
HCL INSYS PTE. LTD.
(Company Registration No. 200923568M)

Financial Statements For The Year ended June 30, 2011

HCL Insys Pte. Ltd.

(Incorporated in the Republic of Singapore)

Directors

Sandeep Kanwar
Sundaram Sridharan

Registered Office

1 North Bridge Road
#19-04/05 High Street Centre
Singapore 179094

Auditors

Natarajan & Swaminathan
Certified Public Accountants
1 North Bridge Road
#19-04/05 High Street Centre
Singapore 179094

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HCL Insys Pte. Ltd.

Director's Report

For the financial year ended June 30, 2011

The directors have pleasure in presenting their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended June 30, 2011.

1 Directors

The directors in office at the date of this report are:-

Sandeep Kanwar
Sundaram Sridharan

2 Arrangements to enable directors to acquire shares and debentures

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

3 Directors' interests in shares and debentures

The directors holding office at the end of the financial year had no interests in shares, debentures, warrants or share options of the Company as recorded in the Register of Directors' Shareholding kept by the Company under Section 164 of the Singapore Companies Act.

<u>Name of directors and companies in which interests are held</u>	<u>At beginning of year</u>	<u>At end of year</u>
<i>Holding company HCL Infosystems Limited Equity shares of INR 2 each</i>		
Sandeep Kanwar	9,855	9,855

4 Directors' receipt and entitlement to contractual benefits

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a Company in which he has a substantial financial interest, except as disclosed in Note 21 to the financial statements.

HCL Inoys Pte. Ltd.
Directors' Report

For the financial year ended June 30, 2011

5 Share options

During the financial year, there were:

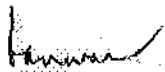
- (i) no options granted by the Company or its subsidiaries to any person to take up unissued shares of the Company or its subsidiaries; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

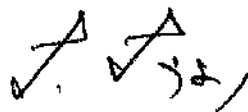
6 Auditors

The auditors, Natarajan & Swaminathan, have expressed their willingness to accept re-appointment.

On behalf of the board



.....
Sandeep Kanwar



.....
Sundaram Sridharan

Singapore,
Date: August 11, 2011

HCL Insys Pte. Ltd.
Statement of Directors

For the financial year ended June 30, 2011

We, Sandeep Kanwar and Sundaram Sridharan being the directors of HCL Insys Pte. Ltd., do hereby state that, in the opinion of the directors,

- (i) the accompanying financial statements of the Company and consolidated financial statements of the Group together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at June 30, 2011 and of the results, changes in equity of the Company and of the Group and of the cash flows of the Group for the year ended on that date, and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board


.....
Sandeep Kanwar


.....
Sundaram Sridharan

Singapore,
Date: August 11, 2011

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HCL INSYS PTE. LTD.**

(Incorporated in the Republic of Singapore)

Report on the Financial Statements

We have audited the accompanying financial statements of HCL INSYS PTE. LTD., and the consolidated financial statements of the Group set out on pages 6 to 35, except as discussed in the Basis for Disclaimer of Opinion paragraph. The financial statements comprise the statements of financial position of the Company and of the Group as at June 30, 2011 and the statements of comprehensive income, the statement of changes in equity of the Company and of the Group and the statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 ("the Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair statement of comprehensive income and statement of financial position and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in the Basis for Disclaimer of Opinion paragraph, we conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion in the Company's financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HCL INSYS PTE. LTD.
(Incorporated in the Republic of Singapore)

Auditors' Opinion on Company's Financial Statements

Opinion

In our opinion, the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at June 30, 2011 and the results and changes in equity of the Company for the year ended on that date.

Auditors' Opinion on Consolidated Financial Statements

Basis for Disclaimer of Opinion

We did not audit the financial statements of the subsidiaries (refer to **Note 4** to the financial statements) whose financial statements are consolidated with Company's financial statements. The subsidiaries total assets and net assets as of June 30, 2011 amount to US\$17,362,886 and US\$2,243,479 respectively and total revenue and profit before tax for the year then ended are US\$31,110,979 and US\$637,495 respectively. The audited financial statements of the subsidiaries have been audited by other auditors whose unqualified reports have been furnished to us.

The consolidated financial statements have been prepared by the Company's management in accordance with Singapore Financial Reporting Standards 27, Consolidated and Separate Financial Statements.

Disclaimer of Opinion

Because of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on whether the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group as at June 30, 2011 and of the results, changes in equity and cash flows of the Group for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.


Natarajan & Swaminathan
Public Accountants and Certified Public Accountants

Singapore
Date: August 11, 2011

HCL Insys Pte. Ltd.
Statement of Financial Position

As at June 30, 2011

	Note	Group 2011	Company 2011	Company 2010
		US\$	US\$	US\$
Assets				
Non-current assets				
Plant and equipment	3	287,104	127,383	148,856
Investment in subsidiary	4	-	4,336,827	-
Capital work in progress	5	1,211,380	-	-
Goodwill on consolidation	6	3,368,950	-	-
Total non-current assets		4,867,434	4,464,210	148,856
Current assets				
Inventories, at cost for resale		613,373	17,655	346,754
Trade and other receivables	7	22,440,861	8,545,482	1,044,280
Cash and bank balances	8	2,284,229	789,414	1,046,807
Total current assets		25,338,463	9,352,551	2,437,841
Total assets		30,205,897	13,816,761	2,586,697
Equity and liabilities				
Equity				
Share capital	9	4,471,379	4,471,379	143,324
Accumulated profits		996,927	620,495	15,141
Translation reserve		(300)	-	-
		5,468,006	5,091,874	158,465
Non-controlling interests		899,921	-	-
Total equity		6,367,927	5,091,874	158,465
Non-current liabilities				
Staff terminal benefits	10	398,919	-	-
Vehicle loans	11	65,202	-	-
Long-term loans	12	900,656	-	-
Total non-current liabilities		1,364,777	-	-
Current liabilities				
Trade and other payables	13	15,743,040	8,724,887	2,428,232
Bank loan and overdraft	14	6,705,502	-	-
Current portion of vehicle loans	11	24,651	-	-
Total current liabilities		22,473,193	8,724,887	2,428,232
Total liabilities		23,837,970	8,724,887	2,428,232
Total equity and liabilities		30,205,897	13,816,761	2,586,697

The annexed accounting policies and explanatory notes form an integral part of the financial statements

