

GHOSH KHANNA & CO.
CHARTERED ACCOUNTANTS

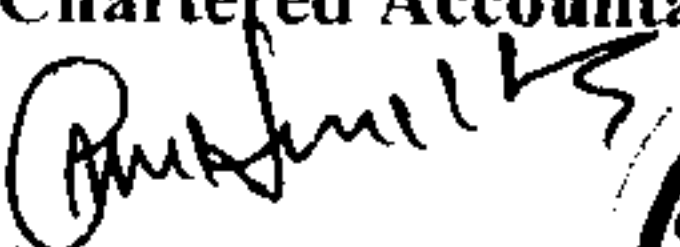
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TO WHOMSOEVER IT MAY CONCERN

This is to certify that the figures in foreign currency in the annual report of **NIIT Limited, UK** for the financial year ended on 31st March, 2011, audited by Donald Reid & Co., Prince Albert House, 20 King Street, Maidenhead, Berkshire, SL6 1DT, 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.	Other Balance Sheet Items	Exchange Rate as on 31 st March 2011 i.e. 1 GBP = 71.2818 INR
4.	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.508746



Place: New Delhi
Date: 5th May 2011

Encls: Annexure A: Audited Balance Sheet
Annexure B: Converted Balance Sheet

Branches:

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NIIT Limited UK

Balance Sheet As At 31st March 2011

	Schedule No./	As At 31st March 2011 INR	As At 31st March 2010 INR
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	12,649,466	12,649,466
Reserves & surplus	2&3	9,255,833	1,396,004
		<u>21,905,299</u>	<u>14,045,470</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	4	432,786	237,451
Less: Depreciation		<u>292,646</u>	<u>237,451</u>
Net Block		140,140	-
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry Debtors	5	99,386,523	71,424,924
Cash and Bank Balances	6	15,482,759	39,188,808
Loans and Advances	7	34,428,928	14,368,945
Other Current Assets	8	<u>49,928,667</u>	<u>23,932,985</u>
		<u>199,226,877</u>	<u>148,915,662</u>
Less : CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	9	<u>177,461,718</u>	<u>134,870,192</u>
		<u>177,461,718</u>	<u>134,870,192</u>
Net Current Assets		21,765,159	14,045,470
		<u>21,905,299</u>	<u>14,045,470</u>

NOTES TO ACCOUNTS

15

The Schedules referred to above form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date

NIIT Limited UK

Profit and Loss Account For the Year ended 31st March 2011

PARTICULARS	Schedule No./ Note Reference	Year Ended 31st March 2011 INR	Year Ended 31st March 2010 INR
INCOME			
Revenue from Operations		230,445,865	208,404,428
Other Income	10	37,528,389	4,520,891
		<u>267,974,254</u>	<u>212,925,319</u>
EXPENDITURE			
Personnel	11	38,512,676	31,671,693
Development, Production and Execution	12	195,733,433	149,956,633
Administration and Others	13	23,762,927	25,948,285
Marketing	14	1,854,401	6,090,336
Depreciation and Amortisation	4	45,061	48,385
		<u>259,908,498</u>	<u>213,715,332</u>
Profit / (Loss) before Tax		8,065,756	(790,013)
Tax Expense			
- Current		3,080,484	(457,932)
- Deferred Charge / (Credit)		-	-
		<u>3,080,484</u>	<u>(457,932)</u>
Profit / (Loss) after Tax		4,985,272	(332,081)
Balance brought forward from previous year		6,076,084	6,408,165
Balance transferred to Balance Sheet		<u>11,061,356</u>	<u>6,076,084</u>
Earnings per share - Basic & Diluted		0.21	(0.01)

