



ANNUAL REPORT
2005 - 2006

OUR VISION

VALUES, MOTIVES AND BELIEFS

WE, NIIT, BELIEVE THAT OUR GROWTH IS THE DERIVATIVE OF THE GROWTH OF EACH ONE OF US. IT IS THE DUTY OF EACH ONE OF US TO ESPOUSE AND GIVE ACTIVE EFFECT TO THE VALUES, MOTIVES AND BELIEFS WE STATE HERE

•

NIIT IS PEOPLE

WE HAVE POSITIVE REGARD FOR EACH ONE OF US

•

WE WILL FOSTER CAREER-BUILDING BY CREATING OPPORTUNITIES THAT DEMAND LEARNING, THINKING AND INNOVATION FROM EACH ONE OF US.

•

WE EXPECT EACH OF US TO CONTRIBUTE TO THE PROCESS OF ORGANISATION BUILDING AND THUS DERIVE PRIDE, LOYALTY AND EMOTIONAL OWNERSHIP.

•

WE RECOGNISE THE NECESSITY OF MAKING MISTAKES AND RISK-TAKING WHEN IT CONTRIBUTES TO THE LEARNING, INNOVATION AND GROWTH OF EACH ONE OF US.

•

NIIT IS QUALITY AND VALUE

EACH OF US WILL ENSURE THAT IN ANY ASSOCIATION WITH SOCIETY, SOCIETY BENEFITS SUBSTANTIALLY MORE THAN:

- (a) WHAT SOCIETY GIVES TO US.
 - (b) WHAT SOCIETY WOULD GAIN FROM ANY OTHER SIMILAR ASSOCIATION
-

WE WILL MEET ANY AND EVERY COMMITMENT MADE TO SOCIETY IRRESPECTIVE OF ANY COST THAT MAY HAVE TO BE INCURRED.

•

WE WILL ENSURE OUR PROFITABILITY, LONG-TERM GROWTH AND FINANCIAL STABILITY, THROUGH THE PROCESS OF DELIVERING THE BEST, BEING SEEN AS THE BEST AND BEING THE BEST.

•

WE WILL BE FAIR IN ALL OUR DEALINGS AND PROMOTE HIGH STANDARDS OF BUSINESS ETHICS.

•

NIIT IS A MISSION

WE WILL GROW IN THE RECOGNITION AND RESPECT WE COMMAND, THROUGH PIONEERING AND LEADING IN THE EFFECTIVE DEPLOYMENT OF TECHNOLOGY AND KNOW-HOW.

•

WE WILL SEEK TO PLAY A KEY-ROLE IN THE DIRECTIONS AND DEPLOYMENT OF TECHNOLOGY AND KNOW-HOW FOR THE BENEFIT OF MANKIND.

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Board of Directors

Rajendra S Pawar
Chairman

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

Vijay K Thadani
Director

Subroto Bhattacharya
Director

Surendra Singh
Director

Amit Sharma
Director

Company Secretary

Rakesh K Prusti

Group Chief Financial Officer

Ashok Arora

Chief Financial Officer

K T S Anand

Auditors

Price Waterhouse

Financial Institutions/Bankers

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

Registered Office

NIIT Technologies Ltd.
NIIT House,
C-125 Okhla Phase - 1
New Delhi 110 020, India
Email: investors@niit-tech.com
Tel : +91-11-41407000
Fax : +91-11-26817344

Corporate Office

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

Registrar & Share Transfer Agent

Alankit Assignments Ltd.
Unit - NIIT Technologies Ltd.
2E/21
Jhandewalan Extn.,
New Delhi-110 055
Tel : +91-11-23541234, 42541234
Fax : +91-11-41540064

NIIT Technologies Website

Corporate Website : www.niit-tech.com

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

All trademarks acknowledged.

Global IT Software and Services Company

• **Services Provided:**

- ◆ Application Development & Maintenance
 - ◇ *Application Development*
 - ◇ *Application Management*
 - ◇ *Migration*
 - ◇ *Testing Services*
- ◆ Enterprise Solutions
 - ◇ *Package Implementation (SAP, GIS)*
 - ◇ *Managed Services*
 - ◇ *System Integration*
- ◆ Business Process Outsourcing

• **Industry Verticals Served:**

- ◆ Banking, Financial Services and Insurance (BFSI)
- ◆ Travel and Transportation
- ◆ Manufacturing and Retail

• **Offshore/India Development Centres:**

- ◆ Bangalore, Delhi, Kolkata and Mumbai

• **Nearshore/International Development/Support Centres:**

- ◆ Atlanta and Charlotte in US
- ◆ London and Stuttgart in Europe
- ◆ Bangkok and Singapore in APAC

• **Technology Incubation Centre:**

- ◆ Chennai

• **Global process assessments:**

- ◆ ISO 9001:2000 certification from KPMG
- ◆ Assessed at Level 5 of SEI-CMMi
- ◆ Assessed at PCMM Level 5
- ◆ BS7799 standards of security
- ◆ Principal data centre in Thailand assessed at BS15000 standards
- ◆ NIIT SmartServe assessed as per COPC standards
- ◆ NIIT SmartServe assessed at BS7799 standards of security

• **Key customers include:**

- ◆ British Airways, ING Group, Holcim, Office Depot, Sabre, SEI Investments, Toyota Motors.

• **Operations in North America, Europe, Asia and Australia**

• **Awards & Acknowledgements**

- ◆ Ranked among India's Top 20 IT Software and Service Exporters by the NASSCOM 2005 survey
- ◆ Ranked in the DQ-IDC Best Employer Survey 2005 list
- ◆ NIIT Technologies was presented the LOMA award for Excellence in Education 2006
- ◆ NIIT SmartServe, ranked among Top 10 ITES companies in the Dataquest-IDC BPO employee satisfaction survey 2005
- ◆ NIIT SmartServe was ranked among the Global Outsourcing Top 100 companies by International Association of Outsourcing Professionals (IAOP) and featured among the Rising Stars of the BPO world.
- ◆ NIIT SmartServe named Top Outsourcer in three categories by leading Contact Center authority, Contactcenterworld.com
- ◆ NIIT GIS Limited was awarded the ESRI high achievement award for Asia Pacific region 2005

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

Directors' Report

Dear Shareholders,

The Board of Directors of your Company takes pleasure in presenting the Annual Report of NIIT Technologies Limited for the financial year ended March 31, 2006.

Financial Results

The highlights of the financial results for the financial year 2005-06 are as follows:

(Rs million)

Particulars	2005-06	2004-05
Consolidated Revenues	6,075	5,432
Stand Alone		
Income from operations	2,201	1,859
Other Income	69	69
Total Income	2,270	1,928
Profit before depreciation and taxes	815	609
Depreciation	205	213
Provision for tax & (deferred tax)	11	(6)
Profit After Tax	598	402
Earning Per Share (EPS) (In Rs.)	15.47	10.41

Review of Global Operations

For the year under review, the Company recorded consolidated total income of Rs 6,141 million. The revenues from operations stood at Rs 6,075 million, while the profit before taxes was Rs 790 million. The Company has recorded a consolidated net profit after taxes attributable to equity shareholders after Minority Interest of Rs 663 million.

The revenue profile of the Company is well diversified across the three main geographic areas, with Europe contributing 43% of revenues, 39% coming from the Americas and the balance from Asia and Australia.

The chosen focus areas of the Company across the service offerings in IT and BPO solutions for Banking, Financial Services and Insurance; Travel & Transportation; and Manufacturing & Retail grew by 21% year-on-year. Together, they contribute 75% of the consolidated revenues of the Company.

The Company received fresh orders to the tune of US \$122 million during the year.

Future Plans

The strategy of the Company would be to continue to build a strong differentiation in its offerings by remaining focused in the chosen verticals. The Company would innovate newer service offerings and pursue inorganic initiatives to improve market access and strengthen domain capabilities. The Company is also investing in capacity creation to support its "long term" growth and would continue to add value to its customers, employees and other stakeholders.

Acquisitions

Post the closure of Financial Year 2005-06, NIIT Technologies Limited, UK, a subsidiary of the Company, made its maiden international strategic acquisition in the United Kingdom towards accomplishing a "long-term" objective of the Company.

To strengthen the Company's presence in the Insurance Vertical, the Company, through NIIT Technologies Limited UK, acquired a controlling interest in ROOM Solutions Limited, UK on May 8, 2006. ROOM Solutions focuses on providing IT solutions and services to insurance and re-insurance companies operating in the commercial insurance space on the Lloyds and London Companies Market. The acquisition of ROOM Solutions will substantially enhance the insurance domain capability and competence of the Company and will enable it to break into the UK non-life insurance segment. The acquisition of ROOM Solutions has strengthened the Company's presence in the UK insurance market and has added to the Company's insurance solutions capabilities globally.

With the offerings of the Company, ROOM Solutions would be able to offer a strong value proposition to its clients, by offering legacy maintenance and modernisation, infrastructure management and BPO services.

Transfer to Reserves

In accordance with the statutory regulations, the Company has transferred an amount of Rs 60 million to General Reserve (Rs 40 million last year) and has transferred an amount of Rs 1.25 million to the Debenture Redemption Reserve (Rs 39 million last year).

Dividend

In view of the confidence in the future, the Board of Directors is recommending a dividend of Rs 6 per equity share of Rs 10 each (previous year Rs 5.50 per equity share), subject to approval of the shareholders' at the ensuing Annual General Meeting.

Particulars of subsidiaries

During the year, NIIT SmartServe Limited, a subsidiary company, has set up a second-generation subsidiary in the United Kingdom—NIIT SmartServe Limited, UK.

After acquisition of ROOM Solutions Limited, it has become a subsidiary with effect from May 8, 2006.

The Company has been granted exemption for the year ended March 31, 2006 by the Ministry of Company Affairs vide its letter dated April 24, 2006 from attaching to its Balance Sheet and Annual accounts of each of the subsidiary companies. In accordance with the terms of the aforesaid exemption letter, a statement containing brief financial details of the subsidiary companies for the year ended March 31, 2006 is included in the Annual Report. As required under the Listing Agreement with the Stock

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

Directors' Report (Contd.)

Exchange(s) a Consolidated Financial Statement of the Company and all its subsidiaries have been prepared and attached. The Annual Accounts of the subsidiary companies and related detailed information will be made available to any member of the Company seeking such information and are also available for inspection by any member of the Company, during the business hours, at the registered/corporate office of the Company. The annual accounts of the said subsidiaries will also be available for inspection, as above, at the head office of the respective subsidiary companies.

Corporate Governance and Management Discussion and Analysis Statement

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

The Company has complied with all the requirements regarding Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchange(s). For the financial year ended March 31, 2006, the compliance report is included in the Corporate Governance Report. The Auditors' Certificate on compliance of the conditions of Corporate Governance stipulated in Clause 49 of the Listing Agreement with the Stock Exchange(s) forms part of the Corporate Governance Report.

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

The report on Corporate Governance is attached, as also a Management Discussion and Analysis statement.

Directors

As per the provisions of the Companies Act, 1956 and Articles 67, 68 and 69 of the Articles of Association of the Company, Mr. Surendra Singh and Mr. Subroto Bhattacharya, Directors of the Company, retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for reappointment.

Directors' Responsibility Statement

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

- That in preparation of Annual Accounts for the financial year, applicable Accounting Standards have been followed along with the proper explanations relating to material departures;
- That the Directors have selected such accounting policies and applied them consistently, and made

judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2006 and of the profit or loss of the Company for that year;

- That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- That the Directors had prepared the Annual Accounts on a going concern basis.

Information Relating to Conservation of Energy, Technology Absorption, Research and Development and Exports and Foreign Exchange Earnings and Outgo and other information forming part of the Directors' Report in terms of Section 217(1)(e) of the Companies Act, 1956, and Rules made thereunder.

Conservation of energy

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

Technology absorption

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

Research & Development

During the year, the Company continued its research in software engineering. These efforts have resulted in innovative products in software engineering to support both maintenance and development projects. Expenditure on research and development is not significant in relation to the nature and size of operations of the Company.

Export and Foreign Exchange Earnings and Outgo

The details of foreign exchange earnings and outgo are mentioned in Note Nos.10 and 12 contained in the Notes to Accounts (Schedule No.18), forming part of the Balance Sheet as on March 31, 2006, and the Profit and Loss Account for the year ended on that date.

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

Directors' Report (Contd.)

Public Deposits

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

Particulars of Employees

The statement of employees pursuant to Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is appended as Annexure-A hereto and forms an integral part of this report.

Human Resources and Employee Stock Option Scheme

NIITians are the key focus of HR initiatives undertaken by the Company. The Company has created a competitive and friendly work environment that encourages novelty and meritocracy at all levels.

During the year, the Company has established "Employee Stock Option Plan 2005 (ESOP 2005)" to provide incentive to attract, retain and reward Employees performing services for the Company and motivating such Employees to contribute to the growth and profitability of the Company. These objectives are accomplished by making long-term incentive awards under the ESOP 2005, thereby providing Employees with a proprietary interest in the growth and performance of the Company. The ESOP 2005 was approved by the shareholders through postal ballot on May 18, 2005. The shares to be issued under the ESOP 2005 shall rank pari passu with the existing shares of the Company in all respects, including payment of dividend.

Under the ESOP 2005, the Compensation/Remuneration Committee, in their meeting held on August 2 and 11, 2005, has granted stock options to select employees of the Company/Subsidiary Companies, details of which are annexed as Annexure-B to this Report in accordance with SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 and any modifications thereto.

Auditors

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

Auditors' Report

In respect of the Auditors' comments in Clause 3 (iv) of their report, the Directors explain that there has been no instance or record of any misuse of Company's information and necessary interlocks are in place and the general information systems has been strengthened, which was also confirmed by the Auditors.

Awards and Recognitions

During the year, the Company and its subsidiaries got the following prestigious recognitions:

- Ranked among India's Top 20 IT Software and Service Exporters by the NASSCOM 2005 Survey
- Ranked in the DQ-IDC Best Employer Survey 2005 list
- NIIT Technologies was presented the LOMA Award for Excellence in Education, 2006
- NIIT SmartServe ranked among the Top 10 ITES Companies in the Dataquest-IDC BPO Employee Satisfaction Survey 2005
- NIIT SmartServe was ranked among the Global Outsourcing Top 100 Companies by International Association of Outsourcing Professionals (IAOP) and featured among the Rising Stars of the BPO World
- NIIT SmartServe was named Top Outsourcer in three categories by leading Contact Center Authority, contactcenterworld.com
- NIIT GIS Limited was awarded the ESRI High Achievement Award for Asia-Pacific Region, 2005

Acknowledgement

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

For and on behalf of the Board

Place: New Delhi
Dated: June 26, 2006

Rajendra S Pawar
Chairman

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

Directors' Report (Contd.)

Annexure-A

Statement Pursuant to Section 217(2A) of the Companies Act, 1956 for the Financial Year April 1, 2005 to March 31, 2006

Name	Age (years)	Qualification	Experience (years)	Designation	Gross Remuneration Rs.	Date of joining	Previous Employment/ Position held
Rajendra Singh Pawar	55	B.Tech.	34	Chairman & Executive Director	2,476,743	June 12, 2004	NIIT Limited, Chairman and Managing Director*
Arvind Thakur	51	BE, MBA	28	Chief Executive Officer & Whole time Director	17,178,795	June 12, 2004	NIIT Limited, Whole-time Director
Ashok Kumar Arora	51	B.Com	30	Group Chief Financial Officer	2,887,481	April 1, 2003	NIIT Limited, Chief Financial Officer
Vijay Ghei	47	BE	25	Vice-President	2,615,478	April 1, 2003	NIIT Limited, General Manager
Kawaljit Singh	45	CA	22	Financial Controller - Corp.Centre	2,921,713	April 1, 2003	NIIT Limited, Financial Controller
Bhaskar Chavali	47	BE, ME	24	Senior Vice-President	3,204,465	April 1, 2003	NIIT Limited, Vice-President
Arvind Mehrotra	44	MBE	22	Senior Vice-President- SSB, APAC & India	2,627,065	April 1, 2003	NIIT Limited, General Manager
Khagendra Nath Jana	50	ME/M.Tech	20	Delivery Manager	2,410,048	April 1, 2003	NIIT Limited, Divisional Manager
Kul Taran Singh Anand	47	M.Com, CFA	24	Chief Financial Officer	4,292,415	April 4, 2003	TCNS Ltd., SBU Head
N.K. Mehta	50	MSc, BE, PHD	26	Vice-President	2,586,487	August 18, 2004	XANSA (India) Ltd., International Delivery Director

*Continuing as Chairman and Managing Director, NIIT Limited

Note :

1. The gross remuneration shown above comprises salary, allowances, incentives & monetary value of perquisites as per Income Tax Rules and Company's contribution to Provident Fund and Superannuation Fund.
2. The above does not include provision for gratuity and provision for leave encashment.
3. None of the above-mentioned employees are related to any of the Directors of the Company.
4. The nature of employment is contractual in all the above cases.

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

Directors' Report (Contd.)

Annexure-B

Disclosure under SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999

(a) options granted;	Grant I : 660,750 Grant II : 70,600 Total : 731,350									
(b) the pricing formula;	At a price not less than the then existing face value of the share of the Company. Grant I : Grant Price Rs. 115.00 Market Price Rs. 149.50 Discount 23% of Market Price Grant II: Rs. 150.85 Rs. 150.85 No									
(c) options vested;	Nil									
(d) options exercised;	Nil									
(e) the total number of shares arising as a result of exercise of option;	Nil									
(f) options lapsed;	50,900									
(g) variation of terms of options;	Nil									
(h) money realised by exercise of options;	Nil									
(i) total number of options in force;	680,450									
(j) employee wise details of options granted to: (i) senior managerial personnel;	A summary ^ of options granted to senior managerial personnel* are as under: No. of employees covered: 9 (Nine) No. of options granted to such personnel: 165,100 (One Lakh Sixty Five Thousand One Hundred only) *includes employees who are one level below the Board of Directors or CEO working in executive capacity. ^ Only summary given due to sensitive nature of information									
(ii) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year.	Nil									
(iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil									
(k) diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard(AS) 20 'Earnings Per Share'	Rs.15.42									
(l) Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed	Please refer to Notes Nos.19 and 23 contained in the Notes to Accounts (Schedule No.18) forming part of the Balance Sheet as at March 31, 2006 and Profit and Loss Account for the year ended on that date.									
(m) Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock	<table border="1"> <thead> <tr> <th></th> <th>Grant I (Rs.)</th> <th>Grant II (Rs.)</th> </tr> </thead> <tbody> <tr> <td>Weighted Average Exercise price</td> <td>115.00</td> <td>150.85</td> </tr> <tr> <td>Weighted Average Fair Value</td> <td>59.20</td> <td>41.18</td> </tr> </tbody> </table>		Grant I (Rs.)	Grant II (Rs.)	Weighted Average Exercise price	115.00	150.85	Weighted Average Fair Value	59.20	41.18
	Grant I (Rs.)	Grant II (Rs.)								
Weighted Average Exercise price	115.00	150.85								
Weighted Average Fair Value	59.20	41.18								
(n) A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information: (i) risk-free interest rate, (ii) expected life, (iii) expected volatility (iv) expected dividends, and (v) the price of the underlying share in market at the time of option grant	<p>7%</p> <p>2.5 years</p> <p>10%</p> <p>The shares to be issued under stock options shall rank pari-passu, including the right to receive dividend.</p> <p>Expected dividend payouts to be paid during the life of the option reduce the value of a call option by creating drop in market price of the stock. Adjustments for known dividend payouts over the life of the option are made to the formulae under Black Scholes method. However, in the present case, 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 payouts have not been incorporated in the valuation analysis</p> <p>For Grant I the market price was Rs. 149.50 For Grant II the market price was Rs. 150.85</p>									

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

Management Discussion and Analysis

ENVIRONMENT

Industry

In the period under review, global sourcing has matured, demand for multiple location delivery has risen and newer destinations are being explored. A noticeable phenomenon has been the acceptance of global offshore delivery models with significant ramp-ups in capacities even by global players in lower-cost locations. There seems to be no doubt in the minds of global customers that India offers and delivers the best benefits. Quality and processes being strong and getting further attention from all players, successful execution of projects is the key for growth in coming times.

The addressable offshore market of IT and ITES is of the tune of over US \$300 billion. According to NASSCOM & McKinsey, the current penetration levels of the same are at about 10%, indicating significant headroom for future growth for companies with an offshore model. As per IDC and NASSCOM studies, the size of the Indian IT and ITES services market is US \$29.6 billion (including domestic market of US\$6 billion), thereby offering huge potential for Indian IT offshore providers, especially those with capabilities of large project management, quality labor arbitrage, streamlined quality processes and long-standing relationships in the global scenario.

The environment of discretionary IT spend turned positive last year and this was evident in the new projects initiated by large corporations across the globe. Europe also appeared on the IT offshoring scene and most IT offshore service providers changed strategies to concentrate on this part of the world.

ITES and BPM continued on the growth path, with many more opportunities coming the way of offshore providers. A new phenomenon was a change in the models of services offered in the space, especially with the trend of integrated IT and ITES offerings taking hold.

NIIT Technologies

The Company consolidated its position in the IT market in its second year of operations as an independent entity, establishing its position in the NASSCOM top 20 IT software & services exporters from India. Being a mid-sized IT Solutions organization, the Company has embarked on a direction to "Focus & Differentiate". This involves creation of strong capabilities in select industry segments, as also scaling business in these areas.

Elements of the Company's strategy include:

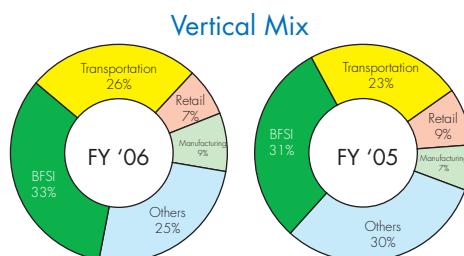
- Focus on specific industry verticals to create differentiation;
- Business innovation to enhance services portfolio;

- Strengthening capability by inorganic means and improving market access;
- Creation of a rewarding and fulfilling work environment for its people.

STRATEGY OF 'FOCUS & DIFFERENTIATION'

FOCUS

The Company continued its foray in the areas of Financial Services; Transportation; Manufacturing and Retail. Together, these focus areas accounted for 75% of the overall annual revenues.



Focus verticals contribute 75% Revenues

BFSI continued to be the major vertical for the Company, with one-third of the revenues coming from clients in this industry space, spread across the globe. The vertical logged an overall 19% growth in the year at almost Rs 2,000 million. Some key marquee clients in the vertical have exhibited exceptional confidence in the project teams and relationships. New clients won in the insurance space provide added confidence to the management for the future potential of the vertical.

Travel & Transportation vertical accounted for over one-fourth of revenues and grew 25% YoY in the financial year under review. At over Rs 1,550 million, it catapults the Company amongst the top three players providing Off-shore IT services in this Industry. A few long-standing relationships continued to grow and are evidence to the deep engagements in this space.

The Company's sharp focus on the SAP practice strengthened its position in the manufacturing space, with combined revenues from Manufacturing & Retail industries contributing 16% to the overall revenue pie, a growth of 19% on a year-on-year basis.

In line with the overall Company focus on a few key industry verticals, NIIT SmartServe too is aligned to these industry verticals, the end objective being the capability to offer integrated solutions for IT & ITES services to its clients.

