

HCL INSYS PTE. LTD.

(Incorporated in Singapore. Registration Number: 200923568M)

ANNUAL REPORT

For the financial year ended 30 June 2014

HCL INSYS PTE. LTD.
(Incorporated in Singapore)

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For the financial year ended 30 June 2014

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HCL INSYS PTE. LTD.

DIRECTORS' REPORT

For the financial year ended 30 June 2014

The directors present their report to the shareholder together with the audited financial statements for the financial year ended 30 June 2014.

Directors

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

Sandeep Kanwar
Sundaram Sridharan

Arrangements to enable directors to acquire shares or debentures

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

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of, the Company or its related corporations, except as follows:

	Holdings registered in the name of director	
	At <u>30.6.2014</u>	At <u>1.7.2013</u>
Ultimate holding corporation - HCL Infosystems Ltd. <u>(No. of ordinary shares)</u>		
Sandeep Kanwar	9,855	9,855

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except that certain directors received remuneration as a result of their employment with related corporations.

HCL INSYS PTE. LTD.

DIRECTORS' REPORT

For the financial year ended 30 June 2014

Share options

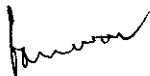
No options were granted during the financial year to subscribe for unissued shares of the Company.

No shares were issued during the financial year by virtue of the exercise of option to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

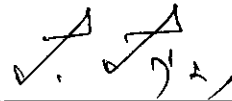
Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept the appointment.



Sandeep Kanwar
Director

21 FEB 2015



Sundaram Sridharan
Director

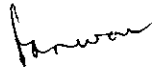
HCL INSYS PTE. LTD.

STATEMENT BY DIRECTORS

For the financial year ended 30 June 2014

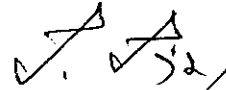
In the opinion of the directors,

- (a) the balance sheet of the Company as set out on pages 6 to 30 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 30 June 2014 and of the results of the business, changes in equity and cash flows of the Company for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

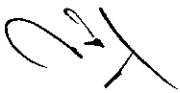


Sandeep Kanwar
Director

21 FEB 2015



Sundaram Sridharan
Director



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF HCL INSYS PTE. LTD.

Report on the Financial Statements

We have audited the accompanying financial statements of HCL Insys Pte. Ltd. set out on pages 6 to 30, which comprise the balance sheet as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF
HCL INSYS PTE. LTD.**
(continued)

Report on the Financial Statements (continued)

Basis for qualified opinion

As discussed in Note 8 to the financial statements, the Company is confident of successful negotiations with the Economic Development Board to extend the scope of tax exemption to the profits of the Company's business activities for the financial years ended 30 June 2012 and 30 June 2013. No tax has been provided in the financial statements on the profits of the Company for the financial years ended 30 June 2012 and 30 June 2013, which in our opinion is not in accordance with Singapore Financial Reporting Standards. Accordingly as at 30 June 2014, the tax provision should be increased by US\$285,000 (2013: US\$285,000) and the retained profits should be reduced by US\$285,000(2013: US\$285,000).

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 30 June 2014 and the results, changes in equity and cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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



PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 21 FEB 2015

HCL INSYS PTE. LTD.**STATEMENT OF COMPREHENSIVE INCOME***For the financial year ended 30 June 2014*

	Note	2014 US\$	2013 US\$
Revenue	3	37,648,028	80,799,013
Cost of sales	5	(25,128,517)	(73,586,435)
Gross profit		12,519,511	7,212,578
Other income	4(a)	281,643	271,331
Other losses	4(b)	(826,450)	-
Expenses			
- Administrative and distribution	5	(9,376,952)	(5,005,122)
- Finance	7	(85,573)	(266,910)
- Other	5	(487,241)	(358,102)
Profit before income tax		2,024,938	1,853,775
Income tax expense	8	(269,620)	-
Profit after income tax		1,755,318	1,853,775
Total comprehensive income		1,755,318	1,853,775

The accompanying notes form an integral part of these financial statements.

