



HCL

HCL TECHNOLOGIES LTD.

ANNUAL REPORT 2005 - 2006

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BOARD OF DIRECTORS

MR. SHIV NADAR

Chairman & CEO

MR. T. S. R. SUBRAMANIAN

Director

MS. ROBIN ABRAMS

Director

MR. AJAI CHOWDHRY

Director

MR. SUBROTO BHATTACHARYA

Director

MR. AMAL GANGULI

Director

MR. P. C. SEN

Director

Auditors

Price Waterhouse
Chartered Accountants
New Delhi

Bankers

Citibank, N.A.

Global Corporate & Investment Banking
DLF Centre, 5th Floor
Parliament Street
New Delhi-110001

Deutsche Bank AG

Corp. Office – DLF Square
4th Floor, Jacaranda Marg
DLF City, Phase – II
Gurgaon-122002

Standard Chartered Bank

Corporate & Institutional Banking
Credit Operations, India
H-2, Connaught Circus
New Delhi-110001

ICICI Bank Limited

ICICI Tower
NBCC Place, Bhisham Pitamah Marg
Pragati Vihar
New Delhi-110003

HDFC Bank Limited

B-6/3, Safdarjung Enclave
DDA Commercial Complex
Opp. Deer Park
New Delhi-110029

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A) OF FINANCIAL CONDITION OF HCL TECHNOLOGIES LIMITED

Investors are cautioned that this discussion contains forward looking statements that involve risks and uncertainties. When used in this discussion, words like 'anticipate', 'believe', 'estimate', 'intend', 'will', and 'expect' and other similar expressions as they relate the Company or its business are intended to identify such forward-looking statements. The Company undertakes no obligations to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements could differ materially from those expressed or implied in such statements. Factors that could cause or contribute to such differences include those described under the heading 'Risk Factors' in the Prospectus filed with the Securities and Exchange Board of India (SEBI) as well as factors discussed elsewhere in this report. Readers are cautioned as not to place undue reliance on the forward-looking statements as they speak only as of their dates. The following discussion and analysis should be read in conjunction with the Company's financial statements included herein and the notes thereto.

Information provided in this MD&A pertain to HCL Technologies Limited and its subsidiaries on a consolidated basis, unless otherwise stated.

INDUSTRY STRUCTURE AND DEVELOPMENT

The Indian IT Industry

Indian IT-ITES industry continued to build on the strong growth momentum of the recent past. Over the years, the stature of Indian IT and BPO services companies has grown on the back of a steady reputation for high quality delivery at costs that are significantly lower than rates at which comparable services can be sourced from overseas vendors.

According to the National Association of Software and Services Companies (NASSCOM), the software industry in India which was worth US\$ 5.7 billion in FY 1999-2000, has grown at a compounded growth rate of over 31% in last 6 years to US\$ 29.6 billion in FY 2005-06. NASSCOM has projected the overall software and services industry to grow at 25~28% and reach revenues of US\$ 36-38 billion in FY 2006-07.

The total direct employment in the Indian IT-ITES sector is estimated to have grown by over a million during last 6 years, from 284,000 in FY 1999-2000 to 1,293,000 in FY 2005-06

As per the NASSCOM survey, the Indian IT-ITES industry has registered 33% growth in exports, with revenues of US\$ 23.6 billion in FY 2005-06, as compared with export revenues of US\$ 17.7 billion in FY 2004-05. Overall the Indian IT-ITES industry (including domestic market) grew by 31% in FY 2005-06 with revenues of US\$ 29.6 billion, up from US\$ 22.5 billion in FY 2004-05.

Of the total IT-ITES exports in FY 2005-06, IT software and services grew by 33%, registering revenues of US\$ 13.3 billion; while the ITES-BPO segment generated revenues of US\$ 6.2 billion, registering a growth of 37%. Engineering services and product exports grew from US\$ 3.14 billion in FY 2004-05 to US\$ 4 billion in FY 2005-06. Domestic market revenues were at US\$ 6 billion in FY 2005-06 as compared with US\$ 4.8 billion in FY 2004-05.

With more and more companies abroad increasingly adopting offshore based support for development and maintenance, the outlook for India based IT and BPO services providers is expected to be positive in the next few years. The NASSCOM McKinsey report predicts that IT/BPO industry will reach US\$ 60 billion by year 2010.

COMPANY OVERVIEW

About HCL Technologies Limited

HCL Technologies Ltd ('HCL' or the 'Company') ranks amongst India's leading global IT Services companies, providing software-led IT solutions, BPO and IT infrastructure management services. The company leverages an extensive offshore infrastructure with its global network of 26 offices in 15 countries to deliver solutions across select verticals including Banking, Insurance, Retail & Consumer, Aerospace, Automotive, Semiconductors, Telecom and Life Sciences.

HCL Technologies Ltd along with its subsidiaries offers solutions in 1) IT Services, 2) BPO Services and 3) IT Infrastructure Management Services:

IT Services: HCL's offerings can be broadly classified under two heads ie enterprise software services and product engineering services. The enterprise software services comprise customized solutions, maintenance of legacy systems and implementation of packaged applications. HCL has partnerships with leading software product companies and has created several Centers of Excellence to develop capabilities across a broad range of practice domains. In the product engineering space, HCL offers full lifecycle services, from requirements definition to design of prototype, architecture, development, testing, technical help desk, field support, maintenance as well as upgrades. With select software product companies, the service portfolio extends beyond engineering to implementation services.

BPO Services: HCL BPO delivers multi-channel contact management and back office services for select complex processes in banking, insurance, manufacturing, retail and telecom. The accent is on advanced customer handling and communication skills, a sensitized approach for managing client-side process stakeholders, integration with process experts and certifications such as COPC and BS: 7799. HCL's BPO Services are highly regarded for significant, sustained value delivery, bolstered by an incident-free track record and renewal of all major contracts.

Infrastructure Management Services: HCL's Infrastructure Services enable customers to operate and manage their IT assets with a high degree of resource efficiencies, in an environment that is engineered to achieve security, reliability and availability. The services are compliant with state-of-the-art quality standards such as ISO 9002, BS: 7799 etc. Unique in-house tools and diagnostics provide enhanced visibility into the customer's IT infrastructure to optimize performance, increase availability and reduce costs.

These service lines are delivered to customers in key verticals such as Aerospace, Automotive, Banking and other Financial Services, Insurance, Life Sciences, Media, Publishing and Entertainment, Retail, Semiconductors and Telecom.

RISKS & CONCERNS, RISK MITIGATION

The Software industry thrives on a dynamic and highly competitive business environment, characterized by rapid technological change and innovations that constantly challenge conventional business models. Your company too faces several business risks, of which some prominent ones are discussed hereunder.

Internal Risks

- Business concentration risks
- M&A execution risk
- Investment portfolio-related risks

External Risks

- Competition-related risk
- Employee-related risks
- Exchange rate risks
- Geo-political risks

Internal Risks

Business concentration risks

Your Company has taken steps to ensure that it does not become too dependent on a few clients, specific service lines or any particular geography. Your company's business is predominantly export oriented with over 97% of revenues earned overseas. The US and European region contributed 55.8% and 25.2% revenues respectively in the year under review, while the rest of world including India constituted the balance of 19%. Your Company's business growth is partly dependent on the IT budgets of its clients, most of whom are foreign corporations, which in turn depend on the global economic environment.

Your Company generates revenues from a total of around 450 clients to ensure a well diversified spread. Given the pre-eminence of the North American continent as the largest IT spender in the world, a large share of the Company's revenues comes from the US. However, conscious efforts are being made to reduce this dependence. Non-US revenues as a percentage of the total revenues of the Company have been steadily increasing over the years. During the year under review, your Company concluded a significantly large IT services contract with the UK based retailer. Your Company is also increasing its focus on the Asia Pacific region besides Japanese market. Recently, your company has signed a Joint Venture with NEC Corp of Japan to exploit the potential for more business in Japan.

A very high dependence on certain segments of the IT services market may also pose certain risks in the event of a slowdown impacting such segments. The Company had recognized this aspect and had undertaken multiple initiatives during the past few years to rebalance its business portfolio. As a result of these initiatives, the Company has managed to reduce its dependence on its traditional stronghold of product engineering and now has substantial revenues coming in from end user applications, enterprise consulting, business process outsourcing and infrastructure management services. Your Company currently has a well balanced mix of offerings in Software services apart from Infrastructure management services and BPO services. In IT services 35% of total revenues are derived from Application Consulting services, 24% from Technology lead services, 17% from enterprise consulting services. BPO services and infrastructures management services constitute 13% and 11% of the total revenues.

M & A execution risks

Your Company has been growing on the back of a strategy which leverages both the organic as well as the inorganic route and had undertaken a series of acquisitions in the previous four fiscal periods. The Company naturally faces a risk with respect to its merger and acquisition related transactions. The risk exposures in this area are as follows:

- a) increase in cost on account of staffing/advisory fees to consultants
- b) lapses in due diligence
- c) difficulties in integration of acquired entities within the operational fabric

The Company follows a very structured approach in pursuance of its M & A strategy. Many of the risks are mitigated by restricting the choice of target companies by applying certain rigorous selection criteria as also by proper resourcing of the integration effort.

Investment portfolio related risks

Your Company has consistently carried a high level of surplus cash and accordingly has an active treasury department. As a policy, no part of the surplus cash is allowed to be invested in high risk assets such as equities and low liquidity assets like real estate. There are clearly laid down policies that govern treasury operations, and the activities are periodically audited by internal audit. The primary area of risk for the Company's market exposures are related to the interest rate risk on its investment securities. To mitigate interest rate risk, all surplus funds are invested in appropriate avenues upon a review by the investment committee. However, the guiding principles of all investment decision are safety of investments, followed by liquidity and returns.

External Risks

Competition-related risk

The Indian IT services market remains a very competitive space. The Company is facing competition not only from other large Indian IT vendors but also global vendors who are increasing their India presence given the popularity of the Indian offshore model.

To maintain its competitive edge in this landscape, the Company has been making significant investment in software engineering processes and offshore methodologies. All of the Company's software development centers are ISO 9001 certified. Most of the Company's centers have also obtained Capability Maturity Model (CMM) Level 4 or Level 5 accreditation. The Company has also built a world class sales and marketing infrastructure to service its global clientele. To achieve maximum penetration within the various target markets with a high degree of sensitivity to the culture and needs of the local market, the Company has established locally incorporated companies in several countries, which are also managed by locally recruited professionals.

Your Company also maintains constant touch with various specialist analyst firms worldwide through participation in IT conferences and industry specific events attended by CIO's of major corporations. Your company believes that its rigorous, research oriented approach to identify, qualify and develop relationships has been a key differentiator in the market place.

Employee-related risks

Attrition: The Software industry is highly dependent on skilled human resources. With the increasing presence of global IT services corporations in India and major multinational banks and corporations scaling up their India based offshore operations through captive units, your Company faces the risk of losing its talented employees, which in turn can impact the execution of its current and future projects.

Your Company had launched an innovative "employee first" campaign last year along with several other initiatives aimed at making your company an employer of choice. In addition, your Company continues its focus on in-house training and development plans to ensure that its global talent pool is kept abreast of the latest developments in information technology and constantly upgraded with other soft skills and leadership training.

Availability of Skilled manpower: Your Company is also affected by the supply side constrains in a very competitive environment where the demand for quality skilled resources outstrips supply.

Company has invested considerable time and other resources towards developing Brand HCL in the past few quarters. With a competitive salary constantly benchmarked to the market, world class infrastructure, excellent work culture, investment in training and development and

opportunity for growth, your Company is committed to building a reputation as an employer of choice. Further, your Company works in close association with over 50 colleges including the 7 prestigious Indian Institutes of Technologies (IITs). It also works in association with the top 10 business schools including the Indian Institutes of Managements (IIMs). The location of the Company's development centers are also in cities which have good availability of skilled manpower.

Exchange rate risk

The functional currencies for the Company's operations are the respective currencies of the countries in which it operates. Substantially all of its revenues are generated in U.S. dollars and to a lesser extent, certain European and Asian currencies, while most of its expenses are incurred in Indian rupees and to a lesser extent, U.S. dollars. As described above, a substantial amount of its investments is held in Indian rupees. It also holds investments in certain countries, consisting primarily of investments by its subsidiaries, which are denominated in the local currency. It is therefore subject to the effects of exchange rate fluctuations between these currencies.

Your Company actively books foreign exchange forward covers to hedge completely against foreign currency fluctuations related to its billed receivables and anticipated realizations from projected revenues. The Company does not speculate in foreign currency.

There is some foreign exchange risk which arises from accounts payable to overseas vendors. This risk is partially mitigated as the Company has receipts in foreign currency from overseas customers and holds some of its cash in foreign currency bank accounts.

Geo-political risks

The ability of Indian IT/BPO services companies to secure offshore projects from client organizations abroad is often subjected to threat perceptions as regards the Indian subcontinent. In the recent past, we have seen some forms of hostilities between India and Pakistan. There has also been a lot of civil unrest in other neighboring countries with proximity to India. These can have negative implications for the operations of the Company. To mitigate these risks and to ensure continued delivery of services to clients irrespective of any geo-political disturbances, the Company has made adequate investments in disaster recovery and business continuity systems.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company and its Management have ensured that adequate systems for internal control commensurate with company's size are in place. These ensure that its assets and interests are carefully protected. Well-documented processes have been implemented throughout the organization to ensure that policies are promoted and adhered to. There are clear demarcation of roles and responsibilities at various levels of operations.

The Company has a dedicated Internal Audit team which ensures that

- adequate processes, systems, internal controls are implemented and these are commensurate with the size and operations of the Company.
- transactions are executed in accordance with policies and authorization.
- resources have been deployed as per the business plan, policies and authorization.

The Company has a rigorous business planning system to set targets and parameters for operations which are reviewed with actual performance to ensure timely initiation of corrective action if required.

The Company's Audit Committee, which is a sub committee of the Board, reviews adherence to internal control systems, internal audit reports and

implementation of suggestions. This Committee reviews all quarterly and yearly results of the Company and conveys to the Board its recommendation for consideration of such results and their approval.

HUMAN RESOURCES

The Company commenced a unique "employees first" initiative during the year under review, with an explicitly stated corporate objective that our people will take priority over all other stakeholders including customers. Under this overall theme, your Company launched a slew of programs aimed at increasing employee satisfaction, such as a Companywide trouble ticketing system, user friendly automated appraisal systems, 360 degree feedback appraisals, and web enabled training systems. The responses from employees reassure us that we are on the correct path. Your Company believes that its efforts under the "employees first" agenda will serve well to make a difference in our human resources management.

During the Fiscal year 2005-06 company along with its subsidiaries made net addition of 8,536 employees as compared to 7,732 employees during the previous year. The net addition to IT services in FY 2005-06 was 3,713 as compared to 5,259 in the previous year, registering an increase of 22%. In BPO the Company added 3,471 employees during the year as compared with 2,064 employees during the previous year, registering a growth of 60%. The company added 1,352 employees in its infrastructure services in FY 2005-06 as compared to 555 in previous year registering a growth of 85%. The Total employee strength of the company as on year ended 30th June 2006 was 32,626 as compared to 24,090 employees as on 30th June 2005, an increase of 35.43%

The gender mix of the Company though predominately in favor of men has improved to 77.0 : 23.0 (Men : Women) as on 30th June 2006 compared to 78.8 : 21.2 as on 30th June 2005.

OPPORTUNITIES AND THREATS

Opportunities

The year 2005 witnessed the coming of age of the Indian IT multinationals, with many indigenous players beginning to build noticeable presence in other locations—through cross border acquisitions, major onshore contract wins and extending organic growth into other near shore locations in various other countries. Simultaneously, global majors are continuing to significantly ramp-up their offshore delivery capabilities—predominantly in India, which vindicates the efficacy of the global delivery model and highlighting India's increasingly important role in the global IT landscape.

According to the **NASSCOM-McKinsey Report 2005**, the total addressable market for global offshoring is approximately \$300 billion, of which \$110 billion will be off shored by 2010. India has the potential to capture more than 50 per cent of this opportunity and generate export revenues of approximately \$60 billion by growing at 25 per cent year-on-year till 2010. Also inherent advantages like abundant talent supply, strong cost- and-leadership oriented companies, regulatory support, scaleable high-quality infrastructure, and a growing domestic market, which have been instrumental in driving the growth of this sector till date will continue to do so in the coming years.

Offshore adoption will continue to rise with offshore penetration across service lines increasing steadily over the forecast period (IDC forecasts share of offshore IT services spending to grow from 2.7 per cent in 2005 to 3.6 per cent of the total IT services spending by 2009). According to TPI estimates, nearly US\$ 100 billion in total contract value is due to come up for renewal over 2006-07.

Threats

Inspired by the Indian IT-ITES success story, several other nations have started representing alternate destinations for offshore based outsourcing. However, India still remains a preferred offshore destination; the main

challenge is from countries like China, Malaysia, Philippines, East European Countries and Canada.

Potential threat for the Company comes from the leading Indian IT vendors, Global IT Services companies having bases in India. Company is addressing same by coming up with differentiators and being competitive. Also it is expanding operation to counter the near shore threat.

DISCUSSION ON FINANCIAL PERFORMANCE RELATING TO OPERATIONAL PERFORMANCE

The Financial Statements have been prepared in compliance with the requirements of Companies Act 1956, and Indian Generally Accepted Accounting Principles (GAAP), and Mandatory accounting standards issued by the Institute of Chartered Accountants of India ("ICAI").

The discussion on financial performance in the Management Discussion and Analysis is on standalone financial of HCL technologies Limited.

RESULTS OF OPERATIONS (STANDALONE)

(Rs. in crores)

	Fiscal years ended June 30				
	2002	2003	2004	2005	2006
Service revenue	723.4	871.7	1,128.0	1,447.0	3,032.9
Cost of Revenue	264.4	404.9	606.6	789.5	1,635.5
Administration and other expenses	137.1	201.3	266.2	328.4	675.9
Total Expenditure	401.5	606.2	872.8	1,117.9	2,310.9
Operating profit before interest, depreciation and amortization	321.9	265.5	255.2	329.1	722.0
Interest	1.7	1.1	5.5	5.6	12.7
Depreciation	35.5	49.3	56.9	67.6	138.8
Operating profit after interest, depreciation and amortization	284.7	215.1	192.8	255.9	570.5
Other Income	133.2	107.8	146.7	83.0	83.3
Profit before tax	417.9	322.9	339.5	338.9	653.8
Provision for tax	15.9	13.8	13.8	9.6	15.4
Profit after tax	402.0	312.5	325.7	329.3	638.4

FISCAL 2006 COMPARED TO FISCAL 2005

During the year under review, the Scheme of Amalgamation ("Scheme") of DSL Software Ltd., Shipara Technologies Ltd., HCL Technologies BPO Services Ltd., HCL Technologies (Mumbai) Ltd., Aquila Technologies Ltd. and HCL Enterprise Solutions (India) Ltd., all subsidiaries of the Company ("Transferor Companies") with the Company was approved by the Hon'ble High Courts of Delhi and Karnataka vide their orders dated October 28, 2005 and December 16, 2005 respectively. With the completion of filing of the said Orders with the Registrar of Companies, NCT of Delhi & Haryana and the Registrar of Companies, Bangalore on March 8, 2006, the scheme became effective retrospectively from April 1, 2005, the appointed date.

Accordingly, results of the Company for the year ended June 30, 2006 include the results of the Transferor Companies for the fifteen months period from April 1, 2005 to June 30, 2006 and are not comparable with results of fiscal year 2005.

Service Revenues. The Company's revenues of Rs.3,032.9 crores in fiscal 2006 were 109% higher than that for fiscal 2005. Excluding the revenues

of Transferor companies, revenue at Rs.1,992.7 Crores in fiscal 2006 were higher by 38% than that for fiscal 2005

In fiscal 2006, the revenues from America were Rs. 1,944.2 crores. Share of America in the total revenue dropped to 64% in fiscal 2006 from 77% in fiscal 2005. In an effort to derisk its business model, the Company is focusing on the markets in Europe, Australasia, Singapore and Malaysia. These markets contributed about 36% to the Company's revenues in the current fiscal and it is expected that their contribution is likely to increase in the coming years.

Cost of Revenues. The cost of revenues increased by 107% from Rs.789.5 crores in fiscal 2005 to Rs. 1,635.0 crores. This was mainly on account of an increase in employee costs. Employee costs of the Company increased to Rs. 1171.9 crores in fiscal 2006 from Rs. 491.0 crores in fiscal 2005, an increase of 138%. Employee costs as a percentage of service revenues have increased to 38.6% in fiscal 2006 from 34% in fiscal 2005. The increase in employee costs has been driven by an increase in number of employees during the year from total of 12,552 in the previous year to 25,534 in the year ended June 30, 2006. The Company also subcontracts certain projects to its subsidiaries and third parties. These costs increased to Rs. 463.1 crores in fiscal 2006 from Rs. 298.5 crores in fiscal 2005.

Excluding the cost of revenues of Transferor Companies, cost of revenue increased by 45.9% from Rs. 789.5 crores in fiscal 2005 to Rs. 1,151.7 crores and employee cost increased to Rs. 719.6 crores in fiscal 2006 from Rs. 491.0 crores, an increase of 46.5%.

Administration and other expenses. These costs among others consist of rent, communication costs (including on project), travel costs (including on project), electricity, repair and maintenance, software license fees, legal and professional charges, etc. As a percentage of service revenue, such costs decreased to 22% in fiscal 2006 from 23% in fiscal 2005. The cost has increased by Rs. 347.28 crores; increase of 106% as compared to fiscal 2005. Excluding the costs pertaining to Transferor Companies, these costs increased by 39.5% which is in line with increase in revenues.

Operating profit before interest, depreciation and amortization. Operating profit before interest, depreciation and amortization increased by hefty 119% during the fiscal from Rs.329.097 crores to Rs. 722.04 crores. As a percentage of revenues this increased from 22.7% in 2005 to 23.8% in 2006.

Depreciation. Depreciation increased to Rs. 138.8 crores in fiscal 2006 from Rs. 67.6 crores in fiscal 2005. The gross block has increased to Rs. 1014.1 crores in fiscal 2006 as compared to Rs. 632.1 crores in 2005 which has caused this increase in depreciation. The increase in gross block is due to net addition during the current year of Rs. 213.29 cores and assets acquired under the scheme of amalgamation of subsidiaries of Rs. 168.73 crores.

Other income. The Company's other income was Rs. 83.3 crores in fiscal 2006 as compared to Rs. 83.0 crores in fiscal 2005. This mainly comprises of dividend on investments in debt mutual funds and gains resulting from sale of such investments. To take advantage of lower tax rate applicable on long-term capital gains, the Company invests in growth funds and has unrealized capital gains of Rs. 34.3 crores (net of tax liability of Rs. 17.4 crores) as of end of fiscal year 2006.

Taxation. The net tax expense for fiscal 2006 was Rs. 15.4 crores as compared to Rs. 9.6 crores in fiscal 2005.

Profit after tax. The Company's profit after tax increased to Rs. 638.4 crores in fiscal 2006 from Rs. 329.3 crores in fiscal 2005, an increase of 94%. As a percentage of revenue this is 21% in fiscal 2006 against 22.8% in fiscal 2005.

TAX DEDUCTIONS

A substantial portion of the profits of the Company's operations is exempt from income tax, these profits being attributable to export operations of undertakings situated in Software Technology Parks (STP). Under the tax holiday, the taxpayer can utilize an exemption from income tax for a period of any ten consecutive years beginning from the financial year when the unit started operations. The tax holiday on all facilities under STPs expire in stages by 2009. The profits arising out of the domestic business are subject to corporate income tax at the rate of 33.66%. The exemption period on certain undertakings have expired in 2005 and 2006

LIQUIDITY AND CAPITAL RESOURCES***Cash Flows from Operating Activities***

Cash generated from operations provide the major sources of funds for the growth of the business. Net cash provided by operating activities was Rs. 774.0 crores and Rs. 265.7 crores in fiscal 2006 and 2005 respectively. The increase in cash from operating activities in fiscal 2006 is due to growth in business activities as well as due to amalgamation of subsidiaries companies.

Cash Flows from Investing Activities

In fiscal 2006, an amount of Rs. 202.0 crores was received from redemption of debt mutual funds while Rs. 10.5 crores of bonds were redeemed. During the year, a net amount of Rs. 302.9 crores was invested in fixed assets, and Rs. 39.9 crores was used for investments and loans to subsidiaries. A sum of Rs. 10.8 crores was contributed by the company towards its 49% stake in the share capital of NEC HCL Technologies Limited, a newly established joint venture company as per Joint Venture agreement with NEC Corporation, Japan and NEC System Technologies

Limited. Cash from investing activities also arose from income on investment and repayment of loans which had been advanced to the subsidiaries. Net cash outflow, thus, from investing activities was Rs. 133.3 crores in fiscal 2006 as compared to an inflow of Rs. 239.5 crores in 2005.

The thrust of the Company's treasury policy is to reduce risk and maintain the maximum possible safety, while earning reasonable returns from the investment of surplus funds.

Cash Flows from Financing Activities

Cash flow from financing activities in the year under review was an outflow of Rs. 641.8 crores mainly due to an outflow of Rs. 586.6 crores pertaining to the dividend declared in the previous fiscal year as well as the interim dividends paid during the year under review and repayment of long term debt of Rs.130.8 crores.

The Company had initiated various stock option plans for grant of options to its employees. As of June 30, 2006, 17,037,287 stock options were in force under these Plans. Each option granted under the Plan, entitles the holder thereof with an option to apply for and be issued two equity shares of the Company. During the fiscal 2006, the Company has received Rs. 88.4 crores on exercise of such options by the employees.

As a result of the above, the total amount of cash and cash equivalents available with the company as of June 30, 2006, was Rs. 106.2 crores, including Rs. 19.5 crores acquired on amalgamation of subsidiaries companies. Management believes that these balances along with cash from continuing operations and existing credit facilities will be sufficient to meet all needs of the Company in the next fiscal year.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting this Fourteenth Annual Report together with the Audited Accounts for the year ended June 30, 2006.

FINANCIAL RESULTS

The highlights of consolidated financial results of your Company and its subsidiaries prepared under Indian GAAP are as follows:

(Rs. in crores)

	Year ended June 30, 2006*	Year ended June 30, 2005
Income		
Sales	4,571.58	3,351.20
Other income	109.29	120.03
	4,680.87	3,471.23
Expenditure		
Cost of goods sold	126.53	102.98
Cost of services	2,368.19	1,754.67
Administration and other expenses	1,165.60	736.31
Finance costs	8.13	10.18
Depreciation and amortisation	203.05	151.58
	3,871.50	2,755.72
Profit before tax, minority interests, share of loss of equity investees and amalgamation adjustment	809.37	715.51
Provision for tax	(55.89)	(49.80)
Profit before minority interests, share of loss of equity investees and amalgamation adjustment	753.48	665.71
Adjustment under the scheme of amalgamation of companies	(61.06)	-
Profit before minority interests and share of loss of equity investees	692.42	665.71
Share of loss of equity investees	-	(0.49)
Share of minority shareholders	(1.75)	(46.50)
Net Profit	690.67	618.72

* During the year under review, a Scheme of Amalgamation under sections 391 to 394 of the Companies Act, 1956 for amalgamation of DSL Software Ltd., Shipara Technologies Ltd., HCL Technologies BPO Services Ltd., HCL Technologies (Mumbai) Ltd., Aquila Technologies Ltd. and HCL Enterprise Solutions (India) Ltd., all wholly owned subsidiaries of the Company ("Transferor Companies") with the Company was approved by the Hon'ble High Courts of Delhi and Karnataka. The effective date of amalgamation is April 1, 2005.

Accordingly, consolidated results for the year ended June 30, 2006 include results of the Transferor Companies for the fifteen months period from April 1, 2005 to June 30, 2006 and are not comparable with those of the corresponding previous year. The results of the Transferor Companies for the three months period from April 1, 2005 to June 30, 2005 have been adjusted in consolidated Profit & Loss A/c & shown under "adjustment under the scheme of amalgamation" as the results of the Transferor Companies for three months, as aforesaid, have been considered in previous year ended June 30, 2005. Also refer to para on "Amalgamation of Indian Subsidiaries" given in this Report.

The highlights of financial results of your Company as a stand-alone entity prepared under Indian GAAP are as follows:

(Rs. in crores)

	Year ended June 30, 2006*	Year ended June 30, 2005
Income		
Revenues	3,032.92	1,447.01
Other income	83.34	83.02
	3,116.26	1,530.03
Expenditure		
Cost of revenues	1,634.99	789.51
Administration and other expenses	675.90	328.41
Finance charges	12.74	5.62
Depreciation	138.80	67.56
	2,462.43	1,191.10
Profit before tax	653.83	338.93
Provision for tax	(15.44)	(9.66)
Profit after tax	638.38	329.27
Balance brought forward from previous year	836.20	1,109.78
Profit acquired under the scheme of amalgamation	363.73	-
Amount available for appropriation	1,838.31	1,439.05

	Year ended June 30, 2006*	Year ended June 30, 2005
Appropriations		
Proposed final dividend [including Rs. 0.66 crores (previous year Rs. 0.59 crores) paid for previous year]	130.04	128.47
Corporate dividend tax on proposed final dividend [including Rs. 0.09 crores (previous year Rs. 0.08 crores) paid for previous year]	18.24	18.01
Interim dividend	386.06	373.28
Corporate dividend tax on interim dividend	54.14	50.16
Transfer to general reserve	63.84	32.93
Balance carried forward	1,185.99	836.20
Total	1,838.31	1,439.05

* During the year under review, a Scheme of Amalgamation under sections 391 to 394 of the Companies Act, 1956 for amalgamation of DSL Software Ltd., Shipara Technologies Ltd., HCL Technologies BPO Services Ltd., HCL Technologies (Mumbai) Ltd., Aquila Technologies Ltd. and HCL Enterprise Solutions (India) Ltd., all wholly owned subsidiaries of the Company ("Transferor Companies") with the Company was approved by the Hon'ble High Courts of Delhi and Karnataka. The effective date of amalgamation is April 1, 2005.

Accordingly, the standalone results of the Company for the year ended June 30, 2006 include results of the Transferor Companies for the fifteen months period from April 1, 2005 to June 30, 2006 and are not comparable with those of the corresponding previous year. Also refer to para on "Amalgamation of Indian Subsidiaries" given in this Report.

TRANSFER TO RESERVES

Your Company proposes to transfer Rs. 63.84 crores to the general reserve. An amount of Rs. 1,185.99 crores is proposed to be carried forward in the Profit & Loss Account.

OPERATIONS

In the fiscal year under review, the Company had a healthy growth in its revenues and profits. Even though conditions in the marketplace remain favourable for the large Indian IT services companies in terms of volumes, pricing has not improved given the high degree of competition in the market.

DIVIDEND

During the year under review, your directors had declared and paid three interim dividends as per the details given hereunder:

S. No.	Interim dividend paid during the year ended June 30, 2006	Rate of dividend	Amount of dividend paid Rs./crores	Distribution tax paid by the Company Rs./crores
1.	1 st Interim Dividend	Rs. 4/- per share	128.10	17.97
2.	2 nd Interim Dividend	Rs. 4/- per share	128.75	18.06
3.	3 rd Interim Dividend	Rs. 4/- per share	129.21	18.12

Your directors are pleased to recommend a final dividend of Rs. 4/- per share for the financial year ended June 30, 2006, subject to approval of the shareholders at the ensuing Annual General Meeting. The total amount of dividend (including interim dividends paid) for the year ended June 30, 2006 is Rs. 515.44 crores as against Rs. 501.82 crores for the previous year. The dividend, if approved, will be paid to those members whose names appear in the Register of Members on the date of the ensuing Annual General Meeting. Under the Indian Income Tax Act, 1961, the receipt of dividend is tax-free in the hands of the shareholders. Dividend distribution tax paid/payable by the Company would amount to Rs. 72.38 crores.

CENTERS/FACILITIES

The Company services its customers through a network of centres/facilities situated in the city of Bangalore, Chennai, Gurgaon, Noida, Hyderabad, Kolkata and Mumbai.

AMALGAMATION OF SUBSIDIARIES

Amalgamation of Indian subsidiaries

During the year under review, the Scheme of Amalgamation ("Scheme") under sections 391 to 394 of the Companies Act, 1956 for amalgamation of DSL Software Ltd., Shipara Technologies Ltd., HCL Technologies BPO Services Ltd., HCL Technologies (Mumbai) Ltd., Aquila Technologies Ltd. and HCL Enterprise Solutions (India) Ltd., all wholly owned subsidiaries of the Company ("Transferor Companies") with the Company was approved by the Hon'ble High Courts of Delhi and Karnataka vide their orders dated October 28, 2005 and December 16, 2005, respectively. With the completion of filing of the said Orders with the Registrar of Companies, NCT of Delhi & Haryana and the Registrar of Companies, Bangalore on March 8, 2006, the Scheme became effective retrospectively from April 1, 2005, the appointed date.

Further, consequent to the amalgamation of the aforesaid Transferor Companies with the Company -

1. Stand-alone results of the Company for the year ended June 30, 2006 include the results of the Transferor Companies for the fifteen months period from April 1, 2005 to June 30, 2006 and are not comparable with those of the corresponding previous period.

Similarly, consolidated results of the Company for the year ended June 30, 2006 include results of the Transferor Companies for the fifteen months period from April 1, 2005 to June 30, 2006. The results of the Transferor Companies for the three months period from April 1, 2005 to June 30, 2005 have been adjusted in consolidated Profit & Loss Account and shown under "adjustment under the scheme of amalgamation" as the results of the Transferor Companies for the aforesaid three months have been considered in previous year ended on June 30, 2005.

2. Securities Premium Account has been adjusted by Rs. 819.68 crores, being the shortfall of net assets and reserves of the Transferor Companies recorded by the Company over the value of investments/loans in the Transferor Companies and reduction in the value of investments in other subsidiaries on account of amalgamation.
3. The Authorised Share Capital of the Transferor Companies has been combined with the Authorised Share Capital of the Company, consequent to which the authorised share capital of the Company stands increased to Rs. 125.45 crores divided into 62.725 crores equity shares of Rs. 2/- each.

Amalgamation of overseas subsidiaries

During the year under review, two overseas subsidiaries have been amalgamated with other overseas subsidiaries as per the details given hereunder:

DSL GmbH

Consequent to the amalgamation of the aforesaid Indian subsidiaries with the Company, DSL GmbH, a subsidiary of DSL Software Ltd. in Germany, became a direct subsidiary of the Company. DSL GmbH was later merged with HCL GmbH, a downstream subsidiary of the Company in Germany.

HCL Illinois Inc.

HCL Illinois Inc., a downstream subsidiary of the Company in USA, has been merged with HCL America Inc., another downstream subsidiary of the Company in USA.

JOINT VENTURES & SUBSIDIARIES CREATED DURING THE YEAR

HCL Technoparks Ltd.

The Company incorporated a wholly-owned subsidiary viz. HCL Technoparks Ltd. for carrying on the business as a Developer of the Special Economic Zones, and subscribed therein 10 lacs equity shares of Rs.10/- each fully paid-up, aggregating to Rs. 1 crore.

NEC HCL System Technologies Ltd.

Pursuant to the Joint Venture Agreement with NEC Corporation, Japan ("NEC") and NEC System Technologies, Ltd. ("NECST"), Japan, a subsidiary of NEC, the joint venture company named as NEC HCL System Technologies Ltd. ("NHSTL") was incorporated during the year and the Company has invested Rs.10.78 crores therein for its 49% stake by subscribing to 1,07,80,000 equity shares in NHSTL of Rs. 10/- each fully paid-up.

SUBSIDIARIES CLOSED DURING THE YEAR

During the year under review, Infosystems (Europe) Ltd., United Kingdom and Infosystems (Australia) Pty. Ltd., Australia, downstream subsidiaries of the Company were wound up.

DIVESTMENT OF STAKE IN VENTURE CAPITAL FUNDS DURING THE YEAR

During the year, the Company divested investments held by the subsidiaries in various Venture Capital Funds. These investments had a current carrying value of Rs. 85.57 crores and were sold for a net consideration of Rs. 88.65 crores, resulting in a gain of Rs. 3.08 crores.

SUBSIDIARIES - FINANCIALS

The statement pursuant to Section 212 of the Companies Act, 1956 is given in this Annual Report. The Ministry of Company Affairs, Government of India, vide its approval letter no. 47/267/2006-CL-III dated July 3, 2006 has granted exemption to the Company from annexing the accounts and other information of the subsidiaries along with the accounts

of the Company, as required under section 212 of the Companies Act, 1956, for the year ended June 30, 2006. The information giving the aggregate figures of certain items of the Balance Sheet and Profit & Loss Account for each subsidiary is enclosed along with the consolidated Financial Statements forming part of the Annual Report. The Company would provide the annual accounts of the subsidiaries and the related detailed information to the investors of the Company and its subsidiaries on specific requests made to it in this regard by the said investors. The annual accounts of the subsidiaries will also be kept for inspection by any investor at the registered office of the Company and that of the subsidiary company concerned.

CHANGES IN CAPITAL STRUCTURE

Authorised Share Capital

The authorised share capital of the Company has been increased from Rs. 80,00,00,000 to Rs. 1,25,45,00,000 divided into 62,72,50,000 equity shares of Rs. 2/- each, as per the details provided in para on "Amalgamation of Indian Subsidiaries" given in this Report.

Issued and Paid-up Share Capital

During the year, 42,27,566 equity shares of the Company of Rs. 2/- each fully paid-up were allotted under Stock Option Plans of the Company on exercise of stock options.

As on June 30, 2006, the issued and paid-up share capital of the Company was Rs. 64,68,84,700 (previous year: Rs. 63,84,29,568) comprising of 32,34,42,350 (previous year: 31,92,14,784) equity shares of Rs. 2/- each fully paid-up.

STOCK OPTION PLANS

1999 Stock Option Plan / 2000 Stock Option Plan/ 2004 Stock Option Plan

The details on these plans have been annexed to this report.

SHARES UNDER COMPULSORY DEMATERIALIZATION

The equity shares of your Company are included in the list of specified scrips where delivery of shares in dematerialized (demat) form is compulsory effective July 24, 2000, if the same are traded on a stock exchange, which is linked to a depository. As of June 30, 2006, 99.92% shares were held in demat form.

CORPORATE GOVERNANCE

Your Company follows the principles of effective Corporate Governance. The endeavor of your Company is not only to comply with the regulatory requirements but also to practice Corporate Governance principles that lay a strong emphasis on integrity, transparency and overall accountability.

The report of the Directors on Corporate Governance is given as a separate section titled 'Corporate Governance Report 2005-06', which forms part of this Annual Report.

Certificate of the Statutory Auditors of the Company regarding compliance with the Corporate Governance requirements as stipulated in clause 49 of the Listing Agreement with the stock exchanges is annexed with the Corporate Governance Report.

Further, the Management Discussion and Analysis Report titled as 'Management's Discussion and Analysis of financial condition and stand-alone results of operations of HCL Technologies Limited prepared under Indian GAAP' is given separately and forms part of this Annual Report.

INSIDER TRADING REGULATIONS

The Securities and Exchange Board of India (SEBI) effective February 20, 2002 introduced amendments to the existing Insider Trading Regulations of 1992 which prescribed certain action steps by corporates and other market intermediaries for the purposes of prevention of Insider Trading.

