  
Group Chief Financial Officer

**Kawaljit Singh**  
Financial Controller

**Rakesh K. Prusti**  
Company Secretary  
& Legal Counsel

Place : New Delhi  
Date : June 7, 2005



# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## AUDITORS' REPORT - Consolidated Financial Statement of NIIT Technologies Limited and its subsidiaries.

Report of the auditors to the Board of Directors of NIIT Technologies Limited (Formerly known as NIIT Investments Limited)

1. We have audited the attached consolidated Balance Sheet of NIIT Technologies Limited (Formerly known as NIIT Investments Limited) and its subsidiaries, as at 31st March, 2005 and the consolidated Profit and Loss Account and consolidated Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the NIIT Technologies Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the accounting standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs 19,238 lacs and total liabilities of Rs 4,692 lacs as at 31st March, 2005 and total revenue of Rs 33,286 lacs, total expenses of Rs 21,181 lacs and total cash flows of Rs 2,719 lacs (net) upto and for the year ended on that date considered in the consolidated financial statements. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiaries, is based solely on the reports of other auditors.
4. *The Company has not consolidated the NIITian Welfare Trust to the extent indicated in note 15 on Schedule 20, where the Company has substantive commitment.*
5. *Subject to Para 4 above, we report that the consolidated financial statements have been prepared by NIIT Technologies Limited's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India.*
6. Based on our audit and on consideration of the reports of other auditors on separate financial statements (refer Para 3 above) and on other financial information of the components, in our opinion and to the best of our information and explanations given to us, subject to Para 4 above, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in case of the Consolidated Balance Sheet, of the consolidated state of affairs of the NIIT Technologies Limited and its subsidiaries as at 31st March, 2005;
  - (ii) in case of the Consolidated Profit and Loss Account, of the profits for the year ended on that date; and
  - (iii) in the case of the Consolidated Cash Flow Statement, of the Cash Flows for the year ended on that date.

H. Singh  
Partner  
Membership Number F-86994  
For and on behalf of  
Price Waterhouse  
Chartered Accountants

Place : New Delhi  
Date : June 7, 2005

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## CONSOLIDATED BALANCE SHEET as at 31st March 2005

	Schedule/Note Reference	31st Mar., 2005 (Rs.)	As At 31st Mar., 2004 (Rs.)
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	386,492,800	96,623,200
Reserves and Surplus	2A	1,791,385,482	1,448,820,981
Cumulative Translation Reserve	2B	123,093,659	81,757,159
Share Capital pending allotment	20(3b)	-	289,869,600
<b>MINORITY INTEREST</b>	3	51,295,810	39,027,763
<b>LOAN FUNDS</b>			
Secured Loans	4	539,619,826	575,152,640
Unsecured Loans	5	-	25,598,396
<b>DEFERRED TAX LIABILITIES - [ NET]</b>	20(12)	4,530,872	12,469,610
		<u>2,896,418,449</u>	<u>2,569,319,349</u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	6	2,390,543,015	2,174,332,621
Less:-Depreciation and Amortisation		<u>1,436,998,903</u>	<u>1,070,721,103</u>
Net Block		953,544,112	1,103,611,518
Capital work-in-progress (including Capital Advances)		730,000	13,549,082
<b>INVESTMENTS</b>	7	438,265,194	333,989,932
<b>DEFERRED TAX ASSETS - [NET]</b>	20(12)	23,246,749	1,044,820
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories - Finished Goods		6,217,835	4,259,206
Sundry Debtors	8	1,189,286,947	1,230,494,301
Cash and Bank Balances	9	927,932,329	437,784,123
Other Current Assets	10	90,519,888	84,131,676
Loans & Advances	11	335,995,828	471,018,276
		<u>2,549,952,827</u>	<u>2,227,687,581</u>
<b>Less : CURRENT LIABILITIES AND PROVISIONS</b>			
Current Liabilities	12	796,776,730	874,644,345
Provisions	13	274,687,943	242,223,160
		<u>1,071,464,673</u>	<u>1,116,867,505</u>
Net Current Assets		1,478,488,154	1,110,820,076
<b>MISCELLANEOUS EXPENDITURE</b>	14	2,144,240	6,303,920
(To the extent not written off or adjusted)			
		<u>2,896,418,449</u>	<u>2,569,319,349</u>

### NOTES TO ACCOUNTS

'20'  
The Schedules referred to above form an integral part of the Consolidated Balance Sheet  
This is the Consolidated Balance Sheet referred to in our report of even date

H. Singh  
Partner  
Membership No.-F-86994  
For and on behalf of  
Price Waterhouse  
Chartered Accountants

Rajendra S Pawar  
Chairman  
Ashok Arora  
Group Chief Financial Officer

Arvind Thakur  
CEO & Whole Time Director  
Kawaljit Singh  
Financial Controller

Rakesh K. Prusti  
Company Secretary  
& Legal Counsel

Place : New Delhi  
Date : June 7, 2005

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31st March 2005

	Schedule/Note Reference	For the year ended 31st March. 2005 (Rs.)	For the year ended 31st March 2004 (Rs.)
<b>INCOME</b>			
Revenue from Operations	20-{1(vii),5(a)}	5,431,998,127	4,933,287,202
Other Income	15	71,932,560	65,793,348
		<u>5,503,930,687</u>	<u>4,999,080,550</u>
<b>EXPENDITURE</b>			
Personnel	16	2,591,184,390	2,432,680,866
Development, Production and bought out items	17	876,985,086	888,770,915
Administration, Finance and Others	18	957,858,335	839,590,766
Marketing	19	75,729,196	64,294,402
Depreciation and Amortisation	6	368,672,772	362,385,068
		<u>4,870,429,779</u>	<u>4,587,722,017</u>
Profit before Tax		633,500,908	411,358,533
Tax Expense			
- Current		65,929,706	42,660,299
- Deferred Charge/ (Credit)	20(12)	(30,140,667)	23,900,000
Profit after Tax before Minority interest		597,711,870	344,798,234
Net Profit attributable to Minority		12,268,047	13,590,719
Net profit attributable to Equity shareholders after Minority interest		585,443,823	331,207,515
Balance brought forward from previous year		587,859,066	874,362
Balance transferred in terms of scheme of arrangement	20(3)	-	715,062,533
Less: Adjustment for restructuring cost/write down in value of assets and related deferred tax.	20(3)	-	(170,767,875)
Add :- Transfer from Investment Allowance Reserve		40,646	-
Balance available for appropriation		<u>1,173,343,535</u>	<u>876,376,535</u>
<b>APPROPRIATION</b>			
Proposed Dividend on Equity Shares		212,571,040	193,246,400
Coprprate Dividend Tax (Including Rs. 495,194 relating to Earlier Year, Previous Year Rs. NIL)		30,308,282	24,759,695
Transferred to Debenture Redemption Reserve		38,750,000	38,750,000
Transferred to General Reserve		51,392,958	31,761,374
Balance carried to Balance Sheet		840,321,255	587,859,066
		<u>1,173,343,535</u>	<u>876,376,535</u>
Basic and Diluted Earning per Share	20(13)	15.15	10.48

### NOTES TO ACCOUNTS

'20'

The Schedules referred to above form an integral part of the Consolidated Profit and Loss Account  
This is the Consolidated Profit and Loss Account referred to in our report of even date

