AGC
NETWORKS LTD.
Powering Enterprise Communication

CHANGE OPENS POSSIBILITIES

24th Annual Report
2009-2010

An ESSAR Enterprise

A clear vision inspires the right **change** and

heralds new beginnings

Our vision: To be a world-class Solution Integrator of choice in Enterprise Communication

When the goal is in sight, **change**

accelerates the journey

Our mission: To provide best-in-class Enterprise Communication Solutions enabling customers to accelerate their business performance

Change strengthens our core values and

expands the horizon

Our values: Will to Win • Integrity, Fairness and Responsiveness • Accountability, Empowerment and Collaboration • Continuous Improvement • Innovation

Possibilities expand when we go beyond imagination

We have performed and achieved. Beaten challenges and grabbed opportunities. Many times and in many ways. It's time now to raise the bar and set new challenges for ourselves.

There's a whole new world of possibilities waiting to be explored. Let's open our minds to look beyond what's possible. Let's open our minds to welcome change.

A refreshing new beginning

Avaya GlobalConnect is now AGC Networks, the first step towards a new beginning.

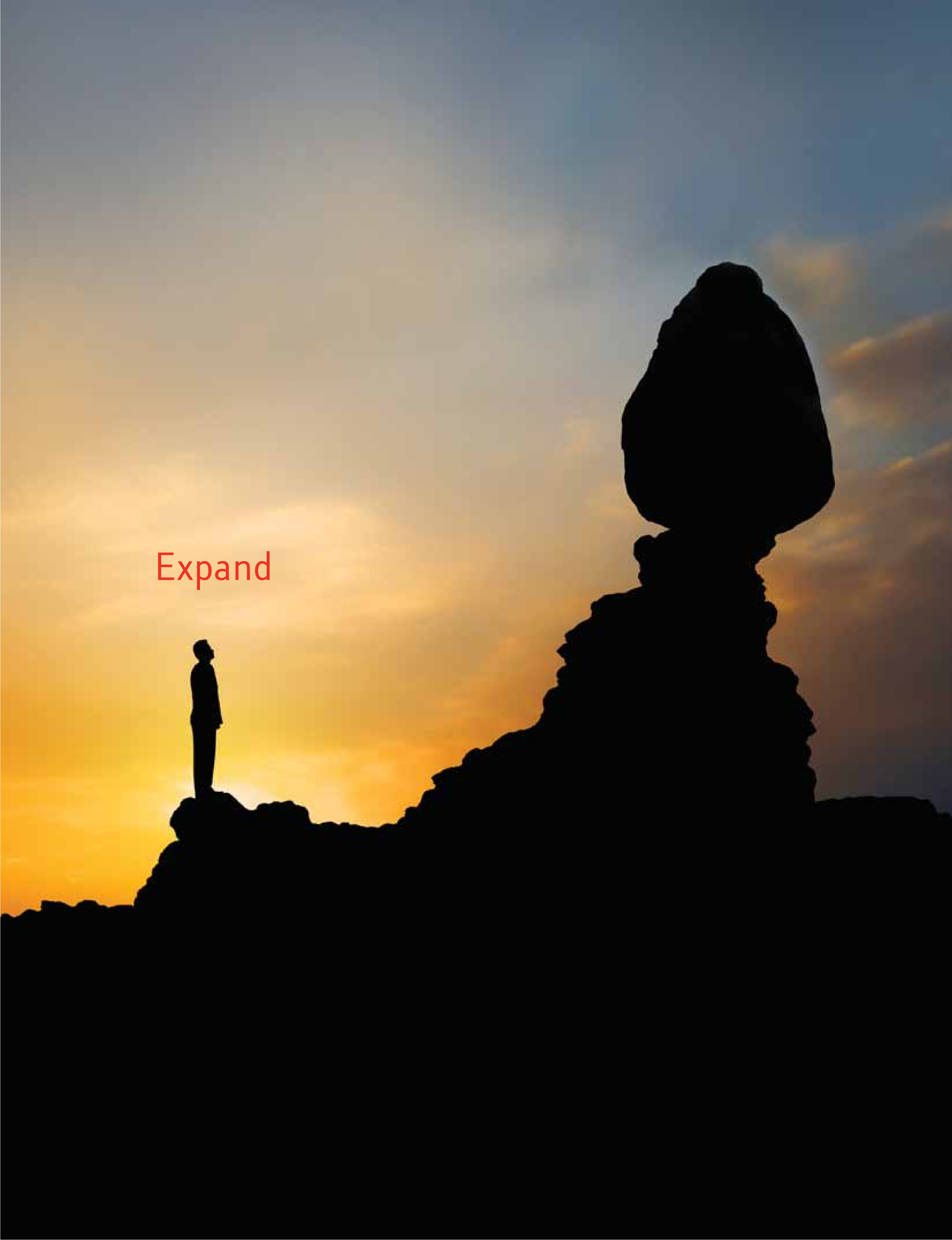
More robust, more dynamic, more enterprising, AGC is here to break new grounds and conquer greater heights.

The world is our playground

The coming together of AGC and Essar has changed the way we look at possibilities. A giant conglomerate with annual revenue of over USD 15 billion, Essar continuously forays into new international markets and explores new business areas. Essar's vision together with AGC's philosophy of openness, not only promises us a global reach, but also brings growth and continuity in all our future endeavours.

The canvas is now bigger for us and the horizon has expanded. There are more geographies to be conquered and bigger dreams to be realized.

So, let's take this journey together.



Expand

The right change fuels our will to excel and outshine

Here's a look at our achievements from the year gone by:

Top Enterprise Voice Solutions Company 2010 by Voice & Data

For the 7th year in a row, AGC won the Top Enterprise Voice Solutions Company award, instituted by Voice & Data. The award was presented by PJ Thomas, Secretary Dept. of Telecom - Government of India.

Award for Continuous Innovation in HR Strategy at Work, 2010

AGC won this prestigious award at Asia's Best Employer Brand Awards Forum, Singapore.

Excellence in Unified Communication Solutions, 2010

AGC was conferred upon the Excellence in Unified Communication Solutions award at Business World CMAI National Telecom Awards. The award was presented by Thiru A Raja, Honourable Minister for Communications and IT, Government of India.

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Company Information

Directors

S. Ramakrishnan - Chairman

S. K. Jha - Managing Director & CEO

Anil Nair - Joint Managing Director & President

Anshuman Ruia

Aparup Sengupta

Anil Batra

Debashis Chatterjee

Vikash Saraf

Company Secretary

Vishal Kohli

Auditors

M/s. Lovelock & Lewes,
Chartered Accountants

Registered Office

72, Kalpataru Synergy, Opp. Grand Hyatt,
Vakola, Santacruz (East),
Mumbai - 400 055

Corporate Office

DLF Square, 19th Floor, M-Block, Jacaranda Marg,
DLF City, Phase-II,
Gurgaon - 122 002

Works

E-1/I, Gandhinagar Electronics Estate,
Gandhinagar - 382 028, Gujarat

Regional Offices

Bangalore, Chennai, Gurgaon, Kolkata, Mumbai, Pune

Branches and Service Centres

Ahmedabad, Bilaspur,
Chandigarh, Guwahati, Hyderabad,
Jamshedpur, Kochi,
Nagpur, Surat, Vadodara

Bankers - Bank of India
Calyon Bank
IDBI Bank Limited

Registrars and Share Transfer Agents

TSR DARASHAW LIMITED
6-10, Haji Moosa Patrawala Industrial Estate,
20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011

Audit Committee

S. Ramakrishnan - Chairman

Anil Batra

Debashis Chatterjee

Aparup Sengupta

Shareholders'/Investors' Grievance Committee

Anil Batra - Chairman

Debashis Chatterjee

S. K. Jha

Ethics and Compliance Committee

Debashis Chatterjee - Chairman

Anil Batra

Remuneration Committee

Anil Batra - Chairman

S. Ramakrishnan

Aparup Sengupta

Vikash Saraf

Notice

AGC NETWORKS LIMITED
(formerly Avaya GlobalConnect Limited)

Notice is hereby given that the Twenty Fourth Annual General Meeting of the members of AGC Networks Limited will be held on Monday, the 20th day of December, 2010 at 11:00 A.M. at the Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Mahalaxmi, Haji Ali, Mumbai – 400034, to transact the following business :

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report, audited Profit and Loss Account for the period ended September 30, 2010 and the Balance Sheet as at that date.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. Anil Batra who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. S. Ramakrishnan who retires by rotation and is eligible for re-appointment.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :-

   "RESOLVED that pursuant to the provisions of Section 224, 225 and other applicable provisions of the Companies Act, 1956, M/s. S. R. Batliboi & Associates, Chartered Accountants, Mumbai, be and are hereby appointed Auditors of the Company, to hold office from the conclusion of this meeting upto the conclusion of the next Annual General Meeting of the Company, to examine and audit the accounts of the Company for the financial year 2010-11 on such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors in addition to reimbursement of service tax, out-of-pocket expenses, travelling and other expenses, in connection with the work of audit to be carried out by them."

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :-

   "RESOLVED that Mr. Anshuman Ruia, who was appointed as Additional Director by the Board of Directors of the Company pursuant to Article 151 of the Articles of Association of the Company and who holds office up to the date of the ensuing Annual General Meeting under Section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :-

   "RESOLVED that Mr. Aparup Sengupta, who was appointed as Additional Director by the Board of Directors of the Company pursuant to Article 151 of the Articles of Association of the Company and who holds office up to the date of the ensuing Annual General Meeting under Section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

8. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :-

   "RESOLVED that Mr. Vikash Saraf, who was appointed as Additional Director by the Board of Directors of the Company pursuant to Article 151 of the Articles of Association of the Company and who holds office up to the date of the ensuing Annual General Meeting under Section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

9. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :-

   "RESOLVED that Prof. Debashis Chatterjee, who was appointed as Additional Director by the Board of Directors of the Company pursuant to Article 151 of the Articles of Association of the Company and who holds office up to the date of the ensuing Annual General Meeting under Section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

10. To consider and if thought fit, to pass, with or without modification(s), the following resolutions as Ordinary Resolutions :-

   (a) "RESOLVED that Mr. S. K. Jha, who was appointed as Additional Director by the Board of Directors of the Company pursuant to Article 151 of the Articles of Association of the Company and who holds office up to the date of the ensuing Annual General Meeting under Section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company."

   (b) "RESOLVED that pursuant to Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act as amended, Mr. S. K. Jha, be and is hereby appointed as 'Managing Director and CEO' of the Company, for a period of 5 (five) years, with effect from August 31, 2010 till August 30, 2015, without payment of any remuneration from the Company."

11. To consider and if thought fit, to pass, with or without modification(s), the following resolutions as Ordinary Resolutions :-

   (a) "RESOLVED that in partial modification of the Resolution passed at the Annual General Meeting of the Company held on January 29, 2010 and in accordance with the provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956, the Company, in addition to the current remuneration as set out in the Explanatory Statement annexed to the Notice convening this meeting, hereby approves the payment of the following additional remuneration / retention plan amount to Mr. Anil Nair, Managing Director ('Joint Managing Director and President' with effect from August 31, 2010) :

(i)	Amount	-	Rs. 160 lakhs (in addition to notice / non-compete period)
(ii)	Retention Period	-	May 01, 2010 to June 30, 2011
(iii)	Payable 100% on	-	July 01, 2011
(iv)	Conditions	-	(1) Payable on July 01, 2011 if the employment continues
			(2) Payable in full upon involuntary separation"

   (b) "RESOLVED that pursuant to Sections 198, 269, 309, 310 and 311 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956, approval be and is hereby accorded for the change in the designation of Mr. Anil Nair, Managing Director to 'Joint Managing Director and President' with effect from August 31, 2010 to April 27, 2012, his other terms and conditions of appointment and remuneration remaining the same."

Notes :

a. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the business under items 5, 6, 7, 8, 9, 10 & 11 set out above are annexed hereto. The relevant details in respect of item nos. 3 & 4 above, as required by Clause 49 of the Listing Agreement entered into with Stock Exchanges are also annexed.

b. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself / herself and the proxy need not be a member. In order to be effective, the proxy must be received by the Company not less than 48 hours before the meeting.

c. Member / Proxy holder must bring the attendance slip to the meeting and hand it over at the entrance duly signed.

d. The Register of Members and the Share Transfer Books of the Company will remain closed from 1st December, 2010 to 20th December, 2010 (both days inclusive).

e. The dividend on Equity Shares as recommended by the Directors for the period ended September 30, 2010, if declared at the meeting will be paid on and after January 06, 2011, to those Members whose names appear on the Register of Members of the Company on December 20, 2010. In respect of shares held in electronic form, the dividend will be payable to the beneficial owners of shares as at the end of business hours on November 30, 2010, as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited.

f. As per the provisions of the Companies Act, 1956, facility for making nominations is available for shareholders in respect of the shares held by them. Nomination forms can be obtained from the Registrars and Share Transfer Agents of the Company.

g. Members are requested to notify, immediately, any change in their address to the Company's Registrars and Share Transfer Agents.

h. Corporate Members intending to send their authorized representatives are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.

i. Members are requested to bring their copy of the Annual Report.

j. Members are advised to avail ECS facility for the credit of dividend directly to their bank accounts. This facilitates quick credit of the dividend amount and eliminates any delay or loss of the dividend warrants in transit and also ensures safety against fraudulent encashment.

k. Pursuant to the provisions of Section 205A(5) and 205C of the Companies Act, 1956, the Company has transferred the unpaid or unclaimed dividends for the financial year 1997-98, 2001-02 & 2002-03 to the Investor Education and Protection Fund (IEPF) established by the Central Government.

   Dividends for the financial year ended March 31, 2004 and thereafter, which remain unpaid or unclaimed for a period of 7 years from the date they become due for payment will be transferred by the Company to IEPF. Members who have not so far encashed dividend warrant(s) for the aforesaid years are requested to seek issue of duplicate warrant(s) by writing to the Company's Registrar and Share Transfer Agents, immediately.

   Members are requested to note that no claims shall lie against the Company or the IEPF in respect of any amounts which were unclaimed or unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claim.

l. As the members are aware, your Company's shares are tradable compulsorily in electronic form. In view of the numerous advantages offered by the Depository system, members are requested to avail of the facility of dematerialisation of the Company's shares on either of the Depositories viz. National Securities Depository Limited (NSDL) or Central Depository Services (India) Limited (CDSL).

m. In order to provide protection against fraudulent encashment of the warrants, members holding shares in physical form are requested to intimate the Registrar and Share Transfer Agents under the signature of the Sole / First holder, the following information to be incorporated on the Dividend Warrants : (i) Name of the Sole / First joint holder and the folio number, (ii) Particulars of the Bank Account viz., (1) Name of the Bank, (2) Name of the Branch, (3) Complete address of the Bank with Pin code number, and (4) Bank Account no. allotted by the Bank.

   In respect of other matters pertaining to Bank details, ECS mandates, nomination, power of attorney, change in name / address etc., the members are requested to approach the Company's Registrars and Share Transfer Agents, in case of shares held in physical form and the respective Depository Participants, in case of shares held in electronic form. In all correspondence with the Company / Registrars and Share Transfer Agents, members are requested to quote their account / folio numbers or DP ID and Client ID for physical or electronic holdings respectively.

n. In view of the change in the name of the Company from 'Avaya GlobalConnect Limited' to "AGC Networks Limited" w.e.f. April 27, 2010, the Registrars and Share Transfer Agents would be stamping the new name of the Company as and when the share certificates are lodged with them for transfer, transposition, splitting, consolidation, etc.

By Order of the Board of Directors

Place : Mumbai
Date : November 15, 2010

Registered Office :
72, Kalpataru Synergy,
Opp. Grand Hyatt, Vakola,
Santacruz (East),
Mumbai – 400 055.

VISHAL KOHLI
Company Secretary

EXPLANATORY STATEMENT U/S 173(2) OF THE COMPANIES ACT, 1956

Item No. 5 :

The Company has received a 'Special Notice', in terms of Section 225 of the Companies Act, 1956, from a member of the Company, proposing the appointment of M/s. S. R. Batliboi & Associates, Chartered Accountants, Mumbai, as the Statutory Auditors of the Company, in place of M/s. Lovelock & Lewes, Chartered Accountants, Mumbai, the retiring auditors of the Company. The said special notice stated that in view of the change in the ownership from 'Avaya' to 'Essar', it recommends the appointment of M/s. S. R. Batliboi & Associates, Chartered Accountants, Mumbai, as the Statutory Auditors of the Company, as M/s. S. R. Batliboi & Associates are the statutory auditors of 'Essar'.

In view of the above, the Board of Directors proposes the appointment of M/s. S. R. Batliboi & Associates, Chartered Accountants, Mumbai, as Auditors of the Company to hold office from the conclusion of this meeting to the conclusion of the next Annual General Meeting of the Company, on terms and conditions to be mutually agreed upon between the Board of Directors and the Auditors as set out in the resolution. M/s. S. R. Batliboi & Associates, have confirmed that they are eligible for appointment in accordance with the provisions of Section 224(1B) of the Companies Act, 1956.

The Board recommends the resolution for approval of the members.

None of the Directors of the Company is concerned or interested in this resolution.

Item No. 6 :

Mr. Anshuman Ruia was appointed as an Additional Director of the Company during the year. Pursuant to Section 260 of the Companies Act, 1956, Mr. Anshuman Ruia will hold office as Additional Director upto the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Mr. Anshuman Ruia for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Mr. Anshuman Ruia is a Director on the Board of major companies of Essar Group. With a bachelor's degree in Commerce, Mr. Ruia has over a decade of experience in overseeing the Group's major businesses. He currently oversees Essar's Shipping Ports & Logistics, Telecom & BPO, and Power businesses. He is responsible for the expansion and diversification of the Power business into new, renewable energy sources and its entry into the transmission and distribution segment. Mr. Ruia is also involved in new business ventures of the Essar Group in India and oversees. Mr. Ruia is a member of the YPO (Young Presidents' Organisation), a connoisseur of music and a keen table tennis player. He also enjoys outdoor activities with his family.

Nature of expertise in specific functional areas - Shipping Ports & Logistics, Telecom & BPO, Power and new ventures.

As on September 30, 2010, Mr. Anshuman Ruia is a Director and Member of Committees of Boards of other Companies as under :

Directorship	**Member of Committees of Board**
Essar Oil Limited	**Audit Committee**
Essar Power Limited	- Vadinar Oil Terminal Limited
Mahan Coal Limited	- India Securities Limited
Essar Shipping Ports & Logistics Limited	- Essar Power Limited
Essar Bulk Terminal Limited	- Essar Shipping Ports & Logistics Limited
Vadinar Oil Terminal Limited	- Essar Bulk Terminal Limited
Vodafone Essar Limited	- Mahan Coal Limited
India Securities Limited	**Shareholders' / Investors' Grievance Committee**
Aegis Limited	- India Securities Limited
Essar Securities Limited	- Essar Shipping Ports & Logistics Limited

Mr. Anshuman Ruia does not hold any equity shares (either in own name or held by / for other persons on a beneficial basis) in the Company.

The Board of Directors considers that in view of the background and experience of Mr. Anshuman Ruia, it would be in the interest of the Company to appoint him as a Director of the Company.

The Board recommends the resolution for approval of the members.

Save and except Mr. Anshuman Ruia, none of the Directors is, in any way, concerned or interested in this resolution.

Item No. 7 :

Mr. Aparup Sengupta was appointed as an Additional Director of the Company by the Board of Directors at its meeting held on August 31, 2010. Pursuant to Section 260 of the Companies Act, 1956, Mr. Aparup Sengupta will hold office as Additional Director upto the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Mr. Aparup Sengupta for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Mr. Aparup Sengupta is a serial Entrepreneur and has been in the IT / BPO industry for the past 22 years. He started his career at CMC Limited (ex-IBM), India's premiere Software Development and System Integration firm and played a leadership role in some of the landmark IT deals in Defence and Manufacturing segment.

In late 1997, Mr. Aparup started the Asia Pacific operations of IonIdea. As the CEO of IonIdea he nurtured the company in several directions, both in the services space and Product development. Mr. Aparup created one of the first multicultural, multi-nationality software and development capabilities in India for the IonIdea group. In early 2000, Mr. Aparup founded 24/7Customer.com, India's leading CRM service delivery organization and migrated several Fortune 500 Programs into India in the Telecom, Banking, Retail, Hospitality and Technology segments. In August 2001, Mr. Sengupta founded Think Harbour, a consulting company focused on the BPO enabling space and worked with several corporations in India, UK and USA to transition their practices into efficient geographies like India and Philippines. Mr. Aparup sold Think Harbour to GTL and relocated to New York for a 2 year stint as their CEO for BPO and IT Services.

Mr. Aparup came back to India to spearhead the BPO initiative for Essar Group as the Managing Director and Global CEO of Aegis. At Aegis he engineered a spectacular growth story interwoven with organic and inorganic wins. From less than USD 60 million revenues, his focus, vision and determination have made Aegis a USD 600 million company in less than five years. Under his guidance, Aegis completed 14 successful acquisitions in a short span of 4 years, resulting in larger than expected returns and an attrition rate of less than 2 percent at the top management.

Mr. Aparup has been the Lead Assessor and Member of the Jury of the CII Business Excellence Award, equivalent to the Malcolm Baldrige award in US and Deming Award in Japan. He was also nominated as an Advisor to Benchmark Portal, an affiliate of the CCDQ at the Purdue University that evaluates Call Centers. He also served as the Chairman of the BPO Steering Committee of ASSOCHAM, India's leading commerce and industry forum. For his role, Global M&A awarded Mr. Aparup the Corporate Dealmaker of the Year award for delivering strategic value by successfully executing mergers and acquisitions. Likewise, NASSCOM recognized Aegis with the Business Innovation award for unique growth strategy.

Mr. Aparup Sengupta has a Bachelor's Degree in Engineering from BE College, Kolkata, and has participated in several post-graduate leadership programs at institutions like IIM Calcutta, XLRI Jamshedpur and Portsmouth University, UK. Mr. Aparup contributes frequently as an author and speaker at several industry forums across the world. His articles regularly feature in the Wall Street Journal, amongst others. Mr. Aparup is currently the Managing Director and Global CEO of Aegis business group and also serves as a member of the Board.

Mr. Aparup Sengupta is a member of the Remuneration Committee and Audit Committee of the Company.

Nature of expertise in specific functional areas - IT / BPO Industry.

As on September 30, 2010, Mr. Aparup Sengupta is a Director and Member of Committees of Boards of other Companies as under :

Directorship

Aegis Limited
Apsen Advisors Private Limited
Global Vantedge Private Limited
Aegis BPO Services (Gurgaon) Limited
Essar Engineering Services Limited
Aegis Aspire Consultancy Services Limited
Aegis Tech Limited
Highband Communications Private Limited
Aegis BPO (UK) Limited
UCMS Group Pty Limited

Member of Committees of Board

Shareholders' / Investors' Grievance Committee

- Aegis Limited

Mr. Aparup Sengupta does not hold any equity shares (either in own name or held by / for other persons on a beneficial basis) in the Company.

The Board of Directors considers that in view of the background and experience of Mr. Aparup Sengupta, it would be in the interest of the Company to appoint him as a Director of the Company.

The Board recommends the resolution for approval of the members.

Save and except Mr. Aparup Sengupta, none of the Directors is, in any way, concerned or interested in this resolution.

Item No. 8 :

Mr. Vikash Saraf was appointed as an Additional Director of the Company by the Board of Directors at its meeting held on August 31, 2010. Pursuant to Section 260 of the Companies Act, 1956, Mr. Vikash Saraf will hold office as Additional Director upto the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Mr. Vikash Saraf for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Ms. Vikash Saraf is Director (Strategy and M&A) of Essar Group. Formerly he was the Chief Executive Officer of Essar Teleholdings Limited, the Essar Group's Indian holding company for telecom business. Prior to joining the Essar Group, Mr. Saraf was Executive Director and CEO of SSKI Corporate Finance Ltd., a boutique investment bank specializing in infrastructure financing and advisory work. Mr. Saraf completed his Bachelor of Commerce from Shri Ram College of Commerce, New Delhi and a Management Degree from Indian Institute of Management, Kolkata.

Mr. Vikash Saraf is a member of the Remuneration Committee of the Company.

Nature of expertise in specific functional areas - Strategy and M&A.

As on September 30, 2010, Mr. Vikash Saraf is a Director and Member of Committees of Boards of other Companies as under :

Directorship

Vodafone Essar Limited
Vodafone Essar Mobile Services Limited
Vodafone Essar South Limited
Vodafone Essar East Limited
Vodafone Essar Digilink Limited
Vodafone Essar Gujarat Limited
Vodafone Essar Spacetel Limited
Vodafone Essar Cellular Limited

Member of Committees of Board

Audit Committee

- Vodafone Essar Limited
- Vodafone Essar Mobile Services Limited
- Vodafone Essar South Limited
- Vodafone Essar East Limited
- Vodafone Essar Digilink Limited
- Vodafone Essar Gujarat Limited
- Vodafone Essar Spacetel Limited

Mobile Commerce Solutions Limited
Vodafone Essar Shared Services Limited
Indus Towers Limited
Paprika Media Private Limited
Aegis Limited
Essar Securities Limited
Daiwik Hotels Private Limited
Daiwik Biofuel Private Limited
Consolidated Entertainment Private Limited
Suraj Bari Windfarm Development Private Limited
Continuum Energy Pte Limited
Unique Intermediary Facilitators
(a Section 25 Company)

- Vodafone Essar Cellular Limited
- Vodafone Essar Shared Services Limited
- Aegis Limited

Mr. Vikash Saraf does not hold any equity shares (either in own name or held by / for other persons on a beneficial basis) in the Company.

The Board of Directors considers that in view of the background and experience of Mr. Vikash Saraf, it would be in the interest of the Company to appoint him as a Director of the Company.

The Board recommends the resolution for approval of the members.

Save and except Mr. Vikash Saraf, none of the Directors is, in any way, concerned or interested in this resolution.

Item No. 9 :

Prof. Debashis Chatterjee was appointed as an Additional Director of the Company during the year. Pursuant to Section 260 of the Companies Act, 1956, Prof. Chatterjee will hold office as Additional Director upto the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Prof. Chatterjee for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Prof. Debashis Chatterjee has been ACC Research Fellow, IIM Kolkata, Pre-Doctoral Fulbright Fellow, UST and MIT and Post-Doctoral Fulbright Fellow, Harward University.

Prof. Chatterjee has taught for more than a decade in IIM Lucknow and IIM Kolkata. He pioneered and founded the Global Center for Leadership and Human Values at the Indian Institute of Management Lucknow. His professional career has been a blend of international professional and academic experience in India, USA, Canada, Europe, Australia, South East Asia and South Africa. He was a Fulbright Fellow at Harvard University and MIT. He was a Visiting Professor at Harvard University's Kennedy School of Government. He also taught in the MBA Programme at the University of St. Thomas, Minnesota and at the Harvard Graduate School of Business. He also functioned as Dean, Leadership Centre, S. P. Jain Centre of Management, Singapore.

Prof. Chatterjee's vast administrative experience includes his functioning as Chairman, Placement, IIM Lucknow, Dean, Singapore International Campus, SPJCM, Head, Center for Leadership and Human Values, IIM Lucknow, Co-Convenor, Management Center for Human Values, IIM Kolkata and Regional Head, HR, GIC. Prof. Debashis Chatterjee has, to his credit, more than 100 research publications, monographs and articles in addition to five internationally published books. His next book titled "Timeless Leadership" will shortly be published internationally. Awards won by him include University Gold Medal, Fulbright Scholarship (twice), National Scholarship, Rotary International Award and the Best National Faculty Award instituted by Deccan Herald.

Prof. Chatterjee has directed Executive Development Programmes on Leadership, Self-Management and Learning Organization for over 10000 Managers in more than 100 Companies in all six continents of the world. Some of the large organizations that have benefited from his programmes include Motorola Inc., Ford Motor Company, British Petroleum, AT&T, 3M, Infosys Technologies Ltd., Tata Steel, Monash University, University of St. Thomas, USA and Lucent Technologies. He was described as one of the "thought leaders" of the world by Prof. John Kotler of the Harvard Business School for his contribution to the theory and practice of leadership.

