

# NIIT GC LIMITED

## Balance Sheet as at 31st March 2012

	PARTICULARS	Notes	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
<b>I</b>	<b>EQUITY AND LIABILITIES</b>			
<b>1</b>	<b>Shareholders' funds</b>			
	Share capital	<b>5</b>	97,181,720	97,181,720
	Reserves and surplus	<b>6</b>	(81,765,863)	(80,921,844)
<b>3</b>	<b>Non-current liabilities</b>			
	Long-term borrowings	<b>7</b>	15,261,000	13,320,000
<b>4</b>	<b>Current liabilities</b>			
	Trade Payables	<b>8</b>	32,571,235	30,185,727
	<b>TOTAL</b>		<b>63,248,092</b>	<b>59,765,603</b>
<b>II</b>	<b>ASSETS</b>			
<b>1</b>	<b>Non-current assets</b>			
	Non-current investments	<b>9</b>	10,261,289	10,261,289
<b>2</b>	<b>Current assets</b>			
	Cash and bank balances	<b>11</b>	1,302,883	4,393,914
	Trade receivables	<b>10</b>	51,683,920	45,110,400
	<b>TOTAL</b>		<b>63,248,092</b>	<b>59,765,603</b>

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

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

NOTE : BALANCE SHEET has been converted at the closing rate as at 31 MARCH 2012 being : USD 1 = INR 50.87 (Previous year USD 1 = INR 44.40)

# NIIT GC LIMITED

## Statement of Profit & Loss for the year ended 31st March 2012

	PARTICULARS	Notes	Year ended 31st March 2012 Rs.	Year ended 31st March 2011 Rs.
	<b>INCOME</b>			
I.	Revenue from Operations	12	-	1,103,200
III.	<b>Total Revenue (I + II)</b>		-	<b>1,103,200</b>
IV.	<b>EXPENDITURE</b>			
	Purchase of Traded Goods		-	1,103,200
	Other Expenses	13	859,593	1,382,857
	Finance Costs	15	721,110	698,509
	<b>Total Expenses</b>		<b>1,580,703</b>	<b>3,184,566</b>
V.	<b>Profit before exceptional and extraordinary items and tax (III-IV)</b>		<b>(1,580,703)</b>	<b>(2,081,366)</b>
VI.	Exceptional items	16	-	-
VII.	<b>Profit before extraordinary items and tax (V - VI)</b>		<b>(1,580,703)</b>	<b>(2,081,366)</b>
VIII.	Extraordinary Items		-	-
IX.	<b>Profit before tax (VII- VIII)</b>		<b>(1,580,703)</b>	<b>(2,081,366)</b>
X	<b>Tax expense:</b>	16		
XI	<b>Profit (Loss) for the period</b>		<b>(1,580,703)</b>	<b>(2,081,366)</b>
XII	<b>Earnings per equity share (Face Value Rs. __ each):</b>			
	(1) Basic			
	(2) Diluted			

The accompanying notes referred to above form an integral part of the Profit and Loss Account

This is the Profit and Loss Account referred to in our report of even date

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

## **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, 6<sup>th</sup> Floor, Tower A, 1 CYBERCITY, Ebène, Mauritius.

These financial statements were authorised for issue by the Board of Directors on 2nd May 2012.

## **2 STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES**

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

### **i) 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:

a) New and amended standards, and interpretations effective in the current year – IAS 1(amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classifications as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. This amendment did not have any impact on the presentation of the Company's financial statements.

b) Other than (a) above, several new and amended standards and interpretation have become mandatory for the first time for the financial year beginning 01 April 2011 but none are relevant to the Company.

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

The Directors are currently considering the impact of several standards, amendments and interpretations to existing standards that have been published that are mandatory for accounting periods beginning on or after 01 April 2011 or later period. The Directors are currently considering all the changes and will apply those standards, amendments and interpretations that are relevant to the Company, to existing standards in the period they become effective.

