



# OUR VISION

## VALUES, MOTIVES AND BELIEFS

WE, NIIT, BELIEVE THAT OUR GROWTH IS THE DERIVATIVE OF THE GROWTH OF EACH ONE OF US. IT IS THE DUTY OF EACH ONE OF US TO ESPOUSE AND GIVE ACTIVE EFFECT TO THE VALUES, MOTIVES AND BELIEFS WE STATE HERE

•

### NIIT IS PEOPLE

WE HAVE POSITIVE REGARD FOR EACH ONE OF US

•

WE WILL FOSTER CAREER-BUILDING BY CREATING OPPORTUNITIES THAT DEMAND LEARNING, THINKING AND INNOVATION FROM EACH ONE OF US.

•

WE EXPECT EACH OF US TO CONTRIBUTE TO THE PROCESS OF ORGANISATION BUILDING AND THUS DERIVE PRIDE, LOYALTY AND EMOTIONAL OWNERSHIP.

•

WE RECOGNISE THE NECESSITY OF MAKING MISTAKES AND RISK-TAKING WHEN IT CONTRIBUTES TO THE LEARNING, INNOVATION AND GROWTH OF EACH ONE OF US.

•

### NIIT IS QUALITY AND VALUE

EACH OF US WILL ENSURE THAT IN ANY ASSOCIATION WITH SOCIETY, SOCIETY BENEFITS SUBSTANTIALLY MORE THAN:

- (a) WHAT SOCIETY GIVES TO US.
  - (b) WHAT SOCIETY WOULD GAIN FROM ANY OTHER SIMILAR ASSOCIATION
- 

WE WILL MEET ANY AND EVERY COMMITMENT MADE TO SOCIETY IRRESPECTIVE OF ANY COST THAT MAY HAVE TO BE INCURRED.

•

WE WILL ENSURE OUR PROFITABILITY, LONG-TERM GROWTH AND FINANCIAL STABILITY, THROUGH THE PROCESS OF DELIVERING THE BEST, BEING SEEN AS THE BEST AND BEING THE BEST.

•

WE WILL BE FAIR IN ALL OUR DEALINGS AND PROMOTE HIGH STANDARDS OF BUSINESS ETHICS.

•

### NIIT IS A MISSION

WE WILL GROW IN THE RECOGNITION AND RESPECT WE COMMAND, THROUGH PIONEERING AND LEADING IN THE EFFECTIVE DEPLOYMENT OF TECHNOLOGY AND KNOW-HOW.

•

WE WILL SEEK TO PLAY A KEY-ROLE IN THE DIRECTIONS AND DEPLOYMENT OF TECHNOLOGY AND KNOW-HOW FOR THE BENEFIT OF MANKIND.

# NIIT



# Contents

	Page No.
Corporate Information	4
Financial History	5
NIIT at a Glance	6
Directors' Report	8
Management Discussion and Analysis	13
Corporate Governance Report	24
Accounts of NIIT Limited	38
Statement of Subsidiary Companies	71
Consolidated Accounts of NIIT Limited (Group)	72

## CORPORATE INFORMATION

### **Board of Directors**

Rajendra S. Pawar  
*Chairman and Managing Director*

Vijay K. Thadani  
*Chief Executive Officer &  
Whole-time Director*

P. Rajendran  
*Chief Operating Officer &  
Whole-time Director*

Subroto Bhattacharya  
*Director*

Surendra Singh  
*Director*

Shardul S. Shroff  
*Director*

Sanjay Khosla  
*Director*

### **Company Secretary**

Parveen Jain

### **Group Chief Financial Officer**

Ashok Arora

### **Chief Financial Officer**

Jitender Mahajan

### **Auditors**

Price Waterhouse

### **Financial Institutions/Bankers**

ICICI Bank Limited  
Indian Overseas Bank  
Standard Chartered Bank Limited  
Citibank NA  
Wachovia Bank of Georgia

### **Registered Office**

NIIT Limited  
C-125 Okhla Phase - I  
New Delhi 110 020, India  
Email (Investor Services): investors@niit.com  
Tel : +91-11-41407000  
Fax : +91-11-26817344

### **Corporate Office**

NIIT House  
85, Sector 32, Institutional Area  
Gurgaon 122 001, India  
Email: niit.webmaster@niit.com  
Tel : +91-(124)-4293000  
Fax : +91-(124)-4293333

### **Registrar and Share Transfer Agent**

Alankit Assignments Ltd.  
Unit - NIIT Limited  
Alankit House  
2E/21, Jhandewalan Extn.  
New Delhi-110055, India  
Tel : +91-11-23541234, 42541234  
Fax : +91-11-41540064

### **NIIT Websites**

Corporate Website : [www.niit.com](http://www.niit.com)

In this Report, we have used terms that we use for NIIT staff and students. Staff members are NIITians, family members of staff are AffiNIITians and students of NIIT are Student NIITians.

*All trademarks acknowledged.*

# Financial History

# NIIT

## REVENUES & PROFITABILITY (Rs. Mn)

For the Fiscal period ended	30-Sep-01 12 months	30-Sep-02 12 months #	31-Mar-04 18 months ##	31-Mar-05 12 months	31-Mar-06 12 months
Global Revenues (NIIT & its subsidiaries) REVENUES OF NIIT LTD.	11,389 7,108	6,541 3,603	7,076 4,606	3,984 2,871	4,507 3,449
Operating Expenses	5,745	3,088	3,773	2,497	2,874
Interest & Finance Expenses	28	8	20	11	43
Depreciation	359	460	417	195	238
Profit Before Tax	1,051	47	397	168	294
Profit After Tax	960	91	457	160	270
Equity Dividends	174	174	*** 96	106	116
Earnings Per Share (Rs.) * - Basic	24.83	2.35	17.76	8.26	13.97
Operating Margin (%)	19.2	14.3	18.1	13.0	16.7
Profit Before Tax / Revenues (%)	14.8	1.3	8.6	5.9	8.5
Return on Capital Employed	12.7	1.3	17.0	5.3	7.7

## ASSETS & LIABILITIES (Rs. Mn)

As At	30-Sep-01	30-Sep-02	31-Mar-04	31-Mar-05	31-Mar-06
Sources of Funds					
Equity Capital	386	386	193	193	193
Reserves & Surplus	6,564	6,351	2,499	2,538	2,695
Loan Funds	600	495	214	500	1,195
Deferred Tax Liability	-	87	-	-	-
<b>Total</b>	<b>7,551</b>	<b>7,320</b>	<b>2,906</b>	<b>3,231</b>	<b>4,083</b>
Applications of Funds					
Gross Block (includes Capital Work in Progress)	3,118	3,605	1,745	1,878	2,215
Net Block (includes Capital Work in Progress)	1,575	1,749	726	754	954
Investments	1,904	3,507	1,537	1,487	1,456
Deferred Tax Assets	-	-	-	-	20
Current Assets	5,365	3,129	1,620	1,811	2,758
Current Liabilities	1,293	1,066	977	821	1,105
Net Current Assets	4,072	2,063	643	990	1,653
<b>Total</b>	<b>7,551</b>	<b>7,320</b>	<b>2,906</b>	<b>3,231</b>	<b>4,083</b>
Debt-Equity Ratio	0.09	0.07	0.07	0.18	0.41
Current Ratio	4.15	2.94	1.66	2.21	2.50
Fixed Asset Turnover	2.28	1.00	2.64	1.53	1.56
Receivable Days	66	145	106	137	165
Book value per share (Rs.)	180	174	139	141	149
Share Price on Closing date (BSE) (Rs.)	108	131	180	182	296
Market Capitalisation (Rs. Mn)	4,174	5,050	6,957	** 3,509	5,728

### Notes:

# The company had simplified its operating arrangement in the Learning Business in year 2002.

## The Company had spun off its Software Solutions business during the period to a separate Company, NIIT Technologies Limited.

\* Based on Equity outstanding as on Balance Sheet date.

\*\* Based on the listed equity shares as on March 31, 2004.

\*\*\* Dividend Paid.

# NIIT at a Glance

## Global Learning Solutions for Individuals, Enterprises, Schools and Colleges

### ● For Individuals

Instructor-led Training, Computer-based Training and e-Learning programmes:

- ✦ GNIIT for IT careers
- ✦ 'NIIT Edgeineers', programmes for Engineering and IT Students
- ✦ Degrees in alliance with Universities
- ✦ Bioinformatics programme with Supercomputing Facility, IIT Delhi
- ✦ CATS for IT professionals
- ✦ CareerEdge for IT skills for non-IT careers
- ✦ Maximedia for multimedia skills
- ✦ Planetworkz for ITES careers
- ✦ Board exam preparation solutions
- ✦ SWIFT for Internet and IT literacy
- ✦ NetVarsity for Online Learning

### ● For Corporations

Enterprise Learning Solutions:

- ✦ Instructor-led and e-Learning Training in IT and Soft Skills
- ✦ Advisory Services
- ✦ Custom Content Development
- ✦ Application and Process Rollout Training
- ✦ Learner Management Systems
- ✦ Learner Support Services
- ✦ Assessment and testing services

### ● For Colleges and Universities

- ✦ Curriculum Design
- ✦ Custom Courseware Development
- ✦ Learning Delivery, Hosting Services
- ✦ Learner and Faculty Support Services
- ✦ Student Administration
- ✦ In-campus IT Programmes

### ● For Government and Private Schools

- ✦ Integrated solutions for computer education and computer-aided education for K-12 learners
- ✦ IT integration solutions for the school system
- ✦ IT as an education transformation tool

### ● Alliances with global IT majors:

- ✦ Intel, Microsoft, Oracle, SumTotal, Thomson Prometric

### ● Assessed at SEI-CMM Level 5



- **Corporate Social Responsibility initiatives:**

- ✦ World Computer Literacy Day
- ✦ International Women's Month
- ✦ Bhavishya Jyoti Scholarships

**Awards & Acknowledgments**

- ✦ Among the Top 20 Companies in the Training Outsourcing Industry: TrainingOutsourcing.com
- ✦ Only Asian IT Education company among the 'Top 20 Worldwide IT Training Market Leaders': International Data Corporation
- ✦ Top Training Company in India: Dataquest
- ✦ Features among the Superbrands of India by the Superbrands Council, US
- ✦ Ranked among the 'Top 10 Most Respected IT Companies': Business World Survey 2004
- ✦ Ranked among '25 Great Places to Work': Business World Survey 2003
- ✦ Ranked among India's 'Top 50 Most Trusted Services Brands' by Economic Times Brand Equity survey
- ✦ 'India's Most Customer Responsive Educational Institution' Award 2005: Avaya GlobalConnect
- ✦ 'Award for Excellence in Innovative HR practices' 2005: Delhi Management Association and Watson Wyatt World
- ✦ China Information World, the Beijing-based IT weekly presented NIIT with awards for 'Best Contribution towards Vocational Education in China (2004)' and 'Best Curricular Structure in China' in 2004
- ✦ China Computer Weekly, the Chongqing-based publication with a base of over one million readers, recognised NIIT as the 'Most Influential Education Certificate Brand in China for 2004' and the company with the 'Best IT training curriculum' for the same period
- ✦ eAngelz 'Asian Visionaries & Leaders', Singapore award for NIIT Chairman Rajendra S. Pawar
- ✦ Government of Chongqing, the largest city in the world, appoints NIIT CEO Vijay Thadani as Economic Advisor to help it become hub of knowledge-based economy
- ✦ Dewang Mehta Award for 'Innovation in IT' to NIIT Chief Scientist Dr. Sugata Mitra from Indian Government's Department of IT.

**Global operations include training network in**

- ✦ **Americas** - Mexico, Peru, USA
- ✦ **Europe** - Kazakhstan
- ✦ **Asia** - Bangladesh, Cambodia, China, India, Indonesia, Malaysia, Nepal, Philippines, Sri Lanka, Turkey, Vietnam
- ✦ **Middle East** - Bahrain, Iran, Oman, Qatar, Yemen
- ✦ **Africa** - Botswana, Ghana, Mauritius, Nigeria, South Africa, Sudan, Zimbabwe
- ✦ **Australia/Oceania** - Fiji



## Directors' Report

### Dear NIIT Shareowner,

Your Directors take pleasure in presenting the twenty-third Annual Report along with the audited statement of accounts for the financial year ended March 31, 2006.

#### Financial Results

The highlights of your Company's financial results for the period April 1, 2005 to March 31, 2006 are as follows:

Rs. Mn

Particulars	2005-06	2004-05
Consolidated Revenues (NIIT and its subsidiaries)	4,507	3,984
Net Sales (Income from operations)	3,378	2,827
Other Income	71	44
Profit before depreciation and taxes	531	363
Depreciation	237	195
Net tax provision	24	8
Net Profit	270	160
Basic EPS (Rs.)	13.97	8.26
Diluted EPS (Rs.)	13.88	8.26

Your Company's total income from operations for the financial year under review was Rs. 3,378 million (as against Rs. 2,827 million in the previous financial year) while the net profit was Rs. 270 million (as against Rs. 160 million in the previous financial year).

#### Business Operations

During the year, your Company further strengthened its leadership position in India. Your Company launched new study programmes to cater to the evolving needs of its customers, especially for engineering students. The increased interest shown by employers in GNIIT and AAE students, evidenced by higher student placements in the IT/ITES industry, resulted in higher enrolments for these courses.

China, with its vast potential in the manpower development space, continues to be a big market for NIIT. Your Company now has over 125 education centres dotting 25 provinces in China, where your Company is working in partnership with local companies, leading universities and software technology parks. A major partnership directly with one of the largest Provincial Governments for training students in IT and English language has taken off and holds great promise.

The year saw a large number of additions to the portfolio of technology companies serviced by your Company. Many of these customers use multiple services provided by your Company, including custom content development, learning technologies and learning delivery and have multi geographic coverage.

Your Company received new contracts from the State

Governments of Assam, Chattisgarh, Himachal Pradesh and Tripura to provide IT and IT-assisted education in schools. Moreover, during the year, your Company successfully completed execution of major part of the IT education contract in 700 schools in Karnataka.

#### NIIT in its 25th Year

The year 2006 marks NIIT's 25th year of operations. Few companies are as closely identified with the history and development of the information technology industry in India as NIIT. In this landmark year, NIIT reached many significant milestones, recording healthy growth and leading the resurgence of the IT training industry in the country.

#### Future Plans

Now on the threshold of completing its first 25 years, your company will begin its next 25 years with a worldwide presence that retains and expands its heritage as the pioneer of IT & IT-assisted education in India.

With this vision, your Company is planning on entering new areas including training for banking, insurance and finance executives, advanced technology based learning and assessment and testing services.

#### Dividend

In view of the good performance, the Directors are pleased to recommend, for approval of the shareholders, a dividend of Rs.6.00 per share, compared to Rs. 5.50 per share in the previous financial year.

#### Transfer to Reserves

In accordance with statutory regulations, your Company has transferred a sum of Rs. 27 million to the General Reserves Account.

#### Issuance of Foreign Currency Convertible Bonds

To finance a part of the long term fund requirements, your Company issued Foreign Currency Convertible Bonds (FCCB) aggregating to US \$10 million on private placement basis to Intel Capital Corporation, USA for a tenure of 5 (Five) years. These bonds carry a coupon rate of 2.5% per annum and are convertible into equity shares at a price of Rs 200/- per share.

#### Subsidiaries

During the year under review, your Company has incorporated a new overseas subsidiary by the name NIIT Limited, U.K in United Kingdom to cater to its corporate clients in UK and Europe.

A new Indian subsidiary company by the name NIIT Multimedia Limited was also added. This company is engaged in the business of rendering consultancy and development services in multimedia and other IT related activities.

During the year under review, NIIT Online Learning Limited, a subsidiary of your Company, submitted a petition to the Hon'ble High Court of Delhi, for reduction of equity capital

## Directors' Report (Contd.)

from Rs 120 million to Rs 4.39 million and for extinguishing Preference Shares capital of Rs 325 million. The Hon'ble High Court of Delhi passed the necessary orders on July 20, 2005 and the reduction was registered by the Registrar of Companies on September 19, 2005.

### Corporate Governance

In order to enhance customer satisfaction and stakeholder value, NIIT continues to benchmark its corporate governance practices with the best in the world in line with international norms.

NIIT has complied with all the requirements relating to Corporate Governance as stipulated in Clause 49 of the Listing Agreements of the Stock Exchanges. For the financial year ended March 31, 2006, the compliance report is provided in the Corporate Governance Report attached to the Annual Report. The auditor's certificate on compliance to the conditions of Corporate Governance stipulated in Clause 49 of the Listing Agreements of the Stock Exchanges forms a part of this Annual Report.

NIIT's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, accountability and equity in all facets of its operations, in all interactions with its stakeholders including Shareholders, NIITians, Lenders and Regulatory Authorities.

### Directors

As per the provisions of the Companies Act, 1956 and Articles 64, 65 and 66 of the Articles of Association of your Company, Mr. Vijay K. Thadani, Mr. Subroto Bhattacharya and Mr. Sanjay Khosla, Directors of the Company, retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

### Directors' responsibility statement

As required under Section 217 (2AA) of the Companies Act, 1956, the Directors of the Company hereby state and confirm -

- That in preparation of Annual Accounts for the financial year, applicable Accounting Standards have been followed along with the proper explanations relating to material departures;
- That the Directors have selected such accounting policies and applied them consistently, and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- That the Directors have prepared the annual accounts on a going concern basis.

Information relating to Conservation of Energy, Technology Absorption, Research and Development, Exports, Foreign Exchange Earnings and Outgo and other information forming part of the Directors' Report in terms of Section 217(1)(e) of the Companies Act, 1956 and the Rules made thereunder.

### Conservation of energy

The operations of your Company are not energy-intensive. However, appropriate measures, wherever possible, have been initiated to conserve energy. NIIT is continuously evaluating new technologies and invests in them to make its infrastructure more energy efficient.

### Technology absorption

In today's world, perpetually evolving technologies and increasing competition define the global market space. In order to maintain its position of leadership, your Company has continuously and successfully developed state-of-the-art methods for absorbing, adapting and effectively deploying new technologies.

During the year the businesses also created and improved their basic tools and techniques that were effectively deployed for software development, building software platforms, creating training materials and new curricula for the global marketplace.

In addition, your Company strengthened its relationships with a large number of technology companies including Intel and Microsoft.

### Research and Development

Your Company received one more patent in 2005-06 for the invention of Computer Assisted Experiment Kit (CAX), for school classrooms. CAX kits enable students to conduct experiments in high school Physics with the help of a computer and associated hardware apparatus created in NIIT's laboratories.

Current research by your company's R&D at the Centre for Research in Cognitive Systems (CRCS) on remote evaluation of candidates for the BPO and other industries uses their earlier work on the automatic evaluation of voice accents. This technology, likely to be ready for the market this year, will enable employers to evaluate candidates in remote places using the Internet. In addition to creating a new business line, this technology will enable thousands of young Indians in remote locations to access jobs in the cities.

The year saw the publication of a major paper on the findings of the last six years of experiments with self-organised education for children. The paper, published in the Australasian Journal of Educational Technology, received the AERA SIG Communication of Research Annual Award for

## Directors' Report (Contd.)

the Best Education Research Article in an Open Access Journal for 2005, from the USA.

Dr. Sugata Mitra's new book "The Hole in the Wall: Self Organising Systems in Education", published by Tata McGraw-Hill, consolidated the research work done by CRCS for assimilation by educationists and public at large.

### Exports, foreign exchange earnings and outgo

The details of foreign exchange earnings and outgo are mentioned in Notes Nos.12, 13 and 14 contained in the Notes to Accounts (Schedule No.19) forming part of the Balance Sheet and Profit and Loss Account for the financial year.

### Public Deposits

Your Company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding on the date of the balance sheet.

### Particulars of Employees

Particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended are given in Annexure-I and form part of this report.

### Human resources and Employees' Stock Option Scheme

NIITians are the key resource for your Company. Your Company has been able to create and continuously improve a favourable work environment that encourages novelty and meritocracy at all levels.

Employee relations remained cordial at all your Company's locations. The Directors take this opportunity to record their appreciation for the outstanding contribution of all NIITians.

The Directors, on the recommendations and approval of the Compensation Committee, approved the NIIT Employee Stock Option Plan 2005 ("ESOP 2005"), in complete supersession of the earlier stock plan (ESOP 2000) for the employees and directors of your Company and its subsidiary companies.

The ESOP 2005 was launched to attract and motivate employees by rewarding performance and also to retain best talents and to develop a sense of ownership among the employees within the organization and to align your Company's stock option scheme to such changes and to synergise the same with the best practices in the Industry.

The Compensation Committee accordingly made two grants of options to eligible employees of your Company under new ESOP 2005. The particulars of the Options granted under the ESOP-2005 as required to be disclosed under SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, are appended as Annexure-II and form part of this report.

### Auditors

M/s. Price Waterhouse, Chartered Accountants, the Auditors

of the Company, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

### Auditors' Report

In respect of the Auditors' comments in Clause 3 (iv) of their report, the Directors explain that there has been no instance or record of any misuse of Company's information and necessary interlocks are in place and the general information systems has been strengthened, which was also confirmed by the Auditors.

### Management Discussion and Analysis Report

The report as required under the listing agreements with the Stock Exchanges is annexed and forms part of this report.

### Particulars of subsidiary companies

The detailed Statement of Accounts of the subsidiaries of the Company as required under Section 212 of the Companies Act, 1956, is annexed in the Annual Report.

On an application made by your Company under Section 212(8) of the Companies Act, 1956, the Central Government, vide letter dated 24th April, 2006 has exempted your Company from attaching a copy of the Balance Sheet, Profit and Loss Account, Directors' Report and Auditors' Report of the subsidiary companies under Section 212(1) of the Act to the Balance Sheet of your Company. Accordingly, the said documents are not being attached with the Balance Sheet of your Company. A gist of the financial performance of the subsidiary companies is contained in this Annual Report. The Annual Accounts of the subsidiary companies are open for inspection by any Member/Investor and your Company will make available these documents/details upon request by any member of your Company or to any investor of its subsidiary companies who may be interested in obtaining the same. Further, the Annual Accounts of the subsidiary companies will also be kept open for inspection by any investor at your Company's Registered Office and that of the subsidiary Company concerned.

### Acknowledgements

Your Directors take this opportunity to thank all investors, clients, licensees, technology partners, vendors, financial institutions, banks, regulatory and governmental authorities, media and Stock Exchanges for their continued support during the year. Your Directors also place on record their appreciation of the contribution made by NIITians at all levels for their commendable teamwork, dedicated and wholehearted efforts made during the financial year.

For and on behalf of the Board

**Rajendra S Pawar**  
Chairman &  
Managing Director

Place : New Delhi  
Dated : June 29, 2006

## Directors' Report (Contd.)

### Annexure-I to Directors' Report

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2006

#### A. Employed throughout the year and in receipt of remuneration not less than Rs. 24,00,000 for the year

Name	Age (years)	Qualification	Experience (years)	Designation	Gross Remuneration Rs.	Date of joining	Previous Employment & Position held
Rajendra Singh Pawar	55	B. Tech	34	Chairman & Managing Director	5,574,201	December 2, 1981	HCL Ltd, Corp. Planning Manager
Vijay Kumar Thadani	55	B. Tech	34	Chief Executive Officer & Whole-time Director	8,178,040	December 2, 1981	Keltron Ltd, Branch Manager
P. Rajendran	53	BE	32	Chief Operating Officer & Whole-time Director	12,152,116	September 1, 1982	Keltron Ltd, Resident Manager
Suren Singh Rasaily	47	MBA	24	Executive Vice President - Corp. Development	3,481,886	April 1, 1988	Project-21, Business Manager Eastern Operations
L. Balasubramanian	52	BE	32	President, K12 Business	4,684,297	November 30, 1988	DCM Data Products, Regional Systems Engineering Manager
Udai Singh	38	BE, ME	17	Sr. Vice President - Global Design & Development	2,971,920	March 23, 2005	NIIT Online Learning Limited, Whole-time Director & Chief Operating Officer
Santhanam Venkatesh	43	BBA, MBA	21	Senior Vice President-South, Individual Learning Business	2,463,332	April 16, 1992	Computer Point Limited, Product Manager Sales & Marketing
Neeraj Agarwal	44	BE	21	Senior Vice President-Content & Publishing, Knowledge Solution Business	3,351,328	February 15, 1993	KLG Consultants Ltd, Systems Manager
Jitender Mahajan	42	B.Com, CA, CS	18	Chief Financial Officer	2,511,734	March 12, 2002	Electrolux Kelvinator Ltd, General Manager - Corporate Accounts

#### B. Employed for part of the year and in receipt of remuneration not less than Rs. 2,00,000 per month

Name	Age (years)	Qualification	Experience (years)	Designation	Gross Remuneration Rs.	Date of joining	Previous Employment & Position held
Smarajit Dey (Dr.)	49	BE, ME, Phd	27	President - Individual Learning Business	1,824,810	March 1, 1990	BITS Pilani, Asstt. Professor
Sugata Mitra (Dr.)	54	M.Sc, Phd	28	Chief Scientist	1,317,214	December 15, 1990	Database India, Chief Executive
Nicholas George	45	MBA	21	Senior Vice President-Technology & Services, Knowledge Solution Business	2,360,979	May 9, 1994	Escorts Limited, Manager Systems Management Services
Ashish Basu	46	M.Sc, MBA	23	President - Knowledge Solution Business	2,952,109	June 20, 2005	NIIT USA Inc., President KSB Global Solutions
Raghavan Govindan	49	B.Sc, MMS	26	President-Individual Learning Business	7,357,318	June 1, 2005	Ingram Micro India, Managing Director

#### Notes :

1. The gross remuneration shown above comprises of salary, allowances, incentives, monetary value of perquisites as per Income Tax Rules and Company's contribution to Provident Fund and Superannuation Fund.
2. The above does not include provision for gratuity and provision for leave encashment.
3. None of the above employees are related to any Directors of the Company.

### Annexure-II to Directors' Report

#### Disclosure under SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999

(a) Options granted	Grant I - 555,350 Grant II - 46,200 Total - 601,550									
(b) Pricing formula	At a price not less than the existing face value of the share of the Company. Grant Price                      Market Price# Grant I* :                      Rs. 180.00                      Rs. 235.15 Grant II** :                      Rs. 237.00                      Rs. 237.00 # closing price on the National Stock Exchange * at approximately 23.45% discount to market price ** at market price									
(c) Options vested	Nil									
(d) Options exercised	Nil									
(e) The total number of shares arising as a result of exercise of option	Nil									
(f) Options lapsed	24,150									
(g) Variation of terms of options	Nil									
(h) Money realised by exercise of options	Nil									
(i) Total number of options in force	577,400									
(j) Employee wise details of options granted to: (i) senior managerial personnel	A summary ^ of options granted to senior managerial personnel* are as under: No. of employees covered: 19 (Nineteen) No. of options granted to such personnel: 178,450 (One Lakh Seventy Eight Thousand Four Hundred Fifty only)  *includes employees who are one level below the Board of Directors or CEO/COO working in executive capacity. ^ Only summary given due to sensitive nature of information									
(ii) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year.	Nil									
(iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil									
(k) Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard(AS) 20 'Earnings Per Share'	Rs.13.88									
(l) Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed	Please refer to Notes Nos.16 and 28 contained in the Notes to Accounts (Schedule No.19) forming part of the Balance Sheet as at March 31, 2006 and Profit and Loss Account for the year ended on that date.									
(m) Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock	<table border="1"> <thead> <tr> <th></th> <th>Grant I (Rs.)</th> <th>Grant II (Rs.)</th> </tr> </thead> <tbody> <tr> <td>Weighted Average Exercise price</td> <td>180.00</td> <td>237.00</td> </tr> <tr> <td>Weighted Average Fair Value</td> <td>98.64</td> <td>72.25</td> </tr> </tbody> </table>		Grant I (Rs.)	Grant II (Rs.)	Weighted Average Exercise price	180.00	237.00	Weighted Average Fair Value	98.64	72.25
	Grant I (Rs.)	Grant II (Rs.)								
Weighted Average Exercise price	180.00	237.00								
Weighted Average Fair Value	98.64	72.25								
(n) A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information: (i) risk-free interest rate, (ii) expected life, (iii) expected volatility (iv) expected dividends, and	7% 2.5 years 14% The shares to be issued under stock options shall rank pari-passu, including the right to receive dividend. Expected dividend payouts to be paid during the life of the option reduce the value of a call option by creating drop in market price of the stock. Adjustments for known dividend payouts over the life of the option are made to the formulae under Black Scholes method. However, in the present case, as the life of the option is greater than one year, there is considerable difficulty in estimating the amount and time of future dividend payouts with certainty. Hence, future dividend payouts have not been incorporated in the valuation analysis									
(v) the price of the underlying share in market at the time of option grant	For Grant I the market price was Rs. 235.15 For Grant II the market price was Rs. 237.00									

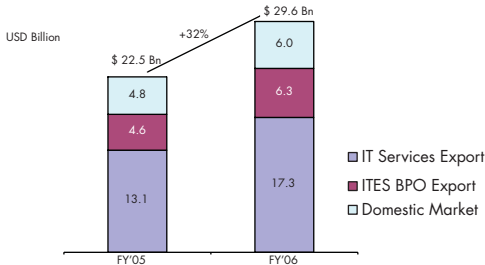
## Management Discussion and Analysis

### Business Climate

#### Business Climate

Being upstream to the IT and ITES industry, IT training witnessed an improved business climate during the financial year and recorded healthy growth. The Indian IT and ITES industry witnessed

### Indian IT Software & ITES Market



- Overall software and services (exports + domestic) grew by 32 per cent
- Domestic revenues grew by 25 per cent
- The highest growth came from ITES - BPO (exports + domestic) which grew by 37 per cent
- Exports grew by 33 per cent.

In the international environment, the Company experienced the following:

- Growing demand for IT skills in China, APAC, CIS and Latin America
- Universities exploring partnerships with the private sector
- Outsourcing of training services gaining favour in USA and Europe
- Technology companies increasing their focus on international markets.

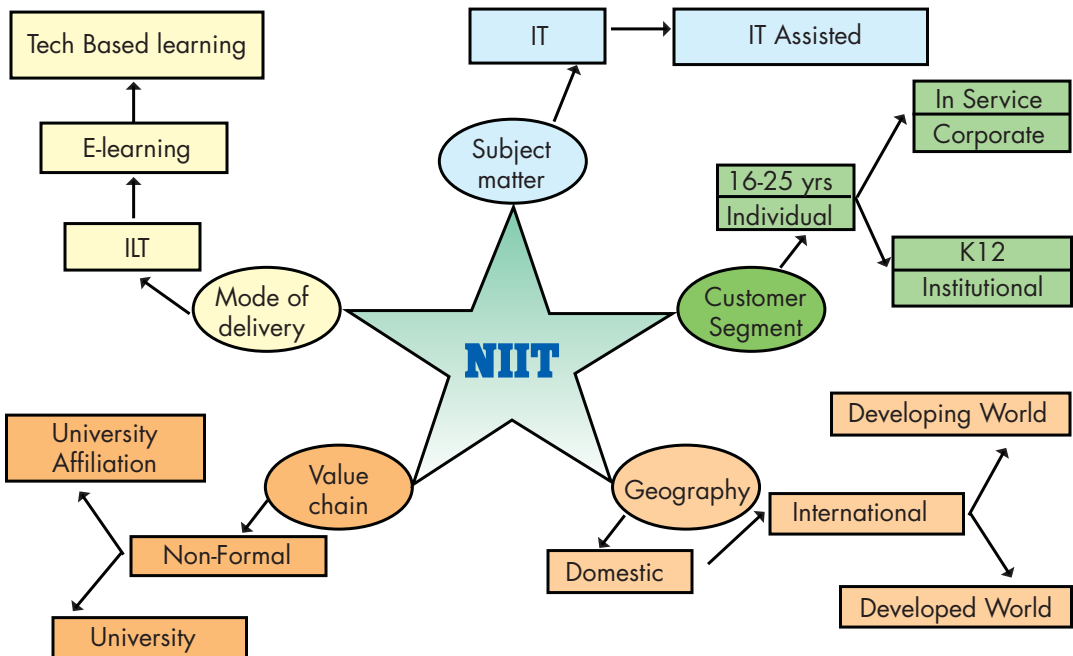
### Review of Operations

The financial year-April 1, 2005 to March 31, 2006 saw the Company's revenues accelerating, along with improved profits and improved profitability with

- System wide revenues for the year up 12% to Rs. 7,112 million
- Operating Profit for the year going up to Rs. 603 million, up 23 per cent
- Operating profit margin improving 107 bps to 13 per cent
- PAT growing 12 per cent from Rs. 356 million to Rs. 401 million

It is evident that the year was a growth-oriented year marked by volume growth in businesses, improved realisation and higher operational efficiencies.

Overall, the Company has been using a well defined multi pronged strategy to fuel growth.



## Management Discussion and Analysis (Contd.)

This includes

- Focusing on different age groups starting from schoolgoing children to corporate executives
- Providing IT as well as IT-assisted education
- Diversifying the mode of delivery from instructor led training to e-learning to technology based learning
- Moving up the value chain from being a pure non-formal player to tie-ups with Universities to provide "NIIT Inside" education within the formal education system
- Diversifying the geographic mix to provide IT and IT-assisted education in India as well as other developing and developed countries.

### Analysis of Financials

The consolidated financials for 2005-06 are as below:

	(Rs Mn)		
	FY'06	FY'05	% change
System Wide Revenues	7,112	6,363	12%
Net Revenues	4,507	3,984	13%
Operating Expenses	3,904	3,494	12%
Operating Profit	603	490	23%
OPM	13%	12%	107 bps
Depreciation	374	345	8%
Other Income	36	72	-50%
Profit Before Taxes	266	217	22%
Provision For Tax	29	10	193%
Net Profit	236	207	14%
Share of Profits from Associates	164	149	10%
PAT	401	356	12%
Basic EPS (Rs)	21.4	18.0	19%

The Company saw a marked improvement in its net revenue and profitability during the year with

- Net revenues for the year growing 13 per cent YoY to Rs. 4,507 million
- Operating margin for the year @ 13%, showing an improvement of 107 basis points
- Profit before taxes up 22% to Rs. 266 million

The Company operates as a single primary segment, i.e. the learning business, with fully-aligned sub businesses. The Company's sub business-wise highlights for the year are as under:

	(Rs Mn)		
	Individual		
	FY'06	FY'05	% change
System Wide Revenues	3,912	3,200	22%
Net revenues	1,670	1,322	26%
Operating profit	128	-3	4316%
OPM	8%	0%	788bps

The Individual business led the growth recording a net revenue growth of 26 per cent. This high revenue growth coupled with the benefits of the operating leverage and a revenue capacity utilisation of 46 per cent in this business, the operating profit margin in the business recorded a 788 bps improvement year-on-year.

(Rs Mn)

	Institutional		
	FY'06	FY'05	% change
Net revenues	1,175	1,192	-1%
Operating profit	213	256	-17%
OPM	18%	22%-	334bps

In the Institutional business, the cautious approach adopted to de-risk the business by being selective in bidding for new government tenders, together with the closure of old contracts, resulted in revenue being at Rs. 1,175 million and the operating margin at 18 per cent. The Company successfully completed execution of a major part of the IT education contract in 700 schools in Karnataka. The private schools business contributed 17 per cent of the total Institutional business revenues during the financial year.

