

# **HCL Comnet Systems & Services Limited**

## **INDIAN - GAAP FINANCIAL STATEMENTS**

For the year ended June 30, 2014

**INDEPENDENT AUDITOR'S REPORT**

To the Members of HCL Comnet Systems & Services Limited

**Report on the Financial Statements**

We have audited the accompanying financial statements of HCL Comnet Systems & Services 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.

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

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 accounting principles generally accepted in India, including the accounting standards notified under the Companies Act, 1956, read with General Circular 08/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs. 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.

**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 the Standards on Auditing 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.

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

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Act, 1956 ("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 profit 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.

# **S.R. BATLIBOI & ASSOCIATES LLP**

**Chartered Accountants**

## **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. 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, the Statement of Profit and Loss, and the Cash Flow Statement comply with the accounting standards notified under the Companies Act, 1956, read with General Circular 08/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs;
  - (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 Companies Act, 1956.

For **S.R. BATLIBOI & ASSOCIATES LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W

**per Yogesh Midha**

Partner

Membership Number: 094941

Gurgaon

Date : 19/9/14

# **S.R. BATLIBOI & ASSOCIATES LLP**

Chartered Accountants

## **Annexure referred to in paragraph 1 under heading "Report on Other Legal and Regulatory Requirements" of our report of even date**

**Re: HCL Comnet Systems & Services Limited (the Company)**

- (i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- c) There was no disposal of a substantial part of fixed assets during the year.
- (ii) The Company's business does not involve inventories and, accordingly, the requirements under paragraph 4(ii) of the Order are not applicable to company.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon.
- (b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (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 fixed assets and for rendering of services. The activities of the Company do not involve purchase of inventory and the sale of goods. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) In our opinion, there are no contracts or arrangements that need to be entered in the register under section 301 of the Companies Act, 1956. Accordingly the provisions of clause 4(v)(b) of the Order is not applicable to the Company and hence not commented upon.
- (vi) The Company has not accepted any deposits from the public.
- (vii) The Company is covered as part of the internal audit function operated by its parent company, which is commensurate with the size of the Company and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 for the products of the Company.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, and other material statutory dues applicable to it. The provision related to investor education and protection fund, customs duty, excise duty and cess are not applicable to the company.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, custom duty, excise duty, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

# **S.R. BATLIBOI & ASSOCIATES LLP**

Chartered Accountants

- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:.

<b>Name of the Statute</b>	<b>Nature of Dues</b>	<b>Amount (Rs)</b>	<b>Period to which the amount relates</b>	<b>Forum where dispute is pending</b>
Income Tax Act, 1961	Income Tax	859,693	2009-10	Commissioner of Income Tax (Appeal)

- (x) The Company's accumulated losses at the end of the financial year are less than fifty per cent of its net worth and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not issued any debentures and does not have any dues payable to a financial institution and has not defaulted in repayment of dues to bank.
- (xii) According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) 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 Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from bank or financial institutions.
- (xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (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 no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issue during the year.

# **S.R. BATLIBOI & ASSOCIATES LLP**

Chartered Accountants

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

**For S.R. BATLIBOI & ASSOCIATES LLP**

Chartered Accountants

ICAI Firm registration number: 101049W



**per Yogesh Midha**

Partner

Membership Number: 094941

Gurgaon

Date: 19/09/2014

HCL Comnet Systems & Services Limited  
Balance Sheet as at June 30, 2014  
(All amounts in ₹)

	Note No.	As at June 30, 2014	As at June 30, 2013
<b>I. EQUITY AND LIABILITIES</b>			
(1) Shareholders' funds			
(a) Share capital	2.1	92,800,000	12,800,000
(b) Reserves and surplus	2.2	(26,371,023)	(72,864,653)
		<u>66,428,977</u>	<u>(60,064,653)</u>
(2) Non - current liabilities			
(a) Long-term borrowings	2.3	-	1,102,769
(b) Long term provisions	2.4	1,963,880	5,051,111
		<u>1,963,880</u>	<u>6,153,880</u>
(3) Current liabilities			
(a) Short term borrowings	2.5	40,000,000	-
(b) Trade payables	2.6	6,992,160	52,578,936
(c) Other current liabilities	2.6	220,630,254	240,117,761
(d) Short term provisions	2.7	1,376,599	2,709,093
		<u>268,999,013</u>	<u>295,405,790</u>
<b>TOTAL</b>		<u><u>337,391,870</u></u>	<u><u>241,495,017</u></u>
<b>II. ASSETS</b>			
(1) Non-current assets			
(a) Fixed Assets			
(i) Tangible assets	2.8	20,870,878	38,877,986
(ii) Intangible assets	2.8	-	175,015
(iii) Capital work in progress		-	1,877,921
		<u>20,870,878</u>	<u>40,930,922</u>
(b) Long term loans and advances	2.9	1,097,992	2,655,842
		<u>21,968,870</u>	<u>43,586,764</u>
(2) Current Assets			
(a) Trade receivables	2.10	269,144,154	129,482,194
(b) Cash and bank balances	2.11	14,268,767	42,671,897
(c) Short - term loans and advances	2.12	32,010,079	25,754,162
		<u>315,423,000</u>	<u>197,908,253</u>
<b>TOTAL</b>		<u><u>337,391,870</u></u>	<u><u>241,495,017</u></u>

Summary of significant accounting policies

1 & 2

The accompanying notes are an integral part of financial statements

As per our report of even date

For S. R. BATLIBOI & ASSOCIATES LLP  
ICAI Firm Registration Number: 101049W  
Chartered Accountants

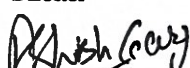


per Yogesh Midha  
Partner  
Membership Number: 94941

Gurgaon, India  
Date:- 19/9/2014

For HCL Comnet Systems & Services Limited

Chalapathi Rama Durga Prasad  
Director

  
Ashish Garg  
Company Secretary

Nalin Mittal  
Director

Noida (UP), India  
Date:- 19/9/2014

**HCL Comnet Systems & Services Limited**  
**Statement of Profit and Loss for the year ended June 30, 2014**  
(All amounts in ₹ except share data unless otherwise stated)

