

Directors' Report

To the Members,
Digilife Distribution and Marketing Services Limited
(Formerly known as HCL Security Limited)

Your Directors have pleasure in presenting their Third Annual Report together with the Audited Accounts for the financial period ended 30th June, 2011.

Financial Highlights

The financial details are as under:

Particulars	(Rs./Lacs)	
	Year ended 30 th June, 2011	Year ended 30 th June, 2010
Net Sales and other income	5,727.95	3,927.55
Profit/(Loss) before Interest, Depreciation and Tax	(778.72)	(945.49)
Finance Charges	1.43	1.17
Depreciation	27.50	27.83
(Loss) before Tax	(807.65)	(974.49)
Provision for Taxation: Current	-	-
: Fringe Benefit	-	-
: Deferred	-	(301.12)
Net (Loss) after Tax	(807.65)	(673.37)

The net revenue of the Company was Rs. 5,727.95 Lacs as against Rs. 3,927.55 Lacs in the previous year. The Company incurred net loss after tax of Rs. 807.65 Lacs as against a loss of Rs. 673.37 Lacs in the previous year.

Business

The Company has transferred its Security and Surveillance business as a going concern on slump sale basis, to HCL Infosystems Limited, the Holding Company, with effect from 1st August, 2011. The Transfer was approved by the Shareholders in an Extra-ordinary General Meeting of the Company on 27th June, 2011.

The Company has also acquired the Digital Entertainment business of HCL Infosystems Limited, as a going concern on slump sale basis for a consideration of Rs. 35 crores, with effect from 1st August, 2011.

The name of the Company was changed from HCL Security Limited to Digilife Distribution and Marketing Services Limited with effect from 26th July, 2011.

During the year under review, your Company has taken steps to reduce the Overheads by rationalizing Manpower and economizing on resources to achieve break-even and has achieved profits consistently every month from March 11.

Your Company has also tied up with new partners during the year to strengthen the Product Portfolio and enhance the bid prospects.

Awards and Recognition

Your Company has been certified an ISO 9001:2008 compliant Company by DNV in July 2010. The Surveillance audit conducted in January 2011 has been satisfactory and DNV has recommended the continuance of the certification.

Public Deposit

The Company has not accepted any deposits from the public.

Directors

Mr. Sandeep Kanwar was appointed as the Managing Director of the Company, for a period of 5 years, w.e.f 9th June, 2011, without any remuneration.

In accordance with the Articles of Association of the Company, Mr. Ajai Chowdhry, 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, 2011 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.

The information as required to be provided in terms of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is annexed hereto.

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, 2011	Year ended 30 th June, 2010
Foreign Exchange Earnings	62.50	6.38
Foreign Exchange Outgo	4.22	22.99

The Company has taken initiative to expand its business overseas with special focus in the Middle East Market.

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.

The Notes to Accounts are self explanatory and therefore do not call for any further comments.

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

Place : Noida
Date : 16th August, 2011


Ajai Choudhry
Chairman

DIGILIFE DISTRIBUTION AND MARKETING SERVICES LIMITED

(Formerly known as HCL Security Limited)

Annexure to Directors Report

Particulars of Employees forming part of Directors' Report in terms of Section 217 (2A) of the Companies Act, 1956

FY 2010-11

S.No.	ECODE	Name	DOB	Age (Years)	Designation/ Nature of Duties	Educational Qualification	Remuneration (Rs.)	Experience in years	Date of Commencement of employment	Previous Employment-Designation
(A) Employed for the full financial year										
NIL										
(B) Employed for the part of the year										
1	15437	Rothin Bhattacharyya	27.08.1962	49	Chief Executive Officer	PG Diploma in Marketing 1984/ BA (Hons) Economics	10,546,870	27	04.08.2009	Executive Vice President, Siemens Information Systems Limited

Notes :

- (i) The remuneration shown above comprises salary, allowances, incentives, taxable value of perquisites, gratuity, medical insurance benefit and company's contribution to provident fund and superannuation
- (ii) The nature of employment is contractual in all cases.
- (iii) None of the above employees is related to any director of the Company.

For and on Behalf of Board

Place: Noida

Date: 16th August, 2011


 Anil Chowdhury
 Chairman

**DIGILIFE DISTRIBUTION AND MARKETING
SERVICES LIMITED**

**OFFICE COPY
STATEMENT OF ACCOUNTS**

FOR THE YEAR ENDED JUNE 30, 2011

**Auditors' Report to the Members of Digilife Distribution and Marketing Services Limited
(Formerly known as HCL Security Limited)**

1. We have audited the attached Balance Sheet of Digilife Distribution and Marketing Services Limited (Formerly known as HCL Security Limited) (the "Company") as at June 30, 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 give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors, as on June 30, 2011 and taken on record by the Board of Directors, none of the directors is disqualified as on June 30, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at June 30, 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

Place: Noida
Date: August 16, 2011

Abhishek Rara
Partner
Membership Number: F-77779

1+2
Abhishek

Annexure to Auditors' Report

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Digilife Distribution and Marketing Services Limited (Formerly known as HCL Security Limited) on the financial statements for the year ended June 30, 2011
Page 1 of 3

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.

(b) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.

(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. (a) The 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.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.

(b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
4. 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, 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.
5. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly, the question of commenting on transactions made in pursuance of such contracts or arrangements does not arise.
6. 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.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.



