

Directors' Report

**To the Shareholders,
Digilife Distribution and Marketing Services Limited**

Your Directors have pleasure in presenting their Fifth Annual Report together with the Audited Accounts for the financial year ended 30th June, 2013.

Financial Highlights

The financial details are as under:

Particulars	(Rs./Lacs)	
	Year ended 30 th June, 2013	Year ended 30 th June, 2012
Net Sales and other income	64609.88	20999.39
Profit/(Loss) before Interest, Depreciation and Tax	545.82	(71.86)
Finance Charges	6.67	0.05
Depreciation	5.24	2.15
Profit/(Loss) before Tax	533.91	(74.06)
Provision for Taxation:Current	-	-
: Deferred	(17.05)	-
Net Profit/(Loss) after Tax	550.96	(74.06)

The net revenue of the Company was Rs. 64609.88 Lacs as against Rs. 20999.39 Lacs in the previous year. The net profit after tax was Rs. 550.96 Lacs as against a loss of Rs. 74.06 Lacs in the previous year.

Business

The Company has successfully entered multi brand distribution for tablets by adding brands like Lenovo, Acer, Karbonn and Lava in its portfolio. Tablet sale for the company has been ramping up steadily.

With addition of JBL in Digital Entertainment segment in July 2012, sale has been growing steadily for JBL in India. Company also entered Consumer Lifestyle segment with brands like Whirlpool, Omron and Delonghi. Tie up with ZTE has helped the company to enter into a growing open data cards market.

IT vertical under Digilife life added many brands like Dell, Lexmark, Molex, Huawei, D-Link, Edgcore, Pantum, Viewsonic, Sukam, e-scan, ADC in its portfolio.

The Company is steadily moving ahead in line with its strategy of multi-brand distribution to address Telecom, IT & CE/CD & digital Lifestyle channels.

Public Deposit

The Company has not accepted any deposits from the public.

Directors

In accordance with the Articles of Association of the Company, Mr. Harsh Chitale, Director is retiring by rotation and being eligible, has offered himself for re-appointment.

Directors' Responsibility Statement

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, and based on the representations received from the operating management, the Directors hereby confirm that:

- a. in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- b. appropriate accounting policies have been selected and applied consistently, and that the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 30th June, 2013 and of the loss of the Company for the said period;
- c. proper and sufficient care has been taken 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;
- d. the annual accounts have been prepared on a going concern basis.

Personnel

Inter-personnel relations in the Company during the period under review were harmonious. The Board wishes to place on record their appreciation for the contribution made by all the employees to the operations of the Company during the year under review.

There is no employee in the Company whose particulars are required to be furnished under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

Additional information in relation to Conservation of Energy, Technology Absorption

During the year under review, there are no particulars to be furnished in respect of conservation of energy and technology absorption.

Foreign Exchange Earning and Outgo

The details of foreign exchange earnings and outgo is as under:

(Rs./Lacs)

Particulars	Year ended 30 th June, 2013	Year ended 30 th June, 2012
Foreign Exchange Earnings	-	-
Foreign Exchange Outgo	11.60	2.15

Auditors and Auditors' Report

M/s Price Waterhouse, Chartered Accountants, the auditors of the Company, retire at the forthcoming Annual General Meeting and being eligible offer themselves for reappointment. Your Directors recommend their reappointment.

Acknowledgement

The Directors wish to place on record their appreciation for the continued co-operation the Company received from various departments of the Central and State Government, Bankers, Financial Institutions, Dealers and Suppliers and also acknowledge the contribution made by the employees.

The Board also wishes to place on record its gratitude to the valued Customers, Members and business associates for their continued support and confidence reposed in the Company.

For and on behalf of Board



Sandeep Kanwar
Chairman

Place : Noida
Date : 13th August, 2013

**DIGILIFE DISTRIBUTION AND MARKETING
SERVICES LIMITED**

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2013

INDEPENDENT AUDITORS' REPORT

To the Members of Digilife Distribution and Marketing Services Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of Digilife Distribution and Marketing Services Limited (the "Company"), which comprise the Balance Sheet as at June 30, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

2. The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of 'the Companies Act, 1956' of India (the "Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at June 30, 2013;
 - (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.



INDEPENDENT AUDITORS' REPORT

To the Members of Digilife Distribution and Marketing Services Limited
Report on the Financial Statements
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Report on Other Legal and Regulatory Requirements

7. 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 Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
8. As required by section 227(3) of the Act, 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 purpose 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, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, 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 June 30, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on June 30, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants



Abhishek Rara
Partner
Membership Number 077779

Place: Gurgaon
Date: August 13, 2013

Annexure to Independent Auditors' Report

Referred to in paragraph 7 of the Independent Auditors' Report of even date to the members of Digilife Distribution and Marketing Services Limited on the financial statements as of and for the year ended June 30, 2013

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
(b) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies have been noticed on such verification. In our opinion, the frequency of verification is reasonable.
(c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off 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. The Company has not granted/taken any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, the provisions of Clause 4(iii)[(b),(c) and (d) / (f) and (g)] of the said Order are not applicable to the Company.
- iv. In our opinion, and according to the information and explanations given to us, 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 and fixed assets and for the sale of goods. 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. According to the information and explanations given to us, there have been no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act.
- 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. In our opinion, the Company has an internal audit system commensurate with its size and the 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 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 and other material statutory dues, as applicable, with the appropriate authorities.



