

**Auditors' Report to the Board of Directors on the Financial Statements of
NIIT Ventures Inc.**

1. We have audited the attached Balance Sheet of NIIT Ventures Inc. (the "Company"), as at March 31 2011, the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the NIIT Ventures Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. Attention is drawn to Note 10 on Schedule 10 regarding preparation of accounts on going concern basis considering the support available from the ultimate holding company, NIIT Ltd., with a consequent impact on the financial position of the Company.
4. Without qualifying paragraph 3 above, in our opinion and to the best of our information and according to the explanations given to us, the attached financial statements together with the notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India :
 - a. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
 - b. in the case of the Profit and Loss Account, of the results of operations of the Company for the year ended on that date; and
 - c. in case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. We conducted our audit of these financial statements in accordance with the requirements of section 212 of the Companies Act, 1956. Accordingly, we neither accept nor assume any responsibility or liability to any other person, or to the Company for any other use, without our prior consent in writing.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Sd/-

Place : Gurgaon, India
Date : May 8, 2011

Usha Rajeev
Membership No. F-087191

NIIT Ventures Inc

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	4,661	4,661
Currency Translation Reserve	1A	34,638,292	23,293,397
LOAN FUNDS			
Unsecured Loans	2	1,350,870,000	1,368,358,290
		<u>1,385,512,953</u>	<u>1,391,656,348</u>
APPLICATION OF FUNDS			
INVESTMENT			
	3	683,286,073	683,286,073
CURRENT ASSETS, LOANS AND ADVANCES			
Cash and Bank Balances	4	552,796	508,320
Loans and Advances	5	669,461,840	678,128,656
Other Current Assets	6	5,269,559	1,796,454
		<u>675,284,195</u>	<u>680,433,430</u>
Less : CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	7	180,158,791	156,869,740
		<u>180,158,791</u>	<u>156,869,740</u>
Net Current Assets		495,125,404	523,563,690
Profit and Loss Account			
		207,101,476	184,806,585
		<u>1,385,512,953</u>	<u>1,391,656,348</u>

NOTES TO ACCOUNTS 10
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

For Price Waterhouse
Firm Registration Number 301112E
Chartered Accountants

Sd/-

Usha Rajeev
Partner
Membership No. F-87191

Place : Gurgaon, India
Date : May 8, 2011

Sd/-

Rajendra S Pawar
Director
DIN -00042516

Sd/-

P R Subramanian
Chief Financial Officer

Place : Atlanta, USA
Date : May 8, 2011

Sd/-

Vijay K Thadani
Director
DIN -00042527

NIIT Ventures Inc

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			
Interest income	8	21,532,621	27,516,816
		<u>21,532,621</u>	<u>27,516,816</u>
EXPENDITURE			
Administration, Finance and others	9	43,827,512	57,912,749
		<u>43,827,512</u>	<u>57,912,749</u>
(Loss) before Tax		(22,294,891)	(30,395,933)
Tax Expense	10(8)	-	-
(Loss) after Tax		(22,294,891)	(30,395,933)
Balance brought forward from previous year		(184,806,585)	(154,410,652)
Balance transferred to Balance Sheet		<u>(207,101,476)</u>	<u>(184,806,585)</u>
Loss per share - Basic & Diluted	10(5)	(222,948.91)	(303,959.33)
NOTES TO ACCOUNTS	10		

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

Sd/-

For Price Waterhouse
Firm Registration Number 301112E
Chartered Accountants

Sd/-

Rajendra S Pawar
Director
DIN -00042516

Sd/-

Vijay K Thadani
Director
DIN -00042527

Sd/-

Usha Rajeev
Partner
Membership No. F-87191

Sd/-

P R Subramanian
Chief Financial Officer

Place : Gurgaon, India
Date : May 8, 2011

Place : Atlanta, USA
Date : May 8, 2011

NIIT Ventures Inc
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 (Loss) before tax	(22,294,891)	(30,395,933)
Adjustments for:		
Interest Expense	43,535,465	55,634,503
Interest Income	(21,532,621)	(27,516,816)
Operating profit before working capital changes	(292,047)	(2,278,246)
Adjustments for changes in working capital :		
- Other Receivables	17,112	39,751,093
- Trade and Other Payables	(927,750)	884,087
Cash generated from operations	(1,202,685)	38,356,934
- Taxes Paid	-	-
Net cash from / (used in) operating activities	(1,202,685)	38,356,934
B. Cash flow from Investing activities:		
Interest Received (Revenue)	18,059,516	45,064,084
Loan to Subsidiary	8,649,704	88,583,330
Net cash from investing activities	26,709,220	133,647,414
C. Cash flow from financing activities:		
Unsecured loan to Affiliates - Long Term	(17,488,290)	(179,101,022)
Interest Paid	(19,318,664)	(102,292,455)
Net cash from / (used in) financing activities	(36,806,954)	(281,393,477)
Net Increase / (Decrease) in Cash & Cash Equivalents	(11,300,419)	(109,389,129)
Currency Translation Adjustment	11,344,895	108,621,988
Cash and cash equivalents as at the beginning of the year (Refer Note 1 below)	508,320	1,275,461
Cash and cash equivalents as at the end of the year (Refer Note 1 below)	552,796	508,320