HCL Insys Pte. Ltd.
Statement of Comprehensive Income

For the financial year ended June 30, 2011

	Note	<u>Group</u> <u>2011</u>	<u>Company</u> <u>2011</u>	<u>2010</u>
		US\$	US\$	US\$
Revenue	15	70,580,545	39,469,566	4,696,667
Other income	16	1,289,844	145,128	-
Changes in inventories		17,565	(329,099)	346,754
Cost of purchases		(63,753,828)	(37,866,559)	(4,879,305)
Salaries and employee benefits	17	(4,048,170)	(382,342)	(79,834)
Depreciation of plant and equipment	3	(85,621)	(27,726)	(11,250)
Other operating expenses		(1,834,037)	(338,162)	(57,891)
Finance cost	18	(929,322)	(65,452)	-
Profit before income tax	19	<u>1,236,976</u>	<u>605,354</u>	<u>15,141</u>
Income tax expense	20	-	-	-
Profit after income tax		<u>1,236,976</u>	<u>605,354</u>	<u>15,141</u>
Other comprehensive income		-	-	-
Total comprehensive income for the year		<u><u>1,236,976</u></u>	<u><u>605,354</u></u>	<u><u>15,141</u></u>
Attributable to:				
Equity shareholders of the Company		981,978	605,354	15,141
Non-controlling interests		254,998	-	-
		<u><u>1,236,976</u></u>	<u><u>605,354</u></u>	<u><u>15,141</u></u>

The annexed accounting policies and explanatory notes form an integral part of the financial statements

HCL Insys Pte. Ltd.
Statement of Changes in Equity

For the financial year ended June 30, 2011

Group	Note	Share capital	Accumulated profits	Translation reserve	Attributable to equity holders of the Company	Minority interest	Total
		US\$	US\$	US\$	US\$	US\$	US\$
Balance at 17.12.2009 <i>(Date of incorporation)</i>		1	-	-	1	-	1
Issue of shares	9	143,323	-	-	143,323	-	143,323
Total comprehensive income for the period		-	15,141	-	15,141	-	15,141
Balance at 30.06.2010		143,324	15,141	-	158,465	-	158,465
Balance at 30.06.2010 as previously stated		143,324	429,261	-	572,585	-	572,585
Prior period adjustment	25	-	(414,120)	-	(414,120)	-	(414,120)
Balance at 30.06.2010 as restated		143,324	15,141	-	158,465	-	158,465
Effect of acquisition of subsidiary		-	-	-	-	645,251	645,251
Issue of shares	9	4,328,055	-	-	4,328,055	-	4,328,055
Translation differences		-	-	(300)	(300)	(200)	(500)
Distribution by subsidiary to previous shareholders	29	-	(192)	-	(192)	(128)	(320)
Total comprehensive income for the year		-	981,978	-	981,978	254,998	1,236,976
Balance at 30.06.2011		4,471,379	996,927	(300)	5,468,006	899,921	6,367,927

The annexed accounting policies and explanatory notes form an integral part of the financial statements

HCL Insys Pte. Ltd.
Statement of Changes in Equity

For the financial year ended June 30, 2011

<i>Company</i>	<i>Note</i>	<u>Share capital</u>	<u>Accumulated profits</u>	<u>Total</u>
		US\$	US\$	US\$
Balance at 17.12.2009 <i>(Date of incorporation)</i>		1	-	1
Issue of shares	9	143,323	-	143,323
Total comprehensive income for the period		-	15,141	15,141
Balance at 30.06.2010		<u>143,324</u>	<u>15,141</u>	<u>158,465</u>
Balance at 30.06.2010 as previously stated		143,324	429,261	572,585
Prior period adjustments		-	(414,120)	(414,120)
Balance at 30.06.2010 as restated		<u>143,324</u>	<u>15,141</u>	<u>158,465</u>
Issue of shares	9	4,328,055	-	4,328,055
Total comprehensive income for the year		-	605,354	605,354
Balance at 30.06.2011		<u>4,471,379</u>	<u>620,495</u>	<u>5,091,874</u>

The annexed accounting policies and explanatory notes form an integral part of the financial statements

HCL Insys Pte. Ltd.
Consolidated Statement of Cash Flows

For the financial year ended June 30, 2011

	Group	Company	
	2011	2011	2010
	US\$	US\$	US\$
Cash flows from operating activities			
Profit before income tax	1,236,976	605,354	15,141
Adjustments for:-			
Translation reserve	(1,463)	-	-
Interest income	(553,635)	7,538	-
Depreciation of plant and equipment	85,621	27,726	11,250
Staff terminal benefits	135,825	-	-
Interest expense	929,322	65,452	-
Operating profit before working capital changes	1,832,646	706,070	26,391
Inventories	(17,565)	329,099	(346,754)
Trade and other receivables	(8,820,622)	(7,501,202)	(1,044,280)
Trade and other payables	6,910,666	6,296,655	2,428,232
Staff terminal benefits paid	(34,872)	-	-
Cash generated from operations	(129,747)	(169,378)	1,063,589
Interest received	553,635	(7,538)	-
Interest paid	(929,322)	(65,452)	-
Net cash (used in)/ from operating activities	(505,434)	(242,368)	1,063,589
Cash flows from investing activities			
Acquisition of plant and equipment	(110,543)	(6,253)	(160,106)
Addition to capital work-in-progress	(758,306)	-	-
Effect of acquisition of subsidiary, net of cash acquired	(9,316,515)	(4,336,827)	-
Net cash used in investing activities	(10,185,364)	(4,343,080)	(160,106)
Cash flows from financing activities			
Proceeds from issue of shares	4,328,055	4,328,055	143,324
Distribution to ex shareholders of subsidiary	(320)	-	-
Decrease in fixed deposits pledged	1,099,453	-	-
Repayment of bank loans	(1,481,330)	-	-
Bills discounted	853,053	-	-
Proceeds from vehicle loans	58,796	-	-
Repayment of vehicle loans	(19,637)	-	-
Net cash from financing activities	4,838,070	4,328,055	143,324
Net (decrease)/increase in cash and cash equivalents	(5,852,728)	(257,393)	1,046,807
Cash and cash equivalents brought forward	1,046,807	1,046,807	-
Cash and cash equivalents carried forward	(4,805,921)	789,414	1,046,807
Cash and cash equivalents comprise:-			
Cash at bank	1,046,527	789,413	1,046,806
Cash in hand	1	1	1
	1,046,528	789,414	1,046,807
Less: Bank overdraft	(5,852,449)	-	-
	(4,805,921)	789,414	1,046,807

The annexed accounting policies and explanatory notes form an integral part of the financial statements

HCL Insys Pte. Ltd.
Consolidated Statement of Cash Flows

For the financial year ended June 30, 2011

	<u>2011</u>	<u>2010</u>
	US\$	US\$
<i>Summary of effects of acquisition of subsidiary</i>		
Assets acquired		
Plant and equipment		113,367
Capital work-in-progress		2,067,102
Inventories		249,054
Trade and other receivables		10,961,931
Cash and cash equivalents		70,373
Fixed deposits pledged		<u>2,337,154</u>
		<u>15,798,981</u>
Less: Liabilities		
Trade and other payables		6,404,142
Staff terminal benefits		298,076
Vehicle loans		50,713
Bank loans		2,382,862
Bank overdrafts		<u>5,050,061</u>
		<u>14,185,854</u>
Net assets of subsidiary		<u><u>1,613,127</u></u>
Group's share of net assets acquired		967,877
Goodwill on consolidation		<u>3,368,950</u>
Cash consideration paid		4,336,827
Less: Cash and cash equivalents of subsidiary		<u>(4,979,688)</u>
Net cash paid		<u><u>9,316,515</u></u>

The annexed accounting policies and explanatory notes form an integral part of the financial statements

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 Corporate information

The Company (Registration No. 200923568M) is a private limited Company incorporated and domiciled in Singapore.