BUSINESS INNOVATION

In February 2006, the Company formally made its foray into the Managed Services space to enhance its portfolio of service offerings. This is a sunrise area in the industry-likely to represent

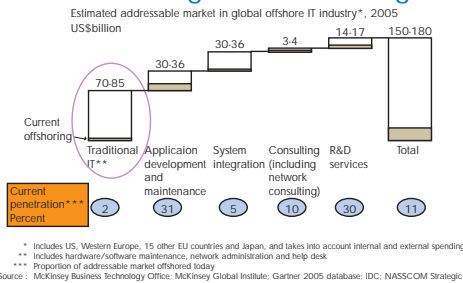
NIIT Technologies Limited

(Formerly NIIT Investments Limited)

Management Discussion and Analysis (Contd.)

the next wave of offshoring and is a revenue growth opportunity for the Company in the times to come.

Enhancing Service Offerings



With this, the entire spectrum of services, including Application Development & Maintenance, along with Annuity-based Legacy Offerings; Enterprise Solutions, including Package Implementation & Managed Services; and Business Process Management services now form part of the NIIT Technologies service offerings portfolio. The next level of innovation would be to offer integrated services that are across this service portfolio.

INORGANIC INITIATIVES

In order to reach a critical mass and achieve the appropriate positioning in its chosen Focus verticals, the Company has a well-defined inorganic program in place. With objective areas having been clearly demarcated, the Company will strive to strengthen its domain expertise and market access through inorganic means. Last year, the Company's Mergers & Acquisitions team actively looked at many possibilities on this front. In May 2006, the Company announced the acquisition of a controlling stake in ROOM Solutions, a UK-based Commercial Insurance player, which helped meet the objectives of not just market access but also enhanced the Company's domain capability in the Commercial Insurance space.



CREATING A FULFILLING WORK ENVIRONMENT

At the end of the previous financial year, the company had an offshore development capacity of under 200,000 square feet. To propel growth, the company added 63% more capacity to its existing offshore development capacity in the year-spread across Gurgaon, Bangalore, Delhi and Mumbai. Plans for the campus in Greater Noida are afoot and should bear fruit in the near future.

The company strengthened its HR processes by embracing the People CMM framework. It was assessed at Level 5—the highest level of maturity—during the year, marking the company's entry into select and elite list of companies with a global standard of people practices.

It is also strengthening its Delivery Processes to further improve quality. The company achieved the BS 15000 certification in Thailand for its process capabilities, becoming the first in the ASEAN region to be so assessed. All its offshore delivery facilities were certified to the stringent BS 7799 norms for ensuring security. In its journey for quality and secure environment, NIIT SmartServe received the COPC 2000 CSP Standard Release 3.4 for the inbound BPO services and for three outbound contact management programs—Orion, Lodestar, Celtic. NIIT SmartServe is already certified to the BS 7799 Information Security Standard.



PEOPLE RESOURCES

Employees are the most valuable assets of the Company. The Company continuously evaluates and upgrades its employment and training strategies and benchmarks with the best employment practices.

As of the year-end, the staff strength of the Company stood at 3,543. The direct staff strength is over 90% of the total strength, with the balance pertaining to support teams, including sales and marketing.

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

Management Discussion and Analysis (Contd.)



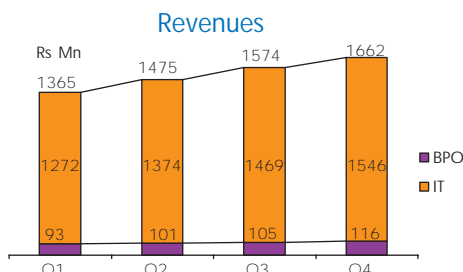
NIIT TECHNOLOGIES (CONSOLIDATED): HIGHLIGHTS

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

NIIT Technologies and its subsidiaries posted a consolidated income of Rs 6,141 million for the financial year ending March 31, 2006. The year saw revenues touch Rs 6,075 million, up from Rs 5,432 million in the previous year, logging an annual growth of 12%. The Company operates in primarily a single business segment viz. Software Solutions. However, for purposes of monitoring progress of its initiative in BPO, the revenues of the Company from IT Solutions and BPO Solutions for each quarter are presented in the exhibit below:

Revenue Profile

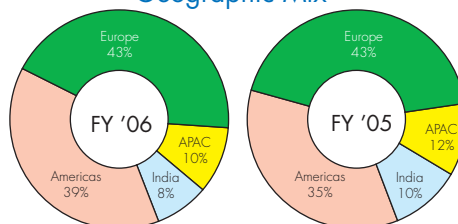
	Rs. Mn				
	AMJ'05	JAS'05	OND'05	JFM'06	FY'06
IT Solutions	1272	1374	1469	1546	5661
BPO Solutions	93	101	105	116	414
NIIT Technologies	1365	1475	1574	1662	6075



Sequential growth in revenues, in IT and BPO Solutions

Europe provided maximum contribution to revenues, at 43% of the total top-line of the consolidated entity. Americas improved its share of revenues to 39% last year, a growth of 23%. Asia and Australia contributed the balance 18% to the consolidated revenues.

Geographic Mix



Geographically well diversified revenue profile

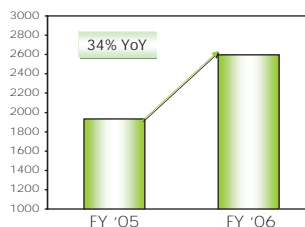
Client profile

The growth of the Company came primarily from repeat business, with top clients showing higher growth rates. The deepening of relationships with focused clients led to enhanced revenue concentration at the top end. The Top 5 clients constituted 43% of the revenues, a growth figure of 34% in the year. The Top 10 clients contributed 54% of the revenues, while 67% of revenues came from the Top 20 clients the focus customers for the Company. The Company added over 20 significant new clients in the year, even as 86% of revenues continued to flow in from repeat business.

Client Concentration



Top 10 clients contribute 54% Revenues



Top 5 clients contribute 43% Revenues

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Management Discussion and Analysis (Contd.)

The Company continued to add fresh orders at a regular pace, summing up to a total intake of \$122 million for the year.

Business Process Outsourcing Solutions

In the BPO space, the Company saw a growth of 22% in revenues to Rs 414 million in FY '06. During the year, the Company ramped up on the back of voice-based performance-oriented contracts. However, looking at the profitability objective, it was decided to continue to focus on value-added services in the non-voice arena. For the year, revenues from voice-based work were at 58%, while in the last quarter, the figure was actually brought down to 51%. This got reflected in the Company achieving an operating break-even for the quarter-the first time since inception. At the year-end, there were 801 people resources in the organization. The capacity for the activity was enhanced during the year, and this is likely to be filled in the ensuing financial period.

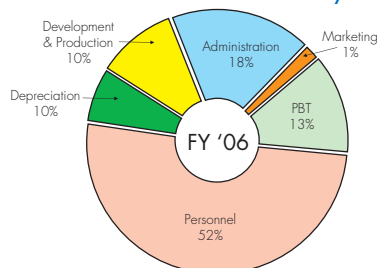
Audited Consolidated Profitability

	Rs Million		
	FY'06	FY'05	FY'04
Revenue	6075	5432	4933
Expenses	4920	4463	4225
Operating Profit	1156	969	708
Operating Profit Margin	19%	18%	15%
PBT	790	634	411
PAT	663	585	331

Audited Consolidated Balance Sheet

Particulars as on	Rs. Mn	
	March 31, 2006	March 31, 2005
Sources of Funds		
Share Capital	386	386
ESOP Outstanding	14	-
Minority Interest	63	51
Reserves and Surplus	2309	1914
Net Worth	2773	2352
Loan funds	420	540
Deferred Tax liability	0	5
Total	3194	2896
Application of Funds		
Fixed Assets		
Gross Block	2700	2391
Depreciation	1781	1437
Net Block	919	954
Capital Work in Progress	30	1
Investment	649	438
Deferred Tax Asset	46	23
Net Current Assets	1549	1478
Miscellaneous Expenditure	0	2
Total	3194	2896

Consolidated Cost Analysis



An expense analysis of the Company would show that while personnel constituted the highest element of cost, at 52% of revenues, the costs of development and bought-out materials constituted 10% and other administrative costs 19%. Depreciation and amortization accounted for 6%, resulting in PBT margin of 13% for the year.

Share Capital

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

Employee Stock Option Plan

During the year, the Company launched its Employee Stock Option Plan (ESOP 2005) with an objective to provide an incentive to attract, retain and reward employees and motivate such employees to contribute to the growth and profitability of the Company.

The ESOP 2005 was established as per the approval granted by the shareholders by a special resolution through postal ballot on May 18, 2005. It will continue to be in force until the date on which all of the options available for issuance as per the approval granted by the shareholders have been vested and exercised.

In accordance with the Plan, the Company granted 731,350 options in two tranches during the year.

The details of the grants are as under:

	Options Granted	Grant Price per option	Closing market price on the day prior to Grant
Grant I	660,750	Rs. 115.00	Rs. 149.50
Grant II	70,600	Rs. 150.85	Rs. 150.85

As of the year end, the Company had 680,450 live options.

Reserves and Surplus

For the purposes of consolidation, the Company adopts Accounting Standard 11 (revised): 'The Effects of changes in Foreign Exchange rates' for translation of balances of non-Indian subsidiaries. Assets and liabilities of non-Indian subsidiaries are translated at year-end exchange rates for

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Management Discussion and Analysis (Contd.)

the respective companies. Income and Expenditure items are translated at predetermined rates that approximate the exchange rate prevailing on the date of the transaction. The resultant translation adjustment is reflected as a separate component of shareholders' funds as 'Cumulative Translation Reserve'. The Company has created Debenture Redemption Reserve as per the terms of its 6.5% NCD 2003 issue.

Loan Funds

During the period, the Company repaid part of the existing rupee term loan to the extent of Rs 29 million. The 6.50% Non-Convertible Debentures (Separately Tradable and Redeemable Principal Parts), redeemable over a five-year period, reflect the borrowed amount of Rs 500 million, privately placed in May 2003. Part redemption of Rs 100 million for the said debentures was done in May 2005. Of the total NCD, Rs 150 million is due for payment within one year.

Minority Interest

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

Fixed Assets

During the period, capital investments of Rs 360.95 million were made for project-related capital assets and capacity increases. Of this, less than 12% were for intangible assets in the form of software and goodwill.

Investments

Investments of Rs 649.41 million reflect the sums invested in Debt and Money Market Mutual Funds schemes. The Company has, pursuant to the Scheme of Arrangement with NIIT Limited, acquired the strategic investments at nil value.

Net Current Assets

The elements of net current assets are as follows:

Trade Receivables:

Debtor days stand at 72, on total sundry debtors position of Rs 1,200.7 million

Cash and Bank:

Cash and Bank balance as on March 31, 2006 is Rs 923.75 million. Considering the mutual fund investments, the total cash and cash equivalents are higher at Rs 1,573.17 million

Other Current Assets:

This primarily includes unbilled revenues and Interest Receivable

Loans and Advances:

This includes advances and security deposits made by the

Company in the normal course of business. Advance taxes deposited too form part of this asset, along with other pre-paid expenses

Current Liabilities and Provisions:

This represents sundry creditors, including capital creditors, advances from customers, unearned revenues, security deposits, provisions for leave encashment, gratuity and dividend and other liabilities

Related Party Transactions

Related Party transactions are defined as transactions of the Company of a material nature with the Promoters, Directors or the Management, their subsidiaries or other related parties who may have a potential conflict with the interests of the Company at large. There were no material transactions during the Year 2005-06 that were prejudicial to the interests of the Company. All transactions covered under related party transactions were regularly ratified and/or approved by the Audit Committee/Board, the guiding principles being arm's length, fairness and transparency. The details of related party transactions are given in the Notes to Accounts section.

NIIT Technologies Ltd: Standalone

Revenue from Operations

The revenues from operations for the year stand at Rs 2,201 million, up 18% year-on-year.

Other Income

The other income earned by the Company includes capital gains on mutual fund investments; recoveries made from subsidiaries for common services; and asset usage charges recovered from group companies. The Company reported Rs 70 Mn of 'Other Income' in FY '06.

Revenue Recognition Policy

The significant Accounting Policies and Practices followed by the Company are disclosed in Note 1 of Schedule "18" (Notes to Accounts) for the year. It may be mentioned that the Company provides offshore development services and onsite servicing capabilities, including domain and vertical knowledge support, to its subsidiaries, where the transfer pricing for services rendered is continuously reviewed to ensure appropriate transfer pricing on an arm's length basis, based on independent transfer pricing studies.

	Rs Mn	
Impact of Foreign Currency	FY06	FY05
Earning in Foreign currency (net of taxes)	2117	1663
Revenue Expenditure in Foreign Currency	82	107
Net Revenue Earning in Foreign Currency	2035	1556
Capital Expenditure in Foreign Currency	26	31
Net Foreign Currency Earnings	2009	1525

NIIT Technologies Limited

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Management Discussion and Analysis (Contd.)

Expenditure

Personnel

The personnel cost was Rs 928 million-42% of the revenue line-compared to last year's numbers of 38% of the revenues on account of enhanced manpower and increased salary costs.

Development, Production and Execution

This cost at 2% of revenues, includes the cost of products purchased for resale.

Other Expenditure

Other expenditure including administration, marketing spend, travel and communication costs and was at 22% of overall revenues, compared to 21% in the previous year.

Depreciation

The Company's depreciation charge was Rs 205 million (9 %) of the revenues, down from Rs 213 million in FY '05.

Dividend

The Board of Directors of the Company has recommended a dividend of Rs 6.00 per equity share of Rs 10 face value, higher than the 55% dividend that was distributed last year by the Company.

BALANCE SHEET

Fixed Assets

During the year, the Company added Rs 171.84 million to its gross block of assets for project-related capital expenditure and capacity increases.

Subsidiaries and Investments

	Rs Mn	
	FY06	FY05
Investments		
Investment in subsidiaries	881	822
Mutual funds	203	148
Total	1084	970

To expand the growth in BPO services segment, the Company invested an additional amount of Rs 140 million in its subsidiary, NIIT SmartServe Limited, India. The Company also made additional investments in its subsidiary NIIT Technologies AD, Germany to the tune of Rs 43 million. Investments in the Japanese subsidiary to the tune of Rs 123 million were received back during the year under review.

Current Assets, Loans and Advances

Trade Receivables

Sundry debtors amount to Rs 692 million (net of provision for doubtful debts over six months, amounting to Rs 70 million) as on March 31, 2006. Of the total receivables, Rs 686 million

worth of debtors are outstanding for less than six months, while Rs 6 million are outstanding for over six months.

Cash and Bank

	Rs Mn	
	FY06	FY05
Fixed Deposits	181	108
Cash in hand & balances with Banks	85	170
Total	266	278

Cash and equivalents, including money market mutual fund schemes of Rs 203 million (Rs 148 million last year), considered in investments above would be Rs 469 million (last year Rs 426 million).

Other Current Assets

This primarily includes Unbilled Revenues of Rs 40 million and Interest Receivable of Rs 13 million.

Loans and Advances

The loans and advances stand at Rs 491 million at the end of this year. The outstanding amount represents loans and advances given to subsidiaries, to the NIIT-ians Welfare Trust, Pre-paid Expenses and other constituents in the normal course of business. These also include advances to suppliers, rent advances and security deposits given for premises.

Capital structure

The share capital of the Company stands at the same level at Rs 386.49 million.

Reserves

The reserves and surplus of the Company are as follows:

	Rs Mn
	FY2006
Capital redemption reserve	16.57
Share premium	13.60
Debenture redemption reserve	78.75
General Reserves	857.92
Profit and Loss Account	803.24
Total	1770.07

Loan Funds

Of the total loan funds of Rs 438 million, the break-up of the secured debt of Rs 418 million at the year-end is:

- Rs 400 million of privately-placed 6.50-per cent non-convertible debentures (STRPP) raised by the Company in May 2003. These debentures are repayable through part annual installments till 2008; and
- Rs 18 million pertaining to vehicle financing arrangements undertaken by the Company for its employees

NIIT Technologies Limited

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Management Discussion and Analysis (Contd.)

Recognition

- NIIT Technologies is ranked among India's Top 20 IT Software and service Exporters by the NASSCOM 2005 survey. This listing ranks companies whose corporate headquarters are located in India.
- The Superbrands Council of UK conferred the "Business Superbrand" status on NIIT Technologies, the only IT services company from India to be awarded this status. The Business Superbrand status acknowledges the spirit of innovation that distinguishes NIIT Technologies.



- NIIT Technologies was presented the LOMA award for Excellence in Education 2006 for its strong promotion of LOMA education programs, ensuring it remains a leader in the industry.
- NIIT Technologies was ranked in the DQ-IDC Best Employer Survey 2005 list, ranking among Tech's Star Employers for the first time. This ranking applauds the innovative HR policies and world class work environment that the Company offers to its employees.
- NIIT SmartServe was ranked among the Global Outsourcing Top 100 companies by International Association of Outsourcing Professionals (IAOP) and featured among the Rising Stars of the BPO world.. This listing is a sure sign of its growing maturity, not to mention reputation in the global marketplace.
- NIIT SmartServe named Top Outsourcer in three categories by leading Contact Center authority, Contactcenterworld.com
- NIIT SmartServe is ranked among top ten ITES companies in terms of employee satisfaction, according to the Dataquest-IDC BPO e-Sat (employee satisfaction) 2005 Survey
- NIIT Technologies' GIS subsidiary, ESRI India won the coveted ESRI high achievement award for Asia Pacific for the third time since the Company's inception in 1996. The award recognizes ESRI India's high commitment to customers and its achieving record growth.



Opportunities, Threats and Risks

India remains the preferred source for offshore IT services from the point of view of cost, capability and capacity. Establishment of captive development centres by MNCs in India has created competitive pressures for the Indian vendors. Nevertheless, NIIT Technologies has established itself amongst the leading IT software Services providers from India. The Company would continue to seek growth opportunities according to the strategy laid out in order to meet its aspirations of being amongst the top players in its chosen areas of operations, while providing the best possible infrastructure for its people and be amongst the best places to work in. It would also explore other emerging offshore destinations to set up its development facilities.

While India has a vast pool of trained/ trainable talent, recruitment of the required numbers with the specific skill sets is a challenge for the industry. However, Company does not see that as a limiting factor for its growth because of its strong brand positioning to attract the right talent.

The Company's consolidated revenues are predominantly in three major currencies, USD, GBP and Euro. Being an offshore service provider, the costs are primarily in Indian rupees. Hence, the Company's profits are liable to exchange rate fluctuations. The currency exposures are partially hedged by the Company through use of foreign exchange forward contracts across the three currencies, up to 12 months. As of March 31, 2006, the Company has hedge position of USD 13.25 mn at average rate of Rs 44.62.

Internal Control Systems and their Adequacy

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

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Management Discussion and Analysis (Contd.)

worldwide operations online and strengthened the ability of internal controls to function most optimally. The CEO/CFO certification provided elsewhere in the Annual report discusses about the adequacy of the internal control systems and procedures.

Additional Disclosures

The Company in the context of this report means NIIT Technologies Limited and/or its subsidiary(ies).

Certain statements made in this report relating to the Company's objectives, projections, outlook, estimates, etc. may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ from such estimates or projections etc., whether express or implied. Several factors including but not limited to climatic conditions and economic conditions affecting demand and supply, government regulations and taxation, natural calamities, etc. over which the Company does not have any direct control, could make significant difference to the Company's operations.



NIIT Technologies Limited

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Corporate Governance Report

The Company's Philosophy in Code of Governance

Corporate Governance is an ongoing process that ensures that the company displays the highest standard of professionalism, integrity, accountability, fairness, disclosure and transparency, social responsiveness, business ethics in its dealings and compliance to the spirit of the law. Corporate governance has an important role to play as an instrument of investor protection and the development of capital market is substantially dependent on good corporate governance. Starting with the Kumaramangalam Birla Committee set up by Securities and Exchange Board of India (SEBI) during May 1999, the Naresh Chandra Committee set up by the Department of Company Affairs in August 2002, the Narayana Murthy Committee report in February 2003, Corporate Governance guidelines and best practices have evolved over a period of time resulting in SEBI amending clause 49 of the Listing Agreement, relating to corporate governance, in October 2004, in alignment with the recommendations of the various Committees. The revised guidelines under clause 49 were made applicable to all the listed companies with effect from January 1, 2006.

NIIT Technologies believes that corporate governance is key to enhance and retain investor confidence. The Board ensures an efficient conduct of the affairs of the Company that results in positive value creation across the organization and all its stakeholders. The Shareowner remains the nucleus of our growth strategy. For NIIT Technologies, corporate governance extends beyond corporate law and its fundamental objective is not the mere fulfillment of the requirements of the law but in ensuring commitment of the Board in managing the Company with a great degree of integrity, transparency, accountability and in a truthful and ethical manner that enhances long-term shareholder value.

The Company is in compliance with the requirements of the revised corporate governance norms under Clause 49 of the Listing Agreement and with the adoption of the Code of Conduct and a robust Clause 49 (Compliance Monitoring System), the Company has advanced further in its pursuits of excellence in corporate governance.

Board of Directors

The Company is managed and controlled through a professional Board of Directors comprising of an optimum combination of Executive and Non-executive Independent Directors. The present strength of the Board of Directors is six (6), out of which three (3) members are Non-executive Independent Directors, constituting 50% of the total strength. The Company's Board consists of eminent persons with considerable professional expertise and experience. The Independent Directors do not have any other material pecuniary relationship (other than receiving remuneration and stock options) or transactions with the Company, its

promoters, its management or its subsidiaries, which may affect the independence or judgment of the Directors. The Board's role, functions, responsibilities and accountability are clearly defined. In addition to its primary role of monitoring corporate performance, the functions of the Board include -

- Articulating the Corporate Philosophy and Mission
- Shaping corporate strategy
- Reviewing and approving Financial Plans and Budgets
- Monitoring Corporate Performance
- Ensuring ethical behavior and compliance with laws and regulations
- Reviewing and approving borrowing/lending/investment limits/exposure limits, etc.
- Keeping shareholders informed regarding plans, strategies and performance

The composition of the Board of Directors of the Company is in conformity with the provisions of clause 49 of the listing agreement with the stock exchange(s). The structure of the Board as on March 31, 2006 is as under:

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

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

Mr. Rajendra S Pawar

Designation: Chairman and Executive Director

Profile: A distinguished alumnus of IIT, Delhi, Mr. Rajendra S. Pawar is the co-founder of NIIT. An IT Visionary, he foresees the trends in the IT industry and leads NIIT from the front. He is sharply focused on bringing in the customer and other stakeholder interests in the Quality processes at NIIT. He is also Chairman and Managing Director of NIIT Limited.

He is a Fellow of many professional societies, including the Computer Society of India, the Institution of Electronics & Telecom Engineers and the National Telematics Forum. Mr. Pawar is also on the Boards of several prestigious institutions and organizations such as the Indian School of Business, IIT Delhi, Nestle India Limited, IGNOU, etc. Mr. Pawar is currently Chairman of the HR Committee of CII and a member of the International Business Council of the World Economic Forum. He has also served on the Prime Minister's

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Corporate Governance Report (Contd.)

National Task force, which aims at making India an IT Superpower by 2008.

Recognizing his pioneering and entrepreneurial work in the education and software sectors, global business intelligence firm, Ernst & Young conferred on Mr. Pawar its prestigious Master Entrepreneur of the Year Award in 1999. He is also recipient of the IT Man of the Year award instituted by IT industry journal Dataquest for his contributions to the IT industry in India.

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

Mr. Arvind Thakur

Designation: Chief Executive Officer and Whole-time Director

Profile: Mr. Arvind Thakur, a graduate in Engineering from the premier engineering institution, IIT Kharagpur. Thereafter, he pursued a Post Graduate degree in Industrial Engineering from NITIE, Mumbai.

Under his stewardship, NIIT's software process capability has been assessed at SEI CMMi Level 5, human resource processes at PCMM Level 5, security standards at BS 7799, services management at BS 15000, and BPO processes adherence to COPOC standards.

He is an active member of many Industry Associations and Societies.

