

NIIT Technologies Limited

(Registered Number: 2648481)

**Annual Report and Financial Statements
for the year ended 31 March 2019**

NIIT Technologies Limited

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NIIT Technologies Limited

Directors and Advisors

Directors

Arvind Thakur
Arunbir Singh Soin
Sudhir Singh

Company secretary

Abogado Nominees Limited

Company number

2648481

Registered office

100 New Bridge Street
London
EC4V 6JA

Independent auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Bankers

Lloyds TSB
56 High Street
Marlow
SL7 1AJ

CitiBank NA
Global Subsidiaries Group Centre
Canary Wharf
London
E14 5LB

Crédit Agricole d'Ile-de-France
31 Rue De Constantine
Paris, France
75007

Business address

2nd Floor,
47 Mark Lane
London
EC3R 7QQ

Branch office

71 avenue Victor Hugo
75116 Paris
France

NIIT Technologies Limited

Strategic report for the year ended 31 March 2019

The directors present their strategic report for the year ended 31 March 2019.

Principal activities

The Company provides services in Software Application Development and Maintenance, Software Testing, Enterprise Solutions including Package Implementation, Infrastructure Managed Services and System Integration to organisations based in the UK and rest of the world.

Business review

The revenue profile of NIIT Technologies Limited, UK is diversified across the main verticals of Travel and Transportation, Banking and Financial Services (BFS), Insurance, Public Sector, Media and Entertainment Technologies.

The UK business continues to operate in a very competitive yet resilient business environment. The UK economy has held up remarkably well after the vote to leave the European Union. Businesses have largely shrugged off the political and economic uncertainties relating to Brexit, keeping the economy running at a decent pace. The company has shown a healthy increase in its turnover in the current financial year primarily on account of growth in few strategic accounts opened up in the previous year. Partnering with businesses to strategize and provide service offerings using new emerging technologies is critical to retaining a competitive edge. NIIT strives to aggressively grow its existing client portfolio and increase its business footprint especially in the areas of Data & Analytics, Digital Transformation, Infrastructure transformation and Cloud journey and Automation. NIIT has gained a new client during the year in the BFS vertical. However, a major contribution of the UK revenue emanates from its existing clients in its focused verticals. Travel & Transportation continues to be the major vertical for the UK followed by Public Sector, Insurance and Media and Entertainment Technologies. The Infrastructure Managed Services business continues to see increased traction in the UK market across verticals with both the private sector and public sector exploring outsourcing and cloud adoption options to further rationalise their costs. NIIT is also making inroads in the Insurance vertical where we are leveraging our presence in the Lloyds of London market as well as BFS vertical leveraging its deep domain knowledge.

The results for the Company show profit on ordinary activities before taxation of £5,536,946 (2018: £3,388,939) for the year and turnover of £62,678,647 (2018: £48,654,066). Profit on ordinary activities before taxation is higher as compared to the previous year. This is primarily due to improved gross & operating margins. The investment in the sales generating engine in the previous financial year and focus on rationalising of administrative expenses in the current year have resulted in improved operating margins.

The Company has net assets of £24,688,756 (2018: £24,667,102).

An interim dividend has been paid during the year of £5,000,000 at the rate of £1.526 per share (2018: £3,000,000). The directors do not recommend payment of a final dividend (2018: Nil).

Principal risks and uncertainties

The impact of Brexit on the technology services sector is uncertain. The Management of the Company foresee a risk associated with potential changes to the immigration regulations that could impact sourcing skills from outside the UK.

Competition from national, offshore and multinational vendors as well as employee retention and the resilience of the UK economy over the next few years are areas that throw up risks and uncertainty. The Company also recognises the potential risk of a considerable portion of its revenue continuing to emanate from a few customers and is striving to expand its customer base to mitigate this. The Company has focused on enhancing client relationship through client partners in

NIIT Technologies Limited

Strategic report for the year ended 31 March 2019 (continued)

key customer accounts.