The registered office of the Company is located at 1, North Bridge Road, #19-04/05 High Street Centre, Singapore 179094. The administration office of the Company is located at 21, Kallang Avenue, #01-171, Singapore 339412.

The principal activities of the Company are relating to IT and related activities including manufacturing and trading of laptops, desktops and other related IT products.

There have been no significant changes in the nature of these activities during the year.

Holding company

The Company is a wholly owned subsidiary of 'HCL Infosystems Limited', incorporated in India which is also the ultimate holding company.

Subsidiary companies

On July 1, 2010, the Company acquired an equity interest of 60% in HCL Infosystems MEA FZCO ("HCL MEA") (formerly known as NTS FZCO prior to the acquisition). The remaining 40% of the shares are acquired by NTS Holdings Limited, a newly formed company registered in British Virgin Islands. Subsequent to the acquisition, HCL MEA have also acquired all shares in NTS-LLC and NTS Technology. For compliance with legal requirements, Mr Mohamed Abdulla Ahmed Abdul Alkhemairi holds 51% share in NTS – LLC and Mr Abdulla Abdul Rahman Adbulla Qassim holds 51% in NTS Technology for the beneficial interest of HCL MEA, refer to **Notes 4 and 29** to the financial statements.

2 Significant accounting policies

a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Singapore Companies Act, Chapter 50. The financial statements are expressed in United States Dollars (US\$) and are prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. These estimates and assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances (refer to **Note 2(e)** to the financial statements).

2 Significant accounting policies (cont'd)

a) **Basis of preparation (cont'd)**

The Group and Company adopted the new or revised FRS that is mandatory for application on that date. This includes the following FRS, which are relevant to the Group and Company as a single entity:

FRS 27 : Consolidated and Separate Financial Statements

Changes to the Group's and Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of these does not result in any significant changes to the Group's and Company's accounting policies or have any significant impact on the financial statements, except as discussed below:

FRS 1 – Presentation of Financial Statements (Revised 2008)

FRS 1 (revised 2008) requires an entity to present, in a statement of changes in equity, all owners' changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statements of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a retrospective application of an accounting policy, a retrospective restatement of items in its financial statements or a reclassification of items in the financial statements. FRS 1 (revised 2008) does not have any impact on the Group's and Company's financial positions or results.

FRS 27 (revised) Consolidated and Separate Financial Statements

(effective for annual periods beginning on or after 1 July 2009)

The revisions to FRS 27 principally change the accounting for transactions with non-controlling interests. Please refer to Notes 2.2(b) (ii) for the revised accounting policy on changes in ownership interest that results in a lost of control and 2.2(b) (iii) for that on changes in ownership interests that do not result in lost of control.

As the changes have been implemented prospectively, no adjustments were necessary to any of the amounts previously recognised in the financial statements. There were no transactions with non-controlling interests in the current financial year. Accordingly, these changes do not have any impact on the financial statements for the current financial year.

b) **Basis of consolidation**

(i) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to June 30, each year. Subsidiaries are companies controlled by the Company generally accompanied by a shareholding giving rise to a majority of the voting rights. All material intra-group transactions and balances within the Group are eliminated on consolidation.

2 Significant accounting policies (cont'd)

b) Basis of consolidation (cont'd)

(i) Consolidation (cont'd)

The results of subsidiaries acquired or disposed during the financial year are included in or excluded from the consolidated financial statements from the effective date of acquisition or disposal, as appropriate. Acquisitions of subsidiaries are accounted for using the purchase method.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the equity holders of the Company. They are presented separately in the consolidated statements of financial position, consolidated income statements and statement of changes in equity. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary even, if this results in the non-controlling interests having a deficit balances.

Goodwill and fair value adjustments to the carrying amount assets and liabilities arising on the acquisition of foreign subsidiaries are determined and are translated using exchange rates at the date of acquisition.

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment loss. Any such provisions for impairment are recognised in the profit or loss.

(ii) Disposal of subsidiaries

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of the entity are also reclassified to profit or loss or transferred directly to accumulated profits if required by a specific Standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

(iii) Transactions with non-controlling interests

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the equity holders of the Company.

c) Functional and presentation currency

The individual financial statements of each Group entity are measured in the currency of the primary economic environment in which the entity operates (its functional currency).

2 Significant accounting policies (cont'd)

c) Functional and presentation currency (cont'd)

The consolidated financial statements of the Group and of the Company are presented in United States dollars, which is the functional currency of the Company, and the presentation currency for the financial statements.

d) Foreign currency transactions

Foreign currency transactions are translated into the respective functional currencies using the exchange rates prevailing at the dates of transactions. Foreign currency monetary assets and liabilities are translated into the respective functional currencies at the exchange rates prevailing at the statements of financial position date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of foreign currency denominated assets and liabilities are recognised in the profit or loss.

Currency translation differences on non-monetary items, such as equity investments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Currency translation differences on non-monetary items, such as equity investments classified as available-for-sale financial assets, are included as part of the fair value gain or loss.

In the preparation to the consolidated financial statements, the financial statements of those subsidiaries whose functional currency is not the United States Dollar (i.e. foreign entities) are translated into United States Dollars, the functional currency of the Company, as follows:

- i) assets and liabilities are translated at the closing rate at the date of the statement of financial position;
- ii) share capital and reserves are translated at historical exchange rates; and
- iii) revenue and expenses are translated at average rates which approximate the exchange rates prevailing on the transactions dates.

Exchange differences arising from the above translations are taken to the foreign currency translation reserve. On consolidation, exchange differences arising from translation of net investments in foreign entities (including monetary items that in substance form part of the net investments in foreign entities) are taken to foreign currency translation reserves. On disposal, the accumulated translation differences are recognised in profit or loss as part of the gain or loss on disposal in the year in which the foreign entity is disposed of.

e) Critical judgements in applying the entity's accounting policies

In the process of applying the entity's accounting policies, management is of opinion that there are no critical judgements (other than those involving estimates) that have significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

2 Significant accounting policies (cont'd)**e) Critical judgements in applying the entity's accounting policies (cont'd)**Depreciation

The Group depreciates the plant and equipment over their estimated useful lives, after taking into account their estimated residual values, if any, using the straight-line method. The estimated useful life reflects the directors' estimate of the years that the Group intends to derive future economic benefits from the use of the Group's plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

Inventory valuation method

Inventory is valued at the lower of cost or net realisable value. Cost is determined using the weighted average method. Net realisable value is the price at which the inventories can be realised in the normal course of business after allowing for the cost of realisation. The Group reviews its inventory levels in order to identify slow-moving and obsolete merchandise. When the Group identifies items of inventory which have a market price that is lower than its carrying amount, the Group then estimates the amount of inventory loss as allowance on inventory.