These regulations specify for a mandatory model Code of conduct for prevention of insider trading and for a mandatory Code for corporate disclosures for all listed companies. Based on the requirements under these regulations, the Code of conduct for prevention of insider trading and the Code for corporate disclosures introduced by the Company during the year ended June 30, 2002 are in force.

DIRECTORS' RESPONSIBILITY STATEMENT

A statement of responsibility of the directors relating to compliance with the financial accounting and reporting requirements in respect of the financial statements, as specified under section 217(2AA) of the Companies Act, 1956 inserted by the Companies (Amendment) Act, 2000, is annexed to this Report.

DIRECTORS

During the year under review, Mr. S. Raman and Mr. Cyril S. Shroff resigned from the directorship of the Company. The Company places on record its deep appreciation for the services rendered by Mr. S. Raman and Mr. Cyril S. Shroff during their tenure as Directors of the Company.

Further, the Board of Directors inducted Mr. P. C. Sen as an Additional Director of the Company with effect from April 18, 2006 and he holds the office up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing along with a deposit of Rs. 500/- from a member under section 257 of the Companies Act, 1956 signifying his intention to propose the appointment of Mr. P. C. Sen as a director of the Company at the ensuing Annual General Meeting.

In accordance with the Articles of Association of the Company, Mr. T.S.R. Subramanian and Mr. Ajai Chowdhry shall retire by rotation as Directors at the ensuing Annual General Meeting and being eligible, they have offered themselves for re-appointment.

AUDITORS

The auditors, M/s. Price Waterhouse, Chartered Accountants, shall retire at the ensuing Annual General Meeting and they have confirmed their eligibility and willingness to accept the office of Auditors, if re-appointed.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Disclosures of particulars as required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are set out in the annexure included in this Report.

FIXED DEPOSITS

Your Company has not accepted any fixed deposits. As such, no amount of principal or interest was outstanding as of the balance sheet date.

PARTICULARS OF EMPLOYEES

As required under 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 employees are set out in the annexure included in this Report. The Department of Company Affairs has amended the Companies (Particulars of Employees) Rules, 1975 to the effect that particulars of employees of companies engaged in Information Technology sector posted and working outside India, not being directors or their relatives, drawing more than Rs. 24 lacs per financial year or Rs. 2 lacs per month, as the case may be, need not be included in the statement. Accordingly, the statement included in this report does not contain the particulars of employees who are posted and working outside India.

ACKNOWLEDGEMENTS

The Board wishes to place on record its appreciation to the contribution made by employees of the Company and its subsidiaries during the year under review. The Company has achieved impressive growth through the competence, hard work, solidarity, cooperation and support of employees at all levels. Your Directors thank the customers, clients, vendors and other business associates for their continued support in the Company's growth. The Directors also wish to thank the Government Authorities, Financial Institutions and Shareholders for their cooperation and assistance extended to the Company.

For and on behalf of the Board of Directors

Noida (U.P.), India
August 19, 2006

SHIV NADAR
Chairman and CEO

ANNEXURE TO THE DIRECTORS' REPORT

Particulars pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

a) Conservation of Energy

The nature of your Company's operation does not involve intensive energy consumption. However, your Company constantly endeavors to plan infrastructure investments of a design that results in conservation of energy. Adequate measures have been taken to reduce energy consumption, wherever possible. As energy cost forms a very small part of total cost, the impact on cost is not material.

b) Research and Development

Your Company continued its R&D efforts to build competence in the emerging Internet, Telecom and Embedded Technology areas thereby ensuring a continuous movement up the value chain. Since business and technologies are changing constantly, continuous investments in research and development need to be made. As a result of research efforts, your Company has been able to develop processes and methodologies that have resulted in constant improvement in quality and productivity.

In future also, your Company will continue to focus on above R&D activities and will make investments therein from time to time.

Expenditure on R&D for the years ended June 30, 2006 and 2005 are as follows:

(Rs. in crores)

Particulars	2006	2005
Revenue expenditure	4.13	7.43
Capital expenditure	-	0.04
Total R&D expenditure	4.13	7.47
R&D expenditure as a percentage of revenue	0.14%	0.52%

c) Technology Absorption, Adaptation and Innovation

Your Company's core businesses demand absorption of emerging technologies to stay at the cutting edge of technology. New methods for absorbing, adapting and effectively deploying new technologies have been developed. Your Company has made investments in applications and other software tools required for engineering design work in all its Software Development Centers.

d) Foreign Exchange Earnings and Outgo

Your Company is an export-oriented unit and majority of the information technology (IT) services and Business Process Outsourcing (BPO) services by the Company is for the clients outside India. Apart from USA, which is the major source of Company's revenue, the Company is expanding its business in Europe, Australia and Japan.

The foreign exchange earned and spent by the Company during the year under review is as follows:

(Rs. in crores)

Particulars	2006	2005
Foreign exchange earnings	2,994.27	1,428.12
Foreign exchange outgo		
- Expenditure in foreign currency	758.00	424.50
- CIF value of imports	64.88	29.08
- Dividend remitted in foreign currency	98.39	98.65
	<u>921.27</u>	<u>552.23</u>

For and on behalf of the Board of Directors

Noida (UP), India
August 19, 2006

Shiv Nadar
Chairman and CEO

Directors' Responsibility Statement as required under Section 217(2AA) of the Companies Act, 1956 as inserted by the Companies (Amendment) Act, 2000

- i) The financial statements have been prepared in accordance with the accounting standards issued by the Institute of Chartered Accountants of India and also the requirements of the Companies Act, 1956, to the extent applicable to the Company. There have been no material departures from prescribed accounting standards while preparing these financial statements;
- ii) The Board of Directors has selected the accounting policies described in the notes to the accounts, which have been consistently applied, except where otherwise stated. The estimates and judgments relating to the financial statements have been made on a prudent basis, in order that the financial statements reflect in a true and fair manner, the state of affairs of the Company as at June 30, 2006 and the profit of the Company for the year ended on that date;

- iii) The Board of Directors has taken proper and sufficient care 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) The annual accounts have been prepared on the historical cost convention, as a going concern and on the accrual basis.

For and on behalf of the Board of Directors

Noida (UP), India
August 19, 2006

Shiv Nadar
Chairman and CEO

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

DETAILS ON STOCK OPTION PLANS

1999 Stock Option Plan/ 2000 Stock Option Plan/ 2004 Stock Option Plan

Pursuant to the approval of the shareholders, your Company had instituted the 1999 Stock Option Plan ("1999 Plan"), the 2000 Stock Option Plan ("2000 Plan") and the 2004 Stock Option Plan ("2004 Plan") for all eligible employees of the Company and its subsidiaries. The 1999 Plan, 2000 Plan and 2004 Plan are administered by the Compensation Committee of the Board and provide for the issuance of 20,000,000; 15,000,000 and 20,000,000 options respectively.

Each option granted under the 1999 Plan, 2000 Plan and 2004 Plan, entitles the holder thereof to apply for and be issued two equity shares (post split) of the Company. Options outstanding as on July 1, 2005 include certain adjustments relating to forfeiture of employee stock options pertaining to earlier years. Further, during the year under review, the Compensation Committee of the Board has increased the maximum number of options to be issued per employee in aggregate under the '2004 Stock Plan' from 100,000 Options to 750,000 Options.

The details of the options granted under the 1999, 2000 and 2004 Plans are given below:

S.No.	Description	1999 Plan	2000 Plan	2004 Plan
1.	Total number of options granted (gross)	26,600,874	17,747,401	2,755,972
2.	The pricing formula	Market price/ internal valuation	Market price	Market price/ price determined by compensation committee
3.	Number of options vested	14,486,828	5,580,452	Nil
4.	Number of options exercised	10,340,606	1,972,501	Nil
5.	Total number of shares arising as a result of exercise of options	20,681,212	3,945,002	Nil
6.	Number of options lapsed	10,345,907	7,321,374	86,572
7.	Variation in terms of options	None	None	None
8.	Money realized by exercise of options (Rs. crores)	278.9	94.6	Nil
9.	Total number of options in force as on June 30, 2006	5,914,361	8,453,526	2,669,400
10.	Grant to Senior Management			
	Number of Options	1,967,175	254,904	1,100,000
	Vesting Period	3-7 years	2-7 years	1.5-5 years

The diluted earnings per share were Rs. 18.66 and Rs. 10.40 for the fiscal years ended June 30, 2006 and 2005 respectively.

HCL TECHNOLOGIES LIMITED EMPLOYEES TRUST

In April 2001, HCL Technologies Limited Employees Trust ("Trust") was formed for the purpose of acquiring the shares of the Company and thereby providing such shares to the eligible employees and directors of the Company and/or its subsidiaries at any time pursuant to the Stock Option Plans of the Company. The Company would provide this Trust interest free loan(s) from time to time up to a limit of Rs. 150 crores for this purpose.

During the year, no loan was provided to the Trust and the Trust received 1,650 shares as per the order of Chief Judicial Magistrate, Noida (U.P.) and transferred the same to the employees on exercise of their stock options and collected an amount of Rs. 0.24 million on this account. The trust paid an amount of Rs. 0.30 million to the Company towards the repayment of loan taken by it. As on June 30, 2006, an amount of Rs. 65.20 million is outstanding as loan from the Company and Nil shares of the Company are held by the trust. The Company has made provision of Rs. 65.00 million against the same.

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

Details of Stock Option Plans for the year ended June 30, 2006

Particulars	1999 Plan	2000 Plan	2004 Plan
Total number of options outstanding as on July 1, 2005	8,324,797	10,866,909	373,472
Number of options granted during the year	-	-	2,382,500
Pricing formula	Market price/ internal valuation	Market price	Market price/ price determined by compensation committee
Number of options vested during the year	442,717	363,491	-
Number of options exercised during the year	1,228,245	863,048	-
Total number of shares arising as a result of exercise of options during the year	2,456,490	1,726,096	-
Number of options lapsed during the year	1,182,191	1,550,335	86,572
Variation in terms of options	None	None	None
Money realised by exercise of options during the year (Rs. crores) (includes issued through Trust)	45.23	42.89	-
Total number of options in force as on June 30, 2006	5,914,361	8,453,526	2,669,400
Employees granted options equal to 5% or more of the total number of options granted during the year	None	None	1,000,000
Employees granted options equal to or exceeding 1% or more of the issued capital during the year	None	None	None
Fair value compensation cost for options granted (Rs. crores)	-	-	207.51
Weighted average exercise price of options granted above market price	N.A.	N.A.	N.A.
Weighted average fair value of options granted above market price	N.A.	N.A.	N.A.
Weighted average exercise price of options granted at market price	-	-	-
Weighted average fair value of options granted at market price	-	-	-
Weighted average exercise price of options granted below market price	-	-	5.88
Weighted average fair value of options granted below market price	-	-	872.81
Method and significant assumptions used during the year to estimate the fair values of options			
Method	N.A.	N.A.	Black-Scholes Method
Significant assumptions			
Risk free interest rate	N.A.	N.A.	6.50%
Expected life	N.A.	N.A.	upto 90 Months
Expected volatility	N.A.	N.A.	36.35%
Expected dividends	N.A.	N.A.	3.08%
The price of the underlying options in market at the time of grant	N.A.	N.A.	988.83

Pre IPO Details of Stock Option Plan

Particulars	As on June 30, 2006 ESOP 1999 Plan
Number of options granted pre IPO	14,223,832
Pricing formula	Internal valuation
Number of options vested	11,653,099
Number of options exercised	9,860,129
Total number of shares arising as a result of exercise of options	19,720,258
Number of options lapsed	3,856,366
Variation in terms of options	None
Money realized by exercise of options (Rs. crores) (includes issued through Trust)	249.32
Total number of options in force as on June 30, 2006	507,337
Fair value compensation cost for options granted (Rs. crores)	43.96
Weighted average exercise price of options granted	255.00
Weighted average fair value of options granted	36.65
Method used to estimate the fair values of options	Black-Scholes Method
Significant assumptions	
Risk free interest rate	10.00%
Expected life	12 to 110 months
Expected volatility	-
Expected dividends	0.10%

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

Employee Compensation Cost Based on Fair Value of the Options

(Rs./Crores)

	Year ended 30 June 2006
Net income, as reported	638.38
Add: Stock-based employee compensation expense included in reported net income	48.39
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	83.01
Proforma net income	603.76
Earnings per share	Rs.
As reported	19.86
- Basic	18.66
- Diluted	18.79
Adjusted proforma	17.65
- Basic	17.65
- Diluted	17.65
Method used to estimate the fair values of options	Black-Scholes Method
Significant assumptions	
Dividend yield %	3.08%
Expected life	upto 90 months
Risk free interest rates	6.50%
Volatility	36.35%

Details of Options Granted to Senior Managerial Personnel of the Company – Pre IPO

Name of the senior managerial personnel	Grant date	Options granted
Raman Subrahmanyam	13-Sep-99	366,000
Dennis Roy Ing	13-Sep-99	219,600
Sanjay Kalra	13-Sep-99	109,800
Raj K Sirohi	13-Sep-99	219,600
Ashok Jain	13-Sep-99	109,800
Sujit Baksi	13-Sep-99	109,800
Anil Kumar Chanana	13-Sep-99	81,984
Prem Kumar Asija	13-Sep-99	81,984
Ramamurthy Vaidyanathan	13-Sep-99	81,984
Raj Kumar Mahajan	13-Sep-99	109,800
Ashok Syal	13-Sep-99	61,488
Amitava Roy	13-Sep-99	24,156
Ranjit Narasimhan	13-Sep-99	61,000
Robin Abrams	13-Sep-99	48,800
Richard Burt	13-Sep-99	48,800
TSR Subramanian	13-Sep-99	48,800
Divakar Naga Maddipatla	13-Sep-99	24,400
Shamsher Khorana	13-Sep-99	10,029
Ramamurthy Vaidyanathan	19-Oct-99	16,016
Amitava Roy	19-Oct-99	52,844
Total		1,886,685

Details of options granted to Senior Managerial Personnel of the Company during the year ended June 30, 2006

Name	Grant date	Options granted
Vineet Nayar	24-Oct-05	750,000
Ranjit Narasimhan	24-Oct-05	250,000
Anil Kumar Chanana	24-Oct-05	10,000
Prem Kumar Asija	24-Oct-05	5,000
Total		1,015,000

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

Details of options granted to employees amounting to 5% or more of the options granted during the year ended June 30, 2006

Name	No. of options granted	% of option granted during the year
Vineet Nayar	750,000	31.48
Ranjit Narasimhan	250,000	10.49
Total	1,000,000	41.97

Details of options granted to employees during the year ended June 30, 2006 amounting to 1% or more of the issued capital of the company at the time of the grant – None

For and on behalf of the Board of Directors

Noida (UP), India
August 19, 2006

Shiv Nadar
Chairman and CEO

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

STATEMENT UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 FORMING PART OF DIRECTORS' REPORT

A. EMPLOYED FOR FULL FINANCIAL YEAR 2005-2006

S. No.	Name	Age	Designation/ Nature of duties	Educational qualifications	Remuneration (Rs.)	Date of joining	Experience (Years)	Previous employment	Designation held in previous employment	Previous employment held since
1.	Allwyn Noronha	43	Gen. Manager & Company Secretary	B.Com, LLB, FCS, ACIS (London)	2,442,117	24-Dec-99	16	Ranbaxy Laboratories Ltd.	Manager Secretarial Services & CS	Jan-96
2.	Anand Pillai	47	Vice President - Learning & Development	PGD, FMS/CSMS	4,141,686	1-Jun-05	23	Clime	President & Chief Mentor	Sep-03
3.	Anup Dutta	47	Associate Vice President	ME/ M Tech (Electrical)	2,926,045	1-Jul-96	25	HCL Hewlett Packard Ltd	Sr. Manager	Jul-81
4.	Arjun Raghunathan	49	General Manager	ME (Computer Science)	2,456,843	1-Jul-96	25	HCL Hewlett Packard Ltd	Sr. Manager	Aug-81
5.	Dakshina Murthy Chaganthi	52	Associate Vice President	M.A, PGDM	2,697,897	1-May-03	28	HCL Infosystems Ltd.	AVP	Dec-78
6.	Deval Shah	38	Dy. General Manager	MS-Computer Science	2,464,500	3-Dec-01	14	HCL Perot Systems Ltd.	Project Director	Mar-00
7.	Devasis Ghosh	44	Associate Vice President	MBA	2,489,444	1-Jul-00	18	HCL Infosystems Ltd.	Project Manager	Sep-94
8.	Devavaram Davidson	47	Vice President	M.Sc, MS	2,660,771	2-Apr-03	22	DSQ Software Ltd.	Chief Operating Officer	Aug-95
9.	Dilip Srivastava	47	Vice President - Corp.HR	MSW (HR& IR)	3,492,730	7-Jun-05	23	Vanguard Solutions	VP-HR	Apr-05
10.	Gade Hanumantha Rao	48	Corporate Vice President	BE (Electronics)	3,496,096	1-Jul-96	25	HCL Hewlett Packard Ltd.	Sr. Manager - R&D	Nov-80
11.	Gunaseelan Narayanan	51	Senior Corporate Vice President	M Tech(Computer Science)	4,102,832	1-Jul-96	26	HCL Hewlett Packard Ltd.	General Manager	Aug-79
12.	Krishnamuti Rao	49	General Manager	MBA	2,482,763	8-Dec-97	25	Tata Consultancy Services Ltd.	Senior Consultant	May-81
13.	Prabhakara Rao Arrabolu	48	Sr. Vice President - HR	B.Com, MBA	2,714,457	1-Sep-04	25	Birlasoft	Global Head - Human Capital Mgt	Jun-02
14.	Prabhat Goenka	39	Associate Vice President	CA, CS, CWA	2,587,086	1-Mar-95	15	Tinplate	Senior Accounts Officer	Jan-92
15.	Prahlad Bansal	49	Vice President Finance & Accounts	CA	2,810,037	1-Dec-94	26	HCL Ltd.	DGM - Finance.	Sep-89
16.	Pramod Gupta	45	Assoc Vice President	MBA	2,962,896	8-Jun-01	22	Ariba Technologies India	Technical Director	Jul-00
17.	Prem Asija	56	Senior Corporate Vice President	BE	5,169,044	1-Sep-97	37	APT Automation	Director	Jan-93
18.	Premkumar S	47	Corp Vice President	MBA	4,380,707	29-Aug-03	23	Fugen IT Ltd.	Founder & CEO	May-98
19.	Raj Walia	40	Associate Vice President	B.Com, CWA	3,045,501	5-Jun-95	19	Pfizer	Deputy General Manager	Jun-95
20.	Rajiv Gupta	44	Sr. Vice President-Operations (Telecommunications Vertical)	B.Sc.	3,280,749	17-Mar-03	22	Daksh eServices Pvt. Ltd.	Head Operations Support	Mar-01
21.	Rajiv Sodhi	47	Corporate Vice President-Operations	B.Tech, MBA	3,401,014	24-Jul-97	25	Tata Consultancy Services Ltd.	Manager Systems	Jul-81
22.	Rajiv Swarup	54	Corporate Vice President	MBA	4,180,635	8-Mar-00	32	Modi Corp Ltd.	Director Business Development	Sep-99
23.	Ramachandra Kerur	54	General Manager	ME (Electronics)	2,784,767	17-Jun-02	29	Nuntius Systems Ltd..	Chief Executive Officer	Feb-02
24.	Ramakrishna Venkatraman	54	Corporate Vice President - Banking Practice	M Tech	4,109,346	23-Jul-03	31	Eximsoft Technologies Pvt. Ltd.	Managing Director	Apr-97
25.	Ramamurthy Vaidyanathan	51	Executive Vice President	BE(Metallurgy)	4,247,950	1-Jul-96	25	HCL Hewlett Packard Ltd.	DGM - R&D	Jul-81
26.	Ramesh Nathawani	43	General Manager	BE (Comp.Science)	2,640,935	1-Mar-02	20	Planetasia Ltd.	Head-ADG	Oct-00
27.	Rangarajan Raghavan	47	Sr. Vice President - Operations (Retail Vertical)	Diploma in Electrical Engineering	2,957,496	1-Apr-03	28	HCL Infinet Ltd.	Business Head	Apr-02
28.	Ranjit Narasimhan	52	Executive Vice President	MBA	5,196,201	15-Apr-99	28	Riviera Confectionery Pvt. Ltd.	Managing Director	Jul-87
29.	Ratul Sengupta	30	General Manager-Operations	BA, CA, MBA	3,556,673	24-Jun-04	11	HCL Technologies America Inc.	Business Analyst	Apr-00
30.	Ravi Shankar B	46	General Manager	MBA	2,636,509	5-Jul-04	24	Lister Tech	President	Jul-00
31.	Sanjay Kumar	42	Dy. General Manager	MBA - Finance	2,554,500	24-Dec-02	19	Mphasis BFL Ltd.	Business Architect	Dec-00
32.	Sateesh Tiptur	47	General Manager Operations	Phd	3,428,757	22-Jan-01	24	Mphasis BFL Ltd.	AGM- Technical	Oct-99
33.	Saurav Adhikari	48	Corporate Vice President	MBA	3,945,218	1-Nov-02	26	HCL Infinet Ltd.	President	Jan-00
34.	Shashi Verma	44	General Manager	B.Tech.	2,455,941	18-Jan-95	19	Self Employed	Consultant	Aug-92
35.	Shyamal Bhattacharya	53	CIO-Technology	BE/BEtech	3,210,677	2-Jan-01	29	Tata Technologies	Deputy General Manager	Apr-97
36.	Srinivasa Krishnakumar Thakkolam	45	Vice President	MTech	3,183,834	1-July-96	21	HCL Hewlett Packard Ltd.	Group Project Manager	Jan-88
37.	Sriram Vaitheeswaran Kovil	49	Corporate Vice President	MBA	4,488,414	1-Oct-01	28	CitiCorp Overseas Software Ltd.	Centre Head Chennai	Nov-88
38.	Subramanian Lakshmi Narayanan	44	Corporate Vice President - Finance	B Com, CA, CWA	4,922,734	15-May-01	20	BPL Cellular Ltd.	Chief Finance Officer	Nov-89
39.	Sumit Bhattacharya	56	Executive Vice President -Marketing (BPO Division)	BA, MBA	3,284,303	21-Jan-02	34	Insync Technologies	C.E.O	Jun-98
40.	Uday Kumar Nalinasekaren	46	Vice President	M.Tech.	3,233,496	1-Jul-97	22	HCL Hewlett Packard Ltd.	Group Project Manager	Jul-84
41.	Vasudevan Aravamudhan	47	Vice President	BE(Electronics)	3,252,715	1-July-96	23	HCL Hewlett Packard Ltd.	Manager - R&D	Dec-82
42.	Venkatesan Muthukumaraswami	48	General Manager - Embedded Systems	ME/MTech	2,439,997	30-Sep-98	23	ALSTOM	Area Manager	Jul-87
43.	Venkatesan Varadachari	45	General Manager	BE, MBA	2,546,746	9-Feb-04	20	SSI Technologies	Vice President	Apr-98
44.	Vijay Ahojja	49	Associate Vice President	MBA	3,284,638	17-Jul-01	27	Price Waterhouse Associates	Principal Consultant	May-98
45.	Vijay Mallya U	41	General Manager	MBA	2,804,505	21-Sep-98	21	State Bank of India	Associate Manager	May-85
46.	Vijay Reddy	50	Sr. Vice President - Technology	B.Sc, M.Sc	2,701,719	17-Feb-03	24	Standard Chartered Bank	Manager- IT Services	Dec-98
47.	Vimal K Bhatani	51	General Manager	MBA	2,700,300	19-Apr-04	27	SBI Capital Markets Ltd.	Vice President & Group Head	Feb-00
48.	Viswanathan Balakrishnan	51	Sr. Vice President - Strategy	BTech, PGDM	2,885,922	3-Mar-03	27	Meru Consultants Pvt. Ltd.	Director	May-00

B. EMPLOYED FOR PART OF THE FINANCIAL YEAR 2005-2006

S. No.	Name	Age	Designation/ Nature of duties	Educational qualifications	Remuneration (Rs.)	Date of joining	Experience (Years)	Previous employment	Designation held in previous employment	Previous employment held since
1.	Amit Shekhar	41	General Manager	Phd	459,154	13-Jun-06	11	i2 Technologies	Director	Nov-98
2.	Amitabh Shrivastava	41	Vice President	BE	1,029,290	16-Mar-06	17	XANSA	Director - Operations, BFSI, US	Jun-04
3.	Amitava Roy	50	Senior Corporate Vice President	ME(Computer Science)	3,905,067	18-Jan-99	24	Hughes Software Systems Ltd.	Assistant Vice President	Jul-92
4.	Anil Gupta	51	Vice President	ME/MTech	1,293,996	1-Jan-06	29	HCL Japan Ltd.	Vice-President	Jan-03
5.	Anirvanjyoti Chaudhuri	39	General Manager	MA	282,594	19-Jun-06	16	IBM	Country Leader (DGM)	Aug-00
6.	Bejoy Joseph George	39	General Manager Strategic Initiatives	MBA	1,017,215	1-Jun-96	15	HCL Hewlett Packard Ltd	Account Executive	May-95
7.	Deepak Vinchi	39	General Manager	B Tech, MS(Mechanical)	1,165,250	1-Apr-05	15	Aquila Technologies Ltd.	Chief Execution Officer	Apr-95
8.	Frederick Mony	58	Vice President S & M	M Tech	2,241,943	11-Mar-02	32	Value Software Technologies Ltd.	Chief Operating Officer	Apr-01
9.	Hemant Kumar	52	Associate Vice President	BE/BTech	2,520,754	1-Aug-05	29	Canon India Pvt. Ltd.	Director & GM	Apr-99
10.	Kannan Veeraraghavan	48	Vice President	B.Com & Certificate Courses	3,259,365	1-Aug-05	24	KPMG Peat Marwick	Executive Director- Software Process	Jun-95
11.	Karan Puri	43	Senior VP & Head - MPE & Retail	MBA	205,556	15-Jun-06	21	i-Gate Global	E.V.P.	May-03
12.	Mukul Jain	46	Head - Technology Research Lab	B Tech (Electrical)	1,250,845	1-Jul-96	25	HCL Hewlett Packard Ltd.	Dy. Manager	Jun-81
13.	Murali Raghavan	41	Vice President-SAP Practice	CA & MBA	2,745,571	27-Sep-05	18	Hewlett-Packard GlobalSoft Ltd.	Practice Head - ERP	Jun-04
14.	Parag Samarth	45	Vice President	BE/B.Tech, MBA	1,580,335	1-Feb-06	21	IBM	Marketing Manager-Industrial Sector	Mar-98
15.	Prateek Aggarwal	39	Vice President - Finance	MBA	3,688,661	17-Aug-05	15	GE Capital International Services	Vice President	Feb-03
16.	Raman Subrahmanyam	65	Wholetime Director & Chief Technology Advisor	B.Tech	15,152,691	1-Apr-97	40	HCL Hewlett Packard Ltd.	Vice Chairman	
17.	Ranjeet Bhargava	56	Chief Information Officer	PGD	3,961,370	1-Nov-00	34	Murugappa Group	Chief Information Officer	Jan-97
18.	Sandip Gupta	47	Corporate Vice President FA&P	CA	2,257,754	1-Oct-05	24	HCL Comnet Systems & Services Ltd.	VP	Oct-98
19.	Sanjeev Nikore	46	Corporate Vice President -Sales & Marketing	MBA	2,746,376	1-Oct-05	22	HCL Comnet Systems & Services Ltd.	COO	Jul-92
20.	Shailendra Sharma	37	General Manager - SAP Practice	MBA	315,547	9-Jun-06	15	Global Consultants Inc. (GCI)	SR.VP (Pharma)	Sep-04
21.	Soami Narang	45	Vice President - Strategic Accounts	MBA	537,364	24-Apr-06	21	Satyam Computers Ltd.	Vice President	May-00
22.	Sunita Dharwarkar	44	Chief Information Officer	M Com	1,947,503	1-Oct-05	23	HCL Comnet Systems & Services Ltd.	AVP	Aug-97
23.	Sushanta Roy	36	AVP- Customer Relationship Mgmt.	PGD	1,248,450	16-Jan-06	15	IBM Global Services	Founder Director	Mar-00
24.	Tom Thomas	42	Associate Vice President - B.A.G.	MBA	2,867,723	1-Aug-05	15	Self Employed	Consultant	Apr-02
25.	Vinay Razdan	40	Associate Vice President	MBA	2,205,062	1-Sep-00	18	ITC	HR Manager	Jun-88
26.	Vineet Nayar	44	President	MBA	6,018,533	1-Sep-05	21	HCL Comnet Systems & Services Ltd.	CEO	Jan-95

Notes: 1. None of the employees is a relative of any director of the Company.

2. The nature of employment is contractual in all the above cases.

3. None of the employees owns 2% or more of the paid-up equity share capital of the Company.

4. In terms of the Notification dated March 24, 2004 issued by the Department of Company Affairs, employees posted and working in a country outside India, not being directors or their relatives, have not been included in the above statement.

CORPORATE GOVERNANCE REPORT 2005-06

Philosophy on Code of Governance

The Company continues to focus on good corporate governance, in line with local and global standards, and its primary objective is to create and adhere to a corporate culture of conscience and consciousness, integrity, transparency and accountability for efficient and ethical conduct of business for meetings its obligations towards shareholders and other stakeholders.

Corporate governance is an integral part of HCL Technologies and in its pursuit of excellence, growth and value creation, it continuously endeavors to leverage resources to translate opportunities into reality. The Company recognises that strong corporate governance is indispensable to resilient and vibrant capital markets and is therefore an

important instrument of investor protection. The Company endeavors to benchmark its internal policies and systems with the best in the world.

Board of Directors

The Board of Directors ("Board") of the Company has an optimum combination of executive, non-executive and independent directors. During the year, majority of the Board comprised of independent directors. As on June 30, 2006, the Board comprised of seven members, of whom, one is the promoter director who is designated as Chairman and CEO of the Company, and six are independent non-executive directors. Other details relating to the directors as on June 30, 2006 are given below:

Name of Director	Position	Directorships in other companies	Committee memberships in other companies	Chairmanships in committees of other companies in which they are members
Mr. Shiv Nadar	Chairman & CEO Promoter Director	3	3	-
Mr. S. Raman ¹	Non-Executive Director	1	-	-
Mr. T.S.R. Subramanian	Independent Non-Executive Director	2	-	-
Mr. S. Bhattacharya	Independent Non-Executive Director	6	10	3
Mr. Ajai Chowdhry	Independent Non-Executive Director	4	9	2
Ms. Robin Abrams	Independent Non-Executive Director	2	2	-
Mr. Amal Ganguli	Independent Non-Executive Director	10	9	3
Mr. Cyril S. Shroff ²	Independent Non-Executive Director	4	3	-
Mr. P. C. Sen ³	Independent Non-Executive Director	2	1	-

¹ Ceased to be a Director of the Company with effect from May 17, 2006.

² Ceased to be a Director of the Company with effect from April 18, 2006.

³ Appointed as an Additional Director of the Company with effect from April 18, 2006.

None of the Directors of the Company has any relationship with other Directors of the Company. The names of the other companies/ entities in which the current directors are interested being a director, partner and/ or shareholder holding 2% or more voting rights therein as on June 30, 2006 are as under:

Mr. Shiv Nadar

S. No.	Name of the Company/Entity in which interested	Nature of Interest
1.	HCL Corporation Limited	<ul style="list-style-type: none"> • Director • Member of Audit Committee • Member of Selection Committee
2.	HCL Comnet Systems & Services Limited	<ul style="list-style-type: none"> • Chairman • Member of Audit Committee
3.	Indian School of Business	<ul style="list-style-type: none"> • Director
4.	HCL America Inc., USA	<ul style="list-style-type: none"> • Director

Mr. T. S. R. Subramanian

S. No.	Name of the Company/entity in which interested	Nature of Interest
1.	ABN AMRO Bank	• Chairman, Local Board in India
2.	Interstrat Limited	• Shareholder
3.	Vita Pumps Limited	• Shareholder
4.	Micronutrient Initiative India	• Chairman, Board of Trustees
5.	SABMiller India Limited	• Director

Mr. Subroto Bhattacharya

S. No.	Name of the Company in which interested	Nature of Interest
1.	HCL Infosystems Limited	<ul style="list-style-type: none"> • Director • Member of Accounts & Audit Committee • Member of Shareholders' & Investor Grievances Committee • Member of Employees Compensation and Employees Satisfaction Committee
2.	NIIT Limited	<ul style="list-style-type: none"> • Director • Chairman of Audit Committee • Member of Compensation/ Remuneration Committee
3.	NIIT Technologies Limited	<ul style="list-style-type: none"> • Director • Chairman of Audit Committee • Member of Compensation/ Remuneration Committee
4.	HCL Infinet Limited	<ul style="list-style-type: none"> • Director • Chairman of Accounts & Audit Committee
5.	HCL Peripherals Limited	<ul style="list-style-type: none"> • Director
6.	HCL Corporation Limited	<ul style="list-style-type: none"> • Director • Member of Audit Committee • Member of Selection Committee

Mr. Ajai Chowdhry

S. No.	Name of the Company in which interested	Nature of Interest
1.	Apollo Trading and Finance Private Limited	• Director
2.	HCL Infosystems Limited	<ul style="list-style-type: none"> • Director • Member of KRA Review Committee • Member of Employees Compensation Committee • Member of Accounts & Audit Committee • Chairman of Customer Satisfaction Committee • Member of Shareholders' & Investor Grievance Committee
3.	HCL Peripherals Limited	• Director
4.	HCL Infinet Limited	<ul style="list-style-type: none"> • Director • Member of KRA Review Committee • Member of Accounts & Audit Committee • Chairman of Employees Compensation Committee • Member of Customer Satisfaction Committee

Ms. Robin Abrams

S. No.	Name of the Company in which interested	Nature of Interest
1.	HCL Bermuda Limited, Bermuda	• Director
2.	Zilog Inc., USA	<ul style="list-style-type: none"> • Director • Member of Audit Committee • Member of Compensation Committee

Mr. Amal Ganguli

S. No.	Name of the Company in which interested	Nature of Interest
1.	Hughes Escorts Communications Limited	• Director
2.	Flextronics Software Systems Limited	• Director • Chairman of Audit Committee • Member of Remuneration Committee
3.	ML Infomap Private Limited	• Director/ Shareholder
4.	Tube Investments of India Limited	• Director/ Shareholder • Member of Remuneration Committee
5.	Samtel Color Limited	• Director • Member of Audit Committee
6.	New Delhi Television Limited	• Director • Chairman of Audit Committee • Member of Remuneration Committee
7.	Century Textiles and Industries Limited	• Director • Member of Audit Committee
8.	AVTEC Limited	• Director
9.	ICRA Limited	• Director • Member of Audit Committee
10.	Maruti Udyog Limited	• Director • Chairman of Audit Committee
11.	Videsh Sanchar Nigam Limited *	• Director • Member of Audit Committee

* Appointed subsequent to June 30, 2006.

Mr. P. C. Sen

S. No.	Name of the Company in which interested	Nature of Interest
1.	Bharat Petroleum Corporation Limited	• Director • Member of Audit Committee
2.	Gwalior Sugar Co. Limited	• Director

Board Meetings

The dates of the Board meetings of the ensuing year are decided in advance and published as a part of the Annual Report. The Board meets at least once a quarter to review the quarterly results and other items on the agenda. When necessary, additional meetings are held. The Board meetings are generally held at the corporate office of the Company at Noida. The agenda for each Board meeting is drafted in consultation

with the Chairman and distributed in advance to the Board members. Committees of the Board usually meet on the day of the Board meeting.

There were six Board meetings held during the year ended June 30, 2006. These were held on August 22-23, 2005, September 12, 2005, October 24-25, 2005, January 17-18, 2006, April 18-19, 2006 and June 28, 2006. The following table gives the attendance record of the directors in the Board meetings and last Annual General Meeting.

Name of Director	No. of Board meetings held	No. of Board meetings attended	Whether attended last AGM
Mr. Shiv Nadar	6	6	No
Mr. S. Raman ¹	5	3	Yes
Mr. T. S. R. Subramanian	6	6 [^]	Yes
Mr. S. Bhattacharya	6	6	Yes
Mr. Ajai Chowdhry	6	6	Yes
Ms. Robin Abrams	6	3 [^]	No
Mr. Amal Ganguli	6	6	No
Mr. Cyril S. Shroff ²	5	-	No
Mr. P. C. Sen ³	2	2	N.A.

¹ Ceased to be a Director of the Company with effect from May 17, 2006.

² Ceased to be a Director of the Company with effect from April 18, 2006.

³ Appointed as an Additional Director of the Company with effect from April 18, 2006.

[^] Includes 1 meeting attended through conference call.

Availability of information to the members of the Board

The Board has complete access to any information within the Company, and to any employee of the Company. The Board welcomes the presence of managers in the Board meeting, who can provide additional insights into the items being discussed in the meeting.

The information regularly provided to the Board includes:

- Annual operating plans and budgets including capital budgets and any updates.
- Quarterly results for the Company and its operating divisions or business segments.
- Minutes of meetings of Audit Committee and Compensation Committee of the Board.
- The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
- Show cause, demand, prosecution notices and penalty notices which are materially important.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the company, or substantial non-payment for goods sold by the Company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- Details of any joint venture or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- Any significant development in Human Resources/ Industrial Relations front.
- Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.
- Statutory compliance report of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances, if any.
- Minutes of the Board Meetings of the subsidiaries along with their financial statements and the investments made by these companies.
- Details of the transactions with the related parties.

Appointment/ Re-appointment of Directors

Mr. T. S. R. Subramanian has been a director of your Company since September 1999. Mr. Subramanian shall retire by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

Mr. T. S. R. Subramanian, aged 67 years, is an Ex-Cabinet Secretary to the Government of India. He obtained his first degree in Mathematics at St. Xavier's College, Kolkata and thereafter his Master's Degree at Calcutta University. He also studied at Imperial College, London where he obtained his diploma and has a Master's Degree in Public Administration from Harvard University, specializing in economics.

Mr. T. S. R. Subramanian joined the Indian Administrative Service in 1961 and during his career with the Service he held various positions; he rose to the highest post in Indian Administration, that of Cabinet Secretary. As Cabinet Secretary to the Government of India,

Mr. Subramanian took a number of initiatives to modernize and develop the Infrastructure Sector in India, especially in the Power, Telecom and Surface Transport Sectors.

Mr. T. S. R. Subramanian is the Chairman of the Audit Committee and the Shareholders' Committee of the Company. He is also a member of the Compensation Committee and ESOP Allotment Committee of the Company. As on June 30, 2006, his shareholding in the Company was 14,800 Equity Shares of Rs.2/- each fully paid-up. Details of directorships and committee memberships held by him in other companies are given elsewhere in this Report.

Nature of expertise in functional area – Mr. T. S. R. Subramanian has expertise in business administration, and in modernization & development of infrastructure sector.

Mr. Ajai Chowdhry has been a director of your Company since January 2003. Mr. Chowdhry shall retire by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

Mr. Ajai Chowdhry, aged 55 years, has a bachelor's degree in electronics and communication engineering, and has attended the Executive Program at the School of Business Administration at the University of Michigan in the US. Mr. Ajai Chowdhry is the Chairman & CEO of HCL Infosystems Ltd. He is also responsible for the significant international growth of HCL Infosystems Ltd. and brings with him substantial experience of the South East Asian markets including Malaysia, Thailand, Hong Kong, Indonesia, People's Republic of China and Singapore. He was also part of the IT Task Force set up by the Prime Minister of India, to give shape to India's IT strategy.