Key performance indicators

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business. Turnover and profit on ordinary activities before taxation as presented in the business review are the key measures considered by the directors.

On behalf of the board



Arunbir Singh Soin
Director
3 May 2019

NIIT Technologies Limited

Directors' Report for the year ended 31 March 2019

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2019.

Dividend from Subsidiaries

During the reporting period, the Company received an interim dividend from NIIT Insurance Technologies Limited of £3,000,000 at the rate of £2.39 per share (2018: £3,000,000).

Future outlook

The strategy of NIIT Technologies Limited UK is to continue to build a strong differentiation in its offerings by remaining focused in the chosen verticals and emerging technologies e.g. Digital, Data & Analytics, Cloud and Automation.

The external business environment is expected to remain challenging in the UK for 2019-20 as national, offshore and multinational organisations continue to invest and compete for business in the focused verticals. The uncertainty around Brexit will linger for a few years till the UK reaches a trade deal with the European Union. We however remain confident that we will achieve a higher level of growth in the coming the year by growing our existing accounts as well as acquiring new clients in the focussed verticals. The focus will be to continue to acquire accounts in the Managed Services business offerings, further consolidate our leadership position in the Travel and Transport vertical, expand our presence in the Insurance and BFS verticals, make in-roads into the UK government sector which has started to open up for a more cost efficient IT service delivery and also to take advantage of the broader investment across sectors in the Digital technology.

Directors

The current directors of the Company are set out on page 1. All of the directors serving during the year and up to the date of signing the financial statements are listed below

Arvind Thakur
Arunbir Singh Soin
Sudhir Singh

Branch Office

The operations of the branch in France have been consolidated with the financials of the Head Office.

Employment of disabled persons

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

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

The Company is also committed to providing employees with information on matters of concern to them on a regular basis, so that the view of the employees can be taken into account when making decisions that are likely to affect their interest. Employee involvement in the Company is

NIIT Technologies Limited

Directors' Report for the year ended 31 March 2019 (continued)

Employment of disabled persons (continued)

encouraged to achieve a common awareness of the financial and economic factors affecting the Company. In addition, the Company encourages the involvement of employees by means of employee satisfaction surveys, focus group discussions and 360 degree feedback mechanism.

Financial risk management

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

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

Price risk

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

Credit risk

The majority of the Company's customer base is comprised of blue-chip customers. During the reporting period, the Company had provided for doubtful debts of £1,176 (2018: £1,838).

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

Liquidity risk

Proactive receivables management results in a favourable working capital position. Management continues its focus in this area.

Interest rate and cash flow risk

The Company has an unsecured working capital loan facility of US\$ equivalent of £3,000,000 (2018: US\$7,500,000) from Citi Bank N.A. to meet its short term working capital requirements. Interest on the facility is charged at 2.50% (2018: 2%) above GBP LIBOR determined by the period of the loan availed. The facility is backed by a Corporate guarantee executed by NIIT Technologies Limited, India in favour of Citi Bank N.A.

During the reporting period, the company has not availed of this facility considering its comfortable cash position.

Foreign currency exchange rate risk

Management is aware of the volatility in foreign currency fluctuations and will put in place measures to minimise the risks if this continues.

Qualifying third party indemnity provisions

The Directors and Officers of the Company are covered by the Corporate Directors and Officers Liability insurance policy insurance. This is in force at the date of the statement of financial position and also at the date of signing of the financial statements.

NIIT Technologies Limited

Directors' Report for the year ended 31 March 2019 (continued)

Research and development

During the reporting period, the Company has made a claim for Research and Development Expenditure Credit (RDEC) for the relevant qualifying expenditure incurred in undertaking activities which fall within the meaning set out in s1138 Corporation Tax Act 2010 (CTA 2010).