Allowance for trade and other receivables

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of collectability and aging analysis of the outstanding receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, allowances would be made.

f) Investment in subsidiary

Investment in subsidiary is stated at cost and less impairment loss, if any. Any such impairment loss is recognised as an expense in the profit or loss.

g) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the profit or loss. When assets are sold or retired, their cost and accumulated depreciation and impairment loss are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit or loss.

h) Depreciation of plant and equipment

Depreciation is calculated on a straight-line method to write off the cost of the plant and equipment over their estimated useful lives as follow:-

Furniture & fittings	-	4 to 6 years
Electrical equipment	-	6 years
Office equipment	-	4 years
Computer	-	3 years
Motor vehicles	-	4 years

2 Significant accounting policies (cont'd)

h) Depreciation of plant and equipment (cont'd)

Fully depreciated assets still in use are retained in the financial statements.

The residual values, estimated useful lives and depreciation method of plant and equipment are reviewed, and adjusted as appropriate, at each statement of financial position date. The effects of any revision are recognised in the profit or loss when the changes arise.

i) Goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is stated at cost less impairment losses in any. Goodwill is tested for impairment on an annual basis as described in Note 2(j).

j) Impairment of non-financial assets

At each statements of financial position date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of impairment loss is recognised immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

k) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average method. Net realisable value is the price at which the inventories can be realised in the normal course of business after allowing for the cost of realisation. Provision is made where necessary for obsolete, damaged, slow moving and defective inventories.

2 Significant accounting policies (cont'd)

i) Financial instruments

Financial instruments comprise financial assets and liabilities and they are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

Financial assets

Financial assets are classified as one of the financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate.

Recognition

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not measured at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets at the time of initial recognition, and where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the year generally established by regulation or convention in the market place concerned.

As of year end the Group has the following classes of financial assets:-

- *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as "trade and other receivables" and "cash and bank balances" on the statements of financial position. They are presented as current assets, except for those maturing 12 months after the financial position date, which are presented as non-current assets. Loans and receivables are measured at amortised cost using the effective interest method less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. For short term receivables the nominal cost would approximate the fair value.

Impairment

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each statement of financial position date.

2 Significant accounting policies (cont'd)

l) Financial instruments (cont'd)

Impairment (cont'd)

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if any, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss, is recognised directly in equity.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred assets, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

Financial liabilities include trade payables on normal trade terms, other payables and interest-bearing loans and borrowings.

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis. For short term payables the cost approximates the fair value.

Interest-bearing bank loans and overdraft are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

2 Significant accounting policies (cont'd)**l) Financial instruments (cont'd)*****Financial liabilities (cont'd)***

Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for finance costs. Financial liabilities are derecognised when the obligation under the liabilities are discharged, cancelled or expire.

m) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents consist of fixed deposits, cash at banks and cash in hand.

n) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities, net of goods and services tax.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:-

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Revenue represents invoiced value of goods and services less returns and discounts.

Service income

Service income relates to provision of IT solutions and is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

Interest income

Interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Group turnover excludes intra-group transactions.

o) Employee benefits***Retirement benefit costs***

As required by law, the Group makes contributions to the Central Provident Fund (CPF), a defined contribution plan regulated and managed by the Government of Singapore. CPF contributions are recognised as expense in the same period to which the contribution relates.

Employee entitlements to annual leave are recognised when they accrue to the employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by the employees up to the statement of financial position date.

A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

p) Staff terminal benefits

The provision for staff terminal benefits is based on the liability that would arise if the employment of all staff were terminated at the statement of financial position date. The provision is calculated in accordance with the UAE Federal Labour Law and the minimum entitlements prescribed by the Dubai Airport Free Zone Authority (place of business of the subsidiary).

2 Significant accounting policies (cont'd)**q) Finance cost**

The Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that assets. The Group has capitalised borrowings costs with respect to properties under construction which will be used for business operation purpose. Any other Interest expense and similar charges are expensed in the profit or loss in the year in which they are incurred.

r) Operating lease

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term.

s) Income tax

Income tax expense represents the sum of tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using statutory tax rate at the statement of financial position date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset, realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt, within equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on net basis.

3 Plant and equipment

<u>Group - 2011</u>	<u>Furniture & fittings</u>	<u>Electrical equipments</u>	<u>Office equipment</u>	<u>Computers</u>	<u>Motor vehicles</u>	<u>Total</u>
	US\$	US\$	US\$	US\$	US\$	US\$
Cost						
At July 1, 2010	96,954	45,527	-	17,625	-	160,106
Effect of acquisition of subsidiary	161,530	-	93,252	-	124,809	379,591
Additions	5,077	5,517	34,198	423	65,328	110,543
Disposals	-	-	-	-	(50,724)	(50,724)
Translation differences	(60)	-	(34)	-	(47)	(141)
At June 30, 2011	263,501	51,044	127,416	18,048	139,366	599,375
Depreciation						
At July 1, 2010	5,713	3,161	-	2,376	-	11,250
Effect of acquisition of subsidiary	133,503	-	67,356	-	65,364	266,223
Charge for the year	35,430	8,507	14,729	3,008	23,947	85,621
Disposals	-	-	-	-	(50,724)	(50,724)
Translation differences	(49)	-	(25)	-	(25)	(99)
At June 30, 2011	174,597	11,668	82,060	5,384	38,562	312,271
Net book value						
At June 30, 2011	88,904	39,376	45,356	12,664	100,804	287,104
<u>Company - 2011</u>						
Cost						
At July 1, 2010	96,954	45,527	-	17,625	-	160,106
Additions	313	5,517	-	423	-	6,253
At June 30, 2011	97,267	51,044	-	18,048	-	166,359
Depreciation						
At July 1, 2010	5,713	3,161	-	2,376	-	11,250
Charge for the year	16,211	8,507	-	3,008	-	27,726
At June 30, 2011	21,924	11,668	-	5,384	-	38,976
Net book value						
At June 30, 2011	75,343	39,376	-	12,664	-	127,383
<u>Company - 2010</u>						
Cost						
At December 17, 2009	-	-	-	-	-	-
Additions	96,954	45,527	-	17,625	-	160,106
At June 30, 2010	96,954	45,527	-	17,625	-	160,106
Depreciation						
At December 17, 2009	-	-	-	-	-	-
Charge for the period	5,713	3,161	-	2,376	-	11,250
At June 30, 2010	5,713	3,161	-	2,376	-	11,250
Net book value						
At June 30, 2010	91,241	42,366	-	15,249	-	148,856

HCL Insys Pte. Ltd.

Notes to the Financial Statements

For the financial year ended June 30, 2011

3 Plant and equipment

Motor vehicles with a net book value of US\$59,423 are secured against loan obtained from banks (refer to Note 11 to the financial statements).

