

# **NIIT Technologies Limited**

(Registered Number: 2648481)

**Annual Report and Financial Statements  
For The Year Ended 31 March 2010**

# 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**

5<sup>th</sup> Floor,  
Walbrook Building  
195 Marsh Wall  
London  
E14 9SG

# **Independent Auditors' Report to the Members of NIIT Technologies Limited**

## **Directors' Report For The Year Ended 31 March 2010**

The directors present their annual report and the audited financial statements of the Company for the year ended 31 March 2010.

### **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.

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 operated last year in some of the toughest economic conditions experienced in living memory. The year was extremely hard for our clients and a few of them had to cease operating due to lack of liquidity in the money markets and a significant drop in demand felt across the business spectrum. In this backdrop, where 'cash is king' was the operating motto, NIIT Technologies Limited UK took urgent steps to contain and preserve cash. It managed its existing client portfolio and gained new clients in some of its operating verticals and also gained 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. A new beginning has been made in the building society space, which is seen increased consolidation and has weathered the financial storm relatively smoothly.

The results for the Company show a pre-tax profit of £670,116 (2009: £1,261,364) for the year and sales of £21,277,155 (2009: £23,970,332).

The Company has net assets of £6,809,903 (2009: £6,298,251).

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

The directors do not recommend payment of a dividend (2009: 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 2010-2011 as national, offshore and multinational organisations continue to invest and compete for business in the focused verticals. However, we remain confident that we will maintain our current level of performance and envisage a higher level of growth for the future. Another focus will be on increasing the 'footprint' of our services in existing financial statements 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 both 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.

# **Independent Auditors' Report to the Members of NIIT Technologies Limited**

## **Directors' Report For The Year Ended 31 March 2010 (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 Room Solutions Limited, UK**

No dividend was received during the financial year (2009: £1,000,000).

### **Directors**

The directors of the Company at 31 March 2010 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

### **Directors' interests**

No director had any interest during the year in the shares of the company registered in the United Kingdom.

The directors are exempt by statutory instrument from disclosing their interests in the shares of the ultimate parent Company as it is registered outside of the United Kingdom.

### **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.

# **Independent Auditors' Report to the Members of NIIT Technologies Limited**

## **Directors' Report For The Year Ended 31 March 2010 (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 £5,500 (2009: £194) and written off bad debts amounting to £35 (2009: £20,243). Bad debt recoveries during the financial year were £364 (2009: £3,940).

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 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 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 £100,000.

### **Political and charitable donations**

The Company made charitable donations during the year to the tune of £2,750 (2009: £2,950) comprising £2,500 to Make a Wish Foundation and £250 to Cancer Research UK. There were no political donations made during the year (2009: Nil).

# Independent Auditors' Report to the Members of NIIT Technologies Limited

## Directors' Report For The Year Ended 31 March 2010 (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 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

# 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 2010 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 2010 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.

Phil Sayers  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
April 2010

# NIIT Technologies Limited

## Profit And Loss Account For The Year Ended 31 March 2010

	Note	2010		2009	
		£	INR	£	INR
Turnover	2	21,277,155	1,614,908,616	23,970,332	1,905,918,651
Cost of sales		(18,403,546)	(1,396,805,400)	(21,227,398)	(1,687,823,671)
Gross profit		2,873,609	218,103,216	2,742,934	218,094,980
Administrative expenses		(2,112,023)	(160,299,821)	(2,158,714)	(171,642,732)
Operating profit	3	761,586	57,803,395	584,220	46,452,247
Income from shares in group undertakings		-	-	1,000,000	79,511,567
Interest receivable and similar income	4	1,369	103,905	34,976	2,780,997
Interest payable and similar charges	5	(92,839)	(7,046,360)	(357,832)	(28,451,783)
Profit on ordinary activities before taxation		670,116	50,860,940	1,261,364	100,293,028
Tax charge on profit on ordinary activities	8	221,795	16,833,954	(84,017)	(6,680,323)

