

# GHOSH KHANNA & CO.

## CHARTERED ACCOUNTANTS

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### TO WHOMSOEVER IT MAY CONCERN

This is to certify that the figures in foreign currency in the consolidated Financial Statement of **NIIT China (Shanghai) Limited and its Subsidiaries** for the financial year ended on 31<sup>st</sup> March, 2011, audited by Shanghai JiaLiang CPAs, Suite 1503-1504, 699 Nanjing Road West, Shanghai, China 200041, Republic of China are enclosed as **Annexure A**. The Stand alone financials of the holding company (NIIT China (Shanghai) Limited) and its subsidiaries have been converted into INR equivalents as per Indian GAAP on the following basis:

S. No.	Particulars	Exchange Rate
1.	Share Capital	Exchange rate at the date of allotment of Shares
2.	Reserves & Surplus	Opening Balance: from previous year's INR Balance Sheet Closing balance: being arrived at by adding the profit / (loss) for the year from the INR Profit and Loss Account
3.	Investment in Subsidiary (s)	Exchange rate at the date of Investment in subsidiary (s)
4.	Other Balance Sheet Items	Exchange Rate as on 31 <sup>st</sup> March 2011 i.e. CNY 1 = INR 6.7848
5.	Item falling under Profit and Loss Account	Profit and Loss Account has been converted using the conversion rate of exchange at the date of transaction

Financials converted into INR Equivalent as per Indian GAAP, for respective entities are enclosed as follows:

- |   |                   |
|---|-------------------|
| A. NIIT China (Shanghai) Limited                            | - Annexure -B     |
| B. NIIT Wuxi Service Outsourcing Training School            | - Annexure -B I   |
| C. Chongqing NIIT Education Consulting Limited              | - Annexure -B II  |
| D. Wuxi NIIT Information Technology Consulting Limited      | - Annexure -B III |
| E. Changzhou NIIT Information Technology Consulting Limited | - Annexure -B IV  |
| F. Su Zhou NIIT Information Technology Consulting Limited   | - Annexure -B V   |

For Ghosh Khanna & Co.  
Chartered Accountants

  
(Ankit Mittal)

Partner  
Membership No.508748

Place: New Delhi  
Date: 4<sup>th</sup> May 2011



### **Branches:**

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## NIIT China (Shanghai) Limited

## Balance Sheet as at 31st March 2011

	Schedule No. / (Note Reference)		As at 31st March 2011 INR	As at 31st March 2010 INR
<b>SOURCES OF FUNDS</b>				
<b>SHAREHOLDERS' FUNDS</b>				
Share Capital	1	10,250,891		10,250,891
Reserves and Surplus:	2	54,541,058		50,471,973
Currency Translation Reserve	3	7,718,509	72,510,458	7,520,692
			<u>72,510,458</u>	<u>68,243,556</u>
<b>APPLICATION OF FUNDS</b>				
<b>FIXED ASSETS</b>				
Gross Block	4	25,724,050		24,725,323
Less: Depreciation		<u>13,743,558</u>		<u>9,928,907</u>
Net Block			11,980,492	14,796,416
Capital work-in-progress (including Capital Advances)			-	-
<b>INVESTMENTS</b>			8,350,212	8,350,212
<b>NET DEFERRED TAX ASSETS</b>			14,247,273	12,809,993
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
Inventories	5	3,589,180		4,588,510
Sundry Debtors	6	90,837,400		99,785,849
Cash and Bank Balances	7	17,597,089		17,410,742
Loans & Advances	8	34,086,147		30,406,257
		<u>146,109,816</u>		<u>152,191,358</u>
<b>Less : CURRENT LIABILITIES AND PROVISIONS</b>				
Current Liabilities	9	101,766,853		112,473,839
Provisions	10	6,410,482		7,430,584
		<u>108,177,335</u>		<u>119,904,423</u>
<b>Net Current Assets</b>			37,932,481	32,286,935
			<u>72,510,458</u>	<u>68,243,556</u>

## NOTES TO ACCOUNTS

A

The Schedules referred to above form an integral part of the balance sheet

NOTE: BALANCE SHEET has been converted at the closing rate as at 31 MARCH 2011 being : CNY 1 = INR 6.7848 (Previous Year CNY 1 = INR 6.5879)

