

## Auditors' Report to the Members of Element K India Private Limited

1. We have audited the attached Balance Sheet of Element K India Private Limited (the "Company") as at March 31, 2010, and the related Profit and Loss Account and 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 Company'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. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
  - (e) On the basis of written representations received from the directors, as on March 31, 2010 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;



- (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2010;
  - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
  - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For Price Waterhouse**  
Firm Registration number – 301112E  
Chartered Accountants

  
**J Sekar**  
Partner

Membership Number - F23800

Place: Chennai  
Date: April 22 , 2010

## **Annexure to Auditors' Report**

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Element K India Private Limited on the financial statements for the year ended March 31, 2010

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.  
  
(b) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.  
  
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.  
  
(b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
3. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
4. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly, the question of commenting on transactions made in pursuance of such contracts or arrangements does not arise.
5. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
6. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
7. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.



### **Annexure to Auditors' Report**

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Element K India Private Limited on the financial statements for the year ended March 31, 2010

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8. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, Value Added Tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, Value Added Tax, wealth-tax, service-tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
9. The Company has no accumulated losses as at March 31, 2010 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
10. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
11. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
12. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee during the year for loans taken by others from banks or financial institutions.
13. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
14. The Company has not issued any debentures.
15. The Company has not raised any money by public issues during the year. Further, on the basis of information and explanations given to us, there was no public issue made by the Company during earlier years also.
16. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.



**Annexure to Auditors' Report**

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Element K India Private Limited on the financial statements for the year ended March 31, 2010

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17. The other clauses, (ii), (xi), (xiii), (xvi) and (xvii) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the Company for the year, since in our opinion there is no matter which arises to be reported in the aforesaid Order.

Place: Chennai  
Date: April 22, 2010

**For Price Waterhouse**  
Firm Registration number - 301112E  
Chartered Accountants

  
J Sekar  
Partner

Membership Number - F23800

Element K India Private Limited  
Balance Sheet as at 31st March, 2010

	Schedule	As At 31st March, 2010 (Rs.)	As At 31st March, 2009 (Rs.)
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	320,120	320,120
Reserves and Surplus	2	94,082,625	79,488,634
		94,402,745	79,808,754
<b>Total</b>		<b>94,402,745</b>	<b>79,808,754</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	3	44,340,000	42,678,651
Less: Depreciation		40,452,972	38,100,987
Net Block		3,887,028	4,577,664
<b>DEFERRED TAX ASSET (Net)</b> (Refer Note 9 of schedule 13)		2,200,000	2,570,000
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Sundry Debtors	4	99,664,542	78,906,435
Cash and Bank Balances	5	1,206,670	2,304,299
Other Current Assets	6	36,414	9,109
Loans and Advances	7	10,177,034	11,052,119
		111,084,660	92,271,962
<b>Less : CURRENT LIABILITIES AND PROVISIONS</b>			
Liabilities	8	8,503,943	4,943,139
Provisions	9	14,265,000	14,667,733
		22,768,943	19,610,872
Net Current Assets		88,315,717	72,661,090
<b>Total</b>		<b>94,402,745</b>	<b>79,808,754</b>

**NOTES TO ACCOUNTS**

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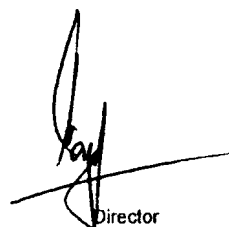
The Schedules referred to above form an integral part of the Balance Sheet

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

For Price Waterhouse  
Firm Registration number - 301112E  
Chartered Accountants

J. Sekar  
Partner  
Membership No.F23800

Place: Chennai  
Date : April 22 , 2010

  
Director

P Rajendran  
DIN- 00042531

  
Director

Manish Mohan  
DIN- 03056384

**Element K India Private Limited**

**Profit and Loss Account for the year ended 31st March, 2010**

	Schedule	(Rs.)	Year ended 31st March, 2010 (Rs.)	(Rs.)	Year ended 31st March, 2009 (Rs.)
<b>INCOME</b>					
Income from Services			138,208,157		160,444,535
Other Income	10		36,838		59,244
			<u>138,244,995</u>		<u>160,503,779</u>
<b>EXPENDITURE</b>					
Employee Costs	11		89,975,339		102,556,928
Other Expenses	12		27,853,680		34,246,269
Depreciation			2,351,985		5,240,595
			<u>120,181,004</u>		<u>142,043,792</u>
			18,063,991		18,459,987
Profit before Tax					
Provision for Taxation				2,283,000	
- Current		3,100,000		(500,000)	
- Deferred Tax		370,000		825,000	
- Fringe Benefits Tax		-			
			<u>3,470,000</u>		<u>2,608,000</u>
			<u>14,593,991</u>		<u>15,851,987</u>
Profit after Tax					
Profit brought forward from previous year			60,808,747		44,956,760
			<u>75,402,738</u>		<u>60,808,747</u>
Balance Carried to Balance Sheet					
			455.89		495.19
Earnings per share - Basic (in Rs.)					
- Face Value Rs.10					

