

## Directors' Report

### **To the Shareholders, HCL Learning Limited**

Your Directors have pleasure in presenting their Second Annual Report together with the Audited Accounts for the financial period ended 30<sup>th</sup> June, 2014.

### **Financial Highlights**

The financial details are as under:

Particulars	(Rs. in Lacs)	
	Period ended 30 <sup>th</sup> June, 2014	Period ended 30 <sup>th</sup> June, 2013
Net Sales and other income	8,141.36	-
Profit/(Loss) before Interest, Depreciation and Tax	574.33	(0.77)
Finance Charges	437.49	-
Depreciation	786.79	-
Profit/(Loss) before Tax	(649.95)	(0.77)
Provision for Taxation : Current	-	-
Deferred	254.88	-
Net Profit/(Loss) after Tax	(904.83)	(0.77)

### **Business**

HCL Learning's offerings span across the value chain of Technology Enabled education encompassing multi-media solutions for classrooms (Digischool), vocational IT training (Career Development Centers) and B2C offerings (Educational tablets, Content dongles).

In the last 1-2 years, significant downbeat perceptions have emerged about the technology enabled learning space in India due to failing financial health of many Learning and Education companies in India. High capital deployment and high NPAs continue to remain challenges for the industry. As a result, we did see a slowdown in class-room additions in this year. In order to avoid NPAs, we remain judicious and selective in our new customer additions. Consequently our revenues in FY14 dropped by 26% compared to FY13.

Sensing the industry challenges, we have been working on ensuring growth and more importantly profitability in this business. We have already built a base of more than 13,000 class-rooms which provides us a secure annuity revenue base to build on in future. We are moving to Value Added Resellers (VAR) oriented sales model which will provide extended reach to the company and also make the business "Asset Light". In line with this, we are augmenting the focus on R&D from a content perspective to make robust quality Educational content catering to KG-12th Classes a key differentiator.

HCL Learning has also expanded its wings to international markets like Nepal, Oman & African continent with South Africa and Nigeria as starts and adding renowned schools like Indian Language School, Lagos, Nigeria and Ullens School, Nepal.

### **Scheme of Arrangement**

During the year under review, a composite Scheme of Arrangement (the Scheme) under the provisions of Section 391 and 394 of the Companies Act, 1956 between HCL Infosystems Limited and HCL Learning Limited (Company) and HCL Infotech Limited (formerly known as HCL System Integration Limited) and HCL Services Limited (formerly known as HCL Care Limited) and HCL Infocom Limited and their respective shareholders and creditors was approved by Hon'ble Delhi High Court vide its order dated 18<sup>th</sup> September, 2013. The Scheme became effective from 1<sup>st</sup> November, 2013 on filing a certified copy of the High Court order with the office of the Registrar of the Companies, NCT of Delhi & Haryana, from 1<sup>st</sup> January, 2013, the Appointed Date.

Pursuant to the aforesaid scheme, the Learning business of HCL Infosystems Limited was transferred and vested into the Company.

#### **Public Deposit**

The Company has not accepted any deposits from the public.

#### **Directors**

Mr. Rothin Bhattacharyya ceased to be director w.e.f. 19<sup>th</sup> August, 2014. Mr. Harshavardhan Madhav Chitale and Mr. Rajiv Sawhney who were appointed as additional directors w.e.f. 16<sup>th</sup> December, 2013, also ceased to be directors w.e.f. 19<sup>th</sup> August, 2014. The Board places on record its appreciation for the contributions made by them during their tenure with the Company.

Mr. Premkumar Seshadri, Dr. Nikhil Sinha, Mr. Dilip Kumar Srivastava, Ms. Rita Gupta, Mr. Sundararajan Mahalingam and Mr. Neelesh Agarwal were appointed as additional directors of the Company w.e.f. 19<sup>th</sup> August, 2014.

Pursuant to the provisions of Section 161(1) of the Companies Act, 2013, additional directors hold office up to the date of the ensuing Annual General Meeting of the Company and being eligible offer themselves for re-appointment.

The Company has received notice(s) from member of the Company, under section 160 of the Companies Act, 2013 proposing appointment of Mr. Premkumar Seshadri, Dr. Nikhil Sinha, Mr. Dilip Kumar Srivastava, Ms. Rita Gupta, Mr. Sundararajan Mahalingam and Mr. Neelesh Agarwal as Directors of the Company.

#### **Directors' Responsibility Statement**

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that:

- a. in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- b. appropriate accounting policies have been selected and applied consistently, and that the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 30<sup>th</sup> June, 2014 and of the loss of the Company for the said period;
- c. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. the annual accounts have been prepared on a going concern basis.

#### **Personnel**

The information as required to be provided in terms of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 has been set out in the annexure to the Directors' report.

#### **Additional information in relation to Conservation of Energy, Technology Absorption and Foreign Exchange Earning and Outgo**

##### **A. Conservation of Energy**

Under HCL ecoSafe, the sustainable business initiative program undertaken by your company, energy conservation has been a key area of work to reduce power consumption in our products, manufacturing process and our operations.

All our manufacturing facilities practice various measures to reduce power consumption by using natural light during daytime, installing different capacity DG sets that consume optimum amount of diesel as per required load.

Under your restructuring program, your company has made certain changes in its operations thereby consolidating its offices resulting in a power saving of 500 units in a month.

## **B. Research and Development/ Technology Absorption**

### **Product Innovation & Engineering**

e-Learning is another vertical of your company that has been set up with the objective of uplifting the standard of education in Indian schools by technology intervention, bringing consistency in teaching standards across schools, creating products for students across economic strata, ensuring high quality standards in the products created and enhancing the quality of education inside as well as outside the classrooms. To achieve these objectives, HCL Labs have been investing in innovations to effectively combine technology with pedagogical and instructional methodologies. The product today is deployed across multiple schools and education programs in the country. This product has been successfully taken to the market by the HCL Learning Division.

## **C. Foreign Exchange Earning and Outgo**

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

Particulars	(Rs. in Lacs)	
	Year ended 30 <sup>th</sup> June, 2014	Year ended 30 <sup>th</sup> June, 2013
Foreign Exchange Earnings	44.32	-
Foreign Exchange Outgo	108.54	-

### **Auditors and Auditors' Report**

M/s Price Waterhouse, Chartered Accountants were appointed in as Statutory Auditors of the Company in place of M/s S.D. Chopra and Associates, Chartered Accountants. It is proposed to re-appoint M/s Price Waterhouse, Chartered Accountants as statutory auditors of the Company from the conclusion of forthcoming Annual General Meeting till the conclusion of this Annual General Meeting. M/s Price Waterhouse, Chartered Accountants has, under Section 141 of the Act, furnished a certificate of its eligibility and offer themselves for re-appointment.

The Auditors' Report is unqualified. The notes to the Accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further clarifications.

### **Acknowledgement**

The Directors wish to place on record their appreciation for the continued co-operation the Company received from various departments of the Central and State Government and Bankers.

The Board also wishes to place on record its gratitude to the valued Customers, Members and business associates for their continued support and confidence reposed in the Company.