Annexure to Independent Auditors' Report

Referred to in paragraph 7 of the Independent Auditors' Report of even date to the members of Digilife Distribution and Marketing Services Limited on the financial statements for the year ended June 30, 2013

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- (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, wealth-tax, service-tax, customs duty, and excise duty which have not been deposited on account of any dispute.
- x. The accumulated losses of the Company did not exceed fifty percent of its net worth as at June 30, 2013 and it has not incurred cash losses in the financial year ended on that date and in the immediately preceding financial year.
- xi. As the Company does not have any borrowings from any financial institution or bank nor has it issued any debentures as at the balance sheet date, the provisions of Clause 4(xi) of the Order are not applicable to the Company.
- 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. Therefore, the provisions of Clause 4(xii) of the Order are not applicable to the Company.
- xiii. As the provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company, the provisions of Clause 4(xiii) of the Order are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Order are not applicable to the Company.
- 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. Accordingly, the provisions of Clause 4(xv) of the Order are not applicable to the Company.
- xvi. The Company has not raised any term loans. Accordingly, the provisions of Clause 4(xvi) of the Order are not applicable to the Company.
- xvii. The Company has not raised any loans on short term basis. Accordingly, the provisions of Clause 4(xvii) of the Order are not applicable to the Company.
- 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. Accordingly, the provisions of Clause 4(xviii) of the Order are not applicable to the Company.
- xix. The Company has not issued any debentures during the year and does not have any debentures outstanding as at the beginning of the year and at the year end. Accordingly, the provisions of Clause 4(xix) of the Order are not applicable to the Company.
- xx. The Company has not raised any money by public issues during the year. Accordingly, the provisions of Clause 4(xx) of the Order are not applicable to the Company.



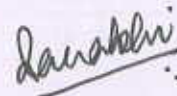
Annexure to Independent Auditors' Report

Referred to in paragraph 7 of the Independent Auditors' Report of even date to the members of Digilife Distribution and Marketing Services Limited on the financial statements for the year ended June 30, 2013

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- 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 material fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants



Abhishek Rara
Partner
Membership Number 077779

Place: Gurgaon
Date: August 13, 2013

Digilife Distribution and Marketing Services Limited
Balance Sheet as at June 30, 2013

	Notes	As at 30.06.2013 ₹/Lacs	As at 30.06.2012 ₹/Lacs
Equity and Liabilities:			
Shareholders' funds			
Share capital	2,3	4,805.00	4,805.00
Reserves and surplus	3	(1,310.62)	(1,861.58)
		3,494.38	2,943.42
Non-current liabilities			
Long-term provisions	4	6.33	2.33
Current liabilities			
Trade payables	5	16,105.46	10,002.20
Other current liabilities	6	471.45	278.86
Short-term provisions	7	40.96	3.08
		16,617.87	10,284.14
Total Equity and Liabilities		20,118.58	13,229.89
Assets:			
Non-current assets			
Fixed assets			
- Tangible assets	8	20.06	0.96
Deferred tax assets (net)	21	475.22	457.87
Long-term loans and advances	9	3.23	18.40
		498.51	477.23
Current assets			
Inventories	10	4,635.09	3,954.66
Trade receivables	11	12,264.04	6,403.53
Cash and bank balances	12	1,795.73	1,557.60
Short-term loans and advances	13	925.21	836.87
		19,620.07	12,752.66
Total Assets		20,118.58	13,229.89

Significant Accounting Policies

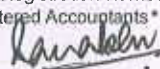
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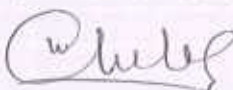
This is the Balance Sheet referred to
in our report of even date

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

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

For and on behalf of the Board of Directors


ABHISHEK RARA


HARSH CHITALE


SANDEEP KANWAR

Partner
Membership Number 077779

Director

Director

Place : Noida

Dated : August 13, 2013


DINESH GARG

Company Secretary

Digilife Distribution and Marketing Services Limited
Statement of Profit and Loss for the year ended June 30, 2013

	Notes	Year ended 30.06.2013 ₹/lacs	Year ended 30.06.2012 ₹/Lacs
Revenue:			
Revenue from operations	14	64,533.23	20,881.70
Other income	15	76.65	117.69
		<u>64,609.88</u>	<u>20,999.39</u>
Expenses:			
Purchases of stock-in-trade	22 (a)	63,044.85	23,910.25
(Increase)/Decrease in inventories of stock-in-trade	16	(680.43)	(3,703.42)
Other direct expense	17	18.84	42.69
Employee benefits expense	18	652.99	214.68
Finance costs	19	6.67	0.05
Depreciation and amortisation expense	8	5.24	2.15
Other expenses	20	1,027.81	607.05
		<u>64,075.97</u>	<u>21,073.45</u>
Profit/(Loss) before tax		533.91	(74.06)
Tax expense	21		
Current - For the year		112.92	-
Less: MAT Credit Entitlement		(112.92)	-
- Deferred tax		<u>(17.05)</u>	<u>-</u>
Loss for the year		550.96	(74.06)
Earning per equity share (in ₹)			
Basic (of ₹ 10/- each)	28	1.15	(0.17)
Diluted (of ₹ 10/- each)	28	1.15	(0.17)

Significant Accounting Policies

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

For Price Waterhouse
Firm Registration Number-301112E
Chartered Accountants

ABHISHEK RARA
Partner
Membership Number 077779

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

For and on behalf of the Board of Directors

HARSH CHITALE
Director

SANDEEP KANWAR
Director

DINESH GARG
Company Secretary

Place : Noida
Dated : August 13, 2013

Digilife Distribution and Marketing Services Limited
Cash Flow Statement for the year ended June 30, 2013