Mr. Ajai Chowdhry is a member of the Shareholders' Committee of the Company. As on June 30, 2006, his shareholding in the Company was 9,710 Equity Shares of Rs. 2/- each fully paid-up. Details of directorships and committee memberships held by him in other companies are given elsewhere in this Report.

Nature of expertise in functional area – Mr. Ajai Chowdhry has an expertise in business management and administration, and in information technologies (IT) sector.

Mr. P. C. Sen was appointed as an additional director of your Company with effect from April 18, 2006 to hold office upto the date of the forthcoming Annual General Meeting. The Company has received a notice in writing along with a deposit of Rs. 500/- from a member under section 257 of the Companies Act, 1956 signifying his intention to propose the appointment of Mr. P. C. Sen as a director of the Company.

Mr. P. C. Sen, aged 63 years, is a graduate of St. Stephens College, Delhi and a post graduate in M.A. (History) and Diploma in Social Anthropology from King's College, Cambridge U.K. and M.Sc. (Economics) from University of Swansea, U.K. He joined the Indian Administrative Service in Madhya Pradesh Cadre in 1967. He has held a variety of assignments both with the Government of Madhya Pradesh and the Government of India. He was Director of Archaeology and Museums, M.P., Managing Director, M.P. State Tourism Corporation, Principal Secretary Housing and Environment, Principal Secretary Commerce and Industry and IT in the Government of M.P., Director General, Civil Aviation, Chairman and Managing Director Indian Airlines and Chairman, Air India. He retired as Secretary General, National Human Rights Commission in April 2003. He took over as Director, India International Centre from May 2003 onwards.

Mr. P. C. Sen was conferred the 'National Citizen's Award' presented by the Prime Minister of India, the 'Shiromani Award' presented by the Speaker of the Lok Sabha and the 'Wings of History Award' for his tenure in Indian Airlines.

As on June 30, 2006, Mr. Sen was not holding any shares in the Company. Details of directorships and committee memberships held by him in other companies are given elsewhere in this Report.

Nature of expertise in specific functional area: Mr. P. C. Sen has expertise in business management and administration.

Code of Conduct

The Board has prescribed a Code of Conduct ("Code") for all Board members and senior management of the Company. The Code is also posted on the website of the Company.

All Board members and senior management personnel have confirmed compliance with the Code for the year 2005-06. A declaration to this effect signed by the Chairman & CEO of the Company, is provided elsewhere in the Annual Report.

Board Committees

Currently, the Board has four committees viz. the Audit Committee, the Compensation Committee, the Shareholders' Committee and the ESOP Allotment Committee.

The Board decides the terms of service of various committees and the assignment of members to various committees. Normally, the committee meetings are held once in every quarter except for Shareholders' Committee and ESOP Allotment Committee that generally meet once every month.

Audit Committee

The Audit Committee comprises of the following directors, namely:

- a) Mr. T.S.R. Subramanian (Chairman)
- b) Ms. Robin Abrams
- c) Mr. Subroto Bhattacharya
- d) Mr. Amal Ganguli
- e) Mr. Cyril S. Shroff *

* Ceased to be a member of the Committee with effect from April 18, 2006.

The Company Secretary acts as a Secretary to the Committee.

Terms of Reference

The constitution of the Audit Committee meets all the requirements of Section 292A of the Companies Act, 1956 as well as Clause 49 of the Listing Agreement. The Board of Directors has approved the following terms of reference for the Audit Committee.

a) Statutory auditors

Recommend to the Board the appointment and removal of the Statutory Auditors, fixation of audit fee and also approve payment for any other services.

b) Review independence of statutory auditors

In connection with recommending the firm to be retained as the Company's Statutory Auditors, review the information provided by management relating to the independence of such firm, including, among other things, information related to the non-audit services provided and expected to be provided by the Statutory Auditors. The Committee is also responsible for:

- i) Ensuring that the Statutory Auditors submit on a periodic basis to the Committee a formal written statement delineating all relationships between the auditor and the Company,
- ii) Actively engaging in dialogue with the Statutory Auditors with respect to any disclosed relationship or services that may

impact the objectivity and independence of the statutory auditors, and

- iii) Recommending that the Board take appropriate action in response to the Statutory Auditors' Report to satisfy itself of their independence.

c) Review audit plan

Review with the Statutory Auditors their plans for, and the scope of, their annual audit and other examinations.

d) Conduct of audit

Discuss with the Statutory Auditors the matters required to be discussed for the conduct of the audit.

e) Review audit results

Review with the Statutory Auditors the proposed report on the annual audit, areas of concern, the accompanying management letter, if any, the reports of their reviews of the Company's interim financial statements, and the reports of the results of such other examinations outside of the course of the statutory auditors' normal audit procedures that they may from time to time undertake.

f) Review financial statements

Review of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are accurate, sufficient and credible. The Audit Committee reviews with appropriate officers of the Company and the Statutory Auditors, the annual and interim financial statements of the Company prior to submission to the Board or public release thereof, focusing primarily on:

- i) Any changes in accounting policies and practices.
- ii) Major accounting entries based on exercise of judgment by management.
- iii) Qualifications in draft audit report.
- iv) Significant adjustments arising out of audit.
- v) The going concern assumption.
- vi) Compliance with accounting standards.
- vii) Compliance with stock exchange and legal requirements concerning financial statements.
- viii) Any related party transactions i.e. transactions of the Company with its subsidiaries, promoters or the management, or their relatives, etc. that may have conflict with the interest of the Company at large.
- ix) Contingent liabilities.
- x) Status of litigations by or against the Company.
- xi) Claims against the Company and their effect on the accounts.

g) Review policies

Review of the Company's financial and risk management policies.

h) Review internal audit function

Review the adequacy of internal audit function, including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

i) Review internal audit plans

Review with the senior internal auditing executive and appropriate members of the staff of the internal auditing department the plans for and the scope of their ongoing audit activities.

j) Review internal audit reports

Review with the senior internal auditing executive and appropriate members of the staff of the internal auditing department the annual report of the audit activities, examinations and results thereof of the internal auditing department, any significant findings and follow up thereon. The Audit Committee also reviews the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

k) Review systems of internal accounting controls

Review with the statutory auditors, the senior internal auditing executive and, if and to the extent deemed appropriate by the Chairman of the Committee, members of their respective staffs the adequacy of the Company's internal accounting controls, the Company's financial, auditing and accounting organizations and personnel and the Company's policies and compliance procedures with respect to business practices.

l) Review recommendations of outside auditors

Review with the senior internal auditing executive and the appropriate members of the staff of the internal auditing department recommendations made by the Statutory Auditors and the senior internal auditing executive, as well as such other matters, if any, as such persons or other officers of the Company may desire to bring to the attention of the Committee.

m) Review other matters

Review such other matters in relation to the accounting, auditing and financial reporting practices and procedures of the Company as the Committee may, in its own discretion, deem desirable in connection with the review functions described above.

n) Board reports

Report its activities to the Board in such manner and at such times, as it deems appropriate.

o) Investigation

The Audit Committee has the authority to investigate into any matter in relation to the items specified in Section 292A of the Companies Act, 1956 or referred to it by the Board and for this purpose, it has full access to information contained in the records of the Company. It can also investigate any activity within its term of reference. It has the authority to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (for non payment of declared dividends) and creditors, if any.

p) Seek information / advice

The Audit Committee can seek information from any employee and can obtain from outside any legal or other professional advice. It can also secure attendance of outsiders with relevant experience, if it considers necessary.

q) To attend Annual General Meeting

The Chairman of the Committee would attend the Annual General Meetings of the Company to provide any clarification on matters relating to audit sought by the members of the Company.

Statutory Auditors of the Company are special invitees to the Audit Committee meetings, wherein they participate on discussions related to the review of financial statements of the Company and any other matter that in the opinion of the statutory auditors needs to be brought to the notice of the Committee.

Six meetings of the Audit Committee were held during the year, on the following dates:

August 22, 2005
 October 24, 2005
 November 7, 2005
 January 17, 2006
 April 18, 2006
 June 28, 2006

Attendance details of each member at the Audit Committee meetings during the current fiscal year are as follows:

Name of the committee member	Number of meetings held	Number of meetings attended
Mr. T.S.R. Subramanian	6	6 *
Ms. Robin Abrams	6	5 **
Mr. Subroto Bhattacharya	6	6
Mr. Amal Ganguli	6	6
Mr. Cyril Suresh Shroff ¹	5	-

* includes 1 meeting attended through conference call.

** includes 3 meetings attended through conference call.

¹ Ceased to be a member of the Committee with effect from April 18, 2006.

Compensation Committee

The Compensation Committee of the Board consists of following members:

- a) Mr. Shiv Nadar (Chairman)
- b) Mr. T. S. R. Subramanian
- c) Ms. Robin Abrams

Terms of Reference

The role of the Compensation Committee has been defined as under:

- a) To review and approve/recommend the remuneration for the Corporate Officers or Whole-Time Directors of the Company;
- b) To review and recommend to the Board the remuneration policy for the Company;
- c) To approve grant of stock options to the employees and / or Directors of the Company and subsidiary companies and perform such other functions as are required under the various Employees Stock Option Plans of the Company;
- d) To discharge such other function(s) or exercise such power(s) as may be delegated to the Committee by the Board from time to time.

Four meetings of the Compensation Committee were held during the year, on the following dates:

August 22, 2005
 October 24, 2005
 January 17, 2006
 April 18, 2006

Attendance details of each member at the Compensation Committee meetings during the current fiscal year are as follows:

Name of the committee Member	Number of meetings held	Number of meetings attended
Mr. Shiv Nadar	4	4
Mr. T. S. R. Subramanian	4	4
Ms. Robin Abrams	4	3 *

* includes 1 meeting attended through conference call.

Remuneration Policy and criteria of making payments to Executive and Non-Executive Directors

The remuneration policy of the Company is aimed at rewarding performance, based on review of achievements on a regular basis and is in consonance with the existing industry practice.

The criteria of making payments to Executive and Non-Executive Directors of the Company are as under:

Executive Directors:

During the year, the Company paid remuneration to its whole-time director within the limits envisaged under the applicable provisions of the Companies Act, 1956. The remuneration paid was approved by the Board within the limits approved by the shareholders of the Company.

Non-Executive Directors:

The Company pays commission to its Non-Executive Directors as approved by the Board within the limits approved by the shareholders of the Company. The amount of such commission, taken together for all Non-Executive Directors, shall not exceed 1% of the net profits of the Company in a financial year. The Non-Executive Directors are also paid sitting fees for attending the meetings of the Board of Directors and of the Audit Committee of the Company.

In addition to the above, the Directors of the Company are eligible for issuance of shares under the Stock Option Plans of the Company.

Remuneration to Directors:

During the year, the Company paid the remuneration to Mr. S. Raman, who was a Whole-Time Director till March 31, 2006, as per the details given hereunder:

Particulars	Rs. / lacs
Salary	45.00
Allowances	10.15
Perquisites	2.48
Performance Linked Pay	70.00
Contribution to Provident Fund	5.40
Leave Encashment	15.00
Gratuity	3.50
Total	151.53

The sitting fees and commission paid/ payable to the Non-Executive Directors is as under:

Name of the Director	Sitting Fees for the year ended June 30, 2006 Rs. / lacs	Commission for the year ended June 30, 2006 Rs. / lacs	Shareholding in the Company as on June 30, 2006
Mr. T. S. R. Subramanian	2.00	12.00	14,800
Ms. Robin Abrams	0.80	12.00	17,280
Mr. Amal Ganguli	2.40	12.00	Nil
Mr. S. Bhattacharya	2.40	12.00	Nil
Mr. Ajai Chowdhry	1.20	-	9,710
Mr. P. C. Sen ¹	0.40	-	Nil

¹ Appointed as an Additional Director of the Company with effect from April 18, 2006.

The Company has also granted Stock Options to some of the directors under the 1999 Stock Option Plan of the Company as per the details given hereunder:

Name of the Director	Number of Options Granted	Vesting Period (in years)	Vesting Start Date
Ms. Robin Abrams	48,800	5	October 1, 1999
Mr. T. S. R. Subramanian	48,800	5	October 1, 1999
Mr. S. Raman *	3,66,000	5	October 1, 2000

* Ceased to be a Director of the Company with effect from May 17, 2006.

There were no other pecuniary relationships or transactions of the Non-Executive Directors vis-à-vis the Company.

Shareholders' Committee

The Shareholders' Committee consists of following members:

- Mr. T. S. R. Subramanian (Chairman)
- Mr. Shiv Nadar
- Mr. S. Raman #
- Mr. Subroto Bhattacharya
- Mr. Ajai Chowdhry
- Mr. Amal Ganguli *

Ceased to be a member of the Committee with effect from May 17, 2006.

* Ceased to be a member of the Committee with effect from July 7, 2006.

Mr. Allwyn Noronha, General Manager & Company Secretary was the compliance officer till June 30, 2006. With effect from July 1, 2006, Mr. Manish Anand, Deputy Company Secretary, has been appointed as the compliance officer.

Terms of Reference

In view of the SEBI Corporate Governance norms, which have been incorporated in the Listing Agreement, the Shareholders' Committee has been formed to undertake the following activities:

- To review and take all necessary actions for redressal of investors' grievances and complaints as may be required in the interests of the investors.
- To approve requests of rematerialisation of shares, issuance of split and duplicate share certificates.

The details relating to number of shareholder complaints received and attended, and number of pending transfers have been provided in the shareholders information section.

During the year under review, the Committee met 13 times.

ESOP Allotment Committee

The ESOP Allotment Committee consists of following members:

- Mr. Shiv Nadar, Chairman & CEO
- Mr. S. Raman, Director #
- Mr. T. S. R. Subramanian, Director
- Mr. Subroto Bhattacharya, Director
- Mr. Vineet Nayar, President
- Mr. S. L. Narayanan, Corporate Vice President – Finance

Ceased to be a member of the Committee with effect from May 17, 2006.

This Committee has been formed to allot shares to the employees who have exercised their stock options under the Stock Option Plans of the Company. During the year under review, the Committee met 18 times.

General Body Meetings

The location and time of the General Body Meetings held during the preceding 3 years are as follows:

Year	Date	Venue	Time	Special Resolution
Annual General Meetings				
2002-2003	December 20, 2003	FICCI Auditorium, Federation House, Tansen Marg, New Delhi.	11.00 A.M.	<ul style="list-style-type: none"> • Delisting of shares from the Delhi Stock Exchange.
2003-2004	December 17, 2004	FICCI Auditorium, Federation House, Tansen Marg, New Delhi.	11.00 A.M.	<ul style="list-style-type: none"> • Appointment of Mr. Shiv Nadar as Chairman & Managing Director. • Payment of commission to Non-Executive Directors. • Approval of 2004 Stock Option Plan for granting stock options: <ol style="list-style-type: none"> a) to employees & directors of the Company. b) to employees & directors of subsidiaries of the Company.
2004-2005	December 16, 2005	FICCI Auditorium, Federation House, Tansen Marg, New Delhi.	11.00 A.M.	<ul style="list-style-type: none"> • Adjustment against the Share Premium account of the Amalgamated Company in accordance with the Scheme of Amalgamation.
Extra-Ordinary General Meeting				
2004-2005	December 21, 2004	FICCI Auditorium, Federation House, Tansen Marg, New Delhi.	11.00 A.M.	<ul style="list-style-type: none"> • Issue of 19,358,989 equity shares of the Company to Deutsche Bank AG on preferential basis.

During the last year, no resolution was passed through postal ballot and presently, no resolution has been proposed to be passed through postal ballot.

Subsidiary companies

During the year, none of the subsidiaries was a material non-listed Indian subsidiary company as per the criteria given in clause 49 of the Listing Agreement. The Audit Committee of the Company reviews the financial statements and investments made by the unlisted subsidiary companies. The minutes of the Board meetings as well as the statements of significant transactions and arrangements entered into by the unlisted subsidiary companies, if any, are being placed before the Board of Directors of the Company from time to time.

CEO/ CFO Certification

The Certificate as stipulated in clause 49(V) of the Listing Agreement was placed before the Board along with the financial statements for the year ended June 30, 2006 and the Board reviewed the same. The said Certificate is provided elsewhere in the Annual Report.

Disclosures

a) Related party transactions

The details of the transactions with related parties or others, if any, as prescribed in the Listing Agreement, are being placed before the Audit Committee from time to time. During the year under review, the Company has not entered into any transaction of a material nature with its subsidiaries, promoters, directors or the management, their relatives, etc., that may have any potential conflict with the interest of the Company.

b) Compliances by the Company

The Company has complied with the requirements of the stock exchanges, SEBI and other statutory authorities on all matters relating to capital markets during the last three years. No penalties or strictures have been imposed on the Company by the stock exchanges, SEBI or other statutory authorities relating to the above.

c) Material transactions with senior managerial personnel

During the year, no material transaction has been entered into by the Company with the senior management personnel where they had or were deemed to have had personal interest that may have a potential conflict with the interest of the Company. The Company has obtained requisite declarations from all senior management personnel in this regard and the same were placed before the Board of Directors.

d) Other Disclosures

The Company has also laid down the procedures to inform the Board members about the risk assessment and minimization procedures. During the year, the Company did not raise any money through public issue, right issues or preferential issues and there was no unspent money raised through such issues.

Means of Communication

- At present, half yearly report on accounts is not being sent to the shareholders.
- The quarterly financial results are generally published in Business Standard and Jansatta newspapers.
- The quarterly, half yearly and annual financial statements are posted on the Company's website.
- The Company also makes a presentation to the investors and analysts after taking on record the quarterly results by the Company. Any press releases or official news are displayed on the Company's website.
- The Management Discussion and Analysis (MD&A) on the financial statements is provided in the Annual Report.

Shareholders' Information

a) General information

Dates of book closure:	December 6, 2006 to December 14, 2006 (both days inclusive)
Date, time and venue of the ensuing Annual General Meeting:	December 14, 2006; 11.00 A.M. FICCI Auditorium, Federation House, 1, Tansen Marg, New Delhi 110001
Dividend payment date:	December 21, 2006
Listing on stock exchanges in India at:	National Stock Exchange of India Ltd. (NSE) Exchange Plaza, 5 th Floor, Plot No. C/1 G Block, Bandra Kurla Complex, Bandra East, Mumbai – 400 051, India Tel.: +91-22-26598236, Fax: +91-22-2659 8237 The Bombay Stock Exchange Ltd. (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001, India Tel.: +91-22-2272 1233, Fax: +91-22-2272 3121
Listing fees:	Paid to all the above stock exchanges for the Year 2006-2007
Stock code:	National Stock Exchange – “HCLTECH” Bombay Stock Exchange – “532281”
Registered office:	806, Siddharth, 96, Nehru Place New Delhi – 110 019, India Tel.: + 91-11-26444812, Fax: + 91-11-26436336 Homepage: www.hcltech.com
Registrar & Shares Transfer Agent	Alankit Assignments Limited 205-208, Anarkali Market Jhandewalan Extension, New Delhi – 110 055, India Tel.: + 91-11-41540060-63 Fax: + 91-11-41540064 E-mail: rta@alankit.com

b) Share transfer system

Shares sent for physical transfer are generally registered and returned within a period of 15-20 days from the date of receipt of request, if the documents are complete in all respects.

c) Dematerialization of shares

Effective July 24, 2000, the shares of the Company have been placed by SEBI under compulsory dematerialisation (“Demat”) category and consequently, shares of the Company can be traded only in electronic form. The system for getting the shares dematerialized is as under:

- ✓ Share certificate(s) along with Demat Requisition Form (DRF) is to be submitted by the shareholder to the Depository Participant (DP) with whom he/she has opened a Depository Account.
- ✓ DP processes the DRF and generates a unique number viz. DRN.
- ✓ DP forwards the DRF and share certificates to the Company’s Registrar & Shares Transfer Agent.
- ✓ The Company’s Registrar & Shares Transfer Agent after processing the DRF confirm or reject the request to the Depositories.
- ✓ Upon confirmation, the Depository gives the credit to shareholder in his/her depository account maintained with DP.

The process of dematerialisation takes approx. 10-15 days from the date of receipt of DRF by the Registrar & Shares Transfer Agent of the Company.

About 99.92% of the shares issued by the Company have been dematerialized up to June 30, 2006.

Company’s ISIN in NSDL & CDSL: INE860A01027

Since the trading in the shares of the Company can be done only in the electronic form, it is advisable that the shareholders who have the shares in physical form to get their shares dematerialised.

d) Distribution of shareholding as on June 30, 2006

Number of equity shares held	Shareholders (Numbers)	Shareholders (%)	Shares (Numbers)	Shares (%)
1 – 100	41,941	82.99	14,74,422	0.46
101 – 200	3,814	7.55	6,45,562	0.20
201 – 500	2,149	4.25	7,44,841	0.23
501 – 1000	947	1.88	7,32,993	0.22
1001 – 5000	1,176	2.33	25,75,790	0.80
5001 – 10000	198	0.39	14,09,475	0.43
10001 and above	310	0.61	31,58,59,267	97.66
Total	50,535	100.00	32,34,42,350	100.00

e) Categories of shareholders as on June 30, 2006

Category	Number of shares held	Voting strength (%)
Promoters	22,41,43,150	69.30
Mutual Funds/ UTI	1,64,89,435	5.10
Financial Institutions/ Banks	1,62,800	0.05
Insurance Companies	67,86,810	2.10
Foreign Institutional Investors	4,56,82,351	14.12
Foreign Banks	1,16,16,493	3.59
Bodies Corporate	77,37,907	2.39
Individuals	93,30,463	2.88
NRI/OCBs	14,15,421	0.44
Foreign Nationals	75,678	0.02
Trusts	1,842	0.00
Grand Total	32,34,42,350	100.00

f) Stock market data

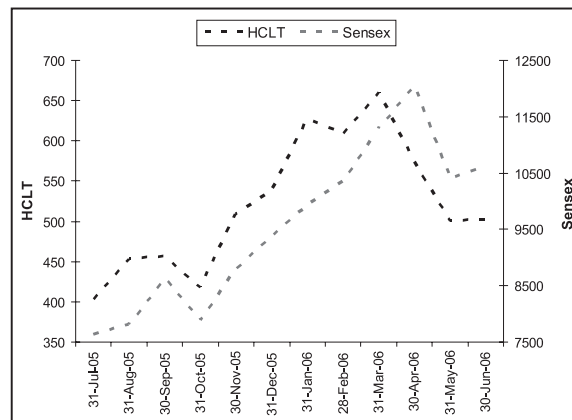
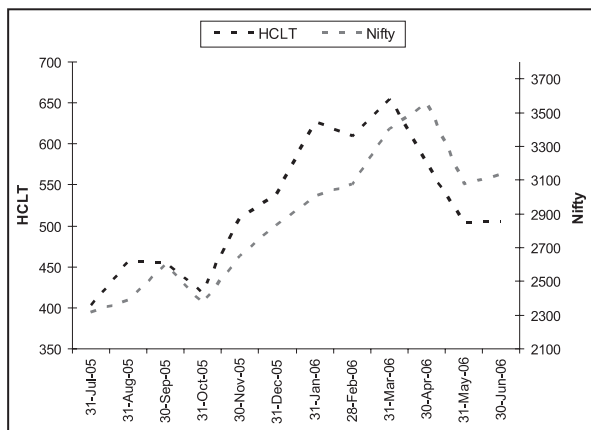
Monthly high and low quotations, as well as the volume of shares traded at the National Stock Exchange of India Limited ("NSE") and Bombay Stock Exchange Limited ("BSE"), for fiscal year are as follows:

Month	NSE			BSE		
	High (Rs.)	Low (Rs.)	Volume (Numbers)	High (Rs.)	Low (Rs.)	Volume (Numbers)
July 2005	413.50	365.10	59,11,877	413.00	369.00	13,91,986
August	497.65	353.00	92,34,451	458.00	393.10	20,71,490
September	483.90	412.00	70,52,563	483.85	430.00	12,60,506
October	500.00	402.25	1,52,74,712	543.00	400.00	50,11,597
November	520.00	415.10	1,24,85,193	519.05	415.90	35,68,957
December	554.00	501.00	1,58,05,049	555.00	501.15	22,15,165
January 2006	629.90	534.00	1,27,56,811	628.50	535.70	32,86,748
February	649.40	587.00	63,49,154	638.00	588.00	24,15,093
March	708.00	587.75	77,05,861	706.65	588.00	20,45,890
April	680.00	550.00	1,45,88,496	680.00	541.25	51,43,904
May	605.00	435.65	1,18,01,400	608.00	450.00	46,87,304
June	515.00	358.30	1,17,04,840	539.95	362.00	28,43,288

g) Liquidity

The Company's shares are among the most liquid and actively traded shares on NSE and BSE. The monthly trading volumes of the Company's shares on these exchanges are given in the table above in the Paragraph (f) titled 'Stock Market Data'.

h) Share price performance in comparison to broad based Indices



(i) Investor services

(i) Complaints received during the year 2005-2006

Source of complaint	Received	Attended
Directly from the Investors	84	84
Through SEBI, Stock Exchanges, etc.	2	2
Total	86	86

(ii) **Share transfers** – As on June 30, 2006, 7 cases comprising of 728 shares were pending for transfer, transmission, rematerialization, etc. which were processed subsequently.

J) Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion date and likely impact on equity

The Company has not issued any GDRs/ ADRs/ Warrants or other instruments, which are pending for conversion.

K) Centres' Location

Chennai

50-53, Greams Road
Chennai - 600 006, India
Tel. : +(91) 44 2829 3298
Fax :+(91) 44 2829 4969

Raheja Towers
Module 812, 8th Floor
Mount Road,
Chennai - 600 002, India
Tel: +(91) 44 2860 3091
Fax: +(91) 44 2860 3087

34 & 35 Haddows Road,
Chennai - 600 034, India
Tel. : +(91) 44 4220 9999
Fax :+(91) 44 4213 2749

No.184-188, 190,192 & 196
Arcot Road, Vadapalani
Chennai - 600 026, India
Tel. : +(91) 44 2372 8366
Fax :+(91) 44 24806640

D-12, 12B, Ambattur Industrial Estate
Ambattur (AMB-1)
Chennai - 600 058, India
Tel. : +(91) 44 2623 0711
Fax :+(91) 44 2624 4213

PM Tower, 37,
Greams Road
Chennai - 600 006, India
Tel. : +(91) 44 2829 1735
Fax :+(91) 44 2829 1738

J-16,
Anna Nagar East
Chennai - 600 102, India
Tel. : +(91) 44 2626 4206
Fax :+(91) 44 2628 1120

Thapar House
43 / 44, Montieth Road, Egmore,
Chennai - 600 008, India
Tel. : +(91) 44 2851 1293
Fax :+(91) 44 2851 1986

158, Arcot Road,
Vadapalani
Chennai - 600 026, India
Tel. : +(91) 44 2375 0171
Fax :+(91) 44 2375 0185

78- Ambattur industrial Estate
Ambattur (AMB-2)
Chennai - 600 058, India
Tel. : +(91) 44 2623 2318
Fax :+(91) 44 2625 9476

64 & 65, Second Main Road
Ambattur Industrial Estate,
Ambattur (AMB-3)
Chennai - 600 058, India
Tel. : +(91) 44 2652 1077
Fax :+(91) 44 4206 0485

73-74, South Phase
Ambattur Industrial Estate
Ambattur (AMB-5)
Chennai - 600 058, India
Tel:+(91) 44 4393 5000
Fax:+(91) 44 4206 0441

Sapna Trade Centre
109/110 P H Road
Chennai - 600 084, India
Tel. : +(91) 44 2822 1129
Fax :+(91) 44 2821 4278

No. 51, J.N. Road,
Guindy (GUINDY-1)
Chennai - 600 097, India
Tel. : +(91) 44 22254460/65
Fax :+(91) 44 22254472

94, South Phase
Ambattur Industrial Estate,
Ambattur (AMB-4)
Chennai - 600 058, India
Tel: +(91) 44 4226 2222
Fax:+ (91) 444215 3333

8,South Phase, MTH Road,
Ambattur Industrial Estate
Ambattur (AMB-6)
Chennai - 600 058, India

49-50, Nelson
Manickam Road
Chennai - 600 029, India
Tel. : +(91) 44 2374 1939
Fax :+(91) 44 2374 1038

35, South Phase
Guindy Industrial Estate
Ekkaduthangal, Guindy (GUINDY-2)
Chennai - 600 097, India
Tel : +(91) 44 22318321
Fax : +(91) 44 22318320

Arihant Technopolis
4/293 Old Mahabalipuram Road
Kandanchavadi
Chennai - 600 096, India

#30,
Ethiraj Salai, Egmore,
Chennai - 600105, India
Tel : +(91) 44 28289200

No 120/2 - 120/5
Greams Road, Thousand Lights,
Chennai - 600 006, India
Tel : +(91) 44 66225522

601-602, 604 Tidel Park
4 Canal Road, Taramani
Chennai - 600 113, India
Tel. : +(91) 44 2254 0473
Fax :+(91) 44 2254 0308

Unit-2, Block-1, No. 84,
Greams Road, Thousand Lights,
Chennai - 600 006, India
Tel : +(91) 44 66225522

Bangalore

Vertex Tech Park
#564, Pattandur Agrahara Road
Off Whitefield Road , Next to ITPL
Bangalore-560066, India
Tel : +(91) 80 41873000
Fax : +(91) 80 41259126

DSL Towers
Plot No.123, EPIP Phase II
Whitefield Industrial Area
Bangalore-560066, India
Tel : +(91) 80 41385555
Fax : +(91) 80 41157474

The Senate,
33/1, Ulsoor Road,
Bangalore - 560 042, India
Tel : +(91) 80 41906000
Fax : +(91) 80 41246888

10, 100 Feet Ring Road,
BTM Layout 1st Phase,
Bangalore - 560 068, India
Tel : +(91) 80 41035000
Fax : +(91) 80 26680312

#690, 5& 6th Floor,
Gold Hill Square,
Bommanahalli, Hosur Main Road,
Bangalore - 560 068, India
Tel: +(91) 80 41415000/55275000
Fax: +(91) 80 25727989

A.S. Chambers.# 6,
80 Feet Road,
6th Block,
Koramangala,
Bangalore - 560 095, India
Tel : +(91) 80 2206 2222
Fax : +(91) 80 2206 2111

The Leela Galleria
Commercial Block,
23, Airport Road
Bangalore - 560 008, India
Tel. : +(91) 80 25054000
Fax : +(91) 80 25217108

8 & 9, G.B. Palya,
Off. Hosur Road,
Bangalore - 560 068. India
Tel. : +(91) 80 41584000
Fax : +(91) 80 2573 5516

Surya Sappihre
Plot No: 3
1st Phase Electronic City, Hosur Road
Bangalore 560 100, India
Tel.: + (91) 80 64502301

Number 123
Second Floor, Block 2
Shivalaya, EPIP Phase 2
Whitefield Industrial Area
Bangalore - 560 066, India

Gurgaon

3, Udyog Vihar Phase 1
Gurgaon, 122 016, Haryana, India
Tel. : +(91) 124 4346400
Fax :+(91) 124 2439910

Plot No. 5, 6, 7 Udyog Vihar Phase 4
Gurgaon, 122 016, Haryana, India
Tel. : +(91) 124 4346000
Fax :+(91) 124 4019851

Plot No. 244, Udyog Vihar Phase 1
Gurgaon, 122 016, Haryana, India
Tel. : +(91) 124 4346200
Fax :+(91) 124 2349020

Kolkata

SDF Building, 1st floor
Module No 2. 212-214
228-230, Block – GP
Sector – V, Salt Lake City,
Kolkata 700 091, India
Tel :+(91) 33 23573024-5
Fax :+(91) 33 25373027

INFINITY Building, Tower - II
14th Floor
Plot No. 3A, Block GP, Sector-V
Salt Lake City
Kolkata – 700 091, India
Tel.: +(91) 33 23572487 – 90
Fax : +(91) 33 23572491

Mumbai

Unit No.181 B,
SDF 6, First Floor
SEEPZ, Andheri (East)
Mumbai - 400 096, India
Tel:+(91) 22 28291999, 56939295
Fax:+(91) 22 29292373

B-304 & C-301, 3rd Floor,
'Delphi Building'
Hiranandani Business Park, Powai
Mumbai - 400 076, India
Tel:+(91) 22 40071400
Fax:+(91) 22 40050690

Hyderabad

Jayabheri Silicon Towers
Ground and First Floor,
Madhapur Road, Kondapur
Hyderabad 500 032, India
Tel: +(91) 40 66431999
Fax:+(91) 40 66431900

Noida

A-10-11, Sector 3
Noida, 201 301, UP, India
Tel. : +(91) 120 2520917
Fax :+(91) 120 2526907

A-1 CD, Sector 16
Noida, 201 301, UP, India
Tel. : +(91) 120 2516321 – 28
Fax :+(91) 120 2516315

A-8 & 9, Sector 60
Noida, 201 301, UP, India
Tel. : +(91) 120 4384000
Fax :+(91) 120 2582915

C-22 A, Sector 57
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l) Financial calendar (tentative and subject to change)

Financial reporting for the first quarter ending September 30, 2006	October 16, 2006
Financial reporting for the second quarter ending December 31, 2006	January 19, 2007
Financial reporting for the third quarter ending March 31, 2007	April 20, 2007
Financial reporting for the year ending June 30, 2007	August 17, 2007
Annual General Meeting for the year ending June 30, 2007	December 2007

m) Address for Investors correspondence

The Investor Relations
HCL Technologies Limited
A-10 & 11, Sector-3,
Noida – 201 301, U.P., India
Tel. +91-120-2546043, Fax: +91-120-2526907
E-mail: investor@hcl.in

n) Compliance Certificate on the Corporate Governance from the Auditors

The certificate dated August 19, 2006 obtained from Statutory Auditors of the Company, M/s. Price Waterhouse, confirming compliance with the Corporate Governance requirements as stipulated under clause 49 of the Listing Agreement, is annexed hereto.

AUDITORS' CERTIFICATE

REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the Members of HCL Technologies Limited

We have examined the compliance of conditions of Corporate Governance by HCL Technologies Limited ("the Company"), for the year ended June 30, 2006, 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 Agreement.

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.

Place: New Delhi
Date: August 19, 2006

Kaushik Dutta
Partner
Membership No. 88540
For and on behalf of
Price Waterhouse
Chartered Accountants

DECLARATION BY CHIEF EXECUTIVE OFFICER PURSUANT TO CLAUSE 49(I)(D)(ii) OF THE LISTING AGREEMENT OF THE INDIAN STOCK EXCHANGES

I, Shiv Nadar, Chairman & CEO of HCL Technologies Limited ("the Company") confirm that the Company has adopted a Code of Conduct ("Code") for its Board members and senior management personnel and the Code is available on the Company's web site.

I further confirm that the Company has in respect of the financial year ended June 30, 2006, received from its Board members as well as senior management personnel affirmation as to compliance with the Code of Conduct.

Place: Noida (UP), India
Date: August 18, 2006

Shiv Nadar
Chairman and CEO

**CERTIFICATE BY CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO)
PURSUANT TO CLAUSE 49(V) OF THE LISTING AGREEMENT OF THE INDIAN STOCK EXCHANGES**

We, Shiv Nadar, Chairman & CEO and S. L. Narayanan, Corporate Vice President-Finance of HCL Technologies Limited ("the Company") certify that:

1. We have reviewed the financial statements and the Cash Flow Statement of the Company for the year ended June 30, 2006 and that to the best of our knowledge and belief -
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
4. We have indicated to the auditors and the Audit Committee –
 - (i) significant changes, if any, in internal control over financial reporting during the year.
 - (ii) significant changes, if any, in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which we are aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Place: Noida (UP), India
Date: August 18, 2006

S. L. Narayanan
Corporate Vice President - Finance

Shiv Nadar
Chairman and CEO

FINANCIAL STATEMENTS

AUDITORS' REPORT

To the Members of HCL Technologies Limited

1. We have audited the attached Balance Sheet of HCL Technologies Limited, as at June 30, 2006, 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 (together 'the Order'), 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 June 30, 2006 and taken on record by the Board of Directors, none of the directors is disqualified as on June 30, 2006 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 June 30, 2006;
- (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.

Kaushik Dutta
Partner
Membership Number F-88540
For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Delhi
Date: August 19, 2006

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of HCL Technologies Limited on the financial statements for the year ended June 30, 2006]

1.
 - (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
 - (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. The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Consequently, clauses (iii)(b), (iii)(c), (iii)(d), (iii)(f) and (iii)(g) of paragraph 4 of the Order are not applicable.
3. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased 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 fixed assets and for the sale of services. The activities of the Company do not involve purchase of inventory and the sale of goods. 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.
4.
 - (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been

entered in the register required to be maintained under that section.

- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered into the register in pursuance of Section 301 of the Act and exceeding the value of Rupees Five Lakhs in respect of any party during the year, are in respect of items of special nature and in respect of which alternative quotations are not considered necessary by the Company.
5. 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.
 6. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
 7. 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.
 8. (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, cess and other material statutory dues as applicable with the appropriate authorities. As explained to us, the Company did not have any dues on account of excise duty.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of wealth tax, service tax, customs duty and cess as at June 30, 2006 which have not been deposited on account of dispute other than income tax and sales tax, which is as follows-

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Tamil Nadu General Sales Tax Act	Sales Tax	468,137	2003-2004	Commercial Tax Officer (Sales Tax)
Income Tax Act, 1961	Income Tax	34,495,983	2002-2003	Commissioner of Income Tax (Appeals) (CIT(A))
Income tax Act, 1961	Income Tax	3,309,390	2002-2003	Income Tax Appellate Tribunal (ITAT)
Income Tax Act, 1961	Income Tax	4,886,751	2001-2002	Income Tax Appellate Tribunal (ITAT)
Income tax Act, 1961	Income Tax	1,767,613	1998-1999	Income Tax Appellate Tribunal (ITAT)
Income Tax Act, 1961	Income Tax	765,027	1997-1998	Income Tax Appellate Tribunal (ITAT)

9. The Company has no accumulated losses as at June 30, 2006 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

10. 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 financial institution as at the balance sheet date. The Company has not issued any debentures. Further the Company does not have any dues payable to bank as at the Balance Sheet date.
11. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
12. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund societies are not applicable to the Company.
13. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
14. 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.
15. The Company has not obtained any term loans during the year.
16. 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.
17. 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.
18. The Company has not raised any money by public issues during the year.
19. 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.
20. Clauses, (ii) and (xix) of paragraph 4 of the Order are not applicable in the case of the Company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

Kaushik Dutta
 Partner
 Membership Number: F-88540
 For and on behalf of
 Price Waterhouse
 Chartered Accountants

Place: Delhi
 Date: August 19, 2006

Balance Sheet as at 30 June 2006

(All amounts in crores of rupees except share data and unless otherwise stated)

	Schedule	As at 30 June 2006 (Refer note 2 and 25 of Schedule 17)	As at 30 June 2005
Sources of Funds			
Shareholders' funds			
Share capital	1	64.69	63.84
Share application money pending allotment		1.33	1.64
Reserves and surplus	2	2,511.18	2,796.14
		2,577.20	2,861.62
Loan funds			
Secured loans	3	13.17	96.42
Unsecured loans	4	0.21	0.27
		13.38	96.69
		2,590.58	2,958.31
Application of Funds			
Fixed assets	5		
Gross block		1,014.08	632.06
Less: Accumulated depreciation		(488.40)	(272.11)
Net block		525.68	359.95
Capital work-in-progress (including capital advances)		163.63	71.78
		689.31	431.73
Investments	6	1,907.76	2,654.66
Deferred tax assets	17(10)	17.83	7.50
Current assets, loans and advances			
Sundry debtors	7	645.98	306.41
Cash and bank balances	8	106.22	84.53
Loans and advances	9	275.62	122.91
Other current assets	10	82.96	35.61
		1,110.78	549.46
Less: Current liabilities and provisions	11	(1,135.10)	(685.04)
Net current assets		(24.32)	(135.58)
		2,590.58	2,958.31

Significant accounting policies and notes to the accounts

17

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 **HCL Technologies Limited**

Kaushik Dutta
Partner
Membership No.: F-88540
For and on behalf of
Price Waterhouse
Chartered Accountants

Shiv Nadar
Chairman and CEO

S L Narayanan
Corporate Vice President - Finance

T S R Subramanian
Director

Manish Anand
Deputy Company Secretary

Place: New Delhi, India
Date: August 19, 2006

Place: Noida (UP), India
Date: August 19, 2006

Profit and Loss Account for the year ended 30 June 2006

(All amounts in crores of rupees except share data and unless otherwise stated)

	Schedule	Year ended 30 June 2006 (Refer note 2 and 25 of Schedule 17)	Year ended 30 June 2005
Income			
Revenues	12	3,032.92	1,447.01
Other income	13	83.34	83.02
		3,116.26	1,530.03
Expenditure			
Cost of revenues	14	1,634.99	789.51
Administration and other expenses	15	675.90	328.41
Finance charges	16	12.74	5.62
Depreciation	5	138.80	67.56
		2,462.43	1,191.10
Profit before tax		653.83	338.93
Tax Expense - current (net of provision for earlier years written back)		(10.67)	(8.70)
- deferred		6.05	0.22
- fringe benefit		(10.83)	(1.16)
Provision for wealth tax		-	(0.02)
Profit after tax		638.38	329.27
Balance in Profit and Loss Account brought forward		836.20	1,109.78
Profit acquired under the scheme of amalgamation	17(2)	363.73	-
Profit available for appropriation		1,838.31	1,439.05
Appropriations			
Proposed final dividend [including Rs. 0.66 crores (previous year Rs. 0.59 crores) paid for previous year]		130.04	128.47
Corporate dividend tax on proposed final dividend [including Rs. 0.09 crores (previous year Rs. 0.08 crores) paid for previous year]		18.24	18.01
Interim dividend		386.06	373.28
Corporate dividend tax on interim dividend		54.14	50.16
Transfer to general reserve		63.84	32.93
Balance carried forward to the balance sheet		1,185.99	836.20
		1,838.31	1,439.05
Earnings per equity share in rupees	17(23)		
Basic		19.86	10.71
Diluted		18.66	10.40
Weighted average number of equity shares used in computing earnings per equity share			
Basic		321,394,480	307,564,925
Diluted		342,155,857	316,546,245

Significant accounting policies and notes to the accounts

17

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 HCL Technologies Limited

Kaushik Dutta
Partner
Membership No.: F-88540
For and on behalf of
Price Waterhouse
Chartered Accountants

Shiv Nadar
Chairman and CEO

S L Narayanan
Corporate Vice President - Finance

T S R Subramanian
Director

Manish Anand
Deputy Company Secretary

Place: New Delhi, India
Date: August 19, 2006

Place: Noida (UP), India
Date: August 19, 2006

Cash flow statement for the year ended 30 June 2006

(All amounts in crores of rupees except share data and unless otherwise stated)

	Year ended 30 June 2006 (Refer note 2 and 25 of Schedule 17)	Year ended 30 June 2005
Cash Flows from Operating Activities		
Profit before tax	653.83	338.93
Adjusted for:		
Income from investments, interest and rent	(5.33)	(24.90)
Gain on sale of investments	(75.25)	(38.32)
Loss on sale of investments	0.31	18.76
Depreciation	138.80	67.56
Loss/(gain) on sale of fixed assets	(1.42)	(0.96)
Provision for diminution in value of investments written back	(0.12)	(18.21)
Provision for doubtful debts/advances	1.74	0.10
Bad debts/ advances written off	0.03	6.83
Premium amortised on bonds	0.08	0.44
Finance charges	10.90	5.12
Employee stock compensation cost	48.39	2.49
Unrealised foreign exchange loss/(gains)	71.85	(0.07)
	843.81	357.77
Decrease/ (increase) in sundry debtors	(176.15)	(138.27)
Decrease/ (increase) in loans and advances	(163.46)	(40.85)
Decrease/ (increase) in other current assets	(15.81)	(4.89)
Increase/ (decrease) in current liabilities and provisions	302.64	100.45
Taxes paid	(16.99)	(8.47)
Net cash from (used for) operating activities	774.04	265.74
Cash Flows from Investing Activities		
Proceeds/(Investment) from mutual funds (net)	202.02	250.76
Proceeds from bonds (net)	10.50	126.61
Investment in subsidiaries	(11.00)	(25.48)
Investment in Joint ventures	(10.78)	–
Loans to subsidiaries (net of repayment)	(28.96)	15.42
Refund of advance from HCL Technologies Limited Employees Trust	0.03	13.95
Purchase of fixed assets (including capital advances)	(296.61)	(163.07)
Principal payment on finance lease obligations	(6.32)	(3.29)
Proceeds from sale of fixed assets	3.81	2.30
Income from investments, interest and rent	6.02	27.72
Taxes paid	(2.04)	(5.41)
Net cash (used for) investing activities	(133.33)	239.51
Cash Flows from Financing Activities		
Issue of share capital (including securities premium and share application money pending allotment)	88.37	67.45
Increase/ (decrease) in unsecured loans	(0.06)	(0.06)
Dividends paid (including corporate dividend tax)	(586.56)	(557.43)
Repayment of long term debt	(130.77)	–
Finance charges on finance lease obligations	(1.50)	(0.98)
Interest charges on loans from banks	(3.70)	(2.24)
Interest charges on other loans	(7.57)	(0.45)
Net cash from (used for) financing activities	(641.79)	(493.71)

Cash flow statement for the year ended 30 June 2006 (Contd.)

(All amounts in crores of rupees except share data and unless otherwise stated)

	Year ended 30 June 2006 (Refer note 2 and 25 of Schedule 17)	Year ended 30 June 2005
Exchange differences on translation of foreign currency cash and cash equivalents	3.30	0.21
Net increase/ (decrease) in cash and cash equivalents	(1.08)	11.54
Cash and cash equivalents at the beginning of the year	84.53	72.78
Cash acquired under the scheme of amalgamation (refer note 2 of schedule 17)	19.47	-
Cash and cash equivalents at the end of the year	106.22	84.53

For components of cash and cash equivalents refer Schedule 8 of the Balance Sheet.

Notes:

- The above Cash Flow Statement has been prepared under the indirect method set out in Accounting Standard - 3 issued by the Institute of Chartered Accountants of India.
- Assets / (Liabilities) acquired under the scheme of amalgamation have not been considered as cash flows, rather their net impact has been taken and shown as 'Cash acquired under the scheme of amalgamation'. (refer note 2 of schedule 17).
- Cash and cash equivalents includes the following, which are not available for use by the Company:

Investor Education and Protection Fund - Unclaimed dividend	1.36
Bank Guarantees Margin	0.01
- Figures in brackets indicate cash outflow.
- Previous year figures have been regrouped and recast wherever necessary to confirm to the current period classification.

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

For HCL Technologies Limited**Kaushik Dutta**

Partner
Membership No.: F-88540
For and on behalf of
Price Waterhouse
Chartered Accountants

Place: New Delhi, India
Date: August 19, 2006

Shiv Nadar

Chairman and CEO

S L Narayanan

Corporate Vice President - Finance

Place: Noida (UP), India
Date: August 19, 2006

T S R Subramanian

Director

Manish Anand

Deputy Company Secretary

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 1: Share Capital	As at 30 June 2006 (Refer note 2 and 25 of Schedule 17)	As at 30 June 2005
Authorised		
627,250,000 (previous year 400,000,000 equity shares of Rs. 2 each)	125.45	80.00
Issued, Subscribed and Paid up		
323,442,350 (previous year 319,214,784) equity shares of Rs. 2 each, fully paid up (refer note 4 of schedule 17)	64.69	63.84
	64.69	63.84

Notes:

- Pursuant to scheme for amalgamation of DSL Software Limited, Shipara Technologies Limited, HCL Technologies BPO Services Limited, HCL Technologies (Mumbai) Limited, Aquila Technologies Limited and HCL Enterprise Solutions (India) Limited, all wholly owned subsidiaries of the Company ("Transferor Companies") with the Company, the authorised share capital of the Transferor Companies has been combined with the Company, and has resulted in an increase in authorized share capital by Rs.45.45 crores (previous year Rs. Nil).
- Paid up share capital includes:
 - 42,449,979 (previous year 42,449,979) equity shares of Rs. 2 each allotted as fully paid up, pursuant to contracts for consideration other than cash.
 - 82,986,872 (previous year 82,986,872) equity shares of Rs. 2 each issued as bonus shares in the ratio of one share for every two held by capitalisation of general reserve.
 - 16,392,641 (previous year 13,905,823) equity shares of Rs. 2 each allotted to employees of the Company and its subsidiaries on exercising of vested stock options issued under Employee Stock Option Plan 1999 of the Company.
 - 3,239,104 (previous year 1,498,356) equity shares of Rs. 2 each allotted to employees of the Company and its subsidiaries on exercising of vested stock options issued under Employee Stock Option Plan 2000 of the Company.
- Of the above subscribed shares, 161,507,837 (previous year 162,017,167) equity shares are held by HCL Corporation Limited, the holding company and 1,500,000 (previous year 1,500,000) equity shares are held by HCL Peripherals Ltd, being a fellow subsidiary.

Schedule 2: Reserves and Surplus	As at 1 July 2005	Transfer on Amalgamation (Refer note 2 and 25 of Schedule 17)	Additions	Deductions	As at 30 June 2006
Securities Premium Account	1,701.28	1.73	87.83	819.68	971.16
	(941.20)	(-)	(760.08)	(-)	(1,701.28)
General Reserve	256.17	3.67	65.38	22.07	303.15
	(180.98)	(-)	(75.19)	(-)	(256.17)
Employee Stock Options Outstanding [net of deferred employee compensation cost of Rs. 191.17 crores (previous year Rs. 5 crores)]	2.49	-	48.39	-	50.88
	(-)	(-)	(2.49)	(-)	(2.49)
Profit and Loss Account	836.20	363.73	49.90	63.84	1,185.99
	(1,109.78)	(-)	(-)	(273.58)	(836.20)
	2,796.14	369.13	251.50	905.59	2,511.18
Previous year	(2,231.96)	(-)	(837.76)	(273.58)	(2,796.14)

Notes:

- Addition to/ Deduction from the Securities Premium Account represent:
 - Addition of Rs. 87.83 crores (previous year Rs. 65.09 crores) in respect of allotment of equity shares of Rs. 2 each to employees of the Company and its subsidiaries under the Employee Stock Option Plan 1999 and Employee Stock Option Plan 2000.
 - Addition of Rs. Nil (previous year Rs. 694.99 crores) in respect of allotment of Nil (previous year 19,358,989) equity shares of Rs. 2 each for consideration other than cash.
 - Deduction of Rs. 819.68 crores (previous year Rs. Nil) being adjustment on amalgamation of the transferor companies with the Company. (refer note 2 of Schedule 17).
- The balance in General Reserve include Rs. Nil (previous year Rs. 19.08 crores) and deductions from General Reserve includes Rs. 22.07 crores (previous year Rs. Nil) on account of net gain/ (loss) on effective hedges. (refer note 1(j) of schedule 17).
 - Additions to General Reserve includes Rs. 1.54 crores (previous year Rs. 42.26 crores) on account of net gain/ (loss) on effective hedges acquired on amalgamation of HCL Technologies BPO Services Limited (erstwhile subsidiary) relating to April 05 to June 05. (refer note 2 of schedule 17).
- Previous year figures are in brackets.

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 3: Secured Loans		As at 30 June 2006 (Refer note 2 and 25 of Schedule 17)	As at 30 June 2005
From Bank			
-Term loan (previous year secured by pledge of specified mutual fund units - refer note 16 of schedule 17)		-	87.02
From Others			
-Finance lease obligations [refer note 6 (i) of schedule 17] (Secured by hypothecation of leased vehicles)		13.17	9.40
		13.17	96.42

Schedule 4: Unsecured Loans		As at 30 June 2006 (Refer note 2 and 25 of Schedule 17)	As at 30 June 2005
Other Loans and Advances			
-From financial institution [Amount payable within one year - Rs. 0.14 crores (previous year Rs. 0.05 crores)]		0.21	0.27
		0.21	0.27

Schedule 5: Fixed Assets												
PARTICULARS	GROSS BLOCK					ACCUMULATED DEPRECIATION/AMORTISATION					NET BLOCK	
	As at 1 July 2005	Transfer on Amalgamation (Refer note 2 and 25 of Schedule 17)	Addi- tions	Dispos- als/Adju- stments	As at 30 June 2006	As at 1 July 2005	Transfer on Amalgamation (Refer note 2 and 25 of Schedule 17)	Addi- tions	Dispos- als/Adju- stments	As at 30 June 2006	As at 30 June 2006	As at 30 June 2005
Goodwill	0.73	1.25	-	-	1.98	0.44	0.56	0.46	-	1.46	0.52	0.29
Freehold land	52.95	-	0.82	0.11	53.66	-	-	-	-	-	53.66	52.95
Leasehold land	103.66	-	-	-	103.66	1.42	-	1.17	-	2.59	101.07	102.24
Building	75.88	-	24.52	0.51	99.89	13.32	-	4.45	0.23	17.54	82.35	62.56
Plant and machinery	97.31	22.77	33.05	0.06	153.07	59.07	10.98	24.74	0.06	94.73	58.34	38.24
Computers	125.34	86.10	77.92	4.95	284.41	84.84	44.39	55.26	4.76	179.73	104.68	40.50
Software	59.07	20.23	16.56	-	95.86	46.19	11.97	15.25	-	73.41	22.45	12.88
Furniture and fixtures	100.03	33.23	64.25	0.34	197.17	60.26	16.15	32.96	0.34	109.03	88.14	39.77
Vehicles - owned	3.97	0.92	0.13	0.37	4.65	2.65	0.54	0.60	0.39	3.40	1.25	1.32
- leased	13.12	4.23	6.27	3.89	19.73	3.92	0.74	3.91	2.06	6.51	13.22	9.20
	632.06	168.73	223.52	10.23	1,014.08	272.11	85.33	138.80	7.84	488.40	525.68	359.95
Previous year	412.32	-	223.57	3.83	632.06	207.04	-	67.56	2.49	272.11	359.95	205.28
Capital work-in-progress (including capital advances)											163.63	71.78

(refer note 2 and 25 of schedule 17)

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 6: Investments	As at 30 June 2006 (Refer note 2 and 25 of Schedule 17)	As at 30 June 2005
LONG TERM INVESTMENTS		
Equity shares in subsidiaries - Trade and unquoted		
12,793,904 (previous year 12,793,904) equity shares of Rs. 10 each, fully paid up in HCL Comnet Systems and Services Limited	23.65	23.65
113,170,582 (previous year 113,170,582) equity shares of USD 1 each, fully paid in HCL Bermuda Limited, Bermuda. (refer note 3)	476.41	590.70
Nil (previous year 17,920,700) equity shares of Rs. 10 each, fully paid up in Shipara Technologies Limited (refer note 2 of Schedule 17)	-	21.92
Nil (previous year 4,950,000) equity shares of Rs. 10 each, fully paid up in HCL Technologies (Mumbai) Limited (refer note 2 of Schedule 17)	-	4.95
550,000 (previous year 550,000) equity shares of SGD 1 each, fully paid up in HCL Singapore Pte. Limited.	5.25	5.25
4,900 (previous year 4,900) equity shares of SGD 1 each, fully paid up in DSI Financial Solutions Pte Limited, Singapore (refer note 3 and 4)	0.23	701.24
1 (previous year Nil) equity shares of Euros 100 each, fully paid up in HCL GmbH (refer note 2 of Schedule 17)	0.11	-
1,000,000 (previous year Nil) equity Shares of Rs. 10 each, fully paid up in HCL Technoparks Limited	1.00	-
	506.65	1,347.71
Preference shares in subsidiaries - Trade and unquoted		
450,000,000 (previous year 350,000,000) 1% cumulative redeemable preference shares of Rs. 1 each, fully paid up in HCL Comnet Systems and Services Limited	45.00	35.00
	551.65	1,382.71
Investment in joint ventures – Trade and unquoted		
10,780,000 shares (previous year Nil) of Rs. 10 each, fully paid up in NEC HCL System Technologies Limited (refer note 3 of schedule 17)	10.78	-
Investments in bonds - Other than trade and unquoted (refer note 16 (i) of schedule 17)	12.00	-
Total Long Term Investments (A)	574.43	1,382.71
CURRENT INVESTMENTS (refer note 16 (ii) and (iii) of Schedule 17)		
Investments in mutual funds- Other than trade and unquoted	1,323.33	1,239.37
Investments in bonds - Other than trade and quoted (refer note 2 below)	10.00	32.58
Total Current Investments (B)	1,333.33	1,271.95
Grand Total (A) + (B)	1,907.76	2,654.66

Notes:

1. Net asset value of investment in mutual funds as on 30 June 2006 Rs. 1,374.96 crores (previous year Rs. 1,276.29 crores).
2. Market value of investment in bonds as on 30 June 2006 Rs. 10.11 crores (previous year Rs. 33.26 crores).
3. Decrease in value of investments Rs. 114.29 crores (previous year Rs. Nil) and Rs. 701.01 crores (previous year Rs. Nil) in HCL Bermuda Limited, Bermuda and DSI Financial Solutions Pte Limited, Singapore respectively is on account of fall in value of investments in their subsidiaries/step down subsidiaries pursuant to amalgamation of Transferor Companies with the Company. (refer note 2 of Schedule 17).
4. Balance 51% stake is held by HCL Bermuda Limited, a wholly owned subsidiary of the Company.

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 7: Sundry Debtors	As at 30 June 2006 (Refer note 2 and 25 of Schedule 17)	As at 30 June 2005
Unsecured - Considered good (refer note)		
- Debts outstanding for more than six months	35.83	5.34
- Other debts	610.15	301.07
	645.98	306.41
Unsecured - Considered doubtful		
- Debts outstanding for more than six months	2.57	1.67
- Other debts	0.26	-
	648.81	308.08
Less: Provision for doubtful debts	(2.83)	(1.67)
	645.98	306.41

Note: Sundry debtors include Rs. 360.45 crores (previous year Rs. 191.48 crores) recoverable from subsidiaries of the Company.

Schedule 8: Cash and Bank Balances	As at 30 June 2006 (Refer note 2 and 25 of Schedule 17)	As at 30 June 2005
Cash in hand	0.10	0.06
Remittances in transit	82.81	61.49
Balances with scheduled banks		
- On current accounts in Indian rupees (refer note 1)	15.84	1.71
- On current accounts in foreign currency	2.00	17.44
- On fixed deposit accounts in Indian rupees (refer note 2)	1.71	3.39
	102.46	84.09
Balances in current accounts with non-scheduled banks (refer note 12 of Schedule 17)	3.76	0.44
	106.22	84.53

Notes:

1. Includes Rs. 1.36 crores (previous year Rs. 1.15 crores) in unclaimed dividend account.
2. Pledged with banks as security for guarantees Rs. 0.01 crores (previous year Rs. 0.01 crores).

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 9: Loans and Advances	As at 30 June 2006 (Refer note 2 and 25 of Schedule 17)	As at 30 June 2005
(Unsecured and considered good, unless otherwise stated)		
Loans and advances recoverable in cash or in kind or for value to be received		
- Considered good (refer note 1, 2 and 5)	257.23	90.17
- Considered doubtful	1.65	0.33
Loans to subsidiaries	15.65	24.77
Advance Income Tax (refer note 3)	1.96	6.50
Dividend receivable from subsidiary	0.43	0.22
Interest receivable (refer note 4)	0.35	1.25
	277.27	123.24
Less: Provision for doubtful advances	(1.65)	(0.33)
	275.62	122.91

Notes:

1. Includes Rs. 76.88 crores (previous year Rs. 31.69 crores) recoverable from the subsidiaries of the Company.
2. Includes Rs. 0.02 crores (previous year Rs. 0.05 crores) on account of loan given to HCL Technologies Limited Employees Trust.
3. Net of provision for income tax of Rs. 76.73 crores (previous year Rs. 51.40 crores).
4. Includes Rs. 0.01 crores (previous year Rs. 0.52 crores) recoverable from the subsidiaries of the Company.
5. Dues from the officers of the Company Rs. 0.07 crores (previous year Rs. Nil), maximum balance outstanding during the year Rs. 0.07 crores (previous year Rs. Nil).

Schedule 10: Other Current Assets	As at 30 June 2006 (Refer note 2 and 25 of Schedule 17)	As at 30 June 2005
Unbilled revenue (refer note)	82.96	16.40
Unrealised gain on forward exchange contracts and options	-	19.21
	82.96	35.61

Note: Includes Rs. 57.55 crores (previous year Rs. 6.09 crores) in respect of subsidiaries of the Company.

Schedule 11: Current Liabilities and Provisions	As at 30 June 2006 (Refer note 2 and 25 of Schedule 17)	As at 30 June 2005
Current liabilities		
Sundry creditors (refer note 1 and 2)	699.89	339.92
Unrealised loss on forward exchange contracts and options (net)	71.85	-
Unearned revenue (refer note 3)	28.29	20.86
Advance from customers (refer note 4)	113.55	139.59
Interest accrued but not due on term loan	-	1.33
Investor Education and Protection Fund- Unclaimed dividend	1.36	1.15
Other liabilities	20.08	8.26
	935.02	511.11
Provisions		
Provision for staff benefits	49.71	26.93
Provision for fringe benefit tax (refer note 5)	2.82	1.16
Provision for wealth tax	0.03	0.03
Provision for dividend (including corporate dividend tax)	147.52	145.81
	200.08	173.93
	1,135.10	685.04

Notes:

1. Sundry creditors include Rs. 461.17 crores (previous year Rs. 219.42 crores) due to subsidiaries of the Company.
2. According to the information available with the Company, Rs. Nil (previous year Rs. Nil) is payable to Small-Scale Industrial Undertakings as defined under Section 3 (j) of the Industries (Development and Regulation) Act, 1951 as on 30 June 2006.

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

3. Unearned revenue includes Rs. 9.79 crores (previous year Rs. 4.50 crores) pertaining to the subsidiaries of the Company.
4. Advance from customer includes Rs. 113.47 crores (previous year Rs. 139.39 crores) pertaining to the subsidiaries of the Company.
5. Net of fringe benefit advance tax of Rs. 9.24 crores (previous year Rs. Nil).

Schedule 12: Revenues	Year ended 30 June 2006 (Refer note 2 and 25 of Schedule 17)	Year ended 30 June 2005
Information Technology (IT) Services	2,631.41	1,447.01
Business Process Outsourcing Services	401.51	-
	3,032.92	1,447.01

Schedule 13: Other Income	Year ended 30 June 2006 (Refer note 2 and 25 of Schedule 17)	Year ended 30 June 2005
Interest income-gross [Tax deducted at source Rs. 0.10 crores (previous year Rs. 0.86 crores)]		
- On fixed deposits	0.16	0.13
- On investments (other than trade)	1.77	7.91
- On loans	0.08	0.24
Dividend Income		
- On trade investments	0.43	0.22
- On investments (other than trade)	2.35	15.81
Rent received	0.54	0.59
Profit on sale of investments (other than trade)	75.25	38.32
Profit on sale of fixed assets (net)	1.42	0.96
Provision for diminution in value of investments written back	0.12	18.21
Miscellaneous income	1.22	0.63
	83.34	83.02

Schedule 14: Cost of Revenues	Year ended 30 June 2006 (Refer note 2 and 25 of Schedule 17)	Year ended 30 June 2005
Personnel expenses		
Salaries, wages and bonus	1,040.32	449.08
Contribution to provident and other funds	38.27	16.93
Staff welfare expenses	44.92	22.53
Employee stock compensation expense	48.39	2.49
	1,171.90	491.03
Others		
Software development expenses - external	463.09	298.48
	1,634.99	789.51

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 15: Administration and Other Expenses	Year ended 30 June 2006 (Refer note 2 and 25 of Schedule 17)	Year ended 30 June 2005
Rent	72.85	23.72
Power and fuel	52.78	22.11
Insurance	6.87	1.75
Repairs and maintenance		
- Plant and machinery	13.88	6.45
- Building	14.03	7.78
- Others	16.14	6.24
Communication costs	60.79	20.41
Travel and conveyance	206.92	120.18
Marketing expenses	-	18.12
Business promotion	9.93	2.56
Legal and professional charges	13.99	8.73
Lease rent	4.99	5.52
Software licence fee	37.22	24.56
Printing and stationery	6.22	2.34
Rates and taxes	19.81	8.91
Advertising and publicity	1.16	0.20
Books and periodicals	2.78	2.10
Recruitment, training and development	28.12	14.48
Provision for doubtful debts	0.81	0.10
Bad debts/ advances written off	0.03	6.83
Donations	0.01	0.05
Loss on sale of investments (other than trade)	0.31	18.76
Provision for doubtful advances	0.93	-
Premium amortisation on bonds	0.08	0.44
Exchange differences	82.35	2.72
Miscellaneous expenses	22.90	3.35
	675.90	328.41

Schedule 16: Finance Charges	Year ended 30 June 2006 (Refer note 2 and 25 of Schedule 17)	Year ended 30 June 2005
Interest		
- on vehicles under finance lease	1.50	0.98
- on loan from bank	1.83	2.82
- others	7.57	1.32
Bank charges	1.84	0.50
	12.74	5.62

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 17: Significant Accounting Policies and Notes to the Accounts

1. Significant accounting policies

a) Basis of preparation

The financial statements are prepared and presented under the historical cost convention, in accordance with the Indian Generally Accepted Accounting Principles ("GAAP"), accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, as adopted consistently by the Company. The financial statements are presented in crores of Indian rupees.

b) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the results of operations during the reporting period. Examples of such estimates include estimates of expected contract costs to be incurred to complete software development, income taxes, employment retirement benefit plans, and provision for doubtful debts, and estimated useful life of fixed assets. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

c) Revenue recognition

i) IT Services

Revenue from IT services comprises income from time and material and fixed price contracts. Revenue with respect to time and material contracts is recognized as related services are performed. Revenue from fixed price contracts and fixed time frame contracts is recognized in accordance with the percentage completion method under which the sales value of performance, including earnings thereon, is recognized on the basis of cost incurred in respect of each contract as a proportion of total cost expected to be incurred. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the year in which the change becomes known. Provisions for estimated losses are made during the year in which a loss becomes probable based on current contract estimates. Revenue from sale of licenses for the use of software applications is recognised on transfer of title in the user license. Revenue from annual technical service contracts is recognised on a pro rata basis over the period in which such services are rendered. Income from revenue sharing agreements is recognized when the right to receive is established. Costs and earnings in excess of billing are classified as unbilled revenue, while billing in excess of costs and earnings are classified as unearned income. Incremental revenue from contracts arising on future sale by the customers' products will be recognized when it is earned.

ii) Business Process Outsourcing services

Revenue from Business Process Outsourcing services is derived from both time based and unit-price contracts. Revenue is recognized as the related services are performed in accordance with the specific terms of the contracts with the customer.

iii) Others

Interest on the deployment of surplus funds is recognised using the time-proportion method, based on interest rates implicit in the transaction. Dividend income, brokerage and rent is recognised when the right to receive the same is established.

d) Expenditure

Expenses are accounted for on the accrual basis and provisions are made for all known losses and liabilities.

e) Fixed assets

Fixed assets are stated at the cost of acquisition including incidental costs related to acquisition and installation. Fixed assets under construction, advances paid towards acquisition of fixed assets and cost of assets not put to use before the year-end, are disclosed as capital work in progress.

f) Depreciation

Depreciation on fixed assets except leasehold land and leasehold improvements is provided on the straight-line method over their estimated useful lives, as determined by the management, at the rates which are equal to or higher than the rates prescribed under Schedule XIV of the Companies Act, 1956. Leasehold land is amortised over the period of lease. Leasehold improvements are amortised over a period of four years or the remaining period of the lease, whichever is shorter. Estimated useful life of goodwill is five years and the carrying value of goodwill at the end of each accounting period is reviewed for impairment. Depreciation is charged on a pro-rata basis for assets purchased/sold during the year. Assets costing less than Rs. 5,000 are fully depreciated in the year of purchase. The management's estimate of the useful life of the various fixed assets is as follows:

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)

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

(g) Leases

Finance leases

The assets taken on finance lease are capitalised at the inception of the lease at the lower of the fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and interest cost, so as to obtain a constant periodic rate of interest on outstanding liability for each period.

Operating leases

Lease payments under an operating lease are recognised as an expense in the Profit and Loss account on a straight line basis over the lease term.

(h) Investments

Trade investments are the investments made to enhance the company's business interests. Investments are either classified as long term or current investments, based on management's intention at the time of purchase. Long-term investments are stated at cost and provision is made to recognise any decline, other than temporary, determined separately for each investment. Current investments are stated at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments.

(i) Foreign exchange transactions

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of the transaction. Realised gains and losses on foreign exchange transactions during the year are recognised in the Profit and Loss account. Foreign currency monetary assets and liabilities are translated at year-end rates and resultant gains/losses on foreign exchange translations are recognised in the Profit and Loss account.

The branches of the Company are considered integral to the Company's operations. The transactions of these branches have been translated as if the transactions of the branches were the transactions of the Company itself.

(j) Forward exchange contracts and options

The Company purchases foreign exchange forward contracts and options to mitigate the risk of changes in foreign exchange rates associated with receivables and forecasted cash flows denominated in foreign currencies.

For forward contracts associated with forecasted transactions, gains or losses arising due to change in fair value of the forward contract has been recognized in the Profit and Loss account.

For forward contracts associated with underlying outstandings at the Balance Sheet date, the exchange difference on such contracts are recognized in the Profit and Loss account in the reporting period in which exchange rates changes. The premium or discount on all such contracts arising at the inception are amortised as in income or expense over the life of the contract.

In case of currency options, change in fair value of options contracts is recognized in Profit and Loss account for the period.

(k) Employee Stock Option based compensation

The Company calculates the compensation cost based on the intrinsic value method wherein the excess of market price of underlying equity shares as of the date of the grant of options over the exercise price of the options given to employees under the employee stock option schemes of the Company, is recognised as deferred stock compensation cost and is amortised on a graded vesting basis over the vesting period of the options.

l) Taxation

Income tax expenses comprise current tax and deferred tax charge or credit (reflecting the tax effects of the timing differences between the accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)

liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in the future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets.

Deferred tax assets are reviewed at each Balance Sheet date and written down or written up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

Provision for wealth tax is made based on tax liability computed after considering tax allowances and exemptions available in accordance with the provisions of the Wealth tax Act, 1957.

m) Retirement benefits

Contributions to provident fund are deposited with a recognised provident fund trust, set up by the Company. The interest rate payable by the trust to the beneficiaries every year is being notified by the government. 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 made contributions to a scheme administered by the Life Insurance Corporation of India in respect of superannuation for applicable employees. The Company had no further obligations to the superannuation plan beyond its monthly contributions. Provision for gratuity and leave encashment is made on the basis of an actuarial valuation. In one of the divisions, the gratuity liability as determined by actuarial valuation is contributed to the Group Gratuity scheme with Life Insurance Corporation of India.

n) Research and Development

Revenue expenditure on research and development is expensed as incurred. Capital expenditure incurred on equipment and facilities acquired or constructed for research and development activities and having alternative future uses, are capitalised and included in fixed assets.

o) Earnings per share

In determining earnings per share, the company considers the net profit after tax and includes the post tax effect of any extra ordinary / exceptional item. Basic earning per share is computed using the weighted average number of equity shares outstanding during the year. Diluted earning per share is computed using the weighted average number of equity shares outstanding during the year and dilutive equity equivalent shares outstanding at the year end, except where the results would be anti dilutive.

p) Impairment of assets

Impairment loss, if any, is provided to the extent, the carrying amount of assets exceeds their recoverable amount.

Recoverable amount is higher of an asset's net selling price, and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

q) Provisions and Contingent liabilities

A provision is recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which reliable estimate can be made. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

2. A scheme of Amalgamation ("Scheme") under sections 391 to 394 of the Companies Act, 1956 for amalgamation without issue of shares of DSL Software Limited, Shipara Technologies Limited, HCL Technologies BPO Services Limited, HCL Technologies (Mumbai) Limited, Aquila Technologies Limited and HCL Enterprise Solutions (India) Limited, all wholly owned subsidiaries ("Transferor Companies"), held either directly or through its step down subsidiaries, with the Company has been approved by the Hon'ble High Courts of Delhi and Karnataka. The Transferor companies were engaged in providing a range of information technology services including business process outsourcing. The amalgamation is expected to result in operational synergy and achieving greater economies of scale.

The scheme has been approved by the Hon'ble High Courts of Delhi and Karnataka vide its orders dated October 28, 2005 and December 16, 2005 respectively, and has become effective on March 08, 2006 on filing of the certified copy of the orders of High Court with the office of the Registrar of Companies of the respective states. The Appointed date of the Scheme is April 1, 2005.

The Company has accounted for the amalgamation under 'pooling of interest method' being an amalgamation in the nature of merger, as prescribed by the Accounting standard "AS-14", "Accounting for Amalgamations" issued by the Institute of Chartered Accountant of India.

In terms of the Scheme, shortfall represents aggregate value of the assets reduced by the aggregate value of the liabilities and balance in Profit & Loss account and reserves of the Transferor Companies over the value of inter se loans and investments cancelled pursuant to the amalgamation. This shortfall along-with loss arising in the books of the Company on account of the fall in the value of investments in the step down subsidiaries/ subsidiaries on account of the amalgamation of the Transferor Companies, Rs.819.68 crores has been adjusted from the Securities Premium Account.

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)

	Amount
Assets	
Fixed Assets (net) (Including capital work in progress Rs. 12.48 crores)	95.88
Investments	
- Investment in subsidiary (DSL GmbH)*	0.11
- Other investments	220.56
Deferred tax assets/ (liabilities)	4.28
Debtors (net of provision for doubtful debts Rs. 0.38 crores)	173.91
Cash and Bank balances	19.47
Loans and Advances (net of provision for doubtful advances Rs. 0.39 crores)	76.04
Other Assets	13.33
Total	603.58
Liabilities	
Current Liabilities	115.66
Loans	48.76
Total	164.42
Net Assets Acquired on Amalgamation	439.16
Transfer of balances of amalgamated companies	
Profit and loss balance	363.73
General Reserve	3.67
Securities Premium Account	1.73
Less:-	
Adjustment for cancellation of company's investment in Transferor Companies	36.28
Adjustment of loan given/taken by the Company to/from Transferor Companies	38.13
Shortfall arising on Amalgamation (a)	4.38
Fall in the value of investment in subsidiaries	
a) HCL Bermuda Limited, Bermuda	114.29
b) DSI Financial Solutions Pte Limited, Singapore	701.01
Total fall in the value of Investment (b)	815.30
Balance Transferred to Securities Premium account as at April 1, 2005 (a+b)	819.68

* DSL GmbH has since been merged with HCL GmbH w.e.f. July 1, 2005, a stepdown subsidiary of the Company and one equity share of Euro 100 in HCL GmbH has been allotted to the company.

Had the Company followed the accounting as prescribed by "AS-14" "Accounting for Amalgamations", the Company would have reduced its reserves to the extent of Rs. 4.38 crores and accordingly Securities Premium Account would have been higher by Rs. 4.38 crores. Further, adjusting fall in value of investments in the profit and loss account would have reduced the net profit by Rs. 815.30 crores and accordingly Securities Premium would have been higher by Rs. 815.30 crores.

- In June 2005, the Company entered into a Joint Venture Agreement with NEC Corporation, Japan ("NEC") and NEC System Technologies Limited ("NECST"), Japan, a subsidiary of NEC, whereby the Company holds 49% in a newly established joint venture Company, NEC HCL System Technologies Limited ("NECH") and NEC and NECST jointly hold 51%. The Company has contributed Rs. 10.78 crores to the share capital of NECH during the current year.
- Employee Stock Option Plan (ESOP)**

The Company has established ESOP 1999, ESOP 2000 and ESOP 2004, for a total grant of 20,000,000, 15,000,000 and 20,000,000 options respectively to employees of the Company and its subsidiaries. These options are vested over a maximum period of 110 months, 104 months and 90 months respectively from the date of grant and are to be exercised within a maximum period of five years from the date of vesting.

Each option granted under the above plans entitles the holder to two equity shares of the Company at an exercise price, which is approved by the Compensation Committee.

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)

As at June 30, 2006 5,914,361 (previous year 8,324,797) options were outstanding with the employees of the Company and its subsidiaries under the ESOP 1999.

	Year ended 30 June, 2006	Year ended 30 June, 2005
Outstanding at the beginning of the year	8,324,797	7,003,559
Add: Granted during the year	-	4,140,336
Less: Forfeited during the year	(821,616)	(1,102,364)
Exercised during the year	(1,228,245)	(1,417,520)
Expired during the year	(360,575)	(299,214)
Options outstanding at the end of the year	5,914,361	8,324,797

As at June 30, 2006 8,453,526 (previous year 10,866,909) options were outstanding with the employees of the Company and its subsidiaries under the ESOP 2000.

	Year ended 30 June, 2006	Year ended 30 June, 2005
Outstanding at the beginning of the year	10,866,909	6,416,884
Add: Granted during the year	-	7,195,445
Less: Forfeited during the year	(1,289,605)	(1,410,600)
Exercised during the year	(863,048)	(923,752)
Expired during the year	(260,730)	(411,068)
Options outstanding at the end of the year	8,453,526	10,866,909

As at June 30, 2006 2,669,400 (previous year 373,472) options were outstanding with the employees of the Company and its subsidiaries under the ESOP 2004.

	Year ended 30 June, 2006	Year ended 30 June, 2005
Outstanding at the beginning of the year	373,472	-
Add: Granted during the year	2,382,500	373,472
Less: Forfeited during the year	(86,572)	-
Exercised during the year	-	-
Expired during the year	-	-
Options outstanding at the end of the year	2,669,400	373,472

Options outstanding include certain adjustments relating to forfeiture of employee stock options pertaining to earlier years.

The Company has calculated the compensation cost based on the intrinsic value method recognising the excess of market price of underlying equity shares as of the date of the grant of options over the exercise price of the options given to employees under the employee stock option schemes of the Company, is recognised as deferred stock compensation cost and is amortised on a graded vesting basis over the vesting period of the options. Had the Company applied the fair value method for determining compensation cost, the impact on net income and earnings per share is provided below.

