

**AUDITORS' REPORT TO THE MEMBERS OF  
HOLE-IN-THE-WALL EDUCATION LIMITED**

1. We have audited the attached Balance Sheet of Hole-in-the-Wall Education Limited (the "Company") as at March 31, 2011, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we 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, the Company has disposed of a substantial part of fixed assets during the year. On the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, in our opinion, the disposal of the said part of fixed assets has not affected the going concern status of the Company.
  - ii.
    - (a) The inventory (excluding stocks with third parties) has been physically verified by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. 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) As the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act, clauses (iii)(b), (iii)(c) and (iii)(d) of paragraph 4 of the Order are not applicable for the year.
  - (b) The Company has taken unsecured loan, from a Company 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 loan is the same i.e., Rs. 362 lacs.
  - (c) 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.
  - (d) 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 and sold 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. 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. 142.01 lacs with the holding company, the management has informed us that the transactions dealt are of a specialized 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 Lakhs 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 of the Act and the rules framed there under.

- vii. The company is covered under the internal audit system of NIIT group, the holding Company, whereby internal audit has been carried out during the year and is 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, employees' state insurance, income-tax, sales-tax, service tax, cess and other material statutory dues as applicable with the appropriate authorities.  
  
(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, sales tax, service tax and cess which have not been deposited on account of any dispute.
- x. The Company has accumulated losses exceeding 50 percent of its net worth as at March 31, 2011 and it has incurred cash losses in the financial year ended on that date and the immediately preceding financial year. (Also refer para 4 below).
- 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 or debenture holders 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. The Company has not obtained any term loans.
- 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. The Company has not issued any debentures during the year.
  - 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 draw your attention to:
- 4.1 Note 6 on Schedule 16, regarding the appropriateness of the “going concern” basis used for the preparation of these financial statements, as the net-worth of the Company has eroded as at March 31, 2011. The validity of the “going concern” basis would depend upon the future projections, contracts entered into by the Company subsequent to the year end and continued financial support by the Holding Company, NIIT Limited.
  - 4.2 Note 20 on Schedule 16, regarding the capitalisation of expenses amounting to Rs. 95.19 lacs for developing the new products and the ability to generate Future Economic Benefits thereof.
5. Further to our comments in paragraph 3 and 4 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, 2011 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

- (f) Without qualifying Note 4 above, 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, 2011;
  - (ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
  - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Price Waterhouse  
Firm Registration Number: 301112E  
Chartered Accountants

Sd/-

Usha Rajeev  
Partner  
Membership No.- F-087191

Place of the Signature:  
Date: May 7 , 2010

**Hole-in-the-Wall Education Limited**  
**Balance Sheet as at 31st March 2011**

	Schedule No. / (Note Reference)		As At 31st March 2011  (Rs.)	As At 31st March 2010  (Rs.)
<b>SOURCES OF FUNDS</b>				
<b>SHAREHOLDERS' FUNDS</b>				
Share Capital	1	66,000,070	66,000,070	66,000,070
Share Premium		<u>20,000,000</u>	86,000,070	<u>20,000,000</u>
				86,000,070
<b>LOANS FUNDS</b>				
Unsecured Loans	2		44,207,721	42,643,889
			<u><b>130,207,791</b></u>	<u><b>128,643,959</b></u>
<b>APPLICATION OF FUNDS</b>				
<b>FIXED ASSETS</b>				
Gross Block	3	15,960,463	19,944,307	
Less: Depreciation		<u>11,612,211</u>	<u>16,629,558</u>	
Net Block			4,348,252	3,314,749
<b>Capital Work-in-Progress</b>	16(20)		7,343,511	8,188,848
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
Inventories	16{1(iv) & 14}	1,111,705	4,213,081	
Sundry Debtors	4	19,361,670	12,122,113	
Cash and Bank Balances	5	2,013,077	1,928,464	
Other Current Assets	6	804,433	742,547	
Loans and Advances	7	<u>4,018,937</u>	<u>2,760,122</u>	
		<u>27,309,822</u>	<u>21,766,327</u>	
<b>Less : CURRENT LIABILITIES AND PROVISIONS</b>				
Current Liabilities	8	24,365,022	11,040,423	
Provisions	9	773,001	813,241	
		<u>25,138,023</u>	<u>11,853,664</u>	
Net Current Assets			2,171,799	9,912,663
<b>PROFIT &amp; LOSS ACCOUNT</b>			116,344,229	107,227,699
			<u><b>130,207,791</b></u>	<u><b>128,643,959</b></u>
<b>NOTES TO ACCOUNTS</b>	16		-	-

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

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

**For Price Waterhouse**  
Firm Registration No. : 301112 E  
Chartered Accountants

**Sd/-**  
**Rajendra S Pawar**  
Director  
DIN : 00042516

**Sd/-**  
**P. Rajendran**  
Director  
DIN : 00042531

**Sd/-**  
**Usha Rajeev**  
Partner  
Membership No.-F-087191  
Place : New Delhi  
Date : May 7, 2011

**Sd/-**  
**Meenakshi Gupta**  
Company Secretary

**Hole-in-the-Wall Education Limited**  
**Profit and Loss Account for the year ended 31st March, 2011**

	Schedule No./[Note Reference]	Year ended 31st March 2011 (Rs.)	Year ended 31st March 2010 (Rs.)
<b>INCOME</b>			
Revenue from Operations	10 [16 (1)(iii)]	27,716,310	29,837,346
Other Income	11	12,081	498,363
		<b>27,728,391</b>	<b>30,335,709</b>
<b>EXPENDITURE</b>			
Cost of Goods Sold and Execution Expenses	12	14,988,119	14,363,302
Personnel	13	6,380,917	7,543,709
Administration and Others	14	9,380,126	12,855,241
Interest and Finance Charges	15	5,237,860	4,251,067
Depreciation and Amortisation	3	857,899	713,477
		<b>36,844,921</b>	<b>39,726,796</b>
(Loss) before tax		(9,116,530)	(9,391,087)
Tax expense - Fringe Benefit Tax		-	4,224
(Loss) after tax		<b>(9,116,530)</b>	<b>(9,395,311)</b>
Add: (Loss) Brought forward from previous year		(107,227,699)	(97,832,388)
(Loss) Transferred to Balance Sheet		<b>(116,344,229)</b>	<b>(107,227,699)</b>
(Loss) per share	16 (15)	(16.71)	(16.99)

