

NIIT (Malaysia) SDN BHD

Balance Sheet as at 31st March 2012

	PARTICULARS	Notes	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
I	EQUITY AND LIABILITIES			
1	Shareholders' funds			
	Share capital	1	71,098,787	71,098,787
	Reserves and surplus	2	(34,109,826)	(17,578,368)
3	Non-current liabilities			
4	Current liabilities			
	Trade Payables	3	471,662	12,984,840
	Other current liabilities	4	-	248,512
	Short-term provisions	5	-	381,620
	TOTAL		37,460,623	67,135,391
II	ASSETS			
1	Non-current assets			
	Fixed assets	6		
	Long-term loans and advances	7	25,434,962	33,512,688
2	Current assets			
	Cash and bank balances	9	11,059,887	11,099,214
	Short-term loans and advances	7	240,951	372,942
	Trade receivables	8	724,823	22,150,547
	TOTAL		37,460,623	67,135,391

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 : MYR 1 = INR 16.6133
(Previous Year MYR 1 = INR 14.6777)

NIIT (Malaysia) SDN BHD

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

	PARTICULARS	Note	Year ended 31st March 2012 Rs.	Year ended 31st March 2011 Rs.
	INCOME			
I.	Revenue from Operations	10	1,858,890	5,815,539
II.	Other Income	11	2,376,707	6,242,832
III.	Total Revenue (I + II)		4,235,597	12,058,371
IV.	EXPENDITURE			
	Purchase of Traded Goods		683,019	3,411,210
	Employee Benefits Expense	12	473,142	1,466,318
	Other Expenses	13	4,343,671	6,076,709
	Depreciation and Amortization Expenses	6	-	2,988
	Total Expenses		5,499,832	10,957,225
V.	Profit before exceptional and extraordinary items and tax (III-IV)		(1,264,235)	1,101,146
VI.	Exceptional items	15	(22,685,204)	-
VII.	Profit before extraordinary items and tax (V - VI)		(23,949,439)	1,101,146
IX.	Profit before tax (VII- VIII)		(23,949,439)	1,101,146
X	Tax expense:	16		
XI	Profit (Loss) for the period		(23,949,439)	1,101,146
XII	Earnings per equity share (Face Value Rs. __ each):			
	(1) Basic			
	(2) Diluted			

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

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

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

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 MALAYSIA SDN BHD, a corporation incorporated in India

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

2 STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared on an accrual basis, under historical cost convention.

The significant accounting policies adopted by the Company are detailed below:

i) 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.

ii) 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.

iii) 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.

iv) 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.

v) 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

vi) 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.

vii) Revenue recognition

a) 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.

b) 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.

c) Interest income is recognised as it accrues unless collection is in doubt.

viii) Employee benefits

a) 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.

b) 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.

ix) 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.

NIIT (Malaysia) SDN BHD

1	SHARE CAPITAL	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
	Issued	71,098,787	71,098,787
		<u>71,098,787</u>	<u>71,098,787</u>
	Subscribed and fully paid	71,098,787	71,098,787
		<u>71,098,787</u>	<u>71,098,787</u>

NIIT (Malaysia) SDN BHD

2	RESERVES AND SURPLUS	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
	Profit & Loss Account		
	Balance Brought Forward from Previous year	(25,152,888)	(26,254,034)
	Add : Current Year Profit / (Loss) attributable to Share Holders	(23,949,439)	1,101,146
	Less:-		
	Share in Corporate Dividend Tax of Associates	-	(25,152,888)
		(49,102,327)	-
	Currency translation reserve		
	As per Last Balance Sheet	7,574,520	4,049,343
	Add : Currency Translation Reserve of Associates	-	-
	Increase/ (Decrease) during the year on translation of balances	7,417,981	3,525,177
		14,992,501	7,574,520
		(34,109,826)	(17,578,368)

Notes :

- General Reserve above represents General Reserve as per the Indian Companies Act, 1956 in respect of Indian Companies.
- General Reserve, if any , of overseas Companies are included as part of the Profit & Loss Account balance as it is not practical to give movement thereof.

NIIT (Malaysia) SDN BHD

3	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 Others	-	-	471,662	12,984,840
		-	-	471,662	12,984,840

4	OTHER LIABILITIES	Long Term Liabilities		Current Liabilities	
		As at 31st March 2012 Rs.	As at 31st March 2011 Rs.	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
	Advances from Customers Statutory Dues	-	-	-	248,527
		-	-	-	(15)
		-	-	-	248,512

5	Provisions	LONG-TERM		SHORT-TERM	
		As at 31st March 2012 Rs.	As at 31st March 2011 Rs.	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
	Provision for employee benefits : Provision for Compensated Absences	-	-	-	381,620
		-	-	-	381,620

NIIT (Malaysia) SDN BHD

6 Fixed Assets

(Amount in Rs.)

