

Auditors' Report to the Members of HCL Infinet Limited

1. We have audited the attached Balance Sheet of HCL Infinet Limited (the "Company") as at June 30, 2010, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors, as on June 30, 2010 and taken on record by the Board of Directors, none of the directors is disqualified as on June 30, 2010 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, 2010;

- (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 25, 2010

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 Infinet Limited on the financial statements for the year ended June 30, 2010

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, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. (a) 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.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
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.

Annexure to Auditors' Report

Referred to in paragraph 3 of the Auditors' Report of even date to the members of HCL Ininet Limited (Formerly Microcomp Limited) on the financial statements for the year ended June 30, 2010

Page 2 of 3

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.
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, 2010 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, 2010 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	785	2002-2005	Joint Commissioner Commercial Tax / Trade Tax Tribunal, Noida

10. The Company has accumulated losses as at June 30, 2010 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.

Annexure to Auditors' Report

Referred to in paragraph 3 of the Auditors' Report of even date to the members of HCL Infinet Limited (Formerly Microcomp Limited) on the financial statements for the year ended June 30, 2010

Page 3 of 3

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. 203,948 Thousands from the funds raised on short-term basis (negative working capital).
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 25, 2010

Abhishek Rara
Partner
Membership Number: F-77779

HCL Infinet Limited**Balance sheet as at June 30, 2010**

	<u>Schedule</u> <u>(Note No.)</u>	<u>As at</u> <u>30.06.2010</u> <u>Rs./ Thousands</u>	<u>As at</u> <u>30.06.2009</u> <u>Rs./ Thousands</u>
Sources of Funds:			
Shareholders' Funds:			
Capital	1	270,181	270,181
Reserves and Surplus	2	16,631	16,909
Unsecured Loans	3	110,000	-
		<u>396,812</u>	<u>287,090</u>
Application of Funds:			
Fixed Assets:			
	4		
Gross Block		622,851	567,802
Less: Depreciation/Amortisation		388,680	393,557
Net Block		<u>234,171</u>	<u>174,245</u>
Capital Work-In-Progress (Including Capital Advances)		15,829	77,516
		250,000	251,761
Current Assets, Loans and Advances:			
Inventories	5	731	3,578
Sundry Debtors	6	49,629	41,933
Cash and Bank Balances	7	22,138	66,119
Other Current Assets	8	22,300	22,467
Loans and Advances	9	156,412	168,712
		<u>251,210</u>	<u>302,809</u>
Less: Current Liabilities and Provisions	10		
Current Liabilities		455,160	499,635
Provisions		7,261	4,898
		<u>462,421</u>	<u>504,533</u>
Net Current Assets/(Liabilities)		(211,209)	(201,724)
Profit and Loss Account		358,021	237,053
		<u>396,812</u>	<u>287,090</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 25, 2010

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

For and on behalf of the Board of Directors

AJAI CHOWDHRY
Director

J.V.RAMAMURTHY
Whole-time Director

ANUP KUMAR
Company Secretary

HCL Infinet Limited**Profit and Loss Account for the year ended June 30, 2010**

	Schedule (Note No.)	Year ended 30.06.2010 Rs./ Thousands	15 months period ended 30.06.2009 Rs./ Thousands
Income			
Services Income		761,618	560,927
Sale from goods	17(6)	5,070	221
Other Income	11	57,206	28,981
		823,894	590,129
Expenditure			
Cost of goods and services sold	12	17,924	11,545
Network operating cost		495,913	366,087
Personnel	13	146,682	116,855
Administration, Selling, Distribution and Others	14	211,187	209,866
Finance Charges	15	197	-
Depreciation and Amortisation	4	31,806	46,868
Less : Transfer from Revaluation Reserve	2	278	1,165
License fees	17(15)	41,431	25,510
		944,862	775,566
Loss before Tax		(120,968)	(185,437)
Tax Expense	17(4)	-	1,141
- Fringe Benefit		-	1,141
Loss after Tax		(120,968)	(186,578)
Add: Balance in Profit and Loss Account brought forward		(237,053)	(50,475)
Balance carried over to the Balance Sheet		(358,021)	(237,053)
Earning per equity share (in Rs.)	17(11 & 16)	(44.77)	(90.71)
Basic and Diluted (of Rs.100/- each)			
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