Roles and Responsibilities: Mr. Thakur leads the software solutions business as well as the Organisational functions of the Company and is responsible for raising the organisation's delivery capability to world-class standards. He guides and oversees the Company's Joint Venture with ESRI Inc., USA—NIIT GIS Limited—and supervises geography operations in the Americas, Asia-Pacific and Europe. He also oversees the operations of NIIT SmartServe Limited, an Indian Subsidiary Company, engaged in IT-enabled Services (ITES) and Business Processes Outsourcing (BPO). He also leads the global marketing and strategy function of all businesses covered by the Company.

Mr. Vijay K. Thadani

Designation: Non-executive Director

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

is also representing the Governing Council in the oldest city in China. He was appointed as a director on the Board of the Company in 2004.

Roles and Responsibilities: Mr. Thadani's responsibilities include leading NIIT's Strategic Alliance initiative, Technology partnership initiative and leveraging growth opportunities in addition to overseeing the Finance, Legal and Secretarial and Investor Relations function. He continues to be CEO of NIIT Limited. He is also serving on the Board of wholly owned subsidiary company, NIIT SmartServe Limited, which is engaged in the remote Business Process Outsourcing business.

Mr. Subroto Bhattacharya

Designation: Non-executive Independent Director

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

Roles and Responsibilities: Mr. Bhattacharya advises the Company on Financial and Management issues and is the Chairman of the Audit Committee and member of the Remuneration/Compensation Committee.

Mr. Surendra Singh

Designation: Non-executive Independent Director

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

Roles and Responsibilities: Mr. Singh advises the Company on Internal Controls, Audit Systems and Investor Relations. He is a member of the Remuneration/Compensation Committee and Audit Committee.

Mr. Amit Sharma

Designation: Non-executive Independent Director

Profile: Mr. Amit Sharma, an MBA (Wharton School) and an MSE in Computer and Information Sciences (University of Pennsylvania), is the Vice-President, Asia-Pacific Strategy and Business Development for Motorola Inc. Mr. Sharma is a member of Motorola's Asia-Pacific Regional Board and plays

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Corporate Governance Report (Contd.)

a key role in its growth plans for the region. Mr. Sharma has been associated with companies like McKinsey & Co and GE Capital and specializes in development of growth strategic using both organic and inorganic options. He was appointed as an Independent Director in June, 2004.

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

Directorships/Memberships in Board Committees other than NIIT Technologies Limited

Sr No.	Name of Director	No. of Directorships in other Indian Public Companies	No. of Member ships in other Board Committees
1	Mr. Rajendra S Pawar	12	3
2	Mr. Arvind Thakur	4	3
3	Mr. Vijay K Thadani	7	3 (Chairman in 1)
4	Mr. Subroto Bhattacharya	6	9 (Chairman in 3)*
5	Mr. Surendra Singh	6	8 (Chairman in 3)**
6	Mr. Amit Sharma	1	0

* Includes membership of two Remuneration Committees

** Includes Chairmanship of one Remuneration Committee

Board Meetings

The Board of Directors met seven times during the year—April 1, 2005 to March 31, 2006—on the following dates:

- April 8, 2005
- June 7, 2005
- June 29, 2005
- July 26, 2005
- October 27, 2005
- January 18, 2006
- March 27, 2006

The maximum gap between two meetings was 92 days. Necessary information as mentioned in Annexure 1A to Clause 49 of the Listing Agreement has been placed before the Board for their consideration.

The attendance record of participating Directors at the Board Meetings and Annual General Meeting (AGM) during April 1, 2005 to March 31, 2006 is as follows:

Name of Directors	Number of Board Meetings		Whether attended last AGM
	Held	Attended	
Mr. Rajendra S Pawar	7	6	Yes
Mr. Arvind Thakur	7	7	Yes
Mr. Vijay K. Thadani	7	7	Yes
Mr. Subroto Bhattacharya	7	6	Yes
Mr. Surendra Singh	7	6	Yes
Mr. Amit Sharma	7	3*	Yes

* Mr Amit Sharma was although granted leave of absence for the remaining meetings, but he participated in the meetings by way of tele-conferencing.

COMPLIANCE OFFICER

Mr. Rakesh Kumar Prusti was appointed as the Company Secretary & Legal Counsel w.e.f. April 8, 2005. Mr. Prusti is also the Compliance Officer of the Company.

THE BOARD COMMITTEES' REPORT

In accordance with the listing agreement with the stock exchange(s) on Corporate Governance, the following Committees were in operation:

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

Audit Committee

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

Chairman: Mr. Subroto Bhattacharya

Members: Mr. Surendra Singh and Mr. Amit Sharma

Functions

The main functions of the Audit Committee include:

- Supervision of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- Recommendation of the appointment, re-appointment and removal of statutory auditors, fixation of audit fee and approval for payment for any other services are also a part of the Committee's responsibilities;
- Reviewing with the Management the annual financial statements and the management discussion and analysis of financial condition and results of operations, before submission to the Board, primarily focusing on:
 - Any changes in accounting policies and practices
 - Major accounting entries based on exercise of judgment by Management
 - Qualifications in the draft Audit Report
 - Significant adjustments arising out of audit
 - The going concern assumption
 - Compliance with accounting standards
 - Compliance with stock exchange and legal requirements concerning financial statements
 - Reviewing matters required to be included in the Directors' responsibility statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956;
- Any related party transactions i.e. transactions of the Company of a material nature, with Promoters or the

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Corporate Governance Report (Contd.)

Management, or their relatives, etc., that may have potential conflict with the interests of the Company at large;

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

The Committee met 5 times during the year—April 1, 2005 to March 31, 2006—on the following dates:

- April 7, 2005
- June 7, 2005
- July 26, 2005
- October 27, 2005
- January 18, 2006

Meetings and attendance during the year (April 1, 2005 to March 31, 2006):

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

* Mr Amit Sharma was granted leave of absence for the meetings, but he participated in the meetings by way of tele-conferencing.

Remuneration Committee

The Remuneration Committee was set up to formulate and implement a credible and transparent policy for determining and accounting for compensation focused at attracting, motivating and retaining key personnel (including evaluation of remuneration and benefits for the executive directors) and to frame policies and systems for Employee Stock Option Plans, as approved by the shareholders.

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

Chairman: Mr. Amit Sharma

Members: Mr. Subroto Bhattacharya and Mr. Surendra Singh

Key Functions

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

Remuneration Policy

The Remuneration Committee has the powers to determine and recommend to the Board the amount of remuneration, including performance/achievement bonus and perquisites, payable to the Whole-time Directors. The recommendations of the Committee are based on the evaluation of the Whole-time Directors on certain parameters, as laid down by the Board as part of the self-evaluation process. In terms of the guidelines, the Company ensures that the remuneration by way of salary and other allowances and monetary value of perquisites should be within the overall limit as specified under the Companies Act, 1956. In the event of absence or inadequacy of net profits in any financial year, Section 2 of Part II of Schedule XIII of the Companies Act, 1956 or any modification shall govern the remuneration payable to the managerial person(s) thereto.

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

The Committee met 5 times during the year—April 1, 2005 to March 31, 2006—on the following dates:

- April 8, 2005
- June 7, 2005
- August 1, 2005
- August 2, 2005
- August 11, 2005

Meetings and attendance during the year April 1, 2005 to March 31, 2006

Name of Members	No. of Meetings	
	Held	Attended
Mr. Amit Sharma	5	2
Mr. Subroto Bhattacharya	5	5
Mr. Surendra Singh	5	5

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Corporate Governance Report (Contd.)

Details of Remuneration paid to Whole-time Directors during the year (April 1, 2005 to March 31, 2006)

(Amount in Rs.)

Name of Director	Mr. Rajendra S Pawar	Mr. Arvind Thakur
Salary and Allowances	1,560,000	4,428,000
Perquisites	-	699,917
Contribution to Provident Fund, Superannuation Fund or Annuity Fund	916,743	1,303,878
Performance- linked Bonus	-	10,747,000
Total	2,476,743	17,178,795
Stock Options (No. of options)	-	100,000

- Service Contracts: Three years from June 12, 2004
- Notice period: As per Company policy
- Severance Fees: As per Company policy
- Performance criteria: As determined by the Remuneration Committee and the Board

Details of remuneration paid to Non-executive Directors during the year April 1, 2005 to March 31, 2006

(Amount in Rs.)

Name of Director	Mr. Subroto Bhattacharya	Mr. Amit Sharma	Mr. Surendra Singh	Mr. Vijay K Thadani
Commission (including sitting fees)	550,000	550,000	550,000	550,000

The remuneration paid to Non-executive Directors is by way of Commission, in accordance with the resolution passed by the shareholders of the Company on July 29, 2004. Further, the Independent directors of the Company do not have any pecuniary relationship or transaction with the Company, its promoters, directors, senior management or subsidiaries other than the remuneration received in capacity of the Director.

Details of stock options granted to Non-executive directors under ESOP 2005

Name of Non-executive Director	Number of options
Mr Vijay K Thadani	NIL
Mr Subroto Bhattacharya	11,700
Mr Surendra Singh	11,700
Mr Amit Sharma	11,700

Vesting Period : One (1) year from the date of grant
 Exercise Period : Three (3) years from the date of vesting
 Exercise Price : Rs.115/-
 Discount : 23% of the market price

Details of the shareholding of Non Executive Directors as on March 31, 2006

Name of Non Executive Director	Type of Shares	Number of Shares Held
Mr Vijay K Thadani	Equity	53,381
Mr Subroto Bhattacharya	Equity	NIL
Mr Surendra Singh	Equity	NIL
Mr Amit Sharma	Equity	2,437

Shareholders'/Investors' Grievances Committee

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

Chairman: Mr. Amit Sharma

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

Functions

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

The Committee met 4 times during the year—April 1, 2005 to March 31, 2006—on the following dates:

- June 7, 2005
- July 26, 2005
- October 27, 2005
- January 18, 2006

Meetings and attendance during the year (April 1, 2005 to March 31, 2006):

Name of Members	Held	No. of Meetings Attended
Mr. Amit Sharma	4	-
Mr. Vijay K Thadani	4	4
Mr. Arvind Thakur	4	4

During the year April 1, 2005 to March 31, 2006 the Company received 386 queries/complaints from various Investors'/Shareholders' relating to non-receipt of Dividend/Change of Bank account details/Bonus Shares/Annual Report/Transfer of Shares/Dematerialization of shares, etc. The same were attended to the satisfaction of the Investors. At the end of the year March 31, 2006, 6 complaints were pending for redressal which were resolved subsequently and no shares were pending for transfer/dematerialization on the date of the report.

Other Sub-committees

Apart from above, the Company has constituted the following committees:

- The Operations Committee, which approves the opening/closing of bank accounts, Grant of Power of Attorney/Authorisation, Borrowings otherwise than through debentures;
- The Share Transfer Committee, which approves share transfers lodged with the Company;
- The Strategic Investments Committee, which approves various strategic investments of the Company; and
- The Finance Committee, for approval of investments (except strategic investments), borrowings and reviews forex risks and the hedging position of the Company.

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Corporate Governance Report (Contd.)

GENERAL MEETINGS

Location and date of the last three

Annual General Meetings

Year	Location	Date	Day	Time
2005	FICCI Auditorium Tansen Marg, New Delhi-110 001	July 22	Friday	10 A.M.
2004	FICCI Auditorium Tansen Marg, New Delhi-110 001	July 29	Thursday	12 Noon
2003	NIIT House, C-125 Okhla Phase I, New Delhi-110 020	September 29	Monday	10 A.M.

Location and date of the last three

Extraordinary General Meetings

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

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

A. Annual General Meetings

Special Business conducted at the 13th AGM on July 22, 2005

- Increase in foreign Institutional Investors (FIIs) investment limit to 49% of paid up capital of the Company
- Revision of remuneration payable to Mr. Rajendra S Pawar, Chairman and Executive Director
- Revision of remuneration payable to Mr. Arvind Thakur, Chief Executive Officer and Whole-time Director

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

- Appointment of Mr. Rajendra S. Pawar as a Director of the Company
- Appointment of Mr. Vijay K Thadani as a Director of the Company
- Appointment of Mr. Arvind Thakur as a Director of the Company
- Appointment of Mr. Subroto Bhattacharya as a Director of the Company
- Appointment of Mr. Surendra Singh as a Director of the Company

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

No special business conducted at the 11th AGM on September 29, 2003

B. Extraordinary General Meetings

Special Business at EGM: May 24, 2004

- Approval U/s 372A for investment in Mutual Funds up to an aggregate amount of Rs 200 crore

Special Business at EGM: April 23, 2004

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

Special Business at EGM: December 31, 2003

- Approval for amendment in main objects in the Memorandum of Association for deletion of objects relating to investments
- Approval U/s 372A for investment in Mutual Funds up to an aggregate amount of Rs 10 crore

C. Postal Ballot

Special Business through Postal Ballots passed during the year

- Special Resolution under Section 81(1A) of the Companies Act, 1956 for approving the Employees Stock Option Plan for employees of the Company
- Special Resolution under Section 81(1A) of the Companies Act, 1956 for approving the Employees Stock Option Plan for employees of the holding/subsidiary Company(s).

Procedure for Postal Ballots:

The procedure prescribed under Section 192A of the Companies Act, 1956, read with The Companies (Passing of the Resolution by Postal Ballots) Rules, 2001, has been

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Corporate Governance Report (Contd.)

followed for the postal ballot conducted for approving the special resolutions mentioned:

- I. The Board of Directors of the Company, at its meeting held on April 8, 2005 had appointed Mr Parvesh Kumar, Practicing Company Secretary, as the Scrutinizer for conducting the postal ballot process in a fair and transparent manner.
- II. The Company, on April 16, 2005, completed the dispatch of postal ballot forms, alongwith postage prepaid business reply envelopes, to its Members whose name(s) appeared on the Register of Members/list of beneficiaries as on April 8, 2005.
- III. The postal ballots received in business reply envelopes/other mode from the Members were kept in safe custody in sealed ballot boxes before commencing the scrutiny of such postal ballots forms.
- IV. All postal ballots forms received up to the close of working hours on May 16, 2005, the last date and time fixed by the company for receipt of the forms, were considered for scrutiny and counting.
- V. Envelopes containing postal ballot forms received after close of business hours on May 16, 2005, were not considered for scrutiny.
- VI. Mr Rakesh K Prusti, Company Secretary & Legal Counsel, announced the following results of the Postal Ballots on the basis of the Scrutinizer's Report:

Particulars	Resolution No. 1		Resolution No. 2	
	No. of Postal Ballots Forms	No. of shares	No. of Postal Ballots Forms	No. of shares
Postal ballots forms with assent for the resolution	1,590	20,801,093	1,534	20,792,659
Postal ballots forms with dissent for the resolution	74	7,778	125	12,337

Accordingly, the Special Resolutions set out in the Notice dated April 8, 2005 were duly passed by the requisite majority of the Shareholders on May 18, 2005. The above mentioned results were published in 'Statesman' and 'Vir Arjun' newspapers dated May 19, 2005.

Whether any special resolution is proposed to be conducted through postal ballots: Not yet proposed.

Disclosures

a. Related Party Transactions

There are no materially significant related party transactions of the Company which have a potential conflict with the interests of the Company at large.

The related party transactions (as per Accounting Standard 18) of the Company in the ordinary course of business during the year April 1, 2005 to March 31, 2006 are reported under Note 15 of Schedule 18 of the Financial Statements. The same, as per the

provisions of Clause 49, were placed before the Audit Committee of the Company. For further details, please refer to Notes, forming part of the Balance Sheet of the Company.

- b. **Accounting Treatment in preparation of financial statements**
The Company has followed the guidelines of accounting standards laid down by the Institute of Chartered Accountants of India (ICAI) in preparation of the Financial Statements of the Company and there has been no deviation from the prescribed Accounting Standards.
- c. **Risk Management**
The Company has laid down procedures to inform the Board Members about the Risk assessment and minimization procedures. The online risk management system is introduced through which all the designated officials submit quarterly reports which is reviewed periodically to ensure effective risk identification and management.
- d. **Proceeds from the public issue/right issue/preferential issues, etc.**
There was no fresh public issue/right issue/preferential issues etc. during the review period.
- e. **Management Discussion and Analysis**
Management Discussion and Analysis statement forms a part of the Annual Report.
- f. **Code of Conduct**
The Company has a well-defined policy framework, which lays down procedures to be followed by the employees for ethical professional conduct. The code of conduct has been laid down for all the Board Members and Senior Management of the Company. The Board members and Senior Management personnel have affirmed compliance with the Company's code of conduct for the Year 2005-06. This code has been displayed on the Company's website.
- g. **Statutory Compliances**
The Company has complied with the requirements of the Stock Exchanges/SEBI and Statutory Authority (ies) on all matters related to the capital market from the date the shares of the Company have been listed. There are no penalties or strictures imposed on the Company by Stock Exchanges or SEBI or any Statutory Authority (ies) relating to the above.
- h. **Compliance with Mandatory Requirements of Clause 49 of the listing agreement**
The Company has complied with all the applicable mandatory requirements of Clause 49.

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Corporate Governance Report (Contd.)

- i. Compliance with the Non-mandatory Requirements of clause 49 of the listing agreement
The Company has fulfilled the following non-mandatory requirements.
- Remuneration Committee: The Company has a functioning Remuneration Committee. Please see the para on Remuneration Committee for details.
 - Whistle Blower Policy: The Company does not have a whistle blower policy as per guidelines on Corporate Governance. However, the code of conduct of the Company reflects the mechanism by which the employees may report to the Management their concerns about unethical behavior, actual or suspected frauds or violation of the Company's code of conduct or ethics policy. The employees also have direct access to the Audit Committee in exceptional cases.

Statutory Compliance

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

Means of Communication

- At present, quarterly/half-yearly reports are not being sent to investors by post. The quarterly/half yearly/annual results are published in the leading English and Hindi Newspapers in *The Statesman* and *Vir Arjun* editions, respectively, and displayed on the website of the Company—www.niit-tech.com—where official news releases, financial results, consolidated financial highlights and presentations are also displayed.
- The Company had Quarterly Earnings Calls on June 07, 2005, July 26, 2005, October 27, 2005 and January 18, 2006 and Press Conferences in the months of June 2005, July 2005, October 2005, January 2006 and June 2006 for investors immediately after the declaration of Quarterly/Annual results.
- The Management Perspective, Business Review and Financial Highlights are part of the Annual Report.
- The quarterly distribution of shareholding is also displayed on the Company's website.

SHAREHOLDERS' INFORMATION

- A. Annual General Meeting
Date: Thursday, August 17, 2006
Time: 10.00 AM
Venue: FICCI Auditorium, 1 Tansen Marg, New Delhi -110 001
- Book Closure Date: August 11, 2006 to August 17, 2006 (both days inclusive)

- B. Financial Calendar (tentative and subject to change):

Financial reporting for the first quarter ending June 30, 2006	July 19, 2006
Financial reporting for the second quarter ending September 30, 2006	October 27, 2006
Financial reporting for the third quarter ending December 31, 2006	January 16, 2007
Financial reporting for the year ending March 31, 2007	May 8, 2007
Annual General Meeting for the year ending March 31, 2007	August 17, 2007

- C. Dividend
In view of our confidence in the future, the Board of Directors recommended a dividend of Rs. 6/- per Equity Share of Rs.10/- each, subject to approval of the shareholders at the ensuing Annual General Meeting. The dividend shall be paid to the shareholders within 30 days from August 17, 2006, subject to declaration in the AGM and as per the provisions of the Companies Act, 1956.

The dividend, if declared, would be paid to such shareholders whose names appear in the Register of Members as on August 17, 2006. In respect of shares held in electronic mode, the dividend will be paid on the basis of beneficial ownership of the shares as per the details to be furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as at the end of the business hours on August 10, 2006.

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

- D. Nomination Facility
The Companies (Amendment) Act, 1999, has provided for a nomination facility to the Shareholders of the Company. The Company is pleased to offer the facility of nomination to Shareholders and Shareholders may

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avail this facility by sending the duly completed Form 2B as revised vide Notification No. GSR 836(E) dated October 24, 2000, issued by the Department of Company Affairs, to the Registered Office of the Company/Registrar and Share Transfer Agent of the Company in case shareholding is in physical forms. In case of demat holdings, the request is to be submitted to the Depository Participant.

E. Listing of Shares

The shares of the Company are listed at the Exchanges at Mumbai, Chennai, Ahmedabad, Delhi, Kolkata and National Stock Exchange. Listing fees for the period April 1, 2005 to March 31, 2006 has been paid to all Stock Exchanges.

Stock Code

Trading symbol on the National

Stock Exchange: NIITTECH

Trading symbol on the Mumbai

Stock Exchange

Physical: NIITTECH

Electronic: 532541

ISIN No. at NSDL/CDSL : INE 591G01017

F. Compliance certificate of the Auditors

The Company has annexed to this report, a certificate obtained from the statutory auditors regarding compliance of conditions of corporate governance as stipulated in Clause 49 of the listing agreement.

G. Stock Market Data

The Monthly High and Low Share Prices and Market Capitalization of Equity Shares of the Company traded at Bombay Stock Exchange Limited and National Stock Exchange of India Limited from April 1, 2005 to March 31, 2006 and the comparison of share prices of the Company vis-à-vis the Sensex and Nifty Indices are given below:

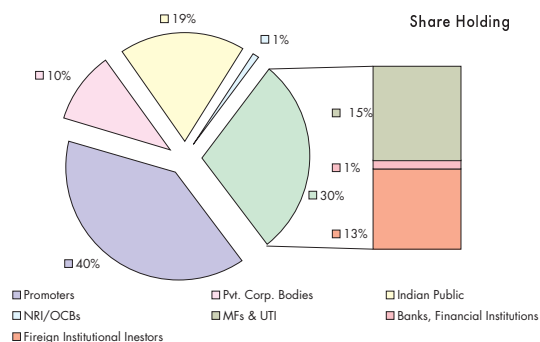
Share Price Movement during the year April 1, 2005 to March 31, 2006

Month	Bombay Stock Exchange				National Stock Exchange			
	SENSEX	High	Low	MCAP *	NIFTY	High	Low	MCAP *
Apr-05	6154	146	118	5069	1902	145	118	5071
May-05	6715	149	130	5312	2087	149	127	5305
Jun-05	7194	189	133	6006	2220	188	133	6000
Jul-05	7635	175	148	5909	2312	175	149	5913
Aug-05	7805	174	147	6595	2384	173	148	6595
Sep-05	8634	198	165	6690	2601	198	163	6715
Oct-05	7892	190	151	5921	2371	188	150	5888
Nov-05	8789	181	153	6495	2652	181	153	6524
Dec-05	9398	173	159	6364	2836	172	159	6358
Jan-06	9920	184	161	6837	3001	183	161	6839
Feb-06	10370	194	171	6754	3074	195	171	6798
Mar-06	11280	232	173	8891	3402	232	173	8833

* Market capitalization based on monthly closing prices and figures in millions.
The High/Low is represented in Rupees terms.