**For and on Behalf of Board**

**Place :** 28<sup>th</sup> August, 2014  
**Date :** Noida

  
**PREMKUMAR SESHADRI**  
**Chairman**  
**DIN: 03114983**

## **INDEPENDENT AUDITORS' REPORT**

### **To the Members of HCL Learning Limited**

#### **Report on the Financial Statements**

1. We have audited the accompanying financial statements of HCL Learning Limited (the "Company"), which comprise the Balance Sheet as at June 30, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

#### **Management's Responsibility for the Financial Statements**

2. The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 (the "Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### **Auditors' Responsibility**

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. 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.
4. An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, 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 auditors consider internal control relevant to the Company's preparation and fair presentation of the 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 the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

6. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at June 30, 2014;
  - (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
  - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**Other Matter**

8. The financial statements of the Company as at June 30, 2013 and for the period then ended were audited by another firm of chartered accountants who, vide their report dated August 13, 2013, expressed an unmodified opinion on those financial statements.

**Report on Other Legal and Regulatory Requirements**

8. As required by 'the Companies (Auditor's Report) Order, 2003', as amended by 'the Companies (Auditor's Report) (Amendment) Order, 2004', issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
9. As required by section 227(3) of the Act, we report that:
- (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report comply with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013;
  - (e) On the basis of written representations received from the directors as on June 30, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on June 30, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For Price Waterhouse  
Firm Registration Number: 301112E  
Chartered Accountants

Place: Gurgaon  
Date: August 28, 2014

Abhishek Rara  
Partner  
Membership Number 077779

## **Annexure to Independent Auditors' Report**

Referred to in paragraph 7 of the Independent Auditors' Report of even date to the members of HCL Learning Limited on the financial statements as of and for the year ended June 30, 2014

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.  
  
(b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of 3 years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.  
  
(c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
- ii. (a) The inventory [excluding stocks with third parties] has been physically verified by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.  
  
(b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
  
(c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii. The Company has not [granted/taken] any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, the provisions of Clause 4(iii)[(b),(c) and (d) /(f) and (g)] of the said Order are not applicable to the Company.
- iv. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across, nor have been informed of, any continuing failure to correct major weaknesses in the aforesaid internal control system.
- v. (a) According to the information and explanations given to us, there have been no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act.  
  
(b) In our opinion, and according to the information and explanations given to us, there are no transactions made in pursuance of such contracts or arrangements exceeding the value of Rupees Five Lakhs in respect of any party during the year.
- vi. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- vii. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- viii. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.

**Annexure to Independent Auditors' Report**

Referred to in paragraph 7 of the Independent Auditors' Report of even date to the members of HCL Learning Limited on the financial statements for the year ended June 30, 2014

Page 2 of 3

- ix. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of sales tax, and service tax, though there has been a slight delay in a few cases, and is regular in depositing undisputed statutory dues, including provident fund, employees' state insurance, works contract tax, income tax, professional tax, as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income tax, sales tax, wealth tax, customs duty, excise duty and service-tax which have not been deposited on account of any dispute.
- x. As the Company is registered for a period less than five years, the provisions of Clause 4(x) of the Order are not applicable to the Company.
- xi. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of Clause 4(xii) of the Order are not applicable to the Company.
- xiii. As the provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company, the provisions of Clause 4(xiii) of the Order are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Order are not applicable to the Company.
- xv. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year. Accordingly, the provisions of Clause 4(xv) of the Order are not applicable to the Company.
- xvi. The Company has not raised any term loans. Accordingly, the provisions of Clause 4(xvi) of the Order are not applicable to the Company.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the company has used funds raised on short-term basis for long-term investment. The company has used short-term borrowings and working capital amounting to Rs. 9,786 Crores for purchase of fixed assets and increase in Lease Rent Recoverable.
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year. Accordingly, the provisions of Clause 4(xviii) of the Order are not applicable to the Company.
- xix. The Company has not issued any debentures during the year and does not have any debentures outstanding as at the beginning of the year and at the year end. Accordingly, the provisions of Clause 4(xix) of the Order are not applicable to the Company.

**Annexure to Independent Auditors' Report**

Referred to in paragraph 7 of the Independent Auditors' Report of even date to the members of HCL Learning Limited on the financial statements for the year ended June 30, 2014

Page 3 of 3

- xx. The Company has not raised any money by public issues during the year. Accordingly, the provisions of Clause 4(xx) of the Order are not applicable to the Company.
- xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

For Price Waterhouse  
Firm Registration Number: 301112E  
Chartered Accountants

Abhishek Rara  
Partner  
Membership Number 077779

Place: Gurgaon  
Date: August 28, 2014



**HCL Learning Limited**  
**Balance Sheet as at 30 June, 2014**

			As at 30.06.2014 ₹Lacs	As at 30.06.2013 ₹Lacs
	Notes			
<b>Equity and Liabilities:</b>				
<b>Shareholders' funds</b>				
Share capital	2	5.00	5.00	
Reserves and surplus	3	(508.60)	(503.60)	4.23
<b>Non-current liabilities</b>				
Long-term borrowings	4	1,233.73	-	
Other long-term liabilities	5	1,116.13	-	
Long-term provisions	6	26.60	2,376.46	-
<b>Current liabilities</b>				
Short-term borrowings	7	2,659.05	-	
Trade payables	8	2,130.77	0.76	
Other current liabilities	9	12,536.90	-	
Short-term provisions	10	290.79	17,617.51	0.76
<b>Total Equity and Liabilities</b>			<b>19,490.37</b>	<b>4.99</b>
<b>Assets:</b>				
<b>Non-current assets</b>				
<b>Fixed assets</b>				
- Tangible assets	11	109.81	-	
- Intangible assets	11	4,193.75	-	
- Capital work-in-progress		71.65	-	
Long-term loans and advances	12	14.98	-	
Other non-current assets	13	8,625.03	13,015.22	-
<b>Current assets</b>				
Inventories	14	583.72	-	
Trade receivables	15	1,586.90	-	
Cash and bank balances	16	241.29	4.99	
Short-term loans and advances	17	285.16	-	
Other current assets	18	3,778.08	6,475.15	4.99
<b>Total Assets</b>			<b>19,490.37</b>	<b>4.99</b>

**Significant Accounting Policies**

1

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

The notes referred to above form an integral part of the Balance Sheet

For Price Waterhouse  
Firm Registration Number-301112E  
Chartered Accountants

For and on behalf of the Board of Directors

ABHISHEK RARA  
Partner  
Membership Number -077779

DILIP KUMAR SRIVASTAVA  
Director

PREMKUMAR SESHADRI  
Director

Place : Noida  
Date : August 28, 2014

YASH GUPTA  
Company Secretary

**HCL Learning Limited**  
**Statement of Profit and Loss for the year ended June 30, 2014**

	Notes	Year ended 30.06.2014 ₹Lacs	Period ended 30.06.2013 ₹Lacs
<b>Revenue:</b>			
Revenue from operations (gross)	19	6,658.31	-
Other income	20	1,483.05	-
<b>Total Revenue</b>		<b>8,141.36</b>	<b>-</b>
<b>Expenses:</b>			
Purchases of stock-in-trade	29	2,736.53	-
Changes in inventories of finished goods, work-in-progress and stock-in-trade	21	205.90	-
Other direct expense	22	795.90	-
Employee benefits expense	23	1,687.33	-
Finance costs	24	437.49	-
Depreciation and amortisation expense	11	786.79	-
Net Loss on Foreign Exchange Fluctuation		98.75	-
Other expenses	25	2,042.62	0.77
<b>Total Expense</b>		<b>8,791.31</b>	<b>0.77</b>
<b>Profit/(Loss) before tax</b>		<b>(649.95)</b>	<b>(0.77)</b>
Tax expense			
Current tax		-	-
Deferred tax	28	254.88	-
<b>Profit/(Loss) for the year</b>		<b>(904.83)</b>	<b>(0.77)</b>
<b>Earning/(Loss) per equity share (in ₹)</b>			
Basic (of ₹ 10/- each)	36	(1,809.66)	(2.04)
Diluted (of ₹ 10/- each)		(1,809.66)	(2.04)

