

NIIT Technologies Limited

(Registered Number: 2648481)

**Annual Report and Financial Statements
For The Year Ended 31 March 2011**

NIIT Technologies Limited

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NIIT Technologies Limited

Directors and Advisors

Directors

Rajendran S Pawar
Arvind Thakur

Company Secretary

Abogado Nominees Limited

Company number

2648481

Registered office

100 New Bridge Street
London
EC4V 6JA

Independent auditors

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

Bankers

Lloyds TSB
56 High Street
Marlow
SL7 1AJ

Business address

5th Floor,
Walbrook Building
195 Marsh Wall
London
E14 9SG

NIIT Technologies Limited

Directors' Report For The Year Ended 31 March 2011

The directors present their annual report and the audited financial statements of the Company for the year ended 31 March 2011.

Principal activities and review of the business

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

The revenue profile of NIIT Technologies Limited, UK is diversified across the main verticals of Banking, Financial Services and Insurance (BFSI); Travel and Transportation (TTL); Retail and Distribution (R&D); Technologies Media and Telecommunications (TMT).

The UK business continues to operate in some of the toughest business conditions experienced in recent times. Liquidity in the money markets continue to be a challenge and banks are being petitioned to increase their lending to the SME sector and to provide liquidity to business at reasonable rates. Businesses also face a drop in demand across the business spectrum. NIIT continues to aggressively grow its existing client portfolio and increase its business footprint. NIIT has also gained new clients and significant repeat business with the majority of the UK revenues being derived from existing clients in focused verticals. Travel & Transportation continues to be the major vertical for the UK followed by TMT, BFSI and Retail and Distribution. Managed Services business is seeing increased traction in the UK market with both the private sector and public sector exploring Outsourcing options to further rationalise their costs. NIIT is well geared to cater to this segment on the back of winning business in this segment from all our major current clients.

The results for the Company show a pre-tax profit of £2,622,275 (2010: £670,116) for the year and sales of £22,131,415 (2010: £21,277,155).

The Company has net assets of £9,305,767 (2010: £6,809,903).

The profit and loss account for the year is set out on page 7.

The directors do not recommend payment of a dividend (2010: Nil).

Future outlook

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

The external business environment is expected to remain challenged in the UK for 2011-2012 as national, offshore and multinational organisations continue to invest and compete for business in the focused verticals. However, we remain confident that we will achieve a higher level of growth for the year. Another focus will be on increasing the 'footprint' of our services in existing accounts and to leverage the shared services model in managed services space.

Principal risks and uncertainties

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

NIIT Technologies Limited

Directors' Report For The Year Ended 31 March 2011 (continued)

Key performance indicators

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

Dividend from NIIT Insurance Technologies Limited (Formerly Room Solutions Limited), UK

During the financial year, the Company received an interim dividend of £2,000,000 at the rate of £1.59 per share. (2010: Nil).

Directors

The directors of the Company at 31 March 2011 and up until the date of signing of the financial statements all of whom have been directors for the year are listed below:

Rajendra S Pawar
Arvind Thakur

Employment of disabled persons

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

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

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

NIIT Technologies Limited

Directors' Report For The Year Ended 31 March 2011 (continued)

Financial risk management

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

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

Price risk

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

Credit risk

The majority of the Company's customer base is comprised of blue chip customers. During the financial year, the Company has provided for doubtful debts of £114,998 (2010: £5,500) and written off bad debts amounting to £5,500 (2010: £35). Bad debt recoveries during the financial year were Nil (2010: £364).

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

Liquidity risk

The Company has funded the acquisition of NIIT Insurance Technologies Limited (Formerly Room Solutions Limited) with a mixture of short and long term borrowings. Proactive receivables management results in a favourable working capital position where acquisition costs are excluded. The management continues its focus in this area.

Interest rate cash flow risk

The Company had obtained a loan from ICICI Bank Limited to fund its acquisition of NIIT Insurance Technologies Limited (Formerly Room Solutions Limited). Envisaging the business plans for the future, the Company is confident of meeting its interest obligations and cash flow requirements from internal accruals for extinguishing the loan on the due dates contracted.

Foreign exchange risk

The Company has minimum exposure to foreign currency fluctuations and therefore has not implemented any specific policies to control this risk.

Qualifying third party indemnity provisions

The Company has during the year included a Directors and Officers Liability insurance policy in its business coverage policy. This is in force at the date of the balance sheet. The limit of indemnity is £250,000. (2010 £100,000)

Political and charitable donations

The Company made charitable donations during the year to the tune of £4,800 (2010: £2,750) comprising £400 to Race for Life, £250 to Bowel Cancer Trust Fund, £1,300 to Save The Children & £2,850 to Rainbow Trust. There were no political donations made during the year (2010: Nil).