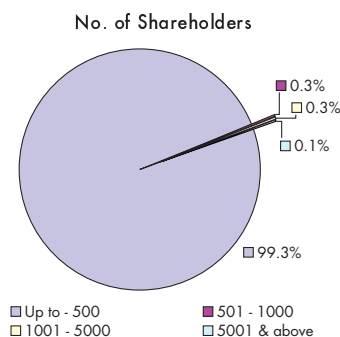
Shareholding Pattern as on March 31, 2006

Category	No. of shares Holding	% age of Holding
A. Promoters Holding		
1. Promoters		
- Indian Promoters	14,895,405	38.54
- Foreign Promoters	-	-
2. Persons acting in Concert	521,588	1.35
Sub Total (A)	15,416,993	39.89
B. Non-Promoters Holding		
3. Institutional Investors		
a) Mutual Funds and UTI	5,920,394	15.32
b) Banks, Financial Institutions Insurance Companies (Central/ State Govt. Institutions/Non Government Institutions)	571,197	1.48
c) Foreign Institutional Investors	4,916,536	12.72
Sub Total (B)	11,408,127	29.52
C. Others		
4. Private Corporate Bodies	3,989,423	10.32
5. Indian Public	7,467,449	19.32
6. NRI/OCBs	367,288	0.95
Sub Total (C)	11,824,160	30.59
Grand Total (A+B+C)	38,649,280	100.00



Shareholding Distribution as on March 31, 2006

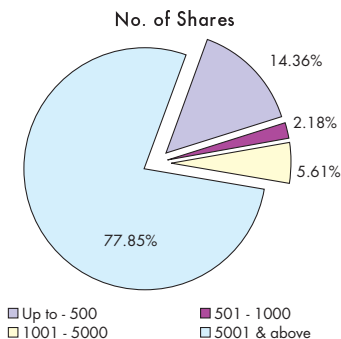
Range	No. of Shareholders	%age to Total Shareholders	No. of Shares	%age to Total Shares
Up to 500	41,229	99.32	5,549,302	14.36
501 - 1000	118	0.28	841,332	2.18
1001 - 5000	112	0.27	2,168,755	5.61
5001 & above	53	0.13	30,089,891	77.85
TOTAL	41,512	100.00	38,649,280	100.00



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Details of queries/complaints in numbers received and resolved during the period April 1, 2005 to March 31, 2006

Nature of query/complaint	Received	Resolved	Unresolved
Change of address	54	54	-
Non-receipt of Dividend	48	42	6*
Change of Bank details in Dividend warrant	254	254	-
Share transfer related	3	3	-
Duplicate/Loss of share certificates	7	7	-
Non-receipt of share after remat/ demerger	2	2	-
Non-receipt of Annual Report	4	4	-
Non-receipt of Fractional share payment	2	2	-
Others (not classified above)	12	12	-
Total	386	380	6

* Resolved subsequently

There were no pending complaints at the beginning of the year. During the year April 1, 2005 to March 31, 2006 the Company attended most of the investors' queries/complaints within a period of 7 days from the date of receipt. The exceptions have been for cases constrained by disputes or legal impediments.

H. Dematerialisation of Shares and Liquidity

The Shares of the Company are compulsorily traded in dematerialised form by all categories of investors. The Company has arrangements with both National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), to establish electronic connectivity of our shares for scrip less trading. As on March 31, 2006, 74.11% of shares of the Company were held in dematerialised form.

Liquidity of Shares

The Shares of the Company are traded electronically on the BSE/NSE and other Stock Exchanges as stated above. The Company's shares are included in CNX Midcap 200 list and also in two indices of BSE-500 Index and Mid cap index.

I. Share Transfer System

The Company has appointed a common Registrar for physical share transfer and dematerialisation of shares.

The shares lodged for physical transfer/transmission/transposition are registered within a period of 15 days if the documents are complete in all respects. For this purpose, the Share Transfer Committee (a sub-committee of the Board) meets as often as required. During the review period, the Committee met 24 times. Adequate care is taken to ensure that no transfers are pending for more than a fortnight. Physical Shares requested for dematerialisation were confirmed mostly within a fortnight.

Registrar for Dematerialisation (Electronic Mode) of Shares & Physical Transfer of Shares

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

Alankit Assignments Limited
Unit: NIIT Technologies Limited
2E/21, Jhandewalan Extension,
New Delhi - 110 055.
Phone Nos.: 011-23541234, 42541234
Fax Nos.: 011-41540064
E-mail: ntl@alankit.com

J. Registered Office

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

K. Address for Correspondence

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

Investor Services Department
NIIT Technologies Limited
NIIT House,
C-125, Okhla Phase I
New Delhi 110 020.
Tel Nos.: 91 11 41407000
Fax: 91 11 26817344
e-mail: investors@niit-tech.com

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

L. Outstanding GDRs/ADRs/Warrants or any convertible instruments, which may have impact on equity: Not Applicable

Acknowledgements

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

The above report was adopted by the Board of Directors at their meeting held on June 26, 2006.

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CERTIFICATE RELATING TO COMPLIANCE WITH THE PROVISIONS OF CLAUSE 49 OF THE LISTING AGREEMENT(S) IN RELATION TO THE CODE OF CONDUCT

June 26, 2006

To
Board of Directors
NIIT Technologies Limited
C-125, Okhla Phase-I,
New Delhi - 110 020

Ref: Certificate under Clause 49 of the Listing Agreement

This is to certify that as per Clause 49 of the Listing Agreement:

1. The code of conduct has been laid down for all the Board Members and Senior Management and other employees of the Company.
2. The code of conduct has been posted on the website of the Company.
3. The Board members and Senior Management personnel have affirmed compliance with the Company's code of conduct for the Year 2005-06.

Arvind Thakur
Chief Executive Officer &
Whole-time Director

CEO/CFO CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT(S)

June 26, 2006

To
Board of Directors
NIIT Technologies Limited
C-125, Okhla Phase-I,
New Delhi - 110 020

Ref: Certificate under Clause 49 of the Listing Agreement

We hereby certify that for the Financial Year 2005-06, we have reviewed the financial statements and the cash flow statement and that to the best of our knowledge and belief:-

1. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
2. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
3. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the Year 2005-06 which are fraudulent, illegal or violative of the Company's code of conduct.
4. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee deficiencies in the design or operation of internal controls, if any, of which we are aware and that we have taken the required steps to rectify these deficiencies.
5. We further certify that:
 - there have been no significant changes in internal control over financial reporting during this year.
 - there have been no significant changes in accounting policies during this year.
 - there have been no instances of significant fraud of which we have become aware and the involvement therein, of management or an employee having a significant role in the Company's internal control system over financial reporting.

Arvind Thakur
Chief Executive Officer &
Whole-time Director

K T S Anand
Chief Financial Officer

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

Corporate Governance Report (Contd.)

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

To the Members of NIIT Technologies Limited

We have reviewed the implementation of Corporate Governance procedures by NIIT Technologies Limited during the year ended 31 March 2006 with the relevant records of and documents maintained by the Company, furnished to us for our review and the Report of Corporate Governance as approved by the Board of Directors.

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

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

We state that no investor grievances are pending exceeding for a period of one month against the company as at 31 March 2006 as per the records maintained by the shareholders'/investors' Grievance Committee of the Company.

On the basis of our review and according to the explanations given to us, the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement (s) of the stock exchanges, have been complied with in all material aspects by the Company, and have been further strengthened.

H. Singh
Partner

Membership No. F-86994

For and on behalf of

Price Waterhouse

Chartered Accountants

Place : New Delhi

Dated : June 26, 2006

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

AUDITORS' REPORT

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

1. We have audited the attached Balance Sheet of NIIT Technologies Limited (Formerly NIIT Investments Limited), as at 31 March 2006, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together 'the order'), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we further report that:
 - (i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
(b) The fixed assets of the Company other than certain small value furniture, computer accessories and office equipment have been physically verified by the management during the year as against the phased program to cover all fixed assets over two years adopted earlier and no material discrepancies between the book records and physical inventory has been noticed. In our opinion, the frequency of verification is reasonable.
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
 - (ii) The Company did not have any inventory during the year. Accordingly, we are not commenting on clause (ii) of paragraph 4 of the Order for the current year.
 - (iii) (a) The Company has granted unsecured loans, to two wholly owned subsidiary companies covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans aggregates to Rs. 2,562 Lacs and Rs. 2,052 Lacs respectively.
In our opinion, rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
In respect of the aforesaid loans, the parties are repaying the principal amounts as stipulated and are also regular in payment of interest, where applicable.
In respect of the aforesaid loans, there is no overdue amount more than Rupees One Lac.
(b) The Company has taken unsecured loan, from a wholly owned subsidiary Company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans aggregates to Rs. 200 Lacs.
In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
The loan taken above is not due for repayment till the year 2008. The Company is regular in payment of interest in respect of the loan.
 - (iv) In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased, services received/rendered are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

AUDITORS' REPORT (Contd.)

internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of goods and services *except for certain general information systems controls which have been strengthened subsequent to the end of the year*. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In respect of transactions with subsidiaries aggregating to Rs. 22,578 lacs and with others aggregating to Rs. 601 lacs, the management has informed us that these transactions dealt are of a special nature and therefore comparable prices are not available. In our opinion and according to the information and explanations given to us, there are no other transactions made in pursuance of such contracts or arrangements exceeding the value of Rupees five lacs in respect of any party during the year.
- (vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of business.
- (viii) The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.
- (ix) (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, cess and other material statutory dues as applicable with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- (x) The Company has no accumulated losses as at March 31, 2006 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- (xi) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company.
- (xiv) In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company, for certain limits taken by a wholly owned subsidiary from a bank is not prejudicial to the interest of the Company.
- (xvi) In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans taken by the Company for augmenting long term resources of the Company towards general corporate objectives have been applied for the purposes for which they were obtained.
- (xvii) On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

AUDITORS' REPORT (Contd.)

- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
 - (xix) The Company has created security or charge in respect of debentures issued and outstanding at the year end.
 - (xx) The Company has not raised any money by public issues during the year.
 - (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.
4. Further to our comments in paragraph 3 above, we report that:
- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors, as on 31 March 2006 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2006;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

H. Singh
Partner

Membership Number F-86994
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : New Delhi
Date : June 26, 2006

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

BALANCE SHEET as at 31st March 2006

	Schedule/Note Reference	31st Mar., 2006 (Rs.)	As At 31st Mar., 2005 (Rs.)
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	386,492,800	386,492,800
Employee Stock	1A	13,949,692	-
Option Outstanding			
Reserves and Surplus	2	<u>1,770,069,671</u>	<u>1,436,527,865</u>
		2,170,512,163	1,823,020,665
LOAN FUNDS			
Secured Loans	3	417,844,854	539,030,281
Unsecured Loans	4	<u>20,000,000</u>	<u>-</u>
		<u>2,608,357,017</u>	<u>2,362,050,946</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	1,607,703,377	1,468,033,865
Less: Depreciation /Amortisation		<u>1,046,034,924</u>	<u>867,121,756</u>
Net Block		561,668,453	600,912,109
Capital work-in-progress (including Capital Advances)		28,836,410	730,000
INVESTMENTS	6	1,084,417,624	969,729,885
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry Debtors	7	691,821,643	676,858,237
Cash and Bank Balances	8	265,685,594	277,915,883
Other Current Assets	9	53,996,511	1,703,224
Loans and Advances	10	<u>490,505,890</u>	<u>395,487,902</u>
		<u>1,502,009,638</u>	<u>1,351,965,246</u>
Less : CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	11	291,349,982	303,865,547
Provisions	12	<u>277,225,126</u>	<u>257,420,747</u>
		<u>568,575,108</u>	<u>561,286,294</u>
Net Current Assets		<u>933,434,530</u>	<u>790,678,952</u>
		<u>2,608,357,017</u>	<u>2,362,050,946</u>

NOTES TO ACCOUNTS '18'

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

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

Rajendra S Pawar
Chairman

Ashok Arora
Group Chief Financial Officer

KTS Anand
Chief Financial Officer

Arvind Thakur
CEO & Whole Time Director

Rakesh K. Prusti
Company Secretary
& Legal Counsel

Place : New Delhi
Date : June 26, 2006

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

PROFIT AND LOSS ACCOUNT for the year ended 31st March 2006

	Schedule/Note Reference	Year ended 31st Mar., 2006 (Rs.)	Year ended 31st Mar., 2005 (Rs.)
INCOME			
Revenue from Operations	18 {1(v)},(14),(17)	2,200,927,477	1,859,370,220
Other Income	13	69,551,126	68,331,521
		<u>2,270,478,603</u>	<u>1,927,701,741</u>
EXPENDITURE			
Personnel	14	927,921,357	698,481,349
Development and Bought out	15	52,264,321	225,324,729
Administration, Finance and Others	16	458,474,934	371,755,494
Marketing	17	17,262,450	22,910,998
Depreciation and Amortisation	5	205,127,860	213,264,149
		<u>1,661,050,922</u>	<u>1,531,736,719</u>
Profit before Tax		609,427,681	395,965,022
Tax Expense	18(18)		
- Current		3,240,000	-
- Deferred Charge/(Benefit)		-	(6,500,000)
- Fringe Benefit Tax		8,226,826	-
		<u>597,960,855</u>	<u>402,465,022</u>
Profit after Tax		597,960,855	402,465,022
Balance brought forward from previous year		530,740,375	450,151,177
Balance available for appropriation		<u>1,128,701,230</u>	<u>852,616,199</u>
APPROPRIATION			
Dividend:-			
Proposed on Equity Shares		231,895,680	212,571,040
Corporate Dividend Tax on above {Including Rs. NIL relating to earlier years(Previous year Rs. 495,194)}		32,523,369	30,308,282
Transferred to Debenture Redemption Reserve		1,250,000	38,750,000
Transferred to General Reserve		59,796,086	40,246,502
Balance Carried to Balance Sheet		803,236,095	530,740,375
		<u>1,128,701,230</u>	<u>852,616,199</u>
Basic Earnings per share	18(19)	15.47	10.41
Diluted Earnings per share	18(19)	15.42	10.41

NOTES TO ACCOUNTS

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

H. Singh
Partner

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

Rajendra S Pawar
Chairman

Ashok Arora
Group Chief Financial Officer

Arvind Thakur
CEO & Whole Time Director

KTS Anand
Chief Financial Officer

Rakesh K. Prusti
Company Secretary
& Legal Counsel

Place : New Delhi
Date : June 26, 2006

NIIT Technologies Limited

(Formerly NIIT Investments Limited)



CASH FLOW STATEMENT for the year ended 31st March 2006

	Year ended 31st Mar., 2006 (Rs.)	Year ended 31st Mar., 2005 (Rs.)
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	609,427,681	395,965,022
Add / (Less) :		
Depreciation	205,127,860	213,264,149
Employee Stock Option Plan Expenses	10,234,959	
Provision for Doubtful Debts	2,617,854	3,706,875
Foreign Exchange Adjustments	670,789	(13,734,632)
Interest Income	(21,880,434)	(16,898,037)
Interest Expenses	29,764,505	36,601,611
Loss on disposal of fixed assets	4,929,634	1,595,515
Profit on Sale of Investment	(11,517,762)	(6,446,187)
Operating Profit before Working Capital Changes	<u>829,375,086</u>	<u>218,089,294</u>
Add / (Less) : (Increase) / Decrease in Working Capital		
Trade Receivables	(14,963,944)	183,715,902
Other Current Assets	(76,749,315)	(5,721,419)
Loans and Advances	(5,211,706)	77,044,965
Current Liabilities and Provisions	<u>(25,143,618)</u>	<u>3,326,666</u>
Direct Tax paid (including Tax Deducted at Source)	(15,456,343)	(9,307,897)
Net cash from / (used in) Operating Activities (A)	<u>691,850,160</u>	<u>863,112,533</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(198,658,516)	(204,641,329)
Proceeds from Sale of Fixed Assets	1,034,892	5,951,858
Investment in Subsidiary Companies	(168,472,872)	(10,000,000)
Investment in Subsidiary sold	123,917,000	
Short term Investments with Mutual Funds		
- Value of Units Purchased	(948,019,200)	(957,568,747)
- Value of Units Sold	<u>903,469,446</u>	<u>912,514,934</u>
Loans to Subsidiaries		
- Given	(54,322,500)	(66,000,000)
- Received back	<u>47,691,000</u>	<u>23,965,000</u>
Loans to NIITian Welfare Trust	(42,850,000)	(57,150,000)
Interest received on loan to Subsidiaries	7,870,023	14,368,643
Interest received on fixed deposit	2,557,801	1,060,643
Net cash from / (used in) Investing Activities (B)	<u>(325,782,926)</u>	<u>(337,498,998)</u>

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

CASH FLOW STATEMENT for the year ended 31st March 2006 (Contd.)

		Year ended 31st Mar., 2006 (Rs.)		Year ended 31st Mar., 2005 (Rs.)
CASH FLOW FROM FINANCING ACTIVITIES				
Term Loans				
- Received	33,291,995		8,628,854	
- Repaid	<u>(34,477,421)</u>	(1,185,426)	<u>(42,521,884)</u>	(33,893,030)
Repaid 6.5% Non-convertible Debentures		(100,000,000)		-
Interest paid on Fixed Loan		(35,590,202)		(36,987,063)
Dividend paid (including Dividend Tax)		(241,521,895)		(217,694,529)
Net cash from / (used in) Financing Activities	(C)	<u>(378,297,523)</u>		<u>(288,574,622)</u>
Cash and Cash Equivalents at the beginning of the year (refer schedule 7)		277,915,883		40,876,970
Cash and Cash Equivalents at the end of the year (refer schedule 7)		265,685,594		277,915,883
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(A+B+C)	(12,230,289)		237,038,913

Notes:

- 1 The above cash Flow has been prepared as per the indirect method prescribed by Accounting Standard issued by Institute of Chartered Accountants of India.
- 2 Figures in brackets indicate cash outgo.
- 3 The enclosed schedules 1 to 18 form an integral part of the Cash Flow Statement.
- 4 Previous year figures have been regrouped/reclassified to conform to current year's classification.

This is the cash flow statement referred to in our report of even date.

H. Singh

Partner

Membership No. F-86994

For and on behalf of

Price Waterhouse

Chartered Accountants

Rajendra S Pawar

Chairman

Ashok Arora

Group Chief Financial Officer

KTS Anand

Chief Financial Officer

Arvind Thakur

CEO & Whole Time Director

Rakesh K. Prusti

*Company Secretary
& Legal Counsel*

Place : New Delhi

Date : June 26, 2006

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Balance Sheet as at 31st March 2006

Schedule No.		As At 31st Mar., 2006 (Rs.)		As At 31st Mar., 2005 (Rs.)
1.	SHARE CAPITAL			
	Authorised 45,000,000 Equity Shares of Rs. 10/- each	<u>450,000,000</u>		<u>450,000,000</u>
		<u>450,000,000</u>		<u>450,000,000</u>
	Issued, subscribed and Paid-up 38,649,280 Equity Shares of Rs. 10/- each	<u>386,492,800</u>		<u>386,492,800</u>
		<u>386,492,800</u>		<u>386,492,800</u>
1A.	EMPLOYEE STOCK OPTION OUTSTANDING [Refer Notes 1 (vii) and 23 on Schedule 18]			
	Employee stock option outstanding	21,039,825		-
	Less: Deferred stock compensation expense	<u>(7,090,133)</u>		<u>-</u>
		<u>13,949,692</u>		<u>-</u>
2.	RESERVES AND SURPLUS			
	Capital Redemption Reserve As per Last Balance Sheet	16,570,603		16,570,603
	Share Premium As per Last Balance Sheet	13,595,052		13,595,052
	Debenture Redemption Reserve As per Last Balance Sheet	77,500,000		38,750,000
	Add : Transferred from Profit & Loss Account	<u>1,250,000</u>	<u>78,750,000</u>	<u>38,750,000</u>
				77,500,000
	General Reserve As per Last Balance Sheet	798,121,835		757,875,333
	Add : Balance Transferred from Profit and Loss Account	<u>59,796,086</u>	<u>857,917,921</u>	<u>40,246,502</u>
			<u>803,236,095</u>	<u>798,121,835</u>
				<u>530,740,375</u>
		<u>1,770,069,671</u>		<u>1,436,527,865</u>

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Balance Sheet as at 31st March 2006 (Contd.)

Schedule No.	As At 31st Mar., 2006 (Rs.)	As At 31st Mar., 2005 (Rs.)
3. SECURED LOANS		
[Refer Notes 1 (x) and 6 on Schedule 18]		
Loans from Bank		
- Rupee Term Loan	-	28,676,250
- Vehicle Loan	17,844,854	10,354,031
6.5% Non-Convertible Debentures	400,000,000	39,030,281
		500,000,000

Notes :

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

Redemption Date	Value of Debentures to be Redeemed (Rs)
26th May 2006	150,000,000
26th May 2007	100,000,000
26th May 2008	150,000,000
	<u>400,000,000</u>

- 2) Amount due within one year Rs 156,068,429/-
(Previous year Rs 131,857,050/-)

<u>417,844,854</u>	<u>539,030,281</u>
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4. UNSECURED LOANS

[Refer Notes 1 (x) on Schedule 18]

Short Term Loans		
(I) From Subsidiary	20,000,000	-
Amount due within one year Rs nil (Previous year Rs nil).		
	<u>20,000,000</u>	<u>-</u>

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Balance Sheet as at 31st March 2006 (Contd.)

5. Fixed Assets

[Refer Note 1 (i), (ii), (iii), (ix), (x), 3(a), 4, 6, 11 on Schedule 18]

Rs.

Description of Assets	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 01.04.2005	Additions during the year	Sale/Adj. during the year	Total as at 31.03.2006	As at 01.04.2005	For the year	Sale/Adj. during the year	Total as at 31.03.2006	As at 31.03.2006	As at 31.03.2005
Tangible										
Land - Freehold	-	167,165	-	167,165	-	-	-	-	167,165	-
Land - Leasehold	-	69,042,338	-	69,042,338	-	301,670	-	301,670	68,740,668	-
Buildings	13,031,627	-	-	13,031,627	1,673,190	212,474	-	1,885,664	11,145,963	11,358,437
Plant & Machinery										
-Computers & Peripherals	277,438,737	32,555,395	19,880,391	290,113,741	207,540,231	27,462,814	19,122,423	215,880,622	74,233,119	69,898,506
-Others	133,818,952	12,298,842	2,378,205	143,739,589	55,052,914	6,804,021	2,376,212	59,480,723	84,258,866	78,766,038
Furniture & Fixtures	72,881,159	9,229,540	132,649	81,978,050	42,464,919	7,598,090	119,970	49,943,039	32,035,011	30,416,240
Lease Hold Improvements	68,137,955	33,884,880	-	102,022,835	45,269,506	9,884,324	-	55,153,830	46,869,005	22,868,449
Vehicles	26,356,821	11,893,868	9,787,974	28,462,715	7,173,368	2,584,761	4,596,087	5,162,042	23,300,673	19,183,453
Sub Total (a)	591,665,251	169,072,028	32,179,219	728,558,060	359,174,128	54,848,154	26,214,692	387,807,590	340,750,470	232,491,123
Intangible										
Software	876,345,462	2,776,703	-	879,122,165	507,935,548	150,278,607	-	658,214,155	220,908,010	368,409,914
Patents	23,152	-	-	23,152	12,080	1,099	-	13,179	9,973	11,072
Sub Total (b)	876,368,614	2,776,703	-	879,145,317	507,947,628	150,279,706	-	658,227,334	220,917,983	368,420,986
Total (a+b)	1,468,033,865	171,848,731	32,179,219	1,607,703,377	867,121,756	205,127,860	26,214,692	1,046,034,924	561,668,453	600,912,109
Previous Year	1,350,463,606	131,571,285	14,001,026	1,468,033,865	660,311,260	213,264,149	6,453,653	867,121,756		
								Capital Work-in Progress (Including Capital Advances)	28,836,410	730,000

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Balance Sheet as at 31st March 2006 (Contd.)