**Significant Accounting Policies**

1

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

The notes referred to above form an integral part of the Statement of Profit and Loss

For Price Waterhouse  
Firm Registration Number-301112E  
Chartered Accountants

For and on behalf of the Board of Directors

ABHISHEK RARA  
Partner  
Membership Number -077779

DILIP KUMAR SRIVASTAVA  
Director

PREMKUMAR SESHADRI  
Director

Place : Noida  
Date : August 28, 2014

YASH GUPTA  
Company Secretary

HCL Learning Limited  
Cash Flow Statement for the year ended June 30, 2014

	Year ended 30.06.2014 ₹Lacs	Period ended 30.06.2013 ₹Lacs
<b>1. Cash Flow from Operating Activities:</b>		
Profit/(Loss) before tax	(649.95)	(0.77)
Adjustments for:		
Depreciation and Amortisation Expense	786.79	-
Finance Costs	437.49	-
Fixed Assets Written-Off	0.06	-
Profit on Disposal of Unquoted (Others) Current Investments	(218.24)	-
Provision for Doubtful Debts	394.82	-
Provision for Doubtful Loans and Advances & Other Current Assets	1.00	-
Provisions/Liabilities no longer required Written Back	(18.24)	-
Provision for Gratuity and Other Employee Benefits	38.55	-
Unrealised Foreign Exchange (Gain)/Loss	152.54	-
Provision for Warranty Liability	48.03	-
	<u>1,622.80</u>	<u>-</u>
Operating Profit/(Loss) before working capital changes	972.85	(0.77)
Adjustments for changes in working capital:		
- (Increase)/Decrease in Trade Receivables	(673.09)	-
- (Increase)/Decrease in Loans and Advances and Other Assets	95.12	-
- (Increase)/Decrease in Inventories	326.28	-
- Increase/(Decrease) in Liabilities	(268.12)	0.76
	<u>(519.81)</u>	<u>0.76</u>
Net cash from operating activities	(A) <u>453.04</u>	<u>(0.01)</u>
<b>2. Cash flow from Investing Activities:</b>		
Purchase of Fixed Assets (including Intangible Assets)	(415.01)	-
Capital Work-In-Progress (including Intangible Assets under Development)	(71.65)	-
Proceeds from Sale of Fixed Assets	0.16	-
Proceeds from Sale of Current Investments	7,407.24	-
Lease Rental Recoverable	(4,088.01)	-
Purchase of Current Investments	(7,189.00)	-
	<u>(4,356.27)</u>	<u>-</u>
Net cash from/(used in) investing activities	(B) <u>(4,356.27)</u>	<u>-</u>

### 3. Cash Flow from Financing Activities:

Share Capital issued	-		5.00
Unsecured Loans			
Short term received	3,044.28	-	
Long term received	1,113.73	-	
Interest Paid	(437.48)	3,720.53	5.00
<b>Net cash (used in) financing activities</b>	<b>(C)</b>	<b>3,720.53</b>	<b>5.00</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(A+B+C)</b>	<b>(182.70)</b>	<b>4.99</b>
Opening Balance of Cash and Cash Equivalents		4.99	-
Add: Acquired on Purchase of Learning Business (Refer Note 43)		419.00	-
Closing Balance of Cash and Cash Equivalents		241.29	4.99
<b>Cash and cash equivalents comprise of</b>		<b>241.29</b>	<b>4.99</b>
Cash, Cheques and Drafts (on hand)		0.87	-
Balances with Banks on Current Accounts and Dividend Accounts		240.42	4.99
Balances with Banks on Deposits Accounts		-	

#### Notes:

- 1 The above Cash Flow Statement has been prepared under the indirect method set out in Accounting Standard-3, notified u/s 211(3C) of Companies Act, 1956.
- 2 Transfer of Business from HCL Infosystems Limited, the Holding Company pursuant to scheme of arrangement (Refer Note 43) is a non cash transaction and therefore has been excluded from above cash flow statement.
- 3 Figures in brackets indicate cash outgo.
- 4 Notes to financial statements form an integral part of Cash flow statement.

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

For and on behalf of the Board of Directors

For Price Waterhouse  
Firm Registration Number-301112E  
Chartered Accountants

DILIP KUMAR SRIVASTAVA  
Director

PREMKUMAR SESHADRI  
Director

ABHISHEK RARA  
Partner  
Membership Number -077779

Place : Noida  
Date : August 28, 2014

YASH GUPTA  
Company Secretary

## **HCL Learning limited**

### **Notes to the Financial Statements**

#### **1- SIGNIFICANT ACCOUNTING POLICIES**

##### **a. BASIS OF PREPARATION**

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. These financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and other relevant provisions of the Companies Act, 1956 read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current – non-current classification of assets and liabilities.

##### **b. FIXED ASSETS**

Tangible Fixed Assets including in-house capitalisation and Capital work-in-progress are stated at cost except those which are revalued from time to time on the basis of current replacement cost/value to the Company, net of accumulated depreciation.

Subsequent expenditures related to an item of fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Losses arising from the retirement of, and gains or losses arising from disposal of fixed assets which are carried at cost are recognised in the Statement of Profit and Loss.

Intangible Assets are stated at acquisition cost, net of accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised on a straight line basis over their estimated useful lives.

##### **c. DEPRECIATION AND AMORTISATION**

(a) Depreciation and amortisation has been calculated as under:

- (i) Depreciation on tangible fixed assets is provided on a pro-rata basis using the straight-line method based on economic useful life determined by way of periodical technical evaluation. Intangible assets (other than Goodwill) are amortised over their estimated useful life.

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

###### **Tangible Assets:**

Plant and Machinery	4-8	years
Furniture and Fixtures	4-6	years
Air Conditioners	3-6	years
Vehicles	4-6	years
Office Equipments	3-6	years
Computers	3-5	years

###### **Intangible Assets (other than Goodwill):**

Intellectual Property Rights	5-7	years
Software	1-5	years

Technical Knowhow  
(Product/Technology development cost)

3-5 years

- (b) Goodwill arising on acquisition is tested for impairment at each balance sheet date.
- (c) Individual assets costing ` 5,000 or less are depreciated/amortised fully in the year of acquisition.
- (d) The amortisation period and the amortisation method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly. Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Statement of Profit and Loss.

#### **d. INVENTORIES**

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

Goods In-Transit are valued inclusive of custom duty, where applicable.