**NOTES TO ACCOUNTS**

13

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

For Price Waterhouse  
Firm Registration number - 301112E  
Chartered Accountants

J. Sekar  
Partner  
Membership No.F23800

Place: Chennai  
Date : April 22, 2010

Director

P Rajendran  
DIN - 00042531

Director

Manish Mohan  
DIN - 03056384

Element K India Private Limited  
Cash Flow Statement for the year ended March 31, 2010

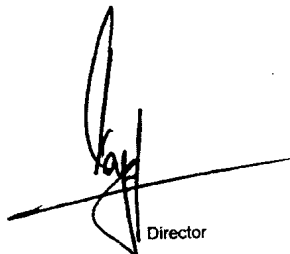
	Rs.	Year ended March 31, 2010 Rs.	Rs.	Year ended March 31, 2009 Rs.
<b>A. Cash flow from operating activities:</b>				
Net profit before tax as per Profit & Loss Account		18,063,991		18,459,987
Adjustments for:				
Depreciation	2,351,985		5,240,595	
Interest Income	(30,338)		(22,700)	
(Profit) / Loss on Fixed Assets sold	-		8,811	
		<u>2,321,647</u>		<u>5,224,706</u>
Operating profit before working capital changes		20,385,638		23,684,693
Adjustments for changes in working capital :				
Sundry Debtors	(20,758,107)		(15,047,535)	
Other Receivables	488,119		3,465,976	
Trade and Other Payables	<u>3,158,071</u>		<u>(3,460,644)</u>	
		(17,111,917)		(15,042,203)
Cash generated from operations		3,273,721		8,642,490
Taxes Paid		<u>(2,713,034)</u>		<u>(4,154,521)</u>
Net cash generated from operating activities		<u>560,687</u>		<u>4,487,969</u>
<b>B. Cash flow from Investing activities:</b>				
Purchase of fixed assets		(1,661,349)		(3,292,778)
Proceeds from Sale of fixed assets		-		41,499
Interest Received		<u>3,033</u>		<u>5,273</u>
Net cash (used in) investing activities		<u>(1,658,316)</u>		<u>(3,246,006)</u>
<b>C. Cash flow from financing activities:</b>				
Net cash from financing activities		-		-
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)		(1,097,629)		1,241,963
Cash and cash equivalents as at the beginning of the year		2,005,702		763,739
Cash and cash equivalents as at the end of the year		<u>908,073</u>		<u>2,005,702</u>
Cash and cash equivalents at the end of the year comprise				
Cash on hand		776		2,025
Balances with Scheduled Banks		1,205,894		2,302,274
		<u>1,206,670</u>		<u>2,304,299</u>
Less: Bank deposit under lien		<u>(298,597)</u>		<u>(298,597)</u>
		<u>908,073</u>		<u>2,005,702</u>

This is the cash flow statement referred to  
in our report of even date.

For Price Waterhouse  
Firm Registration number - 301112E  
Chartered Accountants

J. Selva  
Partner  
Membership No. F23800

Place: Chennai  
Date: April 22, 2010

  
Director

P Rajendran  
DIN-00042531

  
Director

Manish Mohan  
DIN-03056384



**Element K India Private Limited**  
**Schedules Forming Part of Accounts**

	As At 31st March, 2010 (Rs.)	As At 31st March, 2009 (Rs.)
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
4,580,000 Equity Shares of Rs 10/- each	45,800,000	45,800,000
	<u>45,800,000</u>	<u>45,800,000</u>
<b>Issued and Subscribed</b>		
32,012 Equity shares of Rs 10 /- each fully paid up	320,120	320,120
	<u>320,120</u>	<u>320,120</u>
<b>Note:</b> The entire Share Capital is held by the Holding Company, Element K Corporation, USA and its nominees		
<b>SCHEDULE 2</b>		
<b>RESERVES AND SURPLUS</b>		
Share Premium	18,679,887	18,679,887
Balance in Profit and Loss Account	75,402,738	60,808,747
	<u>94,082,625</u>	<u>79,488,634</u>

