

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 annual report of **NIIT GC Limited** for the financial year ended on 31st March, 2011, audited by **PRICEWATERHOUSECOOPERS**, 18 CyberCity, Ebene, Republic of Mauritius, and enclosed as Annexure A, 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 st March 2011 i.e. 1 USD = 44.4000 INR
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.

For Ghosh Khanna & Co.
Chartered Accountants



(Amit Mittal)

Partner

Membership No.508748

Place: New Delhi

Date: 4th May 2011

Encls: **Annexure A: Audited Balance Sheet**

Annexure B: Converted Balance Sheet

Branches:

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NIIT GC Limited

Balance Sheet as at 31st March 2011

	Schedule No. / (Note Reference)	As at 31st March 2011 INR	As at 31st March 2010 INR
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	97,181,720	97,181,720
Currency Translation Reserve	3	<u>3,293,950</u>	<u>3,334,273</u>
Unsecured Loans	4	13,320,000	13,492,440
		<u>113,795,670</u>	<u>114,008,433</u>
APPLICATION OF FUNDS			
INVESTMENTS		10,261,289	10,261,289
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry Debtors	5	45,110,400	44,615,002
Cash and Bank Balances	6	<u>4,393,914</u>	<u>5,452,836</u>
		<u>49,504,314</u>	<u>50,067,838</u>
Less : CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	7	<u>30,185,727</u>	<u>28,455,123</u>
		<u>30,185,727</u>	<u>28,455,123</u>
Net Current Assets		19,318,587	21,612,715
Profit & Loss Account	2	84,215,794	82,134,429
		<u>113,795,670</u>	<u>114,008,433</u>

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NOTES TO ACCOUNTS

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 : USD 1 = INR 44.4000 (Previous year USD 1 = INR 44.9748)

NIIT GC 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
INCOME			
Revenue from Operations	8	1,103,200	6,113,140
		1,103,200	6,113,140
EXPENDITURE			
Development, Production and Execution	9	1,103,200	6,113,140
Administration and Others	10	1,376,983	1,103,160
Selling and Marketing	11	-	-
Interest and Finance Charges	12	704,382	723,610
		3,184,565	7,939,910
Profit before Tax and share of Associates' profits		(2,081,365)	(1,826,770)
Tax Expense			
- Current		-	-
- Deferred charge / (credit)		-	-
- Fringe Benefits Tax		-	-
- MAT Credit Entitlement		-	-
Profit after Tax before		(2,081,365)	(1,826,770)

NOTES TO ACCOUNTS

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Schedules referred to above form an integral part of the Profit and Loss Account.

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

NIIT GC 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
1 SHARE CAPITAL			
Paid-up			
2000000 Ordinary Shares of USD 1 each		97,181,720	97,181,720
		<u>97,181,720</u>	<u>97,181,720</u>
2 PROFIT & LOSS ACCOUNT			
As per Last Balance Sheet	(82,134,429)	(80,307,659)	
Add : Transferred from Profit and Loss account	<u>(2,081,365)</u>	<u>(84,215,794)</u>	<u>(1,826,770)</u>
		<u>(84,215,794)</u>	<u>(82,134,429)</u>
3 CURRENCY TRANSLATION RESERVE			
As per Last Balance Sheet		3,334,273	4,520,473
Increase / (Decrease) during the year on translation of balances		<u>(40,323)</u>	<u>(1,186,200)</u>
		<u>3,293,950</u>	<u>3,334,273</u>
4 UNSECURED LOANS			
Other Loans		13,320,000	13,492,440
		<u>13,320,000</u>	<u>13,492,440</u>

NIIT GC 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
5 SUNDRY DEBTORS		
[Unsecured]		
Outstanding over six months :		
- Considered good	45,110,400	44,615,002
- Considered doubtful	-	-
Other debts :		
- Considered good	-	-
- Considered doubtful	-	-
	<u>45,110,400</u>	<u>44,615,002</u>
Less : Provision for Doubtful Debts	-	-
	<u><u>45,110,400</u></u>	<u><u>44,615,002</u></u>

NIIT GC Limited

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

	As At 31st March 2011 INR	As At 31st March 2010 INR
6 CASH AND BANK BALANCES		
Balances with Banks in :		
- Current Accounts	<u>4,393,914</u>	<u>5,452,836</u>
	<u>4,393,914</u>	<u>5,452,836</u>

NIIT GC 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
7 CURRENT LIABILITIES		
 Sundry Creditors	 30,185,727	 28,455,123
	<u>30,185,727</u>	<u>28,455,123</u>

NIIT GC 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
16 REVENUE FROM OPERATIONS		
Revenue	1,103,200	6,113,140
	<u>1,103,200</u>	<u>6,113,140</u>