(Rs Mn)

	Corporate		
	FY'06	FY'05	% change
Net revenues	1,662	1,470	13%
Operating profit	262	237	10%
OPM	16%	16%-	-

In the Corporate business, the Company has recorded a revenue growth of 13 per cent and an operating margin of 16 per cent. The Company has realigned its business to balance its portfolio between custom content development, learning delivery and learning technology.

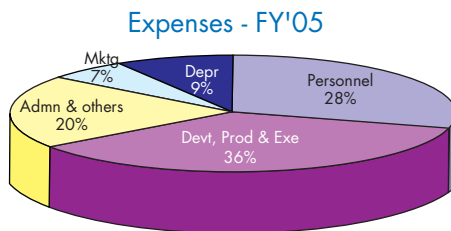
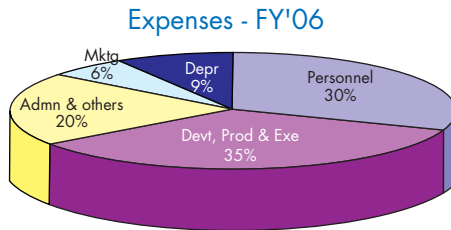
### Other Income

The other income earned by the Company included capital gains on mutual fund investments, as well as other miscellaneous income. The interest earned by the Company increased to Rs. 19 million as compared to Rs. 9 million in the previous financial year. However, due to an increase in interest expense linked to the increase in debt, the net interest expense increased from Rs. 15 million in FY 2005 to Rs. 27 million in FY 2006. The Company has booked a net loss on account of foreign exchange fluctuation of Rs. 2 million compared to a gain of Rs. 3 million booked the previous year due to the volatility in foreign exchange rates. Other income also included net adjustments to provisions for doubtful debts, which was lower during this financial year compared to the previous year.

## Management Discussion and Analysis (Contd.)

### Expense Analysis

Development, production and execution charges constituted 35 per cent of the total expenses as against 36 per cent in FY 2005 - recording a growth of only 8 per cent YoY. This was due to changes in product mix as well as a focused approach to control the expenses.



Personnel costs constituted 30 per cent of the total expenses, compared to 28 per cent in FY 2005, an increase of 19 per cent. This was on account of the addition of 421 people during the year, annual increments and the charge booked on intrinsic value basis for the options granted to employees.

Of the balance expenses, marketing and administration was 26 per cent in FY 2006, as against 27 per cent the previous year and depreciation remained in line with last year, constituting 9 per cent in both years.

For FY 2006, the Company has a net tax expense of Rs. 29 million, compared to Rs. 10 million for the previous year. The tax expense includes fringe benefit tax amounting to Rs. 19 million.

### Summarised Balance Sheet as on March 31, 2006

(Rs Mn)

Liabilities	Mar'05	Mar'06	Assets	Mar'05	Mar'06
Equity	193	193	Net Block	1,223	1,131
Preference Capital	56	56	Capital WIP	15	256
Reserves & Surplus	2,156	2,476	Investments	237	349
Net worth	2,406	2,725	(excl. Mutual Funds)		
Secured Loans	405	649	Debtors	1,259	1,895
Unsecured Loans	7	441	Cash & equivalents	545	701
Total Debts	412	1,090	(incl. MF)		
			Other Current Assets	538	751
			Deferred Tax Asset		20
			(Current Liabilities)	(999)	(1,289)
<b>Total</b>	<b>2,817</b>	<b>3,816</b>	<b>Total</b>	<b>2,817</b>	<b>3,816</b>

The key highlights of the Balance Sheet of the Company as on March 31, 2006 are:

- Asset additions for the year were Rs. 281 million
- The Company successfully raised foreign currency convertible bonds for USD 10 million - outstanding at the year-end.

Based on the above performance, the Board of Directors proposed a dividend of Rs. 6.00 per share, as compared to Rs. 5.50 per share last year.

### Business Review

It is estimated that the IT training market in India recorded a 10 per cent growth in FY 2005 and FY 2006. In this period, NIIT has strengthened its market leadership and competitive position vis-à-vis other players by growing faster than the industry.

NIIT continued to remain in the Top 20 IT training companies globally.

The Company has three sub businesses, i.e.

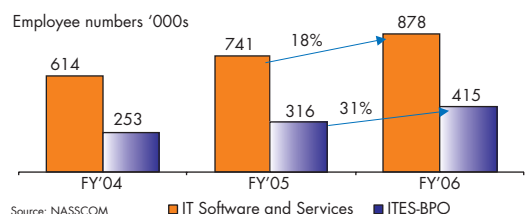
- Individual, where the Company addresses the needs of individuals for pursuing careers in IT, for improving their professional skills and for improving IT literacy in India and other developing countries
- Institutional, which caters to the requirement for IT and IT-assisted education in schools; and
- Corporate, which caters to the requirement for custom content development, learning delivery and learning technology requirements for clients in the developed and developing world.

### INDIVIDUAL BUSINESS

#### India

The Indian IT-ITES industry grew at a CAGR of over 28 per cent since FY 1999-2000. Over the same period, the industry's contribution to the national GDP rose from 1.2 per cent in FY 1999-2000 to an estimated 4.8 per cent in FY 2005-06. The total direct employment in the Indian IT-ITES sector is estimated to have grown by over a million, from 284,000 in FY 1999-2000 to 1,287,000 in FY 2006. The direct employment increased 22 per cent YoY in 2005-06.

### Employees - Indian IT Software & IT enabled services





## Management Discussion and Analysis (Contd.)

In addition to the nearly 1.3 million-strong workforce employed directly in the industry, Indian IT-ITES industry is estimated to have helped create an additional three million job opportunities through indirect and induced employment.

Against this backdrop, NIIT's Industry Collaboration and Industry Partnership programme that assists successful NIIT students in finding placements, continued to have more job openings than the number of students that it could place. During FY 2006, it placed 23,901 students registering a 124 per cent increase, while at the end of the year they had over 7,000 unfilled positions.

Fuelled by the growth of placements, enrolments in NIIT courses for the year stood at 274,873 recording a 13 per cent increase over FY 2005. The enrolments for career courses increased 21 per cent YoY reflecting the growth in the Indian IT services. There was an increased acceptance of the GNIIT programme which recorded an increase of 68 per cent YoY. Moreover, the AAE programme, which was launched in FY 2005 as a pilot, gained traction resulting in 1,826 engineering students and graduates benefiting from the programme, as compared to 693 in FY 2005. During FY 2006, the career oriented programmes of the Company grew by 27 per cent compared to 22 per cent growth registered in FY 2005

The Company undertook the following major initiatives in India in FY 2006:

- Technology programmes in partnership with Intel, Microsoft, Oracle and Sun Microsystems
- Technology infrastructure enhancements to prepare for newer technologies
- Comprehensive set of offerings customised for engineering students
- Significant course promotion and career counseling activities for GNIIT under the "Industry Endorsed Curriculum" banner

During the year, Individual business in India completed a process of consolidation of centres keeping in view the business potential from these centres. The overall seat capacity reduced by only 9 per cent, while the number of centres reduced by 21 per cent.

### China

In FY 2006, it is estimated that the IT training market in China grew by about 17 per cent. Within this market, the Company recorded a system wide revenue growth of 26 per cent over FY 2005 and China now contributes 10 per cent of the system wide revenues in the Individual business.

The "NIIT Inside" model performed well and helped NIIT grow in the China market. Through this, NIIT tied up with universities and colleges in China to provide IT education as part of the overall university education and thus make a significant impact in that marketplace.

During FY 2006, NIIT tied up with a key provincial government in China to provide IT and English language training to the students in colleges across the province.

### Rest of the World

In other developing countries, NIIT adopted the strategy of focusing on a few high potential geographies, including Ghana, Indonesia, Malaysia, Mexico, Nigeria, Russia and Vietnam.

NIIT entered into an agreement with the UK Open University to offer the University's B.Sc (Hons) in Computing and its Practice, at NIIT centres in six countries - Bangladesh, Botswana, Ghana, Indonesia, Nigeria and Vietnam. This programme is scheduled to be rolled out in FY 2007 and is expected to improve the business in each of these countries.

### Recognition

NIIT was conferred the Hall of Fame award for Excellence in Franchising and Business Development by the Franchising World Magazine.

## INSTITUTIONAL BUSINESS

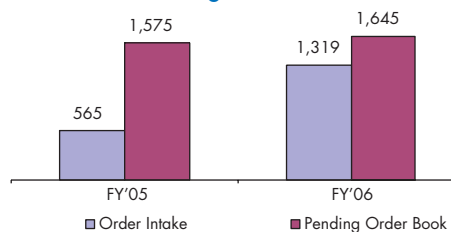
The Institutional business provides IT and IT assisted education in Government and private schools in India.

To provide the impetus in FY 2006 the Company focussed on the private schools market and tied up with Intel and State Bank of India to provide a complete solution for IT enablement in private schools.

During the year, the Company won contracts from Government of Assam, Chattisgarh, Tripura and Himachal Pradesh to provide IT and IT assisted education in Government schools in these states.

Currently over 1,500,000 students are being serviced through 3,899 schools.

### Institutional business – Order intake & Pending order book



While, the order intake for the year showed a healthy improvement, the pending order book grew at a slower pace to close the year at Rs. 1,645 million.

Moreover, the Company successfully completed the contract received from the Karnataka Government five years ago.

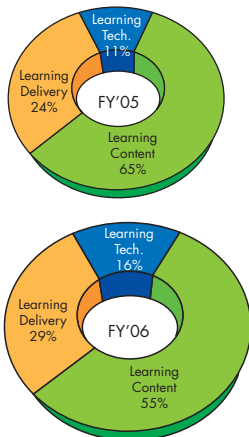
## Management Discussion and Analysis (Contd.)

### CORPORATE BUSINESS

The Corporate business caters to the requirements of technology companies, Fortune 500 customers and the higher education segment through publishers. The primary focus of the business is USA, India and Europe. The range of services offered by the Corporate business includes

- Custom content development,
- Learning technologies provided in a 'software as a service' (ASP) framework
- Learning delivery which involves instructor led and online training and delivery, and
- Advisory services function which builds integrated solutions.

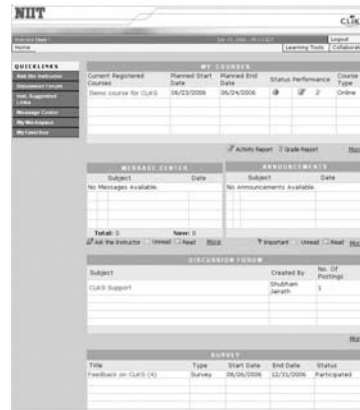
#### Corporate business - changing revenue mix



The portfolio mix changed during the year with revenues from learning technologies and learning delivery growing significantly as a proportion of the total Corporate business. Since these orders are relatively long term in nature, the shift in portfolio has resulted in better medium term visibility of revenue stream.

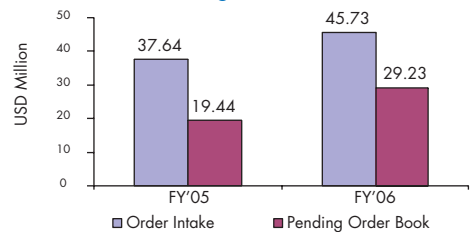
The Company added a number of technology companies in its portfolio during the year bringing the total to 35 significant relationships, a growth exceeding 100 per cent over the past year. Many of these customers use multiple services and some of them have multi-geography coverage. With this, the Company has emerged as one of the leaders in this segment of this industry and will further consolidate its position in the coming years.

The learning technology's e-learning services are offered on the Company's CLiKS platform that is now an established solution for training the extended enterprise, i.e. employees, partners and customers. More than 30 customers and over 300,000 learners are getting training services using this platform.



NIIT Limited, UK, was set up as a wholly owned subsidiary during the year to grow the Corporate business in UK and Europe. It secured two major customers during the year and signed up a significant multi-year contract.

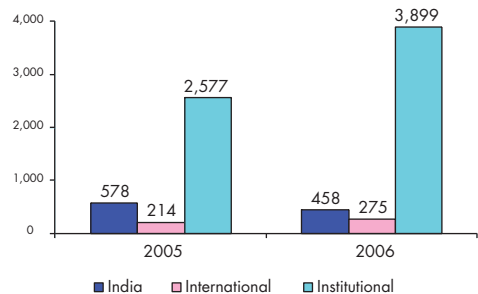
#### Corporate business - Order intake & Pending order book



During the year, the Company improved its Corporate business order intake to \$45.73 million, an increase of 21 per cent. Moreover, the closing order book stood at \$29.23 million, as against \$19.44 million in March 2005.

#### Capacity

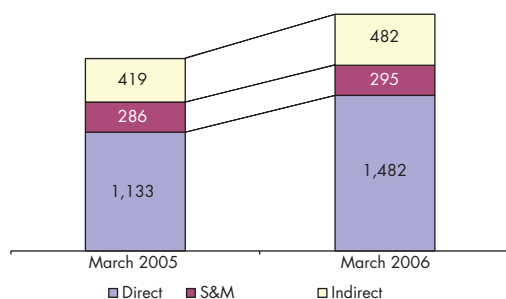
The year ended with a total of 4,632 education centres, including 733 individual centres in India and overseas and 3,899 institutional centres.



## Management Discussion and Analysis (Contd.)

During the year, the Company completed a process of consolidation of centres in India, thus reducing the total number, keeping in view the business potential from these centres.

The total number of people in the Company increased to 2,259 on March 31, 2006 from 1,838 on March 31, 2005 with the addition of 421 new people during the year.



Of the total increase, 349 people were added in the direct category, 9 in sales and marketing and 63 in the indirect categories.

### Detailed Analysis of Consolidated Balance Sheet as on March 31, 2006

Particulars	(Rs Mn)	
	March 31, 2006	March 31, 2005
<b>Sources of Funds</b>		
<b>Shareholder Funds</b>		
Share Capital	193.25	193.25
Minority Interest	0.68	-
Employee Stock Option outstanding	19.66	-
Cumulative Preference Shares	56.00	56.00
Reserves and Surplus	2,455.66	2,156.20
<b>Net Worth</b>	<b>2,725.25</b>	<b>2,405.45</b>
<b>Loan Funds</b>		
Secured Loans	649.17	404.71
Unsecured Loans	441.17	7.25
Loan funds	1,090.34	411.96
<b>Total</b>	<b>3,815.60</b>	<b>2,817.41</b>
<b>Application of Funds</b>		
<b>Fixed Assets</b>		
Gross Block	2,735.43	2,557.15
Depreciation	1,604.71	1,333.99
Net Block	1,130.72	1,223.16
Capital Work in Progress	255.96	14.76
Investment	399.62	424.43
Net Current Assets	2,008.95	1,154.54
Deferred Tax Assets	20.00	-
Miscellaneous Expenditure	0.35	0.47
<b>Total</b>	<b>3,815.60</b>	<b>2,817.41</b>

### Share Capital

There was no change in the share capital of the Company during the year under review.

### Preference Share Capital

The preference share capital reflects the amount invested by IFC (the minority partner) in Hole-in-the-Wall Limited (HIWEL), a subsidiary of the Company. Post the year end, IFC has transferred its entire preference capital to the Company for a token amount and has waived its rights on the dividend accrued on the preference shares. IFC continues to hold 10 per cent equity stake in HIWEL.

### Employee Stock Option Plan

During the year, the Company launched its Employee Stock Option Plan (ESOP 2005) with an objective to provide an incentive to attract, retain and reward employees and motivate such employees to contribute to the growth and profitability of the Company.

The ESOP 2005 was established as per the approval granted by the shareholders by a special resolution through postal ballot on May 18, 2005. It will continue to be in force until the date on which all of the options available for issuance as per the approval granted by the shareholders have been vested and exercised.

In accordance with the Plan, the Company granted 601,550 options in two tranches during the year. As of the year end, the Company had 577,750 live options.

The details of the grants are as under:

	Options Granted	Grant Price per option	Closing NIIT Stock price on the day prior to Grant
Grant I	555,350	Rs. 180.00	Rs. 235.15
Grant II	46,200	Rs. 235.00	Rs. 235.00

### Reserves and Surplus

For the purposes of consolidation, the Company adopts Indian Accounting Standard (IAS) 11 - 'The Effects of changes in Foreign Exchange rates' for translation of balances of non-Indian subsidiaries. Assets and liabilities of non-Indian subsidiaries are translated at the year-end exchange rate. Income and expenditure items are translated at predetermined rates that approximate the exchange rate prevailing on the date of the transaction. The resultant translation adjustment is reflected as a separate component of Shareholders' funds as 'Cumulative Translation Reserve'.

### Foreign Currency Convertible Bonds

In April 2005, in accordance with a shareholder approval dated February 24, 2005, the Company raised a sum of USD 10,000,000 as foreign currency convertible bonds with a five-year tenure. These bonds were privately placed with Intel Capital Corporation and carry a coupon rate of 2.50 per cent per annum. The bonds are convertible to equity at

## Management Discussion and Analysis (Contd.)

any time during the currency of the bonds at a fixed currency conversion rate of Rs. 43.76 per USD and a fixed share price of Rs. 200 per share.

These funds have been raised by the Company to augment its long term resources.

### Fixed Assets

During the year under review, the Company invested an amount of Rs. 281 million (FY 2005 - Rs. 211 million) in fixed assets for:

- Executing customer projects
- Upgradation, renovation and modernisation of existing centres
- Infrastructure
- New product development
- Capacity increases and
- Normal capital expenditure.

At the year end, the capital work in progress stood at Rs. 256 million. This included investment in infrastructure for the Centre of Excellence at Gurgaon.

### Investments

Investments at the beginning of the year under review stood at Rs. 424 million including

- Rs. 214 million invested in NIIT Technologies Limited
- Rs. 23 million of investments in other companies viz. Mindshaper Technologies Limited, Aesthetic Technologies Private Limited and Medvarsity Online Limited and
- Rs. 187 million of investments in debt schemes of mutual funds.

During the year, the Company received an amount of Rs. 53 million as dividend inflow from NIIT Technologies Limited. At the end of the year, the investment value of the 25 per cent held by the Company in NIIT Technologies was Rs. 327 million after adjusting for the share of profits and dividend inflows.

Moreover, the Company also accrued its share in the profits of other associate companies namely Aesthetic Technologies Private Limited and Mind Shaper Technologies Limited for Rs. 1 million for the year under review and the investment value stood at Rs. 24 million at year end.

At year end, total investment value stood at Rs. 400 million including the investment in mutual funds which was Rs. 51 million.

### Net Current Assets

The elements of net current assets are as follows:

#### Inventories

Inventories mainly comprise of training material including educational software used by the Company for imparting IT and IT enabled education. Over the year, the value of the inventory held by the Company increased from Rs. 80 million to Rs. 88 million, in line with increased business activity.

#### Trade Receivables

Net receivables from institutions, corporates and business partners amounted to Rs 1,895 million as of March 31, 2006, representing an outstanding of 153 days, as compared to Rs. 1,259 million (115 days outstanding) as on March 31, 2005. Of the total receivables, an amount of Rs. 790 million is outstanding for more than six months. The increase in total receivables, days sales outstanding and receivables outstanding for more than 180 days is primarily attributable to the delays in realising dues in the institutional business.

#### Cash and Bank

The cash and bank balances as on March 31, 2006 stood at Rs. 650 million. The total cash and cash equivalents on March 31, 2006 were Rs. 701 million (including the mutual fund investments made in debt schemes of a short term nature). During the year the Company:

- generated Rs. 114 million from operations
- utilised Rs. 498 million for investment activities including purchase of fixed assets
- received Rs. 517 million from financing activities. This also includes an amount of US\$10 million raised as foreign currency convertible bonds.

#### Other Current Assets

This includes interest receivable and unbilled revenues. Over the year, the amount increased from Rs. 1 million to Rs. 8 million primarily due to the interest receivable by the Company on its investments.

#### Loans and Advances

This includes advances to suppliers, rent advances, security deposits given for premises, advance tax paid as well as loans given to the NIITian Welfare Trust, NIIT Education Society and to NIITians. During the year, the Company loaned an additional sum of Rs. 43 million to the NIITian Welfare Trust (a trust jointly financed by the Company and NIIT Technologies for the staff welfare of their employees) and a sum of Rs. 73.50 million to the NIIT Education Society, a not-for-profit society. This society would be setting up and managing the University project.

#### Current Liabilities and Provisions

This represents Sundry creditors including capital creditors, advances from customers, security deposits, provisions for leave encashment, gratuity and dividend and other liabilities. The outstanding liabilities and provisions were Rs. 1,289 million in March 2006 as compared to Rs. 995 million in March 2005. This increase is attributable to the year end project related creditors and the increased level of business operations.

#### Loan Funds

In FY 2006 the Company availed the un-drawn line of Rs. 400 million term loan (Rs. 300 million was drawn in FY2005 against a sanctioned line of Rs. 700 million). These funds have primarily been utilised for the capital expenditure undertaken by the Company during the financial year.

## Management Discussion and Analysis (Contd.)

The Company has repaid its existing term loans as per schedule amounting to Rs. 181 million during the year. Accordingly, at the year end, the total secured debt stood at Rs. 649 million

The unsecured debt of the Company stood at Rs. 441 million on March 31, 2006 as compared to Rs. 7 million on March 31, 2005. This increase is due to the US\$ 10 million FCCB raised by the Company in April 2005.

Some Key Ratios relating to Current Assets for the last three fiscal years.

	2005-06	2004-05	2003-04#
Receivable Outstanding (Days)	153	115	128
Cash and Bank Balances*/ Total Assets (%)	14%	14%	23%
Net Current Assets*/ Total Assets (%)	40%	42%	21%
Current Ratio*	2.60	2.34	1.49

# 12 month data extracted for comparative purposes

\* including mutual fund investment

### Related Party Transactions

Related Party transactions are defined as transactions of the Company of a material nature with Promoters, Directors or the Management, their subsidiaries or other related parties who may have a potential conflict with the interest of the Company at large.

All transactions covered under related party transactions were regularly ratified and/or approved by the Board, the guiding principles being arms length, fairness and transparency. The details of related party transactions are given in the Notes to Accounts.

### NIIT Ltd

#### Revenue from Operations

The Company (i.e. NIIT Limited on a stand alone basis) recorded total revenues of Rs. 3,378 million as compared to Rs. 2,827 million in FY 2005 registering a growth of 19 per cent.

#### Other Income

The other income earned by the Company included

- Profit on the mutual fund investments
- Recoveries made from subsidiaries for common services
- The net provisions written back
- Miscellaneous other income.

#### Accounting Policies and Practices

The significant Accounting policies and practices followed by NIIT Ltd are disclosed in Note 1 of Schedule "19" (Notes to Accounts) of the Accounts for the year. The important change in accounting policy is:

- From April 2005, the Company started recognising revenue on a proportionate completion method including certain contracts requiring significant usage of contents capitalised as education software relating to courseware and products based on technical evaluation, in respect of most of the fixed price contracts as against on delivery/dispatch of concerned services in the previous years

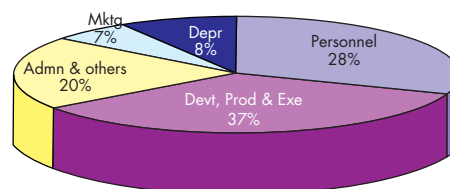
From April 2005, The Company has considered its education content software relating to courseware and products as "Knowledge Banks" which hitherto were capitalised as individual software items. The knowledge banks are being depreciated as a block over a period of 3-4 years starting April 1, 2005. The literary work created under such "Knowledge Banks" has been registered with the Registrar of Copyrights.

#### Impact of Foreign Currency

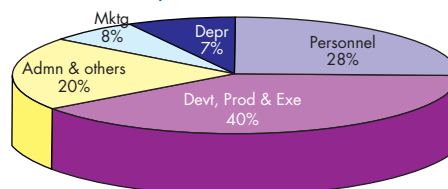
	(Rs Mn)	
	Year ended March 31, 2006	Year ended March 31, 2005
Earning in Foreign currency (net of taxes)	682	572
Revenue Expenditure in Foreign Currency	130	100
Net Revenue Earning in Foreign Currency	552	472
Capital Expenditure in Foreign Currency	10	4
Net Foreign Currency Earnings	542	468

#### Expenses

##### Expenses - FY'06



##### Expenses - FY'05



## Management Discussion and Analysis (Contd.)

### Personnel

The personnel cost was 28 per cent of the total costs compared to 25 per cent in FY 2005, an increase of 30 per cent. This increase is due to the increase in people numbers, the annual increments as well as the charge booked on intrinsic value basis for the options granted to employees.

### Development, Production and Execution

A focused approach to cost control as well as product mix changes helped reduce this expense from 40 per cent of total costs in FY 2005 to 37 per cent in FY 2006. This expense includes the cost of software, courseware and manuals as well as the cost of products purchased for resale.

### Other Expenditure

Other expenditure including administration costs was at 27 per cent of total costs. This included infrastructure and administration costs, marketing spends, travel and communication costs.

### Depreciation

The Company's depreciation charge was Rs. 238 million (8 per cent) of total costs as compared to Rs. 195 million (7 per cent) in FY 2005.

### Dividend

The Board of Directors of the Company has recommended a dividend of Rs. 6.00 per equity share as against Rs. 5.50 per share for FY 2005.

### Balance Sheet

#### Fixed Assets

During the year under review, the Company added Rs. 253 million to its gross block of assets

- Executing customer projects
- New product development
- Capacity increases and
- Normal capital expenditure.

Moreover, the capital work in progress stood at Rs. 209 million as of March 31, 2006. This included the investment in infrastructure for the Centre of Excellence at Gurgaon.

#### Investments

(Rs Mn)

	March'06	March'05
Investment in subsidiaries	1,400	1,331
Others	6	6
Mutual funds	50	150
<b>Total</b>	<b>1,456</b>	<b>1,487</b>

During the year, the Company invested additional equity in NIIT Antilles NV and NIIT USA Inc to strengthen their operations and meet other requirements of subsidiary consolidation.

The Company also incorporated a subsidiary in UK to grow its corporate business and invested GBP 100,000 as start up capital in the subsidiary.

The Company also received back its investment of Rs. 136 million in NIIT Online Learning Limited during the year.

### Current Assets, Loans and Advances

#### Inventories

Inventories primarily comprise training material for Rs. 88 million compared to Rs. 74 million as on March 31, 2005.

#### Trade Receivable

Sundry debtors amount to Rs. 1,529 million (net of provision for doubtful debts amounting to Rs. 216 million) as of March 31, 2006, as compared to Rs. 1,063 million (net of provision for doubtful debts amounting to Rs. 243 million) as of March 31, 2005. Of the total receivables, an amount of Rs. 988 million is outstanding for less than six months while Rs. 541 million is outstanding over six months. The increase in debtors outstanding for more than six months is attributable to the delays faced by the Company in realising receivables in the institutional business from State Governments.

#### Cash and Bank

(Rs Mn)

	March'06	March'05
Fixed Deposits	264	20
Exchange Earners Foreign Currency	1	1
Cash in hand & balances with Scheduled Banks	255	87
<b>Total</b>	<b>520</b>	<b>108</b>

The above balances do not take into account cash equivalents of Rs. 50 million invested in debt schemes of mutual funds of a short-term nature.

#### Other Current Assets

This primarily includes interest receivable and unbilled revenue amounting to Rs. 7 million (Rs. 2 million for the previous year).

#### Loans and Advances

The loans and advances stand at Rs. 614 million as compared to Rs. 559 million as on March 31, 2005. The outstanding amount represents loans and advances given to subsidiaries, NIITians and other constituents in the normal course of its business. During the year, the Company loaned an additional sum of Rs. 43 million to the NIITian Welfare Trust (a trust jointly financed by the Company and NIIT Technologies for the staff welfare of their employees) and a sum of Rs. 73.50 million to the NIIT Education Society, a not-for-profit society. This society would be setting up and managing the University project.

## Management Discussion and Analysis (Contd.)

### Capital structure

There was no change in the equity capital of the Company during the year under review.

NIIT Ltd. - Paid up Equity Share Capital History 1993-2006 (No. of shares)

	New	Total
Pre-Initial Public Offer (1993)		13,571,224
Initial Public Offer- March 1993	3,607,500	17,178,724
1:2 Bonus Issue of shares- June, 1995	8,588,662	25,767,386
1:2 Bonus Issue of shares- March 1999	12,883,093	38,650,479*
Re-organisation in Share capital pursuant to the Scheme of Arrangement as on April 1, 2003	19,324,640	19,325,839*

\* including forfeited shares

### Reserves

NIIT Ltd reserves do not reflect any reserves on account of revaluation of assets.

### Loan funds

As on March 31, 2006 the total debt was Rs. 1,195 million (previous year Rs. 500 million). Of this,

- Rs. 615 million is the rupee term loan (previous year Rs. 384 million)
- Rs. 34 million (previous year Rs. 21 million) pertains to the vehicle financing arrangement undertaken by the Company
- Rs. 105 million pertains to unsecured loans taken by the Company from its subsidiaries
- Rs. 438 million is the foreign currency convertible bonds outstanding
- The balance of Rs. 3 million pertains to deferred lease obligation.

### Future Outlook

The NASSCOM's IT industry outlook for fiscal 2006-07 shows that

- enhancing the talent pool advantage by focusing on skill development remains a key focus area for sustained leadership
- Projections for FY 2006-07 estimate overall software and services to grow by 25-28 per cent
- Incremental revenue of \$6-8 billion is higher than ever before
- Export growth projected at 27-30 per cent taking IT software and services to \$21-22 billion and ITES-BPO to \$8-8.5 billion
- Domestic market growth forecast at ~20 per cent with

a significant upside potential in e-governance and high growth sectors, e.g. retail, healthcare, etc.

The Nasscom-McKinsey study of December 2005 shows a shortfall of nearly 500,000 qualified employees for the IT-BPO sector by the year 2010.

In China, the market is poised for high growth in the IT training market based on the following indicators:

- GDP is estimated to grow at 9.5 per cent annually
- Government is encouraging domestic and overseas training organisations to provide high quality IT training in China
- Software outsourcing especially from Japan is growing rapidly.

As per the IDC report on the IT training market in China

- IT industry annual growth projected at 41.2 per cent with software industry growth estimated at 48.4 per cent
- More than 10,000 software companies operate out of China
- Demand for computer talent is expected to increase annually by one million.

The global corporate learning market is estimated to grow at a CAGR of 25 per cent.

Based on the outlook, some of the strategies that the Company plans to adopt in the coming years include:

### Individual

- In the short term
  - To ramp up its offerings for the engineering and non engineering students in India
  - Build company alliances and institutional partnerships
  - Leverage technology partnerships
  - Scale up its current "NIIT Inside" model
  - Focus on select international geographies
  - Roll out the UK Open University programme in select geographies.
- In the medium to long term
  - Expand the product range and geographic reach of the business
  - Set up specialised institutes of higher learning and research.

### Institutional

Going forward, the Company is actively optimising the risk levels in this business. This would entail that the Company be extremely selective in taking on new government school contracts and focus on growth through the private schools offerings, teacher training and addressing the international requirements.

- In the short term, the business would

## Management Discussion and Analysis (Contd.)

- o leverage the IPR software and content created by the Company for the schools segment
- o leverage the technology partnerships.
- In the medium to long term
  - o Focus on teacher training
  - o Enter international markets where this competency can be applied effectively.

### Corporate

- In the short term
  - o Build and strengthen the technology partnerships,
  - o Grow learning technologies and learning delivery business in identified segments
  - o Expand presence in European market.
- In the medium to long term
  - o Address application roll out training opportunities
  - o Create e-learning market places
  - o Provide complete solutions for the outsourced training requirements of companies.

### New business initiatives

The environment provides large opportunities for growth to the Company. Based on its core competencies and market opportunities, the Company has identified three new areas for growth.

- Institute of Finance, Banking & Insurance which would train people for the growing requirements in these sectors. It will service the entire spectrum of requirements right from entry level to advanced skills.
- NIIT Imperia, the Centre for Advanced Learning, which would operate as remote classrooms for advanced level



programmes conducted by prestigious institutions, using synchronous learning technology. The business would initially focus on executive management and technology education.

- NIIT Litmus which would offer assessment and testing services for recruitment and proficiency testing for internal use and self certification as evidence of attainment. The division would initially focus on BPO and IT space for recruitment and internal tests.



By implementing plans to pursue these strategy sets, the Company is heading for further improvements in revenue growth rates and commensurate improvement in profitability.

### Risk Management

The Company constantly endeavours to broaden the charter of risk management to include opportunities as well as threats. It uses an integrated risk management approach, using a number of techniques to cover the full range of risks in the framework. Today, risk assessment and mitigation is an important part of decision making and management at all levels of the Company.

### Internal Control Systems and its adequacy

NIIT has adopted benchmarked practices for internal controls followed worldwide, based on its extensive global operational experience. It has also implemented one of the leading ERP solutions in its global operations, to integrate various facets of business operations including Human Resource, Finance, Logistics and Sales. This has enabled the Company to control and monitor its worldwide operations online and strengthened the ability of internal controls to function optimally.



## Corporate Governance Report

### THE COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company's philosophy on Corporate Governance is aimed at achieving the balance between stakeholder's interest and corporate goals through the efficient conduct of its business and meeting their obligation in a manner that is guided by transparency, accountability and integrity. It has always believed that an independent board following international practices, transparent disclosures and empowerment of stakeholders are as necessary as solid financial results for creating and sustaining shareholder value. The Company is conscious of its responsibility as a good corporate citizen and is committed to a high standard of Corporate Governance practices. This is reflected in the well composed and independent structure of the Company's Board of Directors.

At NIIT, value creation is a philosophy that is ubiquitous across the organisation. Stakeholders are the focus of Company's growth strategy. The Company has ensured stability and growth in a dynamic environment and in competitive times. This has been the Company's commitment since inception. The fabric of Corporate Governance in the Company is woven with transparency, independence and commitment to creating wealth for its shareholders. Our broad-based Board of Directors, constituted in compliance with the Companies Act, 1956, and the listing agreement with the Stock Exchanges are in accordance with the best practices in corporate governance. The functions of the Board of Directors and Board Committees are well defined and transparent. All the Board Committees are chaired by Independent Directors.

### BOARD OF DIRECTORS

#### Composition

The Company is managed and controlled by a professional Board comprising a blend of Executive and Non-Executive

Independent Directors. The present strength of the Board of Directors is seven (7), of which four (4) members are Non-Executive Independent Directors, constituting more than half of the Board's total strength. The Company's Board comprises eminent persons with considerable professional expertise and experience. The Independent Directors of the Company meet all the criteria mandated by the revised Clause 49 of the Listing Agreement. The Board's role, functions, responsibilities and accountability are clearly defined. In addition to its primary role of monitoring corporate performance, the functions of the Board inter-alia includes:

- Articulating the corporate philosophy and mission;
- Formulating strategic and business plans;
- Reviewing and approving financial plans and budgets;
- Monitoring corporate performance against strategic and business plans including overseeing operations;
- Ensuring ethical behavior and compliance with laws and regulations;
- Reviewing and approving borrowing/lending/ investment limits/exposure limits, etc.;
- Keeping shareholders informed about plans, strategies and performance.