	Year ended 2013 ₹/lacs	Year ended 2012 ₹/Lacs
1. Cash Flow from Operating Activities:		
Net profit before tax	533.91	(74.06)
Adjustments for:		
Depreciation and Amortisation	5.24	2.15
Interest Expense	6.67	0.05
Interest Income	(55.20)	(73.12)
Provision for Doubtful Debts	2.43	3.88
Provision for Doubtful Other Current Assets	-	12.50
Provisions/Liabilities no longer required Written Back	(8.89)	(44.57)
Loss on Sale of Business	-	167.42
Provision for Gratuity and Other Employee Benefits	8.96	(28.36)
Unrealised Foreign Exchange (Gain)/Loss	76.98	(28.37)
Provision for Warranty Liability	-	(37.67)
	<u>36.19</u>	<u>(26.09)</u>
Operating profit before working capital changes	570.10	(100.15)
Adjustments for changes in working capital:		
- (Increase)/Decrease in Trade Receivables	(5,862.94)	(4,544.90)
- (Increase)/Decrease in Loans and Advances and Other Assets	(74.96)	(493.09)
- (Increase)/Decrease in Inventories	(680.43)	(2,644.83)
- Increase/(Decrease) in Liabilities	<u>6,260.38</u>	<u>7,438.97</u>
	<u>(357.95)</u>	<u>(243.85)</u>
Cash generated from operations	212.15	(344.00)
Net cash from operating activities	(A) <u>212.15</u>	<u>(344.00)</u>
2. Cash flow from Investing Activities:		
Purchase of Fixed Assets, including Intangible Assets	(24.34)	(2.61)
Proceeds from Sale of Fixed Assets	-	2.55
Interest Received	56.99	73.12
Movement in Margin Money	113.88	(114.08)
Investment in Banks Deposits (having original maturity of more than three month)	779.23	(780.83)
	<u>925.76</u>	<u>(821.85)</u>
Net cash from/(used in) investing activities	(B) <u>925.76</u>	<u>(821.85)</u>



Digilife Distribution and Marketing Services Limited
Cash Flow Statement for the year ended June 30, 2013

		Year ended 2013 ₹/lacs	Year ended 2012 ₹/Lacs
3. Cash Flow from Financing Activities:			
Proceeds from short term borrowings			
Unsecured Loans:			
Short term received			
Interest Paid		(6.67)	(1,160.00) (0.05)
		(6.67)	(1,160.05)
Net cash from/(used in) financing activities	(C)	(6.67)	(1,160.05)
Net Increase/(Decrease) In Cash and Cash Equivalents	(A+B+C)	1,131.24	(2,325.90)
Opening Balance of Cash and Cash Equivalents		662.69	54.27
Add: Acquired on Purchase of Digital Entertainment Business (Refer Note 35)		-	3,154.73
Less: Transferred on Sale of Security and Surveillance Business (Refer Note 35)		-	(220.41)
Closing Balance of Cash and Cash Equivalents		1,793.93	662.69
Cash and cash equivalents comprise of:			
Cash, Cheques and Drafts (in hand)		1,793.93	662.69
Balances with Banks in Current Accounts		-	2.69
		1,793.93	660.00

Notes:

- 1 The above Cash Flow Statement has been prepared under the indirect method set out in Accounting Standard-3, notified u/s 211(3C) of Companies Act, 1956.
- 2 Figures in brackets indicate cash outgo.

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

For Price Waterhouse
Firm Registration Number-301112E
Chartered Accountants

ABHISHEK RARA
ABHISHEK RARA
Partner
Membership Number 077779

Place : Noida
Dated : August 13, 2013

For and on behalf of the Board of Directors

HARSH CHITALE
HARSH CHITALE
Director

DINESH GARG
DINESH GARG
Company Secretary

SANDEEP KANWAR
SANDEEP KANWAR
Director

1 - SIGNIFICANT ACCOUNTING POLICIES

a. BACKGROUND

Digilife Distribution and Marketing Services Limited (Formerly Known as HCL Security Limited) ("The Company") was incorporated on March 19, 2008 and is the wholly owned subsidiary of HCL Infosystems Limited. The company is engaged in the business of trading and distribution of various telecommunications and electronic equipment, computer hardware and software and its accessories and other electronic, electric, digital, multi-media, consumer durables and domestic products erstwhile it was engaged in the business of supply and/or installation of Security, Surveillance and Scanning related equipments.

b. BASIS OF ACCOUNTING

The financial statements of the Company have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India and comply with the mandatory Accounting Standards notified under section 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current – non-current classification of assets and liabilities.

c. FIXED ASSETS

Tangible Fixed Assets are stated at cost except those which are revalued from time to time on the basis of current replacement cost/value to the Company, net of accumulated depreciation/amortisation.

Subsequent expenditures related to an item of fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Losses arising from the retirement of, and gains or losses arising from disposal of fixed assets which are carried at cost are recognised in the Statement of Profit and Loss.

d. DEPRECIATION AND AMORTISATION

(a) Depreciation on tangible fixed assets is provided on a pro-rata basis using the straight-line method based on economic useful lives of the assets determined by way of periodical technical evaluation. Individual assets costing less than Rs. 5,000 are depreciated fully in the year of acquisition.