**NOTES TO ACCOUNTS**

16

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

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

**For Price Waterhouse**  
 Firm Registration No. : 301112 E  
 Chartered Accountants

Sd/-  
**Rajendra S Pawar**  
 Director  
 DIN : 00042516

Sd/-  
**P. Rajendran**  
 Director  
 DIN : 00042531

Sd/-  
**Usha Rajeev**  
 Partner  
 Membership No.-F-087191  
 Place : New Delhi  
 Date : May 7, 2011

Sd/-  
**Meenakshi Gupta**  
 Company Secretary

**Hole-in-the-Wall Education Limited**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31st March 2011**

	Year Ended 31st March 2011 Rs.	Year Ended 31st March 2010 Rs.
<b>A. Cash flow from operating activities:</b>		
Net (Loss) before Tax	(9,116,530)	(9,391,087)
Adjustments for:		
Depreciation and Amortisation	857,899	713,477
Provision for Compensated Absences	(40,240)	(637,934)
Provision for Doubtful Debts	1,642,289	4,733,100
Interest on Fixed Deposits	(14,801)	(158,422)
Foreign Exchange Adjustments	1,289	(19,932)
Interest Expense	5,252,661	4,356,553
Liability no longer required Written Back	(12,081)	(330,888)
<b>Operating (profit) before working capital changes</b>	<b>(1,429,514)</b>	<b>(735,133)</b>
<b>Adjustments for changes in working capital :</b>		
- (INCREASE)/DECREASE in Sundry Debtors	(8,881,846)	(5,522,125)
- (INCREASE)/DECREASE in Inventory	3,101,376	(2,997,727)
- (INCREASE)/DECREASE in Other Receivables	(935,556)	9,987,297
- INCREASE/(DECREASE) in Trade and Other Payables	13,335,391	(4,842,137)
<b>Cash generated from operations</b>	<b>5,189,851</b>	<b>(4,109,825)</b>
- Taxes (Paid)	(385,145)	(265,769)
<b>Net cash used in operating activities</b>	<b>4,804,706</b>	<b>(4,375,594)</b>
<b>B. Cash flow from Investing activities:</b>		
Purchase of fixed assets(including Capital Work in Progress)	(1,428,156)	(4,609,228)
Sale/disposal/loss on fixed assets	382,091	
Interest on Fixed deposit and Others	14,801	241,788
<b>Net cash used in investing activities</b>	<b>(1,031,264)</b>	<b>(4,367,440)</b>
<b>C. Cash flow from financing activities:</b>		
Receipt of Loan	1,563,832	6,443,889
Payment of loan	-	-
Interest Paid	(5,252,661)	(4,356,553)
<b>Net cash from financing activities</b>	<b>(3,688,829)</b>	<b>2,087,336</b>
<b>Net Increase/Decrease in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>84,613</b>	<b>(6,655,698)</b>
<b>Cash and cash equivalents as at the beginning of the year</b> (Refer Note 1 below)	<b>1,928,464</b>	<b>8,584,162</b>
<b>Cash and cash equivalents as at the end of the year</b> (Refer Note 1 below)	<b>2,013,077</b>	<b>1,928,464</b>

**Notes :**

**1 Cash and cash equivalents comprise of**

Cash in hand		-
Balances with Banks in		
- Current Account	1,651,098	1,355,769
- Fixed Deposit Account (Fixed Deposit includes Rs.361979 (Previous Year - Rs 572695) pledged as margin money)	361,979	572,695
	<b>2,013,077</b>	<b>1,928,464</b>

2 The above Cash flow statement has been prepared under the indirect method as set out in Accounting Standard - 3 "Cash Flow Statements", as notified under Section 211(3C) of the Companies Act, 1956.

3 Previous year figures, to the extent feasible, have been regrouped/recast wherever necessary to conform to the current year's classification.

4 The Schedule nos. 1 to 15 form an integral part of the Cash Flow Statement

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

**For Price Waterhouse**  
Firm Registration No. : 301112 E  
Chartered Accountants

Sd/-  
**Rajendra S Pawar**  
Director  
DIN : 00042516

Sd/-  
**P. Rajendran**  
Director  
DIN : 00042531

Sd/-  
**Usha Rajeev**  
Partner  
Membership No.-F-087191  
Place : New Delhi  
Date : May 7, 2011

Sd/-  
**Meenakshi Gupta**  
Company Secretary

**Hole-in-the-Wall Education Limited**  
**Schedules annexed to and forming part of the Balance Sheet**  
**as at 31st March, 2011**