HCL INSYS PTE. LTD.**BALANCE SHEET***As at 30 June 2014*

	Note	2014 US\$	2013 US\$
ASSETS			
Current assets			
Cash and bank deposits	9	2,608,315	3,381,897
Trade and other receivables	10	6,340,930	16,085,629
Inventories	11	-	272,169
Other current assets	12	122,230	195,537
		<u>9,071,475</u>	<u>19,935,232</u>
Non-current assets			
Investment in a subsidiary	13	6,499,219	7,325,669
Plant and equipment	14	521,816	439,087
Intangible assets	15	106,078	185,617
		<u>7,127,113</u>	<u>7,950,373</u>
Total assets		<u>16,198,588</u>	<u>27,885,605</u>
LIABILITIES			
Current liabilities			
Trade and other payables	16	2,120,611	10,385,838
Current Income tax liabilities	8	182,163	-
Borrowings	17	-	5,443,943
		<u>2,302,774</u>	<u>15,829,781</u>
Non-current liabilities			
Deferred income tax liabilities	18	84,672	-
Total liabilities		<u>2,387,446</u>	<u>15,829,781</u>
NET ASSETS		<u>13,811,142</u>	<u>12,055,824</u>
EQUITY			
Share capital	19	8,271,379	8,271,379
Retained profits		5,539,763	3,784,445
Total equity		<u>13,811,142</u>	<u>12,055,824</u>

The accompanying notes form an integral part of these financial statements.

HCL INSYS PTE. LTD.**STATEMENT OF CHANGES IN EQUITY***For the financial year ended 30 June 2014*

	<u>Note</u>	<u>Share capital</u> US\$	<u>Retained profits</u> US\$	<u>Total</u> US\$
30 June 2014				
Beginning of financial year		8,271,379	3,784,445	12,055,824
Total comprehensive income		-	1,755,318	1,755,318
End of financial year		8,271,379	5,539,763	13,811,142
30 June 2013				
Beginning of financial year		4,471,379	1,930,670	6,402,049
Issuance of ordinary shares	19	3,800,000	-	3,800,000
Total comprehensive income		-	1,853,775	1,853,775
End of financial year		8,271,379	3,784,445	12,055,824

The accompanying notes form an integral part of these financial statements.

HCL INSYS PTE. LTD.**STATEMENT OF CASH FLOWS***For the financial year ended 30 June 2014*

	2014 US\$	2013 US\$
Cash flows from operating activities		
Profit after tax	1,755,318	1,853,775
Adjustments for:		
- Amortisation of intangible asset	79,540	53,026
- Depreciation of plant and equipment	201,624	160,530
- Interest income	(239,242)	(310,555)
- Interest expense	85,573	266,910
- Impairment loss on investment in subsidiary	826,450	-
- Income tax expense	269,620	-
	<u>2,978,883</u>	<u>2,023,686</u>
 Change in working capital		
- Inventories	272,169	(266,391)
- Trade and other receivables	9,744,699	(8,158,335)
- Other current assets	73,307	(119,992)
- Trade and other payables	(8,265,227)	(3,512,145)
Cash provided by/(used in) operations	<u>4,803,831</u>	<u>(10,033,177)</u>
 Tax paid	(2,785)	-
Net cash provided by/(used in) operating activities	<u>4,801,046</u>	<u>(10,033,177)</u>
 Cash flows from investing activities		
Acquisition of a subsidiary	-	(2,988,842)
Purchase of plant and equipment	(284,353)	(301,946)
Purchase of intangible assets	-	(238,643)
Net cash used in investing activities	<u>(284,353)</u>	<u>(3,529,431)</u>
 Cash flows from financing activities		
Proceeds from issuance of ordinary shares	-	3,800,000
Interest received	239,242	310,555
Interest paid	(85,573)	(266,910)
Proceeds from bank borrowings	(5,443,943)	5,443,943
Net cash (used in)/provided by financing activities	<u>(5,290,274)</u>	<u>9,287,588</u>
 Net decrease in cash and cash equivalents	<u>(773,581)</u>	<u>(4,275,020)</u>
Cash and cash equivalents at beginning of financial year	<u>3,381,897</u>	<u>7,656,917</u>
Cash and cash equivalents at end of financial year	<u>2,608,315</u>	<u>3,381,897</u>

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

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

1. General information

The Company is incorporated and domiciled in Singapore. The address of its registered office is 1, North Bridge Road, #19-04/05 High Street Centre, Singapore 179094. The address of its principal place of business is The Signature, #09-02, 51 Changi Business Park Central 2, Singapore 486066.