(b) Economic useful lives, which are not exceeding those stipulated in Schedule XIV of the Companies Act, 1956 are as under:

Furniture and Fixtures	4-6	years
Office Equipment	3-6	years
Computers	3-5	years

(c) Individual assets costing ₹ 5,000 or less are depreciated/amortised fully in the year of acquisition.

e. INVENTORIES

Finished Goods are valued at lower of cost and net realisable value. Cost is determined on the basis of weighted average method. Goods in Transit are valued inclusive of Customs Duty, where applicable.



f. FOREIGN CURRENCY TRANSACTIONS

- a) Foreign currency transactions are recorded at the exchange rates prevailing at the date of transaction. Exchange differences arising on settlement of transactions, are recognised as income or expense in the year in which they arise.
- b) At the balance sheet date, all assets and liabilities denominated in foreign currency are reported at the exchange rates prevailing at the balance sheet date and the resultant gain or loss is recognised in the Statement of Profit and Loss.
- c) In case of forward foreign exchange contracts where an underlying asset or liability exists at the balance sheet date, the premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contract are recognized in the statement of Profit and Loss in the reporting period in which the exchange rate change.

g. EMPLOYEE BENEFITS

Defined Benefit:

Gratuity

The Company provides for gratuity, a defined benefit 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. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/gains are recognised in the Statement of Profit and Loss in the year in which they arise.

Provident Fund

Provident Fund contributions are made to a multi-employer Trust administered by the Holding Company. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of the year and any shortfall in the fund size maintained by the Trust set up by the Company is additionally provided for. Actuarial losses/gains are recognised in the Statement of Profit and Loss in the year in which they arise.

Other Benefits:

Compensated Absences

Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year end are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year end are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.

Defined Contribution:

Company's contribution towards Superannuation Fund is accounted for on accrual basis. The Company makes defined contributions to a Superannuation Trust established for the purpose. The Company has no further obligation beyond the monthly contributions.



h. REVENUE RECOGNITION

- (a) Composite contracts, outcome of which can be reliably estimated, where no significant uncertainty exists regarding realisation of the consideration, revenue is recognised in accordance with the percentage completion method, under which revenue is recognised on the basis of cost incurred as a proportion of total cost expected to be incurred. The foreseeable losses on the completion of the contract, if any, are provided for immediately.
- (b) Service income includes income from Installation and Commissioning services and is recognised on completion of such services.
- (c) Sales, after adjusting trade discount and the related revenue is recognised on transfer of all significant risks and rewards of ownership to the customer and when no significant uncertainty exists regarding realisation of the consideration.

i. LEASES

Assets taken on leases where significant portion of risks and rewards of ownership are retained by lessor are classified as operating leases. Lease rentals are charged to the Statement of Profit and Loss on a straight-line basis over the lease term.

j. CURRENT AND DEFERRED TAX

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing in the respective jurisdictions.

Deferred tax is recognised for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits. At each Balance Sheet date, the Company reassesses unrecognised deferred tax assets, if any.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and the deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

k. PROVISIONS AND CONTINGENT LIABILITIES

The Company creates a provision when there is a 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 the 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 amount of the obligation cannot be made.

l. IMPAIRMENT OF ASSETS

At each balance sheet date, the Company assesses whether there is any indication that tangible asset may be impaired. If any such indication exists, the Company estimates the recoverable amount and if the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Statement of Profit and Loss to the extent the carrying amount exceeds the recoverable amount.

m. USE OF ESTIMATES



Digilife Distribution and Marketing Services Limited
Notes to the Financial Statements

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Examples of such estimates include estimate of cost expected to be incurred to complete performance under composite arrangements, income taxes, provision for warranty, employment benefit plans, provision for doubtful debts and estimated useful life of the fixed assets. The actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.



Diglife Distribution and Marketing Services Limited
Notes to the Financial Statements

	As at 30.06.2013 ₹/Lacs	As at 30.06.2012 ₹/Lacs
2- Share capital		
<u>Authorised</u>		
50,000,000 Equity Shares (2012 - 50,000,000) of ₹ 10/- each	5,000.00	5,000.00
<u>Issued, Subscribed and Paid up</u>		
48,050,000 Equity Shares (2012 - 48,050,000) of ₹ 10/- each (Fully Paid Up)	4,805.00	4,805.00
TOTAL	4,805.00	4,805.00

Notes:

(i) Rights attached to Equity Shares:

The Company has only one class of equity share having a face value of ₹ 10/- each. Each holder of equity shares is entitled to one vote per share held.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by Shareholders.

(ii) Shares allotted as fully paid up pursuant to contract without payment being received in cash

(iii) Equity Shares of ₹ 10/- each were issued in August 2011 to HCL Infosystems Limited against the consideration for the purchase of Digital Entertainment business from HCL Infosystems Limited, pursuant to the approval of the shareholders obtained in accordance with Section 293(1)(a) of the Companies Act, 1956, without payment being received in cash. (Refer Note 39)

(iv) Shareholders holding more than 5% of the aggregate shares in the Company

No of Shares	% of shares	No of Shares	% of shares
48,050,000	100	48,050,000	100

(a) HCL Infosystems Limited (Holding Company)*

* including six nominee shareholders



Digilife Distribution and Marketing Services Limited
Notes to the Financial Statements

3- Movement in Share capital and Reserves and surplus

Particulars	Number of Shares	(Rs.in lacs, except no. of Shares)	
		Share Capital	Surplus/(Deficit) In the Statement of Profit and Loss
As at July 1, 2011	19,050,000	1,905.00	(1,787.51)
Issue of equity shares	29,000,000	2,900.00	-
Profit/(Loss) for the year	-	-	(74.07)
As at June 30, 2012	48,050,000	4,805.00	(1,861.58)
As at July 1, 2012	48,050,000	4,805.00	(1,861.58)
Profit for the year	-	-	550.96
As at June 30, 2013	48,050,000	4,805.00	(1,310.62)