H. Singh

Partner

Membership No.-F-86994

For and on behalf of

Price Waterhouse

Chartered Accountants

Place : New Delhi

Date : June 7, 2005

Rajendra S Pawar

Chairman

Ashok Arora

Group Chief Financial Officer

Kawaljit Singh

Financial Controller

Arvind Thakur

CEO & Whole Time Director

Rakesh K. Prusti

Company Secretary  
& Legal Counsel

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## CONSOLIDATED CASH FLOW STATEMENT for the year ended 31st March 2005

	Year ended 31st Mar., 2005 (Rs.)	Year ended 31st Mar., 2004 (Rs.)
<b>A. Cash flow from operating activities:</b>		
Net Profit Before Tax	633,500,908	411,358,533
Adjustments for:		
Depreciation and Amortisation	368,672,772	362,385,068
Interest Expense	36,524,280	40,304,792
Interest Income	(9,899,966)	(16,735,809)
(Profit)/Loss on Fixed Assets sold	2,094,967	4,066,022
Unrealised Exchange gain / loss	(1,022,845)	-
Miscellaneous Expenditure written off	4,159,680	4,320,962
Provision for Bad & Doubtful Debts	24,872,279	661,948
Dividend Income from current Investment	(1,250,989)	(10,382,193)
<b>Operating profit before working capital changes</b>	<u>1,057,651,086</u>	<u>795,979,323</u>
Add/(Less): (Increase)/Decrease in working capital :		
- (INCREASE)/DECREASE in Sundry Debtors	17,357,921	(531,723,402)
- (INCREASE)/DECREASE in Other Receivables	135,396,189	(226,428,255)
- (INCREASE)/DECREASE in Inventories	(1,958,628)	5,359,335
- INCREASE/(DECREASE) in Trade and Other Payables	15,066,950	195,065,064
- Income Tax Paid ( including Tax deducted at Source )	(57,387,638)	(41,097,393)
<b>Net cash from operating activities (A)</b>	<u>1,166,125,880</u>	<u>197,154,672</u>
<b>B. Cash flow from Investing activities:</b>		
Purchase of fixed assets	(294,314,062)	(394,295,889)
Proceeds from Sale of fixed assets	6,596,235	6,915,511
Short Term Investments with mutual funds		
- Purchased during the year	(1,324,331,231)	
- Sold during the year	<u>1,220,051,752</u>	(175,040,733)
Investments made	(131)	-
Inter Corporate Deposits		
- Given during the year	-	(280,548,569)
- Received back during the year	43,287,947	464,470,757
Restructuring Cost	-	(74,733,257)
Loan to trust	(57,150,000)	-
Interest Received	8,462,346	17,347,706
Dividend Received	1,250,989	10,382,193
<b>Net cash used in investing activities (B)</b>	<u>(396,146,155)</u>	<u>(425,502,281)</u>



# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## CONSOLIDATED CASH FLOW STATEMENT for the year ended 31st March 2005 (Contd.)

	Schedule/Note Reference	Year ended 31st Mar., 2005 (Rs.)	Year ended 31st Mar., 2004 (Rs.)
<b>C. Cash flow from financing activities:</b>			
Proceeds form fresh issue of Share Capital		-	94,123,200
Receipt of Loan (6.5% non Convertible Debentures) Term Loans		-	500,000,000
- Received during the year		9,265,854	4,311,339
- Repaid during the year		(44,798,667)	(485,383,259)
Repayment of unsecured loans		(25,598,396)	-
Interest Paid		(36,909,733)	(40,833,088)
Dividend paid		(217,694,529)	-
<b>Net cash from/(used in) financing activities</b>	<b>(C)</b>	<b>(315,735,471)</b>	<b>72,218,192</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>(A+B+C)</b>	<b>454,244,254</b>	<b>(156,129,417)</b>
Adjustment on account of exchange rate		35,903,952	(57,088,773)
Cash and cash equivalents as at the beginning of the year	9	437,784,123	3,195,218
Cash and Cash Equivalents transferred in terms of Scheme of Arrangement [Note 1 below]		-	647,807,095
Cash and cash equivalents at the close of the year	9	927,932,329	437,784,123

### Notes :

1. In the previous year Global Solutions Business (GSB ) was transferred to the Group from NIIT Limited in terms of the Scheme of Arrangement referred to in note 3 on Schedule 20. The related transfer of assets and liabilities did not involve any Cash Flow except to the extent of Cash and Bank balances transferred Rs. 647,807,095/-.
2. The above Cash flow statement has been prepared under the indirect method setout in AS-3 issued by the Institute of Chartered Accountants of India.
3. Figures in brackets indicate cash outgo.
4. The enclosed schedules from 1 to 20 form an integral part of the Cash Flow Statement.
5. Previous year figures have been regrouped/reclassified to conform to current year's classification.

This is the Cash Flow Statement referred to in our report of even date

H. Singh

Partner

Membership No.-F-86994

For and on behalf of

Price Waterhouse

Chartered Accountants

Rajendra S Pawar

Chairman

Ashok Arora

Group Chief Financial Officer

Kawaljit Singh

Financial Controller

Arvind Thakur

CEO & Whole Time Director

Rakesh K. Prusti

Company Secretary  
& Legal Counsel

Place : New Delhi

Date : June 7, 2005

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Consolidated Balance Sheet as at 31st March 2005

Schedule No.		As At 31st Mar., 2005 (Rs.)		As At 31st Mar., 2004 (Rs.)
1.	<b>SHARE CAPITAL</b> [Refer Note 3 (b) on Schedule 20]			
	Authorised			
	45,000,000 Equity shares of Rs. 10/- each (Previous Year 15,000,000 Equity shares of Rs. 10/- each)	450,000,000		150,000,000
		<u>450,000,000</u>		<u>150,000,000</u>
	Issued,Subscribed and Paid up			
	38,649,280 Equity Shares of Rs.10 each (Previous year 9,662,320 Equity Shares of Rs. 10/- each)	386,492,800		96,623,200
		<u>386,492,800</u>		<u>96,623,200</u>
2A	<b>RESERVES AND SURPLUS</b> [Refer Note 3 on Schedule 20]			
	Capital Redemption Reserve			
	As per last Balance Sheet	16,570,603		-
	Add:- Transferred in terms of Scheme of Arrangement	<u>-</u>	16,570,603	<u>16,570,603</u>
	Share Premium			
	As per last Balance Sheet	13,595,052		-
	Add:- Transferred in terms of Scheme of Arrangement	<u>-</u>	13,595,052	<u>13,595,052</u>
	Investment Allowance Reserve			
	As per last Balance Sheet	40,646		-
	Add:- Transferred in terms of Scheme of Arrangement	<u>-</u>		<u>40,646</u>
	Less :- Transferred to Profit & Loss Account	(40,646)		40,646
	Debenture Redemption Reserve			
	As per last Balance Sheet	38,750,000		-
	Add - Transferred from Profit and Loss account	<u>38,750,000</u>	77,500,000	<u>38,750,000</u>
	General Reserve (Note 1&2 below)			
	As per last Balance Sheet	792,005,614		
	Add:-Transferred in terms of Scheme of Arrangement	<u>-</u>		<u>918,671,367</u>
	Less : Adjustment for Restructuring Cost / write down in value of assets and related deferred taxes in terms of Scheme of Arrangement.	<u>-</u>		<u>158,427,127</u>
	Add : Transferred from Profit and Loss Account	51,392,958	843,398,572	792,005,614
		<u>51,392,958</u>	<u>843,398,572</u>	<u>792,005,614</u>
	Profit & Loss Account	840,321,255		587,859,066

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Consolidated Balance Sheet as at 31st March 2005 (Contd.)