4 Investment in subsidiary

	<u>Group</u> <u>2011</u>	<u>Company</u> <u>2011</u>	<u>2010</u>
	US\$	US\$	US\$
Unquoted equity shares, at cost	-	<u>4,336,827</u>	-

The detail of the Company's investment in subsidiary is as follows:-

<u>Name of subsidiary</u>	<u>Country of incorporation/ Place of business</u>	<u>Principal activity</u>	<u>Percentage of equity held</u>		<u>Cost</u>	
			<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
			%	%	US\$	US\$
HCL Infosystems MEA FZCO	Dubai, Airport Free Zone	Developing and trading of software and hardware systems and IT solutions	<u>60</u>	-	<u>4,336,827</u>	-

Held by subsidiaries:-

<u>Name of subsidiaries</u>	<u>Country of incorporation/ Place of business</u>	<u>Principal activities</u>
National Technology Solutions (NTS) - LLC	Dubai	Trading computer hardware and accessories, computer system networking and accessory trading, import and on-shore, off-shore oil and gas field and installation services.
NTS Technology LLC	Dubai	Trading in computer software, computer and data processing requisites and computer equipment and requisites.

5 Capital work-in-progress

	<u>Group</u> <u>2011</u>	<u>Company</u> <u>2011</u>	<u>2010</u>
	US\$	US\$	US\$
Sobha properties	<u>1,211,380</u>	-	-

Sobha properties

In November 2008, a subsidiary entered into a sales purchase agreement with Sobha Ventures Limited for the purchase of commercial spaces in Sobha Sapphire. The total cost of the properties acquired amounted to US\$1,510,244 (AED 5,546,250). In the current year, the subsidiary has made an agreement with Sobha Ventures Limited along with Sobha Properties Limited to allocate the purchased property from Sobha Ventures Limited to the properties of Sobha Properties Limited for an amount equivalent to US\$1,193,383 (AED 4,384,215). Total amount capitalised under "Capital work-in-progress" represents actual amounts paid by the subsidiary in relation to the percentage of completion of the said properties plus the initial amount paid on interior designing of these properties. The amount includes interest expense of US\$171,145 (AED 628,750).

The property is meant for the use of the subsidiary upon completion.

6 Goodwill on consolidation

	Group	Company	
	2011	2011	2010
	US\$	US\$	US\$
At cost	<u>3,368,950</u>	<u>-</u>	<u>-</u>

Goodwill is stated at cost less impairment losses if any and is not amortised. Instead goodwill impairment is tested annually or when circumstances change, indicating that goodwill might be impaired.

The recoverable amount is assessed by the Group based on the net assets value as at year end and estimated future profitability of the subsidiaries.

7 Trade and other receivables

	Group	Company	
	2011	2011	2010
	US\$	US\$	US\$
Trade receivables			
- Outside parties (*)	12,061,239	944,064	789,546
- Holding company	7,499,161	-	-
GST receivable	6,395	6,395	78,797
Holding company	-	7,499,161	56,871
Advance for purchases	46,100	46,100	-
Margin deposit on bank guarantee	-	-	82,926
Prepayments	229,165	26,177	8,054
Deposits	54,653	17,362	16,766
Interest receivable from subsidiary	-	5,873	-
Staff advances	350	350	-
Due to previous shareholders of subsidiary	2,325,304	-	-
Other receivables	218,494	-	11,320
	<u>22,440,861</u>	<u>8,545,482</u>	<u>1,044,280</u>

The average credit period is 30 days. No interest is charged on the trade receivables due from outside parties. The Company has not made any allowance on all these receivables as the directors are of the view that all the receivables are recoverable.

The amount due from holding company is unsecured, interest free and repayable on demand.

(*) Out of the Group total trade receivables balance as of June 30, 2011 US\$2,119,838 (AED 7,787,796) is due from one customer, which is long overdue. As per the share transfer agreement between the Group and previous shareholders of the subsidiary (refer to Note 1 to the financial statements), in the event that there is a shortfall in the realisation of the subsidiary's current assets, the previous shareholders shall jointly and severally indemnify the Group.

7 Trade and other receivables (cont'd)

The table below is an analysis of trade receivables aging as at June 30:

	Group 2011	Company	
	2011	2011	2010
	US\$	US\$	US\$
Due less than 30 days	3,781,850	504,142	724,963
Due 31 days to 90 days	1,772,127	221,883	64,583
Due more than 90 to 365 days	4,910,551	747,210	-
Due more than 365 days	2,125,882	-	-
	<u>12,590,410</u>	<u>1,473,235</u>	<u>789,546</u>

The Group's trade and other receivables that are not denominated in United States dollars are as follows:-

	Group 2011	Company	
	2011	2011	2010
	US\$	US\$	US\$
Singapore dollars	<u>31,949</u>	<u>31,949</u>	<u>103,587</u>

8 Cash and bank balances

	Group 2011	Company	
	2011	2011	2010
	US\$	US\$	US\$
Fixed deposits	1,237,701	-	-
Cash at banks	1,046,527	789,413	1,046,806
Cash in hand	<u>1</u>	<u>1</u>	<u>1</u>
	<u>2,284,229</u>	<u>789,414</u>	<u>1,046,807</u>

The fixed deposits are on monthly renewal basis.

The fixed deposits interest rate ranges between 1% to 2% per annum.

Fixed deposits are held as security for Group's credit facilities (refer to Note 14 to the financial statements).

The Group's cash and bank balances that are not denominated in United States dollars are as follows:-

	Group 2011	Company	
	2011	2011	2010
	US\$	US\$	US\$
Singapore dollars	<u>44,623</u>	<u>44,623</u>	<u>10,989</u>

9 Share capital

	Group and Company			
	<u>2011</u>	<u>2011</u>	<u>2010</u>	<u>2010</u>
	No. of Shares issued	US\$	No. of Shares issued	US\$
Ordinary shares issued and fully paid				
Balance at beginning of year	199,991	143,324	1	1
Issue of shares	6,000,000	4,328,055	199,990	143,323
Balance at end of year	6,199,991	4,471,379	199,991	143,324

During the financial year, the Company had issued 6,000,000 ordinary shares for a total cash consideration of US\$4,328,055.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction and have no par value.

10 Staff terminal benefits

	Group	Company	
	<u>2011</u>	<u>2011</u>	<u>2010</u>
	US\$	US\$	US\$
At beginning of year	-	-	-
Effect of acquisition of subsidiary	298,076	-	-
Charged for the period	135,825	-	-
Payment during the period	(34,872)	-	-
Translation difference	(110)	-	-
At end of period	398,919	-	-

11 Vehicle loans

	Group	Company	
	<u>2011</u>	<u>2011</u>	<u>2010</u>
	US\$	US\$	US\$
At beginning of year	-	-	-
Effect of acquisition of subsidiary	50,713	-	-
Loan obtained during the period	58,796	-	-
Payment during the period	(19,637)	-	-
Translation difference	(19)	-	-
At end of period	89,853	-	-
Current portion	(24,651)	-	-
Non-current portion	65,202	-	-

The loan bears interest of 11.4% per annum. Deferred interest on the vehicle loans as at year ended June 30, 2011 amounts to US\$15,867 (AED 58,292). The vehicles purchased are secured against the loans (refer to Note 3 to the financial statements).