Schedule No.	As at 31st March 2011 (Rs.)	As at 31st March 2010 (Rs.)
<b>1. SHARE CAPITAL</b> [Refer Note 17 on Schedule 16]		
<b>Authorised</b>		
20,000,000 Equity Shares of Rs. 10/- each	200,000,000	200,000,000
10,000,000 Redeemable Preference Shares of Rs.10/- each	100,000,000	100,000,000
	<b>300,000,000</b>	<b>300,000,000</b>
<b>Issued &amp; Subscribed</b>		
1,000,007 Equity Shares of Rs. 10/- each	10,000,070	10,000,070
3,400,000 13.75% Non Convertible Cumulative Redeemable Preference shares of Rs. 10/- each (held by Holding Company, NIIT Ltd.)	34,000,000	34,000,000
2,200,000 13.25% Non Convertible Cumulative Redeemable Preference shares of Rs. 10/- each (held by Holding Company, NIIT Ltd.)	22,000,000	22,000,000
	<b>66,000,070</b>	<b>66,000,070</b>
<b>Paid-up</b>		
1,000,007 Equity Shares of Rs. 10/- each (Includes 1,000,000 Equity Shares of Rs 10/- each held by the holding company, NIIT Limited, out of which 850,000 Equity Shares of Rs 10/- each have been issued for consideration other than cash)	10,000,070	10,000,070
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
	<b>66,000,070</b>	<b>66,000,070</b>
<b>2 UNSECURED LOANS</b> [Refer Note 3 on Schedule 16]		
Working Capital Loan from Bank	8,007,721	6,443,889
Loans from Holding Company (Due within one year Rs.36,200,000) (Previous year Rs.7,000,000)	36,200,000	36,200,000
	<b>44,207,721</b>	<b>42,643,889</b>

**Hole-in-the-Wall Education Limited**  
Schedules annexed to and forming part of the Balance Sheet as at 31 March, 2011

**Schedule 3**

**FIXED ASSETS**

[Refer Note 1 (i) & (ii) and 20 on Schedule 16]

(Amount in Rs.)

Description of Assets	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As on 1st April 2010	Additions during the Year	Sale/Adjust during the Year	Total as on 31st Mar 2011	As on 1st April 2010	For the Year	Sale/Adjust during the year	Total as on 31st Mar 2011	As on 31st Mar 2011	As on 31st Mar 2010
<b><u>Tangible</u></b>										
Plant and Machinery	6,682,087	97,545	4,397,065	2,382,567	5,857,036	238,284	4,069,574	2,025,746	356,821	825,051
Furniture and Fixtures	1,915,772	-	1,860,272	55,500	1,858,398	-	1,805,672	52,726	2,774	57,374
<b>TOTAL (A)</b>	<b>8,597,859</b>	<b>97,545</b>	<b>6,257,337</b>	<b>2,438,067</b>	<b>7,715,434</b>	<b>238,284</b>	<b>5,875,246</b>	<b>2,078,472</b>	<b>359,595</b>	<b>882,425</b>
<b><u>Intangible</u></b>										
Patents	8,500,000	-	-	8,500,000	8,500,000	-	-	8,500,000	-	-
Software										
- Acquired	56,385	-	-	56,385	56,385	-	-	56,385	-	-
- Internally Generated	2,790,063	2,175,948	-	4,966,011	357,739	619,615	-	977,354	3,988,657	2,432,324
<b>TOTAL (B)</b>	<b>11,346,448</b>	<b>2,175,948</b>	<b>-</b>	<b>13,522,396</b>	<b>8,914,124</b>	<b>619,615</b>	<b>-</b>	<b>9,533,739</b>	<b>3,988,657</b>	<b>2,432,324</b>
<b>GRAND TOTAL (A+B)</b>	<b>19,944,307</b>	<b>2,273,493</b>	<b>6,257,337</b>	<b>15,960,463</b>	<b>16,629,558</b>	<b>857,899</b>	<b>5,875,246</b>	<b>11,612,211</b>	<b>4,348,252</b>	<b>3,314,749</b>
<b>PREVIOUS YEAR</b>	<b>16,987,696</b>	<b>2,956,611</b>	<b>-</b>	<b>19,944,307</b>	<b>15,916,081</b>	<b>713,477</b>	<b>-</b>	<b>16,629,558</b>	<b>3,314,749</b>	<b>-</b>
							<b>Capital Work-in-Progress</b>		<b>7,343,511</b>	<b>8,188,848</b>

**Hole-in-the-Wall Education Limited**  
**Schedules annexed to and forming part of the Balance Sheet**  
**as at 31st March 2011**

Schedule No.	As at 31st March 2011  (Rs.)	As at 31st March 2010  (Rs.)
<b>4</b>	<b>SUNDRY DEBTORS</b>	
	(Unsecured)	
	Outstanding for over six months	
	Considered Good	7,104,286
	Considered Doubtful	3,700,907
		5,232,100
	Other Debts-Considered Good	12,257,384
		<u>8,421,206</u>
		26,236,059
	Less: Provision For Doubtful Debts	17,354,213
		<u>5,232,100</u>
		<b><u>19,361,670</u></b>
		<b><u>12,122,113</u></b>
<b>5</b>	<b>CASH AND BANK BALANCES</b>	
	Balances with Scheduled Banks in :	
	- Current Account	1,651,098
	- Fixed Deposit Account	1,355,769
	(Fixed Deposit includes Rs.361,979 (Previous Year - Rs. 572,695) pledged as margin money)	361,979
		572,695
		<u>2,013,077</u>
		<b><u>1,928,464</u></b>
<b>6</b>	<b>OTHER CURRENT ASSETS</b>	
	(Unsecured, considered good)	
	Unbilled Revenue	753,034
		676,659
	Interest Receivable	51,399
		<u>65,888</u>
		<b><u>742,547</u></b>
<b>7</b>	<b>LOANS AND ADVANCES</b>	
	(Unsecured, considered good)	
	[Refer Notes 1(vi), (viii) and 5 on Schedule 16]	
	Advances recoverable in cash or in kind or for value to be received	1,666,370
		823,700
	Security Deposits	61,000
		30,000
	Advance payment of Income Tax (incl. Tax deducted at source)	2,254,208
		1,869,063
	Advance payment of Fringe Benefit Tax	707,119
	Less:- Provision for Fringe Benefit Tax	669,760
		<u>37,359</u>
		<u>707,119</u>
		<u>37,359</u>
		<b><u>4,018,937</u></b>
		<b><u>2,760,122</u></b>

**Hole-in-the-Wall Education Limited**  
**Schedules annexed to and forming part of the Balance Sheet**  
**as at 31st March 2011**