AJAI CHOWDHRY
Director

J.V.RAMAMURTHY
Whole-time Director

ANUP KUMAR
Company Secretary

Place : Noida
Dated : August 25, 2010

HCL Infinet Limited**Cash Flow Statement for the year ended June 30, 2010**

	Year ended 30.06.2010 Rs./ Thousands	15 months period ended 30.06.2009 Rs./ Thousands
1. Cash Flow from Operating Activities		
Loss before tax	(120,968)	(185,437)
Adjustments for:		
Depreciation/Amortisation	31,528	45,703
(Profit)/Loss on Sale of Fixed Assets (Net)	(180)	(43)
(Profit)/Loss on disposal of (Others) Investments (Net)	-	(1)
Interest and Dividend income	(453)	(6,814)
Unrealised foreign exchange (gain)/loss	(2)	62
Provisions/Liability no longer required written back	(26,383)	(21,809)
Debtors/Advances written off	5,127	8,098
Interest expense	197	-
Provision for Gratuity and other Employee Benefits	2,364	1,858
Provision for Doubtful Debts	6,403	3,776
Operating profit before Working Capital Changes	18,601	30,830
Adjustments for:		
- (Increase)/Decrease in Sundry Debtors	(18,244)	461
- (Increase)/Decrease in Other Current Assets, Loans and Advances	37,449	(74,349)
- (Increase)/Decrease in Inventories	2,847	(2,313)
- Increase/(Decrease) in Current Liabilities	17,068	243,637
Cash generated from Operations	39,120	167,436
Direct Tax (Paid)/Refund (Net)	(25,540)	(26,820)
Net cash from / (used in) Operating activities	(A) (88,787)	(13,991)
2. Cash Flow from Investing Activities		
Interest Received	304	6,596
Purchase of Fixed Assets	(127,242)	(76,557)
Proceeds from Sale of Fixed Assets	253	50
Purchase of Investments	-	(3,602)
Proceeds from Sale of Investments	-	109,521
Capital Work-in-Progress (Net)	61,688	(67,304)
Net cash from / (used in) Investing activities	(B) (64,997)	(31,297)
3. Cash Flow from Financing Activities		
Interest paid	(197)	-
Secured Loan received	15,000	-
Secured Loan paid	(15,000)	-
Loan received from Holding Company, HCL Infosystems Limited	110,000	-
Issue of Right shares to Holding Company, HCL Infosystems Limited	-	100,000
Net cash from / (used in) Financing activities	(C) 109,803	100,000
Opening Balance of Cash and Cash Equivalents	66,119	11,407
Closing Balance of Cash and Cash Equivalents	22,138	66,119
Net Increase/(Decrease) in Cash and Cash Equivalents	(43,981)	54,712
Total (A)+(B)+(C)	(43,981)	54,712
Cash and Cash Equivalents comprise		
Cash, Cheques and Drafts (in hand)	7,391	5,804
Balance with Scheduled Banks in Current Accounts	14,151	15,360
Balance with Scheduled Banks in Deposit Accounts	596	44,955

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) Cash and Cash Equivalents includes the fixed deposits amounting to Rs. Nil (2009 - Rs. 596 Thousands) which are not available for use by the Company.
- 3) Schedule 1 to 17 form integral part of Cash Flow Statement.
- 4) Figures in brackets indicates cash Outgo.

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

For and on behalf of the Board of Directors

For Price Waterhouse
Firm Registration Number - 301112E
Chartered Accountants

AJAI CHOWDHRY
Director

J.V.RAMAMURTHY
Whole-time Director

ABHISHEK RARA
Partner
Membership Number F-77779

ANUP KUMAR
Company Secretary

Place : Noida
Dated : August 25, 2010

HCL Infinet Limited

Schedules to the Balance Sheet as at June 30, 2010

	As at 30.06.2010 Rs./ Thousands	As at 30.06.2009 Rs./ Thousands
1 - Capital		
Authorised:		
35,05,000 (2009 - 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 (2009 - 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 rights issue.		
	<u>270,181</u>	<u>270,181</u>

HCL Infinet Limited

Schedules to the Balance Sheet as at June 30, 2010

2 - Reserves and Surplus

[Schedule - 17, Note - 1]

	As At 01.07.2009 <u>Rs./ Thousands</u>	Additions/ Adjustments <u>Rs./ Thousands</u>	Deductions/ Adjustments <u>Rs./ Thousands</u>	As At 30.06.2010 <u>Rs./ Thousands</u>
Revaluation Reserve - Leasehold premises	16,909 (18,074)	- (-)	278 (1,165)	16,631 (16,909)
	16,909 (18,074)	- (-)	278 (1,165)	16,631 (16,909)