#### **e. FOREIGN CURRENCY TRANSACTIONS**

- a) Foreign currency transactions are recorded at the exchange rates prevailing at the date of transaction. Exchange differences arising on settlement of transactions, are recognised as income or expense in the year in which they arise.
- b) At the balance sheet date, all monetary items denominated in foreign currency, are reported at the exchange rates prevailing at the balance sheet date and the resultant gain or loss is recognised in the Statement of Profit and Loss. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.
- c) With respect to exchange differences arising on translation of long term foreign currency monetary items having a term of 12 months or more, from July 1, 2011 onwards, the Company has adopted the following policy:
  - (i) Exchange differences relating to long term foreign currency monetary items, arising during the year, in so far as they relate to the acquisition of a depreciable capital asset are added to or deducted from the cost of the asset and depreciated over the balance life of the asset.
  - (ii) In other cases, such differences are accumulated in the "Foreign Currency Monetary Translation Difference Account" and amortised over the balance period of the long term assets/liabilities but not beyond March 31, 2020.
- d) In case of forward foreign exchange contracts where an underlying asset or liability exists at the balance sheet date, the premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contract are recognized in the statement of Profit and Loss in the reporting period in which the exchange rate change.
- e) Forward exchange contracts outstanding as at the year end on account of firm commitment / highly probable forecast transactions are marked to market and the losses, if any, are recognised in the Statement of Profit and Loss and gains are ignored in accordance with the Announcement of Institute of Chartered Accountants of India on 'Accounting for Derivatives' issued in March 2008.
- f) Any profit or loss arising on cancellation or renewal of a forward exchange contract are recognised as income or as expense for the period.

## **f. EMPLOYEE BENEFITS**

### **Defined Benefit:**

#### **Gratuity**

The Company provides for gratuity, a defined benefit plan (the "Gratuity Plan") covering eligible employees in accordance with the Payment of Gratuity Act, 1972. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/gains are recognised in the Statement of Profit and Loss in the year in which they arise.

#### **Provident Fund**

Provident Fund contributions are made to a multi-employer Trust administered by the Holding Company. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of the year and any shortfall in the fund size maintained by the Trust set up by the Company is additionally provided for. Actuarial losses/gains are recognised in the Statement of Profit and Loss in the year in which they arise.

### **Other Benefits:**

#### **Compensated Absences**

Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year end are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year end are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.

### **Defined Contribution:**

Contributions to the employees' state insurance fund, administered by the prescribed government authorities, are made in accordance with the Employees' State Insurance Act, 1948 and are recognised as an expense on an accrual basis.

Company's contribution towards Superannuation Fund is accounted for on accrual basis. The Company makes defined contributions to a Superannuation Trust established for the purpose. The Company has no further obligation beyond the monthly contributions.

## **g. REVENUE RECOGNITION**

- (a) Sales, after adjusting trade discount, are inclusive of excise duty and the related revenue is recognised on transfer of all significant risks and rewards of ownership to the customer and when no significant uncertainty exists regarding realisation of the consideration.
- (b) Service income includes income from training services and educational content and related Hardware offerings for private schools, colleges and other educational institutes and vocational training. Revenue from a period based service contracts is recognised on a pro rata basis over the period in which such services are rendered.

#### **h. LEASES**

- a) Assets taken on leases where significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Statement of Profit and Loss on straight-line basis over the lease term.
- b) Assets given under finance lease are recognised as receivables at an amount equal to the net investment in the lease. Inventories given on finance lease are recognised as deemed sale at fair value. Lease income is recognised over the period of the lease so as to yield a constant rate of return on the net investment in the lease.
- c) In sale and leaseback transactions and further sub-lease resulting in financial leases, the deemed sale is recognised at fair value at an amount equal to the net investment in the lease where substantially all risks and rewards of ownership have been transferred to the sub-lessee. A liability is created at the inception of the lease at the lower of fair value or the present value of minimum lease payments for sale and leaseback transaction. Each lease rental payable/receivable is allocated between the liability/receivable and the interest cost/income, so as to obtain a constant periodic rate of interest on outstanding liability/receivable for each period.

#### **i. CURRENT AND DEFERRED TAX**

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing in the respective jurisdictions.

Deferred tax is recognised for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits. At each Balance Sheet date, the Company reassesses unrecognised deferred tax assets, if any.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and the deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

#### **j. PROVISIONS AND CONTINGENT LIABILITIES**

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

#### **k. USE OF ESTIMATES**

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Examples of such estimates include estimate of cost expected to be incurred to complete performance under composite arrangements, income taxes, provision for warranty, employment benefit plans, provision for doubtful debts and estimated useful life of the fixed assets. The actual



results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

**l. BORROWING COSTS**

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

**m. IMPAIRMENT OF ASSETS**

At each balance sheet date, the Company assesses whether there is any indication that an asset (tangible and intangible) may be impaired. If any such indication exists, the Company estimates the recoverable amount and if the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Statement of Profit and Loss to the extent the carrying amount exceeds the recoverable amount.

**n. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

**o. RESEARCH AND DEVELOPMENT**

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognised as an intangible asset when technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Company has ability and intention to complete the asset and use or sell it and cost can be measured reliably.

**HCL Learning Limited****Notes to the Financial Statements**

	As at 30.06.2014 ₹/Lacs	As at 30.06.2013 ₹/Lacs
<b>2- Share capital</b>		
<u>Authorised</u>		
50,000 Equity Shares (2013 - 50,000) of ₹ 10/- each	5.00	5.00
<b>TOTAL</b>	<u>5.00</u>	<u>5.00</u>
<u>Issued, Subscribed and Paid up</u>		
50,000 Equity Shares (2013 - 50,000) of ₹ 10/- each (Fully Paid up)	5.00	5.00
<b>TOTAL</b>	<u>5.00</u>	<u>5.00</u>

Notes:

## (i) Rights attached to Equity Shares:

The Company has only one class of equity share having a face value of ₹ 10/- each. Each holder of equity shares is entitled to one vote per share held. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the Shareholders in ensuing General Meeting, except in case of interim dividend.

(ii) Shareholders holding more than 5% of the aggregate shares in the Company (Refer Note 43)	Number of Shares	% of shares	Number of Shares	% of shares
(a) HCL Infosystems Limited	50,000	100.00	-	-
(b) HCL Infocom Limited	-	-	50,000	100.00

**HCL Learning Limited****Notes to the Financial Statements****3- Movement in Reserves and surplus**

Particulars	`/Lacs	
	Surplus in the Statement of Profit and Loss	Total Reserves and Surplus
<b>As at July 1, 2012</b>	-	-
- Loss for the period	(0.77)	(0.77)
<b>As at June 30, 2013</b>	<b>(0.77)</b>	<b>(0.77)</b>
<b>As at July 1, 2013</b>	(0.77)	(0.77)
- Loss for the year	(904.83)	(904.83)
- Transfer of Profit for the period January 13 to June 13 from HCL infosystems Limited, the Holding Company (Refer Note 43)	397.00	397.00
<b>As at June 30, 2014</b>	<b>(508.60)</b>	<b>(508.60)</b>