Digilife Distribution and Marketing Services Limited

Notes to the Financial Statements

	As at 30.06.2013 ₹/Lacs	As at 30.06.2012 ₹/Lacs
4- Long-term provisions		
Provision for Gratuity (Refer Note 29)	6.33	2.33
TOTAL	6.33	2.33
5- Trade-payables (Refer Note 37)		
Trade Payables	16,105.46	10,002.20
- Outstanding due to other than Micro and Small Enterprises		
TOTAL	16,105.46	10,002.20
6- Other current liabilities		
Advances Received from Customers	194.22	92.80
Statutory Dues Payable	258.15	178.82
Employees Benefits Payable	19.08	7.24
TOTAL	471.45	278.86
7- Short-term provisions		
Provision for Gratuity and Leave Encashment (Refer Note 29)#	8.04	3.08
For Income Tax	32.92	-
[Net of Advance Income Tax of ₹ 82.07 Lacs (2012 - Nil)]		
TOTAL	40.96	3.08

includes ₹ 6.60 Lacs (2012- ₹ 2.26 Lacs) for provision for leave encashment



Digilife Distribution and Marketing Services Limited
Notes to the Financial Statements

8- Fixed Assets

Particulars	Gross Block			Depreciation / Amortisation			Net Block	
	As at 01.07.2012	Addition	Disposal	As at 30.06.2013	As at 01.07.2012	Addition	Disposal	As at 30.06.2013
Tangible Assets:								
Own Assets								
Plant and Machinery	0.63			0.63	0.35	0.28		0.28
Office Equipments	-	0.66		0.66	-	0.06		-
Computers	1.13	23.66		24.79	0.45	4.90		19.44
Sub-Total	1.76	24.34	-	26.10	0.80	5.24	-	20.06
Previous Year	68.47	2.61	69.32	1.76	44.73	2.16	46.08	0.96



Digllife Distribution and Marketing Services Limited
Notes to the Financial Statements

	As at 30.06.2013 ₹/Lacs	As at 30.06.2012 ₹/Lacs
9- Long-term loans and advances		
Unsecured:		
Deposits with Sales tax authorities	3.23	3.19
Advance Income tax	-	15.21
[Net of Provision for Income Tax of ₹ Nil (2012 - ₹ 2.07 Lakhs)]		
TOTAL	3.23	18.40
10- Inventories		
Stock-in-Trade	4,635.09	3,954.66
[Including in Transit ₹ 226.35 Lakhs (2012 - ₹ 1,305.53 Lakhs)]		
TOTAL	4,635.09	3,954.66
11- Trade Receivables		
Unsecured		
Debts outstanding for a period exceeding Six Months		
-Considered Doubtful	111.04	64.63
	111.04	64.63
Other debts		
-Considered Good	12,264.04	6,403.53
-Considered Doubtful		31.48
	12,375.08	6,499.64
Less: Provision for Doubtful Debts	111.04	98.11
	12,264.04	6,403.53
TOTAL	12,264.04	6,403.53



Diglife Distribution and Marketing Services Limited
Notes to the Financial Statements

	As at 30.06.2013 ₹/Lacs	As at 30.06.2012 ₹/Lacs
12- Cash and bank balances		
Cash and Cash Equivalents		
Balances with Banks		
- On Current Account	1,793.93	660.00
Cheques on Hand	-	2.69
Other Bank Balances		
Bank Deposits with original maturity of more than twelve months	1.60	780.83
Less: Money held in trust	1.60	780.83
Margin Account	0.20	114.08
TOTAL	1,796.73	1,557.60
13- Short-term loans and advances		
Unsecured		
Considered Good		
Balances with Customs, Port Trust, Excise and Sales Tax Authorities	40.35	38.81
Advances to Creditors	625.50	738.65
Mat Credit Entitlement	112.92	-
Other Deposits	85.60	-
Prepaid Expenses	29.73	0.09
Others	31.11	59.32
Considered Doubtful		
Deposits and Others Advances	-	12.50
Less: Provision for Doubtful Loans and Advances	-	(12.50)
TOTAL	925.21	836.67



Digilife Distribution and Marketing Services Limited
Notes to the Financial Statements

	Year ended 30.06.2013 ₹/Lacs	Year ended 30.06.2012 ₹/Lacs
14- Revenue from operations		
Sale of Products (Refer Note 22(b))	64,533.23	20,873.58
Sale of Services	-	8.12
TOTAL	64,533.23	20,881.70
15- Other Income		
Interest Income		
- On Fixed Deposits (Gross)	55.20	73.12
Provisions/Liabilities no longer required written back	8.89	44.57
Miscellaneous Income	12.56	-
TOTAL	76.65	117.69
16- (Increase)/Decrease in inventories of stock-in-trade		
Closing Stock		
• Stock-In-Trade	4,635.09	3,954.66
	4,635.09	3,954.66
Opening Stock		
• Stock-In-Trade	3,954.66	251.24
	3,954.66	251.24
(Increase)/Decrease in inventories of stock-in-trade	(680.43)	(3,703.42)
17- Other direct expense		
Purchase of Services	-	42.59
Spares and Stores Consumed	18.84	0.10
	18.84	42.69
18- Employee benefits expense (Refer Note 29)		
Salaries, Wages, Bonus and Gratuity	622.35	203.64
Contribution to Provident and Other Funds	19.43	8.13
Staff Welfare Expenses	11.21	2.91
TOTAL	652.99	214.68
19- Finance costs		
Interest on Acceptances	6.67	0.05
TOTAL	6.67	0.05