Prof. Chatterjee is the Chairman of the Ethics & Compliance Committee of the Company. He is also a member of the Shareholders' / Investors' Grievance Committee and Audit Committee of the Company.

Nature of expertise and interest in specific functional areas - Transformational Leadership, Personal Growth, Learning Organization, Self-Mastery and Asia Culture and Management.

As on September 30, 2010, Prof. Chatterjee is a director of the following other Companies : Aegis Limited, Henkel India Limited and Kerala Financial Corporation.

Prof. Chatterjee does not hold any equity shares (either in own name or held by / for other persons on a beneficial basis) in the Company.

The Board of Directors considers that in view of the background and experience of Prof. Chatterjee, it would be in the interest of the Company to appoint him as a Director of the Company.

The Board recommends the resolution for approval of the members.

Save and except Prof. Chatterjee, none of the Directors is, in any way, concerned or interested in this resolution.

Item No. 10 (a) & (b) :

The Board of Directors of the Company, at its meeting held on August 31, 2010, appointed Mr. S. K. Jha as an Additional Director of the Company w.e.f. August 31, 2010, pursuant to Section 260 of the Companies Act, 1956 and Article 151 of the Articles of Association of the Company. In terms of Section 260 of the Companies Act, 1956, Mr. S. K. Jha holds office up to the date of the ensuing Annual General Meeting. The Company has received a Notice under Section 257 of the Companies Act, 1956, from a member proposing his candidature for the office of Director of the Company. Further, the Board, at its meeting held on August 31, 2010, appointed Mr. S. K. Jha as 'Managing Director and CEO' of the Company for a period of five (5) years with effect from August 31, 2010 till August 30, 2015, without payment of any remuneration / salary to Mr. S. K. Jha.

A brief resume / profile of Mr. S. K. Jha is as follows :

Mr. Satya K. Jha is the president of Aegis Tech Limited, the IT & Technology Services vertical of Aegis. In this role, Mr. S. K. Jha has the overall responsibility of the Company.

Mr. S. K. Jha has over 18 years of experience in the areas of Systems Integrations, Operations, Sales & Marketing of IT & Telecom Solutions and Strategic Business Planning. He had established 3D Networks, a specialist organization in India / Middle East / USA providing IT and Telecom services and successfully sold the company to Wipro in 2006. Before joining Aegis, he was working as Vice President with Wipro Limited. Academically, he holds a Bachelors Degree in Computer Engineering.

Mr. S. K. Jha is known for his dynamism, passion for excellence and has collaborative leadership style. He is a recognized leader and has the ability to nurture teams and drive businesses.

Mr. S. K. Jha is a member of the Shareholders' / Investors' Grievance Committee of the Company.

Nature of expertise in specific functional areas - Systems Integrations, Operations, Sales & Marketing of IT & Telecom Solutions and Strategic Business Planning.

As on September 30, 2010, Mr. S. K. Jha is not a director of any other company.

Mr. S. K. Jha does not hold any equity shares (either in own name or held by / for other persons on a beneficial basis) in the Company.

In compliance with the provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956, the appointment of Mr. S. K. Jha as 'Managing Director & CEO' as set out in this item of the accompanying Notice is now being placed before the members for their approval.

This may also be treated as an abstract of terms of appointment of the Managing Director & CEO and the Memorandum of Interest of the Director pursuant to Section 302 of the Companies Act, 1956.

The Board recommends the resolution for approval of the members.

Save and except Mr. S. K. Jha, none of the Directors is, in any way, concerned or interested in this resolution.

Item No. 11 (a) & (b) :

Mr. Anil Nair was appointed as the Managing Director of the Company for a period of 3 years with effect from April 28, 2009, on the following terms and conditions and remuneration, which were approved by the members at the last Annual General Meeting of the Company held on January 29, 2010 :

I. Period of Appointment :

April 28, 2009 to April 27, 2012.

The services of the Managing Director may be terminated by either party, by giving the other party six (6) months' notice or either party paying six (6) months' consolidated / gross salary in lieu of the notice period or part thereof.

Provided that if at any time the 'Managing Director' ceases to be a Director of the Company, for any cause whatsoever, he shall cease to be the 'Managing Director' of the Company.

II. Remuneration :

(a) Salary :

Particulars	**Amount p.m.**	**Amount p.a.**
Basic	2,40,000/-	28,80,000/-
House Rent Allowance (HRA)	1,00,000/-	12,00,000/-
Sodexho Coupon	4,000/-	48,000/-
Education Allowance	200/-	2,400/-
Telephone Reimbursement	2,750/-	33,000/-
Car – EMI	60,000/-	7,20,000/-
Fuel & Maintenance Reimbursement	25,000/-	3,00,000/-
Driver Salary Reimbursement	12,000/-	1,44,000/-
Other Allowance	2,58,967/-	31,07,600/-
City Compensatory Allowance (CCA)	4,500/-	54,000/-
Leave Travel Assistance (LTA)	15,000/-	1,80,000/-
Medical Expenses	1,250/-	15,000/-
Gratuity (4.81% of basic)	11,533/-	1,38,400/-
Provident Fund (12% of basic)	28,800/-	3,45,600/-
Superannuation (15% of basic)	36,000/-	4,32,000/-
Incentive (Performance linked) (on 100% performance)	4,66,667/-	56,00,000/-
Company Performance Incentive (CPI) (5% of CTC)	66,667/-	8,00,000/-
Total	**13,33,333/-**	**1,60,00,000/-**

(b) Other Allowances and Perquisites :-

The other Allowances and Perquisites will be inclusive of the following :

(i) Communication facilities :

The Company shall provide cellphone facility to the Managing Director, the expenses for which shall be reimbursed at actuals.

(ii) Club Membership :

The company shall allow the Managing Director to use the corporate club membership and will pay the annual subscription fees not exceeding Rs. 20,000/- per annum plus taxes.

(c) Others :-

(i) Leave Encashment :

Encashment of the leave at the end of the tenure.

(ii) Payment / Reimbursement of entertainment, traveling and other expenses incurred for the business of the Company. The Managing Director shall also be entitled to Credit Card for enabling him to make payment of expenses incurred for the business of the Company. Further, the Managing Director shall be entitled to reimbursement of expenses incurred by him through credit cards, for the business of the Company.

(iii) The Managing Director shall be entitled to Health / Medical Insurance for self and family. The Managing Director shall also be entitled to Personal Accident Insurance cover. The limits in respect of Health / Medical Insurance and Personal Accident Insurance shall be as applicable from time to time.

Explanation :

Perquisites, allowances and amenities, etc. shall be evaluated as per Income Tax Rules, wherever applicable and in absence of any such rule, perquisites shall be evaluated at actual cost.

'Family' means the spouse, dependent children and dependent parents of the Managing Director.

Company's contribution to Provident Fund and Superannuation or Annuity Fund to the extent these either singly or together are not taxable under the Income-tax Act, gratuity payable as per the rules of the Company at the end of the tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

(d) The Managing Director shall be entitled to be paid / reimbursed by the Company all costs, charges and expenses as may be incurred by him for the purpose of or on behalf of the Company.

(e) The increment(s) of the Managing Director will be merit-based and take into account the Company's performance.

III. Overall Remuneration :

The aggregate of salary, allowances and perquisites in any one financial year shall not exceed the limits prescribed under Sections 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act as may for the time being, be in force.

IV. Minimum Remuneration :

Where in any financial year, the Company has no profits or its profits are inadequate, the payment of salary, commission, perquisites and other allowances, shall be paid or given to the Managing Director, subject to the applicable provisions of Schedule XIII of the Companies Act, 1956 and the approval of the Central Government, if required.

V. Other terms and conditions :

1. The Managing Director shall be in-charge of the day-to-day management of the business and affairs of the Company and shall, subject to the superintendence, control and direction of the Board of Directors of the Company, as also subject to the provisions of the Companies Act, 1956, and Articles of Association of the Company, look after and manage day-to-day affairs and business of the Company and for such purpose the Managing Director shall have the authority to appoint any Officer, Executive, Technician, Engineer or other staff members, buy and sell goods (including capital assets) for and on behalf of the Company, grant loans from or otherwise lend or invest the Company's funds, etc., provided always that the Managing Director shall exercise his powers subject to such limits and conditions, if any, as may be imposed from time to time by the Board of Directors.
2. During the continuance of his appointment the Managing Director shall use his best endeavors to promote the interests and welfare of the Company. He shall not either before or after the termination of his appointment disclose to any person whomsoever any information relating to the Company or its business or customers or any trade secrets of which he shall become possessed of while acting as Managing Director. Further, the Managing Director shall also enter into / execute a non-compete agreement with the Company.
3. The Managing Director undertakes not to become interested or otherwise concerned directly or through his wife and / or minor children and / or dependent parents in any selling agency of the Company, at present and in future, without the prior approval of the Central Government, and the appointment shall cease and determine upon the contravention of this undertaking.
4. The Managing Director shall not be entitled to supplement his earnings with any buying or selling commissions.
5. In terms of Article 182 of the Articles of Association of the Company, the Managing Director shall not, while he continues to hold that office, be subject to retirement by rotation.
6. The Managing Director, so long as he functions as such, shall not be paid any sitting fees for attending the Meetings of the Board or Committee thereof.

7. Subject to the supervision and control of the Board of Directors, the day-to-day management of the Company shall be in the hands of the Managing Director.
8. The Managing Director shall also perform such other duties and services and exercise such powers as shall from time to time be entrusted to him by the Directors including the powers exercisable by the Board under the Articles of Association of the Company.

Subsequently, the Remuneration Committee and the Board of Directors of the Company, at its meeting(s) held on April 30, 2010, approved the payment of the following additional remuneration / retention plan amount to Mr. Anil Nair, Managing Director ('Joint Managing Director and President' with effect from August 31, 2010) :

(i)	Amount	-	Rs. 160 lakhs (in addition to notice / non-compete period)
(ii)	Retention Period	-	May 01, 2010 to June 30, 2011
(iii)	Payable 100% on	-	July 01, 2011
(iv)	Conditions	-	(1) Payable on July 01, 2011 if the employment continues (2) Payable in full upon involuntary separation

A brief resume / profile of Mr. Anil Nair is as follows :

Mr. Anil Nair is currently the Joint Managing Director and President of the Company. In this role, he is responsible for Company's overall business, operations and growth.

His work experience spans 30 years in Business Automation, IT and Enterprise Communications; much of this in executive leadership positions with the Tata Group of Companies. Before he joined the Company, he worked with Bradma and Megaware Computers in various leadership roles.

Mr. Anil Nair has been with the Company since 1997 (since erstwhile Tata Telecom days). He worked in the Company as its sales leader initially and in later years in the expanded capacity of President.

Mr. Anil Nair holds a Bachelor of Science degree from Bangalore University, and did his management education from Xavier Institute of Management, Bhubaneswar. He has undergone a Global Advance Management Program from ISB and Kellogg Business School.

His special areas of interest include company turnarounds and business analytics.

Nature of expertise in specific functional areas - Sales, Operations, Capacity Building & Nurturing future leaders

As on September 30, 2010, Mr. Anil Nair is a director of the following other Company : GlobalConnect Australia Private Limited.

Mr. Anil Nair does not hold any equity shares (either in own name or held by / for other persons on a beneficial basis) in the Company.

In compliance with the provisions of Sections 198, 269, 309 read with Schedule XIII to the Companies Act, 1956, the additional remuneration / retention plan amount as set out in this item of the accompanying Notice is now being placed before the members for their approval.

This may also be treated as an abstract of terms of appointment of the Joint Managing Director & President and the Memorandum of Interest of the Director pursuant to Section 302 of the Companies Act, 1956.

The Board recommends the resolution for approval of the members.

Save and except Mr. Anil Nair, none of the Directors is, in any way, concerned or interested in this resolution.

By Order of the Board of Directors

Place : Mumbai
Date : November 15, 2010

VISHAL KOHLI
Company Secretary

Registered Office :
72, Kalpataru Synergy,
Opp. Grand Hyatt, Vakola,
Santacruz (East),
Mumbai – 400 055.

Brief Resume and other information in respect of the Directors seeking re-appointment at the Annual General Meeting :

Mr. Anil Batra

Mr. Anil Batra most recently served as the President – Sales, Marketing & Support at Tejas Networks Limited and is based out of USA.

A 31-year Telecom industry veteran, Mr. Batra worked with various multi-national companies such as Cisco, HP and Juniper in various leadership positions. Mr. Batra was also the Founder and Managing Director of APT Technologies Private Limited.

Mr. Batra holds a Bachelor of Electronics & Communications Engineering Degree from National Institute of Technology, Warangal and a Master of Science Degree in Computer Science from Birla Institute of Technology & Science, Pilani.

Mr. Anil Batra is the Chairman of the Shareholders' / Investors' Grievance Committee and Remuneration Committee of the Company. He is also a member of the Ethics & Compliance Committee and Audit Committee of the Company.

Nature of expertise in specific functional areas - Sales, Marketing & Support.

As on September 30, 2010, Mr. Anil Batra is a director of the following other Company : APT Technologies Private Limited.

Mr. Anil Batra does not hold any equity shares (either in own name or held by / for other persons on a beneficial basis) in the Company.

Mr. S. Ramakrishnan

Mr. S. Ramakrishnan holds a B. Tech (Mechanical) degree from IIT, Madras and a Management degree from IIM, Ahmedabad.

Mr. S. Ramakrishnan is the Executive Director – Finance of M/s. Tata Power Company Limited and has been associated with the Tata Group for more than 37 years. He joined the Tata Administrative Services in 1972 and during his long tenure handled a multitude of national as well as international projects. From October 1999 to September 2004, he was the Managing Director of M/s. Tata Teleservices Limited. He was also the Deputy Managing Director of the Indian Hotels Company Limited, the owners of Taj Group of Hotels.

Mr. S. Ramakrishnan is the Chairman of the Board of Directors and Audit Committee and is also a member of the Remuneration Committee of the Board of Directors of the Company.

Nature of expertise in specific functional areas - Finance and Project Management.

As on September 30, 2010, Mr. S. Ramakrishnan is a Director and Member of Committees of Boards of other Companies as under :

Directorship

The Tata Power Company Limited
Tata Power Trading Company Limited
Af-Taab Investment Company Limited
NELCO Limited
Coastal Gujarat Power Limited
North Delhi Power Limited
Tata BP Solar India Limited
Bhivpuri Investments Limited
Bhira Investment Limited
PT Kaltim Prima Coal
PT Arutmin Indonesia
IndoCoal Resources (Cayman) Limited
PT Indocoal Kalsel Resources
PT Indocoal Kaltim Resources
Candice Investment Pte. Limited
OTP Geothermal Pte. Limited

Member of Committees of Board

Audit Committee

- Tata Power Trading Company Limited
- North Delhi Power Limited
- Coastal Gujarat Power Limited
- Tata BP Solar India Limited

Shareholders' / Investors' Grievance Committee

- The Tata Power Company Limited

Mr. S. Ramakrishnan does not hold any equity shares in the Company. However, he holds 65 equity shares of the Company as Karta of S. Ramakrishnan – HUF (Hindu Undivided Family).

Directors' Report

1. The Directors hereby present the Twenty Fourth Annual Report and the audited statement of accounts for the year ended September 30, 2010.

2. Financial Results

The results of the Company on a standalone and Consolidated basis are as given below:

Rs/Crores

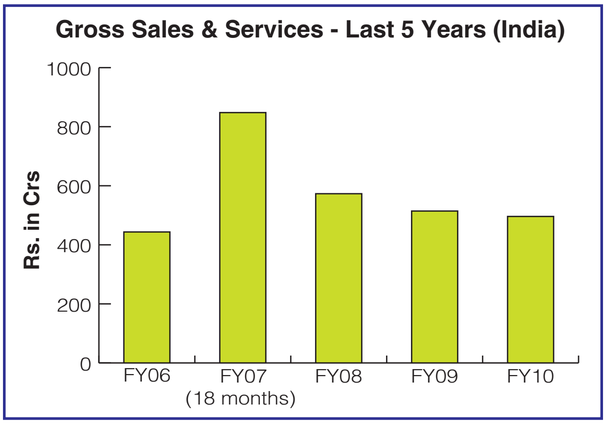
	Standalone		**Consolidated**	
	Year ended 30/09/2010	**Year ended 30/09/2009**	**Year ended 30/09/2010**	**Year ended 30/09/2009**
Sales & Services (Gross)	496.11	514.40	540.42	558.36
Sales & Services (Net)	494.60	511.45	538.91	555.41
Profit before interest, depreciation & tax (EBIDA)	54.11	27.33	53.86	29.03
Add : Interest and finance charges (Net)	6.03	4.20	6.25	4.44
Less : Depreciation	7.44	8.48	7.77	10.28
Profit before tax	52.69	23.05	52.34	23.19
Less : Provision for tax (including deferred tax and fringe benefit tax)	17.74	7.68	17.74	7.68
Profit after tax	34.95	15.37	34.60	15.51
Balance brought forward from previous year	56.90	55.36	47.85	46.17
Amount available for appropriation	91.85	70.73	82.45	61.68
Appropriations :				
Proposed dividend	6.41	4.98	6.41	4.98
Corporate Dividend Tax	1.06	0.85	1.06	0.85
Transfer to General Reserve	3.50	8.00	3.50	8.00
Balance carried to Balance Sheet	80.88	56.90	71.48	47.85

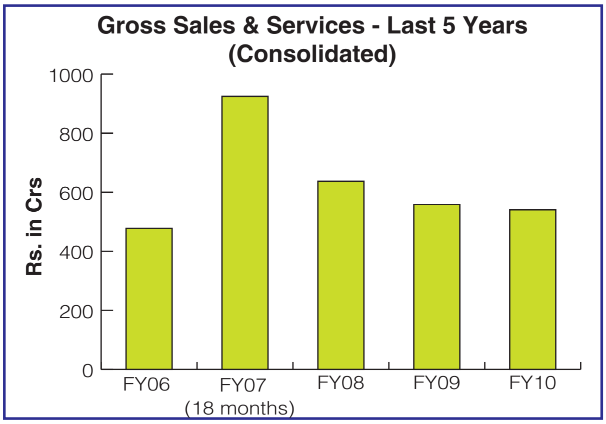
3. Dividend

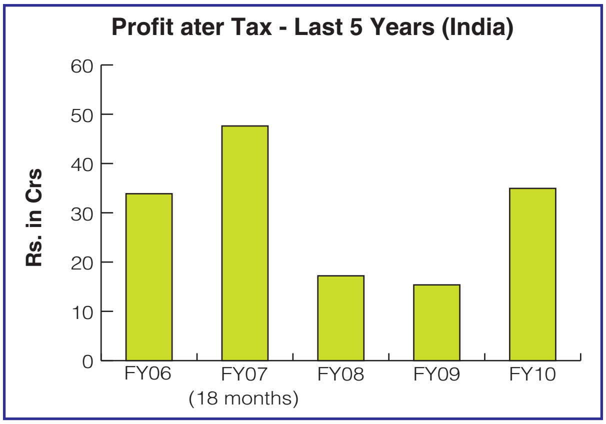
Your Directors are pleased to recommend the payment of dividend at the rate of Rs. 4.50 per share (Previous Year Rs. 3.50 per share) on 1,42,33,232 Equity Shares of Rs. 10/- each for the year ended September 30, 2010, subject to the approval of the shareholders in the ensuing Annual General Meeting.

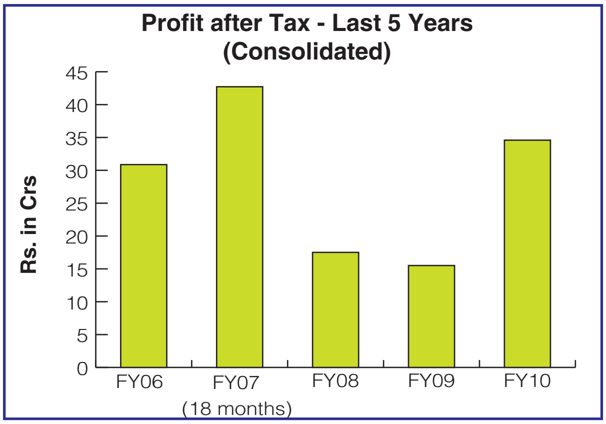
4. Financial Performance

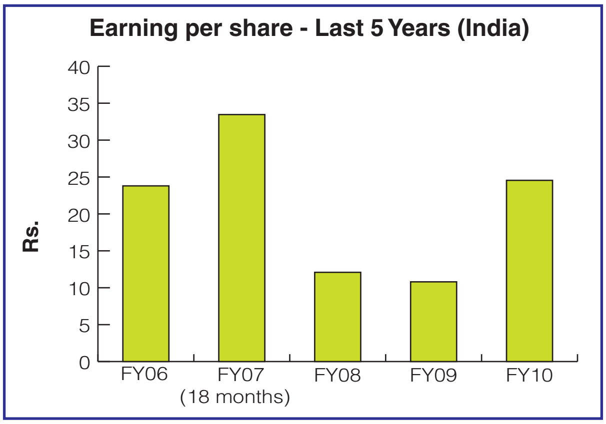
The Company, for the year ended September 30, 2010 recorded a gross turnover of Rs. 496.11 crores, as against Rs. 514.40 crores for the year ended September 30, 2009. The profit before tax is Rs. 52.69 crores for the year ended September 30, 2010 as against Rs. 23.05 crores for the previous financial year. The profit after tax is Rs. 34.95 crores as against Rs. 15.37 crores for the previous financial year.

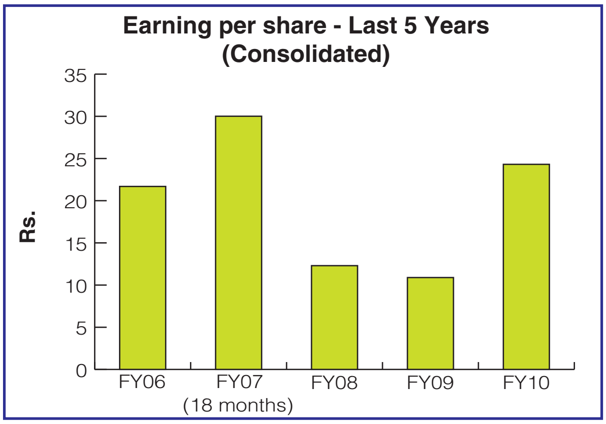












5. Operations

Over the review period, global economy witnessed a measured revival. This resulted in a gradual rise in exports and MNC investments. At the same time domestic consumption, infrastructure building and government's rurban (rural and semi-urban) focus provided fillip to Indian economy.

The contact centre market segment however did not reflect this growth as International BPOs remained cautious and focused on sweating the already invested capital in technology and people. The same held true for the Enterprise Telephony market segment led by IT outsourcers and MNC companies. With the domestic sector contributing a much larger pie towards both these market segments, the average price realization continued to remain under pressure. Overall, the leading analysts reported a near flat/negative growth for this industry during calendar year 2009. However in 2010, both IT and BPO companies have shown net employee addition & volume growth in business backed by sustenance of economic revival. This helped the industry and your Company arrest decline in business.

Your Company's continued focus on delivering industry specific solutions, aimed at addressing industry pain points proved to be a critical differentiator during these tough times. The commitment to delivering business value and helping customers deploy communication as a 'business accelerator' helped your Company in managing its bottom line and repel competitive pressures. Going forward while the revenue and price realization pressures are likely to ease, your Company will continue to calibrate costs in order to remain profitable and make the investments required to be future-ready.

Having consistently delivered value to its customers and stakeholders, your Company also focused on the third most important aspect of its business i.e. employees, completing the 'Triangle of Equity'. It invested significantly on skill and capacity building for a sustainable future. Your Company also unveiled AGC Univ. & AGC Solution Factory – two in-house initiatives that are slated to keep your Company ahead on the technology curve. By delivering value on all three aspects of business i.e. customers, employees and stake-holders, your Company is building an institution that will withstand market vagaries and competitive pressures.

Customer loyalty being crucial in these tough times, your Company did put utmost emphasis on customer satisfaction and being the 'partner-of-choice' which resulted in continued improvement in Cu-Sat (Customer Satisfaction) scores. As a matter of fact, the Cu-Sat results of H2'10 were the highest in past 21 quarters. Your company also held a stellar event to mark the fourth edition of 'Customer Responsiveness' awards that were fiercely contested across ten industry categories by crème-de-la-crème of India Inc. The award ceremony was chaired by Mr. Ajay Maken, Union Minister of State for Surface Transport, Government of India. The grand success of this event underscored the importance of customer loyalty in today's day and age and your Company's commitment towards the same.

The major factor which differentiates AGC in the marketplace is its unique DNA characterized by :

- Cube Strategy : Value creation across three axes – verticals, products & geographies.
- Triangle of Equity : Delivering real value to customers, employees and stakeholders.
- Solution integration vs. System integration.
- Solutions to business to resolve pain points vs. selling platforms.
- Experiential selling vs. powerpoint selling.
- Specification selling vs. brand selling, wider solution span for customers.
- Market tiering vs. a unified market view.
- Profitable growth vs. commoditized growth.
- Quality and standardization to minimize invisible costs.
- Relentless focus on competency building.

During the period under review, GlobalConnect Australia Pty Ltd (GCA), the wholly owned subsidiary of your Company consolidated its position as solution integrator thanks to mid-market focus and portfolio enhancement into Data & Wireless space. GCA having already factored the market change and rationalized its cost-base is poised to unlock profitable growth in times to come. GCA will continue to look for profitable partnerships and geographic expansion in 2011.

6. Business Outlook

The Indian Communications Industry continues to log high volume growth albeit with increasing margin pressure. The number of mobile subscribers has crossed 680 million. The higher availability of telecommunication lines contributes directly to the growth of enterprise telephony and other communication and collaboration needs.

Your Company largely operates in the Unified Communication (UC) space - Enterprise Telephony (ET) & Contact Centres (CC). The Enterprise Telephony market is around Rs. 1,350 Crore and the Contact Centre Market is roughly around Rs. 550 Crore. The ET Market is slated to bounce back by the beginning of 2011. The CC Market is expected to be driven largely by the domestic market consumption & the projected CAGR for the market is about 14% until 2015. Your Company is slated to add new market segments - Information Security (IS) including IS Software and Appliances and Data Networking (DN) in 2011. The DN opportunity is twice the size of the UC space. There will be added focus on existing lines that have been incubated in 2010 and have a high growth outlook like Board Room AV Integration and IP Surveillance.

The year 2010 saw your Company unveiling its new identity and announcing its rechristening as AGC Networks Ltd. The re-branding exercise enabled improved positioning in the enterprise communication market. Your Company is now positioned as Enterprise Communications SI with abilities that offer diversity in technologies and comprehensive solution suite. Besides consolidating its market leadership in Unified Communication, Collaboration and Contact Centres in 2010, your Company is now focusing on Data Networking, Board Room Integration, IP Surveillance, Governance, Risk & Compliance as well as Information Storage & Security. These capabilities along with the parent's offering in the BPO/CLM domain, presents your Company lots of opportunities available in global and domestic market in Tech, IT and BPO space and become a significant player in the IT-ITeS sector.

7. Recognitions conferred on the Company

AGC won the award for 'Continuous Innovation in HR Strategy at Work' at Asia's Best Employer Brand Award Forum in Singapore.

Your Company was also conferred with the INFOCOM-CMAI national telecom award for "Excellence in Unified Communication Solutions", presented by Mr. Thiru A. Raja, Honorable Minister for Communications and IT, Government of India.

Leading IT publication, Voice & Data (V&D) bestowed AGC with the 'Top Enterprise Voice Solutions Company' award for the 7th year in a row. This award was presented by Mr. P. J. Thomas, Secretary, Department of Telecom, Government of India.

India's leading business daily 'The Economic Times' listed your Company as the '3rd best paymaster among listed companies in India in a survey conducted recently.