**HCL Learning Limited**  
**Notes to the Financial Statements**

	As at 30.06.2014 ₹Lacs	As at 30.06.2013 ₹Lacs
<b>4- Long-term borrowings</b>		
Unsecured:		
Finance Lease Obligation (Refer Note 35)	1,233.73	-
<b>TOTAL</b>	<b>1,233.73</b>	<b>-</b>
Notes:		
Long term borrowings and Current maturities of long term debts include the loan amounting to ₹ 754.53 Lacs and ₹ 215.69 Lacs respectively that the HCL Infosystems Limited, the holding company has transferred to the Company pursuant to the scheme of arrangement (Refer Note 43). HCL Infosystems Limited, the holding company, is in the process of transferring the loan agreements to the company.		
<b>5- Other long-term liabilities</b>		
Trade Payables (Refer Note 44)	1,023.62	-
(Including Acceptance ₹ 44.26 Lacs (2013 - ₹ Nil))	92.51	-
Dealer Deposits	-	-
<b>TOTAL</b>	<b>1,116.13</b>	<b>-</b>
<b>6- Long-term provisions</b>		
Provision for Gratuity (Refer Note 38)	26.60	-
<b>TOTAL</b>	<b>26.60</b>	<b>-</b>

	As at 30.06.2014 `/Lacs	As at 30.06.2013 `/Lacs
<b>7- Short-term borrowings</b>		
<b>Unsecured:</b>		
Loans from HCL Infosystems Limited, the Holding Company	2,659.05	-
<b>TOTAL</b>	<b>2,659.05</b>	<b>-</b>
<b>Note:</b>		
Unsecured Loans (Inter Company Deposits) from HCL Infosystems Limited, the Holding Company, amounting to ` 2,659.05 Lacs (2013 - ` Nil) is repayable within 1 year from the date of loan and carries an interest @ 11.77 % per annum with effect from April 01, 2014.		
<b>8- Trade payables</b>		
Trade Payables (Refer Note 44) [Including Acceptance ` 1119.43 Lacs (2013 - ` Nil)]	2,130.77	0.76
<b>TOTAL</b>	<b>2,130.77</b>	<b>0.76</b>
<b>9- Other current liabilities</b>		
Current Maturities of Finance Lease Obligations (Refer Note 4 and 35)	302.92	-
Deferred Revenue	825.80	-
Advances Received from Customers	731.39	-
Payable to HCL Infosystems Limited, the Holding Company	10,467.21	-
Statutory Dues Payable	83.84	-
Employee Benefits Payable	117.61	-
Capital Creditors	8.13	-
<b>TOTAL</b>	<b>12,536.90</b>	<b>-</b>
<b>10- Short-term provisions</b>		
Provision for Gratuity and Other Employee Benefits (Refer Note 38)#	34.92	-
Provision for Warranty Liability (Refer Note 27)	114.79	-
Provision for Income Tax	141.08	-
[Net of Advance Income Tax of ` 49.89 Lacs (2013 - ` Nil)]		
<b>TOTAL</b>	<b>290.79</b>	<b>-</b>
# includes ` 24.20 Lacs (2013 - ` Nil) for provision for leave encashment		

Total (a+b)

1. Software comprise cost of acquiring licences and SAP implementation charges.

1. Software comprise cost of acquiring licences and SAP implementation charges.
2. Intellectual Property Rights comprise of designing and implementing education content.

**HCL Learning Limited**  
**Notes to the Financial Statements**

	As at 30.06.2014 ₹Lacs	As at 30.06.2013 ₹Lacs
<b>12- Long-term loans and advances</b>		
<b>Unsecured, considered good:</b>		
Capital Advances	0.28	-
Deposits	3.40	-
Prepaid Expenses	11.30	-
<b>TOTAL</b>	<b>14.98</b>	<b>-</b>
<b>13- Other non-current assets</b>		
Lease Rental Recoverable (Refer Note 35)	8,625.03	-
<b>TOTAL</b>	<b>8,625.03</b>	<b>-</b>
<b>14- Inventories</b>		
Stock-In-Trade [Including In-Transit ₹ 26.14 Lacs (2013 - ₹ Nil)]	583.72	-
<b>TOTAL</b>	<b>583.72</b>	<b>-</b>
<b>15- Trade receivables</b>		
<b>Unsecured:</b>		
Debts outstanding for a period exceeding six months from the date they are due for payment		
- Considered Good	355.60	-
- Considered Doubtful	1,064.40	-
	<b>1,420.00</b>	<b>-</b>
Other Debts		
- Considered Good	1,231.30	-
	<b>2,651.30</b>	<b>-</b>
Less: Provision for Doubtful Debts	1,064.40	-
<b>TOTAL</b>	<b>1,586.90</b>	<b>-</b>

	As at 30.06.2014 `/Lacs	As at 30.06.2013 `/Lacs
<b>16- Cash and bank balances</b>		
<b>Cash and Cash Equivalents</b>		
Balances with Banks		
- On Current Account	240.42	4.99
Cash on Hand	0.87	-
<b>TOTAL</b>	<b>241.29</b>	<b>4.99</b>
<b>17- Short-term loans and advances</b>		
<b>Unsecured</b>		
<b>Considered Good</b>		
- Balances with Customs, Port Trust, Excise and Sales Tax Authorities	49.38	-
- Advances to Creditors	22.46	-
Deposits with Tax Authorities	3.30	-
Other Deposits	20.61	-
Prepaid Expenses	177.94	-
Others (Includes Employee advances, Insurance claim recoverable and Expenses recoverable)	11.48	-
<b>TOTAL</b>	<b>285.16</b>	<b>-</b>
<b>18- Other current assets</b>		
Lease Rental Recoverable (Refer Note 35)	3,726.53	-
Less: Provision for Doubtful Lease Rental Recoverable	62.66	-
Unbilled revenue		50.10
Unamortised Premium on Forward Contracts		65.00
<b>TOTAL</b>	<b>3,778.08</b>	<b>-</b>



**HCL Learning Limited**  
**Notes to the Financial Statements**

	Year ended 30.06.2014 `/Lacs	Period ended 30.06.2013 `/Lacs
<b>19- Revenue from operations</b>		
Sale of Products (Refer Note 30)	4,546.73	-
Sale of Services	2,111.03	-
Other Operating Revenue		
- Scrap Sale	0.55	-
<b>TOTAL</b>	<b>6,658.31</b>	<b>-</b>
<b>20- Other income</b>		
Interest Income		
- On Lease Rental	1,242.06	-
- On Others	0.01	-
Profit on Disposal of Unquoted (Others) Current Investments	218.24	-
Provisions/Liabilities no longer required written back	18.24	-
Miscellaneous Income	4.50	-
<b>TOTAL</b>	<b>1,483.05</b>	<b>-</b>
<b>21- Changes in inventories of finished goods, work-in-progress and stock-in-trade</b>		
Closing Stock		
- Stock-In-Trade	583.72	-
Transfer from HCL Infosystems Limited, the Holding Company (Refer Note 43)		
- Stock-In-Trade	789.62	-
<b>(Increase)/Decrease in inventories of finished goods, work-in-progress and stock-in-trade</b>	<b>205.90</b>	<b>-</b>
<b>22- Other direct expense</b>		
Purchase of Services	789.41	-
Labour and Processing Charges	6.49	-
<b>TOTAL</b>	<b>795.90</b>	<b>-</b>
<b>23- Employee benefits expense (Refer Note 38)</b>		
Salaries, Wages, Bonus and Gratuity	1,598.68	-
Contribution to Provident and Other Funds	64.42	-
Staff Welfare Expenses	26.23	-
<b>TOTAL</b>	<b>1,687.33</b>	<b>-</b>
<b>24- Finance costs</b>		
Interest on Long-term and Short-term Borrowings	437.49	-
<b>TOTAL</b>	<b>437.49</b>	<b>-</b>