Schedule No.	As At 31st Mar., 2005 (Rs.)	As At 31st Mar., 2004 (Rs.)
Notes :		
1) General Reserve above represents General Reserve as per the Indian Companies Act, in respect of Indian Companies.		
2) General Reserve, if any, of the overseas companies are included as part of the Profit and Loss Account balance and it is not practical to give movement thereof.		
	<u>1,791,385,482</u>	<u>1,448,820,981</u>
<b>2B CUMULATIVE TRANSLATION RESERVE</b> [Refer Note 1(ix) on Schedule 20]		
As per last Balance Sheet	81,757,159	-
Transferred during the year in terms of Scheme of Arrangement	-	138,847,336
Addition/(Deletion) during the year	37,805,952	(53,521,755)
Transferred to (other Income) / written off on dissolution of subsidiaries	3,530,548	(3,568,422)
	<u>123,093,659</u>	<u>81,757,159</u>
<b>3 MINORITY INTEREST</b> [Refer Note 1(i) on Schedule 20]		
As per last Balance Sheet	39,027,763	-
Transferred in terms of Scheme of Arrangement	-	27,402,861
Less : Minority Interest share of loss on fair valuation of assets	-	(1,965,817)
Add : Minority share in the result of current year	12,268,047	13,590,719
	<u>51,295,810</u>	<u>39,027,763</u>

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Consolidated Balance Sheet as at 31st March 2005 (Contd.)

Schedule No.	As At 31st Mar., 2005 (Rs.)	As At 31st Mar., 2004 (Rs.)
<b>4 SECURED LOANS</b> [Refer Note 9 on Schedule 20]		
Loans from Banks		
- Rupee Term loan	28,676,249	66,911,250
- Vehicle Loan	10,943,577	6,463,037
	<u>39,619,826</u>	<u>73,374,287</u>
6.5% Non - Convertible Debentures	500,000,000	500,000,000
6.5% Non-convertible Debentures are redeemable at par as follows : Redemption Date	Value of Debentures to be Redeemed (Rs.)	
26th May 2005	100,000,000	
26th May 2006	150,000,000	
26th May 2007	100,000,000	
26th May 2008	150,000,000	
	<u>500,000,000</u>	
Other Loan		
- Lease Obligations under finance lease	-	1,778,353
Note:- 1) Amount due within one year Rs.132,036,570 ( Previous Year 42,594,380/-)		
	<u>539,619,826</u>	<u>575,152,640</u>
<b>5 UNSECURED LOANS</b>		
Short Term loans from others		
- Inter Corporate Deposits	-	25,598,396
	<u>-</u>	<u>25,598,396</u>

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## SCHEDULES annexed to and forming part of the Consolidated Balance Sheet as at 31st March 2005 (Contd.)

Description of Assets	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK			
	As at 01.04.2004	Additions during the Year	Sales / Adj. during the Year	Translation Adjustment	Total as on 31.03.2005	As at 01.04.2004	For the Year	Sales / Adj. during the Year	Translation Adjustment	Total as on 31.03.2005	As on 31.03.2004	As on 31.03.2005
	(Rs.)											
<b>Tangible</b>												
Buildings	13,031,627	-	-	-	13,031,627	1,460,716	212,474	-	-	1,673,190	11,358,437	11,570,911
Plant & Machinery (Including Computers & Accessories)	574,543,999	117,199,200	2,272,587	1,593,887	691,064,499	338,399,271	77,844,655	2,153,099	1,055,793	415,146,620	275,917,879	236,144,728
Furniture & Fixtures	117,053,677	24,209,378	6,402	593,550	141,850,203	73,056,194	16,705,721	5,333	328,539	90,085,121	51,765,082	43,997,483
Lease Hold Improvements	44,050,078	24,087,877	-	-	68,137,955	40,125,437	5,144,069	-	-	45,269,506	22,868,449	3,924,641
Vehicles	32,368,601	13,325,745	13,148,788	-	32,545,558	9,351,592	3,911,285	4,578,144	-	8,684,733	23,860,825	23,017,009
<b>Sub Total (a)</b>	<b>781,047,982</b>	<b>178,822,200</b>	<b>15,427,777</b>	<b>2,187,437</b>	<b>946,629,842</b>	<b>462,393,210</b>	<b>103,818,204</b>	<b>6,736,576</b>	<b>1,384,332</b>	<b>560,859,170</b>	<b>385,770,672</b>	<b>318,654,772</b>
<b>Intangible</b>												
Acquired Software	1,122,203,971	43,041,818	-	6,771,861	1,172,017,650	51,918,875	209,702,134	-	3,385,662	732,266,671	439,750,979	603,025,096
Patents	23,152	-	-	-	23,152	10,981	1,099	-	-	12,080	11,072	12,171
Goodwill	271,057,516	-	-	814,855	271,872,371	89,138,037	55,151,335	-	(428,390)	143,860,982	128,011,389	181,919,479
<b>Sub Total (b)</b>	<b>1,393,284,639</b>	<b>43,041,818</b>	<b>-</b>	<b>7,586,716</b>	<b>1,443,913,173</b>	<b>608,327,893</b>	<b>264,854,568</b>	<b>-</b>	<b>2,957,272</b>	<b>876,139,733</b>	<b>567,773,440</b>	<b>784,956,746</b>
<b>Total (a + b)</b>	<b>2,174,332,621</b>	<b>221,864,018</b>	<b>15,427,777</b>	<b>9,774,153</b>	<b>2,390,543,015</b>	<b>1,070,721,103</b>	<b>368,672,772</b>	<b>6,736,576</b>	<b>4,341,604</b>	<b>1,436,998,903</b>	<b>953,544,112</b>	<b>1,103,611,518</b>
<b>Previous Year</b>	<b>2,175,521,804</b>	<b>398,607,447</b>	<b>381,127,861</b>	<b>(18,668,769)</b>	<b>2,174,332,621</b>	<b>978,437,079</b>	<b>362,385,068</b>	<b>259,125,319</b>	<b>(10,975,725)</b>	<b>1,070,721,103</b>	<b>730,000</b>	<b>13,549,082</b>

Note:- Gross Block and accumulated Depreciation / Amortisation as at 01.04.2003 represents those in relation to fixed assets transferred by NIIT Limited Group in terms of the Scheme of arrangement referred to in Note 3 on Schedule 20

Capital Work in Progress (Including Capital Advances)

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Consolidated Balance Sheet as at 31st March 2005 (Contd.)