	Note No.	Year ended June 30, 2014	Year ended June 30, 2013
<b>Income</b>			
Revenue from operations	2.13	414,698,113	369,006,637
Other income	2.14	1,141,096	15,864,033
<b>Total revenue</b>		<b>415,839,209</b>	<b>384,870,670</b>
<b>Expenses</b>			
Employee benefit expenses	2.15	21,774,459	68,433,152
Finance costs	2.16	4,097,876	-
Depreciation and amortisation expense	2.8	19,107,514	32,343,829
Other expenses	2.17	324,365,730	377,518,300
<b>Total expenses</b>		<b>369,345,579</b>	<b>478,295,281</b>
<b>Profit/ (loss) before tax</b>		<b>46,493,630</b>	<b>(93,424,611)</b>
Provision for Tax		-	-
<b>Profit/ (loss) for the year</b>		<b>46,493,630</b>	<b>(93,424,611)</b>
<b>Earning/ (loss) per equity share of par value ₹ 10,000 (previous year : ₹ 10,000) each</b>			
Basic and Diluted (₹)		36,323.15	(72,987.98)
<b>Weighted average number of shares used in computing earning per equity share</b>			
Basic and Diluted		1,280	1,280

**Summary of significant accounting policies** 1 & 2

The accompanying notes are an integral part of financial statements

As per our report of even date

For S. R. BATLIBOI & ASSOCIATES LLP  
ICAI Firm Registration Number: 101049W  
Chartered Accountants




per Yogesh Midha  
Partner  
Membership Number: 94941

Gurgaon, India

Date:- 19/9/2014

For HCL Comnet Systems & Services Limited

  
Chalapati Rama Durga Prasad  
Director

  
Ashish Garg  
Company Secretary

  
Nalin Mittal  
Director

Noida (UP), India

Date:- 19/9/2014

**HCL Comnet Systems & Services Limited**  
**Cash flow statement**  
**(All amounts in ₹)**

	Year ended June 30, 2014	Year ended June 30, 2013
<b>A. Cash flows from operating activities</b>		
Profit / (loss) before tax	46,493,630	(93,424,611)
Adjustment for:		
Depreciation and amortization	19,107,514	32,343,829
Interest expense	2,271,486	-
Profit on sale of investments (net)	(1,141,096)	-
Assets written off	1,632,869	-
Provisions no longer required written back	-	(11,010,815)
Provision for doubtful debts/bad debts written off	1,518,624	7,159,566
Provision for doubtful advances	-	265,556
<b>Operating (loss) / profit before working capital changes</b>	<b>69,883,027</b>	<b>(64,666,475)</b>
<b>Movement in Working Capital</b>		
(Increase) / decrease in trade receivables	(139,661,960)	(18,066,222)
(Increase) / decrease in loans and advances	13,080,401	38,670,907
Increase / (decrease) in liabilities and provisions	(64,981,383)	42,099,064
<b>Cash (used in) / generated from operations</b>	<b>(121,679,915)</b>	<b>(1,962,726)</b>
<b>Net cash (used in) / generated from operating activities (A)</b>	<b>(121,679,915)</b>	<b>(1,962,726)</b>
<b>B. Cash flows from investing activities</b>		
Purchase of investments in mutual funds	(60,000,000)	-
Proceeds from sale of mutual funds	61,141,096	-
Proceeds from sale of fixed assets, including intangible assets, Capital work in progress and Capital advances	110,000	-
Purchase of fixed assets, including intangible assets, Capital work in progress and Capital advances	(4,901,737)	2,054,287
Taxes paid	(19,336,318)	-
<b>Net cash flow generated / (used in) from investing activities before impact of scheme of arrangement relating to earlier period</b>	<b>(22,986,959)</b>	<b>2,054,287</b>
<b>Net cash generated / (used in) investing activities (B)</b>	<b>(22,986,959)</b>	<b>2,054,287</b>
<b>C. Cash flows from financing activities</b>		
Short term borrowings from fellow subsidiary (net of repayment)	40,000,000	-
Proceeds from issue of preference share capital	80,000,000	-
Repayment of long term borrowings	(1,295,423)	(314,765)
Principal payment on finance lease obligations	(169,347)	(921,176)
Interest paid	(2,271,486)	-
Payment to shareholders of fractional shares on its cancellation	-	(82,090)
<b>Net cash (used in) / generated from financing activities (C)</b>	<b>116,263,744</b>	<b>(1,318,031)</b>
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<b>(28,403,130)</b>	<b>(1,226,470)</b>
Cash and cash equivalents at the beginning of the year	42,671,897	352,602,271
<b>Cash and cash equivalents transferred pursuant to 'Scheme of Arrangement' (refer note 2.24)</b>	<b>-</b>	<b>(308,703,904)</b>
<b>Cash and cash equivalents at the end of the year as per note 2.11</b>	<b>14,268,767</b>	<b>42,671,897</b>

Notes :-

1. Assets and liabilities (other than cash and cash equivalents) transferred to HCL Technologies Limited pursuant to 'Scheme of Arrangement' has not been considered during previous year (refer note 2.24).

As per our report of even date.

For S. R. BATLIBOI & ASSOCIATES LLP  
ICAI Firm Registration Number: 101049W  
Chartered Accountants



per Yogesh Midha  
Partner

Membership Number: 94941

Gurgaon, India

Date:- 19/9/2014

For HCL Comnet Systems & Services Limited



Chalapati Rama Durga Prasad  
Director

  
Ashish Garg  
Company Secretary

  
Nalin Mittal  
Director

Noida (UP), India

Date:- 19/9/2014

## **HCL Comnet Systems & Services Limited**

### **Notes to financial statements**

(All amounts in ₹, except share data and as stated otherwise)

#### **Company Overview**

HCL Comnet Systems & Services Limited ("the "Company") is primarily engaged in providing a range of IT enabled services. The Company was incorporated in India in December 1993. The Company leverages an extensive offshore infrastructure and professionals to deliver Bandwidth and other services.

#### **1. Significant accounting policies**

##### **a. Basis of preparation**

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP) and are presented in the format prescribed under revised Schedule VI to the Companies Act, 1956 read with general circular 08/2014 dated 04 April 2014, issued by the Ministry of Corporate Affairs. These financial statements have been prepared to comply in all material aspects with the applicable accounting standards. The financial statements have been prepared under the historical cost convention on an accrual and going concern basis.

The accounting policies adopted in the preparation of the financial statements are consistent with those of the previous year.

##### **b. Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

##### **c. Tangibles fixed assets and capital work-in-progress**

Fixed assets are stated at the cost less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditure related to an item of fixed assets is added to its book value only if it increases the future benefits from the existing assets beyond its previously assessed standard of performance. All other expenses on the existing fixed assets, including day to day repair and maintenance expenditure and cost of replacing parts are charged to the statement of profit and loss for the period during which such expenses are incurred.