Annexure to Auditors' Report

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Digilife Distribution and Marketing Services Limited (Formerly known as HCL Security Limited) on the financial statements for the year ended June 30, 2011
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9. (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, 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, wealth-tax, service-tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
10. As the Company is registered for a period less than five years, clause (x) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, is not applicable for the year.
11. 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.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/ societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. 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.
16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. 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.
18. 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.
19. The Company has not raised any money by public issues during the year.
20. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.



Annexure to Auditors' Report

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Digilife Distribution and Marketing Services Limited (Formerly known as HCL Security Limited) on the financial statements for the year ended June 30, 2011

Page 3 of 3

21. The clause (xix) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, is not applicable in the case of the Company for the year, since in our opinion there is no matter which arises to be reported in the aforesaid Order.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Place: Noida
Date: August 16, 2011

Abhishek Rara
Partner
Membership Number: F-77779

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Abhishek Rara

Digilife Distribution and Marketing Services Limited
(Formerly known as HCL Security Limited)
Balance Sheet as at June 30, 2011

	Schedule (Note No.)	As at 30.06.2011 Rs.	As at 30.06.2010 Rs.
Sources of Funds:			
Shareholders' Funds:			
Capital	1	190,500,000	40,500,000 AL
Loan Funds:			
Unsecured Loans	2	116,000,000	100,000,000 AL
		<u>306,500,000</u>	<u>140,500,000</u> AL
Application of Funds:			
Fixed Assets:			
Gross Block	3		10,073,080 AL
Less: Depreciation / Amortisation		<u>6,847,189</u>	<u>3,478,815</u> AL
Net Block		2,373,730	6,594,265 AL
Deferred Tax Asset (Net)	16(4)	45,786,940	45,786,940 AL
Current Assets, Loans and Advances:			
Inventories	4	25,124,153	25,171,699 AL
Sundry Debtors	5	260,505,637	187,533,015 AL
Cash and Bank Balances	6	5,427,048	1,315,922 AL
Other Current Assets	7	12,197,070	9,109,188 AL
Loans and Advances	8	<u>28,093,683</u>	<u>19,760,933</u> AL
		331,347,591	242,890,757 AL
Less: Current Liabilities and Provisions	9		
Current Liabilities		244,614,653	246,211,670 AL
Provisions		<u>7,144,396</u>	<u>6,546,402</u> AL
		251,759,049	252,758,072 AL
Net Current Assets / (Liabilities)		79,588,542	(9,867,315) AL
Profit and Loss Account		178,750,788	97,986,110 AL
		<u>306,500,000</u>	<u>140,500,000</u> AL
Significant Accounting Policies	15		
Notes to Accounts	16		

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

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

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For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

For and on behalf of the Board of Directors

ABHISHEK RARA
Partner
Membership No. F-77779

AJAI CHOWDHRY
Director

SANDEEP KANWAR
Managing Director

Place: Noida
Date: August 16, 2011

DEEPA RAVI SHANKAR
Company Secretary

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Digilife

Digilife Distribution and Marketing Services Limited
(Formerly known as HCL Security Limited)
Profit and Loss Account for the year ended June 30, 2011

	Schedule (Note No.)	Year ended 30.06.2011 Rs.	Year ended 30.06.2010 Rs.	
Income				
Sale of Goods	16(5)	534,331,802	384,227,383	AL
Sale of Services		31,835,657	7,574,387	AL
Other Income	10	6,627,708	953,988	AL
		<u>572,795,167</u>	<u>392,755,758</u>	AL
Expenditure				
Cost of Goods and Services Sold	11	542,942,276	374,601,784	AL
Personnel	12	72,719,989	77,926,466	AL
Administration, Selling, Distribution and Others	13	31,966,120	31,272,164	AL
Repairs and Maintenance	14	3,038,670	3,505,247	AL
Interest Expense		143,125	116,765	AL
Depreciation / Amortisation	3	2,749,665	2,782,764	AL
		<u>653,559,845</u>	<u>490,205,190</u>	AL
Loss before Tax		<u>(80,764,678)</u>	<u>(97,449,432)</u>	AL
Tax Expense / (Credit)	16(4)			
- Deferred		-	(30,111,875)	AL
Loss after Tax		<u>(80,764,678)</u>	<u>(67,337,557)</u>	AL
Add: Balance in Profit & Loss Account brought forward		(97,986,110)	(30,648,553)	AL
Balance carried over to the Balance Sheet		<u>(178,750,788)</u>	<u>(97,986,110)</u>	AL
Earning per equity share (in Rs.)	16(12)			
Basic and Diluted (of Rs. 10/- each)		(5.48)	(16.63)	AL
Significant Accounting Policies	15			
Notes to Accounts	16			

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

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For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