### **c) Consolidation**

As disclosed in Note, the Company owns 100% of the issued share capital of NIIT China (Shanghai) Limited.

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 contain information about NIIT GC Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The Company is a wholly owned indirect subsidiary of NIIT Limited, a company incorporated in India, which produces consolidated financial statements prepared in accordance with Generally Accepted Accounting Principles of India ("Indian GAAP"). These consolidated financial statements are obtainable at 85, Sector 32, Institutional, Gurgaon 122001, India.

### **d) 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.

Investment in subsidiary is 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 statement of comprehensive income.

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

### **ii) Foreign currency translation**

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

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in United States dollar ("USD") which is considered by the Board to most faithfully represent the economic effects of the underlying events, transactions and conditions, and which is the Company's functional and presentation currency.

b) Transactions and balances:

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

iii) **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.

iv) **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.

v) **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.

vi) **Share capital**

Ordinary shares are classified as equity.

vii) **Revenue recognition**

Revenue represents invoiced value of licenses supplied and delivered after deducting discounts and allowance

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.

viii) **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**

#### i) **Foreign 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.

##### **Foreign exchange 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.

##### **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.

##### **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.

##### **b) 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.

#### ii) **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.

#### iii) **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 Judgments**

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 judgements 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.

**NIIT GC LIMITED**

<b>5</b>	<b>SHARE CAPITAL</b>	<b>As at 31st March 2012 Rs.</b>	<b>As at 31st March 2011 Rs.</b>
	<b>Issued</b>	97,181,720	97,181,720
		<b>97,181,720</b>	<b>97,181,720</b>
	<b>Subscribed and fully paid</b>	97,181,720	97,181,720
	Add: Forfeited Shares (amount originally paid-up)	-	-
		<b>97,181,720</b>	<b>97,181,720</b>



# NIIT GC LIMITED

6	RESERVES AND SURPLUS	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
	<b>Profit &amp; Loss Account</b>		
	Balance Brought Forward from Previous year	(84,215,795)	(82,134,429)
	Add : Current Year Profit / (Loss) attributable to Share Holders	(1,580,703)	(2,081,366)
	<b>Less:-</b>		
	Share in Corporate Dividend Tax of Associates	-	-
		(85,796,498)	(84,215,795)
	<b>Currency translation reserve</b>		
	As per Last Balance Sheet	3,293,951	3,334,273
	Add : Currency Translation Reserve of Associates	-	-
	Increase/ (Decrease) during the year on translation of balances	736,684	(40,322)
		4,030,635	3,293,951
		<b>(81,765,863)</b>	<b>(80,921,844)</b>



NIIT GC LIMITED

7	LONG TERM BORROWINGS	Non Current Portion		Current Maturities	
		As at 31st March 2012 Rs.	As at 31st March 2011 Rs.	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
A)     B) iii)	SECURED				
	Sub Total (A)	-	-	-	-
	UNSECURED				
	Loans from Related Parties	15,261,000	13,320,000	-	-
	Sub Total (B)	15,261,000	13,320,000	-	-
	Total (A+B)	15,261,000	13,320,000	-	-

NIIT GC LIMITED

8	Trade Payables	Non Current		Current	
		As at 31st March 2012 Rs.	As at 31st March 2011 Rs.	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
	- Due to Micro Enterprises and Small Enterprises	-	-	-	-
	- Due to Others	-	-	32,571,235	30,185,727
		-	-	32,571,235	30,185,727

NIIT GC LIMITED

9	INVESTMENTS	Non Current				Current			
		As at		As at		As at		As at	
		31st March 2012		31st March 2011		31st March 2012		31st March 2011	
		Rs.		Rs.		Rs.		Rs.	
A.	LONG TERM, TRADE [UNQUOTED]								
B.	LONG TERM, OTHERS [UNQUOTED] In Subsidiary NIIT China (Shanghai) Limited								
C.	SHORT TERM, NON TRADE [UNQUOTED]  In Mutual Funds								
	Aggregate amount of Unquoted Investment								
	Less:- Aggregate Provision for diminution in the value of Investment								