Schedule No.	As at 31st March 2011 (Rs.)	As at 31st March 2010 (Rs.)
<b>8</b>	<b>CURRENT LIABILITIES</b>	
	[Refer Note 21 on Schedule 16]	
	Sundry Creditors	
	- total outstanding dues of micro enterprises and small enterprises	-
	- total outstanding dues of creditors other than micro enterprises and small enterprises	8,282,619
	12,755,369	
	Advances from Customers	387,298
	8,332,917	
	Deferred Revenue	1,160,349
	1,588,164	
	Other Liabilities	1,210,157
	1,688,572	
	<b>24,365,022</b>	<b>11,040,423</b>
<b>9</b>	<b>PROVISIONS</b>	
	[Refer Note 1 (vi), (viii), (x) and 5 on Schedule 16]	
	Provision for Compensated Absences	813,241
	773,001	
	<b>773,001</b>	<b>813,241</b>

**Hole-in-the-Wall Education Limited**  
**Schedules annexed to and forming part of the Profit and Loss Account**  
**for the year ended 31st March,2011**

Schedule No.	Year ended 31st March 2011 (Rs.)	Year ended 31st March 2010 (Rs.)
<b>10</b>	<b>REVENUE FROM OPERATIONS</b>	
	[Refer Notes 1(iii), 12 and 13 on Schedule 16]	
	Income from Sale of Kiosks	8,930,327
	Services	20,907,019
	<u>27,716,310</u>	<u>29,837,346</u>
<b>11</b>	<b>OTHER INCOME</b>	
	Gain on foreign exchange fluctuations (Net)	167,475
	Liability no longer required Written Back	330,888
	<u>12,081</u>	<u>498,363</u>

**Hole-in-the-Wall Education Limited**  
**Schedules annexed to and forming part of the Profit and Loss Account**  
**for the year ended 31st March, 2011**

Schedule No.	Year ended 31st March 2011 (Rs.)	Year ended 31st March 2010 (Rs.)
<b>12</b>	<b>COST OF GOODS SOLD AND EXECUTION EXPENSES</b>	
	[Refer Notes 14 on Schedule 16]	
	Cost of goods sold	6,314,868
	Professional Charges	7,557,965
	Dispatch and Shipping Charges	490,469
	<b>14,988,119</b>	<b>14,363,302</b>
<b>13</b>	<b>PERSONNEL</b>	
	[Refer Notes 1(vi), 5, 10 and 20 on Schedule 16]	
	Salaries and Benefits [Includes contribution towards Provident and Other Funds Rs 340,158(Previous Year Rs.360,175)]	7,198,137
	Welfare and other expenses	345,572
	<b>6,380,917</b>	<b>7,543,709</b>
<b>14</b>	<b>ADMINISTRATION AND OTHERS</b>	
	[Refer Notes 8, 11, 22 and 23 on Schedule 16]	
	Rent	1,076,786
	Electricity and Water	231,378
	Legal expenses	248,854
	Professional Services	1,380,715
	Auditors' Remuneration	375,740
	Communication	775,096
	Travelling and Conveyance	3,251,230
	Repairs and Maintenance	
	- Plant and Machinery	97,392
	- Building	1,037
	- Others	135,875
	Insurance	46,974
	Business Promotion	262,143
	Security & Admin Charges	125,031
	Sundry Expenses	113,890
	Provision for doubtful debts	4,733,100
	Loss on disposal of fixed assets	-
	Loss on foreign exchange fluctuations (Net)	-
	<b>9,380,126</b>	<b>12,855,241</b>
<b>15</b>	<b>INTEREST AND FINANCE CHARGES</b>	
	Interest Expense	4,356,553
	Bank and Financial charges	120,149
	<b>5,252,661</b>	<b>4,476,702</b>
	Less: Interest Received	
	On Fixed Deposits (Gross)	158,422
	Others	67,213
	<b>5,237,860</b>	<b>4,251,067</b>

**HOLE-IN-THE-WALL EDUCATION LIMITED**  
**SCHEDULE 16: Notes to Accounts for the year ended 31<sup>st</sup> March, 2011**

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**1. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are prepared on an accrual basis, under historical cost convention and in compliance in all material aspects with all the applicable accounting principles in India, the applicable accounting standards notified u/s 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956. The significant accounting policies adopted by the Company are detailed below:

**(i) Fixed Assets, Depreciation and Amortisation**

Fixed Assets are stated at acquisition cost.

Expenses incurred on internal development of products or prototypes are capitalized as software, once their technical feasibility is established in accordance with the requirement of Accounting Standard 26, "Intangible Assets" as notified under section 211(3C) of the Companies Act, 1956. Expenses incurred during the research phase till the establishment of commercial feasibility are charged to the profit and loss account.

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

Computers, related accessories (included in Plant and Machinery)	3-5 years
Furniture and fixtures & Electric Fittings	7 years
Office Equipment and Electronic Equipments	8 years
Air Conditioners	10 years
Leasehold Improvements	3 years or lease period, whichever is less.
Intangibles	3-5 years
All other assets	Rates prescribed under schedule XIV to the Companies Act, 1956

Intangible assets are technically evaluated each year for their useful economic life and the unamortized depreciable amount of the asset is charged to the profit and loss account as depreciation / amortization over their 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) Revenue Recognition**

The Company recognizes revenue on an accrual basis. In respect of goods and services, the revenue is recognized on dispatch of goods/delivery of the concerned services.

**HOLE-IN-THE-WALL EDUCATION LIMITED**  
**SCHEDULE 16: Notes to Accounts for the year ended 31<sup>st</sup> March, 2011**

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**(iv) Inventory Valuation**

Inventories are valued at lower of cost or net realizable value. Cost is determined using weighted average method and includes applicable cost incurred in bringing inventories to their present location and condition.

**(v) Leases**

Lease rental in respect of operating lease arrangements are charged to expense on a straight line basis as per the terms of the related agreements.