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

HCL Infinet Limited

Schedules to the Balance Sheet as at June 30, 2010

	As at 30.06.2010 Rs./ Thousands	As at 30.06.2009 Rs./ Thousands
3 - Unsecured Loans		
Others Loans*		
- Interest-free Loan received from HCL Infosystems Limited	110,000	-
	110,000	-

* Amount payable within one year Rs. Nil (2009 - Rs. Nil)

HCL Infinet Limited

Schedules to the Balance Sheet as at June 30, 2010

4 - Fixed Assets

[Schedule - 17, Notes - 1, 2 and 22]

Rs./ Thousands

	Gross Block				Depreciation and Amortisation				Net Block	
	As at 01.07.2009	Additions for the year	Deductions/ Retired during the year	As at 30.06.2010	As at 01.07.2009	Additions for the year	Deductions/ Retired during the year	As at 30.06.2010	As at 30.06.2010	As at 30.06.2009
Tangible :										
Leasehold premises	18,166	-	-	18,166	1,165	281	-	1,446	16,720	17,001
Plant and Machinery and Networking Equipments	459,343	48,447	32,286	475,504	348,404	17,779	32,025	334,158	141,346	110,939
Furniture, Fixtures and Office Equipment	27,958	2,191	1,899	28,250	12,140	5,091	1,864	15,367	12,883	15,818
Computers	10,988	2,426	2,797	10,617	9,600	989	2,785	7,804	2,813	1,388
Capital spares	13,764	2,231	61	15,934	7,647	892	9	8,530	7,404	6,117
Intangible :										
Acquired Software	12,583	36,797	-	49,380	10,885	5,524	-	16,409	32,971	1,698
License Fees - One time	25,000	-	-	25,000	3,716	1,250	-	4,966	20,034	21,284
Total	567,802	92,092	37,043	622,851	393,557	31,806	36,683	388,680	234,171	174,245
Previous Period	463,460	133,106	28,764	567,802	375,390	46,868	28,701	393,557		

Capital Work-In-Progress

[Including Capital advances Rs. Nil (2009 - Rs. 999 Thousands)]

15,829	77,516
250,000	251,761

HCL Infinet Limited**Schedules to the Balance Sheet as at June 30, 2010**

	As at 30.06.2010 Rs./ Thousands	As at 30.06.2009 Rs./ Thousands
5 - Inventories		
[Schedule - 17, Note - 6]		
Stores and Spares	731	1,729
Finished Goods	-	1,849
	<u>731</u>	<u>3,578</u>
6 - Sundry Debtors - Unsecured		
Debts outstanding for a period exceeding six months :		
- Considered Good	1,360	1,165
- Considered Doubtful	9,857	7,202
	<u>11,217</u>	<u>8,367</u>
Other Debts - Considered Good	48,269	40,768
	<u>59,486</u>	<u>49,135</u>
Less : Provision for Doubtful Debts	9,857	7,202
	<u>49,629</u>	<u>41,933</u>
7 - Cash and Bank Balances		
Cheques in hand	7,391	5,804
Balances with Scheduled Banks :		
- On Current Account	14,151	15,360
- On Fixed Deposits	596	44,955
	<u>22,138</u>	<u>66,119</u>
[Fixed deposits of Rs. Nil (2009 - Rs. 596 Thousands) are under lien as margin money on bank guarantee.]		
8 - Other Current Assets		
[Schedule - 17, Note - 12]		
Deposits	20,958	22,467
Lease Rental Recoverable	1,342	-
	<u>22,300</u>	<u>22,467</u>
9 - Loans and Advances		
[Schedule - 17, Note - 15]		
Unsecured Considered Good		
- Amounts recoverable in cash or in kind or for value to be received	77,602	109,249
- Advance Income Tax [Net of Provision for Income Tax of Rs. 44982 Thousands (2009 - Rs. 44982 Thousands)]	68,164	42,624
- Balances with Sales tax and Excise Authorities	10,646	16,839
	<u>156,412</u>	<u>168,712</u>