8. New Products

Your Company integrates best of breed products from leading Original Equipment Manufacturers ("OEMs") to provide "end-to-end" solutions :

- Voice and Contact Centers – Avaya, Altitude & NICE.
- Video, Collaboration & Surveillance – Polycom, AMX, Extron & Sony.
- Data – Extreme, HP, Avaya & Juniper.

In order to address "The India Market Paradox" – lower realization per unit, but higher scale and volumes, your Company has adopted a tiered approach and continues to build a portfolio of product and solution offers relevant to each market 'tier'.

Your company inducted NEC to better address the middle and bottom tiers of Enterprise Telephony market segment and further boost its channel partner base, leveraging the economic growth in 'rurban India'.

9. Sale of equity stake of 'Avaya' to 'Essar'

During the year under review, Avaya Mauritius Limited and Sierra Communication International LLC (collectively "Sellers") had entered into a Share Purchase Agreement dated May 30, 2010 (the "SPA") with Essar Capital Finance Private Limited ("ECF") and Essar Services Holdings Limited ("ESHL"), pursuant to which the Sellers agreed to transfer its entire shareholding in the Company (being 84,15,988 equity shares representing 59.13% of the equity share capital of the Company) at the price of Rs. 245/- per equity share to ECF and ESHL.

In addition, pursuant to the SPA and as required under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, ECF (with ESHL being treated as a person acting in concert) had made a public offer to purchase up to 20.00% of the share capital of the Company from the public shareholders of the Company (the "Open Offer"), pursuant to which 28,46,647 shares constituting 20.00% of the share capital of the Company had been purchased by ECF at the price of Rs. 274/- per equity share. Currently 'Essar' holds 79.13% of the total paid-up equity share capital of the Company. The Board of Directors of the Company and various Committees of the Board were thereafter re-constituted.

The Essar Group now has majority stake in your Company. Essar is a USD 15 billion multi-national conglomerate, with business interests in Steel, Energy, Power, IT, BPO, Communication, Construction, Minerals, Shipping, Ports & Logistics. With a global client base and business operations spanning 20 countries that include India, USA, Canada, Argentina, Costa Rica, UK, Africa, Indonesia, Sri Lanka, Philippines, New Zealand and Australia, the Essar group continues to foray into new markets and business areas.

10. Organizational Initiatives

The Company continues to focus on the competency development of its employees through relevant management and technology training programs. Your Company had identified new roles in tune with the market requirements, and initiated recruitment from the industry to meet its specific objectives and has launched AGC University and Solution Factory initiatives, as mentioned earlier in this report.

Your Company regards people working for it as one of the most important asset. The focus has been to enable people perform in an environment of excellence thereby maximizing their productivity. Some of the practices on reward & recognition, peer level feedback, specific functional and behavioural trainings have contributed towards the development of people. The emphasis of the Company has always been to provide good quality of work life for its employees, which has made it come up with concept such as Fun@work.

Further, during the course of the year, the Company focused on improving competency of its employees through variety of skill enhancement training programs. These initiatives have helped the organization to achieve business growth on a sustainable basis. Presently the focus area of People Excellence function is to develop functional / technical and behavioural competencies in all our people through concepts such as short term job postings, etc. for their growth and development so that they are ready to meet future business challenges.

11. Fixed Deposits

The Company has not accepted any Fixed Deposits during the year.

12. Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Anil Batra and Mr. S. Ramakrishnan, retire by rotation and being eligible, offer themselves for re-appointment.

During the financial year under review, the following directors resigned from the directorship of the Company: Mr. Amarnath K. Pai, Mr. Christopher Formant, Mr. David Manganello, Mr. Hoshang Noshirwan Sinor and Ms. Pamela Craven. The Board places on record its sincere appreciation for the services rendered by these Directors.

During the period ended September 30, 2010, Mr. Anshuman Ruia, Mr. Aparup Sengupta, Prof. Debashis Chatterjee, Mr. S. K. Jha and Mr. Vikash Saraf were appointed as Additional Directors of the Company. They hold office up to the date of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received notices under Section 257 of the Companies Act, 1956, proposing their appointment as Director(s), subject to retirement by rotation (however, appointment of Mr. S. K. Jha shall not be subject to retirement by rotation). Further, with effect from 31st August 2010, Mr. S. K. Jha was appointed as 'Managing Director and CEO' of the Company and Mr. Anil Nair was re-designated as 'Joint Managing Director and President'.

13. Auditors and their observations

The Company has received a 'Special Notice', in terms of Section 225 of the Companies Act, 1956, from a member of the Company, proposing the appointment of M/s. S. R. Batliboi & Associates, Chartered Accountants, Mumbai, as the Statutory Auditors of the Company, in place of M/s. Lovelock & Lewes, Chartered Accountants, Mumbai, the retiring auditors of the Company. The members are requested to appoint M/s. S. R. Batliboi & Associates, Chartered Accountants, Mumbai, as the Auditors of the Company, to hold office from the conclusion of the ensuing Annual General Meeting to the conclusion of the next Annual General Meeting of the Company and to authorize the Board of Directors to fix their remuneration. M/s. S. R. Batliboi & Associates, are eligible for appointment under Section 224(1B) of the Companies Act, 1956 and have furnished a certificate regarding their eligibility for appointment.

14. Personnel

The Board places on record its appreciation for the hard work and dedicated efforts put in by all the employees. The relations between the management and employees continue to remain cordial on all fronts.

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are required to be set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Member who is interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

15. Particulars required to be furnished by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

(i) Part A pertaining to conservation of energy is not applicable to the Company.

(ii) Part B pertaining to particulars relating to technology absorption is as per Annexure B to this report.

(iii) Part C pertaining to foreign exchange earnings and outgoings is as contained in item nos. 21, 22 and 23 of Schedule 19 of the accounts.

16. Directors' Responsibility Statement as per Section 217 (2AA)

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors based on the representations received from the Operating Management confirm that -

(i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;

(ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

(iii) they have taken proper and sufficient care, to the best of their knowledge and ability, 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;

(iv) they have prepared the annual accounts on a going concern basis.

17. Audit Committee

During the year, Mr. Hoshang Noshirwan Sinor and Mr. Amarnath K. Pai resigned from the directorship of the Company w.e.f. 31st August 2010 and consequently from the membership of the Audit Committee. Further, in view of the change of the ownership of the Company, the composition of the Audit Committee was re-constituted w.e.f. 31st August 2010 and the Committee presently comprises of the following members : (i) Mr. S. Ramakrishnan, (ii) Mr. Anil Batra, (iii) Prof. Debashis Chatterjee and (iv) Mr. Aparup Sengupta. The details relating to Audit Committee are mentioned in the 'Corporate Governance Report', which forms a part of the Annual Report.

18. Shareholders' / Investors' Grievance Committee

During the year under review, Mr. Hoshang Noshirwan Sinor resigned from the directorship of the Company w.e.f. 31st August 2010 and consequently from the membership of the Shareholders' / Investors' Grievance Committee. Further, in view of the change of the ownership of the Company, the composition of the Shareholders' / Investors' Committee was re-constituted w.e.f. 31st August 2010 and the Committee presently comprises of the following members : (i) Mr. Anil Batra, (ii) Prof. Debashis Chatterjee and (iii) Mr. S. K. Jha. The details relating to Shareholders' / Investors' Grievance Committee are mentioned in the 'Corporate Governance Report', which forms a part of the Annual Report.

19. Ethics & Compliance Committee

During the year under review, Mr. Hoshang Noshirwan Sinor resigned from the directorship of the Company w.e.f. 31st August 2010 and consequently from the membership of the Ethics & Compliance Committee. Further, in view of the change of the ownership of the Company, the composition of the Ethics & Compliance Committee was re-constituted w.e.f. 31st August 2010 and the Committee presently comprises of the following members : (i) Prof. Debashis Chatterjee and (ii) Mr. Anil Batra. The details relating to Ethics & Compliance Committee are mentioned in the 'Corporate Governance Report', which forms a part of the Annual Report.

20. Remuneration Committee

During the year under review, Mr. Hoshang Noshirwan Sinor, Mr. Amarnath K. Pai and Ms. Pamela Craven resigned from the directorship of the Company w.e.f. 31st August 2010 and consequently from the membership of the Remuneration Committee. Further, in view of the change of the ownership of the Company, the composition of the Remuneration Committee was re-constituted w.e.f. 31st August 2010 and the Committee presently comprises of the following members : (i) Mr. Anil Batra, (ii) Mr. S. Ramakrishnan, (iii) Mr. Aparup Sengupta and (iv) Mr. Vikash Saraf. The details relating to Remuneration Committee are mentioned in the 'Corporate Governance Report', which forms a part of the Annual Report.

21. Corporate Governance

Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, a Management Discussion and Analysis Report, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report.

22. Group for Inter se transfer of shares

Based on the information received from the Promoters and as required under Clause 3(1)(e)(i) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, persons constituting Group as defined in the Monopolies and Restrictive Trade Practices Act, 1969, for the purpose of Regulation 3(1)(e)(i) of the aforesaid SEBI Takeover Regulations comprises : Aegis Limited, Essar Capital Finance Private Limited and Essar Services Holdings Limited.

23. Acknowledgements

The Board is thankful to the Shareholders and the Bankers of the Company for their continued support. It also takes this opportunity to express gratitude to its various suppliers and its major partners for their continued co-operation, support and assistance. Above all, the Board expresses its appreciation to each and every employee for his / her contribution, dedication and sense of commitment to the Company's objectives.

For and on behalf of the Board of Directors

S. K. JHA
Managing Director & CEO

ANIL NAIR
Joint Managing Director & President

Mumbai
November 15, 2010

ANNEXURE 'B' TO DIRECTORS' REPORT

Disclosure relating to Research and Development (R&D) & Technology Absorption

RESEARCH & DEVELOPMENT :

1.	Specific areas in which Development carried out by the Company	:	N.A.	
2.	Benefits derived as a result	:	N.A.	
3.	Future Plan on Development	:	N.A.	
				(Rs. in Crores)
4.	Expenditure on Development	(a)	Capital	N.A.
		(b)	Recurring	N.A.
			Total	**N.A.**
		(c)	% to Revenue	N.A.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

1.	Efforts in brief, made towards, technology absorption, adaptation and innovation	:	N.A.
2.	Benefits derived as a result of the efforts e.g. product improvement, cost reduction, product development, import substitution, etc.	:	N.A.
3.	(i) Technology Imported	:	N.A.
	(ii) Year of Import	:	N.A.
	(iii) Has technology been fully absorbed	:	N.A.
	(iv) If not fully absorbed, areas where this has not taken place, reasons thereof & future plan.	:	N.A.

Management Discussion and Analysis Report

Overview

Your Company aspires to be a world class solutions integrator in the Enterprise Communication space. Your Company's solutions help organizations accelerate revenue growth, increase market penetration, optimize operating costs and improve employee productivity, by embedding communication in their business processes.

The Enterprise Telephony industry has shown a moderate decline in the last fiscal due to cautious spend in 2009 and return of discretionary spending in 2010. Most organizations focused on consolidating their technology infrastructure and sweating the already invested capital. This meant that net employee addition and corresponding volume growth in number of ports/agent-seats remained near flat. This trend is expected to ease and gradually reverse in the current fiscal with most organizations forecasting increased hiring backed by volume growth in business.

The Video Conferencing, Board Room AV Integration and IP Surveillance markets have continued to grow even in the last fiscal.

The International Contact Centre Industry growth has revved up in past few quarters and is likely to grow moderately in near term. However, the domestic contact centre industry grew at a healthy rate with large volumes at far lower per seat realizations.

Your Company, as indicated earlier in this report, intends addressing new market segments adjacent to its current business i.e. Information Security, Appliances, Storage and Data Networking. It also intends strengthening its base in Government, PSU and Defense sectors in order to tap this growth segment and induct new GTM models such as Managed Services & Business Transformation Services.

Industry Structure and Development

The Telecommunications Industry can broadly be divided into the two segments viz.

(1) Service Provider - Basic Services, Mobile Telephony, Contact Centre Services etc.

(2) Solution Providers - Network Equipments, Enterprise Communication, Contact Centre equipment etc.

The service provider segment broadly caters to providing connectivity, mobile telephony & bandwidth to enterprises and consumers. Recently this industry has also been entering the solution provider space by providing end to end solutions of connectivity & equipments to enterprises. This sector is growing at break-neck speed with the subscriber base crossing the mark of 680 million. While the user and minutes of usage continue to rise, this sector is facing challenges of falling ARPU (Average Revenue Per User) and RPM (Revenue Per Minute) due to competitive pressures and price wars (e.g. Per-Second Billing Plans). This sector is also likely to play a pivotal role in shaping the Unified Communication market as more and more enterprise users start using mobile phones/smart phones.

Enterprise Communication market is estimated to be around Rs. 2,000 Cr. and is likely to grow in single digit in next two to three years. Your Company continues to maintain leadership position at approximately 25% market share as per leading analysts like Frost & Sullivan, IDC, etc.

Opportunities and Threats

With an expected double digit volume growth and hiring plans (nearly 1.5 Lac net new employees in 2011 as per Deloitte report), both contact center and enterprise telephony markets are likely to revert to growth trajectories in 2011. In addition to the core sectors like IT, BPO, BFSI, Service Providers, Manufacturing, Hospitality and Healthcare, Government and SME sectors pose growth opportunities thanks to various development initiatives and rurban growth respectively.

With portfolio expansion into Data Networking, Information Security and Storage, new market segments have opened up for AGC. This market is estimated to be around Rs. 4,500 Cr. in India. While AGC is a relatively new entrant in this space, it intends addressing it with pertinent products and GTM models in 2011 and beyond.

Avaya products continue to form a significant part of your Company's revenue base. With Avaya Inc. relinquishing its share in the Company and Avaya's multi-channel model in India maturing, your Company will increasingly face challenges in certain key accounts.

Your Company continues to enter into new strategic relationships as well as expand the relationship with the existing partners to continuously widen offerings.

Risks and Concerns

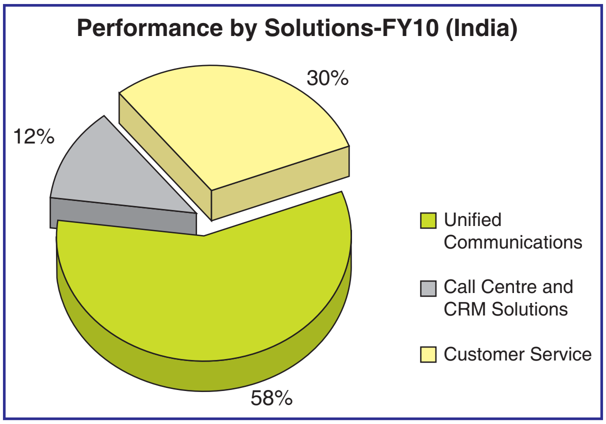
The new parent company of AGC i.e. Essar group has considerable business interest in the BPO space which may be perceived negatively by AGC's existing BPO customer base.

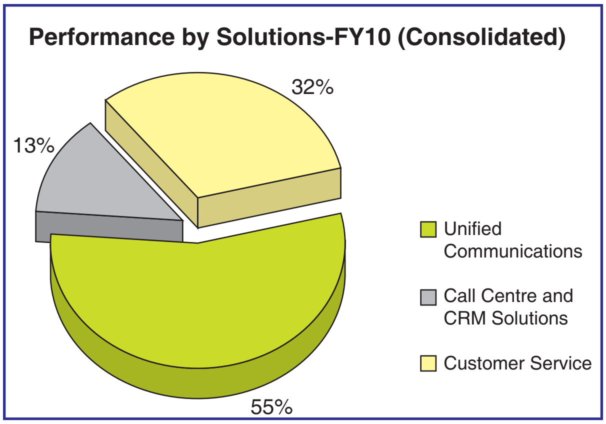
In the fiscal under consideration of this report, your Company has successfully weathered challenges like Avaya multi-channel model, Name Change (Avaya GlobalConnect) and an impending ownership change (Avaya to Essar). During this period of change and turbulence, it has managed to protect its revenue, profits and market leadership and at the same time has improved customer satisfaction scores. This validates focus on solution integration and the mantra of delivering business value instead of selling platforms. With this proven, sustainable model and commitment to the Triangle of Equity (value for stakeholders, customers and employees) your Company expects to be in a position to address this challenge.

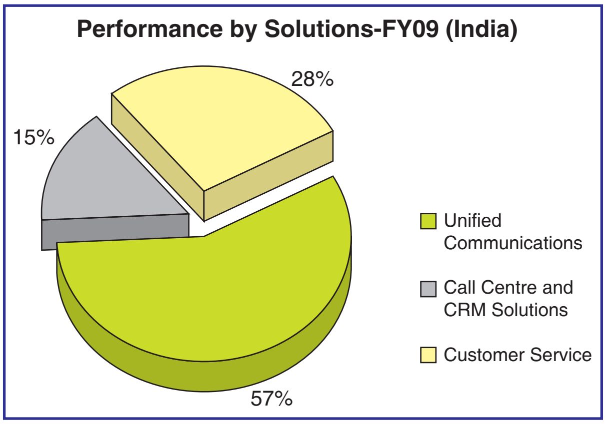
Performance by 'Solutions'

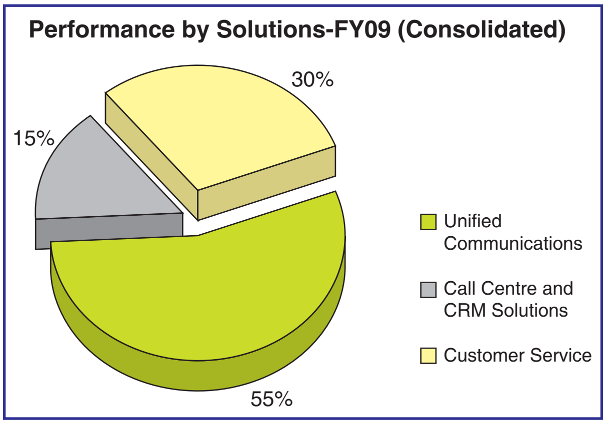
The break-up of the year's revenue by Solutions is given below:

Solutions	India			Consolidated		
	FY 2009-10	FY 2008-09	Growth (%)	FY 2009-10	FY 2008-09	Growth (%)
Unified Communications	288	293	-1.7%	301	305	-1.3%
Call Centre and CRM Solutions	59	79	-25.3%	68	85	-20.0%
Customer Service	149	142	4.9%	171	168	1.8%
TOTAL	**496**	**514**	**-3.5%**	**540**	**558**	**-3.2%**









Outlook

The Company continues to be cautiously optimistic about its growth prospects in the new financial year without compromising focus on profitability and investments for sustainable growth.

Internal Control Systems and their Adequacy

AGC Networks has a proper and adequate system of internal controls to ensure that all assets are safeguarded, and protected against loss from unauthorized use or disposition, and that transactions are authorized, recorded and reported correctly.

An extensive programme of internal audits, reviews by management, and documented policies, guidelines and procedures, supplements the internal control systems. The internal control systems are designed to ensure that the financial and other records are reliable, for preparing financial statements and other data, and for maintaining accountability of assets.

Your Company has implemented an integrated SAP and business management system, which provides a high level of system based checks and controls, resulting in increased efficiency and effectiveness of AGC Networks's internal control systems.

The Company has independent internal audit systems, covering on a continuous basis, the entire gamut of operations and services spanning all locations and functions.

In addition to the in-house internal audit team, AGC Networks has a leading firm of Chartered Accountants, acting as Internal Auditor of the Company, who evaluate all the financial and operating system controls of the Company. The Internal Auditor also reviews the internal controls to ensure that the accounts of the Company are properly maintained and that accounting transactions are in accordance with prevailing laws and regulations.

The top management and the Audit Committee of the Board review internal audit findings and recommendations. The Audit Committee is empowered by the Board with the authority to investigate any matter relating to the internal control system and to review the scope of Internal Audit. The Committee ensures compliance of internal control systems and also reviews the quarterly, half-yearly and annual financial statements before these are submitted to the Board.

Financial performance

Share Capital

The Company has at present only one class of shares viz. Equity Shares. The total number of equity shares of the Company, as on September 30, 2010, is 1,42,33,232 with a face value of Rs. 10/- each.

Reserves and Surplus

<u>India:</u>

Capital Reserve of the Company stands at Rs. 22.64 crores. After transfer of an amount of Rs. 3.50 crores from the current year's profit, the General Reserve of the Company stands at Rs. 97.52 crores.

<u>Consolidated:</u>

Capital Reserve of the Company stands at Rs. 22.64 crores. After transfer of an amount of Rs. 3.50 crores from the current year's profit, the General Reserve of the Company stands at Rs. 97.52 crores.

Secured Loans

The Company does not have any secured loans as on September 30, 2010, as against Rs. NIL as on September 30, 2009.

Fixed Assets

<u>India</u>

The fixed assets (net block including capital work-in-progress) have increased by Rs. 2.49 crores during the year.

<u>Consolidated</u>

The fixed assets (net block including capital work-in-progress) have increased by Rs. 2.25 crores during the year.

Investments

India:

The total investment of the Company as on September 30, 2010, is at Rs. 14.50 crores.

Consolidated:

The total investment of the Company as on September 30, 2010, is at NIL.

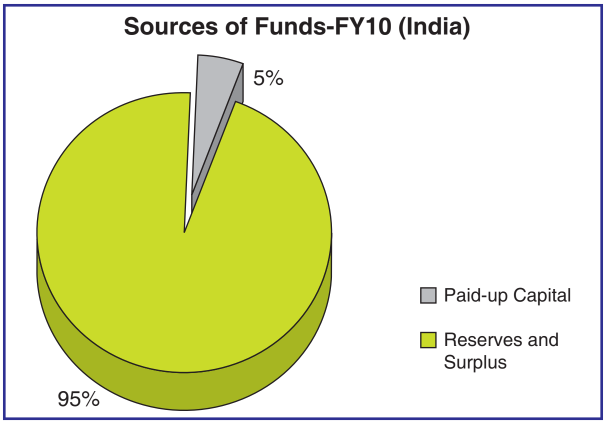
Net Current Assets

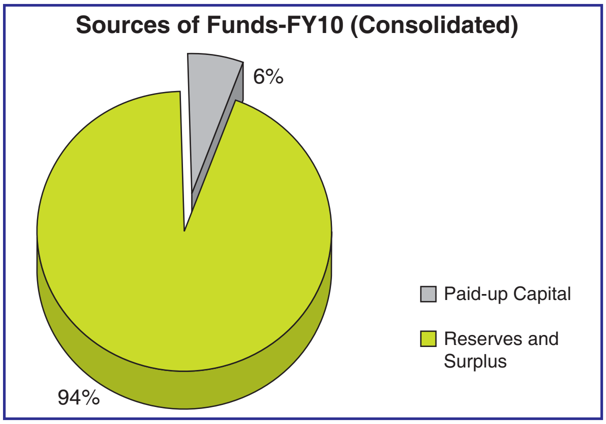
India:

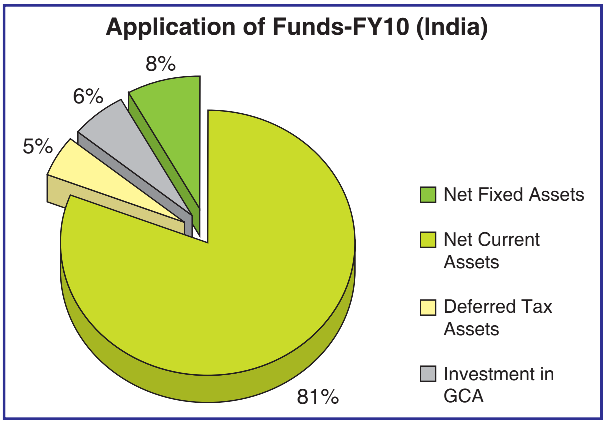
The net current assets of the Company, as on September 30, 2010, have increased by 13.6% to Rs. 213.66 crores, from Rs. 188.16 crores as on September 30, 2009.

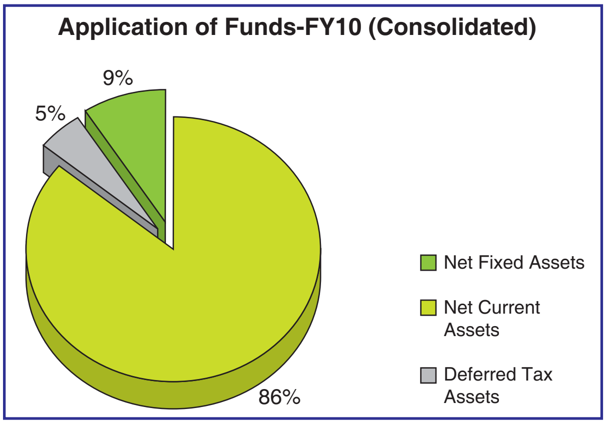
Consolidated:

The net current assets of the Company, as on September 30, 2010, have increased by 13.2% to Rs. 219.23 crores, from Rs. 193.66 crores as on September 30, 2009.









Operating results

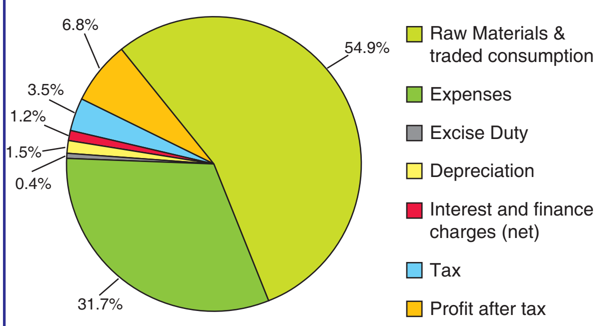
The Gross revenue for the financial year 2009-10, stood at Rs. 496.11 crores, as against Rs. 514.40 crores for the previous year 2008-09. The profit before tax is Rs. 52.69 crores for the financial year ended September 30, 2010, as against Rs. 23.05 crores for the previous financial year ended September 30, 2009.

Employee cost constitutes 14.10% of the total income as against 13.14% in the previous year. The operating & administration expenses are at 18.79% (20.46% in the previous year) of the total income.

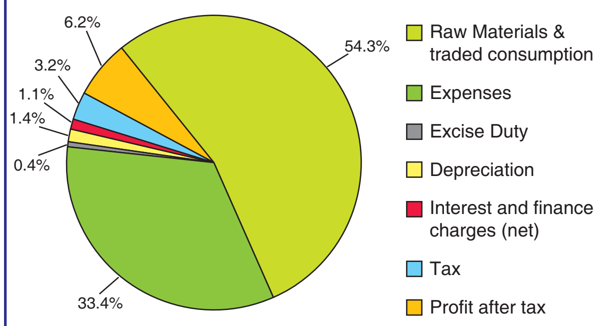
Depreciation constituted 1.5% of the total income as against 1.64% in the previous year.

For the year 2009-10, the Board has recommended a dividend of 45% for the approval of members in the ensuing Annual General Meeting.