NIIT GC 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
10 DEVELOPMENT, PRODUCTION AND EXECUTION		
Courseware and Manuals	1,103,200	6,113,140
	<u>1,103,200</u>	<u>6,113,140</u>
11 ADMINISTRATION AND OTHERS		
Legal and Professional	1,376,983	1,057,081
Sundry Expenses	-	46,079
	<u>1,376,983</u>	<u>1,103,160</u>
12 INTEREST AND FINANCE CHARGES		
Bank, Discounting and Other Financial Charges	5,873	5,859
Interest Expense:		
- Fixed Loans	698,509	717,751
- Non Convertible Debentures	-	-
- Others	-	-
	<u>698,509</u>	<u>717,751</u>
	-	717,751
	<u>704,382</u>	<u>723,610</u>

NIIT GC LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2011

1 GENERAL INFORMATION

The Company is a limited liability company incorporated on 25 April 1997 and domiciled in the Republic of Mauritius. The Company holds a Category 1 Global Business Licence under the Financial Services Act 2001 and is regulated by the Financial Services Commission. The Company has its registered office at c/o Abax Corporate Services Ltd, 6th Floor, Tower A, 1 CYBERCITY, Ebène, Mauritius.

These financial statements were authorised for issue by the Board of Directors on 4th May 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as modified by the exemption from consolidation in the Mauritian Companies Act 2001 for Companies holding a Category 1 Global Business Licence (IFRS as modified by Mauritian Companies Act 2001). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS as modified by the exemption from consolidation for companies holding a Category 1 Global Business Licence requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed in Note 4.

Standards, interpretations and amendments to published standards effective in 2009

The directors have assessed the relevance of the standards, amendments and interpretations to the existing standards that have been published and are mandatory for the Company's accounting periods beginning on 01 January 2009, and concluded that these are not relevant to the Company's operations except as below:

- IAS 1 (revised). 'Presentation of financial statements' – effective 01 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards, interpretations and amendments to published standards effective in 2009 (Continued)

- The Company has applied IAS 1 (revised) from 01 April 2009, and has elected to present solely a statement of comprehensive income. The adoption of this revised standard has not resulted in a significant change to the presentation of the Company's performance statement, as the Company has no elements of other comprehensive income.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company.

The directors have assessed the relevance of new Standards, interpretations and amendments to existing Standards that are mandatory for the Company's accounting periods beginning on or after 01 April 2010 and which the Company has not early adopted, and have concluded that these will not have a significant impact on the financial statements for the year ended 31 March 2011.

• Consolidation

The Company has taken advantage of the exemption provided by the Mauritian Companies Act 2001 allowing a wholly owned or virtually owned parent company holding a Category 1 Global Business Licence not to present consolidated financial statements.

The financial statements are therefore separate financial statements which gives information about NIIT GC Limited as an individual company and do not contain consolidated financial information as the parent of a group.

• Subsidiaries

Subsidiaries are all entities over which the Company 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 Company controls another entity.

Investments in subsidiaries are shown at cost in the Company's financial statements. Where an indication of impairment exists, the recoverable amount of the investment is assessed. Where the recoverable amount of the investment is less than its carrying amount, the investment is written down immediately to its recoverable amount and the impairment loss is recognised as an expense in the income statement.

On disposal of the investment, the difference between the net disposal proceeds and the carrying amount is charged to the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

- Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in United States dollar ("USD"), which is the Company's functional currency.

- 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 recognised in the income statement.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation 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 its recoverable amount, being the present value of estimated future cash flows, discounted at the original 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 'administrative expenses' in the income statement. Bad debts are written off in the year in which they are identified.

Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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 realised or the deferred income tax liability is settled.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents include cash at bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Share capital

Ordinary shares are classified as equity.

Revenue recognition

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

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

Financial instruments

Financial instruments carried on the balance sheet include trade receivables, cash and cash equivalents, trade and other payables and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

(a) Recognition

The Company recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

(b) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The contractual rights to receive cash flows from the asset have expired;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- Either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

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

(a) Market risk

Market risk comprises of currency risk, price risk, fair value interest rate risk and cash flow interest rate risk.

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument fluctuate because of changes in market prices.

Foreign currency risk, as defined in IFRS 7, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. As at 31 March 2011, the Company is not exposed significantly to foreign currency risk.

(ii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. As at 31 March 2011, the Company is not exposed to price risk as it holds unquoted investments in shares which are classified as investment in subsidiary and are carried at cost.

(ii) Cash flow and fair value interest rate risk

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

The Company's fair value interest rate risk arises with its borrowings. The Company is however not subject to significant amount of risk due to fluctuations of the prevailing levels of market interest rates as it has a borrowing at a fixed rate from its immediate parent.

(b) Credit risk

Credit risk arises from credit exposures to customers, including outstanding receivables and committed transactions.

The Company's sole debtor is its subsidiary namely NIIT China (Shanghai) Limited which is profitable and has the capacity to pay back its debt and thus does not have significant credit risk.

The maximum exposure to credit risk is represented by the carrying amount of the asset at the financial position date.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations, associated with its financial liabilities when they fall due.

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. Liquidity risk is managed at group level and the Company obtains financial support from its parent.

