

Directors' Report

To the Members,
HCL Infinet Limited

Your Directors have pleasure in presenting their Thirty Fifth 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. in Lacs)	
	Year ended 30 th June, 2011	Year ended 30 th June, 2010
Net Sales and other income	7792.42	8238.94
Profit / (Loss) before Interest, Depreciation and Tax	(765.71)	(892.43)
Finance Charges	4.10	1.97
Depreciation	376.84	315.28
Profit / (Loss) before Tax	(1146.65)	(1209.68)
Provision for Taxation : Current	-	-
: Fringe Benefit	-	-
Net Profit / (Loss) after Tax	(1146.65)	(1209.68)

Your Company has incurred a Loss after tax of Rs. 1146.65 lacs in the year ended 30th June, 2011 as against a loss of Rs. 1209.68 lacs for the year ended 30th June, 2010. The loss is attributable primarily to the following reasons:

1. Market Slowdown during H1 affecting many addressable segments like White goods, Manufacturing, Retail, BFSI & Aviation Sectors resulting in a heavy dip in Renewal and the Expansion Business from Existing Customers.
2. Heavy Undercutting in Bandwidth Prices by Basic Telecom Operators making it unviable and consequently resulting in a bigger churn of existing customers and lower revenue.

80 customers were added during the year with few of them being Multi-Year Contracts. Network Optimization of Existing Infra Resulted in Significant Cost-Savings.

Business Overview

HCL Infinet Limited is the Networking Services arm of the HCL group. The company holds an all India license to operate on a Class – 'A' ISP, ITSP and NLD service provider. The ISP/NLD operations are carried out through state-of-the art network infrastructure across the country.

HCL Infinet Ltd. provides IP/MPLS – VPN and Internet Bandwidth Services including a Complete Range of Managed Services to Enterprise across India. HCL Infinet Ltd. operates through a Pan India footprint with direct presence in 125+ locations expanding to 200+ locations. HCL Infinet has also set up 8 Tier-III Data-Centres to cater to its customers.

NSE Project

The project has been conceived on Long-term (4-5 years) ROI. The Current Contract is for 5 years and likely to continue beyond that.

Additional Members Connected to the NSE Network during the year taking the score to 3936 and taking the Total Project Billing till 30th June, 2011 to Rs.97.88 Cr.

Miscellaneous

HCL Infosystems Ltd., the Holding Company has signed a Share Purchase Agreement (SPA) with Tikona Digital Network Pvt. Ltd. on January 11, 2011 for the sale of its entire equity stake in the Company. The sale/transfer of equity shares shall be given effect upon receipt of necessary regulatory approvals.

Public Deposit

The Company has not accepted any deposits from the public.

Directors

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 continued to be 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 and Foreign Exchange Earning and Outgo

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

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

Particulars	(Rs./Lacs)	
	30 th June, 2011	30 th June, 2010
Foreign Exchange Earnings	138.47	142.27
Foreign Exchange Expenditure	8.64	7.71

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 does 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

HCL INFINET LIMITED
STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2011

Auditors' Report to the Members of HCL Infninet Limited

1. We have audited the attached Balance Sheet of HCL Infninet 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. Refer to Note 1 on Schedule 16 and Note 21 on Schedule 17 regarding the proposed sale of the Company and the availability of support from the prospective parent company, and the ability and willingness of the current parent company to continue to support the Company in the event that the sale does not proceed, indicate the existence of material uncertainties which cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.
5. Further to our comments in the Annexure referred to in paragraph 3 above and without qualifying paragraph 4 above, we report that:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors, as on 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

Annexure to Auditors' Report

Referred to in paragraph 3 of the Auditors' Report of even date to the members of HCL Ininet Limited on the financial statements for the year ended June 30, 2011

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

(b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed.

(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
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. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.



Annexure to Auditors' Report

Referred to in paragraph 3 of the Auditors' Report of even date to the members of HCL Infinet Limited on the financial statements for the year ended June 30, 2011

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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.
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

HCL Infinet Limited**Balance sheet as at June 30, 2011**

	<u>Schedule</u> <u>(Note No.)</u>	<u>As at</u> <u>30.06.2011</u> <u>Rs./ Thousands</u>	<u>As at</u> <u>30.06.2010</u> <u>Rs./ Thousands</u>
Sources of Funds:			
Shareholders' Funds:			
Capital	1	270,181	270,181
Reserves and Surplus	2	14,230	16,631
Unsecured Loans	3	191,504	110,000
		<u>475,915</u>	<u>396,812</u>
Application of Funds:			
Fixed Assets:			
	4		
Gross Block		623,435	622,851
Less: Depreciation/Amortisation		<u>416,898</u>	<u>388,680</u>
Net Block		206,537	234,171
Capital Work-In-Progress (Including Capital Advances)		<u>10,862</u>	<u>15,829</u>
		217,399	250,000
Current Assets, Loans and Advances:			
Inventories	5	548	731
Sundry Debtors	6	71,372	78,704
Cash and Bank Balances	7	39,992	22,138
Other Current Assets	8	20,137	22,300
Loans and Advances	9	<u>163,799</u>	<u>156,412</u>
		295,848	280,285
Less: Current Liabilities and Provisions			
	10		
Current Liabilities		505,199	484,235
Provisions		<u>4,819</u>	<u>7,261</u>
		510,018	491,495
Net Current Assets/(Liabilities)		(214,170)	(211,209)
Profit and Loss Account		472,686	358,021
		<u>475,915</u>	<u>396,812</u>
Significant Accounting Policies	16		
Notes to Accounts	17		