The principal activities of the Company are relating to IT and related activities including manufacturing of laptops, desktops and other related IT products and rendering of managed and maintenance services. The principal activities of the subsidiaries are disclosed in Note 13.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of these financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions, as disclosed in Note 8 and 13 to the financial statements.

Interpretations and amendments to published standards effective in 2014

On 1 July 2013, the Company adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

2. Significant accounting policies(continued)

2.2 Consolidation

The financial statements are the separate financial statements of the Company. The Company is exempted from the preparation of consolidated financial statements as the ultimate holding corporation of the Company is HCL Infoystems Limited, a company incorporated in India and listed on BSE Limited and National Stock Exchange of India Limited which publishes consolidated financial statements available for public use. The registered office of HCL Infosystems Ltd. is 806, Siddharth, 96, Nehru Place, New Delhi - 110 019.

2.3 Revenue recognition

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

Revenue from sale of goods is recognised when the Company has delivered the products to the customer, the customer has accepted the products and the collectability of the related receivables is reasonably assured.

Service revenue are recognised in the period in which services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

2.4 Currency translation

The financial statements are presented in United States Dollar, which is the functional currency of the Company.

Transactions in a currency other than United States Dollar ("foreign currency") are translated into United States Dollar using the exchange rates prevailing at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

2.5 Employee compensation

(a) *Defined contribution plans*

The Company's contributions to defined contribution plans are recognised as employee compensation expense when the contributions are due.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

2. Significant accounting policies (continued)

2.5 Employee compensation (continued)

(b) Employee leaves entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2.6 Plant and equipment

Plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditure relating to plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	<u>Useful lives</u>
Furniture and fittings	4 - 6 years
Electrical equipment	6 years
Computers	3 years
Leasehold improvement	3 years or lease period whichever is lower
Software	Licence period

Work in progress is not depreciated.

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

On disposal of an item of plant and equipment, the difference between the disposal proceeds and its carrying amount is included in profit or loss.

2.7 Intangible assets

Acquired computer software licences

Acquired computer software licences are initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

2. Significant accounting policies (continued)

2.7 Intangible assets (continued)

Acquired computer software licences (continued)

Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with maintaining the computer software are expensed off when incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of three years.

The amortisation period and amortisation method of intangible assets (other than goodwill) are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.8 Investment in a subsidiary

Investment in a subsidiary is carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investment in a subsidiary, the difference between disposal proceeds and the carrying amounts of the investment is recognised in profit or loss.

2.9 Operating lease payments

Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

2.10 Income taxes

Current income tax is recognised at the amount expected to be paid to or recovered from the tax authorities.

Deferred income tax is recognised for all temporary differences except when the deferred income tax arises from initial recognition of an asset or liability and affects neither accounting nor taxable profit or loss at the time of the transaction.

Current and deferred income tax is measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date, and are recognised as income or expenses in profit or loss, except to the extent that the tax arises from a transaction which is recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

2. Significant accounting policies (continued)

2.11 Impairment of non-financial assets

Plant and equipment and investment in a subsidiary are reviewed for impairment whenever there is any indication that these assets may be impaired.

If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

2.12 Loans and receivables

Cash and cash equivalents
Trade and other receivables
Other current assets (excluding prepayments)

Cash and cash equivalents, trade and other receivables and other current assets (excluding prepayments) are initially recognised at their fair values plus transaction costs and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

The Company assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

These assets are presented as current assets except for those that are expected to be realised later than 12 months after the balance sheet date, which are presented as non-current assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

2. Significant accounting policies (continued)

2.13 Borrowings

Borrowings are presented as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Borrowings are initially recognised at fair values (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.14 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. They 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 and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.15 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.16 Share capital

Ordinary shares are classified as equity.