NIIT GC LIMITED

10	Trade Receivables	Non Current		Current	
		As at 31st March 2012 Rs.	As at 31st March 2011 Rs.	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
a)	Trade receivables outstanding for a period exceeding six months from the date they are due for payment				
	Unsecured, considered good	-	-	51,683,920	45,110,400
	Unsecured, considered doubtful	-	-	-	-
	Less: Provision for doubtful debts	-	-	-	-
		-	-	51,683,920	45,110,400
	b) Other Trade Receivables				
	Unsecured, considered good	-	-	-	-
	Unsecured, considered doubtful	-	-	-	-
	Less: Provision for doubtful debts	-	-	-	-
		-	-	-	-
		-	-	51,683,920	45,110,400

NIIT GC LIMITED

11	Cash and Bank Balances	Non Current		Current	
		As at 31st March 2012 Rs.	As at 31st March 2011 Rs.	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
	<b>Cash and cash equivalents:</b> Balance with banks Current Accounts  <b>Other bank balances:</b> Bank deposits:			1,302,883	4,393,914
				<b>1,302,883</b>	<b>4,393,914</b>
		-	-	-	-
		-	-	<b>1,302,883</b>	<b>4,393,914</b>
		-	-		
		-	-	<b>1,302,883</b>	<b>4,393,914</b>

NIIT GC LIMITED

12	Revenue from Operations	Year ended 31st March 2012 Rs.	Year ended 31st March 2011 Rs.
	<b>Sale of Products :</b> Courseware Revenue Subscription Revenue		1,103,200
		-	<b>1,103,200</b>

## NIIT GC LIMITED

<b>13</b>	<b>Other Expenses</b>	<b>Year ended 31st March 2012 Rs.</b>	<b>Year ended 31st March 2011 Rs.</b>
	Legal and Professional	849,272	1,376,983
	Bank Charges	10,321	5,874
	Sundry Expenses	-	-
		<u>859,593</u>	<u>1,382,857</u>

<b>14</b>	<b>Payment to Auditors</b>	<b>Year ended 31st March 2012 Rs.</b>	<b>Year ended 31st March 2011 Rs.</b>
	Audit fee	436,577	422,391
		<u>436,577</u>	<u>422,391</u>

<b>15</b>	<b>Finance costs</b>	<b>Year ended 31st March 2012 Rs.</b>	<b>Year ended 31st March 2011 Rs.</b>
	Interest Expense	721,110	698,509
		<u>721,110</u>	<u>698,509</u>

16 Taxation

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 2012 the Company had accumulated tax losses amounting to **Rs. 9,852,909** (2011 – Rs. 13,624,156) 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.

17 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 investments	% holding	Principal activity
NIIT China (Shanghai) Limited	Ordinary	USD 210,000	100	Providing IT training and services
		Rs.97,181,720		

Based on the management accounts for the year ended 31 March 2012 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.



## 18 RELATED PARTY TRANSACTIONS

During the year ended 31 March 2012, the Company traded with related parties. The nature, volume of transactions and the balances with the related parties were as follows:

### 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.

	2012 (USD)	2012 Rs.	2011 (USD)	2011 Rs.
<b>Sale of services</b>				
Royalty and license fees				
NIIT China (Shanghai) Limited			24000	1,103,200
<b>Purchase of services</b>				
Royalty and license fees				
NIIT Antilles NV			24000	1,103,200

	2012 (USD)	2012 Rs.	2011 (USD)	2011 Rs.
<b>Loan from holding company</b>				
NIIT Antilles N.V	300,000	15,261,000	300,000	13,410,000
	2012 (USD)	2012 Rs.	2011 (USD)	2011 Rs.
<b>Receivable from Subsidiary</b>				
NIIT China (Shanghai) Limited	1,016,000	51,683,920	1,016,000	45,415,200
<b>Amount Payable to holding company</b>				
NIIT Antilles N.V	629,648	32,030,194	654,398	29,253,423