**(vi) Employee Benefits**

**a) Gratuity :**

The Company provides for gratuity, a defined benefit retirement plan (the “Gratuity Plan”) covering eligible employees in accordance with the Payment of Gratuity Act, 1972. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee’s salary and the tenure of employment. Company’s liability is actuarially determined at the end of the year and any shortfall in the fund size maintained by the trust set up by the Holding Company with Life Insurance Corporation of India is additionally provided for.

Actuarial gains, if any, are recognized in the profit and loss account and disclosed as an asset in the Balance Sheet.

**b) Compensated Absences :**

Liability in respect of compensated absences is provided both for encashable leave and those expected to be availed. The Company has defined benefit plans for compensated absences for employees, the liability for which is determined on the basis of an actuarial valuation at the end of the year any gain or loss arising out of such valuation is recognized in the profit and loss account as income or expense as the case may be.

**c) Superannuation :**

The Company makes defined contribution to the Trust established for the purpose by NIIT Limited (holding company). The superannuation fund is maintained with Life Insurance Corporation of India. Contribution made during the year is charged to P&L A/c. The Company has no further obligation beyond it’s monthly contributions.

**d) Provident Fund :**

The Company makes contribution to “NIIT LIMITED EMPLOYEES' PROVIDENT FUND TRUST” in respect of all its employees. The Company’s contribution towards Provident Fund is charged to Profit & Loss Account. As the obligation to fund the deficit, if any, lies with the holding company, the same has been accounted for as a defined contribution plan.

**HOLE-IN-THE-WALL EDUCATION LIMITED**  
**SCHEDULE 16: Notes to Accounts for the year ended 31<sup>st</sup> March, 2011**

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**e) Pension Fund :**

The Company makes defined contribution in respect of certain employees, to a Government administered pension fund. The Company's contribution towards Employee Pension Scheme is charged to Profit & Loss Account.

**(vii) Foreign Currency Transactions**

Transactions in foreign currency are booked at 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. Gains/Losses arising out of fluctuations on realization / payment or restatement are charged / credited to the profit and loss account.

**(viii) Taxation**

Tax expense, comprising of both current 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 recognized for financial reporting purposes and the amounts that are recognized for current tax purposes. As a matter of prudence deferred tax assets are recognised and carried forward only to the extent, there is reasonable/ virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Current Tax is determined based on the provisions of Income Tax Act, 1961.

**(ix) Borrowing Cost**

Borrowing costs are recognized 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, it is capitalised.

**(x) 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 :**

Dividend on Non Convertible Cumulative Redeemable Preference Shares not provided in the absence of adequacy of profits Rs.57,562,698 (Previous Year – Rs. 49,972,698).

During the year, the Company has availed fund based limits from a bank which are covered within the working capital limits of the holding company, NIIT Limited. The amount outstanding under such facility as at the year end is Rs. 8,007,721.

The terms of repayment of loans from NIIT Limited aggregating to Rs. 7,000,000 (Previous year- Nil), which were due during the year, have been extended and are repayable in the ensuing financial year.

**HOLE-IN-THE-WALL EDUCATION LIMITED**  
**SCHEDULE 16: Notes to Accounts for the year ended 31<sup>st</sup> March, 2011**

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**3. EMPLOYEE BENEFIT PLANS**

**(i) Defined Contribution Plans**

The Company makes contribution towards Provident Fund, Pension Fund and Superannuation Fund, a defined contribution retirement benefit plan, for eligible employees.

During the year the Company has recognized the following amounts in the Profit and Loss account:-

S.No.	Nature of Contribution	For the year ended 31 <sup>st</sup> March 2011 (Rs.)	For the year ended 31 <sup>st</sup> March 2010 (Rs.)
1.	Employers Contribution to Provident Fund	147,674	164,815
2.	Employers Contribution to Superannuation Fund	115,801	111,072
3.	Employers Contribution to Pension Fund	76,683	84,288

Employers' contribution to provident and other funds in respect of Key Managerial Personnel is Rs. 115,800 (previous year Rs. 109,200).

**(ii) Employee Benefit Plans**

**1) Compensated Absences(Other benefits)**

S.No.	Particulars	As at March 31, 2011 (Rs.)	As at March 31, 2010 (Rs.)
	<b>Change in Present value of Obligation :</b>		
	Present Value of obligation at the beginning of the year	813,241	1,451,175
	Benefits Paid	(74,540)	(15,800)
	Service Cost	69,430	64,286
	Interest Cost	62,080	115,460
	Past Service Cost		(345,670)
	Actuarial (gain)/ loss on Obligation	(97,210)	(456,210)
	Present value of obligation at the end of the year	773,001	813,241
	Amount debited/ (credited) to Salaries & benefits in Profit and Loss Account	34,303	(637,934)

**2) Assumptions used:**

Discount Rate (per annum)

8.00%

Future Salary Increase

10% p.a. for first 5 Years and 7% p.a. thereafter

**HOLE-IN-THE-WALL EDUCATION LIMITED**  
**SCHEDULE 16: Notes to Accounts for the year ended 31<sup>st</sup> March, 2011**

**(iii) Gratuity(Defined benefit plan):**

S.No.	Particulars	As at March 31, 2011 (Rs.)	As at March 31, 2010 (Rs.)
<b>1.</b>	<b>Change in benefit obligation:-</b>		
	Present Value of Obligation at the beginning of the year	893,090	845,437
	Interest cost	71,450	67,640
	Current service cost	94,040	104,110
	Benefits Paid	-	-
	Actuarial (gain)/ loss on Obligations	(323,580)	(124,100)
	Present value obligation as at the end of the year	<b>735,000</b>	<b>893,090</b>
<b>2.</b>	<b>Change in Plan Assets:-</b>		
	Fair value of Plan Assets at the beginning of the year	1,302,800	1,143,223
	Expected return on Plan Assets	125,710	109,300
	Contributions	69,120	51,590
	Benefits Paid	-	(1,310)
	Actuarial gain/ (loss) on Plan Assets	(2,160)	-
	Fair value of Plan Assets at the end of the year	<b>1,495,470</b>	<b>1,302,800</b>