The composition of the Board of Directors is in conformity with the stipulation laid down in the code of Corporate Governance recommended by the Securities and Exchange Board of India (SEBI) through Clause 49 of the Listing Agreement of the Stock Exchanges.

#### Director's Attendance and other Directorship/ Membership & Chairmanship.

The names and categories of the Directors on the Board, along with their attendance at Board Meetings held during the year, and the number of other Directorship and Chairmanship/Membership of Committees held by them, is given below:

Sr. No.	Name of Directors	Category	No. of Directorships in other Companies *	No. of Membership (Chairmanship) in other Board Committees **	No. of Board Meetings		Whether attended last AGM
					held	attended	
1	Mr. Rajendra S. Pawar (Chairman and Managing Director)	Executive Chairman	12	3	7	6	Yes
2	Mr. Vijay K. Thadani (Chief Executive Officer & Whole-time Director)	Executive CEO	7	3 (1)	7	6	Yes
3	Mr. P. Rajendran (Chief Operating Officer and Whole-time Director)	Executive COO	6	2 (2)	7	6	No
4	Mr. Subroto Bhattacharya Director	Independent, Non Executive	6	9 (3)	7	7	Yes
5	Mr. Surendra Singh Director	Independent, Non Executive	6	7 (2)	7	6	Yes
6	Mr. Shardul S. Shroff Director	Independent, Non Executive	4	4	7	5	Yes
7	Mr. Sanjay Khosla *** Director	Independent, Non Executive	-	-	7	3	Yes

\* Other Directorships do not include those of private limited companies and companies incorporated outside India.

\*\* Includes only Audit Committee, Remuneration Committee and Investors/Shareholders' Grievance Committee.

\*\*\* Mr. Sanjay Khosla is based overseas and therefore has not been able to attend meetings of Board in person regularly. However, he has participated in those Meetings in which he was not able to be present in person, through tele-conference/video-conference.

## Corporate Governance Report (Contd.)

A brief profile and role of each of the Directors is given below:

### Mr. Rajendra S. Pawar

**Designation:** Chairman and Managing Director

**Profile:** Mr. Rajendra S. Pawar is the Chairman and co-founder of the NIIT Limited, Asia's largest IT trainer which operates in 30 countries and has over 500,000 students on its rolls.

A distinguished alumnus of Indian Institute of Technology, Delhi, he is known for promoting industry-academia alliances and has been working closely with the country's well-known educational institutions. He is an established thought leader in the industry. He has served on the Prime Minister's National Task Force for IT. He is also helping the Government of South Africa develop a growth strategy for its ICT industry.

Recognising his pioneering and entrepreneurial work in the education and software sectors, global Business Intelligence firm, Ernst & Young conferred on Mr. Pawar its prestigious Master Entrepreneur of the Year Award in 1999. His contributions to the IT industry in India have also earned him the IT Man of the Year award instituted by IT industry journal, Dataquest.

He chairs Indian Industry Body, CII's National Committee on education and serves on the Board of Governors of IIT, Delhi. He is a Fellow of many professional societies including the Computer Society of India, the Institution of Electronics & Telecom Engineers and the National Telematics Forum.

**Roles and Responsibilities:** Mr. Pawar plays a major role in providing thought leadership and strategic inputs to the Company in addition to supervising the functional heads of Corporate Development, Centre for Research in Cognitive Systems, Strategic HR and Corporate Communications.

### Mr. Vijay K. Thadani

**Designation:** Chief Executive Officer and Whole-time Director

**Profile:** Mr. Vijay K. Thadani, co-founder and Chief Executive Officer of NIIT has built an organisation that is recognised for its innovative efforts of taking computer education to the masses. He has led the Company's globalisation effort since 1991, taking the NIIT flag to over 30 countries. As the Chairman of NIIT USA Inc., and based out of Atlanta (1999-2003), he mentored NIIT's Strategic Alliance Programme that resulted in successful acquisitions of leading technology companies to fill in critical technology gaps in NIIT's software solutions and corporate solutions offerings.

Mr. Thadani has headed many Industry Associations and

Societies including the Indian IT Industry Association, MAIT. He has also chaired the Indian Government's Committee on National Information Infrastructure Policy. He has served as the Chairman of the IT Committee of CII in the United States and has led delegations to Korea, Japan, Taiwan, China and the United States to promote India's IT capability.

A 'distinguished alumnus' of the premier Indian Institute of Technology, Delhi, he has lectured at prestigious institutions including the University of Michigan Business School, the J L Kellogg Graduate School of Management and the Indian Institutes of Management (IIMs).

**Roles and Responsibilities:** Mr. Thadani's responsibilities include leading NIIT's Strategic Alliance initiative, the technology partnership initiative and leveraging growth opportunities in addition to overseeing the Finance, Legal and Secretarial and Investor Relations functions. He oversees NIIT's Global Learning Business and is the Chairman of NIIT SmartServe Limited, a subsidiary of NIIT Technologies Limited providing remote Business Process Outsourcing services.

### Mr. P. Rajendran

**Designation:** Chief Operating Officer and Whole-time Director

**Profile:** Mr. Parappil Rajendran, Director and Chief Operating Officer of NIIT joined the Company at the time of its inception in 1982 and has been a part of the core team which has developed the organisation and brought it to its present position of international standing.

An alumnus of Indian Institute of Technology, Delhi, Mr. Rajendran, leads NIIT's IT & IT-assisted education in private and government schools. A believer in leveraging Information Technology for HR competitiveness, he has helped NIIT emerge as one of the most preferred employers in the Indian IT Industry. The company received the 1998 National HRD Award for the best HR practices, the World HRD Congress 2000 Award for Innovative HR practices and the Delhi Management Association-Watson Wyatt Award 2004 for Excellence in Innovative HR Practice.

Rajendran has also been actively associated with Indian industry associations like Confederation of Indian Industry, Manufacturers' Association of Information Technology, NASSCOM and professional bodies like Institute of Electrical and Electronics Engineers, USA. He is a member of the Central Board of Trustees of Employees Provident Fund Organization. He takes keen interest in the area of deployment of ICT for human development and creation of jobs in the future.

**Roles and Responsibilities:** Mr. Rajendran is the Contact Director on the Board, responsible for the Institutional business. In addition, he leads the corporate teams engaged

## Corporate Governance Report (Contd.)

in Human Resources, Commercial Services, Information Resources and Legal Services.

### Mr. Subroto Bhattacharya

**Designation:** Non-Executive Independent Director

**Profile:** Mr. Subroto Bhattacharya, a Chartered Accountant with over 30 years experience, specialises in Finance and Management Consultancy. He has been part of the core team in several reputed organisations. He was invited to the NIIT Board as an Independent Director in 1998.

**Roles and Responsibilities:** Mr. Bhattacharya advises NIIT on financial and management issues and is the Chairman of the Audit Committee.

### Mr. Shardul S. Shroff

**Designation:** Non-Executive Independent Director

**Profile:** Mr. Shardul S. Shroff has been a practicing lawyer with M/s. Amarchand & Mangaldas & Suresh A. Shroff & Co. since 1980. Amarchand Mangaldas, founded in 1917, is one of the leading and largest Law Firms in India. Mr. Shroff, as one of the Managing Partners, has catalyzed several practice areas of the Firm out of its New Delhi office. His specialisations include mergers and acquisitions, capital markets, disinvestments and privatisation of government shares, project finance, infrastructure (specially Airport Privatisations, Aviation, Oil & Gas, Power, Telecom, Ports, Roads), corporate finance, structured finance insolvency and corporate reconstruction. He has been instrumental in developing the media law, policy and regulatory practice and technology law practice of the Firm and has served on a number of several high-powered committees appointed by the Government of India, including on various economic legislations. Mr. Shroff was invited to the NIIT Board as an Independent Director in 2001.

**Roles and Responsibilities:** Mr. Shroff advises NIIT on issues relating to Corporate Governance and other Legal and Statutory Compliances. He is the Chairman of the Compensation/Remuneration Committee.

### Mr. Surendra Singh

**Designation:** Non-Executive Independent Director

**Profile:** Mr. Surendra Singh, a retired IAS Officer, has held very senior positions in the Central and State Governments. Starting his Public Service in 1959, Mr. Singh has held positions like Special Secretary to the Prime Minister of India (responsible for all the economic work in the PM's Office), Cabinet Secretary to the Government of India, Secretary to the Council of Ministers and Secretary, Ministry of Industry. He was an Executive Director on the Board of the World Bank, representing India, Bangladesh, Sri Lanka and Bhutan. He was director on the Boards of the International Finance

Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). Mr. Surendra Singh was invited to the NIIT Board as an Independent Director in 2001.

**Roles and Responsibilities:** Mr. Singh advises NIIT on Internal Controls, Audit Systems and Investor Relations. He chairs the Shareholders'/Investors' Grievance Committee of NIIT.

### Mr. Sanjay Khosla

**Designation:** Non-Executive Independent Director

**Profile:** Mr. Khosla, based in Auckland, New Zealand, is the Managing Director of Fonterra Brands, the consumer arm of Fonterra Co-operative Group Limited, New Zealand's largest multi-national company and one of the world's biggest dairy companies. As Managing Director of Fonterra Brands, Mr. Khosla manages a business that spans more than 40 countries and has annual revenues of approximately US\$ 3 Billion. Mr. Khosla was previously Senior Vice President, Global Beverages, Unilever and Chairman of that Company's Global Board for the beverages category. During his 27 year career with Unilever, Mr. Khosla held senior positions in India, Europe and United Kingdom. Mr. Khosla was invited to the NIIT Board as an Independent Director in 2002.

**Roles and Responsibilities:** Mr. Khosla advises NIIT on remuneration policies and other matters. He is a member of Remuneration Committee.

### Board Meetings

The Board of Directors met seven times during the financial year 2005-2006 on the following dates:

Sr.No.	Date of Meetings
1	April 8, 2005
2	June 10, 2005
3	June 13, 2005
4	July 28, 2005
5	October 27, 2005
6	January 18, 2006
7	March 28, 2006

The maximum gap between two meetings was less than 90 days. The necessary information as mentioned in Annexure 1A to Clause 49 of the Listing Agreement has been placed before the Board for their consideration. The Board and Committees inter-alia discussed the following:

- The annual business plan.
- Investments and/or loans made by the Company.
- General notices of interest.
- Formation of subsidiaries (including overseas Companies).
- Review of operations (including subsidiaries).

## Corporate Governance Report (Contd.)

- Strategic acquisitions of companies and critical assets.
- Strategic decisions relating to various ventures.
- Statutory matters.
- Review of compensation to Directors.
- New alliances.
- Review of Committee meetings.
- Review of annual budgets, capital budgets and updates.
- Review and adoption of annual accounts and quarterly financial results.

The Company has also laid down procedures to inform the Board Members about the risk assessment and mitigation procedures.

### Details of Remuneration paid to Whole-time Directors during the financial year

(Amount in Rs.)

Name of Director	Mr. Rajendra S Pawar	Mr. Vijay K Thadani	Mr. P Rajendran
Salary	1,560,000	3,120,000	2,460,000
Part - A Perquisites	3,215,009	3,458,097	2,365,973
Part - B Contribution to Provident Fund, Superannuation Fund or Annuity Fund	799,192	1,599,943	1,326,143
Stock Options	-	-	-
Performance- linked Bonus	-	-	6,000,000
Commission	-	-	-
Others	-	-	-
<b>Total</b>	<b>5,574,201</b>	<b>8,178,040</b>	<b>12,152,116</b>

- Service contracts of the executive directors: Until cessation in service
- Notice period of the executive directors: As per company's policy
- Severance fee payable to the executive directors: As per company's policy.

### Independent Directors

None of the Independent Directors have any pecuniary relationship or transactions with the Company, its Promoters, its Directors, its Senior Management, its subsidiaries and associated Companies. Except for the following:

1. Remuneration paid to Non-Executive Directors by way of Commission (based on the net profits of the Company) and Sitting Fees (for attending the meetings of the Board/Committees). The Commission shall be paid after obtaining the approval from the shareholders at the ensuing Annual General Meeting of the Company.
2. During the year under review, the Company has

sought legal and professional advice from M/s Amarchand & Mangaldas & Suresh A. Shroff & Co., a firm in which Mr. Shardul S. Shroff is a partner, on a need basis, for which a payment of Rs.1,420,366/- was made. The transaction is non-material transaction and therefore, does not effect the independence of the Director.

### Details of Remuneration paid/payable to Independent Non-Executive Directors for the Year April 1, 2005 to March 31, 2006 and other details:

Name of Director	Mr. Subroto Bhattacharya	Mr. Surendra Singh	Mr. Shardul S. Shroff	Mr. Sanjay Khosla
Commission (In Rs.)	3,10,000	1,70,000	2,70,000	4,90,000
Sitting Fees (In Rs.)	2,40,000	3,80,000	2,80,000	60,000
Number of Shares held in the Company *	Nil	Nil	Nil	Nil

\* During the year under review, each Non-Executive Directors were issued 7,500 stock options under ESOP 2005 having vesting period of one year from the date of grant and exercisable over the period of 3 years from the date of vesting. The stock options were issued @ Rs. 180/- at approx 23.45% discount to market price on the date of grant.

### Criteria for making payment to Non-Executive Directors.

The role of non-executive/independent Directors of the Company is not just restricted to corporate governance or outlook of the Company but to involve and contribute to the evolution of the Company. The remuneration paid to them is decided by the Board of Directors of the Company. The existing remuneration policy is directed towards rewarding performance, based on the review of achievements on periodicals basis.

### Disclosures regarding re-appointment of Directors

The details of resumes of all the Directors who are retiring by rotation and being eligible, proposed to be re-appointed are provided in the notice to the Annual General Meeting.

### THE BOARD COMMITTEES

In accordance with the Listing Agreement of Stock Exchanges on Corporate Governance, the following Committees were in operation.

- Audit Committee
- Compensation/Remuneration Committee
- Shareholders'/Investors' Grievance Committee

### Audit Committee

As a measure of good Corporate Governance and to provide assistance to the Board of Directors in fulfilling the Board's oversight responsibilities, an Audit Committee has been constituted headed by an Independent Director. All the

## Corporate Governance Report (Contd.)

members are Independent Directors and each member has rich experience in the financial sector.

**Chairman:** Mr. Subroto Bhattacharya

**Members:** Mr. Shardul S. Shroff and Mr. Surendra Singh

### Functions

The terms of reference of Audit Committee are as per the revised guidelines set out in the Listing Agreements with the Stock Exchanges read with Section 292A of the Companies Act, 1956 and includes such other functions as may be assigned to it by Board from time to time. The main functions of the Audit Committee inter-alia include:

- Supervision of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements is correct, sufficient and credible.
- Management Discussion and Analysis of financial condition and results of operations.
- Recommending to the Board, the appointment and removal of statutory auditors, fixation of audit fee and approval for payment for any other services are also a part of the Committee's responsibilities.
- Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - o Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956;
  - o Changes, if any, in accounting policies and practices and reasons for the same;
  - o Major accounting entries involving estimates based on the exercise of judgment by management;
  - o Significant adjustments made in the financial statements arising out of audit findings;
  - o Compliance with listing and other legal requirements relating to financial statements;
  - o Disclosure of any related party transactions; and
  - o Qualifications in the draft audit report.
- Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
- Reviewing with the Management, performance of statutory and internal auditors and adequacy of the internal control systems.
- Reviewing the adequacy of the internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors any significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into the matters where there is

suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

- Discussions with statutory auditors, before the audit commences, about the nature and scope of audit as well as post-audit discussions to ascertain any area of concern.
- Reviewing the Company's financial and risk management policies.
- To look into the reasons for substantial defaults, if any, in the payment to the shareholders (in case of non-payment of declared dividends) and creditors.

The particulars of the meeting attended by the member of the Audit Committee and the date of the meetings held during the financial year 2005-2006 are given below:

Name of Members	No. of Meetings		Date of Meeting
	Held	Attended	
Mr. Subroto Bhattacharya	5	5	April 7, 2005
Mr. Surendra Singh	5	4	June 10, 2005
Mr. Shardul S. Shroff	5	4	July 28, 2005 October 27, 2005 January 18, 2006

### Compensation/Remuneration Committee

The Compensation/Remuneration Committee was set up to evaluate remuneration and benefits for the Executive Directors and to frame policies and systems for the Employees Stock Option Plan, 2005, as approved by the shareholders.

#### Composition

The Compensation/Remuneration Committee has been constituted with three Independent Directors and is also headed by an Independent Director.

**Chairman:** Mr. Shardul S. Shroff

**Members:** Mr. Surendra Singh and Mr. Sanjay Khosla

#### Functions

- To institute and guide global employee compensation and benefit policies
- To determine and recommend to the Board, compensation payable to Executive Directors
- Periodical appraisal of the performance of the Executive Directors
- To formulate and administer the Company's Employee Stock Option Programmes from time-to time.

#### Remuneration Policy

The Compensation/Remuneration Committee has the powers to determine and recommend to the Board the amount of remuneration, including performance/achievement bonus and perquisites, payable to the Whole-time Directors. The recommendations of the Committee are based on the evaluation of the Whole-time

## Corporate Governance Report (Contd.)

Directors on certain parameters, as laid down by the Board as part of the self-evaluation process. In terms of the guidelines, the Company ensures that the remuneration by way of salary and other allowances and monetary value of perquisites should be within the overall limit as specified under the Companies Act, 1956. In the event of absence or inadequacy of net profits in any financial year, the remuneration payable to the managerial person(s) shall be governed by Section 2 of Part II of Schedule XIII of the Companies Act, 1956 or any modification thereto.

The remuneration policy is directed towards rewarding performance. It is aimed at attracting and retaining high caliber talent. The Company has an incentive plan, which is linked to performance and achievement of the Company's objectives.

The particulars of the meeting attended by the members of the Compensation/Remuneration Committee and the date of the meetings held during the financial year 2005-2006 are given below:

Name of Members	No. of Meetings		Date of Meeting
	Held	Attended	
Mr. Shardul S. Shroff	5	5	April 08, 2005
Mr. Surendra Singh	5	5	June 10, 2005
Mr. Sanjay Khosla*	5	0	August 01, 2005 August 02, 2005 August 11, 2005

\* As Mr. Sanjay Khosla is based abroad and therefore has not been able to attend meetings of Committee in person. However he has participated in the Meetings through tele-conference/video-conference.

### Details of options granted under NIIT Employee Stock Option Scheme, 2005

The detail of the options granted under NIIT Employee Stock Options Scheme, 2005, is already provided in the Directors' Report.

### Shareholders'/Investors' Grievances Committee

The Shareholders'/Investors' Grievances Committee is headed by an Independent Director, and consists of following directors.

**Chairman:** Mr. Surendra Singh

**Members:** Mr. Vijay K. Thadani and Mr. P. Rajendran

### Functions

- To review the redressal of Shareholder and Investor complaints
- To appoint a Compliance Officer and determine the role and responsibilities
- To take note of complaints received and resolution thereof at periodic intervals

The particulars of the meeting attended by the members of the Shareholders'/Investors' Grievance Committee and the

date of the meetings held during the financial year 2005-2006 are given below:

### Meetings and attendance during the financial year

Name of Members	No. of Meetings		Date of Meeting
	Held	Attended	
Mr. Surendra Singh	4	4	June 7, 2005
Mr. Vijay K. Thadani	4	4	July 28, 2005
Mr. P. Rajendran	4	4	October 27, 2005 January 18, 2006

During the financial year 2005-2006, the Company received 519 requests/queries/complaints from various Investors'/ Shareholders' relating to non-receipt of Dividend/Change of Bank account details/Bonus Shares/Annual Report/Transfer of Shares/Dematerialisation, etc. The same were attended to the satisfaction of the Investors. As on March 31, 2006, one complaint was pending for redressal which was resolved subsequently and no shares were pending for transfer/ dematerialisation on that date.

### Other Committees

Apart from above, the Company has constituted the following committees:

- The Operations Committee which approves the opening/closing of bank accounts, grant of power of attorney/authorisation, borrowings otherwise than through debentures.
- The Share Transfer Committee which approves share transfers lodged with the Company/Registrar.
- The Strategic Investments Committee which approves various strategic investments of the Company.

## CODE OF CONDUCT

NIIT's Board has laid down a Code of Conduct for all Board Members and Senior Management Personnel of the Company. The Code of Conduct is available on [www.niit.com](http://www.niit.com). All Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct. A declaration signed by Chief Executive Officer (CEO) to this effect is enclosed at the end of this report.

## SUBSIDIARY COMPANIES

The revised Clause 49 defines a "material non-listed subsidiary" as an unlisted subsidiary company, incorporated in India, whose turnover or net worth (i.e. paid up capital and free reserves) exceeds 20 per cent of the consolidated turnover or net worth, respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year. As per Clause 49, NIIT does not have a material non-listed Indian subsidiary.

## Corporate Governance Report (Contd.)

### GENERAL MEETINGS

Particulars of the last three Annual General Meetings and Special Business Transacted thereat.

Sr. No.	Place	Date & Day	Time	Special Business Transacted
1.	FICCI Auditorium, Tansen Marg, New Delhi-110 001	Friday, July 22, 2005	11.30 A.M.	<ul style="list-style-type: none"> <li>Approval u/s 293(1)(e) of the Companies Act, 1956 for grant of a corpus of Rs. 50 Million for setting up a university.</li> <li>Approval u/s 198, 255, 269, 309, 310 &amp; 317 for revision of Remuneration payable to Mr. Rajendra S.Pawar, Chairman &amp; Managing Director.</li> <li>Approval u/s 198, 255, 269, 309 &amp; 310 for revision of Remuneration payable to Mr. Vijay K. Thadani, Whole -Time Director.</li> <li>Approval u/s 198, 255, 269, 309 &amp; 310 for revision of Remuneration payable to Mr. P. Rajendran, Whole -Time Director.</li> </ul>
2.	FICCI Auditorium, Tansen Marg, New Delhi-110 001	Thursday, July 29, 2004	10.00 A.M.	<ul style="list-style-type: none"> <li>Approval u/s 198, 255, 269, 309, 310 &amp; 317 for revision of Remuneration payable to Mr. Rajendra S. Pawar, Chairman &amp; Managing Director.</li> <li>Approval u/s 198, 255, 269, 309 &amp; 310 for revision of Remuneration payable to Mr. Vijay K. Thadani, Whole -Time Director.</li> <li>Approval u/s 198, 255, 269, 309 &amp; 310 for revision of Remuneration payable to Mr. P. Rajendran, Whole -Time Director.</li> <li>Approval u/s 198, 255, 269, 309 &amp; 310 for revision of Remuneration payable to Mr. Arvind Thakur, Whole -Time Director.</li> <li>Approval u/s 310 for payment of sitting fees to the Non Executive Directors.</li> <li>Approval u/s 61 for</li> </ul>

				de-listing of equity shares of the Company from Ahmedabad, Delhi, Chennai and Kolkata Stock Exchanges.
3.	NCUI Auditorium, 3, Khel Gaon Institutional Area, New Delhi-110 001	Friday, January 31, 2003	10.00 A.M.	<ul style="list-style-type: none"> <li>Approval u/s 257 of the Companies Act for appointment of Mr. Sanjay Khosla as Director of the Company.</li> <li>Approval u/s 31 of the Companies Act for insertion of new Article Nos. 14A, 70A, 86(5), 108A and 110A.</li> </ul>

Particulars of the last three Extraordinary General Meetings and Special Business Transacted thereat.

Sr. No.	Place	Date & Day	Time	Special Business Transacted
1.	FICCI Auditorium, Tansen Marg, New Delhi-110 001	Thursday, February 24, 2005	10.00 A.M.	Approval u/s 81(1A) of the Companies Act for issue of Foreign Currency Convertible Bonds amounting to US\$ 10 million to Intel Capital Corporation.
2.	FICCI Auditorium, Tansen Marg, New Delhi-110 001	Friday, June 22, 2001	10.00 A.M.	Increase of limits of investment of Foreign Institutional Investors from 40 percent to 49 percent of the paid up equity capital of the Company.
3.	NCUI Auditorium, 3, KhelGaon Institutional Area, New Delhi-110 001	Thursday, August 17, 2000	10.00 A.M.	<ul style="list-style-type: none"> <li>Approval for partial modification of the resolution relating to the Employee Stock Option Scheme for the Directors/Employees of Companies.</li> <li>Approval for partial modification of the resolution relating to the Employee Stock Option Scheme for the Directors/Employees of Subsidiary Companies.</li> <li>Increase of limits of investment of Foreign Institutional Investors from 30 percent to 40 percent of the paid up equity capital of the Company.</li> </ul>



## Corporate Governance Report (Contd.)

### Postal Ballot

Details of the Special Resolution passed by the Company through the Postal Ballot

- i) Special Resolutions passed through Postal Ballots during the financial year 2005-2006:
  1. Special Resolution under section 81(1A) of the Companies Act, 1956 for approving the Employees' Stock Option Plan, 2005 for employees of the Company
  2. Special Resolution under section 81(1A) of the Companies Act, 1956 for approving the Employees' Stock Option Plan, 2005 for employees of the holding/subsidiary Company(s).
- ii) Procedure for Postal Ballot:
 

The procedure prescribed under section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 has been followed for the postal ballot conducted for the special resolutions mentioned above:

  - I. The Board of Directors of the Company, at its meeting held on April 8, 2005 had appointed Mr Parvesh Kumar, Practicing Company Secretary, as the Scrutiniser for conducting the postal ballot voting process in a fair and transparent manner.
  - II. The Company had completed on April 16, 2005, the dispatch of postal ballot forms alongwith postage prepaid business reply envelopes to its Members whose name(s) appeared on the Register of Members/list of beneficiaries as on April 8, 2005.
  - III. The postal ballot forms received in business reply envelopes/other mode from the Members were kept in safe custody in sealed ballot boxes before commencing the scrutiny of such postal ballots forms.
  - IV. All postal ballot forms received up to the close of working hours on May 16, 2005, the last date and time fixed by the Company for receipt of the forms, had been considered for scrutiny.
  - V. Envelopes containing postal ballot forms received after close of business hours on May 16, 2005, had not been considered for scrutiny.
  - VI. Mr K K Darbha, Vice President-Legal & Company Secretary, had announced the following results of the Postal Ballots as per the Scrutiniser's Report:

Particulars	Resolution No. 1		Resolution No. 2	
	No. of Postal Ballots forms	No. of shares	No. of Postal Ballots forms	No. of shares
Postal ballots forms with assent for the resolution	1,334	8,068,614	1,301	8,065,961
Postal ballots forms with dissent for the resolution	82	977,518	112	979,902

Accordingly, the Special Resolutions set out in the Notice dated April 8, 2005 were duly passed by the requisite majority of the Shareholders. The results were published in 'The Statesman' and 'Vir Arjun' newspapers dated May 19, 2005.

- iii) Whether any special resolution is proposed to be conducted through postal ballots:

The Company has vide its Board Meeting held on June 5, 2006 approved passing of special resolution u/s 81 (1A) of the Companies Act, 1956 to enable the Company to issue equity linked Foreign Securities like Foreign Currency Convertible Bonds (FCCBs), American Depository Receipts (ADRs), Global Depository Receipts (GDRs), etc. for an amount not exceeding US\$50 Million (with a right to the Board to additionally issue up to an amount not exceeding 25% of the amount of the offer). The said resolution is being proposed to be passed by way of Postal Ballot. The Postal Ballot forms alongwith notice u/s section 192(A) of the Companies Act, 1956 have been dispatched to the shareholders on June 9, 2006

### DISCLOSURES

#### a. Related Party Transactions

Related Party transactions are defined as transactions of the Company of a material nature, with Promoters, Directors or the Management, or their relatives, etc., that may have potential conflict with the interest of the Company at large.

The transactions during the financial year 2005-2006 with regard to Related Party transactions are reported under Note 20 of Schedule 19 of the Financial Statements.

All transactions covered under related party transactions are regularly ratified and/or approved by the Board. For details please refer to Notes, forming part of the Balance Sheet of the Company.

#### b. Accounting Treatment in preparation of financial statements

The Company has followed the guidelines of accounting standards laid down by the Institute of Chartered Accountants of India (ICAI) in preparation of financial statements.

#### c. Risk Management

The Company has laid down procedures to inform the Board Members about the risk assessment and minimisation procedures. The online Risk Monitoring System has been introduced through which all the designated officials submit quarterly reports which is reviewed periodically to ensure effective risk management.

#### d. Proceeds from the public issue/right issue/preferential issues etc.



## Corporate Governance Report (Contd.)

There was no fresh public issue/right issue/preferential issues etc. during the review period. However, during the year under review the Company has issued Foreign Currency Convertible Bonds (FCCB) aggregating to US\$ 10 Million to Intel Capital Corporation, on private placement basis.

- e. **Remuneration of Directors**  
The Company has defined its criteria of making payment of remuneration to its Directors. The details are stated elsewhere in the report.
- f. **Management Discussion and Analysis**  
There is a separate part titled Management Discussion and Analysis in the Annual Report.

### COMPLIANCE OF THE REQUIREMENTS OF CLAUSE 49 OF THE LISTING AGREEMENT

#### A Mandatory Requirements

The Company is fully complied with the applicable mandatory requirements of the revised Clause 49.

#### B Non-mandatory Requirements

The Company has adopted following non-mandatory requirements.

- a) A non-executive chairman may be entitled to maintain a Chairman's office - As the Company has an Executive Chairman, this clause is not applicable
- b) Remuneration to the Whole-time Directors and Non-Executive Directors - The Company has defined its criteria of making payment of remuneration to its Executive & Non-Executive Directors.
- c) Shareholders' Rights - The Company sends annual financial results along with Director's reports and Auditors' report to all the shareholders.
- d) Audit qualifications - Efforts are being made to move towards a regime of unqualified financial statements.
- e) Training of Board Members- Board Members participate in relevant conferences and industry forms a part of their training.
- f) Mechanism for evaluating Non-Executive Board Members - The key parameters are contributions to the strategy for growth of the Company, setting directions for improvement in governance and participating in the relevant meetings on a regular basis.
- g) Whistle Blower Policy - The employees may report to the Management concerns about unethical behavior, actual or suspected frauds or violation of the Company's Code of Conduct.

#### C Code for Prevention of Insider -Trading Practices

In compliance with the SEBI Regulation on Prevention of Insider Trading, the Company has instituted a

comprehensive Code for Prevention of Insider -Trading Practices for its management and staff. The code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of NIIT Limited and cautioning them of the consequences of violations.

#### D Statutory Compliance, Penalties and Strictures

The Company has complied with the requirements of the Stock Exchanges/SEBI and Statutory Authority(ies) on all matters related to the capital market during the last three years. There are no penalties or strictures imposed on the Company by Stock Exchanges or SEBI or any Statutory Authority(ies) relating to the above.

#### E Statutory Compliance

The Company has a Compliance Officer to advise the Company on compliance issues with respect to the laws of various jurisdictions in which the Company has its business activities and to ensure that the Company is not in violation of laws of any jurisdiction where the Company operates. All Business Head(s)/ Unit In-charge(s) give a Compliance Certificate to the Board of Directors through the Compliance Officer, who ensures compliance of laws, rules, regulations and guidelines applicable. The Company takes appropriate steps after consulting internally and if necessary, from independent legal counsels that the business operations are not in contravention of any laws. The Company follows an proactive policy in protecting its trade name/ service/trade marks.

#### F Means of Communication

- a. At present quarterly/half-yearly reports are not being sent to investors by post. The quarterly/half yearly/annual results are published in the leading English and Hindi Newspapers, in Statesman and Vir Arjun editions respectively and displayed on the web site of the Company [www.niit.com](http://www.niit.com), where official news releases, financial results, consolidated financial highlights and presentations are also displayed.
- b. The Company had Quarterly Earnings Calls on June 13, 2005, July 28, 2005, October 27, 2005 and January 18, 2006 and Press Conferences in the months of June 2005, July 2005, October 2005 and January 2006 for the investors of the Company immediately after the declaration of Quarterly/Annual results.
- c. The Management Perspective, Business Review and Financial Highlights are part of the Annual Report.
- d. The quarterly distribution of Shareholding is also displayed on the company's website.

## Corporate Governance Report (Contd.)

### SHAREHOLDERS' INFORMATION

#### Annual General Meeting

Date : Thursday, August 17, 2006

Time : 11:00 AM

Venue : FICCI Auditorium, 1 Tansen Marg,  
New Delhi -110 001

Book Closure Date: August 11, 2006 to August 17, 2006  
(both days inclusive)

#### Financial Calendar (tentative and subject to change):

Financial reporting for the first  
quarter ending June 30, 2006 July 25, 2006

Financial reporting for the second  
quarter ending September 30, 2006 October 27, 2006

Financial reporting for the third quarter  
ending December 31, 2006 January 19, 2007

Financial reporting for the year ending  
March 31, 2007 June 29, 2007

Annual General Meeting for the year  
ending March 31, 2007 August 17, 2007

#### Dividend

In view of our confidence in the future, the Board of Directors have recommended a dividend of Rs. 6.00 per equity Share subject to approval of the shareholders' at the ensuing Annual General Meeting. Once approved in the Annual General Meeting, the dividend shall be paid to the shareholders within 30 days from August 17, 2006 and as per the provisions of the Companies Act.

#### Unclaimed/unpaid Dividend

All unclaimed/unpaid dividend up to the financial year ended September 30, 1998 have been transferred to the Investor Education and Protection Fund of the Central Government pursuant to Section 205A of the Companies Act, 1956. The shareholders are requested to apply for revalidation/issue of demand drafts for the Dividend for the financial year 1998-99 on or before 18 February 2007, after which any unpaid dividend amount for the year 1998-99 will be transferred by the Company to Investor Education and Protection Fund (IEPF) and no claim shall lie against the Company or IEPF after the said transfer.

#### Nomination Facility

The Companies (Amendment) Act, 1999, has provided for a nomination facility to the Shareholders of the Company. The Company is pleased to offer the facility of nomination to Shareholders. They may avail this facility by sending the completed Form 2B as revised vide Notification No. GSR 836(E) dated October 24, 2000, issued by the Department of Company Affairs, to the Registered Office of the Company/Registrar of the Company in case the shareholding is in physical forms. In case of demat holdings the request is to be submitted to the Depository Participant.

#### Listing of Shares

The shares of the Company are listed on the National Stock Exchange of India Limited, Mumbai (NSE), the Bombay Stock Exchange Limited, Mumbai (BSE) and the Calcutta Stock Exchange Association Limited, Kolkata. An application for delisting from the Calcutta Stock Exchange Association Ltd, Kolkata has been filed and approval is awaited. The listing fees for the year April 1, 2005, to March 31, 2006, have been paid to all Stock Exchanges.

#### Stock Code

Trading symbol on NSE : NIITLTD

Trading symbol on BSE Physical : NIIT  
Electronic : 500304

ISIN No. at NSDL/CDSL : INE 161A01020

#### Details of last three Annual General Meetings and book closure dates

Annual General Meeting	Date when held	Book Closure/record dates
22nd AGM	July 22, 2005	July 19, 2005 - July 22, 2005
21st AGM	July 29, 2004	July 16, 2004
20th AGM	January 31, 2003	January, 28 2003 - January 31, 2003

#### Compliance Certificate of the Auditors

The Company has annexed to this report, a Certificate obtained from the statutory auditors regarding compliance of conditions of corporate governance as stipulated in Clause 49 of the Listing Agreement.