2.17 Fair value estimation

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.18 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash at bank and on hand and short-term bank deposits.

2.19 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

HCL INSYS PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

3. Revenue	2014 US\$	2013 US\$
Sale of goods	26,421,571	76,660,030
Rendering of services	11,226,457	4,138,983
	37,648,028	80,799,013
4. Other income and other losses		
(a) <u>Other income</u>	2014 US\$	2013 US\$
Interest income on discount bills	239,242	310,555
Net currency translation losses/(income)	42,401	(39,224)
	281,643	271,331
(b) <u>Other losses</u>	2014 US\$	2013 US\$
Impairment loss on subsidiary (Note 13)	(826,450)	-
5. Expenses by nature	2014 US\$	2013 US\$
Purchases of inventories	24,856,348	73,852,826
Changes in inventories	272,169	(266,391)
Total cost of sales (a)	25,128,517	73,586,435
Amortisation of intangible asset	79,540	53,026
Depreciation of plant and equipment (Note 14)	201,624	160,530
Employee compensation (Note 6)	8,253,444	3,832,066
Professional fees	157,275	98,563
Rental expense on operating leases	167,343	190,205
Bank charges	417,801	478,722
Impairment loss on trade receivables	31,684	-
Recruitment expenditure	15,539	156,361
Repair and maintenance	52,702	35,649
Total administrative & distribution expenses (b)	9,376,952	5,005,122
Other expenses (c)	487,241	358,102
Total cost of sales, administrative & distribution expenses and other expenses (a+b+c)	34,992,710	78,949,659

HCL INSYS PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

6. Employee compensation

	2014 US\$	2013 US\$
Wages and salaries	7,520,584	3,404,178
Employer's contribution to Central Provident Fund	607,599	343,471
Other benefits	125,261	84,417
	<u>8,253,444</u>	<u>3,832,066</u>

7. Finance expenses

	2014 US\$	2013 US\$
Interest expense on discounting bills	<u>85,573</u>	<u>266,910</u>

8. Income taxes

(a) Income tax expense

	2014 US\$	2013 US\$
Tax expense attributable to results is made up of:		
- Current income tax	184,948	-
Underprovision in prior financial years		
- Deferred income tax (Note 18)	84,672	-
	<u>269,620</u>	<u>-</u>

The tax expense on results differs from the amount that would arise using the Singapore standard rate of income tax as follows:

	2014 US\$	2013 US\$
Profit before income tax	<u>2,024,938</u>	<u>1,853,775</u>
Tax calculated at a tax rate of 17% (2013: 17%)	344,239	314,861
Effects of:		
- Exemption of tax due to pioneer status	-	(314,861)
- Statutory exempt income	(20,755)	-
- Tax rebate	(24,017)	-
- Expenses not deductible	(998)	-
- Productivity and innovation credit	(113,521)	-
	<u>184,948</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS*For the financial year ended 30 June 2014***8. Income taxes (continued)****(a) Income tax expense (continued)**

The Company has been granted pioneer status from 1 February 2010 to 31 January 2015 and is exempted from tax on its profit from pioneer activities, deriving from the development and manufacture of laptops during that period.

In June 2013, the Company informed Economic Development Board of Singapore ("EDB") that there were changes to the Company's business plans. The Company considered the manufacturing of laptops (which is one of the terms and conditions under the Pioneer Service Certificate) as not feasible. The EDB indicated that it would like to review the Company's revised business plan before reviewing the terms and conditions and other tax benefits to be provided to the Company.

As of this date, the EDB has not formally communicated to the Company whether there will be any changes to the concessionary tax rate or the terms and conditions under the Pioneer Service Certificate, including whether the Pioneer Service status will be revoked.

The Company has not recorded any tax relating to financial years ended 30 June 2012 and 30 June 2013 as it believes that the tax exemption will be granted for these financial years. However, for the year ended 30 June 2014, the Company has recognised tax expense of US\$181,948 considering that the exemption will not be available the financial year.