3.	Amount of Assets recognized at the year end *	As at March 31, 2011 (Rs.)	As at March 31, 2010 (Rs.)	As at March 31, 2009 (Rs.)	As at March 31, 2008 (Rs.)
	Fair value of Plan Assets	1,495,470	1,302,800	1,143,223	921,348
	Present value of obligation	735,000	893,090	845,437	742,254
		<b>760,470</b>	<b>409,710</b>	<b>297,786</b>	<b>179,094</b>
	* Grouped under Loans and Advances				

4.	Net Gratuity Cost/(Credit) recognized in Profit and Loss Account(under Salaries & benefits):-	As at March 31, 2011 (Rs.)	As at March 31, 2010 (Rs.)
	Current service cost	94,040	104,110
	Interest Cost	71,450	67,640
	Expected Return on Plans Assets	(125,710)	(109,300)

**HOLE-IN-THE-WALL EDUCATION LIMITED**  
**SCHEDULE 16: Notes to Accounts for the year ended 31<sup>st</sup> March, 2011**

	Net Actuarial (gain)/ loss recognized during the year	(321,420)	(124,100)
	Benefits Paid		1,310
	Expense / (Credit) recognized in profit and loss Account	(281,640)	(60,340)
<b>5.</b>	<b>Assumptions used:-</b>	<b>As at March 31, 2011 (Rs.)</b>	<b>As at March 31, 2010 (Rs.)</b>
	Discount Rate (per annum)	8%	8%
	Future Salary Increase	5%	5%
	Expected Rate of Return on Plan Assets	9.40%	9.40%

Actuary's best estimate of contribution for the next year is Rs. 69,000

**Investment details of plan assets:**

The Company has contributed to the Gratuity fund of the holding company, maintained with the Life Insurance Corporation of India. The details of investment maintained by Life Insurance Corporation are not available with the Company and have not been disclosed.

The expected return on plan assets is determined considering several applicable factors mainly the composition of plan assets held, assessed risk of asset management and historical result of the return on plan assets.

4. The net worth of the Company eroded fully in the year ended March 31, 2007.

The Company entered into fresh contracts and MOUs for project implementations during the current financial year, but the majority of contracts remain executable in the future.

On the basis of business projections available with HIWEL along with letter of support from NIIT Limited, the accounts have been prepared on a going concern basis keeping in view of contracts and plans which would enable HIWEL to generate sufficient funds to carry out its operations. In view of this, the financial position of the Company is expected to improve in the ensuing financial year.

5. During the year, the company was awarded a contract amounting to USD 195,000 from The Regents of the University of California. This sub contract was awarded under the authority issued by John D. & Catherine T. MacArthur Foundation. The contract specifies the deliverable in form of an Intellectual Property Right viz. Activity Based e Learning (ABeL) which is currently under development by the company. The contract also provides for the option with the Company retaining this right and paying royalty. However, the ultimate outcome of retention of the Intellectual Property therein would be determined on completion of such development. The amount received has been disclosed as advance from customers as at the year end. The cost of development is presently accounted under Capital work in progress.(Refer Note 18)

**HOLE-IN-THE-WALL EDUCATION LIMITED**  
**SCHEDULE 16: Notes to Accounts for the year ended 31<sup>st</sup> March, 2011**

**6. Payment to auditors (including service tax)**

Particulars	Year ended 31 <sup>st</sup> March, 2011 (Rs.)	Year ended 31 <sup>st</sup> March, 2010 (Rs.)
Audit Fees	140,000	140,000
Tax Audit Fees	60,000	60,000
Others	-	125,000
Reimbursement of Expenses (Including Service Tax)	13,489	50,740

7. Interest received is gross of tax deducted at source of Rs. 14,801 (Previous Year Rs. 17,289).

**8. MANAGERIAL REMUNERATION :**

During the financial year, the Company has paid remuneration, within the limits of Schedule XIII (Para B of Part II) of the Companies Act, 1956 to the “Manager” of the Company appointed under Section 269 of The Companies Act, 1956, based on approval of the meeting of the shareholders. Details of remuneration paid to the “Manager” as under:

Particulars	Year ended 31 <sup>st</sup> March, 2011 (Rs.)	Year ended 31 <sup>st</sup> March, 2010 (Rs.)
Salary, perquisites and allowances	1,435,761	1,094,166
Contribution to provident fund and other funds	115,800	109,200
Performance Linked Bonus	41,055	265,056
<b>Total</b>	<b>1,592,616</b>	<b>1,468,422</b>

**9. Expenditure in foreign currency:-**

Particulars	Year ended 31 <sup>st</sup> March, 2011 (Rs.)	Year ended 31 <sup>st</sup> March, 2010 (Rs.)
Production, development and Bought out packages/product	-	844,535
Travel	76,339	128,077
<b>Total</b>	<b>76,339</b>	<b>2,178,828</b>

**10. Earnings in foreign currency:-**

Particulars	Year ended 31 <sup>st</sup> March, 2011 (Rs.)	Year ended 31 <sup>st</sup> March, 2010 (Rs.)
Revenue from Operations	74,425	67,455
<b>Total</b>	<b>74,425</b>	<b>67,455</b>

**HOLE-IN-THE-WALL EDUCATION LIMITED**  
**SCHEDULE 16: Notes to Accounts for the year ended 31<sup>st</sup> March, 2011**

11. The details relating to revenue from operations are as under :

(i) **Traded Items :**

Particulars	Year ended March 31, 2011		Year ended March 31, 2010	
	Nos.*	(Rs.)	Nos.*	(Rs.)
Sales *	115	11,327,394	121	8,930,327

\* The sale contracts of the Company are for setting up kiosks which requires inputs of all the material mentioned below (Note 12). These sale contracts have a total consolidated sale value of the kiosks and related software and the sale value of individual material items is not determinable.