## NIIT China (Shanghai) Limited

### Profit and Loss Account for the period ended 31st March 2011

	Schedule No. / (Note Reference)	Year Ended 31st March 2011 INR	Year Ended 31st March 2010 INR
<b>INCOME</b>			
Revenue from Operations	11	223,310,698	264,113,022
Other Income	12	1,763,150	919,116
		<b>225,073,848</b>	<b>265,032,138</b>
<b>EXPENDITURE</b>			
Personnel	13	97,094,139	102,506,506
Development, Production and Execution	14	54,452,462	93,599,333
Administration and Others	15	49,548,937	42,563,208
Selling and Marketing	16	15,616,034	32,302,703
Interest and Finance Charges	17	68,807	60,838
Depreciation and Amortisation	4	4,875,510	2,599,653
		<b>221,655,889</b>	<b>273,632,241</b>
Profit before Tax and share of Associates' profits		<b>3,417,959</b>	<b>(8,600,103)</b>
<b>Tax Expense</b>			
- Current		(651,126)	(2,970,554)
- Deferred charge / (credit)		-	-
- Fringe Benefits Tax		-	-
- MAT Credit Entitlement		-	-
<b>Profit after Tax before</b>		<b>4,069,085</b>	<b>(5,629,549)</b>

#### NOTES TO ACCOUNTS

A

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

NOTE : PROFIT AND LOSS ACCOUNT has been converted using the conversion rate of exchange at the date of transaction.

**NIIT China (Shanghai) Limited**

**Schedules annexed to and forming part of the Balance Sheet  
as at 31st March 2011**

<b>Schedule No.</b>		<b>As At 31st March 2011 INR</b>		<b>As At 31st March 2010 INR</b>	
<b>1</b>	<b>SHARE CAPITAL</b>				
	<b>Paid-up</b>		10,250,891		10,250,891
			<u><b>10,250,891</b></u>		<u><b>10,250,891</b></u>
<b>2</b>	<b>RESERVES AND SURPLUS</b>				
	<b>General Reserve</b>				
	As per Last Balance Sheet	50,471,973		56,101,522	
	Add : Transferred from Profit and Loss account	<u>-</u>	50,471,973	<u>-</u>	56,101,522
	<b>Profit &amp; Loss Account</b>		4,069,085	(5,629,549)	(5,629,549)
			<u><b>54,541,058</b></u>		<u><b>50,471,973</b></u>
<b>3</b>	<b>CURRENCY TRANSLATION RESERVE</b>				
	As per Last Balance Sheet		7,520,692		15,846,446
	Increase / (Decrease) during the year on translation of balances		<u>197,817</u>		<u>(8,325,754)</u>
			<u><b>7,718,509</b></u>		<u><b>7,520,692</b></u>

**NIIT China (Shanghai) Limited**

Schedules annexed to and forming part of the Balance Sheet as at 31st March, 2011 (Contd.)