#### Stock Market Data

The Monthly High and Low Share Prices and Market Capitalisation of Equity Shares of the Company traded on Bombay Stock Exchange, Mumbai and the National Stock Exchange from April 1, 2005 to March 31, 2006 and the comparison of share prices of the Company vis-à-vis the Sensex and Nifty Indices are given below:

Share Price Movement during the year April 1, 2005 to March 31, 2006								
Month	Bombay Stock Exchange			National Stock Exchange				
	SENSEX	High	Low	MCAP *	NIFTY	High	Low	MCAP *
Apr-05	6154	204.00	181.00	3571.20	1902.50	208.80	181.20	3574.10
May-05	6715	207.80	180.10	3778.00	2087.60	228.20	146.80	3775.10
Jun-05	7194	257.40	187.00	4296.80	2220.60	257.90	184.00	4294.90
Jul-05	7635	274.00	214.10	4677.50	2312.30	275.00	214.60	4677.50
Aug-05	7805	290.00	226.00	5466.90	2384.70	324.00	192.70	5479.50
Sep-05	8634	325.00	257.00	5724.90	2601.40	329.00	255.00	5682.40
Oct-05	7892	359.60	265.80	5796.40	2371.00	358.90	252.10	5816.70
Nov-05	8789	333.80	290.00	5998.40	2652.30	334.80	285.00	5992.60
Dec-05	9398	372.50	268.50	5580.00	2836.60	350.00	271.30	5596.40
Jan-06	9920	313.00	266.00	5622.50	3001.10	314.80	275.00	5624.40
Feb-06	10370	298.00	251.00	4872.70	3074.70	299.00	245.00	4913.30
Mar-06	11280	315.00	246.50	5727.80	3402.60	308.00	248.00	5729.80

\*Figures in Rs. Millions (Market capitalisation based on monthly closing prices).

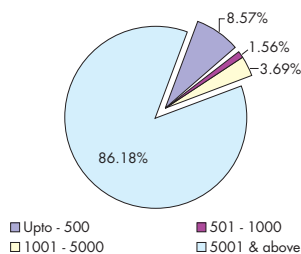
The High/Low is represented in Indian Rupees.

## Corporate Governance Report (Contd.)

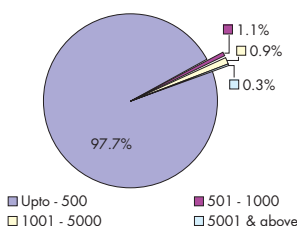
### Shareholding Distribution as on March 31, 2006

Range	No. of Shareholders	%age to Total Shareholders	No. of Shares	%age to Total Shares
Up to - 500	34822	97.68	1,655,237	8.57
501 - 1000	381	1.07	301,417	1.56
1001 - 5000	323	0.91	713,422	3.69
5001 & above	123	0.34	16,654,563	86.18
<b>TOTAL</b>	<b>35649</b>	<b>100.00</b>	<b>19,324,639</b>	<b>100.00</b>

No. of Shares

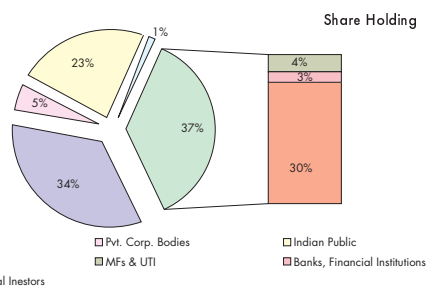


No. of Shareholders



### Shareholding Pattern as on March 31, 2006

Category	No. of shares Holding	% age of Holding
<b>Promoters Holding</b>		
Promoters		
- Indian Promoters	6,088,386	31.51
- Foreign Promoters	-	-
Persons acting in Concert	504,292	2.61
<b>Sub Total</b>	<b>6,592,678</b>	<b>34.12</b>
<b>Non-Promoters Holding</b>		
Institutional Investors		
- Mutual Funds and UTI	851,216	4.40
Banks, Financial Institutions, Insurance Companies, Central/ State Govt. Institutions/Non Government Institutions.	493,150	2.55
Foreign Institutional Investors	5,774,089	29.88
<b>Sub Total</b>	<b>7,118,455</b>	<b>36.84</b>
<b>Others</b>		
Private Corporate Bodies	1,029,607	5.33
Indian Public	4,481,622	23.19
NRI/OCBs	102,277	0.53
<b>Sub Total</b>	<b>5,613,506</b>	<b>29.05</b>
<b>Grand Total</b>	<b>19,324,639</b>	<b>100.00</b>



### Details of requests/queries/complaints in numbers received and resolved during the financial year

Nature of query/complaint	Received	Resolved	Unresolved
Change of address	73	73	-
Revalidation of dividend warrant	3	3	-
Non receipt of Dividend	39	38	1*
Correction in dividend warrant	300	300	-
Share transfer related	20	20	-
Duplicate/Loss of share certificate/s	16	16	-
Exchange of old share certificates into new share certificate/s	14	14	-
Non Receipt of Shares after demerger	12	12	-
SEBI/Stock Exchange letters	1	1	-
Legal related	4	4	-
Non Receipt of Annual Report	8	8	-
Non receipt of Fractional share payment	1	1	-
Others (not classified above)	28	28	-
<b>Total</b>	<b>519</b>	<b>518</b>	<b>1</b>

\* Resolved subsequently

There were no pending complaints at the beginning of the year. During the financial year, the Company attended most of the investors' queries/complaints within 7 days from the date of receipt. The exceptions have been for cases constrained by procedural issue/disputes or legal impediments etc.

### Dematerialisation of Shares and Liquidity

The Shares of the Company are compulsorily traded in dematerialised form by all categories of investors w.e.f. February 15, 1999. The Company has arrangements with both National Securities Depositories Limited (NSDL) and Central Depository Services Limited (CDSL) to establish electronic connectivity of its shares for scripless trading. As on March 31, 2006, 98.91 percent of the shares of the Company were held in dematerialised form.

### Liquidity of Shares

The Company's shares are traded on the BSE and NSE electronically (dematerialised form). The shares are included on the BSE MIDCAP and BSE 200 indices of "Bombay Stock Exchange Limited, Mumbai."

## Corporate Governance Report (Contd.)

### Share Transfer System

The Company has appointed a common Registrar for the physical share transfer and dematerialisation of shares. The shares lodged for physical transfer/transmission/transposition are registered normally within a period of fortnight, if the documents are complete in all respects. For this purpose, the Share Transfer Committee (a sub-committee of the Board) meets as often as required. During the review period, the Committee met 24 times. Adequate care is taken to ensure that all transfers are done within a fortnight. Physical Shares requested for dematerialisation were confirmed mostly within a fortnight.

### Compliance Officer

Mr. K. K. Darbha, Vice President-Legal & Company Secretary, was the Compliance Officer till March 31, 2006 and with effect from April 1, 2006 Mr. Parveen Jain, Company Secretary and Legal Counsel has been nominated as the Compliance Officer.

### Registrar for Dematerialisation (Electronic Mode) of Shares and Physical Transfer of Shares

The Company has appointed a Registrar for dematerialisation and transfer of shares whose detail are given below:-

Alankit Assignments Limited  
Unit: NIIT Limited  
2E/21, Jhandewalan Extension,  
New Delhi - 110 055.  
Phone Nos. : 011-23541234, 42541234  
Fax Nos. : 011-41540064,  
E-mail : niit@alankit.com

### Registered Office

NIIT Limited  
NIIT House, C-125, Okhla Phase - I  
New Delhi - 110 020

### Address for Correspondence

The shareholders may address their communication/suggestions/ grievances /queries to -

Investors' Services Department  
NIIT Limited  
NIIT House, C-125, Okhla Phase - I  
New Delhi - 110 020.  
Tel Nos. : 91 11 41407000  
Fax : 91 11 26817344  
e-mail : investors@niit.com

The addresses of the global offices are given elsewhere in this Annual Report.

### Acknowledgements

The Directors take this opportunity to thank all investors, business partners, clients, technology partners, vendors, financial institutions/ banks, regulatory and governmental authorities, media and Stock Exchanges for their continued support during the year. The directors place on record their appreciation of the contribution made by NIITians at all levels for their commendable team work, dedicated and wholehearted efforts made during the year.

The above report was adopted by the Board of Directors at their meeting held on June 29, 2006.

## Corporate Governance Report (Contd.)

### CERTIFICATES UNDER CORPORATE GOVERNANCE REPORT

#### Certificate related to Code of Conduct for Directors/Senior Management

This is to certify that as per revised clause 49 of the Listing Agreement, the code of conduct has been laid down for all the Board Members and Senior Management of the Company. The Board members and Senior Management personnel have affirmed compliance with the Company's code of conduct for the year 2005-06.

Place : New Delhi  
Dated : June 29, 2006

Vijay K. Thadani  
CEO & Whole-time Director

---

Certificate by Chief Executive Officer and Chief Financial Officer on compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreement(s)

The Board of Directors  
NIIT Limited  
New Delhi

We hereby certify that for the Financial Year 2005-06 we have reviewed the financial statements and the cash flow statement and that to the best of our knowledge and belief:-

1. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
2. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
3. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year 2005-06 which are fraudulent, illegal or violate the Company's code of conduct.
4. We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee those deficiencies, of which we are aware, in the design or operation of the internal control systems and that we have taken the required steps to rectify these deficiencies.
5. We further certify that:-
  - there have been no significant changes in internal control during this year.
  - there have been no significant changes in accounting policies during this year except that from April 2005, the Company started recognising revenue on a proportionate completion method including certain contracts requiring significant usage of contents capitalised as education software relating to courseware and products based on technical evaluation, in respect of most of the fixed price contracts as against on delivery/dispatch of concerned services in the previous years.
  - there have been no instances of significant fraud of which we have become aware and the involvement therein, of management or an employee having a significant role in the Company's internal control system.

Place : New Delhi  
Dated : June 29, 2006

Vijay K Thadani  
CEO & Whole-time Director

Jitender Mahajan  
Chief Financial Officer

## Corporate Governance Report (Contd.)

### AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT(S)

To the Members of NIIT Limited,

We have reviewed the implementation of Corporate Governance procedures by NIIT Limited during the year April 1, 2005 to March 31, 2006 with the relevant records and documents maintained by the Company, furnished to us for our review and the Report on Corporate Governance as approved by the Board of Directors.

The compliance of conditions on Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

We state that no investor grievances are pending exceeding for a period of one month against the Company as at March 31, 2006 as per the records maintained by the Shareholders'/Investors' Grievance Committee of the Company.

On the basis of our review and according to the explanations given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement (s) of the stock exchanges, have been complied with in all material aspects by the Company, and have been further strengthened.

Place : New Delhi  
Dated : June 29, 2006

Harinderjit Singh  
*Partner*  
Membership No. F-86994  
For and on behalf of  
**Price Waterhouse**  
*Chartered Accountants*

**AUDITORS' REPORT****TO THE MEMBERS OF NIIT LIMITED**

1. We have audited the attached Balance Sheet of NIIT Limited, as at March 31, 2006, 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, 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 further report that:

- (i) (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of two years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
- (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.
- (ii) (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- (iii) (a) The company has granted secured/ unsecured loans, to three wholly owned subsidiaries covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year end balance of such loans aggregates to Rs. 2,461 lacs and Rs. 490 lacs respectively.

In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the company.

In respect of the aforesaid loans, the parties are repaying the principal amounts as stipulated and are also regular in payment of interest, where applicable.

In respect of the aforesaid loans, there is no overdue amount more than Rupees One Lac.

- (b) The company has taken secured/ unsecured loans, from two wholly owned subsidiaries covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year end balance of such loans aggregates to Rs. 2,350 lacs and Rs. 1,050 lacs respectively.

## AUDITORS' REPORT (Contd.)

In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the company.

In respect of the aforesaid loans, the company is regular in repaying the principal amounts as stipulated and is also regular in payment of interest, where applicable.

- (iv) 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 inventory, fixed assets and for the sale of goods and services *except for certain general information system controls which have been strengthened subsequent to the end of the year*. 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.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In respect of certain transactions of the value of Rs 6,668 lacs with subsidiaries and Rs. 671 lacs with other companies, the management has informed us that the transactions dealt are of a specialised nature and therefore comparable prices are not available. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lacs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA or any other relevant provisions of the Act and the rules framed there under.
- (vii) In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- (viii) 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.
- (ix) (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 *generally* regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-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, the particulars of dues of income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess as at March 31, 2006 which have not been deposited on account of a dispute, are as follows -

Name of the statute	Nature of dues	Amount (Rs. Lacs)	Period to which the amount relates	Forum where the dispute is pending
Andhra Pradesh General Sales Tax Act, 1957	Demand for works contract tax	313.18	2001 - 2004	High Court of Andhra Pradesh



**AUDITORS' REPORT (Contd.)**

- (x) The company has no accumulated losses as at March 31, 2006 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
  - (xi) According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any financial institution or bank as at the balance sheet date.
  - (xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
  - (xiii) The provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the company.
  - (xiv) In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
  - (xv) In our opinion, and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
  - (xvi) In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained other than proceeds from foreign currency convertible bonds issued during the year, out of which an amount of Rs. 2,463 lacs has been placed as deposits with a bank.
  - (xvii) On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
  - (xviii) 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.
  - (xix) During the year, the charge on the immovable properties of the company in respect of debenture liability transferred to an associate company has been vacated.
  - (xx) The company has not raised any money by public issues during the year.
  - (xxi) 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.
4. Further to our comments 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, 2006 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2006 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, 2006;
  - (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.

Place: New Delhi  
Date: June 29, 2006

H. Singh  
*Partner*  
Membership No. F-86994  
For and on behalf of  
**Price Waterhouse**  
*Chartered Accountants*

## BALANCE SHEET as at 31st March, 2006

	Schedule No./ (Note Reference)		As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
<b>SOURCES OF FUNDS</b>				
<b>SHAREHOLDERS' FUNDS</b>				
Share Capital	` 1'	193,252,390	193,252,390	
Employees Stock Option Outstanding	` 1A'	19,661,111	-	
Reserves and Surplus	` 2'	<u>2,675,076,117</u>	<u>2,887,989,618</u>	<u>2,537,405,355</u>
				2,730,657,745
<b>LOAN FUNDS</b>				
Secured Loans	` 3'	649,173,451	404,705,473	
Unsecured Loans	` 4'	<u>546,168,900</u>	<u>1,195,342,351</u>	<u>95,249,522</u>
				499,954,995
			<u>4,083,331,969</u>	<u>3,230,612,740</u>
<b>APPLICATION OF FUNDS</b>				
<b>FIXED ASSETS</b>				
Gross Block	` 5'	2,006,187,174	1,863,255,991	
Less: Depreciation		<u>1,261,349,406</u>	<u>1,124,390,225</u>	
Net Block			744,837,768	738,865,766
Capital work-in-progress (including Capital Advances)			208,898,268	14,728,511
INVESTMENTS	` 6'		1,456,351,215	1,487,158,113
DEFERRED TAX ASSETS (Net)	` 19(26)'		20,000,000	-
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
Inventories	` 7'	88,227,695	73,801,181	
Sundry Debtors	` 8'	1,528,975,637	1,063,634,987	
Cash and Bank Balances	` 9'	520,129,237	107,950,469	
Other Current Assets	` 10'	7,150,910	2,241,151	
Loans and Advances	` 11'	613,629,111	559,096,751	
		<u>2,758,112,590</u>	<u>1,806,724,539</u>	
Less : CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities	` 12'	953,022,008	666,532,171	
Provisions	` 13'	<u>151,845,864</u>	<u>150,332,018</u>	
		<u>1,104,867,872</u>	<u>816,864,189</u>	
Net Current Assets			<u>1,653,244,718</u>	<u>989,860,350</u>
			<u>4,083,331,969</u>	<u>3,230,612,740</u>

### NOTES TO ACCOUNTS ` 19'

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.

H. Singh  
Partner  
Membership No. F-86994  
For and on behalf of  
Price Waterhouse  
Chartered Accountants

Rajendra S Pawar  
Chairman and Managing Director

Ashok Arora  
Group Chief Financial Officer

Jitender Mahajan  
Chief Financial Officer

Vijay K Thadani  
CEO & Whole-time Director

Parveen Jain  
Company Secretary  
& Legal Counsel

Place : New Delhi  
Date : June 29, 2006

## PROFIT AND LOSS ACCOUNT for the year ended 31st March, 2006

	Schedule No./ (Note Reference)	Year ended 31st March, 2006 (Rs.)	Year ended 31st March, 2005 (Rs.)
<b>INCOME</b>			
Revenue from Operations	'19 (1(v), 8, 12 and 17)'	3,377,702,730	2,827,371,615
Other Income	'14'	71,152,730	44,101,224
		<u>3,448,855,460</u>	<u>2,871,472,839</u>
<b>EXPENDITURE</b>			
Personnel	'15'	897,743,743	688,643,148
Development, Production and Execution	'16'	1,156,918,898	1,077,744,290
Administration, Finance and Others	'17'	627,369,103	535,448,343
Marketing	'18'	235,414,941	206,391,953
Depreciation and Amortisation	'5'	237,596,873	195,126,483
		<u>3,155,043,558</u>	<u>2,703,354,217</u>
<b>Profit before Tax</b>		<b>293,811,902</b>	<b>168,118,622</b>
Income Tax Expense			
- Current		20,040,000	8,500,000
- Deferred charge/ (benefit)	'19(26)'	(20,000,000)	-
- Fringe Benefits Tax		18,854,634	-
Provision for tax relating to earlier years		5,036,988	-
		<u>269,880,280</u>	<u>159,618,622</u>
<b>Profit after Tax</b>		<b>269,880,280</b>	<b>159,618,622</b>
Balance brought forward from previous year		1,907,890,350	1,885,673,245
<b>Balance available for appropriation</b>		<b>2,177,770,630</b>	<b>2,045,291,867</b>
<b>APPROPRIATION</b>			
Dividend :-			
- Proposed Dividend on Equity Shares		115,947,834	106,285,515
- Corporate Dividend Tax on above		16,261,684	15,154,139
[including Rs. Nil relating to Previous year, (Previous year Rs. 247,596/-)]			
Transferred to General Reserve		26,988,028	15,961,863
Balance Carried to Balance Sheet		2,018,573,084	1,907,890,350
		<u>2,177,770,630</u>	<u>2,045,291,867</u>
<b>Earnings per share</b>	'19(28)'		
- Basic		13.97	8.26
- Diluted		13.88	8.26

### NOTES TO ACCOUNTS

'19'

The Schedules referred to above form an integral part of the Profit & Loss Account. This is the Profit & Loss Account referred to in our report of even date.

H. Singh

Partner

Membership No. F-86994

For and on behalf of

Price Waterhouse

Chartered Accountants

Rajendra S Pawar

Chairman and Managing Director

Ashok Arora

Group Chief Financial Officer

Jitender Mahajan

Chief Financial Officer

Vijay K Thadani

CEO & Whole-time Director

Parveen Jain

Company Secretary  
& Legal Counsel

Place : New Delhi

Date : June 29, 2006

## CASH FLOW STATEMENT for the year ended 31st March, 2006

	Year ended 31st March, 2006 (Rs.)	Year ended 31st March, 2005 (Rs.)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax	293,811,902	168,118,622
Add/ (Less):		
Depreciation and Amortisation	237,596,873	195,126,483
Provision for doubtful advances	2,494,396	-
Foreign Exchange Adjustments	(3,783,837)	(14,864,825)
Interest Expenses	55,782,948	23,677,635
Interest Income	(20,393,193)	(20,223,133)
Loss on Disposal of Investments	-	8,629,816
Loss on Disposal of Fixed Assets (Net)	2,439,509	3,107,423
Profit on sale of Investments	(12,426,051)	(13,208,948)
Liabilities written back	(34,140,312)	(11,575,250)
Provision for Gratuity & Leave Encashment	(8,586,340)	7,697,737
Employees Stock Option Expenses	15,430,517	-
<b>Operating Profit before Working Capital Changes</b>	<b>528,226,412</b>	<b>346,485,560</b>
Add/ (Less) : (Increase)/ Decrease in Operating Working Capital		
Trade Receivable	(454,767,286)	(203,638,260)
Inventories	(14,426,515)	(727,870)
Other Current Assets	(1,650,050)	15,091,873
Loans and Advances	(84,511,162)	2,270,493
Current Liabilities and Provisions	231,169,360	(141,352,924)
Interest Paid - Others	(2,791,694)	(2,968,848)
Direct Tax (Paid)/ Refund received (Including TDS)	(44,848,896)	10,097,401
<b>Net cash from operating activities (A)</b>	<b>156,400,169</b>	<b>25,257,425</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets (including capital work in progress)	(371,305,734)	(259,221,560)
Proceeds from Sale of fixed assets	7,404,925	8,047,447
Net Decrease/ (Increase) in Short term investment with Mutual Funds	112,761,741	423,198,762
Loan Given to Subsidiaries	(49,000,000)	(45,845,000)
Loan Given to NIITian Welfare Trust	(42,840,000)	(57,160,000)
Interest Received	17,133,484	13,952,187
Interest Received on short term investments	-	4,383,610
Proceeds from disposal of Investments in Subsidiary Companies	140,000,000	83,524,815
Investment in Equity Share- in Subsidiary Companies	(209,528,793)	(452,446,500)
Loan Given to NIIT Education Society	(73,500,000)	-
Loan Given to subsidiaries received back	197,055,000	-
<b>Net cash used in investing activities (B)</b>	<b>(271,819,377)</b>	<b>(281,566,239)</b>

## CASH FLOW STATEMENT for the year ended 31st March, 2006 (Contd.)

		Year ended 31st March, 2006 (Rs.)	Year ended 31st March, 2005 (Rs.)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>			
Issue of Foreign Currency Convertible Bonds		437,900,000	-
Vehicle Loan			
- Received during the year	25,795,732		11,765,259
- Repaid during the year	<u>(12,087,338)</u>	13,708,394	<u>(8,971,382)</u>
			2,793,877
Term Loan			
- Received during the year	400,000,000		300,000,000
- Repaid during the year	<u>(169,240,416)</u>	230,759,584	<u>(111,765,000)</u>
			188,235,000
Interest Paid on Fixed Loan (including finance charges on finance lease arrangement)		(49,891,460)	(20,355,040)
Dividend Paid (Including Dividend Tax)		(121,878,542)	(109,292,714)
Receipts of Inter Company Deposits		105,000,000	88,000,000
Repayment of Inter Company Deposits		<u>(88,000,000)</u>	-
<b>Net cash from financing activities (C)</b>		<u>527,597,976</u>	<u>149,381,123</u>
<b>Net Increase/ (Decrease) in Cash &amp; Cash Equivalents (A+B+C)</b>		<u>412,178,768</u>	<u>(106,927,691)</u>
Cash and cash equivalents as at the beginning of the year		107,950,469	214,878,160
Cash and cash equivalents as at the end of the year		<u>520,129,237</u>	<u>107,950,469</u>
		<u>412,178,768</u>	<u>(106,927,691)</u>
<b>Cash and cash equivalents comprise</b>			
Cash, Cheques & Drafts (in hand) and Remittances in transit		76,231,024	71,902,084
Balance with Scheduled Banks *		443,898,213	36,048,385
*[Fixed Deposits include Rs. 18,194,930/- (Previous year Rs. 16,473,730/-) pledged as margin money and Rs. Nil (Previous year Rs. 4,000,000/-) under lien.]			
<b>Cash and cash equivalents as at the end of the year</b>		<u>520,129,237</u>	<u>107,950,469</u>

### NOTES :

- 1 The above Cash Flow Statement has been prepared under the indirect method as set out in AS-3 issued by the "Institute of Chartered Accountants of India".
- 2 The Schedules from 1-19 forms an integral part of the Cash Flow Statement
- 3 Previous year figures, to the extent feasible, have been regrouped/ recasted wherever necessary to conform to the current year's classification.
- 4 This is the Cash Flow Statement referred to in our report of even date.

**H. Singh**  
Partner  
Membership No. F-86994  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants

**Rajendra S Pawar**  
Chairman and Managing Director

**Ashok Arora**  
Group Chief Financial Officer

**Jitender Mahajan**  
Chief Financial Officer

**Vijay K Thadani**  
CEO & Whole-time Director

**Parveen Jain**  
Company Secretary  
& Legal Counsel

Place : New Delhi  
Date : June 29, 2006

## SCHEDULES annexed to and forming part of the Balance Sheet as at 31st March, 2006

Schedule No.	As At 31st March, 2006 (Rs.)	As At 31st March, 2005 (Rs.)
<b>1. SHARE CAPITAL</b>		
<b>Authorised</b>		
50,000,000 Equity Shares of Rs. 10/- each	500,000,000	500,000,000
2,500,000 Redeemable Preference Shares of Rs.100/- each	250,000,000	250,000,000
	<b>750,000,000</b>	<b>750,000,000</b>
<b>Issued</b>		
19,325,839 Equity shares of Rs 10/- each (Previous year - 19,325,839 Equity Shares of Rs. 10/- each)	193,258,390	193,258,390
	<b>193,258,390</b>	<b>193,258,390</b>
<b>Subscribed</b>		
19,324,639 Equity shares of Rs 10/- each (Previous year - 19,324,639 Equity Shares of Rs. 10/- each)	193,246,390	193,246,390
	<b>193,246,390</b>	<b>193,246,390</b>
<b>Paid-up</b>		
19,324,639 Equity shares of Rs 10/- each (Previous year - 19,324,639 Equity Shares of Rs. 10/- each)	193,246,390	193,246,390
Add: Forfeited Shares (amount originally paid-up)	6,000	6,000
	<b>193,252,390</b>	<b>193,252,390</b>
<b>Note:</b>		
Issued Share Capital includes 17,461,494 Equity Shares of Rs. 10/- each allotted as fully Paid-up bonus shares by way of capitalisation of General Reserve/ Share Premium Account/ Capital Redemption Reserve in 1998-99, 1994-95 , 1992-93 and 1987-88.		
	<b>193,252,390</b>	<b>193,252,390</b>
<b>1A. EMPLOYEES STOCK OPTION OUTSTANDING</b> [Refer Notes 1(vii) and 16 on Schedule 19]		
Employees Stock Option Outstanding	29,654,154	-
Less: Deferred Employees Compensation	(9,993,043)	-
	<b>19,661,111</b>	<b>-</b>

## SCHEDULES annexed to and forming part of the Balance Sheet as at 31st March, 2006 (Contd.)

Schedule No.	As At 31st March, 2006 (Rs.)	As At 31st March, 2005 (Rs.)
<b>2. RESERVES AND SURPLUS</b>		
Capital Redemption Reserve As per Last Balance Sheet	54,598,467	54,598,467
Share Premium As per Last Balance Sheet	44,794,328	44,794,328
General Reserve As per Last Balance Sheet	530,122,210	514,160,347
Add : Transfer from Profit & Loss Account	<u>26,988,028</u>	<u>15,961,863</u>
Profit and Loss Account	2,018,573,084	1,907,890,350
	<u>2,675,076,117</u>	<u>2,537,405,355</u>
<b>3. SECURED LOANS</b> [Refer Note 6 on Schedule 19]		
Loans from Banks		
- Rupee Term Loans	614,583,333	383,823,750
- Vehicle Loans	<u>34,590,118</u>	<u>20,881,723</u>
	649,173,451	404,705,473
[Amount due within one year Rs. 176,603,971/- ( Previous year Rs 141,427,148/-)]		
	<u>649,173,451</u>	<u>404,705,473</u>
<b>4. UNSECURED LOANS</b> [Refer Notes 1 (viii), 1(ix), 23 and 29(b) on Schedule 19]		
Long Term Loans from Subsidiaries	105,000,000	88,000,000
2.5% Foreign Currency Convertible Bonds	437,900,000	-
Deferred Lease Obligation	3,268,900	7,249,522
	<u>546,168,900</u>	<u>95,249,522</u>



**SCHEDULES annexed to and forming part of the Balance Sheet as at 31st March, 2006 (Contd.)**
**5. Fixed Assets**  
 [Refer Notes 1 (i), (ii), (viii), (ix), (x) and 24 on Schedule 19]

Description of Assets	GROSS BLOCK			DEPRECIATION AND AMORTISATION				NET BLOCK	
	Cost as on 01.04.2005	Additions during the year	Sales/Adj. during the year	As on 01.04.2005	Charge for the year	Sales/Adj. during the year	Total as on 31.03.2006	As on 31.03.2006	As on 31.03.2005
<b>Tangible</b>									
Land-Freehold Buildings	13,428,582	26,086,500	-	-	-	-	-	39,515,082	13,428,582
Plant & Machinery	76,576,793	-	-	14,044,385	1,248,535	-	15,292,920	61,283,873	62,532,408
- Owned	1,019,348,275	142,032,696	87,761,277	785,378,652	95,085,986	85,934,618	794,530,020	279,089,674	233,969,623
- Leased	5,093,058	-	586,923	1,092,279	1,879,715	292,757	2,679,237	1,826,898	4,000,779
Lease Hold Improvements	60,199,929	26,699,279	3,009,820	29,258,292	13,049,635	2,273,391	40,034,536	43,854,852	30,941,637
Furniture & Fixtures									
- Owned	90,048,640	13,611,602	5,901,354	80,425,330	5,201,569	6,140,419	79,486,480	18,272,408	9,623,310
- Leased	4,230,716	-	613,512	826,861	1,449,752	305,930	1,970,683	1,646,521	3,403,855
Vehicles	51,176,081	27,487,611	12,609,240	12,147,693	5,762,228	5,690,577	12,219,344	53,835,108	39,028,388
<b>Sub Total (a)</b>	<b>1,320,102,074</b>	<b>235,917,688</b>	<b>110,482,126</b>	<b>923,173,492</b>	<b>123,677,420</b>	<b>100,637,692</b>	<b>946,213,220</b>	<b>499,324,416</b>	<b>396,928,582</b>
<b>Intangible (Courseware/Products)</b>									
Software									
- Acquired	464,494,594	2,722,443	-	171,960,983	88,161,089	-	260,122,072	207,094,965	292,533,611
- Internally generated	73,536,358	14,773,178	-	26,757,769	24,629,240	-	51,387,009	36,922,527	46,778,589
Patents	5,122,965	-	-	2,497,981	1,129,124	-	3,627,105	1,495,860	2,624,984
<b>Sub Total (b)</b>	<b>543,153,917</b>	<b>17,495,621</b>	<b>-</b>	<b>201,216,733</b>	<b>113,919,453</b>	<b>-</b>	<b>315,136,186</b>	<b>245,513,352</b>	<b>341,937,184</b>
<b>Total (a+b)</b>	<b>1,863,255,991</b>	<b>253,413,309</b>	<b>110,482,126</b>	<b>1,124,390,225</b>	<b>237,596,873</b>	<b>100,637,692</b>	<b>1,261,349,406</b>	<b>744,837,768</b>	<b>738,865,766</b>
<b>Previous Year</b>	<b>1,699,598,999</b>	<b>263,761,344</b>	<b>100,104,352</b>	<b>1,018,213,224</b>	<b>195,126,483</b>	<b>88,949,482</b>	<b>1,124,390,225</b>	<b>738,865,766</b>	
								<b>Capital Work-in Progress (Net)</b>	<b>208,898,268</b>
								<b>( Including Capital Advances)</b>	<b>14,728,511</b>

Notes : (i) Gross Block of Building includes 10 shares of Rs.50/- each in Laitia Palace Housing Society and 10 shares of Rs. 500 /- each in the Guru Vidya Co-operative Housing Society Ltd.

(ii) Addition in land represents allotment of 100 acres of land at Tehsil Behror, District Alwar for educational purposes. This land cannot be transferred without the approval of the allotment authority.

(iii) Capital work in progress includes borrowing costs of Rs. 6,358,820/- (Previous year Nil).