NOTES TO ACCOUNTS

15

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

NIIT Limited UK

**Cash flow statement
For the period ended 31st March 2011**

	Year Ended 31st March 2011 INR	Year Ended 31st March 2010 INR
a Cash flow from operating activities:		
Net profit / (Loss) before tax	8,065,756	(790,013)
Adjustments for:		
Depreciation and Amortisation	45,061	48,385
Interest Expense	-	-
Interest Income	-	(9,456)
Unrealised exchange loss/(Profit)	(3,195,198)	(2,358,558)
Provision for doubtful debts/Amount written off	-	8,518,729
Operating profit before working capital changes	4,915,619	5,409,087
Adjustments for changes in working capital :		
- Trade Receivable	(24,766,401)	(8,191,264)
- Loans and advances	(22,221,596)	12,706,351
- Other Current Assets	(25,995,682)	4,035,590
- Trade and other Payables	42,591,526	14,260,256
Cash generated from operations -	(25,476,534)	28,220,020
- Taxes Paid (including TDS)	(918,871)	(3,231,561)
Net cash from Operating activities -	(26,395,405)	24,988,459
B. Cash flow from Investing activities:		
Interest Received (Revenue)	-	9,456
Net cash from / (used in) Investing activities -	(143,909)	9,456
Net Increase / (Decrease) in Cash & Cash Equivalents -	(26,539,314)	24,997,915
Currency Translation Adjustment	2,833,265	(2,235,399)
Cash and cash equivalents as at the beginning of the year (Refer Note 1 below)	39,188,808	16,426,292
Cash and cash equivalents as at the end of the year (Refer Note 1 below)	15,482,759	39,188,808

Notes :

1 Cash and cash equivalents comprise

Cash and Cheques in hand	10,671,121	-
Balance with Banks	4,811,638	39,188,808
	15,482,759	39,188,808

2 The above Cash flow statement has been prepared under the indirect method set out in AS -3 "Cash Flow Statements" as notified by Government of India under Section 211 (3C) of Companies Act, 1956

3 Figures in brackets indicate cash outflow.

4 Previous year figures have been regrouped and recasted wherever necessary to conform

5 The schedule nos. 1 to 17 form an integral part of the Cash Flow Statement

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

NIIT Limited UK

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		
	Authorized Share Capital		
	25,000,000 Equity Shares of USD 1 each	<u>25,000,000</u>	<u>25,000,000</u>
	Subscribed, Issued and Paid-up Capital		
	155,000 Equity Shares of GBP 1 each are held by the Holding Company NIIT Limited India	12,649,466	12,649,466
		<u>12,649,466</u>	<u>12,649,466</u>
2	Reserves & Surplus		
	As per Last Balance Sheet	6,076,083	6,408,165
	Profit and Loss Account	4,985,272	(332,081)
		<u>11,061,355</u>	<u>6,076,084</u>
3	Currency Translation Reserve		
	As per Last Balance Sheet	(4,680,080)	(785,294)
	Increase / (Decrease) during the year on translation of balances	2,874,557	(3,894,786)
		<u>(1,805,523)</u>	<u>(4,680,080)</u>

NIFT Limited UK

**Schedules annexed to and forming part of the Balance Sheet
As At 31st March 2011**

SCHEDULE : 4

All figures in INR

[illegible]

NIIT Limited UK

**Schedules annexed to and forming part of the Balance Sheet
As At 31st March 2011 [Contd]**

Schedule No.		As At 31st March 2011 INR	As At 31st March 2010 INR
5	SUNDRY DEBTORS		
	(Unsecured)		
	Debts outstanding for over six months		
	- Considered good	866,787	
	- Considered doubtful	<u>7,138,231</u>	<u>7,617,076</u>
		8,005,018	7,617,076
	Less: Provision for Doubtful Debts	<u>7,138,231</u>	<u>7,617,076</u>
		866,787	-
	Outstanding for less than six months		
	- Considered good	98,837,806	69,393,831
	- Considered doubtful	<u>-</u>	<u>-</u>
		98,519,736	71,424,924
	Less: Provision for Doubtful Debts	<u>98,519,736</u>	<u>71,424,924</u>
		<u><u>99,386,523</u></u>	<u><u>71,424,924</u></u>
6	CASH AND BANK BALANCES		
	Cheques in Hand	10,671,121	-
	Balance with Non-scheduled banks in :		
	- Current Accounts	4,811,638	39,188,808
		<u><u>15,482,759</u></u>	<u><u>39,188,808</u></u>
7	LOANS & ADVANCES		
	(Unsecured, considered good)		
	Loans and Advances to Affiliates recoverable in cash or in kind or for value to be received	25,100,013	12,479,850
	Other Loans and Advances recoverable in cash or in kind or for value to be received	10,193,679	592,246
	Security Deposits	-	-
	Advance Tax	2,126,622	1,296,849
	Less: Provision for Tax	<u>(2,991,386)</u>	<u>(864,764)</u>
		<u><u>34,428,928</u></u>	<u><u>14,368,945</u></u>