ABHISHEK RARA
Partner
Membership No. F-77779

Place: Noida
Date: August 16, 2011

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

For and on behalf of the Board of Directors


AJAI THAKUR
Director

DEEPA RAVI SHANKAR
Company Secretary


SANDEEP KANWAR
Managing Director

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	Year ended 30.06.2011 Rs.	Year ended 30.06.2010 Rs.
1. Cash Flow from Operating Activities		
Net Loss before Tax	(80,764,678)	(97,449,432) AL
<u>Adjustments for:</u>		
Depreciation	2,749,665	2,782,764 AL
Unrealised (Gain) / Loss on Foreign Exchange Fluctuation (Net)	(4,671,703)	(690,038) AL
Interest expense	143,125	116,765 AL
Provision for Warranty	1,734,463	2,032,724 AL
Provision for Obsolete Inventory	5,995,973	738,528 AL
Provision for Gratuity and Other Employee Benefits	(1,136,469)	2,168,700 AL
Provision for Doubtful Debts	2,947,274	1,295,623 AL
Provision for Doubtful Loans and Advances	417,750	- AL
	<u>8,180,078</u>	<u>8,445,066</u> AL
Operating profit before Working Capital Changes	(72,584,600)	(89,004,366) AL
<u>Adjustments for changes in Working capital:</u>		
(Increase) / Decrease in Trade Receivables	(75,919,896)	(118,099,923) AL
(Increase) / Decrease in Other Receivables	(12,243,674)	(26,651,621) AL
(Increase) / Decrease in Inventories	(5,948,427)	(19,232,756) AL
Increase / (Decrease) in Current Liabilities	3,183,390	158,747,148 AL
	<u>(90,928,607)</u>	<u>(5,237,152)</u> AL
Cash generated from Operation	(163,513,207)	(94,241,518) AL
Direct Tax (Paid) / Refund (Net)	405,290	- AL
Net cash from / (used in) Operating Activities (A)	<u>(163,107,917)</u>	<u>(94,241,518)</u> AL
2. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(1,337,682)	(6,496,727) AL
Sale of Fixed Assets	2,808,552	- AL
Net cash from / (used in) Investing Activities (B)	<u>1,470,870</u>	<u>(6,496,727)</u> AL
3. Cash Flow from Financing Activities		
Interest paid	(251,827)	- AL
Unsecured Loans Received	166,000,000	100,000,000 AL
Net cash from / (used in) Financing Activities (C)	<u>165,748,173</u>	<u>100,000,000</u> AL
Net Increase / (Decrease) in Cash and Cash Equivalents		
Total (A)+(B)+(C)	<u>4,111,126</u>	<u>(738,245)</u> AL
Opening Balance of Cash and Cash Equivalents	1,315,922	2,054,167 AL
Closing Balance of Cash and Cash Equivalents	<u>5,427,048</u>	<u>1,315,922</u> AL
Cash and Cash Equivalents comprise		
Cash in hand	10,630	9,525 AL
Balance with Scheduled Banks in Current Accounts	5,416,418	1,306,397 AL

Note :

- 1) The above Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard - 3 notified u/s 211(3C) of the Companies Act, 1956.
- 2) Schedule 1 to 16 form integral part of Cash Flow Statement.
- 3) Figures in brackets indicates cash Outgo.

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

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For Price Waterhouse

Firm Registration Number: 301112E

Chartered Accountants

ABHISHEK RARA

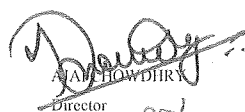
Partner


Membership No. F-77779


Place: Noida

Date: August 16, 2011

For and on behalf of the Board of Directors


 ANAND CHOUDHARY
 Director


 SANDEEP KANWAR
 Managing Director


 DEEPA RAVI SHANKAR
 Company Secretary

1+2
9/8/2011

Digilife Distribution and Marketing Services Limited
(Formerly known as HCL Security Limited)
Schedules to the Balance Sheet as at June 30, 2011

	As at 30.06.2011 Rs.	As at 30.06.2010 Rs.
1 - Capital		
Authorised:		
25,000,000 (Previous year 5,000,000) equity shares of Rs. 10/- each	<u>250,000,000</u>	<u>50,000,000</u>
Issued, Subscribed and Paid up:		
19,050,000 (Previous year 4,050,000) equity shares of Rs. 10/- each, fully paid up (Paid up share capital includes 4,000,000 equity shares of Rs. 10/- each, issued pursuant to a right issue and 15,000,000 equity shares of Rs. 10/- each, issued pursuant to conversion of unsecured loan from the holding company)	190,500,000	40,500,000
(Wholly owned subsidiary of HCL Infosystems Limited)	<u>190,500,000</u>	<u>40,500,000</u>
2 - Unsecured Loans (Long Term)		
Other Loans*		
- Interest-free Loan received from HCL Infosystems Limited (Convertible into equity share capital of the Company at the option of the lender)	116,000,000	100,000,000
	<u>116,000,000</u>	<u>100,000,000</u>
*Amount payable within one year Rs. Nil (Previous year Rs. Nil)		
Note: During the year, HCL Infosystems Limited has exercised the option of converting Interest-free Loan amounting to Rs. 150,000,000 (Previous year Rs. Nil) into 15,000,000 (Previous year Nil) equity shares of Rs. 10/- each, fully paid up		



Deepa

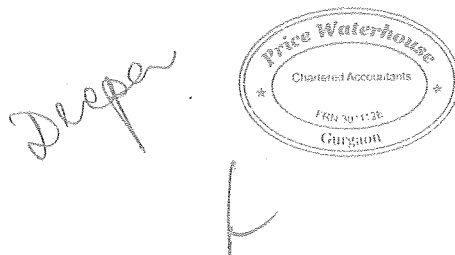
Digilife Distribution and Marketing Services Limited
(Formerly known as HCL Security Limited)
Schedules to the Balance Sheet as at June 30, 2011

3 - Fixed Assets

[Schedule 16, Note 2]

(Amount in Rs.)