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


For Price Waterhouse
Firm Registration Number - 301112E
Chartered Accountants

ABHISHEK RARA
Partner
Membership Number F-77779

Place : Noida
Dated : August 16, 2011

The schedules referred to above form an Integral part of the Balance Sheet

For and on behalf of the Board of Directors


ANUP CHOWDHRY
Director


J.V.RAMAMURTHY
Whole-time Director


ANUP KUMAR
Company Secretary

Annexure to Auditors' Report

Referred to in paragraph 3 of the Auditors' Report of even date to the members of HCL Infinet 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, wealth-tax, service-tax, customs duty, excise duty and cess as at June 30, 2011 which have not been deposited on account of a dispute. The detail where sales-tax has not been deposited on account of a dispute as at June 30, 2011 is as follows:

Name of the statute and Nature of dues	Amount (Rs./ Thousands)	Amount deposited under protest (Rs./ Thousands)	Period to which the amount relates	Forum where the dispute is pending
U.P. Trade Tax Act, 1948 - Sales Tax including Penalty	219	219	2002-2005	Joint Commissioner Commercial Tax / Trade Tax Tribunal, Noida

10. The Company has accumulated losses as at June 30, 2011 which exceeds fifty percent of its net worth and it has incurred cash losses in the financial year ended on that date and in the immediately preceding financial 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, the Company has used funds raised on a short-term basis for long-term investment. The Company has financed its losses and additions to fixed assets aggregating to Rs. 209,351 Thousands from the funds raised on short-term basis (negative working capital).



HCL Infnnet Limited**Profit and Loss Account for the year ended June 30, 2011**

	<u>Schedule</u> <u>(Note No.)</u>	<u>Year ended</u> <u>30.06.2011</u> <u>Rs./ Thousands</u>	<u>Year ended</u> <u>30.06.2010</u> <u>Rs./ Thousands</u>
Income			
Services Income		735,925	761,618
Sale from Goods	17(5)	11,323	5,070
Other Income	11	31,994	57,206
		<u>779,242</u>	<u>823,894</u>
Expenditure			
Cost of Goods and Services Sold	12	21,268	17,924
Network Operating Cost		482,323	495,913
Personnel	13	129,417	146,682
Administration, Selling, Distribution and Others	14	183,756	211,187
Finance Charges	15	410	197
Depreciation/Amortisation	4	37,911	31,806
Less : Transfer from Revaluation Reserve	2	227	278
License Fees	17(13)	39,049	41,431
		<u>893,907</u>	<u>944,862</u>
Loss before Tax		(114,665)	(120,968)
Tax Expense		-	-
Loss after Tax		(114,665)	(120,968)
Add: Balance in Profit and Loss Account brought forward		(358,021)	(237,053)
Balance carried over to the Balance Sheet		(472,686)	(358,021)
Earning per equity share (In Rs.)	17(9 & 14)		
Basic and Diluted (of Rs.100/- each)		(42.44)	(44.77)
Significant Accounting Policies	16		
Notes to Accounts	17		

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

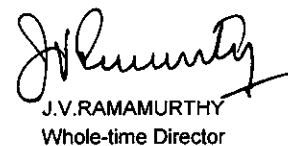
The schedules referred to above form an Integral part of the Profit and Loss Account

For Price Waterhouse
Firm Registration Number - 301112E
Chartered Accountants

For and on behalf of the Board of Directors

ABHISHEK RARA
Partner
Membership Number F-77779


J.V.RAMAMURTHY
Director


J.V.RAMAMURTHY
Whole-time Director


ANUP KUMAR
Company Secretary

Place : Noida
Dated : August 16, 2011

HCL Infinet Limited**Cash Flow Statement for the year ended June 30, 2011**

	Year ended 30.06.2011 <u>Rs./ Thousands</u>	Year ended 30.06.2010 <u>Rs./ Thousands</u>
1. Cash Flow from Operating Activities		
Loss before Tax	(114,665)	(120,968)
Adjustments for:		
Depreciation/Amortisation	37,684	31,528
(Profit)/Loss on Sale of Fixed Assets (Net)	481	(180)
Interest income	(2,295)	(23,800)
Unrealised foreign exchange (gain)/loss	(7)	(2)
Provisions/Liability no longer required written back	(29,286)	(28,383)
Fixed Assets written off	1,136	286
Debtors/Advances written off	4,189	4,841
Interest expense	410	197
Provision for Gratuity and other Employee Benefits	(2,442)	2,364
Provision for Doubtful Debts	2,983	6,403
Operating profit before Working Capital Changes	(101,812)	(125,714)
Adjustments for:		
- (Increase)/Decrease in Sundry Debtors	775	(5,795)
- (Increase)/Decrease in Other Current Assets, Loans and Advances	15,540	37,449
- (Increase)/Decrease in Inventories	183	2,847
- Increase/(Decrease) in Current Liabilities	78,062	4,619
Cash generated from Operations	(7,252)	(88,594)
Direct Tax (Paid)/Refund (Net)	(22,279)	(25,540)
Net cash from / (used in) Operating Activities (A)	(29,531)	(112,133)
2. Cash Flow from Investing Activities		
Interest Received	3,203	23,651
Purchase of Fixed Assets	(50,924)	(127,242)
Proceeds from Sale of Fixed Assets	14,869	253
Capital Work-in-Progress (Net)	4,967	61,688
Net cash from / (used in) Investing Activities (B)	(27,885)	(41,650)
3. Cash Flow from Financing Activities		
Interest paid	(410)	(197)
Secured Loan received	-	15,000
Secured Loan paid	-	(15,000)
Loan received from Holding Company, HCL Infosystems Limited	75,680	110,000
Net cash from / (used in) Financing Activities (C)	75,270	109,803
Opening Balance of Cash and Cash Equivalents	22,138	66,119
Closing Balance of Cash and Cash Equivalents	39,992	22,138
Net Increase/(Decrease) in Cash and Cash Equivalents	17,854	(43,981)
Total (A)+(B)+(C)	17,854	(43,981)
Cash and Cash Equivalents comprise		
Cash, Cheques and Drafts (in hand)	7,393	7,391
Balance with Scheduled Banks in Current Accounts	32,599	14,151
Balance with Scheduled Banks in Deposit Accounts	-	596