NIIT (USA) Inc., USA

Schedules annexed to and forming part of the Balance Sheet As At 31st March 2011 [Contd]

Schedule No.		As At 31st March 2011 INR	As At 31st March 2010 INR
8	Other Current Assets [Unsecured, considered good]		
	Unbilled Revenue (Net)	47,759,143	15,895,874
	Deferred revenue expenditure	2,169,524	8,037,111
		49,928,667	23,932,985
9	CURRENT LIABILITIES		
	Sundry Creditors		
	- Holding Company	99,613,327	93,316,674
	- Subsidiary Company		
	- Others	70,236,081	25,781,546
	Deferred Revenue	6,078,951	12,629,228
	Other Liabilities	1,533,359	3,142,744
		177,461,718	134,870,192

NIIT Limited UK

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

Schedule No.		Year ended 31st March 2011 INR	Year ended 31st March 2010 INR
10	OTHER INCOME		
	Interest received on Deposits	12,612	9,456
		<u>12,612</u>	<u>9,456</u>
	Less: Interest Expense	-	-
	Net Interest Income	<u>12,612</u>	<u>9,456</u>
	Other Income	37,515,777	4,511,435
		<u>37,528,389</u>	<u>4,520,891</u>
11	PERSONNEL		
	Salaries and Benefits	37,105,014	29,856,822
	Contribution to retirement benefit funds	1,386,222	1,016,616
	Welfare and other expenses	21,440	798,255
		<u>38,512,676</u>	<u>31,671,693</u>
12	DEVELOPMENT, PRODUCTION AND EXECUTION		
	Subcontractor Charges	50,611,014	44,114,679
	Professional Charges	145,122,419	105,841,954
		<u>195,733,433</u>	<u>149,956,633</u>

NIIT Limited UK

Schedules annexed to and forming part of the Profit and Loss Account
For the Year ended 31st March 2011 [Contd]

Schedule No.	Year ended 31st March 2011 INR	Year ended 31st March 2010 INR
13 ADMINISTRATION AND OTHERS		
Rent	-	275,195
Communication	1,039,817	1,059,544
Legal and Professional	5,447,268	4,016,471
Travelling and Conveyance	8,288,135	5,467,700
Insurance Premium	93,341	69,420
Repairs and Maintenance		
- Plant and Machinery	72,581	23,943
- Others	-	47,776
Security & administration Charges	3,829,755	4,239,258
Management Service Fee	945,997	1,011,465
Provision for doubtful debts (Net)	-	8,518,729
Miscellaneous expenses	4,046,033	1,218,784
	23,762,927	25,948,285
14 MARKETING		
Advertisement and Publicity	1,773,468	4,222,230
Others	80,933	1,868,106
	1,854,401	6,090,336

NIIT Limited UK

Schedule '15': Notes to Accounts For the year ended March 31, 2011

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.3 Turnover

Turnover comprises revenue recognized by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts. Turnover is recognized on an accrual basis.

In respect of software and consultancy activities, the revenue from time and material contracts is recognized on a monthly basis.

The company also derives revenues from fixed price contracts where the revenue from the current year is recognized based on the proportionate completion method. Further, foreseeable losses on contract completion, if any are provided for.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following basis:

Plant & Machinery – at 3-5 years on a straight line basis

1.5 Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognized on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.6 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognized only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.7 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognized in the Profit and loss account.

1.8 Long-term contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as

NIIT Limited UK

Schedule '15': Notes to Accounts For the year ended March 31, 2011

contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognized only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

1.9 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

2. TURNOVER

The whole of the turnover is attributable to providing knowledge solutions through Information Technology only.