The Travel and transport vertical was the main focus area on which the company has made its RDEC claim. The scope covered within this area included:

- Development of tools for automated real-time code-level security threat analysis of production web-tier environments. Whilst many security products exist for *nix environments, the competent professionals assessed that they are primarily designed to detect OS level threats e.g. trojans/rootkits, and lack the ability to detect attacks which affect typical web environments such as malicious code injection. The team were required to resolve a number of technological uncertainties e.g. performing analysis and inspection of the entire filesystem without introducing excessive I/O operations.
- Development of a role based identity and access management solution to establish enterprise level authentication and granular record level access management across a large legacy IT estate composed of 1700 disparate monolithic applications. It was not readily apparent from the outset if this would be technologically feasible without wholesale refactoring as many of the applications were not inherently designed to support standard validation protocols like Active Directory and LDAP.
- Iterative and experimental development of a highly-scalable consolidated revenue accounting platform for a large airline's cargo customers. Migrating legacy data sources to cloud infrastructure required the development teams to resolve a number of technological uncertainties relating to performance e.g. legacy databases ability to leverage cloud native features.

In determining the eligibility percentages, consideration was given to the activities within a project which sought technological advancement and in doing so had to overcome technological uncertainty.

Political and charitable donations

The company made charitable donations during the year to the tune of £2,050. (2018: £200). There were no political donations made during the year (2018: Nil).

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102), and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

NIIT Technologies Limited

Directors' Report for the year ended 31 March 2019 (continued)

Statement of Directors' Responsibilities (continued)

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Disclosure of information to auditors

At the date of approving this report, each of the Company's directors, as set out on page 1, confirm the following:

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

Post Statement of Financial Position Events

There have been no significant events affecting the company since the year end.

Independent auditors

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

Approved on behalf of the Board of Directors



Arunbir Singh Soin
Director
3 May 2019

NIIT Technologies Limited

Independent Auditors' Report to the Members of NIIT Technologies Limited

Opinion

We have audited the financial statements of NIIT Technologies Limited for the year ended 31 March 2019, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

NIIT Technologies Limited

Independent Auditors' Report to the Members of NIIT Technologies Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

NIIT Technologies Limited

Independent Auditors' Report to the Members of NIIT Technologies Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 6 and 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

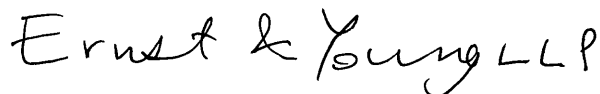
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Naresh Alimchandani (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
3 May 2019

NIIT Technologies Limited

Statement of Comprehensive Income for the year ended 31 March 2019

		2019	2018
	Note	£	£
Turnover	4	62,678,647	48,654,066
Cost of sales		(53,312,702)	(41,675,777)
Gross profit		9,365,945	6,978,289
Administrative expenses		(6,855,542)	(6,619,920)
Operating profit	5, 10	2,510,403	358,369
Income from shares in group undertakings		3,000,000	3,000,000
Interest receivable and similar income	6	26,833	31,179
Interest payable and similar charges	7	(290)	(609)
Profit on ordinary activities before taxation		5,536,946	3,388,939
Tax on profit on ordinary activities	11	(515,595)	(130,222)
Profit for the financial year		5,021,351	3,258,717
Total comprehensive income for the reporting period		5,021,351	3,258,717

NIIT Technologies Limited

Statement of Financial Position as at 31 March 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	12	636,819	38,210
Investments	13	16,933,515	17,005,149
		17,570,334	17,043,359
Current assets			
Receivables	14	16,150,151	13,393,285
Cash		3,537,323	2,253,289
Total current assets		19,687,474	15,646,574
Creditors - amounts falling due within one year	15	(12,363,433)	(8,022,831)
Net current assets		7,324,041	7,623,743
Total assets less current liabilities		24,894,375	24,667,102
Creditors - amounts falling due after more than one year	16	(205,619)	-
Net assets		24,688,756	24,667,102
Equity			
Called up share capital	17	3,276,427	3,276,427
Other reserves	18	31,434	14,407
Retained earnings	18	21,380,895	21,376,268
Total shareholder's funds		24,688,756	24,667,102