**HCL Learning Limited**  
**Notes to the Financial Statements**

	Year ended 30.06.2014 `/Lacs	Period ended 30.06.2013 `/Lacs
<b>25 - Other expenses</b>		
Rent (Refer Note 35(c)(ii))	87.78	-
Rates and Taxes	15.91	-
Printing and Stationery	10.22	-
Communication	64.15	-
Travelling and Conveyance	240.98	-
Packing, Freight and Forwarding	99.45	-
Legal, Professional and Consultancy Charges (Refer Note 34)	81.59	0.23
Retainership Expenses	127.71	-
Training and Conference	17.30	-
Office Electricity and Water	27.49	-
Insurance	4.32	-
Advertisement, Publicity and Entertainment (Refer Note 39 (b))	127.04	-
Hire Charges	8.93	-
Commission on Sales	94.93	-
Bank Charges	14.55	-
Provision for Doubtful Debts	394.82	-
Provision for Doubtful Loans and Advances and Other Current Assets	1.00	-
Loss on Sale of Fixed Assets	0.29	-
Fixed Assets Written-Off	0.06	-
Repairs		
- Plant and Machinery	5.10	-
- Buildings	23.00	-
- Others	23.48	-
Common Cost Allocated from HCL Infosystems Limited, the Holding Company	433.73	-
Miscellaneous	138.79	0.54
	<u>2,042.62</u>	<u>0.77</u>

**26. Contingent Liabilities (Refer Note 43):**

Claims against the Company not acknowledged as debts:

	2014	2013
	₹Lacs	₹Lacs
Industrial Disputes, Civil Suits and Consumer Disputes	72.40	-

The amounts shown above represents the best possible estimates arrived at on the basis of available information. The uncertainties and possible reimbursements are dependent on the out come of the different legal processes which have been initiated by the Company or the claimants as the case may be and therefore cannot be predicted accurately. It is not practicable for the Company to estimate the timing of cash outflows, if any, in respect of the above pending resolution of the respective proceedings.

**27. The Company has the following provision for warranty liability in the books of accounts:**

	2014	2013
	₹Lacs	₹Lacs
Opening Balance as on July 1	-	-
Transfer from HCL Infosystem Limited, the Holding Company, during the year (Refer Note 43)	135.91	-
Additions during the year	144.17	-
Utilised/Reversed during the year	165.29	-
Closing Balance as on June 30	114.79	-

The warranty provision has been recognised for expected warranty claims for the first year of warranty on products sold during the year. Due to the very nature of such costs, Outflows of economic benefits against this provision is expected to happen with in one year.

**28. Taxation:**

a) Provision for taxation has been computed by applying the Income Tax Act, 1961 to the loss for the financial year ended June 30, 2014, although the actual tax liability of the Company has to be computed each year by reference to the taxable profit for each fiscal year ended March 31.

b) Deferred Tax:

Major components of Deferred tax arising on account of timing difference along with their movement as at June 30, 2014 are:

	As at 01.07.13	Transferred from HCL Infosystems Limited, the Holding Company  (Refer Note 43)	Movement during the year	₹Lacs As at 30.06.14
<b>Assets</b>				
Provision for Doubtful Debts/Advances/Other Current Assets	-	297.94	(297.94)	-
Impact of expenditure charged to statement of profit & loss but allowable for tax purpose in future years	-	24.99	(24.99)	-
<b>Total (A)</b>	-	<b>322.93</b>	<b>(322.93)</b>	-
<b>Liabilities</b>				
Depreciation	-	61.30	(61.30)	-
Other timing differences	-	6.75	(6.75)	-
<b>Total (B)</b>	-	<b>68.05</b>	<b>(68.05)</b>	-
<b>Net Deferred Tax Assets (A)-(B)</b>	-	<b>254.88</b>	<b>(254.88)</b>	-
Previous Period	-	-	-	-

**29. Information in respect of purchase of traded goods:**

	Value `/Lacs
Computers	466.04
	( - )
Projectors/Electronic Equipments	850.23
	( - )
Others*	1,420.26
	( - )
Total	2,736.53
	( - )

\* Does not include any class of goods which in value individually accounts for 10% or more of the total value of purchase of traded goods.

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

**30. Sales:**

	Sales/Adjustments Value# `/Lacs
Class of Products	
Computers	717.76
	( - )
Projectors/Electronic Equipments	907.15
	( - )
Others*	2,921.82
	( - )
Total	4,546.73
	( - )

# Except trade discount, no other discount has been adjusted.

\* Does not include any class of goods which in value individually accounts for 10% or more of the total value of sales.

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

**HCL Learning Limited**  
**Notes to the Financial Statements**

**31. Value of Imports calculated on CIF basis:**

	2014	2013
	`/Lacs	`/Lacs
a) Stores and spares	52.17	-
b) Traded items	1.92	-
Total	54.09	-

**32. Expenditure in Foreign Currency:**  
(On accrual basis)

	2014	2013
	`/Lacs	`/Lacs
a) Travel	8.70	-
b) Interest on Acceptances	43.94	-
c) Others (includes consultancy, certification charges, license)	1.81	-
Total	54.45	-

**33. Earnings in Foreign Currency:**

	2014	2013
	`/Lacs	`/Lacs
FOB value of exports (including deemed exports)	44.32	-

**34. Remuneration to Auditor\*:**

	2014	2013
	`/Lacs	`/Lacs
a) Statutory Audit	8.00	0.23
b) Other Audit Services/Certifications	10.00	-
Total	18.00	0.23

\* Excluding service tax.

**35. Leases:**

**a) Finance Leases:**

**As Lessor:**

(i) The Company has given on finance lease certain assets/inventories which comprise of computers, radio terminals and office equipments, etc. These leases have a primary period, which is fixed and non-cancelable. There are no exceptional/restrictive covenants in the lease agreements.

(ii) The gross investment in the assets given on finance leases as at June 30, 2014 and its present value as at that date are as follows:

	Total minimum lease receivable	Interest included in minimum lease receivable	Present value of minimum lease receivable
	₹/Lacs	₹/Lacs	₹/Lacs
Not later than one year	4,965.74	1,240.21	3,725.53
	( - )	( - )	( - )
Later than one year and not later than five years	10,492.19	1,867.16	8,625.03
	( - )	( - )	( - )
Total	15,457.93	3,107.37	12,350.56
	( - )	( - )	( - )

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

**b) Sale and Leaseback**

**As Lessee:**

	Total minimum lease payable	Interest included in minimum lease payable	Present value of minimum lease payable
	₹/Lacs	₹/Lacs	₹/Lacs
Not later than one year	477.30	174.38	302.92
	( - )	( - )	( - )
Later than one year and not later than five years	1,520.21	286.48	1,233.73
	( - )	( - )	( - )
Total	1997.51	460.86	1536.65
	( - )	( - )	( - )

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

**c) Cancelable Operating Leases**

**As Lessee:**

(i) The Company has taken various residential/commercial premises under cancelable operating leases. These leases are for a period of eleven months to three years and are normally renewable on expiry.

