

GHOSH KHANNA & CO.

CHARTERED ACCOUNTANTS

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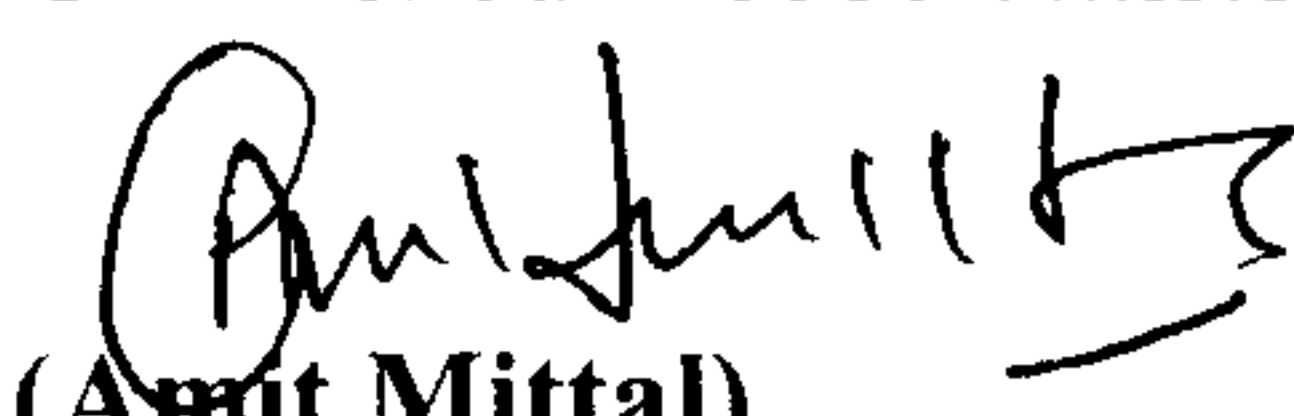
TO WHOMSOEVER IT MAY CONCERN

This is to certify that the figures in foreign currency in the annual report of **NIIT Malaysia Sdn Bhd** for the financial year ended on 31st March, 2011, audited by T. H. KUAN & CO. (AF 1216), 19A Jalan Abdullah Satu, Bricksfields, 50470 Kuala Lumpur, Malaysia, 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. MYR 1 = INR 14.6777
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:

Calcutta: P-5, C. I. T. Road (7th Flr.), Scheme - L V, Kolkata - 700 014, Tel.+91(033) 2216 8321,Fax: +91 (033) 2216 8320,Email: gkccal@vsnl.com
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NIIT Malaysia Sdn Bhd

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	71,098,787	71,098,787
Currency Translation Reserve	3	7,574,524	4,049,343
		<u>78,673,311</u>	<u>75,148,130</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	4	13,847,096	13,005,291
Less: Depreciation		<u>13,847,096</u>	<u>13,002,403</u>
Net Block			2,888
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry Debtors	5	22,150,547	23,182,422
Cash and Bank Balances	6	11,099,214	12,277,906
Loans & Advances	7	33,885,630	34,970,172
		<u>67,135,391</u>	<u>70,430,500</u>
Less : CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	8	13,233,352	21,289,501
Provisions	9	381,620	249,791
		<u>13,614,972</u>	<u>21,539,292</u>
Net Current Assets		53,520,419	48,891,208
Profit & Loss Account	2	25,152,892	26,254,034
		<u>78,673,311</u>	<u>75,148,130</u>

NOTES TO ACCOUNTS

17

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 : MYR 1 = INR 14.6777 (Previous Year MYR 1 = INR 13.7854)

NIIT Malaysia Sdn Bhd

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	10	5,815,539	28,300,612
Other Income	11	6,190,297	2,513,784
		12,005,836	30,814,396
EXPENDITURE			
Personnel	12	1,466,318	1,577,417
Development, Production and Execution	13	3,665,310	13,568,622
Administration and Others	14	5,762,009	7,018,776
Selling and Marketing	15	44,578	1,444,008
Interest and Finance Charges	16	(36,509)	5,179
Depreciation and Amortisation	4	2,988	13,985
		10,904,694	23,627,987
Profit before Tax and share of Associates' profits		1,101,142	7,186,409
Tax Expense			
- Current		-	-
- Deferred charge / (credit)		-	-
- Fringe Benefits Tax		-	-
- MAT Credit Entitlement		-	-
Profit after Tax		1,101,142	7,186,409