## SCHEDULES annexed to and forming part of the Balance Sheet as at 31st March, 2006 (Contd.)

Schedule No.		As At 31st March, 2006 (Rs.)	As At 31st March, 2005 (Rs.)
6.	INVESTMENTS [Refer Notes 1 (iii) and 19 on Schedule 19]		
A.	LONG TERM, TRADE [UNQUOTED] In Subsidiary Companies		
	18,662,113 (Previous year 17,662,113) Shares of 1 US \$ each fully paid-up in NIIT (USA) Inc., USA <sup>1</sup> Less: Provision for diminution in value of Investment	827,183,209 (398,415,709)	783,593,209 (398,415,709)
	500,000 (Previous year 500,000) Equity Shares of 1 US\$ or Rp. 2,297 each fully paid-up in PT NIIT Indonesia, Indonesia Less: Provision for diminution in the value of investment	17,560,000 (17,560,000)	17,560,000 (17,560,000)
	35,056,000 (Previous year 31,556,000) Equity Shares of US\$ 1 each fully paid-up in NIIT Antilles NV, Netherlands Antilles <sup>2</sup> Less: Provision for diminution in value of Investment	1,628,688,400 (773,531,096)	1,476,123,400 (773,531,096)
	3,949,175 (Previous year 108,000,000) Equity Shares of Re 1 each fully paid-up in NIIT Online Learning Limited <sup>3</sup> Less: Provision for diminution in value of Investment	3,949,175 (3,949,175)	108,000,000 (108,000,000)
	Nil (Previous year 325,000,000) 8.5% Cumulative Redeemable Preference Shares of Re 1 each fully paid in NIIT Online Learning Limited <sup>3</sup> Less: Provision for diminution in value of Investment	- -	325,000,000 (189,685,877)
	900,000 (Previous year 900,000) Equity Shares of Rs 10/- each fully paid-up in Hole-in-the-Wall Education Limited (Formerly known as Minimally Invasive Education Company Limited)		9,000,000
	9,910,000 (Previous year 9,910,000) Equity Shares of Rs. 10 each fully paid-up in Scantech Evaluation Services Ltd	99,064,000	99,064,000
	50,000 (Previous year Nil) Equity Shares of Rs. 10 each fully paid-up in NIIT Multimedia Limited	500,000	-
	100,000 (Previous year Nil) Equity Shares of 1 GBP each fully paid-up in NIIT Limited-UK	8,187,916	-
	Notes :		
	1 During the year the Company has made further investment of Rs.43,590,000 in NIIT USA Inc., by acquiring 1,000,000 Equity Shares of the same.		
	2 During the year the Company has made further investment of Rs.152,565,000 in NIIT Antilles NV, Netherlands Antilles by acquiring 3,500,000 Equity Shares of the same.		
	3 a) Pursuant to the Order dated July 20, 2005, of Hon'ble High Court of Delhi, 108,000,000 equity shares of Re 1 each have been reduced to 3,949,175/- equity shares of Re 1 each. b) 8.5% 325,000,000 Cumulative Redeemable Preference Share of Re.1 each, have also been extinguished pursuant to the aforesaid Order on receipt of Rs. 140,000,000. Further, Rs. 4,685,877/-, being the differential amount over and above the carrying cost of the investments as at March 31, 2005, has been included in Other Income in Schedule 14.		
	In Other Companies		
	80,311 Equity Shares of Rs 10/- each fully paid-up in Mindshaper Technologies Pvt. Ltd. Less: Provision for diminution in the value of investment	25,000,000 (25,000,000)	25,000,000 (25,000,000)
	190,627 Equity Shares of Rs 10/- each fully paid-up in Aesthetics Technologies Pvt. Ltd. Less: Provision for diminution in the value of investment	20,000,584 (20,000,584)	20,000,584 (20,000,584)
	600,000 Equity Shares of Rs 10/- each fully paid-up at par in Medvarsity Online Ltd.	6,000,000	6,000,000
B.	LONG TERM, NON-TRADE [UNQUOTED] In Other Companies		
	240 Equity Shares of Rs.10/- each fully paid-up in Hinduja HCL Singtel Communication Pvt. Ltd. Less: Provision for diminution in the value of investment	2,400 (2,400)	2,400 (2,400)
C.	SHORT TERM, NON-TRADE [UNQUOTED] [Refer Note 19 on Schedule 19]		
	In Mutual Funds	49,674,495	150,010,186
		<u>1,456,351,215</u>	<u>1,487,158,113</u>

## SCHEDULES annexed to and forming part of the Balance Sheet as at 31st March, 2006 (Contd.)

Schedule No.	As At 31st March, 2006 (Rs.)	As At 31st March, 2005 (Rs.)
<b>7. INVENTORIES (Finished Goods)</b> [Refer Notes 1(iv) and 17 on Schedule 19]		
Education and Training Material *	68,692,773	52,764,783
Software	19,534,922	21,036,398
	<u>88,227,695</u>	<u>73,801,181</u>
<b>Note:</b>		
* Net of provision for non-moving stocks of Rs. 3,000,000/- (Previous year Rs. 4,100,000/-).		
<b>8. SUNDRY DEBTORS</b> (Unsecured) [Refer Notes 11(a) and 27 on Schedule 19]		
Outstanding for over six months		
- Considered Good	541,359,190	281,997,775
- Considered Doubtful	216,428,106	243,218,416
Other Debts - Considered Good	987,616,447	781,637,212
	<u>1,745,403,743</u>	<u>1,306,853,403</u>
Less : Provision for Doubtful Debts	216,428,106	243,218,416
	<u>1,528,975,637</u>	<u>1,063,634,987</u>
<b>9. CASH AND BANK BALANCES</b>		
Cash and Cheques in Hand	76,231,024	71,902,084
Balances with Scheduled Banks in :		
- Current Accounts	173,574,472	9,034,590
- Dividend Account	5,168,533	5,855,017
- Fixed Deposit Accounts	264,457,212	20,473,730
[Fixed Deposits include Rs. 18,194,930/- (Previous year Rs. 16,473,730/-) pledged as margin money and Rs. Nil (Previous year Rs. 4,000,000/-) under lien.]		
- Exchange Earners' Foreign Currency Account	697,996	685,048
	<u>520,129,237</u>	<u>107,950,469</u>
<b>10. OTHER CURRENT ASSETS</b> (Unsecured, considered good) [Refer Note 8 on Schedule 19]		
Interest Receivable	5,500,860	2,241,151
Unbilled Revenue (Net)	1,650,050	-
	<u>7,150,910</u>	<u>2,241,151</u>

## SCHEDULES annexed to and forming part of the Balance Sheet as at 31st March, 2006 (Contd.)

Schedule No.	As At 31st March, 2006 (Rs.)	As At 31st March, 2005 (Rs.)
<b>11. LOANS AND ADVANCES</b> (Unsecured, considered good except where otherwise stated) [Refer Notes 21 and 22 on Schedule 19]		
Loans to Subsidiaries	49,000,000	197,055,000
Loan to NIITian Welfare Trust	100,000,000	57,160,000
Loan to NIIT Education Society	73,500,000	-
Recoverable from Subsidiaries	4,643,722	1,097,088
Advances recoverable in cash or in kind or for value to be received *		
- Considered good	222,770,809	196,325,490
- Considered doubtful	<u>12,940,987</u>	<u>10,446,591</u>
	235,711,796	206,772,081
Less : Provision for Doubtful Advances	<u>12,940,987</u>	<u>10,446,591</u>
	222,770,809	196,325,490
* Includes amount due from Directors Rs. 92,334/- (Previous year Rs. 1,641,685/-) Maximum amount due from directors during the year Rs. 3,080,001/- (Previous year Rs. 4,651,375/-)		
Security Deposits		
- Considered good	163,714,580	107,459,173
- Considered doubtful	<u>3,012,501</u>	<u>3,012,501</u>
	166,727,081	110,471,674
Less : Provision for Doubtful Security Deposits	<u>3,012,501</u>	<u>3,012,501</u>
	163,714,580	107,459,173
	<u>613,629,111</u>	<u>559,096,751</u>
<b>12. CURRENT LIABILITIES</b> [Refer Note 30 on Schedule 19]		
Sundry Creditors		
- Due to small scale industrial undertakings	2,742,735	-
- Others	783,069,636	562,883,725
Amount Payable to Subsidiaries	4,699,834	2,164,632
Advances from Customers	97,490,461	63,442,020
Security Deposits	7,494,114	8,487,073
Interest accrued but not due	4,455,464	1,355,670
Unpaid Dividend *	5,168,533	5,855,017
Unclaimed fractional share payment	142,778	154,951
Other Liabilities	47,758,453	22,189,083
* There are no amounts due for payment to the Investor Protection Fund under section 205 C of the Companies Act, 1956 as at the year end.		
	<u>953,022,008</u>	<u>666,532,171</u>
<b>13. PROVISIONS</b> [Refer Notes 1(vi) and 1(xi) on Schedule 19]		
Provision for Leave Encashment	9,100,300	10,542,361
Provision for Gratuity	1,655,414	8,799,693
Proposed Dividend on Equity Shares	115,947,834	106,285,515
Provision for Fringe Benefits Tax	18,854,634	-
Less : Advance Tax	<u>(18,589,954)</u>	-
Corporate Dividend Tax	16,261,684	14,906,543
Provision for Current Tax	264,899,999	239,823,011
Less : Advance Tax	<u>(256,284,047)</u>	<u>(230,025,105)</u>
	8,615,952	9,797,906
	<u>151,845,864</u>	<u>150,332,018</u>

## SCHEDULES annexed to and forming part of the Profit and Loss Account for the year ended 31st March, 2006

Schedule No.	Year ended 31st March, 2006 (Rs.)	Year ended 31st March, 2005 (Rs.)
<b>14. OTHER INCOME</b>		
[Refer Notes 1(v), 1(viii), 19 and 27 on Schedule 19]		
Profit on sale of short term non trade investments	12,426,051	13,208,948
Provisions/Other Liabilities written back	16,778,164	9,374,380
Provision for Doubtful Debts written Back 74,140,000		25,965,870
Less: Additional provision created (56,777,852)	17,362,148	(23,765,000)
Recoveries from Overseas Subsidiaries for expenses	12,129,377	10,750,281
Gain on exchange fluctuations (Net)	-	647,296
Recovery of expenses from NIIT Institute of Information Technology	7,599,014	-
Miscellaneous	4,857,976	7,919,449
	<u>71,152,730</u>	<u>44,101,224</u>
<b>15. PERSONNEL</b>		
[Refer Notes 1(vii), 5, 9, 16 and 18 on Schedule 19]		
Salaries and Benefits [Includes contribution towards Provident and Other Funds Rs. 35,140,528/- (Previous year Rs. 44,141,740/-)]	831,134,446	655,489,578
Employees Stock Option Expenses	15,430,517	-
Welfare and Other Expenses	51,178,780	33,153,570
	<u>897,743,743</u>	<u>688,643,148</u>
<b>16. DEVELOPMENT, PRODUCTION AND EXECUTION</b>		
[Refer Notes 5 and 10 on Schedule 19]		
Courseware and Manuals [Includes inventory write off for Rs.11,102,712/- (Previous year Rs.4,307,432/-)]	254,511,412	212,309,961
Bought out Packages/Products	152,654,677	104,504,354
Course Execution Charges	455,367,290	486,047,262
Professional Charges	149,543,969	96,839,852
Equipment Hiring	113,753,236	153,198,266
Consumables	5,601,282	5,275,072
Others	25,487,032	19,569,523
	<u>1,156,918,898</u>	<u>1,077,744,290</u>

SCHEDULES annexed to and forming part of the Profit and Loss Account for the year ended 31st March, 2006 (Contd.)

Schedule No.	Year ended 31st March, 2006 (Rs.)	Year ended 31st March, 2005 (Rs.)
<b>17. ADMINISTRATION, FINANCE AND OTHERS</b> [Refer Notes 1(viii), 1(ix), 1(x), 5, 7, 9, 14 and 15 on Schedule 19]		
Rent	121,309,653	108,838,118
Rates and Taxes	1,445,836	2,487,604
Electricity and Water	75,492,015	60,293,095
Communication	47,069,132	39,862,634
Legal and Professional	46,372,699	49,462,478
Travelling and Conveyance	153,221,092	125,373,194
Bank, Discounting and Other Financial Charges	7,686,098	7,140,647
Insurance Premium	6,771,321	6,800,742
Repairs and Maintenance		
- Plant and Machinery	16,603,240	19,827,254
- Buildings	3,271,983	4,623,707
- Others	29,267,622	26,294,189
Interest paid on:		
- Fixed Loans	52,991,254	20,708,787
- Others	2,791,694	2,968,848
	<u>55,782,948</u>	<u>23,677,635</u>
Less: Interest Received on:		
- Deposits	(10,994,932)	(4,426,994)
- Loans	(9,374,996)	(15,708,490)
- Others	(23,265)	(87,649)
	<u>(20,393,193)</u>	<u>(20,223,133)</u>
	35,389,755	3,454,502
Provision for doubtful advances	2,494,396	-
Loss on exchange fluctuations (Net)	822,504	-
Loss on Trade Investments	-	8,629,816
Expenses on Equipment Hiring	34,403,426	34,972,954
Loss on sale of fixed assets (Net)	2,439,509	3,107,423
Sundry Expenses	43,308,822	34,279,986
	<u>627,369,103</u>	<u>535,448,343</u>
<b>18. MARKETING</b> [Refer Note 5 on Schedule 19]		
Advertisement and Publicity	139,642,959	111,829,450
Course Announcement	82,179,664	75,211,718
Discount	71,651	3,239,305
Others	13,520,667	16,111,480
	<u>235,414,941</u>	<u>206,391,953</u>

## SCHEDULE '19' : Notes to Accounts for the year ended 31st March, 2006

### 1. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared on an accrual basis, under historical cost convention and in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India. The significant accounting policies adopted by the Company are detailed below.

#### i) Fixed Assets, Depreciation and Amortisation

Fixed Assets are stated at acquisition cost except where they are taken over pursuant to an acquisition at a consolidated price. Individual fixed assets taken over pursuant to acquisition are recorded at their fair value on the date of acquisition based on valuation carried out by independent valuers.

Expenses incurred on internal development of courseware and products are capitalised either individually or as a knowledge bank in the form of software, once their technical feasibility is established in accordance with the requirements of Accounting Standard 26, "Intangible Assets" issued by the Institute of Chartered Accountants of India (Refer note 24 below). Expenses incurred during the research phase till the establishment of commercial feasibility is charged to the Profit and Loss Account.

Depreciation and amortisation is provided on a pro-rata basis on the straight-line method over the estimated useful lives of the assets determined as follows: -

Computers, printers and related accessories	2-5 years
Leasehold Improvements	3 years or lease period whichever is lower
Software(courseware and products) and patents	3-5 years
Assets under employee benefits scheme except vehicles	3 years
All other assets	Rates prescribed under schedule XIV to the Companies Act, 1956

Fixed Assets purchased for utilisation in implementing the contractual obligations with the customers under the project are depreciated over the period of the contract.

Further, computer systems and software are technically evaluated each year for their useful economic life and the unamortised depreciable amount of the asset is charged to Profit and Loss Account as depreciation/ amortisation over their revised remaining useful life.

#### ii) Impairment of Assets

All assets other than inventories, investments and deferred tax asset, are reviewed for impairment, wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount.

#### iii) Investments

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

#### iv) Inventory Valuation - Finished Goods

Inventories are valued at lower of cost or net realisable value. Cost is determined using weighted average method.

#### v) Revenue Recognition

The revenue in respect of sale of courseware, technical information and reference material and other goods is recognised on dispatch/ delivery of the material to the customer whereas the revenue from the tuition activity is recognised over the period of the course programmes.

The revenue from time and material contracts is recognised on a man month basis. In respect of fixed price contracts, including certain contracts requiring significant usage of contents capitalised as

**SCHEDULE '19' : Notes to Accounts for the year ended 31st March, 2006 (Contd.)**

education software relating to courseware and products (Intellectual Property Rights), revenue is recognised based on the technical evaluation of utilisation of courseware and products and as per the proportionate completion method. The foreseeable losses on completion of contract, if any, are provided for. (Refer note 8 below).

Dividend income is recognised when the right to receive dividend is established.

**vi) Retirement Benefits**

In respect of Provident Fund and Superannuation, the Company makes defined contributions to trusts established for this purpose by the Company. In respect of Gratuity, which is a defined benefit plan, the Company's liability is actuarially determined at the end of the year and any shortfall in the fund size maintained with Life Insurance Corporation of India is additionally provided for.

Provision for Leave Encashment is recorded in the books based on actuarial valuation carried out at the end of the year.

**vii) Employees Stock Option Plan (ESOP)**

The stock options granted under "NIIT Employee Stock Option Plan 2005" are accounted for as per the accounting treatment prescribed by Employee Stock Option Scheme and Employee Stock Purchase Guidelines, 1999, issued by Securities and Exchange Board of India, whereby the intrinsic value of the option being excess of market value of the underlying share immediately prior to date of grant over its exercise price is recognised as deferred employee compensation with a credit to employee stock option outstanding account. The deferred employee compensation is charged to Profit and Loss Account on straight line basis over the vesting period of the option. The options that lapse are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion and credit to deferred employee compensation expense equal to the unamortised portion. The balance in employee stock option outstanding account, net of any unamortised deferred employee compensation, is shown separately as part of shareholder's funds.

**viii) Foreign Currency Transactions**

Transactions in foreign currency are booked at standard rates determined periodically which approximates the actual rates, and all monetary assets and liabilities in foreign currency are restated at the end of accounting year. Gain/ Loss arising out of fluctuations on realisation/ payment or restatement, except those identifiable to acquisition of fixed assets is charged/ credited to the Profit and Loss Account. Gain/ Loss on account of exchange fluctuations identifiable to fixed assets acquired is adjusted against the carrying value of the related fixed assets.

Foreign Currency assets/ liabilities covered by forward contracts are stated at the forward contract rate and difference between the forward rate and the exchange rate at the inception of the forward contract are recognised to the Profit and Loss Account over the life of the contract except in case of liabilities relating to acquisition of fixed assets which are adjusted against the carrying value of the related fixed assets.

Certain forward foreign exchange contracts are marked to its current market value at each Balance Sheet date and the gain or loss on the contract is recognised in the statement of Profit and Loss Account for the year.

**ix) Leases**

The Company has taken assets as well as premises on lease. Lease rentals in respect of operating lease arrangements are charged to expense when due as per the terms of the related agreement.

Lease rentals in respect of finance lease transactions entered into prior to March 31, 2001 are charged to expense when due as per the terms of the related agreement. Finance lease transactions entered into after this date are considered as financing arrangements in accordance with Accounting Standard 19 and the leased asset is capitalised at an amount equal to the present value of future lease payments and a corresponding amount is recognised as a liability. The lease payments made are apportioned between finance charge and reduction of outstanding liability in relation to the leased asset.



**SCHEDULE '19' : Notes to Accounts for the year ended 31st March, 2006 (Contd.)**

- x) **Borrowing Cost**  
Borrowing costs are recognised in the Profit and Loss Account for the period in which they are 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 capitalised.
- xi) **Taxation**  
Tax expense, comprising of both current tax (including fringe benefits tax) and deferred tax is included in determining the net results for the year. Deferred Tax reflects the effect of timing differences between the assets and liabilities recognised for financial reporting purposes and the amounts that are recognised for current tax purposes. As a matter of prudence deferred tax assets are recognised and carried forward only to the extent, there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Current tax (including fringe benefits tax) is determined based on the provisions of Income Tax Act, 1961.
- xii) **Provisions and Contingencies**  
The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of the obligation cannot be made.
- 2. CONTINGENT LIABILITIES**
- i. Guarantees issued to bankers outstanding at the end of accounting year Rs. 26,213,032/- (Previous year Rs. 21,497,642/- ).
- ii. Corporate Guarantee Rs.75,000,000/- given on behalf of NIITian Welfare Trust for loan availed by Trust (Previous year Nil).
- iii. Claims against the Company not acknowledged as debts Rs. 16,100,000/- (Previous year Rs. 5,000,000/-).
- iv. Andhra Pradesh works contract tax demand Rs. 31,318,455/- (Previous year Rs. Nil).
3. Estimated amount of contracts remaining to be executed on capital account (net of advances) not provided for Rs. 231,556,747/- (Previous year Rs. 8,957,795/-).
4. Pursuant to the Scheme of Arrangement under section 391 to 394 of the Companies Act, 1956 approved by Hon'ble High Court of Delhi vide order of May 18, 2004, the Global Solution Business Undertaking (GSB) of the Company constituting software services and solutions including investment in subsidiaries engaged in business process outsourcing and geographical information services and other world wide subsidiaries were transferred to NIIT Technologies Limited (hereinafter referred to as NTL) from the appointed date i.e. April 1, 2003. In this regard, mutation of certain immovable properties transferred to NTL in terms of the Scheme of Arrangement is yet to be completed. Further certain Corporate Guarantees of Rs. 4,604.96 lacs given by the Company on behalf of Subsidiaries of NTL, in respect of which NTL is in the process of replacing the same with its own Corporate Guarantees.
5. Certain common resources are shared by the Company and NIIT Technology Ltd (NTL). This resulted in the Company recovering Rs. 6,082,754/- (Previous year Rs. 19,219,900/-) from NTL and NTL recovering Rs. 37,603,332/- (Previous year Rs. 52,545,234/-) from the Company which has been included/ netted off against relevant head in the Profit & Loss Account viz., Personnel, Development, Production and Execution, Administration & Others and Marketing expenses.
6. i) Working Capital Limits are secured by hypothecation of stocks and book debts of the Company. The Company has not utilised the fund-based limits during the year.
- ii) Rupee Term Loan from bank is secured by way of first charge created on all movable assets, both present and future and specified immovable properties, subject to first charge created on stocks and book debts of the Company in respect of working capital limits above.

## SCHEDULE '19' : Notes to Accounts for the year ended 31st March, 2006 (Contd.)

- iii) Vehicle Loans from banks are secured by way of hypothecation of the vehicles financed.
7. Interest received is gross of tax deducted at source of Rs. 702,867/- (Previous year Rs. 1,084,083/-).
8. As indicated in Note 1(v) above, the Company has, from the current year recognised revenue on a proportionate completion method including certain contracts requiring significant usage of contents capitalised as education software relating to courseware and products (Intellectual Property Rights) based on technical evaluation, in respect of most of the fixed price contracts as against on delivery/ dispatch of concerned services in the previous years. This has resulted in increase in revenue of the Company by Rs 1,650,050/- (net unbilled revenue) in the current year, with a corresponding impact on profit before tax for the year.
9. Expenses during the year are net of recoveries towards common services from domestic subsidiaries amounting to Rs. 4,226,291/- (Previous year Rs. 9,760,579/-).
10. The course execution charges include payments to licensees, business partners, channel partners and other agencies for execution of education and training business.
11. **DERIVATIVE INSTRUMENTS**
- a. The Company has outstanding foreign exchange forward contracts of USD 6,000,000 (Previous year USD 7,000,000) as at March 31, 2006 for hedging its exposure to movements in foreign exchange rates relating to trade receivables. Foreign currency receivables that are not hedged by derivative instruments or otherwise amount to USD 1,901,613 (Previous year Nil).
- b. Foreign currency payables that are not hedged by derivative instruments relate to payables of USD 376,111 (Previous year USD 316,791), EURO 40,338 (Previous year Nil), SGD 1,150 (Previous year Nil), GBP 17,682 (Previous year GBP 3,400).

	Year ended March 31, 2006 (Rs.)	Year ended March 31, 2005 (Rs.)
<b>12. EARNINGS IN FOREIGN CURRENCY</b>		
Export of services & products	661,503,072	538,888,261
Interest (Net of Taxes)	8,785,258	13,462,824
Other income	12,129,377	20,696,347
<b>13. CIF VALUE OF IMPORTS</b>		
Bought out packages/ products	4,438,175	2,627,746
Capital goods	10,214,637	3,566,820
<b>14. EXPENDITURE IN FOREIGN CURRENCY (Net of Taxes)</b>		
Production, development and execution	87,259,030	54,464,908
Travel	32,735,063	39,939,430
Professional fee	316,112	-
Others	5,438,525	2,563,175
<b>15. PAYMENT TO AUDITORS</b>		
Statutory Audit fee	5,800,000	4,850,000
Tax Audit fee	500,000	500,000
Others	1,017,158	1,360,000
Reimbursement of expenses (including Service Tax)	1,087,881	750,015

**16. EMPLOYEES STOCK OPTION SCHEME**

During the year the Company has established NIIT Employee Stock Option Plan 2005 "(ESOP 2005)" and the same was approved at the General Meeting of the Company held on May 18, 2005. The plan was set up so as to offer and grant, for the benefit of employees (excluding promoters) of the Company, who are

## SCHEDULE '19' : Notes to Accounts for the year ended 31st March, 2006 (Contd.)

eligible under "Securities Exchange Board of India (SEBI) (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999", options of the Company in aggregate up to 1,925,000 options under ESOP 2005, in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of law or guidelines issued by the relevant authorities in this regard. As per the plan, each option is exercisable for one equity share of face value of Rs 10 each fully paid up on payment to the Company, for such shares, at a price to be determined in accordance with ESOP 2005.

The Company granted options in two tranches as follows:

Particulars	Tranche I	Tranche II
Date of grant	August 02, 2005	August 11, 2005
Granted during the year	555,350	46,200
Forfeited/ lapsed during the year	17,650	6,500
Outstanding at the end of the year	537,700	39,700
Exercisable at the end of the year	-	-
Exercise Price	Rs. 180	Rs. 237
Remaining contractual life (Remaining vesting period and exercise period)	1218 days	1227 days
Fair value of the Option based on Black & Scholes model	Rs.98.64	Rs 72.25
Intrinsic value of options granted	Rs.55.15	Nil

The inputs used by an independent valuer, for determination of fair value as per the Black & Scholes model are as follows:

- Market price considered is the latest available closing price, prior to the date of the grant.
- Exercise price is the price payable by the employees for exercising the option.
- As the life of the option is greater than one year there is considerable difficulty in estimating the amount and time of future dividend payouts with certainty, hence future dividend payouts have not been incorporated in the valuation analysis.
- Volatility - Variance in the stock price is considered as 14% and is based on historical volatility in the share price movement of the Company and four other comparable companies.
- Average life of the options is considered to be 2.5 Years.
- Risk free interest rate has been assumed at 7% based on long term government bonds of ten years residual maturity.

Other information regarding employee share based payment is as below:

Particulars	Tranche I	Tranche II
Expense amortised during the year on the basis of intrinsic value of the options	Rs. 19,661,111	-
Less: Amount attributable to employees of the subsidiaries	Rs. 4,230,594	-
Expense accounted for during the year	Rs. 15,430,517	-
Additional expense, had the Company recorded the ESOP Expense based on fair value of the options (Net of amount attributable to the employees of the subsidiaries Rs. 3,336,148)	Rs 12,168,145	Rs.1,831,013

For impact on basic and dilutive EPS, had fair value of the option been used for determining ESOP expense, refer Note 28 below.

## SCHEDULE '19' : Notes to Accounts for the year ended 31st March, 2006 (Contd.)

### 17. DETAILS RELATING TO OPENING STOCK, PURCHASES, REVENUE AND CLOSING STOCK

- a) The Company is engaged inter-alia in the production and development of computer software. The production and sale of such software cannot be expressed in generic unit. Hence, it is not possible to give quantitative details as required under paragraph 3 and 4C of Part II of Schedule VI of the Companies Act, 1956.
- b) The details relating to traded items are as under:
- i. Software and Hardware:

Particulars	Year ended March 31, 2006 (Rs.)	Year ended March 31, 2005 (Rs.)
Opening stock	21,036,398	23,783,181
Purchases	151,153,201	101,965,003
Sales	175,716,603	108,236,743
Closing stock	19,534,922	21,036,398

The Company deals in a number of software and hardware items whose cost and selling price vary for different items. The revenue from the different kind of software and their related costs individually constitute less than 10% of the turnover and costs of the Company respectively. Accordingly, no quantitative information relating to software and hardware traded is being given.

- ii. Education and training materials:

Particulars	Year ended March 31, 2006		Year ended March 31, 2005	
	Quantity (Nos.)	Value (Rs.)	Quantity (Nos.)	Value (Rs.)
Opening stock				
- Courseware	1,903,616	52,764,783	1,598,258	53,390,130
Purchase/ printed				
- Courseware	6,471,610	262,323,732	5,502,261	208,744,723
- Technical Information & Reference Material (Produced/ Duplicated)	-	7,015,672	-	2,732,458
Stock Written off/ Provision for Obsolescence				
- Courseware	-	11,102,712	-	4,307,432
Sales				
- Courseware *	6,684,129	956,510,953	5,196,903	786,034,234
- Technical Information & Reference Material	-	63,506,058	-	52,029,125
Closing Stock				
- Courseware	1,691,097	68,692,773	1,903,616	52,764,783

\* Sales quantity has been adjusted for shortage/ excesses during the year.

Quantitative information in respect of technical information and reference material is not being given separately as the related revenue and costs are less than 10% of total revenue and costs of the Company.

- c) Revenue includes income from services rendered Rs. 2,181,969,116/- (Previous year Rs. 1,881,071,513/-)

**SCHEDULE '19' : Notes to Accounts for the year ended 31st March, 2006 (Contd.)**
**18. MANAGERIAL REMUNERATION**

Calculation of Managerial Remuneration under Section 198 of the Companies Act, 1956:

Particulars	Year ended March 31, 2006 (Rs.)	Year ended March 31, 2005 (Rs.)
Profit before taxation as per Profit and Loss Account	293,811,902	168,118,622
LESS/ (ADD): Profit/ (Loss) on sale of undertakings/ investments	-	(8,629,816)
ADD: Provision for doubtful debts and advances	59,272,248	23,765,000
ADD: Depreciation as per books of accounts	237,596,873	195,126,483
LESS: Depreciation determined as per Section 350 of the Companies Act, 1956	(246,192,396)	(226,768,467)
<b>Net Profit under Section 349 of the Companies Act, 1956</b>	<b>344,488,627</b>	<b>168,871,454</b>
ADD: Directors' Remuneration	28,104,357	20,954,923
<b>Net Profit under Section 198 of the Companies Act, 1956</b>	<b>372,592,984</b>	<b>189,826,377</b>
Maximum remuneration allowable under section 198 of the Companies Act, 1956, restricted to 11% of Net Profit	40,985,228	20,880,901
Out of the above maximum Commission allowable to Non executive directors under section 309 of the Companies Act, 1956 restricted to 1% of Net Profit	3,725,930	1,898,264

**a. Whole time Directors' remuneration**

As approved by the Shareholders and within the limits prescribed under Schedule XIII to the Companies Act, 1956

Particulars	Year ended March 31, 2006 (Rs.)	Year ended March 31, 2005 (Rs.)
Salary, perquisites and allowances	16,179,079	14,504,298
Contribution to provident fund and other funds	3,725,278	4,113,625
Performance Linked Bonus	6,000,000	-
<b>Total</b>	<b>25,904,357</b>	<b>18,617,923</b>

**b. Non Executive Directors' Remuneration**

Particulars	Year ended March 31, 2006 (Rs.)	Year ended March 31, 2005 (Rs.)
Commission to Non Executive Directors	1,240,000	1,377,000
Sitting Fees	960,000	960,000
<b>Total</b>	<b>2,200,000</b>	<b>2,337,000</b>

## SCHEDULE '19' : Notes to Accounts for the year ended 31st March, 2006 (Contd.)

19. During the year the Company acquired and sold units of mutual funds on various dates as follows:

Scheme	No. of units at the beginning of the year	Opening Value (Rs)	No. of units purchased	Purchase Value (Rs)	No. of unit sold	Sale Value (Rs.)	No. of units in hand at the year end	Value of units in hand at the year end at lower of cost or market value (Rs.)	Market Value of units in hand. (Rs)
<b>(A). Short term debt fund scheme</b>									
Grindlays SSIF	781	10,186	-	-	781	10,518	-	-	-
<b>TOTAL</b>	<b>781</b>	<b>10,186</b>	<b>-</b>	<b>-</b>	<b>781</b>	<b>10,518</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(B). Liquid Scheme-Growth Option</b>									
Prudential ICICI Mutual Fund	945,513	15,000,000	24,808,447	350,147,700	25,753,960	367,374,633	-	-	-
SCB Grindlays-Cash Fund	4,900,735	60,000,000	3,185,587	40,000,000	8,086,322	101,565,271	-	-	-
Temp. India Liquid Fund	-	-	107,156	180,000,000	107,156	181,039,263	-	-	-
DSP Merrill Lynch mutual fund	2,482,737	40,000,000	18,671,468	555,072,017	21,114,816	558,146,642	39,389	39,698,280	40,256,707
Birla Sunlife Mutual Fund	1,396,589	25,000,000	6,237,608	80,000,000	7,634,197	106,211,935	-	-	-
ABN AMRO AMC	-	-	18,077,691	190,000,000	18,077,691	191,769,594	-	-	-
HSBC Mutual Fund	902,690	10,000,000	24,688,940	275,000,000	25,591,630	286,349,047	-	-	-
Deutsche Insta Cash MF	-	-	1,765,319	20,000,000	1,765,319	20,237,700	-	-	-
Principal PNB MF	-	-	22,007,191	230,027,689	21,087,025	220,304,543	920,166	9,976,215	10,021,624
<b>TOTAL</b>	<b>10,628,264</b>	<b>150,000,000</b>	<b>119,549,407</b>	<b>1,920,247,406</b>	<b>129,218,116</b>	<b>2,032,998,628</b>	<b>959,555</b>	<b>49,674,495</b>	<b>50,278,331</b>
<b>GRAND TOTAL</b>	<b>10,629,045</b>	<b>150,010,186</b>	<b>119,549,407</b>	<b>1,920,247,406</b>	<b>129,218,897</b>	<b>2,033,009,146</b>	<b>959,555</b>	<b>49,674,495</b>	<b>50,278,331</b>
Previous year figures	32,854,171	560,000,000	46,937,199	948,384,152	69,162,324	1,371,582,914	10,629,045	150,010,186	151,516,156

Profit of Rs. 12,426,051/- (Previous year Rs 13,208,948/-) from sale of the above units is included in Other Income in Schedule 14.