Notes :

- 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 17 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.

For Price Waterhouse
Firm Registration Number - 301112E
Chartered Accountants

ABHISHEK RARA
Partner
Membership Number F-77779

Place : Noida
Dated : August 16, 2011

For and on behalf of the Board of Directors


ANUP KUMAR
Company Secretary


J.V. RAMAMURTHY
Whole-time Director

HCL Infinet Limited

Schedules to the Balance Sheet as at June 30, 2011

	As at 30.06.2011 Rs./ Thousands	As at 30.06.2010 Rs./ Thousands
1 - Capital [Schedule - 17, Note - 21]		
Authorised:		
35,05,000 (2010 - 35,05,000) Equity Shares of Rs. 100/- each	350,500	350,500
	<u>350,500</u>	<u>350,500</u>
Issued, Subscribed and Paid up:		
27,01,810 (2010 - 27,01,810) Equity Shares of Rs. 100/- each, fully paid up (Wholly owned subsidiary of HCL Infosystems Limited)	270,181	270,181
Paid up share capital Includes:		
a) 16,96,810 Equity Shares of Rs.100/- each, issued pursuant to the Scheme of demerger in 2007 without payment being received in cash.		
b) 10,00,000 Equity Shares of Rs.100/- each, issued pursuant to a rights issue.		
	<u>270,181</u>	<u>270,181</u>



HCL Infinet Limited

Schedules to the Balance Sheet as at June 30, 2011

2 - Reserves and Surplus

[Schedule - 17, Note - 20]

	As At 01.07.2010 Rs./ Thousands	Additions/ Adjustments Rs./ Thousands	Deductions/ Adjustments Rs./ Thousands	As At 30.06.2011 Rs./ Thousands
Revaluation Reserve - Leasehold premises	16,631 (16,909)	- (-)	16,631 (278)	- (16,631)
General Reserve	- (-)	14,230 (-)	- (-)	14,230 (-)
	<u>16,631</u> <u>(16,909)</u>	<u>14,230</u> <u>(-)</u>	<u>16,631</u> <u>(278)</u>	<u>14,230</u> <u>(16,631)</u>

Note: Previous year's figures are given in brackets.



HCL Infinet Limited

Schedules to the Balance Sheet as at June 30, 2011

	As at 30.06.2011 Rs./ Thousands	As at 30.06.2010 Rs./ Thousands
3 - Unsecured Loans [Schedule - 17, Note - 10]		
Long-Term:		
Interest-free Loan received from HCL Infosystems Limited*	185,680	110,000
Deferred Lease Obligation**	5,824	-
	191,504	110,000

* Convertible into equity share capital of the Company at the option of the lender

** Amount payable within one year Rs. 5,161 Thousands (2010 - Rs. Nil)

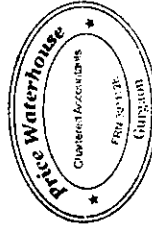


Schedules to the Balance Sheet as at June 30, 2011

4 - Fixed Assets
[Schedule -17, Note -1]

Rs./ Thousands

	Gross Block			Depreciations/Amortisation			Net Block		
	As at 01.07.2010	Additions for the year	Deductions/ Retired during the year	As at 30.06.2011	As at 01.07.2010	Additions for the year	Deductions/ Retired during the year	As at 30.06.2011	As at 30.06.2010
Tangible:									
Leasehold Premises	18,166	-	18,166	-	1,446	228	1,674	-	16,720
Plant and Machinery and Networking Equipments	475,504	26,888	9,284	493,108	334,158	21,389	7,305	144,866	141,346
Furniture, Fixtures and Office Equipment	28,250	332	376	28,206	15,367	5,132	230	7,937	12,883
Computers	10,617	714	528	10,803	7,804	1,041	484	2,442	2,813
Capital Spares	15,934	-	-	15,934	8,530	975	-	6,429	7,404
Intangible:									
Acquired Software	49,380	1,004	-	50,384	16,409	7,896	-	26,079	32,971
License Fees - One time	25,000	-	-	25,000	4,966	1,250	-	18,784	20,034
Total	622,851	28,938	28,354	623,435	388,680	37,911	9,693	206,537	234,171
Previous Year	567,802	92,092	37,043	622,851	393,557	31,806	36,683	234,171	