The financial statements on pages 11 to 27 were approved by the board of directors on 3 May 2019 and were signed on its behalf by:



Arunbir Singh Soin
Director

Registered Number: **2648481**

NIIT Technologies Limited

Statement of Changes in Equity for the year ended 31 March 2019

	Share Capital £	Other Reserves £	Retained Earnings £	Total Equity £
At 1 April 2017	3,276,427	97,132	21,056,175	24,429,734
Total comprehensive income for the year	-	-	3,258,717	3,258,717
Share-based capital reserve (Note 19)	-	14,407	-	14,407
Transfer between reserves	-	(97,132)	61,376	(35,756)
Dividends paid during the year	-	-	(3,000,000)	(3,000,000)
At 31 March 2018	3,276,427	14,407	21,376,268	24,667,102
At 1 April 2018	3,276,427	14,407	21,376,268	24,667,102
Total comprehensive income for the year	-	-	5,021,351	5,021,351
Currency translation on consolidation	-	-	303	303
Share-based capital reserve (Note 19)	-	17,027	(17,027)	-
Dividends paid during the year	-	-	(5,000,000)	(5,000,000)
At 31 March 2019	3,276,427	31,434	21,380,895	24,688,756

NIIT Technologies Limited

Notes to the Financial Statements for the year ended 31 March 2019

1 General information

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

The Company is a private company limited by shares and is incorporated in England and Wales under registration number 2648481. The address of its registered office is 100 New Bridge Street, London, EC4V 6JA.

2 Statement of compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) and the Companies Act 2006 for the year ended 31 March 2019.

3 Principal accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006. Accounting policies have been consistently applied to all years presented unless otherwise stated.

The financial statements have been prepared in British Pounds, which is the company's functional currency and rounded to the nearest pound.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. Accounting estimates have been used in the valuation of the Employee Stock Options granted under ESOP 2005 using the Black Scholes Options Pricing Model.

It also requires management to exercise judgment in applying the company's accounting policies.

Going concern

The Company has positive net current assets and positive shareholders funds as at 31 March 2019. On the basis of their assessment of the Company's financial position the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future, being a period of not less than twelve months from the approval of these financial statements. As a result, the directors have prepared the financial statements on a going concern basis.

NIIT Technologies Limited

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

3 Principal accounting policies (continued)

Consolidated financial statements

The results of the France branch are included in the financial statements of the Company.

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

Turnover

Turnover represents sales to customers, net of value added tax, trade discounts and unbilled accrued revenue. Turnover is derived from the company's principal activity. All turnover relates to business activities in the United Kingdom.

Recognition of turnover

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

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

For time and material contracts, revenue is recognised on the basis of billable efforts.

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

Deferred revenue

Fees for services received in advance are recorded as a liability within deferred revenue and these amounts are amortised to the income statement over the life of the contract which is in line with the provision of the services.

Interest income

Revenue is recognised as the interest accrues at the effective interest rate to the net carrying amount of the financial asset.

Tangible fixed assets and depreciation

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

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

NIIT Technologies Limited

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

3 Principal accounting policies (continued)

Operating leases

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

Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the statement of financial position date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Investments

Investments are reviewed annually for impairments. Investments are held at cost less accumulated impairment losses. Impairment losses are taken to the profit and loss account.

Pensions

Pension contributions to the defined contribution NIIT Technologies Limited Group Personal Pension Scheme are charged to profit or loss in the period in which contributions are incurred. Assets of the scheme are held separately from those of the Company in an independently administered fund.

Foreign currency

The company's functional and presentational currency is GBP.

Transactions denominated in foreign currencies are translated into sterling at the exchange rate prevailing on the first working day of the month. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial

NIIT Technologies Limited

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

3 Principal accounting policies (continued)

position date. Exchange gains and losses are taken to the statement of comprehensive income in the year in which they arise.