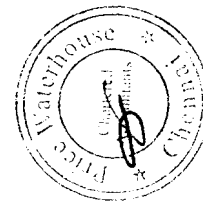


Element K India Private Limited  
Schedules Forming Part of Accounts

SCHEDULE-3

FIXED ASSETS

FIXED ASSETS										
(Amount in Rs.)										
Description of Fixed Assets	Gross Block			Depreciation				Net Block		
	Cost as at 31.03.2009	Additions	Deletions	Cost as at 31.03.2010	Upto 31.03.2009	For the year	Withdrawn	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
Tangible										
Computers	22,106,871	1,540,618	-	23,647,489	19,845,270	1,144,936	-	20,990,206	2,657,283	2,261,601
Office equipments	3,746,378		-	3,746,378	3,606,855	65,548	-	3,672,403	73,975	139,523
Lease Hold Improvements	6,860,017		-	6,860,017	6,798,584	61,433	-	6,860,017	-	61,433
Furniture & Fixtures	6,755,424		-	6,755,424	6,176,493	239,916	-	6,416,409	339,015	578,931
Intangible										
Software	3,209,961	120,731	-	3,330,692	1,673,785	840,152	-	2,513,937	816,755	1,536,176
Total	42,678,651	1,661,349	-	44,340,000	38,100,987	2,351,985	-	40,452,972	3,887,028	4,577,664
Previous Year	39,640,511	3,292,778	254,738	42,678,651	33,066,820	5,240,595	206,428	38,100,987		



**Element K India Private Limited**  
**Schedules Forming Part of Accounts**

	As At 31st March, 2010 (Rs.)	As At 31st March, 2009 (Rs.)
<b>SCHEDULE 4</b>		
<b>SUNDRY DEBTORS</b> (Unsecured- considered good)		
Debts outstanding for a period over six months	33,785,660	-
Other Debts	65,878,882	78,906,435
	<u>99,664,542</u>	<u>78,906,435</u>
<b>SCHEDULE 5</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on Hand	776	2,025
Balances with Scheduled Banks in :		
- On Current Accounts	907,297	2,003,677
- On Deposit Account	298,597	298,597
	<u>1,206,670</u>	<u>2,304,299</u>
<b>SCHEDULE 6</b>		
<b>OTHER CURRENT ASSETS</b> (Unsecured- considered good)		
Interest Accrued on Deposits	36,414	9,109
	<u>36,414</u>	<u>9,109</u>



**Element K India Private Limited**  
**Schedules Forming Part of Accounts**

**SCHEDULE 7**

**LOANS AND ADVANCES**  
**(Unsecured- considered good)**

Advances recoverable in cash or in kind  
or for value to be received

Deposits

Tax Paid under protest

Advance Income tax (Net of Provision for income tax Rs.12,263,445 ,  
Previous Year Rs.9,163,445 )

Advance Fringe benefit tax  
(Net of Provision for Fringe Benefit Tax Rs.33,83,894,  
Previous Year Rs.33,83,894)

	As At 31st March, 2010 (Rs.)	As At 31st March, 2009 (Rs.)
	2,631,476	3,090,377
	4,699,842	4,729,060
	1,805,680	1,805,680
	169,440	556,406
	870,596	870,596
	<u>10,177,034</u>	<u>11,052,119</u>

**SCHEDULE 8**

**CURRENT LIABILITIES**

Sundry Creditors (other than Micro and Small  
Enterprises - Also refer Note 13 on Schedule 13 )

Other Liabilities

	6,984,834	3,180,084
	1,519,109	1,763,055
	<u>8,503,943</u>	<u>4,943,139</u>

**SCHEDULE-9**

**PROVISIONS**

Provision for Leave Encashment and Compensated absence for sickness

Provision for Gratuity

	10,674,000	10,817,683
	3,591,000	3,850,050
	<u>14,265,000</u>	<u>14,667,733</u>



Element K India Private Limited  
Schedules Forming Part of Accounts

	Year ended 31st March, 2010 (Rs.)	Year ended 31st March, 2009 (Rs.)
<b>SCHEDULE 10</b>		
<b>OTHER INCOME</b>		
Interest on Deposits (Tax deducted at source Rs.3,034 (Previous Year - Rs. 4,522)	30,338	22,700
Gain on Exchange Fluctuation (Net)	-	21,594
Miscellaneous income	6,500	14,950
	<u>36,838</u>	<u>59,244</u>
<b>SCHEDULE 11</b>		
<b>EMPLOYEE COSTS</b>		
Salaries and Other Benefits	83,331,551	93,821,815
Contribution to Provident and Other Funds	3,703,812	4,407,686
Staff Welfare Expenses	2,939,976	4,327,427
	<u>89,975,339</u>	<u>102,556,928</u>