	Gross Block				Depreciation / Amortisation				Net Block	
	As at 01.07.2010	Additions during the year	Deductions during the year	As at 30.06.2011	As at 01.07.2010	Additions during the year	Deductions during the year	As at 30.06.2011	As at 30.06.2011	As at 30.06.2010
Tangible :										
Leasehold Improvements	2,285,251	AL -	-	2,285,251	1,264,714	AL 1,020,537	-	2,285,251	-	1,020,537
Computers	2,696,291	AL 982,728	-	3,679,019	811,763	AL 1,169,620	-	1,981,383	1,697,636	1,884,528
Office Equipment, Furniture and Fixtures	5,091,538	AL 354,954	4,563,573	882,919	1,402,338	AL 559,508	1,755,021	206,825	676,094	3,689,200
TOTAL	10,073,080	AL 1,337,682	4,563,573	6,847,189	3,478,815	AL 2,749,665	1,755,021	4,473,459	2,373,730	6,594,265
Previous Year	3,576,353	AL 6,496,727	AL -	10,073,080	AL 696,051	AL 2,782,764	AL -	3,478,815	AL 6,594,265	AL



Digilife Distribution and Marketing Services Limited
(Formerly known as HCL Security Limited)
Schedules to the Balance Sheet as at June 30, 2011

	As at 30.06.2011 Rs.	As at 30.06.2010 Rs.	
4 - Inventories [Schedule 16, Note 5]			
Finished Goods [Including Goods in transit Rs. 14,969,556 (Previous year Rs. 14,661,448)] AL	25,124,153	25,171,699	AL
[Net of Provision for Obsolete Inventory Rs. 6,734,501 (Previous year Rs. 738,528)] AL			
	<u>25,124,153</u>	<u>25,171,699</u>	AL
5 - Sundry Debtors - Unsecured			
Debts outstanding for a period exceeding six months:			
- Considered Good	66,858,223	13,910,287	AL
- Considered Doubtful	<u>4,242,897</u>	<u>1,295,623</u>	AL
Other Debts	71,101,120	15,205,910	AL
- Considered Good	<u>193,647,414</u>	<u>173,622,728</u>	AL
	264,748,534	188,828,638	AL
Less: Provision for Doubtful Debts	<u>4,242,897</u>	<u>1,295,623</u>	AL
	<u>260,505,637</u>	<u>187,533,015</u>	AL
	<u>260,505,637</u>	<u>187,533,015</u>	AL
6 - Cash and Bank Balances			
Cash balance on hand	10,630	9,525	AL
Balance with Scheduled Bank - Current Account	<u>5,416,418</u>	<u>1,306,397</u>	AL
	<u>5,427,048</u>	<u>1,315,922</u>	AL
7 - Other Current Assets - Unsecured			
Deposits	4,652,066	5,586,633	AL
Unbilled Revenue	<u>7,545,004</u>	<u>3,522,555</u>	AL
	<u>12,197,070</u>	<u>9,109,188</u>	AL
8 - Loans and Advances - Unsecured			
Considered Good			
- Amounts recoverable in cash or in kind or for value to be received	21,906,144	10,732,290	AL
- Advance Income Tax [Net of Provision for Tax Rs. 206,920 (Previous year Rs. 206,920)] AL	<u>137,837</u>	<u>543,127</u>	AL
- Balances with Customs, Port trust and Sales tax authorities	6,049,702	8,485,516	AL
Advance Recoverable in cash or in kind considered Doubtful	417,750		AL
Less: Provision for Doubtful Loans and Advances	<u>417,750</u>		AL
	<u>28,093,683</u>	<u>19,760,933</u>	AL
9 - Current Liabilities and Provisions			
Current Liabilities:			
Acceptances	21,865,607	3,107,545	AL
Sundry Creditors			
- Outstanding due to Micro and Small Enterprises [Schedule 16, Note 3]		442,060	AL
- Outstanding due to Other than Micro and Small Enterprises	178,785,939	193,096,256	AL
Advances from Customers	2,656,289	369,572	AL
Deferred Revenue	38,418,672	14,949,073	AL
Other Liabilities	<u>2,888,146</u>	<u>34,247,164</u>	AL
	<u>244,614,653</u>	<u>246,211,670</u>	AL
Provisions:			
For Warranty Liability [Schedule 16, Note 11]	3,767,187	2,032,724	AL
Gratuity and Other Employee Benefits [Schedule 16, Note 13]	<u>3,377,209</u>	<u>4,513,678</u>	AL
	<u>7,144,396</u>	<u>6,546,402</u>	AL
	<u>251,759,049</u>	<u>252,758,072</u>	AL



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Digilife Distribution and Marketing Services Limited
(Formerly known as HCL Security Limited)
Schedules to the Profit and Loss Account
for the year ended June 30, 2011

10 - Other Income

	Year ended 30.06.2011 Rs.	Year ended 30.06.2010 Rs.	
Foreign Exchange Fluctuation (net)	4,832,487	949,888	AL
Commission Income	1,760,000	-	AL
Miscellaneous Income	35,221	4,100	AL
	<u>6,627,708</u>	<u>953,988</u>	AL

11 - Cost of Goods and Services Sold
[Schedule 16, Note 5]