Capital Work-in-Progress
[Including Capital advances Rs. Nil (2010 - Rs. Nil)]10,862 15,829
217,399 250,000

HCL Infnit Limited**Schedules to the Balance Sheet as at June 30, 2011**

	As at 30.06.2011 <u>Rs./ Thousands</u>	As at 30.06.2010 <u>Rs./ Thousands</u>
5 - Inventories		
Stores and Spares	548	731
	<u>548</u>	<u>731</u>
6 - Sundry Debtors - Unsecured		
Debts outstanding for a period exceeding six months:		
- Considered Good	5,692	1,360
- Considered Doubtful	8,613	9,857
	<u>14,305</u>	<u>11,217</u>
Other Debts - Considered Good	65,680	77,343
	<u>79,985</u>	<u>88,560</u>
Less : Provision for Doubtful Debts	8,613	9,857
	<u>71,372</u>	<u>78,704</u>
	<u>71,372</u>	<u>78,704</u>
7 - Cash and Bank Balances		
Cheques in hand	7,393	7,391
Balances with Scheduled Banks:		
- On Current Account	32,599	14,151
- On Fixed Deposits	-	596
	<u>39,992</u>	<u>22,138</u>
8 - Other Current Assets [Schedule -17, Note - 10]		
Deposits	19,382	20,958
Lease Rental Recoverable	755	1,342
	<u>20,137</u>	<u>22,300</u>
9 - Loans and Advances		
Unsecured Considered Good		
- Amounts recoverable in cash or in kind or for value to be received	70,524	77,602
- Advance Income Tax [Net of Provision for Income Tax of Rs. 44,982 Thousands (2010 - Rs. 44,982 Thousands)]	90,443	68,164
- Balances with Sales tax and Excise Authorities	2,832	10,646
	<u>163,799</u>	<u>156,412</u>



HCL Infnnet Limited

Schedules to the Balance Sheet as at June 30, 2011

	As at 30.06.2011 <u>Rs./ Thousands</u>	As at 30.06.2010 <u>Rs./ Thousands</u>
10 - Current Liabilities and Provisions		
[Schedule - 17, Notes - 4 , 11 and 15]		
Current Liabilities:		
Sundry Creditors		
- Outstanding due to other than Micro and Small Enterprises	302,597	263,609
Advances from Customers	29,835	41,895
Deferred Revenue	152,132	146,348
Other Liabilities	20,635	32,382
	<hr/> 505,199 <hr/>	<hr/> 484,235 <hr/>
Provisions:		
For Gratuity and Other Employee Benefits	4,819	7,261
	<hr/> 4,819 <hr/>	<hr/> 7,261 <hr/>
	<hr/> 510,018 <hr/>	<hr/> 491,495 <hr/>



HCL Infninet Limited**Schedules to the Profit and Loss Account for the year ended June 30, 2011**

	Year ended 30.06.2011 <u>Rs./ Thousands</u>	Year ended 30.06.2010 <u>Rs./ Thousands</u>
11 - Other Income		
Interest on Lease Rental	481	718
Interest on Fixed Deposits - Gross	-	453
[Tax Deducted at Source Rs. Nil (2010: Rs. 144 Thousands)]		
Interest from Department of Telecommunications (DOT) on Deposits	-	22,629
Interest on Income Tax Refund	1,814	-
Insurance Claims	197	-
Provisions/Liabilities no longer required written back	29,286	26,383
Profit on Sale of Fixed Assets (Net)	-	180
Profit on Foreign Exchange Fluctuation (Net)	-	2
Miscellaneous Income	216	6,841
	<u>31,994</u>	<u>57,206</u>
12 - Cost of Goods and Services Sold [Schedule - 17, Note - 5]		
Purchase of Traded goods	9,332	2,707
Purchase of Services (Net)	11,305	12,236
Stores and Spares consumed	631	1,132
	<u>21,268</u>	<u>16,075</u>
(Increase)/Decrease in Stocks of Finished Goods:		
Closing Stock		
- Finished Goods	-	-
	<u>-</u>	<u>-</u>
Opening Stock		
- Finished Goods	-	1,849
	<u>-</u>	<u>1,849</u>
	-	1,849
	<u>21,268</u>	<u>17,924</u>



HCL Infnnet Limited**Schedules to the Profit and Loss Account for the year ended June 30, 2011**

	Year ended 30.06.2011 <u>Rs./ Thousands</u>	Year ended 30.06.2010 <u>Rs./ Thousands</u>
13 - Personnel		
[Schedule - 17, Note - 15]		
Salaries, Wages, Allowances, Bonus and Gratuity	119,207	137,312
Contribution to Provident and Other Funds	5,000	4,696
Staff Welfare Expenses	5,210	4,674
	<u>129,417</u>	<u>146,682</u>
14 - Administration, Selling, Distribution and Others		
[Schedule - 17, Notes - 8,10(b)(i)(b),10(b)(ii)(b) and 11]		
Rent	35,850	41,801
Rates and Taxes	3,039	4,660
Printing and Stationery	843	842
Communication	4,832	4,780
Travelling and Conveyance	9,484	12,584
Packing, Freight and Forwarding	-	289
Legal and Professional	12,141	12,466
Training and Conference	270	793
Office Electricity and Water	39,780	43,253
Insurance	769	516
Advertisement, Publicity and Entertainment	221	431
Hire Charges	18,188	34,226
Loss on Foreign Exchange Fluctuation (Net)	12	-
Commission on Sales	8,836	7,898
Bank Charges	443	422
Provision for Doubtful Debts	2,983	6,403
Loss on Sale of Fixed Assets (Net)	481	-
Repairs and Maintenance		
- Plant and Machinery	20,317	14,367
- Others	10,126	12,167
Fixed Assets written off	1,136	286
Miscellaneous	14,005	13,003
	<u>183,756</u>	<u>211,187</u>
15 - Finance Charges		
Interest on Fixed Loans	-	197
Interest on Others	410	-
	<u>410</u>	<u>197</u>