Gain or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amounts are recognised in the Statement of Profit and Loss when the asset is derecognized.

Fixed assets under construction, and cost of assets not ready for use before the year-end, are disclosed as capital work in progress.

##### **d. Depreciation on tangible fixed assets**

Depreciation on tangible fixed assets is provided on the straight-line method over their estimated useful lives, as determined by the management, at the rates which are equal to or higher than the rates prescribed under Schedule XIV of the Companies Act, 1956. Depreciation on leased vehicles is provided over the remaining period of lease or 5 years, whichever is lower. Depreciation is charged on a pro-rata basis for



## HCL Comnet Systems & Services Limited

### Notes to financial statements

(All amounts in ₹, except share data and as stated otherwise)

assets purchased/sold during the year. Assets costing less than ₹ 5,000 are fully depreciated in the year of purchase.

The management's estimate of the useful life of the various fixed assets used for depreciation are as follows:

	Life (in years)
Buildings	20
Plant and machinery (including, air conditioners and electrical installations)	4 to 5
Office equipments	4
Computers	3
Furniture and fixtures	4
Vehicles – owned	5
Vehicles – leased	Over the period of lease or 5 years, whichever is lower

#### e. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Company uses a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. If persuasive evidence exists to the effect that useful life of an intangible asset exceeds ten years, the Company amortizes that intangible asset over the best estimate of its useful life.

The amortization period and the amortization method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from the previous estimate, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefit from the asset, the amortization method is changed to reflect the changed pattern.


Gains or losses arising from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognized in the statement of profit and loss when the asset is derecognized.

The management's estimates of the useful life of the Software is 3 years.

#### f. Leases

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease term at the lower of the fair value and present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance cost in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs of the lease are capitalized.

A leased asset is depreciated on a straight line basis over the useful life of the asset or the useful life envisaged in Schedule XIV to the Companies Act, 1956, whichever is lower. However, if there is no reasonable certainty that the Company will obtain the ownership by the end of lease term, the capitalized asset is depreciated on a straight line basis over the shorter of the estimated useful life of the asset, the lease term or the useful life envisaged in Schedule XIV to the Companies Act, 1956.



## HCL Comnet Systems & Services Limited

### Notes to financial statements

(All amounts in ₹, except share data and as stated otherwise)

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

#### g. Borrowing cost

Borrowing costs include interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

#### h. Impairment of tangible and intangible assets

An assessment is done at each balance sheet date as to whether there is any indication that an asset (tangible or intangible) may be impaired. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets, is considered as a cash generating unit. If any such indication exists, an estimate of the recoverable amount of the asset/cash generating unit is made. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount. Recoverable amount is the higher of an asset's or cash generating unit's net selling price or its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

#### i. Investments

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises the purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, or partly acquired by the issue of shares or the other securities, the acquisition cost is the fair value of securities issued. If an investment is acquired in exchange for another asset, the acquisition is determined by reference to the fair value of the asset given up or by reference to the fair value of the investment acquired, whichever is more clearly evident.

Current investments are carried at the lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the long term investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

#### j. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue from rendering of services is recognized when the benefits have been transferred to or received by the customer, the price of service is fixed or determinable and collectability is reasonably assured. The Company derives revenues primarily from:-



## **HCL Comnet Systems & Services Limited**

### **Notes to financial statements**

(All amounts in ₹, except share data and as stated otherwise)

#### **i) Infrastructure services**

Revenue from bandwidth services is recognized upon actual usage of such services by customers based on either the time for which these services are provided or volume of data transferred or both and excludes service tax. Revenue from maintenance services is recognized relatively over the period of the contract.

Unearned income arising in respect of bandwidth services and maintenance services is calculated on the basis of unutilized period of service at the balance sheet date and represents revenue, which is expected to be earned in future periods in respect of these services.

Earnings in excess of billing are classified as unbilled revenue, while billing in excess of earnings are classified as income received in advance.

In case of multi-deliverable contracts where revenue cannot be allocated to various deliverables in a contract, the entire contract is accounted for as one deliverable and accordingly the revenue is recognized on a proportionate completion method following the performance pattern of predominant services in the contract or is deferred until the last deliverable is delivered.

Revenues are shown net of taxes and applicable discounts and allowances, if any.

#### **ii) Others**

Interest on the deployment of surplus funds is recognized using the time-proportion method, based on interest rates implicit in the transaction.

#### **k. Retirement and other employee benefits**

i. Contributions to provident fund, a defined benefit plan, are deposited with a Recognized Provident Fund Trust, set up by the Company. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of the year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise. The interest rate payable by the trust to the beneficiaries every year is notified by the government and the Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate.

ii. Gratuity liability: The Company provides for gratuity, a defined benefit plan (the "Gratuity Plan") covering eligible employees. 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.

iii. Compensated absences: The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation (using the Projected Unit Credit method) based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the Balance Sheet date. Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit and accumulated leave expected to be carried forward beyond twelve months is treated as long-term employee benefit for measurement purposes. The expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

iv. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

v. State Plans: The Company's contribution to State Plans, a defined contribution plan namely, Employee State Insurance Fund and Employees Pension Scheme, are charged to the statement of profit and loss for each period of service rendered by the employees.

## **HCL Comnet Systems & Services Limited**

### **Notes to financial statements**

(All amounts in ₹, except share data and as stated otherwise)

#### **1. Taxation**

Tax expense comprises current and deferred tax. Current income tax expense comprises taxes on income from operations in India. Income tax payable in India is determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax expense or benefit is recognized on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by the same governing taxation laws.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each balance sheet date the Company re-assesses recognized and unrecognized deferred tax assets. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which the deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available. The Company recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized. As at the period ending on

#### **m. Earnings per share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity share holders by the weighted average number of equity shares outstanding during the period.


For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity share holders and the weighted average number of equity shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

#### **n. Provisions**

A provision is recognized when there exists a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation. Provisions are not discounted to present value and are determined based on best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

#### **o. Contingent liabilities**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The company does not recognise a contingent liability but discloses its existence in the financial statements.



## HCL Comnet Systems & Services Limited

### Notes to financial statements

(All amounts in ₹, except share data and as stated otherwise)

#### p. Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and deposit with banks with an original maturity of three months or less.