Schedule No.	As At 31st Mar., 2005 (Rs.)	As At 31st Mar., 2004 (Rs.)
<b>7 INVESTMENTS</b>		
[Refer Note 1 (i), (v), 3 and 10 on Schedule 20]		
Trade, Long Term		
199,145 Common shares in Relativity Technologies Inc., USA	44	-
953,265 Common Shares in Computer Logic Inc., USA	43	-
500,000 Preference Shares and 189,655 Common Shares in Cokinetic Systems Inc., USA	44	-
	<u>131</u>	<u>-</u>
Non - Trade short term		
In mutual fund, debts and money market securities	438,265,063	333,989,932
Fair market value as on 31/03/05 Rs. 448,240,114 (Previous Year Rs. 336,154,657/-)		
	<u>438,265,194</u>	<u>333,989,932</u>
<b>8 SUNDRY DEBTORS</b>		
[Unsecured]		
Debts outstanding for a period exceeding six months :		
- Considered good	111,773,168	121,759,293
- Considered doubtful	130,499,843	137,203,904
Other debts :		
- Considered good	1,077,513,779	1,108,735,008
	1,319,786,790	1,367,698,205
Less : Provision for doubtful debts	(130,499,843)	(137,203,904)
	<u>1,189,286,947</u>	<u>1,230,494,301</u>
<b>9 CASH AND BANK BALANCES</b>		
Cash and Cheques in Hand	42,250,390	8,844,325
Balances with Banks in :		
- Current Accounts	581,518,907	284,463,692
- Dividend Account	806,760	-
- Fixed Deposit Accounts	206,336,461	39,656,225
(Includes Rs. 27,715,795/- Previous Year Rs.37,400,092/- pledged as margin money)		
- Call Money accounts	96,505,470	75,006,490
Exchange Earners Foreign Currency Account	514,341	29,813,391
	<u>927,932,329</u>	<u>437,784,123</u>

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Consolidated Balance Sheet as at 31st March 2005 (Contd.)

Schedule No.		As At 31st Mar., 2005 (Rs.)	As At 31st Mar., 2004 (Rs.)
10	<b>OTHER CURRENT ASSETS</b> (Unseured, Considered good)		
	Interest receivables	2,005,714	568,094
	Prepaid Expenses	88,514,174	83,563,582
		<u>90,519,888</u>	<u>84,131,676</u>
11	<b>LOANS &amp; ADVANCES</b> (Unsecured, considered good except where otherwise stated)		
	Inter Corporate Deposits	-	43,287,947
	Loan to NIITian Welfare Trust [Refer Note 15 on Schedule 20]	57,150,000	-
	Advances recoverable in cash or in kind or for value to be received	88,071,853	390,289,466
	Less : Provision for doubtful advances	(4,721,180)	(49,748,621)
		83,350,673	340,540,845
	Security Deposits	96,331,983	79,888,835
	Less ' -Provision for Doubtful deposits	(5,063,074)	(7,157,898)
		91,268,909	72,730,937
	Unbilled Revenue	98,309,768	-
	Advance Tax	111,017,693	108,383,410
	Less : Provision for Tax	(105,101,215)	(93,924,863)
		5,916,478	14,458,547
		<u>335,995,828</u>	<u>471,018,276</u>
12	<b>CURRENT LIABILITIES</b>		
	Sundry Creditors	512,725,999	642,495,869
	Advances from Customers	49,269,218	12,803,142
	Unclaimed Dividend *	806,760	-
	Security Deposits	1,246,535	1,942,284
	Unearned Revenue	100,626,136	105,106,147
	Interest accrued but not due	24,810,861	342,940
	Other Liabilities	107,291,221	111,953,963
	*There are no amounts due for payment to the investor protection fund under section 205C of the companies Act, 1956		
		<u>796,776,730</u>	<u>874,644,345</u>
13	<b>PROVISIONS</b> [Refer Note 1(viii) and (xiii) on Schedule 20]		
	Proposed Dividend	212,571,040	193,247,802
	Tax on proposed dividend	29,813,088	24,759,695
	Retirement benefits	7,148,528	3,076,592
	Leave encashment	25,155,287	21,139,071
		<u>274,687,943</u>	<u>242,223,160</u>

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Consolidated Balance Sheet as at 31st March 2005 (Contd.)

Schedule No.		As At 31st Mar., 2005 (Rs.)		As At 31st Mar., 2004 (Rs.)
14	MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted) [Refer Note 1(xiv) on Schedule 20]			
	PRELIMINARY EXPENSES			
	As per last Balance Sheet	120,962		-
	Transferred in terms of Scheme of arrangement	-	184,682	
	Less: Written off during the year	<u>40,320</u>	<u>63,720</u>	120,962
	DEFERRED REVENUE EXPENDITURE			
	As per last Balance Sheet	6,182,958		-
	Transferred in terms of Scheme of arrangement	-	10,440,200	
	Less: Written off during the year	<u>4,119,360</u>	<u>4,257,242</u>	6,182,958
		<u>2,144,240</u>		<u>6,303,920</u>



# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Consolidated Profit and Loss Account for the year ended 31st March 2005

Schedule No.	For the year ended 31st Mar., 2005 (Rs.)	For the year ended 31st Mar., 2004 (Rs.)
<b>15 OTHER INCOME</b> [Refer Note 1 (vii),(ix), 3(d) and 7 on Schedule 20]		
Dividend Income from short term Investment	1,250,989	10,382,193
Profit on sale of short term Investment	9,075,918	-
Transfer from Cumulative Translation Reserve (in respect of companies dissolved during the year)	-	3,568,422
Others	61,605,653	51,842,733
	<u>71,932,560</u>	<u>65,793,348</u>
<b>16 PERSONNEL</b> [Refer Note 1 (viii), 7, 8 and 14 on Schedule 20]		
Salaries and Benefits	2,373,101,518	2,247,965,830
Contribution to retirement benefit funds	141,996,616	125,722,759
Welfare and other expenses	76,086,256	58,992,277
	<u>2,591,184,390</u>	<u>2,432,680,866</u>
<b>17 DEVELOPMENT, PRODUCTION AND BOUGHT OUT ITEMS</b> [Refer Note 7 and 8 on Schedule 20]		
Bought out Items	399,782,095	378,889,899
Professional Charges	392,101,058	400,962,111
Equipment Hiring	9,182,234	13,642,233
Software Duplication charges	66,081,399	68,726,236
Others	9,838,300	26,550,436
	<u>876,985,086</u>	<u>888,770,915</u>

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Consolidated Profit and Loss Account for the year ended 31st March 2005 (Contd.)