12 Long-term loans

	<i>Group</i>	<i>Company</i>	
	<u>2011</u>	<u>2011</u>	<u>2010</u>
	US\$	US\$	US\$
At beginning of year	-	-	-
Effect of acquisition of subsidiary	2,382,862	-	-
Payment during the year	(1,481,330)	-	-
Translation difference	(876)	-	-
At end of year	<u>900,656</u>	<u>-</u>	<u>-</u>

Bank loan represents loan granted by the bank to finance portion of the cost of the property acquired by the Group recorded under "Capital work-in-progress" amounting to US\$2,148,166 (AED 7,891,869). The bank loan bears interest at 6 months EIBOR + 3% per annum and is payable in 144 months which will start at the completion of the construction of the said property.

As of June 30, 2011, total payments made by the bank to the real estate developer of the property, including finance cost of US\$171,145 (AED 628,750) amounted to US\$900,656 (AED 3,308,803). The loan is secured with the property purchased (refer to Note 5 to the financial statements).

13 Trade and other payables

	<i>Group</i>	<i>Company</i>	
	<u>2011</u>	<u>2011</u>	<u>2010</u>
	US\$	US\$	US\$
Trade payables			
- Outside parties	13,809,589	8,097,950	2,342,149
- Holding company	359,699	-	-
Employee benefit accruals	492,176	53,918	11,098
Accrued expenses	508,557	-	-
Advance for sales			
- Outside parties	52,625	52,625	51,174
- Related company	1,157	1,157	-
Sundry payables	39,204	39,204	23,811
Payable for purchase of subsidiary	480,033	480,033	-
	<u>15,743,040</u>	<u>8,724,887</u>	<u>2,428,232</u>

The average credit period on goods and services received is 30 days.

The amount due to holding and related company is unsecured, interest free and repayable on demand.

The Group's trade and other payables that are not denominated in United States dollars are as follows:-

	<i>Group</i>	<i>Company</i>	
	<u>2011</u>	<u>2011</u>	<u>2010</u>
	US\$	US\$	US\$
Singapore dollars	<u>54,225</u>	<u>54,225</u>	<u>34,909</u>

HCL Insys Pte. Ltd.

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For the financial year ended June 30, 2011

14 Bank loan and overdraft

	<i>Group</i>	<i>Company</i>	
	<u>2011</u>	<u>2011</u>	<u>2010</u>
	US\$	US\$	US\$
Bank overdraft	5,852,449	-	-
Bills discounted	853,053	-	-
	<u>6,705,502</u>	<u>-</u>	<u>-</u>

Interest on bank overdraft is charged at the fixed deposit rate of 4% to 8% per annum.

Overdraft facilities with the bank are secured against the following:

- Lien over fixed deposits of the subsidiary;
- Assignment of insurance policy over stocks-in-trade plus furniture/fixtures valued at US\$816,600 (AED 3,000,000) of the subsidiary;
- Irrevocable assignment of trade receivables of the subsidiary;
- Hypothecation of stocks of the subsidiary;
- Personal guarantee of the Group's shareholders; and
- Corporate guarantee from the holding company HCL Infosystems Ltd., India.

During the year, the subsidiary, entered into a bills discounting agreement with the bank with recourse for a period of 120 days at an interest of 7.49% per annum. As of June 30, 2011, the Group has discounted a receivable from a customer amounting to US\$853,053 (AED 3,133,920).

15 Revenue

	<i>Group</i>	<i>Company</i>	
	<u>2011</u>	<u>2011</u>	<u>2010</u>
	US\$	US\$	US\$
Sales of goods	69,710,254	39,469,566	4,696,667
Service income	870,291	-	-
	<u>70,580,545</u>	<u>39,469,566</u>	<u>4,696,667</u>

16 Other income

	<i>Group</i>	<i>Company</i>	
	<u>2011</u>	<u>2011</u>	<u>2010</u>
	US\$	US\$	US\$
Foreign exchange gain	-	30,095	-
Interest income	553,635	7,538	-
Miscellaneous income	736,209	107,495	-
	<u>1,289,844</u>	<u>145,128</u>	<u>-</u>

17 Salaries and employee benefits

	<i>Group</i> <u>2011</u>	<i>Company</i>	
		<u>2011</u>	<u>2010</u>
	US\$	US\$	US\$
Salaries, bonus and allowance	3,470,446	362,423	72,338
CPF contributions (defined)	8,723	8,723	1,563
Staff accommodation	8,714	8,714	5,699
Leave salary	293,269	-	-
Medical expenses	2,482	2,482	234
Staff terminal benefits	135,825	-	-
Staff airfare	128,711	-	-
	<u>4,048,170</u>	<u>382,342</u>	<u>79,834</u>

18 Finance cost

	<i>Group</i> <u>2011</u>	<i>Company</i>	
		<u>2011</u>	<u>2010</u>
	US\$	US\$	US\$
Interest expense	<u>929,322</u>	<u>65,452</u>	<u>-</u>

19 Profit before income tax

In addition to the charges and credits disclosed elsewhere in the notes to the income statements, this item includes the following charges:-

	<i>Group</i> <u>2011</u>	<i>Company</i>	
		<u>2011</u>	<u>2010</u>
	US\$	US\$	US\$
Foreign exchange (gain)/loss	1,206	(30,095)	388
Operating lease commitment - rental expense	<u>271,117</u>	<u>59,182</u>	<u>15,949</u>

20 Income tax expense

Company

No provision for income tax has been set up for the year 2011 and 2010.

The Company has been granted a 5 year Pioneer Service Certificate, effective from February 1, 2010, by EDB (Singapore) that entitles the Company's qualifying income to be taxed at a concessionary rate of 0% i.e. Company's qualifying income is exempt from tax.

Subsidiary

The subsidiary's profit is not subject to tax as it is situated in Dubai Airport Free Zone.

Deferred tax is not recognised in the financial statements as there are no significant timing differences.

21 Holding company, subsidiary, related company and party transactions

Some of the Group's and Company's transactions and arrangement are with the holding company, subsidiary, related company and party and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances with these parties are unsecured, interest free and repayable on demand unless otherwise stated.

During the year, the Group and Company entered into the following trading transactions:

	<i>Group</i> <u>2011</u>	<i>Company</i>	
	<u>2011</u>	<u>2011</u>	<u>2010</u>
	US\$	US\$	US\$
<i>Holding company</i>			
Sales	-	14,642,488	-
Advance received from holding company	-	-	15,165
Advance paid to holding company	-	-	68,338
Purchases	1,467,795	9,248	15,983
Interest paid	-	389,334	-
	<u>-</u>	<u>389,334</u>	<u>-</u>
<i>Subsidiary</i>			
Interest income	-	5,873	-
	<u>-</u>	<u>5,873</u>	<u>-</u>
<i>Related company</i>			
Sales	505,086	505,086	-
	<u>505,086</u>	<u>505,086</u>	<u>-</u>
<i>Related party</i>			
Miscellaneous income	80,454	80,454	-
	<u>80,454</u>	<u>80,454</u>	<u>-</u>

22 Contingent liabilities

	<i>Group</i> <u>2011</u>	<i>Company</i>	
	<u>2011</u>	<u>2011</u>	<u>2010</u>
	US\$	US\$	US\$
Bank guarantees	2,445,028	-	-
	<u>2,445,028</u>	<u>-</u>	<u>-</u>

The guarantees are incurred in the ordinary course of business and the directors do not foresee crystallisation of these guarantees in the foreseeable future.