## 20. RELATED PARTY TRANSACTIONS AS PER ACCOUNTING STANDARD 18

### A Related party relationship where control exists:

#### Subsidiaries

1. NIIT Online Learning Limited
2. Hole-in-the-Wall Education Limited (formerly Minimally Invasive Education Company Limited)
3. Scantech Evaluation Services Limited
4. NIIT Multimedia Limited
5. NIIT USA Inc., USA
6. NIIT Limited, UK
7. NIIT Antilles NV, Netherlands Antilles
8. PT NIIT Indonesia, Indonesia (Under Liquidation)
9. NIIT Middle East WLL, Bahrain
10. NIIT Malaysia Sdn Bhd, Malaysia
11. NIIT GC Limited (formerly NIIT TVE Limited, Mauritius)
12. NIIT China (Shanghai) Limited, Shanghai
13. PCEC NIIT Institute of Information Technology, Shanghai

### B. Other related parties with whom the Company has transacted:

#### a) Associates (parties in which the Company has substantial interest)

1. NIIT Technologies Limited
2. NIIT Technologies Limited, UK (formerly NIIT Europe Limited, UK)
3. NIIT Technologies Pte Limited, Singapore (formerly NIIT Asia Pacific Pte Limited, Singapore)
4. NIIT GIS Limited
5. NIIT SmartServe Limited
6. Mindshaper Technologies Private Limited

## SCHEDULE '19' : Notes to Accounts for the year ended 31st March, 2006 (Contd.)

- b) Key Managerial Personnel
  - 1) Rajendra S Pawar
  - 2) Vijay K Thadani
  - 3) P Rajendran
- c) Relatives of Key Managerial Personnel
  - 1) Renuka V Thadani
  - 2) Veena Oberoi
  - 3) Sudha Rajendran
- d) Parties in which the Key Managerial Personnel of the company were interested
  - 1. Institute of Quality Limited
  - 2. NIIT Education Society
  - 3. NIIT Institute of Information Technology
  - 4. NIIT Network Services Limited
  - 5. Pace Industries Limited

### C. Details of transactions with related parties described above carried out on an arms' length basis:

Nature of Transactions	Subsidiaries (Rs.)	Associates (Rs.)	Key Managerial Personnel (Rs.)	Relatives of Key Managerial Personnel (Rs.)	Parties in which Key Managerial Personnel of the Company are interested (Rs.)	Total (Rs.)
Purchase of Goods (Note 2)	1,215,515 (40,391,135)	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (98,880)	1,215,515 (40,490,015)
Sale of Goods (Note 3)	1,371,262 (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)	12,318,107 (NIL)	13,689,369 (NIL)
Purchase of Fixed Assets (Note 4)	2,441,302 (3,739,388)	NIL (15,641,943)	NIL (NIL)	NIL (NIL)	NIL (NIL)	2,441,302 (19,381,331)
Sale of Fixed Assets (Note 5)	NIL (NIL)	NIL (2,758,784)	NIL (NIL)	NIL (NIL)	3,669,038 (NIL)	3,669,038 (2,758,784)
Rendering of Services (Note 6)	638,617,818 (502,549,494)	12,285,853 (30,760,572)	NIL (NIL)	NIL (NIL)	NIL (2,371,208)	650,903,671 (535,681,274)
Receiving of Services (Note 7)	NIL (1,414,566)	NIL (NIL)	NIL (NIL)	NIL (NIL)	1,077,955 (5,513,652)	1,077,955 (6,928,218)
Recovery of common expenses from (Note 8)	3,989,924 (NIL)	6,554,755 (19,219,900)	NIL (NIL)	NIL (NIL)	642,391 (NIL)	11,187,070 (19,219,900)
Recovery of common expenses by (Note 9)	NIL (NIL)	37,603,332 (52,545,234)	NIL (NIL)	NIL (NIL)	NIL (NIL)	37,603,332 (52,545,234)
Recovery of expenses from (Note 10)	7,719,869 (10,245,150)	353,730 (2,519,116)	NIL (NIL)	NIL (NIL)	8,943,591 (1,899,196)	17,017,190 (14,663,462)
Transfer of expenses from (Note 11)	225,625 (484,571)	2,359,795 (NIL)	NIL (NIL)	NIL (NIL)	27,008 (NIL)	2,612,428 (484,571)
Management Contracts (Note 12)	12,460,657 (15,341,931)	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)	12,460,657 (15,341,931)

## SCHEDULE '19' : Notes to Accounts for the year ended 31st March, 2006 (Contd.)

Finance:						
Investments made (Note 13)	204,842,916 (452,446,500)	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)	204,842,916 (452,446,500)
-Investment Buy Back (Note 14)	325,000,000 (92,154,631)	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)	325,000,000 (92,154,631)
-Reduction in Share Capital (Note 14)	104,050,825 (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)	104,050,825 (NIL)
-Loans Given (Note 15)	49,000,000 (45,845,000)	NIL (NIL)	NIL (NIL)	NIL (NIL)	73,500,000 (NIL)	122,500,000 (45,845,000)
-Loans Given Received Back (Note 16)	204,500,000 (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)	204,500,000 (NIL)
-Loans Taken (Note 17)	147,000,000 (88,000,000)	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)	147,000,000 (88,000,000)
-Repayment of Loan Taken (Note 18)	130,000,000 (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)	130,000,000 (NIL)
-Interest Income (Note 19)	2,385,026 (13,462,824)	NIL (NIL)	NIL (NIL)	NIL (NIL)	2,014,795 (NIL)	4,399,821 (13,462,824)
- Interest expenditure (Note 20)	9,380,212 (3,338,925)	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)	9,380,212 (3,338,925)
- Business Purchase of NOLL (Note 21)	NIL (64,846,553)	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (64,846,553)
Remuneration (Note 22)	NIL (NIL)	NIL (NIL)	25,904,357 (18,617,923)	NIL (NIL)	NIL (NIL)	25,904,357 (18,617,923)
Other Expenses (Note 23)	153,569 (299,988)	287,500 (55,000)	NIL (NIL)	836,500 (756,000)	640,500 (1,224,382)	1,918,069 (2,335,370)

### Notes:

1. Previous years figures are given in parenthesis.
2. Includes Purchase of Goods from:
  - NIIT USA Inc. Rs. 12.15 Lacs (Previous year NIL)
  - NIIT Online Learning Limited NIL (Previous year Rs. 403.91 Lacs)
3. Includes Sale of Goods to:
  - NIIT Institute of Information Technology Rs. 123.18 Lacs (Previous year NIL)
  - NIIT Antilles NV, Netherlands Antilles Rs. 13.71 Lacs (Previous year NIL)
4. Includes purchase of Fixed Assets from:
  - NIIT Technologies Limited NIL (Previous year Rs. 156.42 Lacs)
  - NIIT USA Inc. Rs. 24.41 Lacs (Previous year Rs. 37.39 Lacs)
5. Includes Sale of Fixed Assets to:
  - NIIT Technologies Limited NIL (Previous year Rs. 27.59 Lacs)
  - NIIT Institute of Information Technology Rs. 36.69 Lacs (Previous year NIL)
6. Includes Rendering of Services to:
  - NIIT USA Inc. Rs. 5,966.96 Lacs (Previous year Rs. 4,757.19 Lacs)



**SCHEDULE '19' : Notes to Accounts for the year ended 31st March, 2006 (Contd.)**

- NIIT Antilles NV, Netherlands Antilles Rs. 243.70 Lacs (Previous year Rs.137.94 Lacs)
- 7. Includes Receiving of Services from:
  - NIIT Online Learning Limited NIL (Previous year Rs. 14.15 Lacs)
  - Institute of Quality Limited Rs 4.13 Lacs (Previous year Rs. 55.14 Lacs)
  - NIIT Network Services Limited Rs. 6.65 Lacs (Previous year NIL)
- 8. Includes Recovery of Common Expenses from:
  - NIIT Technologies Limited Rs. 60.82 Lacs (Previous year Rs. 192.20 Lacs)
  - Hole-in-the-Wall Education Limited Rs. 39.31 Lacs (Previous year Rs. 79.50 Lacs)
  - NIIT GIS Limited Rs. 4.72 Lacs (Previous year Rs. 14.95 Lacs)
  - NIS Sparta Limited NIL (Previous year Rs. 18.99 Lacs)
  - NIIT Online Learning Limited Rs. 0.59 Lacs (Previous year Rs. 22.95 Lacs)
- 9. Includes Recovery of Common Expenses by:
  - NIIT Technologies Limited Rs. 376.03 Lacs (Previous year Rs. 525.45 Lacs)
- 10. Includes Recovery of Expenses from:
  - NIIT USA Inc Rs. 59.98 Lacs (Previous year NIL)
  - NIIT Institute of Information Technology Rs. 88.94 Lacs (Previous year NIL)
- 11. Includes transfer of expenses from:
  - NIIT Technologies Limited Rs. 3.23 Lacs (Previous year NIL)
  - NIIT Smart Serve Limited Rs. 20 Lacs (Previous year NIL)
  - NIIT Online Learning Limited NIL (Previous year Rs 2.07 Lacs)
- 12. Includes Management Contracts from:
  - NIIT USA Inc. Rs. 86.88 Lacs (Previous year Rs. 118.75 Lacs)
  - NIIT Antilles NV, Netherlands Antilles Rs. 28.59 Lacs (Previous year Rs. 18.31 Lacs)
- 13. Represents Investments made in:
  - NIIT Antilles NV, Netherlands Antilles Rs.1,525.65 Lacs (Previous year Rs. 4,524.46 Lacs)
  - NIIT USA Inc. Rs. 435.90 Lacs (Previous year NIL)
- 14. Investment buy back, reduction in share capital/ disinvestments relates to:
  - NIIT Mauritius Limited NIL (Previous year Rs. 921.55 Lacs)
  - NIIT Online Learning Limited Rs. 3,250 Lacs (Previous year NIL)
  - NIIT Online learning Limited, Equity Shares Rs. 1,040.51 Lacs (Previous year NIL)
- 15. Loan given relates to:
  - NIIT USA Inc. NIL (Previous year Rs. 458.45 Lacs)
  - NIIT Education Society Rs. 735 Lacs (Previous year NIL)
  - NIIT Multimedia Limited Rs. 490 Lacs (Previous year NIL)
- 16. Loans Given Received Back relates to:
  - NIIT USA Inc. Rs. 458.45 Lacs (Previous year NIL)
  - NIIT Antilles NV, Netherlands Antilles Rs. 1,586.55 Lacs (Previous year NIL)
- 17. Loans taken from:
  - NIIT Online Learning Limited Rs. 900 Lacs (Previous year Rs. 400 Lacs)
  - Scantech Evaluation Services Limited Rs. 570 Lacs (Previous year Rs. 480 Lacs)
- 18. Repayment of loan taken:
  - NIIT Online Learning Limited Rs. 1,300 Lacs (Previous year NIL)
- 19. Includes transactions for the year mainly with:
  - NIIT USA Inc. Rs. 3.57 Lacs (Previous year Rs 23.52 Lacs)
  - NIIT Antilles NV, Netherlands Antilles Rs. 10.72 Lacs (Previous year Rs. 111.11 Lacs)

## SCHEDULE '19' : Notes to Accounts for the year ended 31st March, 2006 (Contd.)

- NIIT Multimedia Limited Rs. 9.56 Lacs (Previous year NIL)
  - NIIT Education Society Rs. 20.14 Lacs (Previous year NIL)
20. Includes transactions for the year mainly with:
- NIIT Online Learning Limited Rs. 40.14 Lacs (Previous year Rs. 18.12 Lacs)
  - Scantech Evaluation Services Limited Rs. 53.66 Lacs (Previous year Rs. 15.27 Lacs)
21. Includes transactions for the year mainly with:
- Business purchase of NIIT Online Learning Limited NIL (Previous year Rs 648.47 Lacs)
22. Includes transactions for the year mainly with:
- Rajendra S Pawar Rs. 55.74 Lacs (Previous year Rs. 49.55 Lacs)
  - Vijay K Thadani Rs. 81.78 Lacs (Previous year Rs. 77.97 Lacs)
  - P Rajendran Rs. 121.52 Lacs (Previous year Rs. 50.42 Lacs)
23. Includes transactions for the year mainly with:
- NIS Sparta Limited NIL (Previous year Rs 10.89 Lacs)
  - Renuka Thadani Rs. 3.81 Lacs (Previous year Rs. 3 Lacs)
  - Veena Oberoi Rs 2.76 Lacs (Previous year Rs. 2.76 Lacs)
  - Mindshaper Technologies Private Limited Rs. 2.88 Lacs (Previous year Rs. 0.55 Lacs)
  - NIIT Institute of Information Technology Rs 4.61 Lacs (Previous year NIL )
  - NIIT USA Inc. Rs. 1.54 Lacs (Previous year Rs. 2.55 Lacs)

### D. Outstanding balances (in respect of related parties in A & B above):

Particulars	Recoverable	Payables	Recoverable	Payables
	As on 31.03.2006 (Rs.)	As on 31.03.2006 (Rs.)	As on 31.03.2005 (Rs.)	As on 31.03.2005 (Rs.)
Subsidiaries	390,030,791	109,933,285	488,893,679	90,330,788
Associates	2,904,695	2,182,825	11,955,674	93,370
Key Managerial Personnel	92,334	6,013,563	1,641,685	NIL
Relatives of				
Key Managerial Personnel	NIL	NIL	NIL	NIL
Parties in which Key Managerial Personnel of the Company are interested	88,137,041	1,869,123	NIL	211,443

21. During the year, the Company has granted further loan of Rs. 428.40 Lacs, at 6% per annum to NIITian Welfare Trust which has been formed for the purpose of providing welfare benefits to the employees of the Company and that of NIIT Technologies Limited and their subsidiaries. The Company has also provided the corporate guarantee to the extent of Rs. 750 Lacs against the total outside borrowings made by trust of Rs. 3,000 Lacs. Similar loan and guarantee has also been provided by the NIIT Technologies Limited to the trust. Total loan recoverable as on March 31, 2006 is Rs.1,000 Lacs. The trust has primarily invested the amount borrowed in equity shares of the Company and that of NIIT Technologies Limited. The Trust has accumulated book loss of Rs. 4.70 Lacs (Previous year Rs. 30.60 Lacs) as at March 31, 2006 on account of interest and other expenses and it expects to realize more than the carrying value of the investments and accordingly the Company believes that there is no need to make any provisions in respect of loan or guarantee given.
22. During the year, the Company has granted loan of Rs. 735 Lacs, at 8% per annum to NIIT Education Society, a society registered under Society's Registration Act, 1860, which is formed for the purpose of setting up of University and sponsoring other societies for setting up of Universities. The Society is at present entirely financed by the loan given by the Company, which has been primarily utilised by way of loan to another society, namely, NIIT Institute of Information Technology, for the purpose of setting up of University. The loan along with accrued interest for the first three years shall be repayable in 20 equal quarterly installments, on

## SCHEDULE '19' : Notes to Accounts for the year ended 31st March, 2006 (Contd.)

the interest due dates from the beginning of the 6th year from the date of 1st drawdown. Accrued interest for the 4th and 5th year shall be payable on last day of each quarter. The transactions with Society are at arm's length.

23. During the year, the Company has issued USD 10,000,000 foreign currency convertible bonds ("Bonds") due for redemption in the year 2010, which are convertible into fully paid up equity shares, with full voting rights, at a par value of Rs. 10 each at an initial conversion price of Rs. 200 per share with a fixed exchange rate on conversion of Rs. 43.76 = USD 1.0 at any time after April 04, 2005. These Bonds have not been restated at closing exchange rate as at year end, since the management considers these are most likely to be converted into equity shares and accordingly no appropriation of profits for creation of redemption reserve on these bonds has also been made.
24. The Company has w.e.f. April 01, 2005 considered its education content software relating to courseware and products as "Knowledge Banks" which hitherto were capitalised as individual software items. The literary work created under such "Knowledge Banks" has been registered with the Registrar of Copyrights. These "Knowledge Banks" having a gross block of Rs. 3,816 Lacs and net block of Rs. 1,758 Lacs (included under the intangible fixed assets in Schedule 5), are being amortised over a period of 3-4 years beginning from April 01, 2005. This has resulted in decrease in amortisation expense for the current year by Rs. 81 Lacs with a corresponding increase in profit before tax and net block of fixed assets of the Company.
25. **SEGMENT INFORMATION**

### Primary Segment Information - Business Segment

With effect from April 1, 2005, the sub businesses are fully aligned to global learning business of the Company and the same are being viewed by the management as a single primary segment, i.e. learning business segment. Accordingly, Previous year figures which hitherto were being reported as separate business segments are not being disclosed.

### Secondary Segment Information - Geographical

The secondary segment information in relation to the geographies is as follows:

(Rs. Lacs)

Particulars	Revenue from customers by location of customers	Carrying amount of segment assets by location of the assets	Additions to fixed assets
India	27,162 (22,885)	51,882 (40,516)	2,534 (2,638)
America	5,967 (4,941)	- (-)	- (-)
Europe	423 (248)	- (-)	- (-)
Asia Pacific	225 (200)	- (-)	- (-)
<b>Total</b>	<b>33,777 (28,274)</b>	<b>51,882 (40,516)</b>	<b>2,534 (2,638)</b>

Previous year figures are given in parenthesis.

### 26. TAXATION

- (a) Current tax expense comprise of Rs. 20,040,000/- (Previous year Rs. 8,500,000/-), being charge for Minimum Alternate Tax under Section 115JB of the Income Tax Act, 1961

**SCHEDULE '19' : Notes to Accounts for the year ended 31st March, 2006 (Contd.)**

(b) Break up of deferred tax assets/ liabilities and reconciliation of current year deferred tax credit is as follows :

(Rs. Lacs)

Deferred Tax Assets/ Liabilities	Opening As on 01.04.2005	Charged/ (Credited) to Profit & Loss Account	Closing As on 31.03.2006
<b>Deferred Tax Liabilities</b>			
a) Tax impact of difference between carrying amount of fixed assets in the financial statements and as per the income tax calculation.	466	(117)	349
b) Tax impact of finance lease	7	4	11
<b>Total (A)</b>	<b>473</b>	<b>(113)</b>	<b>360</b>
<b>Deferred Tax Assets</b>			
a) Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax:			
Provision for doubtful debts and Advances	303	(59)	362
Provision for Inventory	-	(10)	10
Provision for Leave Encashment, Bonus, Gratuity and other timing differences	75	34	41
Employee stock option expenses	-	(52)	52
b) Carry forward unabsorbed depreciation.	95	-	95
<b>Total (B)</b>	<b>473</b>	<b>(87)</b>	<b>560</b>
<b>Net Deferred Tax Assets (A - B)</b>	<b>-</b>	<b>(200)</b>	<b>(200)</b>

i. Deferred tax assets and liabilities are being offset as they relate to taxes on income levied by the same governing taxation laws.

ii. Deferred tax assets arising from carry forward unabsorbed depreciation is considered certain of recovery.

**27. MOVEMENT OF PROVISION FOR DOUBTFUL DEBTS**

Particulars	Year ended March 31, 2006 (Rs. Lacs)	Year ended March 31, 2005 (Rs. Lacs)
Opening Provision	2,432.18	3,217.31
Add: Additional Provisions created	567.78	237.65
Add: Balance transferred from an associate company	59.59	-
Less: Provision written back *	(741.40)	(259.66)
Less: Provision written off	(153.87)	(763.12)
Closing Provision	2,164.28	2,432.18

\* Out of provision created from reserves in Previous years as per the Scheme of Arrangement (Refer Note 4 above)

## SCHEDULE '19' : Notes to Accounts for the year ended 31st March, 2006 (Contd.)

### 28. EARNINGS PER SHARE

Particulars		Year ended March 31, 2006 (Rs.)	Year ended March 31, 2005 (Rs.)
Profit attributable to equity shareholders (A)		269,880,280	159,618,622
Weighted average number of equity shares outstanding during the year (B)		19,324,639	19,324,639
Add: Effect of potential dilutive shares (being employee stock options-Refer note 16 above)		119,995	-
Weighted average shares outstanding considered for determining dilutive earning per share (C)		19,444,634	-
Nominal Value of Equity Shares		10/-	10/-
Basic Earnings per Share (Rs.) (A/B)		13.97	8.26
Dilutive Earnings per Share (Rs.) (A/C)		13.88	8.26
<b>EARNINGS PER SHARE [had fair value method been employed for accounting of employee stock options ( Refer Note 16 above)]</b>			
Profit attributable to equity shareholders (Rs.) (D)		255,881,122	-
Basic Earnings per share (Rs.) (D/B)		13.24	-
Diluted Earnings per share (Rs.) (D/C)		13.16	-

**Note:**

During the year the Company has issued Foreign Currency Convertible Bonds (FCCB) of USD 10,000,000/- convertible into equity shares of the Company at any time (Refer Note 23 above). These bonds have been considered anti-dilutive in accordance with Accounting Standard 20, issued by the Institute of Chartered Accountants of India.

### 29. LEASES

#### a) Operating Leases

All operating leases entered into by the Company after March 31, 2001 are cancelable on giving a notice of 1 to 3 months.

Aggregate payments during the year under operating leases are as shown hereunder;

Particulars	Year ended March 31, 2006 (Rs.)	Year ended March 31, 2005 (Rs.)
In respect of Premises*	121,698,428	109,319,601
In respect of Equipments**	121,254,318	162,560,801

\* Includes payment in respect of premises for office and employee accommodation.

\*\* Includes payment in respect of computers, printer and other equipments.

#### b) Finance Leases

i. Asset acquired under finance lease comprise of plant & machinery and furniture & fixtures. There are no exceptional/ restrictive covenants in the lease agreements.

ii. The minimum lease payment outstanding and their present value at the Balance Sheet date in respect of plant and machinery and furniture and fixtures that have been capitalised are as follows:

## SCHEDULE '19' : Notes to Accounts for the year ended 31st March, 2006 (Contd.)

Particulars	Minimum lease payments (Rs.)	Present value of lease payments (Rs.)
Not later than 1 year	2,709,024 (3,702,624)	2,321,350 (3,407,064)
Later than 1 year but not later than 5 years	1,164,000 (4,553,424)	947,550 (3,842,458)

Particulars	Amount (Rs.)
Minimum Lease Payments as above	3,873,024 (8,256,048)
Less : Finance Charge	604,124 (1,006,526)
Present value of Lease Payments	3,268,900 (7,249,522)

- iii. Future lease liability in respect of equipment on finance lease arrangements entered prior to March 31, 2001, which have not been capitalised are as follows:-

Particulars	Year ended March 31, 2006 (Rs.)	Year ended March 31, 2005 (Rs.)
Amount payable within the next 1 year	Nil	111,094,553
Amount payable in the next 2 to 5 years	Nil	Nil

30. Small Scale Industrial Undertakings to whom the Company owes sum (including interest, if any) and which are outstanding for more than 30 days (as per the information available with the management) are as under:

Netlink Technologies, Goodwill Xerox, Chennai Micro Print Pvt. Ltd, Mass Power Controls, Blossoms, Nattar Kuzhali Travels, Venus Advertisers.

31. Previous year figures have been regrouped/ recast to conform to Current year classifications.

Signatures to the Schedule `1' to `19' above

**Rajendra S Pawar**  
Chairman and Managing Director

**Vijay K Thadani**  
CEO & Whole-time Director

**Ashok Arora**  
Group Chief Financial Officer

**Jitender Mahajan**  
Chief Financial Officer

**Parveen Jain**  
Company Secretary  
& Legal Counsel

Place : New Delhi  
Date : June 29, 2006



## Financial Summary of Subsidiary Companies for the year ended 31st March, 2006

(Pursuant to exemption received under Section 212 (8) of the Companies Act, 1956)

(Amount in Rs.)

Name of the Subsidiary Company	NIIT Online Learning Ltd.	Hole-in-the-Wall Education Ltd.	Scantech Evaluation Services Ltd.	NIIT Multimedia Ltd.	NIIT USA Inc., USA	PT NIIT Indonesia, Indonesia	NIIT Antilles NV, Netherlands Antilles	NIIT Middle East WLL, Bahrain	NIIT Malaysia Sdn Bhd, Malaysia	NIIT GC Ltd., Mauritius	NIIT China (Shanghai) Ltd., Shanghai	PCEC NIIT Institute of Information Technology, Shanghai	NIIT Limited, U.K.
Financial Year ended as at	31st March 2006	31st March 2006	31st March 2006	31st March 2006	31st March 2006	31st March 2006	31st March 2006	31st March 2006	31st March 2006	31st March 2006	31st March 2006	31st March 2006	31st March 2006
Share Capital	4,387,998	86,000,070	99,100,000	500,000	852,931,778	5,887,211	1,534,402,240	5,802,000	63,502,076	86,950,000	9,142,132	29,559,627	7,765,130
Reserves (Refer Note 1)	2,407,543	(83,499,893)	104,655,961	(984,403)	(545,633,661)	(7,951,946)	(892,153,601)	(2,415,191)	(12,360,374)	(60,916,594)	5,436,680	(20,304,863)	(487,329)
Total Assets (Refer Note 2)	7,133,575	8,147,138	203,871,511	48,537,535	766,383,295	269,267	723,877,849	37,042,062	64,399,473	54,020,855	75,516,940	17,365,468	14,286,798
Total Liabilities	338,034	5,646,961	115,550	49,021,938	459,085,178	2,334,002	81,629,210	33,655,253	13,257,771	27,987,449	60,938,128	8,110,704	7,008,997
Details of Investment (Except in case of Investment in Subsidiary)	500,000 (Refer Note 3)	806,861 (Refer Note 3)	97,498,200 (Refer Note 4)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Turnover (Refer Note 5)	Nil	3,075,244	Nil	Nil	1,361,499,549	Nil	200,866,447	30,699,741	42,480,621	11,687,148	116,371,184	25,911,009	6,866,770
Profit/ (Loss) Before Tax	4,772,276	(20,567,176)	58,322,571	(984,403)	13,749,464	(656,304)	(138,853,662)	5,688,135	(16,537,910)	(1,554,353)	14,478,592	(912,238)	(483,565)
Provision for Tax/ Deferred tax charge/ (credit)	Nil	(183,609)	(1,807,323)	Nil	(1,201,846)	30,667	Nil	Nil	Nil	Nil	2,117,351	Nil	Nil
Profit After Tax	4,772,276	(20,750,785)	56,515,248	(984,403)	12,547,618	(686,971)	(138,853,662)	5,688,135	(16,537,910)	(1,554,353)	12,361,241	(912,238)	(483,565)
Proposed Dividend	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Currency	INR	INR	INR	INR	USD	IDR	USD	BHD	MYR	USD	CNY	CNY	GBP

Notes: 1. Reserves include Currency Translation Reserve.

2. Total Assets includes miscellaneous expenditure to the extent not written off.

3. Amount represents investment in Mutual Funds.

4. Amount represents investment in NIIT Technologies Limited.

5. Turnover does not include Other Income.

6. Amounts in foreign currency in the Financial Statements of the subsidiaries mentioned above have been converted in Indian Rupee equivalent as per the generally accepted accounting principles in India.

Indian rupee equivalents of the foreign currencies mentioned in the above table as on March 31, 2006 is as follows:

1 USD = 44.6176 INR

1 IDR = 0.4910 INR

1 BHD = 118.5790 INR

1 MYR = 12.1045 INR

1 CNY = 5.5666 INR

1 GBP = 77.6248 INR

**Rajendra S Pawar**  
Chairman and Managing Director

**Vijay K Thadani**  
CEO & Whole-time Director

**Ashok Arora**  
Group Chief Financial Officer

**Jitender Mahajan**  
Chief Financial Officer

**Parveen Jain**  
Company Secretary  
& Legal Counsel

Place : New Delhi  
Date : June 29, 2006



## REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS OF NIIT LIMITED

1. We have audited the attached consolidated Balance Sheet of NIIT Limited and its subsidiaries and associates (the "Group"), as at 31st March, 2006 and the consolidated Profit and Loss Account and consolidated Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the NIIT Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated 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 prepared, in all material respects, in accordance with an identified financial reporting framework and 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 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. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs.10,170 lacs and total liabilities of Rs.3,389 lacs as at 31st March, 2006 and total revenue of Rs.4,410 lacs, total expenses of Rs.6,289 lacs and total cash flows of Rs.616 Lacs (Net) upto and for the year ended on that date considered in the consolidated financial statements. These financial statements and other information have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiaries, is based solely on the reports of other auditors. We also did not audit the financial statements of two associates whose share of net loss aggregating to Rs.14 lacs has been considered in these financial statements. The share of net loss has been considered based on unaudited financial statements certified by the directors of the associates.
4. We report that the consolidated financial statements have been prepared by NIIT Limited's management in accordance with the requirements of Accounting Standard (AS) 21, "Consolidated Financial Statements" and Accounting Standard (AS) 23, "Accounting for Investments in Associates in Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India.

## AUDITORS' REPORT - Consolidated Financial Statement of NIIT Limited and its subsidiaries (Contd.)

5. Based on our audit and on consideration of the reports/certificates of the other auditors/Directors on separate financial statements (refer Paragraph 3 above) and on other information of the components, in our opinion and to the best of our information and explanations given to us, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) in case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at 31st March, 2006;
  - (ii) in case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Group for the year ended on that date; and
  - (iii) in the case of the Consolidated Cash Flow Statement, of the consolidated Cash Flows of the Group for the year ended on that date.

Place: New Delhi  
Date: June 29, 2006

H. Singh  
*Partner*  
Membership No. F-86994  
For and on behalf of  
**Price Waterhouse**  
*Chartered Accountants*

## CONSOLIDATED BALANCE SHEET as at 31st March, 2006

	Schedule No./ (Note Reference)	As At 31st March, 2006 (Rs.)	As At 31st March, 2005 (Rs.)
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	'1'	193,252,390	193,252,390
Employees Stock Option Outstanding	'1A'	19,661,111	-
Reserves and Surplus	'2'	2,405,290,745	2,123,961,306
Currency Translation Reserve	'2A'	50,371,406	32,244,953
		<u>2,668,575,652</u>	<u>2,349,458,649</u>
<b>MINORITY INTEREST</b>	'3'	679,554	-
<b>CUMULATIVE PREFERENCE SHARES OF A SUBSIDIARY HELD OUTSIDE THE GROUP</b>			
	'3A'	56,000,000	56,000,000
<b>LOAN FUNDS</b>			
Secured Loans	'4'	649,173,451	404,705,473
Unsecured Loans	'5'	441,168,900	7,249,522
		<u>3,815,597,557</u>	<u>2,817,413,644</u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	'6'	2,735,426,461	2,557,147,695
Less: Depreciation		1,604,709,554	1,333,993,252
Net Block		<u>1,130,716,907</u>	<u>1,223,154,443</u>
Capital work-in-progress (including Capital Advances)		255,965,608	14,766,027
<b>INVESTMENTS</b>	'7'	399,620,647	424,432,218
<b>NET DEFERRED TAX ASSETS</b>	'21(23)'	20,000,000	-
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	'8'	88,235,330	80,846,968
Sundry Debtors	'9'	1,895,181,151	1,258,479,590
Cash and Bank Balances	'10'	650,152,546	357,935,341
Other Current Assets	'11'	7,951,636	657,008
Loans & Advances	'12'	656,462,596	451,783,697
		<u>3,297,983,259</u>	<u>2,149,702,604</u>
<b>Less : CURRENT LIABILITIES AND PROVISIONS</b>			
Current Liabilities	'13'	1,132,183,880	826,603,040
Provisions	'14'	156,854,014	168,514,384
		<u>1,289,037,894</u>	<u>995,117,424</u>
<b>Net Current Assets</b>		2,008,945,365	1,154,585,180
<b>MISCELLANEOUS EXPENDITURE</b> (To the extent not written off or adjusted)	'15'	349,030	475,776
		<u>3,815,597,557</u>	<u>2,817,413,644</u>

### NOTES TO ACCOUNTS '21'

The Schedules referred to above form an integral part of the Consolidated Balance Sheet. This is the Consolidated Balance Sheet referred to in our report of even date.

H. Singh  
Partner  
Membership No. F-86994  
For and on behalf of  
Price Waterhouse  
Chartered Accountants

Rajendra S Pawar  
Chairman and Managing Director

Vijay K Thadani  
CEO & Whole-time Director

Ashok Arora  
Group Chief Financial Officer

Jitender Mahajan  
Chief Financial Officer

Parveen Jain  
Company Secretary  
& Legal Counsel

Place : New Delhi  
Date : June 29, 2006

## CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31st March, 2006

	Schedule No./ (Note Reference)	Year ended 31st March, 2006 (Rs.)	Year ended 31st March, 2005 (Rs.)
<b>INCOME</b>			
Revenue from Operations	'21[(vii), 11 and 22]'	4,507,140,998	3,983,688,326
Other Income	'16'	65,353,481	87,647,614
		<u>4,572,494,479</u>	<u>4,071,335,940</u>
<b>EXPENDITURE</b>			
Personnel	'17'	1,300,510,460	1,091,077,489
Development, Production and Execution	'18'	1,511,127,613	1,393,669,443
Administration, Finance and Others	'19'	870,123,176	769,589,940
Marketing	'20'	251,659,014	254,850,003
Depreciation and Amortisation	'6'	373,524,500	345,113,129
		<u>4,306,944,763</u>	<u>3,854,300,004</u>
<b>Profit before tax and share of Associates' profits</b>		<u>265,549,716</u>	<u>217,035,936</u>
<b>Tax Expense</b>	'21(23)'		
- Current		25,236,785	9,974,914
- Deferred charge / (benefit)		(20,000,000)	-
- Fringe Benefits Tax		19,038,243	-
Provision for tax related to earlier years		5,036,988	-
<b>Profit after Tax before share of Associates' profit</b>		<u>236,237,700</u>	<u>207,061,022</u>
Share of Associate's net profit		164,331,099	149,306,444
<b>Profit after Tax after share of Associates' profit</b>		<u>400,568,799</u>	<u>356,367,466</u>
Less: Provision for dividend on 13.75% & 13.25% Cumulative Preference Shares of Subsidiary and tax thereon.	'21(7)'	-	(8,144,540)
Add: Dividend provided in earlier years on 13.75% & 13.25% Cumulative Preference Shares of Subsidiary and tax thereon written back.	'21(7)'	13,649,712	-
Less : Net (Profit) / Loss attributable to Minority		(679,554)	-
<b>Profit attributable to Equity shareholders</b>		<u>413,538,957</u>	<u>348,222,926</u>
Balance brought forward from Previous year		1,476,446,301	1,265,624,891
<b>Balance available for appropriation</b>		<u>1,889,985,258</u>	<u>1,613,847,817</u>
<b>APPROPRIATION</b>			
Proposed Dividend on Equity Shares		115,947,834	106,285,514
Corporate Dividend Tax for Current year		16,261,684	15,154,139
[Includes Nil relating to Previous year (Previous year Rs. 247,596/-)]			
Transferred to General Reserve		26,988,028	15,961,863
		<u>159,197,546</u>	<u>137,401,516</u>
<b>Balance Carried to Balance Sheet</b>		<u>1,730,787,712</u>	<u>1,476,446,301</u>
		<u>1,889,985,258</u>	<u>1,613,847,817</u>
<b>Earnings per Share</b>	'21(25)'		
- Basic		21.40	18.02
- Diluted		21.05	18.02

### NOTES TO ACCOUNTS

'21'

The Schedules referred to above form an integral part of the Consolidated Profit and Loss Account. This is the Consolidated Profit and Loss Account referred to in our report of even date.

**H. Singh**

Partner

Membership No. F-86994

For and on behalf of

Price Waterhouse

Chartered Accountants

**Rajendra S Pawar**

Chairman and Managing Director

**Ashok Arora**

Group Chief Financial Officer

**Jitender Mahajan**

Chief Financial Officer

**Vijay K Thadani**

CEO & Whole-time Director

**Parveen Jain**

Company Secretary  
& Legal Counsel

Place : New Delhi

Date : June 29, 2006

## CONSOLIDATED CASH FLOW STATEMENT for the year ended 31st March, 2006

	Year ended 31st March, 2006 (Rs.)	Year ended 31st March, 2005 (Rs.)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Profit before tax and share of Associates' profit.	265,549,716	217,035,936
Add/ (Less):		
Depreciation and Amortisation	373,524,500	345,113,129
Interest Expenses	46,402,740	23,223,236
Interest Income	(19,375,613)	(8,596,743)
Loss on disposal of Fixed Assets (Net)	3,121,276	3,525,015
Miscellaneous Expenditure written off	473,776	2,565,467
Bad debts written off	56,598,932	24,986,468
Provision for Doubtful advances	2,494,396	-
Foreign Exchange Adjustments	(899,528)	(10,079,910)
Provision for Gratuity & Leave Encashment	(8,450,341)	7,774,766
Dividend Income from short term investments	-	(185,748)
Profit on sale of short term Investment	(14,350,235)	(14,953,810)
Employees Stock option Expenses	19,661,115	-
Liabilities written back	32,066,245	59,963,200
Provision for Loan to Trust	-	11,561,203
	<u>491,267,263</u>	<u>444,896,273</u>
Operating profit before working capital changes	756,816,979	661,932,209
Add/ (Less): (Increase)/ Decrease in operating working capital :		
Trade Receivables	(702,907,531)	(49,823,615)
Loans & Advances & Other Current Assets	(93,614,742)	32,574,785
Inventories	(3,288,362)	(1,821,497)
Current Liabilities & Provisions	207,359,844	(427,414,602)
	<u>(592,450,791)</u>	<u>(446,484,929)</u>
Cash generated from operations	164,366,188	215,447,280
Interest Paid-Others	(82,183)	(3,599,840)
Taxes( Paid)/ refunds received (including TDS)	(49,889,794)	9,487,481
Net cash from operating activities (A)	<u>114,394,211</u>	<u>221,334,921</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Loan given to NIITian Welfare Trust	(42,840,000)	(57,160,000)
Loan Given to Education Society	(73,500,000)	-
Purchase of fixed assets (including capital work in progress)	(456,628,846)	(705,943,340)
Proceeds from sale of fixed assets	7,389,139	9,866,769
Dividend from Associates	53,142,760	48,311,600
Net Decrease/ (Increase) in Short Term Investments with Mutual Funds	150,350,144	431,085,921
Interest Received	14,515,402	8,340,877
Dividend Received	-	185,748
Net cash used for investing activities (B)	<u>(347,571,401)</u>	<u>(265,312,425)</u>

## CONSOLIDATED CASH FLOW STATEMENT for the year ended 31st March, 2006 (Contd.)

	Year ended 31st March, 2006 (Rs.)	Year ended 31st March, 2005 (Rs.)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from fresh issue of Preference Share capital	-	22,000,000
Issue of Foreign Currency Convertible Bonds	437,900,000	-
Receipt of Term Loan	425,779,629	311,765,258
Repayment of Term Loan	(181,311,601)	(120,949,384)
Payment of ICD during the year	-	(43,287,946)
Interest Paid (including financing charges on finance lease arrangement)	(43,220,763)	(19,269,649)
Dividend Paid	(106,971,999)	(96,665,272)
Dividend tax paid	(14,906,543)	(12,627,444)
<b>Net cash from financing activities (C)</b>	<b><u>517,268,723</u></b>	<b><u>40,965,563</u></b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents (A)+(B)+(C)</b>	<b>284,091,533</b>	<b>(3,011,941)</b>
Adjustment on account of Exchange Rate	8,125,672	(31,115,229)
Cash and cash equivalents as at the beginning of the year (Note 1)	357,935,341	392,062,511
Cash and cash equivalents as at the end of the year (Note 1)	<u>650,152,546</u>	<u>357,935,341</u>
	<b><u>284,091,533</u></b>	<b><u>(3,011,941)</u></b>

### NOTES :

- Cash and cash equivalents as on
 

	31st March, 2006 (Rs.)	31st March, 2005 (Rs.)
Cash, Cheques & Drafts (in hand) and Remittances in transit	93,746,674	81,026,694
Balance with Banks *	556,405,872	276,908,647
*[Includes Rs. 18,294,930/- (Previous year Rs. 17,893,746/-) pledged as margin money and Rs. Nil (Previous year Rs. 4,000,000/-) under Lien.]	<u>650,152,546</u>	<u>357,935,341</u>
- The above Cash Flow Statement has been prepared as per the indirect method prescribed by Accounting Standard-3 issued by the "Institute of Chartered Accountants of India".
- The schedules from 1 - 21 form an integral part of the Cash Flow Statement.
- Previous year figures, to the extent feasible, have been regrouped/ recasted wherever necessary to conform to the current year's classification.
- This is the Cash Flow Statement referred to in our report of even date.