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 2010

	Note	2010		2009	
		£	INR	£	INR
Fixed assets					
Tangible assets	9	7,227	493,280	10,477	761,820
Investments	10	11,881,189	810,953,124	11,881,168	863,922,436
		11,888,416	811,446,404	11,891,645	864,684,256
Current assets					
Debtors	11	4,270,798	291,504,241	4,488,033	326,341,013
Cash at bank and in hand		1,153,186	78,710,960	907,071	65,956,393
		5,423,984	370,215,201	5,395,104	392,297,406
Creditors - Amounts falling due within one year	12	(9,505,145)	(648,775,727)	(7,996,443)	(581,450,116)
Net current liabilities		(4,081,161)	(278,560,526)	(2,601,339)	(189,152,710)
Total assets less current liabilities		7,807,255	532,885,878	9,290,306	675,531,546
Creditors - Amounts falling due after more than one year	13	(997,352)	(68,074,476)	(2,992,055)	(217,563,075)
Net assets		6,809,903	464,811,402	6,298,251	457,968,471
Capital and reserves					
Called-up share capital	14	3,276,427	223,633,233	3,276,427	238,240,785
Profit and loss account	15	3,450,999	235,548,683	2,999,608	218,112,281
Other reserves	16	82,477	5,629,485	22,216	1,615,405
Total equity shareholders' funds	18	6,809,903	464,811,402	6,298,251	457,968,471

The financial statements on pages 7 to 19 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 2010

### 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 software project services, revenue is normally 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
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#### 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. During the year, the Company invested in one share in NIIT Technologies NV, Belgium.

#### 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 2010(continued)

# NIIT Technologies Limited

## 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 £29,078 (2009 £20,302).

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 software and business processing services. The analysis of turnover by geographical segment is shown below.

	By origin				By destination			
	2,010		2,009		2,010		2,009	
	£	INR	£	INR	£	INR	£	INR
<b>Geographical area</b>								
United Kingdom and Ireland	21,277,155	1,614,908,616	23,970,332	1,905,918,651	16,486,915	1,251,335,580	22,152,520	1,761,381,571
Rest of Europe					913,202	69,310,854	610,178	48,516,209
Rest of World					3,877,038	294,262,183	1,207,634	96,020,871
	21,277,155	1,614,908,616	23,970,332	1,905,918,651	21,277,155	1,614,908,616	23,970,332	1,905,918,651

## 3 Operating profit

Operating profit is stated after charging / (crediting):	2010		2009	
	£	INR	£	INR
Depreciation of tangible assets	7,517	570,531	17,682	1,405,924
Auditors' remuneration:		-		-
- The audit of the Company pursuant to legislation	31,250	2,371,835	32,000	2,544,370
- Tax services	8,050	610,985	4,800	381,656
- Other services	1,200	91,078	5,000	397,558
Operating lease charges:		-		-
- Plant and machinery	3,185	241,737	8,017	637,444
- Other	25,939	1,968,737	86,295	6,861,451
Loss on disposal of tangible fixed assets		-	9,952	791,299
Exchange rate (gain)/loss	62,014	4,706,783	(121,618)	(9,670,038)

## 4 Interest receivable and similar income

	2010		2009	
	£	INR	£	INR
Bank interest and other interest income	1,369	103,905	31,036	2,467,721
On loans receivable from group companies	-	-	3,837	305,086
On loans and advances receivable from others	-	-	103	8,190
	1,369	103,905	34,976	2,780,997

## 5 Interest payable and similar charges

	2010		2009	
	£	INR	£	INR
On bank overdrafts				
On loans from group companies	973	73,849	35,825	2,848,502
On term loans	91,866	6,972,511	319,939	25,438,851
Other interest	-	-	2,068	164,430
	92,839	7,046,360	357,832	28,451,783

# NIIT Technologies Limited

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

### 6 Directors' emoluments

	2010		2009	
	£	INR	£	INR
Aggregate emoluments	-	-	85,245	6,777,964

There are no retirement benefits accruing to directors (2009: one) under the defined contribution scheme. The Company has not made any contribution during the year (2009: £3,317).

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 2010	Options exercised Year ended 2010	Options granted Year ended 2009	Options exercised Year ended 2009
Rajendra S Pawar	-	-	-	-
Arvind Thakur	150,000	-	-	-
V K Thadani	-	-	-	-
A S Soin	-	-	6,000	-

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	2010 Number	2009 Number
Management	21	22
Consultancy	120	181
	141	203

Employment costs during the year were as follows:	2010		2009	
	£	INR	£	INR
Wages and salaries	5,562,839	422,212,304	7,674,144	610,183,212
Social security costs	523,842	39,758,932	614,539	48,862,959
Other pension costs (see note 22)	22,886	1,737,018	38,874	3,090,933
Costs associated with share based payments (see note 17)	63,331	4,806,741	33,384	2,654,414
	6,172,898	468,514,995	8,360,941	664,791,518