Purchase of Traded Goods	510,444,820	385,315,491	AL
Purchase of Services	26,453,937	7,041,993	AL
Provision for Obsolete Inventory	5,995,973	738,528	AL
Closing Stock			
- Finished Goods (Including in Transit)	25,124,153	25,171,699	
Opening Stock			
- Finished Goods (Including in Transit)	25,171,699	6,677,471	
(Increase)/ Decrease In Stocks of Finished Goods	47,546	(18,494,228)	AL
	<u>542,942,276</u>	<u>374,601,784</u>	AL

12 - Personnel
[Schedule 16, Note 13]

Salaries, Wages, Allowances, Bonus and Gratuity	68,750,536	74,435,248	AL
Contribution to Provident and Other Funds	2,367,770	2,096,757	AL
Staff Welfare Expenses	1,601,683	1,394,461	AL
	<u>72,719,989</u>	<u>77,926,466</u>	

13 - Administration, Selling, Distribution and Others
[Schedule 16, Notes 8, 9, and 10]

Rent	4,817,559	6,096,811	AL
Rates and Taxes	1,804,306	116,818	AL
Printing and Stationery	456,774	463,383	AL
Communication	1,545,060	1,280,197	AL
Travelling and Conveyance	9,607,677	8,141,506	AL
Packing, Freight and Forwarding	1,764,160	812,721	AL
Legal and Professional	2,217,403	5,661,299	AL
Training and Conference	236,823	736,501	AL
Office Electricity and Water	238,940	367,537	AL
Insurance	1,012,833	404,371	AL
Advertisement and Publicity	849,914	1,138,445	AL
Hire Charges	327,918	376,252	AL
Commission on Sales	-	127,948	AL
Warranty	1,821,600	2,032,724	AL
Bank Charges	973,667	637,759	AL
Recruitment Expenses	324,977	1,126,752	AL
Provision for Doubtful Debts, Loans and Advances	3,365,024	1,295,623	AL
Miscellaneous	601,485	455,517	AL
	<u>31,966,120</u>	<u>31,272,164</u>	AL

14 - Repairs and Maintenance

Buildings	1,720,680	2,301,352	AL
Others	1,317,990	1,203,895	AL
	<u>3,038,670</u>	<u>3,505,247</u>	AL



Prepared

SCHEDULE 15 - SIGNIFICANT ACCOUNTING POLICIES

1. 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 supply and/or installation of Security, Surveillance and Scanning related equipments.

2. 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.

As at June 30, 2011, the Company has material accumulated losses of Rs. 178,750,788. HCL Infosystems Limited, the Holding Company, has confirmed its intention to provide continued financial and operational support to the Company, to enable it to operate as a going concern. Further, refer Note 20 on Schedule 16 regarding the sale / purchase of business to / from HCL Infosystems Limited. Accordingly, the accompanying financial statements have been prepared on a going concern basis.

3. FIXED ASSETS

Fixed Assets and Capital Work-in-Progress are stated at cost net of accumulated depreciation.

4. DEPRECIATION

(a) Depreciation on 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) Leasehold improvements are amortised on straight line basis over the period of three years or lease period whichever is lower.

5. 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.

6. 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 profit and loss account.

7. EMPLOYEE BENEFITS

Defined Benefit:

Liability for gratuity is provided as determined on actuarial valuation made at the end of the year which is computed using projected unit credit method. Gains/losses arising out of actuarial valuation are recognised immediately in the profit and loss account as income/expense.



Company's contributions towards recognised Provident Fund is accounted for on accrual basis. The Company has an obligation to make good the shortfall, if any, between the return from the investment of the provident fund trust and the notified interest rate.

Defined Contribution:

Company's contributions towards recognised Employee State Insurance and Superannuation Fund are 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.

Other Benefit:

Liability for leave encashment is provided as determined on actuarial valuation made at the end of the year which is computed using projected unit credit method. Gains/losses arising out of actuarial valuation are recognised immediately in the profit and loss account as income/expense.

8. 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.

9. 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 profit and loss account on a straight-line basis over the lease term.

10. INCOME TAXES

The current charge for income taxes is calculated in accordance with the relevant tax regulations.

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantially enacted tax rates as on the balance sheet date. Deferred tax asset is recognised and carried forward when it is reasonably certain that sufficient taxable profits will be available in future against which deferred tax assets can be realised except in case of carry forward tax losses or unabsorbed depreciation where deferred tax asset is recognised only when it is virtually certain that sufficient taxable profits will be available in future against which deferred tax can be realised.

11. PROVISIONS AND CONTINGENCIES

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.

12. IMPAIRMENT OF ASSETS

At the each balance sheet date, the Company assesses whether there is any indication that an 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 profit and loss account to the extent the carrying amount exceeds the recoverable amount.



13. USE OF ESTIMATES

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 warranty, 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.



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1. Contingent Liabilities: Claims against company not acknowledged as debts : Rs. Nil (2010: Rs. Nil). AL
2. Estimated value of contracts on capital account, net of capital advances, remaining to be executed and not provided for: Rs. Nil (2010: Rs. Nil). AL
3. Disclosure of Micro, Small and Medium Enterprises based on information available with the Company:

	2011	Rs. 2010
a. (i) Principal amount remaining unpaid to any supplier as at the end of the year.	-	442,060 AL
(ii) Interest due on above amount.	-	116,762 AL
b. (i) Amount of interest paid in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 (Act).	116,762	- AL
(ii) Amount of payments made to the suppliers beyond the appointed day during the year.	4,714,375	3,945,674 AL
c. Amount of interest due and payable for the period of delay in making payment but without adding the interest specified under the Act.	-	- AL
d. Amount of interest accrued and remaining unpaid at the end of the year.	8,063	116,762 AL
e. Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises.	-	- AL

4. Taxation:

(a) Provision for taxation has been computed by applying the Income Tax Act, 1961 to the profit for the year ended June 30, 2011, 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. The Company has Tax loss during the current year, accordingly no provision has been made for current tax.