**Element K India Private Limited****Schedules Forming Part of Accounts**

	Year ended 31st March, 2010 (Rs.)	Year ended 31st March, 2009 (Rs.)
<b>SCHEDULE 12</b>		
<b>OTHER EXPENSES</b>		
Rent	8,516,563	8,735,864
Consumables	228,600	258,448
Electricity Charges	4,856,098	4,600,758
Communication	1,547,188	1,751,347
Professional Charges	6,200,796	8,396,833
Travelling Expenses	1,270,342	2,823,691
Insurance	49,037	43,350
Repairs and Maintenance -Others	4,078,205	4,266,976
Interest and Penalties	-	2,500,000
Loss on exchange fluctuations (Net)	3,130	-
Loss on Sale of Fixed Assets	-	6,811
Miscellaneous Expenses	1,103,721	862,191
	<b>27,853,680</b>	<b>34,246,269</b>



**ELEMENT K INDIA PRIVATE LIMITED**  
**SCHEDULES FORMING PART OF ACCOUNTS**

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**Schedule-13**

**Notes to Accounts**

**1. Significant Accounting Policies:**

**1.1 Basis of preparation of financial statements**

The financial statements are prepared under historical cost convention, on accrual basis of accounting to comply with the accounting standards prescribed in the Companies (Accounting Standards) Rules, 2006 and with the relevant provisions of the Companies Act, 1956.

**1.2 Use of Estimates**

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities as on the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon the management's evaluations of the relevant facts and circumstances as of the date of the financial statements. Actual result could differ from these estimates.

**1.3 Fixed Assets and depreciation**

Fixed assets are stated at actual cost less accumulated depreciation. Cost includes taxes, duties, freight and other incidental expenses related to acquisition and installation.

Depreciation on fixed assets is computed on the straight line method over their estimated useful lives as detailed below:

- Computers - 3 years.
- Office equipment and Furniture and fixture - 5 years.
- Software - 3 years
- Leasehold Improvements are depreciated over a period of 5 years or lease period whichever is lower.

In respect of additions and deletions, depreciation charge is restricted to the period of use. Assets costing individually upto Rs.5,000/- are fully depreciated in the year of addition.

**Impairment**

Consideration is given at each Balance Sheet date to determine whether there is any modification or impairment of the carrying amount of the fixed assets. If any condition exists, an asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of any asset exceeds its recoverable amount.



**ELEMENT K INDIA PRIVATE LIMITED**  
**SCHEDULES FORMING PART OF ACCOUNTS**

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**Schedule-13**

**Notes to Accounts**

**1. Significant Accounting Policies:**

**1.1 Basis of preparation of financial statements**

The financial statements are prepared under historical cost convention, on accrual basis of accounting to comply with the accounting standards prescribed in the Companies (Accounting Standards) Rules, 2006 and with the relevant provisions of the Companies Act, 1956.

**1.2 Use of Estimates**

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**ELEMENT K INDIA PRIVATE LIMITED**  
**SCHEDULES FORMING PART OF ACCOUNTS**

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**1.4 Revenue Recognition**

Revenue from services is recognised on rendering of the related service as per the terms of the contract with the customers.

**1.5 Employee Benefits**

**(a) Short Term**

Short term employee benefits are recognized as expense as per the Company's Scheme based on expected obligation.

**(b) Post Retirement**

Post Retirement Benefits comprise of Provident Fund and Gratuity which are accounted as follows:

**(i) Provident Fund**

This is a defined contribution plan and contributions made to the fund, in accordance with the applicable rules/statutes, are charged to revenue. The Company has no further obligations for future provident fund benefits other than the contributions made to the fund.

**(ii) Gratuity**

This is a defined benefit plan. Gratuity liability is charged to the Profit & Loss account based on actuarial valuation using Projected Unit Credit Method. Actuarial Gains and Losses comprising of experience adjustments and the effects of changes in actuarial assumptions, are recognized immediately in the Profit and Loss account as income or expense.