# NIIT Technologies Limited

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

### 8 Tax on profit on ordinary activities

	2010		2009	
	£	INR	£	INR
<b>Current tax:</b>				
UK corporation tax on profits of the year	202,047	15,335,107	10,232	813,562
Adjustment in respect of prior year	(3,562)	(270,351)	(19,667)	(1,563,754)
<b>Total current tax charge</b>	<b>198,485</b>	<b>15,064,755</b>	<b>-9,435</b>	<b>(750,192)</b>
<b>Deferred tax:</b>				
Origination and reversal of timing differences	23,310	1,769,199	93,452	7,430,515
<b>Total deferred tax credit</b>	<b>23,310</b>	<b>1,769,199</b>	<b>93,452</b>	<b>7,430,515</b>
<b>Tax charge on profit on ordinary activities</b>	<b>221,795</b>	<b>16,833,954</b>	<b>84,017</b>	<b>6,680,323</b>

The tax assessed for the year is higher (2009: lower) than the standard rate of corporation tax in the UK of 28% (2009: 28%). The differences are explained below:

	2010		2009	
	£	INR	£	INR
<b>Profit on ordinary activities before tax</b>			<b>1,261,364</b>	<b>100,293,028</b>
Profit on ordinary activities multiplied by standard rate in UK of corporation tax of 28% (2009: 28%)	187,632	14,241,027	353,182	28,082,054
Effects of:				
Expenses not deductible for tax purposes	28,949	2,197,192	(260,958)	(20,749,179)
Accelerated capital allowance and other timing differences	(14,534)	(1,103,112)	(81,992)	(6,519,312)
Adjustments to tax charge in respect of prior year	(3,562)	(270,351)	(19,667)	(1,563,754)
<b>Current tax charge for the year</b>	<b>198,485</b>	<b>15,064,755</b>	<b>(9,435)</b>	<b>(750,192)</b>

The deferred taxation asset of £75,969 (2009: £99,279) has been recognised and is disclosed within debtors (see note 11)

	2010		2009	
	£	INR	£	INR
Deferred tax asset comprises:				
Accelerated capital allowances	46,302	3,514,262	57,473	4,569,768
Short term timing differences	29,667	2,251,687	41,806	3,324,061
Currency Translation Reserve		(580,669)		(674,896)
	<b>75,969</b>	<b>5,185,281</b>	<b>99,279</b>	<b>7,218,933</b>

	2010		2009	
	£	INR	£	INR
As at 1 April 2009	99,279	7,218,933	192,731	15,341,388
Credit to profit and loss account	23,310	1,769,199	(93,452)	(7,430,515)
Currency Translation Reserve		(3,802,851)		(691,940)
<b>As at 31 March 2010</b>	<b>75,969</b>	<b>5,185,281</b>	<b>99,279</b>	<b>7,218,933</b>

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

# NIIT Technologies Limited

## 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
<b>Cost</b>						
At 1 April 2009	1,823,324	132,580,443	60,415	4,392,992	1,883,739	136,973,434
Additions	3,858	292,817	409	31,043	4,267	323,860
Disposals	(5,788)	(439,302)	(48,085)	(3,649,589)	(53,873)	(4,088,891)
Currency Translation reserve		(8,114,317)		95,058		(8,019,259)
<b>At 31 March 2010</b>	<b>1,821,394</b>	<b>124,319,641</b>	<b>12,739</b>	<b>869,503</b>	<b>1,834,133</b>	<b>125,189,144</b>
<b>Accumulated depreciation</b>						
At 1 April 2009	1,812,933	131,824,876	60,329	4,386,738	1,873,262	136,211,614
Charge for the year	7,422	563,320	95	7,210	7,517	570,531
Disposals	(5,788)	(439,302)	(48,085)	(3,649,589)	(53,873)	(4,088,891)
Currency Translation reserve		(8,095,231)		97,842		(7,997,389)
<b>At 31 March 2010</b>	<b>1,814,567</b>	<b>123,853,663</b>	<b>12,339</b>	<b>842,201</b>	<b>1,826,906</b>	<b>124,695,864</b>
<b>Net book value at 31 March 2010</b>	<b>6,827</b>	<b>465,978</b>	<b>400</b>	<b>27,302</b>	<b>7,227</b>	<b>493,280</b>
Net book value at 31 March 2009	10,391	755,567	86	6,253	10,477	761,820