Notes :

1 Cash and cash equivalents comprise

Balance with Banks	552,796	508,320
	<u>552,796</u>	<u>508,320</u>

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 to the current year classification.

5 The schedule nos. 1 to 9 form an integral part of the Cash Flow Statement

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

	Sd/-	Sd/-
For Price Waterhouse	Rajendra S Pawar	Vijay K Thadani
Firm Registration Number 301112E	Director	Director
Chartered Accountants	DIN -00042516	DIN -00042527
 Sd/-	 Sd/-	
Usha Rajeev	P R Subramanian	
Partner	Chief Financial Officer	
Membership No. F-87191		
 Place : Gurgaon, India	 Place : Atlanta, USA	
Date : May 8, 2011	Date : May 8, 2011	

NIIT Ventures Inc

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		
	Authorised Share Capital		
	25,000,000 Equity Shares of USD 1 each	<u>1,165,250,000</u>	<u>1,165,250,000</u>
	Subscribed, Issued and Paid-up Capital	4,661	4,661
	100 Equity Shares of USD 1 each held by the Holding Company NIIT USA Inc	<u>4,661</u>	<u>4,661</u>
1A	Currency Translation Reserve		
	As per Last Balance sheet	23,293,397	(85,328,591)
	Increase / (Decrease) during the year on translation of balances	11,344,895	108,621,988
		<u>34,638,292</u>	<u>23,293,397</u>
2	UNSECURED LOANS		
	(Refer Note 2(a) on Schedule 10)		
	Term Loan		
	- From NIIT USA Inc - the Holding Company	1,350,870,000	1,368,358,290
	[Due within one year INR 270,174,000 (Previous Year INR NIL)]	<u>1,350,870,000</u>	<u>1,368,358,290</u>

NIIT Ventures Inc

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
3	INVESTMENTS [Refer Note 1 (i) on Schedule 10]		
	Investment in Subsidiary Company - Element K Corporation USA	683,286,073	683,286,073
		<u>683,286,073</u>	<u>683,286,073</u>
4	CASH AND BANK BALANCES		
	Balance with Non-scheduled banks in :		
	- Current Accounts	552,796	508,320
		<u>552,796</u>	<u>508,320</u>
5	LOANS & ADVANCES (Unsecured, considered good) [Refer Note 2(c) on Schedule 10]		
	Loans and Advances to Affiliates recoverable in cash or in kind or for value to be received	1,321,804	1,338,916
	Loan to Subsidiary companies	668,140,036	676,789,740
		<u>669,461,840</u>	<u>678,128,656</u>

NIIT Ventures Inc

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
6	Other Current Assets [Unsecured, considered good]		
	Interest Receivable	5,269,559	1,796,454
		5,269,559	1,796,454
7	CURRENT LIABILITIES Refer Note 2 (b) on Schedule 10		
	Sundry Creditors		
	- Holding Company	77,177,362	78,064,059
	- Others	1,875,221	1,916,274
	Interest Accrued but not due	101,106,208	76,889,407
		180,158,791	156,869,740

NIIT Ventures Inc

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
8	OTHER INCOME [Refer Note 3 on Schedule 10]		
	Interest received on Loan to Subsidiary	21,532,621	27,516,816
		21,532,621	27,516,816

NIIT Ventures Inc

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
9	ADMINISTRATION, FINANCE AND OTHERS [Refer Notes 3, 4 and 9 on Schedule 10]		
	Legal and Professional	273,546	2,173,573
	Travelling and Conveyance	-	84,930
	Bank, Discounting and other Financial Charges	18,501	19,743
	Interest on Fixed Loans	43,535,465	55,634,503
		43,827,512	57,912,749

NIIT Ventures Inc., USA

Schedule '10': Notes to Accounts for the year ended March 31, 2011

1. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared to comply in all material aspects with the applicable accounting principles in India, the applicable Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956 on an accrual basis, under historical cost convention. The Company's reporting currency is United States Dollars (USD) and these accounts have been prepared in Indian Rupees (INR). The USD balances as per books of the company have been converted into Indian Rupees as follows:

- i) All revenue items have been converted at predetermined rates that approximate the exchange rate prevailing on the date of the transaction.
- ii) All assets (other than investments) and liabilities have been converted at the yearend rate.
- iii) Share capital, Reserves and Surplus and investments are translated at the historical rate.