Share based payments

The parent company, NIIT Technologies Limited, India, has introduced an employee stock option plan. Certain employees of the Company are awarded options over the shares of the ultimate parent.

In accordance with FRS 102, the fair value of these options using the Black-Scholes model is recognised as an expense, with a corresponding increase in other reserves. The total amount to be expensed over the vesting period is determined by reference to the fair market value of the options granted. At each statement of financial position date, the entity revises its estimates of the number of options that are expected to vest and recognises the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

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

Financial instruments

Financial assets:

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price. The same are retranslated at the rate of exchange ruling at the statement of financial position date. Exchange gains and losses are taken to the statement of comprehensive income in the year in which they arise. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

At the end of each reporting period financial assets are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the statement of comprehensive income.

Financial liabilities:

Basic financial liabilities, including trade and other payables are initially recognised at transaction price. The same are retranslated at the rate of exchange ruling at the statement of financial position date. Exchange gains and losses are taken to the statement of comprehensive income in the year in which they arise.

NIIT Technologies Limited

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

3 Principal accounting policies (continued)

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting:

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial Reporting Standard 102 – Reduced Disclosure Exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv) in respect of reconciliation of the number of shares outstanding at the beginning and end of the period;
- the requirements of Section 7 Statement of Cash Flows in respect of preparation of Statement of Cash Flows;
- the requirements of Section 3 paragraph 3.17(d) in respect of presentation of Statement of Cash Flows in the financial statements;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7 in respect of the non-disclosure of key management personnel compensation in total.

NIIT Technologies Limited, India prepares group financial statements and copies can be obtained from 8 Balaji Estate, First Floor, Guru Ravidas Marg, Kalkaji, New Delhi – 110019, India. Full consolidated financials can also be obtained for NIIT Technologies Limited, India, from that Company's website at the following address, <http://www.niit-tech.com/investors/financial-reports>

4 Turnover

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

Geographical area	By origin		By destination	
	2019	2018	2019	2018
	£	£	£	£
United Kingdom and Ireland	62,674,848	48,652,130	53,747,138	41,478,428
Rest of Europe	3,799	1,936	4,276,570	4,604,799
Rest of World	-	-	4,654,939	2,570,839
	62,678,647	48,654,066	48,654,067	48,654,066

NIIT Technologies Limited

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

5 Operating profit	2019	2018
Operating profit is stated after charging/(crediting):	£	£
Depreciation of tangible/intangible assets	141,771	23,039
Auditors' remuneration:		
- The audit of the Company pursuant to legislation	34,775	38,415
- Tax services	12,000	12,000
- Other services	-	5,000
Operating lease charges:		
- Land and buildings	11,760	3,648
Foreign exchange (gain)/loss	(118,923)	671,023

6 Interest receivable and similar income	2019	2018
	£	£
Bank interest	26,833	31,179

7 Interest payable and similar charges	2019	2018
	£	£
Bank interest	290	609

8 Directors' emoluments

Non-resident directors:

During the financial year, the company received a share of the costs of Sudhir Singh as CEO Office Management fees totalling £144,306 (2018 Nil). This included a remuneration charge of £87,971 (2018 Nil).

There are no retirement benefits accruing to Arvind Thakur and Sudhir Singh (2018: Nil) under the defined contribution scheme.

Resident directors:

	2019	2018
	£	£
Aggregate remuneration	61,595	138,227

Aggregate remuneration represents 50% of the remuneration of one director. The remaining 50% of the remuneration of the director is recharged to a subsidiary undertaking. This is disclosed in the financials of that subsidiary.

Post-employment benefits under a defined contribution pension scheme aggregating to £8,404 (2018: £11,952) are accruing to 1 director (2018: 2).