## 10 Investments

	Shares in Subsidiary	
	Undertakings £	Undertakings INR
<b>Cost</b>		
At 1 April 2009	11,881,168	863,922,436
Investment during the financial year	21	1,594
Currency Translation reserve		(52,970,906)
<b>At 31 March 2010</b>	<b>11,881,189</b>	<b>810,953,124</b>
<b>Impairment</b>		
At 1 April 2009	-	-
Provision for impairment	-	-
<b>At 31 March 2010</b>	<b>-</b>	<b>-</b>
<b>Net book value at 31 March 2010</b>	<b>11,881,189</b>	<b>810,953,124</b>
Net book value at 31 March 2009	11,881,168	863,922,436

# NIIT Technologies Limited

## Investments (continued)

### Subsidiary undertakings and acquisitions:

Company name	Country of Incorporation	Principal activity	%age Interest	Capital and reserves		Profit or (loss)	
				£	INR	£	INR
Subsidiary undertakings							
NIIT Technologies BV	Holland	Software services	100%	700,974	47,845,132	43,689	2,982,002
NIIT Technologies NV	Belgium	Software services	100%	1,457,617	99,489,963	149,395	10,196,988
Acquisitions							
Room Solutions Limited	UK	Software services	100%	2,891,175	197,337,775	585,571	39,968,275

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 recognized and charged to the profit and loss account. The directors believe that the carrying value of the investments is supported by their respective amounts.

## 11 Debtors

	2010		2009	
	£	INR	£	INR
Trade debtors	4,073,331	278,026,088	4,216,976	306,631,484
Amounts owed by group undertakings	84,636	5,776,848	97,042	7,056,273
Other debtors	21,160	1,444,280	4,293	312,159
Deferred tax asset (see note 8)	75,969	5,185,281	99,279	7,218,933
Prepayments and accrued income	15,702	1,071,743	70,443	5,122,164
	4,270,798	291,504,241	4,488,033	326,341,013

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

	2010		2009	
	£	INR	£	INR
ICICI Bank, Bahrain – Term Loan	1,994,702	136,148,816	1,486,757	108,107,446
Amounts owed to group undertakings	6,595,574	450,182,329	5,528,870	402,024,013
Corporation tax	37,847	2,583,255	-	-
Other taxation and social security	422,197	28,817,148	471,678	34,297,403
Trade creditors	62,104	423,892,947	100,005	7,271,723
Other creditors	59,932	4,090,672	59,528	4,328,495
Accruals and deferred income	332,789	22,714,585	349,605	25,421,036
	9,505,145	648,775,727	7,996,443	581,450,116

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

## NIIT Technologies Limited

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

Interest on the loan notes is charged at 1.50% (2009: 1.50%) below the base rate of Barclays Bank Plc applicable on the last day of the month. There is no interest charge for the current financial year on loan notes.

### 13 Creditors - amounts falling due after more than one year

	2010		2009	
	£	INR	£	INR
ICICI Bank, Bahrain – Term Loan	997,352	68,074,476	2,992,055	204,223,361

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 Room Solutions. 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

	2010		2009	
	£	INR	£	INR
In one year or less, or on demand (see note 12)	1,994,702	136,148,816	1,486,757	108,107,446
In more than one year, but not more than two years (see note 13)	997,352	68,074,476	1,994,702	145,041,953
In more than two year, but not more than five years (see note 13)	-	-	997,353	72,521,122
	2,992,054	204,223,293	4,478,812	325,670,521

### 14 Called - up share capital

	2010		2009	
	£	INR	£	INR
<b>Authorised</b> 7,000,000 (2007: 7,000,000) ordinary shares of £1 each	7,000,000	477,786,513	7,000,000	508,995,164
<b>Allotted, called up and fully paid</b> 3,276,427 (2007: 3,276,427) ordinary shares of £1 each	3,276,427	223,633,233	3,276,427	238,240,785

### 15 Profit and loss account

	2010		2009	
	£	INR	£	INR
At 1 April 2009	2,999,608	218,112,281	1,769,146	140,824,022
Retained profit for the year	448,321	34,026,986	1,177,347	93,612,704
Transfer from other reserves	3,070	209,544	53,115	3,862,183
Currency Translation Reserve		(16,800,127)	-	(20,186,628)
<b>At 31 March 2010</b>	<b>3,450,999</b>	<b>235,548,683</b>	<b>2,999,608</b>	<b>218,112,281</b>

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

# NIIT Technologies Limited

## 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.

	2010		2009	
	£	INR	£	INR
At 1 April 2009	22,216	1,615,405	41,947	3,338,981
Share based capital reserve for the year (see note 17)	63,331	4,806,741	33,384	2,654,414
Transfer to reserves	(3,070)	(209,544)	(53,115)	(3,862,183)
Currency Translation Reserve		(583,117)	-	(515,808)
<b>At 31 March 2008</b>	<b>82,477</b>	<b>5,629,485</b>	<b>22,216</b>	<b>1,615,405</b>