Schedule No.		For the year ended 31st Mar., 2005 (Rs.)		For the year ended 31st Mar., 2004 (Rs.)
18	<b>ADMINISTRATION, FINANCE AND OTHERS</b> [Refer Note 7 and 11 on Schedule 20]			
	Rent	176,957,202		159,039,639
	Rates and Taxes	7,383,254		8,252,164
	Electricity and Water	41,969,083		37,120,492
	Communication	144,941,488		106,189,120
	Legal and Professional	162,621,835		118,591,504
	Travelling and Conveyance	233,835,182		203,565,084
	Interest paid :			
	- Fixed Loans	36,524,281		40,067,429
	Others	-		237,363
		<u>36,524,281</u>		<u>40,304,792</u>
	Less : Interest Received on :			
	- Deposits	7,503,997		10,293,836
	- Loans	2,370,475		6,409,276
	- Others	25,494		32,697
		<u>9,899,966</u>	<u>26,624,315</u>	<u>16,735,809</u>
	Bank, Discounting and Other Financial Charges	4,615,429		8,905,073
	Bad debt and provision for doubtful debt	24,872,279		661,948
	Lease Rentals	3,087,285		4,989,684
	Insurance Premium	27,058,879		29,449,832
	Repairs and Maintenance			
	- Plant and Machinery	28,867,547		25,941,245
	- Buildings	4,575,379		4,412,732
	- Others	16,290,198	49,733,124	15,603,125
		<u>49,733,124</u>		<u>45,957,102</u>
	Sundry Expenses	37,402,513		60,388,691
	Transfer from Cumulative Translation Reserve (In respect of a company dissolved during the year)	3,530,548		-
	Loss on exchange fluctuations (Net)	9,066,239		28,590,487
	Miscellaneous expenditure written off	4,159,680		4,320,962
		<u>957,858,335</u>		<u>839,590,766</u>
19	<b>MARKETING</b>			
	Advertisement and Publicity	45,559,827		54,395,170
	Others	30,169,369		9,899,232
		<u>75,729,196</u>		<u>64,294,402</u>

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULE '20' : Notes to Consolidated Accounts for the year ended 31st March 2005

## 1. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are prepared on an accrual basis and under historical cost convention and in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India except where a specific accounting treatment is prescribed in terms of the Scheme of Arrangement approved by the Hon'ble High Court of Delhi under section 391 to 394 of the Indian Companies Act, 1956 (Refer Note 3 below). The significant accounting policies adopted by the group are detailed below:

### i) Basis of consolidation

These consolidated financial statements include accounts of NIIT Technologies Limited and its subsidiary undertakings (The Group). Subsidiary undertakings are those companies in which NIIT Technologies Limited, directly or indirectly, has an interest of more than one half of voting power or otherwise has power to exercise control over the operations and to obtain economic benefits. The subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. All material inter company transactions, balances and unrealized surpluses and deficits on transactions between group companies are eliminated. Consistency in adoption of accounting policies among all group companies is ensured to the extent practicable. Separate disclosure is made for minority interests.

### ii) Fixed Assets

Fixed Assets are stated at acquisition cost except where fixed assets are taken over pursuant to an acquisition at a consolidated price. Individual fixed assets taken over pursuant to acquisition are recorded at their fair value on the date of acquisition based on valuation carried out by independent valuers. On acquisition, the consideration paid less the fair value of the net assets acquired (including identified intangible assets) is considered as goodwill.

### iii) Depreciation and Amortisation

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

Buildings	58 years
Leasehold Improvements	3 years or lease period whichever is lower
Computers, related accessories ( Included in Plant & machinery ) and intangible assets	1-5 years
Furniture, fixtures and vehicles	5-10 years
Assets under employee benefits scheme	3 years
All other assets	3 - 20 years

Further, computer systems and software are technically evaluated each year for their useful economic life and the unamortized depreciable amount of the asset is charged to profit and loss account as depreciation over their revised remaining useful life.

### iv) Impairment of Assets

All assets other than inventories, investments and deferred tax asset are reviewed for impairment, wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets whose carrying values exceed their recoverable amount are written down to the recoverable amount. (Refer Note 5 (b) below).

### v) Investments

Long-term investments are valued at their acquisition cost. Any decline in the value of the said investment, other than a temporary decline, is recognised and charged to profit and loss account. Short-term investments are carried at cost or their market values whichever is lower.

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## SCHEDULE '20' : Notes to Consolidated Accounts for the year ended 31st March 2005 (Contd.)

vi) **Inventory valuation**

Inventories are valued lower of costs or net realizable value.

vii) **Revenue Recognition**

**Software Services**

The Group derives a substantial part of its revenue from time and material contracts where the revenue is recognised on a man month basis. The Group also derives revenues from fixed price contracts where the revenue from the current year is recognised based on proportionate completion method. Further, foreseeable losses on contract completion, if any are also provided for.

**Dividend**

Dividend income is recognised when the right to receive dividend is established.

viii) **Retirement Benefits**

In respect of the companies incorporated in India, the Group makes defined contribution for Provident Fund and Superannuation fund, to trusts established for this purpose by NIIT Limited. In respect of gratuity, which is a defined benefit plan, the group's liability is actuarially determined at the year end and any shortfall in the fund size maintained with Life Insurance Corporation by NIIT Limited ( to which group makes contributions) that can be attributed to the Group is additionally provided for.

In respect of companies incorporated outside India, where applicable, the companies make defined contributions on a monthly basis towards retirement benefit plans which is charged to the Profit and Loss Account.

Provision for leave encashment is recorded in the books based on actuarial valuation carried out at the year-end.

ix) **Foreign Currency Transaction / Translation**

Transactions in foreign currency (currency other than companies' functional currency) are booked at standard rates determined periodically, which approximate the actual rates and all monetary assets and liabilities in foreign currency are restated at the year-end. Gain/ Loss arising out of fluctuations on realisation/ payment or restatement, except those identifiable to acquisition of fixed assets is charged/ credited to the profit and loss account. Gain/Loss on account of exchange fluctuations identifiable to fixed assets acquired is adjusted against the carrying value of the related fixed asset.

Premium/ Discount on forward exchange contracts are spread over the life of the contract.

For the purposes of consolidation, the operation of overseas subsidiaries are considered non integral in nature and accordingly their assets and liabilities are translated at the year end exchange rate and Income and expenditure items are translated at pre determined rates that approximate the exchange rate prevailing on the date of transaction. The resultant translation adjustment is reflected as a separate component of shareholders' funds as 'Cumulative Translation Reserve'. Upon disposal or dissolution of non Indian subsidiaries, the balance in Cumulative Translation Reserve in relation to the subsidiary is transferred to the Profit and Loss Account.

x) **Leases**

Lease rental in respect of operating lease arrangements are charged to expense when due as per the terms of the related agreement.

Lease rentals in respect of finance lease transactions entered prior to March 31, 2001 in case of companies incorporated in India are charged to expense when due as per the terms of the related agreement. Other finance lease transactions are considered as financing arrangements and the leased asset is capitalized at an amount equal to the present value of the future minimum lease payments and corresponding amount is recognized as a liability. The lease payments made are apportioned between finance charges and reduction of outstanding liability in relation to leased asset.

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## SCHEDULE '20' : Notes to Consolidated Accounts for the year ended 31st March 2005 (Contd.)

- xi) **Borrowing Cost**  
Borrowing costs are expensed in the year in which it is incurred except where the cost is incurred during the construction of an asset that takes a substantial period to get ready for its intended use in which case it is capitalized.
- xii) **Taxation**  
Tax expense comprising of both current tax and deferred tax is included in determining the net results for the year. Deferred tax reflects the effect of temporary timing differences between the assets and liabilities recognized for financial reporting purposes and the amounts that are recognized for current tax purposes. As a matter of prudence deferred tax assets are recognised 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. Current Tax is determined based on the provisions of Income Tax Regulations ,of the respective countries.
- xiii) **Provisions and contingencies**  
The company creates a provision when there is 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 that probably will not require an outflow of resources or where a reliable estimate of the obligation cannot be made.
- xiv) **Miscellaneous Expenditure (to the extent not written off or adjusted)**  
Preliminary Expenses are written off over a period of 5 years commencing from the year of commercial operation of the concerned subsidiary.  
  