(b) Movements in current income tax liabilities

	2014 US\$	2013 US\$
Beginning of financial year	-	-
Income tax paid	(2,785)	-
Tax payable on profit for current financial year	184,948	-
End of financial year	<u>182,163</u>	-

9. Cash and bank deposits

	2014 US\$	2013 US\$
Cash at bank and on hand	2,022,785	2,797,949
Short-term bank deposits	585,530	583,948
	<u>2,608,315</u>	<u>3,381,897</u>

The short-term bank deposits mature within 6 months (2013: 3 months) from the financial year end. The effective interest rate of these deposits as at balance sheet date was 0.45% (2013: 0.70%) per annum. At the balance sheet date, the carrying amounts of cash and cash equivalents approximate their fair value.

HCL INSYS PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

9. Cash and bank deposits(continued)

Cash and bank deposits at the balance sheet date are denominated in the following currencies:

	2014 US\$	2013 US\$
United States Dollar	2,322,416	2,695,411
Singapore Dollar	285,899	686,486
	<u>2,608,315</u>	<u>3,381,897</u>

10. Trade and other receivables

	2014 US\$	2013 US\$
Trade receivables from:		
- third parties	2,762,707	1,769,282
- ultimate holding corporation	302,506	13,316,547
- related corporations	42,014	564,378
- a subsidiary	2,006,695	-
	<u>5,113,922</u>	<u>15,650,207</u>
Less: Allowance for impairment of trade receivables	<u>(31,684)</u>	-
	<u>5,082,238</u>	<u>15,650,207</u>
Other receivables from:		
- related corporations	-	24,855
- a subsidiary	-	296,850
Unbilled receivables	1,258,692	113,717
	<u>6,340,930</u>	<u>16,085,629</u>

The other receivables are unsecured, interest free and repayable on demand.

The carrying amounts of trade and other receivables approximate their fair values.

Trade and other receivables at the balance sheet date are denominated in the following currencies:

	2014 US\$	2013 US\$
United States Dollar	2,627,684	14,948,091
Singapore Dollar	3,713,246	1,137,538
	<u>6,340,930</u>	<u>16,085,629</u>

HCL INSYS PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

11. Inventories		
	2014	2013
	US\$	US\$
Goods held for resale	-	272,169
	<hr/>	<hr/>
12. Other current assets		
	2014	2013
	US\$	US\$
Deposits	41,981	42,036
Prepayments	80,249	153,501
	<hr/>	<hr/>
	122,230	195,537

The carrying amounts of deposits approximate their fair values.

Deposits at the balance sheet date are denominated in United States Dollar.

13. Investment in a subsidiary		
	2014	2013
	US\$	US\$
<i>Unquoted equity investment, at cost</i>		
Beginning of financial year	7,325,669	4,336,827
Acquisitions	-	2,988,842
	<hr/>	<hr/>
	7,325,669	7,325,669
Less : Allowance for impairment	(826,450)	-
End of financial year	<hr/>	<hr/>
	6,499,219	7,325,669

Details of the subsidiary are as follows:

Held by the Company

Name of company	Principal activities	Country of incorporation and principal place of business	Equity holding		Cost of investment	
			2014 %	2013 %	2014 US\$	2013 US\$
HCL Infosystems MEA FZE	Developing and trading of software and hardware systems and IT solutions	Dubai, Airport Free Zone	100	100	7,325,669	7,325,669

HCL INSYS PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

13. Investment in a subsidiary(continued)

Held by subsidiary

<u>Name of company</u>	<u>Principal activities</u>	<u>Country of incorporation and principal place of business</u>	<u>Equity holding</u>	
			<u>2014</u> %	<u>2013</u> %
HCL Infosystems MEA LLC Abu Dhabi	Trading of computer hardware and accessories, computer system networking and accessory trading, import and on-shore, off-shore oil and gas field and installation services	Dubai	49	49
HCL Infosystems LLC Dubai	Trading of computer software, computer and data processing requisites and computer equipment and requisites	Dubai	49	49
HCL Infosystems Qatar WLL	Trading of computers and provision of IT related services	Dubai	49	49

HCL Infosystems MEA FZE (the "Subsidiary") was substantially engaged in the business of trading of computer hardware and system integration projects up to the end of year ended 30 June 2013. Considering the slowdown of the trading business and conventional system integration business, the subsidiary started investing its efforts in provision of IT related services (including managed and maintenance services) during the current financial year. Considering the shift from the trading business model to the provision of IT related services, the management has re-assessed the appropriateness of the carrying value of the investment in subsidiary as at 30 June 2014.

