

HCL Infosystems MEA FZE

**Consolidated financial statements
for the year ended 30 June 2014**

HCL Infosystems MEA FZE

Consolidated financial statements for the year ended 30 June 2014

	Pages
Independent auditor's report	1 - 2
Consolidated statement of financial position	3
Consolidated statement of comprehensive income	4
Consolidated statement of changes in equity	5
Consolidated statement of cash flows	6
Notes to the consolidated financial statements	7 - 27



Independent auditor's report To the shareholders of HCL Infosystems MEA FZE

We have audited the accompanying consolidated financial statements of HCL Infosystems MEA FZE and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as of 30 June 2014, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independent auditor's report

To the shareholders of HCL Infosystems MEA FZE (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 30 June 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Further, we report that the financial statements of the Company comply, in all material respects, with the applicable provisions of the Implementing Regulations No. 1/2000 issued pursuant to Law No. 2 of 1996 and its Amendment No. 2 of 2000, concerning the formation of Free Zone Companies in the Dubai Airport Free Zone.

PricewaterhouseCoopers
30 October 2014

A handwritten signature in black ink, appearing to read 'Paul Suddaby', with a horizontal line underneath.

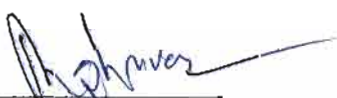
Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

HCL Infosystems MEA FZE

Consolidated statement of financial position

		As at 30 June	
	Note	2014 AED	2013 AED
ASSETS			
Non-current asset			
Property and equipment	5	4,483,917	5,131,884
Current assets			
Inventories	6	6,847,610	11,819,512
Trade and other receivables	7	49,769,187	76,730,426
Due from a related party	8	293,464	-
Cash and bank balances	9	13,766,131	22,062,260
		<u>70,676,392</u>	<u>110,612,198</u>
Total assets		<u>75,160,309</u>	<u>115,744,082</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	1,000,000	1,000,000
Accumulated losses		(36,662,256)	(644,484)
Net (deficit) / equity		<u>(35,662,256)</u>	<u>355,516</u>
LIABILITIES			
Non-current liabilities			
Provision for employees' end of service benefits	11	1,586,891	1,633,241
Borrowings	12	-	46,813
		<u>1,586,891</u>	<u>1,680,054</u>
Current liabilities			
Borrowings	12	48,734,964	20,704,638
Trade and other payables	13	40,724,376	80,242,358
Due to related parties	8	19,776,334	12,761,516
		<u>109,235,674</u>	<u>113,708,512</u>
Total liabilities		<u>110,822,565</u>	<u>115,388,566</u>
Total equity and liabilities		<u>75,160,309</u>	<u>115,744,082</u>

These consolidated financial statements were approved by the Board of Directors on _____ and signed on its behalf by:



Mr. Manoj Shrivastava
Director

The notes on pages 7 to 27 form an integral part of these consolidated financial statements.

(3)

HCL Infosystems MEA FZE

Consolidated statement of comprehensive income

	Note	For the year ended 30 June	
		2014 AED	2013 AED
Revenue	14	128,704,395	151,335,427
Cost of sales		<u>(107,108,812)</u>	<u>(122,508,749)</u>
Gross profit		21,595,583	28,826,678
Selling, general and administrative expenses	15	<u>(55,165,383)</u>	<u>(35,070,076)</u>
Operating loss		(33,569,800)	(6,243,398)
Finance cost - net	17	<u>(2,447,972)</u>	<u>(950,349)</u>
Total comprehensive loss for the year		<u><u>(36,017,772)</u></u>	<u><u>(7,193,747)</u></u>

HCL Infosystems MEA FZE

Consolidated statement of changes in equity

	Share capital	Retained earnings / (accumulated losses)	Total
	AED	AED	AED
At 1 July 2012	1,000,000	6,549,263	7,549,263
Total comprehensive loss for the year	<u>-</u>	<u>(7,193,747)</u>	<u>(7,193,747)</u>
At 30 June 2013	1,000,000	(644,484)	355,516
Total comprehensive loss for the year	<u>-</u>	<u>(36,017,772)</u>	<u>(36,017,772)</u>
At 30 June 2014	<u>1,000,000</u>	<u>(36,662,256)</u>	<u>(35,662,256)</u>