NIIT Technologies Limited

Directors' Report For The Year Ended 31 March 2011 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

At the date of approving this report, each of the Company's directors, as set out on page 3, confirm the following:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Board Meeting.

On behalf of the board

Arvind Thakur
Director

NIIT Technologies Limited

Independent Auditors' Report to the Members of NIIT Technologies Limited

We have audited the financial statements of NIIT Technologies Limited for the year ended 31 March 2011 which comprise the primary statements such as the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Philip Sayers (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

April 2011

NIIT Technologies Limited

Profit And Loss Account For The Year Ended 31 March 2011

| | Note | 2011 | | 2010 | |
|------------------------------------------------------|------|---------------|------------------|---------------|------------------|
| | | £ | INR | £ | INR |
| Turnover | 2 | 2,21,31,415 | 1,56,35,27,391 | 2,12,77,155 | 1,61,49,08,616 |
| Cost of sales | | (1,84,12,718) | (1,30,08,11,039) | (1,84,03,546) | (1,39,68,05,400) |
| Gross profit | | 37,18,697 | 26,27,16,352 | 28,73,609 | 21,81,03,216 |
| Administrative expenses | | (30,27,533) | (21,38,87,398) | (21,12,023) | (16,02,99,821) |
| Operating profit | 3 | 6,91,164 | 4,88,28,954 | 7,61,586 | 5,78,03,395 |
| Income from shares in group undertakings | | 20,00,000 | 14,12,94,842 | - | - |
| Interest receivable and similar income | 4 | 1,383 | 97,705 | 1,369 | 1,03,905 |
| Interest payable and similar charges | 5 | (70,272) | (49,64,536) | (92,839) | (70,46,360) |
| Profit on ordinary activities before taxation | | 26,22,275 | 18,52,56,966 | 6,70,116 | 5,08,60,940 |
| Tax on profit on ordinary activities | 8 | 2,12,466 | 1,50,10,175 | 2,21,795 | 1,68,33,954 |
| Profit for the financial year | 15 | 24,09,809 | 17,02,46,791 | 4,48,321 | 3,40,26,986 |

The Company's profits are derived entirely from continuing operations.

The Company has no recognised gains and losses other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented.

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

NIIT Technologies Limited

Balance Sheet As At 31 March 2011

| | Note | 2011 | | 2010 | |
|----------------------------------------------------------|------|--------------------|-----------------------|--------------------|-----------------------|
| | | £ | INR | £ | INR |
| Fixed assets | | | | | |
| Tangible assets | 9 | 13,029 | 9,28,730 | 7,227 | 4,93,280 |
| Investments | 10 | 1,18,81,189 | 84,69,12,051 | 1,18,81,189 | 81,09,53,124 |
| | | 1,18,94,218 | 84,78,40,781 | 1,18,88,416 | 81,14,46,404 |
| Current assets | | | | | |
| Debtors | 11 | 49,62,190 | 35,37,13,632 | 42,70,798 | 29,15,04,241 |
| Cash at bank and in hand | | 4,46,731 | 3,18,43,771 | 11,53,186 | 7,87,10,960 |
| | | 54,08,921 | 38,55,57,403 | 54,23,984 | 37,02,15,201 |
| Creditors - amounts falling due within one year | 12 | (79,97,372) | (57,00,66,744) | (95,05,145) | (64,87,75,727) |
| Net current liabilities | | (25,88,451) | (18,45,09,340) | (40,81,161) | (27,85,60,526) |
| Total assets less current liabilities | | 93,05,767 | 66,33,31,441 | 78,07,255 | 53,28,85,878 |
| Creditors - amounts falling due after more than one year | 13 | - | | (997352) | (6,80,74,476) |
| Net assets | | 93,05,767 | 66,33,31,441 | 68,09,903 | 46,48,11,402 |
| Capital and reserves | | | | | |
| Called-up share capital | 14 | 32,76,427 | 23,35,49,480 | 32,76,427 | 22,36,33,233 |
| Profit and loss account | 15 | 58,60,808 | 41,77,68,703 | 34,50,999 | 23,55,48,683 |
| Other reserves | 16 | 1,68,532 | 1,20,13,257 | 82,477 | 56,29,485 |
| Total shareholder's funds | 18 | 93,05,767 | 66,33,31,441 | 68,09,903 | 46,48,11,402 |

The financial statements on pages 7 to 20 were approved by the board of directors on and were signed on its behalf by:

Arvind Thakur
Director

Registered Number: **2648481**

NIIT Technologies Limited

Notes To The Financial Statements For The Year Ended 31 March 2011

1 Principal accounting policies

These financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently with the prior year, are set out below.