A geographical analysis of turnover is as follows:

	2011 INR	2010 INR
United Kingdom	131,284,982	100,272,581
Rest of European Union	90,661,314	94,570,060
Rest of world	8,589,382	13,561,787
	230,535,678	208,404,428

3. OTHER OPERATING INCOME

	2011 (INR)	2010 (INR)
Other Operating Income	37,285,013	4,511,435

4. OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging:

	2011 INR	2010 INR
Depreciation of tangible fixed assets:		
- owned by the company	45,061	48,385
Operating lease rentals:		
- other operating leases	-	1,080
Difference on foreign exchange	3,732,726	463,233

During the year, no director received any emoluments (2010 - £NIL).

5. AUDITORS' REMUNERATION

	2011 INR	2010 INR
Fees payable to the company's auditor for the audit of the company's annual accounts	445,079	455,392
Fees payable to the company's auditor and its associates in respect of:		
Other services relating to taxation	45,921	49,334
All other services	220,844	298,434

NIIT Limited UK

Schedule '15': Notes to Accounts For the year ended March 31, 2011

6. STAFF COSTS

Staff costs were as follows:

	2011 INR	2010 INR
Wages and salaries	33,422,649	27,032,999
Social security costs	3,545,510	2,844,732
Other pension costs	1,381,298	1,000,741
	38,349,457	30,878,472

The average monthly number of employees, including the directors, during the year was as follows:

	2011 No.	2010 No.
Sales & Marketing	7	5
Direct staff	1	1
Key Managerial personnel	3	3
	11	9

7. SHARE BASED PAYMENTS

The Employees Stock Option Plan (ESOP) of NIIT Limited, India, which is the 100% Holding company of NIIT Limited, UK was introduced in May 2005. Certain employees of the company are awarded options over the shares in the Holding company. Under the ESOP the remuneration committee can grant options over shares in the Holding company to employees of the group. Options are granted with a fixed exercise price. The contractual life of an option is 4 years. The appraisal process for determining the eligibility of the employee will be specified by the compensation committee and will be based on criteria such as seniority of employee, length of service, performance record, merit of the employee, future contribution potential of the employee and/or such other criteria as may be determined by the compensation committee at its sole discretion.

Four employees were granted options at an exercise price of Rs.72.2 on 26 October 2009. The total number of options granted was 38,376. Options granted under the ESOP become exercisable on the 1st anniversary of the date of grant. If an employee leaves the company the share options are cancelled unless they are already vested. The only exception to this is where termination of employment has been due to gross misconduct. In such cases vested options not yet exercised will be cancelled.

There are no performance conditions attached to the options and the options have been valued at grant date at Rs. 34. This has been done using the Black-Scholes model with the following assumptions:

	Grant date : 26 October 2009		
	Vest 1	Vest 2	Vest 3
Vest date	26 Oct 2010	26 Oct 2011	26 Oct 2012
Share price at grant date	72.2	72.2	72.2
Exercise price	72.2	72.2	72.2
Number of employees	4	4	4
Shares under option	12,792	12,792	12,792
Expected volatility	71.63%	66.14%	61.68%
Time to maturity	2.5	3.5	4.5
Risk free rate	6.55%	6.92%	7.19%
Dividend yield	1.76%	1.76%	1.76%
Fair value per option	32	34.77	36.64

NIIT Limited UK

Schedule '15': Notes to Accounts For the year ended March 31, 2011

Volatility is a measure of the amount by which a price has fluctuated or is expected to fluctuate during a period. Each vest has been considered as a separate grant. The volatility for periods corresponding to the respective expected lives of the different vests, prior to the grant date has been considered. The daily volatility of the Company's stock price on NSE over these years has been considered. The expected life is the average expected year to exercise. Zero-coupon yield curve as on October 26, 2009 has been used to calculate the risk-free rate. The risk-free rate for the period equal to the expected life has been considered.