**4 Fixed Assets**

Figures in INR

Description of Assets	GROSS BLOCK					DEPRECIATION AND AMORTISATION					NET BLOCK	
	Cost as on 01.04.2010	Additions during the Year	Sales / Adj. during the Year	Translation Adjustment	Total as on 31.03.2011	As on 01.04.2010	Charge For the Year	Sales / Adj. during the Year	Translation Adjustment	Total as on 31.03.2011	As on 31.03.2011	As on 31.03.2010
<b><u>Tangible</u></b>												
Plant & Machinery												
Owned	8,476,059	116,366	-	559,353	9,151,778	5,951,846	863,253	-	180,980	6,996,079	2,155,699	2,524,213
Leased	-	-	-	-	-	-	-	-	-	-	-	-
Lease Hold Improvements	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures												
Owned	2,478,533	-	-	74,078	2,552,611	2,048,940	185,071	-	63,339	2,297,350	255,261	429,593
Leased	-	-	-	-	-	-	-	-	-	-	-	-
Vehicles	1,475,690	1,645,056	1,475,690	15,863	1,660,919	1,328,121	125,291	1,328,121	(722)	124,569	1,536,350	147,569
Sub Total (a)	12,430,282	1,761,422	1,475,690	649,294	13,365,308	9,328,907	1,173,615	1,328,121	243,597	9,417,998	3,947,310	3,101,375
<b><u>Intangible (Educational Contents/ Products)</u></b>												
Software												
- Acquired	-	-	-	-	-	-	-	-	-	-	-	-
- Internally Generated	12,295,041	-	-	63,701	12,358,742	600,000	3,701,895	-	23,665	4,325,560	8,033,182	11,695,041
Sub Total (b)	12,295,041	-	-	63,701	12,358,742	600,000	3,701,895	-	23,665	4,325,560	8,033,182	11,695,041
<b>Total (a+b)</b>	<b>24,725,323</b>	<b>1,761,422</b>	<b>1,475,690</b>		<b>25,724,050</b>	<b>9,928,907</b>	<b>4,875,510</b>	<b>1,328,121</b>		<b>13,743,558</b>	<b>11,980,492</b>	<b>14,796,416</b>

# **NIIT China (Shanghai) Limited**

## **Schedules annexed to and forming part of the Balance Sheet as at 31st March 2011**

Schedule No.		As At 31st March 2011 INR	As At 31st March 2010 INR
<b>5</b>	<b>INVENTORIES</b>		
	Raw Material	-	-
	Finished Goods		
	- Education and Training Material*		
	- Traded	3,589,180	4,539,718
	- Manufactured	<u>-</u>	<u>4,539,718</u>
	-Software**	0	48,792
		<u><b>3,589,180</b></u>	<u><b>4,588,510</b></u>
<b>6</b>	<b>SUNDRY DEBTORS</b>		
	<b>[Unsecured]</b>		
	Outstanding over six months :		
	- Considered good	90,837,400	99,785,849
	- Considered doubtful	37,904,344	23,450,099
	Other debts :		
	- Considered good	0	0
	- Considered doubtful	<u>0</u>	<u>0</u>
		128,741,744	123,235,948
	Less : Provision for Doubtful Debts	37,904,344	23,450,099
		<u><b>90,837,400</b></u>	<u><b>99,785,849</b></u>

**NIIT China (Shanghai) Limited**

**Schedules annexed to and forming part of the Balance Sheet  
as at 31st March 2011**

		<b>As At 31st March 2011 INR</b>	<b>As At 31st March 2010 INR</b>
<b>7 CASH AND BANK BALANCES</b>			
Cash and Cheques in Hand		112,229	86,053
Balances with Banks in :			
- Current Accounts		17,484,860	17,333,417
Exchange Earners' Foreign Currency Account		-	(8,728)
		<u>17,597,089</u>	<u>17,410,742</u>
<b>8 LOANS &amp; ADVANCES</b>			
(Unsecured, considered good except where otherwise stated)			
Deferred Expenses			
- Royalty		-	-
- Commission	(23,680)	(23,680)	(628)
Advances recoverable in cash or in kind or for value to be received			
- Considered Good	31,186,963		27,505,469
- Considered Doubtful	-		-
	<u>31,186,963</u>	<u>27,505,469</u>	<u>-</u>
Less : Provision for Doubtful Advances	-	31,186,963	27,505,469
Security Deposits			
-Considered Good	2,922,864		2,901,416
-Considered Doubtful	-		-
	<u>2,922,864</u>	<u>2,901,416</u>	<u>-</u>
Less : Provision for Doubtful Security Deposits	-	2,922,864	2,901,416
		<u>34,086,147</u>	<u>30,406,257</u>

# NIIT China (Shanghai) Limited

## Schedules annexed to and forming part of the Balance Sheet as at 31st March 2011

Schedule No.		As At 31st March 2011 INR	As At 31st March 2010 INR
9	<b>CURRENT LIABILITIES</b>		
	Sundry Creditors	98,456,683	106,962,123
	Advances from Customers	1,063,463	2,956,620
	Other Liabilities	2,246,707	2,555,096
		<u>101,766,853</u>	<u>112,473,839</u>
10	<b>PROVISIONS</b>		
	Provision for Compensated Absences	6,269,148	5,550,905
	Provision for Tax	141,334	1,879,679
		<u>6,410,482</u>	<u>7,430,584</u>