Digilife Distribution and Marketing Services Limited
Notes to the Financial Statements

	Year ended 30.06.2013 ₹/Lacs	Year ended 30.06.2012 ₹/Lacs
20- Other expenses		
Rent (Refer Note 26)	153.85	10.53
Rates and Taxes	156.51	38.36
Printing and Stationery	4.11	2.80
Communication	7.75	3.27
Travelling and Conveyance	80.92	19.96
Packing, Freight and Forwarding	216.61	78.94
Legal and Professional (Refer Note 25)	128.18	98.71
Retainership Expenses	46.14	3.96
Training and Conference	0.37	0.50
Office Electricity and Water	-	0.16
Insurance	53.59	0.35
Advertisement, Publicity and Entertainment	39.70	2.38
Hire Charges	1.06	0.16
Commission on Sales	-	1.08
Bank Charges	29.14	3.17
Provision for Doubtful Debts	2.43	3.88
Provision for Doubtful Other Current Assets	-	12.50
Loss on Sale of Fixed Assets	-	0.36
Repairs		
- Others	0.16	3.44
Net Loss/(Gain) on Foreign Exchange Fluctuation	91.27	148.98
Loss on Sale of Business (Refer Note 35)	-	167.42
Miscellaneous	16.02	6.14
TOTAL	1,027.81	607.05



21. Taxation:

(a) Provision for taxation has been computed by applying the Income Tax Act, 1961 to the profit for the year ended June 30, 2013, although the actual tax liability of the Company has to be computed each year by reference to the taxable profit for each fiscal year ended March 31.

(b) Deferred Tax:

Major components of Deferred Tax arising on account of timing difference along with their movement as at June 30, 2013 are:

	As at 01.07.12	Movement during the year	As at 30.06.13
Assets			
Carry forward Tax Loss and Unabsorbed Depreciation	414.31	24.70	439.01
Provision for Doubtful Debts	31.18	5.70	36.88
Expense accruals (Bonus, Gratuity, Leave Encashment and Provision for Warranty)	6.27	(0.75)	5.52
Total (A)	451.76	29.65	481.41
Liabilities			
Depreciation	(6.11)	8.96	2.85
Preliminary Expenses	-	3.34	3.34
Total (B)	(6.11)	12.30	6.19
Net Deferred Tax Asset (A) - (B)	457.87	17.35	475.22
Previous year	457.87	-	457.87

22 (a) Information in respect of purchase of traded goods:

	Amount ₹/Lacs
Memory Card	11,434.28
	6,732.91
IPOD	2,176.64
	3,102.52
Computers (Desktop and Laptops)	23,135.73
	3,253.41
Gaming, Tablet and LCD	16,377.20
	2,034.35
Cameras & CCTV Cameras	-
	2,421.92
Networking Printer server	5,998.41
	-
Others*	3,922.59
	6,365.14
Total	63,044.85
	23,910.25

*Does not include any item which in value individually accounts for 10% or more of the total value of purchase of traded goods.

22 (b) Sales:

Class of Products	Sales / Adjustments Amount ₹/Lakhs
Memory Card	11,998.60
	5,827.13
IPOD	2,249.28
	2,842.71
Computers (Desktop and Laptops)	25,759.43
	4,849.81
Gaming, Tablet and LCD	16,189.73
	2,716.03
Cameras & CCTV Cameras	-
	1,441.50
Networking Printer server	5,797.87
	-
Others*	2,538.31
	3,196.38
Total	64,533.23
	20,873.58

*Does not include any item which in value individually accounts for 10% or more of the total value of sales.



Digilife Distribution and Marketing Services Limited
Notes to the Financial Statements

	2013 ₹/Lacs	2012 ₹/Lacs
23. Value of Imports calculated on CIF basis:		
Traded items	13,113.81	6,318.55
Total	13,113.81	6,318.55
24. Expenditure in Foreign Currency: (On cash basis)		
	2013 ₹/Lacs	2012 ₹/Lacs
a) Travel	7.62	2.15
b) Consultancy Charges	3.98	-
Total	11.60	2.15
25. Remuneration to Auditor*:		
	2013 ₹/Lacs	2012 ₹/Lacs
Audit Fee	1.25	1.25
Other Audit Services/Certifications	5.75	0.75
Out-of-Pocket Expenses	-	-
Total	7.00	2.00
*Excluding service tax		

26. Leases:

Operating Lease:

(i) Cancelable Operating Leases

(a) The Company has taken various commercial premises under cancelable operating leases. These are normally renewable on expiry.

(b) The rental expense in respect of operating leases was ₹ 153.85 Lacs (2012 - ₹ 10.53 Lacs) which is disclosed as 'Rent' expense under 'Other expense'.

27. The Company has the following warranty provision in the books of account:

	2013 ₹/Lacs	2012 ₹/Lacs
Opening Balance as on July 1	-	37.67
Additions during the year	-	-
Transfer during the year	-	(37.67)
Utilised / Reversed during the year	-	-
Closing Balance as on June 30	-	-

The warranty provision was recognised for expected warranty claims on products sold during the year. Due to the very nature of such costs, it is not possible to estimate the timing of cash outflows due to uncertainties relating to the outflow of economic benefits.