H. Singh  
Partner  
Membership No. F-86994  
For and on behalf of  
Price Waterhouse  
Chartered Accountants

Rajendra S Pawar  
Chairman and Managing Director

Vijay K Thadani  
CEO & Whole-time Director

Ashok Arora  
Group Chief Financial Officer

Jitender Mahajan  
Chief Financial Officer

Parveen Jain  
Company Secretary  
& Legal Counsel

Place : New Delhi  
Date : June 29, 2006

## SCHEDULES annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2006

Schedule No.		As At 31st March, 2006 (Rs.)		As At 31st March, 2005 (Rs.)
<b>1</b>	<b>SHARE CAPITAL</b>			
	<b>Authorised</b>			
	50,000,000 Equity shares of Rs. 10/- each	500,000,000		500,000,000
	2,500,000 Redeemable Preference Shares of Rs. 100/- each	250,000,000		250,000,000
		<u>750,000,000</u>		<u>750,000,000</u>
	<b>Issued</b>			
	19,325,839 Equity shares of Rs 10/- each (Previous year 19,325,839 Equity shares of Rs 10/- each)	193,258,390		193,258,390
		<u>193,258,390</u>		<u>193,258,390</u>
	<b>Subscribed</b>			
	19,324,639 Equity shares of Rs 10/- each (Previous year 19,324,639 Equity shares of Rs 10/- each)	193,246,390		193,246,390
		<u>193,246,390</u>		<u>193,246,390</u>
	<b>Paid-up</b>			
	19,324,639 Equity shares of Rs 10/- each (Previous year 19,324,639 Equity shares of Rs 10/- each)	193,246,390		193,246,390
	Add : Forfeited Share (Amount originally paid-up)	6,000		6,000
	<b>Note :</b> Issued Share Capital includes 17,461,494 equity shares of Rs.10/- each allotted as fully paid up bonus shares by way of Capitalisation of General Reserve / Share Premium account / Capital Redemption Reserve in 1998-99, 1994-95, 1992-93 and 1987-88.			
		<u>193,252,390</u>		<u>193,252,390</u>
<b>1A</b>	<b>EMPLOYEES STOCK OPTION OUTSTANDING</b> [Refer Notes 1(ix) and 16 on Schedule 21]			
	Employees Stock Option Outstanding	29,654,155		-
	Less : Deferred Employees Compensation	(9,993,044)		-
		<u>19,661,111</u>		<u>-</u>
<b>2</b>	<b>RESERVES AND SURPLUS</b>			
	<b>Capital Redemption Reserve</b>			
	As per Last Balance Sheet	54,598,467		54,598,467
	<b>Share Premium</b>			
	As per Last Balance Sheet	62,794,328		62,794,328
	<b>General Reserve (Refer Note 1 below)</b>			
	As per Last Balance Sheet	530,122,210	514,160,347	
	Add : Transferred from Profit and Loss account	26,988,028	15,961,863	530,122,210
		<u>557,110,238</u>	<u>529,122,210</u>	
	<b>Profit &amp; Loss Account</b>	1,730,787,712		1,476,446,301
	<b>Note :</b> 1 General Reserve above represents General Reserve as per the Indian Companies Act, 1956 in respect of Indian Companies. 2 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.			
		<u>2,405,290,745</u>		<u>2,123,961,306</u>

## SCHEDULES annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2006 (Contd.)

Schedule No.	As At 31st March, 2006 (Rs.)	As At 31st March, 2005 (Rs.)
<b>2A CURRENCY TRANSLATION RESERVE</b> [Refer Note 1(x) on Schedule 21]		
As per Last Balance Sheet	32,244,953	54,570,520
Less : Transferred to other income on dissolution of Subsidiaries	(1,100,735)	-
Increase/ (Decrease) during the year on translation of balances	19,227,188	(22,325,567)
	<u>50,371,406</u>	<u>32,244,953</u>
<b>3 MINORITY INTEREST</b> [Refer Note 1(i) on Schedule 21]		
As per Last Balance Sheet	-	-
Add : Minority share in the result of current year [Minority share of loss of the subsidiary companies in excess of their interest of Rs. 2,075,079/- (Previous year Rs. 2,134,854/-) has been absorbed by the Majority Shareholders (NIIT Limited) in terms of Accounting Standard 21.]	679,554	-
	<u>679,554</u>	<u>-</u>
<b>3A PREFERENCE SHARE CAPITAL</b> [Refer Note 7 on Schedule 21]		
3,400,000 13.75% Non Convertible Cumulative Redeemable Preference shares of Rs. 10/- each	34,000,000	34,000,000
2,200,000 13.25% Non Convertible Cumulative Redeemable Preference shares of Rs. 10/- each	22,000,000	22,000,000
(Preference shares are redeemable in four yearly equal installments from the date of first allotment starting from March 17, 2007. They will be redeemable at a price equal to the par value i.e. Rs.10 provided that arrears of any unpaid dividend thereon will be paid at the time of redemption)		
	<u>56,000,000</u>	<u>56,000,000</u>
<b>4 SECURED LOANS</b> [Refer Note 6 on Schedule 21]		
Loans from Banks		
- Rupee Term Loans	614,583,333	383,823,750
- Vehicle Loans	<u>34,590,118</u>	<u>20,881,723</u>
	649,173,451	404,705,473
Loans due within one year Rs. 176,603,971/- (Previous year Rs. 141,427,148/-)		
	<u>649,173,451</u>	<u>404,705,473</u>
<b>5 UNSECURED LOANS</b> [Refer Notes 1(x), 1(xi), 20 and 26(b) on Schedule 21]		
2.5 % Foreign Currency Convertible Bonds	437,900,000	-
Deferred Lease Obligations	<u>3,268,900</u>	<u>7,249,522</u>
	<u>441,168,900</u>	<u>7,249,522</u>



**SCHEDULES annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2006 (Contd.)**
**6 Fixed Assets  
[Refer Notes 1(ii), 1(iii), 1(iv), 1(x), 1(xi), 21 and 26 on Schedule 21]**

Description of Assets	GROSS BLOCK				DEPRECIATION AND AMORTISATION				NET BLOCK					
	Cost as on 01.04.2005	Additions during the Year	Sales/Adj. during the Year	Translation Adjustment	Total as on 31.03.2006	As on 01.04.2005	Charge For the Year	Sales/Adj. during the Year	Translation Adjustment	Total as on 31.03.2006	As on 31.03.2005	As on 31.03.2006		
<b>Tangible</b>														
Land - Freehold	13,428,582	26,086,500	-	-	39,515,082	-	-	-	-	-	39,515,082	13,428,582		
Building	76,576,793	-	-	-	76,576,793	14,044,385	1,248,535	-	-	15,292,920	61,283,873	62,532,408		
<b>Plant &amp; Machinery</b>														
Owned	1,076,506,463	157,401,523	95,679,785	1,646,903	1,139,875,104	819,059,926	104,171,759	93,187,146	(159,938)	829,884,601	309,990,503	257,446,537		
Leased	5,093,058	-	586,923	-	4,506,135	1,092,279	1,879,715	292,757	-	2,679,237	1,826,898	4,000,779		
Lease Hold Improvements	61,335,038	26,699,280	3,009,820	55,501	85,079,999	29,546,135	13,067,210	2,273,391	28,313	40,368,267	44,711,732	31,788,903		
<b>Furniture &amp; Fixtures</b>														
Owned	104,835,926	20,402,238	7,206,286	452,112	118,483,990	91,406,976	7,640,872	7,445,351	1,530,430	93,132,927	25,351,063	13,428,950		
Leased	4,230,716	-	613,512	-	3,617,204	826,861	1,449,752	305,930	-	1,970,683	1,646,521	3,403,855		
Vehicles	54,696,469	27,487,611	12,609,240	106,495	69,681,335	14,534,883	5,981,643	5,690,577	53,917	14,879,866	54,801,469	40,161,586		
<b>Sub Total (a)</b>	<b>1,396,703,045</b>	<b>258,077,152</b>	<b>119,705,566</b>	<b>2,261,011</b>	<b>1,537,335,642</b>	<b>970,511,445</b>	<b>135,439,486</b>	<b>109,195,152</b>	<b>1,452,722</b>	<b>998,208,501</b>	<b>539,127,141</b>	<b>426,191,600</b>		
<b>Intangible (Courseware / Products)</b>														
Software														
- Acquired	1,007,279,908	8,746,323	-	12,343,679	1,028,369,910	286,329,049	204,418,777	-	3,815,720	494,563,546	533,806,364	720,950,859		
- Internally Generated	53,700,163	14,773,177	-	-	68,473,340	23,275,375	13,464,458	-	-	36,739,833	31,733,507	30,424,788		
Patents	5,122,965	-	-	-	5,122,965	2,497,981	1,129,124	-	-	3,627,105	1,495,860	2,624,984		
Goodwill	94,341,614	-	-	1,782,990	96,124,604	51,379,402	19,072,655	-	1,118,512	71,570,569	24,554,035	42,962,212		
<b>Sub Total (b)</b>	<b>1,160,444,650</b>	<b>23,519,500</b>	<b>-</b>	<b>14,126,669</b>	<b>1,198,090,819</b>	<b>363,481,807</b>	<b>238,085,014</b>	<b>-</b>	<b>4,934,232</b>	<b>606,501,053</b>	<b>591,589,766</b>	<b>796,962,843</b>		
<b>Total (a + b)</b>	<b>2,557,147,695</b>	<b>281,596,652</b>	<b>119,705,566</b>	<b>16,387,680</b>	<b>2,735,426,461</b>	<b>1,333,993,252</b>	<b>373,524,500</b>	<b>109,195,152</b>	<b>6,386,954</b>	<b>1,604,709,554</b>	<b>1,130,716,907</b>	<b>1,223,154,443</b>		
Previous year	2,450,956,601	210,540,393	109,707,035	5,357,736	2,557,147,695	1,088,627,300	345,113,129	96,315,251	(3,431,926)	1,333,993,252	1,223,154,443			
												Capital Work in Progress (Net) (Including Capital Advances)	255,965,608	14,766,027

Notes : (i) Gross Block of Building includes 10 shares of Rs.50/-each in Lotia Palace Housing Society and 10 shares of Rs. 500 /- each in the Guru Vriya Co-operative Housing Society Ltd.  
(ii) Addition in Land represents allotment of 100 Acres of land at Tehsil Behror, District Alwar for educational purposes. This land cannot be transferred without the prior approval of allotment authority.  
(iii) Capital Work-in-progress includes the borrowing cost of Rs. 6,358,820/- (Previous year Nil).

SCHEDULES annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2006 (Contd.)

Schedule  
No.

7 INVESTMENTS

[Refer Notes 1(i), 1(v) and 15(b) on Schedule 21]

A Trade, Long Term Investments

(Amount in Rs.)

Particulars	As at 01.04.05	Dividend	Share of Profit / (Loss) in associates	As at 31.03.06
a) <b>In Associates</b>				
MindShaper Technologies Pvt. Ltd. - Net Assets Value	4,371,030	-	2,601,522	6,972,552
Aesthetic Technologies Private Limited - Net Assets Value	13,110,087	-	(3,996,134)	9,113,953
NIIT Technologies Limited (formerly NIIT Investments Limited) - Capital Reserve	(415,866,458)	-	-	(415,866,458)
- Net Assets Value	629,836,293	(53,142,760)	165,725,711	742,419,244
<b>Total Investment in Associates</b>	<b>231,450,952</b>	<b>(53,142,760)</b>	<b>164,331,099</b>	<b>342,639,291</b>
b) <b>In Others</b>				
Medvarsity Online Limited	6,000,000	-	-	6,000,000
<b>Total Investment in Others</b>	<b>6,000,000</b>	<b>-</b>	<b>-</b>	<b>6,000,000</b>

B Non - Trade short term investments

In mutual fund, debts and money  
market securities

186,981,266

50,981,356

[Fair market value as on  
31st March, 2006 Rs. 51,622,342/-  
(Previous year Rs. 189,877,406/-)]

**Total A(a)+A(b)+B**

**424,432,218**

**399,620,647**

8 INVENTORIES (Finished Goods)

[Refer Note 1(vi) on Schedule 21]

Education and Training Material\*  
Software

As At  
31st March, 2006  
(Rs.)

68,821,504

19,413,826

**88,235,330**

As At  
31st March, 2005  
(Rs.)

52,872,379

27,974,589

**80,846,968**

Note :

\* Net of provision for non-moving stocks of Rs. 3,000,000/- (Previous year Rs. 4,100,000/-)

## SCHEDULES annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2006 (Contd.)

Schedule No.	As At 31st March, 2006 (Rs.)	As At 31st March, 2005 (Rs.)
<b>9 SUNDRY DEBTORS</b> (Unsecured) [Refer Notes 13(a) and 24 on Schedule 21]		
a) Outstanding over six months :		
- Considered good	789,266,307	325,686,450
- Considered doubtful	584,605,151	679,994,640
b) Other debts :		
- Considered good	1,105,914,844	932,793,140
	2,479,786,302	1,938,474,230
Less : Provision for Doubtful Debts	(584,605,151)	(679,994,640)
	<u>1,895,181,151</u>	<u>1,258,479,590</u>
<b>10 CASH AND BANK BALANCES</b>		
Cash and Cheques in Hand	93,746,674	81,026,694
Balances with Banks in :		
- Current Accounts	290,291,364	176,529,852
- Fixed Deposit Accounts	265,557,212	99,693,746
[Fixed Deposits includes Rs. 18,294,930/- (Previous year Rs.17,893,746/-) pledged as margin money and Rs. Nil (Previous year Rs. 4,000,000/-) under Lien.]		
- Exchange Earners' Foreign Currency Account	557,296	685,049
	<u>650,152,546</u>	<u>357,935,341</u>
<b>11 OTHER CURRENT ASSETS</b> (Unsecured, considered good)		
Interest Receivable	5,517,219	657,008
Unbilled Revenue (Net)	2,434,417	-
	<u>7,951,636</u>	<u>657,008</u>
<b>12 LOANS &amp; ADVANCES</b> (Unsecured, considered good except where otherwise stated) [Refer Notes 18 and 19 on Schedule 21]		
Loan to NIITian Welfare Trust	100,000,000	57,160,000
Loan to NIIT Education Society	73,500,000	-
Loan to NOLL ESOP Trust		
- Considered Good	438,797	438,797
- Considered Doubtful	11,561,203	11,561,203
	12,000,000	12,000,000
Less : Provision for doubtful loan	11,561,203	11,561,203
	438,797	438,797
Advances recoverable in cash or in kind or for value to be received		
- Considered Good	312,191,352	280,575,622
- Considered Doubtful	12,940,987	10,446,591
	325,132,339	291,022,213
Less : Provision for Doubtful Advances	12,940,987	10,446,591
	312,191,352	280,575,622
Security Deposits		
- Considered Good	170,332,447	113,609,278
- Considered Doubtful	3,012,501	3,012,501
	173,344,948	116,621,779
Less : Provision for Doubtful Security Deposits	3,012,501	3,012,501
	<u>170,332,447</u>	<u>113,609,278</u>
	<u>656,462,596</u>	<u>451,783,697</u>

## SCHEDULES annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2006 (Contd.)

Schedule No.		As At 31st March, 2006 (Rs.)		As At 31st March, 2005 (Rs.)
<b>13</b>	<b>CURRENT LIABILITIES</b>			
	Sundry Creditors			
	- Due to Small Scale Industrial undertakings	2,742,735	-	
	- Others	<u>961,050,980</u>	<u>668,474,535</u>	668,474,535
	Advances from Customers	107,534,244		70,962,978
	Security Deposits	7,494,114		8,968,763
	Interest accrued but not due	4,455,464		1,355,670
	Unearned Revenue	-		4,697,406
	Unclaimed Dividend *	5,168,533		5,855,017
	Unclaimed Fractional Share Payment	142,778		154,951
	Other Liabilities	43,595,032		66,133,720
	*There are no amounts due for payment to the Investor Protection Fund under Section 205 C of the Companies Act, 1956 as at the year end.			
		<u>1,132,183,880</u>		<u>826,603,040</u>
<b>14</b>	<b>PROVISIONS</b> [Refer Notes 1(viii), 1(xiii) and 7 on Schedule 21]			
	Proposed Dividend on Equity Shares	115,947,834		106,285,514
	Tax on proposed dividend above [Includes Nil relating to Previous year (Previous year Rs. 247,596/-)]	16,261,684		15,154,139
	Provision for Dividend on 13.75% & 13.25% Cumulative Preference share of a Subsidiary and dividend tax thereon	-		13,402,116
	Provision for Gratuity	1,677,020		8,918,082
	Provision for Leave encashment	18,321,884		19,531,163
	Provision for Tax	289,375,489	241,395,609	
	Less : Advance Tax	<u>(284,729,897)</u>	<u>(236,172,239)</u>	<u>5,223,370</u>
		<u>156,854,014</u>		<u>168,514,384</u>
<b>15</b>	<b>MISCELLANEOUS EXPENDITURE</b> (to the extent not written off or adjusted) [Refer Note 1(xiv) on Schedule 21]			
	<b>PRELIMINARY EXPENSES</b>			
	Opening balance	475,776	1,398,743	
	Add : Incurred during the year	347,030	-	
	Less: Written off during the year	<u>(473,776)</u>	<u>(922,967)</u>	475,776
	<b>DEFERED REVENUE EXPENDITURE</b>			
	Opening Balance	-	1,642,500	
	Less: Written off during the year	-	<u>(1,642,500)</u>	-
		<u>349,030</u>		<u>475,776</u>

SCHEDULES annexed to and forming part of the Consolidated Profit and Loss Account for the year ended 31st March, 2006

Schedule No.	Year ended 31st March, 2006 (Rs.)	Year ended 31st March, 2005 (Rs.)
<b>16 OTHER INCOME</b> [Refer Notes 1(vii), 1(x) and 24 on Schedule 21]		
Dividend Income from current Investment	-	185,748
Profit on sale of short term non-trade Investments	14,350,235	14,953,810
Currency Translation Reserve realised on dissolution of subsidiary	1,100,735	-
Provision / Other Liabilities written back	12,142,666	9,374,380
Provision for doubtful debts written back	76,701,431	82,892,870
Less : Additional provision created	<u>(56,777,852)</u>	<u>(32,304,050)</u>
Recovery of expenses from NIIT Institute of Information Technology	7,599,014	-
Gain on exchange fluctuation (Net)	-	3,191,906
Miscellaneous	10,237,252	9,352,950
	<u>65,353,481</u>	<u>87,647,614</u>
<b>17 PERSONNEL</b> [Refer Notes 1(viii), 1(ix), 5 and 16 on Schedule 21]		
Salaries and Benefits	1,172,556,241	998,996,206
Contribution to retirement benefit funds	44,685,712	51,317,479
Employees Stock Option Expenses	19,661,111	-
Welfare and other expenses	63,607,396	40,763,804
	<u>1,300,510,460</u>	<u>1,091,077,489</u>
<b>18 DEVELOPMENT, PRODUCTION AND EXECUTION</b> [Refer Notes 5 and 12 on Schedule 21]		
Courseware and Manuals	329,533,395	353,462,992
Bought out Packages/Products	177,954,697	123,113,271
Course Execution Charges	473,031,271	509,855,909
Professional Charges	370,417,621	218,361,347
Equipment Hiring	115,350,204	155,378,251
Software Duplication charges	2,948,443	2,838,048
Others	41,891,982	30,659,625
	<u>1,511,127,613</u>	<u>1,393,669,443</u>

SCHEDULES annexed to and forming part of the Consolidated Profit and Loss Account for the year ended 31st March, 2006 (Contd.)

Schedule No.	Year ended 31st March, 2006 (Rs.)	Year ended 31st March, 2005 (Rs.)
<b>19 ADMINISTRATION, FINANCE AND OTHERS</b> [Refer Notes 1(xi), 1(xii), 5, 14 and 26 on Schedule 21]		
Rent	161,958,366	158,653,239
Rates and Taxes	3,906,767	4,405,510
Electricity and Water	77,271,032	62,958,050
Communication	58,290,577	54,032,587
Legal and Professional	88,243,238	93,779,592
Traveling and Conveyance	211,065,031	173,330,143
Interest paid :		
- Fixed Loans	46,320,557	19,623,396
- Others	82,183	3,599,840
	<u>46,402,740</u>	<u>23,223,236</u>
Less : Interest Received on :		
- Deposits & Loans	(19,352,348)	(8,509,094)
- Others	(23,265)	(87,649)
	<u>(19,375,613)</u>	<u>(8,596,743)</u>
	27,027,127	14,626,493
Bank, Discounting and Other Financial Charges	10,827,155	9,931,194
Bad debts and provision for doubtful debts	59,093,328	24,986,468
Lease Rentals	554,294	1,121,905
Insurance Premium	11,760,123	11,029,759
Repairs and Maintenance		
- Plant and Machinery	18,106,106	20,368,782
- Buildings	3,283,443	4,623,707
- Others	33,496,112	30,559,740
	<u>54,885,661</u>	<u>55,552,229</u>
Loss on exchange fluctuation (Net)	2,035,813	-
Provision for Loan to NOLL ESOP Trust	-	11,561,203
Loss on acquisition of Subsidiaries	-	7,051,170
Miscellaneous expenditure written off	473,776	2,565,467
Sundry Expenses	102,730,888	84,004,931
	<u>870,123,176</u>	<u>769,589,940</u>
<b>20 MARKETING</b> [Refer Note 5 on Schedule 21]		
Advertisement and Publicity	156,782,563	129,980,580
Course Announcement	82,179,664	75,211,718
Discount	71,651	33,264,966
Others	12,625,136	16,392,739
	<u>251,659,014</u>	<u>254,850,003</u>

## SCHEDULE 21 : Notes to Consolidated Accounts for the year ended 31st March, 2006

### 1. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are prepared on an accrual basis, under historical cost convention and in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India. The significant accounting policies adopted by the Group are detailed below:

#### i. Basis of Consolidation

The consolidated financial statements include accounts of NIIT Limited, its subsidiary undertakings and associates (The Group). Subsidiary undertakings are those companies in which NIIT Limited, directly or indirectly, has an interest of more than one half of voting power or otherwise has power to exercise control over the operations. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. All material inter company transactions, balances and unrealised surpluses and deficits on transactions between Group companies are eliminated. Consistency in adoption of accounting policies among all Group companies is ensured to the extent practicable. Separate disclosure is made for minority interests.

Investments in associates (entities over which the company exercises significant influence) are accounted for using the equity method.

#### ii. Fixed Assets, Depreciation and Amortisation

Fixed Assets are stated at acquisition cost except where fixed assets are taken over pursuant to an acquisition at a consolidated price. Individual fixed assets taken over pursuant to acquisition are recorded at their fair value on the date of acquisition based on valuation carried out by independent valuers.

Expenses incurred on internal development of courseware and products are capitalised either individually or as a knowledge bank in the form of software, once their technical feasibility is established in accordance with the requirements of Accounting Standard 26 "Intangible Assets" issued by the "Institute of Chartered Accountants of India" (Refer Note 21 below). Expenses incurred during the research phase till the establishment of commercial feasibility is charged to the Profit and Loss Account.

Depreciation and amortisation is provided on a pro-rata basis on the straight-line method over the estimated useful lives of the assets determined as follows: -

Buildings	58 years
Leasehold Improvements	3 years or lease period whichever is lower
Computers, printers and related accessories	2-5 years
Software (courseware and products) and patents	3-5 years
Furniture, fixtures and vehicles	5-10 years
Assets under employee benefits scheme except vehicles	3 years
All other assets	Rates prescribed under schedule XIV to the Companies Act, 1956

Fixed Assets purchased for utilisation in implementing the contractual obligation with the customers under the project would be depreciated over the period of contract.

Further, computer systems and software are technically evaluated each year for their useful economic life and the unamortised depreciable amount of the asset is charged to Profit and Loss Account as depreciation/ amortisation over their revised remaining useful life.

#### iii. Impairment of Assets

All assets other than inventories, investments and deferred tax assets are reviewed for impairment, wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount.

**SCHEDULE 21 : Notes to Consolidated Accounts for the year ended 31st March, 2006 (Contd.)****iv. Capital Reserve/ Goodwill**

On acquisition, the consideration paid less than or in excess of fair value of net assets acquired including identified intangible assets acquired is considered as capital reserve or goodwill respectively. Goodwill arising on such acquisition is amortised to expense on a straight-line basis over the period of estimated benefit but not exceeding five years.

**v. Investments**

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

**vi. Inventory Valuation - Finished Goods**

Inventories are valued at lower of cost or net realisable value. Cost is determined using weighted average method.

**vii. Revenue Recognition**

The revenue in respect of sale of courseware, technical information and reference material and other goods is recognised on dispatch/ delivery of the material to the customer whereas the revenue from the tuition activity is recognised over the period of the course programmes.

The revenue from time and material contracts is recognised on a man month basis. In respect of fixed price contracts, including certain contracts requiring significant usage of contents capitalised as education software relating to courseware and products (Intellectual Property Rights), revenue is recognised based on the technical evaluation of utilisation of courseware and products and as per the proportionate completion method. The foreseeable losses on completion of contract, if any, are provided for. (Refer note 11 below).

Dividend income is recognised when the right to receive dividend is established.

**viii. Retirement Benefits**

In respect of the companies incorporated in India, the Group makes defined contributions for Provident Fund and Superannuation fund to trusts established for this purpose. In respect of gratuity, which is a defined benefit plan, the Group's liability is actuarially determined as at the year end and any shortfall in the fund size maintained with the gratuity trust is additionally provided for.

In respect of companies incorporated outside India, where applicable, the companies make defined contributions on a monthly basis towards retirement benefit plans which is charged to Profit and Loss Account.

Provision for leave encashment is recorded in the books based on actuarial valuation carried out at the year end.

**ix. Employees Stock Option Plan (ESOP)**

The stock options granted under "NIIT Employee Stock Option Plan 2005" are accounted for as per the accounting treatment prescribed by Employee Stock Option Scheme and Employee Stock Purchase Guidelines, 1999, issued by Securities and Exchange Board of India, whereby the intrinsic value of the option being excess of market value of the underlying share immediately prior to date of grant over its exercise price is recognised as deferred employee compensation with a credit to employee stock option outstanding account. The deferred employee compensation is charged to Profit and Loss Account on straight line basis over the vesting period of the option. The options that lapse are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion and credit to deferred employee compensation expense equal to the unamortised portion. The balance in employee stock option outstanding account, net of any unamortised deferred employee compensation, is shown separately as part of shareholder's funds.

**x. Foreign Currency Transactions/ Translation**

Transactions in foreign currency (currency other than companies' reporting currency) are booked at



**SCHEDULE 21 : Notes to Consolidated Accounts for the year ended 31st March, 2006 (Contd.)**

standard rates determined periodically, which approximates the actual rate, and all monetary assets and liabilities in foreign currency are restated at the year end. Gain/ Loss arising out of fluctuations on realisation/ payment or restatement, except those identifiable to acquisition of fixed assets is charged/ credited to the Profit and Loss Account. Gain/ Loss on account of exchange fluctuations identifiable to fixed assets acquired is adjusted against the carrying value of the related fixed asset.

Foreign Currency assets/ liabilities covered by forward contracts are stated at the forward contract rate and difference between the forward rate and the exchange rate at the inception of the forward contract are recognised to the Profit and Loss Account over the life of the contract except in case of liabilities relating to acquisition of fixed assets which are adjusted against the carrying value of the related fixed assets.

For the purposes of consolidation the operations of overseas subsidiaries are considered as non-integral in nature and accordingly their assets and liabilities of non-Indian subsidiaries are translated at the year end exchange rate and income and expenditure items are translated at predetermined rates that approximate the exchange rate prevailing on the date of the transaction. The resultant translation adjustment is reflected as a separate component of Shareholders' Funds as 'Currency Translation Reserve'. Upon dissolution/ disposal of non-Indian subsidiaries, the balance in Currency Translation Reserve in relation to those subsidiaries is transferred to Profit & Loss Account.

Certain forward foreign exchange contracts are marked to their current market value at each Balance Sheet date and the gain or loss on the contract is recognised in the statement of Profit and Loss Account for the year.

**xi. Leases**

The Lease Rentals in respect of operating lease arrangements are charged to expense when due as per the terms of the related agreement.

Lease Rentals in respect of finance lease transactions entered into prior to March 31, 2001, in case of the companies incorporated in India, are charged to expense when due as per the terms of the related agreement. Other finance lease transactions are considered as financing arrangements and the leased asset is capitalised at an amount equal to the present value of the future lease payments and a corresponding amount is recognised as a liability. The lease payments made are apportioned between finance charge and reduction of outstanding liability in relation to leased asset.

**xii. Borrowing Cost**

Borrowing costs are recognised in the Profit and Loss Account in the period in which they are 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 capitalised.

**xiii. Taxation**

Tax expense comprising of both current tax (including fringe benefits tax) and deferred tax is included in determining the net results for the year. Deferred tax reflects the effect of timing differences between the assets and liabilities recognised for financial reporting purposes and the amounts that are recognised for current tax purposes. As a matter of prudence deferred tax assets are recognised and carried forward only to the extent, there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Current tax (including fringe benefits tax) is determined based on the provisions of the Income Tax Laws of the respective countries.

**xiv. Miscellaneous Expenditure (to the extent not written off or adjusted)**

- Preliminary Expenses are written off over a period of 5 to 10 years of commencement of commercial operations of the concerned subsidiary.
- Expenses that cannot be directly attributable to creation of any fixed asset incurred upto the date of commencement of commercial operations of subsidiaries are carried forward as deferred revenue expenses to be written off over 5 years.

**xv. Provisions and Contingencies**

The Group creates a provision when there is present obligation as a result of a past event that probably

**SCHEDULE 21 : Notes to Consolidated Accounts for the year ended 31st March, 2006 (Contd.)**

requires an outflow of resources and a reliable estimate can be made of the amount of obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of the obligation cannot be made.

**2. CONTINGENT LIABILITIES**

- i. Guarantees issued to bankers outstanding at the end of the accounting year Rs. 262.13 Lacs. (Previous year Rs. 214.97 Lacs).
  - ii. Corporate Guarantee Rs. 750 Lacs given by Parent Company on behalf of NIITian Welfare Trust for loan availed by Trust (Previous year Nil).
  - iii. Claims against the Group not acknowledged as debts Rs. 161 Lacs (Previous year Rs. 420.90 Lacs).
  - iv. Andhra Pradesh Works Contract Tax demand on Parent Company Rs. 313.18 Lacs (Previous year Nil).
3. Estimated amount of contracts remaining to be executed on capital account (net of advances) Rs. 2,315.57 Lacs (Previous year Rs. 89.58 Lacs).
4. Pursuant to the Scheme of Arrangement under section 391 to 394 of the Companies Act, 1956 approved by Hon'ble High Court of Delhi vide order of May 18, 2004 the Global Solution Business Undertaking (GSB) of the Company constituting software services and solutions, including investment in subsidiaries engaged in business process outsourcing and geographical information services and other world wide subsidiaries were transferred to NIIT Technologies Limited (hereinafter referred to as NTL) from the appointed date i.e. April 1, 2003. In this regard, mutation of certain immovable properties transferred to NTL in terms of the Scheme of Arrangement is yet to be completed. Further certain Corporate Guarantees of Rs. 4,604.96 Lacs given by the Company on behalf of Subsidiaries of NTL, in respect of which NTL is in the process of replacing the same with its own Corporate Guarantees.
5. Certain common resources are shared by the Group and NIIT Technologies Limited and its subsidiaries (NTL Group) . This resulted in the Group recovering Rs. 55,954,810/- (Previous year Rs. 223,334,745/-) from NTL Group and NTL Group recovering Rs. 39,682,405/- (Previous year Rs. 54,634,782/-) from the Group which have been included/ netted off against relevant head in the Profit and Loss Account viz., Personnel, Development, Production and Execution, Administration & Others and Marketing Expenses.
6. a) Working Capital Limits of the Parent Company are secured by hypothecation of stocks and book debts of the Company. The Parent Company has not utilised the fund-based limits during the year.  
b) Rupee Term Loan from bank is secured by way of first charge created on all movable assets, both present and future and specified immovable properties, subject to first charge created on stocks and book debts of the Parent Company in respect of working capital limits above.  
c) Vehicle Loans from banks are secured by way of hypothecation of the vehicles financed.
7. Non-Convertible Cumulative Preference Shares of a subsidiary "Hole-in-the-Wall Education Limited", held by International Finance Corporation (IFC) are redeemable in four yearly equal installments from the date of first installment starting from March 17, 2007. They will be redeemable at a price equal to the par value i.e. Rs.10 provided that any arrears of any unpaid dividend thereon will be paid at the time of redemption. Pending declaration of dividend in the absence of distributable profit, no dividend was provided by the Subsidiary Company. However, in terms of Accounting Standard 21, 'Consolidated Financial Statements' the profit attributable to the Equity Shareholders was arrived at after providing for the dividend in the Previous years.
- Subsequent to the year end, all the aforesaid Preference Shares have been purchased by NIIT Limited (Parent Company) from IFC at a consideration of Rs.100/-. Consequently, the provision made in Previous years for dividend and dividend tax on Preference Shares amounting to Rs. 13,649,712/- have been written back during the year.
8. Two Subsidiaries (Hole-in-the-Wall Education Limited and Scantech Evaluation Services Limited) of the Company are in the process of appointing Whole-time Director/ Managing Director/ Manager and Company Secretary as required under section 269 and 383A respectively of the Companies Act, 1956.
9. The net worth of the Hole-in-the-Wall Education Limited (Subsidiary Company) has eroded substantially as at March 31, 2006. It had completed the first phase of its operations and had commenced commercial

## SCHEDULE 21 : Notes to Consolidated Accounts for the year ended 31st March, 2006 (Contd.)

operations during the Previous year. It has also prepared a business plan to improve performance in future based on the contracts entered into in the ensuing year and the business projections available with the Company. These accounts have been prepared on a going concern basis keeping in view of these contracts and plans which would enable the Company to generate sufficient funds to carry out its operations. Also, it has obtained a comfort letter from the Parent Company.