**NIIT China (Shanghai) Limited**

**Schedules annexed to and forming part of the Profit and Loss Account  
Year Ended 31st March 2011**

<b>Schedule No.</b>		<b>Year Ended 31st March 2011 INR</b>	<b>Year Ended 31st March 2010 INR</b>
<b>11</b>	<b>REVENUE FROM OPERATIONS</b>		
	Revenue	223,310,698	264,113,022
		<u>223,310,698</u>	<u>264,113,022</u>

NIT China (Shanghai) Limited

Schedules annexed to and forming part of the Profit and Loss Account  
Year Ended 31st March 2011

Schedule No.		Year Ended 31st March 2011 INR	Year Ended 31st March 2010 INR
<b>12</b>	<b>OTHER INCOME</b>		
	Miscellaneous *	1,763,150	919,116
		<u>1,763,150</u>	<u>919,116</u>
* Miscellaneous income includes interest derived from the personal loan provided to two shareholders of Imperia China and Imperia Jing'an School in the reviewing period. The annual interest rate is 7%			
<b>13</b>	<b>PERSONNEL</b>		
	Salaries and Benefits	79,883,528	84,828,587
	Contribution to retirement benefit funds	12,296,162	13,269,435
	Employees Stock Option Expenses / (write back)	-	(94,440)
	Welfare and other expenses	4,914,449	4,502,924
		<u>97,094,139</u>	<u>102,506,506</u>
<b>14</b>	<b>DEVELOPMENT, PRODUCTION AND EXECUTION</b>		
	Courseware and Manuals	39,688,615	44,404,482
	Bought out Packages/Products	11,117,555	38,711,391
	Professional Charges	2,431,491	3,483,917
	Equipment Hiring	-	-
	Royalties	1,214,801	6,999,543
		<u>54,452,462</u>	<u>93,599,333</u>
<b>15</b>	<b>ADMINISTRATION AND OTHERS</b>		
	Rent (net of recoveries)	12,974,119	13,053,942
	Rates and Taxes	516,107	180,437
	Electricity and Water	537,870	317,684
	Communication	2,701,798	2,579,152
	Legal and Professional	4,584,530	2,607,225
	Traveling and Conveyance	12,197,537	15,445,172
	Bad debts and provision for doubtful debts	13,927,565	4,984,228
	Less: Provision for doubtful debts written back	<u>-</u>	<u>-</u>
		13,927,565	4,984,228
	Insurance Premium	456,454	664,238
	Repairs and Maintenance		
	- Plant and Machinery	-	-
	- Buildings	-	-
	- Others	<u>922,571</u>	<u>1,113,122</u>
		922,571	1,113,122
	Loss on exchange fluctuation (Net)	(1,938,939)	23,023
	Loss on Sale of Fixed Assets (Net)	150,528	-
	Sundry Expenses	2,518,797	1,594,985
		<u>49,548,937</u>	<u>42,563,208</u>
<b>16</b>	<b>SELLING &amp; MARKETING</b>		
	Advertisement and Publicity	2,417,247	7,512,746
	Others	13,198,787	24,789,957
		<u>15,616,034</u>	<u>32,302,703</u>
<b>17</b>	<b>INTEREST AND FINANCE CHARGES</b>		
	Bank, Discounting and Other Financial Charges	68,807	60,838
		<u>68,807</u>	<u>60,838</u>

## **Notes to Accounts to the Financial Statements**

### **1. General Information**

NIIT China (Shanghai) Limited ("the Company") was incorporated in the People's Republic of China on August 23, 2000 as a wholly foreign owned enterprise. The Company principally engaged in the producing, selling software and multimedia, providing professional information technology training and services. The registered capital of the Company is USD 210,000. The approved business period of the Company is from August 23, 2000 to August 22, 2030.