(b) Deferred Tax:

Major components of Deferred Tax arising on account of timing difference along with their movement as at June 30, 2011 are:

	As at 30.06.10	Movement during the year	Rs. As at 30.06.11
Assets			
Carry forward Tax Loss and Unabsorbed Depreciation	43,449,835 AL	(1,862,933)	41,586,902
Depreciation	262,558 AL	348,221	610,779
Provision for Doubtful Debts, Loans and Advances	400,348 AL	1,039,792	1,440,140
Expense accruals (Bonus, Gratuity, Leave Encashment and Provision for Warranty)	1,703,449 AL	504,169	2,207,618
Total (A)	45,816,190 AL	29,249	45,845,439
Liabilities			
Preliminary Expenses	29,250 AL	29,249	58,499
Total (B)	29,250 AL	29,249	58,499
Net Deferred Tax Asset (A) - (B)	45,786,940 AL	-	45,786,940
Previous year	15,675,065 AL	30,111,875 AL	45,786,940 AL

5. Stocks and Sales:

Sales, Purchases, Opening and Closing stocks have been given in terms of value and / or, where ascertainable, in numbers.

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

	Nos.	Value Rs.
CCTV Cameras	4,840	60,340,238
	(1,323) AL	(35,763,572) AL
Baggage Scanners	9	164,378,454
	(28) AL	(27,668,590) AL
Others*		285,726,128
		(321,883,329) AL
Total		510,444,820
		(385,315,491) AL

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

(b) Stocks and Sales:

Class of Products	Unit	Sales / Adjustments		Opening Stock		Closing Stock	
		Qty	Value Rs.	Qty	Value Rs.	Qty	Value Rs.
CCTV Cameras	Nos.	4,851	67,338,700	134	982,328	123	1,798,139
		(1,318) AL	(45,501,234) AL	(129) AL	(1,075,802) AL	(134) AL	(982,328) AL
Baggage Scanners	Nos.	10	168,252,279	1	1,349,556	-	-
		(28) AL	(33,328,107) AL	(1) AL	(1,349,556) AL	(1) AL	(1,349,556) AL
Others*	Nos.		298,740,823		22,839,815		23,326,014
			(305,398,042) AL		(4,252,113) AL		(22,839,815) AL
Total			534,331,802		25,171,699		25,124,153
			(384,227,383)		(6,677,471) AL		(25,171,699) AL

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



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6. Value of Imports calculated on CIF basis:	2011	2010
	Rs.	Rs.
Traded items	284,655,764	165,026,502
Total	284,655,764	165,026,502

7. Earnings in Foreign Currency:	2011	2010
	Rs.	Rs.
FOB value of exports	-	638,802
Commission Income	1,760,000	-
Service Income	4,490,508	-
Total	6,250,508	638,802

8. Expenditure in Foreign Currency: (On cash basis)	2011	2010
	Rs.	Rs.
a) Travel	422,290	243,750
b) Legal and Professional	-	2,056,186
Total	422,290	2,299,936

9. Remuneration to Auditor*:	2011	2010
	Rs.	Rs.
Audit Fee	200,000	200,000
Out-of-Pocket Expenses	37,234	25,000
Total	237,234	225,000
*Excluding service tax		

10. 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 Rs. 4,817,559 (2010: Rs. 4,396,927).

(ii) Non-Cancelable Operating Leases

- (a) The Company has taken commercial premises on non-cancelable operating leases, the future minimum lease payments in respect of which are:

	2011	2010
	Rs.	Rs.
Not later than one year	-	1,681,704
Later than one year and not later than five years	-	-
Total	-	1,681,704

- (b) Minimum lease payments in respect of assets taken on lease recognised as an expense in the profit and loss account for the year ended June 30, 2011 is Rs. Nil (2010: Rs. 1,699,884).

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

	2011	2010
	Rs.	Rs.
Opening Balance as on July 1	2,032,724	-
Additions during the year	1,821,600	2,032,724
Utilised / Reversed during the year	(87,137)	-
Closing Balance as on June 30	3,767,187	2,032,724

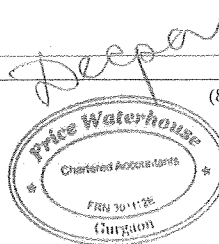
The warranty provision has been recognised for expected warranty claims on products sold during the year. Due to the very nature of such costs, it is not possible to estimate the timing of cash outflows due to uncertainties relating to the outflow of economic benefits.