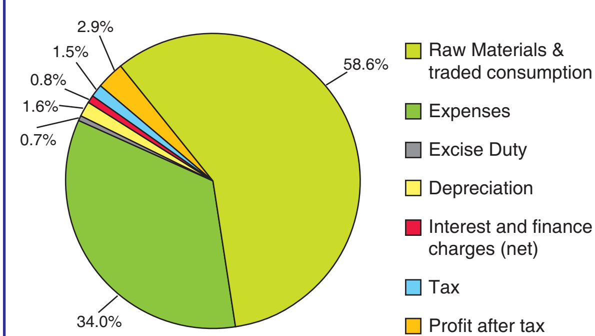
Distribution of Income-FY10 (India)



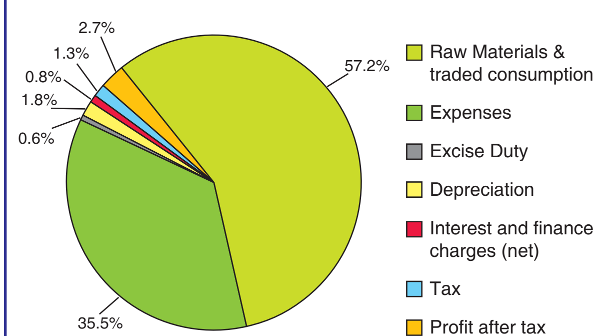
Distribution of Income-FY10 (Consolidated)



Distribution of Income-FY09 (India)



Distribution of Income-FY09 (Consolidated)



Ratios

Financial Performance	FY 2009-10		FY 2008-09	
	India	Consolidated	India	Consolidated
Gross Margin %	30.0	31.0	27.0	28.9
EBITDA %	10.9	10.0	5.3	5.2
PBT/ Revenue %	10.6	9.7	4.5	4.2
PAT/ Revenue %	7.0	6.4	3.0	2.8
PAT/Networth %	13.4	13.7	6.6	6.9
Revenue per Employee (Rs/Cr)	1.10	1.12	0.92	0.93
Average no. of employees	450	482	561	601
Income Tax/PBT (%)	33.7	33.9	33.3	33.1
Net working Capital/Revenue %	43.1	40.6	36.6	34.7

Material Developments in Human Resources

People Excellence (Human Resources) team in the Company is more of a business partner and works very closely with other business partners to ensure Company's objectives are met. At the Company, people being the only source of competitive advantage, strong emphasis is laid on engaging people, managing talent and building organization capabilities critical to ensure organization ability to meet future challenges.

Company's endeavour is to make itself an employer of choice by doing the employer branding, developing and deploying world class people practices in consultation with line managers. The Company also embraces Best Practices that help nurture talent and create an environment where people can achieve personal and professional growth.

At the same time, your Company is equally focused on toning up its employee mix by aligning the skills with market conditions, acquiring the right skills and focusing on performance and meritocracy. As on September 30, 2010, the Company employed 441 people. During the financial year under review, 158 people left the services of the Company and 132 people were recruited.

At GlobalConnect Australia Pty Ltd (GCA), we run a Human Resources model which is closely aligned with our business model. We believe that essentially we are a 'people business' in that our customers look to our people to solve their business communication problems. We employ highly specialized and experienced technocrats who are adept at identifying customer pain points and supplying solutions to overcome these. Consequently our workforce consists entirely of self starters who need maximum empowerment, flexibility and independence in their work environment.

As on September 30, 2010, GCA employed 28 people. During the financial year under review, 13 people left the services of the Company and 6 people were recruited. There was a planned net reduction in the total manpower of GCA in response to adverse business conditions.

Cautionary Statement

Statements in the Management Discussion and Analysis Report describing the Company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic demand / supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws, other statutes and incidental factors.

Corporate Governance Report

Corporate Governance

Corporate Governance pertains to systems, by which companies are directed and controlled, keeping in mind long-term interest of stakeholders. It is a blend of legal, regulatory and voluntary good practices which, enables companies to attract financial and human capital, perform efficiently, and provide sustainable economic value for all its stakeholders.

It aims to align interest of the companies with its stakeholders. The incentive for companies, and those who own and manage them, to adopt global governance standards, is that these standards help them to achieve a long-term sustainable partnership with its stakeholders efficiently. The principal characteristics of corporate governance are:

- Transparency
- Independence
- Accountability
- Responsibility
- Fairness
- Social Responsibility

1. Corporate Governance at AGC NETWORKS

The Company's philosophy of Corporate Governance is aimed at maximizing the shareholders' interest and protection of the interest of other stakeholders. The Company aims to achieve this through proper & full disclosure of material facts and achievement of the highest levels of transparency, accountability and equity in all facets of its operations.

2. Board of Directors

As on September 30, 2010, the Board of Directors comprises eight members and is responsible for management of the Company's business. The Board's role, functions, responsibility and accountability are clearly defined. In addition to its primary role of monitoring corporate performance, the functions of the Board also include:

- Approving corporate philosophy and mission
- Participating in the formulation of strategic business plans
- Reviewing and approving financial plans and budgets
- Monitoring and reviewing corporate performance vis-à-vis the business plans
- Ensuring compliance of laws and regulations

Composition of the Board of Directors as on September 30, 2010, is as follows:

Director	Executive/Non-Executive/Independent
Mr. S. Ramakrishnan	Chairman – Non-Executive & Independent
Mr. S. K. Jha	Managing Director & CEO – Executive
Mr. Anil Nair	Joint Managing Director & President – Executive
Mr. Anshuman Ruia	Non-Executive
Mr. Aparup Sengupta	Non-Executive
Mr. Anil Batra	Non-Executive & Independent
Prof. Debashis Chatterjee	Non-Executive & Independent
Mr. Vikash Saraf	Non-Executive

F.Y. 2009-10 (October'09 to September'10)

Name of the Director	Attendance Particulars			Sitting fees	No. of other Directorship and committee membership/chairmanship		
	Board meetings	Last EGM	Last AGM	Rs.	Other Directorship	Committee Membership	Committee Chairmanship
Mr. Amarnath K. Pai	4	Yes	Yes	-	NA	NA	NA
Mr. David Manganello	2	-	-	-	NA	NA	NA
Mr. S. Ramakrishnan	6	Yes	Yes	260,000	7	3	2
Mr. Anil Batra	5	-	Yes	300,000	-	-	-
Mr. Anil Nair	6	Yes	Yes	-	-	-	-
Ms. Pamela F. Craven	3	-	Yes	-	NA	NA	NA
Mr. Hoshang Noshirwan Sinor	6	Yes	Yes	340,000	NA	NA	NA
Mr. Christopher Formant	1	-	-	-	NA	NA	NA
Mr. Anshuman Ruia	1	-	-	-	10	8	-
Mr. Aparup Sengupta	1	-	-	-	5	1	-
Mr. S. K. Jha	1	-	-	-	-	-	-
Prof. Debashis Chatterjee	-	-	-	-	2	-	-
Mr. Vikash Saraf	-	-	-	-	13	10	-

- Mr. Amarnath K. Pai, Mr. David Manganello, Ms. Pamela F. Craven, Mr. Hoshang Noshirwan Sinor and Mr. Christopher Formant resigned from the directorship of the Company w.e.f. 31st August 2010.
- Mr. Anshuman Ruia, Mr. Aparup Sengupta, Mr. S. K. Jha, Prof. Debashis Chatterjee and Mr. Vikash Saraf were appointed as Additional Directors of the Company w.e.f. 31st August 2010.
- Further, Mr. S. K. Jha was appointed as 'Managing Director & CEO' and Mr. Anil Nair was re-designated as 'Joint Managing Director & President' w.e.f 31st August 2010.
- The other Directorship excludes the directorship of Private Limited Companies and Foreign Companies.
- The no. of other directorship and committee membership/chairmanship is as on 30th September 2010.
- The last Extraordinary General Meeting of the Company was held on 21st April 2010.
- Only two committees viz. the 'Audit Committee' and the 'Shareholders'/Investors' Grievance Committee' have been considered for committee membership / chairmanship.
- Sitting fees include fees paid for attending Board meetings and relevant committee meetings.

Number of Board Meetings held and dates on which held:

During the F.Y. 2009-10, six (6) Board meetings were held, on the following dates:

24th November 2009, 28th January 2010, 17th March 2010, 30th April 2010, 30th July 2010 and 31st August 2010.

Note : The following Directors participated in the discussions of the Board meeting(s) through audio conferencing as per details given below :

Board Meeting – Date	Name of Director
24th November 2009	Ms. Pamela F. Craven
17th March 2010	Mr. Amarnath K. Pai, Mr. Anil Batra, Mr. Christopher Formant and Mr. David Manganello

3. Audit Committee

The following Directors are the members of the Audit Committee as on 30th September, 2010 :

- Mr. S. Ramakrishnan - Chairman
- Mr. Anil Batra
- Prof. Debashis Chatterjee
- Mr. Aparup Sengupta

The majority of the members of the Audit Committee are independent and all the members are financially literate. Mr. S. Ramakrishnan and Mr. Aparup Sengupta have related financial management expertise by virtue of their experience and background. The quorum for audit committee meeting is minimum of two independent directors.

Terms of reference of the Audit Committee are as per the guidelines set out in the listing agreements with the Stock Exchanges that inter alia, include overseeing financial reporting processes, reviewing with the management the financial statements and adequacy of internal control systems, reviewing the adequacy of internal audit function and discussion with internal auditors on any significant findings. During the F.Y. 2005-06, the Audit Committee Charter was enlarged in terms of the changes to the Listing Agreement.

During the F.Y. 2009-10, four (4) meetings of the Audit Committee were held, on the following dates : 24th November 2009, 28th January 2010, 30th April 2010 and 30th July 2010.

Name of the Member	No. of meetings attended
Mr. S. Ramakrishnan	4
Mr. Anil Batra	4
Prof. Debashis Chatterjee	-
Mr. Aparup Sengupta	-
Mr. Hoshang Noshirwan Sinor	4
Mr. Amarnath K. Pai	4

The Company Secretary acts as the Secretary to the Committee.

4. Shareholders'/Investors' Grievance Committee

The following Directors are the members of the Shareholders' / Investors' Grievance Committee as on 30th September, 2010 :

- Mr. Anil Batra - Chairman
- Prof. Debashis Chatterjee
- Mr. S. K. Jha

The Committee looks into the redressal of the shareholders' complaints in respect of all matters including transfer of shares, non-receipt of Annual Report, non-receipt of declared dividends, dematerialisation of shares, investors' complaints, etc.

During the F.Y. 2009-10, two (2) meetings of the Shareholders' / Investors' Grievance Committee were held, on the following dates : 28th January 2010 and 30th July 2010.

Name of the Member	No. of meetings attended
Mr. Anil Batra	2
Prof. Debashis Chatterjee	-
Mr. S. K. Jha	-
Mr. Anil Nair	2
Mr. Hoshang Noshirwan Sinor	2

The Board has designated Mr. Vishal Kohli, Company Secretary, as the Compliance Officer.

The total number of correspondence (including complaints / queries) received and replied to the satisfaction of shareholders during the period October 01, 2009 to September 30, 2010, was 779. There were 5 outstanding correspondences (including complaints / queries) as on 30th September, 2010 which were attended to by 7th October, 2010. There was 1 request for transfer pending for approval as on 30th September, 2010, which was processed on 5th October, 2010.

5. Ethics and Compliance Committee

The following Directors are the members of the Ethics and Compliance Committee as on 30th September, 2010:

- Prof. Debashis Chatterjee - Chairman

- Mr. Anil Batra

The Committee, at its meeting(s), sets forth the policies relating to and oversees the implementation of the 'Code of Conduct', adopted by the Board of Directors, at its meeting held on 23rd October, 2002, pursuant to the Securities & Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, takes on record the monthly status reports prepared by the Compliance Officer detailing the dealings in securities by the specified persons and decides penal action in respect of violation of the Regulations / the Code by any specified person. The Committee also overviews the 'Code of Conduct' of the Company and related matters (including review of complaints received under Whistle Blower Policy of the Company, any violations, penal actions, etc.).

During the F.Y. 2009-10, two (2) meetings of the Ethics and Compliance Committee were held on the following dates : 28th January 2010 and 30th July 2010.

Name of the Member	No. of meetings attended
Prof. Debashis Chatterjee	-
Mr. Anil Batra	2
Mr. Hoshang Noshirwan Sinor	2
Mr. Anil Nair	2

The Board had already, at its meeting held on January 25, 2002, appointed Mr. Vishal Kohli, Company Secretary, as the Compliance Officer of the Company, responsible for liaisoning with various authorities such as SEBI, Stock Exchanges, Registrar of Companies, etc. and the Investors.

6. Remuneration Committee

The Board of Directors of the Company, at its meeting held on October 20, 2004, constituted a 'Remuneration Committee', in terms of Schedule XIII of the Companies Act, 1956 and Clause 49 of the Listing Agreement with the Stock Exchanges. This Committee would basically look into and determine the Company's policy on remuneration packages of the executive director(s).

The following Directors are the members of the Committee as on 30th September, 2010 :

- Mr. Anil Batra - Chairman
- Mr. S. Ramakrishnan
- Mr. Aparup Sengupta
- Mr. Vikash Saraf

During the F.Y. 2009-10, three (3) meetings of the Remuneration Committee were held on the following dates : 23rd November 2009, 17th March 2010 and 30th July 2010.

Name of the Member	No. of meetings attended
Mr. Anil Batra	2
Mr. S. Ramakrishnan	3
Mr. Aparup Sengupta	-
Mr. Vikash Saraf	-
Mr. Amarnath K. Pai	2
Ms. Pamela F. Craven	1
Mr. Hoshang Noshirwan Sinor	3

7. Remuneration to Directors

The Company does not pay remuneration to any of its Non-Executive Directors barring sitting fees for attendance during the meeting(s). The details in respect of the remuneration paid to the Managerial personnel during the period from 1st October 2009 to 30th September 2010 are as under :

Name	Period	Designation	Amount
Mr. Anil Nair	1st October 2009 to 30th September 2010	Managing Director (re-designated as 'Joint Managing Director & President' w.e.f. 31st August 2010)	Rs. 217.14 lakhs (Rs. 57.14 lakhs being Retention Plan amount payable for the financial year ended 30th September 2010)
Mr. S. K. Jha	31st August 2010 to 30th September 2010	Managing Director & CEO	Nil

8. Means of Communication

The quarterly results (including half-yearly and annual results) are usually published in 'The Economic Times' (English Daily) and 'Maharashtra Times' (Marathi Daily). The results are also promptly forwarded to the Mumbai and National Stock Exchanges. The Company has developed a section dedicated for Investors on AGC Networks website (www.agcnetworks.com) to display latest annual, half-yearly & quarterly results. The official news releases and the presentations made to the Investors / Analysts are also displayed on the website. The Company had also filed the requisite reports under the Electronic Data Information Filing and Retrieval System (EDIFAR) website maintained by National Informatics Centre (NIC) pursuant to the Securities & Exchange Board of India (SEBI) Regulations.

The Management Discussion and Analysis Report is attached to and forms part of the Annual Report.

9. Disclosures

A. Disclosure of material financial and commercial transactions where management has personal interest that may have a potential conflict with the interest of the company at large.

During the year, there were no material financial and commercial transactions where management had personal interest that may have a potential conflict with the interest of the company at large.

B. Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI, or any statutory authority, on any matter related to capital markets, during the last three years.

None.

C. Disclosure of number of shares held by non-executive directors.

None of the directors of the Company (including executive director) hold any equity shares in the Company.

However, Mr. S. Ramakrishnan holds 65 equity shares of the Company as Karta of S. Ramakrishnan – HUF (Hindu Undivided Family).

D. Disclosure relating to Whistle Blower Policy and affirmation that no personnel have been denied access to the audit committee.

The Company has implemented a Whistle Blower Policy in the Company and no personnel have been denied access to the audit committee of the Company.

E. Details of compliance with mandatory requirements and adoption of the non-mandatory requirements.

The Company has complied with all the mandatory requirements of Clause 49 (Corporate Governance) of the Listing Agreement. Further, the Company has adopted the following non-mandatory requirements of Clause 49 : (i) Setting-up / Constitution of a Remuneration Committee and (ii) Implementation of Whistle Blower Policy in the Company.

10. General Shareholder information

AGM : Date Time Venue	20th December, 2010 11:00 a.m. Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Mahalaxmi, Haji Ali, Mumbai - 400034
Financial Year	October 2009 to September 2010
Dates of Book Closure	1st December, 2010 to 20th December, 2010
Dividend Payment Date	The dividend, if approved by the members, will be paid within the statutory time limit
Listing on Stock Exchanges	Mumbai & National Stock Exchange
Stock Code / Symbol	Mumbai – 500463 NSE – AGCNET
Demat ISIN Numbers in NSDL & CDSL for Equity Shares	ISIN No. : INE676A01019

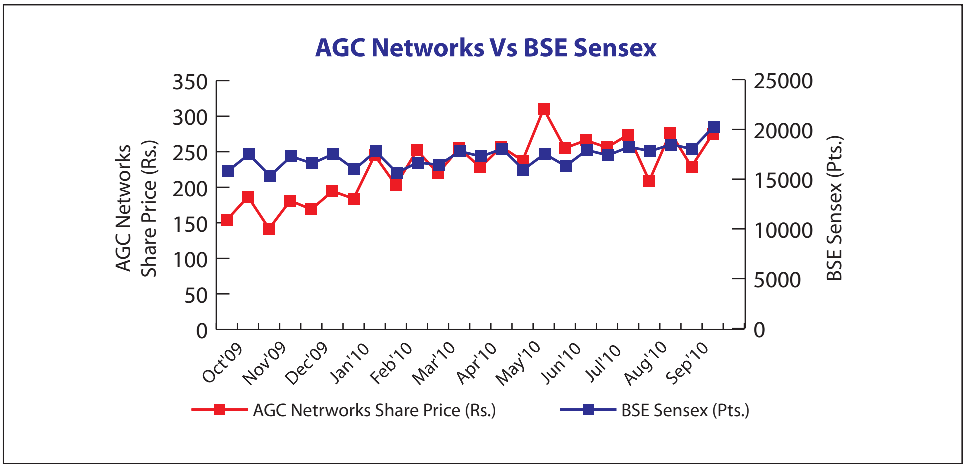
Market price Data : High, Low during each month in the financial year 2009-10	See Table No.1 below
Registrar and Share Transfer Agents	TSR Darashaw Limited, 6-10 Haji Moosa Patrawala Industrial Estate, 20 Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011 to whom the authority has been delegated by the Board to attend share transfer formalities etc.
Share Transfer System	Share Transfers are registered and returned within a period of 30 days from the date of receipt, if the documents are clear in all respects
Distribution of shareholding & Category-wise distribution	See Table No. 2 & 3
De-materialisation of shares and liquidity	See Table No. 4
Plant Location	E1/I, Gandhinagar Electronics Estate, Gandhinagar – 382 028 (Gujarat)
Address for correspondence	Registered Office : 72, Kalpataru Synergy, Opp. Grand Hyatt, Vakola, Santacruz (East), Mumbai – 400 055

Table 1 – Market Price Data

High and Low of market price of the Company's shares traded on The Stock Exchange, Mumbai and National Stock Exchange of India Limited, Mumbai, during the period October 2009 – September 2010

Month	BSE		NSE	
	High	Low	High	Low
Oct - 2009	186.70	154.00	186.00	153.20
Nov - 2009	181.15	141.70	183.30	140.10
Dec - 2009	194.50	169.00	194.40	166.10
Jan - 2010	244.95	184.00	245.25	182.60
Feb - 2010	252.00	203.00	252.80	205.90
Mar - 2010	255.00	219.60	254.70	220.10
Apr - 2010	256.95	228.00	257.00	226.60
May - 2010	310.30	237.50	310.00	235.10
Jun - 2010	266.00	255.10	268.95	223.00
Jul - 2010	274.00	256.00	273.00	238.00
Aug - 2010	277.00	209.05	277.00	209.00
Sep - 2010	274.90	229.00	284.75	228.05

Stock Performance of the Company in comparison to BSE Sensex



Note : Based on the monthly high and low of AGC Networks Share Price and BSE Sensex.

Table 2 - Distribution of shareholding as on September 30, 2010

No. of Equity Shares held	No. of shares held	% of total shares	No. of Shareholders	% of total Shareholders
1 to 100	524574	3.68	9533	66.99
101 to 500	1006238	7.07	4086	28.72
501 to 1000	287001	2.02	367	2.58
1001 to 5000	384549	2.70	197	1.38
5001 to 10000	164155	1.15	22	0.16
10001 to 100000	610105	4.29	23	0.16
100001 and above	11256610	79.09	2	0.01
Total	**14233232**	**100.00**	**14230**	**100.00**

Table 3 - Category-wise distribution of shareholding as on September 30, 2010

Sr. No.	Category	No. of Shareholders	No. of shares held	% of total shares
1.	Promoters	2	11262635	79.13
2.	Public Financial Institutions and Banks	14	147898	1.04
3.	Mutual Funds	7	3100	0.02
4.	Bodies Corporate	451	521822	3.66
5.	Resident Individuals	13484	2160502	15.18
6.	FIIs & OCBs	9	21267	0.15
7.	Non-Resident Individuals	262	94675	0.67
8.	State Government	1	21333	0.15
	Total	**14230**	**14233232**	**100.00**

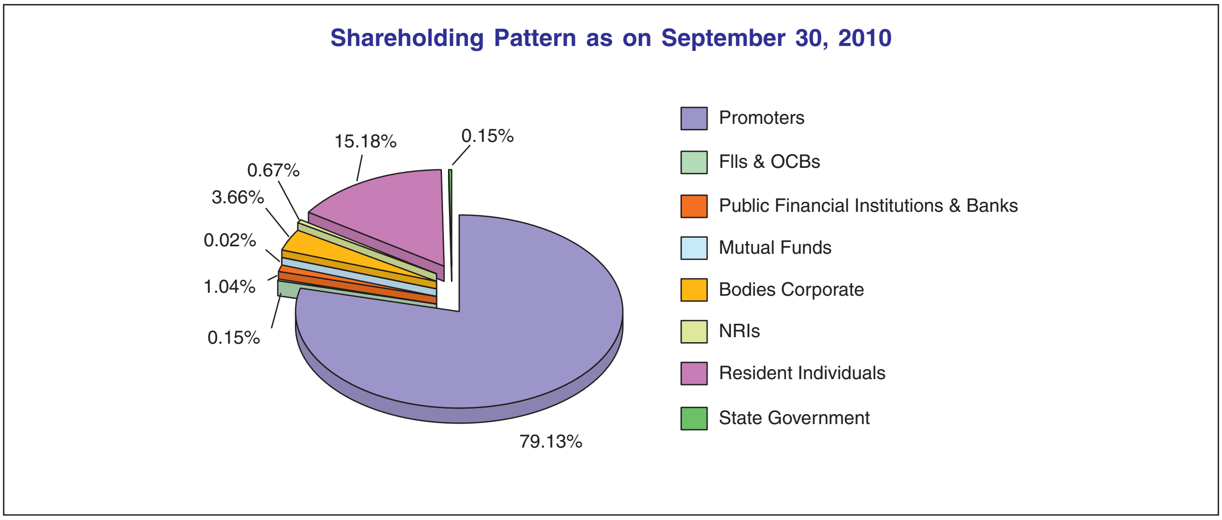


Table 4 - Break-up of shares in physical & electronic mode as on September 30, 2010

Mode	No. of Shareholders	% of total shareholders	No. of shares	% of total shares
Physical	2115	14.86	343356	2.41
Electronic	12115	85.14	13889876	97.59
Total	**14230**	**100.00**	**14233232**	**100.00**

Table 5 – Head Office and Branch offices of Registrars and Share Transfer Agents

Head Office :

TSR Darashaw Ltd. (TSRDL),
6-10 Haji Moosa Patrawala Industrial Estate,
20 Dr. E. Moses Road, Mahalaxmi,
Mumbai - 400 011

Contact Person : Ms. Mary George

Tel. No. : 022 – 66568484, Fax : 022 – 66568494

Email : csg-unit@tsrdarashaw.com

Website : www.tsrdarashaw.com

Business Hours : Monday to Friday (10.00 a.m. to 4.00 p.m.) excluding holidays

Branch Offices :

(1) TSR Darashaw Ltd.,
503, Barton Centre, 5th Floor,
84, Mahatma Gandhi Road,
Bangalore - 560 001
Contact Person : Mr. Ranganath P. and Mr. Jaymohan K.
Tel. No. : 080 – 25320321, Fax : 080 – 25580019
Email : tsrdlbang@tsrdarashaw.com

(2) TSR Darashaw Ltd.,
Tata Centre, 1st Floor,
43, Jawaharlal Nehru Road,
Kolkata - 700 071

Contact Person : Mr. Rijit Mukherjee

Tel. No. : 033 – 22883087, Fax : 033 – 22883062

Email : tsrdlcal@tsrdarashaw.com

(3) TSR Darashaw Ltd.,
2/42, Sant Vihar,
Ansari Road, Darya Ganj,
New Delhi - 110 002

Contact Person : Mr. Shome

Tel. No. : 011 – 23271805, Fax : 011 – 23271802

Email : tsrdldel@tsrdarashaw.com

(4) TSR Darashaw Ltd.,
Bungalow No. 1, 'E' Road,
Northern Town, Bistupur,
Jamshedpur - 831 001
Contact Person : Mr. Subrata Das
Tel. No. : 0657 – 2426616, Fax : 0657 – 2426937
Email : tsrdljsr@tsrdarashaw.com

Agents :

Shah Consultancy Services Ltd.,
3, Sumathinath Complex, 2nd Dhal, Pritam Nagar, Akhada Road, Ellisbridge,
Ahmedabad - 380 006
Telefax No. : 079 – 26576038
Email : shahconsultancy8154@gmail.com

Details of Directors appointed and re-appointed during the year

The details relating to the Directors being appointed and re-appointed during the year are mentioned in the 'Notice', which forms a part of the Annual Report.

11. General Body Meetings

The particulars of Annual General Meetings (AGM) and Extraordinary General Meeting (EGM) of the Company are as under. The shareholders passed all the resolutions set out in the respective notices.

F.Y.	AGM / EGM	Location	Date	Time
2006-07	AGM	M. C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20 Kaikhushru Dubash Marg (Near Jehangir Art Gallery), Kala Ghoda, Mumbai	23rd January 2008	03:30 p.m.
2007-08	AGM	Kamalnayan Bajaj Hall & Art Gallery, Bajaj Bhavan, Jamnalal Bajaj Marg, Nariman Point, Mumbai	29th January 2009	11:00 a.m.
2008-09	AGM	Kamalnayan Bajaj Hall & Art Gallery, Bajaj Bhavan, Jamnalal Bajaj Marg, Nariman Point, Mumbai	29th January 2010	11:00 a.m.
2009-10	EGM	Kamalnayan Bajaj Hall & Art Gallery, Bajaj Bhavan, Jamnalal Bajaj Marg, Nariman Point, Mumbai	21st April 2010	11:00 a.m.

- The resolution for change of name of the Company from 'Avaya GlobalConnect Limited' to "AGC Networks Limited" was passed by the Shareholders by way of a Special Resolution at the Extraordinary General Meeting of the shareholders held on 21st April 2010 at 11:00 a.m.
  Mr. S. Ramakrishnan, Mr. Anil Nair, Mr. Amarnath K. Pai & Mr. Hoshang Noshirwan Sinor attended this meeting. The Chairman of the meeting was Mr. S. Ramakrishnan.
- No special resolutions have been put through postal ballot at any of the General Body Meetings.

12. 'Managing Director' under Section 269 of the Companies Act, 1956

The Remuneration Committee and the Board of Directors of the Company, at its meeting(s) held on April 30, 2010, approved payment of retention plan amount of Rs. 160 lakhs to Mr. Anil Nair, Managing Director ('Joint

Managing Director and President' with effect from August 31, 2010), subject to the approval of the shareholders of the Company.

Subsequently, the Board of Directors of the Company, at its meeting held on August 31, 2010, re-designated Mr. Anil Nair as 'Joint Managing Director and President' and appointed Mr. S. K. Jha as 'Managing Director and CEO' of the Company, with effect from August 31, 2010, subject to the approval of the shareholders.

13. Code of Conduct

The Company had adopted the Code of Conduct for directors and senior management. The Code had been circulated to all the members of the board and senior management and the same had been put on the Company's website www.agcnetworks.com. The board members and senior management have affirmed their compliance with the Code and declaration signed by the Managing Director & CEO and the Joint Managing Director & President is given below :

"It is hereby declared that the Company has obtained from all members of the board and senior management affirmation that they have complied with the Code of Conduct for directors and senior management of the Company for the financial year 2009-10."