Other Expenses that cannot be directly attributable to creation of any fixed asset incurred up to the date of commencement of commercial operations of subsidiaries are carried forward as deferred revenue expenses to be written off over 5 years.

### 2 CONTINGENT LIABILITIES: -

- a) Guarantees issued to bankers outstanding at the end of accounting year Rs. 1,946.81 Lacs (Previous Year Rs.592.44 Lacs)
- b) Claims against the Company not acknowledged as debts Rs. 70.31 Lacs (Previous Year Rs.62.30 Lacs).
- 3 a) The Global Solutions Business (GSB) Undertaking of NIIT Limited constituting software services and solutions including investment in subsidiaries engaged in business process outsourcing and geographical information services and other world-wide subsidiaries were transferred to the parent Company pursuant to the Scheme of Arrangement under Section 391 to Section 394 of the Companies Act, 1956 that was approved by the Hon'ble High Court of Delhi vide order of 18th May 2004 (read with orders of 28th May 2004 and 31st May 2004) from the Appointed Date i.e. April 1, 2003. The above transfer of GSB undertaking into the Company became effective on June 4, 2004 (Effective Date) upon filing of the certified copy of the order of the Hon'ble High Court of Delhi with the Registrar of Companies, Delhi & Haryana from the Appointed Date i.e., April 1, 2003.

The adjustments arising out of the above Scheme of Arrangement were effected in the financial statement of the Group for the year ended 31st March 2004.

- b) Share Capital pending allotment as on 31st March, 2004 represents shares that were outstanding to be issued in terms of the Scheme of Arrangement above. These shares have been subsequently issued on 20th July, 2004. The Share of the parent company have since been listed at the stock exchanges of Ahmedabad, Chennai, Delhi, Kolkata, Mumbai and National Stock Exchange.
- c) In terms of Scheme of Arrangement, the Group was transferred beneficial interest in certain entities (refer Note 10) by NIIT Limited. These companies were consolidated in the financial statements of the previous year on a deemed basis as if the transfer is complete. The related transfers have been completed in the current year.

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## SCHEDULE '20' : Notes to Consolidated Accounts for the year ended 31st March 2005 (Contd.)

- d) In terms of the Scheme of arrangement in the previous year, 100% economic interest in NIIT Technologies Limited, UK was transferred to the Group except that its holding in NIIT Middle East WLL, Bahrain a company engaged in learning business was to be transferred to NIIT Antilles NV, Netherlands a subsidiary of NIIT Limited. Similarly, 100% economic interest in NIIT Technologies Pte Limited, Singapore was transferred to the Group, except that its holding in NIIT Malaysia Sdn Bhd, Malaysia engaged primarily in learning business was to be transferred to NIIT Antilles NV, Netherlands a group company of NIIT Limited. For the purpose of consolidated financial statement in the previous year it was considered that the transfer happened on 1st April 2003. The actual transfer however happened during the current year and the difference between the actual consideration and the estimated consideration which resulted in a net gain of Rs 70.5 Lacs has been considered in other income in these financial statements.
- e) In the previous year the parent company was also transferred economic interest in NIIT (USA) Inc., a subsidiary company of NIIT Limited (which was engaged in both Learning and Global Solutions Business) to the extent it related to the Global Solutions Business carried by that company. The assets and liabilities to the extent relatable to the Global Solutions Business of NIIT USA Inc., has been transferred to a new company NIIT Technologies Inc., USA on April 1st, 2004 a subsidiary of the company. For the purposes of consolidation even though the transfer of legal ownership happened on April 1st, 2004, during the previous year the consolidated accounts was prepared on the basis that the transfer happened as at April 1, 2003. The above treatment however, does not impact the result for the year or the net assets of the group as at March 31st, 2005.
- f) In the previous year, certain adjustments made in terms of the scheme of arrangement on account of review of carrying value of the assets and expenses incidental to the restructuring carried out in terms of the scheme were adjusted against General Reserves of the company as indicated in the respective schedules. Accordingly, the figures of the current year are not comparable with that of the previous year.
- g) The Parent Company is still in the process of creating necessary security/charges in favour of the trustees in relation to the liability for 6.5% Non-Convertible Debentures transferred to it in terms of the Scheme of Arrangement (Also refer Note 9 (c) below).
- h) In view of certain conditions attached to the land that was transferred to the parent Company in terms of scheme of arrangement at the time of initial allotment to NIIT Limited, the same could not be registered in its name. The land has accordingly been transferred back to NIIT Limited at book value in terms of legal arbitration carried out in terms of the scheme of arrangement. Also, mutation of other immovable properties transferred to the Parent Company in terms of scheme of arrangement is yet to be completed.
- i) The Parent Company has already filed applications with various authorities for obtaining approvals in relation to changes arising from the scheme of arrangement which are expected to be received in due course.
- j) The parent company is in the process of replacing certain corporate guarantees issued by NIIT Limited in relation to Company's subsidiaries.
- 4 Estimated amount of contracts remaining to be executed on capital account (net of advances) Rs 95.09 Lacs (Previous Year Rs 271.37 Lacs-).
- 5 (a) As indicated in Note 1(vii) above, from the current year the Group recognizes revenue in respect of fixed price contracts under proportionate completion method compared to delivery/dispatch of concerned services adopted earlier. This has resulted in the company recognizing unbilled revenue (net of unearned revenue amounting to Rs 8,954,570/-) of Rs. 89,355,198/- and recording provision for foreseeable loss on contract completion of Rs. 2,075,107/- with a corresponding impact of increasing the profit before tax for the year by Rs. 87,280,091.
- (b) Adoption of Accounting Standard 28 on impairment detailed in Note 1 (iv) does not have any impact on either the profit for the year or on the net assets of the Group as at the year end.

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## SCHEDULE '20' : Notes to Consolidated Accounts for the year ended 31st March 2005 (Contd.)

- 6 The name of the Parent Company has been changed from NIIT Investments Limited to NIIT Technologies Limited and the Parent Company has received a fresh certificate of incorporation dated 14th May 2004 from the Registrar of Companies.
- 7 Pending approval of the Scheme of Arrangement, the operations of the Global Learning Business (GLB) and Global Solutions Business (GSB) undertakings were not fully segregated for a part of the year. The related common costs and other income earned have been shared by the two Groups on appropriate basis. This resulted in the Group recovering Rs. 52,545,234/- from NIIT Group (including Rs. 25,610,419/- in respect of asset user charges) and NIIT Group recovering Rs.221,328,041/- from the group, which have been netted off against relevant heads in the Profit and Loss Account viz. Other Income, Personnel, Development & Production, Administration & others and Marketing expenses.
- 8 Professional charges include Rs 129,976,310 being the salary and other related cost recharged to the Group by NIIT USA Inc., a subsidiary of NIIT Limited, pending the transfer of staff and completion of related formalities arising out of scheme of reorganisation and corporate separation entered into between NIIT Technologies Inc. and NIIT USA Inc.
- 9
  - a) Working Capital Limits of the parent company are secured by hypothecation of stocks and book debts of the parent company. The Parent Company has not utilized the fund based limit as at the year-end.
  - b) Rupee term loan from bank is secured by way of first charge created on all movable assets, both present and future, subject to first charge created on stocks and book debts of the parent company in respect of working capital limits above. The charge shall rank pari passu with charges to be created in favour of UTI Bank, as trustees for 6.5% non convertible debentures of Rs 5,000 Lacs. The parent company has also undertaken to create charge on its immovable properties as acceptable to the lender pending mutation of the properties. (Refer Note 3(h) above).
  - c) The charge / mortgage in respect of 6.5% Non-Convertible Debentures was yet to be created at year end, in favour of trustees. The parent company has subsequent to the year end, mortgaged an immoveable property in favour of trustees and the related charge has been created. The parent Company is still in the process of creating a pari passu charge on its movable properties.
  - d) Vehicle Loans from Banks are secured by way of hypothecation of the vehicles financed.