Schedule 16 - Significant Accounting Policies

1. 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. 472,686 Thousands. 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. Also, refer to Note 21 on Schedule 17 regarding the proposed sale of the Company. Accordingly, the accompanying financial statements have been prepared on a going concern basis.

2. FIXED ASSETS

Fixed assets and capital work-in-progress 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.

Intangible assets are stated at cost, net of amortisation.

The fixed component of License Fee payable by the Company for National Long Distance (NLD) license i.e. entry fee and the one-time license fee paid by the Company has been capitalised as an asset.

3. DEPRECIATION

(a) Depreciation on fixed assets is provided on a prorata basis using the straight-line method based on economic useful lives of the assets determined by way of periodical technical evaluation.

Assets acquired from erstwhile HCL Infonet Limited in the year 2007, the erstwhile subsidiary of HCL Infosystems Limited consequent to acquisition of Networking Business are being depreciated over the remaining useful life of the asset. Individual assets costing less than Rs. 5,000 are depreciated fully in the year of acquisition.

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

Plant and Machinery (Including Networking Equipments)	9.67 years
Computers	3 - 5 years
Office Equipment	3 - 6 years
Air Conditioners	9.67 years
Furniture and Fixtures	4 - 6 years
Capital Spares	Over the useful life of the principal item

(b) Leasehold premises is amortised over the period of lease.

(c) The one-time license fee capitalised is amortised equally over the balance period of license from the date of license.

(d) Acquired Software is amortised over its useful life of 1 - 3 years.

4. INVESTMENTS

Current investments are carried at lower of cost or fair value where fair value is based on net asset value.

5. INVENTORIES

Stores and Spares and other components are valued at lower of cost and net realisable value. Adequate adjustments are made to the carrying value for obsolescence.

Finished Goods are valued at lower of cost and net realisable value. Cost is determined on the basis of the weighted average method.



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 the monetary 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) Sales, net of discount is recognised (after providing for expenses to be incurred connected to such sales) on transfer of all significant risk and rewards to the customer and when no significant uncertainty exists regarding realisation of the consideration.

(b) Service income includes:

(i) **Virtual private networks:** Revenue is recognised on proportionate basis over the period of contract with the customer. One time charges recovered upfront from the customer are recognised as revenue at the commencement of service.

(ii) **Technical help desk:** The Company is engaged in providing technical and administrative help desk support to its various customers through the web. Revenue for the same has been recognised based on fulfilling obligations as contracted in the respective agreements.

9. LEASES

(a) Assets taken on leases where significant portion of the risks and rewards of ownership are retained by the 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.

(b) Assets taken under leases where the Company has substantially all the risk and rewards of ownership are classified as finance leases. Such assets are capitalised at the inception of the lease at the lower of fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on outstanding liability for each period.

(c) Initial direct costs relating to the finance lease transactions are included as part of the amount capitalised as an asset under the lease.



10. LICENSE FEES - REVENUE SHARE

With effect from December 16, 2004, the variable license fee is computed as per the License Agreement for Provision of Internet Services (including Internet Telephony), License Agreement for National Long Distance Services and from Department of Telecommunications (DOT) letter dated June 21, 2006, and is being charged to the profit and loss account in the year in which the related revenue from the Company's Networking and Internet related products and services arises.

11. 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 assets can be realised.

12. PROVISIONS AND CONTINGENCIES

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

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 income taxes, 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.

14. BORROWING COST

Borrowing cost to the extent related/attribution to the acquisition/construction of qualifying assets that necessarily take substantial period of time to get ready for their intended use are capitalised along with the respective fixed asset up to the date such asset is ready for use. Other borrowing costs are charged to the profit and loss account.

15. 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.

16. NETWORK OPERATING COST

The Network Operating Cost which represents the Bandwidth and other related charges is being charged to the profit and loss account in the year in which the cost is incurred.



Schedule 17 - Notes to Accounts

1. Estimated value of contracts on capital account, excluding capital advances, remaining to be executed and not provided for amount to Rs. 1,372 Thousands (2010 - Rs. 7,314 Thousands).

2. Contingent Liabilities:

Claims against the Company not acknowledged as debts:

	2011 Rs./Thousands	2010 Rs./Thousands
Sales Tax *	219	219
Industrial Disputes, Civil suits and consumer disputes	372	554

* A sum of Rs. 219 Thousands (2010 - Rs. 219 Thousands) has been deposited by the Company against the above.

The amounts shown above represents the best possible estimates arrived at on the basis of available information. The uncertainties and possible reimbursements are dependent on the out come of the different legal processes which have been initiated by the Company or the claimants as the case may be and therefore cannot be predicted accurately.