On March 14, 2008, NIIT Wuxi Service Outsourcing Training School ("Wuxi School") was jointly set up by the Company and Wuxi An Ai Ai Di Education and Training Co., Ltd. Wuxi School engaged in providing non-diploma education, such as computer information technology training and relevant outsourcing training services. The registered capital of Wuxi School is RMB 800,000. The Company owns 60% of equity interest of Wuxi School. The approved business period of Wuxi School is from March 14, 2008 to March 14, 2011.

On May 13, 2008, Chongqing NIIT Education Consulting Ltd. ("Chongqing Consulting") was jointly set up by the Company and Chongqing Suobosi Business Consulting Co, Ltd. The registered capital of Chongqing Consulting is RMB 600,000. The Company owns 60% of equity interest of Chongqing Consulting. The approved business period is from May 13, 2008 to May 31, 2038.

On August 22, 2008, NIIT Chongqing Training Center ("Chongqing School") was established and fully controlled by Chongqing Consulting. Chongqing School engaged in providing non-diploma education, such as computer information technology training and relevant outsourcing training services. The registered capital is RMB 300,000. The approved business period is from August 22, 2008 to August 21, 2012.

On June 19, 2009, Wuxi NIIT Information Technology Consulting Limited ("Wuxi Consulting") is formed by the Company in association with Wuxi An Ai Ai Di Education Training Limited. The registered capital is RMB 800,000. The Company owns 60% of the equity interest. Wuxi Consulting engaged in providing consulting and training services on information technology.

On September 2, 2009, Changzhou NIIT Information Technology Consulting Limited ("Changzhou Consulting") was set up and fully controlled by Wuxi Consulting. The registered capital is RMB 500,000. The approved business period is from September 2, 2009 to September 1, 2059.

On March 29, 2010, NIIT Changzhou Training Center ("Changzhou School") was established and fully controlled by Changzhou Consulting. Changzhou School

engaged in providing non-diploma education, such as computer information technology training and relevant outsourcing training services. The registered

On March 29, 2010, NIIT Changzhou Training Center ("Changzhou School") was established and fully controlled by Changzhou Consulting. Changzhou School engaged in providing non-diploma education, such as computer information technology training and relevant outsourcing training services. The registered capital is RMB 400,000. The approved business period is from March 29, 2010 to December 21, 2013.

On April 28, 2010, Suzhou NIIT Information Technology Consulting Limited ("Suzhou Consulting") was set up and fully controlled by Wuxi Consulting. The registered capital is RMB 500,000. The approved business period is from April 28, 2010 to April 27, 2060.

The Company, Wuxi School, Chongqing Consulting, Chongqing School, Wuxi Consulting, Changzhou Consulting, Changzhou School and Suzhou Consulting are collectively referred to as the Group.

## **2. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **2.1 Basis of preparation**

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

However, the INR financial statement have been converted into INR equivalents on the basis of principles stated in the "Certificate" annexed hereto with the company's financials.

## **2.2 Consolidation**

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to March 31, 2011.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## **2.3 Foreign currency translation**

### **(a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Group's functional and presentation currency.



(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'.

All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains - net'.

## 2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost to the residual values over the estimated useful lives as follows:

	Useful lives
Machinery	5 years
Vehicles	5 years
Furniture	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other (losses)/gains - net, in the income statement.

## **2.5 Intangible assets**

Cost incurred on internal development of courseware and products are capitalized as intangible assets when the following criteria are met

- it is technically feasible to complete the courseware and products so that it will be available for use;
- management intends to complete the courseware and products and use or sell it;
- there is an ability to use or sell the courseware and products;
- it can be demonstrated how the courseware and products will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the courseware and products are available; and
- the expenditure attributable to the courseware and products during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the courseware and products include the courseware development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Courseware and products development costs recognized as assets are amortized over their estimated useful lives.

## **2.6 Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortization and are tested periodically for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount IS the higher of an asset's fair value less costs to sell and value in use. Non-financial assets other than goodwill that suffered on impairment are reviewed for possible reversal of the impairment at each reporting date.

## **2.7 Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense.

## **2.8 Financial instruments**

Financial assets and financial liabilities carried on the balance sheet include cash and bank balances, trade and other receivables and trade and other payables.

## **2.9 Trade and other receivables**

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the expenditures in the income statement.