HCL Infosystems MEA FZE

Consolidated statement of cash flows

	Note	For the year ended 30 June	
		2014 AED	2013 AED
Cash flows from operating activities			
Loss for the year		(36,017,772)	(7,193,747)
Adjustments for:			
Depreciation on property and equipment	5	647,967	670,718
Provision for employees end of service benefits	11	518,835	453,052
Provision for impairment of trade receivables	7	8,657,389	2,248,492
Provision for impairment of inventory	6	5,704,903	-
Profit on sale of property and equipment		-	(78,113)
Finance costs	17	2,447,972	950,349
Operating cash flows before payment of employees' end of service benefits and changes in working capital		(18,040,706)	(2,949,249)
Payment of employees' end of service benefits	11	(565,185)	(668,877)
Changes in working capital:			
Inventories before movement in provision		(733,001)	(8,565,411)
Trade and other receivables before movement in provision		18,303,850	(32,391,394)
Due from a related party		(293,464)	7,916,019
Trade and other payables		(39,517,982)	51,102,244
Due to related parties		7,014,818	(2,485,792)
Net cash (used in)/ generated from operating activities		(33,831,670)	11,957,540
Cash flows from investing activities			
Purchase of property and equipment	5	-	(113,917)
Sale of property and equipment		-	78,113
Net cash used in investing activities		-	(35,804)
Cash flows from financing activities			
Repayment of bank loans		-	(3,509,808)
Net repayment of vehicle loans	12	(89,630)	(100,220)
Proceeds from trust receipts	12	22,923,198	3,618,135
(Repayment of)/proceeds from bill discounting	12	(2,985,676)	10,266,539
Proceeds from related party loan	12	5,512,500	-
Interest paid		(2,447,972)	(950,349)
Net cash generated from financing activities		22,912,420	9,324,297
Net (decrease)/ increase in cash and cash equivalents		(10,919,250)	21,246,033
Cash and cash equivalents at beginning of year		19,659,203	(1,586,830)
Cash and cash equivalents at end of the year	9	8,739,953	19,659,203

HCL Infosystems MEA FZE

Notes to the consolidated financial statements for the year ended 30 June 2014

1 Legal status and activities

HCL Infosystems MEA FZE (“the Company”) was formed and registered on 31 July 2004 with the Dubai Airport Free Zone Authority, Dubai, as a free zone company with limited liability. The registered address of the Company is P.O. Box 54590, Dubai Airport Free Zone, Dubai, UAE.

The Company has become a wholly owned subsidiary of, HCL Insys Pte. Limited Singapore (“the parent company”) after HCL Insys Pte. Limited acquired the 40% stake held by NTS Holdings limited (NTS) in August 2013. The ultimate parent company of the Company is HCL Infosystems Limited (“HCL”).

The Company is mainly engaged in the business of developing and trading of software and hardware systems and IT solutions.

These consolidated financial statements include the assets, liabilities and results of operations of the subsidiaries registered and operating in United Arab Emirates (“UAE”) and Qatar (collectively referred to as “the Group”). The Group comprises of the following subsidiaries:

Name	Legal status	Country of incorporation	Percentage of effective ownership	
			2014	2013
HCL Infosystems MEA LLC	Limited liability company	UAE	100%	100%
HCL Infosystems LLC	Limited liability company	UAE	100%	100%
HCL Infosystems Qatar WLL	Limited liability company	Qatar	100%	100%

Percentage of ownership includes shares held directly by the Group and those held by others for the beneficial interest of the Group.

HCL Infosystems MEA FZE

Notes to the consolidated financial statements for the year ended 30 June 2014 (continued)

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRSs"). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in Note 4.