(ii) The rental expense in respect of operating leases is ₹ 87.78 Lacs (2013 - ₹ Nil) which is disclosed as Rent expense under 'Other expenses'.

**36. Earnings per share (EPS)**

The earnings considered in ascertaining the Company's EPS represent profit/(loss) for the year after tax. Basic EPS is computed and disclosed using the weighted average number of equity shares outstanding during the year. Diluted EPS is computed and disclosed using the weighted average number of equity and dilutive equivalent shares outstanding during the year except when results would be anti-dilutive.

Calculation of EPS:

	`/Lacs	
<b>Particulars</b>	<b>2014</b>	<b>2013</b>
Profit/(Loss) after tax (`/Lacs)	(904.83)	(0.77)
<b>Weighted average number of shares considered as outstanding in computation of Basic EPS</b>	<b>50,000</b>	<b>37,808</b>
<b>Weighted average number of shares outstanding in computation of Diluted EPS</b>	<b>50,000</b>	<b>37,808</b>
Basic EPS (of ` 10/- each)	(` 1809.66)	(` 2.04)
Diluted EPS (of ` 10/- each)	(` 1809.66)	(` 2.04)

**37. Segment Reporting**

The Company's business falls within a single primary business and geographical segment, i.e the. Learning business which includes training services and educational content and related Hardware offerings for private schools, colleges and other education institutes and vocational training. Accordingly, pursuant to Accounting Standard 17 on 'Segment Reporting', notified under section 211 (3C) of the Companies Act, 1956, segment information is not required to be disclosed.

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

(a) **Defined Contribution**

(i) Superannuation Fund

During the year, the Company has recognised the following amounts in the Statement of Profit and Loss:

Employers Contribution to Superannuation Fund\*

2014	2013
₹Lacs	₹Lacs
4.92	-

(b) **State Plans**

(i) Employee State Insurance

(ii) Employee's Pension Scheme 1995

During the year, the Company has recognised the following amounts in the Statement of Profit and Loss:

Employers contribution to Employee State Insurance\*

Employers contribution to Employee's Pension Scheme 1995\*

2014	2013
₹Lacs	₹Lacs
6.97	-
23.94	-

\* Included in Contribution to Provident and Other Funds under Employee benefits expense (Refer Note 23).

(c) **Defined Benefit**

(i) Gratuity

(ii) Provident Fund#

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

Discount rate (per annum)

Rate of increase in compensation levels

Expected average remaining working lives of employees (years)

Gratuity	
2014	2013
8.50%	-
6.00%	-
22.14	-

The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

**Reconciliation of opening and closing balances of the present value of the defined benefit obligation:**

Amount Transferred from HCL Infosystems Limited, the Holding Company (Refer Note 43)

Current service cost

Past service cost

Interest cost

Actuarial (gain)/loss

Benefits (paid)

Settlements/transfer In

Contribution by plan participants

Present value of obligation at the end of the year

Gratuity	
2014	2013
37.40	-
7.47	-
-	-
-	-
(5.89)	-
(1.66)	-
-	-
-	-
37.32	-

**Cost recognised for the year (included under Salaries, Wages, Bonus and Gratuity):**

Current service cost

Company contribution to Provident Fund

Past service cost

Interest cost

Actuarial (gain)/loss

Interest guarantee liability

Shortfall in fund

Net cost recognised for the year\*

Gratuity	
2014	2013
7.47	-
-	-
-	-
-	-
(5.89)	-
-	-
-	-
1.58	-

\* Included in Salaries, Wages, Bonus and Gratuity for Gratuity and Contribution to Provident and Other Funds for Provident Fund under Employee benefits expense (Refer Note 23).



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

Present value of the obligation as at the end of the year  
Fair value of plan assets at the end of the year  
Assets/(Liabilities) recognised in the Balance Sheet

Gratuity		₹/Lacs
2014	2013	
37.32	-	
(37.32)	-	

# In respect of certain eligible employees, the Company is a participant in a provident fund plan which is administered through a multi employer trust. The participants have an obligation to make good any deficiency in the interest to be paid by the Trust to its members and the income earned by it. Accordingly the plan is as a defined benefit plan. The trust has obtained an actuarial valuation of the Provident fund liability as at the Balance Sheet date and as per valuation report, there is no shortfall as on June 30, 2013. The valuation report contained details for the disclosure requirement of the Accounting Standard 15 "Employee Benefits" for the trust as a whole, however breakup into respective entities is not available and accordingly the disclosures for provident fund liability as required by Accounting Standard 15 "Employee Benefits" has not been made in these financial statements. The Company's contribution to provident fund for the year is ₹ 28.59 Lacs (2013 : Nil) which has been included under Contribution to Provident and Other Funds (Refer Note 23).

39. a) Loss of ₹ 0.29 Lacs (2013 - ₹ Nil) on sale of fixed assets has been adjusted against the Profit/Loss on sale of fixed assets.  
b) Advertisement, Publicity and Entertainment expenses, wherever on sharing basis, are shown at amounts borne by the Company.
40. **Employee Stock Option Plan (ESOP):**  
The holding company has established Employee Stock Option Scheme 2000 and Employee Stock Based Compensation Plan 2005 for the employees of HCL Infosystems Limited and its subsidiaries.  
HCL Infosystems Limited, Holding Company follows the Intrinsic Value Method of accounting and there is no charge for ESOPs based on this method during the current year which relates to the Company.  
The impact on the profit of the Company for the current year ended June 30, 2014 and the basic and diluted earnings per share had the Holding Company followed the fair value method of accounting for stock options is set out below:

Particulars	₹/Lacs	
	2014	2013
Profit/(Loss) after tax as per Statement of Profit and Loss (a)	(904.83)	(0.77)
Less: Employee Stock Compensation Expense as per Fair Value Method	1.00	-
Profit/(Loss) after tax recomputed for recognition of employee stock compensation under fair value method (b)	(905.83)	(0.77)
Earnings/(Loss) Per Share based on earnings as per (a) above:		
- Basic and Diluted (Refer Note 36)	(₹ 1811.66)	(₹ 2.04)
Earnings/(Loss) Per Share had fair value method been employed for		
- Basic and Diluted	(₹ 1811.66)	(₹ 2.04)

**41. Disclosure of related parties and related party transactions:**

**a) Company having substantial interest:**

HCL Corporation Private Limited

**b) Holding Company**

HCL Infosystems Limited

**c) List of parties where control exists/existed and with whom transactions have taken place during the year and/or where balances exist:**

**Fellow Subsidiaries:**

HCL Infotech Limited (formerly known as System Integration Limited)

HCL Services Limited (formerly known as HCL Care Limited)

Digilife Distribution and Marketing Services Limited

HCL Insys Pte. Limited, Singapore

HCL Infosystems MEA FZE, Dubai

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

HCL Technologies Limited

HCL Comnet Systems and Services Limited

International Data Management Limited

Shiv Nadar School

Shiv Nadar Foundation

SSN College of Engineering

e) Summary of Related Party disclosures

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

(`/Lacs)