	Year ended 30 June, 2006	Year ended 30 June, 2005
Net income – As reported	638.38	329.27
Net income – Proforma	603.76	277.31
Earnings per share		
Basic - As reported	19.86	10.71
- Proforma	18.79	9.02
Diluted - As reported	18.66	10.40
- Proforma	17.65	8.76

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)

Assumptions

The fair value of each share is estimated on the date of grant using the Black-Scholes model with the following assumptions:

	Year ended 30 June, 2006	Year ended 30 June, 2005
Dividend yield %	3.08%	4.64%
Expected term	Up to 90 months	Up to 110 months
Risk free interest rates	6.50%	6.50%
Volatility	36.35%	39.98%

The volatility of the share has been determined on the basis of the Company's historical share price for the period of 3 years 6 months.

5. HCL Technologies Limited Employees Trust

During the year ended June 30, 2002, the Company established an independent trust called the HCL Technologies Limited Employees Trust ("Trust"). In accordance with the trust deed, the Trust acquires shares from the stock exchange out of funds borrowed from the Company and issue these shares to employees eligible to exercise stock option under the Employees Stock Option Plans 1999 and 2000.

The movement in the shares held by the Trust is given below:

	Year ended 30 June, 2006	Year ended 30 June, 2005
Shares held at the beginning of the year	-	994,445
Add: Shares purchased during the year *	1,650	-
Less: Shares issued to employees	1,650	(994,445)
Shares held at the end of the year	-	-

*In terms of the Order of Chief Judicial Magistrate, Noida (UP), the Company has received 1,650 shares for utilization for the welfare of the employees.

6. i) The Company has acquired vehicles on finance leases. The legal title to assets acquired under such leases vests in the lessors. The total minimum lease payments and maturity dates of finance leases at the Balance Sheet date, the element of interest included in such payments, and the present value of the minimum lease payments are as follows:

	Total minimum lease payments outstanding	Interest included in minimum lease payments	Present value of minimum lease payments
Not later than one year	5.17	1.07	4.10
	(3.65)	(0.82)	(2.83)
Later than one year and not later than five years	10.07	1.00	9.07
	(7.41)	(0.84)	(6.57)
	15.24	2.07	13.17
	(11.06)	(1.66)	(9.40)

Previous year figures are in brackets.

- ii) The Company leases office spaces and accommodation for its employees under operating lease agreements. The lease rental expense recognised in the profit and loss account for the year is Rs. 75.00 crores (previous year Rs. 25.51 crores). Future minimum lease payments and payment profile of non-cancellable operating leases are as follows:

	Year ended 30 June, 2006	Year ended 30 June, 2005
Not later than one year	69.51	24.21
Later than one year but not later than five years	206.72	62.27
Later than five years	64.18	3.18
	340.41	89.66

7. Segment Reporting

(i) Business Segments

Consequent to the merger of "Transferor Companies", the Company currently has two segments, 'IT Services' and 'Business Process Outsourcing (BPO)' as compared to previous period where 'IT Services' was the only segment. In accordance with the requirements of Accounting Standard "AS -17" on 'Segment Reporting' issued by 'The Institute of Chartered Accountants of India (ICAI)', revenues from service segments are the primary basis for segmental information, whereas in the previous periods geographic segments, based on domicile of the customer were reported.

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)

Revenue in relation to service segments is categorised based on items that are individually identifiable to that segment, while expenditure is categorised in relation to the associated turnover of the segment. Assets and liabilities are also identified to such segments.

(ii) Geographic Segments

Geographic segmentation is based on the location of the respective client. The principal geographical segments have been classified as America, Europe and others. Europe comprises business operations conducted by the Company in the United Kingdom, Sweden, Germany, Italy, Belgium, Netherlands, Finland and Switzerland. Since services provided by the Company within these European entities are subject to similar risks and returns, their operating results have been reported as one segment, namely Europe. All other customers, mainly in Japan, Australia, New Zealand, Singapore, Malaysia, Israel, South Korea, India and Hong Kong are included in others.

(iii) Segment Accounting Policies

The accounting principles consistently used in the preparation of the financial statements and consistently applied to record revenue and expenditure in individual segments are as set out in Note 1 to this schedule on significant accounting policies. The accounting policies in relation to segment accounting are as under:

a) Segment assets and liabilities

All segment assets and liabilities have been allocated to the various segments on the basis of specific identification.

Segment assets consist principally of fixed assets, sundry debtors, loans and advances, cash and bank balances, and unbilled receivables. Segment assets do not include unallocated corporate and treasury assets and net deferred tax assets and advance taxes.

Segment liabilities include sundry creditors, other liabilities, unsecured loan and secured loan in respect of leased vehicles. Segment liabilities do not include share capital, reserves and provision for income tax.

b) Segment revenue and expenses

Segment revenue is directly attributable to the segment and segment expenses have been allocated to various segments on the basis of specific identification. However, segment revenue does not include miscellaneous income, income from investments and other income. Segment expenses do not include premium amortized on bonds, diminution allowance in respect of current and trade investments and charge taken for stock options issued to employees.

Financial information about the business segments for the year ended 30 June, 2006 is as follows:

	IT services	Business process outsourcing services	Total
Segment revenues	2,631.41	401.51	3032.92
Segment results	650.99	81.84	732.83
Unallocated corporate expenses			(162.34)
Other income			83.34
Net profit before taxes			653.83
Income tax (net of provision for earlier years written back)			15.45
Net profit after taxes			638.38
Assets			
Segment assets	1,544.50	218.87	1,763.37
Unallocated assets			1,962.31
Total assets			3,725.68
Liabilities			
Segment liabilities	768.31	156.58	924.89
Unallocated liabilities			223.59
Total liabilities			1,148.48
Others			
Capital expenditure (including capital work in progress)	226.05	60.11	286.16
Unallocated corporate capital expenditure			16.73
Total			302.89
Significant non-cash adjustments			
Depreciation	95.10	38.82	133.92
Unallocated corporate depreciation			4.88
Total			138.80
Provision for doubtful debts/ Advances and bad debts/ Advances written off	1.76	0.01	1.77

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)

The Company had only one business segment namely IT services during the previous periods, hence figures for the year ended 30 June, 2005 have not been provided.

Revenue from the geographic segments based on domicile of the customer is as follows:

	Year ended 30 June, 2006	Year ended 30 June, 2005
America	1,944.22	1,117.29
Europe	842.90	213.83
Others	245.80	115.89
	3,032.92	1,447.01

Substantial portion of the total assets of the Company are in the India geography. Assets used in the Company's business have not been identified to any of the geographic segments as the assets are used interchangeably between the segments.

8. Related party transactions

a) Related parties where control exists

Holding company

HCL Corporation Limited, India

Subsidiaries

HCL America Inc., United States of America

HCL Great Britain Limited, United Kingdom

HCL (Netherlands) BV, Netherlands

HCL GmbH, Germany (formerly "HCL Technologies GmbH, Germany")

HCL Belgium NV, Belgium (formerly "HCL Technologies Belgium NV, Belgium")

HCL Sweden AB, Sweden (formerly "HCL Technologies Sweden AB, Sweden")

HCL Italy SLR, Italy (formerly "HCL Technologies Italy SLR, Italy")

HCL Australia Services Pty. Limited, Australia

HCL (New Zealand) Limited, New Zealand

HCL Hong Kong SAR Limited, Hong Kong

HCL Japan Limited, Japan (formerly "HCL Technologies Japan Limited, Japan")

HCL Comnet Systems and Services Limited, India

HCL Comnet Limited, India

HCL Bermuda Limited, Bermuda

HCL Venture Capital Limited, Bermuda

HCL Holdings GmbH, Austria

E-Serve Holdings Limited, Mauritius

HCL Enterprise Solutions Limited, Mauritius

HCL Illinois Inc., United States of America*

Intelicent India Limited, India

DSI Financial Solutions Pte. Limited, Singapore

HCL BPO Services (NI) Limited, Northern Ireland

HCL Technologies (Mass.) Inc., United States of America

HCL Jones (Bermuda) Limited, Bermuda (formerly "HCL Jones Technologies (Bermuda) Limited, Bermuda")

HCL Jones LLC, United States of America (formerly "HCL Jones Technologies, LLC, United States of America")

Insys Inc., Canada

Infosystems Europe Limited, United Kingdom

Infosystems Australia Pty. Limited, Australia**

HCL Singapore Pte. Limited, Singapore

HCL m.a. Limited

HCL (Malaysia) Sdn. Bhd., Malaysia (formerly "HCL Technologies (Malaysia) Sdn. Bhd., Malaysia")

HCL EAI Services Inc., United States of America (formerly "Aalayance Inc., United States of America")

Aalayance (UK) Limited, United Kingdom

HCL EAI Services Limited, India (formerly "HCL EAI Services Private Limited, India")

HCL Technoparks Limited

* Merged with HCL America Inc. w.e.f. January 1, 2006.

** Deregistered w.e.f. December 26, 2005.

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)**Others**

HCL Technologies Limited Employees Trust

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

HCL America Inc., United States of America

HCL Great Britain Limited, United Kingdom

HCL (Netherlands) BV, Netherlands

HCL GmbH, Germany (formerly "HCL Technologies GmbH, Germany")

HCL Belgium NV, Belgium (formerly "HCL Technologies Belgium NV, Belgium")

HCL Sweden AB, Sweden (formerly "HCL Technologies Sweden AB, Sweden")

HCL Australia Services Pty. Limited, Australia

HCL (New Zealand) Limited, New Zealand

HCL Hong Kong SAR Limited, Hong Kong

HCL Comnet Systems and Services Limited, India

HCL Comnet Limited, India

HCL Bermuda Limited, Bermuda

HCL Illinois Inc., United States of America

Intelicent India Limited, India

HCL Technologies (Mass.) Inc., United States of America

HCL Jones (Bermuda) Limited, Bermuda (formerly "HCL Jones Technologies (Bermuda) Limited, Bermuda")

HCL Singapore Pte. Limited, Singapore

HCL (Malaysia) Sdn. Bhd., Malaysia (formerly "HCL Technologies (Malaysia) Sdn. Bhd., Malaysia")

HCL EAI Services Limited, India (formerly "HCL EAI Services Private Limited, India").

HCL Technoparks Limited

HCL BPO Services (NI) Limited, Northern Ireland

Fellow Subsidiary

HCL Peripherals Limited

Jointly Controlled Entity

NEC HCL System Technologies Limited

Others (Significant influence)

HCL Technologies Limited Employees Trust

HCL Infosystems Limited

HCL Infinet Limited

Key Managerial Personnel

S. Raman (upto March 31, 2006)

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)

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

Particulars	Subsidiaries Year ended 30 June		Fellow subsidiaries Year ended 30 June		Jointly controlled entities Year ended 30 June		Associates Year ended 30 June		Others Year ended 30 June		Key managerial personnel Year ended 30 June		Total Year ended 30 June	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	Sale of materials and services	1,550.26	730.01	–	5.23	–	–	–	–	3.41	–	–	–	1,553.67
Purchase of materials and services	444.47	310.72	0.17	12.95	–	–	–	0.46	25.87	–	–	–	470.51	324.13
Payment for use of facilities	–	1.03	0.38	1.44	–	–	–	–	0.96	–	–	–	1.34	2.47
Receipt for use of facilities	0.54	0.59	–	–	–	–	–	–	–	–	–	–	0.54	0.59
Dividend income	0.43	0.22	–	–	–	–	–	–	–	–	–	–	0.43	0.22
Interest paid	7.47	1.31	–	–	–	–	–	–	–	–	–	–	7.47	1.31
Other receipts	0.04	0.26	–	–	0.93	–	–	–	–	–	–	–	0.97	0.26
Diminution in the value of investment (refer note 2 of schedule 17)	(815.31)	–	–	–	–	–	–	–	–	–	–	–	(815.31)	–
Investments	11.11	43.10	–	–	10.78	–	–	–	–	–	–	–	21.89	43.10
Loans (net of repayments)	15.65	(15.42)	–	–	–	–	–	–	(0.03)	(13.95)	–	–	15.62	(29.37)
Purchase of capital equipments	1.42	–	0.11	22.99	–	–	–	–	46.54	–	–	–	48.07	22.99
Sale of capital equipments	–	0.96	–	–	–	–	–	–	–	–	–	–	–	0.96
Bad debts/advances written off	–	–	–	–	–	–	–	–	–	6.50	–	–	–	6.50
Remuneration	–	–	–	–	–	–	–	–	–	–	1.51	1.60	1.51	1.60
Guarantees	(336.02)*	308.57	–	–	–	(0.25)	–	–	–	–	–	–	(336.02)	308.32

* Includes corporate guarantees of Rs. 384.33 crores given by the Company for Transferor Companies (then, subsidiary companies), cancelled pursuant to amalgamation. (refer note 2 of schedule 17)

d) Outstanding balances with related parties

Particulars	Subsidiaries As at 30 June		Fellow subsidiaries Year ended 30 June		Jointly controlled entities As at 30 June		Associates As at 30 June		Others As at 30 June		Key managerial personnel As at 30 June		Total As at 30 June	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	Debtors	360.45	191.48	–	1.67	–	–	–	–	2.45	–	–	–	362.90
Short term loans outstanding	15.65	24.77	–	–	–	–	–	–	0.02	0.05	–	–	15.67	24.82
Other receivables	134.87	38.52	0.19	1.78	0.98	–	–	–	5.03	–	–	–	141.07	40.30
Creditors	461.17	219.42	0.02	1.06	–	–	–	–	12.14	–	–	–	473.33	220.48
Advance received	113.47	139.39	–	–	–	–	–	–	0.01	–	–	–	113.48	139.39
Unearned revenue	9.79	4.50	–	–	–	–	–	–	0.01	–	–	–	9.80	4.50

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)

9. Loans and Advances in the nature of Loans to Subsidiaries and Others

Name of the company	Amount of loan	Rate of interest	Maximum amount outstanding during the year
HCL BPO Services Limited*	–	–	–
	(20.77)	(–)	(58.87)
Shipara Technologies Limited*	–	–	–
	(4.00)	(9%)	(4.87)
HCL Technologies Limited Employees Trust	0.02	–	0.05
	(0.05)	(–)	(20.50)
HCL EAI Services Limited	0.55	9%	0.57
	(–)	(–)	(–)
HCL Technoparks Limited	15.10	–	15.10
	(–)	(–)	(–)

* refer note 2 above

Previous year figures are given in brackets.

10. Components of Deferred Tax Asset

	As at 30 June 2006	As at 30 June 2005
Depreciation	17.83	7.49
Amortisation of premium on bonds	–	0.01
	17.83	7.50

The deferred tax assets include Rs. 4.28 crores (previous year Nil) transferred on amalgamation of transferor companies with the Company. (refer note 2 of schedule 17)

11. Research and Development Expenditure

	As at 30 June 2006	As at 30 June 2005
Revenue	4.13	7.43
Capital	–	0.04
	4.13	7.47

12. Closing Balance and Maximum balances outstanding with non scheduled banks are as follows:

	Closing Balance		Maximum Balance	
	As at 30 June 2006	As at 30 June 2005	Year ended 30 June 2006	Year ended 30 June 2005
Non-scheduled banks – On Current account				
Citi Bank N.A. Singapore –SGD	0.21	0.07	0.21	0.32
Citi Bank N.A. Singapore –USD	0.24	0.34	1.86	1.76
Deutsche Bank, France –Euro	0.04	0.03	0.15	0.17
Deutsche Bank, Singapore –SGD	1.21	–	2.12	–
Bank of America, New York –USD	–	–	0.43	–
Deutsche Bank, London –GBP	1.62	–	4.61	–
Banker Trust, New York –USD	0.44	–	11.27	–
Total	3.76	0.44		

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)

13. Commitments and Contingent Liabilities

	As at 30 June 2006	As at 30 June 2005
Capital commitments		
Estimated amount of unexecuted capital contracts (net of advances)	140.43	14.24
Other commitments		
Commitment for land and building taken on lease [refer note 14 (iii)]	22.44	-
Commitment to contribute to a joint venture company	-	10.78
Contingent liabilities		
Guarantees given by the Company on behalf of various subsidiaries	186.01	497.01
Outstanding letter of credit	13.84	-
Disputed income tax	4.52	-
Disputed sales tax	0.05	0.29
	367.29	522.32

14. Land

- i) During the year, the Company has taken 50 acres of land at Chennai, Tamil Nadu, on leasehold basis for a period of 90 years from Electronics Corporation of Tamil Nadu (ELCOT). The lease rent payable is Re. 1 per annum over the lease period and has paid Rs. 24 crores as a refundable security deposit. The continued validity of the lease agreement is dependent on compliance with specified terms and conditions.
- ii) During the year, the Company has entered into a lease agreement with Karnataka Industrial Area Development Board (KIADB) for allotment of land against an "allotment consideration" of Rs. 8.13 crores. KIADB will sell the property to the Company during the lease period or at the end of six years or an extended time period, at a price to be fixed by them subject to performance by the Company of all the conditions specified in the agreement. The Company will pay the sale price, after adjusting the "allotment consideration" already paid, which has been recorded as capital advances, till the resolution of all the precedent conditions.
- iii) During the year, the Company has entered into a lease agreement with the lessor for lease for five years of a plot of land measuring 1.4 acres, and a building with a built-up area of 130,000 sq. ft. According to the agreement, during the 5 year period, if the lessor desires to sell the scheduled property to the Company, the Company shall be bound to purchase it at the rates mentioned in the agreement. The transaction has been recorded as a capital commitment calculated on the basis of the present value of the minimum lease payments. (refer note 13)

15. Derivative Financial Instruments

The Company enters into foreign exchange forward contracts and options where the counterparty is a bank. The foreign exchange forward contracts mature over periods ranging from one to thirty six months. The Company considers the risk of non performance by the counterparty as negligible. The value of forward cover contracts and options outstanding as on 30 June 2006 amounted to Rs. 2,704.46 crores (previous year Rs. 987.31 crores).

16. The details of investments in mutual funds/bonds and there movements during the year are provided below:

i) Details of Investments in bonds-Other than trade and unquoted

Particulars	Face Value	Balance as at	Balance as at	Balance as at	Balance as at
		30 June, 2006 Units	30 June, 2006 Amounts	30 June 2005 Units	30 June 2005 Amounts
National Housing Bonds 5.5%	10,000	3,000	3.00	-	-
Rural Electrification Corporation Limited 5.5%	10,000	3,000	3.00	-	-
National Highway Authority Of India 5.65%	10,000	3,000	3.00	-	-
SIDBI Capital Gains bond 5.5%	10,000	3,000	3.00	-	-
Total			12.00	-	-

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

ii) Details of Investments in mutual funds-Other than trade and unquoted

Particulars	Face Value	Balance as at	Balance as at	Balance as at	Balance as at
		30 June, 2006	30 June, 2006	30 June 2005	30 June 2005
		Units	Amounts	Units	Amounts
JM Equity and Derivative Plan Growth	10	9,530,091	10.00	-	-
Prudential ICICI Blended Plan Plan B Growth	10	10,000,000	10.00	10,000,000	10.00
Pru ICICI Long Term Plan Cumulative	10	16,265,240	23.00	-	-
ABN Amro Fixed Term Plan Series 1 Growth	10	15,000,000	15.00	-	-
Birla Fixed Maturity Plan Annual Series 3 Nov. 05 Growth	10	9,347,105	10.00	-	-
Birla Fixed Term Plan-Series C Growth	10	-	-	15,000,000	15.00
Birla Fixed Term Plan-Series D Growth	10	9,000,000	9.00	-	-
Birla Fixed Term Plan Series E Growth	10	15,000,000	15.00	-	-
Deutsche Fixed Term Fund-Growth Option	10	-	-	15,000,000	15.00
Deutsche Fixed Term Fund-SERIES 6 growth	10	10,000,000	10.00	-	-
Deutsche Fixed Term Fund Series 4 Growth Option	10	15,000,000	15.00	-	-
Deutsche Fixed Term Fund Series II Growth Option	10	15,000,000	15.00	9,000,000	9.00
Deutsche Fixed Term Fund Series III Growth Option	10	24,506,990	24.50	-	-
GFMP-4 Plan B (Institutional) Growth	10	-	-	15,000,000	15.00
GFMP 15th Plan B Institutional Growth	10	22,000,000	22.00	-	-
GFMP 16th Plan A Institutional Growth	10	15,000,000	15.00	-	-
Grindlays Fixed Maturity 20th Plan Growth	10	15,000,000	15.00	-	-
Grindlays Fixed Maturity 7th Plan -B- Growth	10	-	-	15,000,000	15.00
HSBC Fixed Time Series 1 Growth	10	14,504,416	14.50	-	-
HSBC Fixed Time Series VI Growth	10	10,000,000	10.00	-	-
ING Vysya Fixed Maturity Fund Series II Growth Option	10	-	-	10,000,000	10.00
JM Fixed Maturity Plan Yearly Plan YSB2- Growth	10	15,000,000	15.00	-	-
JM Fixed Maturity Plan YS01 Growth Option	10	-	-	12,500,000	12.50
Kotak FMP Series I-Growth	10	-	-	14,500,000	14.50
Kotak FMP Series XXI-Growth	10	9,000,000	9.00	-	-
Principal Deposit Fund (FMP-6) 371 Days Plan Mar 05- Growth	10	-	-	15,000,000	15.00
Principal Deposit Fund (FMP-6-20) 371 Days Plan Oct 05- Growth	10	15,008,894	15.01	-	-
Pru ICICI FMP Series 28 Growth	10	15,000,000	15.00	-	-
Prudential ICICI FMP 1 Year Plus Series XII Institutional Growth	10	-	-	15,000,000	15.00
Prudential ICICI FMP Series 5 Institutional Plan-Cummulative	10	-	-	5,000,000	5.00
Prudential ICICI Plan 1 Year Plus Growth (Direct)	10	-	-	15,000,000	15.00
Reliance Fixed Maturity Fund Annual Plan Series 1 Growth Option	10	-	-	10,069,224	10.07
SBI FMP MDFS 13 Months Oct. 05 Growth	10	15,000,000	15.00	-	-
SBI Magna Debt Fund Series-15 Months (Jan 05) Growth Option	10	-	-	15,004,127	15.00
SBI MDFS 13 Months-Growth	10	-	-	11,500,000	11.50
Sundaram Fixed Term Plan Series-III Feb06-Growth	10	5,000,000	5.00	-	-
TATA Fixed Horizon Fund Growth	10	-	-	15,000,000	15.00
TATA Fixed Horizon Fund Series 2 B 18 Months Growth	10	21,500,000	21.50	-	-
TATA Fixed Horizon Fund Series 3 Scheme F Growth	10	15,000,000	15.00	-	-
TATA Fixed Horizon Plan (371 days) Growth	10	-	-	15,000,000	15.00
UTI Fixed Maturity Plan- YFMP (0205) Growth Plan	10	-	-	15,000,000	15.00
UTI Fixed Maturity Plan- YFMP (0705) Growth Plan	10	17,000,000	17.00	-	-
UTI Fixed Maturity Plan- YFMP (0905) Growth Plan	10	15,000,000	15.00	-	-
UTI Fixed Maturity Plan-YFMP (1104) Growth	10	-	-	15,000,000	15.00
HSBC Cash Fund-Institutional Plus -Daily Dividend	10	5,742	0.01	-	-
Kotak Liquid Inst Premium Plan Daily Dividend	10	-	-	6,486	0.01
Birla Cash Plus Institutional Premium Plan Growth	10	57,175,150	58.89	101,294,882	104.17
Chola Liquid Fund Institutional Plus Cummulative	10	-	-	1,524,820	2.00
Deutsche Insta Cash Plus Fund-Institutional Growth	10	-	-	46,231,700	47.15
DSP Merrill Lynch Liquidity Fund-Growth	10	1,162,703	1.85	13,645,971	21.73
Grindlays Cash Fund Super Institutional Plan C Growth	10	-	-	99,429,641	101.76
HDFC Liquid -Premium Plus-Growth	10	-	-	43,237,896	56.06
HSBC Cash Fund-Institutional Plus-Growth	10	-	-	9,798,158	10.00
ING Vysya Liquid Fund Institutional Plan Growth Option	10	4,766,781	5.00	4,766,781	5.00

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Particulars	Face Value	Balance as at	Balance as at	Balance as at	Balance as at
		30 June, 2006	30 June, 2006	30 June 2005	30 June 2005
		Units	Amounts	Units	Amounts
Principal Cash Management Fund Liquid Option Instl. Premium					
Plan Growth	10	16,320,578	18.00	19,854,467	20.00
Prudential ICICI Liq. Inst. Plus-Growth (refer note 1)	10	985,384	1.66	37,312,255	59.69
Sundaram Money Fund- Institutional-Appreiciation	10	-	-	14,599,393	20.00
TATA Liq Super High Inv. Fund Appreciation	1,000	-	-	33,751	4.00
Templeton India TMA Institutional PI Growth	1,000	-	-	319,246	32.40
UTI Liquid Cash Plan Institutional-Growth Option	1,000	-	-	220,420	23.50
JM Floater Fund Long Term Plan Premium Fortnightly Dividend	10	-	-	2,995,814	3.01
Grindlays Floating Rate Fund Institutional Plan B LTP Growth	10	-	-	5,051,075	5.25
HDFC Floating Rate Income Fund LTP Growth	10	1,818,182	1.98	-	-
HSBC Floating Rate Fund Long Term Institutional Plan B Growth	10	21,102,935	21.70	17,013,384	17.51
HSBC Floating Rate Fund Long Term Regular Option Growth	10	-	-	1,005,068	1.01
JM Floater Fund Long Term Plan Premium Growth	10	-	-	6,832,050	7.00
Principal FRF Flexible Maturity Fund Inst. Plan Growth	10	11,039,567	11.50	8,169,935	8.50
Pru ICICI Long Term Floating Rate Plan B Growth	10	9,393,785	9.62	3,981,459	4.06
Birla Bond Plus Institutional Plan Dividend Reinvt (Fortnightly)	10	-	-	1,443,918	1.51
Deutsche Short Maturity Fund-Monthly Dividend Plan	10	-	-	2,456,942	2.50
HSBC Income Fund Short Term Institutional Dividend	10	-	-	1,869,035	2.01
JM Short Term Fund Institutional Plan-Dividend	10	-	-	2,932,124	3.01
Prudential ICICI Short Term Plan Institutional Dividend Option	10	-	-	1,830,977	2.02
Prudential ICICI Short Term Plan Institutional DR Fortnightly	10	-	-	3,224,253	3.53
Reliance Short Term Fund Monthly Dividend	10	-	-	2,458,698	2.60
Tata Short Term Bond Fund -Dividend	10	-	-	1,838,187	2.00
Templeton India Short Term Income Plan Monthly Dividend	1,000	-	-	64,130	6.56
DSP Merrill Lynch Short Term Fund Growth	10	6,696,958	7.75	6,528,912	7.50
GSTG GSSIF-Short Term Plan-Growth Option	10	992,526	1.30	-	-
HSBC Income Fund-Short Term Plan-Institutional Option Growth	10	9,242,209	10.75	-	-
K Bond Short Term Plan-Growth	10	11,499,883	14.01	152,724	0.18
Principal Income Fund STP Institutional Plan-Growth	10	8,844,948	9.88	6,885,431	7.50
Pru ICICI Institutional Short Term Plan-Cumulative Option	10	1,153,448	1.50	-	-
Prudential ICICI Short term Plan-Cumulative option	10	5,265,109	6.42	-	-
Reliance Short Term Fund Growth	10	12,775,941	15.02	-	-
Tata Short Term Bond Fund -Growth	10	18,306,623	22.04	-	-
Templeton India Short Term Income Plan Growth	1,000	59,524	7.25	14,171	1.75
ING Vysya Floating Rate Fund Weekly Dividend	10	-	-	4,970,059	5.00
Kotak Floater Short Term Monthly Dividend	10	-	-	11,498	0.01
Kotak Floater Short Term Weekly Dividend	10	-	-	1,585,681	1.59
UTI Floating Rate Fund Short Term Plan Weekly Dividend (refer note 2)	1,000	3	0.00	-	-
Deutsche Floating Rate Fund Regular Plan-Growth	10	63,458	0.07	52,552,130	55.00
DSP Merrill Lynch Floating Rate Fund Growth	10	15,258,179	16.74	71,445,030	77.00
Grindlays Floating Rate Fund Super Institutional Plan C STP Growth	10	34,103,396	36.75	52,528,427	54.00
HSBC Floating Rate Fund Short Term Institutional Option-Growth	10	6,135,268	6.22	24,989,024	25.00
JM Floater Fund Short Term Plan Growth	10	-	-	110,316	0.12
Principal Floating Rate Fund SMP Inst. Option Growth Plan	10	36,376,820	38.10	36,019,939	36.72
Pru ICICI Floating Rate Plan C Growth (refer note 1)	10	48,867,686	51.94	53,320,988	54.00
Sundaram Floater ST Institutional Growth	10	13,410,629	14.00	4,001,807	4.00
TATA Floating Rate Fund Short Term Inst.Plan Growth	10	21,004,318	22.00	40,301,962	40.51
Templeton Floating Rate Income Fund STP Growth	10	-	-	17,080,878	20.00
UTI Floating Rate Fund Short Term Plan Growth	1,000	254,726	27.90	68,840	7.50
Birla Fixed Term Plan-Series H Growth	10	15,000,000	15.00	-	-
Birla Floating Rate Fund Long Term Growth	10	5,515,311	5.98	-	-
Birla Floating Rate Fund Short Term Growth	10	9,716,182	10.58	-	-
CAN Floating Rate Fund Short Term Growth Fund	10	20,400,851	22.00	-	-
CAN Floating Rate Fund Short Term Weekly Dividend	10	38,366,634	39.39	-	-
Deutsche Insta Cash Fund-Growth	10	2,677,567	2.96	-	-
Deutsche Short Maturity Fund-Growth Option	10	7,203,256	8.34	-	-

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Particulars	Face Value	Balance as at	Balance as at	Balance as at	Balance as at
		30 June, 2006	30 June, 2006	30 June 2005	30 June 2005
		Units	Amounts	Units	Amounts
DSP Merrill Lynch Liquidity Fund IP- Growth	1,000	193,619	20.00	-	-
DSPML Floating Rate Inst Growth	1,000	44,993	4.50	-	-
Franklin Templeton Fixed Tenure Fund series V	10	15,000,000	15.00	-	-
Grindlays Fixed Maturity-22nd Plan-Growth	10	14,000,000	14.00	-	-
Grindlays Floating Rate Fund-ST Institutional Plan B	10	6,538,158	7.20	-	-
HDFC Cash Management Fund-Savings Plus Plan Growth	10	534,860	0.79	-	-
HDFC Floating Rate Fund-ST-Growth	10	3,633,784	3.99	-	-
HDFC FMP 13 Month March 2006 Growth	10	25,000,000	25.00	-	-
HSBC Fixed Time Series IV Growth	10	10,000,000	10.00	-	-
ING Vysya Floating Rate Fund Growth	10	7,088,935	7.40	-	-
Kotak Cash Plus Growth	10	12,541,362	13.00	-	-
Kotak Flexi Debt Scheme-Growth	10	3,816,830	4.00	-	-
Kotak Floater Short Term Growth	10	2,192,326	2.42	-	-
Kotak FMP Series 13-Growth	10	15,000,000	15.00	-	-
Kotak FMP Series XIV-Growth	10	15,000,000	15.00	-	-
Principal Income Fund Short Term Inst Plan Growth	10	7,094,205	8.03	-	-
Pru ICICI FMP Plan -Institutional Cumulative 28	10	5,000,000	5.00	-	-
Prudential ICICI Floating Rate Fund-Plan B Short Term -Growth	10	3,690,432	4.03	-	-
Prudential ICICI Institutional FMP-15 Monthly Plan Series XXV	10	12,594,106	13.50	-	-
Prudential ICICI Institutional Liquid Plan -Super Inst Daily dividend	10	931,914	0.93	-	-
Standard Chartered Liquidity Manager Plus Daily Dividend	1,000	2,875	0.29	-	-
Standard Chartered Fixed Maturity -2 Plan Growth	10	5,000,000	5.00	-	-
TATA Fixed Horizon Fund Series 1-Plan C (371 Days)-Growth	10	15,000,000	15.00	-	-
TATA Fixed Horizon Fund Series 2	10	15,000,000	15.00	-	-
TATA Fixed Horizon Fund Series 2-Plan C 18 months Growth	10	15,000,000	15.00	-	-
TATA Fixed Horizon Fund Series 3 Plan C (13 Months) Growth	10	10,000,000	10.00	-	-
TATA Fixed Horizon Fund Series 3 Scheme G Growth	10	15,000,000	15.00	-	-
Templeton Floating Rate Fund-ST-Growth	10	4,686,413	5.61	-	-
Templeton Floating Rate Fund-ST-Growth Institutional	10	8,485,121	8.52	-	-
UTI Fixed Term Income Fund Series -Plan 18- Growth	10	15,000,000	15.00	-	-
HDFC FMP 13 M June 2006(1)-Institutional Plan Growth	10	15,000,000	15.00	-	-
HSBC Fixed Time Series IX 370 Days Growth	10	15,000,000	15.00	-	-
SBI FMP MDFS 13 Months June 2006	10	10,000,000	10.00	-	-
Templeton India TMA -Super Inst Plan -Growth	1,000	143,476	15.01	-	-
UTI Fixed Maturity Plan- YFMP (0606) Growth Plan	10	15,000,000	15.00	-	-
UTI Spread Fund -Growth	10	5,000,000	5.00	-	-
ING Vysya Liquid Fund Super Institutional Plan Growth Option	10	33,718,391	35.51	-	-
Total			1,323.34		1,239.50
Less: Dimunition in the value of Investment			(0.01)		(0.13)
Total (A)			1,323.33		1,239.37
iii) Details of Investments in bonds-Other than trade and quoted					
NPC 10% Bonds	100,000	-	-	250	2.50
IRFC 7.8% Tax Free Bonds	1,000,000	100	10.00	100	10.00
NPC 10.5% Tax Free Bonds	100,000	-	-	2,000	20.08
Total			10.00		32.58
Less: Dimunition in the value of Investment			-		-
Total (B)			10.00		32.58
Total (A)+(B)			1,333.33		1,271.95
Note:					
1. Previous year these units have been pledged in favour of ABN Amro Bank.					
2. Face value has been changed from Rs. 10 to Rs. 1,000 with effect from 1st April 2006.					