## 2. Notes to financial statements

### 2.1 Share capital

	As at	
	June 30, 2014	June 30, 2013
<b>Authorized</b> 20,000 equity shares of ₹ 10,000 each (Previous year : 20,000 equity shares of ₹ 10,000 each (refer note 2.24)) 55,00,000 Cumulative Redeemable Preference shares of ₹ 100 each (Previous year : 550,000,000 1% Cumulative Redeemable Preference shares of ₹ 1 each)	200,000,000 550,000,000	200,000,000 550,000,000
<b>Equity share capital</b> 1,280 (Previous year : 1,280) equity shares of ₹ 10,000 each fully paid up	12,800,000	12,800,000
<b>Preference share capital</b> 8,00,000 (Previous year : NIL) 8% cumulative redeemable preference shares of ₹ 100 each fully paid up	80,000,000	-

The Company have two classes of shares

- i) Equity shares issued having a par value of ₹ 10,000 /-. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

- ii) Preference shares issued having a par value of ₹ 100/- each. Each holder of preference shares is entitled to one vote per share as per section 47(2) of the Companies Act, 2013.

These are non participating in surplus funds and shall be non- convertible into equity shares of the Company and are redeemable on or before 3 years from the date of allotment. Dividend to be paid on a cumulative basis.

In the event of liquidation of the Company, the holder of preference shares carry preferential rights vis-à-vis equity shares holders of the company with respect to payment of dividend and repayment of capital.



# HCL Comnet Systems & Services Limited

## Notes to financial statements

(All amounts in ₹, except share data and as stated otherwise)

### Reconciliation of the equity shares outstanding at the beginning and at the end of the reporting period:

	As at					
	June 30, 2014			June 30, 2013		
	No. of shares	Face value of each equity share in ₹	Amount in ₹	No. of shares	Face value of each equity share in ₹	Amount in ₹
Number of shares at the beginning	1,280	10,000	12,800,000	12,809,369	10	128,093,690
Less : Pursuant to 'Scheme of Arrangement' (refer note 2.24), the face value of each equity share of ₹ 10 each reduced to the face value of ₹ 1 each	-	-	-	12,809,369		(115,284,321)
Number of shares after reduction of face value	-	-	-	12,809,369	1	12,809,369
Pursuant to 'Scheme of Arrangement' (refer note 2.24), the face value of each equity share of ₹ 1 each increased to the face value of ₹ 10,000 each	-	-	-	1,281	10,000	12,809,369
Less : Payment to shareholders towards fractional shares as cancelled pursuant to 'Scheme of Arrangement' (refer note 2.24)	-	-	-	(1)	10,000	(9,369)
Number of shares at the end	1,280	10,000	12,800,000	1,280	10,000	12,800,000

### Reconciliation of the 8% cumulative redeemable preference shares outstanding at the beginning and at the end of the reporting period:

	As at					
	June 30, 2014			June 30, 2013		
	No. of shares	Face value of each preference share in ₹	(Amount in ₹)	No. of shares	Face value of each preference share in ₹	(Amount in ₹)
Number of shares at the beginning	-	-	-	-	-	-
Add: Shares issued during the year	800,000	100	80,000,000	-	-	-
Number of shares at the end	800,000	100	80,000,000	-	-	-

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**HCL Comnet Systems & Services Limited****Notes to financial statements**

(All amounts in ₹, except share data and as stated otherwise)

**Equity shares/ 8% Cumulative redeemable preference shares held by holding/ultimate holding company and/or their subsidiaries/associates:**

Out of equity shares issued by the Company, shares held by its holding company, are as below:

	As at			
	June 30, 2014		June 30, 2013	
Equity shares of ₹ 10,000	1,280	100%	1,280	100%

	As at			
	June 30, 2014		June 30, 2013	
8% Cumulative redeemable preference shares of ₹ 100 each fully paid (previous year: Nil)	800,000	100%	-	-

**Details of shareholders holding more than 5 % shares in the company:**

	As at			
	June 30, 2014		June 30, 2013	
Equity shares of ₹ 10000 each fully paid HCL Technologies Limited, the holding company	1,280	100%	1,280	100%

	As at			
	June 30, 2014		June 30, 2013	
8% Cumulative redeemable preference shares of ₹ 100 each fully paid (previous year: Nil) HCL Comnet Limited, the fellow subsidiary	800,000	100%	-	-

As per the records of the company, including its register of shareholders regarding beneficial interest, the above share-holding represent both legal and beneficial ownership of shares.

During the year there were no bonus shares issued and no shares issued for consideration other than cash. During previous year fractional shares were cancelled after paying the shareholder of such fractional shares (refer note 2.24).



## HCL Comnet Systems & Services Limited

### Notes to financial statements

(All amounts in ₹, except share data and as stated otherwise)

#### 2.2 Reserve and Surplus

	As at	
	June 30, 2014	June 30, 2013
<b>Securities premium account</b>		
Balance as at year end	-	195,500,000
Less: adjustment pursuant to "Scheme of Arrangement" (refer note 2.24)	-	(195,500,000)
<b>Capital redemption reserve</b>		
Balance as at year end	-	450,000,000
Less: adjustment pursuant to "Scheme of Arrangement" (refer note 2.24)	-	(450,000,000)
<b>Surplus / (deficit) in the statement of profit and loss</b>		
Balance as per last financial statements	(72,864,653)	9,769,423,468
Profit/ (Loss) for the year	46,493,630	(93,424,611)
Less : Premium paid to shareholders of fractional shares on its cancellation (refer note 2.24)	-	(72,722)
Less: adjustment pursuant to "Scheme of Arrangement" (refer note 2.24)	-	-
- credit balance of profit and loss account of demerged undertaking as transferred on 1 April 2012 (refer note 2.24)	-	(8,318,119,067)
- excess of the net assets of demerged undertaking as transferred on 1 April 2012 (refer note 2.24)	-	(568,125,004)
- credit balance of profit and loss account of demerged undertaking for period 1 April 2012 to 30 June 2012(refer note 2.24)	-	(862,546,717)
<b>Net (deficit) in statement of profit and loss</b>	<b>(26,371,023)</b>	<b>(72,864,653)</b>
	<b>(26,371,023)</b>	<b>(72,864,653)</b>

#### 2.3 Long -term borrowings

	Non current portion		Current portion	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
<b>Secured</b>				
<b>From bank</b>				
Long term loans (refer note 1 below)	-	980,657	-	314,766
<b>From others</b>				
Finance lease obligations (refer note 2 below)	-	122,112	74,759	132,994
<b>Amount disclosed under the head" other current liabilities" (note 2.6)</b>			<b>(74,759)</b>	<b>(447,760)</b>
	-	1,102,769	-	-

Note:-

- The Company has availed a term loan, secured by hypothecation of vehicles for ₹ 584,724 (previous year ₹ 1,134,724) at variable interest rates not exceeding 11% (previous year: 11%). The same is repayable over a period of 5 years (previous year: 5years) on monthly basis.
- Obligation under finance lease is secured by fixed assets taken on lease.