As at 31 March 2011, the Company had financial liabilities comprising of trade and other payables of **USD 679,859** (2010- USD 632,690) and borrowings of **USD 300,000** (2010- USD 300,000) that have no fixed term of repayment. The Company has financial Assets of USD 1,114,962 (2010- USD 1,113,242) that can be recalled on demand. In addition the company has resource to its parents for its financing requirement. Hence no significant liquidity risk is foreseen..

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The capital of the Company consists of equity and funding will also be made from its immediate parent through borrowings.

Fair value estimation

The carrying amount of trade receivables, cash and cash equivalents, trade and other payables and borrowings approximate their fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results that affect the reported amounts of assets and liabilities within the next year.

The estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

The Company follows the guidance of IAS 36 (revised 2004) – Impairment of Assets to ensure that its investments are carried at no more than their recoverable amount. An investment is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the investment. If this is the case, the investment is described as impaired and the Company recognizes an impairment loss.

In accordance with IAS 36 paragraph 12, the Company has considered external information in terms of whether there are significant changes with an adverse effect on the investee companies have taken place during the year, or will take place in the near future in the technological, market, economic or legal environment in which the investee companies operate as well as internal sources of information in terms of expected returns from the investee companies.

Mauritius:

The Company invests in the People's Republic of China ("PRC") and the directors expect to obtain benefits under the double taxation treaty between Mauritius and PRC. To obtain benefits under the double taxation treaty the Company must meet certain tests and conditions, including the establishment of Mauritius tax residence and related requirements. The Company has obtained a tax residence certification from the Mauritian authorities and believes such certification is determinative of its resident status for treaty purposes. A company which is tax resident in Mauritius under the treaty, will not be subject to capital gains tax in PRC on gains from the disposal of shares of a company, the property of which does not consist, directly or indirectly, principally of immovable property situated in PRC. Dividends received may, however, be subject to withholding tax at a rate not exceeding 5%. The company may also be subject to withholding tax on interest earned on Chinese securities at the rate of 10%.

The Company has been granted a Category 1 Global Business License under the Financial Services Act 2007 and is subject to income tax in Mauritius at 15%. It is, however, entitled to a tax credit equivalent to the higher of the actual foreign tax suffered and 80% of the Mauritian tax on its foreign source income, thereby giving an effective rate of 3%. At 31 2011 the Company had accumulated tax losses amounting to **USD 267,823** (2010 – USD 222,375) and therefore no tax provision is required. Capital gains of the Company are exempt from tax in Mauritius.

The foregoing is based on current interpretation and practice and is subject to any future changes in Chinese and Mauritian tax laws and in the tax treaty between PRC and Mauritius.

6 INVESTMENTS IN SUBSIDIARIES

Details of the Company's subsidiary companies, which are incorporated in the People's Republic of China, are:

Name	Description of shares held	Cost of investment s	% holding	Principal activity
NIIT China (Shanghai) Limited	Ordinary	USD 210,000 (INR 10,261,289)	100.00	Providing IT training and services

6 INVESTMENTS IN SUBSIDIARIES (Continued)

Following a shareholders' resolution, the investment in PCEC NIIT Institute of Information Technology has been liquidated on 18 March 2010. No liabilities were borne by the company in respect of this liquidation.

Based on the management accounts for the year ended 31 March 2011 and the forecast financial statements of NIIT China (Shanghai) Limited, management believes that the investment has not been impaired and therefore it is appropriate to carry the investment at cost.

7. RELATED PARTY TRANSACTIONS

During the year ended 31 March 2011, the Company traded with related parties. The nature, volume of transactions and the balances with the related parties were as follows:

		2011 (USD)	2011 (INR)	2010 (USD)	2010 (INR)
Sale of services					
Royalty and license fees					
NIIT China (Shanghai) Limited		24000	1,103,200	128000	6,043,853
Purchase of services					
Royalty and license fees					
NIIT Antilles NV		24000	1,103,200	128000	6,043,853

		2011 (USD)	2011 (INR)	2010 (USD)	2010 (INR)
Loan from holding company					
NIIT Antilles N.V		300,000	13,410,000	300,000	13,492,440
Receivable from Subsidiary					
NIIT China (Shanghai) Limited		1,016,000	45,415,200	992,000	44,615,002
Amount Payable to holding company					
NIIT Antilles N.V		654,398	29,253,423	615,190	27,668,064

8. IMMEDIATE PARENT AND ULTIMATE PARENT

The directors consider NIIT Antilles N.V, a company incorporated in the Netherlands, and NIIT Limited, a company incorporated in India, as the Company's immediate parent and ultimate parent respectively.

9. INCORPORATION

The Company is incorporated in Mauritius under the Mauritian Companies Act 2001 as a private company with limited liability. The Company has been granted a Category 1 Global Business License under the Financial Services Act 2007 which requires that the Company's business or other activity is carried on in a currency other than the Mauritian Rupee.