2.1.1 Going concern

The Group incurred a net loss of AED 36,017,772 during the year ended 30 June 2014 (2013 : AED 7,193,747), net current liabilities as at 30 June 2014 were AED 38,559,282 (2013 : 3,096,314), net deficit as at 30 June 2014 was AED 35,662,256 (2013 : Equity - AED 355,516). The ultimate parent of the Group has confirmed its intention to provide continued financial support to the Group so as to enable the Group both to meet its obligations, current and future, as they fall due and to enable the business to continue without any significant curtailment of operations for a period of at least 12 months from the date of approval of these consolidated financial statements. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

2.1.2 Changes in accounting policies and disclosures

(a) *New and amended standards adopted by the Group*

There are no other IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 July 2013 that would be expected to have a material impact on the Group.

(b) *New standards and interpretations not yet adopted by the Group*

The following standards and amendments to existing standards relevant to the Group have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2013 or later periods, but the Group has not early adopted them:

- IFRS 9, 'Financial instruments' (effective date deferred by IASB).
- IAS 32 (amendment) 'Financial instruments: Presentation'(effective 1 January 2014); and
- IAS 36 (amendment) 'Impairment of assets'(effective 1 January 2014);

HCL Infosystems MEA FZE

Notes to the consolidated financial statements for the year ended 30 June 2014 (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policies and disclosures (continued)

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.2 Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

HCL Infosystems MEA FZE

Notes to the consolidated financial statements for the year ended 30 June 2014 (continued)

2 Summary of significant accounting policies (continued)

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Group is United Arab Emirates Dirham ("AED"). These consolidated financial statements are presented in AED, which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2.4 Property and equipment

(a) Recognition and measurement

Items of property and equipment are measured at historical cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(b) Subsequent costs

The cost of replacing an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of day-to-day servicing of property and equipment are recognised in the profit or loss as incurred.

(c) Depreciation

Depreciation on other assets is calculated on the straight-line method, at rates calculated to reduce their cost to their estimated residual value over their expected useful lives, as follows:

	Years
Office building	20
Furniture and fixtures	4
Office equipment	4
Motor vehicles	4

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

HCL Infosystems MEA FZE

Notes to the consolidated financial statements for the year ended 30 June 2014 (continued)

2 Summary of significant accounting policies (continued)

2.4 Property and equipment (continued)

(d) Gains and losses on disposals

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income within 'selling, general and administrative expenses'.

(e) Capital work-in-progress

Capital work-in-progress is stated at cost and includes property that is being developed for future use. When commissioned, capital work-in-progress is transferred to the appropriate asset category and depreciated in accordance with the Group's policy.

f) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.5 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation / amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash generating units"). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each subsequent reporting date.

2.6 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventory items that are not ordinarily interchangeable and goods or services procured and segregated for specific projects is assigned by using specific identification of their individual costs. The cost of all other inventories is determined under the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and variable selling expenses.

HCL Infosystems MEA FZE

Notes to the consolidated financial statements for the year ended 30 June 2014 (continued)

2 Summary of significant accounting policies (continued)

2.7 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are classified as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.8 Financial assets

2.8.1 Classification

The Group currently classifies its financial assets as 'loans and receivables'. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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 included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets. Loans and receivables comprise of 'trade and other receivables' (excluding prepayments), 'due from related parties' and 'cash and bank balances' in the statement of financial position.

2.8.2 Recognition and measurement

Loans and receivables are initially recognized at fair value and subsequently measured at amortised cost using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2.9 Impairment of financial assets

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The amount of the provision 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.

HCL Infosystems MEA FZE

Notes to the consolidated financial statements for the year ended 30 June 2014 (continued)

2 Summary of significant accounting policies (continued)

2.9 Impairment of financial assets (continued)

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

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 was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

2.10 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand, deposits held at call with banks and bank balances with an original maturity of three months or less. Bank overdrafts are included in borrowings within current liabilities in the statement of financial position.

2.11 Share capital

Ordinary shares are classified as equity.