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## SCHEDULE '20' : Notes to Consolidated Accounts for the year ended 31st March 2005 (Contd.)

### 10 Consolidation

Details of NIIT Technologies Limited's subsidiaries all of which have been considered in these consolidated accounts are as follows.

Subsidiary	Percentage of ownership interest	Country of incorporation
NIIT GIS Limited	88.99	India
NIIT Smart Serve Limited	99.99	India
NIIT Technologies Inc., USA(Also refer Note 3(e) above)	100	United States
NIIT Technologies Ltd (formerly NIIT Europe Limited)	100	United Kingdom
NIIT Technologies Co. Ltd (formerly NIIT Japan KK)	100	Japan
NIIT Technologies Pte Ltd (formerly NIIT Asia Pacific Pte Limited)	100	Singapore
NIIT Nordiska AB - dissolved on 9 August,2004	100	Sweden
NIIT Benelux BV	100	Netherlands
NIIT Belgium NV	99.96	Belgium
NIIT Thailand Limited	100	Thailand
NIIT Asia Pacific Limited - dissolved on 20 October 2003	100	New Zealand
NIIT Asia Pacific Pty Limited	100	Australia
NIIT Europe GmbH, Germany - dissolved on 13 April 2003	100	Germany
NIIT Technologies AG, Germany (formerly AD Solutions AG, Germany)	100	Germany
NIIT Technologies AG, Schweiz (formerly AD Solutions AG, Schweiz)	100	Switzerland
NIIT Technologies GmbH, Osterreich (formerly AD Solutions AG, Osterreich)	100	Austria

### 11 Payment to Auditors

#### i) Payment to parent Company Auditors

Particulars	Year 2005 (Rs.)	Year 2004 (Rs.)
Audit fees	4,738,006	5,382,672
Certification Services	2,371,250	2,100,000
Tax audit fees	200,000	200,000
Others	-	750,000
Reimbursement of expenses (excluding Service Tax)	650,805	1,046,265

#### ii) Payment to other Auditors amount to Rs. 10,425,464/- (Previous Year Rs. 9,433,462/-).



# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## SCHEDULE '20' : Notes to Consolidated Accounts for the year ended 31st March 2005 (Contd.)

### 12 Deferred Tax

Break up of deferred tax assets/ liabilities and reconciliation of current accounting period deferred tax credit is as follows:

Deferred Tax Assets/Liabilities	As at 1.04.2004	Charged/ (Credited to Profit & Loss Account)	As at 31.03.2005
(Rs Lacs)			
<b>Deferred Tax Liabilities</b>			
a) Tax impact of difference between carrying amount of fixed assets in the financial statements and as per the income tax calculation.	990	(239)	751
b) Others	2	(2)	-
<b>Total (A)</b>	<b>992</b>	<b>(241)</b>	<b>751</b>
<b>Deferred Tax Assets:</b>			
a) Tax impact of difference between carrying amount of fixed assets in the financial statements and as per the income tax calculation.	-	(199)	199
b) Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax:			
- Provision for doubtful debts	364	28	336
- Provision for Leave Encashment, Bonus and Gratuity	42	(9)	51
- Others	46	4	42
c) Carry forward losses/ unabsorbed depreciation.	425	116	309
<b>Total (B)</b>	<b>877</b>	<b>(60)</b>	<b>937</b>
<b>Net Deferred Tax Asset / (Liability) (B-A)</b>	<b>(115)</b>	<b>(301)</b>	<b>187</b>

- i) Deferred Tax assets and liabilities above have been determined by applying the Income Tax rates of respective countries. Also as required by AS-22 on Accounting for Taxes on Income, deferred tax assets and liabilities in relation to different Companies have not been offset and have been represented in the balance sheet as follows :

Particulars	As at 31.03.2005	As at 31.03.2004
Deferred Tax Liability	45	125
Deferred Tax Asset	232	10
Net deferred tax Asset / (liability)	187	(115)

- ii) Deferred tax assets arising from carry forward losses/unabsorbed depreciation has been recognized only to the extent of deferred tax liability in the respective companies except where the Group is certain of their recovery in full.

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULE '20' : Notes to Consolidated Accounts for the year ended 31st March 2005 (Contd.)

## 13 Earnings Per Share

	Year 2005	Year 2004
Profit attributable to Equity shareholders (Rs.) -(A)	585,443,823	331,207,515
Weighted Average number of Equity shares		
Outstanding during the year - (B)	38,649,280	31,590,040
Nominal Value of Equity Shares (Rs.)	10	10
Basic/Diluted Earnings per share (Rs) (A/B)	15.15	10.48

a) The weighted average no. of Equity shares have been determined as follows:-

	Weighted Average No. of shares 2004-05	Weighted Average No. of shares 2003-04
Shares attributable to existing shareholders of the Company as at beginning of the year	9,662,320	250,000
28,986,960 Shares to be allotted in terms of Scheme of Arrangement (as on the Appointed date 01.04.2003)	28,986,960	28,986,960
9,412,320 Shares Allotted as on December 31, 2003	-	2,353,080
<b>Total</b>	<b>38,649,280</b>	<b>31,590,040</b>

b) There has been no change in the no. of equity shares during the year other than in relation to shares allotted in terms of scheme of arrangement ( refer Note 3 (b) above)

c) There are no potential dilutive shares as at year-end. Accordingly the basic and diluted Earning per Share are same

## 14 Related Party Disclosures as per Accounting Standard 18

A. List of related parties with whom the Group has transacted:

a. Parties of whom the group is an associate and its subsidiaries

- 1) NIIT Limited
- 2) NIIT Antilles NV
- 3) NIIT USA Inc.
- 4) NIIT Malaysia Sdn Bhd
- 5) NIIT China (Sanghai) Ltd
- 6) NIIT Online Learning Limited
- 7) Scantech Evaluation Services Limited

b. Key Managerial personnel

- 1) Rajendra S Pawar
- 2) Vijay K Thadani
- 3) Arvind Thakur

c. Parties in which the key managerial personnel or the relatives of the key managerial personnel are interested.

- 1) Institute of Quality Limited

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## SCHEDULE '20' : Notes to Consolidated Accounts for the year ended 31st March 2005 (Contd.)