The management performed an impairment analysis on the recoverable value of the investment in subsidiary as at 30 June 2014. The recoverable value is based on the net present value of estimated future cash flows from the business activities of the subsidiary's operations. Based on the impairment test, the excess of carrying value over the recoverable value, which amounted to US\$826,450, is recorded as impairment loss in the statement of comprehensive income.

HCL INSYS PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

14. Plant and equipment

	<u>Furniture and fittings</u> US\$	<u>Electrical equipment</u> US\$	<u>Computers</u> US\$	<u>Leasehold improvement</u> US\$	<u>Software</u> US\$	<u>Total</u> US\$
2014						
<u>Cost</u>						
Beginning of financial year	39,044	112,278	313,848	102,756	52,559	620,485
Additions	1,229	51,340	158,101	9,194	64,489	284,353
End of financial year	40,273	163,618	471,949	111,950	117,048	904,838
<u>Accumulated depreciation</u>						
Beginning of financial year	10,350	25,162	90,965	39,063	15,858	181,398
Depreciation charge	6,431	21,713	114,662	35,270	23,548	201,624
End of financial year	16,781	46,875	205,627	74,333	39,406	383,022
Net book value at end of financial year	23,492	116,743	266,322	37,617	77,642	521,816
2013						
<u>Cost</u>						
Beginning of financial year	37,068	52,170	95,998	95,720	37,583	318,539
Additions	1,976	60,108	217,850	7,036	14,976	301,946
End of financial year	39,044	112,278	313,848	102,756	52,559	620,485
<u>Accumulated depreciation</u>						
Beginning of financial year	3,383	8,288	3,298	4,855	1,044	20,868
Depreciation charge	6,967	16,874	87,667	34,208	14,814	160,530
End of financial year	10,350	25,162	90,965	39,063	15,858	181,398
Net book value at end of financial year	28,694	87,116	222,883	63,693	36,701	439,087

15. Intangible assets

	2014 US\$	2013 US\$
<u>Cost</u>		
Beginning of financial year	238,643	-
Additions	-	238,643
End of financial year	238,644	238,643
<u>Accumulated amortisation</u>		
Beginning of financial year	53,026	-
Amortisation charge	79,540	53,026
End of financial year	132,566	53,026
Net book value at end of financial year	106,078	185,617

HCL INSYS PTE. LTD.**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 30 June 2014***16. Trade and other payables**

	2014 US\$	2013 US\$
Trade payables to:		
- related corporation	33,749	29,764
- third parties	412,434	9,068,142
	<u>446,183</u>	<u>9,097,906</u>
Other payables to:		
- related corporation	400,000	400,000
- third parties	905,729	676,009
	<u>1,305,729</u>	<u>10,173,915</u>
Advance received from customer	38,788	19,137
Accrual for operating expenses	329,911	192,786
Total trade and other payables	<u>2,120,611</u>	<u>10,385,838</u>

The other payables are unsecured, interest free and repayable on demand.

The carrying amounts of trade and other payables approximate their fair values.

Trade and other payables at the balance sheet date are denominated in the following currencies:

	2014 US\$	2013 US\$
United States Dollar	995,820	9,906,078
Singapore Dollar	1,124,791	479,760
	<u>2,120,611</u>	<u>10,385,838</u>

17. Borrowings

	2014 US\$	2013 US\$
Bills discounted to a bank	-	5,443,143

The bills discounted with a bank at 30 June 2013 were denominated in United States Dollar and matured within 4 months from the financial year end.