## **2.10 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.



### **2.11 Employee benefits**

The Group participates in a mandatory government employee social security plans, including pension, medical, housing and other welfare benefits, arranged by the government authorities in accordance with relevant regulations. According to the relevant regulations, the premium and welfare benefit contributions are remitted to the social welfare authorities and are calculated based on percentages of the total salary of employees, subject to a certain ceiling and floor. Contributions to the plans are charged to the income statement.

Under the plans, retirement benefits of existing and retired employees are guaranteed by the local authorities and the Group has no further obligation beyond the monthly contributions.

### **2.12 Provisions**

Provisions are recognized when the Group has a present obligation or constructive obligation as a result of past transactions or events, it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

### **2.13 Revenue recognition**

Revenue comprises the receivable for the sale of goods and the provision of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. The Group's services are provided within the same

accounting period, and are recognized as revenue when the services are provided.

Interest income is recognized on a time-proportion basis using the effective interest method.

#### **2.14 Operating leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lesser are classified as operating leases. Payments made under operating leases (net of any incentives received from the lesser) are charged to the income statement on a straight-line basis over the lease periods.

#### **2.15 Deferred income tax**

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

### **3. Financial Risk Management**

#### **3.1 Foreign Risk Factors**

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest rate risk.

Risk management is carried out by finance department under policies approved by the Board of Directors.

**a) Foreign exchange risk**

The Group operates domestically and is not significantly exposed to foreign exchange risk arising from any currency exposures. Accordingly, the Group has not used any forward contracts or currency borrowings to hedge its exposure to foreign currency risk.

**b) Credit risk**

The Group has no significant concentrations of credit risk. It has policies in place to ensure that technical services are rendered to customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any financial institution.

**c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents together with adequate banking facilities.

**d) Cash flow and fair value interest rate risk**

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

**3.2 Fair Value estimation**

The carrying amounts of the following financial assets and financial liabilities approximate their fair value due to their short maturities: cash and cash equivalents, trade and other receivables, trade and others payables.

**4. Critical Accounting Estimates and Judgments**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definitions, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**(1) Impairment of receivables**

The Group's management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its

customers and the current market condition. Management reassesses the provision on each of the balance sheet date.

(2) Deferred income tax assets

The Group's management determines the deferred tax assets based on the enacted or substantially enacted tax rates and law and best knowledge of profit projections of the Group for the coming years during which the deferred tax assets are expected to be utilized. Management will revise the assumption and profit projections by the balance sheet date.

**5. Taxation**

(1) Business Tax

Revenue derived from professional services provided by the Company, Chongqing Consulting, Wuxi Consulting, Changzhou Consulting and Suzhou Consulting is subject to business tax at 5% of gross service income.

Revenue derived from education courses provided by Wuxi School, Chongqing School and Changzhou School is subject to business tax at 3% of gross course fee income.

(2) Enterprise Income Tax ("EIT")

The Company is a foreign investment enterprise established in the Zhang Jiang Hi-Tech Park. Effective from January 1<sup>st</sup>, 2008, the Company shall pay the corporate income tax in accordance with the Corporate Income Tax Law of the People's Republic of China (hereinafter "the new CIT Law") as approved by the National People's Congress on March 16<sup>th</sup>, 2007. Under the new CIT Law, the corporate income tax rate applicable to the Company during a 5 year's transition period is 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011, 25% for 2012 and thereafter.

The applicable enterprise income tax rate for Wuxi School, Chongqing Consulting, Wuxi Consulting, Changzhou Consulting, Changzhou School and Suzhou Consulting is 25%. The applicable enterprise income tax rate for Chongqing School is 15% from January 1, 2010 to December 31, 2011.

The Group provides for income tax on the basis of its statutory income for financial reporting purpose, adjusting for income and expense items which are not assessable or deductible for income tax purposes and after considering all available tax benefits.



(3) Other taxes

Other taxes are provided in accordance with the prevailing PRC tax regulations.