2.12 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Notes to the consolidated financial statements for the year ended 30 June 2014 (continued)

2 Summary of significant accounting policies (continued)

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2.15 Provision for employees' benefits

An accrual is made for employees employed by the Group entities for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by the employees up to the balance sheet date. Provision is made, using actuarial techniques, for the full amount of end of service benefits due to the employees in accordance with the local labour law of the country where they are employed, for their periods of service up to the balance sheet date.

The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefits is disclosed as a non-current liability.

2.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied and services rendered, stated net of discounts and returns. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

The Group is engaged in the sale of computer hardware, software and related accessories. Sales of goods are recognised when the Group has delivered products to the customer and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery does not occur until the products have been transported to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Sales of services

The Group provides IT solutions, installation and maintenance services to its customers. For sales of services, revenue is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

HCL Infosystems MEA FZE

Notes to the consolidated financial statements for the year ended 30 June 2014 (continued)

2 Summary of significant accounting policies (continued)

2.17 Leases

Operating leases when the Group acts as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group reviews and agrees policies for managing each of these risks and these policies are summarised below:

3.1 Financial risk factors

(a) Market risk

(i) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group has no significant exposure to foreign currency risk as the transactions are mainly made in AED and US Dollars to which AED is currently pegged.

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group has exposure to interest rate risk from bank borrowings issued at variable interest rates.

At 30 June 2014, if interest rates on variable rate borrowing had been 1% higher/lower with all other variables held constant, profit for the year would have been AED 370,800 (2013: AED 61,606) lower/higher, mainly as a result of higher/lower interest expense.

(iii) Price risk

The Group is not exposed to price risk as it has no price sensitive financial instruments.

HCL Infosystems MEA FZE

Notes to the consolidated financial statements for the year ended 30 June 2014 (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

Credit risk is the risk that the counterparty will cause a financial loss to the Group by failing to discharge an obligation. Credit risk mainly arises from trade and other receivables (excluding prepayments), balances due from related parties and cash and bank balances (Notes 7, 8 and 9 respectively).

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

The Group's customers are based mainly in the Middle East. At 30 June 2014, five debtors accounted for 67% (2013: 58%) of the trade receivables. Management is of the opinion that this concentration of credit risk will not result in a loss to the Group since the customers have sound financial position and there are no disputes regarding the outstanding amounts.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities. Due to the dynamic nature of the underlying business, the business maintains flexibility in funding by keeping credit lines available.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2014	Total AED	Less than 1 year AED	Between 2 to 5 years AED
Trade and other payables	40,724,376	40,724,376	-
Due to related parties	19,776,334	19,753,075	-
Borrowings	48,734,964	48,734,964	-
	<u>109,235,674</u>	<u>109,212,415</u>	<u>-</u>
At 30 June 2013			
Trade and other payables	80,242,358	80,242,358	-
Due to related parties	12,761,516	12,761,516	-
Borrowings	20,756,132	20,704,638	51,494
	<u>113,760,006</u>	<u>113,708,512</u>	<u>51,494</u>

HCL Infosystems MEA FZE

Notes to the consolidated financial statements for the year ended 30 June 2014 (continued)

3 Financial risk management (continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as 'borrowings' less 'cash and bank balances' as shown in the statement of financial position. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

As of 30 June 2014 and 2013, the gearing ratios of the Group were as follows:

	2014 AED	2013 AED
Borrowings (Note 12)	48,734,964	20,751,451
Less: cash and bank balances (Note 9)	<u>(13,766,131)</u>	<u>(22,062,260)</u>
Net debt	34,968,833	(1,310,809)
Total equity	<u>(35,811,768)</u>	<u>355,516</u>
Total capital	<u>(842,935)</u>	<u>(955,293)</u>
Gearing ratio	<u>N/A</u>	<u>NA</u>

3.3 Fair value estimation

At the end of the reporting period, the carrying amounts of the company's financial assets and liabilities approximate their fair values. There are no financial instruments that are measured at fair value at the reporting date.