### B Details of transaction with related parties carried out on an arms length basis:

Nature of Transactions	Party of whom the company is an associate and it's Subsidiaries	Key Managerial Personnel	Parties in which Key Managerial Personnel of the Company are interested	Total
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Purchase of Goods	NIL (52,967,165)	NIL (NIL)	NIL (NIL)	NIL (52,967,165)
Sale of Goods	2,200 (78,494,069)	NIL (NIL)	NIL (2,390,125)	2,200 (80,884,194)
Purchase of Fixed Assets from NIIT Limited	2,758,784 (94,733,264)	NIL (NIL)	NIL (NIL)	2,758,784 (94,733,264)
Sale of Fixed Assets to NIIT Limited	15,641,943 (NIL)	NIL (NIL)	NIL (NIL)	15,641,943 (NIL)
Interest Paid	NIL (131,320)	NIL (NIL)	NIL (NIL)	NIL (131,320)
Interest received	1,311,975 (9,687,396)	NIL (NIL)	NIL (NIL)	1311975 (9,687,396)
Recovery from NIIT Limited	52,545,234 (51,409,499)	NIL (NIL)	NIL (NIL)	52,545,234 (51,409,499)
Recovery by NIIT Group – (Note 2)	221,328,041 (82,199,472)	NIL (NIL)	NIL (NIL)	221,328,041 (82,199,472)
Loans Given	NIL (280,548,570)	NIL (NIL)	NIL (NIL)	NIL (280,548,570)
Loans Given Received back – (Note 3)	118,789,592 (450,420,793)	NIL (NIL)	NIL (NIL)	118,789,592 (450,420,793)
Receiving of Services – (Note 4)	41,062,029 (8,444,834)	NIL (NIL)	NIL (NIL)	41,062,029 (8,444,834)
Rendering of Services – (Note 5)	3,670,192 (NIL)	NIL (NIL)	NIL (NIL)	3,670,192 (NIL)
Remuneration (Note 6)	NIL (NIL)	8,492,803 (NIL)	NIL (NIL)	8,492,803 (NIL)
Other Expenses	363,474 (1,587,920)	NIL (150,000)	250,000 (NIL)	613,474 (1,737,920)
Dividend Paid to Scantech Evaluation Services Limited	48,311,600 (NIL)	NIL (NIL)	NIL (NIL)	48,311,600 (NIL)

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## SCHEDULE '20' : Notes to Consolidated Accounts for the year ended 31st March 2005 (Contd.)

### Notes:

- 1 Figures in parenthesis represent previous year's figures.
  - 2 Includes transactions for the year mainly with;
    - NIIT Limited Rs. 209.45 Lacs (Previous Year: Rs. 562 Lacs)
    - NIIT USA Inc, Rs. 2,003.82 Lacs (Previous Year: Rs. 260 Lacs)
  - 3 Includes transactions for the year mainly with;
    - NIIT USA Inc, Rs. 333.22 Lacs (Previous Year: Rs. NIL)
    - NIIT Antilles NV, Netherlands, Rs 854.66 Lacs (Previous Year: Rs. 3,986 Lacs)
  - 4 Includes transactions for the year mainly with;
    - NIIT Limited Rs 285.36 Lacs
    - NIIT Malaysia Sdn Bhd Rs 96.67 Lacs
    - NIIT China (Sanghai) Ltd Rs 23.24 Lacs
  - 5 Includes transactions for the year mainly with;
    - NIIT USA Inc, Rs. 36.63 Lacs
  - 6 Remuneration to Key Managerial Personnel includes those paid to;
    - Rajendra S Pawar - Rs 27 Lacs (Previous Year: Rs. NIL)
    - Arvind Thakur - Rs 53 Lacs (Previous Year: Rs. NIL)
    - Vijay K Thadani - Rs 5 Lacs (Previous Year: Rs. NIL)
- C. Outstanding balances with related parties:

	Receivables As at 31.03.2005 (Rs.)	Payables As at 31.03.2005 (Rs.)	Receivables As at 31.03.2004 (Rs.)	Payables As at 31.03.2004 (Rs.)
Party of which the group is an associate and its subsidiaries.	4,079,922	34,511,298	84,960,320	24,029,527
Key Managerial Personnel	-	2,710,333	-	-
Parties in which Key Managerial Personnel of the Company are interested	-	-	136,115	-

- 15 During the year, the parent company and NIIT Limited (the companies) have granted loans of Rs. 571 Lacs each at 6% per annum to NIITian welfare Trust which has been formed for the purpose of providing welfare benefits to the employees of the companies and their subsidiaries out of surplus generated from investment activities. The trust is at present entirely financed by the loans given by the Companies which have been primarily invested in the equity shares of the Companies. Trust incurred a loss of Rs 30 Lacs during the year on account of interest and other expenses. The Trust expects to realize more than the carrying value of its investments.

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## SCHEDULE '20' : Notes to Consolidated Accounts for the year ended 31st March 2005 (Contd.)

- 16 The Dominant source of risk and returns of the enterprise is considered to be the business in which it operates viz - software solutions. Being a single business segment Company, no primary segment information is being provided. The secondary segment information in relation to geographies is as follows:

(Rs. Lacs)

Particulars	Revenue from external Customers by location of customers		Carrying amount of segment assets by location of the assets		Additions to fixed assets	
	31.03.2005	31.03.2004	31.03.2005	31.03.2004	31.03.2005	31.03.2004
India	5,698	6,683	21,462	19,662	2,117	3,766
Rest of Asia Pacific (including Australia)	6,276	5,873	5,669	4,785	30	86
Europe	23,287	18,142	6,527	6,595	51	23
America	19,059	18,635	5,999	5,757	21	111
<b>Total</b>	<b>54,320</b>	<b>49,333</b>	<b>39,657</b>	<b>36,799</b>	<b>2,219</b>	<b>3,986</b>

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

a) **Operating Leases**

Total of future Minimum Lease Payments under non-cancelable leases in case of premises and equipments:

Particulars	In respect of Premises (Rs.)		In respect of equipment (Rs)	
	Mar. 31, 2005	Mar. 31, 2004	Mar. 31, 2005	Mar. 31, 2004
Amount payable within the next 1 year	46,876,468	30,811,696	11,200,595	13,181,146
Amount payable in the next 2 to 5 years	83,471,251	39,763,672	19,275,047	5,027,880
Amount payable beyond 5 years	-	-	-	-

Aggregate payments during the period under operating leases amount to Rs. 186,139,436/- (previous year Rs 178,836,887/-).

# NIIT Technologies Limited

(Formerly NIIT Investments Limited)

## SCHEDULE '20' : Notes to Consolidated Accounts for the year ended 31st March 2005 (Contd.)

b) Finance Leases

The minimum lease payment outstanding and their present value at the balance sheet date in respect of plant and machinery and furniture and fixtures that have been capitalized are as follows;

Particulars	Minimum lease payments Amount (Rs.)	Finance charges Amount (Rs.)	Present value of lease payments Amount (Rs.)
Due within one year	(1,778,353)	-	(1,778,353)
Total	(1,778,353)	-	(1,778,353)

18 Previous year figures have been regrouped/ recast wherever necessary to conform to current year classification.

Signature to the Schedules '1' to '20' above

Rajendra S Pawar  
Chairman

Arvind Thakur  
CEO & Whole Time Director

Ashok Arora  
Group Chief Financial Officer

Kawaljit Singh  
Financial Controller

Rakesh K. Prusti  
Company Secretary  
& Legal Counsel

Place : New Delhi  
Date : June 7, 2005

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**NIIT**  
technologies

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