S. K. Jha	Anil Nair
Managing Director & CEO	Joint Managing Director & President

Auditors' Certificate regarding compliance of conditions of Corporate Governance

To the Members of AGC Networks Limited (formerly Avaya GlobalConnect Limited)

We have examined the compliance of conditions of Corporate Governance by AGC Networks Limited (formerly Avaya GlobalConnect Limited), for the year ended September 30, 2010, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Lovelock & Lewes
Firm Registration Number: 301056E
Chartered Accountants

Sharmila A. Karve
Partner
Membership Number: F43229

Place: Mumbai
Date: November 15, 2010

Auditors' Report

TO THE MEMBERS OF AGC NETWORKS LIMITED
(formerly Avaya GlobalConnect Limited)

1. We have audited the attached Balance Sheet of AGC Networks Limited (formerly Avaya GlobalConnect Limited), as at September 30, 2010, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

   (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;

   (e) On the basis of written representations received from the directors, as on September 30, 2010 and taken on record by the Board of Directors, none of the directors is disqualified as on September 30, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

   (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:

      (i) in the case of the Balance Sheet, of the state of affairs of the Company as at September 30, 2010;

      (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

      (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Lovelock & Lewes
Firm Registration Number: 301056E
Chartered Accountants

Sharmila A. Karve
Partner
Membership Number: F43229

Place: Mumbai
Date: November 15, 2010

Annexure to Auditors' Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of AGC Networks Limited (formerly Avaya GlobalConnect Limited) on the financial statements for the year ended September 30, 2010]

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.

   (b) The fixed assets of the Company have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.

   (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.

2. (a) The inventory has been physically verified by the Management during the year. In our opinion, the frequency of verification is reasonable.

   (b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.

   (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.

   (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.

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

5. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly, the question of commenting on transactions made in pursuance of such contracts or arrangements does not arise.

6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.

7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

8. 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.

9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.

(b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of sales-tax, value added tax, service tax and excise duty as at September 30, 2010 which have not been deposited on account of a dispute, are as follows :

Name of the statute	Nature of dues	Amount Rs. in '000	Financial year to which the amount relates	Forum where the dispute is pending
The Central Excise Act, 1944	Demands on account of incorrect duty credit / short payment	4,310	1991-92 to 1996-97	Customs, Excise & Service Tax Appellate Tribunal
Finance Act, 1994	Service Tax on RTU activation and penalty theron	3,518	2006-07 and 2007-08	Customs, Excise & Service Tax Appellate Tribunal
Finance Act, 1994	Service tax demand on royalty and penalty thereon	7,413	2004-05 to 2006-07	Commissioner of Service Tax, Appeals
West Bengal Sales Tax Act, 1994	Interest on works contract tax / sales tax	472	2003-04, 2005-06 and 2006-07	Assistant Commissioner (Commercial Taxes)
Kerala Value Added Tax Act, 2003	Differential VAT rate demand	772	2008-09	Deputy Commissioner of Appeals

10. The Company has no accumulated losses as at September 30, 2010 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

11. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.

12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to the Company.

14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.

15. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.

16. The Company has not obtained any term loans.

17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.

18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.

19. The Company has not issued any debentures.

20. The Company has not raised any money by public issues during the year.

21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

For Lovelock & Lewes
Firm Registration Number: 301056E
Chartered Accountants

Sharmila A. Karve
Partner
Membership Number: F43229

Place: Mumbai
Date: November 15, 2010

Balance Sheet as at 30th September, 2010

	Schedule	Rupees in '000	As at 30-09-2009 Rupees in '000
Sources of funds			
Shareholders' funds			
Capital	1	142,332	142,332
Reserves and surplus	2	2,473,740	2,198,907
		2,616,072	2,341,239
Total		**2,616,072**	**2,341,239**
Application of funds			
Fixed assets	3		
Gross block		773,316	739,047
Less: Depreciation		594,483	554,344
Net block		178,833	184,703
Capital work in progress		33,614	2,815
		212,447	187,518
Investments	4	145,000	150,000
Deferred Tax Assets	5	122,069	122,103
Current assets, loans and advances			
Inventories	6	455,908	488,185
Sundry debtors	7	1,288,522	1,263,775
Cash and bank balances	8	1,432,659	1,116,929
Loans and advances	9	575,698	695,411
		3,752,787	3,564,300
Less: **Current liabilities and provisions**			
Liabilities	10	1,488,795	1,565,502
Provisions	11	127,436	117,180
		1,616,231	1,682,682
Net current assets		2,136,556	1,881,618
Total		**2,616,072**	**2,341,239**
Significant Accounting Policies	18		
Notes to Accounts	19		

The Schedules referred to above form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our report of even date.

For Lovelock & Lewes
Firm Registration Number: 301056E
Chartered Accountants

SHARMILA A. KARVE
Partner
Membership No.- F43229

Mumbai
November 15, 2010

For and on behalf of the Board

S. K. JHA
Managing Director & CEO

ANIL NAIR
Joint Managing Director & President

VISHAL KOHLI
Company Secretary

AMAL THAKORE
V. P. & Head (Finance)

Mumbai
November 15, 2010

Profit and Loss account for the year ended 30th September, 2010

	Schedule	Rupees in '000	Previous year Rupees in '000
Income			
Sales and services (Gross)	12	4,961,091	5,143,995
Less: Excise duty		15,120	29,496
Sales and services (Net)		4,945,971	5,114,499
Other income	13	28,685	41,975
Total		**4,974,656**	**5,156,474**
Expenditure			
Raw materials and components consumed	14	199,022	253,922
Purchase of traded items		2,575,744	2,655,492
Manufacturing and other expenses	15	1,631,734	1,736,277
Excise duty		6,407	6,827
Decrease/(Increase) in stock of finished goods and work-in-progress	16	30,383	177,263
Depreciation and amortisation		74,380	84,848
Interest and finance charges (net)	17	(60,261)	(42,031)
Total		**4,457,409**	**4,872,598**
Profit before exceptional item		**517,247**	**283,876**
Exceptional item (Refer note no. 4 of Schedule 19)		(9,701)	53,405
Profit before tax		**526,948**	**230,471**
Provision for tax:			
Current tax [including wealth tax Rs. NIL (previous year Rs.100 ('000)]		180,800	57,740
Excess provision of tax for earlier years		(3,407)	(6,991)
Deferred tax		34	21,050
Fringe benefit tax		-	5,000
		177,427	76,799
Profit after tax		**349,521**	**153,672**
Balance brought forward from previous year		568,979	553,589
Amount available for appropriation		**918,500**	**707,261**
Appropriations:			
Proposed dividend		64,050	49,816
Corporate dividend tax		10,638	8,466
Transfer to General Reserve		35,000	80,000
Balance carried to Balance Sheet		808,812	568,979
Total		**918,500**	**707,261**
Basic and Diluted Earnings per share (Refer note no. 11 of Schedule 19)		**24.56**	**10.80**
Nominal value per share in Rs.		**10.00**	**10.00**
Significant Accounting Policies	18		
Notes to Accounts	19		

The Schedules referred to above form an integral part of the Profit and Loss Account.
This is the Profit and Loss Account referred to in our report of even date.

For Lovelock & Lewes
Firm Registration Number: 301056E
Chartered Accountants

SHARMILA A. KARVE
Partner
Membership No.- F43229

For and on behalf of the Board

S. K. JHA
Managing Director & CEO

ANIL NAIR
Joint Managing Director & President

VISHAL KOHLI
Company Secretary

AMAL THAKORE
V. P. & Head (Finance)

Mumbai
November 15, 2010

Mumbai
November 15, 2010

Schedules forming part of Balance Sheet

		As at 30-09-2009
	Rupees in '000	Rupees in '000
Schedule 1		
Capital		
Authorised		
2,50,00,000 equity shares of Rs. 10/- each	250,000	250,000
10,00,000 cumulative redeemable preference shares of Rs. 100/- each	100,000	100,000
	350,000	**350,000**
Issued, subscribed and paid up		
1,42,33,232 equity shares of Rs.10/- each fully paid up [84,15,988 and 28,46,647 shares held by Essar Services Holdings Limited and Essar Capital Finance Private Limited respectively (previous year 36,30,035 and 47,85,953 shares held by Sierra Communication International LLC (formerly Avaya International LLC) and Avaya Mauritius Limited respectively, subsidiaries of the ultimate holding company, Avaya Inc. USA)]	142,332	142,332
Total	**142,332**	**142,332**

Notes:

1) Of the above, 4,26,692 equity shares have been allotted on amalgamation of the erstwhile Tata Keltron Limited without payment being received in cash.

2) During the year, pursuant to the share purchase agreement between the Sellers (Avaya Mauritius Limited and Sierra Communication International LLC) and Essar Services Holdings Limited and Essar Capital Finance Private Limited, Essar Services Holdings Limited acquired 59.13% shareholding in the Company from the Sellers. Further, Essar Capital Finance Private Limited acquired 20% shareholding in the Company vide the open offer made to the public shareholders of the Company under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. The ultimate holding Company is Essar Global Limited.

Schedule 2		
Reserves and surplus		
Capital reserve		
Balance as per Balance sheet	226,387	226,387
	226,387	226,387
Securities premium account		
Balance as per Balance sheet	463,342	463,342
	463,342	463,342
General reserve		
Balance as per last Balance sheet	940,199	860,199
Add: Transferred from Profit and Loss Account	35,000	80,000
	975,199	940,199
Profit and Loss Account	808,812	568,979
Total	**2,473,740**	**2,198,907**

Schedule 3
Fixed assets

(Rupees in '000)

	Gross block (at cost)				Depreciation and Amortisation				Net block	
	As at 01-10-2009	Additions	Deductions/ Adjustment	As at 30-09-2010	Upto 30-09-2009	For the year	Deductions/ Adjustment	As at 30-09-2010	As at 30-09-2010	As at 30-09-2009
Tangible Assets										
Leasehold land	4,018	-	-	4,018	882	41	-	923	3,095	3,136
Freehold land	2,378	-	1,515	863	-	-	-	-	863	2,378
Buildings	32,611	-	-	32,611	18,459	988	-	19,447	13,164	14,152
Plant and machinery	213,034	44,508	4,631	252,911	179,792	16,738	4,631	191,899	61,012	33,242
Computers	141,587	7,480	14,795	134,272	108,906	18,398	14,529	112,775	21,497	32,681
Electrical installations	24,121	1,243	2,522	22,842	14,975	3,413	2,522	15,866	6,976	9,146
Furniture, fixtures and office equipments	201,143	7,148	11,841	196,450	144,005	25,970	11,059	158,916	37,534	57,138
Vehicles	2,273	1,159	-	3,432	1,801	475	-	2,276	1,156	472
Intangible Assets										
Computer Software	95,462	9,535	1,500	103,497	63,104	8,357	1,500	69,961	33,536	32,358
Technical Know-how	22,420	-	-	22,420	22,420	-	-	22,420	-	-
Total	**739,047**	**71,073**	**36,804**	**773,316**	**554,344**	**74,380**	**34,241**	**594,483**	**178,833**	184,703
Previous year Total	801,105	46,981	109,039	739,047	572,699	84,848	103,203	554,344		
Capital work-in-progress [Including advance for capital expenditure Rs.1,500 ('000s) (Previous year Rs. NIL)]									33,614	2,815
									212,447	**187,518**

Note:
Buildings include one share of Rs. 100/- fully paid up in a cooperative society.

	Rupees in '000	As at 30-09-2009 Rupees in '000
Schedule 4		
Investments		
Long term Investments at cost (Unquoted)		
Non-trade		
NIL (Previous year 500) 5.25% Rural Electrification Corporation Limited Bonds of Rs. 10,000 each	-	5,000
	-	5,000
Subsidiary		
Investment in 42,24,993 equity shares of AUD 1/- each fully paid up in GlobalConnect Australia Pty Ltd (previous year 42,24,993 equity shares)	145,000	145,000
Total	**145,000**	**150,000**
Schedule 5		
Deferred Tax Assets		
Depreciation	71,795	69,565
Provision for doubtful debts	35,105	33,948
Provisions allowable for tax purposes when paid	15,169	18,590
Total	**122,069**	**122,103**
Schedule 6		
Inventories		
(at lower of cost and net realisable value)		
Raw materials and components	529	2,423
Work-in-progress	57,752	25,015
Finished goods	248,817	304,610
Stock-in-transit	37,067	14,281
Service stocks	111,743	141,856
Total	**455,908**	**488,185**
Schedule 7		
Sundry Debtors		
(Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	193,088	182,806
Considered doubtful	105,682	99,875
	298,770	282,681
Other debts		
Considered good	1,095,434	1,080,969
	1,095,434	1,080,969
	1,394,204	1,363,650
Less: Provision for doubtful debts	105,682	99,875
Total	**1,288,522**	**1,263,775**

		Rupees in '000	As at 30-09-2009 Rupees in '000
Schedule 8			
Cash and Bank Balances			
Cash on hand		400	392
Cheques on hand		43,860	24,409
Balances with Scheduled banks			
- In current accounts [Rs. 2,844 ('000) in unclaimed dividend account (previous year Rs. 2,719 ('000))]		394,049	442,884
- In deposit accounts [including interest accrued Rs. 22,978 ('000) (previous year Rs. 13,232 ('000))]		927,638	567,440
Balances with others			
Credit Agricole Corporate & Investment Bank, Singapore [Maximum amount outstanding during the year Rs.153,838 ('000) (previous year Rs. 97,471 ('000))]		66,712	81,804
	Total	**1,432,659**	**1,116,929**
Schedule 9			
Loans and Advances			
(Unsecured and considered good)			
(Refer note no. 5 of Schedule 19)			
Advances recoverable in cash or in kind or for value to be received		87,818	150,956
Other deposits		110,632	116,201
Balance with excise authorities		179	616
Advance payment of tax (net of tax provision)		377,069	427,638
	Total	**575,698**	**695,411**
Schedule 10			
Liabilities			
Sundry creditors:			
- total outstanding dues to micro and small enterprises		287	262
- Other Dues (Refer note no. 13 of Schedule 19)		871,141	949,246
		871,428	949,508
Other liabilities *		74,745	56,509
Unearned revenue **		430,253	435,249
Advances from customers		112,369	124,236
	Total	**1,488,795**	**1,565,502**

* There is no amount due and outstanding to be credited to Investor Education and Protection Fund.

** Unearned Revenue represents revenue not recognised on billing & dispatch of goods and billing of services, as per accounting policy on revenue recognition of the Company.

Schedule 11			
Provisions			
For proposed dividend		64,050	49,816
For corporate dividend tax		10,638	8,466
For gratuity and leave liability		24,530	27,787
For warranty (Refer note no. 12 of Schedule 19)		28,218	31,111
	Total	**127,436**	**117,180**

Schedules forming part of Profit and Loss Account

		Rupees in '000	Previous year Rupees in '000
Schedule 12			
Sales and services			
Sales of manufactured goods		175,387	378,549
Sales of traded goods		3,294,552	3,329,015
Installation and commissioning income		148,885	174,129
Maintenance income		714,558	762,222
Service income		627,709	500,080
	Total	**4,961,091**	**5,143,995**
Schedule 13			
Other income			
Liabilities for earlier years no longer required written back		7,997	2,102
Miscellaneous income (Refer note no. 6 of Schedule 19)		20,688	39,873
	Total	**28,685**	**41,975**
Schedule 14			
Raw materials and components consumed			
Opening stock		2,423	2,994
Add: Purchases during the year		197,128	253,351
		199,551	256,345
Less: Closing stock		529	2,423
	Total	**199,022**	**253,922**
Schedule 15			
Manufacturing and Other expenses			
Payments to and provisions for employees:			
Salaries, wages and bonus		617,435	575,716
Contribution to provident and other funds		41,072	50,490
Staff welfare expenses		40,995	55,088
		699,502	681,294
Packing materials consumed		1,328	1,057
Installation and commissioning expenses		24,972	24,146
Power and water charges		17,548	22,770
Rent		94,575	127,801
Rates and taxes		5,343	20,976
Lease rentals		6,262	7,207
Insurance		985	912
Repairs to:			
-machinery		1,175	1,355
-others		38,891	43,622
		40,066	44,977

	Rupees in '000	Previous year Rupees in '000
Schedule 15 (Contd.)		
Manufacturing and Other expenses		
Travelling and conveyance expenses	67,489	87,458
Telephone, telex and fax expenses	28,022	39,036
Printing and stationery expenses	5,946	8,056
Legal and professional charges	24,833	25,284
Advertisement, publicity and other selling expenses (net)	48,124	50,833
Outward freight, clearing and forwarding charges (net)	15,639	14,542
Commission to others	3,776	11,159
Service charges	487,777	491,182
Loss on Sale / Write-off of Fixed Assets (net)	91	2,363
Provision for doubtful debts (net)	5,807	15,099
Bad debts	986	119
Other expenses	51,763	59,546
Directors' sitting fees	900	460
Total	**1,631,734**	**1,736,277**
Schedule 16		
(Increase)/Decrease in stock of finished goods and work-in-progress		
Closing stock		
Finished goods	285,884	318,891
Service stock	111,743	141,856
Work-in-progress	57,752	25,015
	455,379	485,762
Less:		
Opening stock		
Finished goods	318,891	450,959
Service stock	141,856	169,881
Work-in-progress	25,015	42,185
	485,762	663,025
Decrease/(Increase)	**30,383**	**177,263**
Schedule 17		
Interest and finance charges (net)		
Interest other than fixed loans	4	51
Finance charges	8,466	10,466
	8,470	10,517
Less:		
Interest received on:		
Fixed Deposits in Banks	49,516	48,782
[tax deducted at source Rs. 4,651 ('000), (previous year Rs. 11,054 ('000)]		
Other interest	19,215	3,766
	68,731	52,548
Total	**(60,261)**	**(42,031)**

Schedule 18
Significant Accounting Policies

Basis of Preparation of Financial Statements

(a) The financial statements have been prepared to comply in all material aspects with all the applicable accounting principles in India, the applicable Accounting Standards notified under section 211 (3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

(b) 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, liabilities, revenue and expenses and disclosure of contingent liabilities as on the date of financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in future periods.

Fixed assets

Fixed assets are stated at cost of acquisition or construction less accumulated depreciation. All significant costs relating to the acquisition and installation of fixed assets are capitalised. Assets acquired under finance lease are recognised at the inception of the lease at lower of the fair value or the present value of minimum lease payments. The initial direct costs incurred in connection with finance leases are recognised as an asset under the lease.

Depreciation

Depreciation on fixed assets is provided on straight-line basis in accordance with Section 205(2)(b) of the Companies Act,1956 at the rates and in the manner specified in Schedule XIV to the Act, except in respect of certain fixed assets where higher rates are applicable considering the estimated useful life, which are as follows :

i) Plant and Machinery - 5 years
ii) Furniture, Fixtures and Office Equipments - 5 years
iii) Computers and Computer Software - 4 years
iv) Cost of leasehold land is amortised over the period of lease.
v) Vehicles - 4 years
vi) Assets purchased specifically for projects are depreciated over the life of the projects.

Investments

Current investments are carried at lower of cost and fair value. Long-term investments are carried at cost. Provision is made to recognise a decline, other than temporary in the carrying amount of long-term investments.

Inventories

Inventories are valued at cost or net realisable value, whichever is lower, except service spares which are valued at cost less amounts charged off to revenue over their evaluated useful life. The cost is determined on weighted average basis, and includes all costs incurred in bringing the inventories to their present location and condition. In case of work-in-progress and finished goods, costs also include costs of conversion.

Provision for warranties

The Company accrues provision for estimated future warranty costs based upon the historical relationship of warranty claims to sales. The Company periodically reviews the adequacy of its product warranties and adjusts, if necessary, the warranty percentage and accrued warranty provision, for actual experience.

Foreign currency transactions

Foreign currency transactions are accounted at the exchange rates prevailing on the date of transactions. Foreign currency monetary assets and liabilities are translated at year end exchange rates. Exchange difference arising on settlement of transactions and translation of monetary items is recognised as income or expense in the year in which they arise.

Sales, service and other income

(a) Income from sale of goods/installation and commissioning is recognised on completion of sale/installation and commissioning. Maintenance income is recognised on pro-rata basis upon signing of contract. Service income is recognised on performance of the services and signing of the service contract.

(b) Sales include excise duty but exclude sales tax.

(c) Other income is accounted on accrual basis except where receipt of income is uncertain.

Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised, subject to the consideration of prudence in respect of deferred tax assets, 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.

Operating Leases

Rentals payable under operating leases are charged to the income statement as incurred.

Provisions

A provision is recognised when there is a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Employee benefits

1) **Post-employment Benefits**

a) Defined Contribution Plans:

The Company has Defined Contribution Plan for Post employment benefits in the form of Superannuation Fund for certain management employees which is administered by Life Insurance Corporation. The Company has no further obligation beyond making the contribution. The Company's contributions are charged to Profit and Loss Account as and when incurred.

b) Defined Benefit Plans:

Funded Plans:

The Company has defined benefit plans for Post-employment benefits in the form of:

(i) Gratuity for all employees which is administered through Life Insurance Corporation (LIC). Liability for Gratuity is provided on the basis of valuation, as at the Balance Sheet date, carried out by an independent actuary. The actuarial method used for measuring the liability is the Projected Unit Credit method.

(ii) Provident Fund for all employees which is administered through Company managed trust. 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. The Company's contribution and such shortfall are charged to Profit and Loss Account as and when incurred.

2) **Other Long-term Employee Benefits:**

Liability for Compensated Absences is provided on the basis of valuation, as at the Balance Sheet date, carried out by an independent actuary. Encashment of leave benefit is payable on death whilst in service, withdrawal from service such as resignation, termination or early retirement or from retirement from service at normal retirement date. In view of increase in salary taking place, salary growth rates have been used to project the salary at the time when encashment of leave is assumed to take place. The assumptions with regard to Mortality rates, Withdrawal rates and Retirement age have been used to construct a suitable multiple decrement service/mortality table which determines the expected time when leave encashment is likely to take place. The accumulated leave may be reduced on account of in-service utilization or encashment if permissible under the rules of leave encashment, or increase on account of leave entitlement every year. The effect of in service utilization or encashment and entitlement will be reflected in year to year balance and the liability will be adjusted accordingly at every periodic actuarial valuation.

3) Termination benefits are recognised as an expense as and when incurred.

4) The actuarial gains and losses arising during the year are recognised in the Profit and Loss Account of the year without resorting to any amortisation.

Schedule 19
Notes to accounts

			Rupees in '000	Previous year Rupees in '000
1	Estimated amounts of contracts remaining to be executed on capital account and not provided for		22,029	1,565
2	Contingent liabilities in respect of disputed demands of:			
	(a)	Income tax authorities	182,731	155,316
	(b)	Excise and Customs authorities	93,863	159,492
	(c)	Sales tax matters	8,744	7,898
	(d)	Bills Discounted	714	39,768
3	**(a)**	Managerial Remuneration		
		Salary *	8,594	1,921
		Perquisites & Allowances (includes Rs. 6,393 ('000) paid to Mr. Niru Mehta pertaining to year ended September 30, 2008 for which Central Government approval is received in May 2010)	18,639	12,385
		Contribution to provident fund, superannuation and other funds	916	611
		Total	**28,149**	**14,917**

Provisions for contribution to employee retirement / post retirement and other employee benefits which are based on actuarial valuations done on an overall company basis are excluded above.

* Salary of Mr. Anil Nair (Joint Managing Director and President) for the year ended September 30, 2010 includes Rs. 5,714 ('000) towards Management Retention Plan approved by the Board vide its meeting held on April 30, 2010 and is subject to the approval of shareholders.

Mr. S. K. Jha was appointed as Managing Director and CEO of the Company, for a period of 5 years, with effect from August 31, 2010 till August 30, 2015, vide Board Meeting held on August 31, 2010, which is subject to the approval of shareholders. He has not drawn any remuneration from the Company during the period.

3 **(b)** Approval from the Central Government of India is awaited for the amount of Rs. 5,323 ('000) paid to the Managing Director for the year ended September 30, 2009 in excess of the limits specified under the Companies Act, 1956.

4 Exceptional item for the year ended September 30, 2010 pertains to profit on sale of land of Rs. 9,701 ('000) and for the year ended September 30, 2009 pertains to employees separation costs of Rs. 53,405 ('000).

5 Loans and Advances include amounts due from:-

Rupees in '000

	Amount due	**Maximum amount due during the year**
Officer	- (-)	37 (145)
Managing Director/Joint Managing Director	- (-)	309 (388)

		Rupees in '000	Previous year Rupees in '000
6	Amount of exchange gain/(loss) (net) included in Miscellaneous income in the Profit and Loss Account	20,202	35,920

		Rupees in '000	Previous year Rupees in '000
7	**Payments to auditors**		
	As Auditors	3,281	3,490
	Other Services (tax audit etc.)	1,790	2,220
	Reimbursement of expenses	92	78
	Total	**5,163**	**5,788**

8 **Segment Reporting**

The Company operates in one business segment i.e., Business Communication Solutions and there are no reportable geographical segments.

9 **Related Party Disclosures (Refer Note No. 2 of Schedule 1)**

(a) Related party disclosures as required by Accounting Standard - 18 (AS-18), "Related Party Disclosures" issued by the Institute of Chartered Accountants of India

Nature of Relationship	Name of Party
Where control exists	Essar Services Holdings Limited - Holding Company (w.e.f. 01.09.2010) Essar Capital Finance Private Limited - (w.e.f. 01.09.2010) Essar Global Limited - Ultimate Holding Company (w.e.f. 01.09.2010) Avaya Inc., USA - Ultimate Holding Company (upto 31.08.2010) Through its 100% subsidiaries - 1) Sierra Communication International LLC (formerly Avaya International, LLC, USA) (upto 31.08.2010) 2) Avaya Mauritius Limited (upto 31.08.2010)
Subsidiaries	GlobalConnect Australia Pty Limited
Fellow Subsidiaries (where transactions occurred during the year)	Avaya India Private Limited (upto 31.08.2010) Avaya Singapore Pte Ltd (upto 31.08.2010) Avaya International Sales Ltd., Ireland (upto 31.08.2010) Essar Steel Limited (w.e.f. 01.09.2010) Essar Oil Limited (w.e.f. 01.09.2010) Aegis Limited (w.e.f. 01.09.2010)
Key Management Personnel	Mr. Niru Mehta (upto 31.12.2008) Mr. Anil Nair (w.e.f. 01.01.2009) Mr. S. K. Jha (w.e.f. 01.09.2010)

9 Related Party Disclosures (Continued)

(b) Transactions with related parties as per the books of account during the year ended September 30, 2010

Nature of transaction	Rupees in '000
Purchases of goods	
Avaya International Sales Ltd., Ireland	1,506,127 (1,749,911)
Avaya Singapore Pte. Ltd.	12,917 (-)
Avaya Inc, USA	- (612)
Sale of goods	
Avaya India Private Limited	3,407 (616)
Avaya Inc, USA	- (355)
Avaya Asia Pacific Inc., Taiwan	- (1,260)
Essar Steel Limited	527 (-)
Aegis Limited	594 (-)
Purchase of Capital Goods	
Avaya International Sales Ltd., Ireland	11,967 (314)
Services rendered	
Avaya Inc, USA - ATAC	- (23,510)
Avaya India Private Limited	79,071 (92,736)
Avaya Singapore Pte Ltd - ATAC	- (4,917)
Essar Steel Limited	1,525 (-)
Essar Oil Limited	70 (-)
Services received	
Avaya India Private Limited	88,498 (108,284)
Avaya Inc, USA	- (473)
Avaya U. K.	- (4,454)
Dividend	
Essar Services Holdings Limited	37,872 (-)
Essar Capital Finance Private Limited	12,810 (-)
Sierra Communication International LLC (formerly Avaya International, LLC, USA)	- (12,705)
Avaya Mauritius Limited	- (16,751)
Managerial Remuneration	
Mr. Anil Nair	21,756 (11,330)
Mr. Niru Mehta	6,393 (3,587)

9 **Related Party Disclosures (Continued)**

(b) Transactions with related parties as per the books of account during the year ended September 30, 2010

Nature of transaction	Rupees in '000
Expenses reimbursement received	
Avaya Inc, USA - ATAC	- (470)
Avaya Inc, USA	- (2,249)
Avaya International Sales Limited, Ireland	14,272 (24,723)
Avaya Singapore Pte. Ltd. - ATAC	- (1,274)
Avaya Singapore Pte. Ltd.	- (196)
Avaya India Private Limited	7,951 (6,965)
GlobalConnect Australia Pty Ltd.	68 (70)
Expenses reimbursed to	
Avaya Inc, USA	280 (245)

Figures in brackets are in respect of previous year.