Consolidated financial statements

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

Revenue recognition

In respect of long term fixed price software project, revenue is recognised on a 'percentage of completion' basis at the balance sheet date, with 'percentage completion' being measured by the costs to date as a percentage of the estimated costs to completion. Any loss on a contract is recognised in full as soon as a loss is foreseen by reference to the estimated cost to completion.

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

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

Cash flows

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

Tangible fixed assets and depreciation

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

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

Investments

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

Pensions

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

Notes To The Financial Statements For The Year Ended 31 March 2011(continued)

NIIT Technologies Limited

1 Principal accounting policies (continued)

Deferred taxation

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. During the year, the Company has not recognised a deferred tax asset arising on FRS 20 share based payments and the associated NI of £50,255 (2010 £29,078).

Deferred tax is measured at the average tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Foreign currency

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

Operating leases

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

Share based payments

The parent Company, NIIT Technologies Limited, India, has introduced an employee stock option plan. Certain employees of the Company are awarded options over the shares of the ultimate parent. The fair value of these options using the Black-Scholes model is recognised as an expense, with a corresponding increase in other reserves. The total amount to be expensed over the vesting year is determined by reference to the fair market value of the options granted. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest and recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

In accordance with FRS 20, fair value calculations have only been made in respect of share options awarded after 7 November 2002 that remain unvested at 1 April 2006. There were no options awarded prior to 7 November 2002.

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

Going concern

The financial statements have been prepared on a going concern basis which is dependent upon the continued financial support of the Company's parent company. The parent has confirmed its support over the past year and has confirmed its intention to provide financial support to the Company for the foreseeable future.

NIIT Technologies Limited

2 Segmental reporting

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

| Geographical area | By origin | | | | By destination | | | |
|----------------------------|-------------|-------------|----------------|----------------|----------------|-------------|----------------|----------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| | £ | £ | INR | INR | £ | £ | INR | INR |
| United Kingdom and Ireland | 2,21,31,415 | 2,12,77,155 | 1,56,35,27,391 | 1,61,49,08,616 | 1,59,87,096 | 1,64,86,915 | 1,12,94,47,100 | 1,25,13,35,580 |
| Rest of Europe | - | - | - | - | 10,69,805 | 9,13,202 | 7,55,78,964 | 6,93,10,854 |
| Rest of World | - | - | - | - | 50,74,514 | 38,77,038 | 35,85,01,326 | 29,42,62,183 |
| | 2,21,31,415 | 2,12,77,155 | 1,56,35,27,391 | 1,61,49,08,616 | 2,21,31,415 | 2,12,77,155 | 1,56,35,27,391 | 1,61,49,08,616 |

3 Operating profit

| Operating profit is stated after charging: | 2011 | | 2010 | |
|----------------------------------------------------|----------|-----------|--------|-----------|
| | £ | INR | £ | INR |
| Depreciation of tangible assets | 5,875 | 4,15,054 | 7,517 | 5,70,531 |
| Auditors' remuneration: | | | | |
| - The audit of the Company pursuant to legislation | 31,250 | 22,07,732 | 31,250 | 23,71,835 |
| - Tax services | 11,450 | 8,08,913 | 8,050 | 6,10,985 |
| - Other services | 1,800 | 1,27,165 | 1,200 | 91,078 |
| Operating lease charges: | | | | |
| - Plant and machinery | 3,706 | 2,61,819 | 3,185 | 2,41,737 |
| - Other | 21,495 | 15,18,566 | 25,939 | 19,68,737 |
| Exchange rate loss | 1,22,917 | 86,83,769 | 62,014 | 47,06,783 |

4 Interest receivable and similar income

| | 2011 | | 2010 | |
|-----------------------------------------|-------|--------|-------|----------|
| | £ | INR | £ | INR |
| Bank interest and other interest income | 1,383 | 97,705 | 1,369 | 1,03,905 |
| | 1,383 | 97,705 | 1,369 | 1,03,905 |

5 Interest payable and similar charges

| | 2011 | | 2010 | |
|-------------------------------|--------|-----------|--------|-----------|
| | £ | INR | £ | INR |
| On loans from group companies | 25,920 | 18,47,623 | 973 | 66,412 |
| On term loans | 44,352 | 31,61,489 | 91,866 | 62,70,334 |
| | 70,272 | 50,09,112 | 92,839 | 63,36,746 |

NIIT Technologies Limited

Notes To The Financial Statements For The Year Ended 31 March 2011 (continued)

6 Directors' emoluments

There are no retirement benefits accruing to directors (2010: Nil) under the defined contribution scheme. The Company has not made any contribution during the year (2010: Nil).