Notes to the consolidated financial statements for the year ended 30 June 2014 (continued)

4 Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

(a) *Impairment of trade and other receivables*

The impairment charge reflects estimates of losses arising from the failure or inability of the parties concerned to make the required payments. The charge is based on the ageing of the customers' accounts, customer defaults, the customers' credit worthiness and the historical write off experience. Changes to the estimated impairment charge may be required if the financial condition of the customers was to improve or deteriorate.

(b) *Percentage of completion in revenue recognition*

Services revenue is recognised under the percentage of completion method. When the outcome of the contract can be reliably estimated, revenue is recognised by reference to the proportion that accumulated costs up to the year end bear to the estimated total costs of the contract. When the contract is at an early stage and its outcome cannot be reliably estimated, revenue is recognised to the extent of costs incurred up to the year end which are considered recoverable.

Revenue relating to claims and variations is not recognised unless negotiations have reached an advanced stage such that it is probable that the customer will accept the claim/variation and the amount of the claim/variation can be measured reliably.

Losses on contracts are assessed on an individual contract basis and provision is made for the full amount of the anticipated losses, including any losses relating to future work on a contract, in the period in which the loss is first foreseen.

In determining costs incurred up to the year end, any costs relating to future activity on a contract are excluded and shown as contract work in progress. The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the year end. Where the sum of the costs incurred and recognised profit or recognised loss exceeds the progress billings, the balance is shown under trade and other receivables as due from customers on contracts. Where the progress billings exceed the sum of costs incurred and recognised profit or recognised loss, the balance is shown under trade and other payables as due to customers on contracts.

HCL Infosystems MEA FZE

Notes to the consolidated financial statements for the year ended 30 June 2014 (continued)

5 Property and equipment

Cost	Office building AED	Furniture and fixtures AED	Office equipment AED	Motor vehicles AED	Capital work in progress AED	Total AED
At 1 July 2012	4,511,085	1,430,911	612,508	512,000	5,500,206	12,566,710
Additions	-	46,710	67,207	-	-	113,917
Transfers to previous shareholders (Note 5.2)	-	-	-	-	(5,500,206)	(5,500,206)
Disposals	-	(150,000)	-	(46,500)	-	(196,500)
At 30 June 2013 and 2014	4,511,085	1,327,621	679,715	465,500	-	6,983,921
Accumulated depreciation						
At 1 July 2012	103,159	632,878	376,047	265,735	-	1,377,819
Charge for the year (Note 15)	225,554	231,574	99,090	114,500	-	670,718
Disposals	-	(150,000)	-	(46,500)	-	(196,500)
At 30 June 2013	328,713	714,452	475,137	333,735	-	1,852,037
Charge for the year (Note 15)	225,575	264,548	65,948	91,896	-	647,967
At 30 June 2014	554,288	979,000	541,085	425,631	-	2,500,004
Net book amount						
At 30 June 2014	3,956,797	348,621	138,630	39,869	-	4,483,917
At 30 June 2013	4,182,372	613,169	204,578	131,765	-	5,131,884

HCL Infosystems MEA FZE

Notes to the consolidated financial statements for the year ended 30 June 2014 (continued)