The carrying amounts of bill payable approximated their fair values at 30 June 2013.

HCL INSYS PTE. LTD.**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 30 June 2014***18. Deferred income taxes liabilities**

	2014	2013
	US\$	US\$
Beginning of financial year	-	-
Tax charged to profit or loss	84,672	-
End of financial year	84,672	-

Deferred tax income tax liabilities to be settled from the balance sheet date as follows:

	2014	2013
	US\$	US\$
To be settled within one year	34,276	-
To be settled after one year	50,396	-
	84,672	-

The deferred income tax liabilities arise from accelerated tax depreciation of plant and equipment.

19. Share capital

	<u>No. of ordinary shares Issued share capital</u>	<u>Amount Share capital US\$</u>
2014		
Beginning and end of financial year	8,271,379	8,271,379
2013		
Beginning of financial year	4,471,379	4,471,379
Shares issued	3,800,000	3,800,000
End of financial year	8,271,379	8,271,379

All issued ordinary shares are fully paid. The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. There is no par value for these ordinary shares.

On 30 July 2012 and 12 October 2012, the Company issued 3,100,000 and 700,000 ordinary shares, respectively, for a total consideration of US\$ 3,800,000 for cash to provide funds for the expansion of the Company's operations. The newly issued shares in 2013 ranked pari passu in all respects with the previously issued shares.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

20. Operating lease commitments

The Company leases its office premises under non-cancellable operating lease agreement. The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	2014	2013
	US\$	US\$
Not later than one financial year	36,960	190,205
Later than one financial year but not later than five financial years	-	36,960
	36,960	227,165

21. Immediate and ultimate holding corporations

The Company's immediate holding corporation is HCL Services Ltd., incorporated in India. The ultimate holding corporation is HCL Infosystems Ltd., incorporated in India.

In the previous financial year, the immediate and ultimate holding corporation is HCL Infosystems Ltd., incorporated in India.

22. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Company and related parties at terms agreed between the parties:

	2014	2013
	US\$	US\$
Sales to holding corporation	18,188,924	46,233,511
Purchases from holding corporation	-	14,908
Sales to related corporations	5,336,373	501,190

Balances with related parties at the balance sheet date are set out in Notes 10 and 16.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

23. Financial risk management

Financial risk factors

The Company's activities expose it to market risk (including currency risk and interest rate risk), credit risk, liquidity risk and capital risk.

(a) Market risk(i) *Currency risk*

The Company's business is exposed to the changes in the value of Singapore Dollar ("SGD") as certain sales and purchases are denominated in these currencies.

The Company's currency exposure based in the information provided to key management is as follows:

	SGD US\$	USD US\$	Total US\$
2014			
<u>Financial assets</u>			
Cash and bank deposits	285,899	2,322,416	2,608,315
Trade and other receivables	3,713,246	2,627,684	6,340,930
Deposits	-	41,981	41,981
	<u>3,999,145</u>	<u>4,992,081</u>	<u>8,991,226</u>
<u>Financial liabilities</u>			
Trade and other payables	<u>1,124,791</u>	<u>995,820</u>	<u>2,120,611</u>
Net financial asset	2,874,354	3,996,261	6,870,615
Less: Balance in functional currency	-	(3,996,261)	(3,996,261)
Net exposure	<u>2,874,354</u>	<u>-</u>	<u>2,874,354</u>
2013			
<u>Financial assets</u>			
Cash and cash equivalents	686,486	2,695,411	3,381,897
Trade and other receivables	1,137,538	14,948,091	16,085,629
Deposits	-	42,046	42,046
	<u>1,824,024</u>	<u>17,685,548</u>	<u>19,509,572</u>
<u>Financial liabilities</u>			
Trade and other payables	<u>479,760</u>	<u>9,906,078</u>	<u>10,385,838</u>
Borrowings	-	5,443,943	5,443,943
	<u>479,760</u>	<u>15,350,021</u>	<u>15,829,781</u>
Net financial asset	1,344,264	2,335,527	3,679,791
Less: Balance in functional currency	-	(2,335,527)	(2,335,527)
Net exposure	<u>1,344,264</u>	<u>-</u>	<u>1,344,264</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

23. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

At 30 June 2014, if the SGD had strengthened/weakened by 0.5% (2013: 0.5%) against the USD with all other variables including tax rate being held constant, the Company's profit after tax for the financial year would have been US\$11,929 (2013: US\$5,579) higher/lower as a result of currency translation gains/losses on the SGD denominated financial instruments.