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

iv) Details of units of mutual funds & bonds purchased and redeemed/sold during the year

Particulars	Face Value	Acquired on Amalgamation		Purchased During the Year		Sale/Redemption Proceeds During the Year	
		Units	Amount	Units	Amount	Units	Amount
JM Equity and Derivative Plan Growth	10	-	-	9,530,091	10.00	-	-
Birla Income Plus Growth	10	1,818,728	5.01	-	-	1,818,728	5.10
DSP Merrill Lynch Bond Fund Retail - Growth	10	2,210,902	5.00	-	-	2,210,902	5.11
Grindlays SSIF - Investment Plan - Growth	10	2,607,579	4.00	-	-	2,607,579	4.08
HDFC Income Fund Growth	10	2,571,157	4.00	-	-	2,571,157	4.07
HSBC Income Fund Institutional Growth	10	4,425,288	5.00	-	-	4,425,288	5.12
Pru ICICI Long Term Plan Cumulative	10	-	-	16,265,240	23.00	-	-
Prudential ICICI Flexible Income Plan - Growth	10	925,007	1.10	-	-	925,007	1.13
ABN Amro Fixed Term Plan Series 1 Growth	10	-	-	15,000,000	15.00	-	-
Birla Fixed Maturity Plan Annual Series 3 Nov. 05 Growth	10	-	-	9,347,105	10.00	-	-
Birla Fixed Term Plan - Series C Growth	10	-	-	-	-	15,000,000	16.14
Birla Fixed Term Plan - Series D Growth	10	-	-	9,000,000	9.00	-	-
Birla Fixed Term Plan Series E Growth	10	-	-	15,000,000	15.00	-	-
Deutsche Fixed Term Fund - Growth Option	10	-	-	-	-	15,000,000	15.97
Deutsche Fixed Term Fund - SERIES 6 growth	10	-	-	10,000,000	10.00	-	-
Deutsche Fixed Term Fund Series 4 Growth Option	10	-	-	15,000,000	15.00	-	-
Deutsche Fixed Term Fund Series II Growth Option	10	-	-	6,000,000	6.00	-	-
Deutsche Fixed Term Fund Series III Growth Option	10	-	-	24,506,990	24.51	-	-
GFMP - 4 Plan B (Institutional) Growth	10	-	-	-	-	15,000,000	15.94
GFMP 15th Plan B Institutional Growth	10	-	-	22,000,000	22.00	-	-
GFMP 16th Plan A Institutional Growth	10	-	-	15,000,000	15.00	-	-
Grindlays Fixed Maturity 20th Plan Growth	10	-	-	15,000,000	15.00	-	-
Grindlays Fixed Maturity 7th Plan -B- Growth	10	-	-	-	-	15,000,000	16.26
HSBC Fixed Time Series 1 Growth	10	-	-	14,504,416	14.50	-	-
HSBC Fixed Time Series VI Growth	10	-	-	10,000,000	10.00	-	-
ING Vysya Fixed Maturity Fund Series II Growth Option	10	-	-	-	-	10,000,000	10.75
JM Fixed Maturity Plan Yearly Plan YSB2- Growth	10	-	-	15,000,000	15.00	-	-
JM Fixed Maturity Plan YS01 Growth Option	10	-	-	-	-	12,500,000	13.28
Kotak FMP Series I - Growth	10	-	-	-	-	14,500,000	15.39
Kotak FMP Series XXI - Growth	10	-	-	9,000,000	9.00	-	-
Principal Deposit Fund (FMP-6) 371 Days Plan Mar 05- Growth	10	-	-	-	-	15,000,000	15.93
Principal Deposit Fund (FMP-6-20) 371 Days Plan Oct 05- Growth	10	-	-	15,008,894	15.01	-	-
Pru ICICI FMP Series 28 Growth	10	-	-	15,000,000	15.00	-	-
Prudential ICICI FMP 1 Year Plus Series XII Institutional Growth	10	-	-	-	-	15,000,000	16.24
Prudential ICICI FMP Series 5 Institutional Plan - Cumulative	10	-	-	-	-	5,000,000	5.39
Prudential ICICI Plan I Year Plus Growth (Direct)	10	-	-	-	-	15,000,000	16.06
Reliance Fixed Maturity Fund Annual Plan Series 1 Growth Option	10	-	-	-	-	10,069,224	10.80
SBI FMP MDFS 13 Months Oct. 05 Growth	10	-	-	15,000,000	15.00	-	-
SBI Magna Debt Fund Series - 15 Months (Jan 05) Growth Option	10	-	-	-	-	15,004,127	16.18
SBI MDFS 13 Months - Growth	10	-	-	-	-	11,500,000	12.27
Sundaram Fixed Term Plan Series-III Feb06-Growth	10	-	-	5,000,000	5.00	-	-
TATA Fixed Horizon Fund Growth	10	-	-	-	-	15,000,000	15.91
TATA Fixed Horizon Fund Series 2 B 18 Months Growth	10	-	-	21,500,000	21.50	-	-
TATA Fixed Horizon Fund Series 3 Scheme F Growth	10	-	-	15,000,000	15.00	-	-
TATA Fixed Horizon Plan (371 days) Growth	10	-	-	-	-	15,000,000	15.92
UTI Fixed Maturity Plan- YFMP (0205) Growth Plan	10	-	-	-	-	15,000,000	15.99
UTI Fixed Maturity Plan- YFMP (0705) Growth Plan	10	-	-	17,000,000	17.00	-	-
UTI Fixed Maturity Plan- YFMP (0905) Growth Plan	10	-	-	15,000,000	15.00	-	-
UTI Fixed Maturity Plan - YFMP (1104) Growth	10	-	-	-	-	15,000,000	15.99
Birla Cash Plus - Institutional Plan Daily Dividend	10	-	-	929,878	1.00	929,878	1.00
Birla Cash Plus Institutional Premium Divd							
Plan Dailly Dividend Reinvestment	10	-	-	64,142,938	64.27	64,142,938	64.27
CanLiquiq fund - Institutional Daily Dividend Reinvest	10	-	-	101,581,071	102.00	101,581,071	102.00
Deutsche Insta Cash Plus Fund - Institutional Daily Dividend Plan	10	-	-	38,956,071	39.03	38,956,071	39.03
DSP Merrill Lynch Liquidity Fund - Weekly Dividend	10	-	-	1,214,628	1.51	1,214,628	1.51
DSP Merrill Lynch Liquidity Fund Institutional Plan Daily Dividend	1,000	-	-	1,032,777	103.31	1,032,777	103.32
Grindlays Cash Fund-Daily Dividend	10	13,861	0.02	-	-	13,861	0.02
HDFC Cash Management Fund -Savings Plus Plan -Dividend	10	-	-	1,513,458	1.52	1,513,458	1.52
HSBC Cash Fund - Institutional Plus -Daily Dividend	10	-	-	21,067,893	21.08	21,062,151	21.07
ING Vysya Liquid Fund Institutional Daily Dividend Option	10	-	-	37,974,963	38.01	37,974,963	38.01
JM High Liquidity Fund Super Inst. Plan - Daily Divd. Reinv	10	-	-	24,425,331	24.48	24,425,331	24.47
Kotak Liquid Inst Premium Plan Daily Dividend	10	-	-	24,072,994	29.44	24,079,480	29.44
Prudential ICICI Liq. Inst. Plus - Weekly Dividend	10	-	-	13,746,114	16.30	13,746,114	16.30

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Particulars	Face Value	Aquired on Amalgamation		Purchased During the Year		Sale/Redemption Proceeds During the Year	
		Units	Amount	Units	Amount	Units	Amount
Prudential ICICI Liquid Plan - Dividend Option	10	-	-	1,697,274	2.02	1,697,274	2.01
Reliance Liquid Fund Cash Plan Daily Dividend	10	-	-	44,473,436	49.55	44,473,436	49.55
Reliance Liquidity Fund Daily Dividend Reinvest	10	-	-	27,291,544	27.30	27,291,544	27.30
RLF- Treasury Plan- Regular Option Monthly Dividend	10	-	-	1,042,535	1.50	1,042,535	1.31
SBI Magna Institutional Income Fund - Savings Dividend	10	1,914,980	2.01	28,463,572	28.56	30,378,552	30.57
Standard Chartered Liquidity Manager Daily Dividend	10	-	-	39,104,214	39.11	39,104,215	39.11
TATA Liq Super High Inv. Fund Daily Dividend	1,000	-	-	160,793	17.92	160,793	17.92
UTI Liquid Cash Plan Institutional - Daily Income Option	1,000	-	-	105,882	10.75	105,882	10.76
Birla Cash Plus Institutional Premium Plan Growth	10	-	-	-	-	44,119,731	48.04
Chola Liquid Fund Institutional Plus Cumulative	10	-	-	-	-	1,524,820	2.11
Deutsche Insta Cash Plus Fund - Institutional Growth	10	-	-	-	-	46,231,700	49.97
DSP Merrill Lynch Liquidity Fund - Growth	10	4,565,824	7.04	-	-	17,049,093	28.71
Grindlays Cash Fund Institutional Plan Growth	10	826,507	1.00	-	-	826,507	1.06
Grindlays Cash Fund Super Institutional Plan C Growth	10	-	-	-	-	99,429,641	107.46
HDFC Liquid -Premium Plus - Growth	10	-	-	-	-	43,237,896	59.16
HSBC Cash Fund - Institutional Option - Growth	10	9,027,586	9.68	-	-	9,027,586	10.31
HSBC Cash Fund - Institutional Plus - Growth	10	-	-	-	-	9,798,158	10.66
HSBC Cash Fund Growth	10	133,913	0.15	-	-	133,913	0.15
Principal Cash Management Fund Liquid Option Institutional Plan - Growth	10	-	-	1,797,139	2.00	1,797,139	2.00
Principal Cash Management Fund Liquid Option Instl. Premium Plan Growth	10	-	-	16,320,578	18.00	19,854,467	21.09
Prudential ICICI Liq. Inst. Plus - Growth	10	-	-	985,384	1.66	37,312,255	62.92
Sundaram Money Fund- Institutional - Appreciation	10	-	-	-	-	14,599,393	21.12
TATA Liq Super High Inv. Fund Appreciation	1,000	-	-	-	-	33,751	4.22
Templeton India TMA Growth	1,000	18,609	3.00	-	-	18,609	3.16
Templeton India TMA Institutional PI Growth	1,000	79,994	8.07	-	-	399,240	42.62
UTI Liquid Cash Plan Institutional - Growth Option	1,000	-	-	-	-	220,420	25.08
JM Floater Fund Long Term Plan Premium Fortnightly Dividend	10	-	-	25,967	0.03	3,021,781	3.03
Principal FRF Flexible Maturity Fund Inst. Plan WD	10	-	-	3,024,071	3.02	3,024,071	3.03
ABN Amro Long Term FRF Institutional Growth	10	-	-	15,002,152	15.00	15,002,152	15.44
Grindlays Floating Rate Fund Institutional Plan B LTP Growth	10	2,477,750	2.50	-	-	7,528,825	8.17
HDFC Floating Rate Income Fund LTP Growth	10	4,117,603	4.50	-	-	2,299,421	2.65
HSBC Floating Rate Fund Long Term Institutional Plan B Growth	10	5,903,886	6.00	4,089,551	4.25	5,903,886	6.38
HSBC Floating Rate Fund Long Term Regular Option Growth	10	-	-	-	-	1,005,068	1.07
JM Floater Fund Long Term Plan Premium Growth	10	2,463,574	2.50	2,880,737	3.00	12,176,362	13.24
Principal FRF Flexible Maturity Fund Inst. Plan Growth	10	-	-	2,869,633	3.00	-	-
Pru ICICI Long Term Floating Rate Plan B Growth	10	6,936,329	7.00	5,953,330	6.25	7,477,334	7.98
Templeton Floating Rate Income Fund LTP Growth	10	5,748,088	6.56	-	-	5,748,088	6.97
Birla Bond Plus Institutional Plan Dividend Reinv (Fortnightly)	10	-	-	4,408	0.00	1,448,326	1.51
Deutsche Short Maturity Fund - Monthly Dividend Plan	10	-	-	9,876	0.01	2,466,818	2.51
HSBC Income Fund Short Term Institutional Dividend	10	-	-	-	-	1,869,035	2.01
JM Short Term Fund Institutional Plan - Dividend	10	-	-	10,226	0.01	2,942,350	3.02
Principal Income Fund STP - Monthly Dividend	10	-	-	4,963,276	5.02	4,963,276	5.02
Prudential ICICI Short Term Plan Institutional Dividend Option	10	-	-	-	-	1,830,977	2.02
Prudential ICICI Short Term Plan Institutional DR Fortnightly	10	-	-	2,734,693	3.02	5,958,946	6.55
Reliance Short Term Fund Monthly Dividend	10	-	-	4,902,345	5.00	7,361,043	7.53
Tata Short Term Bond Fund -Dividend	10	-	-	7,354,485	8.02	9,192,672	10.05
Templeton India Short Term Income Plan Monthly Dividend	1,000	-	-	-	-	64,130	6.55
DSP Merrill Lynch Short Term Fund Growth	10	3,073,330	3.50	1,489,007	1.75	4,394,291	5.27
GSTG GSSIF-Short Term Plan-Growth Option	10	3,568,452	3.92	-	-	2,575,926	2.74
HSBC Income Fund - Short Term Plan - Institutional Option Growth	10	-	-	9,242,209	10.75	-	-
JM Short Term Fund Institutional Plan - Growth	10	-	-	3,291,048	3.75	3,291,048	3.91
K Bond Short Term Plan-Growth	10	-	-	13,967,536	17.01	2,620,377	3.19
Principal Income Fund STP Institutional Plan - Growth	10	-	-	7,052,263	8.02	5,092,745	6.00
Pru ICICI Institutional Short Term Plan - Cumulative Option	10	-	-	1,153,448	1.50	-	-
Prudential ICICI Short term Plan-Cumulative option	10	7,172,584	8.74	-	-	1,907,475	2.41
Reliance Short Term Fund Growth	10	-	-	12,775,941	15.02	-	-
Tata Short Term Bond Fund -Growth	10	-	-	18,306,623	22.04	-	-
Templeton India Short Term Income Plan Growth	1,000	29,219	3.50	16,134	2.00	-	-
ABN Amro Floating Rate Fund - Institutional Daily Dividend	10	-	-	6,002,152	6.00	6,002,152	6.00
ABN Amro Floating Rate Fund - Institutional Plus Daily Dividend	10	-	-	15,002,738	15.00	15,002,738	15.00
ING Vysya Floating Rate Fund Weekly Dividend	10	-	-	7,954,358	8.01	12,924,418	13.02

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Particulars	Face Value	Acquired on Amalgamation		Purchased During the Year		Sale/Redemption Proceeds During the Year	
		Units	Amount	Units	Amount	Units	Amount
JM Floater Fund STP Dividend Fortnightly Reinvest	10	-	-	5,010,431	5.04	5,010,431	5.05
Kotak Floater Short Term Monthly Dividend	10	-	-	439	0.00	11,937	0.01
Kotak Floater Short Term Weekly Dividend	10	2,007,971	2.01	24,224	0.02	3,617,877	3.62
Principal Floating Rate Fund SMP Inst. Option Daily Dividend	10	-	-	28,541,397	28.54	28,541,397	28.54
Prudential ICICI Floating Rate Plan Short Term plan C - Fortnightly Dividend Reinvestment	10	-	-	5,500,403	5.51	5,500,403	5.51
TATA Floating Rate Short Term Inst.Plan Daily Dividend	10	-	-	36,555,778	36.59	36,555,778	36.59
Templeton Floating Rate Income Fund STP Divd Reinvestment	10	-	-	2,006,793	2.01	2,006,793	2.01
UTI Floating Rate Fund Short Term Plan Weekly Dividend	10	-	-	47,188,307	47.55	47,188,021	47.57
ABN Amro Floating Rate Fund - Institutional Growth	10	-	-	3,784,976	4.00	3,784,976	4.01
ABN Amro Floating Rate Fund - Institutional Plus Plan Growth	10	-	-	4,485,422	4.50	4,485,422	4.50
Deutsche Floating Rate Fund Regular Plan - Growth	10	6,705,543	7.00	2,327,725	2.50	61,521,940	68.47
DSP Merrill Lynch Floating Rate Fund Growth	10	8,928,895	9.50	6,026,230	6.70	71,141,976	80.77
Grindlays Floating Rate Fund Super Institutional Plan C STP Growth	10	-	-	34,103,396	36.75	52,528,427	57.18
HSBC Floating Rate Fund Short Term Institutional Option - Growth	10	-	-	6,135,268	6.33	24,989,024	26.66
JM Floater Fund Short Term Plan Growth	10	-	-	-	-	110,316	0.12
Principal Floating Rate Fund SMP Inst. Option Growth Plan	10	2,452,303	2.50	18,714,004	19.86	20,809,426	22.38
Pru ICICI Floating Rate Plan C Growth	10	-	-	48,867,686	51.94	53,320,988	57.43
Sundaram Floater ST Institutional Growth	10	-	-	13,410,629	14.00	4,001,807	4.24
TATA Floating Rate Short Term Inst.Plan Growth	10	-	-	21,004,318	22.00	40,301,962	42.81
Templeton Floating Rate Income Fund STP Growth	10	-	-	-	-	17,080,878	21.17
UTI Floating Rate Fund Short Term Plan Growth	1,000	-	-	189,485	20.80	3,599	0.40
Birla Fixed Term Plan - Series H Growth	10	-	-	15,000,000	15.00	-	-
Birla Floating Rate Fund Long Term Growth	10	8,302,451	9.00	-	-	2,787,140	3.18
Birla Floating Rate Fund Short Term Growth	10	6,243,786	6.75	4,638,734	5.10	1,166,339	1.33
CAN Floating Rate Fund Short Term Growth Fund	10	-	-	20,400,851	22.00	-	-
CAN Floating Rate Fund Short Term Weekly Dividend	10	-	-	42,752,599	43.89	4,385,965	4.50
Deutsche Insta Cash Fund - Growth	10	3,104,422	3.37	2,677,567	3.00	3,104,422	3.54
Deutsche short maturity Fund - Growth Option	10	1,873,251	1.97	7,373,980	8.54	2,043,975	2.32
DSP Merrill Lynch Liquidity Fund IP- Growth	1,000	-	-	193,619	20.00	-	-
DSP Merrill Lynch short term fund weekly dividend	10	-	-	3,941,429	4.02	3,941,429	4.01
DSPML Floating Rate Inst Growth	1,000	-	-	44,993	4.50	-	-
Franklin Templeton Fixed Tenure Fund series V	10	-	-	15,000,000	15.00	-	-
Grindlays Fixed Maturity - 22nd Plan - Growth	10	-	-	14,000,000	14.00	-	-
Grindlays Fixed Maturity 12 Plan Growth	10	-	-	250,000	0.25	250,000	0.27
Grindlays Floating Rate Fund - ST Institutional Plan B	10	1,871,660	2.00	6,538,158	7.25	1,871,660	2.11
HDFC Cash Management Fund - Savings Plus Plan Growth	10	1,437,479	2.00	534,860	0.79	1,437,479	2.11
HDFC Floating Rate Fund - ST - Growth	10	8,345,963	9.09	3,633,784	4.07	8,345,963	9.70
HDFC FMP 13 Month March 2006 Growth	10	-	-	25,000,000	25.00	-	-
HSBC Fixed Time Series IV Growth	10	-	-	10,000,000	10.00	-	-
ING Vysya Floating Rate Fund Growth	10	-	-	7,088,935	7.40	-	-
JM High Liquidity Fund Premium Plan - Daily Dividend	10	-	-	13,316,772	13.32	13,316,772	13.32
Kotak Cash Plus Growth	10	-	-	12,541,362	13.00	-	-
Kotak Flexi Debt Scheme - Growth	10	-	-	4,084,338	4.28	267,507	0.28
Kotak Flexi Debt Scheme -Daily Dividend	10	-	-	4,008,729	4.01	4,008,729	4.02
Kotak Floater Short Term Growth	10	184,162	0.20	2,008,164	2.22	-	-
Kotak FMP Series 13 - Growth	10	-	-	15,000,000	15.00	-	-
Kotak FMP Series XIV - Growth	10	-	-	15,000,000	15.00	-	-
LIC MF Liquid Dividend Plan	10	-	-	95,503,361	104.59	95,503,362	104.61
Principal Cash Management Fund Liquid Option Institutional Premium Plan - Daily Dividend Reinvest	10	-	-	25,480,062	25.48	25,480,062	25.48
Principal Income Fund Short Term Inst Plan Growth	10	3,709,440	4.00	7,094,205	8.03	3,709,440	4.11
Pru ICICI FMP Plan -Institutional Cumulative 28	10	-	-	5,000,000	5.00	-	-
Pru ICICI FMP Series 27 Growth	10	-	-	10,000,000	10.00	10,000,000	10.21
Prudential ICICI Floating Rate Fund-Plan B Short Term -Growth	10	8,428,298	9.00	1,400,803	1.59	6,138,669	6.88
Prudential ICICI Institutional FMP - 15 Monthly Plan Series XXV	10	-	-	12,594,106	13.50	-	-
Prudential ICICI Institutional Liquid Plan -Super Inst Daily dividend	10	-	-	48,029,822	48.03	47,097,907	47.10
Prudential ICICI FMP - Yearly Growth Series XXIV	10	949,595	1.00	-	-	949,595	1.06
Reliance Fixed Maturity Fund - Series II Annual Plan	10	-	-	15,000,000	15.00	15,000,000	15.99
Standard Chartered Liquidity Manager Plus Daily Dividend	1,000	-	-	325,122	32.52	322,248	32.23
Standard Chartered Fixed Maturity -2 Plan Growth	10	-	-	5,000,000	5.00	-	-
TATA Fixed Horizon Fund Series 1 - Plan C (371 Days) - Growth	10	-	-	15,000,000	15.00	-	-
Tata Fixed Horizon Fund Series 2	10	-	-	15,000,000	15.00	-	-

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Particulars	Face Value	Acquired on Amalgamation		Purchased During the Year		Sale/Redemption Proceeds During the Year	
		Units	Amount	Units	Amount	Units	Amount
Tata Fixed Horizon Fund Series 2 - Plan C 18 months Growth	10	-	-	15,000,000	15.00	-	-
TATA Fixed Horizon Fund Series 3 Plan C (13 Months) Growth	10	-	-	10,000,000	10.00	-	-
TATA Fixed Horizon Fund Series 3 Scheme G Growth	10	-	-	15,000,000	15.00	-	-
Tata Floater Fund - Growth Dynamic	10	-	-	4,241,559	4.25	4,241,559	4.41
Tata Liquidity Management Fund Daily Dividend	1,000	-	-	159,002	15.94	159,002	15.94
Templeton Floating Rate Fund - ST - Growth	10	7,286,265	8.50	3,005,006	3.69	5,604,858	6.88
Templeton Floating Rate Fund - ST - Growth Institutional	10	-	-	8,485,121	8.52	-	-
Templeton India Short Term Income Plan Inst Weekly Dividend	1,000	-	-	69,800	7.02	69,800	7.02
Templeton India TMA -Institutional Plan-Daily Dividend	1,000	-	-	220,023	22.01	220,023	22.01
UTI Fixed Term Income Fund Series -Plan 18- Growth	10	-	-	15,000,000	15.00	-	-
UTI Liquid Cash Plan Regular Daily Income Option	1,000	-	-	157,903	16.01	157,903	16.02
Birla Cash Plus	10	783,044	1.33	-	-	783,044	1.40
Deutsche Insta Cash Plus Fund - Weekly Dividend Option	10	-	-	5,950,434	6.04	5,950,434	6.04
Deutsche Floating Rate Fund Regular Plan - Weekly Dividend	10	-	-	1,463,902	1.50	1,463,902	1.50
Deutsche Fixed Term Fund - Series 7 - Growth Option	10	-	-	2,179,056	2.18	2,179,056	2.21
Grindlays Floating Rate Fund -Long Term Plan Growth	10	4,474,992	4.50	-	-	4,474,992	4.75
Grindlays Floating Rate Fund -Short Term Plan Growth	10	4,442,328	4.76	-	-	4,442,328	5.00
HDFC Cash Management Fund Savings Plan Growth	10	1,810,863	2.36	-	-	1,810,863	2.51
HDFC Cash Management Fund Savings Plan - Weekly Dividend Reinvestment	10	-	-	1,888,597	2.01	1,888,597	2.01
HSBC Floating Rate Fund ST-To-Growth	10	9,492,139	9.50	-	-	9,492,139	10.08
HSBC Cash Fund - Institutional Daily Dividend	10	-	-	9,103,760	9.50	9,103,760	9.50
JM floater Fund -Short Term Premium Plan	10	1,851,715	2.00	-	-	1,851,715	2.12
Prudential ICICI Long Term Floating Rate Fund	10	-	-	2,997,680	3.01	2,997,680	3.02
UTI Bond Fund-Growth	10	2,664,038	5.00	-	-	2,664,038	5.20
HDFC FMP 13 M June 2006(1)-Institutional Plan Growth	10	-	-	15,000,000	15.00	-	-
HSBC Fixed Time Series IX 370 Days Growth	10	-	-	15,000,000	15.00	-	-
SBI FMP MDFS 13 Months June 2006	10	-	-	10,000,000	10.00	-	-
Templeton India TMA -Super Inst Plan -Growth	1,000	-	-	143,476	15.00	-	-
UTI Fixed Maturity Plan- YFMP (0606) Growth Plan	10	-	-	15,000,000	15.00	-	-
UTI Spread Fund -Growth	10	-	-	5,000,000	5.00	-	-
ING Vysya Liquid Fund Super Institutional Plan Growth Option	10	-	-	33,718,391	35.50	-	-
Total (A)			211.14		2,320.52		2,522.64
Investments in bonds							
NPC 10% Bonds	100,000	-	-	-	-	250	2.50
NPC 10.5% Tax Free Bonds	100,000	-	-	-	-	2,000	20.00
National Housing Bonds 5.5%	10,000	-	-	3,000	3.00	-	-
Rural Electrification Corporation Limited 5.5%	10,000	-	-	3,000	3.00	-	-
National Highway Authority Of India 5.65%	10,000	-	-	3,000	3.00	-	-
SIDBI Capital Gains bond 5.5%	10,000	-	-	3,000	3.00	-	-
Total (B)				12.00		22.50	
Total (A)+(B)			211.14		2,332.52		2,545.14

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)

17. Auditors' Remuneration *

	Year ended 30 June 2006	Year ended 30 June 2005
Statutory audit	1.32	0.85
Tax audit fees	0.21	0.15
Other Services	0.15	0.81
	1.68	1.81

* excluding service tax

18. CIF Value of Imports

	Year ended 30 June 2006	Year ended 30 June 2005
Capital goods	64.88	29.08
	64.88	29.08

19. Expenditure in Foreign Currency

	Year ended 30 June 2006	Year ended 30 June 2005
Software development charges	449.04	296.16
Interest	9.31	4.14
Travel (on cash basis)	185.20	94.06
Rates and taxes	18.03	8.29
Marketing Expenses	–	18.12
Software License Fee	7.07	1.21
Link Charges	22.99	0.76
Professional fees	6.97	0.41
Personnel Expenses	40.37	–
Others	19.02	1.35
	758.00	424.50

20. Earnings in Foreign Currency

	Year ended 30 June 2006	Year ended 30 June 2005
Income from IT and Business Process Outsourcing Services	2,994.20	1,428.12
Interest Income	0.07	–
	2,994.27	1,428.12

Expenditure reimbursed by the customers in foreign currency has been netted off against the related expenses in the Profit and Loss account and amounts to Rs. 83.75 crores (previous year Rs. 35.88 crores).

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)

21. Dividend Remitted in Foreign Currency

	Year ended 30 June 2006	Year ended 30 June 2005
Final dividend		
Number of non-resident shareholders	94	113
Number of shares held	61,516,558	61,607,779
Amount remitted (net of tax)	24.61	24.64
Year to which it relates	2004-05	2003-04
1st Interim dividend		
Number of non-resident shareholders	90	118
Number of shares held	61,457,565	61,946,251
Amount remitted (net of tax)	24.58	24.78
Year to which it relates	2005-06	2004-05
2nd Interim dividend		
Number of non-resident shareholders	92	104
Number of shares held	61,489,428	61,581,631
Amount remitted (net of tax)	24.60	24.63
Year to which it relates	2005-06	2004-05
3rd Interim dividend		
Number of non-resident shareholders	90	95
Number of shares held	61,497,727	61,495,281
Amount remitted (net of tax)	24.60	24.60
Year to which it relates	2005-06	2004-05

22. Managerial Remuneration

- a) Computation of net profit in accordance with Section 349 of the Companies Act, 1956 and calculation of commission payable to non whole-time directors:

		Year ended 30 June 2006
Profit before tax as per Profit and Loss Account		653.83
Add:		
Depreciation as per books of accounts	138.80	
Provision for doubtful debts/ advances	1.74	
Book loss on sale of Investments	0.31	
Donations	0.01	140.86
Less:		
Depreciation under section 350 of the Companies Act, 1956	138.80	
Book profit on sale of fixed assets credited to Profit and Loss Account	1.42	
Provision for diminution in value of Investments written back	0.12	
Profit on sale of Investments	75.25	215.59
Profit as per section 349		579.10
Add:		
Director's remuneration		1.99
Profit as per section 198		581.09
Commission payable to non whole-time directors:		
Maximum commission under Section 309 of the Companies Act, 1956 @ 1%		5.81
Commission approved by the board		0.48

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)

b) Managerial remuneration comprises:

	Year ended 30 June 2006	Year ended 30 June 2005
Salaries and allowances	1.44	1.51
Perquisites	0.02	0.02
Contribution to provident fund	0.05	0.07
Sitting fees	0.09	0.08
Commission to non-executive directors	0.48	0.34
	2.08	2.02

During the year ended 30 June 2006, wholly-owned subsidiaries have made following payments to directors of the Company:

	Year ended 30 June 2006	Year ended 30 June 2005
Remuneration paid to executive directors	1.46	1.31
	1.46	1.31

23. Earnings Per Equity Share (EPS)

	Year ended 30 June 2006	Year ended 30 June 2005
Net profit as per Profit and Loss Account for computation of EPS	638.38	329.27
Weighted average number of shares outstanding in computation of basic EPS	321,394,480	307,564,925
Dilutive effect of stock options outstanding	20,761,377	8,981,320
Weighted average number of equity shares and equity equivalent shares outstanding in computing diluted EPS	342,155,857	316,546,245
Nominal value of equity shares (Rs.)	2	2
Earnings per equity share (Rs.)		
Basic	19.86	10.71
Diluted	18.66	10.40

24. The Company has a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income Tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company appoints independent consultants for conducting a Transfer Pricing Study to determine whether the transactions with associate enterprises are undertaken, during the financial year, on an "arms length basis". Adjustments, if any, arising from the transfer pricing study in the respective jurisdictions shall be accounted for as and when the study is completed for the current financial year. However the management is of the opinion that its international transactions are at arms' length so that the aforesaid legislation will not have any impact on the financial statements.
25. The current year's figures include those relating to the Transferor companies (refer note 2 above) for the fifteen months period April 1, 2005 to June 30, 2006 and therefore, the figures of the previous year are not comparable with those of the current year.
26. The previous year's figures have been re-classified/re-grouped to conform to current year's classification.

For **HCL Technologies Limited**

Shiv Nadar
Chairman and CEO

T S R Subramanian
Director

S L Narayanan
Corporate Vice President - Finance

Manish Anand
Deputy Company Secretary

Place: Noida (UP), India

Date: August 19, 2006

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(All amounts in thousands of rupees, unless otherwise stated)

I. Registration details

Registration No.	55-46369	State Code	55
Balance Sheet Date	30 June 2006		

II. Capital raised during the year

Public issue	<i>Nil</i>	Rights issue	<i>Nil</i>
Bonus issue	<i>Nil</i>	Private placement	883,755

Note: Capital raised during the year includes share application money.

III. Position of mobilisation and deployment of funds

Total liabilities	25,905,877	Total assets	25,905,877
Sources of funds			
Paid-up capital	660,232*	Reserves and surplus	25,111,762
Secured loans	131,742	Unsecured loans	2,141

*Includes Rs. 13,348 thousands in respect of share application money.

Application of funds

Net fixed assets	6,893,059**	Investments	19,077,590
Net current assets	(243,022)	Misc. expenditure	<i>Nil</i>
Accumulated losses	<i>Nil</i>	Deferred tax	178,250

** Includes Rs. 1,636,272 thousands in respect of capital work-in-progress.

IV. Performance of Company

Turnover	31,162,567	Total expenditure	24,624,296
Profit before tax	6,538,271	Profit after tax	6,383,769
Earnings per share (in Rs.)		Dividend rate	800%
	19.86 (<i>Basic</i>)		
	18.66 (<i>Diluted</i>)		

V. Generic names of Principal Products/Services of Company (as per monetary terms)

Product description:	Software
Item code (ITC code):	852490

For **HCL Technologies Limited**

Shiv Nadar

Chairman and CEO

S L Narayanan

Corporate Vice President - Finance

Place: Noida (UP), India

Date: August 19, 2006

T S R Subramanian

Director

Manish Anand

Deputy Company Secretary

CONSOLIDATED STATEMENTS

REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS OF HCL TECHNOLOGIES LIMITED

1. We have audited the attached consolidated Balance Sheet of HCL Technologies Limited ("the Company"), as at June 30, 2006, the consolidated Profit and Loss Account for the year ended on that date annexed thereto, and the consolidated Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 prepared, in all material respects, in accordance with an identified financial reporting framework and 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 certain consolidated entities whose financial statements reflect total assets of Rs. 80.74 crores, as at June 30, 2006 and total revenues of Rs. 130.50 crores for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these consolidated entities, is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements and AS 27, Financial Reporting of Interests in Joint Ventures, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its consolidated entities included in the consolidated financial statements.
5. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of the Company and its consolidated entities, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the consolidated Balance Sheet, of the consolidated state of affairs of the Company and its consolidated entities as at June 30, 2006;
 - (ii) in the case of the consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its consolidated entities for the year ended on that date; and
 - (iii) in the case of the consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its consolidated entities for the year ended on that date.

Kaushik Dutta
Partner
Membership Number: F – 88540
For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Delhi, India
Date : August 19, 2006

Consolidated Balance Sheet as at 30 June 2006

(All amounts in crores of rupees except share data and unless otherwise stated)

	Schedule	As at 30 June 2006 (Refer note 2 and 20 of Schedule 19)	As at 30 June 2005
Sources of Funds			
Shareholders' funds			
Share capital	1	64.69	63.84
Share application money pending allotment		1.33	1.64
Reserves and surplus	2	3,037.62	3,376.93
		3,103.64	3,442.41
Minority interest		11.11	11.77
Loan funds			
Secured loans	3	58.87	185.71
Unsecured loans	4	0.21	0.35
		59.08	186.06
		3,173.83	3,640.24
Application of Funds			
Fixed assets	5		
Gross block		1,618.41	1,933.50
Less: Accumulated depreciation		(849.84)	(697.20)
Net block		768.57	1,236.30
Capital work in progress (including capital advances)		182.81	100.11
		951.38	1,336.41
Investments	6	1,524.85	1,804.52
Deferred tax asset (net)	19(4)	46.54	39.72
Current assets, loans and advances			
Inventories	7	23.33	38.97
Sundry debtors	8	870.83	598.52
Cash and bank balances	9	312.53	231.35
Loans and advances	10	260.04	201.56
Other current assets	11	106.95	73.80
		1,573.68	1,144.20
Less: Current liabilities and provisions	12	(922.62)	(684.61)
Net current assets		651.06	459.59
		3,173.83	3,640.24

Significant accounting policies and notes to the accounts

19

The Schedules referred to above form an integral part of the Consolidated Balance Sheet.

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

Kaushik Dutta

Partner

Membership No.: F-88540

For and on behalf of

Price Waterhouse

Chartered Accountants

Place: New Delhi, India

Date: August 19, 2006

For **HCL Technologies Limited**

Shiv Nadar

Chairman and CEO

S L Narayanan

Corporate Vice President - Finance

Place: Noida (UP), India

Date: August 19, 2006

T S R Subramanian

Director

Manish Anand

Deputy Company Secretary

Consolidated Profit and Loss Account for the year ended 30 June 2006

(All amounts in crores of rupees except share data and unless otherwise stated)

	Schedule	Year ended 30 June 2006 (Refer note 2 and 20 of Schedule 19)	Year ended 30 June 2005
Income			
Sales	13	4,571.58	3,351.20
Other income	14	109.29	120.03
		4,680.87	3,471.23
Expenditure			
Cost of goods sold	15	126.53	102.98
Cost of services	16	2,368.19	1,754.67
Administration and other expenses	17	1,165.60	736.31
Finance costs	18	8.13	10.18
Depreciation and amortisation	5	203.05	151.58
		3,871.50	2,755.72
Profit before tax, minority interest and share of loss of equity investees		809.37	715.51
Tax Expense - current (net of provision for earlier years written back)		(48.47)	(49.73)
- deferred (net)		6.82	1.61
- fringe benefit		(14.24)	(1.68)
Profit before minority interests and share of loss of equity investees		753.48	665.71
Adjustment under the scheme of amalgamation of companies [refer note 20 of Schedule 19]		61.06	-
		692.42	665.71
Share of income/(loss) of equity investees		-	(0.49)
Share of minority shareholders		(1.75)	(46.50)
Net Profit		690.67	618.72
Balance in profit and loss account brought forward		1,454.65	1,438.79
Profit available for appropriation		2,145.32	2,057.51
Appropriations			
Proposed final dividend [including Rs. 0.66 crores (previous year Rs. 0.59 crores) paid for previous year]		130.04	128.47
Corporate dividend tax on proposed final dividend [including Rs. 0.09 crores (previous year Rs. 0.08 crores) paid for previous year]		18.24	18.02
Interim dividend		386.06	373.28
Corporate dividend tax on interim dividend		54.14	50.16
Transfer to general reserve		63.84	32.93
Balance profit and loss account carried forward to the Balance Sheet		1,493.00	1,454.65
		2,145.32	2,057.51
Earnings per equity share (in Rupees)			
Basic		21.49	20.12
Diluted		20.19	19.55
Weighted average number of equity shares used in computing earnings per equity share	19(11)		
Basic		321,394,480	307,564,925
Diluted		342,155,857	316,546,245

Significant accounting policies and notes to the accounts

19

The Schedules referred to above form an integral part of the Profit and Loss Account.

This is the Consolidated Profit and Loss Account referred to in our report of even date.

Kaushik Dutta
Partner
Membership No.: F-88540
For and on behalf of
Price Waterhouse
Chartered Accountants

For **HCL Technologies Limited**
Shiv Nadar
Chairman and CEO
S L Narayanan
Corporate Vice President - Finance

T S R Subramanian
Director
Manish Anand
Deputy Company Secretary

Place: New Delhi, India
Date: August 19, 2006

Place: Noida (UP), India
Date: August 19, 2006

Consolidated Cash flow statement for the year ended 30 June 2006

(All amounts in crores of rupees except share data and unless otherwise stated)

	Year ended 30 June 2006 (Refer note 2 and 20 of Schedule 19)	Year ended 30 June 2005
Cash Flows from Operating Activities		
Profit before tax	809.37	715.51
Adjusted for:		
Income from investments and interest	(11.80)	(44.69)
(Profit)/loss on sale of investments (net)	(82.05)	(25.00)
Depreciation and amortization	203.05	151.58
Finance charges on lease	1.62	1.37
Interest on term loans	2.26	4.70
(Profit)/loss on sale of fixed assets	(1.50)	(1.11)
Provision for doubtful debts / bad debts written off	7.27	8.36
Provision for doubtful advances / advances written off	1.01	7.64
Premium amortized on bonds	0.08	0.44
Provision for diminution in value of investments written back	(0.49)	(18.46)
Provision for liabilities written back	(0.69)	(4.46)
Miscellaneous expenditure written off	0.02	-
Amortisation of stock compensation cost	48.39	2.49
Unrealised foreign exchange loss / (gain)	71.86	(8.02)
Taxes paid	(46.14)	(40.41)
Decrease / (increase) in sundry debtors	(269.62)	(153.15)
Decrease / (increase) in inventories	15.64	(13.28)
Decrease / (increase) in other current assets	(63.24)	(9.47)
Decrease / (increase) in loans and advances	(67.18)	(86.44)
Decrease / (increase) in miscellaneous expenditure (to the extent not written off)	(0.02)	-
Increase / (decrease) in current liabilities and provisions	137.64	107.20
Net cash from (used for) operating activities	755.48	594.80
Cash Flows from Investing Activities		
Investment in mutual funds (net)	258.58	98.32
Investment in bonds (net)	10.50	127.05
(Loan) / repayment by Employees Stock Option Trust	0.03	13.95
Proceeds from sale of investments in Venture Capital Funds	88.65	(17.07)
Purchase of fixed assets (including capital advances)	(410.60)	(297.05)
Proceeds from sale of fixed assets	3.96	3.14
Payment for business acquisition (net of cash acquired)	-	(42.78)
Income from investments and interest	12.47	44.69
Taxes paid	(2.04)	-
Principal payment for capital lease obligations	(6.21)	(5.17)
Net cash from (used for) investing activities	(44.66)	(74.92)

Consolidated Cash flow statement for the year ended 30 June 2006 (Contd.)

(All amounts in crores of rupees except share data and unless otherwise stated)

	Year ended 30 June 2006 (Refer note 2 and 20 of Schedule 19)	Year ended 30 June 2005
Cash Flows from Financing Activities		
Payment for capital lease obligations	(1.62)	(1.37)
Proceeds / (repayment) of short-term loans	7.15	(13.84)
Interest on term loans	(3.24)	(4.70)
Repayment of long-term loans	(133.96)	-
Issue of share capital (including share premium and share application money pending allotment)	88.37	67.45
Dividend paid to minority shareholders of consolidated subsidiaries	(2.41)	-
Dividends paid (including corporate dividend tax)	(586.56)	(558.03)
Cash flows from (used for) financing activities	(632.27)	(510.49)
Effect of exchange rates on cash and cash equivalents held in foreign currency	2.63	(2.92)
Net increase / (decrease) in cash and cash equivalents	78.55	6.47
Cash and cash equivalents at the beginning of the year	231.35	224.88
Cash and cash equivalents at the end of the year	312.53	231.35

For components of cash and cash equivalents refer schedule 9 of the Balance Sheet.

Notes:

- The above Cash Flow Statement has been prepared under the indirect method set out in Accounting Standard - 3 issued by the Institute of Chartered Accountants of India.
- Cash and cash equivalents includes the following, which are not available for use by the Company:

Investor Education and Protection Fund-Unclaimed dividend	1.36
Bank Guarantees Margin	1.33
- Cash and cash equivalents at the beginning of the year includes balance of "Transferor" companies as at April 1, 2005 as a result of amalgamation. (Refer note 2 of schedule 19).
- Figures in brackets indicate cash outflow.
- Previous year figures have been regrouped and recast wherever necessary to confirm to the current period classification.

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

For HCL Technologies Limited

Kaushik Dutta
Partner
Membership No.: F-88540
For and on behalf of
Price Waterhouse
Chartered Accountants

Shiv Nadar
Chairman and CEO

S L Narayanan
Corporate Vice President - Finance

T S R Subramanian
Director

Manish Anand
Deputy Company Secretary

Place: New Delhi, India
Date: August 19, 2006

Place: Noida (UP), India
Date: August 19, 2006

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 1: Share Capital	As at 30 June 2006	As at 30 June 2005
Authorised		
627,250,000 (previous year 400,000,000) equity shares of Rs. 2 each	125.45	80.00
Issued, Subscribed and Paid up		
323,442,350 (previous year 319,214,784) equity shares of Rs. 2 each, fully paid up (refer note 5 of schedule 19)	64.69	63.84
	64.69	63.84

Notes:

- Pursuant to scheme for amalgamation of DSL Software Limited, Shipara Technologies Limited, HCL Technologies BPO Services Limited, HCL Technologies (Mumbai) Limited, Aquila Technologies Limited and HCL Enterprise Solutions (India) Limited, all wholly owned subsidiaries of the Company ("Transferor Companies") with the Company, the authorised share capital of the Transferor Companies has been combined with the Company and has resulted in an increase in authorized share capital by Rs. 45.45 crores (previous year Rs.Nil).(refer note 2 of Schedule 19).
- Paid up share capital includes:
 - 42,449,979 (previous year 42,449,979) equity shares of Rs. 2 each allotted as fully paid up, pursuant to contracts for consideration other than cash.
 - 82,986,872 (previous year 82,986,872) equity shares of Rs. 2 each issued as bonus shares in ratio of one share for every two held by capitalisation of general reserve.
 - 16,392,641 (previous year 13,905,823) equity shares of Rs. 2 each allotted to employees of the Company and its subsidiaries on exercising of vested stock options issued under Employee Stock Option Plan 1999 of the Company.
 - 3,239,104 (previous year 1,498,356) equity shares of Rs. 2 each allotted to employees of the Company and its subsidiaries on exercising of vested stock options issued under Employee Stock Option Plan 2000 of the Company.
- Of the above subscribed shares, 161,507,837 (previous year 162,017,167) equity shares are held by HCL Corporation Limited, the holding company and 1,500,000 (previous year 1,500,000) equity shares are held by HCL Peripherals Ltd., being a fellow subsidiary.