(c) Amounts outstanding for related parties as per the books of account as at September 30, 2010

Particulars	Rupees in '000
Receivables	
Essar Steel Limited	2,066 (-)
Essar Oil Limited	70 (-)
Aegis Limited	193 (-)
Avaya India Private Limited	Refer note 3 below (25,747)
Avaya Singapore Pte. Limited - ATAC	Refer note 3 below (1,777)
Avaya Inc.	Refer note 3 below (7,133)
Payables	
Avaya Inc. USA	Refer note 3 below (612)
Avaya International Sales Ltd., Ireland	Refer note 3 below (402,848)
Avaya India Private Limited	Refer note 3 below (46,548)
Avaya U.K.	Refer note 3 below (541)
Mr. Anil Nair	8,644 (-)

Notes:

1. The information given above, have been reckoned on the basis of information available with the Company.
2. Figures in brackets are in respect of previous year.
3. Not a related party as on September 30, 2010 (Refer note No. 2 of Schedule 1)

Schedule 19
Notes to accounts

10 Lease transactions

Operating leases

(i) The Company has taken various residential, office, warehouse premises and vehicles under operating lease or leave and licence agreements. These range between 11 months to 4 years under leave and licence, or longer for other leases and are renewable by mutual consent on mutually agreeable terms.

(ii) Lease payments are recognised in the Profit and Loss Account under 'Rent' and 'Lease rentals' in Schedule 15.

(iii) The future minimum lease payments under non-cancellable operating leases are:-

Due	**Rupees in '000**
Not later than 1 year	17,591 (63,480)
Later than 1 year but not later than 5 years	17,441 (3,711)
	35,032 (67,191)

Note:
Figures in brackets are in respect of the previous year.

11 Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year as under:

		Previous year
Profit after tax (Rupees in '000)	349,521	153,672
Weighted average number of equity shares outstanding during the year	1,42,33,232	1,42,33,232
Basic and Diluted Earnings per Share (in Rupees)	24.56	10.80
Nominal Value per Share (in Rupees)	10.00	10.00

12 Disclosure as per Accounting Standard - 29 "Provisions, Contingent Liabilities and Contingent Assets" issued by Institute of Chartered Accountants of India.

Provision for Warranty **Rupees in '000**

Particulars	**Current year**	**Previous year**
Opening Balance	**31,111**	**36,211**
Additions	-	-
Utilisations	(2,893)	(5,100)
Closing Balance	**28,218**	**31,111**

Provisions for Warranty is based on the estimate made by the Company considering the historical relationship of warranty claims to sales. The timing and the amount of cash flows that will arise from these matters will be determined only on receipt of actual claims from the respective parties.

13 Sundry creditors include –

	Rupees in '000	**Previous year**
Total outstanding dues of micro and small enterprises	**287**	**262**

Schedule 19

Notes to accounts

Details of amounts due under the Micro, Small and Medium Enterprises Development Act, 2006 are as under:-

			2009-10	2008-09
			Rupees '000s	**Rupees '000s**
1	The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of the year.	a. Principal	272	259
		b. Interest	15	3
		Total	**287**	**262**
2	The amount of interest paid by the buyer in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amount of the payment made to the supplier beyond the appointed day during the year.	a. Principal	1,346	1,357
		b. Interest	-	-
		Total	**1,346**	**1,357**
3	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006			
4	The amount of interest accrued and remaining unpaid at the end of the year.	a. Total Interest accrued	12	3
		b. Total Interest unpaid	12	3
5	The amount of further Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	Included in S. No. 4(b) above is Rs. NIL being interest on amounts outstanding as at the beginning of the accounting year.		

14 Disclosures in accordance with Revised AS - 15 on "Employee Benefits"

1 Defined Contribution Plan – The Company has recognised the following amounts in the Profit and Loss Account for the year.

Rupees in '000

Particulars	**Total**
Contribution to Management Superannuation Fund	14,841 (13,330)
Total	14,841 **(13,330)**

Schedule 19
Notes to accounts

2 Defined Benefit Plans –

The following figures (except provident fund contributions) are as per actuarial valuation as at the Balance Sheet date carried out by an independent actuary.

a A reconciliation of opening and closing balances of the present value of the Defined Benefit Obligation (DBO) :

Rupees in '000

Sr. no.	Particulars	Gratuity
i)	Opening DBO as on 1st October 2009	53,191 (58,171)
ii)	Current Service Cost	5,410 (6,420)
iii)	Interest Cost	4,457 (4,508)
iv)	Actuarial (Gains)/Losses	(2,777) (2,851)
v)	Benefits Paid	(7,076) (-18,759)
vi)	**Closing DBO as on 30th September 2010**	**53,205** **(53,191)**

b A reconciliation of the opening and closing balances of the fair value of Plan Assets.

Rupees in '000

Sr. no.	Particulars	Gratuity
i)	Opening Fair Value of Plan Assets	54,462 (58,064)
ii)	Expected return on Plan Assets	4,928 (5,204)
iii)	Actuarial Gains/(Losses)	(213) (-230)
iv)	Contribution by the employer	1,104 (10,183)
v)	Benefits Paid	(7,076) (-18,759)
vi)	**Closing Fair Value of Plan Assets as on 30th September 2010**	**53,205** **(54,462)**

Schedule 19

Notes to accounts

c Amount recognised in Balance Sheet including a reconciliation of the present value of defined obligation in (a) and the fair value of plan assets in (b) to the assets and liabilities recognised in the Balance Sheet :

Rupees in '000

Sr. no.	Particulars (Gratuity)	2009-10	2008-09	2007-08	2006-07
i)	Present Value of Funded Obligations	53,205	53,191	58,064	54,471
ii)	Fair Value of Plan Assets	53,205	54,462	57,958	43,950
iii)	Present Value of Unfunded Obligations	-	(1,271)	106	10,521
iv)	**Net Liability/(Asset) recognised in the Balance Sheet**	**-**	**(1,271)**	**106**	10,521

d The total expense / (income) recognised in the Profit & Loss Account:

Rupees in '000

i.

Sr. no.	Particulars	Gratuity
i)	Current Service Cost	5,410 (6,420)
ii)	Interest Cost	4,457 (4,508)
iii)	Expected return on Plan Assets	(4,928) (-5,204)
iv)	Actuarial (Gains)/Losses	(2,564) (3,081)
vi)	**Net Employee Benefit Expense / (Income)**	**2,375** **(8,805)**

ii) The total expense recognised in the Profit & Loss Account includes Rs. 23,510 ('000) (Previous year Rs. 28,336 ('000) as contribution to provident funds.
All the above have been included in the line item 'Contribution to provident and other funds' in schedule 15 of the Profit & Loss Account.

e Fair Value of Plan Assets - 100% is administered by Insurer Managed Funds.

f The overall expected rate of return on assets is based on the expectation of the average long term rate of return expected on investments of the Fund during the estimated term of the obligations.

g The Actual Return on Plan Assets is as follows :

Rupees in '000

Sr. no.	Particulars	Gratuity
i)	Actual Return on Plan Assets	4,715 (4,974)

h Following are the principal Actuarial Assumptions used as at the Balance Sheet date:

Particulars	Gratuity (%)
Discount Rate	8.38 (7.75)
Expected Rate of Return on Plan Assets	9.25 (9.25)
Salary escalation Rate - Management Staff	6.00 (6.00)
Salary escalation Rate - Non Management Staff	6.00 (6.00)

The estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

Schedule 19
Notes to accounts

15 Installed capacity and production

		Previous year
EPABX (no. of ports)		
Installed capacity - on single shift basis	250,000	250,000
Actual production	60,944	66,566

Note: The installed capacity is as per certificate given by Management, on which the auditors have relied, being a technical matter.

16 Manufactured goods - turnover, opening and closing stocks

	Turnover		Closing stock		Opening stock	
Class of product	**Quantity (nos.)**	**Value (Rs. in '000)**	**Quantity (nos.)**	**Value (Rs. in '000)**	**Quantity (nos.)**	**Value (Rs. in '000)**
EPABX (no. of ports)	46,650	175,387	17,658	66,267	3,364	36,442
Total		**175,387**		**66,267**		**36,442**
Previous year						
EPABX (no. of ports)	83,942	378,549	3,364	36,442	20,740	92,748
Total		**378,549**		**36,442**		**92,748**

Note:

The Company records production and stocks of EPABX systems in 'number of ports' even though the EPABX system is sold as a unit. The capacity and utilisation of the system is measured in 'number of ports'. Hence, the installed capacity, production, turnover and stocks of EPABX systems together with the cards in work-in-progress are converted into number of ports.

17 Particulars of traded goods

	Purchases		Opening stock		Closing stock		Sales	
Items	**Quantity (nos.)**	**Value (Rs. in '000)**	**Quantity (nos.)**	**Value (Rs. in '000)**	**Quantity (nos.)**	**Value (Rs. in '000)**	**Quantity (nos.)**	**Value (Rs. in '000)**
(a) Converged Communication Solutions*		2,168,438		262,825		250,503		2,382,723
(b) Telephone instruments	47,053	281,449	4,017	19,197	4,287	14,008	46,783	629,346
(c) Teleconferencing solution (TCS)	578	125,857	493	27,866	512	13,387	559	282,483
Total		**2,575,744**		**309,888**		**277,898**		**3,294,552**
Previous year								
(a) Converged Communication Solutions*		2,165,760		323,990		262,825		2,218,951
(b) Telephone instruments	43,196	246,305	4,811	34,184	4,017	19,197	43,990	719,996
(c) Teleconferencing solution (TCS)	1,035	243,427	411	45,226	493	27,866	953	390,068
Total		**2,655,492**		**403,400**		**309,888**		**3,329,015**

* The Company mainly operates in Converged Communication Solutions domain and the solutions sold to customers is configured as per specific customer requirements. The heterogeneous mix of components in solution offered to customers makes it difficult to establish a meaningful relationship between the quantitative details of goods purchased and sold during the year. Consequently, it is neither feasible nor meaningful to give the quantitative details of goods purchased and sold during the year for Converged Communication Solutions.

Schedule 19
Notes to accounts

		Quantity (nos.)	Rupees in '000	Previous year Quantity (nos.)	Previous year Rupees in '000
18	**Raw materials and components consumed**				
(a)	Printed circuit boards	2,975	121,972	3,076	105,752
(b)	Static converters	1,724	5,991	2,026	9,124
(c)	Cabinet	520	30,882	878	58,091
(d)	Peripherals	292	1,601	402	2,479
(e)	Others*		38,576		78,476
			199,022		**253,922**

* As "Others" comprise of various items, the quantity thereof have not been given.

		Rupees in '000	Previous year Rupees in '000
19	**CIF value of imports**		
(a)	Raw materials and components	160,778	183,042
(b)	Capital goods	47,118	2,846
(c)	Traded goods	2,162,819	2,216,585
20	**Value of consumption of imported/indigenous items of raw materials, components and percentage of each to total consumption**		
	Raw materials		
	Imported - Rupees in '000	197,851	252,746
	%	99.41	99.54
	Indigenous - Rupees in '000	1,171	1,176
	%	0.59	0.46
	Total	**199,022**	**253,922**
	%	100.00	100.00
21	**Earnings in foreign exchange (on accrual basis)**		
(a)	Service / Maintenance income	-	42,845
(b)	Reimbursement of Expenses	15,045	30,488
(c)	Sales Proceeds other than export	1,379,836	1,399,084
22	**Expenditure in foreign currency (on accrual basis)**		
(a)	Professional charges	701	395
(b)	Others	66,575	78,951

Schedule 19
Notes to accounts

		Rs. in '000	Previous year Rs. in '000
23	**Amount remitted during the year in foreign currency on account of dividend**		
(a)	Number of shareholders	2	2
(b)	Number of equity shares held by them on which dividend was paid	84,15,988	84,15,988
(c)	Net amount remitted	29,456	29,456
(d)	Pertains to year ended	Sep-09	Sep-08

24 **Details of foreign currency exposures that are not hedged by a derivative instrument or otherwise are as follows:**

Particulars	Foreign Currency	Rupees in '000	Previous year Foreign Currency	Previous year Rupees in '000
Payables	8,092,585 USD	363,762	12,713,428 USD	611,643
	21,027 GBP	1,503	7,095 GBP	545
	3,249 EURO	199		
Receivables	3,827,131 USD	172,030	5,183,282 USD	249,368
	4,299 GBP	307	19,626 GBP	1,509

25 Previous year figures have been re-grouped and reclassified, wherever necessary, to correspond to those of the current year.

Signatures to schedules 1 to 19

For Lovelock & Lewes
Firm Registration Number: 301056E
Chartered Accountants

SHARMILA A. KARVE
Partner
Membership No.- F43229

For and on behalf of the Board

S. K. JHA
Managing Director & CEO

ANIL NAIR
Joint Managing Director & President

VISHAL KOHLI
Company Secretary

AMAL THAKORE
V. P. & Head (Finance)

Mumbai
November 15, 2010

Mumbai
November 15, 2010

Schedule 19
Notes to accounts

26. Balance Sheet abstract and Company's general business profile

I. Registration details

Registration no. 40652 | State code 11

Balance sheet date 30092010

II. Capital raised during the year (amount in Rupees thousands)

Public issue	Rights issue
NIL	NIL
Bonus issue	**Private placement**
NIL	NIL

III. Position of mobilisation and deployment of funds (amount in Rupees thousands)

Total liabilities	Total assets
2616072	2616072

Sources of funds

Paid-up capital	Reserves and surplus
142332	2473740
Secured loans	Unsecured loans
NIL	NIL

Application of funds

Net fixed assets	Investments
212447	145000
Net current assets	Deferred tax asset
2136556	122069

IV. Performance of the Company (amount in Rupees thousands)

Turnover	Total expenditure
4984357	4457409
+ (-) Profit/(loss) before tax	+ (-) Profit/(loss) after tax
+ 526948	+ 349521
Earnings per share (Rupees)	Dividend %
24.56	45

V. Generic names of two principal products / services of the Company (as per monetary terms)

Item code no. (ITC code) 85173000

Product description TELECOMMUNICATION EQUIPMENT

Item code no. (ITC code) 85252009

Product description MICROWAVE COMMUNICATION

Signatures to schedules 1 to 19

For and on behalf of the Board

S. K. JHA
Managing Director & CEO

ANIL NAIR
Joint Managing Director & President

VISHAL KOHLI
Company Secretary

AMAL THAKORE
V. P. & Head (Finance)

Mumbai
November 15, 2010

Cash flow statement for the year ended September 30, 2010

		Rupees in '000	Previous year Rupees in '000
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Profit before tax	**526,948**	**230,471**
	Adjustments for:		
	Depreciation	74,380	84,848
	Interest expense	8,470	10,517
	Loss /(profit) on Sale / Write-off of Fixed Assets	(9,610)	2,363
	Provision for warranties	(2,893)	(5,100)
	Provision for doubtful debts (net)	5,807	15,099
	Bad Debts	986	119
	Liabilities for earlier years no longer required written back	(7,997)	(2,102)
	Interest income	(68,731)	(52,548)
		412	**53,196**
	Operating profit before working capital changes	**527,360**	**283,667**
	Increase/ (decrease) in trade payables	(72,092)	(105,987)
	(Increase)/ decrease in trade receivables	(31,540)	100,620
	(Increase)/ decrease in inventories	32,277	177,833
	(Increase) / decrease in loans and advances	69,144	(2,577)
		(2,211)	**169,889**
	Cash generated from operations	**525,149**	**453,556**
	Income tax paid	(126,824)	(159,014)
	NET CASH FROM OPERATING ACTIVITIES	**398,325**	**294,542**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of fixed assets	(101,872)	(35,936)
	Sale of fixed assets	12,173	3,473
	Interest received	68,731	52,548
	Disposal of Investments	5,000	888
	NET CASH FROM INVESTING ACTIVITIES	**(15,968)**	**20,973**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Repayment of other borrowings	-	(1,853)
	Interest paid	(8,470)	(10,517)
	Dividend paid	(58,157)	(58,064)
	NET CASH FROM FINANCING ACTIVITIES	**(66,627)**	**(70,434)**
	NET INCREASE IN CASH AND CASH EQUIVALENTS	**315,730**	**245,081**
	Cash and cash equivalents as at October 1, 2009	1,116,929	871,848
	Cash and cash equivalents as at September 30, 2010	1,432,659	1,116,929
		315,730	245,081

	Rupees in '000	Previous year Rupees in '000
Cash and cash equivalents comprise of		
Cash in hand	400	392
Cheques on hand and remittance in transit	43,860	24,409
Balances with scheduled banks		
- In Unclaimed Dividend Accounts (Restricted)	2,844	2,719
- In Deposit Accounts	927,638	567,440
- In Current Accounts	391,205	440,165
Balances in other banks	66,712	81,804
	1,432,659	**1,116,929**

Notes:

1 The above Cash Flow Statement has been prepared under the indirect method set out in AS-3 notified under Section 211(3C) of the Companies Act, 1956.

2 Figures in brackets indicate cash outflow.

3 Previous year figures have been regrouped / reclassified wherever necessary.

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

For Lovelock & Lewes
Firm Registration Number: 301056E
Chartered Accountants

For and on behalf of the Board

SHARMILA A. KARVE
Partner
Membership No.- F43229

S. K. JHA
Managing Director & CEO

ANIL NAIR
Joint Managing Director & President

VISHAL KOHLI
Company Secretary

AMAL THAKORE
V. P. & Head (Finance)

Mumbai
November 15, 2010

Mumbai
November 15, 2010

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AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AGC NETWORKS LIMITED (FORMERLY AVAYA GLOBALCONNECT LIMITED)

The Board of Directors of AGC Networks Limited (formerly Avaya GlobalConnect Limited)

1. We have audited the attached consolidated Balance Sheet of AGC Networks Limited (formerly Avaya GlobalConnect Limited) (the "Company'') and its subsidiary; hereinafter referred to as the "Group" as at September 30, 2010, the related consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of the Company's subsidiary in Australia, GlobalConnect Australia Pty Limited, included in the consolidated financial statements, which constitute total assets of Rs. 212,775 ('000) and net assets of Rs. 59,493 ('000) as at September 30, 2010, total revenue of Rs. 443,441 ('000), net loss of Rs. 3,508 ('000) and net cash flows amounting to Rs. (10,435) ('000) for the year then ended. These financial statements and other financial information have been audited by other auditor whose report has been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of the other auditor.

4. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard 21 - Consolidated Financial Statements notified under sub-section 3C of Section 211 of the Companies Act, 1956.

5. Based on our audit and on consideration of report of other auditor on separate financial statements and on the other financial information of the subsidiary as referred to above, and to the best our information and according to the explanations given to us, in our opinion, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at September 30, 2010;

   (b) in the case of the consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and

   (c) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For Lovelock & Lewes
Firm Registration Number: 301056E
Chartered Accountants

Sharmila A. Karve
Partner
Membership Number: F43229

Place: Mumbai
Date: November 15, 2010

Consolidated Balance Sheet as at 30th September, 2010

	Schedule	Rupees in '000	As at 30-09-2009 Rupees in '000
Sources of funds			
Shareholders' funds			
Capital	1	142,332	142,332
Reserves and surplus	2	2,388,280	2,115,106
		2,530,612	2,257,438
Total		**2,530,612**	**2,257,438**
Application of funds			
Fixed assets	3		
Gross block		796,904	770,235
Less: Depreciation		614,289	579,311
Net block		182,615	190,924
Capital work in progress		33,614	2,815
		216,229	193,739
Investments	4	-	5,000
Deferred Tax Assets	5	122,069	122,103
Current assets, loans and advances			
Inventories	6	466,077	502,618
Sundry debtors	7	1,385,976	1,339,415
Cash and bank balances	8	1,533,539	1,228,244
Loans and advances	9	576,189	696,267
		3,961,781	3,766,544
Less: **Current liabilities and provisions**			
Liabilities	10	1,623,899	1,694,212
Provisions	11	145,568	135,736
		1,769,467	1,829,948
Net current assets		2,192,314	1,936,596
Total		**2,530,612**	**2,257,438**
Significant Accounting Policies	18		
Notes to Accounts	19		

The Schedules referred to above form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our report of even date.

For Lovelock & Lewes
Firm Registration Number: 301056E
Chartered Accountants

SHARMILA A. KARVE
Partner
Membership No.- F43229

Mumbai
November 15, 2010

For and on behalf of the Board

S. K. JHA
Managing Director & CEO

ANIL NAIR
Joint Managing Director & President

VISHAL KOHLI
Company Secretary

AMAL THAKORE
V. P. & Head (Finance)

Mumbai
November 15, 2010

Consolidated Profit and Loss account for the year ended 30th September, 2010

	Schedule	Rupees in '000	Previous year Rupees in '000
Income			
Sales and services (Gross)	12	5,404,170	5,583,641
Less: Excise duty		15,120	29,496
Sales and services (Net)		5,389,050	5,554,145
Other income	13	29,047	41,975
Total		**5,418,097**	**5,596,120**
Expenditure			
Raw materials and components consumed	14	199,022	253,922
Purchase of traded items		2,781,939	2,844,123
Manufacturing and other expenses	15	1,867,143	1,976,764
Excise duty		6,407	6,827
Decrease/(Increase) in stock of finished goods and work-in-progress	16	34,647	170,769
Depreciation and amortisation		77,719	102,820
Interest and finance charges (net)	17	(62,519)	(44,384)
Total		**4,904,358**	**5,310,841**
Profit before exceptional item		**513,739**	**285,279**
Exceptional item (Refer note no. 4 of schedule 19)		(9,701)	53,405
Profit before tax		**523,440**	**231,874**
Provision for tax:			
Current tax [including wealth tax Rs. NIL (previous year Rs. 100 ('000)]		180,800	57,740
Excess provision of tax for earlier years		(3,407)	(6,991)
Deferred tax		34	21,050
Fringe benefit tax		-	5,000
		177,427	76,799
Profit after tax		**346,013**	**155,075**
Balance brought forward from previous year		478,522	461,729
Amount available for appropriation		**824,535**	**616,804**
Appropriations:			
Proposed dividend		64,050	49,816
Corporate dividend tax		10,638	8,466
Transfer to General Reserve		35,000	80,000
Balance carried to Balance Sheet		714,847	478,522
Total		**824,535**	**616,804**
Basic and Diluted Earnings per share (Refer note no. 11 of Schedule 19)		**24.31**	**10.90**
Nominal value per share in Rs.		**10.00**	**10.00**
Significant Accounting Policies	18		
Notes to Accounts	19		

The Schedules referred to above form an integral part of the Profit and Loss Account.
This is the Profit and Loss Account referred to in our report of even date.

For Lovelock & Lewes
Firm Registration Number: 301056E
Chartered Accountants

SHARMILA A. KARVE
Partner
Membership No.- F43229

Mumbai
November 15, 2010

For and on behalf of the Board

S. K. JHA
Managing Director & CEO

ANIL NAIR
Joint Managing Director & President

VISHAL KOHLI
Company Secretary

AMAL THAKORE
V. P. & Head (Finance)

Mumbai
November 15, 2010

Schedules forming part of Consolidated Balance Sheet

	Rupees in '000	As at 30-09-2009 Rupees in '000
Schedule 1		
Capital		
Authorised		
2,50,00,000 equity shares of Rs. 10/- each	250,000	250,000
10,00,000 cumulative redeemable preference shares of Rs. 100/- each	100,000	100,000
	350,000	**350,000**
Issued, subscribed and paid up		
1,42,33,232 equity shares of Rs.10/- each fully paid up [84,15,988 and 28,46,647 shares held by Essar Services Holdings Limited and Essar Capital Finance Private Limited respectively (previous year 36,30,035 and 47,85,953 shares held by Sierra Communication International LLC (formerly Avaya International LLC) and Avaya Mauritius Limited respectively, subsidiaries of the ultimate holding company, Avaya Inc. USA)]	142,332	142,332
Total	**142,332**	**142,332**

Notes:

1) Of the above, 4,26,692 equity shares have been allotted on amalgamation of the erstwhile Tata Keltron Limited without payment being received in cash.

2) During the year, pursuant to the share purchase agreement between the Sellers (Avaya Mauritius Limited and Sierra Communication International LLC) and Essar Services Holdings Limited and Essar Capital Finance Private Limited, Essar Services Holdings Limited acquired 59.13% shareholding in the Company from the Sellers. Further, Essar Capital Finance Private Limited acquired 20% shareholding in the Company vide the open offer made to the public shareholders of the Company under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. The ultimate holding Company is Essar Global Limited.

	Rupees in '000	As at 30-09-2009 Rupees in '000
Schedule 2		
Reserves and surplus		
Capital reserve		
Balance as per Balance sheet	226,387	226,387
	226,387	226,387
Securities premium account		
Balance as per Balance sheet	463,342	463,342
	463,342	463,342
General reserve		
Balance as per last Balance sheet	940,199	860,199
Add: Transferred from Profit and Loss Account	35,000	80,000
	975,199	940,199
Foreign currency translation reserve		
Balance as per last Balance Sheet	6,656	(1,696)
Foreign currency translation reserve during the year	1,849	8,352
	8,505	6,656
Profit and Loss Account	714,847	478,522
Total	**2,388,280**	**2,115,106**

Schedule 3

Fixed assets

Rupees in '000

	Gross block (at cost)				Depreciation and Amortisation				Net block	
	As at 01-10-2009	Additions	Deductions/ Adjustment	As at 30-09-2010	Upto 30-09-2009	For the year	Deductions/ Adjustment	As at 30-09-2010	As at 30-09-2010	As at 30-09-2009
Tangible Assets										
Leasehold land	4,018	-	-	4,018	882	41	-	923	3,095	3,136
Freehold land	2,378	-	1,515	863	-	-	-	-	863	2,378
Buildings	32,611	-	-	32,611	18,459	988	-	19,447	13,164	14,152
Plant and machinery	213,034	44,508	4,631	252,911	179,792	16,738	4,631	191,899	61,012	33,242
Computers	148,448	8,557	15,295	141,710	114,344	20,057	15,007	119,394	22,316	34,104
Electrical installations	24,743	1,243	2,522	23,464	15,636	3,444	2,522	16,558	6,906	9,107
Furniture, fixtures and office equipments	211,748	7,485	13,104	206,129	152,225	27,649	11,814	168,060	38,069	59,523
Vehicles	2,351	1,159	-	3,510	1,869	475	-	2,344	1,166	482
Intangible Assets										
Computer Software	95,462	9,535	1,500	103,497	63,104	8,357	1,500	69,961	33,536	32,358
Technical Know-how	22,420	-	-	22,420	22,420	-	-	22,420	-	-
Total	**757,213**	**72,487**	**38,567**	**791,133**	**568,731**	**77,749**	**35,474**	**611,006**	**180,127**	188,482
Exchange fluctuation on translation of non integral foreign subsidiary	**13,022**	**(375)**	**6,876**	**5,771**	**10,580**	**(30)**	**7,267**	**3,283**	**2,488**	2,442
Total	**770,235**	**72,112**	**45,443**	**796,904**	**579,311**	**77,719**	**42,741**	**614,289**	**182,615**	**190,924**
Previous year Total	**866,759**	**47,782**	**144,306**	**770,235**	**614,551**	**102,820**	**138,060**	**579,311**		
Capital work-in-progress [Including advance for capital expenditure Rs.1,500 ('000s) (Previous year Rs. NIL)]									33,614	2,815
									216,229	**193,739**

Note:

Buildings include one share of Rs. 100/- fully paid up in a cooperative society.