A. Transactions	Holding Company		Fellow Subsidiaries		Others		Total	
	Jun-14	Jun-13	Jun-14	Jun-13	Jun-14	Jun-13	Jun-14	Jun-13
<b>Sales and Related Income</b>	<b>66.46</b>	-	<b>0.59</b>	-	<b>79.21</b>	-	<b>146.26</b>	-
- HCL Infosystems Limited	66.46	-						
- HCL Services Limited			0.59	-				
- HCL Technologies Limited					21.08	-		
- HCL Comnet Systems and Services Limited					26.36	-		
- International Data Management Limited					31.77	-		
<b>Services</b>	<b>75.00</b>	-					<b>75.00</b>	
- HCL Infosystems Limited	75.00	-						
<b>Purchase of Goods</b>	<b>219.99</b>	-	<b>8.32</b>	-			<b>228.31</b>	-
- HCL Infotech Limited			6.38	-				
- HCL Infosystems Limited	219.99	-						
- Digilife Distribution and Marketing Services Limited			1.95	-				
<b>Purchase of Services</b>			<b>418.67</b>	-			<b>418.67</b>	-
- HCL Services Limited			418.67	-				
<b>Share Capital</b>	-	5.00					-	5.00
- HCL Infosystems Limited	-	5.00						
<b>Inter Company Deposits (ICD) Taken</b>	<b>2,659.05</b>	-					<b>2,659.05</b>	-
- HCL Infosystems Limited	2,659.05	-						
<b>Interest on Inter Company Deposits (ICD) Taken</b>	<b>8.66</b>	-					<b>8.66</b>	-
- HCL Infosystems Limited	8.66	-						
<b>Reimbursements towards expenditure</b>								
a) Received	-	0.53					-	0.53
- HCL Infosystems Limited	-	0.53						
b) Paid	<b>217.07</b>	-					<b>217.07</b>	-
- HCL Infosystems Limited	217.07	-						
<b>Net assets received on transfer of Business</b>	<b>10,700.00</b>	-					<b>10,700.00</b>	-
- HCL Infosystems Limited (Refer Note 43)	10,700.00	-						
<b>B. Amount due to / from related parties</b>								
<b>Business Consideration &amp; Other Payables</b>	<b>10,467.21</b>	-					<b>10,467.21</b>	-
Trade Receivables	<b>66.60</b>	-	<b>1.59</b>	-	<b>16.08</b>	-	<b>84.27</b>	-
Other Recoverables			<b>25.21</b>	-			<b>25.21</b>	-
Inter Company Deposits (ICD) Payable	<b>2,659.05</b>	-					<b>2,659.05</b>	-
Trade Payables	<b>318.67</b>	0.53	<b>250.29</b>	-			<b>568.96</b>	0.53

**42. a) Derivative Instruments outstanding at the Balance Sheet date (Refer Note 45):**

The Company has following outstanding derivatives as at the reporting date:

Particulars	Foreign Currency		Average Rate		Maximum Maturity Period	
	Value / Lacs					
	2014	2013	2014	2013	2014	2013
Forward contracts to buy USD	\$29.17	\$0.00	62.72	\$0.00	11 Months	-

The above derivatives have been undertaken to hedge the foreign currency exposures on Import/Royalty payables/Buyers Credit as at June 30, 2014.

**b) As on June 30, 2014, the foreign currency exposure that is not hedged by a derivative instrument or otherwise in respect of :**

Particulars	/ Lacs	
	2014	2013
Trade Receivables	22.64	-

**c) The unaccrued forward exchange cover has been included under 'Other current assets' as 'Unamortised Premium on Forwards Contracts'.**

Particulars	/ Lacs	
	2014	2013
Unamortised premium	65.00	-

**d) Pursuant to notification u/s 211(3C) of the Companies Act, 1956 issued by the Ministry of Corporate Affairs on December 29, 2011, the Company has opted to accumulate the exchange difference arising on translation of foreign currency items having a term of 12 months or more and amortise such exchange difference over the period of the item. Accordingly, a gain stands deferred as at June 30, 2014.**

Particulars	/ Lacs	
	2014	2013
Exchange gain deferred	33.95	-

**HCL Learning Limited**  
**Notes to the Financial Statements**

43. The Hon'ble High Court of Delhi has sanctioned the Composite Scheme of Arrangement (the "Scheme") between HCL Infosystems Limited, HCL Infotech Limited (formerly known as HCL System Integration Limited), HCL Services Limited (formerly known as HCL Care Limited), HCL Learning Limited (collectively the "Transferee Companies") and HCL Infocom Ltd and their respective shareholders and creditor under the provisions of section 391 to 394 of the Companies Act, 1956, vide its order dated September 18, 2013 received on October 30, 2013. The Scheme has become effective from November 1, 2013 on filing a certified copy of the High Court order with the office of the Registrar of the Companies, NCT of Delhi & Haryana and is applicable from January 1, 2013 (the "Appointed date").
- In accordance with the Scheme, with effect from the Appointed Date, the Company has acquired Learning Business from the Holding Company at a consideration of ` 11300 Lacs. The assets and liabilities pertaining to the Learning Business, have been recorded at their respective fair values as on December 31, 2012, as determined by an independent valuer. The fair values of assets and liabilities acquired and recorded by the Company are ` 15216.00 Lacs and ` 4516.00 Lacs respectively and ` 600.90 Lacs, being excess of consideration payable over the fair values of assets and liabilities so acquired, has been recorded as Goodwill in the books of the Company.
- In accordance with the Scheme, the HCL Infosystems Limited continued to carry on the business and activities in relation to the Learning Undertakings on account of and in trust for the Company from January 1, 2013 (the "Appointed date") till November 1, 2013 (the "Effective date").
- Pursuant to this, the Parent Company has transferred the profits, amounting to ` 397.00 Lacs, attributable to the Learning Business for the period from the Appointed date and up to June 30, 2013 to the Company. These profits, after adjusting consequential impact on profits arising from difference between fair values and historical values of assets and liabilities, have been recorded by the Company in the 'Surplus in Statement of Profit and Loss' in reserves and surplus.
- Transactions, for the period from July 1, 2013 to the effective date and attributable to the Service Business, have been included in these financial statements.
44. Based on the information available with the management, none of the vendors are registered under the Micro, Small and Medium Enterprises Development Act, 2006.
45. Forward Contracts in the company has been transferred from HCL Infosystems Limited, the Holding Company, pursuant to scheme of arrangement (Refer Note 43). HCL Infosystems Limited, the Holding Company, is in the process of transferring the forward contracts to the company.
46. Previous period's figures have also been regrouped/recasted, where necessary, to conform to the current year's presentation.

For Price Waterhouse  
Firm Registration Number-301112E  
Chartered Accountants

For and on behalf of the Board of Directors

ABHISHEK RARA  
Partner  
Membership Number -077779

DILIP KUMAR SRIVASTAVA  
Director

PREMKUMAR SESHADRI  
Director

Place : Noida  
Date : August 28, 2014

YASH GUPTA  
Company Secretary