12. 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	2011	2010
Profit / (Loss) after tax (Rs.)	(80,764,678)	(67,337,557)
Weighted average number of shares considered as outstanding in computation of Basic EPS	4,734,932	4,050,000
Add: Dilutive impact of unsecured loans from Holding Company	-	-
Weighted average number of shares considered as outstanding in computation of Diluted EPS	4,734,932	4,050,000
Basic EPS (of Rs. 10/- each)	(5.48)	(16.63)
Diluted EPS (of Rs. 10/- each)	(5.48)	(16.63)



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

(a) Defined Contribution Plans

(i) Provident Fund

(ii) Superannuation Fund

During the year, the Company has recognised the following amounts in the profit and loss account:

	2011	2010
	Rs.	Rs.
Employers Contribution to Provident Fund*	1,035,155	930,294
Employers Contribution to Superannuation Fund*	704,017	666,772

(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 profit and loss account:

	2011	2010
	Rs.	Rs.
Employers Contribution to Employee State Insurance*	70,707	31,855
Employers Contribution to Employee's Pension Scheme 1995*	557,891	467,836

* Included in Contribution to Provident and Other Funds under Personnel Cost (Refer Schedule 12).

(c) Defined Benefit

(i) Gratuity

(ii) Other Benefits

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		Other Benefits	
	2011	2010	2011	2010
Discount Rate (per annum)	8.00%	7.80%	8.00%	7.80%
Rate of increase in compensation levels	7.00%	7.00%	7.00%	7.00%
Rate of return on plan assets	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Expected average remaining working lives of employees (years)	23.80	23.32	23.80	23.32

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.

	2011		2010	
	Gratuity	Other Benefits	Gratuity	Other Benefits
	Rs.	Rs.	Rs.	Rs.
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	2,612,166	1,901,512	1,578,529	766,449
Current service cost	286,532	388,998	383,044	895,158
Past service cost	-	-	434,065	-
Interest cost	208,973	128,964	123,125	48,462
Actuarial (gain)/loss	(460,032)	(817,693)	93,403	270,325
Benefits (paid)	(450,735)	(421,476)	-	(78,882)
Present value of obligation at the end of the year	2,196,904	1,180,305	2,612,166	1,901,512
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	2,196,904	1,180,305	2,612,166	1,901,512
Fair value of plan assets at the end of the year	-	-	-	-
Assets/(Liabilities) recognised in the Balance Sheet	(2,196,904)	(1,180,305)	(2,612,166)	(1,901,512)
Cost recognised for the period (included under Salaries, Wages, Allowances, Bonus and Gratuity under Personnel Cost - Schedule 12)				
Current service cost	286,532	388,998	383,044	895,158
Past service cost	-	-	434,065	-
Interest cost	208,973	128,964	123,125	48,462
Actuarial (gain) / loss	(460,032)	(817,693)	93,403	270,325
Net cost / (gain) recognised for the year	35,473	(299,731)	1,033,637	1,213,945

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

	2011	2010	2009
Present value of the obligation as at the end of the year	2,196,904	2,612,166	1,578,529
Fair value of plan assets at the end of the year	-	-	-
Assets/(Liabilities) recognised in the Balance Sheet	(2,196,904)	(2,612,166)	(1,578,529)

	2011	2010	2009
Present value of the obligation as at the end of the year	1,180,305	1,901,512	766,449
Fair value of plan assets at the end of the year	-	-	-
Assets/(Liabilities) recognised in the Balance Sheet	(1,180,305)	(1,901,512)	(766,449)

This is fourth year of adoption of Accounting Standard AS-15 (revised), however since the Company is in operations for last three years, three years figures have been required by para 120 (n) of AS-15 (Revised).

14. Foreign Currency Exposure:

(a) The Company has no outstanding forward contracts to buy foreign currency as at June 30, 2011 (2010: Rs. Nil).

(b) As at June 30, 2011, the foreign currency exposure that is not hedged by a derivative instrument or otherwise is as follows:

Particulars	Year ended 30.06.11			Year ended 30.06.10		
	EUR	USD	INR	EUR	USD	INR
Payables	33,772	-	2,222,873	393,268	-	22,785,948
Payables	-	2,394,318	107,109,807	-	1,748,487	81,287,153
Total	33,772	2,394,318	109,332,680	393,268	1,748,487	104,073,101

15. 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.

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16. 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:

-Gudde Investment (Pondy) Private Limited (Formerly known as HCL Corporation Limited) due to substantial interest in voting power of the Holding Company

(c) Fellow subsidiary:

-HCL Infinet Limited

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

-Kiran Nadar Museum of Art

-HCL Technologies Limited

-HCL Techno Parks Limited

(e) Key Management Personnel:

Mr. Roisin Bhattacharya (Resigned with effect from April 1, 2011)

(f) Summary of Related Party disclosures for year ended June 30, 2011:

Rs.