NOTES TO ACCOUNTS

17

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

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

NIIT Malaysia Sdn Bhd

**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			
5541000 Equity Shares of RM 1/- each		71,098,787	71,098,787
		<u>71,098,787</u>	<u>71,098,787</u>
2 PROFIT & LOSS ACCOUNT			
As per Last Balance Sheet	(26,254,034)	(33,440,443)	
Add : Transferred from Profit and Loss account	<u>1,101,142</u>	<u>(25,152,892)</u>	<u>(26,254,034)</u>
		<u>(25,152,892)</u>	<u>(26,254,034)</u>
3 CURRENCY TRANSLATION RESERVE			
As per Last Balance Sheet		4,049,343	4,549,081
Increase / (Decrease) during the year on translation of balances		<u>3,525,181</u>	<u>(499,738)</u>
		<u>7,574,524</u>	<u>4,049,343</u>

NIIT Malaysia Sdn Bhd
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
<u>Tangible</u>												
Plant & Machinery												
Owned	8,790,433	-	-	568,986	9,359,419	8,787,545	2,988	-	568,886	9,359,419	-	2,888
Leased	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures												
Owned	4,214,858	-	-	272,819	4,487,677	4,214,858	-	-	272,819	4,487,677	-	-
Leased	-	-	-	-	-	-	-	-	-	-	-	-
Sub Total (a)	13,005,291	-	-	841,805	13,847,096	13,002,403	2,988	-	841,705	13,847,096	-	2,888
<u>Intangible (Educational Contents/ Products)</u>												
Sub Total (b)	-	-	-	-	-	-	-	-	-	-	-	-
Total (a + b)	13,005,291	-	-	841,805	13,847,096	13,002,403	2,988	-	841,705	13,847,096	-	2,888

NIIT Malaysia Sdn Bhd

**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	22,150,547	23,182,422
- Considered doubtful	10,382,213	9,751,048
Other debts :		
- Considered good	-	-
- Considered doubtful	-	-
Gross	32,532,760	32,933,470
Less : Provision for Doubtful Debts	10,382,213	9,751,048
	22,150,547	23,182,422

NIIT Malaysia Sdn Bhd

**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		11,099,214		11,637,230
- Dividend Accounts		-		-
- Fixed Deposit Accounts		-		640,676
		<u>11,099,214</u>		<u>12,277,906</u>
7 LOANS & ADVANCES				
(Unsecured, considered good except where otherwise stated)				
Advances recoverable in cash or in kind or for value to be received				-
- Considered Good	33,647,286		34,746,318	
- Considered Doubtful	<u>-</u>		<u>-</u>	
	33,647,286		34,746,318	
Less : Provision for Doubtful Advances	<u>-</u>	33,647,286	<u>-</u>	34,746,318
Security Deposits				
-Considered Good	238,344		223,854	
-Considered Doubtful	<u>-</u>		<u>-</u>	
	238,344		223,854	
Less : Provision for Doubtful Security Deposits	<u>-</u>	238,344	<u>-</u>	223,854
		<u>33,885,630</u>		<u>34,970,172</u>

NIIT Malaysia Sdn Bhd

**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
8 CURRENT LIABILITIES		
Sundry Creditors	12,984,840	21,112,715
Advances from Customers	248,527	155,235
Unearned Revenue	-	28
Other Liabilities	(15)	21,523
	13,233,352	21,289,501
9 PROVISIONS		
Provision for Compensated Absences	381,620	249,791
	381,620	249,791