3. 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 temporary timing difference along with their movement as at June 30, 2011 are:

	As at 30.06.10	Movement during the year	As at 30.06.11
Assets			
Amortisation of License Fees	88	(15)	73
Total (A)	88	(15)	73
Liabilities			
Depreciation	88	(15)	73
Total (B)	88	(15)	73
Net Deferred Tax Liability [(B) - (A)]	-	-	-
Previous year	-	-	-

Deferred Tax Asset has been created to the extent of Deferred Tax Liability in absence of virtual certainty for recognition of Deferred Tax Asset on brought forward losses and unabsorbed depreciation.

4. Disclosure of Micro and Small Enterprises:

Based on the information available with the Company, no enterprise has been identified, which is covered under The Micro, Small and Medium Enterprises Development Act, 2006.



5. Stocks, Purchase 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:

Class of Products	Nos.	Value
		Rs./Thousands
Servers	(12)	(2,281)
Routers	24	558
	(8)	(114)
Other Networking Equipments	2,961	8,774
	(23)	(312)
		9,332
		(2,707)

b) Stocks and Sales:

Class of Products	Unit	Sales/Adjustments		Opening Stock		Closing Stock	
		Qty	Value Rs./Thousands	Qty	Value Rs./Thousands	Qty	Value Rs./Thousands
Servers	Nos.	-	-	-	-	-	-
		(12)	(2,750)	(-)	(-)	(-)	(-)
Routers	Nos.	24	691	-	-	-	-
		(91)	(1,921)	(83)	(1,849)	(-)	(-)
Other Networking Equipments	Nos.	2,961	10,632	-	-	-	-
		(23)	(399)	(-)	(-)	(-)	(-)
Total			11,323				
			(5,070)		(1,849)		(-)

Note: Previous year's figures are given in brackets.

6. Expenditure in Foreign Currency:
(On cash basis)

	Year ended June 30, 2011 Rs./Thousands	Year ended June 30, 2010 Rs./Thousands
a) Travel	36	44
b) Subscription	829	727
Total	865	771

7. Earnings in Foreign Currency:

	Year ended June 30, 2011 Rs./Thousands	Year ended June 30, 2010 Rs./Thousands
Internet access services	13,847	14,227
Total	13,847	14,227

* Represents amounts received in foreign currency for services rendered within India.



8. Remuneration to Auditor*:

	Year ended June 30, 2011 Rs./Thousands	Year ended June 30, 2010 Rs./Thousands
Audit fee	700	700
Certification fee	200	320
Out-of-Pocket Expenses	25	25
Total	925	1,045

* Excluding service tax.

9. 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 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:

Performa disclosures

Particulars	Year ended June 30, 2011 Rs./Thousands	Year ended June 30, 2010 Rs./Thousands
Loss after tax as per Profit and Loss account (a)	(114,665)	(120,968)
Add: Employee Stock compensation Expense as per Intrinsic Value Method	-	-
Less: Employee Stock compensation Expense as per Fair Value Method	90	1,377
Loss after tax recomputed for recognition of employee stock compensation expense under fair value method (b)	(114,755)	(122,345)
Earnings per share - Basic and Diluted based on earnings as per (a) above (Refer Note 14)	(42.44)	(44.77)
Earnings per share - Basic and Diluted had fair value method been employed for accounting of employee stock options	(42.47)	(45.28)

10. Leases:

a) Finance Leases:

As Lessor:

(i) The Company has given on finance lease certain assets which comprise of networking equipments. This lease has a primary period, which is fixed and non-cancelable. There are no exceptional/restrictive covenants in the lease agreement.

(ii) The gross investment in the assets given on finance lease as at June 30, 2011 and its present value as at that date are as follows:

	Total minimum lease payments receivable Rs./Thousands	Interest included in minimum lease payments receivable Rs./Thousands	Present value of minimum lease payments receivable Rs./Thousands
Not later than one year	979	224	755
	(1,068)	(481)	(587)
Later than one year and not later than five years	-	-	-
	(979)	(224)	(755)
Total	979	224	755
	(2,047)	(705)	(1,342)

Note: Previous year's figures are given in brackets.



As Lessee:

(i) The Company has taken on finance lease certain assets which comprise of networking equipments. This lease has a primary period, which is fixed and non-cancelable. There are no exceptional/restrictive covenants in the lease agreement.

(ii) The minimum lease payments outstanding and their present value as at June 30, 2011 are as follows:

	Total minimum lease payments payable Rs./Thousands	Interest included in minimum lease payments payable Rs./Thousands	Present value of minimum lease payments payable Rs./Thousands
Not later than one year	5,362	201	5,161
Later than one year and not later than five years	671	8	663
Total	6,033	209	5,824

b) Operating Leases:

(i) Cancelable Operating Leases

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

(b) The rental expense in respect of operating leases was Rs. 35,850 Thousands (2010 - Rs. 41,801 Thousands).

(ii) Non-Cancelable Operating Leases

(a) The Company has taken computer systems, routers and networking equipments on non-cancelable operating leases, the future minimum lease payments in respect of which are:

	Year ended June 30, 2011 Rs./Thousands	Year ended June 30, 2010 Rs./Thousands
Not later than one year	16,327	17,413
Later than one year and not later than five years	10,888	24,779
Total	27,215	42,192

(b) Minimum lease payments in respect of assets taken on lease recognised as Hire Charges in the profit and loss account for the year ended June 30, 2011 is Rs. 16,299 Thousands (2010 - Rs. 33,464 Thousands).