The net difference on conversion is disclosed as Currency Translation Reserve/ (Debit balance) and is shown as a separate component under Shareholder's Fund.

The significant accounting policies adopted by the company are detailed below: -

i) Investments

Long-term investments are valued at their acquisition cost. Any decline in the value of the said investments, other than a temporary decline, is recognized and charged to Profit and Loss. Short-term investments are carried at cost or their market values, whichever is lower.

ii) Revenue Recognition

Interest income is recognized on accrual basis as per terms of the agreement.

iii) Borrowing Costs

Borrowing costs are expensed in the year in which it is incurred except where the cost is incurred during the construction of an asset that takes a substantial period to get ready for its intended use, in which case, it is capitalized. Ancillary costs in connection with the arrangement of borrowing are amortized over the period of the respective loan.

iv) Foreign Currency transactions/ Translation

Transactions in foreign currency (currency other than companies reporting currency) are booked at standard rates determined periodically which approximate the actual rates and all monetary assets and liabilities in foreign currency are restated at the yearend. Gain/ Loss arising out of fluctuations on realization/ payment or restatement is charged/ credited to the profit and loss account.

2. (a) The Company had taken Unsecured Loans of Rs. 1,586,056,467 (USD 36,510,000) from its parent company NIIT (USA), Inc during 2006-07 to finance the acquisition of the Element K Corporation, USA at an interest rate of LIBOR +2.7%. The principal amount of the loan, along with interest, shall be payable in twelve equal semi-annual installments by July 31, 2013. The repayment schedule of the outstanding principal amount of INR 1,350,870,000 (USD 30,425,000) was extended during the previous year and recommences from July 25, 2011 in 10 equal semi-annual installments to be paid in full by January 2016.

(b) During the previous year the Company received extension to the term for payment of interest and other dues aggregating to INR 178,283,570 (USD 4,015,396) (Previous year (INR 154,953,466 (USD 3,445,340))

NIIT Ventures Inc., USA

Schedule '10': Notes to Accounts for the year ended March 31, 2011

payable to NIIT USA Inc. The repayment for the same will commence from July 25, 2011 and will be paid in full by July 25, 2016. The management expects to service this through realization of outstanding loans and interests due from its subsidiary, Element K Corporation.

(c) During the earlier years, loan of Rs. 980,579,041 (USD 22,572,300) was granted by the Company to its subsidiary Element K Corporation, USA at an interest rate of LIBOR plus 2.7 %. The principal amount of the loan, along with interest, was payable in six equal semi-annual installments by July 25, 2010. During the year, the Company has given further extension to the terms of repayment of the outstanding loan of INR 668,140,036 (USD 15,048,199) which will now commence from July 25, 2011 in four equal semi-annual installments to be paid in full by January 25, 2013.

3. Interest income arising out of the loan amount in Note 2(c) above is Rs. 21,532,621 (Previous year Rs. 27,516,816) and Interest expense is Rs. 43,535,465 (Previous year Rs. 55,634,503) on the loan mentioned in Note 2 (a) above.

4. Payments to Auditors

(In Rs)

Particulars	2010-11	2009-10
Audit fees	113,820	115,200

5. Earnings Per Share

(In Rs)

Particulars	Year ended 31st March , 2011	Year ended 31st March, 2010
Loss attributable to Equity shareholders -(A)	(22,294,891)	(30,395,933)
Weighted Average number of Equity shares Outstanding during the year – (B)	100	100
Nominal Value of Equity Shares	USD 1	USD 1
Basic/Diluted Loss per share (A/B)	(222,948.91)	(303,959.33)

Note: There are no potential dilutive equity shares. Accordingly Basic and Diluted earnings per share are the same.