Options granted to or exercised by the directors in the Employees Stock Option Plan (ESOP) of the ultimate parent Company NIIT Technologies Limited, India, during the year are as follows

| | Options granted Year ended 2011 | Options exercised Year ended 2011 | Options granted Year ended 2010 | Options exercised Year ended 2010 |
|------------------|----------------------------------------------------|------------------------------------------------------|------------------------------------------|--------------------------------------------|
| Rajendra S Pawar | - | - | - | - |
| Arvind Thakur | - | 150,000 | 150,000 | - |

The emoluments and any options granted in respect of share schemes of Rajendran S Pawar and Arvind Thakur were paid by other group companies, and they are deemed to be wholly attributable to the services of those companies. Accordingly, their emoluments are not disclosed in these financial statements.

7 Employee information

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

| By activity | 2011 Number | 2010 Number |
|--------------------|------------------------|----------------|
| Management | 20 | 21 |
| Consultancy | 126 | 120 |
| | 146 | 141 |

Employment costs during the year were as follows:

| | 2011 | | 2010 | |
|----------------------------------------------------------|------------------|---------------------|------------------|---------------------|
| | £ | INR | £ | INR |
| Wages and salaries | 62,50,055 | 44,15,50,266 | 55,62,839 | 42,22,12,304 |
| Social security costs | 5,49,314 | 3,88,07,617 | 5,23,842 | 3,97,58,932 |
| Other pension costs (see note 22) | 47,815 | 33,78,006 | 22,886 | 17,37,018 |
| Costs associated with share based payments (see note 17) | 86,055 | 60,79,564 | 63,331 | 48,06,741 |
| | 69,33,239 | 48,98,15,454 | 61,72,898 | 46,85,14,995 |

NIIT Technologies Limited

Notes To The Financial Statements For The Year Ended 31 March 2011(continued)

8 Tax on profit on ordinary activities

| | 2011 | | 2010 | |
|------------------------------------------------|-----------------|--------------------|-----------------|--------------------|
| | £ | INR | £ | INR |
| Current tax: | | | | |
| UK corporation tax on profits of the year | 2,02,583 | 1,43,11,966 | 2,02,047 | 1,53,35,107 |
| Adjustment in respect of prior year | -10,670 | -7,53,808 | -3,562 | -2,70,351 |
| Total current tax charge | 1,91,913 | 1,35,58,158 | 1,98,485 | 1,50,64,755 |
| Deferred tax: | | | | |
| Origination and reversal of timing differences | 20,553 | 14,52,016 | 23,310 | 17,69,199 |
| Total deferred tax credit | 20,553 | 14,52,016 | 23,310 | 17,69,199 |
| Tax on profit on ordinary activities | 2,12,466 | 1,50,10,175 | 2,21,795 | 1,68,33,954 |

The tax assessed for the year is lower (2010: higher) than the standard rate of corporation tax in the UK of 28% (2010: 28%). The differences are explained below:

| | 2011 | | 2010 | |
|-------------------------------------------------------------------------------------------------------|------------------|---------------------|-----------------|--------------------|
| | £ | INR | £ | INR |
| Profit on ordinary activities before tax | 26,22,275 | 18,52,56,966 | 6,70,116 | 5,08,60,940 |
| Profit on ordinary activities multiplied by standard rate in UK of corporation tax of 28% (2009: 28%) | 7,34,237 | 5,18,71,950 | 1,87,632 | 1,42,41,027 |
| Effects of: | | | | |
| Expenses/([Dividend] Income) not included for tax purposes | -5,40,400 | -3,81,77,866 | 28,949 | 21,97,192 |
| Accelerated capital allowance and other timing differences | 8,746 | 6,17,882 | -14,534 | -11,03,112 |
| Adjustment in respect of prior year | -10,670 | -7,53,808 | -3,562 | -2,70,351 |
| Current tax charge for the year | 1,91,913 | 1,35,58,158 | 1,98,485 | 1,50,64,755 |