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**HCL Comnet Systems & Services Limited****Notes to financial statements**

(All amounts in ₹, except share data and as stated otherwise)

**2.4 Long term provisions**

	As at	
	June 30, 2014	June 30, 2013
Provision for employee benefits		
Provision for gratuity (refer note 2.21)	1,963,880	5,051,111
	1,963,880	5,051,111

**2.5 Short term borrowings**

	As at	
	June 30, 2014	June 30, 2013
Unsecured		
Loan from related parties (refer note 2.18d)	40,000,000	-
	40,000,000	-

**2.6 Trade payable and other current liabilities**

	As at	
	June 30, 2014	June 30, 2013
Trade Payables (refer note 2.25 for details of dues to micro and small enterprise)	6,992,160	52,578,936
	6,992,160	52,578,936
<b>Other current liabilities</b>		
Capital accounts payables	128,173	5,797,416
Current maturities of long term borrowings	74,759	447,760
Interest accrued but not due on borrowings- related parties	266,301	-
Advance received from customers	25,838,335	10,978,207
Income received in advance	89,874,211	99,039,856
<b>Accrued salaries and benefits</b>		
Employee bonuses accrued	1,183,859	10,580,954
Other employee costs	2,812,308	1,800,854
<b>Other liabilities</b>		
Travel provision (net of advances)	871,644	571,906
Liabilities for expenses	86,198,612	101,050,736
Liabilities for expenses - related parties (refer note 2.18d)	12,999,135	9,369,125
Withholding and other taxes payable	382,917	480,947
	220,630,254	240,117,761

**2.7 Short term provisions**

	As at	
	June 30, 2014	June 30, 2013
Provision for employee benefits		
Provision for gratuity (refer note 2.21)	390,056	987,604
Provision for compensated absences	986,543	1,721,489
	1,376,599	2,709,093

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HCL Connet Systems & Services Limited  
Notes to Financial Statements

(All amounts in ₹ except share data unless otherwise stated)

2.8 Fixed Assets

Particulars	Gross block			Accumulated depreciation / amortisation				Net block	
	As at July 1, 2013	Additions	Deletions / adjustment	As at Jun 30, 2014	As at July 1, 2013	Charge for the year	Deletions / adjustment	As at June 30, 2014	As at June 30, 2013
<b>Tangible Assets</b>									
Building	62,580,912	-	-	62,580,912	50,168,229	3,129,046	-	53,297,275	12,412,683
Plant and Machinery	-	-	-	-	-	-	-	-	-
Office Equipment	468,841,765	-	154,458,369	314,383,396	460,164,581	5,637,192	154,458,369	311,343,404	8,677,184
Computers	44,412,444	2,668,260	18,073,542	29,007,162	27,184,885	9,966,067	16,446,173	20,704,779	17,227,559
Furniture and fittings	1,132,258	-	265,506	866,752	1,054,209	24,000	265,506	812,703	78,049
Vehicles - leased	1,134,724	-	550,000	584,724	652,213	176,194	434,500	393,907	482,511
<b>Total (A)</b>	<b>578,102,103</b>	<b>2,668,260</b>	<b>173,347,417</b>	<b>407,422,946</b>	<b>539,224,117</b>	<b>18,932,499</b>	<b>171,604,548</b>	<b>20,870,878</b>	<b>38,877,986</b>
<b>Intangible Assets</b>									
Software	13,693,113	-	-	13,693,113	13,518,098	175,015	-	13,693,113	175,015
<b>Total (B)</b>	<b>13,693,113</b>	<b>-</b>	<b>-</b>	<b>13,693,113</b>	<b>13,518,098</b>	<b>175,015</b>	<b>-</b>	<b>13,693,113</b>	<b>175,015</b>
<b>Total (A) + (B)</b>	<b>591,795,216</b>	<b>2,668,260</b>	<b>173,347,417</b>	<b>421,116,059</b>	<b>552,742,215</b>	<b>19,107,514</b>	<b>171,604,548</b>	<b>400,245,181</b>	<b>39,053,001</b>
<b>June 30, 2013</b>	<b>2,943,181,029</b>	<b>12,032,287</b>	<b>2,363,418,100</b>	<b>591,795,216</b>	<b>2,431,943,594</b>	<b>32,343,829</b>	<b>1,911,545,208</b>	<b>39,053,001</b>	<b>511,237,435</b>

Note :-

Deletion of gross block includes and accumulated depreciation includes NIL (previous year ₹ 2,360,510,375) and NIL (previous year ₹ 1,908,637,483) respectively being assets transferred pursuant to "Scheme of Arrangement" (refer note 2.24)

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**HCL Comnet Systems & Services Limited**  
**Notes to financial statements**  
(All amounts in ₹, except share data and as stated otherwise)

**2.9 Long term loans and advances**

	As at	
	June 30, 2014	June 30, 2013
<b>Unsecured, considered good</b>		
Capital advances	1,097,992	2,655,842
<b>Total (A)</b>	<b>1,097,992</b>	<b>2,655,842</b>
<b>Unsecured, considered doubtful</b>		
Secruity Deposit	-	1,277,499
Less: Provision for doubtful secruity deposit	-	(1,277,499)
<b>Total (B)</b>	<b>-</b>	<b>-</b>
<b>Total (A+B)</b>	<b>1,097,992</b>	<b>2,655,842</b>

**2.10 Trade receivables (Unsecured)**

	As at	
	June 30, 2014	June 30, 2013
<b>Considered good unless stated otherwise outstanding for a period exceeding six months from the date they are due for payment</b>		
Unsecured, considered good	31,103,821	253,497
Unsecured, considered doubtful	26,160,053	53,850,530
	<b>57,263,874</b>	<b>54,104,027</b>
Provision for doubtful receivables	(26,160,053)	(53,850,530)
<b>Total (A)</b>	<b>31,103,821</b>	<b>253,497</b>
<b>Other receivables</b>		
Unsecured, considered good		
Due from - related parties (refer note 2.18d)	52,231,061	31,718,332
Others	185,809,272	97,510,365
<b>Total (B)</b>	<b>238,040,333</b>	<b>129,228,697</b>
<b>Total (A+B)</b>	<b>269,144,154</b>	<b>129,482,194</b>