NIIT Malaysia Sdn Bhd

**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 REVENUE FROM OPERATIONS

Revenue

5,815,539

28,300,612

5,815,539

28,300,612

NIIT Malaysia Sdn Bhd

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
11	OTHER INCOME		
	Interest on Loans	2,473,432	2,513,784
	Gain on Exchange Fluctuation	-	-
	Miscellaneous	3,716,865	-
	(Other Non Operating Income)		
		<u>6,190,297</u>	<u>2,513,784</u>
12	PERSONNEL		
	Salaries and Benefits	1,464,225	1,560,760
	Welfare and other expenses	2,093	16,657
		<u>1,466,318</u>	<u>1,577,417</u>
13	DEVELOPMENT, PRODUCTION AND EXECUTION		
	Courseware and Manuals	3,411,210	12,585,967
	Bought out Packages/Products	-	-
	Professional Charges	-	629,523
	Freight and Cartage	254,100	353,132
		<u>3,665,310</u>	<u>13,568,622</u>
14	ADMINISTRATION AND OTHERS		
	Rent (net of recoveries)	1,142,916	1,050,025
	Rates and Taxes	711,410	746,444
	Electricity and Water	11,218	11,210
	Communication	335,354	504,419
	Legal and Professional	579,710	794,935
	Traveling and Conveyance	426,258	564,435
	Insurance Premium	76,496	71,928
	Repairs and Maintenance		
	- Others	<u>91,614</u>	<u>93,119</u>
	Loss on exchange fluctuation (Net)	2,103,860	2,826,199
	Sundry Expenses	283,173	356,062
		<u>5,762,009</u>	<u>7,018,776</u>
15	SELLING & MARKETING		
	Advertisement and Publicity	43,422	1,433,153
	Others	1,156	10,855
		<u>44,578</u>	<u>1,444,008</u>
16	INTEREST AND FINANCE CHARGES		
	Bank, Discounting and Other Financial Charges	16,026	5,179
		<u>(36,509)</u>	<u>5,179</u>

Schedule 17

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2011

1 GENERAL INFORMATION

The principal activities of the Company are the provision of education and training in information technology, multimedia products and content development, multimedia software development, provision of skilled manpower services and distribution of computer software. There has been no change in the nature of its activities during the financial year.

The immediate holding corporation is NIIT Antilles N.V., a corporation incorporated in Netherlands Antilles. The ultimate holding corporation is NIIT Limited, a corporation incorporated in India.

The Company is a private limited liability company, incorporated and domiciled in Malaysia.

The address of its registered office is as follows:

Suite 6.01, 6th Floor
Plaza See Hoy Chan
Jalan Raja Chulan
50200 Kuala Lumpur

The address of the principal place of business is as follows:

Suite G05, Ground Floor
2310 Century Square
Jalan Usahawan
63000 Cyberjaya
Selangor Darul Ehsan

2. DATE OF AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The Financial Statements were authorized for issue by the Board of Directors on 26th April 2011.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Company, expressed in Ringgit Malaysia, have been prepared under the historical cost convention unless disclosed otherwise in the summary of significant accounting policies in Note 4 to the financial statements and comply with the MASB Approved Accounting Standards in Malaysia for Private Entities and the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with the provisions of the Companies Act 1965 and the MASB Approved Accounting Standards in Malaysia for Private Entities requires the

use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

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

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

(b) Property, Plant and Equipment & Depreciation

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment loss where applicable. Cost includes expenditure that is directly attributable to the acquisition of the items. The assets are depreciated on the straight line basis to write off the cost of the assets to their residual values over their estimated useful lives.

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

Depreciation is provided on the straight line method at rates calculated to write off the cost of the assets over their estimated useful lives.

The annual depreciation rates are in conformity with the Group accounting policy

At each balance sheet date, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. 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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(c) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever the events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash-generating units).

The impairment loss is charged to the income statement.

An impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(d) Trade receivables

Trade receivables are carried at invoiced amount less an allowance for doubtful debts. The allowance 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 receivables.

(e) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Income taxes

Current tax expense is determined according to the tax laws in which the Company operates.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

(g) Revenue recognition

(i) Education and Training activities

Revenue in respect of sales of multimedia learning materials is recognised on delivery of the materials to the customers whereas the revenue from tuition activities is recognised over the period of the course program. Non-refundable fees in relation to the setting-up of a tuition centre is recognised on receipt basis.

(ii) Sales of services

Revenue from sales of services is recognised based on percentage of completion method. The stage of completion of a service contract is measured by reference to the proportion that contract costs incurred for work performed to date to the estimated total costs for the contract.

Irrespective of whether the outcome of a service contract can be estimated reliably when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The aggregate of the costs incurred and the attributable profit/loss recognised on each contract is compared against the progress billings up to the end of the financial year. Where costs incurred and recognised profit (less recognised losses) exceed progress billings, the balance is shown as 'Amounts due from customers on contracts' under trade and other receivables. Conversely, where progress billings exceed costs incurred and attributable profit, the balance is shown as 'Amounts due to customers on contracts' under trade and other payables.