The deferred taxation asset of £55,416 (2010: £75,969) has been recognised and is disclosed within debtors (see note 11)

| | 2011 | | 2010 | |
|-----------------------------------|-------------------------------|------------------|-------------------------------|------------------|
| | Deferred tax asset recognized | | Deferred tax asset recognised | |
| | £ | INR | £ | INR |
| Deferred tax asset comprises: | | | | |
| Accelerated capital allowances | 32,511 | 23,17,441 | 46,302 | 31,60,353 |
| Short term timing differences | 19,908 | 14,19,077 | 29,667 | 20,24,927 |
| Pension provision | 2,997 | 2,13,631 | - | - |
| | 55,416 | 39,50,150 | 75,969 | 51,85,281 |
| As at 1 April 2010 | | | 75,969 | 51,85,281 |
| Credit to profit and loss account | | | 20,553 | 14,52,016 |
| Currency translation reserve | | | | -26,87,147 |
| As at 31 March 2011 | | | 55,416 | 39,50,150 |

NIIT Technologies Limited

Notes To The Financial Statements For The Year Ended 31 March 2011(continued)

8 Tax on profit on ordinary activities (continued)

Based on current capital investment plans, the Company expects to continue to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year.

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the asset has been recognised in these financial statements.

9 Tangible assets

| | Computer equipment | | Office equipment | | Total | |
|----------------------------------------|--------------------|---------------------|------------------|-----------------|------------------|---------------------|
| | £ | INR | £ | INR | £ | INR |
| Cost | | | | | | |
| At 1 April 2010 | 18,21,394 | 12,43,19,641 | 12,739 | 8,69,503 | 18,34,133 | 12,51,89,144 |
| Additions | 11,318 | 7,99,588 | 359 | 25,362 | 11,677 | 8,24,950 |
| Disposals | (274) | (19,357) | (7,555) | (5,33,741) | (7,829) | (5,53,099) |
| Currency Translation reserve | | 55,19,533 | | 33,990 | | 55,53,523 |
| At 31 March 2011 | 18,32,438 | 13,06,19,404 | 5,543 | 3,95,115 | 18,37,981 | 13,10,14,519 |
| Accumulated depreciation | | | | | | |
| At 1 April 2010 | 18,14,567 | 12,38,53,663 | 12,339 | 8,42,201 | 18,26,906 | 12,46,95,864 |
| Charge for year | 5,679 | 4,01,207 | 196 | 13,847 | 5,875 | 4,15,054 |
| Disposals | (274) | (19,357) | (7,555) | (5,33,741) | (7,829) | (5,53,099) |
| Currency Translation reserve | | 54,95,293 | | 32,676 | | 55,27,970 |
| At 31 March 2011 | 18,19,972 | 12,97,30,806 | 4,980 | 3,54,983 | 18,24,952 | 13,00,85,789 |
| Net book value at 31 March 2011 | 12,466 | 8,88,598 | 563 | 40,132 | 13,029 | 9,28,730 |
| Net book value at 31 March 2010 | 6,827 | 4,65,978 | 400 | 27,302 | 7,227 | 4,93,280 |

10 Investments

| | Shares in subsidiary undertakings | |
|----------------------------------------|-----------------------------------|---------------------|
| | £ | INR |
| Cost | | |
| At 1 April 2010 | 1,18,81,168 | 81,09,51,691 |
| Currency Translation reserve | | 3,59,60,360 |
| At 31 March 2010 | 1,18,81,189 | 84,69,12,051 |
| Net book value at 31 March 2011 | 1,18,81,189 | 84,69,12,051 |
| Net book value at 31 March 2010 | 1,18,81,189 | 81,09,53,124 |

NIIT Technologies Limited

Notes To The Financial Statements For The Year Ended 31 March 2011(continued)

10 Investments (continued)

Subsidiary undertakings:

| Company name | Country of Incorporation | Principal activity | Percentage interest | Capital and reserves | Profit or (loss) |
|----------------------------------|--------------------------|--------------------|---------------------|----------------------|------------------|
| NIIT Technologies BV | Holland | Software services | 100% | € 99,091 | €198,115 |
| NIIT Technologies NV | Belgium | Software services | 100% | €1,566,316 | €108,699 |
| NIIT Insurance Technologies Ltd. | UK | Software solutions | 100% | £3,056,908 | £2,140,010 |

All investments are reviewed by the Management for impairment at the end of the year. Any decline in the value of the said investment is recognised and charged to the profit and loss account.