23 Capital commitments

	<i>Group</i> <u>2011</u>	<i>Company</i>	
	<u>2011</u>	<u>2011</u>	<u>2010</u>
	US\$	US\$	US\$
Amount contracted for but not provided for in the financial statements:			
Purchase of commercial properties	231,370	-	53,886
	<u>231,370</u>	<u>-</u>	<u>53,886</u>

24 Operating lease commitments

At the statement of financial position date, the rental lease commitments in respect of operating leases were as follows:

	Group	Company	
	2011	2011	2010
	US\$	US\$	US\$
Rental expenses:			
Within 1 year	110,795	75,493	73,040
Within 2 to 5 years	<u>300,613</u>	<u>45,945</u>	<u>104,330</u>

25 Prior period adjustments

The prior period adjustments related to a correction of an accounting error in 2010. A couple of purchases amounting to US\$414,120 were erroneously omitted in 2010. Thus the cost of purchases has been increased by US\$414,120 and consequently the profit before tax is decreased by US\$414,120 for 2010. There is no tax effect in the financial statements arising from the correction as the Company has tax exemption (refer to Note 20 to the financial statements).

26 Financial instruments, financial and capital risk management

(a) **Categories of financial instruments**

The following table sets out the financial instruments as at the statement of financial position date:

	Group	Company	
	2010	2010	2009
	US\$	US\$	US\$
Financial assets			
Loans and receivables	<u>24,725,090</u>	<u>9,334,896</u>	<u>2,091,087</u>

Loans and receivables under financial assets comprise trade and other receivables and cash and bank balances.

	Group	Company	
	2010	2010	2009
	US\$	US\$	US\$
Financial liabilities			
Amortised cost	<u>23,439,051</u>	<u>8,724,887</u>	<u>2,428,232</u>

Amortised cost under financial liabilities comprises trade and other payables, bank loans and overdraft.

(b) **Fair value measurements**

Effective January 1, 2009 the Group and Company adopted the amendment to FRS 107 which requires disclosure of the fair value measurements by level of the following fair value measurement hierarchy:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

26 Financial instruments, financial and capital risk management (cont'd)**(b) Fair value measurements (cont'd)**

- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (is as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The financial assets and liabilities of the Group and Company comprise trade and other receivables, cash and bank balances, trade and other payables, bank loans and overdraft. The carrying values of the financial assets and liabilities as shown in the statement of financial position approximate their fair value amounts at the statement of financial position date. The carrying values of these assets and liabilities are the nominal or cost values.

(c) Financial risk

The management reviews and agrees policies for managing risk with a view to minimise potential adverse effects of financial performance of the Group and Company. Each of these risks are summarised below:

Interest rate risk

The Group's exposure to market risk for changes in interest rate relates to the Group's short and long term debt obligations. It is the Group's policy to obtain the most favourable interest rates available whenever the Group obtains additional financing through bank borrowings.

The Group has interest bearing fixed deposits. The interest bearing fixed deposits are short term in nature and with the current interest rate level, any variation in the interest rates will not have a material impact on the net income of the Group.

The Group has no significant exposure to interest rate risk as it has no interest bearing borrowings from any external resources.

Interest rate sensitivity

The sensitivity analysis below have been determined based on the exposure to interest rates for financial instruments at statements of financial position date and the stipulated change taking place at the beginning of the financial year and had been constant throughout the reporting period in the case of instruments that have floating rates.

If interest rates had been 50 basis points higher or lower and all other variables been constant, the Group's profit before tax for the year ended June 30, 2011 would increase or decrease by US\$ 34,000 respectively.

Liquidity risk

Liquidity risk is the risk that the Group and Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group and Company exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group and Company has no significant liquidity risk as they maintains a level of cash and bank balances that is sufficient for working capital purposes.

26 Financial instruments, financial and capital risk management (cont'd)

(C) Financial risk (cont'd)

The Group's and Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

	Carrying amount	Cash flows			After 5 years
		Contractual cash flow	Less than 1 year	Between 2 to 5 years	
	US\$	US\$	US\$	US\$	US\$
Group					
2011					
Non-derivative financial liabilities					
Trade and other payables	15,743,040	(15,743,040)	(15,743,040)		
Interest-bearing borrowings	7,696,011	(8,150,811)	(7,176,913)	(60,010)	(913,888)
	<u>23,439,051</u>	<u>(23,893,851)</u>	<u>(22,919,953)</u>	<u>(60,010)</u>	<u>(913,888)</u>
Company					
2011					
Non-derivative financial liabilities					
Trade and other payables	8,724,887	(8,724,887)	(8,724,887)	-	-
	<u>8,724,887</u>	<u>(8,724,887)</u>	<u>(8,724,887)</u>	<u>-</u>	<u>-</u>
2010					
Non-derivative financial liabilities					
Trade and other payables	2,428,232	(2,428,232)	(2,428,232)	-	-
	<u>2,428,232</u>	<u>(2,428,232)</u>	<u>(2,428,232)</u>	<u>-</u>	<u>-</u>

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss of the Group and Company. The Group and Company has adopted a policy of only dealing with creditworthy counterparties.

The Company's trade receivables of outside parties comprise of a couple of customers balances that comprise 82% (2010:63%) of the trade receivables respectively. The subsidiary has no significant exposure to credit risk in relation to any single external party. Its customers, however, are all based in Qatar. The management does not foresee any risk of default by these parties as they are creditworthy customers and the balances are not very long overdue. Further details of credit risks on trade receivables are disclosed in Note 5 to the financial statements.

Cash at banks are placed with a credit worthy financial institution.

The carrying amounts of the Group's and Company's trade and other receivables and cash and bank balances represent the Group's and Company's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

Foreign currency risk

The Group and Company has no significant exposure to foreign exchange risk as its transactions and balances are denominated mainly in United States dollars.

As at financial year end, the carrying value of monetary assets and liabilities denominated in currencies other than in United States dollars are disclosed in the respective notes to the financial statements.

26 Financial instruments, financial and capital risk management (cont'd)

(c) **Financial risk (cont'd)**

Foreign currency risk (cont'd)

The Group and Company has no significant exposure to foreign exchange risk as its transactions and balances are denominated mainly in United States dollars or in currencies (AED) which is pegged to the United States dollars.

As at financial year end, the carrying value of monetary assets and liabilities denominated in currencies other than in United States dollars are disclosed in the respective notes to the financial statements.