28. Earnings per share (EPS)

The earnings considered in ascertaining the Company's EPS represent profit / (loss) for the year after tax. Basic earnings per share is computed and disclosed using the weighted average number of equity shares outstanding during the current year. Diluted earnings per share is computed and disclosed using the weighted average number of equity and dilutive equivalent shares outstanding during the year except when results would be anti-dilutive.

Calculation of EPS:

Particulars	2013	2012
Profit / (Loss) after tax (₹)	550.96	(74.06)
Weighted average number of shares considered as outstanding in computation of Basic EPS	48,050,000	44,236,301
Weighted average number of shares considered as outstanding in computation of Diluted EPS	48,050,000	44,236,301
Basic EPS (of ₹ 10/- each)	1.15	(0.17)
Diluted EPS (of ₹ 10/- each)	1.15	(0.17)



29. The Company has calculated the various benefits provided to employees as under:

(a) Defined Contribution Plans

Superannuation Fund

During the year, the Company has recognised the following amounts in the Statement of Profit and Loss:

	2013 ₹Lacs	2012 ₹Lacs
Employers Contribution to Superannuation Fund*	-	3.15

(b) State Plans

(i) Employee State Insurance

(ii) Employee's Pension Scheme 1995

During the year, the Company has recognised the following amounts in the Statement of Profit and Loss:

	2013 ₹Lacs	2012 ₹Lacs
Employers Contribution to Employee State Insurance*	-	0.04
Employers Contribution to Employee's Pension Scheme 1995*	10.79	1.19

* Included in Contribution to Provident and Other Funds under Employee Benefits expense (Refer Note 18).

(c) Defined Benefit

(i) Gratuity

(ii) Provident Fund#

In accordance with Accounting Standard 15 (revised 2005), an actuarial valuation was carried out in the respect of the aforesaid defined benefit plans based on the following assumptions:

	Employees Gratuity Fund	
	2013	2012
Discount Rate (per annum)	7.93%	8.80%
Rate of increase in compensation levels	6.00%	7.00%
Rate of return on plan assets	Not Applicable	Not Applicable
Expected average remaining working lives of employees (years)	20.39	24.34

The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

	2013 ₹Lakhs	2012 ₹Lakhs
Reconciliation of opening and closing balances of the present value of the defined benefit obligation:		
Present value of obligation at the beginning of the year	3.15	21.97
Current service cost	2.80	0.73
Past service cost	-	-
Interest cost	0.25	1.89
Actuarial (gain)/loss	3.91	(0.22)
Benefits (paid)	(2.45)	(0.36)
Transferred out on sale of business	-	20.86
Present value of obligation at the end of the year	7.76	3.15
Reconciliation of the present value of the defined benefit obligation and the fair value of the plan assets:		
Present value of the obligation as at the end of the year	7.76	3.15
Fair value of plan assets at the end of the year	-	-
Assets/(Liabilities) recognised in the Balance Sheet	(7.76)	(3.15)
Cost recognised for the period (included under Salaries, Wages, Allowances, Bonus and Gratuity under Employee Benefits expense - Refer Note 18)		
Current service cost	2.80	0.73
Past service cost	-	-
Interest cost	0.25	1.89
Actuarial (gain) / loss	3.91	(0.22)
Net cost / (gain) recognised for the year	7.06	2.40

Reconciliation of the present value of the defined benefit obligation and the fair value of the plan assets:

	₹Lakhs				
	2013	2012	Gratuity		
	2013	2012	2011	2010	2009
Present value of the obligation as at the end of the year	7.76	3.15	31.98	26.12	15.79
Fair value of plan assets at the end of the year	-	-	-	-	-
Assets/(Liabilities) recognised in the Balance Sheet	(7.76)	(3.15)	21.98	26.12	15.79

#In respect of certain eligible employees, the Company has a provident fund plan which is administered through a multi employer trust. The participants have an obligation to make good any deficiency in the interest to be paid by the Trust to its members and the income earned by it. Accordingly the plan is as a defined benefit plan. The trust has obtained an actuarial valuation of the Provident fund liability as at the Balance Sheet date and as per valuation report, there is no shortfall as on June 30, 2013. The valuation report contained details for the disclosure requirement of the Accounting Standard 15 "Employee Benefits" for the trust as a whole, however breakup into respective entities is not available and accordingly the disclosures for provident fund liability as required by Accounting Standard 15 "Employee Benefits" has not been made in these financial statements. The Company's contribution to provident fund for the year is ₹ 10.99 Lakhs (2012 ₹ 3.75 Lakhs) which has been included under Contribution to Provident and Other Funds (Refer Note 18).

30. Foreign Currency Exposure:

(a) The Company has following outstanding derivative as at reporting date:

Particulars	Foreign Currency value/₹Lacs		Average rate		Maximum Maturity Period	
	2013	2012	2013	2012	2013	2012
Forward contract to buy USD	3.45	-	55.53	-	2 Months	2012

(b) As on June 30, 2013, the foreign currency exposure that is not hedged by a derivative instrument of otherwise in respect of trade payables are ₹ 2,424.02 Lacs (2012 - 719.86 Lacs)

(c) The unacquired forward exchange cover as on June 30, 2013 of ₹ 0.81 Lacs (2012- Nil).

31. Disclosure as per Clause 32 of the listing agreement of HCL Infosystems Limited, the Holding Company:

a) No loans and advances in the nature of loans have been given during the year to any subsidiary, associate or firms/ Companies in which the directors are interested.

b) Loans to employees under various schemes of the Company have been considered to be outside the purview of the disclosure requirements.