12. Details relating to principal traded items are as under:

Particulars		Opening Stock		Purchases		Consumption		Closing Stock	
		2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Special Pointing Devices	Qty. (Nos.)	205	105		250	205	150	-	205
	Value	347,531	184,002		417,820	347,531	254,291	-	347,531
Special Window	Qty. (Nos.)	75	104		50	50	79	25	75
	Value	520,092	696,524		371,399	463,319	547,831	56,773	520,092
Auto Power System	Qty. (Nos.)	87	137	155	50	227	100	15	87
	Value	219,514	334,828	276,150	137,000	468,889	252,314	26,775	219,514
Standalone Kiosk	Qty. (Nos.)	140	-		200	140	60		140
	Value	2,429,312	-		3,470,445	2,429,312	1,041,133		2,429,312
UPS	Qty. (Nos.)	35	-	56	160	90	125	1	35
	Value	87,470	-	156,134	399,864	241,557	312,394	2,048	87,470
Computer	Qty. (Nos.)	35	-	47	166	82	131		35
	Value	609,162	-	863,625	2,889,168	1,472,787	2,280,006		609,162
Window panel/SAM	Qty. (Nos.)	-	-	120	-	57	-	63	-
	Value	-	-	2,159,121	-	1,133,012	-	1,026,109	-
Solar	Qty. (Nos.)	-	-	2	-	2	-	-	-
	Value	-	-	117,520	-	117,520	-	-	-
Misc items	Qty. (Nos.)	-	-						
	Value	-	-	90,831	-	90,831	-	-	-
Total	Qty. (Nos.)	577	346	380	876	853	645	104	577
	Value	4,213,081	1,215,354	3,663,381	7,685,696	6,764,758	4,687,969	1,111,705	4,213,081

**HOLE-IN-THE-WALL EDUCATION LIMITED**  
**SCHEDULE 16: Notes to Accounts for the year ended 31<sup>st</sup> March, 2011**

**13. Earnings per Share**

Particulars	Year ended 31 <sup>st</sup> March, 2011 (Rs.)	Year ended 31 <sup>st</sup> March, 2010 (Rs.)
Profit / (Loss) as per Profit & Loss Account - (A)	(9,114,402)	(9,395,311)
Dividend on Non Convertible Cumulative Redeemable Preference Shares not considered in books - (B)	(7,590,000)	(7,590,000)
Profit / (Loss) attributable to Equity Shareholders - (C=A+B)	(16,704,402)	(16,985,311)
Weighted Average number of Equity shares outstanding during the year - (D)	1,000,007	1,000,007
Nominal Value of Equity Shares (Rs.)	10/-	10/-
Basic/Diluted (loss) per share (Rs) (C/D)	(16.70)	(16.99)

There are no potential dilutive shares as at the year-end. Accordingly, basic and diluted earnings per share are the same.

**14. RELATED PARTY TRANSACTIONS AS PER ACCOUNTING STANDARD 18:**

**(i) Related party relationship where control exists**

Holding Company - NIIT Limited

**(ii) Fellow Subsidiaries**

1. NIIT Online Learning Ltd
2. Scantech Evaluation Services Ltd
3. NEO Multimedia Limited (formerly known as NIIT Multimedia Limited) (Till 30.03.2011)
4. NIIT Institute of Finance Banking and Insurance Training Ltd
5. NIIT Institute of Process Excellence Limited
6. Evolv Services Limited
7. NIIT Ltd, UK
8. NIIT Antilles NV, Netherlands Antilles
9. NIIT Malaysia Sdn. Bhd, Malaysia
10. NIIT GC Ltd (formerly NIIT TVE Ltd, Mauritius)
11. NIIT China (Shanghai) Limited, Shanghai
12. NIIT Wu Xi Service Outsourcing Training School
13. Chongqing NIIT Education Consulting Limited, China
14. Wu Xi NIIT Information Technology Consulting Limited
15. Changzhou NIIT Information Technology Consulting Limited
16. Su Zhou NIIT Information Technology Consulting Limited
17. PCEC NIIT Institute of Information Technology, Shanghai- (Liquidated in April 2010)
18. NIIT (USA) Inc, USA
19. NIIT Ventures Inc, USA
20. Element K Corporation, USA
21. Element K India Private Limited, India
22. Element K (UK) Limited, United Kingdom
23. Element K, Canada
24. PT NIIT Indonesia, Indonesia (Under liquidation)

**HOLE-IN-THE-WALL EDUCATION LIMITED**  
**SCHEDULE 16: Notes to Accounts for the year ended 31<sup>st</sup> March, 2011**

(iii) Other related parties with whom the Company has transacted :

**Key Managerial Personnel :**

Mr. Purnendu Hota - Manager

**Parties in which Key Managerial Personnel are interested :**

NIIT Institute of Information Technology

(iv) Details of significant transactions with the Related Parties carried out on an arms length basis:

(Amount in Rs.)

Nature of Transactions	Holding Company (Rs.)	Parties in which Key Managerial Personnel of Holding Company are interested (Rs.)	Key Managerial Personnel (Rs.)
Interest Paid	4,343,996 (4,343,996)	Nil (Nil)	Nil (Nil)
Sale of Goods	3,600,000 (Nil)	(Nil) (Nil)	Nil (Nil)
Rendering of services	2,875,000 (Nil)	79,157 (4,644,906)	Nil (Nil)
Management Charges paid	944,397 (919,012)	Nil (Nil)	Nil (Nil)
Rent Paid	70,000 (0)	Nil (Nil)	Nil (Nil)
Reimbursement of expenses paid	2,368,069 (1,831,217)	Nil (Nil)	Nil (Nil)
Remuneration to Key Managerial Personnel (Refer note 10 above)	Nil (Nil)	Nil (Nil)	1,592,616 (1,468,422)