Notes :-

1. Includes receivables from related parties amounting to ₹ 52,827,674 (Previous year ₹ 31,710,213)

**2.11 Cash and bank balances**

	As at	
	June 30, 2014	June 30, 2013
<b>(A) Cash and cash equivalents</b>		
Balance with banks		
- in current accounts	11,850,470	42,671,897
Cheque in hand	2,418,297	-
<b>Total</b>	<b>14,268,767</b>	<b>42,671,897</b>

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**HCL Comnet Systems & Services Limited****Notes to financial statements**

(All amounts in ₹, except share data and as stated otherwise)

**2.12 Short-term loans and advances**

	As at	
	June 30, 2014	June 30, 2013
<b>Unsecured and considered good ;</b>		
Security deposits	1,020,000	-
Advance to suppliers	186,416	1,002,893
Prepaid expenses	11,169,200	21,868,052
Advance Tax	19,336,318	-
Other loans and advances	298,145	2,883,217
<b>Total (A)</b>	<b>32,010,079</b>	<b>25,754,162</b>
<b>Unsecured , considered doubtful</b>		
Loans and advances to Others	640,493	8,361
Less: Provision for doubtful advances	(640,493)	(8,361)
<b>Total (B)</b>	<b>-</b>	<b>-</b>
<b>Total (A+B)</b>	<b>32,010,079</b>	<b>25,754,162</b>

**2.13 Revenue from operations**

	Year ended	Year ended
	June 30, 2014	June 30, 2013
<b>Services</b>		
Bandwidth and other services	414,698,113	369,006,637
	<b>414,698,113</b>	<b>369,006,637</b>

**2.14 Other income**

	Year ended	Year ended
	June 30, 2014	June 30, 2013
Profit on sale of investments	1,141,096	-
Provisions no longer required, written back	-	11,010,815
Miscellaneous income	-	4,853,218
	<b>1,141,096</b>	<b>15,864,033</b>

**2.15 Employee benefit expenses**

	Year ended	Year ended
	June 30, 2014	June 30, 2013
Salaries, wages and bonus	18,464,688	64,323,598
Gratuity	2,292,712	1,031,220
Contribution to provident fund and other funds	776,031	2,804,804
Staff welfare expenses	241,028	273,530
	<b>21,774,459</b>	<b>68,433,152</b>

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**HCL Comnet Systems & Services Limited****Notes to financial statements**

(All amounts in ₹, except share data and as stated otherwise)

**2.16 Finance Costs**

	Year ended	Year ended
	June 30, 2014	June 30, 2013
Interest		
-on loan from others	319,596	-
-on loan - related party	1,951,890	-
Bank charges	1,826,390	-
	<b>4,097,876</b>	<b>-</b>

**2.17 Other expenses**

	Year ended	Year ended
	June 30, 2014	June 30, 2013
License and transponder fees	276,245,178	304,721,570
Cost of IT enabled services	16,303,896	14,533,869
Power and fuel	8,561,250	51,929
Travel and conveyance	4,479,962	13,734,933
Software license fee	4,354,171	3,771,253
Legal and professional charges (refer note 2.22)	4,061,682	317,448
Rent	1,741,568	135,214
Assets written off	1,632,869	-
Provision for doubtful debts/bad debts written off (net)	1,518,624	7,159,566
Communication costs	532,463	28,077,017
Miscellaneous expenses	4,934,067	5,015,501
	<b>324,365,730</b>	<b>377,518,300</b>

## HCL Comnet Systems & Services Limited

### Notes to financial statements

(All amounts in ₹, except share data and as stated otherwise)

#### 2.18 Related party disclosures

a) Related parties where control exists

- HCL Technologies Limited (holding company)

b) Related parties with whom transactions have taken place during the year

Fellow Subsidiaries

- HCL Comnet Limited

Others (Significant Influence)

- HCL Infosystems Limited

c) Transactions with related parties during the year in the ordinary course of business

	Other Income		Interest expenses		Payment for use of facilities	
	Year ended		Year ended		Year ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Holding Company						
-HCL Technologies Limited	-	515,879	-	-	8,561,251	-
Total (A)	-	515,879	-	-	8,561,251	-
Fellow Subsidiaries						
HCL Comnet Limited	-	-	1,951,890	-	4,661,753	-
Total (B)	-	-	1,951,890	-	4,661,753	-
Total (A+B +C)	-	515,879	1,951,890	-	13,223,004	-

# HCL Comnet Systems & Services Limited

## Notes to financial statements

(All amounts in ₹, except share data and as stated otherwise)

### d) Outstanding balances with related parties

	Loans outstanding		Liability for expenses		Interest accrued but not due on borrowings		Trade receivables	
	As at		As at		As at		As at	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Holding Company								
-HCL Technologies Limited	-	-	8,410,895	8,639,437	-	-	46,765,509	31,710,213
Total (A)	-	-	8,410,895	8,639,437	-	-	46,765,509	31,710,213
Fellow Subsidiaries								
-HCL Comnet Limited	40,000,000	-	4,588,240	729,688	266,301	-	5,808,668	-
Total (B)	40,000,000	-	4,588,240	729,688	266,301	-	5,808,668	-
Others (Significant influence)								
-HCL Infosystems Limited	-	-	-	-	-	-	253,497	-
Total (C)	-	-	-	-	-	-	253,497	-
Total (A+B+C)	40,000,000	-	12,999,135	9,369,125	266,301	-	52,827,674	31,710,213

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## HCL Comnet Systems & Services Limited

### Notes to financial statements

(All amounts in ₹)

#### 2.19 Leases

##### i) Finance leases: In case assets taken on lease

The Company has acquired vehicles on finance leases. Total minimum lease payments and maturity profile of finance leases at the balance sheet date, the element of interest included in such payments, and the present value of the minimum lease payments are as follows:

	Total Minimum Lease payment outstanding	Interest included in minimum lease payments	Present value of minimum lease payments
June 30, 2014			
Not Later than one year	78,240 (147,623)	3,481 (14,629)	74,759 (132,994)
Later than one year and later than five year	- (71,535)	- (7,089)	- (64,446)
<b>Total</b>	<b>78,240</b> <b>(219,158)</b>	<b>3,481</b> <b>(21,718)</b>	<b>74,759</b> <b>(197,440)</b>

Previous year figures are in bracket.

##### ii) Operating Leases

The Company leases office spaces and accommodation for its employees under operating lease agreements. The lease rental expense relating to real estate recognised in the statement of profit and loss for the year is ₹1,741,568. (Previous year ₹135,214). The escalation amount of non cancellable operating lease payable in future years and accounted for by the company is ₹ Nil (Previous year ₹ Nil).