6. Related Party Disclosures as per Accounting Standard 18

- a. Related party relationship where control exists

- i) Parent Companies

1. NIIT Limited, India
2. NIIT (USA) Inc., USA

- ii) Subsidiaries

1. Element K Corporation, USA
2. Element K India Private Limited
3. Element K Canada Inc.
4. Element K (UK) Limited

NIIT Ventures Inc., USA

Schedule '10': Notes to Accounts for the year ended March 31, 2011

iii) Fellow Subsidiaries

1. Hole-in-the-Wall Education Limited (Formerly Minimally Invasive Education Company Ltd)
2. NIIT Antilles NV, Netherlands Antilles
3. NIIT China (Shanghai) Limited, China
4. NIIT Wu Xi Service Outsourcing Training School
5. Chongqing NIIT Education Consulting Limited, China
6. Wu Xi NIIT Information Technology Consulting Limited
7. Changzhou NIIT Information Technology Consulting Limited
8. Su Zhou NIIT Information Technology Consulting Limited
9. NIIT Limited, UK
10. NIIT Malaysia SDN BHD, Malaysia
11. NIIT Middle East LLC, Bahrain (Liquidated on May 26, 2009)
12. Neo Multimedia Ltd (Formerly NIIT Multimedia Limited)
13. NIIT Online Learning Limited
14. NIIT GC Limited (Formerly NIIT TVE Ltd, Mauritius)
15. PT NIIT Indonesia (Under liquidation)
16. Scantech Evaluation Services Limited
17. NIIT Institute of Finance Banking and Insurance Training Limited
18. Evolv Services Limited (Formerly known as Evolv Management Services Private Limited)
19. NIIT Institute of Process Excellence Limited
20. PCEC NIIT Information Technology Institute China [Liquidated in April 2010]

b. Key Managerial personnel

- i) Rajendra S Pawar
- ii) V K Thadani
- iii) P Rajendran

NIIT Ventures Inc., USA

Schedule '10': Notes to Accounts for the year ended March 31, 2011

c. Detail of significant transactions with related parties carried on an arm's length basis

(In Rs)

Nature of Transactions	Holding Company	Subsidiary (Element K Corp.)	Total
Recovery of expenses	-	343,736	343,736
	(NIL)	(17,470,134)	(17,470,134)
Reimbursement of Expenses	113,820	-	113,820
	(19,491,764)	(NIL)	(19,491,764)
Interest Expense	43,535,465	-	43,535,465
	(55,634,503)	(NIL)	(55,634,503)
Interest Income	-	21,532,621	21,532,621
	(NIL)	(27,516,816)	(27,516,816)

d. Details of Balances with related parties outstanding as on 31st March 2010

(In Rs)

Nature of Transactions	Holding Company	Subsidiary (Element K Corp)	Total
Recoverable	-	674,731,399	674,731,399
	(NIL)	(679,925,113)	(679,925,113)
Payable	1,529,153,570	-	1,529,153,570
	(1,523,311,767)	(NIL)	(1,523,311,767)

Previous year figures are given in parenthesis.

7. Segment information

Primary segment information-business segment

The Company operates in a single business segment –Learning Solutions Business and accordingly, no primary segment information is being given.

Secondary Segment information

Details of secondary segments are not disclosed as more than 90% of the Company's revenues, net results and assets relate to the domestic market.

8. Tax Expense

The subsidiaries of NIIT Limited in USA, namely NIIT (USA), Inc, NIIT Ventures Inc and Element K Corporation, are assessed for federal taxes on a consolidated level as the return of taxes on income is filed at a consolidated level. The tax expense would be determined only at a consolidated level and reported in the consolidated financial statements of the Holding company NIIT (USA), Inc and thus not accounted for and reported in these financial statements.

NIIT Ventures Inc., USA
Schedule '10': Notes to Accounts for the year ended March 31, 2011

9. Service cost recovery

During the year, Rs. 113,820 (Previous year Rs. 19,491,764) in the nature of Personnel, Legal & professional charges was charged by the Holding Company and an amount of Rs. 343,736 (Previous year Rs. 17,470,134) in the nature of Personnel, Legal & professional charges was recovered from the subsidiary as service costs. These have been netted off in the Profit and Loss Account.

10. The company has incurred losses since inception. NIIT Ltd. the ultimate holding company has provided letter of support to the company to meet its liquidity and financial needs as and when required. Accordingly, these accounts have been prepared on a going concern basis.

11. The previous Year figures have been regrouped and reclassified to conform to the current year classification.

Signatures to the schedule '1' to '10' above

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Sd/-

Usha Rajeev
Partner
Membership No. F-87191

Place : Gurgaon, India
Date : May 8, 2011

Sd/-

Rajendra S Pawar
Director

Sd/-

P R Subramanian
Chief Financial Officer

Place : Atlanta, USA
Date : May 8, 2011

Sd/-

Vijay Kumar Thadani
Director