NIIT Technologies Limited

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

8 Directors' emoluments (continued)

Two directors (2018: One) exercised share options in the parent's shares during the reporting period

Highest paid director:

The highest paid director's emoluments (100%) were as follows:

	2019	2018
	£	£
The amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	115,155	113,662
Defined contribution pension scheme: Contributions during the year	8,034	7,877
	123,189	121,539

9 Employee information

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

By activity	2019 Number	2018 Number
Management	39	31
Consultancy	293	224
	332	255

Employment costs during the year were as follows:

	2019 £	2018 £
Wages and salaries	19,713,307	14,552,390
Social security costs	1,761,106	1,405,436
Other pension costs	380,788	265,705
Costs associated with share based payments (Note 19)	17,027	14,407
	21,872,228	16,237,938

NIIT Technologies Limited

10 Research and Development Expenditure Credit

The Company has claimed research and development expenditure credit as per the guidelines prescribed by HMRC on an accrual basis in the statement of comprehensive income. A summary of the qualifying research and development expenditure and the gross RDEC is as follows:

	2019	2018
	£	£
Staffing costs	1,353,971	750,675
Total qualifying research and development expenditure	1,353,971	750,675
Gross RDEC @11% up to 31 December 2017	-	62,614
Gross RDEC @12% from 1 January 2018	162,476	22,212

Management is confident that the claims will be successful.

11 Tax on profit on ordinary activities

	2019	2018
	£	£
Current tax:		
UK corporation tax on profits of the year	472,739	80,913
Overseas tax less double tax relief	11,772	11,087
Adjustments in respect of prior years	(1,311)	41,239
Total current tax charge	483,200	133,239
Deferred tax:		
Origination and reversal of timing differences	36,206	(2,803)
Effect of changes in tax rates	(3,811)	296
Adjustments in respect of prior years	-	(510)
Total deferred tax charge	32,395	(3,017)
Tax on profit on ordinary activities	515,595	130,222

The tax assessed for the year is lower (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019	2018
	£	£
Profit on ordinary activities before taxation	5,536,946	3,388,939
Profit on ordinary activities multiplied by standard rate in UK of corporation tax of 19% (2018: 19%)	1,052,020	643,898
Effects of:		
Expenses not deductible	12,615	14,250
Income not included for tax purposes	(570,000)	(570,000)
Effect of changes in tax rates	(3,811)	296
Overseas tax suffered	11,380	11,087
Other reconciling items	14,702	(10,548)
Adjustments in respect of prior years	(1,311)	41,239
Tax charge for the year	515,595	130,222

NIIT Technologies Limited

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

11 Tax on profit on ordinary activities (continued)

The deferred taxation liability of £ 534 (2018: deferred tax asset £31,861) has been recognised and is disclosed within creditors (see note 15).

	2019	2018
	£	£
Deferred tax (liability)/asset comprises:		
Accelerated capital allowances	(20,717)	18,903
Short term timing differences	10,196	7,057
Pension provision	9,987	5,901
	<u>(534)</u>	<u>31,861</u>
	2019	2018
	£	£
Deferred tax asset as at 1 April	31,861	28,843
Adjustment in respect of prior years	-	510
Deferred tax (credit)/charge to profit for the period	<u>(32,395)</u>	<u>2,508</u>
Deferred tax (liability)/asset as at 31 March	<u>(534)</u>	<u>31,861</u>

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

The standard rate of Corporation Tax in the UK for the reporting period is 19%. The company's profit for the reporting period is taxed at an effective rate of 9.31% (2018: 3.84%).

Changes to reduce the UK corporation tax rate to 19% from 1 April 2018 and to 17% from 1 April 2020 was substantively enacted on 7 September 2016. At 31 March 2019, Management is of the opinion that the relevant deferred tax assets and liabilities included in these Financial Statements are based on the reduced rate of 17% having regard to their reversal profiles.