10. In the Previous year, NIIT Limited (Parent Company) had acquired business of NIIT Online Learning Limited (NOLL), a subsidiary of the Company engaged in online trading through the use of web-based technologies, internet and other similar technologies.

During the year, as per the provisions of the Companies Act, 1956, Article 38 of the Article of Association of the Company and pursuant to the order of the High Court dated July 20, 2005, 120,000,700 equity shares of Re. 1 each fully paid, have been reduced to 4,387,998 equity shares of Re. 1 and impact of reduction has been adjusted against the debit balance in the Profit and Loss Account. The shareholding of present equity shareholders have been reduced pro-rata. Further, 8.50% Cumulative Redeemable Preference Shares of Re. 1 each aggregating to Rs. 325,000,000/- have also been extinguished by paying an amount of Rs. 140,000,000/- and balance of Rs. 185,000,000/- has been adjusted against the debit balance of Profit & Loss Account. Pursuant to the sale of main business of NOLL to the Parent Company, the Company has not yet undertaken any further business activity. Due to this reason, basic assumption of going concern of the Company becomes doubtful. The management is not contemplating liquidation and is evaluating business options though at present there is no concrete plan, but have represented that they shall take up suitable business at an opportune time. The assets and liabilities of NOLL are stated at realizable value and thus no further adjustments to the same are considered necessary.

11. As indicated in Note 1(vii) above, the Group has from the current year recognised revenue on a proportionate completion method including certain contracts requiring significant usage of contents capitalised as education software relating to courseware and products (Intellectual Property Rights) based on technical evaluation, in respect of most of the fixed price contracts as against on delivery/ dispatch of concerned services in the previous years. This has resulted in increase in revenue of the Group by Rs 7,133,014/- (net unbilled revenue) in the Current year, with a corresponding impact on profit before tax for the year.
12. The course execution charges include payments to licensees, business partners, channel partners and other agencies for execution of education and training business.

### 13. DERIVATIVE INSTRUMENTS

- a. The Group has outstanding foreign exchange forward contracts of USD 6,000,000 (Previous year USD 7,000,000) as at March 31, 2006 for hedging its exposure to movements in foreign exchange rates relating to trade receivables. Foreign currency receivables that are not hedged by derivative instruments or otherwise amount to USD 1,901,613 (Previous year Nil).
- b. Foreign currency payables that are not hedged by derivative instruments relate to payables of USD 376,111 (Previous year USD 316,791), EURO 40,338 (Previous year Nil), SGD 1,150 (Previous year Nil) and GBP 17,682 (Previous year GBP 3,400).

### 14. PAYMENT TO AUDITORS

- a) Payment to Parent Company Auditors

	Year ended March 2006 (Rs.)	Year ended March 2005 (Rs.)
Audit fee	7,471,430	6,798,380
Tax Audit fee	557,651	500,000
Others	1,024,803	1,360,000
Reimbursement of expenses (including Service Tax)	1,152,337	760,579

- b) Payment to other auditors amounting to Rs. 4,526,444/- (Previous year Rs. 3,669,325/-)

## SCHEDULE 21 : Notes to Consolidated Accounts for the year ended 31st March, 2006 (Contd.)

### 15. CONSOLIDATION

- a) Details of NIIT Limited's subsidiaries all of which have been considered in these consolidated accounts are as follows:

Subsidiary	Percentage of ownership interest	Country of incorporation
Hole-in-the Wall Education Limited	89.99	India
NIIT Online Learning Limited	90	India
NIIT USA Inc.	100	United States
NIIT Antilles NV, Netherlands Antilles	100	Netherlands
- NIIT Middle East WLL	99.5	Bahrain
- NIIT Malaysia Sdn Bhd	100	Malaysia
- NIIT GC Ltd (Formerly NIIT TVE Limited)	100	Mauritius
* NIIT China (Shanghai) Limited	100	China
* PCEC NIIT Institute of Information Technology	100	China
PT NIIT Indonesia	100	Indonesia
Scantech Evaluation Services Limited	100	India
NIIT Multimedia Limited	100	India
NIIT Limited, UK	100	UK

- b) The details of associate companies (companies over which the Parent Company exercises significant influence, which have been consolidated on equity method) are as follows: -

Name of associate	Description of business	Percentage of ownership interest and voting power	Cost of Investment	Reporting dates used for consolidation
Aesthatic Technologies Private Limited	Software	22.94%	20,000,584	March 31, 2006
MindShaper Technologies Limited	Software	36.84%	25,000,000	March 31, 2006
NIIT Technologies Limited and its subsidiaries	Software	25.00%	97,498,200	March 31, 2006

### 16. EMPLOYEES STOCK OPTION SCHEME

During the year the Parent Company has established 'NIIT Stock Option Plan 2005 (ESOP 2005)', and the same was approved at the General Meeting of the Parent Company held on May 18, 2005. The plan was set up so as to offer the grant for the benefit of employees of the Group, who are eligible under "Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999", options of the Parent Company in aggregate up to 1,925,000 options under ESOP 2005, in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of law or guidelines issued by the relevant authorities in this regard. As per the plan each option is exercisable for one equity share of face value of Rs. 10 each fully paid up on payment to the Parent Company, for such shares, a price to be determined in accordance with ESOP 2005.

**SCHEDULE 21 : Notes to Consolidated Accounts for the year ended 31st March, 2006 (Contd.)**

The Parent Company granted options in two tranches as follows:

Particulars	Tranche I	Tranche II
Date of grant	August 02, 2005	August 11, 2005
Granted during the year	555,350	46,200
Forfeited/ lapsed during the year	17,650	6,500
Outstanding at the end of the year	537,700	39,700
Exercisable at the end of the year	-	-
Exercise Price	Rs. 180	Rs. 237
Remaining contractual life (Remaining vesting period and exercise period)	1218 days	1227 days
Fair value of the Option based on Black & Scholes model	Rs.98.64	Rs 72.25
Intrinsic value of options granted	Rs.55.15	Nil

The inputs used by the independent valuer, for determination of fair value as per the Black & Scholes model are as follows:

- Market price considered is the latest available closing price, prior to the date of the grant.
- Exercise price is the price payable by the employees for exercising the option.
- As the life of the option is greater than one year there is considerable difficulty in estimating the amount and time of future dividend payouts with certainty, hence future dividend payout have not been incorporated in the valuation analysis.
- Volatility - Variance in the stock price is considered as 14% and is based on historical volatility in the share price movement of the Parent Company and four other comparable companies.
- Average life of the options is considered to be 2.5 Years.
- Risk free interest rate has been assumed at 7% based on long term government bonds of ten year residual maturity.

Other information regarding employee share based payment is as below:

Particulars	Tranche I	Tranche II
Expense amortised during the year on the basis of intrinsic value of the options	Rs. 19,661,111	-
Additional expense had the Parent Company recorded the ESOP Expense based on fair value of the options	Rs 15,504,293	Rs.1,831,013

For impact on basic and dilutive EPS, had fair value of the option been used for determining ESOP expense refer note 25 below.

**17. RELATED PARTY DISCLOSURES AS PER ACCOUNTING STANDARD 18**

- Other related parties with whom the group has transacted
  - Associate Companies
    - NIIT Technologies Limited, India
    - NIIT Technologies Inc., USA
    - NIIT Technologies Pte Limited, Singapore (formerly NIIT Asia Pacific Pte Limited, Singapore)
    - NIIT Technologies Limited, UK (formerly NIIT Europe Limited, UK)
    - NIIT SmartServe Limited
    - NIIT GIS Limited, India
    - MindShaper Technologies Private Limited
  - Key Managerial Personnel
    - Rajendra S Pawar
    - Vijay K Thadani
    - P Rajendran

**SCHEDULE 21 : Notes to Consolidated Accounts for the year ended 31st March, 2006 (Contd.)**

- Relatives of key managerial personnel
  - 1) Renuka V Thadani
  - 2) Sudha Rajendran
  - 3) Veena Oberoi
  
- Parties in which the key managerial personnel of the group were interested
  - 1) Institute of Quality Limited
  - 2) Pace Industries Limited
  - 3) NIIT Education Society
  - 4) NIIT Institute of Information Technologies
  - 5) NIIT Network Services Limited

b) Details of transaction and balances with related parties on an arms' length basis:

Nature of Transactions	Associates	Key Managerial Personnel	Relatives of Key Managerial Personnel	Parties in which Key Managerial Personnel of the Group are interested	Total
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Purchase of Goods (Note 1)	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (98,880)	NIL (98,880)
Sale of Goods (Note 2)	23,122,426 (NIL)	NIL (NIL)	NIL (NIL)	34,453,223 (NIL)	57,575,649 (NIL)
Rendering of Services (Note 3)	12,285,853 (41,903,990)	NIL (NIL)	NIL (NIL)	NIL (2,371,208)	12,285,853 (44,275,198)
Receiving of Services (Note 4)	NIL (NIL)	NIL (NIL)	NIL (NIL)	1,077,955 (5,513,652)	1,077,955 (5,513,652)
Purchase of Fixed Assets (Note 5)	NIL (15,641,943)	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (15,641,943)
Interest Income (Note 6)	NIL (NIL)	NIL (NIL)	NIL (NIL)	2,014,795 (NIL)	2,014,795 (NIL)
Dividend Income (Note 7)	53,142,760 (48,311,600)	NIL (NIL)	NIL (NIL)	NIL (NIL)	53,142,760 (48,311,600)
Sale of Fixed Assets (Note 8)	NIL (2,758,784)	NIL (NIL)	NIL (NIL)	3,669,038 (NIL)	3,669,038 (2,758,784)
Loans Given (Note 9)	NIL (NIL)	NIL (NIL)	NIL (NIL)	73,500,000 (NIL)	73,500,000 (NIL)
Loans Given Received Back (Note 10)	NIL (43,331,141)	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (43,331,141)
Transfer of expenses from NTL Group (Note 11)	42,824,253 (54,634,782)	NIL (NIL)	NIL (NIL)	NIL (NIL)	42,824,253 (54,634,782)
Transfer of Expenses from other enterprises (Including those from Overseas Subsidiaries) (Note 12)	2,328,255 (NIL)	NIL (NIL)	NIL (NIL)	27,008 (NIL)	2,355,263 (NIL)

## SCHEDULE 21 : Notes to Consolidated Accounts for the year ended 31st March, 2006 (Contd.)

Recovery of expenses from (Note 13)	55,954,810 (223,334,745)	NIL (NIL)	NIL (NIL)	666,704 (NIL)	56,621,514 (223,334,745)
Other Recoveries (Note 14)	353,730 (NIL)	NIL (NIL)	NIL (NIL)	8,943,591 (1,899,196)	9,303,321 (1,899,196)
Remuneration (Note 15)	NIL (NIL)	25,904,357 (18,617,923)	NIL (NIL)	NIL (NIL)	25,904,357 (18,617,923)
Other Expenses (Note 16)	287,500 (55,000)	NIL (NIL)	836,500 (756,000)	640,500 (1,224,382)	1,764,500 (2,035,382)
<b>Balance as on March 31, 2006</b>					
Receivable	3,368,128 (27,974,295)	92,335 (3,377,298)	NIL (NIL)	97,283,649 (NIL)	100,744,112 (31,351,593)
Payable	15,305,129 (2,775,956)	6,013,563 (NIL)	NIL (NIL)	1,869,123 (211,443)	23,187,815 (2,987,399)

Previous year figures are given in parenthesis

### Notes:

1. Include transactions for the year with
  - NIS Sparta Limited NIL (Previous year Rs. 1 Lac)
2. Includes transactions for the year mainly with
  - NIIT Technologies Pte Limited, Singapore Rs. 231.22 Lacs (Previous year NIL)
  - NIIT Institute of Information Technology Rs. 342.75 Lacs (Previous year NIL)
3. Includes transactions for the year mainly with
  - NIIT Technologies Limited, UK Rs. 10.33 Lacs (Previous year Rs. 152.13 Lacs)
  - NIIT Technologies Limited, Singapore Rs. 18.52 Lacs (Previous year Rs. 146.48 Lacs)
  - NIIT Technologies Limited, India Rs. 85.74 Lacs (Previous year Rs. 62.98 Lacs)
  - NIS Sparta Limited, India NIL (Previous year Rs. 23.71 Lacs)
4. Includes transactions for the year mainly with
  - Institute of Quality Limited Rs. 6.65 Lacs (Previous year Rs. 55.13 Lacs)
  - NIIT Network Services Limited Rs. 4.12 Lacs (Previous year NIL)
5. Includes transactions for the year mainly with
  - NIIT Technologies Limited, India NIL (Previous year Rs. 156.41 Lacs)
6. Includes transactions for the year mainly with
  - NIIT Institute of Information Technology Rs. 20.15 Lacs (Previous year NIL)
7. Includes transactions for the year mainly with
  - NIIT Technologies Limited, India Rs. 531.43 Lacs (Previous year Rs. 483.11 Lacs)
8. Includes transactions for the year mainly with
  - NIIT Technologies Limited, India NIL (Previous year Rs. 27.58 Lacs)
  - NIIT Institute of Information Technology Rs. 36.69 Lacs (Previous year NIL)
9. Includes transactions for the year mainly with
  - NIIT Institute of Information Technology Rs. 735 Lacs (Previous year NIL)
10. Includes transactions for the year mainly with
  - NIIT Technologies, Singapore & NIIT Technologies Inc., USA NIL (Previous year Rs. 433.31 Lacs)

**SCHEDULE 21 : Notes to Consolidated Accounts for the year ended 31st March, 2006 (Contd.)**

11. Includes transactions for the year mainly with
  - NIIT Technologies Inc., USA Rs. 420.23 Lacs (Previous year Rs. 546.34 Lacs)
  - NIIT Technologies Pte Limited, Singapore Rs. 7.99 Lacs (Previous year NIL)
12. Includes transactions for the year mainly with
  - NIIT SmartServe Limited Rs. 20 Lacs (Previous year NIL)
  - NIIT Technologies Limited, India Rs. 3.23 Lacs (Previous year NIL)
13. Includes transactions for the year mainly with
  - NIIT Technologies Inc., USA Rs. 554.82 Lacs (Previous year NIL)
  - NIIT GIS Limited 4.72 Lacs (Previous year NIL)
  - NIIT Institute of Information Technology Rs. 6.42 Lacs (Previous year NIL)
  - NIIT Technologies Pte Limited, Singapore Rs. 0.24 Lacs (Previous year NIL)
14. Includes transactions for the year mainly with
  - NIS Sparta Limited NIL (Previous year Rs. 18.99 Lacs)
  - NIIT Technologies Limited Rs. 3.32 Lacs (Previous year NIL)
  - NIIT Institute of Information Technology Rs. 88.94 Lacs (Previous year NIL)
15. Includes transactions for the year mainly with
  - Rajendra S Pawar Rs. 55.74 Lacs (Previous year Rs. 49.55 Lacs)
  - Vijay K Thadani Rs. 81.78 Lacs (Previous year Rs. 77.97 Lacs)
  - P Rajendran Rs. 121.52 Lacs (Previous year Rs.50.52 Lacs)
16. Includes transactions for the year mainly with
  - Renuka V Thadani Rs. 3.81 Lacs (Previous year Rs. 3.00 Lacs)
  - Veena Oberoi Rs. 2.76 Lacs (Previous year Rs. 2.76 Lacs)
  - Sudha Rajendran Rs. 1.80 Lacs (Previous year NIL)
  - NIS Sparta Limited, NIL (Previous year Rs. 10.89 Lacs)
  - MindShaper Technologies Private Limited Rs. 2.88 Lacs (Previous year Rs. 0.55 Lacs)
  - Pace Industries Limited Rs. 1.80 Lacs (Previous year NIL)
  - NIIT Institute of Information Technology Rs. 4.61 Lacs (Previous year NIL)
18. During the year, the Parent Company has granted further loan of Rs.428.40 Lacs, at 6% per annum to NIITian Welfare Trust which has been formed for the purpose of providing welfare benefits to the employees of the Parent Company and that of NIIT Technologies Limited and its subsidiaries. The Parent Company has also provided the corporate guarantee to the extent of Rs. 750 Lacs against the total outside borrowings made by Trust of Rs. 3,000 Lacs. Similar loan and guarantee has also been provided by the NIIT Technologies Limited to the Trust. Total loan recoverable as on March 31, 2006 is Rs. 1,000 Lacs. The Trust has primarily invested the amount borrowed in equity shares of the Parent Company and that of NIIT Technologies Limited. The Trust has accumulated book loss of Rs. 4.60 Lacs ( Previous year Rs. 30.60 Lacs) as at 31st March, 2006 on account of interest and other expenses and it expects to realize more than the carrying value of the investments and accordingly the Parent Company believes that there is no need to make any provision in respect of loan or guarantee given.
19. During the year, the Parent Company has granted loan of Rs. 735 Lacs, at 8% per annum to NIIT Education Society, a society registered under Society's Registration Act, 1860, which is formed for the purpose of setting up of University and sponsoring other societies for setting up of Universities. The Society is at present entirely financed by the loan given by the Company, which has been primarily utilised by way of loan to another society namely NIIT Institute of Information Technology, for the purpose of setting up of University. The loan along with accrued interest for the first three years shall be repayable in 20 equal quarterly installments, on the interest due dates from the beginning of the 6th year from the date of 1st drawdown. Accrued interest for the 4th and 5th year shall be payable on last day of each quarter. The transactions with Society are on arm's length basis.
20. During the year, the Parent Company has issued USD 10,000,000 foreign currency convertible bonds



## SCHEDULE 21 : Notes to Consolidated Accounts for the year ended 31st March, 2006 (Contd.)

("Bonds") due in the year 2010. which are convertible into fully paid up equity shares, with full voting rights, at a par value of Rs. 10 each at an initial conversion price of Rs. 200 per share with a fixed exchange rate on conversion of Rs. 43.76= USD 1.0 at any time after April 04, 2005. These Bonds have not been restated at closing exchange rate as at year end, since the management considers these are most likely to be converted into equity shares and accordingly no appropriation of profits for creation of redemption reserve on these bonds has been made.

21. The Parent Company has w.e.f. April 01, 2005 considered its education content software relating to courseware and products as "Knowledge Banks" which hitherto were capitalised as individual software items. The literary work created under such "Knowledge Banks" has been registered with the Registrar of Copyrights. These "Knowledge Banks" having a gross block of Rs. 3,590 Lacs and net block of Rs. 1,619 Lacs (included under the intangible fixed assets in Schedule 5), are being amortised over a period of 3-4 years beginning from April 01, 2005. This has resulted in decrease in amortisation expense for the current year by Rs. 46 Lacs with a corresponding increase in profit before tax and net block of fixed assets of the Company.

### 22. SEGMENT INFORMATION

#### Primary Segment information - Business Segment

With effect from April 1, 2005, the sub businesses are fully aligned to global learning business of the Group and the same are being viewed by the management as a single primary segment, i.e. learning business segment. Accordingly, Previous year figures which hitherto were being reported as separate business segments are not being disclosed.

#### Secondary Segment information - Geography

The secondary segment information in relation to the geographies is as follows:

(Rs. Lacs)

Particulars	Revenue from Customers by location of Customers	Carrying amount of segment assets by location of the assets	Additions to fixed assets
India	27,408 (23,345)	37,374 (25,189)	2,536 (1,804)
America	15,434 (14,346)	11,943 (11,464)	233 (266)
Europe	69 (NIL)	142 (NIL)	NIL (NIL)
Rest of Asia Pacific	2,160 (2,146)	1,587 (1,509)	47 (35)
<b>Total</b>	<b>45,071 (39,837)</b>	<b>51,046 (38,162)</b>	<b>2,816 (2,105)</b>

Previous year figures are given in parenthesis.

### 23. TAXATION

- Current tax expense of parent company comprise of Rs. 20,040,000/- (Previous year Rs. 8,500,000/-), being charge for Minimum Alternate Tax under Section 115JB of the Income Tax Act, 1961.
- Break up of deferred tax assets/ liabilities and reconciliation of current period deferred tax credit is as follows:

**SCHEDULE 21 : Notes to Consolidated Accounts for the year ended 31st March, 2006 (Contd.)**

## a) NIIT Limited, India

(Rs. Lacs)

Deferred Tax Assets/ Liabilities	Opening as at 01.04.2005	Charged/ (Credited) to Profit & Loss Account	Closing as at 31.03.2006
<b>Deferred Tax Liabilities:</b>			
a) Tax impact of difference between carrying amount of fixed assets in the financial statements and as per the income tax calculation.	466	(117)	349
b) Tax impact on finance lease	7	4	11
<b>Total (A)</b>	<b>473</b>	<b>(113)</b>	<b>360</b>
<b>Deferred Tax Assets:</b>			
a) Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax:			
- Provision for doubtful debts and Advances	303	(59)	362
- Provision for Inventory	-	(10)	10
- Provision for Leave Encashment, Bonus and Gratuity and other timing differences	75	34	41
- Employees Stock Option Expenses	-	(52)	52
b) Carry forward unabsorbed depreciation.	95	-	95
<b>Total (B)</b>	<b>473</b>	<b>(87)</b>	<b>560</b>
<b>Net Deferred Tax Assets (A - B)</b>	<b>-</b>	<b>(200)</b>	<b>(200)</b>

## b) NIIT USA Inc., USA

(Rs. Lacs)

Deferred Tax Assets/ Liabilities	Opening as at 01.04.2005	Charged/ (Credited) to Profit & Loss Account	Closing as at 31.03.2006
<b>Deferred Tax Liabilities:</b>			
Tax impact of difference between carrying amount of fixed assets in the financial statements and as per the income tax calculation.	-	167	167
<b>Total (A)</b>	<b>-</b>	<b>167</b>	<b>167</b>
<b>Deferred Tax Assets:</b>			
Difference in carrying amount of goodwill	-	(106)	106
Employees Stock Option Expenses	-	(13)	13
Carry forward losses	-	(48)	48
<b>Total (B)</b>	<b>-</b>	<b>(167)</b>	<b>167</b>
<b>Net Deferred Tax Liability (A - B)</b>	<b>-</b>	<b>-</b>	<b>-</b>

**SCHEDULE 21 : Notes to Consolidated Accounts for the year ended 31st March, 2006 (Contd.)**
**Notes :**

- (i) Deferred tax assets and liabilities are being offset as they relate to taxes on income levied by the same governing tax law.
- (ii) Deferred tax asset has been recognised only to the extent of deferred tax liability on account of prudence.
- (iii) Deferred tax asset arising from unabsorbed depreciation is considered certain of recovery.

**24. MOVEMENT OF PROVISION FOR DOUBTFUL DEBTS**

Particulars	Year ended March 31, 2006 (Rs. Lacs)	Year ended March 31, 2005 (Rs. Lacs)
Opening Provision	6,799	8,391
Add: Additional Provisions created	1,159	572
Add: Balances transferred from an associate Company	60	NIL
Less: Provision written back *	767	828
Less: Provision utilised	1,476	1,336
Add: Restatement on account of Exchange Fluctuation	71	-
Closing Provision	5,846	6,799

\* Out of provision created from reserves in Previous years as per the Scheme of Arrangement (Refer Note 4 above).

**25. EARNINGS PER SHARE**

Particulars		Year ended March 31, 2006	Year ended March 31, 2005
Profit attributable to equity shareholders (A)		413,538,954	348,222,926
Add: Increase in profit (net of tax) on account of effect of potential dilutive shares (being FCCB)- Refer note below		10,200,472	-
Profit attributable to equity shareholders considered for determining dilutive earning per share (B)		423,739,426	348,949,527
Weighted average number of Equity Shares outstanding during the year (C)		19,324,639	19,324,639
Add : Effect of potential dilutive shares (being stock options and FCCB)-Refer note below		808,871	-
Weighted average shares outstanding considered for determining dilutive earning per share (D)		20,133,510	19,324,639
Nominal Value of Equity Shares		10/-	10/-
Basic Earnings Per Share (Rs.) (A/C)		21.40	18.02
Dilutive Earnings Per Share (Rs.) (B/D)		21.05	18.02
<b>EARNINGS PER SHARE [had fair value method been employed for accounting for Employee Stock Options ( Refer Note 16 above)]</b>			
Profit attributable to equity shareholders (Rs.) - (E)		396,203,649	-
Add: Increase in profit (net of tax) on account of effect of potential dilutive shares (being FCCB)- Refer note below		10,200,472	-
Profit attributable to equity shareholders considered for determining shares (being FCCB) - Refer note below (F)		406,404,121	-
Basic Earnings Per Share (Rs.) (E/C)		20.50	-
Diluted Earnings Per Share (Rs.) (F/D)		20.19	-

**SCHEDULE 21 : Notes to Consolidated Accounts for the year ended 31st March, 2006 (Contd.)**

**Note:**

During the year the Parent Company has issued Foreign Currency Convertible Bonds (FCCB) of USD 10,000,000/- convertible into equity shares of the Company at any time (Refer Note 20 above) and also has granted Stock Options to its employees (Refer Note 16 above). Dilutive impact, as per Accounting Standard 20, issued by the Institute of Chartered Accountants of India, has been considered in the above computations.

**26. LEASES**

**a) Operating Leases**

Total of future Minimum Lease Payments under non-cancelable leases in case of premises:

Particulars	As at March 31, 2006 (Rs.)	As at March 31, 2005 (Rs.)
Amount payable within the next 1 year	34,550,369	38,973,327
Amount payable in the next 2 to 5 years	106,574,400	2,224,866
Amount payable beyond 5 years	3,394,105	-

Aggregate payments during the year under operating leases in respect of equipments and premises for office and employees accomodation amounting to Rs. 277,697,345/- (Previous year Rs. 314,512,973/-).

Total of future minimum sublease payments (in respect of premises) expected to be received under non-cancelable subleases at the closing of the Balance Sheet amount to Rs. 45,653,085/- (Previous year Rs. 481,690/-). Sub lease payments recognised in the statement of Profit and Loss for the year amounted to Rs. 12,509,675/- (Previous year Rs. 5,720,280/-). The sublease has been netted off against the respective lease rental expenses in the Profit and Loss Account.

**b) Finance Leases**

- i. Asset acquired under finance lease comprising of plant & machinery and furniture & fixtures. There are no exceptional/ restrictive covenants in the lease agreements.
- ii. The minimum lease payment outstanding and their present value at the balance sheet date in respect of plant & machinery and furniture & fixtures that have been capitalised are as follows:

Particulars	Minimum lease payments (Rs.)	Present value of lease payments (Rs.)
Not later than 1 year	2,709,024 (3,702,624)	2,321,348 (3,407,064)
Later than 1 year but not later than 5 years	1,164,000 (4,553,425)	947,550 (3,842,458)

Particulars	Amount (Rs.)
Minimum Lease Payments as above	3,873,024 (8,256,048)
Less : Finance Charge	604,124 (1,006,526)
Present Value of Lease Payments	3,268,900 (7,249,522)

**SCHEDULE 21 : Notes to Consolidated Accounts for the year ended 31st March, 2006 (Contd.)**

- iii. Future lease liability in respect of equipments on finance lease arrangements entered prior to March 31, 2001, which have not been capitalised are as follows:-

Particulars	As at March 31, 2006 (Rs.)	As at March 31, 2005 (Rs.)
Amount payable within the next 1 year	Nil	111,094,553
Amount payable in the next 2 to 5 years	Nil	Nil

27 Previous year figures have been regrouped/ recast to conform to current year classifications.

Signatures to the Schedule `1' to `21' above

**Rajendra S Pawar**  
*Chairman and Managing Director*

**Vijay K Thadani**  
*CEO & Whole-time Director*

**Ashok Arora**  
*Group Chief Financial Officer*

**Jitender Mahajan**  
*Chief Financial Officer*

**Parveen Jain**  
*Company Secretary  
& Legal Counsel*

Place : New Delhi  
Date : June 29, 2006



# NIIT

Dear Shareholder,

SEBI vide its letter No. DCC/FITTCIR-3/2001 dated 15th October 2001 has advised that all companies should mandatorily use Electronic Clearing System (ECS) facility for distributing dividends or other cash benefits to the investors wherever available. In the absence of availability of ECS facility, the companies may use warrants for distributing the Dividends.

Currently ECS facility is available at locations specified by RBI. We request all the shareholders to give their bank details so that all future Dividend payments can be remitted through ECS. In case of shareholders staying at locations not currently covered by ECS, the bank account details will be used for sufficing along with the name of the shareholder on the dividend warrants issued in future.

Parveen Jain  
Company Secretary  
& Legal Counsel

## ECS MANDATE FORM

*(For use by Shareholders holding Shares in physical mode only)*

Alankit Assignments Ltd.  
Unit - NIIT Limited  
2E/21, Jhandewalan Extn.,  
New Delhi-110055

Place : \_\_\_\_\_

Date : \_\_\_\_\_

Dear Sirs,

### Change in mode of payments to Electronic Clearing System (ECS)

I hereby consent to have the amount of Dividend on my equity shares credited through the Electronic Clearing System (Credit Clearing) - [ECS]. The particulars are :

1. Folio No.: \_\_\_\_\_  
[Folio No. given in equity share certificate(s)]
2. Member's Name : Shri/Smt./Kum.: \_\_\_\_\_
3. Member's address : \_\_\_\_\_  
\_\_\_\_\_
4. Particulars of the Bank Account :
  - Bank name : \_\_\_\_\_
  - Branch name : \_\_\_\_\_
  - Mention the 9-digit code number of the bank and branch appearing on the MICR cheque issued by the bank  
\_\_\_\_\_

(Please attach a photocopy of a cheque or a blank cancelled cheque issued by your bank for verifying the accuracy of the code number)

- Account type (please ✓) Savings  Current  Cash Credit
- Account number (as appearing on the cheque book) : \_\_\_\_\_

I hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete or incorrect information for any reasons, I would not hold the Company responsible. I also undertake to advise changes, if any, in the particulars of my account to facilitate updation of records for purposes of credit of Dividend amount through ECS.

\_\_\_\_\_  
Signature of the first named/sole Member

- Note :**
1. Please complete the form and send it to Registrar & Share Transfer Agent at the above address if you are holding share certificate(s) in physical form.
  2. In case your shares are in Dematerialised form, inform/update your informations directly with the Depository Participant (DP) with whom you are maintaining Demat Account and not to the Company or its Registrars.
  3. In case of more than one Folio please complete the details on separate sheets.
  4. Subject to the rules and regulations of the Scheme of ECS of the Reserve Bank of India from time to time.

P.T.O

Postage

Alankit Assignments Ltd.  
Unit - NIIT Limited  
2E/21, Jhandewalan Extn.,  
New Delhi-110055

Sender's name and address

---

---

---



# NIIT

## NIIT Limited

Regd. Office : NIIT House, C-125, Okhla Ph-I, New Delhi 110020

### PROXY FORM

Folio No. \_\_\_\_\_ Client ID No. \_\_\_\_\_ DP-ID No. \_\_\_\_\_

I/We \_\_\_\_\_ of \_\_\_\_\_

in the district of \_\_\_\_\_ being a member/members of NIIT Limited,  
hereby appoint \_\_\_\_\_ of \_\_\_\_\_

in the district of \_\_\_\_\_ or failing him/her  
\_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_

as my/our Proxy to vote for me/us on my/our behalf at the Annual  
General Meeting of the Company to be held at 11.00 A.M., at FICCI Auditorium, 1, Tansen Marg,  
New Delhi 110 001, on Thursday, the 17th day of August, 2006.

Affix  
15 paise  
Revenue  
Stamp here

Signature of Proxy

Signature of Member(s)

*Note : Proxies, in order to be effective must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.*



# NIIT

## NIIT Limited

Regd. Office : NIIT House, C-125, Okhla Ph-I, New Delhi 110020

### ATTENDANCE SHEET

(This attendance sheet duly filled in, to be handed over at the meeting)

Member's Folio No. \_\_\_\_\_ Client ID No. \_\_\_\_\_ DP-ID No. \_\_\_\_\_

Name of the attending member (in block letters) \_\_\_\_\_

Name of Proxy(s) (in Block Letters) (to be filled in, if a proxy attends instead of the member) \_\_\_\_\_

No. of Shares held \_\_\_\_\_

I hereby record my presence at the Annual General Meeting being held at 11:00 AM., at FICCI Auditorium, 1, Tansen Marg, New Delhi 110 001, on Thursday, the 17th day of August, 2006.

Member's/Proxy's Signature  
(to be signed at the time of handing over this sheet)

*Note: 1. Please bring this form with you to the Annual General Meeting  
2. The Registration Counter shall open at 10.00 A.M.*



## AMERICAS

### United States of America

Principal Office:  
NIIT (USA) Inc.  
1050 Crown Pointe Parkway  
5th Floor  
Atlanta, GA 30338, USA  
Phone: +1 770 551 9494  
Fax: +1 770 551 9229

Cognitive Arts  
500, Davis Drive, Suite 650  
Evanston, Illinois 60201, USA  
Phone: +1 847 425 8500  
Fax: +1 847 425 8510

### Netherlands Antilles

NIIT Antilles N.V.  
Landhuis Joonchi  
Kaya Richard J. Beaujon Z/N  
P.O. Box 837, Curacao  
Netherlands Antilles  
Phone: +599 9 736 6277  
Fax: +599 9 736 6161

## EUROPE

### United Kingdom

NIIT Limited  
6th Floor, Westfields  
London Road  
High Wycombe  
Buckinghamshire  
HP11 1HP, United Kingdom  
Phone: +44 0 1494 539333  
Fax: +44 0 1494 539444

## ASIA

### China

NIIT China (Shanghai) Ltd.  
12C, Long Life Mansion  
1566, Yuan an Road (West)  
Shanghai 201203, P.R.C  
Phone: +86 21 52581540  
Fax: +86 21 52581541

### India

Corporate Headquarters  
NIIT House  
85, Sector 32, Institutional Area  
Gurgaon 122 001  
India  
Phone: +91 124 4293000  
Fax: +91 124 4293333

### Malaysia

NIIT Malaysia Sdn Bhd  
Suite G02  
2310 Century Square  
Jalan Usahawan  
63000 Cyberjaya  
Selangor, Malaysia  
Phone: +60 3 83135200  
Fax: +60 3 83135201

### United Arab Emirates

NIIT Middle East EC  
702, Al Khaleej Centre  
PO Box 43145  
Mankhool Road, Dubai  
UAE  
Phone: +971 4 3558846  
Fax: +971 4 3552986

## MIDDLE EAST

### Bahrain

NIIT Middle East WLL  
5th Floor  
Chamber of Commerce Building  
P.O. Box 710, Manama  
Kingdom of Bahrain  
Phone: +973 17 224807  
Fax: +973 17 227443

## AFRICA

### Mauritius

NIIT GC Ltd.  
Level 6, One Cathedral Square  
Jules Koenig Street  
Port Louis  
Mauritius  
Phone: +230 207 1000  
Fax: +230 208 7949



### Corporate Headquarters

NIIT House  
85, Sector 32, Institutional Area  
Gurgaon 122 001  
India  
Phone: +91 124 4293000  
Fax: +91 124 4293333  
Website: [www.niit.com](http://www.niit.com)  
Email: [niit.webmaster@niit.com](mailto:niit.webmaster@niit.com)