A reconciliation of option movements over the year to 31 March 2011 is shown below:

Outstanding at 1 April	0
Granted	38,376
Forfeited	0
Exercised	0
Outstanding at 31 March	38,376

8. TAXATION

Analysis of tax charge /(credit) in the year

	2011 INR	2010 INR
UK corporation tax charge on profit / loss for the year	2,964,789	(457,932)

Factors affecting tax charge for the year

There were no factors that affected the tax charge for the year which has been calculated on the profits on ordinary activities before tax at the standard rate of corporation tax in the UK of 28% (2010-28%)

Factors that may affect future tax charges

The main corporation tax rate is being reduced to 26% in the year to 31 March 2012.

9. TANGIBLE FIXED ASSETS

	Plant and machinery INR
Cost	
At 1 April 2010	252,961
Additions	143,909
Currency translation adjustment	35,916
At 31 March 2011	432,786

NIIT Limited UK
Schedule '15': Notes to Accounts For the year ended March 31, 2011

Depreciation

At 1 April 2010	252,961
Charge for the year	45,061
Currency translation	(5,376)
At 31 March 2011	292,646
Net book value	
At 31 March 2011	140,140
At 31 March 2010	-

10. DEBTORS

	2011 INR	2010 INR
Trade Debtors	99,489,077	79,039,522
Amount owed by group undertakings	25,085,705	12,482,306
Other debtors	9,894,698	1,416,978
Prepayments and accrued income	48,170,601	15,895,885
Amount recoverable on long term contracts	2,169,533	8,037,118
	184,809,614	116,871,809

11. CREDITORS:

Amounts falling due within one year

	2011 INR	2010 INR
Trade creditors	43,402,348	9,415,736
Amounts owed to group undertakings	96,811,377	92,312,428
Corporation tax	959,881	-
Social security and other taxes	1,367,613	3,106,908
Other creditors	175,353	-
Accruals and deferred income	35,695,858	29,298,886
	178,412,430	134,133,958

12. SHARE CAPITAL

NIIT Limited UK

Schedule '15': Notes to Accounts For the year ended March 31, 2011

	2011 INR	2010 INR
Authorized		
1,000,000 Ordinary share of £1 each	1,000,000	1,000,000
Allotted, called up and fully paid		
155,000 Ordinary shares of £1 each	12,649,466	12,649,466

13. RESERVES

	Profit and loss account INR
At 1 April 2010	6,076,083
Profit for the year	4,985,272
At 31 March 2011	11,061,355

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2011 INR	2010 INR
Opening Shareholder funds	14,045,470	16,610,811
Profit / loss for the year	4,985,272	(332,082)
Currency translation adjustment	2,874,557	(2,233,259)
Closing Shareholder funds	21,905,299	14,045,470

15. PENSION COMMITMENTS

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to Rs. 1,381,298 (2010 – Rs. 1,000,741).

NIIT Limited UK

Schedule '15': Notes to Accounts For the year ended March 31, 2011

16. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

The following are related parties with whom the company has transacted;

1) Associate Companies

NIIT USA Inc

NIIT Antilles NV

Element K Corporation

2) Key managerial personnel

Mr Rajendra S Pawar, Chairman & Director

Mr Vijay K Thadani, Director

Mr P Rajendran, Director

3) Parties in which the key managerial personnel or the relatives of the key managerial personnel have significant influence

NIIT Technologies Limited, UK

NIIT Smartserve Limited, India

NIIT Technologies Pte Ltd

See the table below for details of transactions with related parties;

	Parties in which Key Managerial personnel of the company are Interested INR
Receiving of services	28,835,584
Transfer of expenses from NTL	3,387,143
Rendering of services	5,351,258
	35,609,870

At the yearend included within creditors were the following amounts for the above related parties:

NIIT Technologies – Rs. 799,212 (Previous year – Rs. 371,650)

NIIT Smartserve Limited – Rs. 11,065,430 (Previous year – Rs. 448,232)

In addition and included within debtors is Rs. 1,845,700 (Previous year – Rs. NIL)
due from NIIT Technologies Ltd UK

17. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate and ultimate controlling party is **NIIT Limited (India)**, a company registered in India.

NIIT Limited (India) prepares group financial statements and copies can be obtained from B-234, Okhla Industrial Area, Phase 1, New Delhi - 110020, India.