The Company has adopted the new R&D expenditure credit legislation introduced in 2013 that allows large companies to claim expenditure credits equal to 12% from 1 January 2018 of the qualifying research and development (R&D) expenditure. The operating profit for the current reporting period includes the effect of these tax credits.

NIIT Technologies Limited

12 Tangible assets

	Computer equipment £	Office equipment £	Total £
Cost			
At 1 April 2018	117,306	97,702	215,008
Additions	730,574	9,824	740,398
Disposals	(21,423)	(129)	(21,552)
At 31 March 2019	826,457	107,397	933,854
Accumulated depreciation			
At 1 April 2018	79,096	97,702	176,798
Charge for year	138,515	3,256	141,771
Disposals	(21,405)	(129)	(21,534)
At 31 March 2019	196,206	100,829	297,035
Net book value at 31 March 2019	630,251	6,568	636,819
Net book value at 31 March 2018	38,210	-	38,210

13 Investments

	Shares in subsidiary undertakings 2019 £	Shares in subsidiary undertakings 2018 £
Cost at opening	17,005,149	17,005,149
Disposals	(71,634)	-
Net book value at closing	16,933,515	17,005,149

Subsidiary undertakings:

Company name	Registered address	Country of Incorporation	Principal activity	% Interest (direct holding)	Capital and reserves	Profit or (loss) after tax
NIIT Technologies BV	Regus WTC Zuidplein 36 1077 XV Amsterdam, Netherlands	Holland	Software services	100%	€ 1,146,078	€ 115,530
NIIT Insurance Technologies Ltd.	100 New Bridge Street, London EC4V 6JA	UK	Software services	100%	£ 6,737,812	£ 3,826,453
NIIT Technologies S.A.	2 nd Floor, Street Mendez Alvro 9 P.C. 28045 Madrid	Spain	Software services	100%	€ 1,321,961	€ 151,854

NIIT Technologies Brazil Ltda has been closed in the financial year 2018-19

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Notes to the Financial Statements for the year ended 31 March 2019 (continued)

13 Investments (continued)

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

The directors believe that the carrying value of the investments is supported by their respective projected future cash flows.

14 Receivables

	2019 £	2018 £
Trade receivables	12,392,256	11,752,331
Amounts owed by group undertakings	2,062,482	561,753
Other receivables	76,373	70,281
Deferred tax asset	-	31,861
Prepayments and accrued income	1,619,040	977,059
	16,150,151	13,393,285

Amounts owed by group undertakings for the current and previous reporting period represent trade balances which are unsecured, non-interest bearing and within stipulated payment terms.

15 Creditors - amounts falling due within one year

	2019 £	2018 £
Trade payables	964,013	188,985
Amounts owed to group undertakings	6,099,438	3,928,228
Corporation tax	585,579	111,623
Other taxation and social security	2,200,507	1,794,575
Other payables	52,136	36,766
Accruals and deferred income	2,461,760	1,962,654
	12,363,433	8,022,831

Trade balances included in amounts owed to group undertakings for the current and previous year are unsecured and interest free.

16 Creditors - amounts falling due after more than one year

	2019 £	2018 £
Trade payables	205,619	-

NIIT Technologies Limited

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

17 Called up, allotted and fully paid up share capital

	2019 £	2018 £
Authorised		
7,000,000 (2018: 7,000,000) ordinary shares of £1 each	7,000,000	7,000,000
Called up, allotted and fully paid		
3,276,427 (2018: 3,276,427) ordinary shares of £1 each	3,276,427	3,276,427

18 Reserves

Retained earnings

The retained earnings include all current and prior period retained profits and losses.