**(c) Long Term**

Long Term employee benefits represent compensated absence which is provided for based on actuarial valuation using Projected Unit Credit Method.

**1.6 Taxation**

Provision for current tax and fringe benefits tax is made based on the liability computed in accordance with the relevant tax rates and tax laws. Provision for deferred tax is made for all timing differences arising between the taxable incomes and accounting income at the tax rates enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only if there is a virtual certainty that they will be realised and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.



**ELEMENT K INDIA PRIVATE LIMITED**  
**SCHEDULES FORMING PART OF ACCOUNTS**

**1.7 Foreign Currency Transactions**

Foreign Currency transactions are recorded at the exchange rates prevailing on the date of transaction. At the year-end, all monetary assets and liabilities denominated in foreign currency are restated at the closing exchange rates. Exchange differences arising on actual payments / realizations from the years-end restatement referred to above are dealt with in the profit and loss account.

**2. Other Financial Information**

Particulars	As at March 31, 2010	As at March 31, 2009
	Rs.	Rs.
Bank Guarantees	298,597	298,597

**3. Managerial Remuneration**

Particulars	Year ended 31 <sup>st</sup> March 2010	Year ended 31 <sup>st</sup> March 2009
	Rs	Rs
Salaries ,Allowances, Bonus etc	-	987,202
Contribution to Provident Fund	-	34,200
Perquisites	-	-
<b>Total</b>	-	<b>1,021,402</b>

**4. Expenditure in Foreign Currency**

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
	Rs	Rs
Travel and Conveyance	196,680	749,346
Software expenses	60,739	61,329
Annual Maintenance Contract Charges	87,862	-
Others	5,334	-



**ELEMENT K INDIA PRIVATE LIMITED**  
**SCHEDULES FORMING PART OF ACCOUNTS**

**5. Earnings in Foreign Currency**

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
	Rs	Rs
Service Income	138,208,157	160,444,535

**6. CIF Value of Imports**

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
	Rs	Rs
Capital goods	1,269,368	1,903,162



**ELEMENT K INDIA PRIVATE LIMITED**  
**SCHEDULES FORMING PART OF ACCOUNTS**

**7. Related Party Transactions**

**A. List of Related Parties where control exists:**

Ultimate Holding Company	NIIT Ventures Inc, USA
Holding Company	Element K Corporation, USA

**B. Key Management Personnel**

Ms.Rema Subramanian	- Managing Director (Till June 30, 2008)
---------------------	--

The Company is a 100% Subsidiary of Element K Corporation, a US based Company.

**C) Details of transactions with related parties during the year:**

Particulars	Holding Company		Key Management Personnel	
	2010 Rs	2009 Rs	2010 Rs	2009 Rs
(i) Transactions during the year				
Service Income	138,208,157	160,444,535	-	-
Expenses incurred by the Company on behalf of the related party	30,000	-	-	-
Remuneration paid to Managing Director	-	-	-	1,021,402
(ii) Closing Balances Receivable	99,664,542	78,906,435	-	-



**ELEMENT K INDIA PRIVATE LIMITED**  
**SCHEDULES FORMING PART OF ACCOUNTS**

**8. Earnings per share**

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Net Profit after tax as per profit and loss account (Rs.)	14,593,991	15,851,987
Number of equity shares of Rs. 10/- each outstanding	32,012	32,012
Basic earnings per share of Rs 10/- each (Rs.)	455.89	495.19



**ELEMENT K INDIA PRIVATE LIMITED**  
**SCHEDULES FORMING PART OF ACCOUNTS**

**9. Deferred Tax**

The composition of net deferred tax assets as at March 31, 2010 is as follows:

	<b>As at 31<sup>st</sup> March 2010 (Rs)</b>	<b>As at 31<sup>st</sup> March 2009 (Rs)</b>
Difference between book and tax written down value of fixed assets	2,200,000	2,570,000
<b>Net Deferred Tax Assets</b>	<b>2,200,000</b>	<b>2,570,000</b>

10. The Company is engaged in the development of courseware and multimedia design related to web based e-learning courses. Since this process does not involve as such of any consumption of raw materials, the quantitative and other information relating to consumption, production, turnover, etc. have not been given in the accounts.

**11. Segment reporting:**

The Company is engaged in a single business segment i.e. development of courseware and multimedia design related to web based e-learning courses. Accordingly, there are no separate reportable segments as per the Accounting Standard 17 on Segmental reporting .