**Details of outstanding balances with related parties:**

Particulars	Payables As at 31.03.2011 (Rs.)	Payables As at 31.03.2010 (Rs.)	Receivables As at 31.03.2011 (Rs.)	Receivables As at 31.03.2010 (Rs.)	Loan Payable As at 31.03.2011 (Rs.)	Loan Payable As at 31.03.2010 (Rs.)
Holding Company	6,722,975	3,431,280	6,456,362	Nil	36,200,000	36,200,000
Key Managerial Personnel	20,934	3,319	Nil	Nil	Nil	Nil

**HOLE-IN-THE-WALL EDUCATION LIMITED**  
**SCHEDULE 16: Notes to Accounts for the year ended 31<sup>st</sup> March, 2011**

Parties in which Key Managerial Personnel of the Holding Company are interested	Nil	Nil	707,610	620,300	Nil	Nil
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**15. PREFERENCE SHARES :**

During 2006-07, the following entire Non Convertible Cumulative Redeemable Preference Shares (NCCRPS) have been purchased by NIIT Limited (Holding Company) from International Finance Corporation (IFC):

1. 34 lacs nos. of 13.75% NCCRPS of Rs.10 each.
2. 22 lacs nos. of 13.25% NCCRPS of Rs.10 each.

These two classes of preference shares were issued on March 17, 2003 and May 27, 2004 respectively and were due for redemption on March 17, 2011 and May 27, 2012 respectively in four yearly equal installments had been extended till March 17, 2015 and May 27, 2016. In 2006-07, pursuant to the provision of Section 106 of the Companies Act, 1956, there was a variation in the rights attached to the above preference shares by extension of their redemption period. The due dates of redemption of these shares have been extended by four years from their respective due dates of redemption as per the schedules given below:

Sr. No.	No. of 13.75% NCCRPS	Due date of Redemption	Revised date of redemption (on or before)
1	850,000	March 17, 2011	March 17, 2015
2	850,000	March 17, 2012	March 17, 2016
3	850,000	March 17, 2013	March 17, 2017
4	850,000	March 17, 2014	March 17, 2018
Total	3,400,000		

Sr. No.	No. of 13.25% NCCRPS	Due date of Redemption	Revised date of redemption (on or before)
1	550,000	May 27, 2012	May 27, 2016
2	550,000	May 27, 2013	May 27, 2017
3	550,000	May 27, 2014	May 27, 2018
4	550,000	May 27, 2015	May 27, 2019
Total	2,200,000		

These shares 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.

**16.** Deferred Tax Asset has not been recognized as a matter of prudence.

**17.** The Company is in the business of setting up kiosks for computer education and training. Being a single business segment company, no segment information is being provided. The dominant source of risk and returns of the enterprise is considered to be the business and geography (India) in which it operates.

**HOLE-IN-THE-WALL EDUCATION LIMITED**  
**SCHEDULE 16: Notes to Accounts for the year ended 31<sup>st</sup> March, 2011**

18. The company is internally developing software tools, platforms and content. The management is of the view that the development of these would result in enhanced productivity and offer more technology based learning products / solutions to the customers in future. Based on orders in hand and expected business, the Company believes that there is no impairment to the intangibles even though there is a loss during the year and consequent uncertainty on the recoverability of carrying value of intangibles. The costs incurred towards the development are as follows:

Description	For the year 2010-11 Amt. (Rs.)	For the year 2009-10 Amt. (Rs.)
Opening balance at the beginning of the year	8,188,848	6,536,231
Add: Costs incurred during the year (as per details provided below)	1,330,613	4,442,680
Less: Capitalization during the year	(2,175,948)	(2,790,063)
Closing Balance at the end of the year	<b>7,343,511</b>	<b>8,188,848</b>

**Details of Costs incurred during the year:**

Particulars	For the Year 2010-11 (Rs.)	For the Year 2009-10 (Rs.)
Salary & Employee Benefits	1,330,613	1,158,492
Professional Charges	-	2,594,382
Rent	-	226,757
Electricity & Water	-	53,951
Other Expenses	-	409,098
<b>Total</b>	<b>1,330,613</b>	<b>4,442,680</b>

19. Based on information available with the Company, there is no vendor covered under the Micro, Small and Medium Enterprises Development Act, 2006. Hence, there are no applicable disclosure under the Act.

**20. LEASES :**

The Company has entered into leases for office premises and employee accommodations which are cancelable at the option of the Company by giving the requisite notice. Aggregate payments during the year under operating leases are as shown hereunder:

Particulars	Year ended 31 <sup>st</sup> March, 2011 (Rs.)	Year ended 31 <sup>st</sup> March, 2010 (Rs.)
In respect of Premises and Vehicles	1,479,305	1,076,786

**HOLE-IN-THE-WALL EDUCATION LIMITED**  
**SCHEDULE 16: Notes to Accounts for the year ended 31<sup>st</sup> March, 2011**

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

<b>Particulars</b>	<b>Year ended 31<sup>st</sup> March, 2011 (Rs.)</b>	<b>Year ended 31<sup>st</sup> March, 2010 (Rs.)</b>
Opening Provision	5,232,100	499,000
Add : Additional Provision created	1,642,289	4,733,100
<b>Closing Provision</b>	<b>6,874,389</b>	<b>5,232,100</b>

**22.** The previous year figures have been regrouped and reclassified to conform to the current year classification.

Signatures to the Schedule `1' to `16' above.

For Price Waterhouse  
Firm Registration No. : 301112E  
Chartered Accountants

**Sd/-**  
**Usha Rajeev**  
Partner  
Membership No. F-087191

**Sd/-**  
**Rajendra S Pawar**  
Director  
DIN: 00042516

**Sd/-**  
**P. Rajendran**  
Director  
DIN: 0042531

**Sd/-**  
**Meenakshi Gupta**  
Company Secretary

Place : New Delhi  
Date : May 7, 2011