5 Property and equipment (continued)

- 5.1 The vehicles purchased are secured against the loans obtained from the bank (refer Note 12).
- 5.2 NTS was acquired by HCL in 2007 (refer Note 1). Prior to acquisition on 19 July 2007, NTS entered into a purchase agreement with Stars Dome Real Estate for the purchase of commercial spaces in Summit Tower. The total cost of properties acquired amounted to AED 10,712,013, of which 50% advance payment had been paid to the developer, against which the Group has taken a property loan from First Gulf Bank. Total loan advanced by the bank amounted to AED 3,509,808. The title to the property was conveyed to the bank as a collateral security against the loan. Loan repayment was scheduled to commence upon the completion of the construction and handover of properties by the developer to the Group. Following the economic downturn, the construction of the properties had been ceased by the developer and the advance payment has been frozen. Prior to acquisition, NTS has agreed with the previous shareholders to retain the ETA properties, and bear the credit risk in respect of the advance payment issued. Consequently as at 30 June 2011, the total advance payment was reclassified from Capital work in progress (CWIP) to amounts due from previous shareholders. However, as bank's consent for the transfer of the above property had not been obtained the amount of AED 5,500,206 has been reclassified to CWIP during the year ended 30 June 2012. During the previous year, a settlement was reached between HCL and the previous shareholders whereby the title to the said commercial spaces in the Summit Towers was transferred to the previous shareholders and the previous shareholders agreed to settle the bank loan (Note 12) which was mortgaged against the said commercial premises. Accordingly the value of the commercial spaces in the Summit Towers of AED 5,500,206 and the related bank borrowing were derecognised in the books of the Group. The above arrangement was also agreed with the bank.

6 Inventories

Inventory comprises of non-identical items held for re-sale based on specific requirements of the customers.

	2014 AED	2013 AED
Inventory for re-sale	12,552,513	10,055,565
Less : Provision for impairment	(5,704,903)	-
	<u>6,847,610</u>	<u>10,055,565</u>
Inventory in transit	-	1,763,947
	<u>6,847,610</u>	<u>11,819,512</u>

Provision for inventory is related to obsolete mobility inventory due to the closure of mobility business during the year.

HCL Infosystems MEA FZE

Notes to the consolidated financial statements for the year ended 30 June 2014 (continued)

6 Inventories (continued)

Movement on the Group's provision for slow moving and obsolete inventory is as follows:

	AED
At 1 July 2013	-
Charge for the year	<u>5,704,903</u>
At 30 June 2014	<u>5,704,903</u>

7 Trade and other receivables

	2014 AED	2013 AED
Trade receivables	40,422,456	64,330,651
Less : Provision for impairment	<u>(10,720,494)</u>	<u>(2,179,443)</u>
	29,701,962	62,151,208
Advances to suppliers	10,983,204	11,431,878
Unbilled revenue	6,746,587	-
Prepayments	1,491,083	2,514,331
Deposits	200,444	203,044
Other receivables	<u>645,907</u>	<u>429,965</u>
	<u>49,769,187</u>	<u>76,730,426</u>

As at 30 June 2014 trade receivables of AED 8,655,610 (2013: AED 35,149,339) were fully performing.

As at 30 June 2014, trade receivables of AED 21,046,352 (2013: AED 27,001,869) were past due but not impaired. These relate to a number of independent customers for whom there is no history of default. The ageing analysis of these trade receivables is as follows:

	2014 AED	2013 AED
Up to 3 months	2,585,857	2,390,281
More than 3 months	<u>18,460,495</u>	<u>24,611,588</u>
At 30 June	<u>21,046,352</u>	<u>27,001,869</u>

As of 30 June 2014, trade receivables of AED 10,720,494 (2013: AED 2,179,443) were impaired and fully provided for. All these receivables are more than twelve months past due.

HCL Infosystems MEA FZE

Notes to the consolidated financial statements for the year ended 30 June 2014 (continued)

7 Trade and other receivables (continued)

Movements in the Group's provision for impairment of trade receivables are as follows:

	2014 AED	2013 AED
At 1 July	2,179,443	139,016
Charge for the year (Note 15)	8,657,389	2,248,492
Written off during the year	<u>(116,338)</u>	<u>(208,065)</u>
At 30 June	<u>10,720,494</u>	<u>2,179,443</u>

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is represented by the carrying amounts of each class of receivable mentioned above. The carrying amount of the Group's trade and other receivables are denominated in AED and Qatari Riyal (QAR). The Group does not hold any collateral as security.

8 Related party transactions and balances

Related parties comprise the Group's shareholders, ultimate parent company, parent company and its associated companies, key management personnel and the businesses which they control or over which they have significant influence.