**12. Auditors Remuneration**

<b>Particulars</b>	<b>Year ended March 31, 2010</b>	<b>Year ended March 31, 2009</b>
	<b>Rs</b>	<b>Rs</b>
Audit fees	300,000	300,000
Tax Audit	40,000	40,000
Other Services	50,000	50,000
Reimbursement of expenses	23,800	33,250

13. As at March 31, 2010 there is no interest payable to Micro and Small Enterprises as defined under the Micro Small and Medium Enterprises Development Act, 2006. This information and that disclosed under schedule 8 have been determined to the extent such parties have been identified on the basis of information available with the Company.



**ELEMENT K INDIA PRIVATE LIMITED**  
**SCHEDULES FORMING PART OF ACCOUNTS**

**14. Employee Benefits as per AS -15 (Revised)**  
**a) Details of Actuarial Valuation of Gratuity**

Particulars	2010 (Rs.)	2009 (Rs.)
Present value of obligation as at the beginning of the year	3,850,050	3,116,714
Interest cost	290,250	249,337
Current service cost	837,390	946,418
Benefits paid	(443,740)	(582,215)
Actuarial (gain)/loss on obligation	(942,950)	119,796
Present value of obligation as at the end of the year	3,591,000	3,850,050
<b>Amounts recognised in the balance sheet</b>		
Present value of the obligation at the end of the year	3,591,000	3,850,050
Fair value of plan assets	-	-
Funded status of the plan – (assets)/liability	-	-
<b>Net Liability recognised in the balance sheet</b>	<b>3,591,000</b>	<b>3,850,050</b>
<b>Cost for the period</b>		
Current service cost	837,390	946,418
Interest cost	290,250	249,337
Expected return on plan assets	-	-
Net actuarial (gain)/loss recognised in the year	(942,950)	119,796
<b>Expense recognized in the statement of profit and loss</b>	<b>184,690</b>	<b>1,315,551</b>
<b>Assumptions</b>		
Discount rate	8%	8%
Expected rate of salary increase	5%	5%

Liabilities of defined benefit obligations with regard to gratuity as at the balance sheet are not funded by the Company.

**b.) Details of Actuarial Valuation of Leave encashment (Compensated absence)**

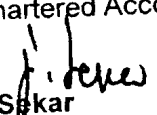
Particulars	2010	2009
Discount rate	8%	8%
Expected rate of salary increase	10%	10%



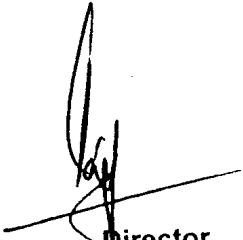
**ELEMENT K INDIA PRIVATE LIMITED**  
**SCHEDULES FORMING PART OF ACCOUNTS**

15. Previous year's figures have been re-classified and re-grouped wherever necessary to conform to the current year's presentation.

**For Price Waterhouse**  
Firm Registration number - 301112E  
Chartered Accountants

  
J Sekar  
Partner  
Membership Number - F23800

Chennai  
April 22, 2010

  
Director

P Rajendran  
DIN - 00042531

  
Director

Manish Mohan  
DIN - 03056384



## Element K India Private Limited

Balance Sheet Abstract and Company's General Business profile as required in Part IV of Schedule VI to the Companies Act, 1956 :

### I Registration Details

Registration No.

55-179247

State Code No.

55

Balance Sheet Date

March 31, 2010

### II Capital Raised during the Year : Rs. (in 000's)

Public Issue

Nil

Rights Issue

Nil

Bonus Issue

Nil

Private Placement

Nil

### III Position of Mobilisation & Deployment of Funds Rs.(In 000's)

Total Liabilities

117,172

Total Assets

117,172

Sources of Funds -

Paid Up Capital

320

Reserves & Surplus

94,083

Application of Funds -

Net Fixed Assets

3,887

Deferred tax asset

2,200

Net Current Assets

88,316

### IV Performance of Company (Rs.in 000's)

Turnover/Other Income

138,245

Total Expenditure

120,181

Profit/Loss before Tax

18,064

Profit/Loss after Tax

14,594

Earning per Share (Rs.) -

455.89

Dividend Rate (%)

-

### V Generic Names of principal product of company (as per monetary terms)

Item Code No. (HC Code)

852490

Product Description

Software Development

Director

P Rajendran

DIN- 00042531

Director

Nanish Mohan

DIN- 03056384