11. 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:

Guddu Investments (Pondi) Private Limited (Formerly known as HCL Corporation Limited) due to substantial interest in voting power of the Holding Company

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

- Digilife Distribution and Marketing Services Limited (Formerly known as HCL Security Limited)
- HCL Technologies Limited
- HCL Comnet Limited

(d) Key Management Personnel:

Mr Ajai Chowdhry
Mr J.V.Ramamurthy



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

Rs./Thousands

	Holding Company		Others		Total	
	2011	2010	2011	2010	2011	2010
A. Transactions						
Services Income	54,182	22,683	185,752	179,546	239,934	202,229
- Digilife Distribution and Marketing Services Limited			-	11		
- HCL Comnet Limited			166,927	163,941		
- HCL Technologies Limited			18,824	15,594		
Other Income	130	156	-	6,000	130	6,156
- HCL Comnet Limited			-	6,000		
Purchase of goods	-	130			-	130
Purchase of services	7,859	19,420			7,859	19,420
Assets purchased	487	3,297	-	263	487	3,560
- HCL Comnet Limited			-	263		
Assets sold	14,320	-			14,320	-
Loan received	90,000	110,000			90,000	110,000
Loan refunded	14,320	-			14,320	-
Reimbursements paid towards expenditure	9,719	6,666			9,719	6,666
Commission paid			8,215	8,215	8,215	8,215
B. Amount due to/ from related parties						
Unsecured Loans	185,680	110,000	-	-	185,680	110,000
Accounts receivables	11,588	3,049	5,311	5,102	16,899	8,151
Creditors	56,140	34,337	-	-	56,140	34,337
Other payables	347	1,340	114	87	461	1,427

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

- (f) 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. 47,918 Thousands (2010 - Rs. 38,865 Thousands) as at June 30, 2011. Further, Corporate Guarantee of Rs. 60,722 Thousands (2010 - Rs. 60,722 Thousands) was given to Cisco Systems Capital India Private Limited by HCL Infosystems Limited, the holding company during the previous period towards networking equipments taken on lease rent.
- (g) No remuneration is paid by the Company to the whole-time Directors.
12. The Company's business falls within a single primary business and geographical segment i.e. Internet and related services. 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.
13. In accordance with the letter of Department of Telecommunications, Ministry of Communications and Information Technology, Government of India (DOT) dated June 21, 2006, the Company has recognised variable license fees at the rate of 6% of AGR on VPN services revenue with effect from December 12, 2004 amounting to Rs. 38,285 Thousands (2010 - Rs. 40,632 Thousands).

For services other than VPN, the Company has recognised variable license fees at the rate of 6% of AGR, with effect from January 1, 2006, as per amended terms of License for Provision of Internet Services (including Internet Telephony) and letter of DOT dated June 21, 2006 amounting to Rs. 764 Thousands (2010 - Rs. 799 Thousands).



14. Earnings per share

The earnings considered in ascertaining the Company's earnings per share 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 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 Earnings per share:

Particulars	Year ended	Year ended
	June 30, 2011	June 30, 2010
Profit/(Loss) after tax (Rs./Thousands)	(114,665)	(120,968)
Weighted average number of shares considered as outstanding in computation of Basic EPS	2,701,810	2,701,810
Basic EPS (of Rs. 100/- each)	(42.44)	(44.77)

No Diluted EPS has been disclosed as the result would be anti-dilutive.

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

(a) Defined Contribution Plans

- (i) Provident Fund
- (ii) Superannuation Fund

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

	Year ended	Year ended
	June 30, 2011	June 30, 2010
	Rs./Thousands	Rs./Thousands
Employers Contribution to Provident Fund *	1,553	1,473
Employers Contribution to Superannuation Fund *	282	430

(b) State Plans

- (i) Employee State Insurance
- (ii) Employee's Pension Scheme 1995

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

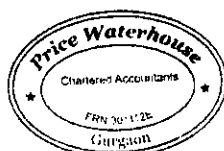
	Year ended	Year ended
	June 30, 2011	June 30, 2010
	Rs./Thousands	Rs./Thousands
Employers Contribution to Employee State Insurance *	1,144	886
Employers Contribution to Employee's Pension Scheme 1995 *	2,021	1,878

* Included in Contribution to Provident and Other Funds under Personnel Cost (Refer Schedule - 13).

(c) Defined Benefit Plans

- (i) Gratuity
- (ii) Other Benefits

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



	Employees Gratuity Fund	Other Benefits	Employees Gratuity Fund	Other Benefits
	2011		2010	
Discount Rate (per annum)	8.00%	8.00%	7.80%	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)	25.22	25.22	25.19	25.19

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.