32. Disclosure of related parties and related party transactions:

(a) Holding Company:

-HCL Infosystems Limited (holds 100% of equity share capital of the Company)

(b) Company having substantial Interest:

HCL Corporation Private Limited

(c) Other related parties with whom transactions have taken place during the year and/or where balances exists:

-HCL Technologies Limited (Company having the significant influence over the Holding Company)

-Kiran Nadar Museum of Art

(d) Summary of Related Party disclosures:

₹/Lacs

Particulars	Holding Company		Others		Key Management Personnel		Total	
	June 2013	June 2012	June 2013	June 2012	June 2013	June 2012	June 2013	June 2012
(a) Transactions								
Sales and related Income								
-HCL Technologies Limited			46.57	136.90			46.57	136.90
-HCL Infosystems Limited	8,419.56	1,947.18					8,419.56	1,947.18
Purchase of Goods								
-HCL Infosystems Limited	34,005.75	13,631.65					34,005.75	13,631.65
Equity Shares Issued, subscribed and paid up / on conversion of Unsecured Loans								
-HCL Infosystems Limited	-	2,900.00					-	2,900.00
Assets sold								
-HCL Infosystems Limited	-	25.08					-	25.08
Transfer of Net assets on Sale of Business (Refer Note 35)								
-HCL Infosystems Limited	-	3,500.00					-	3,500.00
Acquisition of Net assets on Purchase of Business (Refer Note 35)								
-HCL Infosystems Limited	-	767.38					-	767.38
Reimbursement of Expenses								
-HCL Infosystems Limited	110.07	86.58					110.07	86.58
(b) Amount due to/ from related parties								
Accounts Receivables	3,264.04	8,623.83	38.72	0.94			3,302.76	8,624.77
Accounts Payables	7,370.33	8,322.76					7,370.33	8,322.76

Note: All transactions with related parties have been entered into in the normal course of business.

(g) The Company has taken working capital facilities (non funded) from bank which is secured by a corporate guarantee given by HCL Infosystems Limited, the holding company, against which the Company has utilised ₹ 4,578.59 Lacs (2012 - ₹ 106.65 Lacs) as at June 30, 2013.

(h) No remuneration is paid by the Company to the whole-time Director.



Digilife Distribution and Marketing Services LimitedNotes to the Financial Statements

33. Employee Stock Option Plan (ESOP):

The holding company has established Employee Stock Option Scheme 2000 and Employee Stock Based Compensation Plan 2005 for the employees of HCL Infosystems Limited and its subsidiaries.

HCL Infosystems Limited, Holding Company follows the Intrinsic Value Method of accounting and there is no charge for ESOPs based on this method during the current year which relates to the Company.

The impact on the profit of the Company for the current year ended June 30, 2013 and the basic and diluted earnings per share had the Holding Company followed the fair value method of accounting for stock options is set out below:

Proforma disclosures

Particulars	₹/Lacs	
	Year ended June 30, 2013	Year ended June 30, 2012
Profit/(Loss) after tax as per Profit and Loss account (a)	550.96	(74.06)
Add: Employee Stock Compensation Expense as per Intrinsic Value Method	-	-
Less: Employee Stock Compensation Expense as per Fair Value Method	-	0.04
Profit/(Loss) after tax recomputed for recognition of employee stock compensation expense under fair value method (b)	550.96	(74.10)
Earnings/(Loss) Per Share based on earnings as per (a) above:		
- Basic and Diluted (Refer Note 28)	1.15	(0.17)
Earnings/(Loss) Per Share had fair value method been employed for accounting of employee stock options:		
- Basic and Diluted	1.15	(0.17)

34. The Company's business falls within a single primary business and geographical segment, i.e. trading and distribution of various telecommunications and electronic equipment, computer hardware and software and its accessories and other electronic, electric, digital, multi-media, consumer durables and domestic products. Accordingly, pursuant to Accounting Standard 17 on 'Segment Reporting', notified under section 211 (3C) of the Companies Act, 1956, segment information is not required to be disclosed.

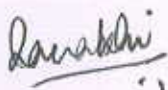
35. During the year, the Company has with effect from August 1, 2011 sold its Security and Surveillance business as a going concern basis to HCL Infosystems Limited, the Holding Company for a consideration of ₹ 600 Lacs and acquired the Digital Entertainment business of HCL Infosystems Limited, as a going concern on slump sale basis for a consideration of ₹ 3,500 Lacs. The consideration for sale of business of ₹ 600 Lacs was received in cash and the consideration for purchase of business was paid by way of issue of Equity share capital of ₹ 2,900 Lacs and cash of ₹ 600 Lacs. The Company has incurred a loss of ₹ 167 Lacs on sale of business. Total consideration of ₹ 3500 lacs, pertaining to purchase of Digital Entertainment Business, has been splitted up into various assets and liabilities, based upon the allocation done by independent valuer, and recorded in the books of accounts.

36. Pursuant to the approval of the Registrar of Companies obtain on July 26, 2011, the name of the Company has been changed from HCL Security Limited to Digilife Distribution and Marketing Services Limited.

37. Based on the information available with the management, none of the vendors are registered under the Micro, Small and Medium Enterprises Development Act, 2006.

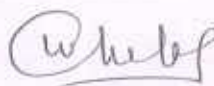
38. Previous year figures have also been regrouped/recasted, where necessary, to conform to current year's presentation.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants



ABHISHEK RARA
Partner
Membership No. 077779

For and on behalf of the Board of Directors



HARSH CHITALE
Director



SANDEEP KANWAR
Director



DINESH GARG
Company Secretary

Place: Noida

Date: August 13, 2013