Particulars	Holding Company		Fellow Subsidiary		Others		Key Management Personnel		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
(a) Transactions										
Sales and related income										
-HCL Technologies Limited					145,904,912	3,841,496	AL		145,904,912	3,841,496
-HCL Infosystems Limited	313,258,208	340,772,174	AL						313,258,208	340,772,174
-Kiran Nadar Museum of Art					1,480,614	-			1,480,614	-
-HCL Techno Parks Limited					-	15,391,724	AL		-	15,391,724
Purchase of Goods										
-HCL Infosystems Limited	16,824,373	15,841,165	AL						16,824,373	15,841,165
-HCL Infinet Limited			-	11,890	AL				-	11,890
Equity Shares issued, subscribed and paid up on conversion of Unsecured Loans										
-HCL Infosystems Limited*	150,000,000	-	AL						150,000,000	-
Unsecured Loans received										
-HCL Infosystems Limited	186,000,000	100,000,000	AL						186,000,000	100,000,000
Unsecured Loans refunded/ adjusted										
-HCL Infosystems Limited	170,000,000	-							170,000,000	-
Assets purchased										
-HCL Infosystems Limited	375,731	909,140	AL						375,731	909,140
Assets sold										
-HCL Infosystems Limited	2,780,000	-							2,780,000	-
Remuneration										
-Mr. Roisin Bhattacharya							10,337,835	12,443,715	10,337,835	12,443,715
Reimbursement of Expenses										
-HCL Infosystems Limited	112,340	1,449,539	AL						112,340	1,449,539
(b) Amount due to/ from related parties										
Unsecured Loans	116,000,000	100,000,000	AL	-	-	-	-	-	116,000,000	100,000,000
Accounts Receivables	119,528,154	137,776,961	AL	-	-	77,650,034	20,379,384	-	197,178,188	158,156,345
Creditors	179,138	12,900,092	AL	-	3,078	AL	-	-	179,138	12,903,170

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

* Refer Note in Schedule 2.

(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 Rs. 85,851,717 (2010 - Rs. 128,463,598) as at June 30, 2011.

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



Deepak

17. 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, 2011 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	Year ended June 30, 2011	Year ended June 30, 2010
	Rs.	Rs.
Loss after tax as per Profit and Loss account (a)	(80,764,678)	(67,337,537)
Add: Employee Stock Compensation Expense as per Intrinsic Value Method	-	-
Less: Employee Stock Compensation Expense as per Fair Value Method	54,616	1,972,568
Loss after tax recomputed for recognition of employee stock compensation expense under fair value method (b)	(80,819,294)	(69,310,125)
Earnings Per Share based on earnings as per (a) above:		
- Basic and Diluted (Refer Note 12)	(5.48)	(16.63)
Earnings Per Share had fair value method been employed for accounting of employee stock options:		
- Basic and Diluted	(5.48)	(17.11)

18. Amount due from companies under the same management under Section 370(1B) of the Companies Act, 1956 are as follows:

	2011	2010
	Rs.	Rs.
-HCL Technologies Limited	77,465,380	3,262,406
-Kiran Nadar Museum of Art	184,655	-
-HCL Techno Parks Limited	-	17,116,978
	77,650,035	20,379,384

19. The Company's business falls within a single primary business and geographical segment, i.e. supply and/or installation of the Security, Surveillance and Scanning related equipments. 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.

20. Post Balance Sheet date events:

- (a) Pursuant to the approval of the shareholders obtained in accordance with Section 293(1)(a) of the Companies Act, 1956, the Company has with effect from August 1, 2011:
- (i) Transferred its Security and Surveillance business as a going concern on slump sale basis for a consideration of Rs. 6 Crores.
 - (ii) Acquired the Digital Entertainment business as a going concern on slump sale basis from its Holding Company for a consideration of Rs. 35 Crores.
- (b) Pursuant to the approval of the Registrar of Companies dated July 26, 2011, the name of the Company has been changed to Digilife Distribution and Marketing Services Limited.

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

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For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

ABHISHEK RARA
Partner
Membership No. F-77779

Place: Noida
Date: August 16, 2011

For and on behalf of the Board of Directors

[Signature]
JAY CHOWDHURY
Director

[Signature]
DEEPA RAVI SHANKAR
Company Secretary

[Signature]
SANDEEP KANWAR
Managing Director

1+2
[Signature]

BALANCE SHEET ABSTRACTS AND COMPANY'S GENERAL BUSINESS PROFILE**Registration Details**

Corporate Identity Number (CIN)

U 7 2 9 0 0 D L 2 0 0 8 P L C 1 7 5 6 0 5

State Code

5 5

Balance Sheet Date

3 0 0 6 2 0 1 1
D D M M Y Y Y Y**Capital Raised During the Year (Amount in Rs. Thousands)**

Public Issue

N I L

Rights Issue

1 5 0 0 0 0

Bonus Issue

N I L

Private Issue

N I L

Position of Mobilisation and Deployment of funds (Amount in Rs. Thousands)**Sources of Funds**

Total Liabilities

3 0 6 5 0 0

Total Assets

3 0 6 5 0 0

Paid-up Capital

1 9 0 5 0 0

Reserves and Surplus

N I L

Secured Loans

N I L

Unsecured Loans

1 1 6 0 0 0

Application of Funds

Net Fixed Assets

2 3 7 3

Investments

N I L

Net Current Assets

7 9 5 8 9

Misc. Expenditure

N I L

Accumulated Losses

1 7 8 7 5 1

Deferred Tax Assets

4 5 7 8 7

Performance of Company

Turnover

5 7 2 7 9 5

Total Expenditure

6 5 3 5 6 0

(Please tick Appropriate box
+ for Profit, - for Loss)

Profit / Loss before Tax

- 8 0 7 6 5

Profit / Loss after Tax

- 8 0 7 6 5

Earning Per Share in Rs.

- 5 . 4 8

Dividend Rate (%)

N I L

Generic Name of Three Principal Products / Services of Company (as per monetary terms).

Item Code No. (ITC Code)

N . A

Product Description

S E C U R I T Y E Q U I P M E N T & S U R V E I L L A N C E S E R V I C E S

Item Code No. (ITC Code)

N . A

Product Description

Item Code No. (ITC Code)

N . A

Product Description

Deepee