## 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 19 October 2009. The Company has made 4 batches of grants on 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 1<sup>st</sup> 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	19/10/2009	28/07/2008	20/06/2007	02/08/2005	11/08/2005	
Share price at grant date	Rs 127.20	Rs 107.40	Rs 523.50	Rs 149.50	Rs 150.85	
Exercise price	Rs 127.20	Rs 108.00	Rs 523.50	Rs 115.00	Rs 150.85	
Number of employees	51	4	4	39	1	
Shares under option	216,500	39,750	26,145	50,100	10,000	
Vesting year (years)	1	2	1	1	1	
Expected volatility	66.17%	64.78%	65.62%	51.13%	10%	10%
Option life (years)	3.5	3.5	4	4	4	4
Expected life (years)	2.5	3.5	2.5	2.5	2.5	2.5
Risk free rate	6.83%	7.01%	9.24%	7.93%	7%	7%
Expected dividends expressed as a dividend yield *	3.12%	3.12%	3.13%	3.63%	Refer note*	Refer note*
Fair value per option	Rs 50.24	Rs 56.16	Rs 43.78	Rs 168.11	Rs 59.20	Rs 48.18

\* Expected dividends expressed as a dividend yield.

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

# NIIT Technologies Limited

## Share based payments (continued)

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 66.17% & 64.78% 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 6.83% & 7.01% 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 2010 is shown below:

	2010		2009	
	Number	Weighted average exercise price INR Rs	Number	Weighted average exercise price INR Rs
Outstanding at 1 April	44,711	119.62	31,545	302.38
Granted	216,500	127.20	39,750	108.00
Bonus Options Granted	-	-	-	-
Lapsed*	(8,250)	127.20	(26,584)	319.11
Exercised	(1,200)	76.66	-	-
Outstanding at 31 March	251,761	126.55	44,711	119.62
Exercisable at 31 March	251,761	126.55	44,711	119.62

\*Includes bonus options lapsed

Range of Exercise Price	Weighted average exercise	2010		Weighted average exercise	Number of shares	2009	
		Number of shares	Weighted average remaining life: Expected Contractual			Expected	Contractual
Rs 108.00				Rs 108.00	39,750	2.50	3.50
Rs 127.20	Rs 127.20	216,500	3.50 5.50				

The weighted average share price during the year for options exercised over the year was Rs. 109.77 (2009: Rs. Nil). The net charge for the year relating to employee share based payment plans was £63,331(2009: £ 33,384), all of which related to equity share based payment transactions. The conversion rate of Rs. 68.26 (2009: Rs. 72.71) to £1 was applied for calculation of the net charge.

## 18 Reconciliation of movements in shareholders' funds

	2010		2009	
	£	INR	£	INR
Profit for the financial year	448,321	34,026,986	1,177,347	93,612,704
Net addition to shareholders funds	448,321	34,026,986	1,177,347	93,612,704
Other reserves	63,331	4,322,671	33,384	2,427,471
Opening equity shareholders' funds	6,298,251	457,968,471	5,087,520	404,966,592
Currency Translation Reserve	-	(31,506,726)		(43,038,296)
<b>Closing equity shareholders' funds</b>	<b>6,809,903</b>	<b>464,811,402</b>	<b>6,298,251</b>	<b>457,968,471</b>

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

# NIIT Technologies Limited

## 19 Financial commitments

At 31 March 2010 the Company had annual commitments under non-cancellable operating leases expiring as follows:

	2010				2009			
	Land and buildings		Other		Land and buildings		Other	
	£	INR	£	INR	£	INR	£	INR
Within one year	10,628	725,416	3,520	240,258	18,395	1,337,567	3,660	266,132
Within two to five Years			2,336	159,444	-	-	2,690	195,600
	10,628	725,416	5,856	399,703	18,395	1,337,567	6,350	461,731

## 20 Capital and other commitments

	2010	2009
	£	£
Capital expenditure contracted for	Nil	Nil

## 21 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 24.65% (2009: 24.68%) 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 £56,264 (2009: £62,887). A year-end balance owed by NIIT Limited, UK is held within debtors £5,445 (2009: £7,080).

## 22 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 £ 22,886 (2009: £38,874) paid into defined contribution pension schemes. There is an accrual at the year-end for £ 5,931 (2009: £3,705).

## 23 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 hold 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>