Foreign currency sensitivity analysis

Any increase or decrease in the Singapore dollars against United States dollars will have a minimal impact on the financial statements. An increase of 10% in the Singapore dollars against United States dollars, will increase the profit before tax by US\$2,000 (2010:US\$8,000), and a similar decrease in the S\$ rate will correspondingly decrease the profit before tax by a similar amount.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the period end exposure does not reflect the exposure during the year.

Price risk

The Group and Company has no significant exposure to price risk.

d) **Capital risk management**

The management considers the capital of the Group and Company to mainly consist of shareholders equity.

The management manages the capital to ensure the Group and Company will be able to continue as a going concern while maximising the return to shareholders through optimisation of the capital.

The management's overall strategy remains unchanged from 2010.

27 Comparative figures

The current financial statements are for a period of 12 months ending on June 30, 2011. The comparative figures are for the period from December 17, 2009 (being the date of incorporation) to June 30, 2010. Hence the comparative figures and the related disclosures in the financial statements may not be entirely comparable.

28 New accounting standards and FRS interpretations

At the date of authorisation of these financial statements, the following FRS and INT FRS that are relevant to the Group and Company issued and not effective.

28 New accounting standards and FRS interpretations (cont'd)

	<u>Effective from annual periods beginning on or after</u>
FRS 12 : Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets	January 1, 2012
FRS 24 : Related Party Disclosures	January 1, 2011
FRS 107 : Amendments to FRS 107 Disclosure – Transfers of Financial Assets	July 1, 2011

The management anticipates that the adoption of the above FRS and INT FRS does not result in any significant changes to the Group's and Company's accounting policies or have any significant impact on the financial statements of the Group and Company.

29 Other matters

As per the share transfer agreement (refer to **Note 1** to the financial statements), to acquire HCL (MEA), HCL MEA Group is to maintain a Minimum Fund Available ('MFA') out of the retained earnings which is equivalent to the higher of US\$1,000,000 or aggregate operating expenses of the HCL MEA Group in the last four months before the signing of the said agreement. However, the MFA shall be reduced by US\$ 113,188 and US\$383,693 if Sobha properties and ETA properties respectively are to be retained by the HCL MEA Group.

Subsequently, the HCL MEA Group has decided to keep MFA as US\$1,000,000 and to keep Sobha properties by US\$113,188 (AED 415,969). The Group has decided not to retain ETA properties and the remaining amount of Sobha properties and full amount of ETA properties is shown as receivable from the previous or ex- shareholders.

On a resolution passed by the previous shareholders and approved by the current shareholders, the retained earnings as of June 30, 2010, net of MFA will be distributed to the previous shareholders. The distribution to the ex-shareholders of US\$320 during the year was in relation to this.

30 Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the directors on August 11, 2011.

HCL Insys Pte. Ltd.

The Accompanying Supplementary Detailed Income Statement

Has Been Prepared For Management Purposes Only

And Does Not Form Part Of The Audited Financial Statements

HCL Insys Pte. Ltd.
Detailed Income Statement

For the financial year ended June 30, 2011

	Group	Company	
	2011	2011	2010
	US\$	US\$	US\$
Revenue			
Sales of goods	69,710,254	39,469,566	4,696,667
Service income	870,291	-	-
	<u>70,580,545</u>	<u>39,469,566</u>	<u>4,696,667</u>
Other income			
Foreign exchange gain	-	30,095	-
Interest income	553,635	7,538	-
Miscellaneous income	736,209	107,495	-
	<u>1,289,844</u>	<u>145,128</u>	<u>-</u>
Cost of sales			
Inventories at beginning of year	(346,754)	(346,754)	-
Effect of acquisition of subsidiary	(249,054)	-	-
Inventories at end of year	613,373	17,655	346,754
	<u>17,565</u>	<u>(329,099)</u>	<u>346,754</u>
Cost of purchases			
Purchases and other direct cost	(63,753,828)	(37,866,559)	(4,879,305)
Salaries and employee benefits			
Salaries, bonus and allowance	(3,470,446)	(362,423)	(72,338)
CPF contributions (defined)	(8,723)	(8,723)	(1,563)
Staff accommodation	(8,714)	(8,714)	(5,699)
Leave salary	(293,269)	-	-
Medical expenses	(2,482)	(2,482)	(234)
Staff terminal benefits	(135,825)	-	-
Staff airfare	(128,711)	-	-
	<u>(4,048,170)</u>	<u>(382,342)</u>	<u>(79,834)</u>
Depreciation of plant and equipment	<u>(85,621)</u>	<u>(27,726)</u>	<u>(11,250)</u>
Other operating expenses			
Audit fees	(20,475)	(20,475)	(3,603)
Administrative and selling expenses	(98,893)	-	-
Advertisement and business promotion	(221,990)	(850)	-
ACRA fees	-	-	(265)
Agent fees	-	-	(1,571)
Bank charges	(227,308)	(101,288)	(5,339)
Book keeping charges	(13,027)	(13,027)	(4,295)
Communication	(156,501)	-	-
Foreign exchange loss	(1,206)	-	(388)
Freight outward	(77,815)	(77,815)	-
General expenses	(27,395)	(4,185)	(5,587)

.....Cont'd

HCL Insys Pte. Ltd.
Detailed Income Statement

For the financial year ended June 30, 2011

	Group	Company	
	2011	2011	2010
	US\$	US\$	US\$
Incorporation expenses	-	-	(1,790)
Insurance	(129,938)	(22,172)	(1,314)
Legal, professional and other charges	(234,974)	(5,626)	(715)
Migration expenses	(1,654)	(1,654)	(2,436)
Notarisation charges	(1,455)	(1,455)	(4,908)
Office expenses	(54,919)	(2,256)	(567)
Postage and courier	(3,185)	(3,185)	(103)
Printing and stationery	(31,075)	(1,834)	(1,387)
Recruitment expenses	(3,554)	(3,554)	(229)
Registered office expenses	-	-	(430)
Rental expense	(271,117)	(59,182)	(15,949)
Repairs and maintenance	(1,156)	(1,156)	-
Secretarial fees	(1,676)	(1,676)	(1,286)
Stamp duty fees	-	-	(596)
Subscription charges	(487)	(487)	-
Sponsorship fees	(40,830)	-	-
Telephone expenses	(3,591)	(3,591)	(1,510)
Transport	(73,981)	(1,753)	(322)
Travel expenses	(128,887)	(3,993)	(2,679)
Utility charges	(6,948)	(6,948)	(622)
	<u>(1,834,037)</u>	<u>(338,162)</u>	<u>(57,891)</u>
Finance cost			
Interest expense	(929,322)	(65,452)	-
Profit before income tax	1,236,976	605,354	15,141
Income tax expense	-	-	-
Profit after income tax	1,236,976	605,354	15,141
Other comprehensive income	-	-	-
Total comprehensive income for the year	1,236,976	605,354	15,141
Attributable to:			
Equity shareholders of the Company	981,978	605,354	15,141
Non-controlling interests	254,998	-	-
	<u>1,236,976</u>	<u>605,354</u>	<u>15,141</u>

Not Part Of Audited Financial Statements