Schedule 2: Reserves and Surplus	As at 1 July 2005	Additions	Deductions	As at 30 June 2006
Securities Premium Account	1,701.28	89.56	819.68	971.16
	(941.20)	(760.08)	(-)	(1,701.28)
Foreign Currency Translation Reserve	(50.60)	(49.32)	-	(1.28)
	(5.22)	(-55.82)	(-)	(-50.60)
General Reserve	269.11	276.82	22.07	523.86
	(187.93)	(81.18)	(-)	(269.11)
Employee Stock Options Outstanding [net of deferred employee compensation cost of Rs. 191.17 crores (previous year Rs. 5 crores)]	2.49	48.39	-	50.88
	(-)	(2.49)	(-)	(2.49)
Profit and Loss Account	1,454.65	102.19	63.84	1,493.00
	(1,438.79)	(48.79)	(32.93)	(1,454.65)
	3,376.93	566.28	(905.59)	3,037.62
Previous year	(2,573.14)	(836.72)	(32.93)	(3,376.93)

Notes:

- Addition to / Deduction from the Securities Premium Account represent:
 - Addition of Rs. 87.83 crores (previous year Rs. 65.09 crores) in respect of allotment of equity shares of Rs. 2 each to employees of the Company and its subsidiaries under the Employee Stock Option Plan 1999 and Employee Stock Option Plan 2000.
 - Addition of Rs. 1.73 crores (previous year Rs. Nil) on account of transfer of balances of amalgamated companies. (refer note 2 of Schedule 19)
 - Addition of Rs. Nil (previous year Rs. 694.99 crores) in respect of allotment of Nil (previous year 19,358,989) equity shares of Rs. 2 each for consideration other than cash.
 - Deduction of Rs. 819.68 crores (previous year Rs. Nil), being adjustment on amalgamation of the transferor companies with the Company. (refer note 2 of Schedule 19)

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

2. The Profit and Loss Account includes profit/ (loss) of HCL Answerthink Inc. Rs. (1.51) crores (previous year Rs. (1.51) crores) and NEC HCL System Technologies Limited Rs. (0.35) crores (previous year Rs. Nil) these being the Company's share of profit/(loss) of jointly controlled entities.
3. Addition to General Reserve includes Rs. 212.98 crores (previous year Rs. Nil) on account of adjustments pertaining to amalgamation of transferor companies with the Company. (refer note 2 of Schedule 19)
4. The balance in General Reserve include Rs. Nil (previous year Rs. 22.07 crores) and addition to / (deduction) from General Reserve include Rs. (22.07) crores (previous year Rs. 48.25 crores) on account of net unrealized gain/ (loss) on effective hedges [refer note 1(e) of schedule 19].
5. Previous year figures are in brackets.

Schedule 3: Secured Loans	As at 30 June 2006	As at 30 June 2005
From Bank		
Term loan	–	130.53
Short term loan	25.00	17.71
From Others		
Term Loan	19.96	23.39
Finance lease obligations (Secured by hypothecation of leased vehicles)	13.91	14.08
	58.87	185.71

Notes:

Term Loans and Short Term Loans include loans taken by the parent company/ subsidiaries of Rs. 44.96 crores (previous year Rs. 171.63 crores) secured by hypothecation/ other form of charge on investments, current assets, stocks, book debts and other receivables, moveable properties, plant and machinery of the parent company or the respective subsidiaries as the case may be.

Schedule 4: Unsecured Loans	As at 30 June 2006	As at 30 June 2005
Other Loans and Advances		
From financial institution [Amount payable within one year is Rs. 0.14 crores (previous year Rs. 0.05 crores)]	0.21	0.35
	0.21	0.35

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

PARTICULARS	GROSS BLOCK			ACCUMULATED DEPRECIATION/ AMORTISATION			NET BLOCK		
	As at 1 July 2005	Additions/ Adjust- ments	Deletions	As at 30 June 2006	As at 1 July 2005	Additions/ Adjust- ments	Deletions	As at 30 June 2006	As at 30 June 2005
Goodwill	836.30	10.34	658.37	188.27	174.60	1.59	56.05	120.14	661.70
Intellectual property rights	1.62	-	-	1.62	1.62	-	-	1.62	-
Non-compete agreements	0.56	-	-	0.56	0.37	-	-	0.37	0.19
Freehold land	52.95	0.82	0.11	53.66	-	-	-	-	52.95
Leasehold land	109.09	-	-	109.09	1.50	1.25	-	2.75	107.59
Buildings	103.49	40.97	0.51	143.95	16.29	6.56	0.23	22.62	121.33
Plant and machinery-Owned	168.69	43.10	0.06	211.73	104.49	34.70	0.06	139.13	72.60
-Leased	0.01	-	-	0.01	0.01	-	-	0.01	-
Computers -Owned	320.40	141.94	5.04	457.30	193.18	94.13	4.86	282.45	174.85
-Leased	0.02	-	-	0.02	0.01	-	-	0.01	0.01
Software	122.73	38.58	-	161.31	89.70	28.32	-	118.02	43.29
Furniture and fixtures -Owned	192.34	71.89	0.30	263.93	105.91	45.54	0.29	151.16	112.77
-Leased	0.11	-	0.11	-	0.11	-	0.11	-	-
Vehicles -Owned	5.14	0.31	0.61	4.84	3.48	0.70	0.48	3.70	1.14
-Leased	20.05	6.04	3.97	22.12	5.93	4.14	2.21	7.86	14.12
Previous Year	1,933.50	353.99	669.08	1,618.41	697.20	216.93	64.29	849.84	768.57
Capital Work-in-progress (including capital advances)	998.21	944.62	9.33	1,933.50	556.53	145.13	4.46	697.20	441.68
								182.81	100.11

Notes:

- Deletions from gross block of Rs. 658.37 crores (previous year Rs. Nil) and accumulated depreciation and amortization of Rs. 56.05 crores (previous year Rs. Nil) represent reversal of goodwill on consolidation of transferor entities merged as per the scheme of amalgamation, (refer note 2 of Schedule 19)
- Gross block of plant and machinery includes Rs. 3.19 crores (previous year Rs. 3.15 crores) in respect of assets given on operating leases. The accumulated depreciation on these assets upto 30 June 2006 and the depreciation for the year ended on that date amounted to Rs. 2.73 crores (previous year Rs. 2.24 crores) and Rs. 0.49 crores (previous year Rs. 0.33 crores) respectively.
- Additions to fixed assets and accumulated depreciation include Rs. 0.66 crores (previous year Rs. Nil) and Rs. 0.05 crores (previous year Rs. Nil) respectively in respect of the Company's share of fixed assets on account of proportionate consolidation of joint ventures.
- Additions/adjustments to fixed assets and current year depreciation and amortization include Rs. 31.90 crores (previous year Rs. (5.71) crores) and Rs. (13.88) crores (previous year Rs. 6.45 crores) respectively on account of translation of functional currency into reporting currency.

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 6: Investments	As at 30 June 2006	As at 30 June 2005
Long Term Investments		
Other than trade and unquoted		
Investment in Limited Liability Partnerships (venture capital funds) (refer note 3(b) of schedule 19)		
Diamondhead Ventures, LLP	-	42.38
FCPR Viventures,LP	-	11.36
Arena Capital Investment Fund, LP	-	38.50
Carlyle Internet Partners, Europe, LP	-	11.39
Carlyle Asia Venture Partners, LP	-	8.33
	-	111.96
Less: Provision for diminution in value	-	(22.37)
	-	89.59
Investments in bonds-other than trade and unquoted	12.00	-
Others		
Harmony Software Inc., United States of America	9.21	9.21
Less: Provision for diminution in value	(9.21)	(9.21)
	-	-
Total Long Term Investments (A)	12.00	89.59
Current Investments		
Other than trade and unquoted		
Investments in mutual funds (refer note 1 of Schedule 3 and note 1 below)	1,502.60	1,682.13
Less: Provision for diminution in value	(0.01)	(0.13)
	1,502.59	1,682.00
Other than trade and quoted		
Investments in bonds (refer note 2 below)	10.00	32.58
Investment in 7,478 equity shares (previous year 153,321 shares) of Technology Solution Company Inc., United States of America (refer note 3 below)	0.26	0.72
Less: Provision for diminution in value	-	(0.37)
	0.26	0.35
Total Current Investments (B)	1,512.85	1,714.93
Grand Total (A) + (B)	1,524.85	1,804.52

Notes:

1. Net asset value of investments in mutual funds as on 30 June 2006 – Rs. 1,555.23 crores. (previous year Rs. 1,725.89 crores.)
2. Market value of bonds as on 30 June 2006 Rs. 10.11 crores. (previous year Rs. 33.26 crores)
3. On October 25, 2005, Technology Solution Company Inc (“TSC”) undertook a reverse stock split under which one share was issued for each 20 shares and warrants held in the company. Accordingly, TSC issued 7,478 equity shares and equivalent warrants to purchase 4,613 equity shares of TSC. The market value of the investment in shares of TSC as on June 30, 2006 is Rs. 0.32 crores (previous year Rs. 0.35 crores). The warrants are exercisable at any time till February 21, 2007.

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 7: Inventories	As at 30 June 2006	As at 30 June 2005
Networking equipment	15.00	34.73
Work-in-progress	1.76	1.26
Goods in transit	6.57	2.98
	23.33	38.97

Schedule 8: Sundry Debtors	As at 30 June 2006	As at 30 June 2005
Unsecured - Considered good		
- Debts outstanding for more than six months	55.64	36.60
- Other debts	815.19	561.92
	870.83	598.52
Unsecured - Considered doubtful		
- Debts outstanding for more than six months	20.25	22.44
- Other debts	1.09	1.59
	21.34	24.03
Less: Provision for doubtful debts	(21.34)	(24.03)
	870.83	598.52

Schedule 9: Cash and Bank Balances	As at 30 June 2006	As at 30 June 2005
Cash in hand	0.21	0.20
Cheques in hand	8.98	4.91
Remittances in transit	82.81	72.49
Balances with scheduled banks		
- On current accounts in Indian rupees (refer note 1)	24.81	21.05
- On current accounts in foreign currency	7.00	26.25
- On fixed deposit accounts in Indian rupees (refer note 2)	12.13	4.07
Balance with non-scheduled banks (refer note 3)		
- On current accounts	113.12	53.27
- On deposit accounts	63.47	49.11
	312.53	231.35

Notes:

1. Includes Rs. 1.36 crores (previous year Rs. 1.15 crore) in unclaimed dividend account.
2. Pledged with banks as security for guarantees and letters of credit – Rs. 1.33 crore (previous year Rs. 0.01 crores).
3. Refer note 18 of Schedule 19 for details of balances in non-scheduled banks.

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 10: Loans and Advances	As at 30 June 2006	As at 30 June 2005
(Unsecured and considered good, unless otherwise stated)		
Loans and advances recoverable in cash or in kind or for value to be received		
- Considered good (refer note 1)	250.61	179.53
- Considered doubtful	2.52	1.51
Interest receivable	1.14	1.81
Advance Income Tax (refer note 2)	8.29	20.22
	262.56	203.07
Less: Provision for doubtful advances	(2.52)	(1.51)
	260.04	201.56

Notes:

- Includes Rs. 0.02 crores (previous year Rs. 0.05 crores) on account of loan given to HCL Technologies Limited Employees Trust.
- Net of provision for income tax of Rs. 145.97 crores (previous year Rs. 105.84 crores).

Schedule 11: Other Current Assets	As at 30 June 2006	As at 30 June 2005
Unbilled revenue	106.95	43.71
Unrealised gain on forward exchange contracts and options	-	30.09
	106.95	73.80

Schedule 12: Current Liabilities and Provisions	As at 30 June 2006	As at 30 June 2005
Current liabilities		
Sundry creditors	465.22	371.62
Unrealised loss on forward exchange contracts and options (net)	71.86	-
Advance from customers	3.76	5.51
Unearned revenue	80.50	65.99
Investor Education and Protection Fund- Unclaimed dividend	1.36	1.15
Interest accrued but not due on borrowings	0.40	1.38
Other liabilities	64.85	31.25
	687.95	476.90
Provisions		
Provision for fringe benefit tax	4.14	1.55
Provision for dividend (including corporate dividend tax)	147.52	145.82
Provision for warranty (refer note 17 of Schedule 19)	3.04	2.08
Provision for staff benefits	79.97	58.26
	234.67	207.71
	922.62	684.61

Schedule 13: Sales	Year ended 30 June 2006 (Refer note 2 and 20 of Schedule 19)	Year ended 30 June 2005
Goods		
- Networking equipment	143.86	103.42
- Software	10.87	14.77
Services		
- Information Technology (IT)	3,411.26	2,618.96
- Networking	350.25	172.29
- Business Process Outsourcing	655.34	441.76
	4,571.58	3,351.20

Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 14: Other Income	Year ended 30 June 2006 (Refer note 2 and 20 of Schedule 19)	Year ended 30 June 2005
Interest income		
- On fixed deposits	1.68	0.98
- On investment (other than trade)	1.77	7.91
- Others	0.33	0.98
Profit on sale of investments-other than trade		
- Limited liability partnership (venture capital funds)	3.08	-
- Others	88.25	44.41
Dividend from investments-other than trade		
- Limited liability partnership (venture capital funds)	-	11.65
- Others	5.58	20.90
Provision for liabilities not required written back	0.69	4.46
Profit on sale of fixed assets (net)	1.50	1.11
Exchange differences	-	1.56
Provision for diminution in value of investments written back	0.49	18.46
Miscellaneous income	5.92	7.61
	109.29	120.03

Schedule 15: Cost of Goods Sold	Year ended 30 June 2006 (Refer note 2 and 20 of Schedule 19)	Year ended 30 June 2005
Opening stock	34.73	23.43
Purchases	106.80	114.28
Closing stock	(15.00)	(34.73)
	126.53	102.98

Schedule 16: Cost of Services	Year ended 30 June 2006 (Refer note 2 and 20 of Schedule 19)	Year ended 30 June 2005
Personnel expenses		
Salaries, wages and bonus	1,804.97	1,351.32
Contribution to provident fund and other retirement benefits	211.61	140.87
Staff welfare expenses	52.69	28.21
Employee stock compensation expenses	48.39	2.49
	2,117.66	1,522.89
Others		
Software development expenses- external	231.12	215.38
License and transponder fee	19.41	16.40
	2,368.19	1,754.67

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 17: Administration and Other Expenses	Year ended 30 June 2006 Refer note 2 and of Schedule 19)	Year ended 30 June 2005
Rent	101.08	68.59
Power and fuel	57.77	38.93
Insurance	16.86	13.69
Repairs and maintenance		
- Plant and machinery	22.33	14.04
- Buildings	15.59	9.21
- Others	23.88	26.53
Communication costs	88.88	52.35
Travel and conveyance	417.22	255.78
Business promotion	19.96	11.35
Legal and professional charges	41.26	28.91
Software license fee	43.71	27.60
Software tools	8.97	9.21
Printing and stationery	13.38	10.39
Rates and taxes	26.67	22.41
Advertising and publicity	1.92	0.93
Postage and courier	3.40	2.60
Provision for doubtful advances / advances written off	1.01	7.64
Donations	0.15	1.47
Dues and subscription	3.00	1.71
Recruitment, training and development	36.72	27.51
Provision for doubtful debts/ bad debts written off	7.27	8.36
Other establishment cost	2.26	7.38
Premium amortized on bonds	0.08	0.44
Loss on sale of investments-other than trade	9.28	19.41
Exchange differences	80.58	-
Miscellaneous expenses	122.37	69.87
	1,165.60	736.31

Schedule 18: Finance Costs	Year ended 30 June 2006 (Refer note 2 and 20 of Schedule 19)	Year ended 30 June 2005
Interest		
- on vehicles under finance lease	1.62	1.37
- on loan from banks	2.26	4.70
- others	1.90	1.39
Bank charges	2.35	2.72
	8.13	10.18

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts

1. Significant accounting policies

a) Basis of preparation

The financial statements are prepared and presented under the historical cost convention, in accordance with the Indian Generally Accepted Accounting Principles (GAAP), accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, to the extent applicable. The financial statements are prepared in crores of Indian rupees.

b) Principles of consolidation

These consolidated financial statements relate to HCL Technologies Limited, the Parent company, its Subsidiaries, Joint Ventures and Associates, referred to in these financial statements as “the Company”, which are as follows:

Name of the company		Location	Holding percentage
Subsidiaries			
1.	HCL America Inc.	United States of America	100%
2.	HCL Great Britain Limited	United Kingdom	100%
3.	HCL (Netherlands) BV	Netherlands	100%
4.	HCL GmbH, Germany (formerly “HCL Technologies GmbH, Germany”)	Germany	100%
5.	HCL Belgium NV, Belgium (formerly “HCL Technologies Belgium NV, Belgium”)	Belgium	100%
6.	HCL Sweden AB, Sweden (formerly “HCL Technologies Sweden AB, Sweden”)	Sweden	100%
7.	HCL Italy SLR, Italy (formerly “HCL Technologies Italy SLR, Italy”)	Italy	100%
8.	HCL Australia Services Pty. Limited	Australia	100%
9.	HCL (New Zealand) Limited	New Zealand	100%
10.	HCL Hong Kong SAR Limited	Hong Kong	100%
11.	HCL Japan Limited, Japan (formerly “HCL Technologies Japan Limited, Japan”)	Japan	100%
12.	HCL Comnet Systems & Services Limited	India	99.88%
13.	HCL Comnet Limited	India	99.88%
14.	HCL Bermuda Limited	Bermuda	100%
15.	HCL Venture Capital Limited	Bermuda	100%
16.	HCL Holdings GmbH	Austria	100%
17.	eServe Holdings Limited	Mauritius	100%
18.	HCL Enterprise Solutions Limited [refer note 3(c) of schedule 19]	Mauritius	100%
19.	HCL (Illinois) Inc. * (formerly “HCL Technologies (Illinois) Inc.”)	United States of America	100%
20.	Intelicent India Limited	India	100%
21.	DSI Financial Solutions Pte. Limited [refer note 3(d) of schedule 19]	Singapore	100%
22.	HCL BPO Services (NI) Limited [refer note 3(h) of schedule 19]	United Kingdom	100%
23.	HCL Technologies (Mass.) Inc.	United States of America	100%
24.	HCL Jones Technologies LLC	United States of America	51%
25.	HCL Jones (Bermuda) Limited, Bermuda (formerly “HCL Jones Technologies (Bermuda) Limited, Bermuda”)	Bermuda	51%
26.	HCL m.a. Limited	United Kingdom	51%
27.	Insys Inc, Canada	Canada	100%
28.	HCL Singapore Pte. Limited	Singapore	100%
29.	HCL (Malaysia) Sdn. Bhd., Malaysia (formerly “HCL Technologies (Malaysia) Sdn. Bhd., Malaysia”)	Malaysia	100%
30.	Infosystems Europe Limited, United Kingdom	United Kingdom	100%

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

Name of the company		Location	Holding percentage
31.	Infosystems Australia Pty. Limited **	Australia	100%
32.	HCL EAI Services Inc., United States of America (formerly "Aalayance Inc., United States of America") [refer note 3(g) of schedule 19]	United States of America	58.09%
33.	Aalayance (UK) Ltd, [refer note 3(g) of schedule 19]	United Kingdom	58.09%
34.	HCL EAI Services Limited (formerly Aalayance E-com Services Pvt Ltd) [refer note 3(g) of schedule 19]	India	58.09%
35.	HCL Technopark Limited	India	100%
Joint Ventures			
1.	HCL Answerthink Inc.	United States of America	50%
2.	NEC HCL System Technologies Limited [refer note 3 (a) of Schedule 19]	India	49%

* Merged with HCL America Inc. w.e.f. January 1, 2006.

** The Company was deregistered w.e.f. December 26, 2005.

Subsidiary companies are those in which HCL Technologies Limited, directly or indirectly, has an interest of more than one half of the voting power or otherwise has power to exercise control over the operations. Subsidiaries are consolidated from the date on which effective control is transferred to the Company until the date of cessation of the parent-subsidiary relationship.

All material inter company transactions, balances and unrealized surplus and deficit on transactions between group companies are eliminated. Consistency in adoption of accounting policies among all group companies is ensured to the extent practicable. Separate disclosures are made of minority interest.

Investment in business entities over which the company exercises joint control is accounted for using proportionate consolidation except where the control is considered to be temporary. Investments in associates are accounted for using the equity method.

Minority interest in subsidiaries represents the minority shareholders' proportionate share of net assets and the net income of HCL's majority owned subsidiaries.

Goodwill has been recorded to the extent that the cost of acquisition, comprising purchase consideration and transaction costs, exceeds the book value of net assets in each acquired company. The goodwill arising on consolidation is not amortized but tested for impairment on a periodic basis.

c) Use of estimates

The preparation of financial statements in conformity with GAAP requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the results of operations during the reporting period. Examples of such estimates include estimate of cost expected to be incurred to complete performance under software development arrangements, income taxes, provision for warranty, employment retirement benefit plans, provision for doubtful debts and estimated useful life of the fixed assets. The actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

d) Foreign exchange transactions and translation of financial statements of foreign operations

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Realized gains and losses on foreign exchange transactions during the year are recognized in the Profit and Loss Account. Foreign currency monetary assets and liabilities are translated at year-end rates and resultant gains/losses on foreign exchange translations are recognized in the Profit and Loss Account.

Foreign operations of the Company are classified into integral and non-integral. The financial statements of an integral foreign operation are translated as follows:

Revenue items, except opening and closing inventories and depreciation, are translated at weighted average rate. Opening and closing inventories are translated at the rate prevalent at the commencement and close respectively of the accounting period.

Monetary assets and liabilities are translated using the closing rate. Non-monetary assets and liabilities, other than investments and fixed assets are translated using the exchange rate at the date of the transaction i.e. the date when they were acquired.

Fixed assets existing at the date of acquisition of a subsidiary are translated using the exchange rate at that date. For fixed assets acquired later, the exchange rate at the date of acquisition of the fixed asset is used. Investments are translated at historical cost. The net exchange difference resulting from the translation of items in the financial statements of the subsidiary is recognized as income or expense for the period.

In respect of foreign operations identified as non-integral to the operations of the Company, the translation of functional currency into reporting currency is performed for Balance Sheet accounts using the exchange rates in effect at the Balance Sheet date and for revenue

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

and expense accounts using an appropriate monthly weighted average exchange rate for the respective periods. The gain or loss resulting from such translations is accumulated in a foreign currency translation reserve.

Contingent liabilities are translated at the closing rate.

e) Forward exchange contracts and options

The Company purchases foreign forward exchange contracts and options to mitigate the risk of changes in foreign exchange rates associated with payables, receivables and forecasted cash flows denominated in foreign currencies.

For forward contracts associated with forecasted transactions, gains or losses arising due to change in fair value of the forward contract has been recognized in the Profit and Loss Account.

For forward contracts associated with underlying outstandings at the Balance Sheet date, the exchange difference on such contracts are recognized in the Profit and Loss Account in the reporting period in which exchange rates changes. The premium or discount on all such contracts arising at the inception are amortised as in income or expense over the life of the contract.

In case of currency options, change in fair value of options contracts is recognized in Profit and Loss Account for the period.

f) Revenue recognition*i) IT Services*

Revenue from IT services comprises income from time and material and fixed price contracts. Revenue with respect to time and material contracts is recognized as related services are performed. Revenue from fixed price contracts and fixed time frame contracts is recognized in accordance with the percentage completion method under which the sales value of performance, including earnings thereon, is recognized on the basis of cost incurred in respect of each contract as a proportion of total cost expected to be incurred. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the year in which the change becomes known. Provisions for estimated losses are made during the year in which a loss becomes probable based on current contract estimates. Revenue from sale of licenses for the use of software applications is recognised on transfer of title in the user license. Revenue from annual technical service contracts is recognised on a pro rata basis over the period in which such services are rendered. Income from revenue sharing agreements is recognized when the right to receive is established. Costs and earnings in excess of billing are classified as unbilled revenue, while billing in excess of costs and earnings is classified as unearned income. Incremental revenue from contracts arising on future sale by the customers' products will be recognized when it is earned.

ii) Networking Services

Revenue from the sale of networking equipments and software is recognized on transfer of all the significant risks and rewards of ownership of goods to the buyer and excludes sales tax.

Revenue from installation services is recognized when installation of networking equipment at customer site is completed and accepted by the customer.

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

Revenue from maintenance services is recognized ratably over the period of the contract.

Revenue from IT enabled services is derived from both time based and unit based and fixed price contracts. Revenue from unit and time based contracts is recognized as the related services are performed. Revenue from fixed price contracts is recognized in accordance with the percentage completion method.

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

iii) Business Process Outsourcing Services

Revenue from business process outsourcing services is derived from both time based and unit-price contracts. Revenue is recognized as the related services are performed in accordance with the specific terms of the contracts with the customer.

iv) Others

Interest on the deployment of surplus funds is recognized using the time-proportion method, based on interest rates implicit in the transaction. Dividend income, commission, brokerage and rent are recognized when the right to receive the same is established.

In respect of distribution received from partnership firms, distribution to the extent of accumulated earnings are taken into income. Any excess distribution from accumulated earnings of the fund, being return of capital, is reduced from cost of investments.

g) Expenditure

Expenses are accounted for on an accrual basis and provisions are made for all known losses and liabilities.

h) Inventory

Inventories are valued at the lower of cost and net realizable value. The cost is calculated on the basis of weighted average price method. The net realizable value is determined with reference to selling price of related finished goods. The comparison of cost and net realizable value is made on an item by item basis.

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

i) Fixed assets, Intangible assets and Capital work-in-progress

Fixed assets are stated at cost of acquisition including incidental costs related to acquisition and installation. Fixed assets under construction, advances paid towards acquisition of fixed assets and cost of assets not put to use before the year-end, are disclosed as capital work in progress.

Intangible assets represent goodwill and identified amortizable intangible assets such as intellectual property rights and non-compete agreements, which arise or have been acquired through acquisitions. Values have been assigned to the identified intangibles based on the valuation done by independent valuers.

j) Leases

Assets given under finance lease are recognized as receivables at an amount equal to the net investment in the lease. The finance income is recognised based on periodic rate of return on the net investment of the lessor outstanding in respect of the finance lease.

Assets given under operating leases are shown in the Balance Sheet under fixed assets and depreciated on a basis consistent with the depreciation policy of the Company. The lease income is recognised in the Profit and Loss account on a straight-line basis over the lease term.

Assets taken on finance lease are capitalized at the inception of the lease at the lower of the fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and interest cost, so as to obtain a constant periodic rate of interest on outstanding liability for each period.

Lease payments under an operating lease are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

k) Depreciation and Amortisation

Depreciation on fixed assets except leasehold land and leasehold improvement is provided on the straight-line method over their estimated useful lives, as determined by the management, at the rate which are equal to or higher than the rates prescribed under Schedule XIV of the Companies Act, 1956. Leasehold land is amortized over the period of lease. Leasehold improvements are amortized over a period of 4 years or the remaining period of the lease, whichever is shorter. Depreciation is charged on a pro-rata basis for assets purchased/sold during the year. Assets costing less than Rs. 5,000 are fully depreciated in the year of purchase.

Intangible assets are amortized over their respective individual estimated useful life on a straight line basis.

The management's estimates of the useful life of the various fixed assets/intangibles are as follows:

	Life (in years)
Fixed Assets	
Buildings	20
Plant and machinery (including office equipment, air conditioners and electrical installations)	4 to 5
Computers	3 to 4
Furniture and fixtures	4
Vehicles - owned	5
Vehicles - leased	Over the period of lease or 5 years, whichever is lower
Intangibles	
Software	3
Goodwill (arising other than on consolidation)	5
Intellectual property rights	4
Non-compete agreements	3 to 5

l) Investments

Trade investments are the investments made to enhance the company's business interests. Investments are either classified as long term or current investments, based on management intention at the time of purchase. Long-term investments are stated at cost and provision is made to recognise any decline, other than temporary, determined separately for each investment. Current investments are stated at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investment.

m) Research and Development

Revenue expenditure on research and development is expensed as incurred. Capital expenditure incurred on equipment and facilities acquired or constructed for research and development activities and having alternative future use, are capitalised and included in fixed assets.

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)**n) Warranty**

Provision for warranty is calculated on the basis of the unexpired warranty period of equipment installed during the year and the annual maintenance cost of equipment.

o) Taxation

Income tax expenses comprise current tax and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. However, where there is unabsorbed depreciation or carried forward loss under the taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of such assets.

Deferred tax assets are reviewed at each Balance Sheet date and written up or down to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized. The deferred tax liabilities/assets and tax expense are determined separately for parent, each subsidiary and joint venture and then aggregated.

p) Earnings per share

In determining earnings per share, the company considers the net profit after tax and includes the post tax effect of any extra ordinary / exceptional item. Basic earnings per share are computed using the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of equity shares outstanding during the year and dilutive equity equivalent shares outstanding at the year-end, except where the results would be anti-dilutive.

q) Retirement benefits to employees***India***

Contributions to provident fund are deposited with a recognized provident fund trust, set up by the Company. The interest payable to the beneficiaries every year is notified by the Government. The Company has an obligation to make good any shortfall on the yield of the trust's investments over the administered interest rates. The Company made contributions to a scheme administered by the Life Insurance Corporation of India in respect of superannuation for applicable employees. The Company had no further obligations to the superannuation plan beyond its monthly contributions. Provision for gratuity and leave encashment is made on the basis of an actuarial valuation. In one of the division, the gratuity liability as determined by actuarial valuation is contributed to the Group Gratuity scheme with Life Insurance Corporation of India.

Subsidiaries in the US

The Company has a saving and investment plan under section 401(k) of the Internal Revenue Code of the United States of America. This is a defined contribution plan. Contributions are charged to income in the period in which they accrue. Leave encashment is provided in accordance with Company policy on full liability basis.

Subsidiaries in Europe

The Company contributes towards pension plans of government for its employees of the subsidiaries in United Kingdom, Sweden, Netherlands, Belgium, Germany and Northern Ireland.

Subsidiaries in Australia

As per local laws of Australia, employers must provide a minimum level of superannuation for most employees or incur a non-tax deductible superannuation guarantee charge including interest and penalties. The required level of employer superannuation contribution is a percentage of the employee's earnings base. The Company contributes to a fund approved by the Government of Australia.

Subsidiaries in Malaysia and Singapore

As per local laws of Malaysia and Singapore, employers are required to contribute up to 13% of the basic salary of the employees. The Company contributes to a fund approved by the Government of the Country.

r) Impairment of assets

Impairment loss, if any, is provided to the extent, the carrying amount of assets exceeds their recoverable amount.

Recoverable amount is higher of an asset's net selling price, and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

s) Provisions and Contingent liabilities

A provision is recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which reliable estimate can be made. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

t) Employee Stock Option based compensation

The Company calculates the compensation cost based on the intrinsic value method wherein the excess of market price of underlying equity shares as of the date of the grant of the options over the exercise price of the options given to the employees under the employee stock option schemes of the Company, is recognized as deferred stock compensation cost and is amortized on graded vesting basis over the vesting period of the options.

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

2. A scheme of Amalgamation ("Scheme") under sections 391 to 394 of the Companies Act, 1956 for amalgamation, without issue of shares, of DSL Software Limited, Shipara Technologies Limited, HCL Technologies BPO Services Limited, HCL Technologies (Mumbai) Limited, Aquila Technologies Limited and HCL Enterprise Solutions (India) Limited, all wholly owned subsidiaries ("Transferor companies"), held either directly or through its step down subsidiaries, with the Company has been approved by the Hon'ble High Courts of Delhi and Karnataka. The Transferor companies are engaged in providing a range of information technology services including business process outsourcing. The amalgamation is expected to result in operational synergy and achieving greater economies of scale.

The scheme has been approved by the Hon'ble High Courts of Delhi and Karnataka vide its orders dated October 28, 2005 and December 16, 2005 respectively, and has become effective on March 08, 2006 on filing of the certified copy of the orders of High Court in the office of the Registrar of Companies of the respective states. The appointed date of the Scheme is April 1, 2005.

The Company has accounted for amalgamation under 'pooling of interest method' being an amalgamation in the nature of merger, as prescribed by the Accounting standard AS-14, "Accounting for Amalgamations" issued by the Institute of Chartered Accountant of India.

In terms of the Scheme, shortfall represents aggregate value of the assets reduced by the aggregate value of the liabilities and balance in Profit & Loss Account and reserves of Transferor Companies over the value of inter se loans and investments of Rs. 4.38 crores have been cancelled pursuant to the amalgamation. This shortfall along with loss arising in the books of the Company on account of fall in the value of its investments of Rs. 815.30 crores in the step down subsidiaries/subsidiaries of the Transferor Companies aggregating to Rs. 819.68 crores has been adjusted from the Securities Premium Account.

This fall in value of investments of Rs. 815.30 crores set off against the securities premium has been adjusted in the company's financials statements against the unamortized goodwill of Rs. 602.32 crores pertaining to these transferor companies. The balance of Rs. 212.98 crores has been transferred to General Reserve.

3. **Acquisitions/ Sale** (refer note 1(b) and 2 above)

a) **Joint Venture with NEC Corporation Japan ("NEC")**

In June 2005, the Company entered into a Joint Venture Agreement with NEC Corporation, Japan ("NEC") and NEC System Technologies Limited ("NECST"), Japan, a subsidiary of NEC, whereby the Company holds 49% stake in newly established joint venture Company, NEC HCL System Technologies Limited ("NECH") and NEC and NECST jointly hold 51% stake. The Company has contributed Rs. 10.78 crores to the share capital of the NECH during the current year.

b) **Sale of investments in LLP Technology Venture Funds**

The Company held investments in LLP Technology Venture Funds and its interest in these funds ranged from 0.6% to 4.7%. During February 2006, the Company sold its entire holdings in LLP technology venture funds for a net consideration of Rs. 88.65 crores. The carrying value of investment aggregated Rs. 85.57 crores and Rs. 89.59 crores, immediately prior to the sale of investments and as on June 30, 2005 respectively. In consequent to the sale of the investments, Company has recorded a profit of Rs. 3.08 crores.

Distribution recorded as dividend income from these investments during the year ended June 30, 2006 and 2005 were Rs. Nil and Rs.14.32 crores respectively.

c) **Acquisition of an additional 16.33% in the ERP business of Computech Corporation and Systech Inc. ("HES")**

The Company had acquired 51% equity interest in the Enterprise Resource Planning business of Computech Corporation and Systech for cash in July, 2001. The Company acquired an additional 32.67% in two equal tranches during September 2002 and October 2003 for a cash consideration. During February 2005, the Company had acquired the remaining 16.33% stake for a cash consideration of Rs. 8.72 crores which had resulted in goodwill of Rs. 8.72 crores. Consequent to the acquisition, HES became a 100% subsidiary of the Company.

d) **Acquisition of balance 49% in the DSI Financial Solutions Pte Ltd Singapore("DSI")**

The Company had acquired 51% equity interest in DSI, through its subsidiary HCL Bermuda Limited, for cash in October 2001. The Company had acquired the remaining 49% stake in December 2004, by issuing 19,358,989 equity shares to the shareholders of DSI at Rs. 361 per share which had resulted in goodwill of Rs. 549.05 crores. As a result of the acquisition, DSI became a 100% subsidiary of the Company.

e) **Acquisition of remaining 23 % stake in Shipara Technologies Limited ("Shipara")**

The Company held 77% stake in Shipara as of June 30, 2004 and was accounted for as jointly controlled entity as the minority shareholder, Rao Insulating Company Limited, had certain significant participating rights. During October 2004, the Company had acquired the remaining 23% stake from the minority shareholders for a cash consideration of Rs. 8.10 crores which had resulted in goodwill of Rs. 5.95 crores. As a result of the acquisition, Shipara became a 100% subsidiary of the Company.

f) **Acquisition of remaining 65% stake in Aquila Technologies Limited ("Aquila")**

The Company was holding 35% stake in Aquila through one of its joint ventures, Shipara. During the previous year, the Company had acquired the remaining 65% stake in two tranches in July 2004 and February 2005, for a total cash consideration of Rs. 3.76 crores which had resulted in goodwill of Rs. 0.05 crores. As a result of the acquisition, Aquila became a 100% subsidiary of the Company.

g) **Acquisition of 39.06% in HCL EAI Services Inc. ("HCL EAI"), United States of America (formerly "Aalayance Inc., United States of America")**

The Company had acquired 19.03% stake in Aalayance Inc through one of its subsidiaries, HCL Bermuda Limited, for a cash consideration in January 2003. During January 2005, the Company had acquired an additional stake by way of subscription of 9,081,268 equity shares

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

of Aaloyance Inc. for a cash consideration of Rs. 8.64 crores which had resulted in goodwill of Rs. 3.60 crores. Consequent to the acquisition, the Company's stake had increased to 58.09% (51% on fully diluted basis) making HCL EAI Services Inc, and its subsidiaries, HCL EAI Services Limited, India and Aaloyance UK Limited, UK, subsidiaries of the Company.

As per the shareholders' agreement, the Company is required to acquire and the minority shareholders are required to sell the remaining equity interest falling due on January 31, 2008. The consideration for the acquisition is payable in cash, based on earnings and revenue of the acquired business.

HCL EAI had granted options for 2,616,127 equity shares to its employees and employees of its subsidiaries, prior to it becoming the subsidiary of the Company. These options are required to be acquired by the Company in stages by October 1, 2009 as per the terms of the shareholders' agreement.

h) Acquisition of 10% stake in HCL BPO Services (NI) Limited ("HCL NI")

Following the initial acquisition of 90% equity interest in HCL NI, through one of its subsidiaries, HCL America Inc. for cash during December 2002, the Company acquired the remaining 10% stake from British Telecommunications Plc. (BT) in December 2004 and discharged the total consideration of Rs. 15.12 crores in cash comprising Rs. 7 crores for the fixed portion and Rs. 8.12 crores towards the variable component which had been determined on the basis of revenue from BT in excess of the firmly committed revenues. This had resulted in goodwill of Rs. 3.65 crores. As a result of the acquisition, HCL NI became a 100% subsidiary of the Company.

i) Acquisition of assets and business of Answer Call Direct Limited ("Answer Call")

During the previous year, one of the subsidiaries of the Company, HCL BPO Services (NI) Limited, had acquired business and assets of an existing call centre, Answer Call for a cash consideration of Rs. 7.55 crores which had resulted in goodwill of Rs. 3.90 crores.