HCL Infinet Limited

Schedules to the Balance Sheet as at June 30, 2010

	As at 30.06.2010 Rs./ Thousands	As at 30.06.2009 Rs./ Thousands
10 - Current Liabilities and Provisions		
[Schedule - 17, Notes - 5, 13 and 17]		
Current Liabilities:		
Sundry Creditors		
- Due to other than Micro and Small Enterprises	263,609	248,500
Advances from Customers	41,895	49,656
Deferred Revenue	117,274	173,230
Other Liabilities	32,382	28,249
	<hr/> 455,160 <hr/>	<hr/> 499,635 <hr/>
Provisions:		
For Gratuity and Other Employee Benefits	7,261	4,898
	<hr/> 7,261 <hr/>	<hr/> 4,898 <hr/>
	<hr/> 462,421 <hr/>	<hr/> 504,533 <hr/>

HCL Infinet Limited**Schedules to the Profit and Loss Account for the year ended June 30, 2010**

	Year ended 30.06.2010 <u>Rs./ Thousands</u>	15 months period ended 30.06.2009 <u>Rs./ Thousands</u>
11 - Other Income		
[Schedule - 17, Note - 15]		
Interest on Lease Rental	718	-
Interest on Fixed Deposits - Gross	453	3,212
[Tax Deducted at Source Rs. 144 Thousands (2009: Rs. 632 Thousands)]		
Interest on deposit from DOT	22,629	-
Dividend from Current Investments	-	3,602
Provisions/Liabilities no longer required written back	26,383	21,809
Profit on Sale of Fixed Assets (Net)	180	43
Profit on disposal of Current Investments (Net)	-	1
Profit on Foreign Exchange Fluctuation (Net)	2	19
Miscellaneous Income	6,841	295
	<u>57,206</u>	<u>28,981</u>
12 - Cost of goods and services sold		
[Schedule - 17, Note - 6]		
Purchase of Traded goods	2,707	2,012
Purchase of Services (Net)	12,236	10,094
Stores and Spares consumed	1,132	1,288
	<u>16,075</u>	<u>13,394</u>
(Increase)/Decrease in Stocks of Finished Goods:		
Closing Stock		
- Finished Goods	-	1849
	<u>-</u>	<u>1849</u>
Opening stock		
- Finished Goods	1,849	-
	<u>1,849</u>	<u>-</u>
	1,849	(1,849)
	<u>17,924</u>	<u>11,545</u>

HCL Infnit Limited**Schedules to the Profit and Loss Account for the year ended June 30, 2010**

	Year ended 30.06.2010 <u>Rs./ Thousands</u>	15 months period ended 30.06.2009 <u>Rs./ Thousands</u>
13 - Personnel [Schedule - 17, Note - 17]		
Salaries, Wages, Allowances, Bonus and Gratuity	137,312	109,153
Contribution to Provident and Other Funds	4,696	3,915
Staff Welfare Expenses	4,674	3,787
	<u>146,682</u>	<u>116,855</u>
14 - Administration, Selling, Distribution and Others [Schedule - 17, Notes - 10, 12(b)(i), 12(b)(ii)(b) and 13]		
Rent	41,801	37,218
Rates and Taxes	4,660	1,399
Printing and Stationery	842	717
Communication	4,780	5,285
Travelling and Conveyance	12,584	9,795
Packing, Freight and Forwarding	289	288
Legal and Professional	12,466	9,512
Training and Conference	793	2,133
Office Electricity and Water	43,253	37,261
Insurance	516	707
Advertisement, Publicity and Entertainment	431	1,068
Hire Charges	34,226	31,965
Commission on Sales	7,898	28,462
Bank Charges	422	447
Provision for Doubtful Debts	6,403	3,776
Repairs and Maintenance		
- Plant and Machinery	14,367	14,530
- Others	12,167	8,121
Miscellaneous	13,289	17,182
	<u>211,187</u>	<u>209,866</u>
15 - Finance Charges		
Interest on fixed loans	197	-
	<u>197</u>	<u>-</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, 2010, the Company has material accumulated losses of Rs. 358,021 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. 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 capitalized 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 Ininet 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 equipment)	9.67 years *
Computers	3 - 5 years
Acquired software	1 - 3 years
Office equipment	3 - 6 years
Air conditioners	9.67 years *
Furniture and Fixtures	4 - 6 years
Vehicles	4 - 6 years
Capital Spares	Over the useful life of the principal item *

* Refer Schedule - 17, Note - 22.

(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.

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 realizable value. Adequate adjustments are made to the carrying value for obsolescence.

Finished Goods are valued at lower of cost and net realizable 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 and 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.