	Rupees in '000	As at 30-09-2009 Rupees in '000
Schedule 4		
Investments		
Long term Investments at cost (Unquoted)		
Non-trade		
NIL (previous year 500) 5.25% Rural Electrification Corporation Limited Bonds of Rs. 10,000 each	-	5,000
Total	**-**	**5,000**
Schedule 5		
Deferred Tax Assets		
Depreciation	71,795	69,565
Provision for doubtful debts	35,105	33,948
Provisions allowable for tax purposes when paid	15,169	18,590
Total	**122,069**	**122,103**
Schedule 6		
Inventories		
(at lower of cost and net realisable value)		
Raw materials and components	529	2,423
Work-in-progress	57,752	25,015
Finished goods	258,986	313,216
Stock-in-transit	37,067	20,108
Service stocks	111,743	141,856
Total	**466,077**	**502,618**
Schedule 7		
Sundry Debtors		
(Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	193,244	182,806
Considered doubtful	105,682	99,875
	298,926	282,681
Other debts		
Considered good	1,192,732	1,156,609
	1,192,732	1,156,609
	1,491,658	1,439,290
Less: Provision for doubtful debts	105,682	99,875
Total	**1,385,976**	**1,339,415**

	Rupees in '000	As at 30-09-2009 Rupees in '000
Schedule 8		
Cash and Bank Balances		
Cash on hand	403	415
Cheques on hand	43,860	24,409
Balances with Scheduled banks		
— In current accounts [Rs. 2,844 ('000) in unclaimed dividend account (previous year Rs. 2,719 ('000))]	394,049	442,884
— In deposit accounts [including interest accrued Rs. 22,978 ('000) (previous year Rs. 13,232 ('000))]	927,638	567,440
Balances with others		
— In current accounts		
Credit Agricole Corporate & Investment Bank, Singapore [Maximum amount outstanding during the year Rs. 153,838 ('000) (previous year Rs. 97,471 ('000))]	66,712	81,804
Westpac Bank [Maximum amount outstanding during the year Rs. 115,095 ('000), (previous year Rs. 43,092 ('000))]	5,628	98,986
— In saving accounts		
Westpac Bank [Maximum amount outstanding during the year Rs. 102,776 ('000), (previous year Rs. 7,854 ('000))]	86,890	3,702
— In Guarantee account		
Westpac Bank [Maximum amount outstanding during the year Rs. 9,408 ('000), (previous year Rs. 8,634 ('000))]	8,359	8,604
Total	**1,533,539**	**1,228,244**
Schedule 9		
Loans and Advances		
(Unsecured and considered good)		
(Refer note no. 5 of Schedule 19)		
Advances recoverable in cash or in kind or for value to be received	87,818	151,351
Other deposits	111,123	116,662
Balance with excise authorities	179	616
Advance payment of tax (net of tax provision)	377,069	427,638
Total	**576,189**	**696,267**
Schedule 10		
Liabilities		
Sundry creditors:		
— total outstanding dues to micro and small enterprises	287	262
— Other Dues (Refer note no. 13 of Schedule 19)	923,579	998,493
	923,866	998,755
Other liabilities *	78,899	61,903
Unearned revenue **	508,615	508,215
Advances from customers	112,519	125,339
Total	**1,623,899**	**1,694,212**

* There is no amount due and outstanding to be credited to Investor Education and Protection Fund.

** Unearned Revenue represents revenue not recognised on billing & dispatch of goods and billing of services, as per accounting policy on revenue recognition of the Group.

Schedules forming part of Consolidated Balance Sheet

	Rupees in '000	As at 30-09-2009 Rupees in '000
Schedule 11		
Provisions		
For proposed dividend	64,050	49,816
For corporate dividend tax	10,638	8,466
For gratuity and leave liability	42,662	46,343
For warranty	28,218	31,111
(Refer note no. 12 of Schedule 19)		
Total	**145,568**	**135,736**

Schedules forming part of Consolidated Profit and Loss Account

	Rupees in '000	Previous year Rupees in '000
Schedule 12		
Sales and services		
Sales of manufactured goods	175,387	378,549
Sales of traded goods	3,558,847	3,473,892
Installation and commissioning income	148,885	174,129
Maintenance income	843,665	913,023
Service income	677,386	644,048
Total	**5,404,170**	**5,583,641**
Schedule 13		
Other income		
Liabilities for earlier years no longer required written back	7,997	2,102
Miscellaneous income (Refer note no. 6 of Schedule 19)	21,050	39,873
Total	**29,047**	**41,975**
Schedule 14		
Raw materials and components consumed		
Opening stock	2,423	2,994
Add: Purchases during the year	197,128	253,351
	199,551	256,345
Less: Closing stock	529	2,423
Total	**199,022**	**253,922**

	Rupees in '000	Previous year Rupees in '000
Schedule 15		
Manufacturing and Other expenses		
Payments to and provisions for employees:		
Salaries, wages and bonus	776,840	745,360
Contribution to provident and other funds	56,419	68,214
Staff welfare expenses	43,768	55,443
	877,027	869,017
Packing materials consumed	1,328	1,057
Installation and commissioning expenses	24,972	24,146
Power and water charges	18,870	23,930
Rent	115,477	146,747
Rates and taxes	5,343	20,976
Lease rentals	6,478	7,398
Insurance	3,080	3,021
Repairs to:		
— machinery	1,175	1,355
— others	48,013	48,035
	49,188	49,390
Travelling and conveyance expenses	75,956	97,065
Telephone, telex and fax expenses	34,603	46,641
Printing and stationery expenses	6,340	8,663
Legal and professional charges	24,875	25,859
Advertisement, publicity and other selling expenses (net)	50,277	52,237
Outward freight, clearing and forwarding charges (net)	15,639	14,542
Commission to others	3,776	11,159
Service charges	487,786	490,802
Loss on Sale / Write-off of Fixed Assets (net)	91	2,363
Provision for doubtful debts (net)	5,807	15,099
Bad debts	986	119
Other expenses	58,344	66,073
Directors' sitting fees	900	460
Total	**1,867,143**	**1,976,764**

	Rupees in '000	Previous year Rupees in '000
Schedule 16		
(Increase)/Decrease in stock of finished goods and work-in-progress		
Closing stock		
Finished goods	296,053	333,324
Service stock	111,743	141,856
Work-in-progress	57,752	25,015
	465,548	500,195
Less:		
Opening stock		
Finished goods	333,324	458,898
Service stock	141,856	169,881
Work-in-progress	25,015	42,185
	500,195	670,964
Decrease/(Increase)	**34,647**	**170,769**

Schedules forming part of Consolidated Profit and Loss Account

	Rupees in '000	Previous year Rupees in '000
Schedule 17		
Interest and finance charges (net)		
Interest other than fixed loans	4	51
Finance charges	8,764	10,715
	8,768	10,766
Less:		
Interest received on:		
Fixed Deposits in Banks [tax deducted at source Rs. 4,651 ('000), (previous year Rs. 11,054 ('000))]	52,072	51,384
Other interest	19,215	3,766
	71,287	55,150
Total	**(62,519)**	**(44,384)**

Schedules forming part of the Consolidated accounts

Schedule 18

Significant Accounting Policies

Basis of Preparation of Financial Statements

(a) The financial statements have been prepared to comply in all material aspects with all the applicable accounting principles in India, the applicable Accounting Standards notified under section 211 (3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

(b) 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, liabilities, revenue and expenses and disclosure of contingent liabilities as on the date of financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in future periods.

Basis of consolidation

(a) The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS-21) on 'Consolidated Financial Statements' and on the basis of the separate audited financial statements of AGC Networks Limited and its subsidiary. Reference in the notes to Company / Group shall mean to include AGC Networks Limited / AGC Networks Limited and its subsidiary consolidated in these Financial Statements unless otherwise stated.

(b) The financial statements of the Group are combined on a line by line basis by adding together book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses in accordance with Accounting Standard 21 (AS-21) on 'Consolidated Financial Statements'.

(c) The Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and necessary adjustments required for deviations, if any, have been made in Consolidated Financial Statements.

Foreign subsidiary considered in the Consolidated Financial Statements

Name of the subsidiary	Country of incorporation	Extent of holding as on September 30, 2010
GlobalConnect Australia Pty Limited*	Australia	100%

* Incorporated on September 03, 2004 under the Corporation Act, 2001, Australia.

Foreign Currency Translation:

The Consolidated Financial Statements are prepared in Indian Rupees which is the functional currency for AGC Networks Limited.

However, Australian Dollar is the functional currency for its foreign subsidiary located in Australia. The translation of the functional currency of the foreign subsidiary into the reporting currency is performed

(a) for assets and liabilities using the current exchange rate in effect at the balance sheet date,

(b) for revenues, costs and expenses using average rate prevailing during the reporting months and

(c) for share capital, using the exchange rate at the date of transaction.

The resultant translation exchange gain/loss has been disclosed as Foreign Currency Translation Reserve under Reserves and Surplus.

Fixed assets

Fixed assets are stated at cost of acquisition or construction less accumulated depreciation. All significant costs relating to the acquisition and installation of fixed assets are capitalised. Assets acquired under finance lease are recognised at the inception of the lease at lower of the fair value or the present value of minimum lease payments. The initial direct costs incurred in connection with finance leases are recognised as an asset under the lease.

Depreciation

Depreciation on fixed assets is provided on straight-line basis in accordance with Section 205(2)(b) of the Companies Act,1956 at the rates and in the manner specified in Schedule XIV to the Act, except in respect of certain fixed assets where higher rates are applicable considering the estimated useful life, which are as follows:

i) Plant and Machinery - 5 years

ii) Furniture, Fixtures and Office Equipments - 5 years

iii) Computers and Computer Software - 4 years

iv) Cost of leasehold land is amortised over the period of lease.

v) Vehicles - 4 years

vi) Assets purchased specifically for projects are depreciated over the life of the projects.

Investments

Current investments are carried at lower of cost and fair value. Long-term investments are carried at cost. Provision is made to recognise a decline, other than temporary in the carrying amount of long term investments.

Inventories

Inventories are valued at cost or net realisable value, whichever is lower, except service spares which are valued at cost less amounts charged off to revenue over their evaluated useful life. The cost is determined on weighted average basis, and includes all costs incurred in bringing the inventories to their present location and condition. In case of work-in-progress and finished goods, costs also include costs of conversion.

Provision for warranties

The Company accrues provision for estimated future warranty costs based upon the historical relationship of warranty claims to sales. The Company periodically reviews the adequacy of its product warranties and adjusts, if necessary, the warranty percentage and accrued warranty provision, for actual experience.

Foreign currency transactions

Foreign currency transactions are accounted at the exchange rates prevailing on the date of transactions. Foreign currency monetary assets and liabilities are translated at year end exchange rates. Exchange difference arising on settlement of transactions and translation of monetary items is recognised as income or expense in the year in which they arise.

Sales, service and other income

(a) Income from sale of goods/installation and commissioning is recognised on completion of sale/installation and commissioning. Maintenance income is recognised on pro-rata basis upon signing of contract. Service income is recognised on performance of the services and signing of the service contract.

(b) Sales include excise duty but exclude sales tax.

(c) Other income is accounted on accrual basis except where receipt of income is uncertain.

Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised, subject to the consideration of prudence in respect of deferred tax assets, 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.

Operating Leases

Rentals payable under operating leases are charged to the income statement as incurred.

Provisions

A provision is recognised when there is a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Employee benefits

1) **Post-employment Benefits (AGC Networks Limited)**

   a) **Defined Contribution Plans:**

      The Company has Defined Contribution Plan for Post employment benefits in the form of Superannuation Fund for certain management employees which is administered by Life Insurance Corporation. The Company has no further obligation beyond making the contribution. The Company's contributions are charged to Profit and Loss Account as and when incurred.

   b) **Defined Benefit Plans:**

      Funded Plans:

      The Company has defined benefit plans for Post-employment benefits in the form of:

      (i) Gratuity for all employees which is administered through Life Insurance Corporation (LIC). Liability for Gratuity is provided on the basis of valuation, as at the Balance Sheet date, carried out by an independent actuary. The actuarial method used for measuring the liability is the Projected Unit Credit method.

      (ii) Provident Fund for all employees which is administered through Company managed trust. 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. The Company's contribution and such shortfall are charged to Profit and Loss Account as and when incurred.

2) **Other Long-term Employee Benefits:**

   Liability for Compensated Absences is provided on the basis of valuation, as at the Balance Sheet date, carried out by an independent actuary. Encashment of leave benefit is payable on death whilst in service, withdrawal from service such as resignation, termination or early retirement or from retirement from service at normal retirement date. In view of increase in salary taking place, salary growth rates have been used to project the salary at the time when encashment of leave is assumed to take place. The assumptions with regard to Mortality rates, Withdrawal rates and Retirement age have been used to construct a suitable multiple decrement service/mortality table which determines the expected time when leave encashment is likely to take place. The accumulated leave may be reduced on account of in-service utilization or encashment if permissible under the rules of leave encashment, or increase on account of leave entitlement every year. The effect of in service utilization or encashment and entitlement will be reflected in year to year balance and the liability will be adjusted accordingly at every periodic actuarial valuation.

3) Termination benefits are recognised as an expense as and when incurred.

4) The actuarial gains and losses arising during the year are recognised in the Profit and Loss Account of the year without resorting to any amortisation.

Employee benefits (GlobalConnect Australia Pty Limited)

a) Long service leave : The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

b) The Company has Defined Contribution Plan for Post employment benefits in the form of Superannuation Fund for certain management employees. The Company has no further obligation beyond making the contribution. The Company's contributions are charged to Profit and Loss Account as and when incurred.

Schedule 19

Notes to accounts

			Rupees in '000	Previous year Rupees in '000
1	Estimated amounts of contracts remaining to be executed on capital account and not provided for		22,029	1,565
2	Contingent liabilities in respect of disputed demands of:			
	(a)	Income tax authorities	182,731	155,316
	(b)	Excise and Customs authorities	93,863	159,492
	(c)	Sales tax matters	8,744	7,898
	(d)	Bills Discounted	714	39,768
3	**(a)**	Managerial Remuneration		
		Salary *	8,594	1,921
		Perquisites & Allowances (includes Rs. 6,393 ('000) paid to Mr. Niru Mehta pertaining to year ended September 30, 2008 for which Central Government approval is received in May 2010)	18,639	12,385
		Contribution to provident fund, superannuation and other funds	916	611
		Total	**28,149**	**14,917**

Provisions for contribution to employee retirement / post retirement and other employee benefits which are based on actuarial valuations done on an overall Company basis are excluded above.

* Salary of Mr. Anil Nair (Joint Managing Director and President) for the year ended September 30, 2010 includes Rs. 5,714 ('000) towards Management Retention Plan approved by the Board vide its meeting held on April 30, 2010 and is subject to the approval of shareholders.

Mr. S. K. Jha was appointed as Managing Director and CEO of the Company, for a period of 5 years, with effect from August 31, 2010 till August 30, 2015, vide Board Meeting held on August 31, 2010, which is subject to the approval of shareholders. He has not drawn any remuneration from the Company during the period.

3 **(b)** Approval from the Central Government of India is awaited for the amount of Rs. 5,323 ('000) paid to the Managing Director for the year ended September 30, 2009 in excess of the limits specified under the Companies Act, 1956.

4 Exceptional item for the year ended September 30, 2010 pertains to profit on sale of land of Rs. 9,701 ('000) and for the year ended September 30, 2009 pertains to employees separation costs of Rs. 53,405 ('000).

5 Loans and Advances include amounts due from:-

Rupees in '000

	Amount due	**Maximum amount due during the year**
Officer	- (-)	37 (145)
Managing Director/Joint Managing Director	- (-)	309 (388)

		Rupees in '000	Previous year Rupees in '000
6	Amount of exchange gain/(loss) (net) included in Miscellaneous income in the Profit and Loss Account	20,564	36,044

		Rupees in '000	Previous year Rupees in '000
7	Payments to auditors		
	As Auditors	5,156	5,211
	Other Services (tax audit etc.)	2,610	2,973
	Reimbursement of expenses	92	78
	Total	**7,858**	**8,262**

8 **Segment Reporting**

(a) Primary Segment

The Group operates in one business segment i.e., Business Communication Solutions.

(b) Secondary Segment : Geographical segments

Segement Revenues		Rupees in '000	Previous year Rupees in '000
Revenues -	Within India	4,974,656	5,156,474
-	Australia	443,441	439,646
	Total	**5,418,097**	**5,596,120**

Note: All the segment assets are located within India, except for the subsidiary's segment assets of Rs. 111,896 ('000) (Previous year Rs. 97,224 ('000) which are located in Australia.

9 **Related Party Disclosures (Refer Note No. 2 of Schedule 1)**

(a) Related party disclosures as required by Accounting Standard - 18 (AS-18), "Related Party Disclosures" issued by the Institute of Chartered Accountants of India

Nature of Relationship	Name of Party
Where control exists	Essar Services Holdings Limited - Holding Company (w.e.f. 01.09.2010) Essar Capital Finance Private Limited - (w.e.f. 01.09.2010) Essar Global Limited - Ultimate Holding Company (w.e.f. 01.09.2010) Avaya Inc., USA - Ultimate Holding Company (upto 31.08.2010) Through its 100% subsidiaries - 1) Sierra Communication International LLC (formerly Avaya International, LLC, USA) (upto 31.08.2010) 2) Avaya Mauritius Limited (upto 31.08.2010)
Fellow Subsidiaries (where transactions occurred during the year)	Avaya India Private Limited (upto 31.08.2010) Avaya Singapore Pte Ltd (upto 31.08.2010) Avaya International Sales Ltd., Ireland (upto 31.08.2010) Avaya Australia Pty Ltd (upto 31.08.2010) Essar Steel Limited (w.e.f. 01.09.2010) Essar Oil Limited (w.e.f. 01.09.2010) Aegis Services Australia (w.e.f. 01.09.2010) Aegis Limited (w.e.f. 01.09.2010)
Key Management Personnel	Mr. Niru Mehta (upto 31.12.2008) Mr. Anil Nair (w.e.f. 01.01.2009) Mr. S. K. Jha (w.e.f. 01.09.2010)

Schedule 20

Notes to accounts

9 Related Party Disclosures (Continued)

(b) Transactions with related parties as per the books of account during the year ended September 30, 2010

Nature of transaction	Rupees in '000
Purchases of goods	
Avaya International Sales Ltd., Ireland	1,514,608 (1,843,938)
Avaya Singapore Pte. Ltd.	12,917 (-)
Avaya Inc, USA	- (612)
Avaya Australia Pty Ltd	15,079 (19,228)
Sale of goods	
Avaya India Private Limited	3,407 (616)
Avaya Inc, USA	- (455)
Avaya Asia Pacific Inc., Taiwan	- (1,260)
Essar Steel Limited	527 (-)
Aegis Services Australia	1,596 (-)
Aegis Limited	594 (-)
Avaya Australia Pty Ltd	127 (4,460)
Purchase of Capital Goods	
Avaya International Sales Ltd., Ireland	11,967 (314)
Services rendered	
Avaya Inc, USA - ATAC	- (23,510)
Avaya India Private Limited	79,071 (92,736)
Avaya Singapore Pte Ltd - ATAC	- (4,917)
Essar Steel Limited	1,525 (-)
Essar Oil Limited	70 (-)
Services received	
Avaya India Private Limited	88,498 (108,284)
Avaya Inc, USA	- (473)
Avaya U. K.	- (4,454)

Schedule 20

Notes to accounts

9 Related Party Disclosures (Continued)

(b) Transactions with related parties as per the books of account during the year ended September 30, 2010

Nature of transaction	Rupees in '000
Dividend	
Essar Services Holdings Limited	37,872 (-)
Essar Capital Finance Private Limited	12,810 (-)
Sierra Communication International LLC (formerly Avaya International, LLC, USA)	- (12,705)
Avaya Mauritius Limited	- (16,751)
Managerial Remuneration	
Mr. Anil Nair	21,756 (11,330)
Mr. Niru Mehta	6,393 (3,587)
Expenses reimbursement received	
Avaya Inc, USA - ATAC	- (470)
Avaya Inc, USA	- (2,249)
Avaya International Sales Limited, Ireland	14,272 (24,723)
Avaya Singapore Pte. Ltd. - ATAC	- (1,274)
Avaya Singapore Pte. Ltd.	- (196)
Avaya India Private Limited	7,951 (6,965)
Expenses reimbursed to	
Avaya Inc, USA	280 (245)

Figures in brackets are in respect of previous year.

(c) Amounts outstanding for related parties as per the books of account as at September 30, 2010

Particulars	Rupees in '000
Receivables	
Essar Steel Limited	2,066 (-)
Essar Oil Limited	70 (-)
Aegis Services Australia	1,596 (-)
Aegis Limited	193 (-)
Avaya India Private Limited	Refer note 3 below (25,747)
Avaya Singapore Pte. Limited - ATAC	Refer note 3 below (1,777)
Avaya Inc.	Refer note 3 below (7,133)
Avaya Australia Pty Limited	Refer note 3 below (1,701)

Schedule 20

Notes to accounts

9 Related Party Disclosures (Continued)

(c) Amounts outstanding for related parties as per the books of account as at September 30, 2010

Particulars	Rupees in '000
Payables	
Avaya Inc. USA	Refer note 3 below (612)
Avaya International Sales Ltd. Ireland	Refer note 3 below (404,404)
Avaya India Private Limited	Refer note 3 below (46,548)
Avaya U.K.	Refer note 3 below (541)
Avaya Australia Pty Limited	Refer note 3 below (6,950)
Mr. Anil Nair	8,644 (-)

Notes:

1. The information given above, have been reckoned on the basis of information available with the Company.
2. Figures in brackets are in respect of previous year.
3. Not a related party as on September 30, 2010 (Refer note No. 2 of Schedule 1)

10 Lease transactions

Operating leases

(i) The Company has taken various residential, office, warehouse premises and vehicles under operating lease or leave and licence agreements. These range between 11 months to 4 years under leave and licence, or longer for other leases and are renewable by mutual consent on mutually agreeable terms.

(ii) Lease payments are recognised in the Profit and Loss Account under 'Rent' and 'Lease rentals' in Schedule 15.

(iii) The future minimum lease payments under non-cancellable operating leases are:-

Due	**Rupees in '000**
Not later than 1 year	32,302 (80,653)
Later than 1 year but not later than 5 years	17,441 (17,724)
	49,743 (98,377)

Note:

Figures in brackets are in respect of the previous year.

11 Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year as under:

		Previous year
Profit after tax (Rupees in '000)	346,013	155,075
Weighted average number of equity shares outstanding during the year	1,42,33,232	1,42,33,232
Basic and Diluted Earnings per Share (in Rupees)	24.31	10.90
Nominal Value per Share (in Rupees)	10.00	10.00

Schedule 20

Notes to accounts (Continued)

12 **Disclosure as per Accounting Standard - 29 "Provisions, Contingent Liabilities and Contingent Assets" issued by Institute of Chartered Accountants of India.**

Provision for Warranty — **Rupees in '000**

Particulars	Current year	Previous year
Opening Balance	**31,111**	**36,211**
Additions	-	-
Utilisations	(2,893)	(5,100)
Closing Balance	**28,218**	**31,111**

Provisions for Warranty is based on the estimate made by the Company considering the historical relationship of warranty claims to sales. The timing and the amount of cash flows that will arise from these matters will be determined only on receipt of actual claims from the respective parties.

13 Sundry creditors include –

	Rupees in '000	Previous year
Total outstanding dues of micro and small enterprises	**287**	**262**

Details of amounts due under the Micro, Small and Medium Enterprises Development Act, 2006 are as under:-

			2009-10 Rupees in '000	2008-09 Rupees in '000
1	The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of the year.	a. Principal	272	259
		b. Interest	15	3
		Total	**287**	**262**
2	The amount of interest paid by the buyer in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amount of the payment made to the supplier beyond the appointed day during the year.	a. Principal	1,346	1,357
		b. Interest	-	-
		Total	**1,346**	**1,357**
3	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.			
4	The amount of interest accrued and remaining unpaid at the end of the year.	a. Total Interest accrued	12	3
		b. Total Interest unpaid	12	3
5	The amount of further Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	Included in S. No. 4(b) above is Rs. NIL being interest on amounts outstanding as at the beginning of the accounting year.		

Schedule 20

Notes to accounts (Continued)

14 Disclosures in accordance with Revised AS - 15 on "Employee Benefits"

1 Defined Contribution Plan – The Company has recognised the following amounts in the Profit and Loss Account for the year.

Rupees in '000

Particulars	**Total**
Contribution to Management Superannuation Fund	30,188 (31,044)
Total	30,188 **(31,044)**

2 Defined Benefit Plans –

The following figures (except provident fund contributions) are as per actuarial valuation as at the Balance Sheet date carried out by an independent actuary.

a A reconciliation of opening and closing balances of the present value of the Defined Benefit Obligation (DBO) :

Rupees in '000

Sr.no.	**Particulars**	**Gratuity**
i)	Opening DBO as on 1st October 2009	53,191 (58,171)
ii)	Current Service Cost	5,410 (6,420)
iii)	Interest Cost	4,457 (4,508)
iv)	Actuarial (Gains)/Losses	(2,777) (2,851)
v)	Benefits Paid	(7,076) (-18,759)
vi)	**Closing DBO as on 30th September 2010**	**53,205** **(53,191)**

b A reconciliation of the opening and closing balances of the fair value of Plan Assets.

Rupees in '000

Sr.no.	**Particulars**	**Gratuity**
i)	Opening Fair Value of Plan Assets	54,462 (58,064)
ii)	Expected return on Plan Assets	4,928 (5,204)
iii)	Actuarial Gains/(Losses)	(213) (-230)
iv)	Contribution by the employer	1,104 (10,183)
v)	Benefits Paid	(7,076) (-18,759)
vi)	**Closing Fair Value of Plan Assets as on 30th September 2010**	**53,205** **(54,462)**

Schedule 20

Notes to accounts (Continued)

c Amount recognised in Balance Sheet including a reconciliation of the present value of defined obligation in (a) and the fair value of plan assets in (b) to the assets and liabilities recognised in the Balance Sheet :

Rupees in '000

Sr.no.	Particulars (Gratuity)	2009-10	2008-09	2007-08	2006-07
i)	Present Value of Funded Obligations	53,205	53,191	58,064	54,471
ii)	Fair Value of Plan Assets	53,205	54,462	57,958	43,950
iii)	Present Value of Unfunded Obligations	-	(1,271)	106	10,521
iv)	**Net Liability/(Asset) recognised in the Balance Sheet**	**-**	**(1,271)**	**106**	10,521

d The total expense / (income) recognised in the Profit & Loss Account:

Rupees in '000

i)

Sr.no.	Particulars	Gratuity
i)	Current Service Cost	5,410 (6,420)
ii)	Interest Cost	4,457 (4,508)
iii)	Expected return on Plan Assets	(4,928) (5,204)
iv)	Actuarial (Gains)/Losses	(2,564) (3,081)
vi)	**Net Employee Benefit Expense / (Income)**	**2,375** **(8,805)**

ii) The total expense recognised in the Profit & Loss Account includes Rs. 23,510 ('000) (Previous year Rs. 28,336 ('000) as contribution to provident funds.

All the above have been included in the line item 'Contribution to provident and other funds' in schedule 15 of the Profit & Loss Account.

e Fair Value of Plan Assets - 100% is administered by Insurer Managed Funds.

f The overall expected rate of return on assets is based on the expectation of the average long term rate of return expected on investments of the Fund during the estimated term of the obligations.

g The Actual Return on Plan Assets is as follows :

Rupees in '000

Sr.no.	Particulars	Gratuity
i)	Actual Return on Plan Assets	4,715 (4,974)

Schedule 20

Notes to accounts (Continued)

h Following are the principal Actuarial Assumptions used as at the Balance Sheet date:

Particulars	Gratuity (%)
Discount Rate	8.38 (7.75)
Expected Rate of Return on Plan Assets	9.25 (9.25)
Salary escalation Rate - Management Staff	6.00 (6.00)
Salary escalation Rate - Non Management Staff	6.00 (6.00)

The estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

15 Details of foreign currency exposures that are not hedged by a derivative instrument or otherwise are as follows:

			Previous year	
Particulars	**Foreign Currency**	**Rupees in '000**	**Foreign Currency**	**Rupees in '000**
Payables	8,103,443 USD	364,250	12,713,428 USD	611,643
	21,027 GBP	1,503	7,095 GBP	545
	3,249 EURO	199	-	-
	3,514,865 AUD	153,080	3,509,847 AUD	147,437
Receivables	3,827,131 USD	172,030	5,183,282 USD	249,368
	4,299 GBP	307	19,626 GBP	1,509
	2,253,087 AUD	98,126	1,823,784 AUD	75,665

16 Previous year figures have been re-grouped and reclassified, wherever necessary, to correspond to those of the current year.