6. Paid-in capital

	31-Mar-11			31-Mar-10		
	Amount	Amount	%	Amount	Amount	%
	(RMB)	(INR)		(RMB)	(INR)	
NIIT GC Limited	1,738,412	10,250,891	100%	1,738,412	10,250,891	100%

The paid-in capital is USD 210,000 (RMB equivalent: 1,738,412 INR equivalent: 10,250,891) which is fully contributed by NIIT GC Limited. All of the paid-in capital was verified by a local CPA firm.

7. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) Names of related companies and nature of relationship:

Entity Name	Nature of relationship
NIIT Limited	Ultimate parent company
NIIT GC Limited	Parent company
NIIT UK	Controlled by the same ultimate parent company
NIIT (USA) Inc.	Controlled by the same ultimate parent company
Evolv Services Limited	Controlled by the same ultimate parent company
Element K Corporation, USA	Controlled by NIIT USA Inc.
NIIT Technologies Limited and its subsidiaries	Under which the ultimate parent company exercises significant influence
Wuxi An Ai Ai Di Education and Training Co., Ltd.	Local partner with whom jointly set up Wuxi School and Consulting

**(b) Significant related party transactions and balances****(1) Pricing Policy**

The Group's pricing policies on receiving or providing services are determined by internal negotiation with reference to market situation.

Significant balances with related parties:

	Year ended 31 March 2011		Year ended 31 March 2010	
	RMB	INR	RMB	INR
<b>Trade and other receivables</b>				
- NIIT Limited UK	26,013	177,066	-	-
- NIIT Technologies Pte. Limited, Singapore.			276,982	1,915,321
- NIIT Limited	48,308	309,260	48,308	334,048
- Element K Corporation, USA			372,339	2,574,712
- NIIT Technology Limited India	1,672	11,381	1,672	11,562
- Wuxi An Ai Ai Di Education and Training Co., Ltd.			320,000	2,212,789
<b>Total</b>	<b>75,993</b>	<b>497,707</b>	<b>1,019,301</b>	<b>7,048,432</b>
<b>Trade and other Payables</b>				
NIIT GC Limited	7,795,944	52,928,064	7,632,983	52,781,822
Element K Corporation, USA	-1,909	-12,947	-1,909	-13,201
NIIT USA Inc.			-	-
- NIIT Technologies Pte Limited, Singapore.			181,061	1,252,031
- NIIT Limited	69,153	469,492	69,153	478,191
- PCEC NIIT Institution of Information Technology - Evolv Services Limited			- 21,030	- 145,422
<b>Total</b>	<b>7,863,188</b>	<b>53,384,609</b>	<b>7,902,318</b>	<b>54,644,265</b>

Significant transactions with related parties:

	As at 31 March			
	2011		2010	
	RMB	INR	RMB	INR
<b>Rendering of Services</b>				
- NIIT Technologies Pte Limited, Singapore	413,900	2,839,098	489,012	3,381,502
- Element K Corporation, USA	112,746	773,368	-	
- NIIT Limited UK	162,242	1,112,880	-	-
<b>Royalty fee</b>				
-NIIT GC Limited	162,962	1,061,281	873,926	6,043,169
<b>Rental Expenses</b>				
- PCEC NIIT Institution of Information Technology			-	
<b>Receiving of Service</b>				
PCEC NIIT Institution of Information Technology			85,000	587,772
Element K Corporation USA	112,746		-	
- Evolv Services Limited			21,030	145,422
<b>Purchases</b>				
NIIT USA Incorporation			38,435	265,777
Payment on behalf of - PCEC NIIT Institution of Information Technology			3,002,464	20,761,938
Collection on behalf of - PCEC NIIT Institution of Information Technology			3,273,488	22,636,060

## 9. Commitments

### Operating lease commitments

The Consolidated future aggregate minimum lease payments due under non-cancelable operating leases are as follows:

	As at 31 March			
	2011	2011	2010	2010
	RMB	INR	RMB	INR
Less than 1 year	3,141,431	21,314,107	2,580,819	17,002,177
Between 1 and 2 years	2,787,340	18,911,656	1,493,512	9,839,108
Between 2 and 3 years	574,540	3,898,162	1,642,878	10,823,116
Above 3 years	164,246	1,114,383	226,938	1,495,045
Total	6,667,557	45,238,308	5,944,147	39,159,446