Schedule No.	As At 31st Mar., 2006 (Rs.)	As At 31st Mar., 2005 (Rs.)
6. INVESTMENTS		
[Refer Notes 1 (iv) on Schedule 18]		
A. LONG TERM, TRADE [UNQUOTED]		
In Subsidiary Companies		
2,837,887 Equity Shares having no par value in NIIT Technologies Inc. USA	155,790,698	155,790,698
2,989,375 Equity Shares of 1 Singapore \$ each fully paid-up in NIIT Technologies Pacific Pte Ltd., Singapore (Formerly NIIT Asia Pacific Pte Ltd., Singapore)	77,518,750	77,518,750
Nil Equity Shares of 50,000 Yen each fully paid-up in NIIT Technologies Co. Limited ,Japan (Formerly NIIT Japan K.K., Japan)- (Previous Year 2,092 equity shares)	-	33,178,916
Nil Equity Share of 70,475 Yen each fully paid-up in NIIT Technologies Co. Limited ,Japan (Formerly NIIT Japan K.K., Japan)- (Previous Year 1 equity share)	-	20,890
Nil Equity Shares of 50,700 Yen each fully paid-up in NIIT Technologies Co. Limited ,Japan (Formerly NIIT Japan K.K., Japan)- (Previous Year 6,000 equity shares)	-	90,168,878
3,276,427 Equity Shares of 1 UK Pound each fully paid-up in NIIT Technologies Ltd.,UK (Formerly NIIT Europe Ltd.,UK)	204,426,821	204,426,821
890,000 equity Shares of Rs 10/- each fully paid-up in NIIT GIS Ltd	8,900,000	8,900,000
537,934 Equity Shares of Euro 1 each fully paid-up in NIIT Technologies AG, Germany (Formerly AD Solutions AG, Germany) (Previous Year 87,934 equity shares)	184,762,155	142,225,032
25,000,000 Equity Shares of Rs 10/- each fully paid-up in NIIT SmartServe Limited (Previous Year 10,999,990 equity shares)	250,000,000	109,999,900
B. SHORT TERM, NON TRADE [UNQUOTED]		
[Refer Note 20 on Schedule 18]		
In Mutual Funds	203,019,200	147,500,000
	<u>1,084,417,624</u>	<u>969,729,885</u>

Note:

- During the year the Company disposed of its holding in NIIT Technologies Co. Limited, Japan to its wholly owned subsidiary NIIT Technologies Inc. USA.
- During the year the Company made further investment in NIIT Smart Serve Limited of Rs. 140,000,100 and NIIT Technologies AG Germany of Rs. 42,537,122 (including Rs. 18,336,122 in terms of share acquisition agreement of NIIT Technologies AG, Germany).

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Balance Sheet as at 31st March 2006 (Contd.)

Schedule No.	As At 31st Mar., 2006 (Rs.)	As At 31st Mar., 2005 (Rs.)
7. SUNDRY DEBTORS (Unsecured)		
Outstanding for over six months		
- Considered Good	5,667,501	79,199,894
- Considered Doubtful	69,925,577	105,813,498
Other Debts - Considered Good	686,154,142	597,658,343
	<u>761,747,220</u>	<u>782,671,735</u>
Less : Provision for Doubtful Debts	(69,925,577)	(105,813,498)
	<u>691,821,643</u>	<u>676,858,237</u>
8. CASH AND BANK BALANCES		
Cash and Cheques in Hand	428,429	19,365,985
Balances with Scheduled Banks in :		
- Current Accounts	82,606,842	149,305,216
- Dividend Account	1,668,993	806,760
- Fixed Deposit Accounts	180,981,330	108,437,922
[Includes Rs. 9,876,529/- (Previous Year Rs. 9,437,922/-) pledged as margin money]		
	<u>265,685,594</u>	<u>277,915,883</u>
9. OTHER CURRENT ASSETS (Unsecured, considered good)		
Unbilled Revenues	40,840,678	-
Interest Receivable	13,155,833	1,703,224
	<u>53,996,511</u>	<u>1,703,224</u>

NIIT Technologies Limited

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SCHEDULES annexed to and forming part of the Balance Sheet as at 31st March 2006 (Contd.)

Schedule No.		As At 31st Mar., 2006 (Rs.)		As At 31st Mar., 2005 (Rs.)
10.	LOANS AND ADVANCES			
	(Unsecured, considered good except where otherwise stated)			
	[Refer Notes 1 (xi) and 16 on Schedule 18]			
	Loans to Subsidiaries	205,246,675		201,903,280
	Loan to NIITian Welfare Trust	100,000,000		57,150,000
	Prepaid Expenses	60,534,560		24,625,923
	Advances recoverable in cash or in kind or for value to be received			
	- Considered good	45,018,728		48,242,503
	- Considered doubtful	-		4,721,180
		<u>45,018,728</u>		<u>52,963,683</u>
	Less : Provision for Doubtful Advances	-	45,018,728	(4,721,180)
				<u>48,242,503</u>
	Security Deposits			
	- Considered good	66,681,950		54,531,736
	- Considered doubtful	2,321,116		5,063,074
		<u>69,003,066</u>		<u>59,594,810</u>
	Less : Provision for Doubtful Security Deposits	(2,321,116)	66,681,950	(5,063,074)
				<u>54,531,736</u>
	Advance Tax	28,490,803		13,034,460
	Less: Provision for Tax	(7,240,000)		(4,000,000)
	Less: Provision for Fringe Benefit tax	(8,226,826)	13,023,977	-
				<u>9,034,460</u>
		<u>490,505,890</u>		<u>395,487,902</u>
11.	CURRENT LIABILITIES			
	[Refer Note 5 on Schedule 18]			
	Sundry Creditors	233,780,905		254,577,055
	Advances from Customers	9,242,541		10,882,207
	Security Deposits	80,602		1,246,535
	Interest accrued but not due	18,985,165		24,810,861
	Unclaimed Dividend *	1,668,993		806,760
	Other Liabilities	27,591,776		11,542,129
	* There are no amounts due for payment to the Investor Protection Fund under Section 205C of The Companies Act, 1956 as at the year-end.			
			<u>291,349,982</u>	<u>303,865,547</u>
12.	PROVISIONS			
	[Refer Notes 1 (vi) and 1 (xii) on Schedule 18]			
	Provision for Leave Encashment	7,830,031		8,834,750
	Provision for Gratuity	4,976,046		6,201,869
	Proposed Dividend on Equity Shares	231,895,680		212,571,040
	Corporate Dividend Tax	32,523,369		29,813,088
		<u>277,225,126</u>		<u>257,420,747</u>

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Profit and Loss Account for the year ended 31st March 2006

Schedule No.	Year ended 31st Mar., 2006 (Rs.)	Year ended 31st Mar., 2005 (Rs.)
13. OTHER INCOME		
[Refer Notes 1(v), 7 and 20 on schedule 18]		
Profit on sale of Long Term Investment	548,316	-
Profit on sale of Short Term Investment*	10,969,446	6,446,187
Gain on exchange fluctuation (Net)	-	8,953,430
Recovery from Subsidiaries for common corporate expenses	26,283,088	21,920,822
Miscellaneous	31,750,276	31,011,082
	<u>69,551,126</u>	<u>68,331,521</u>
* includes Rs. 531,500 (previous year Rs. Nil) profit on sale of mutual fund investment held for more than 12 months.		
14. PERSONNEL		
[Refer Notes 1(vi),(vii), 21 and 23 on schedule 18]		
Salaries and Benefits *	887,823,256	668,120,414
Welfare and Other Expenses	40,098,101	30,360,935
	<u>927,921,357</u>	<u>698,481,349</u>
* includes expenditure of Rs. 10,234,959 (previous year nil) in respect of employee stock option plan.		
15. DEVELOPMENT AND BOUGHT OUT		
Bought out items	5,411,200	153,716,989
Professional Charges	21,326,536	62,834,059
Equipment Hiring	4,327,170	1,907,151
Consumables	3,542,625	2,992,162
Others	17,656,790	3,874,368
	<u>52,264,321</u>	<u>225,324,729</u>

NIIT Technologies Limited

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SCHEDULES annexed to and forming part of the Profit and Loss Account for the year ended 31st March 2006 (Contd.)

Schedule No.	Year ended 31st Mar., 2006 (Rs.)	Year ended 31st Mar., 2005 (Rs.)
16. ADMINISTRATION, FINANCE AND OTHERS [Refer Note 8 on Schedule 18]		
Rent	93,264,946	75,976,849
Rates and Taxes	10,696,891	1,033,354
Electricity and Water	50,724,931	29,213,381
Communication	30,990,127	36,736,653
Legal and Professional	41,004,291	44,361,474
Travelling and Conveyance	116,619,413	109,031,225
Bank, Discounting and Other Financial Charges	1,822,278	1,132,599
Insurance Premium	2,817,013	2,651,107
Repairs and Maintenance		
- Plant and Machinery	22,690,433	18,598,487
- Buildings	1,867,723	3,621,637
- Others	11,871,760	11,747,505
Interest Paid on Fixed Loans	29,764,505	36,601,611
Less :		
Interest Received on :		
- Deposits	(4,721,464)	(2,512,678)
- Loans	(17,147,078)	(14,368,643)
- Others	(11,892)	(16,716)
	<u>(21,880,434)</u>	<u>(16,898,037)</u>
	7,884,071	19,703,574
Loss on Exchange fluctuations (Net)	22,450,405	-
Sundry Expenses	43,770,652	17,947,649
	<u>458,474,934</u>	<u>371,755,494</u>
17. MARKETING		
Advertisement and Publicity	7,484,156	14,190,510
Others	9,778,294	8,720,488
	<u>17,262,450</u>	<u>22,910,998</u>

NIIT Technologies Limited

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SCHEDULE '18' : Notes to Accounts for the year ended 31st March 2006

1. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared on an accrual basis, under historical cost convention and in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India. The significant accounting policies adopted by the company are detailed below:

i) **Fixed Assets**

Fixed Assets are stated at acquisition cost.

ii) **Depreciation and Amortization**

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

Leasehold Land	90 years
Leasehold Improvements	3 years or lease period whichever is lower
Computers, related accessories and software	2-5 years
Assets under employee benefits scheme	3 years
All other assets	Rates prescribed under schedule XIV to the Companies Act, 1956

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

iii) **Impairment of Assets**

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

iv) **Investments**

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

v) **Revenue Recognition**

Software Services

The company derives a substantial part of its revenue from time and material contracts where the revenue is recognized on a man month basis. Also the company derives revenues from fixed price contracts where revenue is recognized based on proportionate completion method and foreseeable losses on the completion of contract if any, is provided for.

Dividend

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

vi) **Retirement Benefits**

In respect of Provident Fund, the Company made defined contributions to trusts established for this purpose by NIIT Limited for the period up to 30 September 2005 and thereafter to Regional Provident Fund Commissioner. In respect of superannuation, the company makes defined contribution to trust established for the purpose by NIIT Limited. In respect of gratuity, which is a defined benefit plan, the Company's liability is actuarially determined at the year end and any shortfall in the fund size maintained with Life Insurance is additionally provided for.

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

vii) **Employee Stock Option Scheme**

The stock options granted under "NIIT Technologies Employees Stock Option Plan 2005" is accounted

NIIT Technologies Limited

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SCHEDULE '18' : Notes to Accounts for the year ended 31st March 2006 (Contd.)

for as per the accounting treatment prescribed by Employee Stock Option Scheme and Employee stock Purchase Guidelines, 1999, issued by Securities and Exchange Board of India, whereby the intrinsic value of the option being excess of market value of the underlying share immediately prior to date of grant over its exercise price is recognized as deferred employee compensation with a credit to employee stock option outstanding account. The deferred employee compensation is charged to profit and loss account on straight line basis over the vesting period of the option. The balance in employee stock option outstanding account net of any un-amortised deferred employee compensation is shown separately as part of shareholders' funds.

viii) **Foreign Currency Transaction**

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

The company uses foreign exchange forward contracts and options to hedge for some of its exposure to movements in foreign exchange rates. The premium or discount arising at the inception of such a forward exchange contract is amortised as expense or income over the life of the contract. Exchange differences on such a contract are recognised in the statement of profit and loss in the reporting period in which the exchange rates changes. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognised as income or as expense for the period.

ix) **Leases**

Lease rental in respect of operating lease arrangements are charged to expense on a straight line basis over the term of the related lease agreement.

The Company has not taken any assets on finance lease.

x) **Borrowing Cost**

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

xi) **Taxation**

Tax expense comprising of both current tax (including Fringe Benefit Tax) and deferred tax is included in determining the net results for the year. Deferred tax reflects the effect of temporary timing differences between the assets and liabilities recognized for financial reporting purposes and the amounts that are recognized for current tax purposes. As a matter of prudence deferred tax assets are recognised and carried forward only to the extent, there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Current tax (including Fringe Benefit Tax) is determined based on the provisions of Income-tax Act, 1961.

xii) **Provisions and contingencies**

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

2. **CONTINGENT LIABILITIES: -**

- a) Guarantees issued by banker outstanding at the end of accounting year Rs 99,275,519/- (Previous Year Rs. 153,964,599).
- b) Guarantees to bank against lines of credit sanctioned to wholly owned overseas subsidiary Rs. 133,852,800/- (Previous Year Rs. 131,370,000/-).

NIIT Technologies Limited

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SCHEDULE '18' : Notes to Accounts for the year ended 31st March 2006 (Contd.)

- c) Guarantees on behalf of wholly owned subsidiary Rs. 310,499,200/- (Previous Year Rs. 329,125,600/-).
- d) Guarantees given on behalf of NIITian Welfare Trust for loans availed by the trust Rs. 75,000,000/- (Previous Year Rs. nil).
- e) Claims against the Company not acknowledged as debts Rs. 7,031,450/- (Previous Year Rs.7,031,450/-).

3. SCHEME OF ARRANGEMENT

The Global Solutions Business (GSB) Undertaking of NIIT Limited constituting software services and solutions including investment in subsidiaries engaged in business process outsourcing and geographical information services and other world-wide subsidiaries were transferred to the Company w.e.f 1 April 2003, pursuant to the Scheme of Arrangement under Section 391 to Section 394 of the Companies Act, 1956 that was approved by the Hon'ble High Court of Delhi. The following matters resulting out of the scheme of arrangements are pending to be completed as at 31 March 2006:

- a) Mutation of immovable properties transferred to the Company.
 - b) The Company has already filed applications with various authorities for obtaining approvals in relation to changes arising from the scheme of arrangement which are expected to be received in due course.
 - c) The corporate guarantees referred in Note 2 (b) and Note 2 (c) above, have been provided by NIIT Limited. The company is in the process of replacing the same with its own corporate guarantees.
4. Estimated amount of contracts remaining to be executed on capital account (net of advances) not provided for Rs. 111,648,624/- (Previous Year Rs. 6,760,553/-).
5. There are no amounts outstanding as payable to any Small Scale Industrial Unit as at 31st March 2006 (Previous Year Rs nil).
6. a) Working Capital Limits are secured by hypothecation of stocks and book debts of the company. The Company has not utilized the fund based limit as at the year-end (previous year Rs. nil).
- b) 6.50% Non Convertible Debentures are secured by way of a mortgage on freehold land of the Company and a first pari passu charge by way of hypothecation of movable assets/ properties, subject to charges created on general assets of the Company in favour of the Company's banker(s) for securing borrowings of the Company for working capital requirements.
- c) Vehicle Loans from Banks are secured by way of hypothecation of the vehicles financed.
7. Interest received are gross of tax deducted at source of Rs. 3,593,951/- (Previous Year Rs. 2,763,215/-).
8. Expenses during the year are net of recoveries towards common services from domestic subsidiaries amounting to Rs 1,920,951/- (Previous Year Rs. 5,879,285/-).
9. Derivative instruments
- i) The company has outstanding foreign exchange forward contracts of US Dollar 13,250,000 (previous year US Dollar 8,750,000) as at March 31, 2006 for hedging its exposure to movements in foreign exchange rates relating to trade receivables in various foreign currencies. Multiple foreign currency exposure that are not hedged by derivative instruments or otherwise are trade receivables equivalent to US Dollar 1,315,557 (previous year US Dollar 2,093,730) and Loan to a wholly owned subsidiary amounting to Euro 450,000 (previous year Euro 900,000).
 - ii) Foreign currency payables that are not hedged by derivative instruments relate to payables of US Dollar 1,110 (previous year 134,551), Japanese Yen 376,000 (previous year 376,000), Singapore Dollar 54,497 (previous year nil), GB Pound nil (previous year 8,176).

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SCHEDULE '18' : Notes to Accounts for the year ended 31st March 2006 (Contd.)

10. EARNINGS IN FOREIGN CURRENCY

	2005-06 (Rs.)	2004-05 (Rs.)
Services - software solutions	2,092,714,257	1,643,188,417
Interest (Net of Taxes)	2,593,667	3,905,208
Other income	21,391,848	15,592,209

11. CIF VALUE OF IMPORTS

	2005-06 (Rs.)	2004-05 (Rs.)
Capital goods	25,949,804	30,782,112

12. EXPENDITURE IN FOREIGN CURRENCY (Net of Taxes)

	2005-06 (Rs.)	2004-05 (Rs.)
Development and Bought out	6,457,972	46,002,330
Travel	72,734,070	58,216,741
Professional fees	118,848	227,617
Others	2,575,352	2,451,487

13. PAYMENT TO AUDITORS

	2005-06 (Rs.)	2004-05 (Rs.)
Statutory Audit fees	3,400,000	3,400,000
Certification Services	2,723,750	2,371,250
Tax audit fees	470,000	200,000
Reimbursement of expenses (Excluding Service Tax)	436,066	300,000

14. DETAILS RELATING TO OPENING STOCK, PURCHASES, REVENUE AND CLOSING STOCK

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

	2005-06 Value (Rs.)	2004-05 Value (Rs.)
Opening Stock	-	-
Purchases	5,411,200	153,716,989
Sales	5,442,092	164,805,679
Closing stock	-	-

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

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SCHEDULE '18' : Notes to Accounts for the year ended 31st March 2006 (Contd.)

- c) Revenue includes income from software development and related services of Rs. 2,195,485,385/- (Previous Year Rs. 1,694,564,541/-).

15. RELATED PARTY TRANSACTIONS AS PER ACCOUNTING STANDARD 18:

A. Related party relationship where control exists:

Subsidiaries

1. NIIT GIS Ltd., India
2. NIIT Smart Serve Ltd., India
3. NIIT Technologies Ltd., UK (formerly NIIT Europe Ltd., UK)
4. NIIT Technologies BV, Netherlands (formerly NIIT Benelux BV, Netherlands)
5. NIIT Technologies NV, Belgium (formerly NIIT Belgium NV, Belgium)
6. NIIT Technologies Pte Limited, Singapore (formerly NIIT Asia Pacific Pte Ltd., Singapore)
7. NIIT Technologies Ltd., Thailand (formerly NIIT Thailand Ltd.p, Thailand)
8. NIIT Technologies Pty Ltd. (formerly NIIT Asia Pacific Pty Limited, Australia)
9. NIIT Technologies KK, Japan (formerly NIIT Japan KK, Japan)
10. NIIT Technologies AG, Germany (formerly AD Solutions AG, Germany)
11. NIIT Technologies GmbH, Osterreich (formerly AD Solutions AG Osterreich)
12. NIIT Technologies AG, Schweiz (formerly AD Solutions AG, Schweiz, Switzerland)
13. NIIT Technologies Inc., USA
14. NIIT Smart Serve Limited, United Kingdom (incorporated on 10 May 2005)

B. Other related parties with whom the company has transacted:

- a) Parties of whom the company is an associate and it's subsidiaries:
 - NIIT Limited (Through it's subsidiary, Scantech Evaluation Services Ltd)
 - NIIT Online Learning Limited
- b) Key managerial Personnel
 - 1) Rajendra S Pawar
 - 2) Vijay K Thadani
 - 3) Arvind Thakur
- c) Parties in which the Key Managerial Personnel of the company are interested:
 - Institute of Quality Limited

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SCHEDULE '18' : Notes to Accounts for the year ended 31st March 2006 (Contd.)

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

Nature of Transactions	Subsidiaries (Rs.)	Party of whom the company is an associate (Rs.)	Key Managerial Personnel (Rs.)	Parties in which Key Managerial Personnel of the Company are interested (Rs.)	Total (Rs.)
Sale of Goods	- (-)	- (2,200)	- (-)	- (-)	- (2,200)
Purchase of Fixed Assets	- (-)	- (2,758,784)	- (-)	- (-)	- (2,758,784)
Sale of Fixed Assets	- (-)	- (15,641,943)	- (-)	- (-)	- (15,641,943)
Rendering of Services – (Note 2)	2,036,261,153 (1,574,845,629)	175,000 (-)	- (-)	- (-)	2,036,436,153 (1,574,845,629)
Receiving of Services (Note 3)	13,668,808 (46,258,828)	8,958,234 (-)	- (-)	1,339,900 (-)	23,966,942 (46,258,828)
Recovery of Expenses by the company (Including those from Overseas Subsidiaries) (Note 4)	71,752,978 (5,879,285)	- (-)	- (-)	- (-)	71,752,978 (5,879,285)
Recovery of Expenses from the company	1,303,235 (-)	3,113,028 (-)	- (-)	- (-)	4,416,263 (-)
Recovery of Common expenses by the Company (Note 5)	1,130,180 (-)	37,603,332 (52,545,234)	- (-)	- (-)	38,733,512 (52,545,234)
Recovery of Common expenses from the Company (Note 6)	- (-)	6,082,754 (19,219,900)	- (-)	- (-)	6,082,754 (19,219,900)
Finance:					
- Investments made – (Note 7)	164,201,100 (10,000,000)	- (-)	- (-)	- (-)	164,201,100 (10,000,000)
- Investment sold (Note 8)	123,917,000 (-)	- (-)	- (-)	- (-)	123,917,000 -
- Loans Given –(Note 9)	54,322,500 (66,000,000)	- (-)	- (-)	- (-)	54,322,500 (66,000,000)
- Loans Given Received back – (Note10)	47,691,000 (23,965,000)	- (-)	- (-)	- (-)	47,691,000 (23,965,000)
- Loans Taken - (Note 11)	20,000,000 (-)	- (-)	- (-)	- (-)	20,000,000 (-)
- Interest received (Note 12)	13,364,713 (12,218,243)	- (-)	- (-)	- (-)	13,364,713 (12,218,243)
- Interest Paid (Note 13)	863,014 (-)	- (-)	- (-)	- (-)	863,014 (-)
Remuneration (Note 14)	- (-)	- (-)	20,205,538 (8,492,803)	- (-)	20,205,538 (8,492,803)
Other Income (Note 15)	26,283,088 (21,920,822)	- (-)	- (-)	- (-)	26,283,088 (21,920,822)
Dividend paid to Scantech Evaluation Services Ltd	- (-)	53,142,760 (48,311,600)	- (-)	- (-)	53,142,760 (48,311,600)
Other Expenses	- (-)	- (631,854)	- (-)	- (250,000)	- (8,81,854)

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULE '18' : Notes to Accounts for the year ended 31st March 2006 (Contd.)