11 Debtors

| | 2011 | | 2010 | |
|------------------------------------|-----------|--------------|-----------|--------------|
| | £ | INR | £ | INR |
| Trade debtors | 48,32,835 | 34,44,92,980 | 40,73,331 | 27,80,26,088 |
| Amounts owed by group undertakings | 39,852 | 28,40,721 | 84,636 | 57,76,848 |
| Other debtors | 10,802 | 7,69,986 | 21,160 | 14,44,280 |
| Deferred tax asset (see note 8) | 55,416 | 39,50,150 | 75,969 | 51,85,281 |
| Prepayments and accrued income | 23,285 | 16,59,796 | 15,702 | 10,71,743 |
| | 49,62,190 | 35,37,13,632 | 42,70,798 | 29,15,04,241 |

Amounts owed by group undertakings for the current and previous financial year represent trade balances which are unsecured, non interest bearing and have no fixed term of repayment.

12 Creditors - amounts falling due within one year

| | 2011 | | 2010 | |
|------------------------------------|-----------|--------------|-----------|--------------|
| | £ | INR | £ | INR |
| ICICI Bank, Bahrain – Term Loan | 9,97,352 | 7,10,93,005 | 19,94,702 | 13,61,48,816 |
| Trade creditors | 65,370 | 46,59,689 | 62,104 | 42,38,922 |
| Amounts owed to group undertakings | 55,94,617 | 39,87,94,141 | 65,95,574 | 45,01,82,329 |
| Corporation tax | 78,583 | 56,01,534 | 37,847 | 25,83,255 |
| Other taxation and social security | 8,19,641 | 5,84,25,452 | 4,22,197 | 2,88,17,148 |
| Other creditors | 7,800 | 5,55,998 | 59,932 | 40,90,672 |
| Accruals and deferred income | 4,34,009 | 3,09,36,925 | 3,32,789 | 2,27,14,585 |
| | 79,97,372 | 57,00,66,744 | 95,05,145 | 64,87,75,727 |

Amounts owed to group undertakings for the current and previous financial year, represent trade balances and are unsecured and interest free.

NIIT Technologies Limited

Notes To The Financial Statements For The Year Ended 31 March 2011(continued)

13 Creditors - amounts falling due after more than one year

| | 2011 | | 2010 | |
|---------------------------------|------|-----|----------|-------------|
| | £ | INR | £ | INR |
| ICICI Bank, Bahrain – Term Loan | - | - | 9,97,352 | 6,80,74,476 |

ICICI Bank, Bahrain Term Loan represents the amount drawn down repayable after more than one year as at the date of the Balance Sheet. The interest on the term loan is charged at 1.20% above the 3 month LIBOR rates at the start of the interest period. In addition, the bank had also issued a Stand By Letter of Credit (“SBLC”) for £2,245,805 against the redemption of Loan notes for the investment in NIIT Insurance Technologies Limited (Formerly Room Solutions Ltd.). The Company has no liability outstanding against the SBLC as on the date of the Balance Sheet. Repayment of the total facility of £10 million commenced in February 2008 and the last instalment is due in August 2011. A Deed of charge on the assets of the Company has been executed in favour of ICICI Bank Limited on 31st December 2007.

Maturity of creditors

| | 2011 | INR | 2010 | INR |
|--------------------------------------------------------------------|----------|-------------|-----------|--------------|
| In one year or less, or on demand (see note 12) | 9,97,352 | 7,10,93,005 | 19,94,702 | 13,61,48,816 |
| In more than one year, but not more than two years (see note 13) | - | - | 9,97,352 | 6,80,74,476 |
| In more than two years, but not more than five years (see note 13) | - | - | - | - |
| | 9,97,352 | 7,10,93,005 | 29,92,054 | 20,42,23,293 |

14 Called - up share capital

| | 2011 | | 2010 | |
|--------------------------------------------------------|-----------|--------------|-----------|--------------|
| | £ | INR | £ | INR |
| Authorised | | | | |
| 7,000,000 (2009: 7,000,000) ordinary shares of £1 each | 70,00,000 | 49,89,72,313 | 70,00,000 | 47,77,86,513 |
| Allotted and fully paid | | | | |
| 3,276,427 (2009: 3,276,427) ordinary shares of £1 each | 32,76,427 | 23,35,49,480 | 32,76,427 | 22,36,33,233 |

15 Profit and loss account

| | £ | INR |
|-------------------------------|------------------|---------------------|
| At 1 April 2010 | 34,50,999 | 23,55,48,683 |
| Profit for the financial year | 24,09,809 | 17,02,46,791 |
| Currency Translation reserve | | 1,19,73,230 |
| At 31 March 2011 | 58,60,808 | 41,77,68,703 |

NIIT Technologies Limited

Notes To The Financial Statements For The Year Ended 31 March 2011(continued)

16 Other reserves

The ultimate parent Company, NIIT Technologies Limited, India, operates an equity-settled, share-based compensation plan. Certain employees of the Company are awarded options over the shares in the ultimate parent. The fair value of the employee services received using the Black-Scholes option pricing model in exchange for these grants of options is recognised as an expense, with a corresponding increase in Other Reserves.