Other reserves

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

19 Share based payments

NIIT Technologies Limited, India, which is the 100% Holding Company of NIIT Technologies Limited, operates an Employee Stock Option Plan (ESOP 2005). The remuneration committee of the holding Company can grant options over shares in the holding Company to employees of the group. Options are granted with a fixed exercise price. Awards under the ESOP are generally reserved for employees at senior management level and above. In the current year, the holding Company has issued grants on 17 October 2018. Grants for which options are still outstanding are represented in the table below. Exercise of an option is subject to continued employment. The fair market value of the shares was valued using the Black-Scholes option-pricing model. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	Share price at grant date (Rs)	Exercise price (Rs)	Nos. of employees	Shares under option	Vesting year(s)	Expected volatility	Option life (years)	Expected life (years)	Risk free rate	Expected dividends expressed as a dividend yield *	Fair value per option (Rs)
17-Oct-17	625.80	10.00	1	5,000	1	37.72%	4	2.5	6.34%	2.88%	573.83

* Expected dividends expressed as a dividend yield

NIIT Technologies Limited

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

19 Share based payments (continued)

The schedule of live options exercisable is given in the table below:

Grant date	Live options	Vesting year(s)	Options exercisable
17-Oct-17	5,000	1	5,000

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

The expected volatility for the options granted during the current reporting period is considered as shown in the table on the preceding page and is based on historical volatility in the share price movement of the ultimate holding Company. The expected life is the average of the minimum and maximum life of the options. The risk free rate of return for the options granted during the year is as shown in the table on the preceding page based on long-term Indian government securities.

A reconciliation of option movements over the year to 31 March 2019 is shown below:

	Number	2019 Weighted average exercise price INR Rs	Number	2018 Weighted average exercise price INR Rs
Outstanding at 1 April	5,000	10.00	60,270	354.82
Granted	-	-	5,000	10.00
Lapsed	-	-	50,270	423.42
Exercised	-	-	10,000	10.00
Outstanding at 31 March	5,000	10.00	5,000	10.00
Exercisable at 31 March	5,000	10.00	5,000	10.00

Range of Exercise Price	Weighted average exercise	Number of shares	Weighted average remaining life	
			Expected	Contractual
Rs 10.00	Rs 10.00	5,000	1.5	4

During the current reporting period Nil (2018: 5,000) options were exercised. The weighted average share price for options exercised during the year is Rs. Nil (2018: Rs. 10.00). The net charge for the year relating to employee share based payment plans was £17,027 (2018: £14,407), all of which related to equity share based payment transactions.

NIIT Technologies Limited

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

20 Contingent liabilities and financial commitments

Capital commitments relating to procurement of Plant & Machinery remaining to be executed and not provided for at the date of the financial statements is £Nil (2018: £399,445).

Capital commitments relating to procurement of Furniture and Fixtures remaining to be executed and not provided for at the date of the financial statements is £Nil (2018: £9,748).

21 Related party transactions

The Company has taken advantage of the exemption in FRS 102 from the requirement to disclose transactions with group companies on the grounds that it is a wholly owned subsidiary and consolidated financial statements are prepared by the ultimate parent Company, NIIT Technologies Limited, India. The consolidated financial statements published by the parent Company are publicly available.

During the year, the group undertook the below stated related party transactions with NIIT Limited, UK which through its holding Company owns 23.458% (2018: 23.58%) of the share capital of NIIT Technologies Limited (India).

NIIT Technologies Limited rendered support and administrative services to NIIT Limited, UK during the year totalling £127,176 (2018: £118,269). A year-end balance owed by NIIT Limited, UK is held within receivables amounting to £38,843 (2018: £24,299).

22 Pensions

The Company operates a defined contribution pension scheme. The charge for the year represents contributions payable by the Company to the fund and amounted to £380,788 (2018: £254,115) paid into defined contribution pension schemes. There is an accrual at the year-end for £58,746 (2018: £34,714).

23 Ultimate parent company

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

NIIT Technologies Limited, India prepares consolidated financial statements and copies can be obtained from 8 Balaji Estate, First Floor, Guru Ravidas Marg, Kalkaji, New Delhi – 110019, India. Full consolidated financials can also be obtained for NIIT Technologies Limited, India, from that Company's website at the following address, <http://www.niit-tech.com/investors/financial-reports>