Notes:

1. Figures in parenthesis represent previous year's figure.
2. Includes transactions for the year mainly with;
- NIIT Technologies Inc USA Rs.7,924.50 Lacs (Previous year Rs. 6,540 Lacs)
- NIIT Technologies Ltd, UK Rs.8,478.80 Lacs (Previous year Rs. 6,397 Lacs)
and includes revenue from revision in rates based on an independent transfer pricing study.
3. Includes transactions for the year mainly with;
NIIT Technologies Inc USA Rs 136.69 Lacs (Previous year Rs. 4,626Lacs)
NIIT Limited Rs 89.58 Lacs (Previous year Rs. nil)
4. Includes transactions for the year mainly with;
NIIT Technologies Inc USA Rs 224.60 Lacs (Previous year Rs. nil)
NIIT Technologies Ltd, UK Rs.331.93 Lacs (Previous year Rs. nil)
NIIT Smart Serve Limited Rs nil (Previous year Rs. 38.92 Lacs)
NIIT GIS Limited Rs nil (Previous year Rs. 19.87 Lacs)
5. Includes transactions for the year mainly with;
NIIT Limited Rs 376.03 Lacs (Previous year Rs. 525.45Lacs)
6. Transactions for the year with;
NIIT Limited Rs 60.83 Lacs (Previous year Rs. 192.19Lacs)
7. Transactions for the year with;
NIIT Smart Serve Limited Rs 1,400 Lacs (Previous year Rs. 100 Lacs)
NIIT Technologies AG Germany Rs 242.01 Lacs (Previous year Rs. nil)
8. Transactions for the year with;
NIIT Technologies Inc; USA Rs 1,239.17Lacs (Previous year Rs. nil)
9. Transactions for the year with;
NIIT Smart Serve Limited Rs 300 Lacs (Previous year Rs. 660 Lacs)
NIIT Technologies AG, Germany Rs.243.23 Lacs (Previous year Rs. nil)
10. Transactions for the year with;
NIIT Technologies Pte Limited, Singapore Rs. nil (Previous year Rs. 239 Lacs)
NIIT Technologies AG, Germany Rs.476.91Lacs (Previous year Rs. nil)
11. Transactions for the year with;
NIIT GIS Limited Rs 200 Lacs (Previous year Rs. nil)
12. Includes transactions for the year mainly with;
NIIT Smart Serve Limited Rs 107.7 Lacs (Previous year Rs. 81 Lacs)
NIIT Technologies AG, Germany Rs.25.9 Lacs (Previous year Rs. 36 Lacs)
13. Transactions for the year with;
NIIT GIS Limited Rs 8.63Lacs (Previous year Rs. nil)
14. Remuneration of
- Mr R S Pawar - Rs 24.77 Lacs (Previous year Rs. 27 Lacs)
- Mr Arvind Thakur - Rs 171.79 Lacs (Previous year Rs. 53 Lacs)
- Mr Vijay K Thadani - Rs 5.50 Lacs (Previous year Rs. 5 Lacs)
15. Includes transactions for the year mainly with;
NIIT Smart Serve Ltd Rs 34.80 Lacs (Previous year Rs. nil)
NIIT GIS Limited Rs 41.14Lacs (Previous year Rs. 41.40 Lacs)
NIIT Technologies Inc USA Rs.85.13 Lacs (Previous year Rs. 64.10 Lacs)
NIIT Technologies Ltd, UK Rs.48.10 Lacs (Previous year Rs. 48.25 Lacs)

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULE '18' : Notes to Accounts for the year ended 31st March 2006 (Contd.)

D. Details of balances with related parties:

	Receivables As at 31.03.2006 (Rs.)	Payables As at 31.03.2006 (Rs.)	Receivables As at 31.03.2005 (Rs.)	Payables As at 31.03.2005 (Rs.)
Subsidiaries	849,443,805	20,669,355	650,624,791	48,942,628
Associates	-	913,234	596,441	945,192
Key Managerial Personnel	-	11,550,000	-	2,710,333

16. During the year the company granted a loan of Rs. 429 Lacs (Previous year Rs.571 Lacs) at 6% p.a. to NIITian Welfare Trust which has been formed for the purpose of providing welfare benefits to the employees of the Company and that of NIIT Limited, and their subsidiaries. The company has also provided a corporate guarantee to the extent of Rs. 750 Lacs against the total outside borrowings made by the trust of Rs.3000 Lacs. Similar loan and guarantee has also been provided by NIIT Limited to the Trust. The trust has primarily invested the amount borrowed in equity shares of the company and that of NIIT Limited. The Trust has accumulated book loss of Rs. 4.7 Lacs (previous year Rs. 30.6 Lacs) as at 31st March, 2006 on account of interest and other expenses and it expects to realize more than the carrying value of the investments and accordingly the Company believes that there is no need to make any provisions in respect of loan or guarantee given.
17. The dominant source of risk and returns of the enterprise is considered to be the business in which it operates viz - software solutions. Being a single business segment Company, no primary segment information is being provided. The secondary segment information in relation to the geographies is as follows;

(Rs. Lacs)

Particulars	Revenue from Customers by location of customers		Carrying amount of segment assets by location of the assets		Additions to fixed assets	
	31.03.2006	31.03.2005	31.03.2006	31.03.2005	31.03.2006	31.03.2005
India	1,597	2,845	31,769	29,233	1,718	1,316
America	7,924	6,540	-	-	-	-
Europe	10,968	8,722	-	-	-	-
Asia Pacific (including Australia)	1,520	487	-	-	-	-
Total	22,009	18,594	31,769	29,233	1,718	1,316

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULE '18' : Notes to Accounts for the year ended 31st March 2006 (Contd.)

18. TAXATION

- a) In view of the exemption availed by the Company under the provisions of section 10B of the Income Tax Act, in respect of certain Export Oriented Undertakings (EOU) registered with Software Technology Parks of India (STPI), the Company does not have current tax charge other than that for Minimum Alternate Tax under section 115 JB and Fringe Benefit Tax under section 115 WA of the Income Tax Act.
- b) **DEFERRED TAX**
Break up of deferred tax assets/ liabilities and reconciliation of current accounting period deferred tax credit is as follows:

Deferred Tax Assets/Liabilities	As at 1.04.2005 (Rs Lacs)	Charged/ (Credited to Profit & Loss Account) (Rs. Lacs)	As at 31.03.2006 (Rs Lacs)
Deferred Tax Liabilities			
a) Tax impact of difference between carrying amount of fixed assets in the financial statements and as per the income tax calculation.	699	(390)	309
Total (A)	699	(390)	309
Deferred Tax Assets			
a) Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax:			
Provision for doubtful debts and Advances	336	93	243
Provision for Leave Encashment, Bonus and Gratuity	51	8	43
b) Carry forward losses and unabsorbed depreciation.	312	289	23
Total (B)	699	390	309
Net Deferred Tax Assets / (Liability) (B - A)	-	-	-

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

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULE '18' : Notes to Accounts for the year ended 31st March 2006 (Contd.)

19. EARNING PER SHARE:

	2005-06	2004-05
Profit attributable to Equity shareholders (Rs.) -(A)	597,960,855	402,465,022
Weighted Average number of Equity shares Outstanding during the year-(B)	38,649,280	38,649,280
Add: Effect of potential dilutive shares(stock options)- (Refer Note 23 below)	121,646	-
Weighted average shares outstanding considered for determining dilutive earning per share - (C)	38,770,926	-
Nominal Value of Equity Shares (Rs.)	10	10
Basic Earnings per share (Rs.) (A/B)	15.47	10.41
Diluted Earnings per share (Rs.) (A/C)	15.42	10.41
EARNING PER SHARE {had fair value method been employed for accounting for Employee Stock Option (Refer Note 23 below)}	2005-06	2004-05
Profit attributable to Equity shareholders (Rs.) -(D)	589,832,273	402,465,022
Basic Earnings per share (Rs.) (D/B)	15.26	10.41
Diluted Earnings per share (Rs.) (D/C)	15.21	10.41

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

Scheme	No. of units at the beginning of the year	Value of the units in hand at the beginning of the year at lower of cost or market value (Rs.)	No. of units purchased	Purchase Value (Rs.)	No. of unit sold	Sale Value (Rs.)	No. of units in hand at the year-end	Value of units in hand at the year-end at lower of cost or market value (Rs.)	Market Value of units in hand. (Rs.)
<u>Liquid Scheme-Growth Option</u>		(Rs.)							
Prudential ICIICI Mutual Fund	-	-	4,780,234	82,000,000	1,755,957	30,204,920	3,024,277	52,000,000	52,479,674
ABN AMRO Mutual Fund	-	-	7,672,459	80,000,000	7,672,459	80,615,314	-	-	-
Birla Sunlife Mutual Fund	-	-	12,076,423	176,654,665	6,043,125	112,358,580	6,033,298	66,654,665	67,001,584
Franklin Templeton Mutual Fund	41,063	42,500,000	106,590	145,000,000	147,653	188,351,127	-	-	-
Standard Chartered Mutual Fund	3,742,173	45,000,000	3,213,497	37,500,000	5,719,662	72,300,100	1,236,008	12,500,000	12,515,821
DSP Merrill Lynch Mutual Fund	1,856,378	30,000,000	7,958,219	201,864,535	9,743,898	162,638,022	70,699	71,864,535	72,255,594
HSBC Mutual Fund	2,694,546	30,000,000	17,826,286	205,000,000	20,520,832	236,683,982	-	-	-
<u>Fixed Maturity Plan-Growth Option</u>									
DSP Merrill Lynch Mutual Fund	-	-	2,000,000	20,000,000	2,000,000	20,317,400	-	-	-
TOTAL	8,334,160	147,500,000	55,633,708	948,019,200	53,603,586	903,469,445	10,364,282	203,019,200	204,252,673
Previous Year Figures	3,304,639	96,000,000	32,683,208	957,568,747	27,653,687	912,514,934	8,334,160	147,500,000	149,224,533

Profit from sale of the above units of Rs. 10,969,446/- (Previous Year Rs. 6,446,187) is included in Other Income in Schedule 13.

NIIT Technologies Limited

(Formerly NIIT Investments Limited)



SCHEDULE '18' : Notes to Accounts for the year ended 31st March 2006 (Contd.)

21. MANAGERIAL REMUNERATION:

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

	2005-06 (Rs)	2004-05 (Rs)
Profit before taxation as per profit and Loss Account	609,427,681	395,965,022
Add/(Less): Net Increase/(Decrease) in provision for Doubtful Debts	(35,887,921)	3,706,875
Add: Depreciation as per books of accounts	205,127,860	213,264,149
Less: Deprecation determined as per Section 350 of the Companies Act, 1956	191,697,381	189,553,993
Net Profit under Section 349 of the Companies Act, 1956	586,970,239	423,382,053
ADD: Directors Remuneration	21,855,538	9,867,802
Net Profit under Section 198 of the Companies Act, 1956	608,825,777	433,249,855
Maximum remuneration allowable under section 198 of the Companies Act, 1956 restricted to 11% of Net Profit (subject to limits prescribed under schedule XIII to the Companies Act, 1956)	66,970,835	47,657,484
Maximum Commission allowable to Non executive directors under section 309 of the Companies Act, 1956 restricted to 1% of Net Profit	6,088,257	4,332,499

a. Whole time Directors' remuneration:

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

	2005-06 (Rs)	2004-05 (Rs)
Salary and Allowances	5,988,000	3,843,699
Performance Linked Bonus	10,747,000	2,252,000
Contribution to provident and other funds	2,220,621	1,521,476
Value of Perquisites	699,917	417,295
Total	19,655,538	8,034,470

b. Non executive Directors' Remuneration

Commission to Non Executive Directors	2,200,000	1,833,332
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22. LEASES

All operating leases entered into by Company are cancellable on giving a notice of 1 to 3 months. Aggregate expenditure in respect of operating lease amounts to Rs. 104,913,622/- (Previous year Rs. 80,793,296/-).

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULE '18' : Notes to Accounts for the year ended 31st March 2006 (Contd.)

23. EMPLOYEE STOCK OPTION PLAN:

During the year the parent company established NIIT Technologies Stock Option Plan 2005 (ESOP 2005) and the same was approved at the Annual General Meeting of the parent company on 29th July 2004. The plan was set up so as to offer and grant for the benefit of employees of the company and its subsidiaries, who are eligible under Securities Exchange Board of India (SEBI) Guidelines (excluding promoters), options of the parent company in aggregate up to 3,850,000 options under ESOP 2005, in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of law or guidelines issued by the relevant authorities in this regard. As per the plan each option is exercisable for one equity share of face value of Rs 10 each fully paid up on payment to the parent company for such shares at a price to be determined in accordance with ESOP 2005. SEBI has issued the Employee's Stock Option scheme and Employee Stock Purchase Scheme Guideline, 1999 which is applicable to the above ESOP 2005.

The Company granted option in two tranches as follows:

	Tranche I	Tranche II
Granted during the year (Nos)	660,750	70,600
Forfeited during the year (Nos)	50,900	-
Outstanding at the end of the year (Nos)	609,850	70,600
Exercisable at the end of the year (Nos)	-	-
Exercise Price	Rs. 115	Rs. 150.85
Remaining contractual life (Remaining vesting Period and exercise period)	1218 days	1228 days
Fair value of the option based on Black & Scholes model (as per Independent valuer's report)	Rs.59.20	Rs 41.18
Intrinsic value of option	Rs. 34.50	Rs. NIL

The input used for determination of fair value as per the Black & Scholes model is as follows:

- Market price considered is the latest available closing price, prior to the date of the grant.
- Exercise price is the price payable by the employees for exercising the option.
- 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 have not been incorporated in the valuation analysis.
- Volatility - Variance in the stock price is considered as 10% and is based on historical volatility in the share price movement of the company and four other comparable companies.
- Average life of the options is considered to be 2.5 Years.
- Risk less interest rate has been assumed at 7% based on long term government bonds of ten year residual maturity.

Other information regarding employee share based payment is as below:

	Tranche I	Tranche II
Expense accounted for during the period based on intrinsic value of the options (Net of amount attributable to employees of the subsidiaries Rs. 3,714,733 transferable to subsidiaries)	10,234,959	-
Additional expense had the company recorded the ESOP Expense based on fair Value of the options (Net of amount attributable to the employees of the subsidiaries Rs. 3,706,520 transferable to subsidiaries)	7,327,637	800,945

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULE '18' : Notes to Accounts for the year ended 31st March 2006 (Contd.)

For impact on basic and dilutive Earning Per Share, had fair value of the option been used for determining ESOP expense refer note 19 above.

24. Previous year figures have been regrouped / recast wherever necessary to conform to current year's classification.

Signature to the Schedules `1' to `18' above

Rajendra S Pawar
Chairman

Arvind Thakur
CEO & Whole Time Director

Ashok Arora
Group Chief Financial Officer

KTS Anand
Chief Financial Officer

Rakesh K. Prusti
*Company Secretary
& Legal Counsel*

Place : New Delhi

Date : June 26, 2006

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

Statement pursuant to exemption received under Section 212(8) of the Companies Act, 1956 relating to subsidiary companies as on March 31, 2006

Name of the Company	Currency	Share Capital	Reserves	Total Assets	Total Liabilities	Details of Investment (except in case of investment in subsidiaries)	Turnover*	Profit before taxation	Provision for taxation	Profit after taxation	Proposed Dividend
NIIT SMARTSERVE LTD	INR	250,000,000	(265,109,432)	433,323,316	433,323,316	-	418,072,470	(123,834,421)	1,636,766	(125,471,187)	-
NIIT GIS LTD	INR	10,000,700	561,951,485	695,911,982	695,911,982	446,397,493**	326,845,890	122,598,273	13,414,165	109,184,108	-
NIIT SMARTSERVE LTD., UK	GBP INR	10,000 776,248	(3,408) (264,545)	6,592 511,703	6,592 511,703	-	-	(3,408) (264,545)	-	(3,408) (264,545)	-
NIIT TECHNOLOGIES LTD., UK	GBP INR	3,276,427 254,331,991	454,428 35,274,883	8,371,089 649,804,107	8,371,089 649,804,107	-	20,315,681 1,577,000,640	979,595 76,040,896	298,497 23,170,770	681,098 52,870,126	-
NIIT TECHNOLOGIES B.V., NETHERLANDS	EUR INR	18,151 978,003	334,089 18,001,216	1,008,101 54,317,994	1,008,101 54,317,994	-	2,558,250 137,842,347	58,642 3,159,719	16,690 899,282	41,952 2,260,437	-
NIIT TECHNOLOGIES N.V., BELGIUM	EUR INR	61,973 3,339,219	712,934 38,413,933	1,667,885 89,868,127	1,667,885 89,868,127	-	3,761,556 202,678,284	148,529 8,002,962	20,891 1,125,652	127,638 6,877,309	-
NIIT TECHNOLOGIES INC., USA	USD INR ^{@@}	2,837,887 123,377,137	3,131,531 142,964,031	18,503,906 825,599,889	18,503,906 825,599,889	3*** 134	54,178,673 2,402,151,488	3,634,079 157,972,706	1,400,916 62,315,332	2,233,163 95,657,374	-
NIIT TECHNOLOGIES PTE LTD., SINGAPORE	SGD INR	2,989,375 82,341,737	7,660,569 211,008,841	12,571,791 346,287,469	12,571,791 346,287,469	-	9,106,596 250,839,365	(901,029) (24,818,664)	(80,694) (2,222,700)	(820,335) (22,595,964)	-
NIIT TECHNOLOGIES LTD., THAILAND	THB INR	15,000,000 17,230,500	33,786,332 38,810,360	159,170,348 182,838,979	159,170,348 182,838,979	-	192,459,905 221,078,693	6,692,760 7,687,973	-	6,692,760 7,687,973	-
NIIT TECHNOLOGIES PTY LTD., AUSTRALIA	AUD INR	1,002 31,788	167,013 5,298,387	1,569,122 49,779,454	1,569,122 49,779,454	-	3,654,553 115,938,501	27,412 869,629	9,628 305,443	17,784 564,187	-
NIIT TECHNOLOGIES CO. LTD., JAPAN	JPY INR ^{@@@}	408,870,475 155,174,523	(293,762,851) (111,488,877)	519,987,147 197,345,522	519,987,147 197,345,522	-	204,633,285 79,873,139	(122,399,454) (47,775,359)	2,008,188 762,148	(124,407,642) (48,537,506)	-
NIIT TECHNOLOGIES AG, GERMANY	EURO INR	537,934 28,984,691	130,028 7,006,089	2,445,374 131,760,402	2,445,374 131,760,402	-	4,789,149 258,046,520	128,335 6,914,900	26,816 1,444,897	101,519 5,470,002	-
NIIT TECHNOLOGIES AG., SWITZERLAND	CHF INR	250,000 8,550,650	(414,347) (14,171,748)	638,240 21,829,468	638,240 21,829,468	-	1,766,238 60,409,946	180,642 6,178,436	-	180,642 6,178,436	-
NIIT TECHNOLOGIES GmbH., AUSTRIA	EURO INR	35,000 1,885,853	(175,018) (9,430,237)	75,633 4,075,199	75,633 4,075,199	-	643,309 34,662,445	146,152 7,874,896	8,624 464,655	137,528 7,410,241	-

*Excludes Other Income

**Investments in Mutual Funds

***Details of Investment

(i) 199,145 Common shares in Relativity Technologies Inc., USA

(ii) 953,265 Common Shares in Computer Logic Inc., USA

(iii) 500,000 Preference Shares and 189,655 Common Shares in Co kinetic Systems Inc., USA

@ Revenue items and Share Capital at approximate exchange rate on the transaction date and for other Balance Sheet items, the exchange rate as at Balance Sheet date. Reserves include currency translation reserve.

@@ Revenue items at average exchange rate prevailing during the year and for Balance Sheet items, the exchange rate as at Balance Sheet date. Reserves include currency translation reserve.

Indian rupee equivalents of the figures given in foreign currencies in the accounts of the subsidiary companies, have been given based on the exchange rates as on March 31, 2006 i.e.

1 GBP = 77.6248 INR 1 EUR = 53.8815 INR 1 USD = 44.6176 INR 1 SGD = 27.5448 INR
1 THB = 1.1487 INR 1 AUD = 31.7244 INR 1 JPY = 0.3795 INR 1 CHF = 34.2026 INR

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

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

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

1. We have audited the attached consolidated Balance Sheet of NIIT Technologies Limited (Formerly known as NIIT Investments Limited) and its subsidiaries, as at 31st March, 2006 and the consolidated Profit and Loss Account and consolidated Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the NIIT Technologies Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 22,440 Lacs and total liabilities of Rs. 4,595 lacs as at 31st March, 2006 and total revenue of Rs. 35,654 lacs, and total expenses of Rs. 24,009 lacs and total cash flows of Rs. 1,641 Lacs (net) for the year ended on that date considered in the consolidated financial statements. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the reports of other auditors.
4. We report that the consolidated financial statements have been prepared by NIIT Technologies Limited's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India.
5. Based on our audit and on consideration of the reports of the other auditors on separate financial statements (refer Para 3 above) and on other financial information of the components, in our opinion and to the best of our information and explanations given to us, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in case of the Consolidated Balance Sheet, of the consolidated state of affairs of the NIIT Technologies Limited and its subsidiaries as at 31st March, 2006;
 - (ii) in case of the Consolidated Profit and Loss Account, of the consolidated results of operations of NIIT Technologies Limited and its subsidiaries for the year ended on that date; and
 - (iii) in the case of the Consolidated Cash Flow Statement, of the Consolidated Cash Flows of NIIT Technologies Limited and its subsidiaries for the year ended on that date.