Related party transactions

The Group enters into transactions in the normal course of business with these parties at prices and terms agreed between the parties. The balances at year-end and transactions during the year are stated overleaf:

	2014 AED	2013 AED
Purchases from the ultimate parent company	<u>21,917,384</u>	<u>16,057,136</u>
Expenses recharged to the ultimate parent company	<u>(14,973,144)</u>	<u>17,809,161</u>
Loan obtained from a related party (Note 12)	<u>5,512,500</u>	<u>-</u>

HCL Infosystems MEA FZE

Notes to the consolidated financial statements for the year ended 30 June 2014 (continued)

8 Related party transactions and balances (continued)

Related party transactions (continued)

Key management compensation comprises

	2014 AED	2013 AED
Salaries and other short term employee benefits	686,630	910,000
End of service benefits	29,061	814,897
	<u>715,691</u>	<u>1,724,897</u>

Related party balances

Due from a related party

Affiliated company

HCL Learning	<u>293,464</u>	-
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Due to related parties

HCL Infosystems Limited (the ultimate parent company)	8,412,062	12,761,516
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Affiliated companies

HCL Insys Pte Ltd	7,371,530	-
HCL Infotech	3,343,143	-
HCL Services	591,512	-
HCL South Africa	58,087	-
	<u>19,776,334</u>	<u>12,761,516</u>

9 Cash and bank balances

Cash in hand	6,990	-
Cash at bank	<u>13,759,141</u>	<u>22,062,260</u>
	<u>13,766,131</u>	<u>22,062,260</u>

Cash and cash equivalents include bank overdrafts for the purposes of the consolidated statement of cash flows.

	2014 AED	2013 AED
Cash and bank balances	13,766,131	22,062,260
Bank overdrafts (Note 12)	<u>(5,026,178)</u>	<u>(2,403,057)</u>
Cash and cash equivalents	<u>8,739,953</u>	<u>19,659,203</u>

HCL Infosystems MEA FZE

Notes to the consolidated financial statements for the year ended 30 June 2014 (continued)

10 Share capital

Share capital comprises 10 (2013: 10) authorised, issued and fully paid up shares of AED 100,000 each (2013: AED 100,000 each).

11 Provision for employees' end of service benefits

	2014 AED	2013 AED
At the beginning of the year	1,633,241	1,849,066
Charge for the year (Note 16)	518,835	453,052
Payments during the year	<u>(565,185)</u>	<u>(668,877)</u>
As at 30 June	<u>1,586,891</u>	<u>1,633,241</u>

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at 30 June 2014 and 2013, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. Under this method an assessment has been made of an employees' expected service life with the and the expected basic salary at the date of leaving the service. Management has assumed average increment/promotion costs of 5% (2013: 5%). The expected liability at the date of leaving the service has been discounted to net present value using a discount rate of 4.48% (2013: 2.54%).

12 Borrowings

	2014 AED	2013 AED
Non-current		
Vehicle loans (Note 12.1)	<u>-</u>	<u>46,813</u>
Current		
Bank overdrafts (Note 9)	5,026,178	2,403,057
Trust receipts	26,541,333	3,618,135
Loan from related party (Note 8)	5,512,500	-
Liability on bills discounting	11,605,113	14,590,789
Vehicle loans (Note 12.1)	<u>49,840</u>	<u>92,657</u>
	<u>48,734,964</u>	<u>20,704,638</u>
Total borrowings	<u>48,734,964</u>	<u>20,751,451</u>

Bank loans are term loan facilities which carry an interest rate of 8% (2013: 8% plus 6 months EIBOR).

HCL Infosystems MEA FZE

Notes to the consolidated financial statements for the year ended 30 June 2014 (continued)

12 Borrowings (continued)

The Group has entered into a trust receipts agreement with the bank with recourse for a period of upto 120 days carrying an interest rate of 8% (2013: 8% plus 6 months EIBOR).