Defined Contribution:

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

The Company makes defined contributions to a superannuation trust established for the purpose. The Company has no further obligation beyond the monthly contributions.

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

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.

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.

12. 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 realized 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.

13. 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.

14. 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.

15. 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.

16. 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.

Schedule 17 - Notes to Accounts

- Leasehold premises were revalued by Registered Valuers' after considering depreciation as on April 24, 2005 on the governing principle of current replacement cost/value to the company. The amounts added/reduced on aforesaid revaluation were as under:

Rs./Thousands	
Leasehold premises	18,166
Less: Depreciation as on 30.04.2005	92
Transferred to Revaluation reserve	18,074
Less: Amortised upto 30.06.2010	1,443
Balance as on 30.06.2010	16,631

- Estimated value of contracts on capital account, excluding capital advances, remaining to be executed and not provided for amount to Rs. 7,314 Thousands (2009 - Rs. 10,334 Thousands).

- Contingent Liabilities:

Claims against the company not acknowledged as debts:

	2010	2009
	Rs./Thousands	Rs./Thousands
Sales Tax *	219	219
Industrial Disputes, Civil suits and consumer disputes	554	174

* A sum of Rs. 785 Thousands (2009 - Rs. 785 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 intimated by the company or the claimants as the case may be and therefore cannot be predicted accurately.

- Taxation:

a) Provision for taxation has been computed by applying the Income Tax Act, 1961 to the profit for the year ended June 30, 2010, 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, 2010 are:

	Rs./Thousands		
	As at 30.06.09	Movement during the year	As at 30.06.10
Assets			
Amortisation of License Fees	113	(25)	88
Total (A)	113	(25)	88
Liabilities			
Depreciation	113	(25)	88
Total (B)	113	(25)	88
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.

- 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.

6. 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	8	114
	(83)	(1,849)
Other Networking Equipments	23	312
	(5)	(163)
		2,707
		(2,012)

b) Stocks and Sales:

Class of Products	Unit	Sales/Adjustments		Opening Stock		Closing Stock	
		Qty	Value	Qty	Value	Qty	Value
			Rs./Thousands		Rs./Thousands		Rs./Thousands
Servers	Nos.	12	2,750	-	-	-	-
		(-)	(-)	(-)	(-)	(-)	(-)
Routers	Nos.	91	1,921	83	1,849	-	-
		(-)	(-)	(-)	(-)	(83)	(1,849)
Other Networking Equipments	Nos.	23	399	-	-	-	-
		(5)	(221)	(-)	(-)	(-)	(-)
Total			5,070		1,849		-
			(221)		(-)		(1,849)

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

7. Value of Imports calculated on CIF basis:

	Year ended June 30, 2010 Rs./Thousands	15 Months period ended June 30, 2009 Rs./Thousands
Capital Goods	-	1,832
Total	-	1,832

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

	Year ended June 30, 2010 Rs./Thousands	15 Months period ended June 30, 2009 Rs./Thousands
a) Travel	44	73
b) Training	-	40
c) Others	727	3,148
Total	771	3,261

9. Earnings in Foreign Currency:

	Year ended June 30, 2010 Rs./Thousands	15 Months period ended June 30, 2009 Rs./Thousands
Internet access services	14,227	12,665
Total	14,227	12,665

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

10. Remuneration to Auditor *:

	Year ended June 30, 2010 Rs./Thousands	15 Months period ended June 30, 2009 Rs./Thousands
As Auditor	700	700
In Other Capacity :		
Certification	320	120
Out-of-Pocket Expenses	25	25
Total	1,045	845

* Excluding service tax.

11. 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, 2010 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, 2010 Rs./Thousands	15 Months period ended June 30, 2009 Rs./Thousands
Loss after tax as per Profit and Loss account (a)	(120,968)	(186,578)
Add: Employee Stock compensation Expense as per Intrinsic Value Method	-	-
Less: Employee Stock compensation Expense as per Fair Value Method	1,377	2,104
Loss after tax recomputed for recognition of employee stock compensation expense under fair value method (b)	(122,345)	(188,682)
Earnings per share - Basic and Diluted based on earnings as per (a) above (Refer Note 16)	(44.77)	(90.71)
Earnings per share - Basic and Diluted had fair value method been employed for accounting of employee stock options	(45.28)	(91.73)

12. Leases:

a) Finance Leases:

(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, 2010 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	1,068	481	587
Later than one year and not later than five years	979	224	755
Total	2,047	705	1,342

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. 41801 Thousands (2009 - Rs. 37218 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, 2010 Rs./Thousands	15 Months period ended June 30, 2009 Rs./Thousands
Not later than one year	17,413	37,484
Later than one year and not later than five years	24,779	42,192
Total	42,192	79,676

- (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, 2010 is Rs. 33,464 Thousands (2009 - Rs. 29,258 Thousands).