H. Singh
Partner

Membership Number F-86994
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : New Delhi
Date : June 26, 2006

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

CONSOLIDATED BALANCE SHEET as at 31st March 2006

	Schedule/Note Reference		As At 31st Mar., 2006 (Rs.)		As At 31st Mar., 2005 (Rs.)
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS					
Share Capital	1	386,492,800		386,492,800	
Employees Stock	2	13,949,692		-	
Option Outstanding					
Reserves and Surplus	3A	2,189,869,274		1,791,385,482	
Cumulative Translation Reserve	3B	119,568,436	2,709,880,202	123,093,659	2,300,971,941
MINORITY INTEREST	4		63,312,863		51,295,810
LOAN FUNDS					
Secured Loans	5		420,168,169		539,619,826
DEFERRED TAX LIABILITIES-[NET]20(10)			169,502		4,530,872
			<u>3,193,530,736</u>		<u>2,896,418,449</u>
APPLICATION OF FUNDS					
FIXED ASSETS					
Gross Block	6	2,699,649,994		2,390,543,015	
Less: Depreciation and Amortisation		1,780,631,662		1,436,998,903	
Net Block			919,018,332		953,544,112
Capital work-in-progress (including Capital Advances)			30,041,752		730,000
INVESTMENTS	7		649,416,827		438,265,194
DEFERRED TAX ASSETS - [NET] 20(10)			46,059,556		23,246,749
CURRENT ASSETS, LOANS AND ADVANCES					
Inventories - Finished Goods		6,111,621		6,217,835	
Sundry Debtors	8	1,200,705,207		1,189,286,947	
Cash and Bank Balances	9	923,750,208		927,932,329	
Other Current Assets	10	171,293,859		100,315,482	
Loans & Advances	11	431,074,842		326,200,234	
		<u>2,732,935,737</u>		<u>2,549,952,827</u>	
Less : CURRENT LIABILITIES AND PROVISIONS					
Current Liabilities	12	887,968,279		796,776,730	
Provisions	13	296,013,511		274,687,943	
		<u>1,183,981,790</u>		<u>1,071,464,673</u>	
Net Current Assets			1,548,953,947		1,478,488,154
MISCELLANEOUS EXPENDITURE	14		40,322		2,144,240
(To the extent not written off or adjusted)					
			<u>3,193,530,736</u>		<u>2,896,418,449</u>

NOTES TO ACCOUNTS '20'

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

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

Rajendra S Pawar
Chairman

Ashok Arora
Group Chief Financial Officer

KTS Anand
Chief Financial Officer

Arvind Thakur
CEO & Whole Time Director

Rakesh K. Prusti
Company Secretary
& Legal Counsel

Place : New Delhi
Date : June 26, 2006

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31st March 2006

	Schedule/Note Reference	For the year ended 31st Mar., 2006 (Rs.)	For the year ended 31st Mar., 2005 (Rs.)
INCOME			
Revenue from Operations	20-{1 (vii),14}	6,075,257,318	5,431,998,127
Other Income	15	66,054,338	71,932,560
		<u>6,141,311,656</u>	<u>5,503,930,687</u>
EXPENDITURE			
Personnel	16	3,142,480,950	2,591,184,390
Development and bought out	17	607,849,187	876,985,086
Administration ,Finance and Others	18	1,125,612,331	957,858,335
Marketing	19	86,200,596	75,729,196
Depreciation and Amortisation	6	389,486,053	368,672,772
		<u>5,351,629,117</u>	<u>4,870,429,779</u>
Profit before Tax		789,682,539	633,500,908
Tax Expense	20(10)		
- Current		131,192,447	65,929,705
- Deferred Charge/ (Credit)		(27,174,177)	(30,140,667)
- Fringe Benefit Tax		10,744,375	-
		<u>674,919,894</u>	<u>597,711,870</u>
Profit after Tax before Minority interest		674,919,894	597,711,870
Net Profit attributable to Minority		12,017,053	12,268,047
		<u>662,902,841</u>	<u>585,443,823</u>
Net profit attributable to Equity shareholders after Minority interest		662,902,841	585,443,823
Balance brought forward from previous year		840,321,255	587,859,066
Add :- Transfer from Investment Allowance Reserve		-	40,646
Balance available for appropriation		<u>1,503,224,096</u>	<u>1,173,343,535</u>
APPROPRIATION			
Proposed Dividend on Equity Shares		231,895,680	212,571,040
Corporate Dividend Tax {Including Rs. NIL relating to earlier years (Previous year Rs. 495,194)}		32,523,369	30,308,282
Transferred to Debenture Redemption Reserve		1,250,000	38,750,000
Transferred to General Reserve		59,796,086	51,392,958
Balance carried to Balance Sheet		1,177,758,961	840,321,255
		<u>1,503,224,096</u>	<u>1,173,343,535</u>
Basic Earning per Share	20(11)	17.15	15.15
Diluted Earning per Share	20(11)	17.10	15.15

NOTES TO ACCOUNTS

20

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

H. Singh

Partner

Membership No. F-86994

For and on behalf of

Price Waterhouse

Chartered Accountants

Rajendra S Pawar

Chairman

Ashok Arora

Group Chief Financial Officer

KTS Anand

Chief Financial Officer

Arvind Thakur

CEO & Whole Time Director

Rakesh K. Prusti

Company Secretary
& Legal Counsel

Place : New Delhi

Date : June 26, 2006

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31st March 2006

	Schedule/Note Reference	Year ended	
		31st Mar., 2006 (Rs.)	31st Mar., 2005 (Rs.)
A. Cash flow from operating activities:			
Net Profit Before Tax		789,682,539	633,500,908
Adjustments for:			
Depreciation and Amortisation		389,486,053	368,672,772
Interest Expense		33,356,090	36,524,281
Interest Income		(19,851,683)	(9,899,966)
Loss on Fixed Assets sold		6,164,703	2,094,967
Unrealised Exchange (gain) / loss		1,288,103	(1,022,845)
Miscellaneous Expenditure written off		2,103,918	4,159,680
Provision for Bad & Doubtful Debts		39,618,522	24,872,279
Dividend Income from current Investment		(693,413)	(1,250,989)
Profit on sale of short term Investments		(27,934,363)	(8,160,471)
Employees Stock Option Plan Expenses		13,949,692	-
Operating profit before working capital changes		1,227,170,161	1,049,490,615
Add/(Less): (Increase)/Decrease in working capital :			
- (Increase)/Decrease in Sundry Debtors		(52,324,884)	17,357,921
- (Increase)/Decrease in Other Receivables		(131,051,287)	135,396,189
- (Increase)/Decrease in Inventories		(106,214)	(1,958,628)
- (Increase)/Decrease in Trade and Other Payables		66,384,651	15,066,950
- Income Tax Paid (Including Tax Deducted at Source)		(141,151,050)	(57,387,638)
Net cash from operating activities (A)		968,921,377	1,157,965,409
B. Cash flow from Investing activities:			
Purchase of fixed assets		(361,239,921)	(294,314,062)
Proceeds from Sale of fixed assets		1,743,092	6,596,235
Short Term Investments with mutual funds			
- Purchased during the Year	(1,448,775,778)	(1,324,331,230)	
- Sold during the Year	1,265,558,508	1,228,212,221	(96,119,009)
Investments made		-	(131)
Inter Corporate Deposits			
- Received back during the Year		-	43,287,947
Loan to NIITian Welfare trust		(42,850,000)	(57,150,000)
Interest Received		17,361,328	8,462,346
Dividend Received		693,413	1,250,989
Net cash used in investing activities (B)		(567,509,358)	(387,985,685)

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31st March 2006 (Contd.)

	Schedule/Note Reference	Year ended		Year ended	
		(Rs.)	31st Mar., 2006 (Rs.)	(Rs.)	31st Mar., 2005 (Rs.)
C. Cash flow from financing activities:					
6.5% Non-Convertible Debentures repaid			(100,000,000)		-
Term Loans					
- Received during the year	15,359,906			9,265,854	
- Repaid during the year	<u>(34,811,562)</u>		(19,451,656)	<u>(44,798,667)</u>	(35,532,813)
Repayment of unsecured loans			-		(25,598,396)
Interest Paid			(39,181,787)		(36,909,733)
Dividend paid (Including Corporate Dividend Tax)			(241,521,895)		(217,694,529)
Net cash from/(used in) financing activities	(C)		<u>(400,155,338)</u>		<u>(315,735,471)</u>
Net Increase/(Decrease) in Cash & Cash Equivalents (A+B+C)			1,256,681		454,244,254
Adjustment on account of exchange rate			(5,438,802)		35,903,952
Cash and cash equivalents at the beginning of the year	9		927,932,329		437,784,123
Cash and cash equivalents at the close of the year	9		923,750,208		927,932,329

Notes :

- 1 The above Cash flow statement has been prepared under the indirect method set out in Accounting Standard-3 issued by the Institute of Chartered Accountants of India.
- 2 Figures in brackets indicate cash outgo.
- 3 The enclosed schedules from 1 to 20 form an integral part of the Cash Flow Statement.
- 4 Previous year figures have been regrouped/reclassified to conform to current year's classification.

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

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

Rajendra S Pawar
Chairman

Ashok Arora
Group Chief Financial Officer

KTS Anand
Chief Financial Officer

Arvind Thakur
CEO & Whole Time Director

Rakesh K. Prusti
Company Secretary
& Legal Counsel

Place : New Delhi
Date : June 26, 2006

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Consolidated Balance Sheet as at 31st March 2006

Schedule No.		As At 31st Mar., 2006 (Rs.)		As At 31st Mar., 2005 (Rs.)
1.	SHARE CAPITAL			
	Authorised 45,000,000 Equity shares of Rs. 10/- each	450,000,000		450,000,000
		<u>450,000,000</u>		<u>450,000,000</u>
	Issued, Subscribed and Paid up 38,649,280 Equity Shares of Rs.10 each	386,492,800		386,492,800
		<u>386,492,800</u>		<u>386,492,800</u>
2	Employee Stock Option Outstanding			
	Employees Stock Option Outstanding	21,039,825	-	-
	Less:- Deferred compensation expense	<u>7,090,133</u>	-	-
		<u>13,949,692</u>		<u>-</u>
3A	RESERVES AND SURPLUS			
	Capital Redemption Reserve			
	As per Balance Sheet	16,570,603		16,570,603
	Share Premium			
	As per Balance Sheet	13,595,052		13,595,052
	Debenture Redemption Reserve			
	As per last Balance Sheet	77,500,000	38,750,000	
	- Transferred from Profit and Loss account	<u>1,250,000</u>	<u>78,750,000</u>	<u>38,750,000</u>
				77,500,000
	General Reserve (Note 1&2 below)			
	As per last Balance Sheet	843,398,572	792,005,614	
	Add:- Transfer from Profit and Loss Accounts	<u>59,796,086</u>	<u>903,194,658</u>	<u>51,392,958</u>
				843,398,572
	Profit & Loss Account	1,177,758,961		840,321,255
		<u>2,189,869,274</u>		<u>1,791,385,482</u>

Notes :

- 1) General Reserve above represents General Reserve as per the Indian Companies Act, in respect of Indian Companies.
- 2) General Reserve, if any, of the overseas companies are included as part of the Profit and Loss Account balance.

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Consolidated Balance Sheet as at 31st March 2006 (Contd.)

Schedule No.		As At 31st Mar., 2006 (Rs.)		As At 31st Mar., 2005 (Rs.)
3B	CUMULATIVE TRANSLATION RESERVE [Refer Note 1(x) on Schedule 20]			
	As per last Balance Sheet	123,093,659		81,757,159
	Addition/(Deletion) during the year	(3,525,223)		37,805,952
	Transferred to (Other income)/written off on dissolution of subsidiaries	-		3,530,548
		<u>119,568,436</u>		<u>123,093,659</u>
4	MINORITY INTEREST [Refer Note 1(i) on Schedule 20]			
	As per last Balance Sheet	51,295,810		39,027,763
	Add : Minority share in the result of current year	12,017,053		12,268,047
		<u>63,312,863</u>		<u>51,295,810</u>
5	SECURED LOANS [Refer Note 6 on Schedule 20]			
	Loans from Banks			
	- Rupee Term loan	-	28,676,249	
	- Vehicle Loan	<u>20,168,169</u>	<u>10,943,577</u>	39,619,826
	6.5% Non - Convertible Debentures	400,000,000		500,000,000
	6.5% Non-convertible Debentures are redeemable at par as follows :			
	Redemption Date	Value of Debentures to be Redeemed (Rs.)		
	26th May 2006	150,000,000		
	26th May 2007	100,000,000		
	26th May 2008	<u>150,000,000</u>		
		<u>400,000,000</u>		
		<u>420,168,169</u>		<u>539,619,826</u>

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Consolidated Balance Sheet as at 31st March 2006 (Contd.)

6 FIXED ASSETS

[Refer Note 1(ii), (iii), (iv), (xii), 3, 4 and 6 on schedule 20]

Description of Assets	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK			
	As at 01.04.2005	Additions during the Year	Sales / Adj. during the Year	Translation Adjustment	Total as on 31.03.2006	As at 01.04.2005	For the Year	Sales / Adj. during the Year	Translation Adjustment	Total as on 31.03.2006	As on 31.03.2005	As on 31.03.2006
Tangible												
Land	-	-	-	-	167,165	-	-	-	-	-	167,165	-
- Freehold	-	69,042,338	-	-	69,042,338	-	301,670	-	-	301,670	68,740,668	-
- Leasehold	13,031,627	-	-	-	13,031,627	1,673,190	212,474	-	-	1,885,664	11,145,963	11,358,437
Buildings												
Plant & Machinery												
- Computers & Peripherals	477,775,440	83,668,479	26,647,269	2,423,119	537,219,769	337,352,951	70,065,588	25,880,399	1,772,043	383,310,183	153,909,586	140,422,489
Own	53,603,362	-	-	2,054,871	55,658,233	-	17,753,406	-	591,778	18,345,184	37,313,049	-
On Finance Lease	213,289,059	18,970,027	7,833,886	30,986	224,456,186	77,793,669	14,131,363	7,069,985	116,135	84,971,182	139,485,004	135,495,390
- Others	138,400,646	19,673,827	9,936,163	617,510	148,755,820	88,861,795	13,498,426	9,454,897	452,487	93,357,811	55,398,009	49,538,851
Furniture & Fixtures	71,587,512	56,394,833	-	-	127,982,345	46,492,832	11,236,948	-	-	57,729,780	70,252,565	25,094,680
Lease Hold Improvements	32,545,558	16,418,052	11,172,129	-	37,791,481	8,684,733	3,310,971	5,276,371	-	6,719,333	31,072,148	23,860,825
Vehicles												
Sub Total (a)	946,629,842	317,938,083	55,589,447	5,126,486	1,214,104,964	560,859,170	130,510,846	47,681,652	2,932,443	646,620,807	567,484,157	385,770,672
Intangible												
Acquired Software	1,172,017,650	24,680,285	1,183,151	(2,342,267)	1,193,172,517	732,266,671	201,138,367	1,183,151	(1,370,322)	930,851,565	262,320,952	439,750,979
Patents	23,152	-	-	-	23,152	12,080	1,099	-	-	13,179	9,973	11,072
Goodwill	271,872,371	18,336,122	-	2,140,868	292,349,361	143,860,982	57,833,741	-	1,449,388	203,146,111	89,203,250	128,011,389
Sub Total (b)	1,443,913,173	43,016,407	1,183,151	(201,399)	1,485,545,030	876,139,733	259,975,207	1,183,151	79,066	1,134,010,855	351,534,175	567,773,440
Total (a + b)	2,390,543,015	360,954,490	56,772,598	4,925,087	2,699,649,994	1,436,998,903	389,486,053	48,864,803	3,011,509	1,780,631,662	919,018,332	953,544,112
Previous Year	2,174,332,621	221,864,018	15,427,777	9,774,153	2,390,543,015	1,070,721,103	368,672,772	6,736,576	4,341,604	1,436,998,903		

Note:- 1. Addition to goodwill represents additional consideration paid/payable in terms of share acquisition agreement in respect of NIIT Technologies AG, Germany

2. The Company has acquired certain computer equipment on finance lease which have been disclosed separately.

Capital Work in Progress
(Including Capital Advances)

30,041,752

730,000

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Consolidated Balance Sheet as at 31st March 2006 (Contd.)

Schedule No.	As At 31st Mar., 2006 (Rs.)	As At 31st Mar., 2005 (Rs.)
7 INVESTMENTS [Refer Note 1 (i) and 1(v), on Schedule 20]		
Trade, Long Term		
199,145 Common shares in Relativity Technologies Inc., USA	44	44
953,265 Common Shares in Computer Logic Inc., USA	43	43
500,000 Preference Shares and 189,655 Common Shares in Co kinetic Systems Inc., USA	44	44
	131	131
Non - Trade short term		
In mutual fund, debts and money market securities (Fair value based on repurchase price as on 31/03/06 Rs.660,647,357 Previous Year Rs. 448,240,114)	649,416,696	438,265,063
	649,416,827	438,265,194
8 SUNDRY DEBTORS [Unsecured]		
a) Debts outstanding for a period exceeding six months :		
- Considered good	51,674,043	111,773,168
- Considered doubtful	96,504,274	130,499,843
b) Other debts :		
- Considered good	1,149,031,164	1,077,513,779
	1,297,209,481	1,319,786,790
Less : Provision for doubtful debts	(96,504,274)	(130,499,843)
	1,200,705,207	1,189,286,947
9 CASH AND BANK BALANCES		
Cash and Cheques in Hand	19,683,598	42,250,390
Balances with Banks in :		
- Current Accounts	384,984,349	581,518,907
- Dividend Account	1,668,993	806,760
- Fixed Deposit Accounts	244,848,654	206,336,461
(Includes Rs. 27,401,574/- Previous Year Rs. 27,715,795/- pledged as margin money)		
- Call Money accounts	271,795,362	96,505,470
- Exchange Earners Foreign Currency Account	769,252	514,341
	923,750,208	927,932,329

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Consolidated Balance Sheet as at 31st March 2006 (Contd.)

Schedule No.	As At 31st Mar., 2006 (Rs.)	As At 31st Mar., 2005 (Rs.)
10 OTHER CURRENT ASSETS (Unseured, considered good)		
Interest receivables	4,496,068	2,005,714
Unbilled Revenue	166,797,791	98,309,768
	<u>171,293,859</u>	<u>100,315,482</u>
11 LOANS & ADVANCES (Unsecured, considered good except where otherwise stated)		
Loan to NIITian Welfare Trust [Refer Note 13 on Schedule 20]	100,000,000	57,150,000
Advances recoverable in cash or in kind or for value to be received	86,150,313	88,071,853
Less : Provision for doubtful advances	-	(4,721,180)
	86,150,313	83,350,673
Security Deposits	117,258,313	96,331,983
Less -Provision for Doubtful deposits	(2,321,116)	(5,063,074)
	114,937,197	91,268,909
Prepaid Expenses	124,856,626	88,514,174
Advance Tax	205,007,272	111,017,693
Less : Provision for Tax	(199,876,566)	(105,101,215)
	5,130,706	5,916,478
	<u>431,074,842</u>	<u>326,200,234</u>
12 CURRENT LIABILITIES		
Sundry Creditors	577,465,563	512,725,999
Advances from Customers	29,622,538	49,269,218
Liabilities under Finance Lease [Refer Note 15(b) on Schedule 20]	24,464,670	-
Unclaimed Dividend *	1,668,993	806,760
Security Deposits	80,602	1,246,535
Unearned Revenue	82,483,846	100,626,136
Interest accrued but not due	18,985,165	24,810,861
Other Liabilities	153,196,902	107,291,221
*There are no amounts due for payment to the investor protection fund under section 205C of the Companies Act, 1956		
	<u>887,968,279</u>	<u>796,776,730</u>
13 PROVISIONS [Refer Note 1(viii) and (xiv) on Schedule 20]		
Proposed Dividend	231,895,680	212,571,040
Tax on proposed dividend	32,523,369	29,813,088
Retirement benefits	5,004,532	7,148,528
Leave encashment	26,589,930	25,155,287
	<u>296,013,511</u>	<u>274,687,943</u>

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Consolidated Balance Sheet as at 31st March 2006 (Contd.)

Schedule No.		As At 31st Mar., 2006 (Rs.)		As At 31st Mar., 2005 (Rs.)
14	MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted) [Refer Note 1(xv) on Schedule 20]			
	PRELIMINARY EXPENSES			
	As per last Balance Sheet	80,642		120,962
	Less: Written off during the year	<u>40,320</u>	40,322	<u>40,320</u>
				80,642
	DEFERRED REVENUE EXPENDITURE			
	As per last Balance Sheet	2,063,598		6,182,958
	Less: Written off during the year	<u>2,063,598</u>	-	<u>4,119,360</u>
			<u>40,322</u>	<u>2,063,598</u>
				<u>2,144,240</u>

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Consolidated Profit and Loss Account for the year ended 31st March 2006

Schedule No.	For the year ended 31st Mar., 2006 (Rs.)	For the year ended 31st Mar., 2005 (Rs.)
15 OTHER INCOME [Refer Note 1(vii), on Schedule 20]		
Dividend Income from short term Investment	693,413	1,250,989
Profit on sale of short term Investment	27,934,363	9,075,918
Others	37,426,562	61,605,653
	<u>66,054,338</u>	<u>71,932,560</u>
16 PERSONNEL [Refer Note 1(viii), and 5 and 16 on Schedule 20]		
Salaries and Benefits	2,907,987,811	2,373,101,518
Contribution to retirement benefit funds	133,221,838	141,996,616
Welfare and other expenses	101,271,301	76,086,256
Includes expenditure of Rs. 13,949,692 (Previous Year Rs. Nil) in respect of Employee Stock Option Plan)		
	<u>3,142,480,950</u>	<u>2,591,184,390</u>
17 DEVELOPMENT AND BOUGHT OUT [Refer Note 5 on Schedule 20]		
Bought out Items	207,803,009	350,326,234
Professional Charges	321,143,930	441,556,919
Equipment Hiring	8,389,186	9,182,234
Software Duplication charges	62,699,045	66,081,399
Others	7,814,017	9,838,300
	<u>607,849,187</u>	<u>876,985,086</u>

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULES annexed to and forming part of the Consolidated Profit and Loss Account for the year ended 31st March 2006 (Contd.)

Schedule No.		For the year ended 31st Mar., 2006 (Rs.)	For the year ended 31st Mar., 2005 (Rs.)
18	ADMINISTRATION, FINANCE AND OTHERS [Refer Note 9 on Schedule 20]		
	Rent	203,171,004	176,957,202
	Rates and Taxes	22,997,917	7,383,254
	Electricity and Water	70,217,189	41,969,083
	Communication	145,092,560	144,941,488
	Legal and Professional	167,449,511	162,621,835
	Traveling and Conveyance	272,283,087	233,835,182
	Interest paid :		
	- Fixed Loans	<u>33,356,090</u>	<u>36,524,281</u>
	Less : Interest Received on :		
	- Deposits	16,047,767	7,503,997
	- Loans	3,785,768	2,370,475
	- Others	<u>18,148</u>	<u>25,494</u>
		<u>19,851,683</u>	<u>9,899,966</u>
	Bank, Discounting and Other Financial Charges	5,723,493	4,615,429
	Bad debt and provision for doubtful debt	39,618,522	24,872,279
	Lease Rentals	4,606,775	3,087,285
	Insurance Premium	32,141,104	27,058,879
	Repairs and Maintenance		
	- Plant and Machinery	31,828,209	28,867,547
	- Buildings	2,578,159	4,575,379
	- Others	<u>20,488,997</u>	<u>16,290,198</u>
		54,895,365	49,733,124
	Sundry Expenses	62,674,736	37,402,513
	Transfer from Cumulative Translation Reserve (In respect of companies dissolved during the year)	-	3,530,548
	Loss on exchange fluctuations (Net)	29,132,743	9,066,239
	Miscellaneous expenditure written off	2,103,918	4,159,680
		<u>1,125,612,331</u>	<u>957,858,335</u>
19	MARKETING		
	Advertisement and Publicity	44,551,786	45,559,827
	Others	41,648,810	30,169,369
		<u>86,200,596</u>	<u>75,729,196</u>

SCHEDULE '20' : Notes to Consolidated Accounts for the year ended 31st March 2006

1. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are prepared on an accrual basis and under historical cost convention and in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India. The significant accounting policies adopted by the Group are detailed below:

i) Basis of consolidation

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

ii) Fixed Assets

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

iii) Depreciation and Amortisation

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

Buildings	58 years
Leasehold Land	90 years
Leasehold Improvements	3 years or lease period whichever is lower
Computers, related accessories (Included in Plant & machinery) and intangible assets	1-5 years
Furniture, fixtures and vehicles	5-10 years
Assets under employee benefits scheme	3 years
All other assets	3 - 20 years

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

iv) Impairment of Assets

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

v) Investments

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

vi) Inventory valuation

Inventories are valued lower of costs or net realizable value.

NIIT Technologies Limited

(Formerly NIIT Investments Limited)

SCHEDULE '20' : Notes to Consolidated Accounts for the year ended 31st March 2006 (Contd.)

vii) **Revenue Recognition**
Software Services

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

Dividend

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

viii) **Retirement Benefits**

In respect of the companies incorporated in India, the Group makes defined contribution for Provident Fund, to trusts established for this purpose by NIIT Limited for the period up to 30th September 2005 and thereafter to Regional Provident Fund Commissioner. In respect of superannuation, the Group makes defined contribution to trust established for the purpose by NIIT Limited. In respect of gratuity, which is a defined benefit plan, the Group liability is actuarially determined at the year end and any shortfall in the fund size maintained with Life Insurance is additionally provided for.

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

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

ix) **Employee Stock Option Scheme**

The stock options granted under "NIIT Technologies Employees Stock Option Plan 2005" is accounted for as per the accounting treatment prescribed by Employee Stock Option Scheme and Employee Stock Purchase Guidelines, 1999, issued by Securities and Exchange Board of India, whereby the intrinsic value of the option being excess of market value of the underlying share immediately prior to date of grant over its exercise price is recognized as deferred employee compensation with a credit to employee stock option outstanding account. The deferred employee compensation is charged to profit and loss account on straight line basis over the vesting period of the option. The balance in employee stock option outstanding account net of any un-amortized deferred employee compensation is shown separately as part of shareholders' fund.

x) **Foreign Currency Transaction / Translation**

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

The Group uses Foreign exchange forward contracts and options to hedge some of its exposure to movements in foreign exchange rates. The premium or discount arising at the inception of such a forward exchange contract is amortized as expense or income over the life of the contract. Exchange differences on such a contract are recognized in the statement of profit and loss in the reporting period in which the exchange rates changes. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense for the period.