#### 2.20 Segment reporting


In the opinion of the management, services comprising only of VSAT and satellite based telecommunication services under a licence from Department of Telecommunications, Government of India is the only business segment of the Company and the Company majorly operates in a single geographical segment and hence there are no reportable segments as envisaged in Accounting Standard (AS)-17 'Segment Reporting' notified by Companies (Accounting Standards) Rules, 2006 (as amended). Accordingly, no disclosures for segmental reporting have been included in the financial statements.

#### 2.21 Employee Benefit Plans:

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

##### A. Defined Contribution Plans and State Plans

Employer's contribution to Employees State Insurance  
Employer's contribution to Employee's Pension Scheme



**HCL Comnet Systems & Services Limited**  
**Notes to financial statements**  
(All amounts in ₹)

During the year the Company has recognized the following amounts in the statement of profit and loss:-

	Year ended	Year ended
	June 30, 2014	June 30, 2013
Employer's contribution to Employee's state insurance	111,952	34,706
Employer's contribution to Employee's pension scheme	272,011	671,086
	<b>383,963</b>	<b>705,792</b>

**B. Defined Benefit Plans**

- a) Gratuity
- b) Employers Contribution to Provident Fund

**Gratuity**

The Company has an unfunded defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service.

The following table set out the status of the gratuity plan as required under Accounting Standard 15 (Revised):

**Statement of profit and loss**

Net employee benefit expense (recognized in Employee Cost)

	Year ended	Year ended
	June 30, 2014	June 30, 2013
Current service cost	563,719	568,903
Interest cost on benefit obligation	455,093	470,202
Net actuarial (gain)/loss recognized in the year	1,273,900	(7,885)
<b>Net benefit expense</b>	<b>2,292,712</b>	<b>1,031,220</b>

**Balance Sheet**

Details of Provision for Gratuity

	Year ended	Year ended
	June 30, 2014	June 30, 2013
Defined benefit obligations	2,353,936	6,038,715
Fair value of plan assets	-	-
	2,353,936	6,038,715
Less: unrecognized past service cost	-	-
<b>Plan liability</b>	<b>2,353,936</b>	<b>6,038,715</b>

## HCL Comnet Systems & Services Limited

### Notes to financial statements

(All amounts in ₹)

Changes in present value of the defined benefit obligation are as follows:

	Year ended	Year ended
	June 30, 2014	June 30, 2013
Opening defined benefit obligation	6,038,715	92,996,505
Less : Amount transferred on Demerger as per "Scheme of Arrangement" (refer note 2.24)	-	(88,171,282)
Current service cost	563,719	568,903
Interest cost	455,093	470,202
Benefits paid	(5,977,491)	182,272
Acturial (gain) on obligation	1,273,900	(7,885)
Closing defined benefit obligation	2,353,936	6,038,715

The principal assumptions used in determining gratuity for the Company's plans are shown below:

	Year ended	Year ended
	June 30, 2014	June 30, 2013
Discount rate	8.80%	7.45%
Estimated rate of salary increases	7%	7%
Employee turnover	20%	23%
Expected rate of return on assets	NA	NA

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

The following table set out the experience adjustment to plan liabilities as required under AS-15 (Revised) :

	Year ended	Year ended	Year ended	Year ended	Year ended
	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010
Defined benefit obligations	2,353,936	6,038,715	92,996,505	63,398,349	51,326,222
Experience adjustment on plan liabilities	2,401,438	(208,839)	4,688,251	(929,331)	1,825,809

#### Employers Contribution to Provident Fund

The Company contributes to HCL Comnet Systems & Services Limited and HCL Comnet Limited Employee Trust, which is maintained jointly by HCL Comnet Systems & Services Limited and HCL Comnet Limited. The disclosure of plan assets cannot be provided as the plan assets are not attributable to its participants. The actuary has provided a valuation and based on the assumption mentioned below there is no shortfall as at 30 June 2014.

**HCL Comnet Systems & Services Limited****Notes to financial statements**

(All amounts in ₹)

Assumptions used in determining in the present value of obligations of the interest rate guarantee under the Deterministic Approach.

	Year ended	
	June 30, 2014	June 30, 2013
Government of India (GOI) bond yield	8.80%	7.95%
Remaning term of maturity	8.57 years	9.18 years
Expected guaranteed interest rate	8.75%	8.50%

During the year ended June 30, 2013 the Company has contributed ₹392,068 (previous year ₹ 2,099,012) towards Employer's contribution to the Provident Fund.

**2.22 Auditors' remuneration\*:**

	Year ended	Year ended
	June 30, 2014	June 30, 2013
<b>A. As auditors'</b>		
Statutory audit	1,100,000	150,000
Tax audit fees	770,000	100,000
<b>B. For Certification</b>	200,000	-
	<b>2,070,000</b>	<b>250,000</b>

\*excluding service tax

**2.23 CIF value of imports**

	Year ended	Year ended
	June 30, 2014	June 30, 2013
Capital goods	8,484,272	12,891,830
	<b>8,484,272</b>	<b>12,891,830</b>

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## HCL Comnet Systems & Services Limited

### Notes to financial statements

(All amounts in ₹)

#### 2.24 Scheme of arrangement ("Scheme")

- A. During the previous year in accordance with the terms of a Scheme of arrangement ("Scheme") under Sections 391 to 394 of the Companies Act, 1956, approved by the Hon'ble High Court of Delhi vide its order dated 12 April 2013, effective from May 17, 2013 being the date of filling of the said order with the office of Registrar of Companies, NCT of Delhi & Haryana, the IT enabled services division ("Demerged undertaking") of the Company has been demerged and transferred to HCL Technologies Limited, holding company of the Company on going concern basis with effect from 1 April 2012, being the appointed date along with all property, assets, liabilities, rights, duties and powers.

Pursuant to the court order and as per the scheme :

- the amount of difference between aggregate value of assets over the aggregate value of liabilities of the demerged undertaking and the credit balance of the profit and loss account related to the Demerged undertaking as transferred by the Company to HCL Technologies Limited, has been adjusted against the issued, subscribed and paid up share capital of the Company by reducing the face value and paid up value per equity share of the Company from ₹ 10 to ₹ 1, balance with the capital redemption reserve. The remaining deficit in the books of the Company first has been adjusted against the securities premium account and balance against its statement of profit and loss account.
- the consideration for transfer has been settled by issue of 10,125 equity shares of ₹ 2 each in the ratio of 227 fully paid up equity shares of HCL Technologies Limited, holding company of the Company of ₹ 2 each for every 100 equity shares of ₹ 10/- each held by members of the Company as on record date (except HCL Technologies Limited). The shares were issued by HCL Technologies Limited to the shareholders as per their entitlement.