13. Disclosure of related parties and related party transactions:

(a) Holding Company:

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

(b) Company having substantial interest:

HCL Corporation Limited due to substantial interest in voting power of the Holding Company

(c) Fellow Subsidiaries:

- HCL Security Limited
- HCL Infocom Limited
- RMA Software Park Private Limited
- HCL Insys Pte. Limited

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

- HCL Technologies Limited
- HCL Comnet Limited

Key Management Personnel:

Mr J.V.Ramamurthy

(e) **Summary of Related Party disclosures for year ending June 30, 2010:**

Rs./Thousands

	Holding Company		Fellow Subsidiaries		Others		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
A. Transactions								
Services Income	22,683	27,067	11	-	179,535	141,710	202,229	168,777
- HCL Security Limited			11	-				
- HCL Comnet Limited					163,941	127,461		
- HCL Technologies Limited					15,594	14,248		
Other income	156	156	-	-	6,000	-	6,156	156
- HCL Comnet Limited					6,000	-		
Purchase of goods	130	2,450	-	-	-	-	130	2,450
Purchase of services	19,420	28,316	-	-	-	53	19,420	28,369
- HCL Comnet Limited					-	53		
Assets purchased	3,297	8,322	-	-	263	2,109	3,560	10,431
- HCL Comnet Limited					263	2,109		
Loan received	110,000	-	-	-	-	-	110,000	-
Equity Shares issued, subscribed and paid up	-	100,000	-	-	-	-	-	100,000
Reimbursements paid towards expenditure	6,666	6,411	-	-	-	-	6,666	6,411
B. Amount due to/ from related parties								
Unsecured Loans	110,000	-	-	-	-	-	110,000	-
Accounts receivables	3,049	1,866	-	-	5,102	16,266	8,151	18,132
Creditors	34,337	17,129	-	-	-	2,394	34,337	19,523
Other payables	1,340	421	-	-	87	247	1,427	668

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. 38,865 Thousands (2009 - Rs. 42,523 Thousands) as at June 30, 2010. Further, Corporate Guarantee of Rs. 60,722 Thousands (2009 - 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.

14. 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.
15. On December 30, 2004, the Department of Telecommunications, Ministry of Communications and Information Technology, Government of India, hereinafter referred to as DOT, issued a Letter of Intent (LOI) amending existing Internet Service Provider (ISP) license by including Virtual Private Network (VPN) services within the existing license on payment of one time entry fee of Rs. 1,00,000 Thousands and submission of a financial bank guarantee of Rs. 1,00,000 Thousands.

After complying with DOT requirements, on January 5, 2005 DOT issued permission to the Company to offer VPN services in accordance with the new guidelines. As per LOI, the Company was required to pay an annual fee of 8% of the adjusted gross revenues (AGR) generated under the ISP license, which was recognized in the books of accounts.

On December 14, 2005, DOT issued revised guidelines for IP-VPN service providers and National Long Distance (NLD) operators effective January 1, 2006. As per the revised guidelines existing IP-II/ IP-VPN licensees were allowed to migrate to NLD/ILD (International Long Distance) service license.

Company received the NLD license in July 2006 after paying one time license fee of Rs. 25,000 Thousands, which was adjusted from Rs. 1,00,000 Thousands referred in LOI above, balance of Rs. 75,000 Thousands was recoverable from DOT, which has been adjusted against the variable license fees payable.

Also as per the letter received from DOT dated June 21, 2006, the Company would be allowed an interest at prevailing bank rate on excess amount paid i.e. Rs. 1,00,000 Thousands and excess amount along with interest will be adjusted against the future dues in accordance with TDSAT judgement dated May 3, 2005 in petition 7 of 2005.

In accordance with the letter of 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. 40,632 Thousands (2009 - Rs. 24,977 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. 799 Thousands (2009 - Rs. 533 Thousands).