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

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SCHEDULE '20' : Notes to Consolidated Accounts for the year ended 31st March 2006 (Contd.)

non Indian subsidiary, the balance in Cumulative Translation Reserve in relation to the subsidiary is transferred to the Profit and Loss Account.

xi) Leases

Lease rental in respect of operating lease arrangements are charged to expense on a straight line basis over the term of the related agreement.

Finance lease transactions are considered as financing arrangements and the leased asset is capitalized at an amount equal to the present value of the future minimum lease payments and corresponding amount is recognized as a liability. The lease payments made are apportioned between finance charges and reduction of outstanding liability in relation to leased asset.

xii) Borrowing Cost

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

xiii) Taxation

Tax expense comprising of both current tax (including Fringe Benefit Tax) and deferred tax is included in determining the net results for the year. Deferred tax reflects the effect of temporary timing differences between the assets and liabilities recognized for financial reporting purposes and the amounts that are recognized for current tax purposes. As a matter of prudence deferred tax assets are recognized and carried forward only to the extent, there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Current Tax (including Fringe Benefit Tax) is determined based on the provisions of Income Tax Regulations, of the respective countries.

xiv) Provisions and contingencies

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

xv) Miscellaneous Expenditure (to the extent not written off or adjusted)

Preliminary expenses are written off over a period of 5 years commencing from the year of commercial operation of the concerned subsidiary.

Other expenses that cannot be directly attributable to creation of any fixed asset incurred up to the date of commencement of commercial operations of subsidiaries are carried forward as deferred revenue expenses to be written off over 5 years.

2 CONTINGENT LIABILITIES: -

- a) Guarantees issued to bankers outstanding at the end of accounting year Rs.1,338.53 Lacs (Previous Year Rs.1,946.81 Lacs)
- b) Guarantees issued by banker outstanding at the end of accounting year Rs.992.75Lacs (Previous Year Rs. 1,539.64 Lacs)
- c) Guarantees given on behalf of NIITian Welfare Trust for loans availed by the Trust Rs. 750 Lacs (Previous year Rs. Nil).
- d) Corporate guarantees outstanding at year end Rs. 3,105 Lacs (Previous year Rs. 3,291 Lacs)
- e) Claims against the Group not acknowledged as debts Rs. 70.31 Lacs (Previous Year Rs.70.31 Lacs).

- 3 The Global Solutions Business (GSB) Undertaking of NIIT Limited constituting software services and solutions including investment in subsidiaries engaged in business process outsourcing and geographical information services and other world-wide subsidiaries were transferred to the parent Company w.e.f. 1st April, 2003

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SCHEDULE '20' : Notes to Consolidated Accounts for the year ended 31st March 2006 (Contd.)

pursuant to the Scheme of Arrangement under Section 391 to Section 394 of the Companies Act, 1956 that was approved by the Hon'ble High Court of Delhi. The following matters resulting out of the scheme of arrangements are pending to be completed at 31 March 2006.

- a) Mutation of immovable properties transferred to the parent Company.
 - b) The parent Company has already filed applications with various authorities for obtaining approvals in relation to changes arising from the scheme of arrangement which are expected to be received in due course.
 - c) The parent Company is in the process of replacing certain corporate guarantees issued by NIIT Limited in relation to its' subsidiaries included in Note 2 above.
- 4 Estimated amount of contracts remaining to be executed on capital account (net of advances) Rs. 112.95 Lacs (Previous Year Rs. 95.09 Lacs).
- 5 Professional charges includes Rs. 21,632,976 (Previous Year Rs. 129,976,310), being the salary and other related cost recharged to the Group by NIIT USA Inc., a subsidiary of NIIT Limited, pending the transfer of staff and completion of related formalities arising out of the scheme of reorganization and corporate separation entered into between NIIT Technologies Inc., and NIIT USA Inc.,
- a) Working Capital Limits of the parent Company are secured by hypothecation of stocks and book debts of the parent Company. The parent Company has not utilized the fund based limit as at the year-end (previous year Rs. Nil).
 - b) 6.50% Non Convertible Debentures are secured by way of a mortgage on freehold land of the parent Company and a first pari passu charge by way of hypothecation of movable assets/ properties, subject to charges created on general assets of the parent Company in favour of the parent Company's banker(s) for securing borrowings of the parent Company for working capital requirements.
 - c) Vehicle Loans from Banks are secured by way of hypothecation of the vehicles financed.
- 7 **Derivative instruments**
The Group has outstanding foreign exchange forward contracts as at 31st March, 2006 for hedging its exposure to movements in foreign exchange rates relating to receivables aggregating to US Dollar 13,250,000 (previous year US Dollar 8,750,000) in respect of inter Company balances between the group Companies. Foreign currency receivables and payables from parties outside the Group amounted to Rs. 119,031,610 and Rs. 16,342,711 respectively which were not hedged by derivative instrument or otherwise.

NIIT Technologies Limited

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SCHEDULE '20' : Notes to Consolidated Accounts for the year ended 31st March 2006 (Contd.)

8 Consolidation

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

Subsidiary	Percentage of ownership interest	Country of incorporation
NIIT GIS Limited	88.99	India
NIIT Smart Serve Limited	100	India
NIIT Technologies Inc., USA	100	United States
NIIT Technologies Ltd. (formerly NIIT Europe Limited)	100	United Kingdom
NIIT Technologies Co. Ltd. (formerly NIIT Japan KK)	100	Japan
NIIT Technologies Pte Ltd. (formerly NIIT Asia Pacific Pte Limited)	100	Singapore
NIIT Benelux BV	100	Netherlands
NIIT Belgium NV	99.96	Belgium
NIIT Thailand Limited	100	Thailand
NIIT Asia Pacific Pty Limited	100	Australia
NIIT Technologies AG, Germany (formerly AD Solutions AG, Germany)	100	Germany
NIIT Technologies AG, Schweiz (formerly AD Solutions AG, Schweiz)	100	Switzerland
NIIT Technologies Gmbh, Osterreich (formerly AD Solutions AG, Osterreich)	100	Austria
NIIT Smart Serve Limited, United Kingdom (incorporated during the year).	100	United Kingdom

9 Payment to Auditors

i) Payment to parent company auditors

Particulars	Year 2006 (Rs.)	Year 2005 (Rs.)
Audit fees	4,727,374	4,738,006
Certification Services	2,723,750	2,371,250
Tax audit fees	470,000	200,000
Reimbursement of expenses (excluding Service Tax)	785,064	650,805

ii) Payment to other auditors amount to Rs. 11,712,859/- (Previous Year Rs. 10,425,464/-).

10 TAXATION

a) CURRENT TAX

In view of the exemption availed by the parent Company under the provisions of section 10B of the Income Tax Act, in respect of certain Export Oriented Undertakings (EOU) registered with Software Technology Parks of India (STPI), the parent Company does not have current tax charge other than those for Minimum Alternate Tax under section 115 JB and Fringe Benefit Tax under section 115WA of the Income Tax Act.

NIIT Technologies Limited

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SCHEDULE '20' : Notes to Consolidated Accounts for the year ended 31st March 2006 (Contd.)

b) DEFERRED TAX

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

(Rs Lacs)

Deferred Tax Assets/Liabilities	As at 1.04.2005	Charged/ (Credited to Profit & Loss Account)	As at 31.03.2006
Deferred Tax Liabilities			
a) Tax impact of difference between carrying amount of fixed assets in the financial statements and as per the income tax calculation.	751	(441)	310
b) Others	-	5	5
Total (A)	751	(436)	315
Deferred Tax Assets:			
a) Tax impact of difference between carrying amount of fixed assets in the financial statements and as per the income tax calculation.	199	246	445
b) Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax:			
Provision for doubtful debts	336	(217)	119
Provision for Leave Encashment, Bonus and Gratuity	51	7	58
Others	42	(36)	6
c) Carry forward losses/ unabsorbed depreciation.	309	(163)	146
Total (B)	937	(163)	774
Net Deferred Tax Asset / (Liability) (B-A)	187	272	459

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

(Rs Lacs)

Particulars	As at 31.03.2006	As at 31.03.2005
Deferred Tax Liability (Net)	2	45
Deferred Tax Asset (Net)	461	232
Net deferred tax Asset / (liability)	459	187

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

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SCHEDULE '20' : Notes to Consolidated Accounts for the year ended 31st March 2006 (Contd.)

11 Earnings Per Share

	Year 2005-06	Year 2004-05
Profit attributable to Equity shareholders (Rs.) - (A)	662,902,841	585,443,823
Weighted Average number of Equity shares Outstanding during the year - (B)	38,649,280	38,649,280
Add: Effect of potential dilutive shares (stock options)- (Refer Note 16 below)	121,646	-
Weighted average shares outstanding considered for determining dilutive earning per share - (C)	38,770,926	-
Nominal Value of Equity Shares (Rs.)	10	10
Basic Earnings per share (Rs.) (A/B)	17.15	15.15
Diluted Earnings per share (Rs.) (A/C)	17.10	15.15
EARNING PER SHARE {had fair value method been employed for accounting for Employee Stock Option (Refer Note 16 below)}	2005-06	2004-05
Profit attributable to Equity shareholders (Rs.) - (D)	651,067,738	585,443,823
Basic Earnings per share (Rs.) (D/B)	16.85	15.15
Diluted Earnings per share (Rs.) (D/C)	16.79	15.15

12 Related Party Disclosures as per Accounting Standard 18

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

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

- 1) NIIT Limited
- 2) NIIT USA Inc.
- 3) NIIT Malaysia Sdn Bhd
- 4) NIIT China (Sanghai) Ltd.
- 5) Scantech Evaluation Services Limited

b. Key Managerial personnel

Rajendra S Pawar
Vijay K Thadani
Arvind Thakur

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

Institute of Quality Limited

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SCHEDULE '20' : Notes to Consolidated Accounts for the year ended 31st March 2006 (Contd.)

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

Nature of Transactions	Party of whom the Group is an associate and its' subsidiaries (Rs.)	Key Managerial Personnel (Rs.)	Parties in which Key Managerial Personnel of the Group are interested (Rs.)	Total (Rs.)
Sale of Goods	- (2,200)	- (-)	- (-)	- (2,200)
Purchase of Fixed Assets - (Note 2)	1,384,020 (2,758,784)	- (-)	- (-)	1,384,020 (2,758,784)
Sale of Fixed Assets to NIIT Limited	- (15,641,943)	- (-)	- (-)	- (15,641,943)
Interest received	- (1,311,975)	- (-)	- (-)	- (1,311,975)
Recovery from NIIT Limited Group - (Note 3)	37,757,645 (52,545,234)	- (-)	- (-)	37,757,645 (52,545,234)
Recovery by NIIT Limited Group - (Note 4)	61,679,363 (221,328,041)	- (-)	- (-)	61,679,363 (221,328,041)
Loans Given Received back	- (118,789,592)	- (-)	- (-)	- (118,789,592)
Receiving of Services - (Note 5)	35,980,071 (41,062,029)	- (-)	1,339,900 (-)	37,319,971 (41,062,029)
Rendering of Services – (Note 6)	5,080,043 (3,670,192)	- (-)	2,056,104 (-)	7,136,147 (3,670,192)
Remuneration (Note 7)	- (-)	20,205,538 (8,492,803)	- (-)	20,205,538 (8,492,803)
Other Expenses	- (363,474)	- (-)	- (250,000)	- (613,474)
Dividend Paid to Scantech Evaluation Services Limited	53,142,760 (48,311,600)	- (-)	- (-)	53,142,760 (48,311,600)

Notes:

- Figures in parenthesis represent previous year's figures.
- Includes transactions for the year with;
 - NIIT China (Shanghai) Limited Rs. 13.84 lacs (Previous Year: Rs. Nil)
 - NIIT Limited Rs. Nil (Previous Year: Rs. 27.58 Lacs)
- Includes transactions for the year mainly with;
 - NIIT Limited Rs. 376 Lacs (Previous Year: Rs. 525.45 Lacs)
- Includes transactions for the year mainly with;
 - NIIT Limited Rs.91.95 Lacs (Previous Year: Rs. 209.45 Lacs)
 - NIIT USA Inc., Rs.519.58 Lacs (Previous Year: Rs. 2,003.82 Lacs)

NIIT Technologies Limited

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SCHEDULE '20' : Notes to Consolidated Accounts for the year ended 31st March 2006 (Contd.)

- 5 Includes transactions for the year mainly with;
- NIIT Limited Rs. 130.70 Lacs (Previous Year Rs. 285.36 Lacs)
 - NIIT Malaysia Sdn Bhd Rs. 83.70 Lacs (Previous Year Rs. 96.67 Lacs)
 - NIIT China (Sanghai) Ltd Rs. 145.40 Lacs (Previous Year Rs. 23.24 Lacs)
- 6 Includes transactions for the year mainly with;
- NIIT USA Inc., Rs.20.32 Lacs (Previous Year Rs. 36.63 Lacs)
 - NIIT China (Sanghai) Ltd. Rs. 8.12 Lacs (Previous Year Rs. Nil)
 - NIIT Limited Rs. 20.00 Lacs (Previous Year Rs. Nil)
- 7 Remuneration to Key Managerial Personnel includes those paid to;
- Rajendra S Pawar - Rs. 24.77 Lacs (Previous Year: Rs. 27 Lacs)
 - Arvind Thakur - Rs. 171.79 Lacs (Previous Year Rs. 53 Lacs)
 - Vijay K Thadani - Rs. 5.50 Lacs (Previous Year: Rs. 5 Lacs)

C. Outstanding balances with related parties:

	Receivables As at 31.03.2006 (Rs.)	Payables As at 31.03.2006 (Rs.)	Receivables As at 31.03.2005 (Rs.)	Payables As at 31.03.2004 (Rs.)
Party of which the Group is an associate and its subsidiaries.	14,752,535	5,181,691	4,079,922	34,511,298
Key Managerial Personnel	-	11,550,000	-	2,710,333

- 13 During the year the parent Company granted a loan of Rs. 429 Lacs (Previous year Rs.571Lacs) at 6 % p.a to NIITian Welfare Trust which has been formed for the purpose of providing welfare benefits to the employees of the Group and that of NIIT Limited and their subsidiaries. The parent Company has also provided a corporate guarantee to the extent of Rs. 750 Lacs against the total outside borrowings made by the Trust of Rs.3,000 Lacs. Similar loan and guarantee has also been provided by NIIT Limited to the Trust. The Trust has primarily invested the amount borrowed in equity shares of the parent Company and that of NIIT Limited. The Trust has accumulated book loss of Rs. 4.6 Lacs as at 31st March, 2006 on account of interest and other expenses and it expects to realize more than the carrying value of the investments and accordingly the Group believes that there is no need to make any provisions in respect of loan or guarantee given.
- 14 The dominant source of risk and returns of the enterprise is considered to be the business in which it operates viz - software solutions. Being a single business segment Group, no primary segment information is being provided. The secondary segment information in relation to geographies is as follows:

(Rs. Lacs)

Particulars	Revenue from external Customers by location of customers		Carrying amount of segment assets by location of the assets		Additions to fixed assets	
	31.03.2006	31.03.2005	31.03.2006	31.03.2005	31.03.2006	31.03.2005
India	4,679	5,698	23,348	21,462	2,431	2,117
Rest of Asia Pacific (including Australia)	6,348	6,276	4,726	5,669	981	30
Europe	26,240	23,287	9,196	6,527	21	51
America	23,486	19,059	6,504	5,999	176	21
Total	60,753	54,320	43,774	39,657	3,609	2,219

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SCHEDULE '20' : Notes to Consolidated Accounts for the year ended 31st March 2006 (Contd.)

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

a) Operating Leases

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

Particulars	In respect of Premises (Rs.)		In respect of equipment (Rs.)	
	Mar. 31, 2006	Mar. 31, 2005	Mar. 31, 2006	Mar. 31, 2005
Amount payable within the next 1 year	64,001,459	46,876,468	12,047,719	11,200,595
Amount payable in the next 2 to 5 years	106,391,372	83,471,251	14,495,577	19,275,047

Aggregate payments during the period under operating leases amount to Rs. 211,560,190/- (previous year Rs 186,139,436/-).

b) Finance Leases

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

Particulars	Minimum lease payments (Rs.)	Finance charges (Rs.)	Present value of lease payments (Rs.)
Amount payable within the next 1 year	25,691,633 (-)	1,710,809 (-)	23,980,824 (-)
Amount payable in the next 2 to 5 years	537,035 (-)	53,189 (-)	483,846 (-)
Total	26,228,668 (-)	1,763,998 (-)	24,464,670 (-)

* figures in parenthesis represent previous year figures.

16. EMPLOYEE STOCK OPTION PLAN :

During the year the parent Company established NIIT Technologies Stock Option Plan 2005 (ESOP 2005) and the same was approved at the Annual General Meeting of the parent Company on 29th July 2004. The plan was set up so as to offer and grant for the benefit of employees of NIIT Technologies Limited and its subsidiary undertakings (The Group), who are eligible under Securities Exchange Board of India (SEBI) Guidelines (excluding promoters), options of the parent Company in aggregate up to 3,850,000 options under ESOP 2005, in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of law or guidelines issued by the relevant authorities in this regard. As per the Plan each option is exercisable for one equity share of face value of Rs. 10 each fully paid up on payment to the parent Company for such shares a price to be determined in accordance with ESOP 2005. SEBI has issued the Employee's Stock Option scheme and Employee Stock Purchase Scheme Guideline, 1999 which is applicable to the above ESOP 2005.

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SCHEDULE '20' : Notes to Consolidated Accounts for the year ended 31st March 2006 (Contd.)

The parent Company granted options in two tranches as follows:

	Tranche I	Tranche II
Granted during the Year (Nos)	660,750	70,600
Forfeited during the Year (Nos)	50,900	-
Outstanding at the end of the year (Nos)	609,850	70,600
Exercisable at the end of the year (Nos)	-	-
Exercise Price	Rs. 115	Rs. 150.85
Remaining contractual life (Remaining vesting period and exercise period)	1218 days	1228 days
Fair value of the option based on Black & Scholes model (as per Independent Valuer's report)	Rs.59.20	Rs. 41.18
Intrinsic value of option	Rs. 34.50	Rs. Nil

The input used for determination of fair value as per the Black & Scholes model is as follows:

- Market price considered is the latest available closing price prior to the date of the grant.
- Exercise price is the price payable by the employees for exercising the option.
- 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 have not been incorporated in the valuation analysis.
- Volatility - Variance in the stock price is considered as 10% and is based on historical volatility in the share price movement of the parent Company and four other comparable companies.
- Average life of the options is considered to be 2.5 Years.
- Risk less interest rate has been assumed at 7% based on long term government bonds of ten year residual maturity.

Other information regarding employee share based payment is as below :

(Rs.)

	Tranche I	Tranche II
Expense accounted for during the period based on intrinsic value of the options	13,949,692	-
Additional expense had the Group recorded the ESOP Expense based on fair Value of the options	9,987,170	1,847,932

For impact on basic and dilutive Earning Per Share, had fair value of the option been used for determining Employee Stock Option Plan expense refer note 11 above.

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

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

Rajendra S Pawar
Chairman

Arvind Thakur
CEO & Whole Time Director

Ashok Arora
Group Chief Financial Officer

KTS Anand
Chief Financial Officer

Rakesh K. Prusti
Company Secretary
& Legal Counsel

Place : New Delhi
Date : June 26, 2006



Dear Shareholder,

SEBI vide its letter No. DCC/FITTCIR-3/2001 dated 15th October 2001 has advised that all companies should mandatorily use Electronic Clearing System (ECS) facility for distributing dividends or other cash benefits to the investors wherever available. In the absence of availability of ECS facility, the companies may use warrants for distributing the Dividends.

Currently ECS facility is available at locations specified by RBI. We request all the shareholders to give their bank details so that all future Dividend payments can be remitted through ECS. In case of shareholders staying at locations not currently covered by ECS, the bank account details will be used for sufficing along with the name of the shareholder on the dividend warrants issued in future.

Rakesh K Prusti
Company Secretary
& Legal Counsel

ECS MANDATE FORM

(For use by Shareholders holding Shares in physical mode only)

Alankit Assignments Ltd.
Unit - NIIT Technologies Limited
2E/21, Jhandewalan Extn.,
New Delhi-110055

Place : _____

Date : _____

Dear Sirs,

Change in mode of payments to Electronic Clearing System (ECS)

I hereby consent to have the amount of Dividend on my equity shares credited through the Electronic Clearing System (Credit Clearing) - [ECS]. The particulars are :

1. Folio No.: _____
[Folio No. given in equity share certificate(s)]
2. Member's Name : Shri/Smt./Kum.: _____
3. Member's address : _____

4. Particulars of the Bank Account :
 - Bank name : _____
 - Branch name : _____
 - Mention the 9-digit code number of the bank and branch appearing on the MICR cheque issued by the bank

(Please attach a photocopy of a cheque or a blank cancelled cheque issued by your bank for verifying the accuracy of the code number)

- Account type (please ✓) Savings Current Cash Credit
- Account number (as appearing on the cheque book) : _____

I hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete or incorrect information for any reasons, I would not hold the Company responsible. I also undertake to advise changes, if any, in the particulars of my account to facilitate updation of records for purposes of credit of Dividend amount through ECS.

Signature of the first named/sole Member

- Note :**
1. Please complete the form and send it to Registrar & Share Transfer Agent at the above address if you are holding share certificate(s) in physical form.
 2. In case your shares are in Dematerialised form, inform/update your informations directly with the Depository Participant (DP) with whom you are maintaining Demat Account and not to the Company or its Registrars.
 3. In case of more than one Folio please complete the details on separate sheets.
 4. Subject to the rules and regulations of the Scheme of ECS of the Reserve Bank of India from time to time.

P.T.O

3rd Fold

Postage

Alankit Assignments Ltd.
Unit - NIIT Technologies Limited
2E/21, Jhandewalan Extn.,
New Delhi-110055

2nd Fold

Sender's name and address

Form with three horizontal lines for sender's name and address.

1st Fold

**NIIT**

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NIIT Technologies Ltd.

Regd. Office : NIIT House, C-125, Okhla Ph-I, New Delhi 110020

PROXY FORM

Folio No. _____ Client ID No. _____ DP-ID No. _____

I/We _____ of _____ in

the district of _____ being a member/members of NIIT Technologies Limited,

hereby appoint _____ of _____

in the district of _____ or failing him/her

_____ of _____ in the district of

_____ as my/our Proxy to vote for me/us on my/our behalf at the Annual

General Meeting of the Company to be held at 10.00 A.M., at FICCI Auditorium, 1, Tansen Marg,

New Delhi 110 001, on Thursday, the 17th day of August, 2006.

Affix
15 paise
Revenue
Stamp here

Signature of Proxy

Signature of Member(s)

Note : Proxies, in order to be effective must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.**NIIT**

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NIIT Technologies Ltd.

Regd. Office : NIIT House, C-125, Okhla Ph-I, New Delhi 110020

ATTENDANCE SHEET

(This attendance sheet duly filled in, to be handed over at the meeting)

Member's Folio No. _____ Client ID No. _____ DP-ID No. _____

Name of the attending member (in block letters) _____

Name of Proxy(s) (in Block Letters) (to be filled in, if a proxy attends instead of the member) _____

No. of Shares held _____

I hereby record my presence at the Annual General Meeting being held at 10:00 AM., at FICCI Auditorium, 1, Tansen Marg, New Delhi 110 001, on Thursday, the 17th day of August, 2006.

Member's/Proxy's Signature
(to be signed at the time of handing over this sheet)*Note: 1. Please bring this form with you to the Annual General Meeting
2. The Registration Counter shall open at 9.00 A.M.*

NORTH AMERICA

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Fax: +31 (23) 568 9111

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Fax: +44 (0)20 7667 8601

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Fax: +61 3 9607 8282



- SEI CMMI Level 5
- ISO 9001:2000
- PCMM Level 5
- BS 15000
- BS 7799

NIIT
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