4. Component of Deferred Tax Assets/Liabilities

Components of deferred tax assets/liabilities are:

	As at 30 June, 2006	As at 30 June, 2005
Deferred Tax Assets		
Business losses	4.76	3.21
Provision for doubtful debts	2.71	2.97
Accrued employee costs	14.14	17.56
Warranties	1.02	0.70
Depreciation and amortisation	21.32	14.35
Others	4.98	5.37
	48.93	44.16
Deferred Tax Liabilities		
Depreciation and amortisation	2.39	4.44
	2.39	4.44
Net Deferred Tax Assets	46.54	39.72

5. Employee Stock Option Plan (ESOP)-[Also refer Note 3 (g)]

The Company has established ESOP 1999, ESOP 2000 and ESOP 2004 for a total grant of 20,000,000, 15,000,000 and 20,000,000 options respectively to employees of the Company and its subsidiaries. These options are vested over a maximum period of 110 months, 104 months and 90 months respectively from the date of grant and are to be exercised within a maximum period of five years from the date of vesting.

Each option granted under the above plans entitles the holder to two equity shares of HCL Technologies Limited, at an exercise price, which is approved by the Compensation Committee.

As at June 30, 2006 5,914,361 (previous year 8,324,797) options were outstanding with the employees of the Company under the ESOP 1999.

	Year ended 30 June, 2006	Year ended 30 June, 2005
Outstanding at the beginning of the year	8,324,797	7,003,559
Add: Granted during the year	–	4,140,336
Less: Forfeited during the year	(821,616)	(1,102,364)
Exercised during the year	(1,228,245)	(1,417,520)
Expired during the year	(360,575)	(299,214)
Options outstanding at the end of the year	5,914,361	8,324,979

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

As at June 30, 2006 8,453,526 (previous year 10,866,909) options were outstanding with the employees of the Company under the ESOP 2000.

	Year ended June 30, 2006	Year ended June 30, 2005
Outstanding at the beginning of the year	10,866,909	6,416,884
Add: Granted during the year	–	7,195,445
Less: Forfeited during the year	(1,289,605)	(1,410,600)
Exercised during the year	(863,048)	(923,752)
Expired during the year	(260,730)	(411,068)
Options outstanding at the end of the year	8,453,526	10,866,909

As at June 30, 2006 2,669,400 (previous year 373,472) options were outstanding with the employees of the Company under the ESOP 2004.

	Year ended June 30, 2006	Year ended June 30, 2005
Outstanding at the beginning of the year	373,472	–
Add: Granted during the year	2,382,500	373,472
Less: Forfeited during the year	(86,572)	–
Exercised during the year	–	–
Expired during the year	–	–
Options outstanding at the end of the year	2,669,400	373,472

Options outstanding include certain adjustments relating to forfeiture of employee stock options pertaining to earlier years.

The Company has calculated the compensation cost based on the intrinsic value method recognising the excess of market price of underlying equity shares as of the date of the grant of options over the exercise price of the options given to employees under the employee stock option schemes of the Company, recognized such cost as deferred stock compensation cost and amortized it on a graded vesting basis over the vesting period of the options. Had the Company applied the fair value method for determining compensation cost, the impact on net income and earnings per share is provided below.

	Year ended June 30, 2006	Year ended June 30, 2005
Net Income- As Reported	690.67	618.72
Net Income - Proforma	656.05	566.76
Earnings per share (Rs.)		
Basic - As reported	21.49	20.12
- Proforma	20.41	18.43
Diluted - As reported	20.19	19.55
- Proforma	19.17	17.90

Assumptions

The fair value of each share is estimated on the date of grant using the Black-Scholes model with the following assumptions:

	Year ended June 30, 2006	Year ended June 30, 2005
Dividend yield %	3.08%	4.64%
Expected term	Up to 90 months	Up to 110 months
Risk free interest rates	6.50%	6.50%
Volatility	36.35%	39.98%

The volatility of the share has been determined on the basis of Company's historical share price for the period of 3 years 6 months.

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

HCL Technologies Limited Employees Trust

During the year ended 30 June 2002, the Company established an independent trust called the HCL Technologies Limited Employees Trust ("Trust"). In accordance with the trust deed, the Trust acquires shares from the stock exchange out of funds borrowed from the Company and issue these shares to employees eligible to exercise stock option under the Employees Stock Option Plans 1999 and 2000.

The movement in the shares held by the Trust is given below:

	Year ended 30 June	
	2006	2005
Shares held at the beginning of the year	–	994,445
Add: Shares purchased during the year*	1,650	–
Less: Shares issued to employees	(1,650)	(994,445)
Shares held at the end of the year	–	–

*In terms of the Order of Chief Judicial Magistrate, Noida (U.P), the Company has received 1,650 shares for utilization for the welfare of the employees.

6. During the year ended June 30, 2000, the Company entered into software consulting and engineering service agreements with certain customers wherein these customers committed certain revenues. On achievement of the revenue and on fulfillment of the necessary conditions, shares of the Company will be transferred by the promoter shareholder. No such shares were transferred during the year ended June 30, 2005 and 2006.

7. Segment Reporting

(i) Business Segments

The operations of the Company and its subsidiaries predominately relate to providing IT services, delivered to customers located globally. Further, subsidiaries are also engaged in the business of rendering networking services including sale of networking equipment, software and business processing outsourcing services, which are in the nature of customer contact centers and technical help desks. The Chairman of the Company, who is the Chief Executive Officer, evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by types of service provided by the Company and geographic segmentation of customers.

Accordingly, revenue from service segments comprise the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers.

Revenue in relation to service segments is categorised based on items that are individually identifiable to that segment, while expenditure is categorised in relation to the associated turnover of the segment. Assets and liabilities are also identified to service segments.

(ii) Geographic Segments

Geographic segmentation is based on the location of the respective client. The principal geographical segments have been classified as America, Europe, India and others. Europe comprises business operations conducted by the Company in the United Kingdom, Sweden, Germany, Italy, Belgium, Netherlands, Northern Ireland, Finland and Switzerland. Since services provided by the Company within these European entities are subject to similar risks and returns, their operating results have been reported as one segment, namely Europe. India has been identified as a separate segment. All other customers, mainly in Japan, Australia, New Zealand, Singapore, Malaysia, Israel, South Korea and Hong Kong are included in others.

The Company is presenting only revenue for geographic segments.

(iii) Segment Accounting Policies

The accounting principles consistently used in the preparation of the financial statements and consistently applied to record revenue and expenditure in individual segments are as set out in note 1 to this schedule on significant accounting policies. The accounting policies in relation to segment accounting are as under:

a) Segment assets and liabilities

All segment assets and liabilities have been allocated to the various segments on the basis of specific identification.

Segment assets consist principally of fixed assets, sundry debtors, loans and advances, cash and bank balances, and unbilled receivables. Segment assets do not include unallocated corporate and treasury assets and net deferred tax assets and advance taxes.

Segment liabilities include sundry creditors, other liabilities, unsecured loan and secured loan in respect of leased vehicles. Segment liabilities do not include share capital, reserves and provision for income tax.

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

b) Segment revenue and expenses

Segment revenue is directly attributable to the segment and segment expenses have been allocated to various segments on the basis of specific identification. However, segment revenue does not include miscellaneous income, income from investments and other income. Segment expenses do not include premium amortized on bonds, diminution allowance in respect of current and trade investments and charge taken for stock options issued to employees.

Financial information about the business segments for the year ended June 30, 2006 is as follows:

	IT services	Business process outsourcing services	Networking services	Inter segment transactions	Total
Revenue					
- External revenue	3,413.44	655.34	502.80	-	4,571.58
- Internal revenue	-	-	2.18	(2.18)	-
Total	3,413.44	655.34	504.98	(2.18)	4,571.58
Segment results	709.76	118.69	44.47		872.92
Unallocated corporate expenses					(172.84)
Other income					109.29
Net profit before taxes					809.37
Tax expense (net of provision for earlier years written back)					55.89
Minority Interest					1.75
Net profit after taxes					751.73
Adjustment under scheme of Amalgamation (refer note 2 and 20)					61.06
					690.67
Assets					
Segment assets	1,655.53	407.92	449.07	(21.41)	2,491.11
Unallocated assets					1,605.34
Total assets					4,096.45
Liabilities					
Segment liabilities	368.66	220.40	183.75	(21.41)	751.40
Unallocated liabilities					241.41
Total liabilities					992.81
Others					
Capital expenditure (including capital work in progress)	265.04	66.09	78.71		409.84
Unallocated corporate capital expenditure					16.51
Total					426.35
Significant non-cash adjustments					
Depreciation	105.11	57.79	35.44		198.34
Unallocated corporate depreciation					4.71
Total					203.05
Provision for doubtful debts/Advances and bad debts /Advances written off	4.16	(0.13)	4.25		8.28

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

Financial information about the business segments for the year ended June 30, 2005 is as follows:

	IT services	Business process outsourcing services	Networking services	Inter segment transactions	Total
Revenue					
- External revenue	2,624.91	441.76	284.53	-	3,351.20
- Internal revenue			5.95	(5.95)	-
Total	2,624.91	441.76	290.48	(5.95)	3,351.20
Segment results	551.74	74.99	23.72	-	650.45
Unallocated corporate expenses	-	-	-	-	(54.97)
Other Income	-	-	-	-	120.03
Net profit before taxes	-	-	-	-	715.51
Tax expense	-	-	-	-	49.80
Minority Interest					46.50
Share of loss of equity investees					0.49
Net profit after taxes	-	-	-	-	618.72
Assets					
Segment assets	2,229.34	228.70	280.68	(11.77)	2,726.95
Unallocated assets	-	-	-	-	1597.90
Total assets					4,324.85
Liabilities					
Segment liabilities	442.20	155.69	131.94	(11.77)	718.06
Unallocated liabilities	-	-	-	-	164.38
Total liabilities					882.44
Others					
Capital expenditure (including capital work in progress)	202.56	83.83	42.85	-	329.24
Unallocated corporate capital expenditure	-	-	-	-	4.50
Total					333.74
Significant non-cash adjustments					
Depreciation	90.55	38.55	19.39	-	148.49
Unallocated corporate depreciation	-	-	-	-	3.09
Total					151.58
Provision for doubtful debts/Advances and bad debts /Advances written off	0.87	1.19	6.30	-	8.36

The Company has four geographic segments: America, Europe, India and Others. Revenue from the geographic segments based on domicile of the customer is as follows:

	Year ended June 30, 2006	Year ended June 30, 2005
America	2,548.92	1,988.43
Europe	1,153.56	841.64
India	491.99	238.90
Others	377.11	282.23
	4,571.58	3,351.20

Substantial portion of the total assets of the Company are in the India geography. Assets used in the Company's business have not been identified to any of the geographic segments as the assets are used interchangeably between the segments.

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

8. Related Parties

a) Related parties where control exists

Holding Company

HCL Corporation Limited, India

Others

HCL Technologies Limited Employees Trust

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

Fellow Subsidiary

HCL Peripherals Limited

Jointly Controlled Entity

NEC HCL System Technologies Limited

Key Management Personnel

Shiv Nadar-Chairman and CEO

S Raman (upto March 31, 2006)

Others (Significant influence)

HCL Technologies Limited Employees Trust

HCL Infosystems Limited

HCL Infinet Limited

c) Transactions with related parties in the normal course of business.

Particulars	Fellow subsidiaries		Jointly controlled entities		Associates		Others		Key management personnel	
	Year ended 30 June		Year ended 30 June		Year ended 30 June		Year ended 30 June		Year ended 30 June	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Sale of materials and services	–	11.17	–	–	–	–	4.98	–	–	–
Other Receipts	–	–	0.93	–	–	–	–	–	–	–
Purchase of materials and services	0.40	18.09	–	–	–	1.50	25.88	–	–	–
Payment for use of facilities	0.38	1.44	–	–	–	–	0.96	–	–	–
Loan (net of repayments)	–	–	–	–	–	–	0.03	–	–	–
Advances written off	–	–	–	–	–	–	–	6.50	–	–
Purchase of capital equipments	0.17	35.97	–	–	–	–	52.24	–	–	–
Remuneration	–	–	–	–	–	–	–	–	2.93	2.91

d) Outstanding balances

Particulars	Fellow subsidiaries		Jointly controlled entities		Associates		Others		Key management personnel	
	As at 30 June		As at 30 June		As at 30 June		As at 30 June		As at 30 June	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Debtors	–	4.07	–	–	–	–	2.63	–	–	–
Other receivables	0.19	7.89	0.98	–	–	0.39	5.23	–	–	–
Creditors	0.21	1.76	–	–	–	–	12.93	–	–	–

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

9. Leases

i) The future lease obligations in respect of assets taken on finance lease are as follows:

	Total minimum lease payments outstanding as on 30 June 2006	Interest included in minimum lease payments	Present value of minimum lease payments
Not later than one year	5.64 (5.49)	1.07 (1.27)	4.57 (4.22)
Later than one year but not later than 5 years	10.34 (11.39)	1.00 (1.53)	9.34 (9.86)
	15.98	2.07	13.91
	(16.88)	(2.80)	(14.08)

ii) The Company's significant leasing arrangements are in respect of operating leases for office space and accommodation for its employees. The aggregate lease rental expense recognized in the Profit and Loss account for the year amount to Rs. 98.31 crores (previous year Rs. 79.76 crores). Future minimum lease payments and payment profile of non cancelable operating lease are as follows:

	Year ended 30 June	
	2006	2005
Not later than one year	86.87	65.89
Later than one year and not later than 5 years	240.67	168.92
Later than five years	66.80	8.64

iii) The Company has given networking equipment to its customers on non-cancelable operating lease for a maximum period of three years. The lease rental income recognized in the Profit and Loss account for the year is Rs. 0.83 crores (previous year Rs. 0.97 crores). The future minimum lease receivables under such operating leases are as follows:

	Year ended 30 June	
	2006	2005
Not later than one year	0.85	0.53
Later than one year and not later than 5 years	0.86	0.58

iv) The Company has given networking equipments to its customers on finance lease basis. The future lease payments in respect of assets given on finance lease on or after April 1, 2001 are as follows:

	Total minimum lease payments receivable as on 30 June 2006	Interest included in minimum lease payments receivable (Unearned finance income)	Present value of minimum lease payments receivable
Not later than one year	1.98 (1.42)	0.79 (0.60)	1.19 (0.82)
Later than one year but not later than 5 years	2.35 (1.23)	0.76 (0.28)	1.59 (0.95)

10. Research and Development Expenditure

	Year ended June 30, 2006	Year ended June 30, 2005
Revenue	4.13	7.43
Capital	–	0.04
	4.13	7.47

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

11. Earnings Per Share (EPS)

The computation of earnings per share is as follows:

	Year ended June 30, 2006	Year ended June 30, 2005
Net profit as per Profit and Loss Account for computation of EPS	690.67	618.72
Weighted average number of equity shares outstanding in computation of basic EPS	321,394,480	307,564,925
Dilutive effect of stock options outstanding	20,761,377	8,981,320
Weighted average number of equity shares and equity equivalent shares outstanding in computing diluted EPS	342,155,857	316,546,245
Nominal value of equity shares (Rs.)	2	2
Earnings per equity share (Rs.)		
Basic	21.49	20.12
Diluted	20.19	19.55

12. Commitments and Contingent Liabilities

	As at June 30, 2006	As at June 30, 2005
Capital commitments		
Estimated amount of unexecuted capital contracts (net of advances)	165.77	39.28
Other commitments		
Commitment to contribute to venture capital funds over the future years	-	47.65
Commitment to contribute to a joint venture company	-	10.78
Commitment for land and building taken on lease (refer note 13(iii) of Schedule 19)	22.44	-
Contingent liabilities		
Outstanding guarantees given on behalf of various subsidiaries.	34.92	13.89
Other Guarantees	0.70	-
Outstanding letters of credit	13.84	-
Disputed Income tax	6.55	-
Disputed Sales tax	2.42	0.29
Others	0.32	-
	246.96	111.89

13. Land

- i) During the year, the Company has taken 50 acres of land at Chennai, Tamil Nadu, on leasehold basis for a period of 90 years from Electronics Corporation of Tamil Nadu (ELCOT). The lease rent payable is Re. 1 per annum over the lease period and has paid Rs. 24 crores as a refundable security deposit. The continued validity of the lease agreement is dependent on compliance with specified terms and conditions.
- ii) During the year, the Company has entered into a lease agreement with Karnataka Industrial Area Development Board (KIADB) for allotment of land against an "allotment consideration" of Rs. 8.13 crores. KIADB will sell the property to the Company during the lease period or at the end of six years or an extended time period, at a price to be fixed by them subject to performance by the Company of all the conditions specified in the agreement. The Company will pay the sale price, after adjusting the "allotment consideration" already paid, which has been recorded as capital advances, till the resolution of all the precedent conditions.
- iii) During the year, the Company has entered into a lease agreement with the lessor for lease for five years of a plot of land measuring 1.4 acres, and a building with a built-up area of 130,000 sq. ft. According to the agreement, during the 5 year period, if the lessor desires to sell the scheduled property to the Company, the Company shall be bound to purchase it at the rates mentioned in the agreement. The transaction has been recorded as a capital commitment calculated on the basis of the present value of the minimum lease payments. (refer note 12)

14. Derivative Financial Instruments

The Company enters into forward foreign exchange contracts and options where the counterparty is a bank. The forward foreign exchange contracts mature between one to thirty six months. The Company considers the risk of non performance by the counterparty as negligible. The value of forward cover contracts and options outstanding as on June 30, 2006 amounted to Rs. 2,715.97 crores (previous year Rs. 1,543.47 crores).

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

15. Joint Ventures

The Company has interest in the following jointly controlled entities:

Name of the company		Shareholding	Incorporated in
1.	HCL Answerthink, Inc.	50%	USA
2.	NEC HCL System Technologies Limited	49%	India

The aggregate amounts of assets, liabilities, income and expenditure to the extent of the interest of the Company in the above jointly controlled entities are given hereunder:

	Year ended June 30, 2006	Year ended June 30, 2005
Revenue from software services	0.65	–
Other income	0.35	–
Total	1.00	–
Personnel expenses	0.12	–
Other expenses	1.17	–
Depreciation and amortisation	0.05	–
Total	1.34	–
Profit/(loss) before tax	(0.34)	–
Provision for tax	0.01	–
Net profit/(loss) after tax	(0.35)	–

	As at June 30, 2006	As at June 30, 2005
Assets		
Fixed assets	0.61	–
Sundry debtors	1.44	0.76
Cash and bank balances	9.76	0.37
Other Current asset	0.43	–
Liabilities		
Current liabilities and provisions	1.18	0.28

Note: NEC HCL System Technologies Limited financial statements are for the period ended March 31, 2006.

16. Auditor's Remuneration

	Year ended June 30, 2006	Year ended June 30, 2005
Statutory audit	4.21	3.23
Tax audit fee	0.38	0.35
Certification	0.13	0.08
Other services	0.31	1.08
	5.03	4.74

17. Movement in Provision for Warranty

	Year ended June 30, 2006	Year ended June 30, 2005
Opening provision	2.08	1.97
Additional provision made during the year	3.38	1.75
Utilisation during the year	(2.42)	(1.64)
Closing provision	3.04	2.08

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

18. Closing balance and Maximum balances outstanding with non-scheduled banks are as follows:

Non-scheduled Banks	Closing balance		Maximum balance	
	Year ended 30 June 2006	Year ended 30 June 2005	Year ended 30 June 2006	Year ended 30 June 2005
On Current account				
ABN Amro Bank, N.V., Netherlands	0.22	0.16	0.63	0.45
ANZ Bank, Sydney	-	0.01	0.01	0.01
Australia and New Zealand Banking Group Ltd., Sydney, Australia	3.12	-	3.16	0.04
Australia and New Zealand Banking Group Ltd., Wellington, New Zealand	0.95	1.85	1.85	1.85
Banca Popolare di Sondrio, Italy	-	0.02	0.02	0.02
Bank of America, Boston, United States of America	1.45	2.05	2.54	9.17
Bank of Bermuda, Bermuda	0.36	0.16	20.70	1.59
Bank of Ireland - collection account, Belfast, Ireland	-	0.34	34.88	22.35
BOM, Canada	0.02	-	0.02	-
Bank of Ireland - payment account, Belfast, Ireland	(0.03)	0.58	9.95	19.25
Bank of Tokyo - Mitsubishi Ltd., Tokyo, Japan	4.80	2.90	8.25	5.93
Bank of Tokyo - Mitsubishi Ltd., Tokyo, Japan	3.76	0.31	3.92	1.24
Bank Brussels Lambert, Brussels, Belgium	0.14	0.27	0.53	0.52
Banque St. Generale, France	0.01	0.01	0.01	0.01
Bank Trust, New York USA	0.44	5.37	11.27	10.86
Bank of Austria, Austria	0.08	0.09	9.89	0.09
Citi Bank N.A. Singapore-SGD	0.21	0.07	0.21	0.07
Citi Bank N.A. Singapore-USD	0.24	0.34	1.86	0.34
Citi National Bank, United States of America	(0.01)	-	-	9.63
Deutsche Bank, New York, United States of America	-	-	48.23	48.23
Deutsche Bank, Singapore	1.22	0.71	2.12	2.37
Deutsche Bank, Singapore (2nd account)	0.53	-	0.58	-
Deutsche Bank, London, United Kingdom	31.13	0.17	80.97	32.76
Deutsche Bank, Delaware	37.24	26.62	37.23	26.62
Deutsche Bank, London United Kingdom, (USD)	-	(1.42)	-	2.25
Deutsche Bank, London United Kingdom, (EURO)	-	(1.03)	-	2.55
Deutsche Bank, Franco -Euro	0.04	0.03	0.15	0.03
Dresdner Bank, Frankfurt, Germany	0.66	0.23	5.28	1.22
DSL Bank, Frankfurt, Germany	2.67	1.09	7.65	1.09
Hong Kong & Shanghai Banking Corporation Limited, Hong Kong	5.96	2.05	7.65	5.08
Hong Kong & Shanghai Banking Corporation Limited, Malaysia	0.02	0.05	0.25	0.05
Hong Kong & Shanghai Banking Corporation Limited, Sydney	-	0.08	0.08	0.08
Indian Overseas Bank, Singapore, SGD Account	3.66	0.98	4.43	4.27
Indian Overseas Bank, Singapore, USD Account	0.45	0.41	0.97	0.41
Industrial and Commercial Bank, Singapore, SGD Account	0.09	0.09	2.01	1.41
Lloyds TSB, London, United Kingdom	-	0.39	0.39	22.07
Lloyds TSB, UK	3.61	1.02	13.97	3.23
PNC Bank	(0.89)	(0.51)	0.07	0.05
Public Bank Bhd, Malaysia	4.73	2.35	4.96	2.35
SBI International (Mauritius) Ltd., Mauritius	0.01	0.09	0.15	0.16
Scotia Bank, Winnipeg, Canada	-	0.01	0.02	0.01
South Shore Saving Bank, MA,USA	0.60	(0.21)	0.60	(0.21)

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

Non-scheduled Banks	Closing balance		Maximum balance	
	Year ended 30 June 2006	Year ended 30 June 2005	Year ended 30 June 2006	Year ended 30 June 2005
Skandinaviska Enskilda Banken AB, Stockholm, Sweden	2.42	0.24	2.91	0.64
Skandinaviska Enskilda Banken AB, Stockholm, Sweden (USD account)		-	1.48	0.61
Silicon Valley Bank, CA, USA, United States of America	0.51	0.90	16.41	26.51
Sumitomo Bank limited, Tokyo, Japan	0.59	0.26	2.29	2.44
Suntrust Bank	0.60	0.40	0.60	4.41
Wells Fargo Bank, CA, United States of America	1.47	3.73	24.10	27.16
Westpac	0.04	0.01	0.35	0.01
Total	113.12	53.27		
- On Deposit accounts				
Australia and New Zealand Banking Group Limited, Sydney, Australia –USD account	2.75	1.41	2.75	1.41
Australia and New Zealand Banking Group Limited, Wellington, New Zealand - Call Account	2.12	-	2.12	-
Australia and New Zealand Banking Group Limited, Sydney, Australia - Cash Management	3.29	4.35	4.35	4.35
Australia and New Zealand Banking Group Limited, Wellington, New Zealand- USD account	0.01	0.01	0.01	0.01
Australia and New Zealand Banking Group Limited, Wellington, New Zealand -Serious Saver	-	1.70	1.70	1.70
Australia and NZ Banking group Ltd, Sydney, Australia-Term deposit	0.18	-	0.18	-
HongKong & Shanghai Banking Corporation Limited, Malaysia	-	3.60	3.60	3.60
South Shore Savings Bank, MA, United States of America	-	-	-	10.76
Industrial & Commercial Bank ,Singapore	0.16	10.48	10.48	10.48
Bank of Austria	5.08	-	5.08	-
Indian Overseas Bank, Singapore, SGD Account	10.24	-	10.24	-
Bank of Ireland, Ireland	8.40	0.58	29.49	14.39
South Shore Bank	2.77	2.53	3.97	2.53
Public Bank Bhd, MA, USA	10.79	6.84	10.79	6.84
PNC Bank	14.83	17.61	17.61	17.61
St. George Bank Australia	2.82	-	2.82	-
Westpac	0.03	-	0.23	-
Total	63.47	49.11		

SCHEDULES FORMING PART OF THE ACCOUNTS

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

19. The Company and its various subsidiaries are required to comply with the local transfer pricing regulations, which are contemporaneous in nature. The Company appoints independent consultants annually for conducting a Transfer Pricing Study to determine whether transactions with associate enterprises are undertaken during the financial year on an arm's length basis. Adjustments, if any, arising from the transfer-pricing-study in the respective jurisdiction shall be accounted for as and when the study is completed for the current financial year. The management is of the opinion that its international transactions are at arm's length so that aforesaid legislation will not have any impact on the financial statements.
20. The current year figures in Profit and Loss Account includes figures of Transferor companies (refer note 2 above) for the fifteen months period from April 1, 2005 to June 30, 2006 and therefore corresponding figures of the previous year are not comparable with those of the current year.

Further, the results of the transferor companies for three months for the period April 1, 2005 to June 30, 2005 has been adjusted in the Consolidated Profit and Loss Account for the year ended June 30, 2006 and shown under "Adjustment under the scheme of amalgamation" as the results of transferor companies for three months, as aforesaid, have been considered in the previous year ending June 30, 2005, as these companies were wholly owned subsidiaries of the Company, either directly or through its step down subsidiaries.
21. Previous year figures have been re-classified/re-grouped to conform to current year's classifications.

For **HCL Technologies Limited**

Shiv Nadar
Chairman and CEO

T S R Subramanian
Director

S L Narayanan
Corporate Vice President - Finance

Manish Anand
Deputy Company Secretary

Place: Noida (UP), India

Date: August 19, 2006

Statement regarding Subsidiary Companies pursuant to Section 212 of the Companies Act, 1956

S.No.	Name of the Subsidiary Company	Financial year to which accounts relate	Holding Company's interest in the subsidiary at the end of financial year		Net aggregate amount of Subsidiary Company's Profits after deducting its losses or vice versa, so far as it concerns members of Holding Company which are not dealt with in the Company's accounts (All amounts in Rupees thousands)		Net aggregate amount of Subsidiary Company's Profits after deducting its losses or vice versa, so far as it concerns members of Holding Company which are dealt with in the Company's accounts (All amounts in Rupees thousands)	
			Shareholding (No. of shares)	Extent of holding (%)	For the year ended June 30, 2006	For previous financial years of the subsidiary since it became the Holding Company's subsidiary	For the year ended June 30, 2006	For previous financial years of the subsidiary since it became the Holding Company's subsidiary
1	HCL Bermuda Limited	30-Jun-06	113,170,582	100	(1,238,086)	(177,423)	Nil	Nil
2	HCL America Inc.	30-Jun-06	6,089,870	100	171,795	(146,946)	Nil	Nil
3	HCL Great Britain Limited	30-Jun-06	10,568,000	100	46,136	(484,045)	Nil	Nil
4	HCL Sweden AB (formerly HCL Technologies Sweden AB, Sweden)	30-Jun-06	10,000	100	(1,726)	810	Nil	Nil
5	HCL (Netherlands) BV	30-Jun-06	400	100	(2,086)	(130,045)	Nil	Nil
6	HCL GmbH (refer note 3) (formerly HCL Technologies GmbH, Germany)	30-Jun-06	3	100	(12,148)	(117,752)	Nil	Nil
7	HCL Italy SLR (formerly HCL Technologies Italy SLR, Italy)	30-Jun-06	20,000,000	100	(650)	(3,264)	Nil	Nil
8	HCL Belgium NV (formerly HCL Technologies Belgium NV, Belgium)	30-Jun-06	2,750	100	(6,005)	(8,823)	Nil	Nil
9	HCL Australia Services Pty. Limited	30-Jun-06	500,000	100	9,825	29,746	Nil	Nil
10	HCL (New Zealand) Limited	30-Jun-06	10	100	11,808	18,927	Nil	Nil
11	HCL Hong Kong SAR Limited	30-Jun-06	193,167	100	(9,308)	14,632	Nil	Nil
12	HCL Japan Limited. (formerly HCL Technologies Japan Limited, Japan)	30-Jun-06	4,400	100	8,185	(82,213)	Nil	Nil
13	HCL Holdings GmbH	31-Dec-05	6,500,000	100	245,100	3,765,034	Nil	Nil
14	HCL Venture Capital Limited	30-Jun-06	12,000	100	12,624	(9,127)	Nil	Nil
15	Intelicent India Limited	30-Jun-06	106,070	100	21,262	148,258	Nil	Nil
16	HCL Comnet Systems and Services Limited	30-Jun-06	12,793,994	99.88	442,455	729,566	42,712	2,186
17	E Serve Holding Limited	30-Jun-06	1	100	42	(1,887)	Nil	Nil
18	HCL Enterprise Solutions Limited	30-Jun-06	60,000	100	(1,673)	(1,882)	Nil	Nil
19	DSI Financial Solutions Pte Limited	30-Jun-06	10,000	100	(1,045)	2,220	Nil	Nil
20	HCL BPO Services (NI) Limited	30-Jun-06	4,444,445	100	119,397	128,899	Nil	Nil
21	HCL Technologies (Mass) Inc.	30-Jun-06	200	100	(61,001)	43,252	Nil	Nil
22	HCL Comnet Limited	30-Jun-06	949,840	99.88	87,795	92,812	Nil	Nil
23	HCL Jones LLC (formerly HCL Jones Technologies LLC, Bermuda)	30-Jun-06	1,714,000	51	(56,756)	(24,829)	60004	Nil
24	HCL Jones (Bermuda) Limited (formerly HCL Jones Technologies (Bermuda) Limited, Bermuda)	30-Jun-06	510	51	27,181	64,486	Nil	Nil
25	HCL m.a. Limited	30-Jun-06	102,000	51	2	(8,033)	Nil	Nil
26	Insys Inc, Canada	30-Jun-06	2,400,000	100	12,645	1,701	Nil	Nil

Statement regarding Subsidiary Companies pursuant to Section 212 of the Companies Act, 1956

S.No.	Name of the Subsidiary Company	Financial year to which accounts relate	Holding Company's interest in the subsidiary at the end of financial year		Net aggregate amount of Subsidiary Company's Profits after deducting its losses or vice versa, so far as it concerns members of Holding Company which are not dealt with in the Company's accounts (All amounts in Rupees thousands)		Net aggregate amount of Subsidiary Company's Profits after deducting its losses or vice versa, so far as it concerns members of Holding Company which are dealt with in the Company's accounts (All amounts in Rupees thousands)	
			Shareholding (No. of shares)	Extent of holding (%)	For the year ended June 30, 2006	For previous financial years of the subsidiary since it became the Holding Company's subsidiary	For the year ended June 30, 2006	For previous financial years of the subsidiary since it became the Holding Company's subsidiary
27	HCL Singapore Pte Limited	30-Jun-06	2,000,000	100	123,904	84,312	Nil	45,245
28	HCL (Malaysia) Sdn. Bhd (formerly HCL Technologies (Malaysia) Sdn. Bhd., Malaysia)	30-Jun-06	100,000	100	62,673	53,549	Nil	Nil
29	Infosystems (Europe) Limited	30-Jun-06	314,510	100	(563)	(11,571)	Nil	Nil
30	HCL EAI Services Inc. (formerly Aalayance Inc, United States of America)	30-Jun-06	10,935,348	58.09	(10,299)	-	Nil	Nil
31	HCL EAI Services Limited (formerly HCL EAI Services Private Limited, India)	30-Jun-06	610,003	58.09	8,602	(817)	Nil	Nil
32	Aalayance (UK) Limited	30-Jun-06	58	58.09	341	-	Nil	Nil
33	HCL Technoparks Limited	30-Jun-06	1,000,000	100	(139)	-	Nil	Nil

Notes :

- 1) In respect of the subsidiaries whose financial year do not coincide with the financial year of the Company, neither there has been change in the holding company's interest in the subsidiary nor any material transaction has occurred.
- 2) DSL GmbH merged with HCL GmbH w.e.f. July 1, 2005.

For **HCL Technologies Limited**

Shiv Nadar
Chairman and CEO

S L Narayanan
Corporate Vice President - Finance

Place: Noida (UP), India
Date: August 19, 2006

T S R Subramanian
Director

Manish Anand
Deputy Company Secretary

Statement regarding Subsidiary Companies as required by the approval granted under Section 212(8) of the Companies Act, 1956

(All amounts in Rupees thousands)

S. No.	Name of the Subsidiary Company	Share capital	Reserves	Total assets	Total liabilities	Investments (other than in subsidiaries)	Turnover	Profit before tax	Provision for tax	Profit after tax	Proposed dividend
1	HCL Bermuda Limited	5,209,242	(1,015,251)	4,275,941	81,950	-	175,623	(1,238,086)	-	(1,238,086)	-
2	HCL America Inc.[refer note (a)]	1,292,977	441,673	11,944,246	10,209,596	1,267,712	15,311,630	282,489	110,694	171,795	-
3	HCL Great Britain Limited	895,546	(164,957)	3,820,407	3,089,818	-	5,296,893	68,266	22,130	46,136	-
4	HCL Sweden AB (formerly HCL Technologies Sweden AB, Sweden)	635	(0)	114,210	113,575	-	92,875	(1,726)	-	(1,726)	-
5	HCL (Netherlands) BV	1,065	(144,652)	165,800	309,386	-	180,673	(2,086)	-	(2,086)	-
6	HCL GmbH (formerly HCL Technologies GmbH, Germany)	1,508	(124,192)	774,473	897,157	47,976	441,067	(9,290)	2,858	(12,148)	-
7	HCL Italy SLR (formerly HCL Technologies Italy SLR, Italy)	587	(4,295)	444	4,151	-	3	(650)	-	(650)	-
8	HCL Belgium NV (formerly HCL Technologies Belgium NV, Belgium)	4,001	(15,857)	55,877	67,733	-	69,891	(6,005)	-	(6,005)	-
9	HCL Australia Services Pty. Limited	17,117	45,562	245,904	183,226	-	842,596	17,118	7,294	9,825	-
10	HCL (New Zealand) Limited	1,301	29,357	71,522	40,865	-	271,483	17,880	6,072	11,808	-
11	HCL Hong Kong SAR Limited	1,111	5,724	110,139	103,304	-	213,772	(9,308)	-	(9,308)	-
12	HCL Japan Limited. (formerly HCL Technologies Japan Limited, Japan)	88,550	(76,120)	341,453	329,022	-	995,694	21,295	13,109	8,185	-
13	HCL Holdings GmbH	27,723	4,579,080	4,682,642	75,838	-	323,583	319,369	46,021	273,349	-
14	HCL Venture Capital Limited	552	2,968	3,750	230	-	59,709	12,624	-	12,624	-
15	Intelicent India Limited	1,061	169,521	172,480	1,899	165,843	31,774	29,219	7,957	21,262	-
16	HCL Comnet Systems and Services Limited	578,094	1,406,545	2,654,813	670,175	42,744	1,950,968	507,178	21,429	485,749	-
17	E Serve Holding Limited	-	(1,954)	176	2,131	-	280	42	-	42	-
18	HCL Enterprise Solutions Limited	2,762	258,682	270,001	8,556	-	0	(1,673)	-	(1,673)	-
19	DSI Financial Solutions Pte Limited	291	4,219	5,338	828	-	-	(1,045)	-	(1,045)	-
20	HCL BPO Services (NI) Limited	339,039	307,347	1,305,482	659,096	-	2,653,928	202,017	82,620	119,397	-
21	HCL Technologies (Mass) Inc.	837	(15,244)	254,497	268,905	-	564,669	(61,001)	-	(61,001)	-
22	HCL Comnet Limited	9,499	720,764	1,791,939	1,061,676	270,887	2,444,469	140,032	52,132	87,900	-
23	HCL Jones LLC (formerly HCL Jones Technologies LLC, Bermuda)	154,697	(45,137)	158,414	48,854	-	504,581	6,368	-	6,368	-
24	HCL Jones (Bermuda) Limited (formerly HCL Jones Technologies (Bermuda) Limited, Bermuda)	552	69,409	81,439	11,478	-	142,446	53,297	-	53,297	-
25	HCL m.a. Limited	169	203	373	-	-	9	5	-	5	-
26	Insys Inc, Canada	9,952	(10,002)	49	100	-	-	12,645	-	12,645	-

Statement regarding Subsidiary Companies as required by the approval granted under Section 212(8) of the Companies Act, 1956

(All amounts in Rupees thousands)

S. No.	Name of the Subsidiary Company	Share capital	Reserves	Total assets	Total liabilities	Investments (other than in subsidiaries)	Turnover	Profit before tax	Provision for tax	Profit after tax	Proposed dividend
27	HCL Singapore Pte Limited	58,207	194,929	386,721	133,585	-	901,081	139,530	15,626	123,904	-
28	HCL (Malaysia) Sdn. Bhd (formerly HCL Technologies (Malaysia) Sdn. Bhd., Malaysia)	1,254	169,419	292,014	121,342	-	393,247	63,275	602	62,673	-
29	Infosystems (Europe) Limited	26,651	(20,462)	6,189	-	-	-	(563)	-	(563)	-
30	HCL EAI Services Inc. (formerly Aalayance Inc, United State of America)	150,700	(77,379)	137,591	64,270	-	415,147	(11,010)	6,720	(17,730)	-
31	HCL EAI Services Limited (formerly HCL EAI Services Private Limited, India)	10,501	35,574	90,439	44,364	-	235,451	17,381	2,572	14,809	-
32	Aalayance (UK) Limited	8	469	2,233	1,756	-	5,434	709	123	586	-
33	HCL Technoparks Limited	10,000	(139)	160,899	151,038	-	97	(139)	-	(139)	-

Note:

- a) Share capital includes Rs. 1,012,660,000 (previous year Rs. 957,220,000) the share application money received pending allotment of shares.

For HCL Technologies Limited

Shiv Nadar
Chairman and CEO

T S R Subramanian
Director

S L Narayanan
Corporate Vice President - Finance

Manish Anand
Deputy Company Secretary

Place: Noida (UP), India

Date: August 19, 2006

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