(ii) *Interest rate risk*

There is no interest rate risk as at 30 June 2014.

(b) Credit risk

The Company's holding of cash and bank deposits exposes the Company to credit risk of the counterparty. The Company controls its credit risk to non-performance by its counterparty through regular review and monitoring of its credit ratings.

The trade receivables from the ultimate holding corporation, related corporations, subsidiary and third parties also expose the Company to credit risk. The Company manages the credit risk by assessing the credit quality of the counterparty, taking into account its financial position, past experience and other factors.

(i) *Financial assets that are neither past due nor impaired*

Bank balances are neither past due nor impaired and are mainly deposits with banks which have good credit-ratings as determined by international credit-rating agencies.

The trade and other receivables that are neither past due nor impaired mainly comprise amounts due from the ultimate holding corporation, subsidiary and related corporations. The amounts due from the ultimate holding corporation, subsidiary and related corporations are recoverable in full.

(ii) *Financial assets that are past due and/or impaired*

There is no class of financial assets that is past due and/or impaired, except for trade receivables from third parties.

NOTES TO THE FINANCIAL STATEMENTS*For the financial year ended 30 June 2014***23. Financial risk management (continued)****(b) Credit risk (continued)****(ii) *Financial assets that are past due and/or impaired* (continued)**

The age analysis of trade receivables past due but not impaired is as follows:

	2014	2013
	US\$	US\$
Current	2,263,061	934,333
Past due 0 to 3 months	235,377	713,846
Past due over 3 months	232,585	121,103
	<u>2,731,023</u>	<u>1,769,282</u>

The carrying amount of trade and other receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	2014	2013
	US\$	US\$
Gross amount	31,684	-
Less : Allowance for impairment	(31,684)	-
	<u>-</u>	<u>-</u>
Beginning of financial year	-	-
Allowance made	31,684	-
End of financial year	<u>31,684</u>	<u>-</u>

(c) Liquidity risk

The Company manages liquidity risk by maintaining sufficient cash to enable it to meet its operational requirements.

The table below analyses the maturity profile of the Company's financial liabilities based on contractual undiscounted cash flows:

	<u>Less than 1 year</u>	
	2014	2013
	US\$	US\$
Trade and other payables	2,120,611	10,385,838
Borrowings	-	5,482,050
	<u>-</u>	<u>15,867,888</u>

NOTES TO THE FINANCIAL STATEMENTS*For the financial year ended 30 June 2014***23. Financial risk management (continued)****(d) Capital risk**

The Company's objectives when managing capital are to ensure that the Company is adequately capitalised and to maintain an optimal capital structure by issuing or redeeming additional equity and debt instruments when necessary.

The Board of Directors monitors its capital based on net debt and total capital. Net debt is calculated excess of trade and other payables and borrowings over cash and bank deposits. Total capital is calculated as equity plus net debt.

	2014	2013
	US\$	US\$
Net debt	-	12,447,884
Total equity	13,811,142	12,055,824
Total capital	<u>13,811,142</u>	<u>24,503,708</u>

(e) Financial instruments by category

The aggregate carrying amounts of loans and receivables and financial liabilities at amortised cost are as follows:

	2014	2013
	US\$	US\$
Loans and receivables	8,991,226	19,509,562
Financial liabilities at amortised cost	<u>2,120,611</u>	<u>15,829,781</u>

24. New or revised accounting standards and FRS interpretations

Certain new accounting standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 July 2014. The Company does not expect the adoption of those accounting standards or interpretations to have a material impact on the Company's financial statements.

HCL INSYS PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

25. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 21 FEB 2015