	Rs./Thousands			
	Year ended June 30, 2011		Year ended June 30, 2010	
	Gratuity	Other Benefits	Gratuity	Other Benefits
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	3,710	3,551	2,731	2,167
Current service cost	415	597	533	1,279
Past service cost	-	-	208	-
Interest cost	297	252	213	149
Actuarial (gain)/loss	(1,411)	(1,468)	55	542
Benefits paid	(237)	(887)	(31)	(586)
Present value of obligation at the end of the year	2,774	2,045	3,710	3,551
Reconciliation of the present value of the defined benefit obligation and the fair value of the plan assets:				
Present value of obligation as at end of the year	2,774	2,045	3,710	3,551
Fair value of plan assets (funded status) at the end of the year	-	-	-	-
Assets/(Liabilities) recognised in the Balance Sheet	(2,774)	(2,045)	(3,710)	(3,551)
Cost recognised for the year (included in Salaries, Wages, Allowances, Bonus and Gratuity under Personnel Cost - Schedule 13)				
Current service cost	415	597	533	1,279
Past service cost	-	-	208	-
Interest cost	297	252	213	149
Actuarial (gain)/loss	(1,411)	(1,468)	55	542
Net cost/(gain) recognised for the year	(699)	(619)	1,009	1,970

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

	Rs./Thousands				
	Jun-11	Jun-10	Gratuity Jun-09	Mar-08	Mar-07
Present value of obligation as at end of the year	2,774	3,710	2,731	1,651	2,105
Fair value of plan assets (funded status) at the end of the year	-	-	-	-	-
Assets/(Liabilities) recognised in the Balance Sheet	(2,774)	(3,710)	(2,731)	(1,651)	(2,105)

	Rs./Thousands				
	Jun-11	Jun-10	Other Benefits Jun-09	Mar-08	Mar-07
Present value of obligation as at end of the year	2,045	3,551	2,167	1,389	2,058
Fair value of plan assets (funded status) at the end of the year	-	-	-	-	-
Assets/(Liabilities) recognised in the Balance Sheet	(2,045)	(3,551)	(2,167)	(1,389)	(2,058)



16. Pursuant to clause ix (b) of section 227 (4A) of The Companies Act, 1956, the details of disputed dues are as follows:

Sl. No.	Name of Statute	Nature of the dues	Amount Rs./Thousands	Amount Deposited under protest Rs./Thousands *	Period to which the amount relates	Forum where dispute is pending
1.1	U.P. Trade Tax Act. 1948	Sales Tax (including Penalty)	132	132	2004-2005	Joint Commissioner Commercial Tax, Noida
1.2	U.P. Trade Tax Act. 1948	Sales Tax (including Penalty)	87	87	2002-2003	Trade Tax Tribunal, Noida
Total			219	219		

* Deposits under sales tax are adjustable against demand of any assessment year.

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

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

18. As on June 30, 2011, the foreign currency exposure that is not hedged by a derivative instrument or otherwise is as follows:

	Year ended June 30, 2011 Rs./Thousands	Year ended June 30, 2010 Rs./Thousands
a) Creditors	1,359	227
b) Debtors	404	134
Total (a-b)	955	93

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

	2011 Rs./Thousands	2010 Rs./Thousands
Account Receivables		
HCL Technologies Limited	551	1,185
HCL Comnet Limited	4,760	3,917

20. During the year, the Company has sold the Leasehold Premises to its Holding Company for a consideration of Rs. 14,320 Thousands. On account of this sale, the company has recorded the following adjustments in the Revaluation Reserve on such Leasehold Premises:

	Rs./Thousands
Balance as on 30.06.2010	16,531
Less: Depreciation till the date of sale	227
	16,404
Less: Loss on sale	2,174
Balance transferred to General Reserve	14,230




21. During the year, the Holding Company has entered into an agreement dated January 11, 2011 with Tikona Digital Networks Private Limited for the sale of its entire equity stake in HCL Infninet Limited. This sale/transfer is subject to the receipt of necessary regulatory approvals.
22. Previous year's figure have been regrouped/recasted, wherever necessary, to confirm to current year's presentation.

For Price Waterhouse
Firm Registration Number - 301112E
Chartered Accountants

For and on behalf of the Board of Directors

ABHISHEK RARA
Partner
Membership Number F-77779


AJAI CHOWDHRY
Director


J.V. RAMAMURTHY
Whole-time Director


ANUP KUMAR
Company Secretary

Place : Noida
Dated : August 16, 2011

BALANCE SHEET ABSTRACTS AND COMPANY'S GENERAL BUSINESS PROFILE

Registration Details

Corporate Identity Number (CIN)

U 7 4 8 9 9 D L 1 9 7 5 P L C 0 0 7 9 0 4

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

N I L

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

4 7 5 9 1 5

Total Assets

4 7 5 9 1 5

Paid-up Capital

2 7 0 1 8 1

Reserves and Surplus

1 4 2 3 0

Secured Loans

N I L

Unsecured Loans

1 9 1 5 0 4

Application of Funds

Net Fixed Assets

2 1 7 3 9 9

Investments

N I L

Net Current Assets

- 2 1 4 1 7 0

Misc. Expenditure

N I L

Accumulated Losses

4 7 2 6 8 6

Deferred Tax Assets

N I L

Performance of Company

Turnover

7 7 9 2 4 2

Total Expenditure

8 9 3 9 0 7

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

Profit / Loss before Tax

- 1 1 4 6 6 5

Profit / Loss after Tax

- 1 1 4 6 6 5

Earning Per Share in Rs.

- 4 2 . 4 4

Dividend Rate (%)

N I L

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

Item Code No. (ITC Code)

N O T A P P L I C A B L E

Product Description

I N T E R N E T S E R V I C E P R O V I D E R