Signatures to schedules 1 to 19

For Lovelock & Lewes
Firm Registration Number: 301056E
Chartered Accountants

SHARMILA A. KARVE
Partner
Membership No.- F43229

Mumbai
November 15, 2010

For and on behalf of the Board

S. K. JHA
Managing Director & CEO

ANIL NAIR
Joint Managing Director & President

VISHAL KOHLI
Company Secretary

AMAL THAKORE
V. P. & Head (Finance)

Mumbai
November 15, 2010

Consolidated Cash flow statement for the year ended September 30, 2010

		Rupees in '000	Previous year Rupees in '000
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Profit before tax	**523,440**	**231,874**
	Adjustments for:		
	Depreciation	77,719	102,820
	Interest expense	8,768	10,766
	Loss /(profit) on Sale / Write-off of Fixed Assets	(9,610)	2,363
	Provision for warranties	(2,893)	(5,100)
	Provision for doubtful debts (net)	5,807	15,099
	Bad Debts	986	119
	Liabilities for earlier years no longer required written back	(7,997)	(2,102)
	Interest income	(71,287)	(55,150)
	Exchange Difference on Translation	1,849	8,352
		3,342	**77,167**
	Operating profit before working capital changes	**526,782**	**309,041**
	Increase/ (decrease) in trade payables	(66,122)	(109,234)
	(Increase)/ decrease in trade receivables	(53,354)	160,652
	(Increase)/ decrease in inventories	36,541	171,412
	(Increase) / decrease in loans and advances	69,509	(1,660)
		(13,426)	**221,170**
	Cash generated from operations	**513,356**	**530,211**
	Income tax paid	(126,824)	(159,014)
	NET CASH FROM OPERATING ACTIVITIES	**386,532**	**371,197**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of fixed assets	(102,911)	(36,664)
	Sale of fixed assets	12,312	4,044
	Interest received	71,287	55,150
	Disposal of Investments	5,000	888
	NET CASH FROM INVESTING ACTIVITIES	**(14,312)**	**23,418**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Repayment of other borrowings	-	(1,853)
	Interest paid	(8,768)	(10,766)
	Dividend paid	(58,157)	(58,064)
	NET CASH FROM FINANCING ACTIVITIES	**(66,925)**	**(70,683)**
	NET INCREASE IN CASH AND CASH EQUIVALENTS	**305,295**	**323,932**
	Cash and cash equivalents as at October 1, 2009	1,228,244	904,312
	Cash and cash equivalents as at September 30, 2010	1,533,539	1,228,244
		305,295	323,932

	Rupees in '000	Previous year Rupees in '000
Cash and cash equivalents comprise of		
Cash in hand	403	415
Cheques on hand and remittance in transit	43,860	24,409
Balances with scheduled banks		
- In Unclaimed Dividend Accounts (Restricted)	2,844	2,719
- In Deposit Accounts	927,638	567,440
- In Current Accounts	391,205	440,165
Balances in other banks		
- In Current Accounts	72,340	180,790
- In Guarantee Accounts	8,359	8,604
- In Saving Accounts	86,890	3,702
	1,533,539	**1,228,244**

Notes:

1 The above Cash Flow Statement has been prepared under the indirect method set out in AS-3 notified under Section 211(3C) of the Companies Act, 1956.

2 Figures in brackets indicate cash outflow.

3 Previous year figures have been regrouped / reclassified wherever necessary.

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

For Lovelock & Lewes
Firm Registration Number: 301056E
Chartered Accountants

SHARMILA A. KARVE
Partner
Membership No.- F43229

Mumbai
November 15, 2010

For and on behalf of the Board

S. K. JHA
Managing Director & CEO

ANIL NAIR
Joint Managing Director & President

VISHAL KOHLI
Company Secretary

AMAL THAKORE
V. P. & Head (Finance)

Mumbai
November 15, 2010

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GLOBALCONNECT

Australia Pty Limited

ABN 29 110 810 298

ANNUAL REPORT

for the year ended 30 September 2010

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Directors' Report

Your directors present their report on the company for the year ended 30 September 2010.

Directors

The following persons were directors of GlobalCannect Auslralia Pty Limited during the whole of the financial year and up to the date of this report:

Pushkar Taneja
Anil Govindan Nair

Principal activities

During the year the principal continuing activities of the company consisted of:

(a) The marketing, installation, sales and maintenance of voice and data communications systems to enterprise customers; and

(b) Providing support and maintenance for enterprise customers.

Dividends - GlobalConnect Australia Pty Limited
No dividend was paid during the year and the directors do not recommend the payment of a final dividend.

Review of operations
A summary of revenue and results is set out below:

	2010	2009
	$	$
Revenue	**10,724,313**	12,512,902
(Loss)/profit for the year	**(87,690)**	67,189

Significant changes in the state of affairs

The immediale parent entity incorporated in India, changed its name from Avaya GlobalCannect Ltd to AGC Networks Ltd.

The ultimate parent has changed from Avaya Inc., incorporated in the USA to Essar Services Holdings Limited, incorporated in Mauritius.

There were no other significant changes to the state of affairs during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 September 2010 that has significanliy affected, or may significantly affect:

(a) the company's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the company's state of affairs in future financial years.

Likely developments and expected results of operations

Further information on likely developments in the operations of the company and the expected results of operations have not been included in this annual report because the direclors believe it would be likely to result in unreasonable prejudice to the company.

Environmental regulation

The company is not subject to any particular or significant environmental regulation.

Insurance of officers

During the financial year, the directors and senior management of GlobalConnect Australia Pty Ltd were covered under a worldwide insurance policy of Essar Services Holdings limited, the ultimate parent entity.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under Section 237 of the *Corporations Act 2001.*

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001.*

This report is made in accordance with a resolution of directors.

Anil Govindan Nair
Director

India
15 October 2010

Pushkar Taneja
Director

Sydney
15 October 2010

Auditor's Independence Declaration

As lead auditor for the audit of GlobalConnect Australia Pty Limited for the year ended 30 September 2010, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of GlobalConnect Australia Pty Ltd.

Keiron Poulos
Partner
PricewaterhouseCoopers

Sydney
15 October 2010

Financial statements

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This financial report covers GlobalConnect Australia Pty Ltd as an individual entity. The financial report is presented in the Australian currency.

GlobalConnect Australia Pty Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Ground Floor East
123 Epping Road
North Ryde NSW 2113.

A description of the nature of the entity's operations and its principal activities is included in the directors' report on pages 96-97, which is not part of this financial report.

The financial report was authorised for issue by the directors on 15 October 2010. The company has the power to amend and reissue the financial report.

Statement of comprehensive income

For the year ended 30 September 2010

	Notes	**2010** **$**	2009 $
Revenue from continuing operations	3	**10,724,313**	12,512,902
Raw materials and consumables used		**(5,088,278)**	(5,167,358)
Employee benefits expense		**(4,292,282)**	(5,361,981)
Depreciation and amortisation expense	4	**(80,184)**	(129,390)
Impairment of Goodwill	10	**—**	(375,287)
Professional services expenses		**(85,988)**	(79,491)
Travel and entertainment		**(218,349)**	(286,888)
Other expenses		**(1,046,922)**	(1,045,318)
(Loss)/Profit before income tax		**(87,690)**	67,189
Income tax expense	5	**—**	—
(Loss)/Profit for the year		**(87,690)**	67,189
Other comprehensive income for the year		**—**	—
Total comprehensive (loss)/income for the year		**(87,690)**	67,189

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Balance sheet as at 30 September 2010

	Notes	2010 $	2009 $
ASSETS			
Current assets			
Cash and cash equivalents	6	**2,320,610**	2,651,602
Trade and other receivables	7	**2,253,087**	1,823,784
Inventories	8	**233,933**	343,820
Total current assets		**4,807,630**	4,819,206
Non-current assets			
Property, plant and equipment	9	**87,328**	147,218
Total non-current assets		**87,328**	147,218
Total assets		**4,894,958**	4,966,424
LIABILITIES			
Current liabilities			
Trade and other payables	11	**1,725,285**	1,772,817
Deferred income	12	**1,800,786**	1,737,030
Total current liabilities		**3,526,071**	3,509,847
Total liabilities		**3,526,071**	3,509,847
Net assets		**1,368,887**	1,456,577
EQUITY			
Contributed equity	13	**4,224,993**	4,224,993
Accumulated losses	14	**(2,856,106)**	(2,768,416)
Total equity		**1,368,887**	1,456,577

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity for the year ended 30 September 2010

	Contributed equity $	Accumulated losses $	Total $
Balance at 1 October 2008	**4,224,993**	**(2,835,605)**	**1,389,388**
Total comprehensive income for the year	—	67,189	67,189
Balance at 30 September 2009	**4,224,993**	**2,768,416**	**1,456,577**
Balance at 1 October 2009	**4,224,993**	**(2,768,416)**	**1,456,577**
Total comprehensive loss for the year	**—**	**(87,690)**	**(87,690)**
Balance at 30 September 2010	**4,224,993**	**(2,856,106)**	**1,368,887**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows for the year ended 30 September 2010

	Notes	2010 $	2009 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**11,352,288**	15,909,688
Payments to suppliers and employees (inclusive of goods and services tax)		**(11,722,509)**	(14,185,205)
		(370,221)	1,724,483
Interest received		**61,519**	70,496
Borrowing costs		**—**	—
Net cash outflow (inflow) from operating activities	20	**(308,702)**	1,794,979
Cash flows from investing activities			
Payments for plant and equipment	9	**(32,460)**	(21,451)
Proceeds from sale of plant and equipment		**10,170**	—
Net cash (outflow) inflow from investing activities		**(22,290)**	(21,451)
Net (decrease) increase in cash and cash equivalents		**(330,992)**	1,773,528
Cash and cash equivalents at the beginning of the financial year		**2,651,602**	878,074
Cash and cash equivalents at end of year	6	**2,320,610**	2,651,602

The above statement of cash flows should be read in conjunction with the accompanying notes.

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30 September 2010

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Notes to the financial statement 30 September 2010 (Contd.)

1 Summary of significant accounting policies

(a) Basis of preparation

In the directors' opinion, the company is not a reporting entity because there are no users dependent on general purpose financial reports.

This is a special purpose financial report that has been prepared for the sole purpose of complying with the *Corporations Act 2001* requirements to prepare and distribute a financial report to the members and must not be used for any other purpose. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the members.

Historical cost convention

The financial report is prepared in accordance with the historical cost convention. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Financial statement presentation

The company has applied the revised AASB 101 *Presentation* of *Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a Statement of comprehensive income and a Statement of changes in equity. All non-owner changes in equity must now be presented in the Statement of comprehensive income. As a consequence, the company had to change the presentation of its financial statements. Comperative information has been re-presented so that it is also in conformity with the revised standard.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the company's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The financial statements are presented in Australian dollars, which is the company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

(i) Sale of telecommunications equipment

Revenue is recognised on customer acceptance pursuant to sales order and when associated risks have passed to the customer.

(ii) Service

Revenue includes installation, adhoc and maintenance services. Installation and ad hoc revenues are

1 Summary of significant accounting policies (Contd.)

recognised upon certification by the Project Manager that all service deliverables pursuant to the customer's purchase order have been met. Maintenance revenue is recognised on a monthly basis over the life of the service contract and costs are recognised as an expense when incurred.

(d) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(e) Leases

Leases of property, plant and equipment where the company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the company will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the company as lessee are classified as operating leases (note 17). Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

(f) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their fair value as at the acquisition date based on the best available evidence of the price at which the instruments could be exchanged between knowledgeable, willing parties in an arm's length transaction. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the company's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(l)). If the cost of acquisition is less than the company's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss, but only after a reassessment of the identification and measurement of the net assets acquired.

(g) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be

1 Summary of significant accounting policies (Contd.)

impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(i) Trade receivables

Trade receivables are recognised initially at the amounts receivable as they are generally due for settlement in no more than 45 days.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the profit or loss.

(j) Inventories

Raw materials and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to stock on hand at balance date on the basis of actual cost. The cost of imported inventories included invoice price, freight, duty and other landing charges.

(k) Property, plant and equipment

Depreciation is calculated on a straight line basis to write-off the net cost of each item of property over its expected useful life to the company. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

— Furniture and fittings 5 years
— Computer equipment 4 years
— Leased motor vehicle 4 years

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(l) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and

1 **Summary of significant accounting policies** (Contd.)

is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Customer contracts

Customer contracts acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which currently vary from 1 to 3 years.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

(n) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(o) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Other long-term employee benefit obligations

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when employee benefits to which they relate are recognised as liabilities.

(p) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

1 **Summary of significant accounting policies** (Contd.)

(q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(r) New accounting standards and interpretations

Certain new accounting standards and Interpretations have been published that are not mandatory for 30 September 2010 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013) On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework a two-tier differential reporting regime applies to all entitles that prepare general purpose financial statements. GlobalConnect Australia Pty Limited is not a reporting entity and is preparing a special purpose financial report as explained in note 1(a). At this stage, the new regime won't affect GlobalConnect Australia Pty Limited's financial statements. While the AASB had Initially proposed that all entities that lodge financial statements with ASIC should be deemed reporting entitles and prepare general purpose financial statements, this proposal is still being considered by the Board. The AASB has agreed to undertake further research on the application of the reporting entity concept and will reconsider the Issue in phase 2 of its review of the differential reporting framework.

2 **Critical accounting estimates and judgements**

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

(a) Critical accounting estimates and assumptions

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

(i) Estimated impairment of goodwill

The company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(l).

The recoverable amount has been determined based on value-in-use calculations. These calculations require the use of assumptions.

In terms of calculating the impairment of goodwill, management have assessed that the company as a whole is one cash generating unit (CGU), and the entire balance for property, plant and equipment and intangible assets is allocated to this CGU for the purpose of impairment testing.

An impairment charge has been recognised in the current financial period for an amount of $nil (2009: $375,287).

Notes to the financial statement 30 September 2010 (Contd.)

3 Revenue

	2010 $	2009 $
From continuing operations		
Sales revenue		
Sale of goods	**5,460,731**	5,263,061
Service revenue	**5,202,063**	7,179,345
	10,662,794	12,442,406
Other revenue		
Interest	**61,519**	70,496
	10,724,313	12,512,902

4 Expenses

Profit before income tax includes the following specific expenses:

	2010 $	2009 $
Depreciation		
Furniture and fittings	**40,697**	65,608
Computer equipment	**39,487**	63,697
Motor vehicle	**—**	85
Total depreciation	**80,184**	129,390
Impairment of goodwill	**—**	375,287
Net loss on disposal of property, plant and equipment	**1,996**	13,672
Rental expense relating to operating leases		
Minimum lease payments	**502,714**	526,647
Superannuation contribution expense	**369,298**	494,356

5 Income tax expense

(a) Numerical reconciliation of income tax expense to prima facie tax payable

	2010 $	2009 $
(Loss)/profit from continuing operations before income tax expense	**(87,690)**	67,189
Tax at the Australian tax rate of 30% (2009-30%)	**(26,307)**	20,157
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Goodwill impairment	**—**	112,586
Non-deductible (expenses)	**2,226**	2,571
Temporary differences	**16,045**	5,106
Tax losses not recongnised	**8,036**	—
Previously unrecognised tax losses now recouped to reduce current tax expense	**—**	(140,420)
Total income tax expense	**—**	—

Notes to the financial statement 30 September 2010 (Contd.)

	2010	2009
	$	$
6 Current assets - Cash and cash equivalents		
Cash at bank and in hand	**2,320,610**	2,651,602

The deposits are bearing floating interest rates between 3.7% and 6.0% (2009 - 2.8% and 7.5%).

	2010	2009
7 Current assets - Trade and other receivables		
Trade receivables	**2,241,805**	1,760,766
Related party receivable	**—**	40,498
Prepayments	**11,282**	22,520
	2,253,087	1,823,784
8 Current assets - Inventories		
Inventories on hand		
- at cost	**233,933**	205,116
Inventories in transit		
- at cost	**—**	138,704
	233,933	343,820

Inventory expense

Inventories recognised as expense during the year ended 30 September 2010 amounted to $5,072,046 (2009: $4,970,305).

Notes to the financial statement 30 September 2010 (Contd.)

9 Non-current assets – Property, plant and equipment

	Motor vehicles $	Furniture and fittings $	Computer equipment $	Total $
At 1 October 2008				
Cost	2,000	321,826	306,733	630,559
Accumulated depreciation	(1,884)	(182,244)	(177,602)	(361,730)
Net book amount	116	139,582	129,131	268,829
Year ended 30 September 2009				
Opening net book amount	116	139,582	129,131	268,829
Additions	-	7,001	14,450	21,451
Disposals	.	.	(13,672)	(13,672)
Depreciation charge	(85)	(65,608)	(63,697)	(129,390)
Closing net book amount	31	80,975	66,212	147,218
At 30 September 2009				
Cost	2,000	328,826	221,186	552,012
Accumulated depreciation	(1,969)	(247,851)	(154,974)	(404,794)
Net book amount	31	80,975	66,212	147,218
Year ended 30 September 2010				
Opening net book amount	31	80,975	66,212	147,218
Additions	-	7,732	24,728	32,460
Disposals	-	(11,660)	(506)	(12,166)
Depreciation charge	-	(40,697)	(39,487)	(80,184)
Closing net book amount	31	36,350	50,947	87,328
At 30 September 2010				
Cost	2,000	307,572	234,433	544,005
Accumulated depreciation	(1,969)	(271,222)	(183,486)	(456,677)
Net book amount	31	36,350	50,947	87,328

Notes to the financial statement 30 September 2010 (Contd.)

10 Non-current assets - Intangible assets

	Goodwill $	Customer contracts $	Total $
At 1 October 2008			
Cost	375,287	767,323	1,142,610
Accumulated amortisation and impairment	—	(767,323)	(767,323)
Net book amount	375,287	—	375,287
Year ended 30 September 2009			
Opening net book amount	375,287	—	375,287
Impairment charge	(375,287)	—	(375,287)
Closing net book amount	—	—	—
At 30 September 2009			
Cost	—	—	—
Accumulated amortisation and impairment	—	—	—
Net book amount	—	—	—
Year ended 30 September 2010			
Opening net book amount	—	—	—
Impairment charge	—	—	—
Closing net book amount	—	—	—
At 30 September 2010			
Cost	—	—	—
Accumulated amortisation and impairment	—	—	—
Net book amount	—	—	—

11 Current liabilities - Trade and other payables

	2010 $	2009 $
Trade payables	**607,537**	341,991
Amounts payable to related parties	**—**	202,710
Employee entitlements	**417,112**	441,739
Other payables	**700,636**	786,377
	1,725,285	1,772,817

12 Current liabilities - Deferred income

Deferred revenue	**1,800,786**	1,737,030

Notes to the financial statement 30 September 2010 (Contd.)

13 Contributed equity

	2010 Shares	2009 Shares	2010 $	2009 $
(a) Share capital				
Ordinary shares				
Fully paid	**4,224,993**	4,224,993	**4,224,993**	4,224,993

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

14 Accumulated losses

Movements in accumulated losses were as follows:

	2010 $	2009 $
Opening accumulated losses	**(2,768,416)**	(2,835,605)
Net (loss)/profit for the year	**(87,690)**	67,189
Balance 30 September	**(2,856,106)**	(2,768,416)

15 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the company:

(a) PricewaterhouseCoopers Australia

	2010 $	2009 $
Audit and other assurance services		
Audit and review of financial reports	**45,120**	48,000
Other assurance services		
IFRS accounting services	**19,740**	21,000
Total remuneration for audit and other assurance services	**64,860**	69,000

16 Contingencies

Guarantees

Guarantees given in respect of the company's leases of premises at North Ryde, Sydney and St Kilda Road, Melbourne accounting to $192,296 (2009 - $205,541).

The guarantees may give rise to liabilities if the company does not meet its obligations under the terms of the leases subject to the guarantees.

No material losses are anticipated in respect of any of the above contingent liabilities.

Notes to the financial statement 30 September 2010 (Contd.)

17 Commitments

The company leases offices and a warehouse under non-cancellable operating leases expiring within four years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	2010	2009
	$	$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**337,775**	408,812
Later than one year but not later than five years	**—**	333,586
Commitments not recognised in the financial statements	**337,775**	742,398

18 Parent entities

The immediate parent of the entity is AGC Networks Ltd (formerly known as Avaya GlobalConnect Ltd), incorporated in India, which at 30 September 2010 owns 100% (2009: 100% owned by Avaya GlobalConnect Ltd) of the issued ordinary shares of GlobalConnect Australia Pty Limited. The ultimate parent of the company is Essar Services Holdings Limited, incorporated in Mauritius.

19 Events occurring after the balance sheet date

No significant events have occurred since 30 September 2010 that require disclosure in this report.

20 Reconciliation of profit after income tax to net cash inflow from operating activities

	2010	2009
	$	$
(Loss)/profit for the year	**(87,690)**	67,189
Depreciation and amortisation	**80,184**	129,390
Impairmant of Goodwill	**—**	375,287
Net loss/(gain) on disposal of non-current assets	**1,996**	13,672
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	**(429,303)**	1,892,292
Decrease/(increase) in inventories	**109,887**	(142,214)
(Decrease) in trade and other payables	**62,836**	(881,924)
Increase in employee provision	**(24,627)**	6,107
Increase/(decrease) in other liabilities	**(21,985)**	335,180
Net cash inflow/(outflow) from operating activities	**(308,702)**	1,794,979

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 96 to 112 are in accordance with the *Corporations Act 2001,* including:

  (i) complying with Accounting Standards and other mandatory professional reporting requirements as detailed above, and the *Corporations Regulations 2001*; and

  (ii) giving a true and fair view of the company's financial position as at 30 September 2010 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Anil Govindan Nair
Director

India
15 October 2010

Pushkar Taneja
Director

Sydney
15 October 2010

Independent auditor's report to the members of GlobalConnect Australia Pty Limited

Report on the financial report

We have audited the accompanying financial report of GlobalConnect Australia Pty Limited, (the company), which comprises the balance sheet as at 30 September 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for GlobalConnect Australia Pty Limited.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in note 1 to the financial statements, which form part of the financial report, are appropriate to meet the requirements of the *Corporations Act 2001* and are appropriate to meet the needs of the members. The directors' responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is tree from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in note 1, are appropriate to meet the needs of the members. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, 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 report 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 company's internal control. An audit also includes evaluating the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

The financial report has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting obligations under the *Corporations Act 2001*. We disclaim any assumption of responsibility for any reliance on this audit report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which they were prepared.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Liability limited by a scheme approved under Professional Standards Legislation.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion, the financial report of GlobalConnect Australia Pty Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's financial position as at 30 September 2010 and of its performance for the year ended on that date in accordance with the accounting policies described in note 1, and

(b) complying with Australian Accounting Standards to the extant described in note 1 and complying with the *Corporations Regulations 2001.*

PricewaterhouseCoopers

Keiron Poulos
Partner

Sydney
15 October 2010

Financial Highlights

(Rs. in Crore)

PARTICULARS	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
Fixed Assets (Net) and Investment	35.74	33.75	39.31	36.96	40.05	34.84	29.78	33.50	30.12	31.50
Net Current Assets	213.66	188.16	171.15	163.26	128.72	111.24	123.93	98.85	87.75	96.83
Total Capital Employed	261.61	234.12	224.77	213.60	178.28	152.74	157.32	133.23	119.20	133.43
Shareholders' Funds										
I Equity	14.23	14.23	14.23	14.23	14.23	14.23	14.23	14.23	14.23	14.23
II Reserves and Surplus	247.38	219.89	210.35	198.97	163.06	136.51	118.91	93.47	78.92	46.74
Total	261.61	234.12	224.58	213.20	177.29	150.74	133.15	107.70	93.16	60.98
Sales (including excise)	496.11	514.40	573.07	847.77	443.53	332.02	401.93	325.75	263.16	233.77
Other Income	2.87	4.20	3.38	8.29	16.56	4.84	76.98	1.34	1.40	3.95
Profit Before Tax	52.69	23.05	28.28	73.93	55.32	37.88	52.69	29.96	24.29	14.32
Provision for Tax										
I Current Tax	17.74	5.07	10.76	28.24	22.65	16.00	22.75	10.95	8.51	1.21
II Deferred Tax	-	2.11	(0.93)	(3.63)	(2.85)	(3.05)	(2.73)	0.46	0.10	-
II Fringe Benefit Tax	-	0.50	1.24	1.70	1.65	-	-	-	-	-
Profit After Tax	34.95	15.37	17.21	47.62	33.87	24.93	32.67	18.56	15.68	13.11
Dividend (%)	45.00	35.00	35.00	67.50	45.00	45.00	45.00	25.00	20.00	-
Debt Equity Ratio	-	-	-	-	0.01	0.01	0.02	0.04	0.04	0.22
Assets Cover Ratio	-	-	-	699.01	119.20	37.20	23.92	22.64	20.77	3.35
Earning per share (Rs.)	24.56	10.80	12.09	33.46	23.80	17.51	22.96	13.04	11.02	9.21
Cash Earning per share (Rs.)	29.78	16.76	19.23	44.33	31.18	24.98	31.29	16.68	14.28	12.98
Book Value per share (Rs.)	183.80	164.49	157.79	149.79	124.56	105.91	93.77	75.85	65.61	39.76

AGC NETWORKS LIMITED

Regd. Office: 72, Kalpataru Synergy, Opp. Grand Hyatt, Vakola, Santacruz (East), Mumbai - 400 055.

Attendance Slip

I hereby record my presence at the TWENTY-FOURTH ANNUAL GENERAL MEETING of the Company at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Mahalaxmi, Haji Ali, Mumbai – 400034 at 11:00 a.m. on Monday, 20th December, 2010.

SIGNATURE OF THE ATTENDING MEMBER/PROXY

Notes:

1. Member / Proxyholder wishing to attend the meeting must bring this Attendance Slip to the meeting and hand it over at the entrance duly signed.
2. Member / Proxyholder desiring to attend the meeting should bring his/her copy of the Annual Report for reference at the meeting.

Shareholders are requested to claim dividend for the years 2003-04, 2004-05, 2005-06, 2006-07, 2007-08 and 2008-09 if not claimed so far.

AGC NETWORKS LIMITED

Regd. Office: 72, Kalpataru Synergy, Opp. Grand Hyatt, Vakola, Santacruz (East), Mumbai - 400 055.

Proxy

I/We ....of

.... in the district of .... being a

member / members of the above named Company, hereby appoint ....

.... of .... in the district of .... or failing him / her

.... of .... in the district of

.... as my / our Proxy to attend and vote for me / us and on

my / our behalf at the Twenty-Fourth Annual General Meeting of the Company, to be held on Monday, 20th December, 2010 and at any adjournment thereof.

Signed this .... day of .... 2010.

Reference Folio ____________________

Client ID No. ____________________

DP ID ____________________

No. of Shares held

Signature ____________ Affix Re. one revenue stamp

This form is to be used * In favour of / * against the resolution. Unless otherwise instructed, the Proxy will act as he / she thinks fit.

* Strike out whichever is not desired.

Note: The Proxy must be returned so as to reach the Registered Office of the Company at 72, Kalpataru Synergy, Opp. Grand Hyatt, Vakola, Santacruz (East), Mumbai - 400 055 not less than FORTY-EIGHT HOURS before the time for holding the meeting.

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AGC Networks Ltd.
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