In accordance with the letter received from DOT dated May 17, 2010, the Company has recognised interest income for the period from January 3, 2005 to July 10, 2006 amounting to Rs. 22,629 Thousands during the year towards interest on excess amount paid as entry fee for offering IP-VPN services under Internet Service Provider (ISP) license. The same has been included under Other Income (Refer Schedule - 11).

16. 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 June 30, 2010	15 Months period ended June 30, 2009
Profit/(Loss) after tax (Rs./Thousands)	(120,968)	(186,578)
Weighted average number of shares considered as outstanding in computation of Basic EPS	2,701,810	2,056,854
Add dilutive impact of unsecured loans from Holding Company	-	-
Weighted average number of shares outstanding in computation of Diluted EPS	2,701,810	2,056,854
Basic EPS (of Rs.100/- each)	(44.77)	(90.71)
Diluted EPS (of Rs.100/- each)	(44.77)	(90.71)

17. 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 June 30, 2010	15 Months period ended June 30, 2009
	Rs./Thousands	Rs./Thousands
Employers Contribution to Provident Fund *	1,473	1,154
Employers Contribution to Superannuation Fund *	430	251

(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 June 30, 2010	15 Months period ended June 30, 2009
	Rs./Thousands	Rs./Thousands
Employers Contribution to Employee State Insurance *	886	903
Employers Contribution to Employee's Pension Scheme 1995 *	1,878	1,607

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

(c) Defined Benefit Plans

- (i) Gratuity
(ii) Leave Encashment/Compensated Absence

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	Leave Encashment/	Employees	Leave Encashment/
	Gratuity Fund	Compensated Absence	Gratuity Fund	Compensated Absence
	2010		2009	
Discount Rate (per annum)	7.80%	7.80%	7.00%	7.00%
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)	25.19	25.19	25.90	25.90

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, 2010		15 Months period ended June 30, 2009	
	Gratuity	Leave Encashment/Compensated Absence	Gratuity	Leave Encashment/Compensated Absence
Reconciliation of opening and closing balances of the present value of the defined benefit obligation:				
Present value of obligation at the beginning of the period	2,731	2,167	1,651	1,389
Current service cost	533	1,279	519	950
Past service cost	208	-	-	-
Interest cost	213	149	145	121
Actuarial (gain)/loss	55	542	416	(7)
Benefits paid	(31)	(586)	-	(286)
Present value of obligation at the end of the period	3,710	3,551	2,731	2,167
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 period	3,710	3,551	2,731	2,167
Fair value of plan assets (funded status) at the end of the period	-	-	-	-
Assets/(Liabilities) recognised in the Balance Sheet	(3,710)	(3,551)	(2,731)	(2,167)
Cost recognised for the period (included in Salaries, Wages, Allowances, Bonus and Gratuity under Personnel Cost - Schedule 13)				
Current service cost	533	1,279	519	950
Past service cost	208	-	-	-
Interest cost	213	149	145	121
Actuarial (gain)/loss	55	542	416	(7)
Net cost recognised for the period	1,010	1,971	1,080	1,064

18. 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	653	2002-2003	Trade Tax Tribunal, Noida
	Total		219	785		

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

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

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

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

20. As on June 30, 2010, the foreign currency exposure that is not hedged by a derivative instrument or otherwise is as follows:

	Year ended June 30, 2010 Rs./Thousands	15 Months period ended June 30, 2009 Rs./Thousands
a) Creditors	227	1,308
b) Debtors	134	119
Total (a-b)	93	1,189

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

	2010 Rs./Thousands	2009 Rs./Thousands
Account Receivables		
HCL Technologies Limited	1,185	221
HCL Comnet Limited	3,917	16,044

22. Based on a technical evaluation during the year ended June 30, 2010, the Company has revised the economic useful life of its Plant and machinery (including Networking equipment), Air conditioners and Capital Spares with effect from July 1, 2009 from 3 - 6 years to 9.67 years. Accordingly, the depreciation expense for the current year is lower by Rs. 24,990 Thousands with a corresponding impact on the net profit for the year and net assets as at June 30, 2010.

23. Previous period's comparative amounts are for the 15 months period ended June 30, 2009 and therefore, the previous period's comparative amounts are not comparable with the current year's financials which are for year ended June 30, 2010. Further previous period's figures have been regrouped/recasted where necessary, to conform 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 CHOWDHARY
Director

J.V.RAMAMURTHY
Whole-time Director

ANUP KUMAR
Company Secretary

Place : Noida
Date : August 25, 2010