- (iii) Interest income is recognised as it accrues unless collection is in doubt.

- (h) Employee benefits

- (i) Short term employee benefits

Wages, salaries, social security contributions, bonuses and non-monetary benefits are accrued in the financial year in which the associated services are rendered by employees of the Company. Short term accumulative compensated absences such as paid annual leave are recognised when services are rendered by employees that increases their entitlements to future compensated absences and short term non-accumulative compensated absences such as sick leave are recognised when such absences occur.

- (ii) Post employment benefit

The Company's contributions to the Employees Provident Fund, a national defined contribution plan are charged to the income statement in the financial year to which they relate. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. Once the contributions have been paid, the Company has no further financial obligations.

- (i) Financial instruments

Financial assets & financial liabilities carried on the Balance Sheet include Cash & Bank balances, trade & other receivables and payables & borrowings. The Accounting policies on recognition & measurement of these items are disclosed in the individual accounting policies associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the respective contractual arrangements, interest, dividends, gains & losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the company has a legally enforceable right to offset & intends to settle either on net a basis or to realise the asset & settle the liability simultaneously.

4. AMOUNT OWING BY A RELATED COMPANY

The amount owing by a related company represents unsecured advances, bear interest @ 7% (2009: 7%) per annum & repayable within the next 19 months from the balance sheet date.

5. FIXED DEPOSIT WITH A LICENSED BANK

Fixed deposit with a licensed bank is on lien for bank guarantee facilities granted to the company.

6. TRADE PAYABLES

The credit term granted to the company is 1 to 30 days.

7. HOLDING COMPANIES

The company is a wholly owned subsidiary company of NIIT ANTILLES N. V., a corporation incorporated in Netherlands Antilles. The ultimate holding company is NIIT LIMITED., a corporation incorporated in India.

8 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

The future minimum lease payments under non-cancellable operating leases are as follows:

	<u>2011</u>		<u>2010</u>	
	RM	INR	RM	INR
Not later than 1 year	<u>26,370</u>	<u>387,051</u>	<u>26,156</u>	<u>363,521</u>

9 SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions. The related party transactions described below were carried out at prices negotiated between the parties.

Related party

NIIT Limited
NIIT Antilles N.V.

NIIT USA Inc.

Relationship

Ultimate holding corporation
Immediate holding corporation. Previously, NIIT Antilles N.V. was a related corporation of the Company
Fellow subsidiary corporation

	31.03.2011		31.03.2010	
	RM	INR	RM	INR
Sale of services				
Sale of manpower services:				
- NIIT Technologies Pte Limited	-		-	-
Purchase of goods and services				
Purchase of multimedia learning materials:				
- NIIT Antilles N.V	252,209	3,675,058	808,241	10,239,979
Purchase of services:				
- NIIT Limited (software development charges)	0	0	0	0
- NIIT Limited (management fee)	15,415	224,886	24,965	341,701
Interest income				
- NIIT USA Inc	171,001	2,473,432	183,467	2,511,137

10 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks, including foreign currency exchange risk, interest rate risk, credit risk, liquidity and cash flow risk. The Company's overall financial risk management objective is to ensure that the Company creates value for its shareholder. The Company focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Financial risk management is carried out through risk reviews, internal control systems and adherence to Company's financial risk management policies. The Board regularly reviews these risks and approves the accounting policies, which covers the management of these risks.

Foreign currency exchange risk

The Company is exposed to currency risk as a result of the foreign currency transactions entered into in currencies other than their functional currency. Exposures to foreign currencies are monitored on an on-going basis.

Credit risk

Credit risk arises when sales are made on deferred credit terms. The Company seeks to invest cash assets safely and profitably. It seeks to control credit risk by setting counterparty limits and ensuring that sales of products and services are made to customers with an appropriate credit history. The Company minimises the risk by continuously monitoring the credit standing of operational and financial counterparties and re-assesses such exposures. The Directors believe

that no additional credit risk beyond amounts allowed for collection losses is inherent in the Company's trade receivables.

The Directors are of the view that the credit risk of monies placed with a licensed bank in Malaysia is minimal as the possibility of default by the licensed bank is deemed unlikely.

Liquidity and cash flow risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.