[illegible]

NIIT (Malaysia) SDN BHD

7	LOANS AND ADVANCES	Long Term		Short Term	
		As at 31st March 2012 Rs.	As at 31st March 2011 Rs.	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
i)	Security Deposits Receivable (refer note below) Unsecured, considered good	-	212,656	240,951	25,688
		(A) -	212,656	240,951	25,688
ii)	Loans and advances to related parties (refer note below) Unsecured, considered good	25,434,962	33,300,032	-	-
		(B) 25,434,962	33,300,032	-	-
iii)	Advances recoverable in cash or in kind (refer note below) Unsecured, considered good	-	-	-	347,254
		(C) -	-	-	347,254
	Total (A+B+C)	25,434,962	33,512,688	240,951	372,942

NIIT (Malaysia) SDN BHD

8	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	-	-	394,573	20,015,271
	Unsecured, considered doubtful	34,810,198	10,472,824	-	(90,611)
	Less: Provision for doubtful debts	(34,810,198)	(10,472,824)	-	90,611
		-	-	394,573	20,015,271
b)	Other Trade Receivables				
	Unsecured, considered good	-	-	330,250	2,135,276
		-	-	330,250	2,135,276
		-	-	724,823	22,150,547

NIIT (Malaysia) SDN BHD

9	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.
	Cash and cash equivalents: Balance with banks Current Accounts				
				11,059,887	11,099,214
				11,059,887	11,099,214
		-	-	11,059,887	11,099,214
		-	-	11,059,887	11,099,214

NIIT (Malaysia) SDN BHD

10	Revenue from Operations	Year ended 31st March 2012 Rs.	Year ended 31st March 2011 Rs.
	Sale of Services	1,858,890	5,815,539
		<u>1,858,890</u>	<u>5,815,539</u>

11	Other Income	Year ended 31st March 2012 Rs.	Year ended 31st March 2011 Rs.
	Interest Income	2,116,696	2,525,967
	Other non-operating income (net of expenses)	260,011	3,716,865
		<u>2,376,707</u>	<u>6,242,832</u>

NIIT (Malaysia) SDN BHD

12	Employee Benefits Expenses	Year ended 31st March 2012 Rs.	Year ended 31st March 2011 Rs.
	Salaries and Benefits	473,142	1,464,225
	Welfare and Other expenses	-	2,093
		<u>473,142</u>	<u>1,466,318</u>

NIIT (Malaysia) SDN BHD

13	Other Expenses	Year ended 31st March 2012 Rs.	Year ended 31st March 2011 Rs.
	Freight and Cartage	43,731	254,100
	Rent (net of recoveries)	1,229,812	1,142,916
	Rates and Taxes	873,808	711,410
	Power & Fuel	24,648	11,218
	Communication	365,983	335,354
	Legal and Professional	483,154	579,710
	Management Cost Recovery by Holding Company	113,998	224,886
	Traveling and Conveyance	124,848	426,258
	Insurance	68,248	76,496
	Repairs and Maintenance - Others	266,389	91,614
	Loss on foreign currency translation and transaction (net)	727,937	2,103,860
	Bank Charges	14,305	16,026
	Marketing & Advertising Expenses	6,403	44,578
	Sundry Expenses	407	58,283
		4,343,671	6,076,709

14	Payment to Auditors	Year ended 31st March 2012 Rs.	Year ended 31st March 2011 Rs.
	Audit fee	116,065	108,314
		116,065	108,314

15	Exceptional items	Year ended 31st March 2012 Rs.	Year ended 31st March 2011 Rs.
	Provision for doubtful debts	(22,685,204)	-
		(22,685,204)	-

16 **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.

17 **FIXED DEPOSIT WITH A LICENSED BANK**

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

18 **TRADE PAYABLES**

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

19 **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.

20 **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	Relationship
NIIT LIMITED	Ultimate holding corporation
NIIT Antilles N.V	Immediate holding corporation. Previously, NIIT Antilles N.V. was a related corporation of the Company.
NIIT USA Inc.	Fellow subsidiary corporation
NIIT Mauritius Limited	Fellow subsidiary corporation
NIIT Technologies Pte Limited	Related corporation

	31.03.2012	31.03.2012	31.03.2011	31.03.2011
Sale of services	RM	RS.	RM	RS.
Sale of manpower services:				
- NIIT Technologies Pte Limited	-	-	-	-
Purchase of goods and services				
Purchase of multimedia learning materials:				
- NIIT Antilles N.V	44,009	684,146	252,209	3,675,058
Purchase of services:				
NIIT LIMITED (software development charges)	0	0	0	0
NIIT LIMITED (management fee)	7,579	117,820	15,415	224,886
Interest income				
- NIIT USA Inc	136,792	2,126,514	171,001	2,473,432

21 **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.