Further the scheme provided for re-organization of equity share capital of the Company by reducing the face value and paid up value per share from ₹10 to ₹1 each, such reduced face value / nominal value per equity share of the Company stands altered by consolidating the equity shares of ₹ 1 each into 1 (one) equity share of ₹10,000 each. Subsequent to the re-organization of the equity share capital and as per the scheme, the shareholders of fractional equity shares were paid price as determined by the independent valuer and such fractional equity shares stands cancelled and extinguished upon payment. The price paid by the Company over and above the face value of the fractional equity shares so cancelled has been adjusted against the profit and loss account.

In view of the above,

- A sum of ₹ 1,328,909,325 being the excess of net assets of the Demerged undertaking as transferred on 1 April 2012, has been adjusted in accordance with the scheme. All Assets and liabilities including reserve and surplus pertaining to Demerged undertaking have been excluded from balance sheet as of June 30, 2013.
- the net profit after tax of the Demerged undertaking has been excluded from the statement of profit and loss of the Company for the year ended June 30, 2013, however in the previous period (post demerger : 1 April 2012 to 30 June 2012) the net profit after tax pertaining to demerged undertaking was ₹ 862,546,717.
- the net cash flow for the period 1 April, 2012 to 30 June 2012 pertaining to Demerged undertaking on account of operating, investing and finance activities aggregated to ₹ 1,113,375,537, (₹ 1,018,371,109) and ₹ (2,323,280) respectively. The opening cash and cash equivalents amounting to ₹ 3,08,703,904 has been accordingly reduced from the previous year cash flow statement.

**HCL Comnet Systems & Services Limited****Notes to financial statements**

(All amounts in ₹)

**Assets and Liabilities of "Demerged undertaking" transferred is as under:**

	<b>Amount (in ₹)</b>
<b>Assets</b>	
Fixed assets (net of accumulated depreciation ₹ 1,838,544,597)	439,307,866
Capital work in progress	38,235,953
Deferred tax assets	201,321,335
Non-current investments	2,797,427,003
Long term loans and advances	47,124,922
Other non-current assets	27,955,032
Trade receivables	1,581,491,223
Cash and bank balances	216,022,768
Short - term loans and advances	5,856,307,243
Other current assets	303,266,314
<b>Total (A)</b>	<b>11,508,459,659</b>
<b>Liabilities</b>	
Long term borrowings	9,146,569
Long term provisions	95,759,073
Trade payables	600,962,274
Other current liabilities	875,754,027
Short term provisions	279,809,324
<b>Total (B)</b>	<b>1,861,431,267</b>
<b>Net assets transferred under the scheme of arrangement (A-B)</b>	<b>9,647,028,392</b>
Less: Credit balance of profit and loss account of 'demerged undertaking'	8,318,119,067
<b>Excess of the Net assets transferred :</b>	<b>1,328,909,325</b>
Less: Reduction in the face value of 12,809,369 issued , subscribed and fully paid up equity share capital from ₹ 10 to ₹ 1 each	115,284,321
Less: Capital redemption reserve	450,000,000
<b>Remaining excess of the net assets adjusted with :</b>	<b>763,625,004</b>
Security Premium Account	195,500,000
Profit and Loss Account	568,125,004

b

## HCL Comnet Systems & Services Limited

### Notes to financial statements

(All amounts in ₹)

**B. Result of operations of demerged undertaking for the period 1 April, 2012 to 30 June, 2012 on behalf of HCL Technologies Limited is as under :**

	Amount (in ₹)
<b>Income</b>	
Revenue from operations	2,498,995,672
Other income	128,817,697
<b>Total revenue (A)</b>	<b>2,627,813,369</b>
<b>Expenses</b>	
Employee benefit expenses	611,527,928
Other expenses	695,752,633
Finance costs	1,780,834
Depreciation and amortization expense	71,361,155
<b>Total expenses (B)</b>	<b>1,380,422,550</b>
<b>Profit before tax (C) = (A-B)</b>	<b>1,247,390,819</b>
Provision for tax (D)	384,844,102
<b>Profit after tax (C-D)</b>	<b>862,546,717</b>

#### 2.25 Micro and Small Enterprises:

As per information available with the management, the dues payable as at any time during the period from July 1, 2013 to June 30, 2014 to enterprises covered under "The Micro, Small and Medium Enterprises Development Act, 2006" is ₹ Nil (previous year ₹ Nil).

This has been determined on the basis of responses received from vendors on specific confirmation sought by the Company in this regard.

#### 2.26 Deferred tax assets

As at the period ending on June 30, 2014 and June 30, 2013, the Company is having net deferred tax assets primarily comprising of carry forward losses under tax laws. However in the absence of virtual certainty as to its realization of Deferred Tax Assets (DTA), DTA has not been created on carryforward losses.

#### 2.27 Employee stock option

HCL Technologies Limited, the holding company, has issued employee stock options to the employees of the Company. The cost incurred by the holding company for issuing such options is ₹ 147,992 (previous year ₹ 3,919,443)

## HCL Comnet Systems & Services Limited

### Notes to financial statements

(All amounts in ₹)

#### 2.28 Commitments and contingent liabilities

	As at	
	June 30, 2014	June 30, 2013
<b>i) Capital and other commitments</b>		
Estimated amount of unexecuted capital contracts (net of advance)	9,565,487	1,084,230
	9,565,487	1,084,230
<b>ii) Contingent Liabilities</b>	-	210,581
	-	210,581

#### 2.29 Previous year comparatives

The previous year figures have been re-classified/re-grouped to conform to the current years classification, however the same are not comparable.

As per our report of even date

For S. R. BATLIBOI & ASSOCIATES LLP  
ICAI Firm Registration Number:101049W  
Chartered Accountants

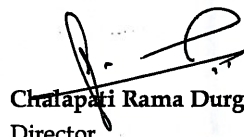


Per Yogesh Midha  
Partner  
Membership Number: 94941

Gurgaon, India

Date:- 19/9/2014

For HCL Comnet Systems & Service Limited



Chalapati Rama Durga Prasad  
Director



Nalin Mittal  
Director



Ashish Garg  
Company Secretary

Noida (UP), India

Date:- 19/9/2014