The Group has obtained a short term loan from HCL Investments Pte Ltd (an affiliated entity) which carries an interest rate of 6 months LIBOR plus 300 bps. The loan was repayable on 24 July 2014, but it has been extended for the period of 6 months.

The Group has bills discounting agreement with a bank with recourse for a period of 120 days at an interest rate of 7.49% per annum (2013: 7.49% per annum).

12.1 Vehicle loans

	2014 AED	2013 AED
At the beginning of the year	139,470	239,690
Payments during the year	<u>(89,630)</u>	<u>(100,220)</u>
At 30 June	49,840	139,470
Less: long-term portion of vehicle loans	<u>-</u>	<u>(46,813)</u>
	<u>49,840</u>	<u>92,657</u>

Vehicle loans carry an interest rate of 11.4% (2013: 11.4%). Deferred interest on the vehicle loans at 30 June 2014 amounted to AED 1,555 (2013: AED 10,439). The vehicles purchased are secured against the loans obtained from the bank (refer Note 5).

13 Trade and other payables

	2014 AED	2013 AED
Trade payables	14,058,704	60,957,095
Accrued expenses and other payables	25,070,746	17,917,787
Accrued employee benefits	<u>1,594,926</u>	<u>1,367,476</u>
	<u>40,724,376</u>	<u>80,242,358</u>

14 Revenue

	2014 AED	2013 AED
Sale of goods	71,852,160	104,430,124
Service revenue	<u>56,852,235</u>	<u>46,905,303</u>
	<u>128,704,395</u>	<u>151,335,427</u>

HCL Infosystems MEA FZE

Notes to the consolidated financial statements for the year ended 30 June 2014 (continued)

15 Selling, general and administrative expenses

	2014 AED	2013 AED
Staff costs (Note 16)	22,063,006	18,899,886
Advertisement and business promotion	14,822,146	4,629,742
Provision for impairment of trade receivables (Note 7)	8,657,389	2,248,492
Bank charges	2,266,063	2,385,657
Legal, professional and other charges	1,224,367	1,232,897
Rent	1,163,225	1,137,173
Insurance	1,072,700	1,079,525
Communication	1,035,712	878,604
Depreciation (Note 5)	647,967	670,718
Selling expenses	577,399	593,056
Travel expenses	822,102	716,379
Office expenses	232,493	229,032
Others	580,814	368,915
	<u>55,165,383</u>	<u>35,070,076</u>

16 Staff costs

Salaries	19,527,245	16,986,359
Other staff costs and benefits	2,016,926	1,460,475
Employees' end of service benefits (Note 11)	518,835	453,052
	<u>22,063,006</u>	<u>18,899,886</u>

17 Finance costs – net

Finance costs		
Interest on borrowings	2,138,566	961,244
Foreign exchange loss/ (gain)	309,406	(10,895)
Finance costs	<u>2,447,972</u>	<u>950,349</u>

HCL Infosystems MEA FZE

Notes to the consolidated financial statements for the year ended 30 June 2014 (continued)

18 Financial instruments by category

The accounting policies for the financial instruments have been applied to the line items below:

	Loans and receivables	
	2014	2013
	AED	AED
Financial assets		
Trade and other receivables*	37,294,900	62,784,217
Due from a related party	293,464	-
Cash and bank balances	13,766,131	22,062,260
	<u>51,354,495</u>	<u>84,846,477</u>

*Exclude prepayments amounting to AED 1,491,083 (2013: AED 2,514,331) and advances to suppliers amounting to AED 10,983,204 (2013: AED 11,431,878)

	Other financial liabilities	
	2014	2013
	AED	AED
Financial liabilities		
Trade and other payables	40,724,376	80,242,358
Due to related parties	19,776,334	12,761,516
Borrowings	48,734,964	20,751,451
	<u>109,235,674</u>	<u>113,755,325</u>

19 Contingent liabilities and capital commitments

	2014	2013
	AED	AED
Bank guarantees	<u>32,177,960</u>	<u>35,143,222</u>
Letter of credit	<u>8,083,722</u>	<u>8,922,937</u>