During the year, the Company recognises the impact of the revision in the options vested and remaining to be exercised in the profit and loss account, with a corresponding adjustment to Other Reserves.

| | £ | INR |
|-------------------------------------------------------|-----------------|--------------------|
| At 1 April 2010 | 82,477 | 56,29,485 |
| Share-base capital reserve for the year (see note 17) | 86,055 | 60,79,564 |
| Currency Translation reserve | | |
| At 31 March 2011 | 1,68,532 | 1,20,13,257 |

17 Share based payments

NIIT Technologies Limited, India, which is the 100% Holding Company of NIIT Technologies Limited, operates an Employee Stock Option Plan (ESOP 2005). The remuneration committee of the holding Company can grant options over shares in the holding Company to employees of the group. Options are granted with a fixed exercise price. The contractual life of an option is 4 years. Awards under the ESOP are generally reserved for employees at senior management level and above. In the current year, the holding Company has issued grants on 18 October 2010. The Company has made 5 batches of grants on 19 October 2009, 28 July 2008, 2 August 2005, 11 August 2005 and 20 June 2007. The holding Company issued adjustments to the grants due to issue on bonus shares in the ratio of 1:2 to the employees who had options on 5 September 2007. Options granted under the ESOP become exercisable on the 1st anniversary of the date of grant. Exercise of an option is subject to continued employment. The fair market value of the shares was valued using the Black-Scholes option-pricing model. The fair value per option granted and the assumptions used in the calculation are as follows:

| Grant date | 18/10/2010 | | 19/10/2009 | | 28/07/2008 | 20/06/2007 |
|---------------------------|------------|--------|------------|--------|------------|------------|
| Share price at grant date | Rs 223.75 | | Rs 127.20 | | Rs 107.40 | Rs 523.50 |
| Exercise price | Rs 223.75 | | Rs 127.20 | | Rs 108.00 | Rs 523.50 |
| Number of employees | 1 | | 51 | | 4 | 4 |
| Shares under option | 38,000 | | 216,500 | | 39,750 | 26,145 |
| Vesting year(s) | 1 | 2 | 1 | 2 | 1 | 1 |
| Expected volatility | 51.67% | 58.87% | 66.17% | 64.78% | 65.62% | 51.13% |
| Option life (years) | 4 | 5 | 4 | 5 | 4 | 4 |
| Expected life (years) | 2.5 | 3.5 | 2.5 | 3.5 | 2.5 | 2.5 |
| Risk free rate | 7.31% | 7.61% | 6.83% | 7.01% | 9.24% | 7.93% |

NIIT Technologies Limited

Notes To The Financial Statements For The Year Ended 31 March 2010(continued)

17 Share based payments (continued)

| | | | | | | |
|----------------------------------------------------|----------|----------|----------|----------|----------|-----------|
| Expected dividends expressed as a dividend yield * | 3.08% | 3.08% | 3.12% | 3.12% | 3.13% | 3.63% |
| Fair value per option | Rs 73.28 | Rs 93.31 | Rs 50.24 | Rs 56.16 | Rs 43.78 | Rs 168.11 |

* Expected dividends expressed as a dividend yield.

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

The expected volatility is considered as 51.67% & 58.87% for options with vesting periods of 1 and 2 years respectively for the options granted during the current financial year and is based on historical volatility in the share price movement of the ultimate holding Company. The expected life is the average of the minimum and maximum life of the options. The risk free rate of return has been assumed at 7.31% & 7.61% for options with vesting periods of 1 and 2 years respectively based on long-term Indian government securities. A reconciliation of option movements over the year to 31 March 2011 is shown below:

| | Number | 2011 Weighted average exercise price INR Rs | Number | 2010 Weighted average exercise price INR Rs |
|-------------------------|----------|---------------------------------------------------------|---------|---------------------------------------------------------|
| Outstanding at 1 April | 251,761 | 126.55 | 44,711 | 119.62 |
| Granted | 38,000 | 223.75 | 216,500 | 127.20 |
| Lapsed* | (21,000) | 127.20 | (8,250) | 127.20 |
| Exercised | (Nil) | Nil | (1,200) | 76.66 |
| Outstanding at 31 March | 268,761 | 140.24 | 251,761 | 126.55 |
| Exercisable at 31 March | 268,761 | 140.24 | 251,761 | 126.55 |

*Includes bonus options lapsed

| Range of Exercise Price | Weighted average exercise | Number of shares | Weighted average remaining life | |
|-------------------------------|------------------------------|---------------------|------------------------------------|-------------|
| | | | Expected | Contractual |
| Rs 523.00 | Rs 349.00 | 1,511 | 0.25 | 0.25 |
| Rs 108.00 | Rs 108.00 | 39,750 | 1.25 | 1.25 |
| Rs 127.20 | Rs 127.20 | 189,500 | 2.50 | 4.50 |

There were no options exercised during the current year. The weighted average share price for options exercised during the prior year was Rs. 109.77. The net charge for the year relating to employee share based payment plans was £86,055(2010: £ 63,331), all of which related to equity share based payment transactions. The conversion rate of Rs. 71.28 (2010: Rs. 68.26) to £1 was applied for calculation of the net charge.

NIIT Technologies Limited

Notes To The Financial Statements For The Year Ended 31 March 2010(continued)

18 Reconciliation of movements in equity shareholder's funds

| | 2011 | | 2010 | |
|--------------------------------------------|-----------|--------------|-----------|--------------|
| | £ | INR | £ | INR |
| Profit for the financial year | 24,09,809 | 17,02,46,791 | 4,48,321 | 3,40,26,986 |
| Net addition to equity shareholder's funds | 24,09,809 | 17,02,46,791 | 4,48,321 | 3,40,26,986 |
| Other reserves | 86,055 | 61,34,152 | 63,331 | 43,22,671 |
| Opening equity shareholder's funds | 68,09,903 | 46,48,11,402 | 62,98,251 | 45,79,68,471 |
| Currency Translation reserve | | 19,23,85,887 | | 25,20,259 |
| Closing equity shareholder's funds | 93,05,767 | 66,33,31,441 | 68,09,903 | 46,48,11,402 |

19 Financial commitments

At 31 March 2011 the Company had annual commitments under non-cancellable operating leases expiring as follows:

| | 2011 | | | | 2010 | | | |
|--------------------------|--------------------|-------|--------------------|----------|--------------------|-------|--------------------|----------|
| | Land and buildings | | Land and buildings | | Land and buildings | | Land and buildings | |
| | £ | £ | INR | INR | £ | £ | INR | INR |
| Within one year | 10,629 | 3,538 | 7,57,654 | 2,52,195 | 10,628 | 3,520 | 7,25,416 | 2,40,258 |
| Within two to five years | - | 1,168 | - | 83,257 | - | 2,336 | - | 1,59,444 |
| | 10,629 | 4,706 | 7,57,654 | 3,35,452 | 10,628 | 5,856 | 7,25,416 | 3,99,703 |

20 Related party transactions

The Company has taken advantage of the exemption in paragraph 2 of FRS 8 "Related Party Disclosures" from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent Company, NIIT Technologies Limited, India. The consolidated financials statements published by the parent Company are publicly available.

During the year, the group undertook the following transactions with one related party – NIIT Limited, UK which through a fellow subsidiary owns 24.46% (2010: 24.65%) of the share capital of NIIT Technologies Limited (India).

NIIT Technologies Limited rendered support and administrative services to NIIT Limited, UK during the year totalling £54,314 (2010: £56,264). A year-end balance owed by NIIT Limited, UK is held within debtors amounting to £11,212 (2010: £5,445).

NIIT Limited, UK rendered services to NIIT Technologies Limited, UK during the year totalling £50,400 (2010: £Nil). A year-end balance owed to NIIT Limited, UK is held within trade creditors amounting to £25,893 (2010: £Nil).

NIIT Technologies Limited

Notes To The Financial Statements For The Year Ended 31 March 2010(continued)

21 Pensions

The Company operates a defined contribution pension scheme. The charge for the year represents contributions payable by the Company to the fund and amounted to £ 47,815 (2010: £22,886) paid into defined contribution pension schemes. There is an accrual at the year-end for £ 11,526 (2010: £5,931).

22 Ultimate parent company

The ultimate parent Company and controlling party is NIIT Technologies Limited, (India), a Company registered in India, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. NIIT Technologies Limited, India holds 100% of the issued ordinary share capital of NIIT Technologies Limited, UK.

NIIT Technologies Limited, India prepares group financial statements and copies can be obtained from B 234, Okhla Ph 1, New Delhi 110 020, India. Full consolidated financials can also be obtained for NIIT Technologies Limited, India, website at the following address, <http://www.niit-tech.com/financial-report.aspx?path=9/32&cnt=1>